Age, Work and Retirement in Sweden – Views, Policies and Strategies of key Actors

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An overview of Work, Pensions and Early Exit as well as State policies and Employer strategies Towards the Older Workforce

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Background Paper on the Swedish case for the ‘Millennium Project’ Conference in Tokyo November 29-30, organised by the Japan Institute of Labour

Professor Gunnar Olofsson
School of Social Science
University of Växjö
S-351 95 Växjö
Sweden

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First draft - to be revised. Comments welcome
E-mail: Gunnar.Olofsson@svi.vxu.se
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1. Introduction: The Swedish ‘Work line’

The Swedish government’s official policy during the entire post-war period has been to promote employment up to the ordinary retirement age. The central labour market organisations have supported that policy. However, the policy on the firm level has been different. Many firms have tried to influence older workers to leave early. Combinations of support from social insurance schemes, occupational insurance schemes and directly from the firms have been used to persuade older workers (and the local unions) to waive their rights to continued employment according to the seniority principle. This policy generally has had strong support at the local level.

The outcome has been a gradual decline in labour force participation even if not as great as in most other OECD-countries. The decline in labour force participation has led to more attempts from the government to influence the employment policy of the firms. The conflict of policies has become especially pronounced in the period of economic crisis in the 1990s. The government has continued and in several ways strengthened its policy to counteract early retirement. At the same time the extent of early exit has increased.

1.1. Public Policy for Older Workers

Swedish social policy is based on the work principle for people of active age. Employment is strongly preferred to cash support. For many decades, income support for those outside the labour market was low while control and means testing were strict. In the post-war period this policy partially changed. Financial compensation was increased in the period from 1960 to 1990 and covered the major part of the loss of earnings for those not able to work, and the rules of eligibility became much more lenient.

The lowering of the ordinary retirement age in 1976 from 67 to 65 was the most important formal change, but other changes have had larger impacts in practice. Most important is that it became much easier to get a disability pension since the early 1970s, especially for those 60 years or older. Since 1970, labour market and medical considerations were weighed together for older workers, and between 1972 and 1991, long-term unemployment was made a sufficient prerequisite for older workers to receive a disability pension. From 1976, it was also possible to gradually withdraw from the labour market through a special partial pension scheme.

1.2. Labour Market Programmes

New laws regulating employment security were decided by parliament in the 1970s. This development started early in the decade with special rules for giving notice to older workers, making it more difficult and expensive to lay them off. The second step was the Law on Employment Security, passed by the Swedish Parliament in 1974. According to this law, layoffs have to be motivated, the period of notice increases with seniority, and reverse seniority is the rule at layoffs. This protection for older workers remains in effect up to 67 years, but has by collective agreement been lowered to 65 (for blue-collar workers with the decrease in ordinary retirement age from 67 to 65 in 1976). The reverse seniority may
also be changed by agreement with the trade union. This law has strengthened the bargaining position of older workers. The employers have to pay workers extra pensions and severance pay to persuade unions to accept changes in the seniority rules.

In the Swedish model for full employment, labour market policy has a central role and is of more importance than the legal regulation of the labour market. According to the model, it enables the labour market to function better and facilitates the employment of persons with problems in the labour market. Beside the labour exchange and mobility allowances, the labour market programmes may be divided into four broad categories: labour market training, public relief work, youth employment programmes and disability programmes. While all of the labour market programmes, except for those aimed at the youth labour force, are open to older workers, they are not meant exclusively for them.

Not surprisingly, older workers are quite underrepresented in labour market training. The older workers’ share of the participants in public relief work (beredskapsarbeten) is also lower than their shares of the labour force.

Since September 1991 disability pensions are no longer granted for labour market reasons only. The disappearance of disability pensions for labour market reasons may be counteracted by disability pensioning for combined medical and labour market reasons.

The main orientation of the labour market policy changed in the 1980s from public relief work (with many older participants) to labour market training (with few older participants). In the 1990s different forms of public relief works have expanded and resulted in greater participation by older workers in labour market programmes.

In 1991 legal changes were made to further the rehabilitation of employees who are long-term sick. The rules in force from 1992 oblige the employers to make a rehabilitation examination for employees who have been sick-listed for more than four weeks, who have had many short spells of illness, or who themselves demand an investigation. The examination is to be reported to the social insurance society within a defined time limit. The social insurance society has to make an assessment and also a rehabilitation plan. When an employee takes part in rehabilitation measures he or she receives rehabilitation cash benefits which are higher than sickness cash benefits.

2. The policy context of Age and Work in Sweden today

2.1. Demographic changes

Let us first consider the demographic situation in Sweden and the size and proportions of key age-groups in Sweden (above 65, between 20-64, below 20)
Table 1. Age composition of the Labour force 1985-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Age</th>
<th>1985</th>
<th>1999</th>
<th>2015</th>
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<tr>
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</table>

Source: Socialförsäkringsboken 2001

Table 2. The proportion of major age groups in the Swedish Population 2000-2050. Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age Age Age</td>
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<tr>
<td></td>
<td>0-19 20-64 65+</td>
<td>0-19 20-64 65+</td>
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<tr>
<td>2000</td>
<td>23.2% 57.2% 19.6%</td>
<td>25.0% 60.2% 14.8%</td>
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<tr>
<td>2005</td>
<td>22.9% 57.5% 19.6%</td>
<td>24.6% 60.2% 15.2%</td>
</tr>
<tr>
<td>2010</td>
<td>21.9% 57.3% 20.8%</td>
<td>23.4% 59.6% 16.9%</td>
</tr>
<tr>
<td>2020</td>
<td>21.4% 55.3% 23.3%</td>
<td>22.9% 57.0% 20.0%</td>
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<tr>
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<tr>
<td>2040</td>
<td>20.9% 52.6% 26.5%</td>
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<tr>
<td>2050</td>
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<td>22.5% 54.9% 22.6%</td>
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</table>

Source: Statistics Sweden

The proportion and absolute size of the population in working age 20-65 is diminishing in the long run. The labour force is also slowly ageing. This ongoing and foreseeable demographic shift is an important background for the vast and very basic reforms of the whole system of public pensions in Sweden as well as the long-term pressure on old age care.

2.2 Changes in employment rates and labour force participation rates

Sweden experienced a dramatic shakeout of the older workforce in the first half of the 1990s as part of the economic crisis 1991-93. The labour force participation rates and, even more pronounced, the employment rates for the older workforce sank dramatically. However, when the Swedish economy recovered in the latter half of the 1990s the employment rates for the older workers, both for men and women, did not return to the former rather high levels.

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Source: Labour Force Statistics (unpublished tables)

2.3. The Falling Employment Rates as an Economic and Political Problem in Sweden

Today the relatively low employment rates in the older workforce are regarded a major social and economic problem in Swedish society in three ways.

First, it is seen as a cost problem. Unemployment insurance and other kinds of social insurance schemes for those that retired too early are expensive and regarded as a heavy burden (i.e. cost) on society.

Secondly it is seen as a problem of changing norms. The Swedish labour market and social policy regime is built around the ‘work line’, the axis around which economic growth as well as the character of welfare provision is constructed. A long period of falling employment rates in the older workforce can lead - and is already being seen as having led to - a change in the perception of the normal retirement age, that is the expected effective retirement age.

The average effective retirement age in Sweden is judged to be around 61 years (although many experts argue for a figure of 59 years). A recent poll among the 45-60 age group showed that a clear
majority in this group wanted to retire at 60-61 years (SIFO 2000) This normative change is regarded as problematic and potentially dangerous since it will influence the behaviour of the older workforce as well as the attitudes of the employers towards ageing workers.

Thirdly, it is increasingly seen as a problem for the economic growth in Sweden. Long-term economic forecasts envisage a growth in the labour force in Sweden, which for demographic reasons have to take the form of increasing employment rates among the older workforce. This long-term bottleneck problem in the Swedish economy gives rise to proposals to change the pension systems (the public as well as occupational systems), and to make entry into the disability pension schemes more difficult. A series of measures is proposed to make it more difficult for older workers to enter the different social insurance schemes, i.e. those schemes that make early exit possible.

