



Ageing and Employment Policies

France

Vieillesse et politiques de l'emploi



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FOREWORD

Older people offer tremendous potential value to businesses, the economy and society. Unfortunately, they often represent an untapped and discriminated-against resource, as many public policy measures and private workplace practices pose serious barriers to older workers continuing to work. Many of these policies and practices are relics from a bygone era. There is a need to look beyond traditional stereotypes about ageing in order to benefit from the growing numbers of older citizens, many of whom would, in fact, choose to work longer given appropriate incentives, policies and workplace practices.

The OECD has reported extensively on public pension and early retirement systems and the need for reforms of these systems to cope with population ageing. However, these reforms will not be enough to encourage later retirement and to reduce the risk of future labour shortages. Measures are also required to adapt wage-setting practices to greying workforces, to tackle age discrimination and negative attitudes to working at an older age, to improve job skills of older people and their working conditions, and to better “activate” older job seekers. Relatively little is known about what countries have been, or should be doing, in these areas. Therefore, in spring 2001, the OECD Employment, Labour and Social Affairs Committee decided to carry out a thematic review of policies to improve labour market prospects for older workers, covering both supply-side and demand-side aspects.

For the purpose of this thematic review, it was decided to define older workers as all workers aged 50 and over. The age of 50 is not meant to be a watershed in and of itself in terms of defining who is old and who is not. Perceptions about being old are inherently subjective and only loosely connected with chronological age. However, in many countries, the age of 50 marks the beginning of a decline in participation rates by age. Moreover, to facilitate international comparisons, it is preferable to refer to the same age group for all countries. Thus, all references to “older workers” in this report should be taken as shorthand for workers aged 50 and over (or in some cases, because of data constraints, workers aged 50 to 64), and should not be seen as implying that all workers in this group are “old” *per se*.

This report on France is one in a series of around 20 OECD country reports that will be published as part of the older workers thematic review, which has been developed by Raymond Torres (Head of Division). This report has been prepared by Anne Sonnet, under the supervision of Mark Keese (Team Leader). Technical and statistical assistance was provided by Clarisse Legendre and Alexandra Geroyannis. The report was translated by Penelope Poulton. A draft of the report was discussed at a seminar in Paris on 16 December 2004, which was organised by the Ministry of Employment, Labour and Social Cohesion. Discussants at the seminar included representatives of the public authorities, the social partners as well as academics. The final report, which incorporates the comments received at the seminar, is published in this volume on the responsibility of the Secretary-General of the OECD.

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

The challenges of the future

France, like other OECD countries, faces the challenge of an ageing population. By 2050, the population aged over 65 could rise to 58% of the population aged 20 to 64, double the current percentage. Consequently, a massive transfer of income from the working population to retired people will be needed to meet the additional cost of pensions. Furthermore, if labour market behaviour remains unchanged, France's labour force will begin to shrink and age significantly from 2010. One person of working age in four will be over 50 in 2010, compared with one in five at the present time.

In response to this demographic challenge, France's 2003 pension reform gave priority to extending people's working lives in order to finance pensions in the long term. However, the gamble on raising employment levels among older people is not certain to pay off. At present, fewer than half of all wage-earners go straight from employment into retirement; for the rest, pathways include various early retirement schemes, unemployment or, to a lesser extent, invalidity. The average age at which workers exit the labour force is low in France in relation to other countries: 59.3 for men and 59.4 for women in the early 2000s, compared with 65.3 for men and 62.1 for women in Denmark, for example. The effective retirement age has plummeted in France over the last 40 years: at the end of the 1960s it was still around 67 for both sexes.

Employment rates for the over-50s are also low in France compared to other OECD countries, especially among less-skilled workers. In 2002, only 51% of unskilled men aged 50 to 64 in France had jobs, compared with 88% in Iceland, 80% in Switzerland and 78% in Japan.

In trying to raise employment rates among older people, the fact that overall unemployment is running at around 10% does not make the French government's task any easier. And yet past policies of squeezing older workers out of the labour market have not created more job opportunities for other age groups. Youth unemployment, for example, has remained obstinately stuck at around 20%.

International experience shows that employment trends are similar for all age groups: countries that have managed to raise employment rates among older people have done so in a context of higher overall employment and falling unemployment. In Finland, the unemployment rate fell from 15% to 9% between 1995 and 2003, while employment in the 50-64 age bracket rose from 49% to 61%. Any policy that seeks to increase employment among older people will be more likely to succeed in a favourable economic environment conducive to a more vigorous labour market.

Recent reforms in response to these challenges

Since the mid-1990s, the French government has greatly restricted access to public-funded early retirement. In the past, this scheme was mainly targeted on manual workers in industry. Many schemes have been tightened up, causing a spectacular drop in the number of new beneficiaries from early retirement. At the same time, in the early 2000s the social partners ended the job replacement allowance, an early retirement scheme introduced in 1995, and revised aspects of the unemployment benefit system. The age of access to unemployment benefit until entitlement to a full pension was raised from 55 to 57 for jobless people with 25 years in employment.

The government has also taken action in other areas to promote employment and employability while seeking to reduce labour market “selectivity”. Measures for the over-50s have been stepped up in schemes that help jobseekers in difficulty to find employment. A law on discrimination in employment was passed in 2001, covering all stages of wage-earners’ careers, including the upper end of the age range. Mid-career training has been encouraged, while assistance in developing forward-looking career and skills management has targeted small and medium-sized enterprises in particular. In 2003, the social partners concluded a multi-sector agreement on lifelong learning designed to encourage access to training. The agreement also sets priorities for workers over 45 and after 20 years in employment.

A decisive step was taken with the 2003 pension reform, which directly encourages workers to work longer by raising the contribution threshold for entitlement to a full pension and introducing a bonus system. However, the proclaimed mobilisation in favour of a longer working life has not materialised as yet. In 2005, the government is seeking to give fresh impetus to policies promoting employment for the over-50s, through the Social Cohesion Plan, the Health-at-Work Plan and the *Contrat France 2005*. In February 2005, the social partners have also started negotiations on employment for older workers and strenuous work.

An overall strategy is needed

Alongside these initiatives, which in some cases will not start to take effect until the medium term, much still remains to be done to increase employment of older people in France. First, it is essential to change perceptions and practices with regard to age and to prepare wage-earners for the prospect of working longer. This implies a complete break with the culture of early retirement. The recommendations that follow are put forward as possible elements of an overall strategy for employment of the over-50s, with four mutually supportive main thrusts: better mobilising the players on the ground, promoting employment for older people and offering them greater choice when they take retirement, removing obstacles to continuing employment and recruitment after the age of 50, and promoting employability of workers.

Better mobilising the players on the ground

France has produced a substantial amount of high-quality research giving a detailed understanding of the ageing phenomenon and the challenge of managing a greying population. Work from the Pensions Advisory Council, the Economic and Social Council and the Social Affairs Inspectorate, has helped to reach a consensus with the social partners in organisations at national level that keeping older people in employment is beneficial for the community. Good practices are emerging but are still patchy. On the ground, employers are generally averse to the idea of a workforce of older people who themselves too often remain focused on the possibilities of early retirement, regarded in many cases as a right.

A national campaign is needed without delay to change the mindsets of all those involved. The campaign on age cohesion and the benefits of experience that the Labour Relations Directorate is planning to carry out in 2005 should be broad enough to reach not only employers and workers but also the general public.

Promoting employment for older people and offering them greater choice when they take retirement

The 2003 pension reform removed many barriers to continuing in employment, especially on the supply side, while preserving a strong commitment to solidarity. However, there are still many areas where work is in progress.

Older workers form a very disparate group, so a single retirement formula would not suit the wide variety of situations. The ideal solution is to offer greater individual choice as to the conditions of retirement while respecting the general principles of redistribution and actuarial neutrality and taking account of greater life expectancy.

In France, the combination of an entitlement age and a minimum contribution period for access to a full pension is an interesting way of taking account of different situations. The decision in 2003 to increase the minimum contribution period according to increased life expectancy is likely to result in a gradual rise in the effective retirement ages. The minimum entitlement age – one of the lowest in international comparisons – will probably have to be adjusted at some point in the future so as to reflect these demographic trends.

Emphasising the contribution period, as with retirement before the minimum age following a long career, is a way of reconciling the solidarity objective with that of sustainable funding. The accumulation of pension points in compulsory supplementary pension schemes satisfies similar objectives. Ensuring a high degree of solidarity with people who have had career accidents during their working life is also important. However, steps should be taken to harmonise the calculation of contribution periods (periods of non-work due to illness, invalidity, work-related accidents, maternity, unemployment, military service and war) in order to determine access to a full pension.

With the bonus/penalty scheme, actuarial neutrality was strengthened in the 2003 pension reform. The same applies to the tightening of conditions for early retirement, which sends all the players involved a clear message of a break with the culture of early retirement. However, too many workers in public services and “special regimes” still benefit from attractive terms for taking retirement at a very early age.

Care must also be taken to ensure that other measures, like in-house early retirement programmes or exemption from looking for work, are not used or diverted to replace public-funded early retirement. A DARES survey in 2001 found that in firms with more than 500 employees, in-house early retirement programmes accounted for over one-third of all early exits. A specific tax on in-house early retirement was introduced in 2004 so as to make the option less attractive. Statistics on this new tax should be compiled so as to provide information about the number and characteristics of in-house early retirements and assess the measure's impact.

The exemption from looking for work is granted from the age of 57 and a half (55 under certain conditions) to unemployment benefit recipients. In November 2004, 406 000 unemployed people in France were exempt from looking for work, significantly more than the total number of public-funded early retirees. The very rapid rise in the number of jobless exempt from looking for work is a cause for concern and runs counter to the objective of raising

employment rates for older people. There are also considerable differences in the financial situation of unemployed people. Some have very high unemployment benefits that they can keep between the ages of 60 and 65, at which point they become entitled to a full pension. Others have only a small, means-tested allowance. Those in precarious situations should benefit as a priority from back-to-work contracts and the help of employment services.

There are few choices for workers other than to take full retirement as soon as they reach entitlement age in the general scheme, at 56 or 60, or acquire full pension rights at 65. For workers who can retire at 56 after a long career, there is no financially attractive option for continuing to work. As they retire before the age of 60, they are not entitled to the bonus. The only possibility is to combine pension and earned income, which is subject to considerable restrictions. Attractive phased retirement programmes could also have been offered to workers in that situation. The phased early retirement scheme was abolished in January 2005 without any apparent alternative; indeed the gradual retirement system has not been revised as yet.

There are incentives for continuing to work between the ages of 60 and 65, especially before reaching the full pension entitlement. However, once that entitlement has been acquired, the possibilities for continuing to work and benefit from the bonus, especially after the age of 65, appear very limited. The compulsory retirement age was raised from 60 to 65 in 2003 but many exceptions have been granted in collective agreements, which also limit access to the bonus and run counter to the social partners' stated intentions at national level.

