

Mobilizing Retired People in Ageing Societies on a Voluntary Basis

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Abstract

The rapidly increasing population of older retired people in Europe, largely financially secure and often in good health, should be recognized as a major potential resource which can contribute to meeting the challenges ageing populations will present. While the first priority is to sustain gainful employment of older workers, at least until normal retirement ages, by ensuring that labor markets work right, voluntary contributions of time have an important role to play whose potential is often overlooked. Volunteering already augments the effective work force in Europe by around 2.5 per cent. If participation could be increased throughout the region to rates that are already typical in some countries and if its average duration could be increased by as little as half a day per week the effective work force could be increased by another 3.3 per cent by 2025. Much of what needs to be done to achieve this relates to attitudes. But policy measures can strengthen incentives to volunteer and can facilitate using volunteers. In particular, recognizing contributions of time to suitable non-profit organizations as similar to contributions of cash for tax purposes, liberalizing labor market rules as they apply to the retirement age population working at such organizations and integrating volunteer work into existing employment law frameworks would be very helpful.

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Mobilizing Retired People in Ageing Societies on a Voluntary Basis

Policy issue: How can the rapidly increasing population of older retired people, largely financially secure and often in good health, be mobilized on a voluntary basis to help advanced economies meet the challenges that ageing populations will present over the coming fifty years?

I Introduction and main policy recommendations

This is the third of a series of Policy Briefs focusing on the non-profit sector. The first¹ provides an overview of what we know about the sector and calls attention to the main issues confronting the sector. The second² identifies what, in strategic terms, should be the main priorities for public policy towards the sector. This Brief addresses one aspect of the challenges facing the sector and the contribution public policy could appropriately make to meeting it: how to mobilize private resources in the form of unremunerated contributions of time, i.e. volunteering, particularly from the rapidly increasing retired population. Section II below sets out the overall context of ageing populations in which the issue has arisen and Section III provides an indication of the scope for volunteering to help ease prospective resource constraints. These sections draw from the two previous Briefs, which provide more elaboration, and were themselves informed by a significant body of work done at the OECD and the European Commission. Section IV summarizes the main influences on volunteering behavior which should inform policy formulation. The final section sets out the main directions which public policy should take. Its main recommendations are:

- Recognize volunteering, i.e. contributions of time, as an activity in a legal sense.
- Treat volunteering as philanthropy, for tax purposes, on a par with contributions of money.
- Integrate volunteering into existing employment law frameworks.
- Adapt labor market arrangements to allow for a hybrid of work and volunteering.

II The context: ageing populations and prospective resource constraints

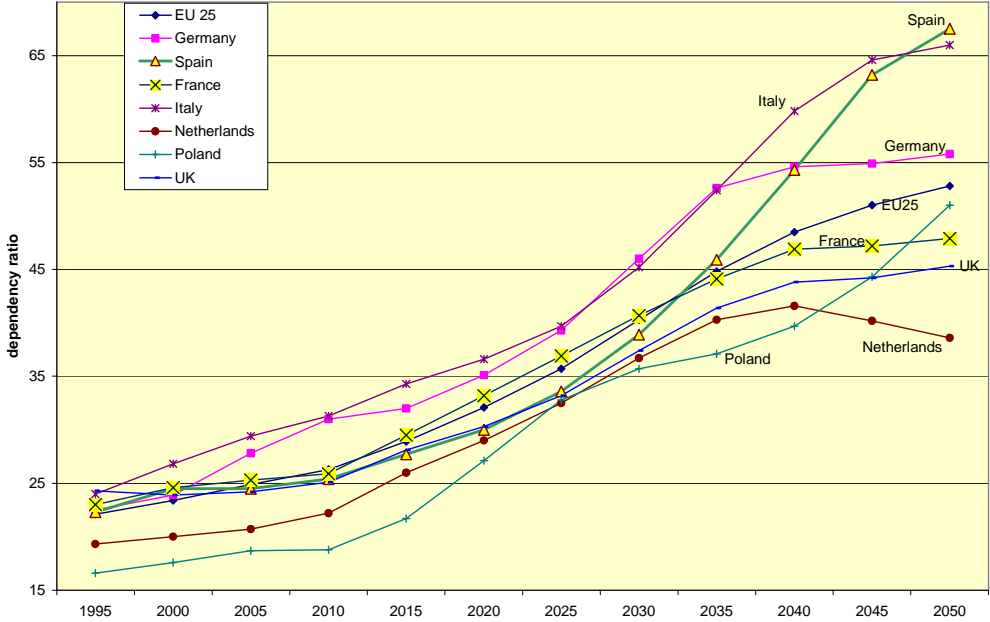
The rapid ageing which EU countries, indeed all advanced economies, are experiencing will be reflected in sharp and persisting rises in dependency ratios (Figure 1), i.e. ratios of the retirement age population (typically 65 and over) to the working age population (16-64). In most EU countries this will involve a stagnant or absolutely declining working age population and large increases in the over 65 group. This latter group will largely be financially secure, benefiting from a combination of

