



Workshop *Delivering higher effective retirement ages*
organised jointly
by the European Commission and the OECD
28 June 2017, Brussels

HOW WELL ARE LATE-CAREER LABOUR
MARKETS FUNCTIONING, INCLUDING IN
THE CONTEXT OF DIGITALISATION?

WHICH EMPLOYMENT POLICIES FOR
LONGER WORKING LIVES WILL BE
NEEDED?

Anne Sonnet

Senior Economist, OECD, Skills and Employability Division
Directorate for Employment, Labour and Social Affairs

Nicola Duell

OECD Consultant



HOW WELL ARE LATE-CAREER LABOUR MARKETS FUNCTIONING?



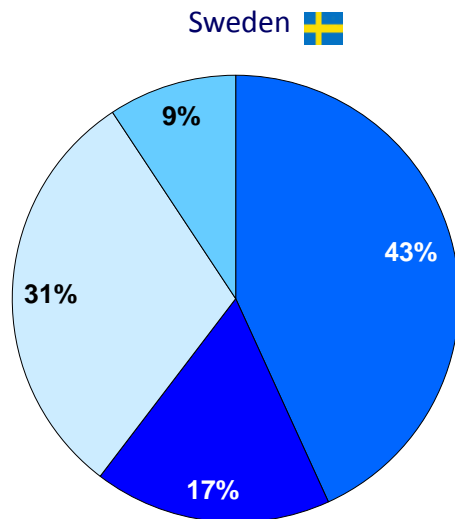
There are large disparities across countries in the transition from work to retirement

Employment and retirement statuses, 2012

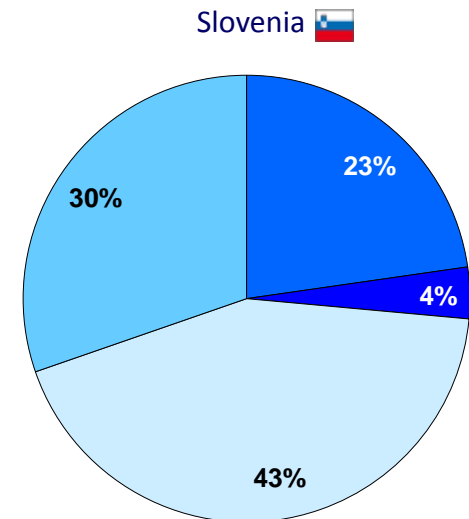
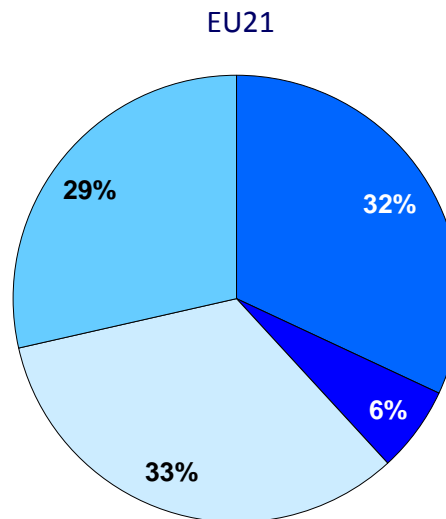
Percentage of the population aged 55-69



Top performer in employment not yet retired



Bottom performer in employment not yet retired



Note: **Person in retirement:** Person receiving an old-age pension (statutory scheme, occupational scheme, personal scheme or unknown scheme).

Source: Eurostat, EU-LFS, ad hoc module 2012 on transition from work to retirement.

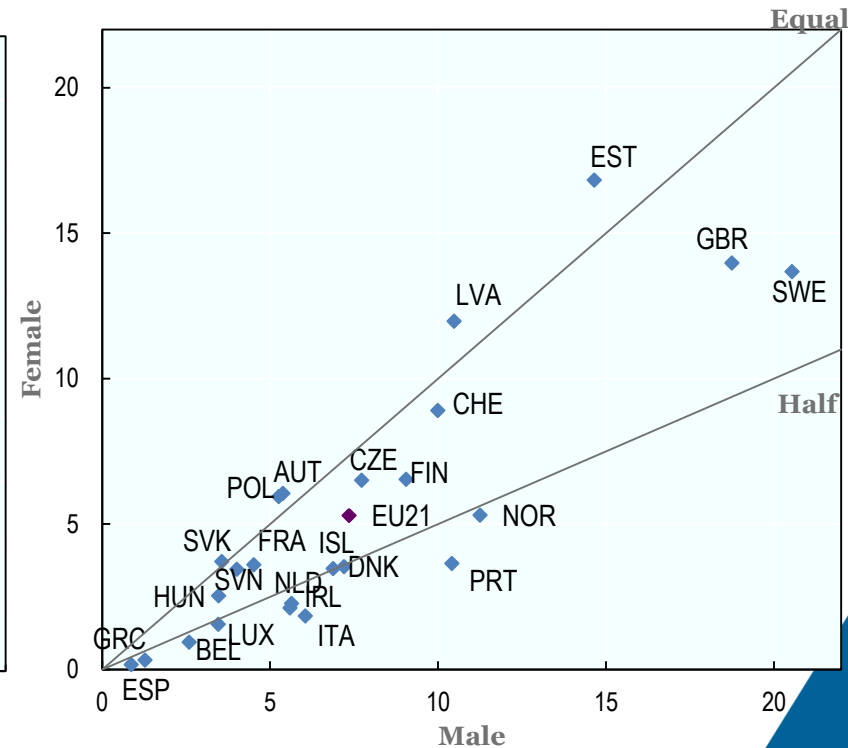
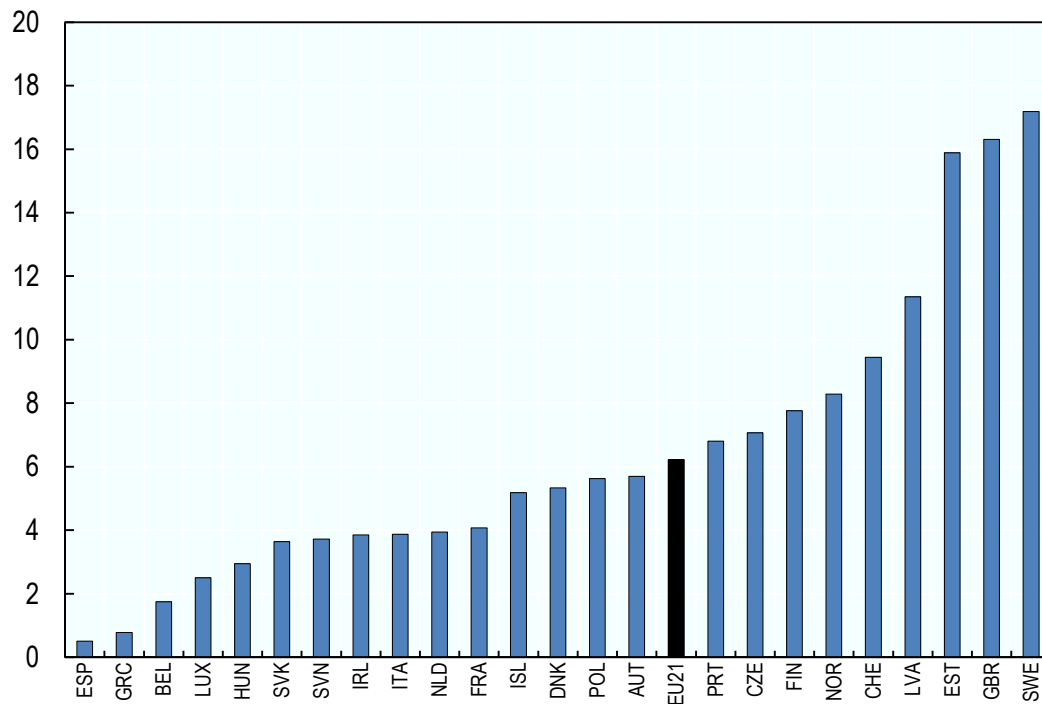