2.4 From problems to policies

In the ongoing public discussion in Sweden these three dimensions of the older workforce dilemma can be seen in the following key areas of discussion and contention:

- changes in the public regulation of pensions, sickness insurance, and unemployment insurance by closing or tightening the exit paths as much as possible, encouraging and forcing the older workforce to accept the implications of the ‘work line’. This is already set in motion in quite a firm way.

- encouraging changes in the conditions of work. This takes two major forms. One is a move to increase flexibility of work conditions, e.g. in terms of flexible working hours, part-time work etc the key instrument for this strategy, part-time pension, has however been abolished. The other form is to encourage employers to develop “learning organisations”, that is to make competence development or at least competence maintenance part of the normal design of the work organisations. Public policy can support this development by encouraging competence development. Recently, tax-subsidised individual competence accounts have been decided upon,

- finally, changing attitudes towards older workers. Negative images exist in many contexts. However, the most important actors are those that decide about hiring and firing, that is employers in the private and public sector. Changing the attitudes among personnel departments, educational institutions, and labour market agencies is also seen as important.

3. Ageing and Work in Sweden: the experience of the 1990s and the situation today

3.1 Ageing and work in the Swedish policy debate today

In the first years of the new Millennium the theme of the ageing and older workforce has become increasingly central in the socio-economic and political discussion in Sweden. The following themes and problems have been focussed:
In the recently released new version of the recurrent “Long-term economic planning commission” (‘Långtidsutredningen’), the ageing population and hence the increasing needs for care and pensions and thus the need for a larger workforce were singled out as crucial for the economic development in Sweden.

There has been a growing concern about the rise in Long-term sickness absence in the labour force (the costs it generates as well as the welfare problems it signifies)

The transition to the new scheme of public pensions has highlighted the need for a longer working life for Swedish wage earners if their future pensions should provide a decent living standard. For most Swedes the new pension system makes it necessary to remain in the labour market up till at least 65 years.

Political initiatives are being launched to postpone the de facto mandatory retirement from 65 to 67 years. This is suggested by the government, supported by industry and the academic and professional unions but is met with resistance from LO (the manual workers Confederation). It is widely acknowledged that the de facto average retirement age is now around 60 years. However, polls among employers’ show that support for this change is low on the firm and company level (SIFO 2000 as well as data shown below)

In the political arena the Green Party and the Left Party, as well as from within sections of the Social democratic party demand shorter working hours. These demands are set against the need to prolong the active working life to support the rising costs of the pension and care systems, as well as the welfare system in general.

Recently a new Commission on Old age policy (Äldreprojektet) has been set up. It has a very broad representation of interests (the political parties, the social partners etc). A series of public hearings has begun. This commission aims at starting a broad discussion in Sweden about all aspects of old age, including the fate of the older workforce. The work of this commission is planned to go on until 2004.

Thus, the early exit problem and the need to reverse the early retirement trend have for the first time become a central political and social theme in Sweden.

3.2. The development in the effective retirement patterns during the 1990s.

The labour force participation rates for the older age groups declined rapidly during the deep crisis in the Swedish economy (1991-1993). Since the mid 1990s this trend has been reversed, but only partially. The early exit trend has not been reversed for the older age groups. The exit patterns from the crisis years have been stabilised. Table 3 and 4 above show the sharp decline in the first half of the 1990s but also that this decline continued after the crisis. and into the present notably good economic development in Sweden.

If we look in more detail into the 60-64 age group we can find the following pattern for the years 1999 and 2000.

Table 5. Labour force participation for the 60-64 age group. Year 2000
Table 6. Employment, unemployment and non-activity Among the age group 55-64 in 1999

<table>
<thead>
<tr>
<th>Age</th>
<th>Employment rate</th>
<th>Unemployment rate</th>
<th>Outside the labour force</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
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<td>37,4</td>
<td>22,1</td>
<td>2,7</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey 1999

The early exit trends in Sweden thus show that the decline in employment rates that began in the crisis period in the early 1990s have stabilised. The employment rates marginally reversed for the younger groups in the older workforce but continued to decline for those above 60, and esp. among those close to the retirement age of 65.

4. An Overview of the Swedish pension system

I will present a broad overview of the Swedish pension system, which is a mix of three major building blocks. I will also discuss the major changes in the principles and institutional logic of the system that have occurred during the last few years. Finally I will discuss the consequences of the shifts and changes that have occurred in the Swedish pension system.

What does the Swedish pension regime taken as a whole look like? The Swedish pension system has for a long period been built around three different building blocks. The first, basic system is the tax-financed, public pension system. The second system is the earnings related secondary public pension system. The third tier is the occupational pensions systems. To this we can add the private pension industry with the tax-subsidised individual pension insurance. A major change has occurred in the mid 1990s in the public pension scheme - the shift from defined benefits to defined contributions. At the same time there is a greater weight for funded pensions schemes.

4.1. The structure of public pension scheme
The basic pension is the state-organised and tax-financed pension system directed to Swedish citizens and/or those that have been living in Sweden for a minimum of three years. This pension system constitutes the basic foundation for supporting the elderly in Sweden. Its main, rights-based principle goes back to the mid 1940s. The pension benefits of this system are regulated by a cost-of-living-index. All citizens are entitled to this pension. Over 80% of all those receiving a pension in Sweden today will also have pensions from the public earnings-related pensions system.

Those that do not have any or just a low supplementary pension will get an additional pension benefit. The effective minimum amount is about 50,000 a year, i.e. 4000 SEK a month for a single person. The additional benefit accounts for about 15,000 a year. All extra pension incomes are fully deducted from the pension supplement, i.e. there is a strong marginal effect for those with rather low pensions.

*The public secondary pension system: income-related system*

About 60% of all public pension benefits paid to Swedish retired people’ flow from the earnings-related labour market pension system (ATP). The people’s pensions represent about 40%. The publicly organised supplementary system, the ATP (the general supplementary pension system) grew out the economic and political considerations in the late 1950’s and started to function in 1960. It served as a model and reference case for the pension reforms that came in Norway and Finland at a later stage.

The contributions in this system have mainly been paid by the employers, today amounting to 13% of the wage sum. Full benefits presuppose a contribution period of 30 years. The earnings determine the level of benefits during the 15 best years.

Over the years contributions from the employers have accumulated into large funds. The ATP funds were from the beginning planned to be transitory. They have served the purpose of counteracting a drop in savings as well as balancing the expected rise in expenditures when the system reached maturity.

The pension benefits were originally pegged to the consumer price index and the ATP system is a defined benefits system. This was changed very recently – today the pensions are dependent on income indexes, not price indexes.

4.2 *The new unified public pension system in Sweden*

The structure of the public pension system changed radically in the late 1990s (beginning from 1998). This transformation was supported by a broad political coalition, including the Conservative, liberal, centre and Social democratic parties. (The Green party and the Left Party were not included.)

The main feature of the new public pension system is that pension benefits in Sweden in principle will be based on the total life incomes of the individuals. The guaranteed basic level of income for the 65+ is redefined into a residual system. This guarantees a minimum of pension benefits on broadly the same level as today. The phasing out rules for this guarantee pension will not be 100% (as it is for the additional pension benefit of today) but 75%.
The new system is constructed to be financially stable and robust. It is based on contributions, reaching 16% of the incomes. The pension benefits from this new system will be linked not to a consumer price index but to a growth index. The new pension scheme will be phased in over a period of 20 years.

There is still discussion how much that should be paid in the form of employer contributions and how much that each individual should pay as a National Insurance fee. What has been decided is that 2% of the contributions to the pension system shall be directed to personal pension accounts. Individuals are expected to choose a pension fund to administer their personal account.

For the purposes and theme of this conference I will emphasise these aspects:

- the decreasing importance of the defined benefits aspect,
- the increasingly tight link between a person's life earnings and the pension benefit level
- the expanded role for individual pension fund accounts and the institutional links to the private pension industry that this implies
- The overall level of pension benefits will decrease for many groups and categories, e.g. those with short or irregular work careers. This aspect of the new pension system will increase the role of the occupational as well as the private pension schemes. These effects have already been noted by the pension industry, when marketing private pension insurance.

The major occupational pension schemes

The third layer in the Swedish pension regime consists of the employer or employer/employee-run occupational pension schemes. These pension systems, their administration, funds as well as benefits are part of the wage and salary agreements between employers and employees.