¹Paul Atkinson, "Emerging on the European Policy Radar: the Voluntary Sector", *Groupe d'Economie Mondiale de Sciences Po Policy Brief*, Paris, April 2006 (www.gem.sciences-po.fr/content/publications/regulatory_policy.html#non_profit).

²Paul Atkinson, "Taking Advantage of the Non-profit sector's Potential: Policy Priorities", *Groupe d'Economie Mondiale de Sciences Po Policy Brief*, Paris, September 2006 (http://www.gem.sciences-po.fr/content/publications/pdf/Atkinson_Taking_advantage0906.pdf).

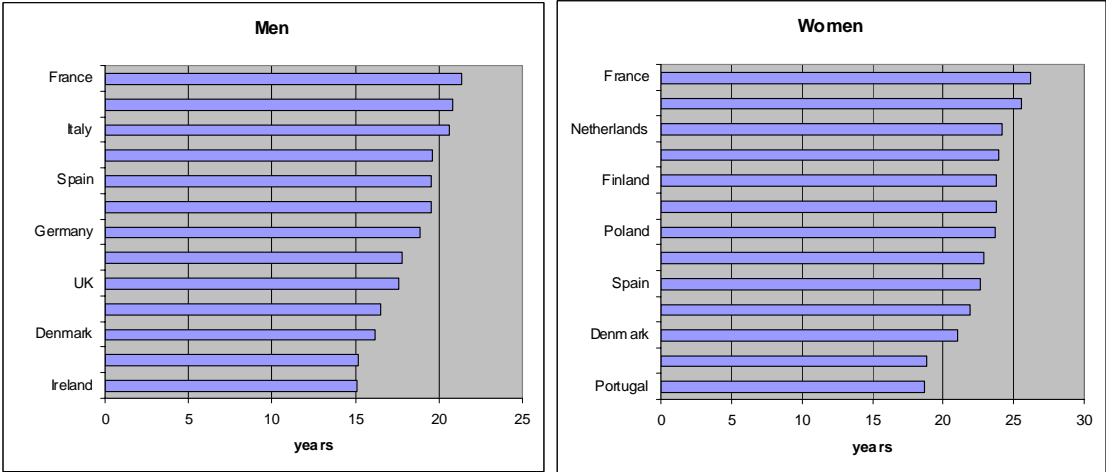
personal wealth accumulation and pension arrangements which render it unnecessary to work for a living. It will also be healthy and on average, according to OECD estimates (Figure 2), it will look forward to 15-21 years of retirement in the case of men, depending on the country, and 19-26 years in the case of women.

Figure 1: Projected old-age dependency ratios
Ratios between numbers of older persons (65 and over) and numbers of persons of working age (15-64)



Source: Eurostat.

Figure 2: Expected years of retirement



Source: OECD, *Live Longer, Work Longer*, Paris, 2006, Figure 2.5.

Some implications of this will pose challenges:

- With the retired population absorbing rising shares of the output produced by the working population, mobilizing and generating real resources will be a priority. Since large scale immigration is unpalatable and increased birth rates

can have little impact before mid-century, ensuring both high labor utilization and good productivity growth will be important.