There are large country disparities in the importance of the group combining work and retirement

Older workers combining work and retirement, 2012 Percentage of population aged 55-69

Men and women

By gender

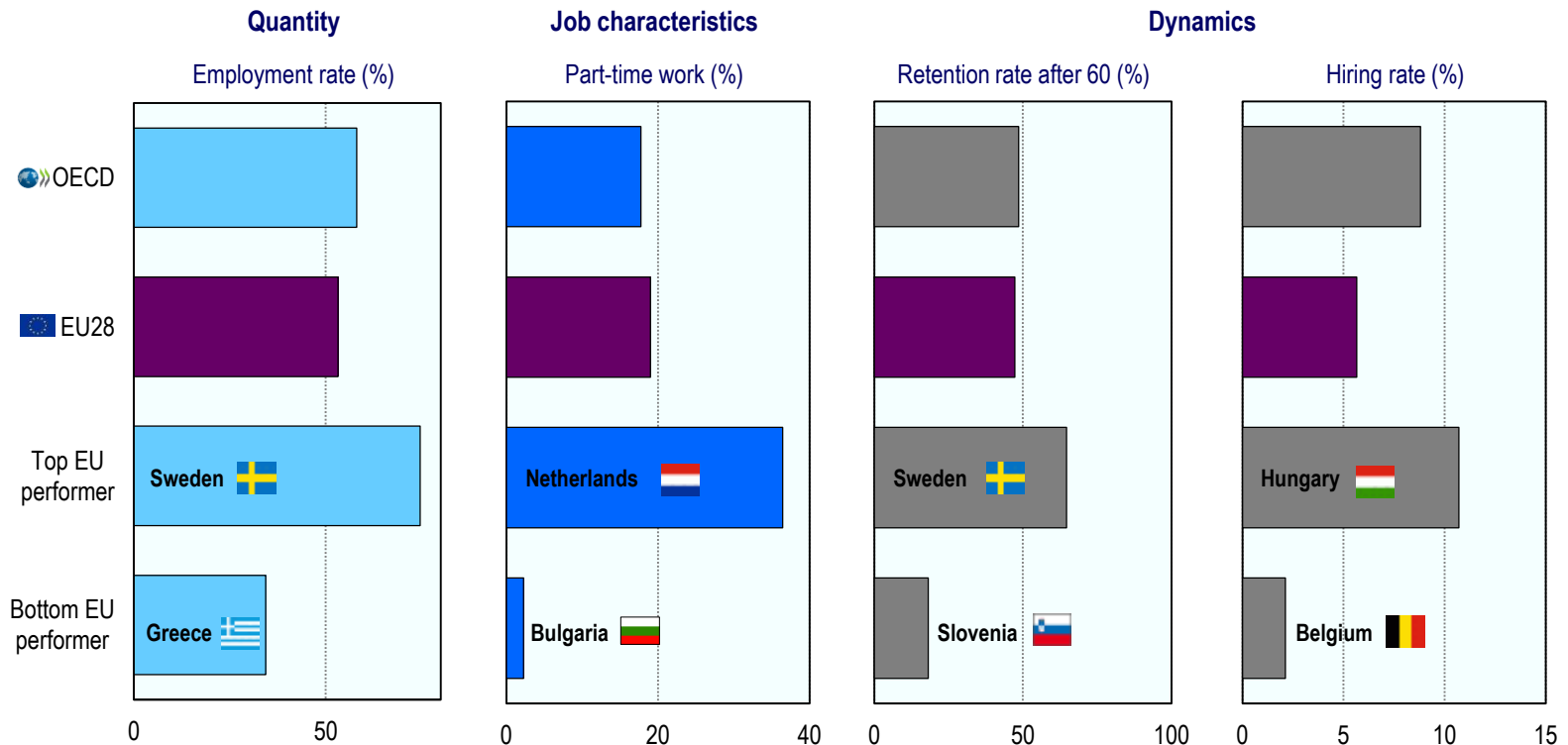


Source: Eurostat, EU-LFS, ad hoc module 2012 on transition from work to retirement.



The Late-Career Labour Markets Scoreboard, to go beyond quantity.....