In Sweden these systems fulfil a couple of different functions in relation to the public pension systems:

- they add a further 10% of income compensation to the pension recipients.
- they add substantial amounts of pension benefits for those in the higher income brackets that are not covered within the public earnings-related system (ATP and its successor).
- they take into account the latter part of work life career to higher degree than the ATP scheme, basing the benefits on the earnings in the latter years of the work career.

There are four major schemes, representing the social and institutional cleavages in Sweden. There are two major systems in the private and two in the public sphere.

Occupational pension schemes in the public sector

The oldest, institutionally simplest and most generous system is that which covers the employees of the state. This system has the following characteristics:

- pensions are paid from the states current income, i.e. pensions are non-funded
• the pension benefits are basically determined by the income of the last years
• and the pension benefit is defined as a specific percentage of the income in the last years of employment.

The major part of public employment today, however falls within local government (local authorities as well as counties). (For non-Scandinavians it may be worth pointing out that health care is the responsibility of counties). Traditionally local government has financed pensions from their current income. This system is somewhat less generous than that of the State. Negotiations are going on between the unions in the local government sector and the Association of Local Authorities and Association of the Counties regarding the future character of this pension system.

Among the larger cities and other local authorities there is a tendency to reserve some money for future pension costs, in the form of internal pension funds. The counties want a system of “virtual”, not real funds. Future pension benefits are to be calculated within the counties themselves and technically reserved.

In the public sector the pension systems include all employees, manual workers as well as white-collar groups and management. In the private sector, however, we find a major difference between the occupational pension schemes for workers and white-collar employees.

**Occupational pension scheme for white-collar employees in the private sector**

The pension system for white-collar employees in the private sector is a funded system, which at the same time operates with defined benefits, based on the earnings in the last years of the work career. The major part of contributions from the employers goes to finance the defined benefits:

• a 10 percent extra pension income for those who have pensions below the upper limits of the ATP public superannuation scheme
• for the higher income groups this system offer substantial benefits; employees having incomes over 270,000 SEK up to 750,000 SEK will get about 65% in pension.

This occupational pension scheme can be administered and funded in two different ways. The majority of the white-collar employees are having their pension organised through an employer/employee-administered pension fund. But many of the larger Swedish firms keep the pension contributions as working capital within the firms; these large amounts are earmarked, monitored and re-insured in a specific pension institute. Here there is a parallel to what is developing within the local government sector.

The funds run by the employer/employee co-sponsored pension scheme are quite large. This large system is also now changing into a defined contribution scheme over time.

A further, recently introduced part of the white-collar employee pension scheme has another character, explicitly based on the defined contribution model. Financed by a contribution of 2% of the salary, each employee may choose which pension fund or insurance company that they entrust the administration of “their” fund. This part of the scheme is the model along which one of the new elements
of the new public pension system has been organised. It is also the model for a part of the reorganised scheme for the manual workers.

**Occupational pensions for Manual Workers in the Private Sector**

The occupational pension scheme for the manual workers has recently been reorganised. From now on it will be organised as a fully funded scheme, with rapidly growing funds. The larger part of this pension scheme will be based on the “guaranteed growth” in the level of benefits. Another part of the scheme is based on the defined contribution model. Each worker is expected to choose an insurance company or pension fund to administer “his/her” account.

In 1996 the funds within the manual workers occupational pensions scheme (STP) reached 115 billions. According to sources in the Swedish TUC the funds in the occupational pensions scheme for workers will grow and reach 300-400 billions in 10-15 years. Of the yearly contributions 2-3 billions a year (based on a contribution of 2% of the wage sum) are going to the individually managed pension accounts.

Thus, the two major occupational schemes in the private sector are based on pension funds - in fact very large and important funds.

**The private pension industry**

Finally we should mention the role and importance of the “private pensions industry”. This industry plays a role corresponding to the occupational pensions schemes for the self-employed as well as for employers, by organising pension insurance that add pension benefits over and above the public systems. This is especially important for those with high incomes.

However, many citizens, esp. those in higher income groups have private pension insurance, on top of the public and occupational systems. The premiums are tax deductible to a certain degree; i.e. we have an example of the fiscal welfare system.

**4.3. New rules for the retirement age.**

During the 1990s there was an ongoing discussion in Sweden about the necessity to raise the age limit for entry into the public old-age pension scheme. This suggestion was sometimes openly debated, sometimes present as a subdued and muted melody in the background of the public discussion.

This theme, i.e. raising the age limit for obtaining public pension benefits, was part of the “welfare state crisis” debate and the dilemmas that the demographic changes in the population laid at the door of the pension schemes. The main result was a major overhaul of the Swedish pension system introduced during the 1990s.

**Adjusting the age limits within the public pension scheme**
The public pension schemes in Sweden, as well as the occupational pension schemes based on collective agreements, have had an effective age limit at 65. It was technically possible to retire earlier than 65 but if you retired before the age of 65, the pension benefit was reduced.

Today, if you retire before 65 years, the total public pension (basic pension and the ATP scheme) is reduced by 0.5% for each month. If you postpone your retirement, the pension increases by 0.7% for each month. It is now possible to retire between 61 and 70 years of age. Age at retirement has a large impact on the level of pension.

Table 7. Age at retirement and size of public pensions

<table>
<thead>
<tr>
<th>Age at retirement</th>
<th>61</th>
<th>65</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of “normal” pension A person receives ( % )</td>
<td>76</td>
<td>100</td>
<td>142</td>
</tr>
</tbody>
</table>


Within the Swedish pension scheme that was in operation before the mid 1990s very few persons used any of these two options. A series of instrument, policies and pension packages were developed to cover the interim period between the age of 65 and the effective retirement age for those who left the labour market before 65. (Here we refer to the available analyses in Wadensjö 1991, Olofsson & Petersson 1994)

A longstanding theme in the Swedish pension debate has been the issue of how to increase the space for a higher degree of individual choice over the age of effective retirement, especially for postponing retirement beyond the age of 65. Even if the pension schemes technically and formally made it possible to remain in your job after 65, rules in the collective agreements between employers – private as well as public, and wage earners - workers, employees, as well as professionals - made that impossible in practice. The number of employees continuing to work in their job or profession, and with the same employer, was extremely few.

The effective coalition of interests that did not want to open the space for individual choice in this matter was in fact rather broad. Investigations made in the late 1980s showed that manual workers were strongly against a relaxation of the effective retirement age. Quite a few members of the professional and academic unions had a more positive view and those in white-collar were somewhere in between (SOU 1989). Among the employers there was a division between the representatives of the employer’s organisation that argued for individual choice in this matter as a matter of principle. In practice, e.g. among managers of heads of personnel offices in larger firms, there was a widespread resistance to these suggestions. When doing fieldwork for an earlier project we asked a number of managers and personnel officers about their views on raising the standard retirement age from 65 to 67 for everyone. There was a general resistance to this suggestion. They had great difficulties in keeping many of their employees in their jobs until they became 65 – this is also evident from the data on the employment activity rates in the Labour Force surveys. The typical reaction was “We can’t even keep them until they are 65. This policy would cause a lot of problems and costs for us”.

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For their own firms and with regard to their own personnel, each and every manager said that they could not see anything positive in the suggested policy to raise the retirement age to 67. (This is based on interviews and meetings with managers and personnel officers being interviewed in four different research projects between 1993-98)

In May 2001 the Swedish parliament passed a new law on retirement age. The law made it possible, but not necessary, for an employee to remain in her/his job until the age of 67. The new law stipulates that future collective agreements cannot include any rules forcing someone to retire at 65. This law will be valid for all new collective agreements that employers and unions will agree upon after September 1st 2001. For already existing collective agreements this new rule will not be applied until they are terminated. But in any case the new rule will be generally valid for the whole Swedish labour market from January 1st 2003.

The laws on employment protection (rules for notification of job termination, dismissal etc) were adjusted to the new age limit of 67 – that is the age span of employment protection were broadened. (Cf. The decision in the Labour Market committee in the Swedish Parliament, 2000/01:AU10.)

This law was passed in Parliament against the opposition of all the major partners on the Swedish labour market. This is very remarkable in the Swedish policy context.