- Arrangements to insure the financing of the transfer of real resources to the retired population must be in place. Demands for medical care are likely to rise. Tax-financed public pensions and medical care systems will play an important role here.
- As a consequence of public funding commitments, government budgets are likely to be strained by the rising cost of these age-related expenditures and the need to finance them. Pressure to raise taxes and to restrain other types of spending will be intense.
- Raising taxes will work to discourage mobilization of the labor force and so will have to be limited. Expenditure restraint will force governments to narrow the set of activities for which the state takes responsibility. Many of these are linked to social policy domains and do not lend themselves easily to being provided by the business sector on a commercial basis.

In this context the large and growing retirement-age population, healthy and reasonably secure financially, must be recognized as a major potential resource. Significant mobilization would have important macroeconomic implications, augmenting the effective labor force and hence potential output. Much of this will have to be done through gainful employment on terms and conditions prevailing throughout the economy. Indeed, the first priority in dealing with ageing populations and the prospective implications for the work force is to make the labor market work right (see Annex).

The potential of voluntary contributions of time is often overlooked but these can also play an important role if such contributions are facilitated and encouraged. The retired population will have the capacity to contribute a great deal to the economic and social life of society and many, at least, are likely to want something less confining than gainful employment but more stimulating than doing nothing. Furthermore, evidence emerging from the health and gerontology literature strongly suggests that regular, purposeful activity is good from a purely medical point of view so that finding ways to encourage volunteering is good social policy, quite apart from its economic advantages.

Voluntary contributions of time are a form of philanthropy and, as such, are not likely to be directed to enterprises whose purpose is to make profits (which in any case would seem inappropriate). However, as the earlier Briefs argued, the prospective budget constraints arising from age-related public spending commitments will provide opportunities for non-profit organizations since their activities often complement public sector efforts in domains that are most likely to face diminished public funding. At the same time, maintaining their own funding will be a challenge for these organizations since they are already heavily dependent on governments for roughly half of their current financial resources and these resources will be clear targets for savings as government finances come under increasing pressure. These organizations are natural beneficiaries of philanthropy and any scope for using volunteers offers relief from the financial constraints they are likely to encounter.

III The potential contribution from volunteering

Volunteering today

The best available source of information about volunteering in Europe is the Comparative Non-profit Sector Project at Johns Hopkins University. More detailed information about volunteering by people over 50 is provided by the SHARE survey, an international and multi-disciplinary project coordinated by the Mannheim Research Institute for the Economics of Ageing (MEA) at the University of Mannheim and covering 10 European countries.

These suggest that volunteering is widespread in Europe³ and is rising over time⁴. There is considerable variation across countries in terms of both participation and how much time each participant devotes to volunteering. Participation rates in northern Europe are typically much higher than in southern and eastern European countries. Older people participate actively well into normal retirement years, although this participation declines significantly after age 75, dropping by 1/3 to 2/3. They typically contribute more time than younger volunteers⁵.

The contribution that volunteering makes to European economies is already significant. One of the earlier Policy Briefs⁶ reported estimates, based on Hopkins Project data, that the addition to the effective active workforce in the European Union amounts to around 5 million, or more than 2.5 percent of the total, on a full time equivalent basis. While it is uncertain how the average productivity of the volunteer component of the workforce compares to the gainfully employed component, it is clear that it contributes significantly to potential output.

Possible impact of increased volunteering among the retired

If, in the future, participation rates in the 55-79 age group could be raised to (relatively high) Swedish and UK levels, ignoring any volunteering at all by the over 80 group, and if average duration could be raised from just over half a day per week currently to a full day a week, the effective workforce could be raised by around 3.3 percent by 2025 and by over 4 percent by 2050⁷. While differences in socio-economic frameworks, culture and traditions across countries limit the extent to which the experience of one country can be transferred to another, the scope for mobilizing the older population in Europe on a voluntary basis would seem to be significant.

³ The Hopkins Project puts the overall volunteer participation rate in developed European countries at 12.8 percent.

⁴ E.g. E. Archambault, "Le Benevolat en France et en Europe", *Revue Francaise des Affaires Sociales*, December 2002.

⁵ S. K. Gallagher, "Doing Their Share: Comparing Patterns of Help Given by Older and Younger Adults", *Journal of Marriage and the Family* 56:567-78, 1994

⁶ See reference cited in fn. 1.

