

EXECUTIVE SUMMARY

EMPLOYMENT SOLUTIONS FOR THE ELDERLY

Noa Yehezkel

Koret-Milken Institute Fellow

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# Employment Solutions for the Elderly

Noa Yehezkel

*In memory of my beloved grandmother, Gilda May*

In Israel the elderly are provided grants and subsidies as permanent charity cases. Employment policies toward the elderly need to be revised in order to encourage continued employment opportunity and prevent a poverty existence for many of our senior citizens. We recommend:

- Ending forced early retirement and pension policies that discourage work.
- Raising public awareness of the advantages of employing the elderly.
- Creating separate employment training courses for the elderly.
- Providing small business opportunities as a natural solution for many elderly persons seeking work.

## The Potential for Elderly Employment

In Israel today, families headed by an elderly person are predestined for poverty. Fifty-seven percent of the families headed by an elderly person live in poverty, totaling approximately 220,000 families.<sup>1</sup> The elderly receive grants and subsidies as charity cases and permanent welfare recipients, supported by those productively employed in society. This is neither an acceptable nor necessary situation. The elderly should be viewed as part of the solution to under-employment in Israel, not as part of the problem.

In Israel, as in other countries, the percentage of the population that is elderly is growing.<sup>2</sup> At the end of 2005, there were 693,100 elderly people in Israel (over 65), comprising 10% of the total population.<sup>3</sup>

Were there opportunities for many elderly persons to rejoin the workforce, they would be able to make special contributions to their employers because of their life experience, specialized knowledge and contacts, in addition to their own abilities.

### Advantages of Employing the Elderly

1. **Experience.** Elderly workers have experience gathered throughout the course of their lives, specializations and talents that are not necessarily found in younger workers, sometimes in fields that are no longer taught. Productivity of the elderly is high because they often display precision and reason well.<sup>4</sup>

2. **Knowledge may be lost.** Elderly people have wide knowledge which may be lost if current and future generations do not choose to learn from them.<sup>5</sup>
3. **Interfacing with other elderly.** In many businesses, elderly workers placed in sales, advisory, or service positions may be of special use to elderly clients. An elderly client seeking advice or service may feel more comfortable receiving it from somebody his age that understands him and knows his life style. Advice from the elderly is often perceived as more trustworthy, given their experience in the field.<sup>6</sup>
4. **Flexibility in working hours.** Since the elderly are not necessarily involved in raising children or caring for parents, they can often be flexible in the hours they work. Sometimes, part time or temporary jobs that are not sought by younger people are appropriate for the elderly.<sup>7</sup>
5. **Fewer absences.** Because they are not called for military reserve service, and are not often involved in raising children, elderly people are sometimes more available for work and thus are absent less.<sup>8</sup> In addition, elderly people actually take fewer sick days than other age brackets.<sup>9</sup>
6. **Loyalty and dedication.** The elderly do not frequently change their life style and are not still trying to determine their future destiny.<sup>10</sup> Their desire to hold on to a job and to prove their ability despite their age further encourages their loyalty and dedication.<sup>11</sup>
7. **Training.** Elderly people usually have a positive attitude towards learning and their previous work experience reduces learning costs. In addition, today, when technology often becomes antiquated so quickly, even young employees need supplementary education and training. Younger employees no longer have an advantage in this area over those who are closer to the retirement age.<sup>12</sup>
8. **Lower costs.** Younger employees gain tenure, vacation time and pension costs, which are based on the number of employment years. Thus, younger employees are sometimes more expensive than the elderly who do not have tenure.<sup>13</sup>
9. **Practical knowledge.** The knowledge, talents and judgment skills gathered over the years provide them with practical advantages.<sup>14</sup>

### **Advantages to Society**

On a macro-economic level, any productive work that comes in place of early retirement adds more net resources to the economy.<sup>15</sup>

1. Failing to actualize the potential of the elderly population is a net loss both to that person's household and to the country. Many countries now view the elderly as "the biggest unused pool of human resources in the economy."<sup>16</sup>
2. There are further savings to the national economy by reducing costs to Health Funds and Social Security. An employee who is forced to retire

though he is working at his peak may experience personal and family crises and perhaps develop medical problems. The economic costs must be borne by Health Funds, by increased allowances paid to those handicapped, or supplementary income allowances to an individual who has not saved enough, or may not be covered, for a pension.<sup>17</sup>

### **Advantages for Small Businesses**

The elderly can be entrepreneurs and own or manage small businesses. This is an opportunity to earn a living and to improve their economic situation but may also be an opportunity to realize a dream: A second career may be based on what has until now been a hobby or an area of interest which was never approached from a business point of view. In addition to these advantages, small business is an opportunity to gainfully employ more people, benefiting not only the employee, but also those providing services and supplies and creating economic growth.

In addition, elderly workers can themselves provide services for other small businesses. In this case, too, the profit is mutual: for the employees this is an opportunity to earn a living with all the concomitant advantages of employment, and for the business it is possible that employing an elderly person will meet their needs (part time, flexible time, special skills) and reduce the costs of operation.

### **Obstacles to Employing the Elderly**

Elderly people are confronted by many obstacles when trying to return to the work force. Tax laws and the welfare system are such that when the elderly work, they suffer economic loss through reduced pensions or higher tax rates. These regulations are major disincentives to elderly people who choose to continue or to return to work.