Scoreboard of labour market performance of workers aged 55-64, 2015



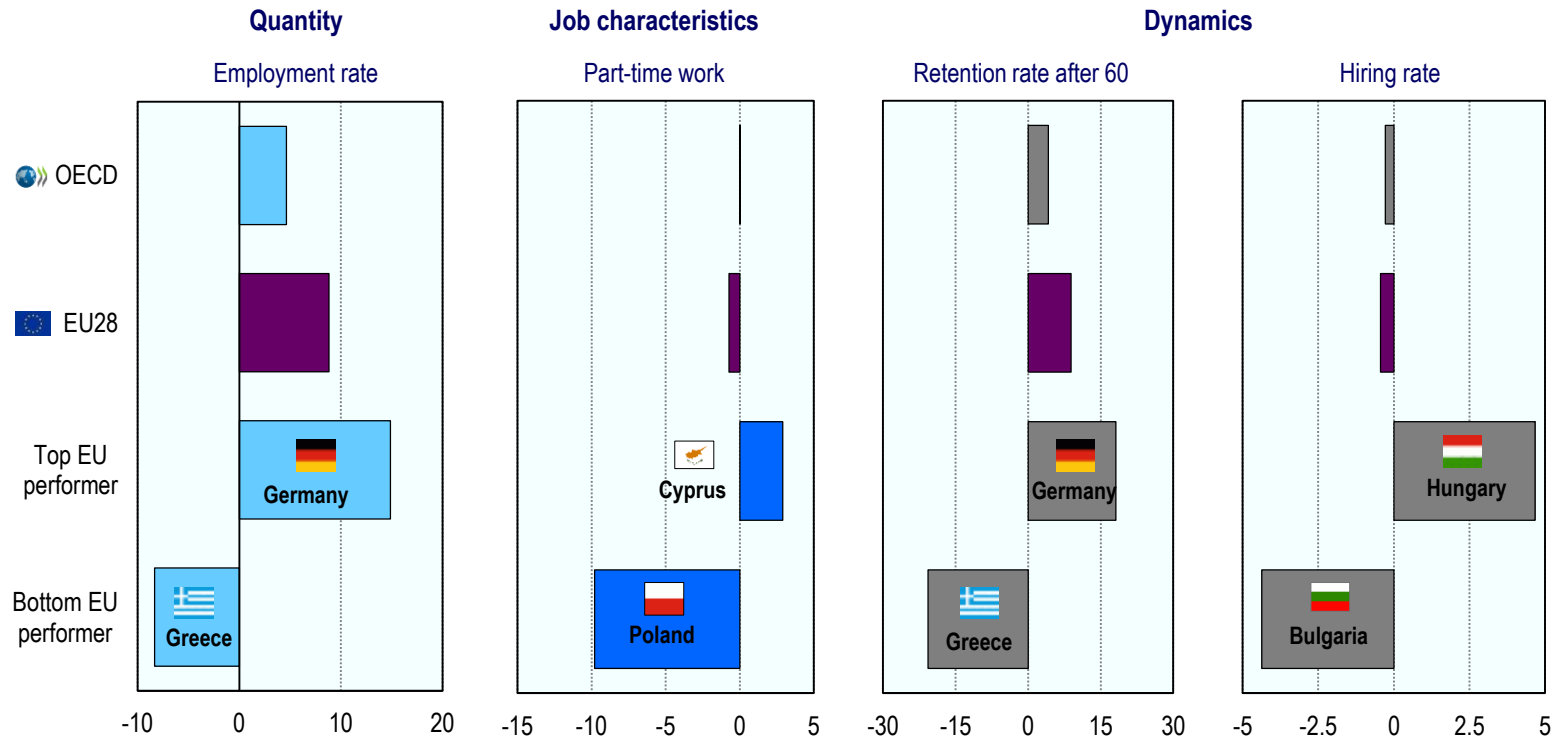
Source: OECD Employment Database, Late-Career Labour Markets scoreboard.



... a rich overview of the strengths and weaknesses of different national late-career labour markets

Scoreboard of labour market performance of workers aged 55-64

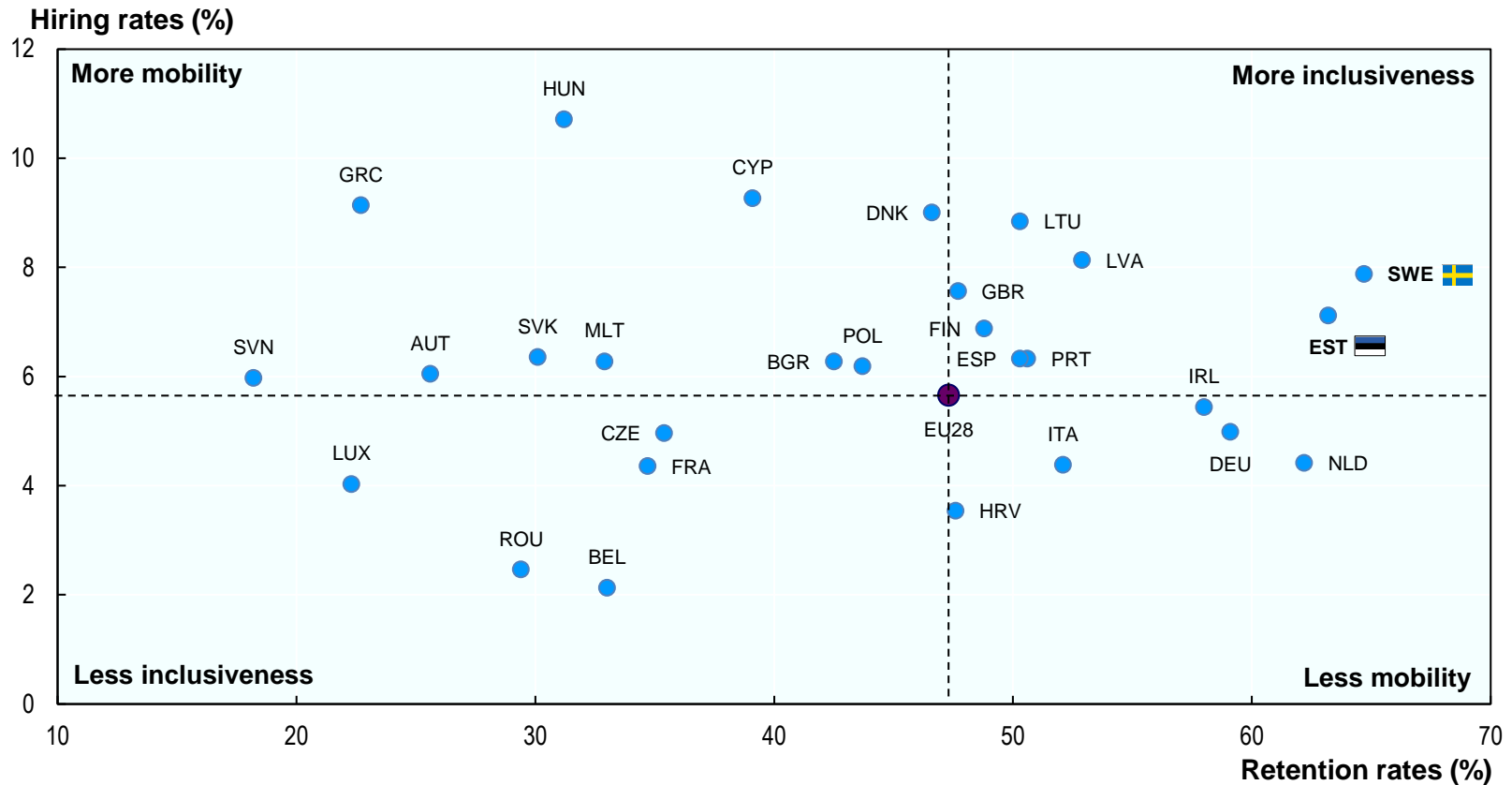
Change in percentage points 2007-2015



Source: OECD Employment Database, Late-Career Labour Markets scoreboard.