⁷ See reference cited in fn. 1.

IV Key influences on volunteering behavior

Incentives to volunteer

Motives for volunteering can range from the altruistic to personal. Respondents to the SHARE survey from 10 European countries cited “the desire to contribute something useful” (68 percent) and “the joy derived from volunteering” (56 percent) more frequently than other motivations, suggesting largely altruistic motives. Nevertheless, the researchers also conclude that “Beyond social value of the activity, many volunteers apparently expect an additional, non-monetary personal gain”⁸. Archambault calls attention to the opportunities for developing oneself, taking responsibility, meeting interesting people and acquiring skills⁹.

Incentives to use volunteers

Evidence about attitudes to using volunteers in Europe is scarce. But a recent National Council on the Aging (NCOA) survey of US non-profit organizations¹⁰, largely drawn from organizations whose mission is in the social services area, about their readiness and capacity to tap the potential of older adults offers some insights. Three issues stand out. First, volunteers can be difficult to manage. Older volunteers, in particular, may value the freedom they enjoy having left the paid workforce and be reluctant to submit to normal workplace disciplines, e.g. as regards scheduling. Relations with paid staff may be difficult. Around half of respondents to the NCOA survey saw the necessity to create management systems often associated with a paid workforce¹¹ to approach their working with older adults systematically, 57% employing a professional volunteer coordinator. Others saw value in such systems but cited lack of trained staff as a key barrier. In summarizing the strategic issues and implications the NCOA authors put heavy emphasis on the need for more professional planning, leadership, management and administration, going beyond the role of a volunteer coordinator, to deploy older adults more effectively.

Second, so long as the management issues cited above are unresolved, and notwithstanding a generally positive view of older adult volunteers, executives at non-profits in the NCOA survey attach little priority to attracting and retaining more older volunteers. To some degree this reflects financial constraints and time pressure, since daily operational issues relating to core mission and service provision and ensuring their financial sustainability typically take priority for non-profit managers. But to some extent it is also a matter of attitudes. One third of respondents, for example, said that their organization would do nothing to improve their engagement with older volunteers “even if all the barriers to doing so were removed”. Perhaps more surprising, non-profit executives appear to regard volunteers as non-professional service providers, generally neglecting their potential skilled and professional contributions in areas such as accounting, software, editing or strategic leadership.

⁸K. Hank and M. Erlinghagen, “Volunteer Work”, sub-chapter 5.5 in Borsch-Supan, A. et al., *Health, Ageing and Retirement in Europe: first results from SHARE*, MEA, Mannheim, 2005, p.261.

⁹ See reference cited in fn. 4.

¹⁰ National Council on the Ageing, RespectAbility Web Survey, March 2005 (www.respectability.org/research/survey.pdf).

¹¹ E.g. development of new service opportunities and roles ; recruitment ; screening, assessment and placement ; orientation and training ; and performance feedback/ evaluation.

Third, insurance arrangements and, more generally, what legal responsibility an organization using volunteers assumes -- to volunteers themselves or to the wider public -- are not always as clear or appropriate as they could be. The NCOA survey cited above does not touch on this issue but informal contacts with managers at non-profit organizations¹² indicate that non-profits often simply rely on volunteers' own personal arrangements for health, accident, driving, etc. In the event of a problem arising in the course of carrying out the organization's activities it is not clear that this is satisfactory. A car accident while traveling or making deliveries on behalf of the non-profit organization which results in injury to the volunteer and unrelated bystanders and perhaps to property damage, would not normally be covered by personal driving insurance. And while health care systems vary from country to country, it seems reasonable in many systems that the non-profit organization should contribute something to the relevant insurance system to cover what are in reality work-related accidents. Particularly where larger organizations are concerned, clearer and more considered arrangements should be developed.

V Policy directions

Since volunteering is unremunerated, particular care should be taken in designing a framework to encourage it to ensure that no elements of pressure or coercion are included. But a number of steps can be taken to make both volunteering and using volunteers more attractive.