In addition, employers sometimes do not seek out elderly workers or choose to stop employing them, which makes it difficult for the elderly to look for work.<sup>18</sup>

### **Legal Obstacles**

**The Guaranteed Minimal Income Law.** In order to be eligible for supplementary wages from the state, an individual's income may not exceed NIS 980 per month.<sup>19</sup> In addition to losing their allowance or having it reduced when finding employment, the elderly may also lose reductions on the state health tax and a 50% reduction in medicine prices.<sup>20</sup>

**The lack of a law prohibiting age discrimination.** Despite of the Law for Equality in Work Opportunities (1998) which prohibits age discrimination, paragraph 4 of the Mandatory Retirement Law specifically allows an employer to fire an employee who has reached the age of 67; in other words, on the basis of his age alone.<sup>21</sup>

**Employment services.** According to the Employment Law of 1959, the state

Employment Service only serves candidates for employment under the retirement age and does not assist the elderly, even though often the elderly need its services more than younger job-seekers. Eligibility for free or subsidized training or re-training courses is also not available for post-retirement age individuals.<sup>22</sup>

**Employment Clubs.** Elderly people are given jobs in these “social clubs,” but standards and a legal framework are lacking.

### Other Obstacles

The general approach in government ministries is that the elderly do not need employment solutions and they should make do with pensions and other budget allowances.

In addition, elderly workers who have been employed for many years in one place often lack the skills to market themselves or search for other jobs, will rarely hear of job openings and have fewer acquaintances with whom they can consult.<sup>23</sup>

**Table 1: Legal Obstacles to the Elderly Entering the Workforce**

Elderly allowance	Supplementary Wage Law	Lack of a law covering employment in “social employment clubs”	Lack of specific age discrimination law	The Employment Service Law
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## International Experience

If there is no change in current trends, the ratio of unemployed elderly to employed people will double in OECD countries from 38% in 2004 to over 70% in 2050. In Europe, the ratio is expected to pass 100% (meaning one unemployed elderly individual for every productive employee) by 2050.<sup>24</sup> Therefore, many countries have outlawed age discrimination and are now trying to promote elderly employment. The most popular means are: wage adjustments, incentives or fines for employers, state programs for training the elderly or placing them in jobs and dissemination of information. The private sector is also engaged in initiatives to find elderly employees and train them.

## Recommendations

We recommend:

- 1. Ending negative incentives** that diminish the desire to work, and reforming the pension laws. State allowances to the elderly should not be reduced if they continue to work.
- 2. Organizations promoting employment** in general and employment of the elderly in particular should initiate a campaign to prevent discrimination in the work place, by means of articles and studies in the electronic and printed media, distribution of printed material, holding of public functions to increase awareness, and operation of an open telephone line providing advice for the elderly.



3. **The Knesset** should express itself clearly on matters of age discrimination that are currently affected by more than one law in contradictory ways. The Basic Law on freedom of employment should be amended to prohibit discrimination against the elderly.
4. **Improving training for the elderly.** Employment services should offer programs for training the elderly that take into account a program's length, availability, flexibility, and personal adjustments that may be necessary. The special talents of the elderly should be identified and programs should be developed that take them into consideration. For successful placement, consideration should be given to instituting incentives and finding mentors for employers who are prepared to accept elderly workers.
5. **Training for a second career.** Israel should adopt a model found in other countries, by which the elderly supplement their education, either with public funding or the assistance of social and philanthropic organizations. In such programs, the elderly enroll in courses in local schools and acquire skills that are the equivalent to what younger people are acquiring, or in any case, that can narrow the gap between the two populations.
6. **Entrepreneurship training.** Philanthropic organizations working to encourage employment, the MATIs and the Israel Small and Medium Enterprise Authority should operate entrepreneurship courses for the elderly. These should be offered to small groups and in easily approachable areas.
7. **Small business.** The elderly can also serve as part-time or supplementary employees in small businesses. One of the ways to encourage this is by establishing a database of employers who are seeking elderly employees, and the elderly potential employees themselves. This database should be available on the Israel Small and Medium Enterprise Authority website and with philanthropic organizations providing credit to small businesses, such as KIEDF.
8. **Improving conditions and health.** Improving work conditions may contribute to living a longer, healthier life. Organizations working to promote employment among the elderly should prepare a list of minimal conditions, which should be distributed by the relevant organizations or state agencies among employers.

We must understand the advantages and disadvantages of employing the elderly, the needs and limits of employers and the obstacles in today's markets. The only guarantee for successful reform is cooperation between the government of Israel, the employers, representatives of the employees and the elderly themselves in all areas affecting planning, responsibility, and implementation. The guiding principal of any reform should be that the aging of the population is a challenge and an opportunity for the economy and country at large.

## Endnotes:

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- 2 Ibid, pp. 4-10.
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- 7 Tevet, "Relating to people."
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- 9 Wisconsin Department of Workforce Development, *Myths about Older Workers*, <http://www.dwd.state.wi.us/dws/programs/populations/olderworker>.
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- 20 Tali Yishai, National Insurance Institute of Israel, interview with author, February 4, 2007.
- 21 Israel Doron and Oshrat Albin, Information on the Rights of the Retiring Age, [http://www.eshelinfo.org.il/Info.asp?cod\\_page=52](http://www.eshelinfo.org.il/Info.asp?cod_page=52), February 15 2007.
- 22 Danieli, letter.
- 23 Judith Kind, *Promoting Employment of Middle-Aged Immigrants, Intervention Programmes in Israel and Developing Countries* (Jerusalem: Joint-Brookdale Institute, 1997), pp. 10-11.
- 24 OECD, *Live Longer, Work Longer*, p. 9



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תוכנית עמיתי קורת – מכון מילקן  
בית מילקן, רחוב תל חי 13  
ירושלים, 97102

[info@kmifellows.org](mailto:info@kmifellows.org)  
[www.kmifellows.org](http://www.kmifellows.org)