Sweden and Estonia are the more inclusive countries for older workers with above average hiring and retention rates

Hiring and retention rates in 2015

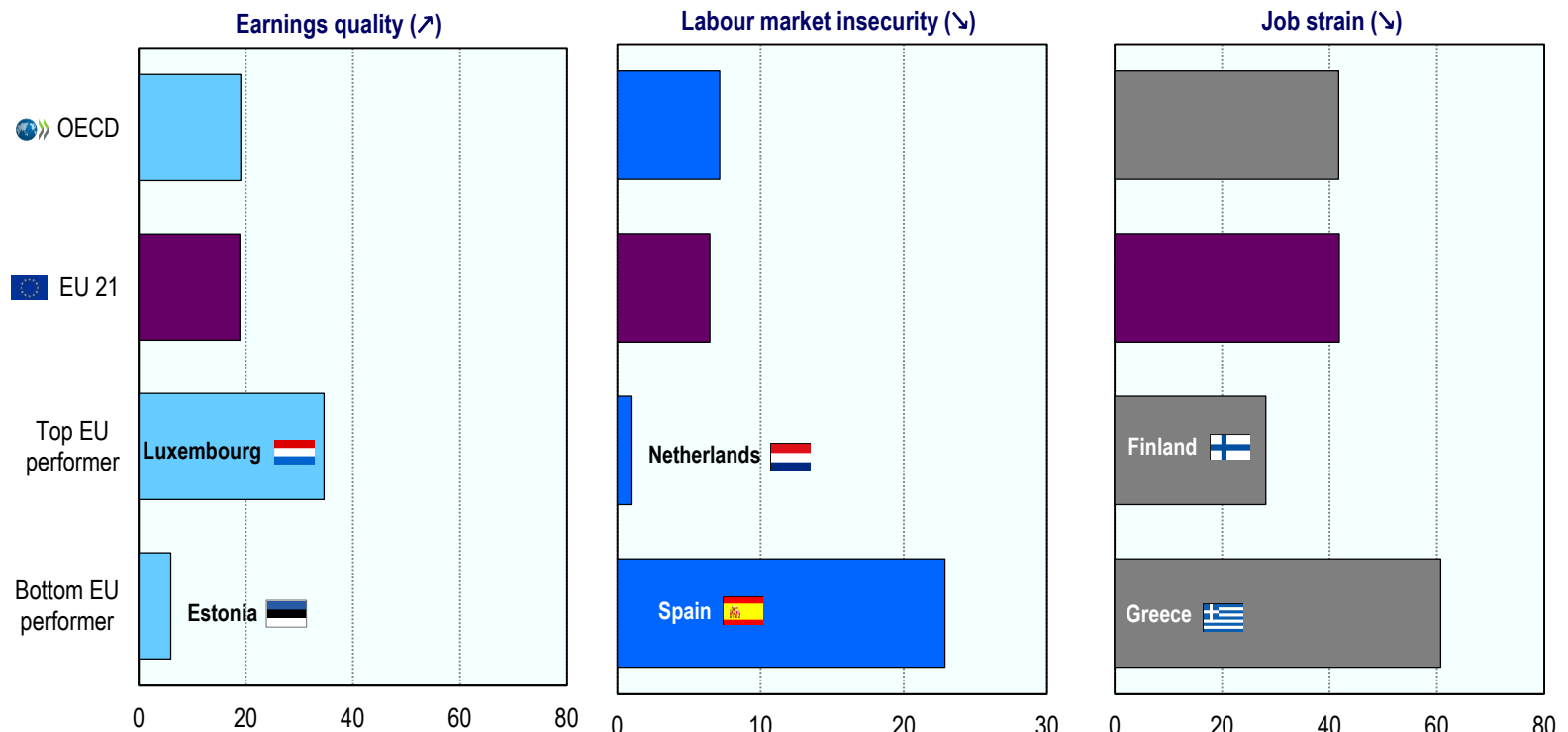


Source: OECD Employment Database, Late-Career Labour Markets scoreboard.



The EU and OECD job quality indicators for older workers are similar on average, but there are large disparities among EU countries

Job quality (workers aged 50-64)



Note: An upward ↗ (downward ↘) pointing arrow for an indicator means that higher (lower) values reflect better performance. **Earnings quality:** Gross hourly earnings in USD adjusted for inequality. **Labour market insecurity:** Expected monetary loss associated with becoming unemployed as a share of previous earnings. **Job strain:** Percentage of workers in jobs characterised by a combination of high job demands and few job resources to meet those demands.

Source: OECD Job Quality Database.

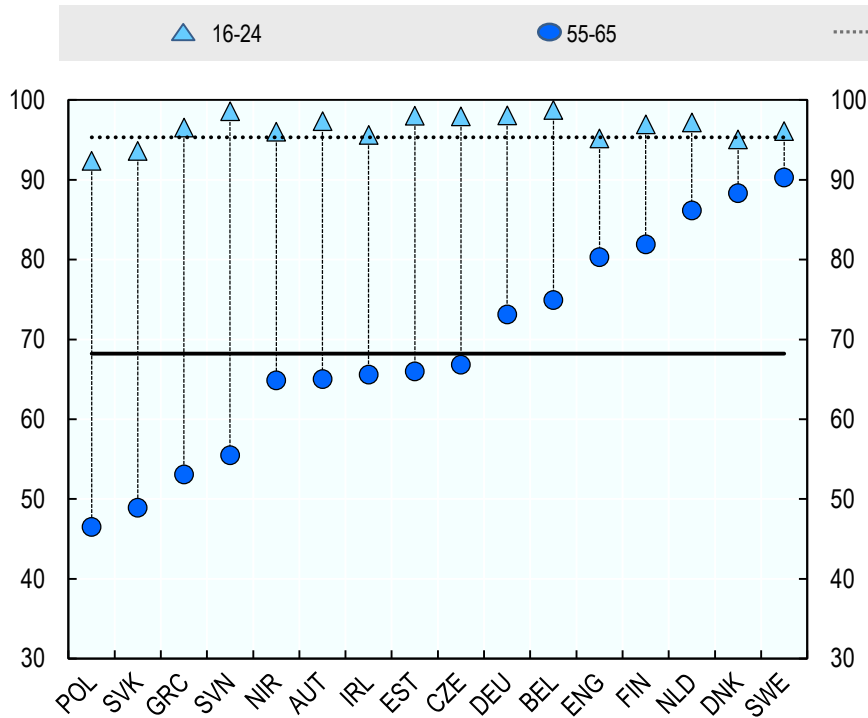


HOW WELL WILL OLDER WORKERS OF TOMORROW BE PREPARED FOR THE DIGITAL ECONOMY?