The following options for action are therefore recommended:

- *Continue to reduce the possibilities for early retirement.* The possibilities for public-funded early retirement have been significantly tightened. In-house early retirement schemes are also less financially attractive. Steps should be taken to monitor and assess the impact of the special tax levied on in-house early retirement programmes since 2004 to see if making them more expensive has caused a decline in this type of early exit. If it has not, steps should be taken to remove any remaining incentives for employers and older workers.
- *Reform the exemption from looking for work.* This option, available almost automatically to unemployed people after the age of 57 and a half and to many after the age of 55, has been taken up by over 400 000 beneficiaries and lends support to the idea that the labour

market is closed to older workers. As in many other countries, the requirement for new jobseekers over the age of 55 to look for work should be gradually re-established, together with active placement measures for older workers (see below).

- *Adjust the retirement age according to demographic trends.* The average effective retirement age should rise gradually in parallel with the increase in contribution periods for a full pension, in line with increased life expectancy. At some point in the future, when the average effective retirement age is well over 60, the statutory minimum age and the compulsory retirement age should also be raised in line with life expectancy gains.
- *Make gradual retirement attractive and accessible to all.* Gradual retirement has been relatively unsuccessful hitherto because it was too restrictive. The 2003 reform sought to change this situation by enabling workers to draw a fraction of their pension while continuing to work. Gradual retirement should be encouraged because, unlike combining pension and earned income, it means that workers can acquire additional pension rights.
- *Promote possibilities for benefiting from the bonus.* Although the compulsory retirement age was raised from 60 to 65 in 2003, the possibilities for exceptions also increased. The government must ensure that the options for continuing to work after reaching the full pension entitlement and benefiting from the bonus are not limited on that account.

Removing obstacles to continuing employment and recruitment after the age of 50

Judged from the low employment rate for older people, employers consider that the specific difficulties of employing older wage-earners outweigh the benefits. Although corporate loyalty policies, especially relating to pay, are often based on length of service, other experience-related factors have become more important. But the high cost of older workers is often cited as one of the main reasons for their eviction from the labour market.

In France, as in Austria and Belgium, average wages rise sharply with age. This is partly because average wages in the upper age brackets are inflated because the least skilled and less paid older workers are excluded from employment at a particularly early age. The steep age profile of earnings may

also be due to an implicit contract between the social partners, whereby young people are paid low initial wages in relation to their productivity, while wages exceed productivity as workers reach the end of their working life.

Research into the possible differential between wages and productivity of older workers does not give any clear answer to this question. Researchers face the twin difficulty of not only measuring productivity by age but also having their sample population restricted to the highly selective group of wage-earners who have remained in employment after the age of 50 and whose wages keep genuinely reflect their productivity.

Employers' attitudes to age seem paradoxical: they appreciate the contribution made by older workers while still wanting to get rid of them and not hire them. These practices, unfavourable to older workers, have developed in a context of high unemployment which still makes it easy for employers to reduce the average age of their workforce. The long-standing consensus with trade unions to give older workers early retirement under attractive conditions has been undermined recently by the government's decision to freeze most early retirement schemes. In order to cope with an ageing workforce, the social partners must now start to look at new policy options for human resource management; above all, they should not wait for labour shortages to bite before taking action.

Some firms have already come to realise the need to break with the early retirement culture. Innovative practices focus on keeping people in employment by adapting their competences to their occupations or by encouraging horizontal mobility at all ages. It is rare for workers over 50 to be hired and good practices for recruiting over-50s to high quality jobs should be more widely known. Particular mention may be made of the opportunities for older workers in business groupings, which can help them reposition themselves in their original company or other firms and embark on expert assignments or a new career phase. The success of such practices is largely due to firms' stronger commitment to active age management, combining greater use of training, tasks and positions that are better suited to older workers and more attractive working and employment conditions.

The state, as an employer, seems at last to be addressing the challenge of an ageing public service workforce. It could give a better lead to the public sector by abolishing age limits on recruitment, doing more to encourage mid-career internal and external mobility without the need to take competitive examinations, and reviewing early retirement options for certain categories.

The Delalande contribution seems to have more indirect adverse than beneficial effects on employment of older workers. Despite many changes since it was introduced in 1987, not only does the contribution not prevent firms from laying off older workers, it actually could encourage them to do so on the grounds of serious misconduct or inaptitude, which means that they do not have to pay compensation. An evaluation of the impact of exemptions from the Delalande contribution should be carried out without delay so as to find out whether it should be abolished or reformed so as to make it a real bonus/malus scheme in which bonuses would be available only in proven cases of good practice.

The following measures are recommended:

- *Review pay scales based on age or length of service.* Insofar as the marked rise in wages according to age can at least partly explain why the least productive older workers are squeezed out of the labour force or not hired, the social partners should draw appropriate conclusions from the adverse effects on the employment of older workers of pay scales that link pay solely to age or length of service. Negotiations between the social partners on the employment of older workers should as a priority address the issue of pay scales based on skills.
- *Diffuse good practices more widely.* Some firms have introduced innovative practices for keeping their older workers in employment, though rather fewer have taken initiatives to recruit the over-50s. Employers' organisations should capitalise on practices that offer high quality jobs to older workers and circulate them more widely on the internet, as is the case in other countries.
- *Implement good practices with regard to older public sector workers.* The state, as an employer, should introduce adequately funded mechanisms to encourage internal and external mobility in mid-career in the public sector, abolish age restrictions on hiring and reconsider the very early retirement ages that exist for certain categories.
- *Abolish the Delalande contribution or make it a genuine bonus/malus system.* The in-depth review of the contribution that the French government has decided to conduct in 2005 should look at the impact of exemptions so as to find out whether it should be abolished or transformed into a genuinely effective bonus/malus system.

Promoting the employability of workers

Access to continuous training should be promoted throughout people's working lives. Access rates to training are too low in France in comparison with the countries of northern Europe. In 2003, 6% of French workers aged 25 to 64 said they had taken a training course in the last four weeks; in Finland the rate was almost three times as high. The French government and the social partners should take steps to promptly implement the provisions of the 2003 multi-sector agreement on access to lifelong training and ensure that mechanisms for regular monitoring are in place.

International comparisons also indicate that having a qualification is a decisive factor for remaining in employment. Under the 2003 multi-sector agreement, workers over 45 or with 20 years in employment have priority access to periods of professional training and validation of experience. Measures should be taken to ensure that workers are properly informed about their new rights. Another important step would be to set ambitious quantitative targets for securing recognition of acquired skills certificates and ensuring their transferability for workers over 45 whose qualification is unsuitable. The individual right to validation of experience introduced by the 2002 legislation does not yet seem to be sufficiently widely used in comparison with other OECD countries, particularly Australia.

It is extremely difficult for older jobseekers to find work. Recruitment subsidies in the private sector designed to favour the over-50s (such as *Contrat initiative emploi* or *Aide dégressive à l'embauche*) can help to overcome labour market selectivity but they must be evaluated. A part-time return to work coupled with preservation of some or all unemployment benefits could also be encouraged.

Employment services should implement an innovative back-to-work strategy for the over-50s, in particular to reintegrate jobseekers over 55 who would gradually no longer be exempted from looking for work. This implies that public employment services (PES) advisers and future staff at the new *maisons de l'emploi* should introduce effective support measures to meet the different situations in which older jobseekers find themselves, taking account of local labour market conditions. The New Deal 50 plus scheme in the United Kingdom has demonstrated the importance of qualified and motivated advisers with more time to spend on personalised follow-up.

The government and the social partners should continue to promote health and safety at work for older workers, who tend to suffer the most serious workplace accidents, with a higher than average mortality rate. Preventive

measures should also be taken. Rather than recognising a permanent right to early retirement for those in strenuous jobs, action to alleviate difficult working conditions should be taken upstream.

Further consideration should be given to conditions for the continuing employment of workers nearing the end of their career. Gradual retirement and part-time working schemes need to be better coordinated with the methods of corporate human resource management. It is a challenge that all OECD countries face. The aim is to make it easier to reduce the burden on older workers with two caveats: the cost to the community must not be excessive, and there should be no reduction in the overall effective labour supply of older workers.

Part-time work to allow for gradual retirement seems to correspond to the wishes of many older workers. One option worth exploring is for the employer or the state to assume partly pension contributions on a full-time basis for low-income workers who want to switch to part-time.

The following action should be taken:

- *Emphasise professional training for all workers.* Access rates for all workers to continuous professional training need to be improved as a matter of urgency. Firms should implement the provisions of the 2003 multi-sector agreement and the 2004 legislation more rapidly.
- *Establish quantitative monitoring of training objectives for workers over 45.* Ambitious targets for workers over 45 with unsuitable qualifications have been set in terms of access to periods of re-skilling and validation of experience. Achievement of these targets should be monitored.
- *Step up PES initiatives to help jobseekers over 50 back into work.* Employment services and the future *maisons de l'emploi* should develop an innovative strategy for getting the over-50s back into employment, focusing on job-search assistance, skill assessment and recruitment subsidies in the private sector, taking account of local labour market conditions. Part-time work with the maintenance of some or all unemployment benefits should also be encouraged.
- *Improve working conditions for all.* Giving all workers better conditions throughout their working lives is a measure with lasting benefits: work is less strenuous and early retirement less frequent. Negotiations between the social partners on strenuous work should

start from the position of taking remedial action to alleviate strenuous working conditions, giving no encouragement to early retirement.

- *Support financially the switch to part-time work, though only for older workers on low incomes.* A switch to part-time work to enable gradual retirement seems to correspond to the wishes of many older workers. Schemes whereby the employer or the state assumes partly pension contributions on a full-time basis should be restricted to low-income older workers.

In conclusion, the large number of reports, studies and seminars on the issue of low employment among older people means that France is well ahead of most OECD countries in its diagnosis of the problem. The remedies are often clearly identified. It is now time to act, while recognising that success on the ground will depend above all on responsibility being shared between all the players concerned.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

Les défis de l'avenir

La France, comme les autres pays de l'OCDE, doit faire face au défi du vieillissement de sa population. Le nombre de personnes de plus de 65 ans pourrait atteindre en 2050 58 % du nombre de celles de 20 à 64 ans, le double de la situation actuelle. Par conséquent, il faudra réaliser un transfert massif de revenu des actifs vers les retraités pour faire face au coût additionnel des retraites. Si les comportements sur le marché du travail restent inchangés, la population active française pourrait de plus commencer à décroître dès 2010 avec un vieillissement marqué. Un actif sur quatre aurait plus de 50 ans en 2010, pour un actif sur cinq actuellement.

En réponse au défi démographique, la France a privilégié lors de sa réforme des retraites de 2003 l'augmentation de la durée de la vie active pour assurer le financement des retraites à long terme. Ce pari sur l'augmentation de l'emploi des seniors n'est pas gagné. Actuellement, moins de la moitié des salariés passent directement de l'emploi à la retraite, les autres transitent par des dispositifs de préretraite, de chômage et, dans une moindre mesure, d'invalidité. De fait, l'âge effectif de sortie de la population active est peu élevé en France en comparaison internationale : il atteint 59.3 ans pour les hommes et 59.4 ans pour les femmes au début des années 2000 alors que par exemple au Danemark, il est de 65.3 ans pour les hommes et de 62.1 ans pour les femmes. Cet âge effectif a chuté en France depuis 40 ans puisqu'à la fin des années 60, il était encore voisin de 67 ans pour les deux sexes.