This new law should be seen in the context of the new pension scheme in Sweden, which will gradually replace the old ATP system. A key feature in the old ATP system was that the level of the pension was decided by the interplay of two factors.

a) the number of years needed to qualify for a full pension was set at 30 years
b) the level of the pension was based on the level of income reached during the best 15 years of the 30 years needed.

Within the new pension system there is no fixed retirement age, nor a fixed number of years needed for a “full pension”. The concept of a “full pension” has been abolished. The new guiding formula for the Swedish pension system is that the more years you are gainfully employed and the more you earn, the higher will your pension become.

The adjustment of rules regulating the retirement age in the Swedish labour market should be seen as a feature in the reorganisation of the pension scheme. The new rule is strongly marked by considerations of economic incentives. This new kind of flexibility will make it possible for those who are able to and willing to work beyond the age of 65 to influence the level of their future pension income, by their own individual choice.

4.4 Concluding comments

During a short period in the mid 1990s the Swedish pension regime has changed dramatically in its basic principles and institutional structure, even though the actual pension benefits that are being paid have as yet only been modified slightly.

There is a shift from the defined benefit to either the defined contribution or the guaranteed growth
model in determining the benefit level. (Cf. the new public pension scheme, and some of the larger occupational pension schemes.)

The link between the total lifetime earnings and the level of pension benefits in old age has become more direct. This means that there is less of redistribution within the pension schemes. This feature is being argued by economists and politicians as having beneficial effects for the “incentive structure”.

There is an increasing emphasis on the personal pension account where the individuals will have to think about investment decision influencing the value of their future pensions. This is seen as an educational - some would even say ideological - device, forcing or making it possible for all with an income from their work to cast themselves in the role of an investment fund manager for part of their own pensions. This new institutional embedding of the pension system differs from the perspective that have shaped the traditional view of pensions and social security as based on citizenship rights and as being part of policies aiming at nation-building or social integration. The effects of this change of perspective will take time to materialise.

New pension systems, based on the individual responsibility as well as an insurance-based system of the defined contribution type, but with no tax-financed guarantee pension at the bottom, are now being introduced in some of the post-communist countries. There are interesting but controversial arguments among influential economists on the reshaping of pension and social security systems, not least within the World Bank (cf. Averting the Old Age Crisis 1994).

There is a need to discuss the wider social impact of the changing pension regimes. What are the effects when the logic of pension systems shifts from the perspective of social and national integration to a “pure pension market” logic?

5. Existing Age-barriers in Sweden

Let me begin with an overview and a brief summary of those aspects of the Swedish policy regime that act as barriers for the employment prospects of older age groups. There are several formal and de facto age barriers functioning in the Swedish labour market and in Swedish society.

5.1. Age barriers in Education and Training schemes

With regard to education and vocational training as well as access to support for competence maintenance there is

- an age limit at 45 years for obtaining full state loans for education on the post-secondary level (universities and university colleges)
- a 55 year age limit to get financial support for the general program for education on a more basic level (the KOMVUX system)
- a clear age limit well below 55 years in the access to labour market training programs arranged and
paid by the labour market authorities. The local employment offices labour market training programs are shifted to young and middle age groups; this has become more marked after the mid 1990’s, esp. after Jan 1st 1999.
- within firms the training and skill development of the employees is focussed on the young and middle age groups (although less so in Sweden than in other OECD countries)

**Stricter and lower age barriers for adult education, retraining and competence renewal in Sweden**

Vocational training and especially vocational retraining have long been a key aspect of Swedish labour market policy. The programs and schemes for adult education within the education policy orchestrated by the local authorities have for long time had a considerable scope. The vocational training in the labour market program have been financed by a combination of (mostly) grants and loans. Adult education in the programs run by local authorities as well as further education in universities and university colleges have been made possible buy state-regulated and state-funded “study loans”.

Financial considerations on part of the state have led to restrictions of the access to these loans. Here the focus will be on new rules and regulations regarding the study loans relating to age.

The different kinds of loans and support for adult education and loans for studying at the university level – in Sweden as well as abroad - have been brought together in a unified scheme, beginning to operate on July 1st 2001 (cf. “Studiemedelsguiden” CSN 2001).

**Lifelong learning and new age barriers for studies**

One important aspect of the new educational strategies developed during the 1990s was the program “Kunskapslyftet”, a quite massive program set in motion to encourage and to support those with a low formal education to upgrade their knowledge. Many middle aged and older workers had only 7 or 8 years in school. In the “Knowledge-Raising” program they could get economic support to complete and upgrade their formal education up to the high school level. The Swedish parliament decided to bring all forms of supports and grants for further education into a unified system of study loans and grants. Large groups of persons over the age of 50 years had earlier been eligible for a “Special education grant” which made it possible for them to take part in further education and training. The possibility to take up their studies was in practice closed for those with a low formal education.

Within the Swedish system for support of education and training the age-barriers for access to study loans and grants have become stricter. This change contrasts sharply with the political and rhetorical emphasis on life-long learning. More precisely we may conclude that support for further education will be shifted to the young and the middle-aged segment of the work force.

**Raising and lowering the Age Limits in the new System of Study Financing**

On the one hand, the age limit for access to the loan system was raised from 45 to 50 years. On the other hand the amount of the maximum number of weeks of study for which you could get a loan decreased
with age. At 41 you can still get loan for a five-year program, at 45 for three years and the decreasing until zero at 50 years of age.

5.2. Older workers in the Labour market policy Programs

The way the local employment offices operate and the criteria by which their efficiency is judged are that the training programs and job placements should lead to jobs. Thus those unemployed workers that have the best labour market prospects are given more attention and support. Many investigations and research reports have shown that this does in practice exclude the older workforce. (Lindborg 1999, Wadensjö 2000)

The goal of the local employment office in their implementation of the labour market policy is now clearly to service the employers with what they want. Less emphasis is put on efforts to further the employment situation for specifically targeted groups. To the extent that there are targeted groups, they are the young unemployed, immigrants and refugees, handicapped and disabled groups. Long-term unemployed is also a targeted group but within this group the younger age groups are targeted.

Since January 1999 the labour exchanges have to implement new rules, making employment of young people a first priority. This has put the older age-groups back in the queue for jobs, training, and for attention (counselling etc).

5.3. General policies versus targeted groups

This reorientation fits in with a trend towards a labour market policy that is shifted towards general policies rather than to further the chances of specific groups. There is also a shift on the public rhetorical level away from policies aimed at specific, discriminated groups in need (due to racism, sexism, and ageism) to an emphasis of the positive aspects of “diversity”. “Diversity” is also a key concept used by the Employers federation in linking the handling of marginal, problematic or even discriminated groups to the perspective of management and firms (“a good mix for the firm”).

5.4. A larger role for the Firm-specific Rationality Calculus

In Sweden, the firm-specific economic calculus now operates on a wider scale than before and is applied with a greater confidence and legitimacy, and is met with less inhibiting restrictions in terms of rules and regulations. The typical Swedish policy formula of the late 1980s and early 1990’s was to shift the social responsibility, as well as the costs, for rehabilitation of sick and ageing workers back into the firms (a strategy which was defined as “internalisation” in Olofsson-Petersson 1994). This strategy has largely been stalled.

With regard to older workers the firm-internal calculus leads to less investment in training for older workers - since this is not economically rational. Among firms the attitudes among those with responsibility for recruitment etc corresponds in general to the practices of not hiring older workers and
the effort to find ways to shift them into the pension systems. (Cf. surveys by Forsberg-Olofsson-Petersson, AMS etc). Cf. Appendix 1 for some data.

However, some firms do hire older workers, for good business reasons, mainly in the white-collar and professional field. A local savings bank and an investment firm are the two well-known cases in Sweden. But there is no wish in general to employ older people (above 45-50 years of age), as is shown in polls among employers. The ‘business case’ for hiring older workers plays a marginal role in Sweden, compared with other European countries.

5.5 Sweden’s attitudes towards the EU new framework Directive

Sweden has accepted the EU directive on ageism, racism and sexism. But this directive has not been translated into specific policies regarding ageism in the Swedish case. There is a broad acceptance in Swedish society about the values of "diversity", but there is a general resistance to introduce new specific legislation for protecting the older workforce. Instead there is, as was noted above, a policy change in the direction of making the protection of older workers less strict.