The *first* step is to recognize volunteering as an activity in a legal sense¹³. Formal recognition by itself can have only limited effects but for many older adults it may by itself constitute a form of "non-monetary personal gain". If so, recognition would make the activity more rewarding and so work to encourage it. For younger and working age people it may also be useful in the context of CVs. More importantly, it would provide a necessary basis for some of the further steps suggested below.

Formal recognition would require some definition, limits and criteria. Unremunerated work provided for parties with whom the worker has an arms-length relationship would be a good starting point but a full definition would have to deal with issues such as what constitutes reimbursement for expenses and how to treat in kind benefits. The degree to which beneficiaries should be formally organized and criteria for an arms-length relationship¹⁴ are other issues.

¹² The author has been carrying out an informal survey of a number of European non-profit organizations about their experience with volunteers. The responses will be summarized early in 2007 and made available on the GEM web site.

¹³ Recent French legislation establishing contracts of "Voluntariat associatif" (Loi #2006-586) and "Voluntariat de solidarite internationale" (Loi #2005-159), analogous to employment contracts, provides examples although its application is to much a more restrictive definition than is envisaged here. "Voluntariat" resembles civic service, a contractual arrangement involving full time commitment and precluding nearly all types of outside income such as pensions and state benefits. It is differentiated in the legislation from "benevolat", which covers the much more flexible forms of volunteer arrangements envisaged here.

¹⁴ Hank and Erlinghan, op. cit., citing J. Wilson and M. Musik, "Who Cares? Towards an Integrated Theory of Volunteer Work", *American Sociological Review* 62, 1997, suggest "... parties to whom the worker owes no contractual, familial or friendship obligations" (p.259). It is not clear how the notion of "friendship obligations" could be made operational. The French legislation described in fn. 13 calls for a "collaboration desinteresse".

A *second* step is to recognize volunteering, i.e. contributions of time, as philanthropy on a par with contributions of money. For appropriate charitable causes this would imply tax relief similar to that for contributions in cash or “in kind”, providing some financial benefit to volunteers at no cost to beneficiaries. In order to avoid abuse clear criteria by which beneficiaries qualify as “appropriate”, valuation methods and possibly limits would be required. But criteria for what qualifies as a charity for tax purposes already exist in most countries and issues of valuation and limits already arise as regards non-cash contributions such as second-hand items or office space. If market based valuation is too complex, a simple fixed rule would suffice, e.g. minimum wage in countries where this exists.

A *third* step is to integrate volunteering into existing frameworks of employment law. Any issues of relationship to social security systems or the responsibilities of organizations using volunteers that could affect insurance risks and responsibilities should be clarified.

Fourth, allow for a hybrid work-plus-volunteering combination constituting either work with a voluntary element or volunteering with token payment. Any charitable deduction for tax purposes would be confined to the voluntary element. The possibility of some supplementary income would act as a direct financial incentive for volunteers. At the same time it would reinforce the authority of management since it would be providing something tangible in return for volunteers’ contribution.

Legal changes involving important adaptation of existing labor market legislation would be required in most countries. The cleanest approach would be to permit adults having reached the official retirement age to contract freely with non-profits enjoying some advantageous tax status about the terms and conditions of their relationship. So long as the agreed terms included a voluntary element, i.e. remuneration was below minimum wage or demonstrably below prevailing market wage rates, the individual’s rights, benefits and obligations vis-à-vis the social insurance system would be unaffected.

Political obstacles to such an approach could be high since it amounts to: (i) full liberalization of what would be a segment of the labor market if it were able to develop; and (ii) ring-fencing it from social security systems. But much of what would be involved needs to be done to strengthen employment performance anyway, and indeed is recommended by the OECD analysis summarized in the Annex. Limited variants of this approach may have a role to play, but to be effective they would probably have to include substantial exemption from restrictions applying to minimum wages, duration of contracts and indemnities while not subjecting retired people’s pensions to added implicit or explicit taxation.

Finally, there are areas where action could be taken which would impact less directly on incentives to volunteer and to use volunteers but could nevertheless, over time, contribute to an environment conducive to an increased contribution from volunteering. These include:

- *Management training*: the challenges of managing volunteers suggest that management training programs in which non-profits can participate can be usefully extended to include assistance in this area. Formal programs to train

volunteer coordinators and human resource specialists could also make an important contribution. A valuable element of such programs would be ways to certify such coordinators and specialists.