Par rapport aux autres pays de l'OCDE, la France connaît un faible taux d'emploi des personnes de plus de 50 ans, particulièrement chez les travailleurs peu qualifiés. Ainsi en 2002, le taux d'emploi des hommes de 50 à 64 ans sans qualification n'était que de 51 % en France alors qu'il atteignait 88 % en Islande, 80 % en Suisse et 78 % au Japon.

Relever le taux d'emploi des seniors alors que le taux de chômage global est voisin de 10 % rend la tâche des autorités françaises particulièrement difficile. Pourtant, les politiques d'éviction des seniors du marché du travail menées par le passé ne se sont pas pour autant traduites par plus d'opportunités d'emploi pour les autres groupes d'âge. Le taux de chômage des jeunes, par exemple, est resté de façon persistante proche de 20 %.

L'expérience internationale montre en fait que l'emploi suit les mêmes évolutions pour tous les groupes d'âge : les pays qui ont réussi à relever le taux d'emploi des plus âgés l'ont fait dans un contexte de promotion de l'emploi pour tous et de baisse globale du taux de chômage. C'est le cas de la Finlande où le taux de chômage a baissé entre 1995 et 2003 de 15 à 9 % et où le taux d'emploi des 50-64 ans s'est relevé de 49 à 61 %. Toute politique visant à augmenter l'emploi des seniors aura d'autant plus de chance de réussite qu'elle s'inscrira dans un contexte économique favorable permettant un plus grand dynamisme du marché du travail.

Réformes récentes pour répondre à ces défis

A partir du milieu des années 90, les autorités françaises ont fortement limité l'accès aux préretraites publiques qui avaient surtout concerné les ouvriers dans l'industrie. De nombreux dispositifs ont été resserrés ce qui a entraîné une baisse spectaculaire du nombre de nouveaux préretraités. Parallèlement au début des années 2000, les partenaires sociaux ont arrêté le dispositif de préretraite qu'ils avaient mis en place en 1995, l'allocation de remplacement pour l'emploi, et ont revu les filières d'indemnisation du chômage. L'âge d'accès à une allocation de chômage jusqu'à l'obtention d'une retraite à taux plein a été retardé de 55 à 57 ans pour les chômeurs qui justifient de 25 années d'activité professionnelle.

Les pouvoirs publics ont également agi sur d'autres fronts pour promouvoir l'emploi et l'employabilité en luttant contre la sélectivité du marché du travail. Les dispositifs d'aide au retour à l'emploi pour les demandeurs d'emploi en difficulté contiennent des mesures renforcées pour les publics de plus de 50 ans. Une loi relative à la discrimination en matière de travail et d'emploi qui couvre tous les stades de la carrière du salarié, et notamment aux âges élevés, a été votée en 2001. La formation professionnelle a été encouragée en milieu de carrière et l'aide au développement d'une gestion prévisionnelle des emplois et des compétences a été particulièrement ciblée sur les PME. L'accord interprofessionnel sur la formation tout au long de la vie a été signé

par l'ensemble des partenaires sociaux en 2003 pour encourager l'accès à la formation professionnelle au cours de la carrière. Des priorités ont également été fixées dans l'accord pour les travailleurs à partir de 45 ans et après 20 années d'activité professionnelle.

Un pas décisif a été franchi en 2003 avec la réforme des retraites qui incite directement les travailleurs, de par l'allongement de la durée de carrière nécessaire pour percevoir une pension à taux plein et la surcote, à rester actifs plus longtemps. La mobilisation annoncée en faveur de la prolongation de la vie professionnelle n'a pourtant pas suivi dans la foulée. La dynamique en faveur de l'emploi après 50 ans est relancée en 2005 par le gouvernement dans le Plan de cohésion sociale, dans le Plan Santé au travail et dans le Contrat France 2005. Les partenaires sociaux ont également entamé en février 2005 des négociations sur l'emploi des seniors ainsi que sur la pénibilité.

Une stratégie d'ensemble est nécessaire

A côté de ces actions, dont certaines ne vont commencer à avoir des effets qu'à moyen terme, il reste encore beaucoup à faire pour augmenter le taux d'emploi des travailleurs âgés en France. En préalable, il est indispensable de changer les perceptions et les pratiques des différents acteurs par rapport à l'âge et de préparer les salariés à la perspective de travailler plus longtemps. Cela suppose de rompre définitivement avec la culture de départ précoce de la vie active. Les recommandations ci-après sont proposées comme des éléments possibles d'une stratégie d'ensemble pour l'emploi après 50 ans organisée autour de quatre axes qui se renforcent mutuellement : mieux mobiliser les acteurs sur le terrain ; promouvoir la participation à un âge plus avancé et offrir plus de choix au moment du départ à la retraite ; lever les obstacles au maintien dans l'emploi et au recrutement après 50 ans ; et renforcer l'employabilité des travailleurs.

Mieux mobiliser les acteurs sur le terrain

La France dispose de nombreux rapports de grande qualité qui offrent une compréhension fine du phénomène du vieillissement et de l'enjeu de la gestion des âges. Les travaux du Conseil d'orientation des retraites, du Conseil économique et social et de l'Inspection des affaires sociales ont permis d'arriver à un consensus avec les partenaires sociaux dans les instances nationales sur la richesse que représente l'emploi des seniors pour la collectivité. Des bonnes pratiques se développent ici ou là mais elles restent peu répandues. Sur le terrain, les employeurs ne sont généralement pas prêts à faire face à une main-d'œuvre plus âgée qui,

elle-même, reste trop souvent focalisée sur les possibilités de départ anticipé, dans bien des cas considéré comme un droit acquis.

Une campagne de communication nationale qui vise à changer les mentalités de tous les acteurs devrait être lancée sans tarder. La campagne que la Direction des relations du travail envisage de mener en 2005 sur la cohésion des âges et sur l'atout que représente l'expérience au travail devrait avoir une ampleur suffisante pour toucher non seulement le monde du travail mais également le grand public.

Promouvoir la participation à un âge plus avancé et offrir plus de choix au moment du départ à la retraite

La réforme des retraites de 2003 a levé, particulièrement du côté de l'offre, de nombreuses barrières à la poursuite d'une activité professionnelle tout en maintenant un fort principe de solidarité dans le système. Il reste pourtant encore de nombreux chantiers en cours.

Les travailleurs âgés forment une catégorie très hétérogène. Une formule unique de départ à la retraite ne serait pas adaptée à la diversité des situations vécues. L'idéal est d'offrir plus de choix individuels dans les modalités de départ tout en respectant le principe général de redistribution et celui de neutralité actuarielle, en tenant compte des gains d'espérance de vie.

En France, la combinaison d'un âge d'ouverture des droits et d'une durée de carrière minimale pour accéder au taux plein est intéressante pour tenir compte des situations différentes. Le choix fait en 2003 d'augmenter la durée de carrière minimale en fonction des gains d'espérance de vie devrait se traduire par une augmentation graduelle de l'âge effectif moyen de départ à la retraite. À terme, il conviendra sans doute d'ajuster également l'âge minimal d'ouverture des droits, qui est l'un des plus bas en comparaison internationale, pour refléter les évolutions démographiques.

Privilégier la durée de cotisation, comme pour les départs à la retraite avant l'âge minimal suite à une carrière longue, permet de concilier l'objectif de solidarité avec celui de financement soutenable. C'est également le cas pour l'accumulation de points de retraite dans les régimes complémentaires obligatoires. Assurer une solidarité forte au bénéfice des personnes ayant connu au cours de leur vie active des accidents de carrière est également important. Il

serait pourtant souhaitable d'harmoniser la prise en compte des périodes assimilées à des périodes d'assurance (périodes d'arrêt de travail pour maladie, invalidité, accident du travail, maternité, chômage, service militaire et guerre) pour déterminer l'accès au taux plein.

L'accentuation des éléments de neutralité actuarielle avec la décote et la surcote est également un point positif de la réforme des retraites de 2003, tout comme le resserrement des conditions de préretraite qui donne à tous les acteurs un message clair de rupture avec la culture de départ précoce. Cependant, dans la fonction publique et dans les régimes spéciaux, il y a encore trop de travailleurs qui bénéficient de conditions attractives de départ à des âges très jeunes.

Il faut également veiller à ce que d'autres dispositifs, comme les préretraites d'entreprise ou la dispense de recherche d'emploi, ne soient pas utilisés ou détournés pour remplacer les préretraites publiques. Selon une enquête réalisée en 2001, les préretraites d'entreprise représenteraient plus du tiers des départs anticipés dans les établissements de plus de 500 salariés. Les préretraites d'entreprise sont soumises depuis 2004 à une contribution spécifique pour diminuer leur attractivité. Cette nouvelle contribution devrait faire l'objet d'un suivi statistique pour mieux connaître le nombre et les caractéristiques des préretraites d'entreprise et pour évaluer son impact.

La dispense de recherche d'emploi est accordée à partir de 57 ans et demi (55 ans sous conditions) à tous les chômeurs indemnisés. En novembre 2004, il y avait en France 406 000 chômeurs dispensés de recherche d'emploi ce qui est nettement plus que l'ensemble des préretraités dans les dispositifs publics. La progression très rapide des chômeurs en dispense de recherche d'emploi est préoccupante et en contradiction avec l'objectif d'augmenter le taux d'emploi des seniors. La situation financière des chômeurs est par ailleurs extrêmement hétérogène. Certains d'entre eux bénéficient d'allocations de chômage très élevées qu'ils peuvent maintenir après 60 ans et ce jusqu'à 65 ans avant d'atteindre le taux plein ; d'autres n'ont par contre qu'une allocation faible accordée sous conditions de ressources. Il faudrait faire bénéficier de contrats de retour à l'emploi et de l'aide des services de l'emploi de façon prioritaire ceux qui se trouvent dans des situations précaires.

Il existe peu d'autre choix pour le travailleur que celui de partir totalement à la retraite dès que l'âge d'ouverture des droits est atteint dans le régime général à 56 ou à 60 ans et au moment où le taux plein est acquis à 65 ans. Pour

les travailleurs qui peuvent prendre leur retraite à partir de 56 ans après une longue carrière, il n'existe aucune possibilité financièrement intéressante de continuer à travailler. Étant donné que ces travailleurs partent avant 60 ans, ils n'ont pas droit à la surcote. La seule possibilité est le cumul emploi-retraite qui reste sujet à des limitations importantes. Des modalités de départ progressif attractif auraient pu être également proposées à ces travailleurs. La suppression de la préretraite progressive à partir de janvier 2005 semble s'être faite sans solution de rechange étant donné que l'aménagement de la retraite progressive n'est pas encore sur les rails.