The Swedish labour market and social policies are generally couched in more general terms. They are for example directed against all forms of discrimination - racism, sexism, and ageism. In the case of racism and sexism Sweden has been created new specific laws and new administrative bodies to handle these issues, such as tow "Ombudsman" institutions. We have a "JÄMO" for gender equality and an Ombudsman to handle Discrimination.

Ageism is not handled in the same specific way, but covered by more general policies and other kinds of initiatives, such as the setting up of commissions and projects on Old Age. The new policies developed to increase the participation of the older workforce operate through economic incentives. A prime example here is the reshaping of the pension system and the new law passed in Parliament, forbidding mandatory retirement at 65 in the collective agreements. Both these cases have been are analysed elsewhere in the paper.

6. Recent changes in institutions, public policies and practices

Some aspects in the Swedish policy regime have experienced rather marginal changes during the 1990s, while others have changed dramatically. Below some of the changes are listed. [For a comprehensive overview of the ageing worker and early exit problem in Sweden in the early 1990’s, see the accounts in Wadensjö 1991 and Olofsson-Petersson 1994). ]

In the last couple of years major changes have occurred in key social policies, which have a direct impact on or that will influence the way the older workers are linked to the labour market.
6.1 Changes in the public pension scheme

The public pension system in Sweden has been thoroughly reshaped in the late 1990’s. The main change is that the new system makes the pensions dependent on all the years individuals have been working and the total sum of wages and salaries they have earned over all the active years. In the earlier system it was enough to work 30 years and the level of pensions was based on the 15 best years. The new system is being gradually implemented.

All born after 1954 will be wholly included in the new system. Those born 1938 will get 4/20 of their pension from the new system and the rest from old. Thus all that are 62 or younger will increasingly become more dependent on the new system. From the older worker and early exit perspective the key aspect of the new system are the implicit demands for a longer work life that is built into the new pension system. This is a new institutional embedding of the Swedish work line (as many as possible in work, work as much as possible, work as long as possible).

6.2 The part-time pension scheme is abolished

The part-time pension scheme has been abolished (effectively closed from 2000). The part-time pension scheme could be interpreted in at least two ways. It could be seen as way out from work or as a mechanism for keeping a link to the labour market.

Since the early 1990’s the replacement rate was only 55%, and the first point of entry was at 61 years. Furthermore it was only possible to get a part-time pension for 10 hours a week (that is at a maximum 25% of the normal workweek). Earlier the replacement rate was 65%. This scheme is closed for new entrants as from 2000. In the years 1992-94 there was about 50,000 persons covered by the part-time pension scheme. This year only around 7,000 persons still have part-time pension.

6.3 The labour market component in the disability pension scheme.

There has also occurred a small reduction of the numbers of older workers in the disability pension scheme. Up till the early 1990s it was possible to qualify for this scheme from purely labour market reasons, that is if you were 60 years and above. Now, the entry into this scheme is once more regulated by, at least in theory, purely medical reasons.

There is however, an unofficial limit in the disability pension scheme that opens up the exit path of “specific and unspecified reasons” for those over 63 years of age. Here the medical causes for granting the pension are interpreted less stringent than the law formally says.

However, the Labour Market Board has calculated that the number of persons with a disability pension will increase due to the increasing size of the older age groups in the coming decade. If the age-
specific disability pension rates from 1995 apply for coming years the numbers of those getting a disability pension will increase with about 35,000 in the 55-65 group. The effects will be even stronger in 2005 and 2010, leading to 60-70,000 more persons in these schemes.

6.4 Employment protection

The employment protection of older workers is in principle still in force. However, it is rather common that trade unions use this legal position of strength to obtain a “trade-off”. Unions often accept a retirement package for older workers (as the “price” as well as something good in itself) in order to save the employment of some young or middle-aged workers (a goal).

From January 1997 it became easier to employ persons for a specified period, persons that are not being covered by the standard employment security rules. At the same it became more difficult for employers to have persons employed as long term substitutes.

Employment security changed from being defined by the age of the employee to the length of employment. In principle this should lower the entrance threshold for older workers in new jobs. Those who are employed part-time have a priority to get full-time jobs with the same employer.

6.5 The unemployment benefit.

The unemployment insurance continues as before but the benefits have been cut dramatically, from 90% of the wage level to a compensation rate of only 75%. Later a raise to a compensation rate of 80% occurred.

6.6 The role of existing occupational and sectoral retirement schemes

In 1996 quite a few persons in the 60-64 age group had left the labour force because they had already got an age-related pension. Some occupations in the public sector have a retirement age at 63 or for a few occupations even at 60. In the latter half of the 1990’s these schemes accounted for an early exit population of more than 50,000 persons, that is, more than 10% of the age groups 60-64 (and esp. prevalent in the 63-64 category)

In the banking sector we find in many cases a generalised age-specific exit policy. In the largest Swedish commercial bank (SE-Banken) there are very few employed in the age category above 57 years. This bank has organised a rather generous exit early retirement scheme as well as a policy to support the exit of younger persons, whose training and further education are being supported financially.

Within the metal sector and more generally the industrial sector many older workers are pen-
sioned away from their jobs by the help of sectoral pension schemes as well as company trade-offs. Here the exit pattern is more dependent on the firm, its resources and the character of sectoral pension schemes.

Few exact and reliable data exist on the importance of these firm-specific or sector-specific buy-outs and the early retirement schemes in the public sector. However, the pattern is rather widespread, as the employment rate statistics indirectly for the 60-65 age group bears witness to. More than 40% of those still employed at 60 disappear from the employment record before they reach the standard normal retirement age at 65; for women the employment loss rate is about 50%.
7 Some Recent public policy schemes

7.1 “Public temporary employment” (the OTA scheme)

In November 1996 the Swedish parliament passed a new law on “Public Temporary Employment”. The Swedish acronym is OTA. The Swedish labour market minister coined a new memorable phrase, that older workers were entitled to a “decent final stage in their life” when introducing the OTA scheme. The idea was to construct an acceptable phasing out of the older workforce and to keep them out of the unemployment statistics. The background for introducing this and some other schemes in the labour market policy areas was the political goal of the present Government to cut the rate of open unemployment by half by the year 2000, a goal that the Government reached.

Originally the goal of OTA was to have 40,000 participants in the scheme per month. After only a few months this ambitious goal was reduced to 15,000 persons each month in the OTA scheme. During the first half of 1997 the scheme slowly started to catch on. About five thousand per month were engaged. The overwhelming majority, about 90%, was active in job schemes in the local authorities, and the rest in the counties and in the state. This scheme was forced through in a rather hurried way, leading to administrative problems and bureaucratic hassle between the labour market authorities and local government.

The criteria for obtaining OTA was that a person between 55-64 must have been registered at the Labour market exchange for two years (i.e. either unemployed or engaged in an “activity”, i.e. a labour market program). It was mainly tasks in social service and the care sector that those engaged in this scheme were recruited into.

The criteria for creating OTA positions was that they should raise the standards and the quality of care, without interfering with the normal labour market. The basis for creating these positions was an agreement between the authorities and the trade unions in the area.

The trade unions were rather sceptic, seeing this scheme as a threat in specific labour markets. Furthermore many in the labour force, inc. the long-term unemployed over 55, were also rather sceptic. The advantage of the scheme was the chance of being reintegrated in the labour market again. But on the other hand the added income was marginal, amounting only to 40 to 50
Swedish crowns (SEK) a day, that is a topping-up of the unemployment benefit of about 7-10 percent for doing a full-time although in principle a lenient job. In this context the unemployment benefit is baptised “activity support”.

The OTA scheme was abolished in 2001.

7.2. Temporary Labour market pension

A new scheme of “labour market pension” started in 1997. During a limited period, defined as the second half of 1997, it was possible for long term unemployed workers, to get a “labour market” pension on the level of the unemployment benefit. To qualify for this scheme you must have been registered as unemployed for more than 12 months and be over 60 years of age. It will not be necessary to be “available for work”. Those entering this scheme by definition leave the labour force, although they paradoxically receive an unemployment benefit.