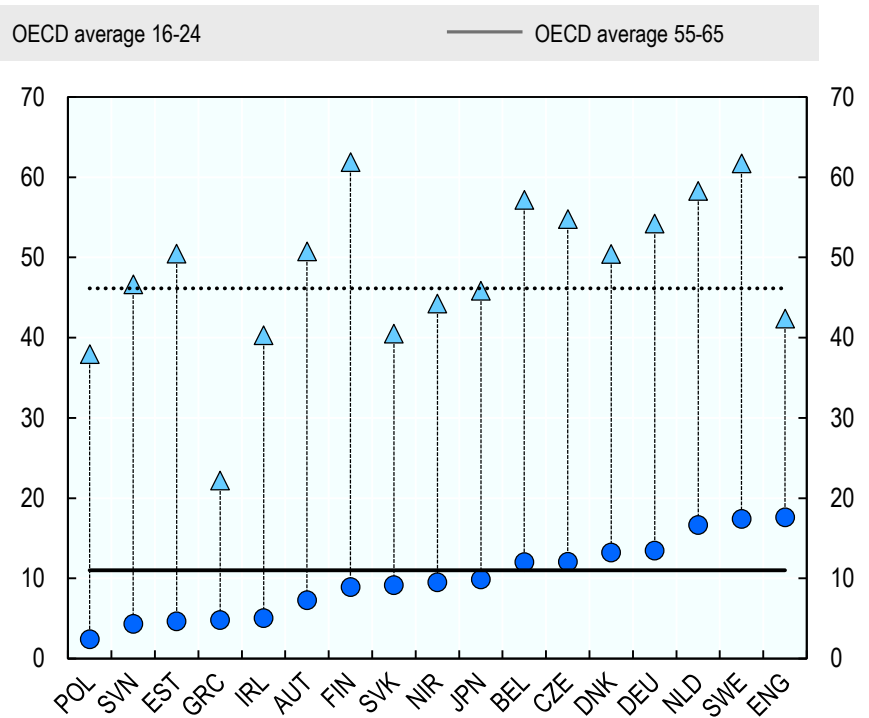


Older people generally have poorer digital skills than younger people but the proportion of younger people with poor digital skills varies considerably across countries

Prior computer experience and passed the ICT core test
(% of persons)



Good ability to use computers and solve problems
(% of persons)



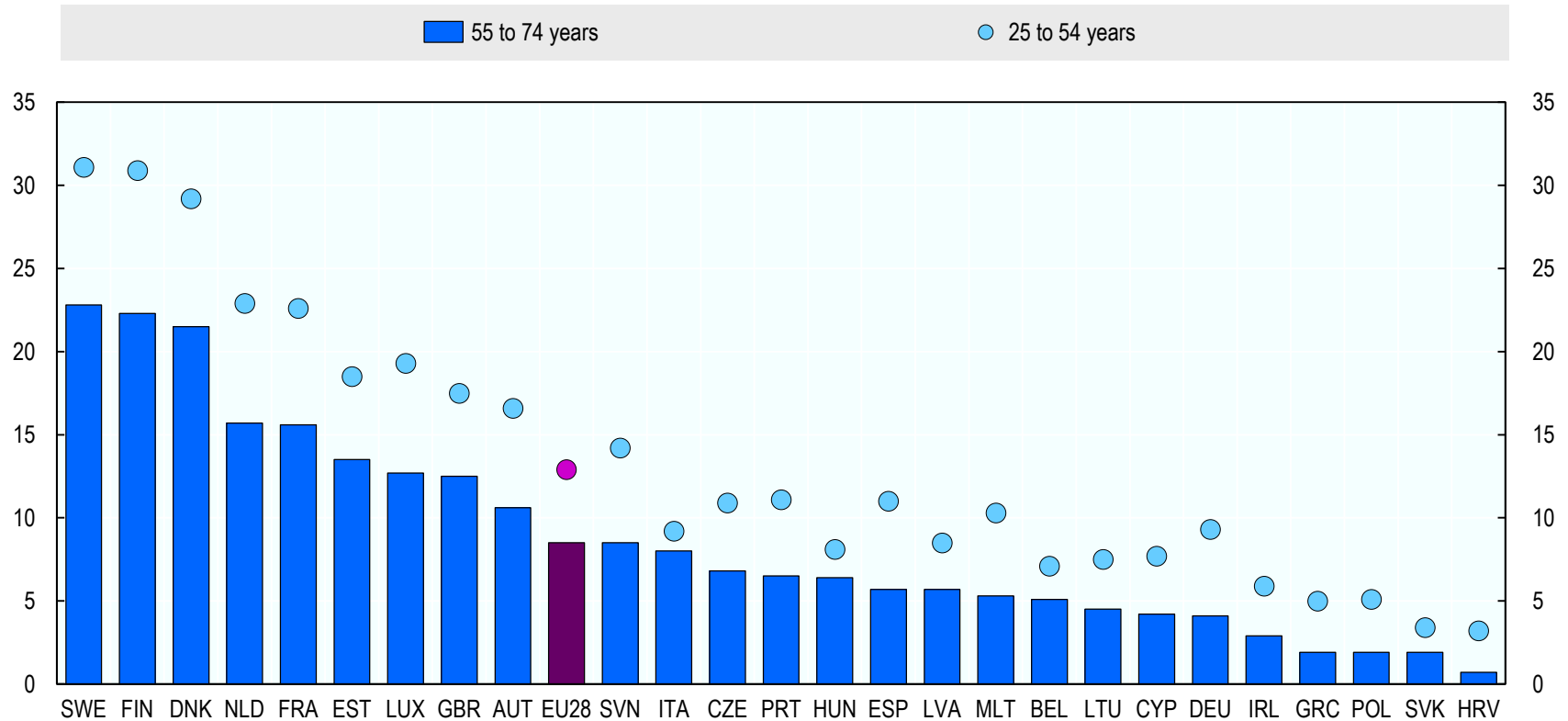
Note: Belgium refers to Flanders only.

Source: Survey of Adult Skills (PIAAC), 2012 and 2014.



Older workers receive less training than adult workers but first of all, training opportunities vary considerably across countries

Participation rate in formal and non-formal training in the last four weeks, 2016
(% of persons)