Entre 60 et 65 ans, il existe des incitations à rester au travail, surtout avant d'atteindre le taux plein. Une fois le taux plein acquis, les possibilités de continuer à travailler et de bénéficier de la surcote, particulièrement après 65 ans, semblent très limitées. L'âge de mise à la retraite d'office, qui est passé en 2003 de 60 à 65 ans, fait l'objet de nombreuses dérogations dans les accords collectifs ce qui limite aussi l'accès à la surcote et va à l'encontre des intentions affichées au niveau national par les partenaires sociaux.

Les pistes d'action suivantes sont dès lors recommandées :

- *Continuer à réduire les possibilités de préretraite.* Les possibilités de départ en préretraite publique ont été sérieusement resserrées. Les préretraites d'entreprise sont également financièrement moins attractives. Il faudrait évaluer l'impact de la contribution spécifique à laquelle les préretraites d'entreprises sont soumises depuis 2004 pour voir si le renchérissement induit entraîne bien une baisse de ce type de départ anticipé. Dans le cas contraire, il faudrait veiller à éliminer toute incitation qui existerait encore pour les employeurs et les seniors.
- *Engager une réforme de la dispense de recherche d'emploi.* Avec plus de 400 000 bénéficiaires, ce dispositif accessible presque automatiquement aux chômeurs à partir de 57 ans et demi, et à bon nombre d'entre eux à partir de 55 ans, valide l'idée que le marché du travail est fermé aux travailleurs âgés. Comme cela a été entrepris dans de nombreux pays, il faudrait rétablir graduellement l'obligation de recherche d'emploi pour les nouveaux demandeurs d'emploi de plus de 55 ans tout en renforçant les mesures actives de placement adaptées aux seniors (voir ci-dessous).
- *Ajuster l'âge de départ à la retraite en fonction des évolutions démographiques.* L'âge effectif moyen de départ à la retraite devrait

progressivement augmenter du fait de l'allongement des durées d'assurance pour accéder au taux plein en fonction des gains d'espérance de vie. A terme, lorsque l'âge effectif moyen sera bien au-dessus de 60 ans, il serait également souhaitable de relever l'âge légal minimal ainsi que l'âge de la mise à la retraite d'office par les employeurs selon les gains d'espérance de vie.

- *Rendre la retraite progressive attrayante et plus accessible.* Les modalités de départ progressif à la retraite ont jusqu'à maintenant rencontré peu de succès car elles étaient trop contraignantes. La réforme de 2003 a décidé de revoir ces modalités en permettant la liquidation de la retraite de façon provisoire tout en continuant à travailler. La retraite progressive est à favoriser car elle permet, contrairement au cumul emploi-retraite, de se constituer des droits supplémentaires à pension.
- *Promouvoir les possibilités de bénéficier de la surcote.* Si l'âge à la mise à la retraite d'office par l'employeur est passé de 60 à 65 ans en 2003, les possibilités de dérogation se sont répandues. Les pouvoirs publics doivent s'assurer que les possibilités de continuer de travailler après avoir atteint le taux plein et de bénéficier de la surcote ne soient pas de ce fait limitées.

Lever les obstacles au maintien dans l'emploi et au recrutement après 50 ans

A en juger par le faible taux d'emploi des salariés âgés, les difficultés propres aux travailleurs vieillissants l'emportent sur leurs atouts aux yeux des employeurs. Si les politiques de fidélisation dans l'entreprise, notamment en ce qui concerne la rémunération, s'appuient souvent sur l'ancienneté, d'autres éléments de personnalisation liés à l'expérience ont pris de l'ampleur. Pourtant le coût plus élevé des travailleurs âgés est souvent cité comme un des facteurs les plus importants pour expliquer leur éviction du marché du travail.

Comparée aux autres pays, la France se caractérise comme l'Autriche et la Belgique, par une forte progression du salaire moyen selon l'âge. Ces évolutions s'expliquent en partie par le fait qu'aux âges élevés, le salaire moyen est tiré vers le haut, les seniors les moins qualifiés et les moins rémunérés étant exclus particulièrement tôt de l'emploi. Elles peuvent également s'expliquer par l'existence d'un accord implicite entre partenaires sociaux en faveur d'un salaire d'embauche des jeunes peu élevé au regard de leur productivité compensé en fin de carrière par un salaire des âgés supérieur à leur productivité.

Les résultats des recherches menées à ce jour sur l'écart éventuel entre le salaire et la productivité du travailleur âgé n'apportent pas de réponse claire à cette question. Les recherches sont confrontées d'une part, à la difficulté de mesurer la productivité par âge et d'autre part, à la limitation de l'analyse au groupe très sélectif des salariés qui sont effectivement restés dans l'emploi après 50 ans et pour lesquels leur niveau de salaire reflète bien celui de leur productivité.

Les attitudes des employeurs face à l'âge peuvent sembler paradoxales : ils portent une appréciation positive sur la contribution des seniors, tout en continuant à souhaiter s'en séparer et ne pas en embaucher. Leurs pratiques défavorables à l'égard des travailleurs âgés s'inscrivent en fait dans un contexte de chômage élevé qui leur permet encore facilement de rajeunir leur main-d'œuvre. Le consensus qui s'est imposé depuis des décennies avec les représentants syndicaux pour faire bénéficier les seniors de départs précoces et avantageux est actuellement mis à mal par le verrouillage de la plupart des dispositifs de préretraite par les autorités publiques. Pour faire face au vieillissement de la population active, les partenaires sociaux doivent maintenant amorcer une réflexion sur les nouveaux leviers d'action dans les politiques de gestion des ressources humaines et surtout ne pas attendre de butter sur les pénuries de main-d'œuvre pour agir.

Cette prise de conscience qu'il faut rompre avec la culture de la préretraite existe dans certaines entreprises. Les pratiques innovantes sont surtout axées sur le maintien dans l'emploi par l'adaptation des compétences dans les métiers ou l'encouragement à la mobilité latérale à tous les âges. Les recrutements après 50 ans restent rares et les bonnes pratiques qui permettent d'embaucher des seniors dans des emplois de qualité devraient faire l'objet de plus de diffusion. Citons particulièrement les opportunités d'embauche des seniors dans des groupements d'entreprises pour les aider à se repositionner dans leur entreprise d'origine ou dans d'autres entreprises et à s'engager dans un nouveau projet professionnel ainsi que dans des missions d'expertise. La réussite de ces pratiques repose largement sur une implication accrue de la part des entreprises en faveur d'une gestion active des âges, liant un recours plus marqué à la formation professionnelle, une adaptation du travail et des postes à l'âge et à des conditions de travail et d'emploi plus attractives.

L'État, en tant qu'employeur, semble enfin faire face au défi du vieillissement de ses agents. Il pourrait mieux montrer l'exemple dans le secteur public en supprimant les limites d'âges au recrutement dans les différents corps,

en encourageant plus vigoureusement les mobilités internes ou externes en milieu de carrière sans passer par des concours et en réexaminant les départs précoces à la retraite de certaines catégories.

Enfin, la contribution Delalande semble avoir plus d'effets indirects négatifs sur les perspectives d'emploi après 50 ans que d'effets positifs de maintien dans l'emploi. Malgré de nombreux aménagements depuis son introduction en 1987, cette taxe non seulement n'empêche pas les entreprises de licencier les salariés de plus de 50 ans, mais elle pourrait même les inciter à le faire pour faute grave ou inaptitude en étant exonérées de son paiement. Un examen de l'impact des cas d'exonération de la contribution Delalande devrait être mené sans tarder pour conclure soit à la suppression de cette taxe soit à sa réforme en véritable bonus/malus dans lequel le bonus soit accordé uniquement dans des cas avérés de bonnes pratiques.

Les mesures préconisées sont les suivantes :

- *Revoir les pratiques salariales basées sur l'âge ou l'ancienneté.* Dans la mesure où la progression marquée des salaires selon l'âge peut expliquer, du moins en partie, la mise à l'écart ou la moindre embauche des seniors les moins productifs, les partenaires sociaux devraient tirer les leçons des conséquences dommageables pour l'emploi des travailleurs âgés de grilles qui lient le salaire uniquement à l'âge ou à l'ancienneté. La négociation des partenaires sociaux sur l'emploi des seniors devrait traiter en priorité de la question de la progression du salaire selon l'expérience professionnelle.
- *Diffuser plus largement les bonnes pratiques mises en place dans les entreprises.* Certaines entreprises ont développé des pratiques innovantes pour maintenir dans l'emploi leurs salariés les plus âgés, mais aussi plus rarement pour recruter des salariés de plus de 50 ans. Les pratiques qui offrent des emplois de qualité aux seniors devraient être capitalisées et diffusées plus largement sur Internet par le patronat, comme cela se fait dans d'autres pays.
- *Mettre en place des bonnes pratiques vis-à-vis des seniors dans le secteur public.* L'État, en tant qu'employeur, doit mettre en place sans tarder, et avec des moyens suffisants, les mobilités internes et externes à mi-carrière dans le secteur public, supprimer les limites d'âge à l'entrée et reconsidérer les âges très bas de départ à la retraite pour certaines catégories.

- *Supprimer la contribution Delalande ou la réformer en véritable bonus-malus.* L'évaluation approfondie de cette contribution, que les autorités françaises ont décidé de mener au cours de l'année 2005, devrait porter sur l'impact des cas d'exonération et conclure soit à la suppression soit à son aménagement en forme de bonus/malus véritablement efficace.

Renforcer l'employabilité des travailleurs

L'accès à la formation continue doit être favorisé tout au long de la vie active. Les taux d'accès à la formation sont globalement trop faibles en France en comparaison avec les pays du nord de l'Europe. Ainsi 6 % des Français de 25 à 64 ans déclaraient en 2003 avoir suivi une formation au cours des quatre dernières semaines alors que c'était le cas pour environ trois fois plus de Finlandais. Les autorités françaises et les partenaires sociaux devraient veiller à mettre en œuvre sans tarder les dispositions de l'accord interprofessionnel de 2003 relatif à l'accès des salariés à la formation tout au long de la vie professionnelle et s'assurer que les dispositifs soient en place pour en faire un suivi régulier.

L'observation des niveaux des taux d'emploi en comparaison internationale indique de plus que le fait d'avoir une qualification est un des facteurs prépondérants pour la poursuite de l'activité professionnelle. Dans l'accord interprofessionnel de 2003, les salariés de 45 ans ou ayant 20 années d'activité professionnelle ont une priorité d'accès à des périodes de professionnalisation et à une validation des acquis de l'expérience. Il faudrait s'assurer que les travailleurs soient bien informés de leurs nouveaux droits. Il serait également important d'établir des objectifs quantitatifs ambitieux en termes de reconnaissance des certifications acquises et de leur transférabilité pour les salariés à partir de 45 ans dont la qualification est inadaptée. Le droit individuel à une validation des acquis de l'expérience introduit par la loi de 2002 ne semble pas encore suffisamment utilisé en comparaison d'autres pays de l'OCDE comme l'Australie et devrait être favorisé.