7.3 Intergenerational job transfer - a Swedish variety of a job release scheme

In the Swedish Budget for 1998 the Swedish government proposed the introduction of a new scheme, “intergenerational exchange”. This was a variety of the “job release schemes” that have existed in Britain, Belgium and France. The plan was to help younger unemployed persons to enter the labour market, by subsidising the exit of an older worker (aged 63 and above). The older worker was getting a pension if the firm hired a young unemployed person between 20 and 35 years of age. The benefit was calculated as 80% of the income used for the calculation of sickness benefits. The upper ceiling for the benefit was SEK 14,400 per month, thus making it a valuable scheme mainly for manual workers and lower white collar employees. A firm that engaged in this intergenerational scheme was expected to pay 25% of the state expenditures for each person. The employer could also pay extra to the older worker.

This scheme was only open for application from January 1st to August 31st 1998. As can be seen from the strict age and application limits the impact will be rather marginal. The number of persons still employed at 63 amounts to only 46% among the men and 39% among the women in the age group. Among the manual workers the employment rate is even lower, thus further reducing the recruitment pool for this scheme.
7.4 The “Activity Guarantee” and a new employment subsidy for older workers

In August 2000 a new general labour market policy program was enacted, with the aim of
- cutting down long-term unemployment
- diminish the numbers who were long term clients at the local Labour Market offices (LMOs)
A rather large number of persons were registered at the Labour Market offices for more than 24 months (the definition of long term clients).

The AG is directed towards all those who are registered with the LMOs, who are unemployed and who are, or can become a long-term client.

The Activity Guarantee is new package of support and help from the labour market authorities, a program including training to seek jobs, access to vocational guidance, education, short term practice with an employer, all combined within an individual plan. The Activity support paid to the persons in this program is at the level of the unemployment benefit (i.e. according to the benefit level earned in earlier employment).

From late 2000 a new program was set up for older workers. Employers who employed a person who had been registered with the LMO for more than two years and who had within the AG scheme for three months, could get an employment subsidy, covering 75% of wage costs (with a limit of SEK 525 per day). This employment subsidy applied to those within the AG scheme that were 57 years or older.

7.5 Transition jobs

The Labour Market Board (AMS) has developed a new form of employment support/subsidy, “transition jobs”. These jobs are directed towards participants in the Activity Guarantee program who fails to get a job in the regular labour market, even if they have spent more than one year in different AG activities. Those who have been registered for more than two years at a LMO, and who have been inscribed in the AG for a year, and after a decision in each individual case, should be eligible for a long term job guarantee, in the form of a long term employment subsidy. The “transition jobs” will mostly be in the public sector. The normal time span for such a job will be two years (renewable in some cases). Those who get “transition jobs” will be obliged to apply for normal
jobs regularly. These jobs should be meaningful, but not part of already existing tasks. (Planting trees in the forests is given as an example of such a job category.)

This program is expected to include about 10,000 persons each year. Since most of the persons registered with the LMOs for more than two years are older workers, this program will in practice be directed towards the 55-64 age group. In practice it will replace the OTA scheme mentioned above.

7.6 Temporary employment and firms dealing with personnel

The proportion of persons with temporary employment is large in the youngest age group. This proportion decreases with age – with the exception of the 60-64 age group. Temporary employment among the younger age groups can be interpreted as a way into the regular labour market. For older workers it seems more reasonable to interpret it as a marginalisation on the labour market.

The proportion of the labour force that is engaged through personnel hiring firms is rather small in Sweden, but growing. In 1998 it was around 1 % of the labour force. The younger age groups are over-represented in this segment of the labour market and the older workforce is markedly underrepresented. In the age-group 16-29 the probability to be employed through a personnel-hiring firm is three times the average, while it is only 1/3 for those above 50 (SOU 1999:27, s. 211).

8. The Perspectives of the older Workforce - Employer’s views of the older Workforce

In the last few years a series of surveys have been made to investigate the preferences in the population with regard to work, retirement and pension (Pensionsforum 2000, RFV 2001A, RFV 2000B, Torgen 2001). Surveys have also been done to find out the views and strategies used by employers regarding the older workers. In the 1993-94 a survey was done on a large sample of employers in the private as well as public sector. (FOP-Survey 1996). In year 2000 SIFO, on behalf of “Pensionsforum” made a survey of 200 large employers, evenly divided between the private and public sector (SIFO 2000). The Swedish National Insurance Board has commissioned a major survey on the atti-
attitudes of employers. This survey has been reported in RFV 2001a and has also been used extensively in RFV 2000a.

Torgen at al (2001) present data from a large survey based on a sample of about 6000 persons. The response rate was rather low (on average less than 55%). The National Insurance Board reports another major survey (RFV 2001A) which also includes a survey among 750 employers, evenly divided between small, medium and large firms, private as well as public.

Around 60% of the respondents who have not retired want to retire at around 60. However the closer you get to 60, the numbers who want to retire decreases. This may be interpreted in the following way. It shows a widely shared norm that retiring at 60 is a reasonable expectation, and as a reflection of the already established social fact that half of working population in fact does leave the labour market at around 60 years of age. When approaching 60 years of age quite a few find that they will not get a decent standard of living and/or that they want to stay on for many other reasons (such as social atmosphere at their job).

When asked about what led persons to leave their job before 65, it is clear that the main reasons are the health status of the persons, the tough working conditions (hard work, stress, heavy demands on your ability etc) and the rather rigid organisational solutions that are offered, as well as the attitudes of the employers towards their older workforce.. Women experience more of psychosocial stress in their jobs and more women than men find their work physically demanding. This seems to be an effect of the tough and drastic cuts and reorganisations in the public sector during the 1990s (health care, child care, old age care etc). If a person has experienced frequent reorganisations in their job this will lead them to early exit.

Employers have a generally low opinion of the value of older employees. Very few employers hire persons over 50 years. But many see the value of older workers in the work groups, as transmitters of knowledge and they value their stability and loyalty. Employers in schools and health care, areas where experience is counted and highly valued, have a high regard for their older employees and do hire them. 75% of a large sample of employers are negative to hire persons over 50 (RFV 2001:9). This should be regarded as the standard view of Swedish employers. This pattern is found in several

In firms and establishments where the average age is high, there is a strong preference for younger employees. This is well in line with the argument that employers and firms want a balanced age-structure in their firms. This does however mainly work one way – if there is a dominance of young workers there is no eagerness to increase the share of older employees. That is, the age-balance argument is basically asymmetrical in its effect.

A large group among the employed would like to see their last phase in the working life as a gradual and partial exit – more flexible working arrangement, part-time work combined with part-time pension, less exposure to stress, and continuous reorganisations etc. Quite a few also wanted “softer” and “easier” jobs when approaching the end of their working career (Torgen 2001, table 42, p.31).

The preferences in the population do not match the planning needs and preferences of the employers. Employers want their employees to face the “either stay or leave” alternative. About 65% of a large sample would consider staying longer in work, if this was an option (Torgen et al 2001, p. 33).

There is a general and positive view of some of the virtues of the older workforce. In a couple of sectors (education, health care) the employer’s view of their older workers is rather positive and matched by their willingness to recruit them. In firms with heavy demands on the physical level and/or great expectations on flexibility to shifting demands, the standard view of the older workers is that they lack flexibility, are unwilling to learn new things etc. One key reason for older workers not wanting to stay is that they (correctly) perceive that employers – as well as colleagues – want them to leave.

Employers are not happy with the new legislation about the rights for individuals to stay on working in their job until they are 67. 34% of them are negative and 41% are strongly negative towards this prospect. The employers and personnel office representatives that are most negative are to be found in the State. Three out of four employers never hire anyone above 50 years.

8.1. How the population in Sweden regard work, exit and retirement
In an opinion poll made late in 2000 a sample of persons between the age of 45 and 65 were asked about their preferences and plans for work and retirement. (The survey was made by SIFO for “Pensions-forum”). Half of the sample (i.e. those below 60) wanted to retire at 60. Only 15% wanted to work until 65. The motive most commonly stated, by 50% of the respondents, was that they wanted to be free and to enjoy life. One in four stated that their health situation was the key factor behind their wish leave work before 65.

The respondents were asked the hypothetical question of what would make them stay an extra year in their job
- A better pay,
- The social aspect of the on-the-job community.
- A nice job at a reasonable work pace.
- Freer work – possibility to work at home.