- *Disseminate best practices*: non-profits have a strong appetite for best practice information (the NCOA survey found this to be the only widely shared resource among non-profits, especially among senior-based organizations and those using over 50 volunteers). But many are small organizations with limited resources to enable much investment to seek it out. Efforts, by Ministries, educational institutions, non-profit organizations or others, to identify best practices as regards attracting and managing volunteers and to disseminate them more effectively would be useful.
- *Placement*: particularly in the absence of any effective price mechanism, matching volunteers with organizations best able to use their specific skills or abilities can be difficult. To the extent that public authorities can play a direct role, say by encouraging Public Employment Services to act as a clearing house for information, or can assist with funding non-profit organizations whose mission includes assisting with such placement, they should do so.
- *Computer training*: older workers are perfectly capable of using computers but may lack experience and need help in getting started. Training programs that provide a basic foundation can be useful in helping older workers adapt to the increasing use of digital and online tools in modern society.
- *Attitudes*: realizing the potential of the older population will require changes in employers' attitudes to retirees, whether the issue is adapting to their desire for flexibility as regards time and scheduling or recognizing their skills and the potential contribution they can make. The OECD points out in this regard that countries such as Finland, the Netherlands, Norway and the United Kingdom have carried out information campaigns to address these problems¹⁵. They are primarily aimed at paid employment but much of their substance applies, or can be adapted to, volunteers as well. Information campaigns and guidelines are weak instruments but in the end attitudes can only be changed by persuasion and experience. Such campaigns have a role to play.

¹⁵ See OECD, *Live Longer, Work Longer*, Paris, 2006, Chapter 5.

ANNEX

Making labor markets work for older workers

Regulatory and financial arrangements affecting the labor market should be designed to help people to live rewarding and productive lives in gainful employment until they wish to retire and can provide for themselves in retirement. At present Europe's performance here is poor. This has been widely recognized and analyzed, notably by the OECD¹⁶. Incentives created by these arrangements lead to widespread exit of mature workers from the labor force which becomes steadily more evident after the age of 50. Employment rates fall off sharply (Table 1) and few older workers who leave employment ever return. Consequently effective retirement ages, i.e. average age of exit of people who are over 40 when they leave the labor force, are below official retirement ages in nearly all European countries (Figure 3). Labor force participation after 65, the most common official retirement age, is very low nearly everywhere: only in Norway and Portugal does it even reached 20 percent in the 65-69 age range (Figure 4) and it falls to negligible levels for those 70+¹⁷.

Table 1: Employment rate, 2005

(employment as a percentage of population)

	Age Group	
	25-54	55-64
EU 19 [1]	77.4	42.4
o/w Germany	77.4	45.5
France	79.6	40.7
Italy	72.2	31.4
Spain	74.4	43.1
United Kingdom	81.1	56.8
<i>Memo</i>		
United States	79.3	60.8
Japan	79.0	63.9

[1] EU15 plus Poland, Hungary, Czech and Slovak Republics

Source: OECD Employment Outlook, 2006

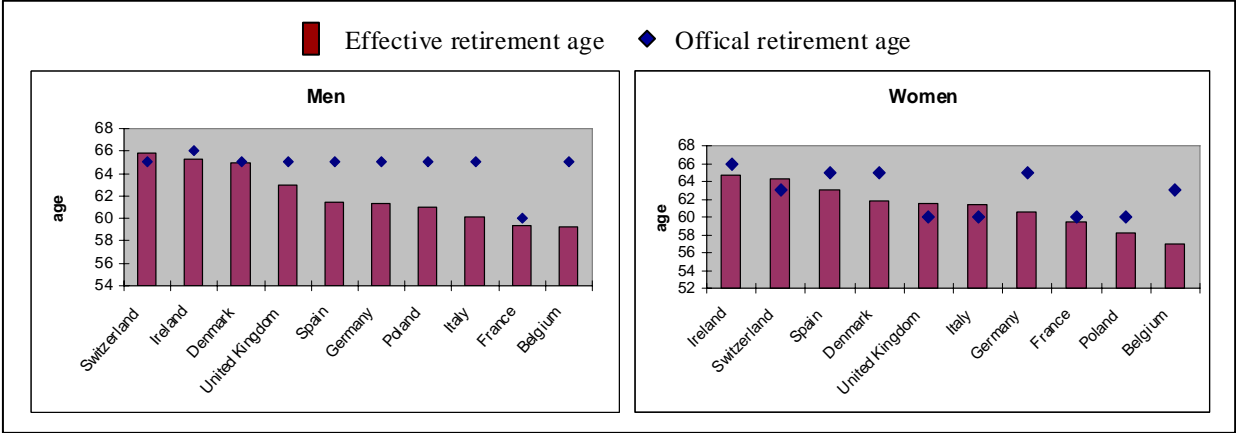
The OECD has identified some of the main policy priorities:

- Financial incentives that influence work-retirement decisions should not be biased against work. These include incentives embedded in pension systems that implicitly tax pension rights if these are deferred by continued participation in the workforce, early retirement schemes that rely on government subsidies or are not actuarially adjusted, or using benefit systems such as unemployment or disability as alternative ways to exit the labor market.

¹⁶ See OECD, *Live Longer, Work Longer*, Paris, 2006 and the various studies cited there.

¹⁷ See A. Borsch-Supan, et al., reference cited in fn.9, Table5A.11. In the reported survey results, covering a sample drawn from 10 European countries, the percentage of respondents still working averaged over 70 per cent for all ages from 50-53, dropped below 30 per cent for all ages 61 and over and fell to 6 per cent for 65 year olds. The only age above 68 for which more than 2 per cent reported working was 78.

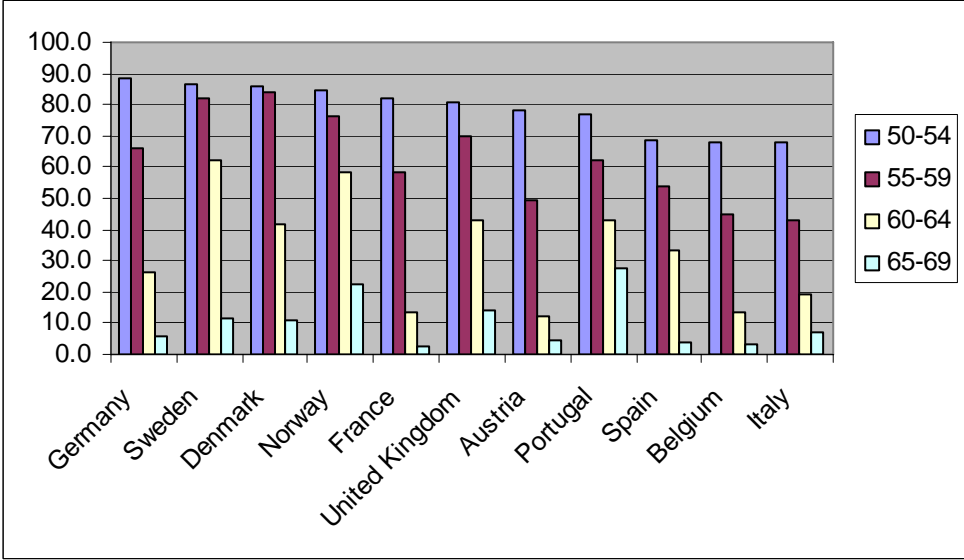
Figure 3: Effective and official retirement ages



Note: Effective retirement ages refer to the average age at which persons age 40 and over left the labor force during 1999-2004. Official retirement ages (2004) are the earliest ages at which workers can claim full old-age public pensions irrespective of contributions and work history.

Source: OECD, *Live Longer, Work Longer*, Paris, 2006, Figure 2.4.

Figure 4: Labor force participation rates of older people



Source: OECD, *Live Longer, Work Longer*, Paris, 2006, Figure 2.13.

- Employers should not be discouraged from employing older workers by regulation and practices such as employment protection rules, remuneration systems that reward seniority beyond what is justified by higher productivity and mandatory retirement schemes.