Les demandeurs d'emploi âgés ont particulièrement du mal à retrouver un emploi. Des aides à l'embauche dans le secteur marchand aménagées pour favoriser les plus de 50 ans (du type contrat initiative emploi ou aide dégressive à l'embauche) peuvent aider à lutter contre la sélectivité du marché du travail mais il faut veiller à les évaluer. Les reprises d'activité à temps partiel avec maintien éventuel de tout ou partie des allocations de chômage pourraient également être encouragées.

Une stratégie innovante de retour à l'emploi pour les quinquagénaires devrait être mise en place par les services de l'emploi, particulièrement pour réintégrer les demandeurs d'emploi de plus de 55 ans qui graduellement ne seraient plus dispensés de recherche d'emploi. Cela suppose que les conseillers du Service public de l'emploi (SPE) et les futurs intervenants dans les nouvelles maisons de l'emploi mettent en place des mesures d'accompagnement efficaces pour répondre aux situations différentes dans lesquelles se trouvent les demandeurs d'emploi âgés, en tenant compte des conditions locales du marché du travail. L'expérience du *New Deal 50 plus* au Royaume-Uni a montré le rôle important de conseillers attentifs qui consacrent plus de temps à un suivi personnalisé.

Le gouvernement et les partenaires sociaux doivent continuer à mener des actions centrées sur la santé et la sécurité au travail des travailleurs âgés qui subissent les accidents du travail les plus graves avec une mortalité supérieure à la moyenne. Parallèlement, une politique de prévention devrait s'imposer. Plutôt que de reconnaître de façon permanente un droit à partir plus tôt à la retraite dans les cas de métiers pénibles, un traitement préventif des conditions de travail difficiles doit être mené en amont.

Il s'agit d'examiner globalement les conditions de maintien dans l'emploi en fin de carrière. Mieux articuler le départ progressif et le temps partiel avec les modes de gestion des ressources humaines dans les entreprises est essentiel. Tous les pays de l'OCDE sont confrontés au défi de faciliter un aménagement de la charge de travail des seniors en respectant deux contraintes : le coût pour la collectivité ne doit pas être excessif et le volume global de travail de l'ensemble des plus de 50 ans doit être maintenu.

Aménager le temps partiel pour permettre une retraite progressive semble répondre au souhait de nombreux seniors. La prise en charge partielle par l'employeur ou par l'État des cotisations pour la retraite sur la base d'un temps plein pour les travailleurs à faible revenu qui souhaitent passer à temps partiel pourrait être améliorée.

Les actions suivantes devraient être menées :

- *Mettre l'accent sur la formation professionnelle pour tous les travailleurs.* Il est urgent d'améliorer le taux d'accès de tous les travailleurs à la formation professionnelle continue. Les dispositifs de l'accord interprofessionnel de 2003 et de la loi de 2004 devraient être mis plus rapidement en place dans les entreprises.

- *Établir un suivi quantitatif des objectifs de formation après 45 ans.* Des objectifs ambitieux pour les salariés à partir de 45 ans dont la qualification est inadaptée ont été décidés en termes d'accès à des périodes de professionnalisation et à une validation des acquis de l'expérience. Un suivi quantitatif de la réalisation de ces objectifs devrait être mené.
- *Renforcer les actions du Service public de l'emploi en faveur du retour à l'emploi des demandeurs d'emploi de plus de 50 ans.* Les services de l'emploi et les futures maisons de l'emploi devraient développer une stratégie innovante de retour à l'emploi pour les plus de 50 ans centrée sur des aides à la recherche d'emploi, des bilans de compétence et des aides à l'embauche dans le secteur marchand tenant compte des spécificités locales du marché du travail. Les reprises d'activité à temps partiel avec maintien éventuel de tout ou partie des allocations de chômage devraient également être favorisées.
- *Améliorer les conditions de travail pour tous.* De meilleures conditions de travail pour tous les travailleurs tout au long de leur carrière est un levier qui a un impact durable : le travail est moins usant et les départs précoces de la vie professionnelle moins fréquents. Les négociations des partenaires sociaux sur la pénibilité devraient privilégier dès le départ un traitement préventif des conditions de travail pénibles en évitant d'encourager les départs anticipés.
- *Soutenir financièrement le passage à temps partiel uniquement des seniors à faible revenu.* Le passage à temps partiel pour permettre un départ progressif à la retraite semble répondre au souhait de nombreux seniors. La prise en charge partielle par l'employeur ou par l'État des cotisations pour la retraite sur la base d'un temps plein devrait être réservée aux travailleurs à faible revenu.

En définitive, la France est très en avance par rapport à la plupart des autres pays de l'OCDE quant au diagnostic apporté sur les raisons du faible taux d'emploi de ses seniors grâce aux nombreux rapports, études et colloques sur cette question. Les remèdes sont souvent bien identifiés et il faut aujourd'hui passer à l'acte tout en reconnaissant que la réussite sur le terrain dépendra avant tout d'une responsabilité partagée entre tous les acteurs.

INTRODUCTION

The employment rates of older workers in France are low by international standards. Over the past few decades, early retirement has played an important role at the macroeconomic level and has been used by firms as a tool for their human resource management. Since the mid-1990s, government policies have encouraged bringing older workers back into the labour force and keeping them in employment, but they have only managed to stabilise their employment rates, after 20 years of continuous decline. With the 2003 pension reform, the French government has given priority to extending working life. The challenge is considerable, as it means radically changing society's attitude as a whole to older workers. This report uses a global and comparative approach to examine the situation of workers nearing the end of their careers in France. It also puts forward a range of actions.

Chapter 1 sets out the demographic challenges that France will have to face between now and 2050 and underlines the importance of increasing the employment rates of the over-50s. *Chapter 2* reviews the current labour market situation of older workers in France by comparing it with other OECD countries. *Chapter 3* discusses the supply-side and social protection factors that are either likely to encourage keeping people in employment beyond the age of 50, or on the contrary, likely to favour an early exit from the labour force. *Chapter 4* examines the factors that influence employers' attitudes to older workers. *Chapter 5* focuses on the difficulty workers themselves have keeping their jobs or finding new ones when they reach 50. Lastly, *Chapter 6* goes further into the need for greater policy coherence to better mobilise players across the board and enhance employment for older people.

Chapter 1

THE CHALLENGE AHEAD

1. France's population is ageing

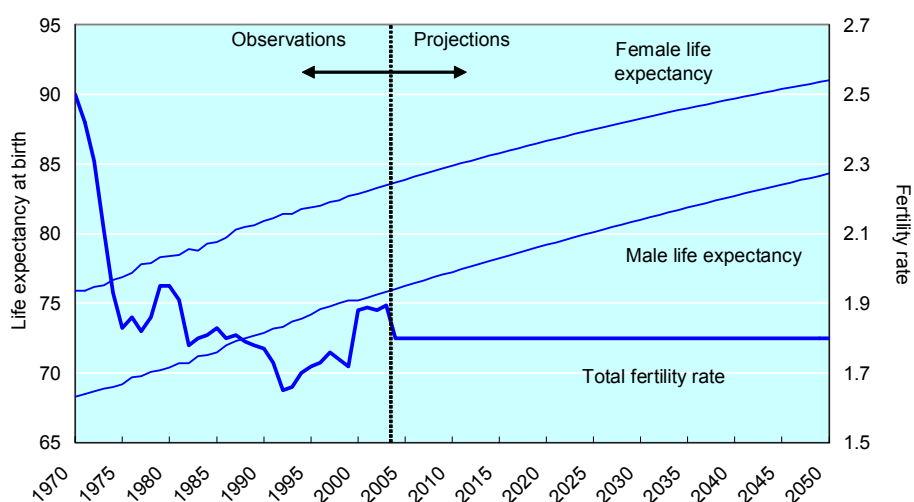
France, like other OECD countries, will face two major demographic developments in the coming decades: life expectancy will continue to increase and the baby-boomers will reach retirement age. However, France stands out from its neighbours by having a slightly higher birth rate than the average.

In drawing up population projections to 2050, the French National Institute for Statistics and Economic Studies (*Institut national de la statistique et des études économiques*, INSEE) makes the assumption in its “central scenario” that past trends will continue, with a fertility rate of 1.8, a continuous increase in life expectancy, and a net migration flow of 50 000 people a year (Brutel, 2001). As Figure 1.1 shows, life expectancy at birth for males in 2050 will be on average about nine years longer than in 2000, and for females, eight years, with men thus reaching the age of 84.3 and women 91. The total fertility rate would remain stable, below the replacement level of 2.1, a figure that has not been reached since the early 1970s.

Under these demographic assumptions, the French population should continue to grow and age at the same time. Growth is projected to rise 9% between 2000 and 2050 and the share of the over-65s in the population is projected to increase from 16% to around 30% in the same period. In 2050 this share will be higher than the proportion of the under-20s, who will account for 21% of the total population. The average age of the population is also set to rise, from 38.2 in 2000 to 46.3 in 2050.

The share of the working-age population aged between 20 and 64¹ in the total population is projected to decrease from 52% in 2000 to around 45% in 2050. In terms of labour force flows, the number of exits should be particularly high from the early years after 2010 when the baby-boomers reach the age of 65. Over the 2010-2050 period, the population of 20-64 year-olds should decrease on average by 80 000 a year. Labour force exits should stabilise in 2040 when the smaller generations of people born in the 1970s reach the age of 65.

Figure 1.1. **Life expectancy at birth by gender and fertility rates, France, 1970-2050**



Source: INSEE and OECD Health Data.

The old-age dependency ratio provides an indicator of the burden of population ageing on the working-age population, by showing the ratio of the population aged 65 and over to the population aged 20-64. The ratio in France was around 27% in 2000, nearly five percentage points higher than the average in OECD countries (Figure 1.2, Panel A). In the coming decades, this ratio is set to increase in France at almost the same rate as the average in OECD countries, to reach 42% in 2025 and 58% in 2050. In 2050 the population aged 65 and over will account for slightly more than half that aged 20-64.

1. In most OECD countries, teenagers aged 15 to 19 are more often than not still in school and so it was decided for the purpose of this report to exclude this group from the definition of the working-age population.

total for men and women gives a percentage point gap of 20 compared with Sweden, for instance, and 3.5 compared with the average in OECD countries. Very few people beyond the age of 65 work in France (3%) whereas an average 19% still do in OECD countries.