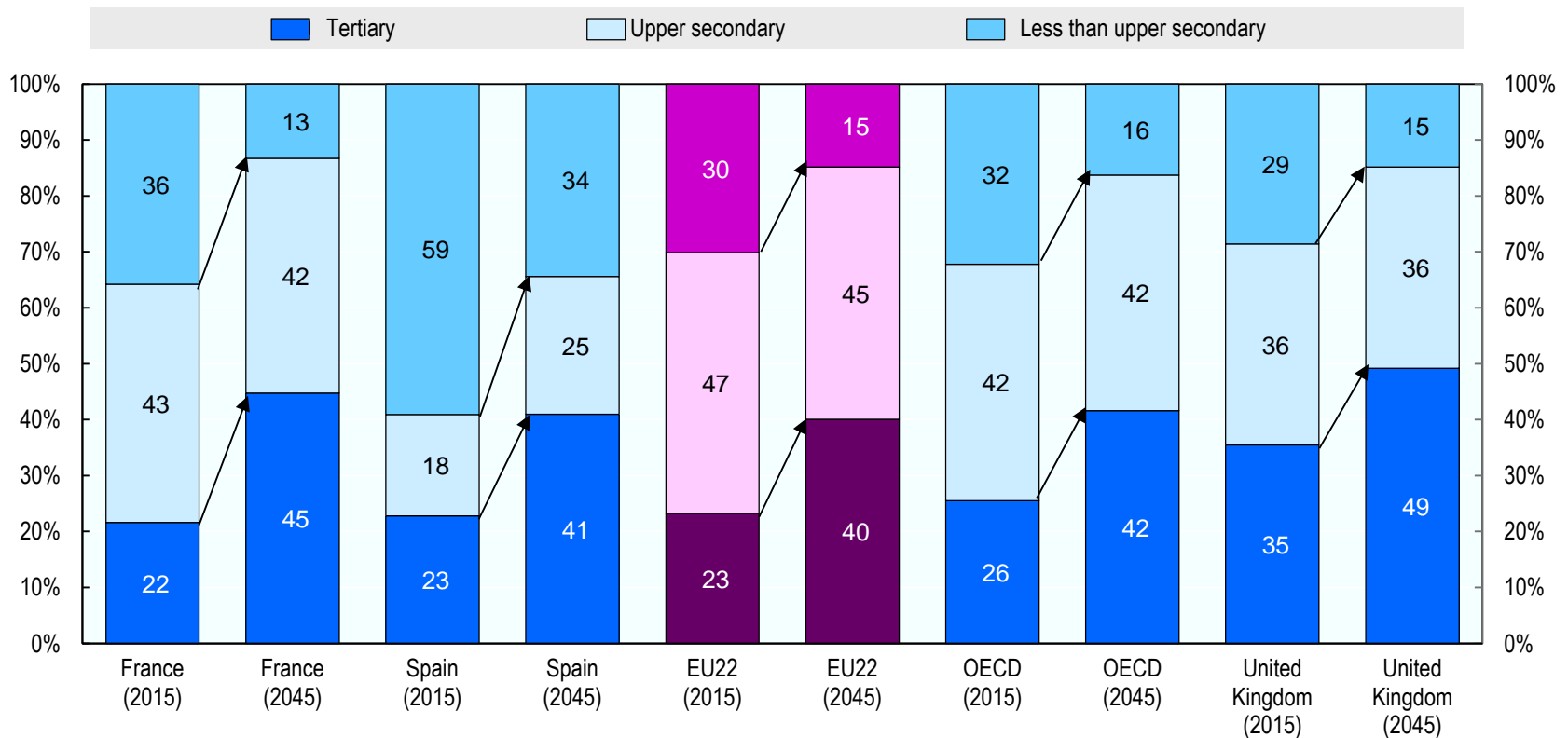


Source: Eurostat Database.



Good news: older workers of tomorrow will generally be better educated, but the “education dividend” varies across countries

Education level of workers aged 55-64, 2015 and 2045
OECD, EU22 and selected EU countries





Conclusion

- **Digitalisation** is a challenge for future generations of older workers to be better prepared for the changing working environment.
- Even if older workers of tomorrow should be better educated than today, a high proportion of them in some countries may still be struggling with **poor digital skills**.
- **Participation in ICT training** should be enhanced for workers with poor digital skills throughout their working lives, including in their mid-to-late career.



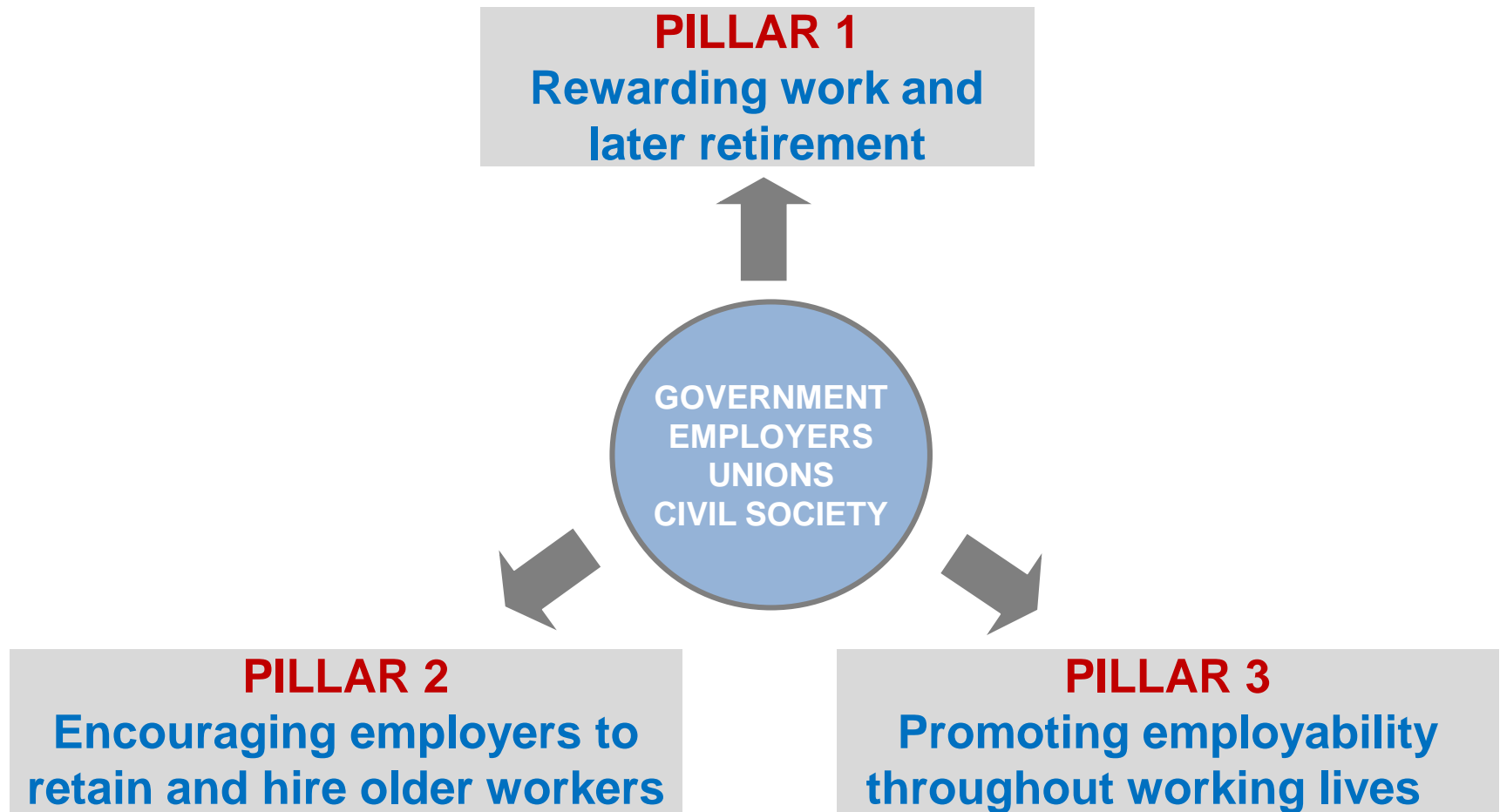
WHICH EMPLOYMENT POLICIES WILL BE NEEDED FOR LONGER WORKING LIVES?