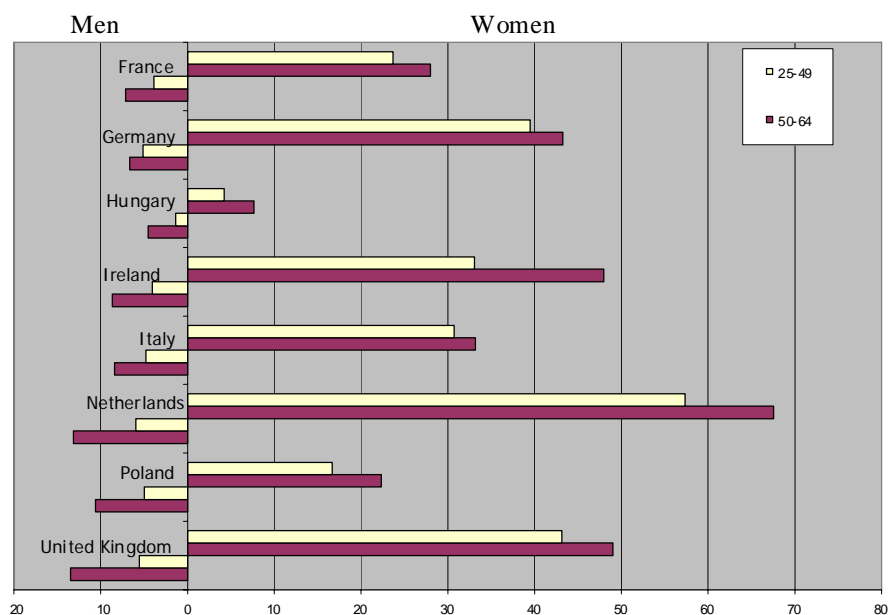
- Maintaining older workers' employability requires all actors to adapt to changing conditions. This means increased investment in life-long learning and mid-career training, using teaching methods adapted to older workers, and adapting programs of employment agencies and services to the needs of older workers.

An important aspect of sustaining the participation of older workers is the scope for part time work. For various reasons ranging from physical problems to a desire for more free time many older workers would like to work at a less demanding pace. Some may be satisfied with the lower level of income that this provides, possibly deferring pensions and/or adding to ultimate pension rights. Others may wish to supplement pensions, which may often replace only 50-75 percent of pre-retirement incomes¹⁸.

If part-time jobs and flexible work arrangements that allow a more gradual transition from work to retirement are available many workers approaching retirement age are likely to take advantage. Indeed, the incidence of part time work is generally higher among workers over 50 than among the 25-49 age group (Figure 5). The OECD notes that work exists suggesting that more flexible arrangements for working time could significantly increase effective retirement ages, although not necessarily total effective labor supply¹⁹.

Figure 5: Part-time work by age and gender, 2004

Percentage of workers usually working 30 hours per week or less



Source: OECD, *Live Longer, Work Longer*, Paris, 2006, Figure 3.13.

¹⁸ D. Blanchet, T. Debrand, P. Dourgnon and P. Pollet, « L'enquete SHARE: presentation et premieres resultats de l'edition française », *INSEE Direction des Etudes et Syntheses Economiques Working Paper G 2005/14*, December 2005, report survey results for 10 European countries in Table 12. Only in Spain and among French men do adults over 50 and still working expect replacement rates to be above 75 percent. Hypothetical net replacement rates reported by OECD in *Live Longer, Work Longer* (Figure 3.1) for most countries are of a similar order of magnitude, averaging 70 percent for the OECD as a whole.

¹⁹ A. L. Gustman and T. L. Steinmeier, "Minimum Hours Constraints, Job Requirements and Retirement" *NBER Working Paper* 10876, NBER Cambridge, Mass. February 2004.

To some degree scope for flexible work time arrangements is a matter of attitudes of management and the willingness and ability, given the nature of the work, of both management and the employee to find a mutually satisfactory solution. But it can also be affected by wider regulatory and institutional arrangements affecting the labor market. The OECD points out that some of these, such as the extent to which continued work beyond an official retirement age is implicitly taxed by loss of pension rights, may be specific to older workers. Others may be more general, such as fixed costs of employment that make one full time employee less expensive than equivalent part timers.