Table 1.1. **Labour force participation rates by age and gender in selected OECD countries, 2000**

Percentages

	Men			Women			Total		
	25-49	50-64	65-69	25-49	50-64	65-69	25-49	50-64	65-69
France	94.8	63.2	3.7	79.3	50.5	2.5	87.0	56.8	3.0
Germany	94.1	64.1	7.4	77.8	45.1	2.8	86.1	54.6	5.0
Sweden	90.6	79.8	17.8	85.5	73.8	11.4	88.1	76.8	14.5
United States	92.4	75.6	30.1	77.3	61.0	19.4	84.7	68.0	24.4
Japan	97.2	89.1	51.1	66.1	56.8	25.4	81.8	72.6	37.5
EU 15	93.5	66.6	12.4	75.2	43.2	5.7	83.7	53.8	6.9
OECD Minimum ^a	86.5	50.0	3.1	28.6	22.1	1.3	60.8	40.4	2.2
OECD Average	93.6	70.2	21.2	73.3	46.6	10.4	81.2	60.3	19.3
OECD Maximum ^b	97.2	95.2	65.5	87.5	83.2	38.0	91.9	89.2	51.2

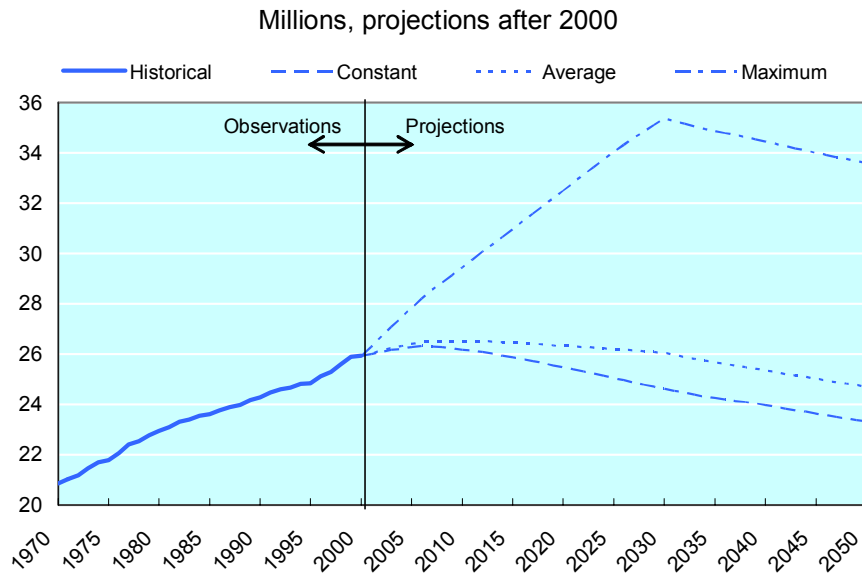
- a) This is the lowest participation rate in the OECD area by age group. For men aged 25-49 and 50-64, the data refer to Hungary and for women aged 25-49 and 50-64, the data refer to Turkey. For the 65-69 age group, the data refer to Belgium for men and to the Slovak Republic for women.
- b) This is the highest participation rate in the OECD area by age group. For men aged 25-49, the data refer to Japan. For women aged 25-49, 50-64 and men aged 50-64, the data refer to Iceland. For men aged 65-69, the data refer to Mexico.

Source: National labour force surveys.

Three scenarios for labour force projections are shown in Figure 1.3:

- Under the *constant* scenario, all participation rates in France by age and gender remain constant at their 2000 levels.
- Under the *average* scenario, participation rates in France up to the age of 49 remain constant at their 2000 levels throughout the period, while those aged 50 and over converge over the 2000-2030 period to reach the OECD average levels recorded in 2000, and remain constant thereafter.
- Finally, under the *maximum* scenario, all participation rates in France by age and gender converge over the 2000-2030 period to reach the maximum rates recorded across OECD countries in 2000, and remain constant thereafter.

Figure 1.3. **Labour force growth under various scenarios, France 1970-2050^a**



a) The *constant* scenario assumes that participation rates by five-year age group and gender remain constant at their 2000 levels.

The *average* scenario also assumes that participation rates remain constant for age groups up to and including the 45-49 age group but that they increase for the older age groups such that by 2030 they reach the OECD average recorded in 2000.

The *maximum* scenario assumes that participation rates by age and gender converge by 2030 to the corresponding maximum rate observed across OECD member countries in 2000 and remain constant thereafter.

Source: OECD estimates from Enquête Emploi and INSEE central demographic scenario.

These estimations give a very wide range in the size of the labour force in 2050, between 23 million under the *constant* scenario and 33 million under the *maximum* scenario. The fact that French participation rates fall very short of the maximum recorded in OECD countries in 2000, particularly for the over-50s, helps explain the figure of 33 million. It has to be said that the *maximum* scenario is probably not very realistic, and according to some studies the real position would be somewhere between the *constant* and *average* scenarios.²

2. The latest official projections for the labour force in France give a figure of 24.1 million, in other words, an intermediary scenario between the *constant* and the *average* (see the “trend scenario” in Nauze-Fichet *et al.*, 2003).

Table 1.2. **Labour force growth under various scenarios,^a France, 2000-2050**

Average annual growth in percentages

	Constant	Average	Maximum
2000-2010	0.13	0.26	1.31
2010-2020	-0.28	-0.08	0.99
2000-2020	-0.08	0.09	1.15
2020-2050	-0.29	-0.21	0.11
2000-2050	-0.21	-0.09	0.53

a) The *constant* scenario assumes that participation rates by five-year age group and gender remain constant at their 2000 levels.

The *average* scenario also assumes that participation rates remain constant for age groups up to and including the 45-49 age group but that they increase for the older age groups such that by 2030 they reach the OECD average recorded in 2000.

The *maximum* scenario assumes that participation rates by age and gender converge by 2030 to the corresponding maximum rate observed across OECD member countries in 2000 and remain constant thereafter.

Source: OECD estimates from Enquête Emploi and INSEE central demographic scenario.

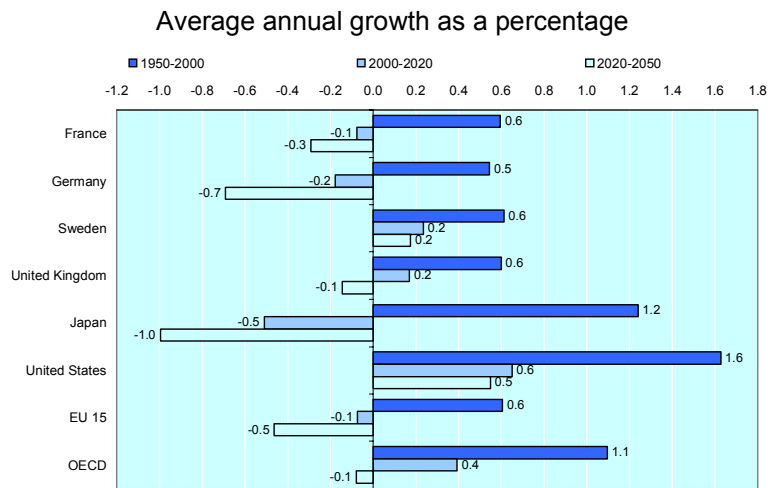
If the labour force participation rates were to remain constant or match the average recorded in OECD countries in 2000, the maximum labour force level would be reached by 2010. During the 2000-2010 period the labour force would grow at a rate of between 0.13% a year under the *constant* scenario and 0.26% under the *average* (Table 1.2). Thereafter, it would tend to shrink. The *constant* scenario would bring about a faster decrease in the labour force than the *average* scenario. The level reached in 2000 would again be reached in 2015, and then decrease. Under the *average* scenario, the 2000 level would only be reached again in 2030.³

It is worth comparing labour force growth projections for the different countries in the OECD area, by applying to each OECD country the same assumption that the labour force participation rate would remain constant at its

3. In the “trend scenario” by Nauze-Fichet *et al.* (2003), the labour force would grow at a rate of 0.23% a year in the 2000-2010 period, then decrease by 0.21% in the 2010-2020 period, and finally see an accelerated decline of 0.25% a year over the 2020-2050 period. Over the 2000-2050 period as a whole, the labour force would decline by 0.15% a year.

2000 level (Figure 1.4). If overall, for the average OECD country, the labour force continued to grow to 2020, then decline very slightly, there would be a decline in European Union countries much earlier, first at a slow rate over the 2000-2020 period and then at a faster one from 2020 to 2050. The decline of the labour force in France between 2000 and 2020 would remain among the average for the European Union. For the 2020-2050 period, the decline would speed up in France but to a lesser extent than in the European Union as a whole.

Figure 1.4. **Labour force growth under the *constant* scenario, 1950-2050^a**

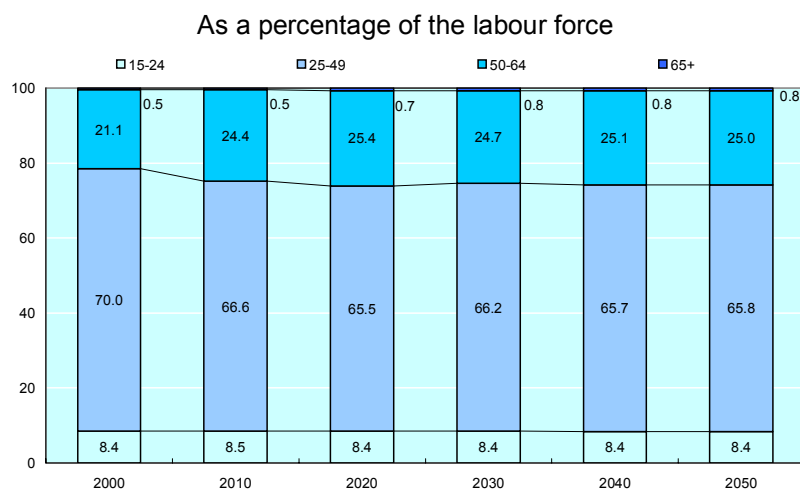


a) The projections of labour force growth over the period 2000-2050 assume that participation rates by five-year age groups and gender remain constant at their 2000 levels.

Source: OECD estimates based on national labour force surveys and national population projections.

The French labour force will not only shrink but it will also age. Its age composition will change over time, as Figure 1.5 illustrates. Under the assumption that labour force participation rates were to remain constant at their 2000 level, the share in the labour force of those aged 50-64 would increase from 21% in 2000 to 25% in 2050. The share of young workers aged 15-24 would remain stable at around 8% and the share of workers aged 25-49 would decrease from 70 to 66%.

Figure 1.5. **Ageing labour force over the next 50 years in France under the *constant* scenario^a**



a) The *constant* scenario assumes that participation rates by five-year age groups and gender remain constant at their 2000 levels.