A majority (55% of the respondents) wanted to retire gradually. This was in clear contrast to the preferences of the employers – they want employees to retire. Here is an obvious case where the interests and preferences of employers and employees are at odds and not easily and immediately reconcilable. (Cf. the closing of the part-time pension scheme in Sweden)

8.2. Swedish Employers and the older workforce - Results from surveys

Surveys among employers disclose that they have a conception of the age balance they would like to have in their own workforce.

Two hundred employers in the private as well as the public sector were interviewed in an opinion poll commissioned by “Pensionsforum” They represented large firms and organisations, with at least 200 employees On the one hand, they had a positive view of their older employees (age 55 and more). They were seen as loyal, as hardworking, as competent, and helping their younger colleagues. But on the other hand they did not want more of them. Employers’ views of their workforce were shaped by well-developed and clear considerations about age balance. They wanted to employ more young people (below 35). Four out of five employers in the public sector held that opinion. Employers were explicit in not wanting to employ older workers (55 and more).
The cost of occupational pensions is to a large extent levied on the wage sum of older workers. For employers this practice made it more costly to hire older workers. They also regarded the employment protection of older workers as a prohibitive burden to hire them. If they are hired, they are hired on short term and temporary.

More than two out of three employers have used and paid for early exit packages when older workers are laid off. These economic means have made it easier to get older workers to accept to leave their job. Using pre-retirement packages to induce employees to accept early exit is thus a very common procedure and widely used among large employers.

8.3. Perceptions of competence, age balance considerations and exit pressures in firms. Attitudes towards the older work force in 380 Swedish Firms

A survey on the employment patterns and policies towards the older workforce between 1991 and 1993 in 380 Swedish Firms was carried out in 1994. The survey was carried out through a stratified sample of firms where large firms are overrepresented. The management of the firms, primarily the personnel manager, answered the survey. In the survey we got detailed information about the employment of different age-groups and categories of workers between 1991 and 1993, about half of the firms had reduced the number of the lower grades of white collar employees as well as the manual workers, esp. the unskilled.

Table 8 Changes in the size of different categories of employees in 380 Swedish firms between 1991 and 1993.

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase</th>
<th>No change</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher grades of white collars</td>
<td>17%</td>
<td>59%</td>
<td>25%</td>
</tr>
<tr>
<td>Lower grades of white collars</td>
<td>11%</td>
<td>41%</td>
<td>49%</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>15%</td>
<td>40%</td>
<td>44%</td>
</tr>
<tr>
<td>Unskilled/semiskilled</td>
<td>13%</td>
<td>33%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996

The firms were also asked how they perceived their age balance.

Table 9. Views of Swedish firms on the age balance for different personnel categories
and age groups in 1994.

<table>
<thead>
<tr>
<th></th>
<th>Too few</th>
<th>About right</th>
<th>Too many</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Younger white collar employees</td>
<td>52%</td>
<td>46%</td>
<td>2%</td>
</tr>
<tr>
<td>2. Younger manual workers</td>
<td>35%</td>
<td>59%</td>
<td>6%</td>
</tr>
<tr>
<td>4. Middle-aged workers</td>
<td>13%</td>
<td>79%</td>
<td>9%</td>
</tr>
<tr>
<td>5. Older white collar</td>
<td>4%</td>
<td>56%</td>
<td>40%</td>
</tr>
<tr>
<td>6. Older manual workers</td>
<td>6%</td>
<td>64%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996

Most firms judged that they had a proper balance. However, many firms perceived that they had too few young white-collar employees while having too many in the older category. The survey data also show that those firms that decreased their number of employees more often held the view that they had too many older workers/employees. This indicates an increasing exit pressure on the older workforce in firms that decrease their personnel, partly caused by considerations on the age balance of their staff.

The firms in the survey perceived that the older workforce had great problems to adapt to changes in the work organisation, as well as to the demands of new technology. Between a half and two thirds of the firms judged that their older workers had problems with regard to their level of training and their capacity to master new technology. Two thirds of firms thought that the older white-collar groups had problems with the work tempo, while they thought this applied to three fourths of the older workers. A majority of firms also reported that their demands on the workforce in these matters had increased in the 1990’s.

There is thus congruence between the pattern of change in the firms, the attitudes in firms towards the older workforce and the exit patterns among different categories of employees.

8.4. From age balance considerations to exit pressures

The combination of full employment and protection of the older workforce up till the early 1990’s led to a rather high proportion of older workers in Swedish firms compared with the situation in many other European countries. High unemployment rates in the early 1990s increased the exit pressure on the remaining older workforce.

The pace of change and the momentum of rationalisation in the Swedish economy since the early 1990’s have been accompanied by a managerial ideology of concentrating on core operations
and shedding of peripheral operations. This is combined with the manpower-reducing effects of information technology, eradicating many routine jobs among the lower white-collar grades as well as among blue-collar workers. These are also the groups which within the firms are most exposed to exit pressure.

When firms have to decrease their staff, the older workforce will be targeted for several reasons.

(a) Many Swedish firms perceive that they have a *problematic age balance* in their staff.
(b) This is further underlined by the increased importance personnel managers in firms give to the qualifications and competence of the workforce, which are being seen as negatively associated with age.
(c) In firms there exist widely shared perceptions of older workers as being tired, worn-out and having a questionable competence.

The evaluations of the age balance dilemmas made by firms are filtered through the perceptions that firms and their managers have of the older workforce. Therefore the managerial perceptions of age-related dilemmas channel the economic pressures and organisational changes in firms into age-specific employment and dismissal strategies, increasing the exit pressure on the older workforce.

9. Prospects for older workers on the Swedish labour market

In the Swedish public debate there is a broad consensus in the political arena, shared by public officials as well as by representatives from the key social partners, that the trend towards even earlier exit from the labour market must be stopped, and even reversed. To this effect a series of institutional changes have been put in place, esp. with regard to the public pension systems. Some changes in the public policy area have positive implications for this shift of policy

- programs that opened up new exit routes for older workers have been closed (such as the Job release scheme, the temporary labour market pension in 1997, the part-time pension scheme)
- there is a clear shift in the pension schemes that emphasises a longer working life. (See above)

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In the public rhetoric, the ‘work line’ is emphasised. Many experts have great problems in grasping why the exit trend continues, even if the health situation of the workforce should become better over the years (since many of the hard and bad jobs have disappeared).

On the other hand, the general trend in the private as well as the public sector is to reorganise and reshape the labour force and to shift the age balance of their personnel by sending away their older personnel. This should probably be seen in a demographic perspective with a rapidly ageing workforce in Sweden.

Employers incl. the state have cut down, rationalised and reorganised their work organisations. They have in many cases used the occupational pension schemes in order to send their older employees ‘home’. This has been occurring in the private sector (e.g. all banks, many industrial firms etc) as well as in public sector (the county hospitals, the local authorities and also in many state authorities).

For most firms, and for most agencies in the public sector, it is rational, and increasingly so, to shed older workers, hiring younger staff and not rehiring older employees, when they change and upgrade their work organisations. Age balance considerations, as well as conceptions of competence and qualifications and their links to age, seem to play an important role.

Moral and public exhortations seem to have little manifest effects. This should be seen in conjunction with a major shift in the perception of the desired and ‘normal’ retirement age (now effectively around 60-61 years). This widely shared social expectation of a shortened working life is furthermore made visible by the choices made by leading politicians as well as well-known CEO:s to retire around 60 years of age.

But the early exit trend continues, although the Work line is in the air as well as present in the institutional changes (esp. in the pension system). In this situation there is an open space for new kinds of initiatives. An EU-sponsored “Good Practice for Older Workers” initiative might be one type of new policies that can combine the considerations of employers, unions and state officials. The Employers Federation (SAF) view the older worker issue as a key issue but they are very much against any new forms of regulation and binding rules that could inhibit the initiative of the firms. Today, SAF would accept a general policy with the intention to further ‘diversity’ (in terms of
ethnic background, gender, age), but is indifferent or hostile to any new form of regulation implying a policy that aims at furthering the employment prospects for specific groups (such as women, immigrants, older employees). The perspective of ‘diversity’ is acceptable to SAF and its firms if it runs parallel with an emphasis of what is rational for the company in question. (that is, if diversity policy equals enlightened self-interest).

