Summary

Faced with the challenges posed by the ageing population in Belgium, the Belgian federal authorities have introduced several new policies aimed at increasing the number of seniors in employment. Many of these policies build on the "Intergenerational Solidarity Pact" adopted in December 2005. Have the new policies led to an increase in the percentage of older workers in employment? This was the question that Professor Bart Cockx (University of Ghent), Professor Muriel Dejemeppe and Professor Bruno Van der Linden (both from IRES-UCLouvain) set out to answer. In addition to evaluating the Intergenerational Pact as a whole, they analysed the lowering of employers' social security contributions for employees aged 58 years and older in 2002, the time credit scheme[1] available indefinitely to workers over 50 years of age from 2002 and, lastly, the raising of the statutory retirement age for women from 63 to 64 years in January 2006. They drew one general conclusion from their investigations: the measures examined had either a generally positive but temporary, or a minimal, even negligible, impact on the employment of the groups of older workers in the study sample.

The overall impact of the policy. Many federal measures were introduced following the 2005 Intergenerational Pact. The researchers investigated whether these measures, taken as a whole, were responsible for the increased employment rate of workers aged 50 to 59 years that had been observed since the Pact. To answer this question, they had to adjust the employment rate to take account of the general trend in this indicator and the impact of the level of economic activity: the employment rate of seniors does in fact vary even without specific government measures. The researchers used statistical methods to make the necessary adjustments. They concluded that the majority of the increase in the seniors' employment rate between 2007 and 2008 could be attributed to good economic growth and the growing employment rate trend well before 2007. The overall impact of the measures taken shortly after signature of the Pact was insignificant at the time. Subsequently, it became impossible to continue to measure the overall effect because the country entered the Great Recession that led to massive State intervention.

Effects of specific measures. Even though the overall package of measures had barely any impact, this does not rule out the effectiveness of some of the individual policies, albeit under certain conditions and for specific sub-groups only. The researchers subjected three key policies to closer scrutiny: (1) the lowering of employers' standing contributions aimed at seniors in employment (not to be confused with the temporarily reduced employers' contributions if they hire an unemployed person); (2) the end-of-career time credit scheme; and (3) the raising of the statutory retirement age for women. They used advanced statistical methods to measure the causal effect of these policies on the employment of seniors. These analyses were based on a sample of 250,000 individuals on whom information was collated from various social security organisations.

The reduction of standing contributions for seniors in employment. In the second quarter of 2016, employers' social security contributions were reduced for 183,000 full-time equivalent seniors in employment. This reduction cost the government around

[1] This scheme allows salaried workers of the private sector to reduce their working time to 80% or 50% of a full-time while getting a lump-sum allowance until they reach the statutory retirement age.

€460 million in 2015, equivalent to approximately 0.1% of Belgium's GDP. Since 2016, the Belgian Regions are in charge of this policy. The members of the population currently targeted are aged 55 years or over. Is this a good use of these resources? Not according to the researchers. They based their conclusions on an evaluation of the €400/quarter reduction in contributions introduced by the government in 2002 for workers aged 58 or over. They found that the measure increased the employment rate of workers in this age bracket by a mere 0.4 percentage points and that this increase had little or no significant effect. They did, however, conclude that the reduction significantly slowed down the exit from the workforce of the sub-group of workers who would otherwise have taken a bridge pension, i.e. a form of subsidized early retirement after a lay-off (today renamed *Régime de Chômage avec Complément d'entreprise*[2]), The downside of this was, however, that more employees in the slightly younger sub-group of workers, who did not qualify for the reduced contributions, left the workforce faster. The *net* effect, therefore, was not far off zero. What was the reason for these poor results? "The reduction in contributions did not adequately target lower-paid workers," was what the researchers concluded. Indeed, previous studies had shown that reducing the contributions was effective when the measure is aimed at this target group. Even though there is currently an upper earnings limit for seniors to qualify for the lower contributions, our appraisal would appear to be confirmed by the fact that only 20% of seniors in employment earn above this threshold.

The end-of-career time credit scheme. Observers believe that workers often take early retirement at the end of their career for various reasons: ill health, the fast pace of their working life or a wish, at that point in their life, to look after a partner, grandchildren or other family members. By gradually reducing their working hours as they get older, early retirement could be avoided. Indeed, since 1985 in Belgium, it has been possible to reduce working hours by 20% or 50% and receive an allowance, under a scheme known as the end-of-career time credit scheme. In 2015 no fewer than 93,000 workers aged over 50 took advantage of this facility**.** Current and previous federal governments have tightened up the requirements, however. In 2012 the minimum age was raised from 50 to 55 (with some temporary exceptions) and in 2014 this threshold was raised again, to 60. Was this a wise move? The researchers are providing a nuanced answer to this question. They examined the consequences of the entering the scheme in 2003-2004. They followed these workers and a control group for seven to eight years, until the end of 2011. Compared with this control group, participation to the time-credit schemes produces a significant slowdown in the number of workers leaving the workforce during the first four years for women (the first two for men). After this, the rate of exit from the workforce quickened considerably. The researchers attribute this to the fact that their pension (or early retirement benefit) was calculated as if they continued working full time during the time-credit period. So, it was advantageous for workers to leave the workforce as soon as they qualified for early retirement. Meanwhile, the current federal government has decided to raise the qualifying age for early retirement from 60 to 63 in 2019 but has not changed the assimilation of time-credit workers to full-time ones. As a result, the researchers anticipate that the end-of-career time credit scheme may slow down the percentage of people leaving the workforce between the ages of 60 and 63, but not after the age of 63. A reform of the treatment of hours for pension calculation is therefore needed.

Raising of the statutory retirement age. The current federal government has

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[2] Unemployment benefits scheme that involves a contribution from the company.

decided to raise the statutory retirement age from 65 to 66 years from 2025, then to 67 in 2030. This is not the first time the government has introduced a similar reform. Between 1997 and 2009, the statutory retirement age for women was gradually increased from 60 to 65 years. The researchers studied this reform to help them better understand the impact of the more recent change. More specifically, they examined the effects of the statutory retirement age increase from 63 to 64 on 1 January 2006. They found that 8% of women would have continued to work beyond the age of 63 even without the reform. Following the reform, 10% remained in the workforce beyond the age of 63, which equates to a relative increase of 25%. For 90% of the women who had already retired prior to the reform, this did not alter anything: they did not re-enter the workforce. In addition, research did not reveal that these women would have taken early retirement or reduced their working hours in the months prior to the increase in the statutory retirement age. The overall impact of this increase was therefore minimal. For as long as the actual age at which people leave the labour market remains below the statutory retirement age, the researchers expect that future increases in the latter will have very little effect on the employment rate of people aged 55 or over.

The full study report can be downloaded [in French and Dutch only] at:
http://www.belspo.be/belspo/fedra/TA/TA44_Report.pdf