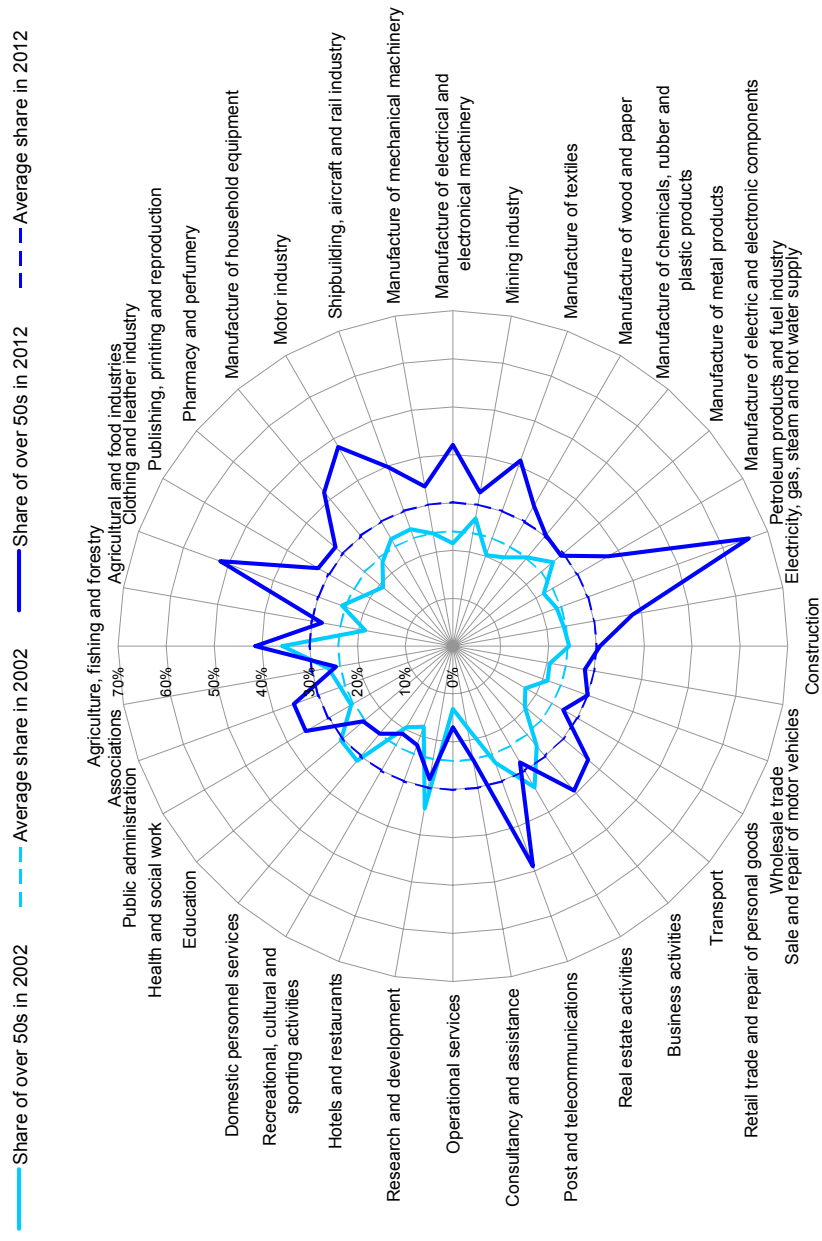
Source: OECD estimates from Enquête Emploi and INSEE central demographic scenario.

3. Ageing will differ depending on the industry

According to a projection by the economic analyses and consulting services provider, BIPE,⁴ ageing will differ depending on the industry (Figure 1.6). The average share of workers aged over 50 will increase from 24% in 2002 to 30% in 2012. Some industries, such as real estate activities, research and development, domestic personnel services, education, and agriculture, forestry and fishing, already had a larger share of 50-year-olds than the average in 2002. By 2012 the average share will be showing a more marked increase, and the industries with the oldest workers will be the petroleum products and fuel industry, the motor industry, the clothing and leather industry, and post and telecommunications.

4. The underlying assumptions in BIPE's scenario are as follows: average GDP growth of 2% a year; employment changes by industry according to BIPE's industry-based models; gradual increase in retirement age of two years compared with the present situation; no mobility between sectors beyond the age of 40; and hiring before 50.

Figure 1.6. Change in the share of workers over 50 in employment by industry, France, 2002 and 2012



Source: BIPE, Walbroeck-Rocha (2004).

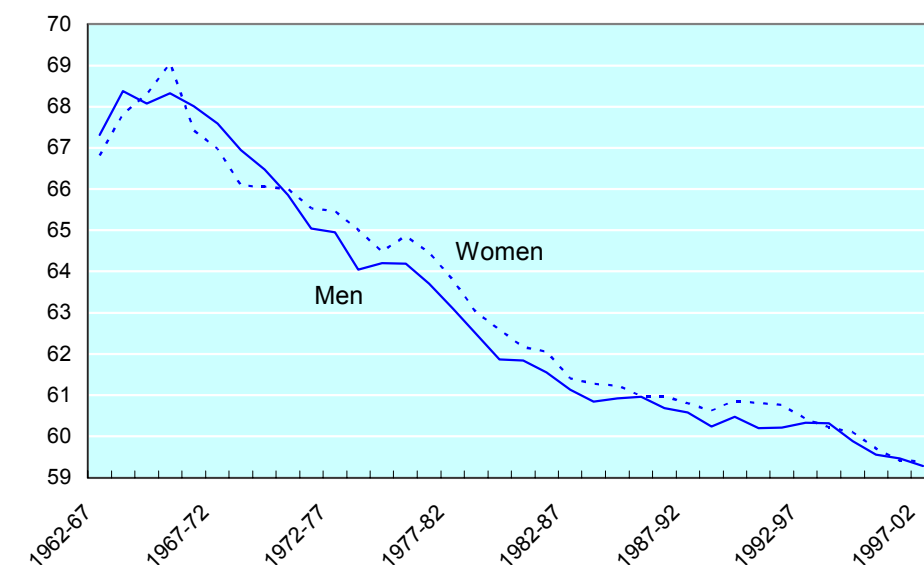
4. The effective age of withdrawal from the labour force must go up

The labour force looks inescapably set to shrink and age in the decade to come. French society will have to take up a number of challenges to cope with these changes. It is inevitable that at some point in the future, the demographic burden will put pressure on public finances.

Paradoxically, over the past few decades, the increase in life expectancy has been accompanied by a marked shortening of working life. People enter the labour force later and leave earlier. The average age of entry is now 21, while it was 18 in the late 1970s (Lerais and Marioni, 2004), and the effective age of withdrawal has dropped by around eight years for men and seven for women (Figure 1.7).

It is therefore a matter of urgency to raise the effective age of withdrawal from the labour force, and to keep the over-50s in employment. The following chapters will examine in detail the role that the various labour market and social protection institutions play to ensure that older workers remain employed.

Figure 1.7. **Effective retirement age, France,^a 1962-2002**



a) These estimates refer to all the persons leaving the labour market older than 40 years irrespective of the reason. It is based on changes in participation rates by five-year age cohorts over five years intervals.

Source: OECD estimates from Enquête Emploi.

Chapter 2

THE LABOUR MARKET SITUATION OF OLDER WORKERS

This chapter reviews the labour market situation for the over-50s. Priority will be given to making comparisons at the international level, as excellent research⁵ has recently been done on the employment of older French workers at the national level.

1. Participation is low beyond the age of 50

As we have just seen, participation rates for the over-50s in France are, in the main, lower than the average in OECD countries. In 2001 almost 60% of men in France in the 50-64 age group were employed, compared with an average 68% in OECD countries (Table 2.1). However, participation rates for French women in the same age group were similar to the average in OECD countries. The gap becomes noticeable at 55 for men but only after 60 for women.

Based on what people report in surveys about their employment status, a quarter of the men aged 55-59 have taken early retirement or are retired, compared with 14% in OECD countries.⁶ After the age of 60, 85% of men and 63% of women aged 60-64 are retired in France compared with the OECD average of 44% and 40%, respectively.

On the other hand, incidences of illness or disability among older workers in France are half the average in OECD countries. This form of withdrawal from the labour force, which is widespread in The Netherlands and to a lesser extent in Sweden and Norway, could however increase in France if older workers have to extend their working life in difficult conditions or poor health.

5. See, for instance, the DARES document co-ordinated by Lerais and Marioni (2004), and issue No. 368 of *Économie et Statistique* put out by INSEE.

6. Much of what people report about their situation is personal and subjective. So, unemployed people exempt from looking for work may report that they have taken early retirement, or that they are discouraged because there is no work available.

Table 2.1. Labour market status by age and gender, France and OECD, ^a 2001

As a percentage of population in each age group

	25-49		50-64		50-54		55-59		60-64		
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	
France											
Active	94.9	79.5	87.2	81.0	89.4	72.6	81.0	59.5	46.0	11.0	9.5
Employed	89.0	71.5	80.3	76.0	84.9	67.1	76.0	55.9	42.9	10.8	9.1
Unemployed	5.9	8.0	7.0	5.0	4.5	5.5	5.0	3.6	3.1	0.2	0.4
Inactive	5.1	20.5	12.8	19.0	10.6	27.4	19.0	40.5	54.0	89.0	90.5
Discouraged	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.2	0.2	0.0	0.0
Retired	0.0	0.0	0.0	2.3	3.0	1.5	2.3	24.4	16.7	85.4	63.4
Illness or disability	1.8	1.6	1.7	4.7	5.0	4.3	4.7	7.6	5.7	1.4	1.6
Family responsibilities	0.1	13.8	7.0	9.1	0.1	18.0	9.1	0.1	22.6	0.0	19.0
Other	3.2	5.0	4.1	3.0	2.5	3.5	3.0	8.2	8.8	2.2	6.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
OECD^a											
Active	92.7	76.9	84.8	77.8	87.3	68.5	77.8	72.7	48.7	42.8	28.5
Employed	87.8	71.4	79.6	74.7	84.1	65.5	74.7	69.7	47.1	41.7	28.0
Unemployed	4.9	5.5	5.2	3.1	3.2	3.0	3.1	3.0	1.6	1.0	0.5
Inactive	7.3	23.1	15.2	22.2	12.7	31.5	22.2	27.3	51.3	57.2	71.5
Discouraged	0.3	0.5	0.4	0.8	0.6	1.1	0.8	1.0	1.3	0.8	0.6
Retired	0.0	0.0	0.0	3.6	3.5	3.6	3.6	13.8	18.1	44.2	40.1
Illness or disability	2.8	2.9	2.9	6.8	6.3	7.2	6.8	9.5	8.7	10.0	8.7
Family responsibilities	0.3	14.6	7.4	8.1	0.3	15.9	8.1	0.3	18.8	0.3	17.9
Other	3.9	5.1	4.5	2.9	2.1	3.7	2.9	2.6	4.4	1.9	4.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

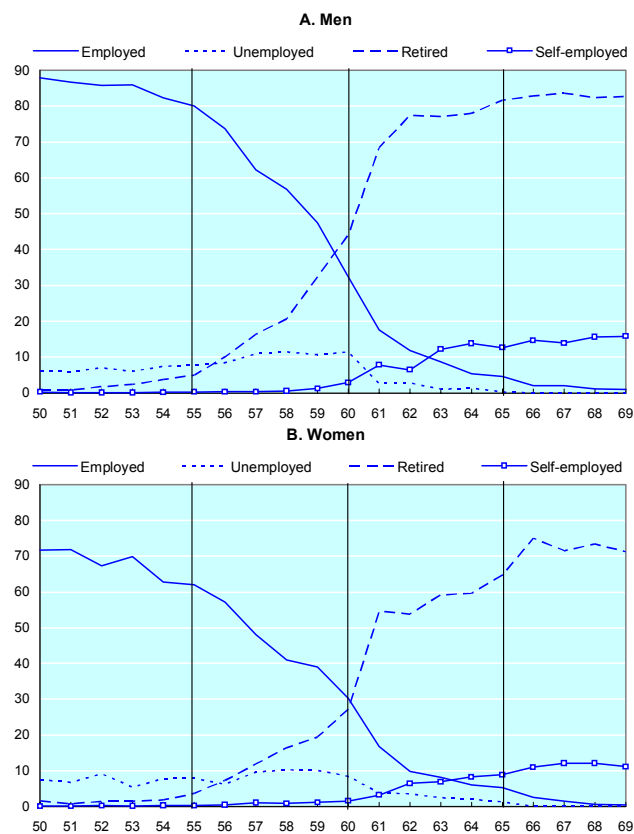
a) Unweighted average of 23 OECD countries (excluding Australia, Canada, Korea, Japan, Mexico, New Zealand and Turkey).