Improving job opportunities at all ages

OECD Recommendation on Ageing and Employment Policies

THREE PILLARS





Implementing reforms: Where do EU countries stand?

Many EU countries have undertaken reforms aimed at promoting longer working lives

- Much of the policy focus has been **in the first pillar**

1. Rewarding work and
later retirement

- But there is considerable scope for further improvement **in the second and third pillars**

2. Encouraging employers to
retain and hire older workers

3. Promoting employability
throughout working lives



2. Encouraging employers to retain and hire older workers

Tackling age discrimination

- Usually, legislation prohibits discrimination by age, but implementation of the laws seems uneven.
- Many countries implement awareness raising campaigns.
- A few countries implement concrete measures to limit discriminatory praxis.

Some good practices

- **Screening of vacancy announcements (Netherlands)**
- The “**simulation**” **recruitment method** enabling new hires to be selected through aptitude tests without regard to age or previously held jobs (the PES Pôle emploi in **France**).
- In **Ireland**, an Equality Mainstreaming Approach activity, managed by the Equality Authority and involving the social partners, issues **guidelines and audit tools** for employers to assess their equality strategy and compliance with the law.



2. Encouraging employers to retain and hire older workers

Reviewing the age-wage profile

Reviewing the use of seniority wages is on track in many countries but usually as a slow process. Where strict seniority rules do not exist formally, still wage premiums e.g. for loyalty can be paid.

Some good practices

- In **Finland**, between 1994 and 2007, a New Pay System (NPS) was gradually adopted for **central government employees**. It was introduced through a collective agreement including salary tables for job demand levels and personal performance levels. At **local government** level, implementation of similar rules since 2008 has been incomplete.
- In **Croatia**, an Action Plan for the regulation of the wage system in the public sector was adopted in 2015-2016, establishing a system of objective and impartial evaluation for **stimulating, sanctioning and rewarding** employees **based on ratings**.
- In **Germany**, there are no longer binding clauses on seniority wage increases in most collective bargaining contracts.



2. Encouraging employers to retain and hire older workers

3. Promoting employability throughout working lives

Career guidance and counselling to employers and workers

- Reduces negative stereotypes of older employees in employers' age management activities.
- Stimulates older employees to work on their own employability, to learn new skills and transfer expertise, and increases job satisfaction.
- Helps to improve the match between training needs of firms and workers, even those in their mid-to-late careers.

Some good practices

- **Austria**, the PES has been providing a **counselling programme to employers**, with special emphasis on the development of life-cycle oriented educational programmes.
- Some **companies** (mainly large ones) across Europe implement **mid-career plans**. Support to this practice was promoted e.g. in the **UK** by the National Institute of Adult Continuing Education (NIACE).
- In **Finland**, a key guideline is to **provide training for HRM staff and for line managers**.



3. Promoting employability throughout working lives

Training of all workers, including those approaching the end of their career

- Training should have a short payback period to ensure positive returns for both employers and employees.

Some good practices

- In **Finland** in 2014, a new **adult VET programme** was started for low qualified adults aged 30-50.
- The programme *WeGeBAU* in **Germany** provides **subsidies targeted at SMEs** to promote further training within companies for the low-skilled and for workers aged 45 years.
- The development of **digital skills of older people** has been promoted by municipalities, NGOs and the PES in **Greece** (e.g. 50plus Hellas).



3. Promoting employability throughout working lives

Obtaining recognition of skills acquired through experience

Validation of Acquired Experience (VAE) is especially valuable for older workers whose initial qualifications may be outdated or who have not received formal training. It is necessary to be able to recognise those skills adequately, and to render them transparent to potential employers.

Some good practices

- In the **Netherlands**, the VAE instrument is the *Ervaringscertificaat* (Experience Certificate). The Certificate is also included as part of **collective labour agreements** in several sectors, and is **paid for by a number of training and development funds**.
- In **Portugal**, VAE has been a central instrument of the New Opportunities Initiative (INO) (2005-2010) and the new *Qualifica* programme. The **combination of VAE and education and training** is more effective.



3. Promoting employability throughout working lives

Employment assistance to older jobseekers

Evaluations show positive results of models combining placement, peer group learning, job search training, coaching and individualized counselling, in particular for disadvantaged older jobseekers.

Some good practices

- **Germany:** intensive **counselling** for the older unemployed under the “Perspektive 50plus” (2005-2015), **Employment Pacts** for older workers in the regions.
- **Lithuania:** a system of providing **integrated services** to long-term unemployed among whom many are older.
- **Estonia:** the Work Ability reform with tools at the PES to **detect remaining work ability** of people claiming the workability allowance.



3. Promoting employability throughout working lives

Assistance to become self-employed

- Steps are being taken by some EU countries to promote and facilitate self-employment for the older unemployed.
- It is more likely to be successful if individuals are offered this option early in the unemployment period and not as “the last chance” after a long period of unsuccessful job search.

A good practice in the Netherlands with some risks

- **Workshops** and **competence tests** for older jobseekers considering self-employment organised by the PES.
- **Loans** and **income support** via an allowance to prepare a start-up while receiving social benefits, and training.
- **Mixed results of evaluation:** self-employment has potential, but also a risk of low-quality jobs particularly for those who became self-employed out of necessity!



3. Promoting employability throughout working lives

Mitigate the effects of bad working conditions

Progress is made with implementing measures in a preventative way through toolkits and guidance material and in detecting remaining work capacities and proposing vocational rehabilitation.

Some good practices

- In **Belgium** as of 2005, the Occupational Experience Fund **financially supports** companies for projects intending to improve the quality of jobs of workers aged 45+.
- In **Austria**, the **Fit2Work** programme is providing a nationwide low-threshold counselling service with key actors involved.
- In **Denmark**, the Fund for Better Working Environment and Labour Retention launched “**Prevention Self-help Kits**” with financial assistance to enterprises in 2012 and a “**Senior Starter Kit**” in 2013.



3. Promoting employability throughout working lives

More quality jobs for older workers

Progress is made with implementing measures in a preventative way through toolkits and guidance material for companies.

Some good practices

- In **Germany**, the **Initiative New Quality of work (INQA)** includes: **monitoring** of collective bargaining agreements and company practice on shaping quality of work; **research** directed on the iron and steel industry and increasing the attractiveness of jobs, especially in SMEs in rural areas; **bringing various actors together**.
- In **Sweden**, the Swedish Work Environment Authority developed special measures to prevent women from being forced to leave working life, in particular in the healthcare sector. Activities include: **prevention** of musculoskeletal disorders due to workload or wrong working postures, **education of inspectors**.