On the other hand many employees want a more flexible pattern of work during their final years on the labour market. A public opinion poll was recently done and publicised by the Pension forum (a lobby group for the pension industry in Sweden). This poll showed that many people would like to work longer than they are being able to do, if they would have much more freedom of choice about the kind of work, part-time work etc. Many older workers said that development and challenge in their work was a precondition for staying on in the labour market. They demand less stress and uniformity but more challenge and flexibility.

9.1. New groups heading for early exit – but the classic pattern is still valid

Höög & Stattin (2001) have analysed three cohorts of new recruits to the disability pension scheme in Sweden – the cohorts of 1988, 1993 and 1998. Between 1988 and 1998 the number of blue-collar workers diminished while women in the public service sector (esp. health care) and middle level white-collar employees increased. (Table 12 A, p.27). In the late 1980s its was possible get disability pension due to the labour market prospects for some groups in some areas. This possibility was closed in the early 1990s. At the same time muscular and circulatory diagnoses diminished while diagnoses such as psychic illness increased. Until 1997 it was easier to get disability pension when you passed the 60-year age limit – from then on this possibility was closed.

Still the probability to end up with disability pension is still mainly a working class fate. If you have a blue-collar job you have around 2, 5 to 3 times the chance to end up in the disability pension scheme, compared to a white-collar job. (RFV, Socialförsäkringsboken, p. 68)

The disability pension scheme is still the major pathway for early exit in Sweden. When disability pension and sickness pension are combined a large proportion of the Swedish population is to be found within these schemes.
Table 10. Proportion of disability pensioners in the Swedish population 2000. Age groups 50-64.

<table>
<thead>
<tr>
<th>Age-groups</th>
<th>50-54</th>
<th>55-59</th>
<th>60-64</th>
<th>Total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>9.1%</td>
<td>14.3%</td>
<td>28.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Women</td>
<td>13.4%</td>
<td>19.3%</td>
<td>32.6%</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

*Source: RFV Socialförsäkringsboken 2000.*

**Occupational schemes**

The National Insurance Board also points to the role of the occupational pension schemes, which have a very strategic role for how firms choose to handle their older workers. Among white collar employees the number who have got occupational pensions as part of an early exit package is in fact larger than those receiving disability pension. These schemes have become a part of the repertoire of the State when the public sector was cut down and reorganised during the 1990s. It is also quite common for white-collar employees in the private sector. (See Landin 1997 and Wadensjö & Sjögren 2000.)

**9.2. From institutionalised practices to ‘attitudes’**

The RFV (NIB) also points to attitudes existing as diffuse sentiments on the labour market – the older workforce is simply not “modern”. These broad sentiments about the value of the older workforce is often alluded to and categorised as "attitudes", shared by many kinds of actors. The “attitudes” are then seen as a “cause” that can “explain” a rising early exit trend. But these attitudes are not free floating clouds of sentiments in the social space – they should rather be seen as indicators of institutionalised practices within the key institutions and power centres in the labour market. These practices are shaped within the personnel offices in large firms, in the labour market offices, in the way programs for education and retraining operates, as part of their everyday routine.

**9.3 The Impact of Elite behaviour**
In its important report the National Insurance Board highlights the wider impact of the behaviour and practices of the leading elite. Managers, leading politicians and other decision-makers increasingly shorten their own work life, through instruments and packages such as golden parachutes, well-funded early exits, gradual exits from the intensive work pace in leading positions into senior jobs such as advisors, consultants, members of the board etc. In this way they become a role model for other categories on the labour market. If they are not creating a new pattern of behaviour, at least the increasing use the managerial and political elite make of "soft" and well-paid forms of early and gradual exit, make the aspiration of an early exit even more legitimate among the population at large (RFV, Socialförsäkringsboken 2000, p.89)
Appendix : More data from a Survey made in the Mid 1990s

In Sweden there has been a recurrent debate in the political arena about raising the retirement age from 65 to 67 years. Therefore we asked the firms to judge, from the perspective of their own firm, how they judged the possibility for different categories of their work force to stay on in their kind of job and position.

Table A Views among firms on raising the pension age (percentage distribution)

<table>
<thead>
<tr>
<th>No problems</th>
<th>Some problems</th>
<th>Large problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher grades of white-collar workers</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Lower grades of white-collar workers</td>
<td>36</td>
<td>46</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>14</td>
<td>41</td>
</tr>
<tr>
<td>Unskilled/semiskilled workers</td>
<td>12</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996.

The part-time pension system is a feature of the Swedish system that can be seen as both an exit option and as an institution that facilitates the attachment of older workers to the labour market (Cf. Wadensjö 1991 and Olofsson and Petersson 1994 for these two views). The majority of firms that had had experience with the part-time pension scheme were positive. Far more firms saw this system as something good for the firm rather than as a problem.

Table B. Views of firms on part-time pensions (percentage distribution).

<table>
<thead>
<tr>
<th>Problem</th>
<th>Positive</th>
<th>No comment/NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>View of firms on part-time pension scheme</td>
<td>8</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996

Most of the firms in our sample, which is a stratified sample of industrial firms where large firms are strongly overrepresented, have experienced dramatic shifts in the number of their personnel during 1991-93. About half of the firms have had reductions among the lower grades of white-collar
workers as well as among the manual workers, esp. the unskilled. In many ways our data confirms the conclusion that can be drawn from other data, i.e. that lower grade white-collar employees are the most “threatened” category. Among the long-term unemployed in the 60-64 age group in 1995, members of the white-collar unions were clearly overrepresented.

Table C. The size of different categories of employees 1991-93. Changes in the labour force of the firm during the recession period (1991-93) (percentage distribution).

<table>
<thead>
<tr>
<th></th>
<th>Increase</th>
<th>No real change</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher grades of white-collar workers</td>
<td>17</td>
<td>59</td>
<td>25</td>
</tr>
<tr>
<td>Lower grades of white-collar workers</td>
<td>11</td>
<td>41</td>
<td>49</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>15</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>Unskilled/semiskilled</td>
<td>13</td>
<td>33</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996

Even if firms reduced the routine white-collar workers and the manual workers in their labour force during 1991-93 they still saw the size of their older work force as a problem

Table D. Views of Swedish firms on the age balance in their personnel groups (per cent)

<table>
<thead>
<tr>
<th></th>
<th>Too few</th>
<th>About right</th>
<th>Too many</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger white-collar employees</td>
<td>52</td>
<td>46</td>
<td>2</td>
</tr>
<tr>
<td>Younger manual workers</td>
<td>35</td>
<td>59</td>
<td>6</td>
</tr>
<tr>
<td>Middle-aged white-collar workers</td>
<td>9</td>
<td>59</td>
<td>16</td>
</tr>
<tr>
<td>Middle-aged workers</td>
<td>13</td>
<td>79</td>
<td>9</td>
</tr>
<tr>
<td>Older white-collar workers</td>
<td>4</td>
<td>56</td>
<td>40</td>
</tr>
<tr>
<td>Older manual workers</td>
<td>6</td>
<td>64</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996

Exit pressures in firms and the perception of pension systems

In Sweden there has been a recurrent debate in the political arena about raising the retirement age from 65 to 67 years, i.e. a reversal of the decision taken in 1976. Firms were asked how they judged
the possibility for different categories of their workforce to continue working in their job, if the retirement age was raised.

Table E Will raising the pension age cause problems for the employees in your firm?

<table>
<thead>
<tr>
<th></th>
<th>No problems</th>
<th>Some problems</th>
<th>Large problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher grades of white collars</td>
<td>42%</td>
<td>42%</td>
<td>16%</td>
</tr>
<tr>
<td>Lower grades of white collars</td>
<td>36%</td>
<td>46%</td>
<td>18%</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>14%</td>
<td>41%</td>
<td>44%</td>
</tr>
<tr>
<td>Unskilled/semiskilled</td>
<td>12%</td>
<td>41%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996

Raising the pension age, esp. for their blue-collar workers, is seen as problematic by most firms. Seeing a raise in the retirement age as a problem, and even as a major problem, can be interpreted as an indicator of an exit pressure for the older age groups.

The level of exit pressure in firms is further demonstrated by the frequent use firms have made of the occupational pension schemes in order to reduce their staff, in targeting the older workers for retirement. 33% of the firms in the survey had used this technique, although they have had to pay substantial sums to the persons taking early retirement, by topping up the benefits paid from the occupational pension schemes.
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