3. Promoting employability throughout working lives

Better combining work and care

Care responsibilities for older parents is an employment barrier. A few countries have developed actions to better combine care and work.

Some good practices

- In the **European Pillar of Social Rights**, adoption in April 2017 of an initiative on work-life balance, proposing that employees should be granted five days of carer's leave a year in the case of sickness of relatives.
- In the **United Kingdom**, a **right to flexible working** for carers has been introduced in 2014.
- In **Lithuania**, carers have a right to **unpaid leave**.



Conclusion

- The late-career labour market should be **more inclusive**: more quality jobs and less long-term unemployment and poverty, particularly among women.
- Some good practices among employers in age management and flexible working arrangements exist across Europe but **their implementation remains poor**, in particular in SMEs, except if there are labour shortages.
- Promoting the employability of workers throughout their working lives and **strengthening employment opportunities at an older age** remain crucial.
- **Governments, workers, the social partners and NGOs** have to face these challenges together.



Thank you

For further information:
anne.sonnet@oecd.org and
duell@economix.org

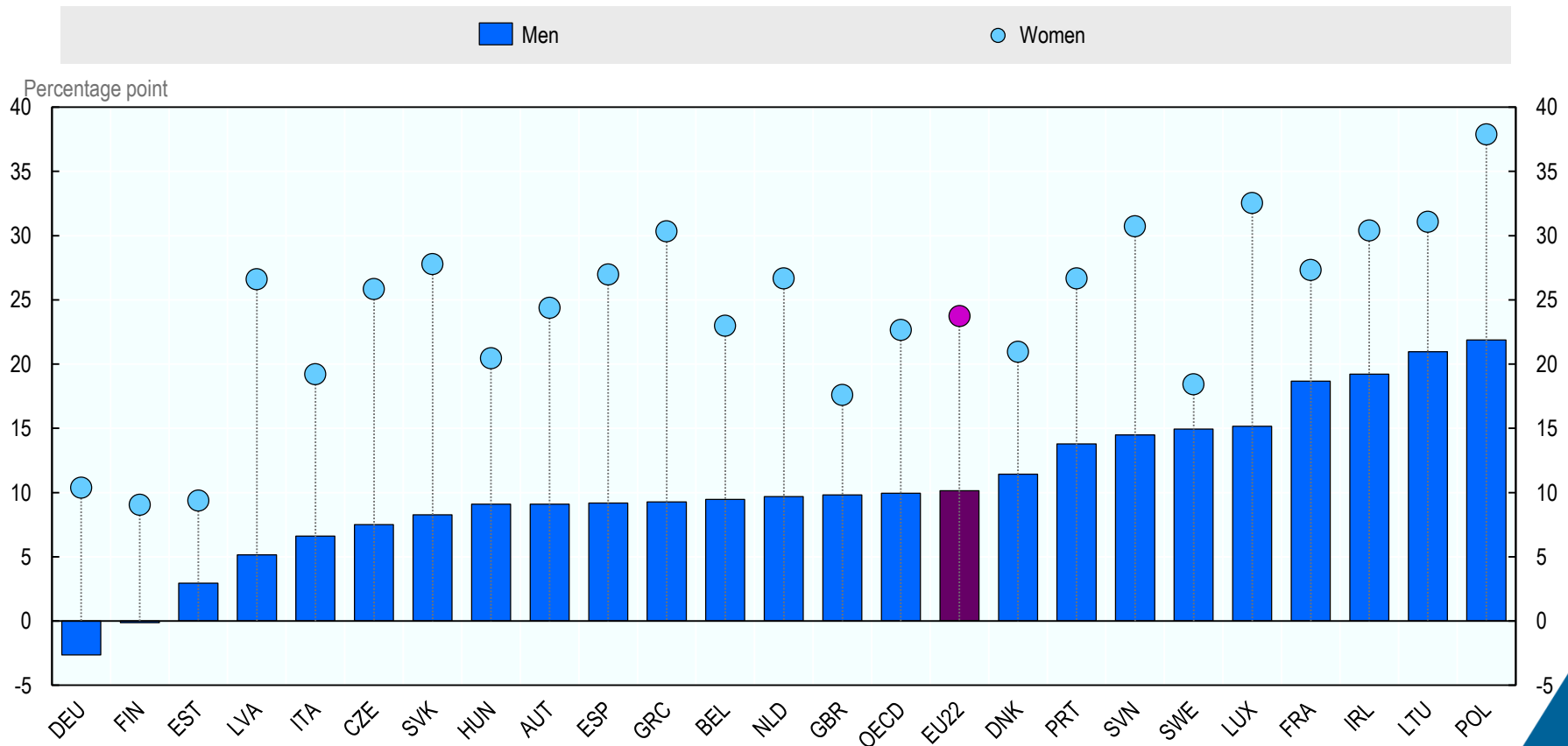


ANNEX



The “education dividend” in the future generation of older workers will benefit women most

Change in tertiary education attainment of workers aged 55-64, by gender, OECD, EU22 and selected EU countries, 2015 and 2045



Source: OECD Education at a Glance.



2. Encouraging employers to retain and hire older workers

Discouraging mandatory retirement by employers

Some countries have removed or softened mandatory retirement rules. Mandatory retirement often exists for specific occupations or sectors.

Some good practices

- In 2011 with the **removal** of the Default Retirement Age, the **United Kingdom** is the only European country that prohibited the setting of any mandatory retirement age (like Australia, Canada, New Zealand and the United States).
- **France** is one of the few OECD countries where the **mandatory retirement age** for private sector workers, at 70 since 2009, is **higher** than the age at which the full rate pension kicks in (67 in 2017).



2. Encouraging employers to retain and hire older workers

Towards an age-diverse workforce

- Governments implement awareness raising measures.
- Social partners in a few countries are concluding collective agreements tackling age management issues.
- Even if promoting intergenerational partnerships at work is considered as important in Europe, few countries have taken formalised steps in this direction and the initiatives undertaken to date do not seem to have had a decisive impact.

Practices slow to implement

- In **Finland**, the **framework agreement** of the social partners signed 28 November 2011, contains a special chapter devoted to the development of working life.
- In **France**, the "generation contracts" created by law in France in 2013 have gained strength much more slowly than the government expected



3. Promoting employability throughout working lives

Wage subsidies to reduce the cost of employing older workers

- Wages subsidies targeted at older workers have been largely used in some countries.
- There are various models in place: e.g. temporary wage subsidies, reductions of social security contributions, intergenerational models and job rotation
- To be effective, they need to be temporary and well targeted (e. g. on long-term unemployed and on the least skilled) and age alone is not a valid target.

A good practice

- In **Austria**, the ‘Come Back’ **hiring subsidy** (2/3 of wages) includes unemployed men aged 50 years and over and unemployed women aged 45 years and over among its target group. The duration and amount of the subsidy vary according to the regional labour market situation.