Source: European Labour Force Survey and national labour force surveys.

The figures for the main labour market status in 2002 show that the proportion of employed people falls dramatically after the age of 55 for both men and women, without their then becoming unemployed (Figure 2.1). The proportion of unemployed people after 50 remains fairly stable, at around 10% of each single year of age, and becomes negligible after 60. What happens in fact is that the number of people taking early retirement or retiring increases after the age of 55. By the age of 59, before becoming entitled to a pension at 60, 32% of men and 20% of women have already taken early retirement or retired. The self-employed, on the other hand, retire later, after the age of 62. Retirement at 65 – at which point people become entitled to a full pension without conditions attached to the contribution period – is more the case of women than men, as they have generally had less continuous careers than men.

Figure 2.1. **Main labour market status from age 50 to 69, France, 2002**

As a percentage of population by gender and single year of age



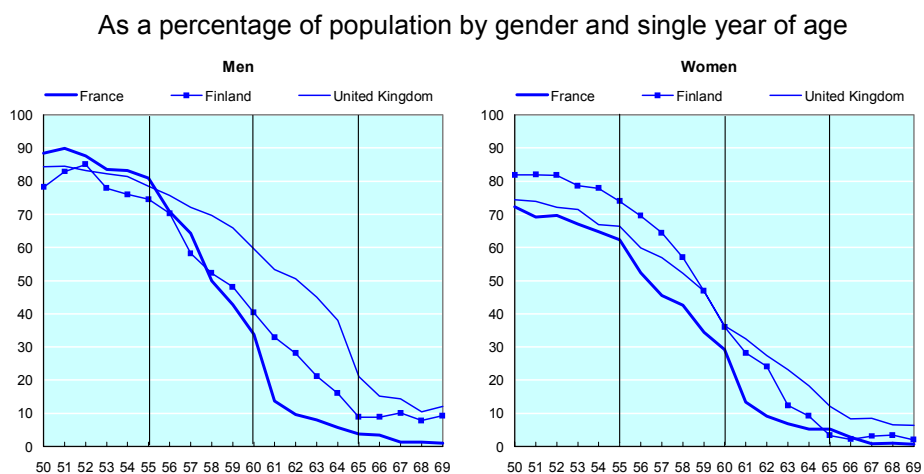
Source: Enquête Emploi, INSEE.

2. Employment and non-employment for the over-50s

A. Employment drops steadily for men from the age of 55

The specificity of the situation in France becomes apparent when you compare the employment rate of French men with that of their counterparts in the United Kingdom and Finland (Figure 2.2). Up to the age of 55 the employment rate of French men is higher than that of men in the United Kingdom. Then there is a marked divergence with the United Kingdom before 60, and with Finland, after 60. At 62, the employment rates in the three countries drop, from 51% in the United Kingdom to 28% in Finland and 10% in France. For women, the highest employment rate *before* 60 is in Finland, and the highest after 60 is in the United Kingdom. The employment rate of French women remains persistently low, the lowest of the three countries. At the age of 62, the difference in female employment rates between the three countries is significant but not as marked as for the men: 27% in the United Kingdom, 24% in Finland and 9% in France.

Figure 2.2. Employment rates by single year of age for persons aged 50 to 69, France, Finland and United Kingdom, 2001

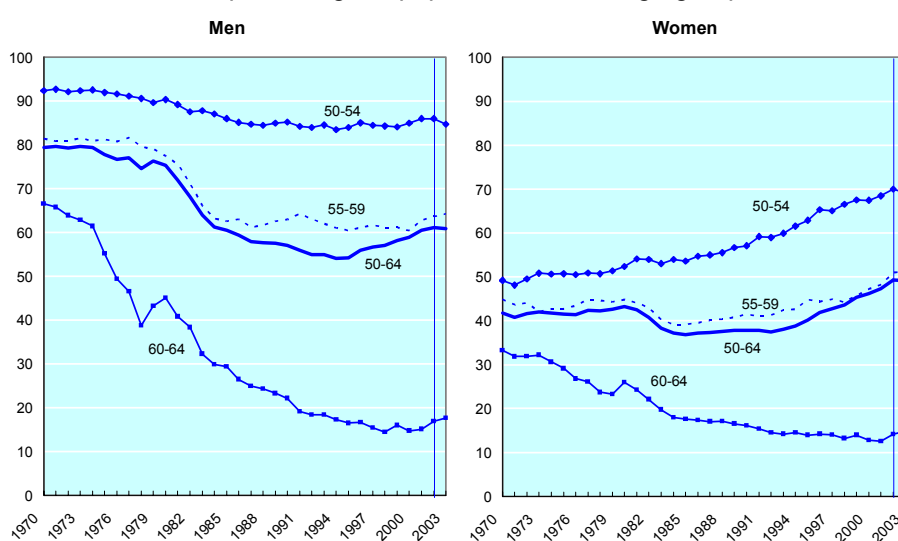


Source: National labour force surveys.

When you examine the change in the employment rate in France since 1970, it is striking to see just how far the rate for men aged 50-64 has dropped (mainly between the mid-1970s and the mid-1980s), whereas on the whole the rate for women has risen over the same period (Figure 2.3). The drop

in the employment rate for men has occurred mainly in the 60-64 age group, where it fell from 67% in 1970 to 18% in 2003. The hike in the overall employment rate for women is mostly linked to the increase in employment in the 50-54 age group, and the increase at the end of the period for those in the 55-59 age group.⁷

Figure 2.3. **Employment rates by age and gender, France, 1970-2003^a**
As a percentage of population in each age group



a) The vertical line indicates a break in the series of Enquête Emploi between annual results from 1970 to 2001 and continuous results in 2002 and 2003.

Source: Enquête Emploi (annual results 1970-2001, continuous results 2002-2003).

By comparing the situation in France with that in the other OECD countries in Figure 2.4, you will see that out of the 30 countries, France ranked 22nd for men and 15th for women in 2003. The employment rate for people in France aged 50-64 was 58% for men and 47% for women. The

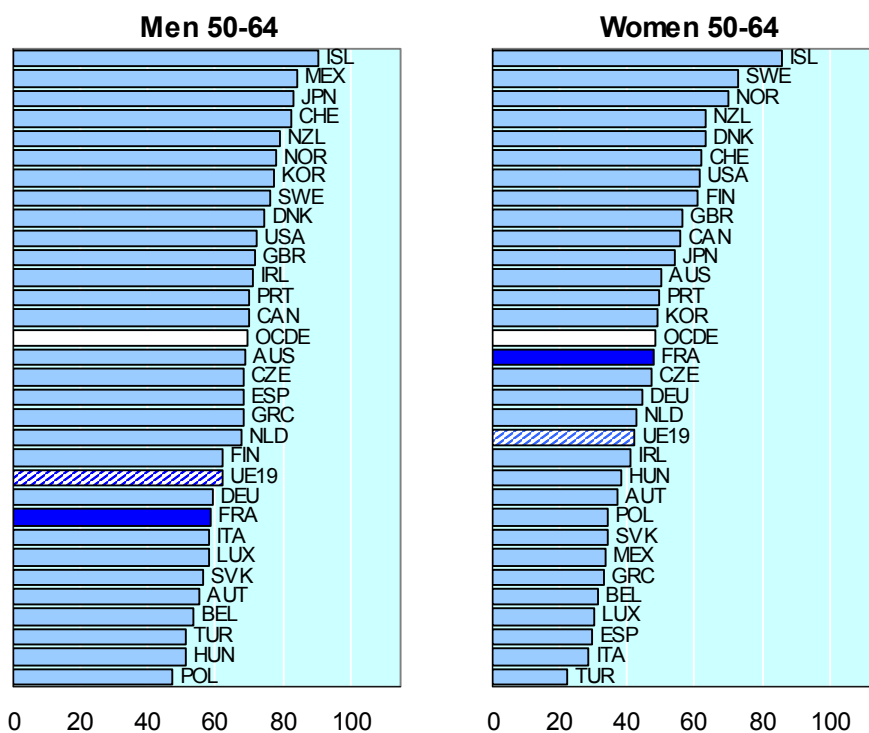
7. Around half the 2.1 percentage point increase in the employment rate between 2002 and 2003 for the 55-64 age group can be explained by the impact of larger generations composed of baby boomers reaching the age of 55. The other half can be explained by the shifts in policies limiting the possibility of people leaving the labour market (Ministry for Employment, Labour and Social Cohesion, 2004). The rate reached 36.8% in 2003 according to harmonised EUROSTAT data, and has increased by 8.6 percentage points since 1998.

position for men is low: four percentage points below the European average and 12 percentage points below the OECD average. Women on the other hand are more favourably placed: six percentage points above the European average and two percentage points below the OECD average.

The slight difference between the employment rates of older men and women in France means that the situation in France is getting closer to that in Nordic countries, where traditionally the gender gap is very small. In France the gap is 11 percentage points and in OECD countries it is 21.

Figure 2.4. **Employment rates of older people by gender in OECD countries, 2003^a**

As a percentage of population in each age group



a) 2002 for Iceland and Luxembourg.

Source: National labour force surveys.

B. *Unemployment is moderate among the over-50s, but lasts longer*

France can be characterised as being a country with a high rate of unemployment. However, there is less unemployment among older workers than among the young, or those of prime age. In 2003 the unemployment rate of the 15-24 age group was 21%, that of the 25-49 age group was 9%, and that of the 50-64 age group was 7% (Figure 2.5, Panel A).

Yet it has to be stressed that giving unemployment as a percentage of the labour force does not make much sense for those aged 15-24, who are mostly inactive because they are still at school, nor for those aged 50-64, many of whom have already moved out of the labour force. It would be fairer to give unemployment as a percentage of the total population in each age group (Figure 2.5, Panel B). The results show that unemployment affects young and prime-age workers to the same extent, but affects older workers less. Unemployment runs at 8% for the 15-24 and 25-49 age groups, and at 4% for the 50-64 age group. This is still higher than the OECD average, but the gap is smaller, particularly for the young.

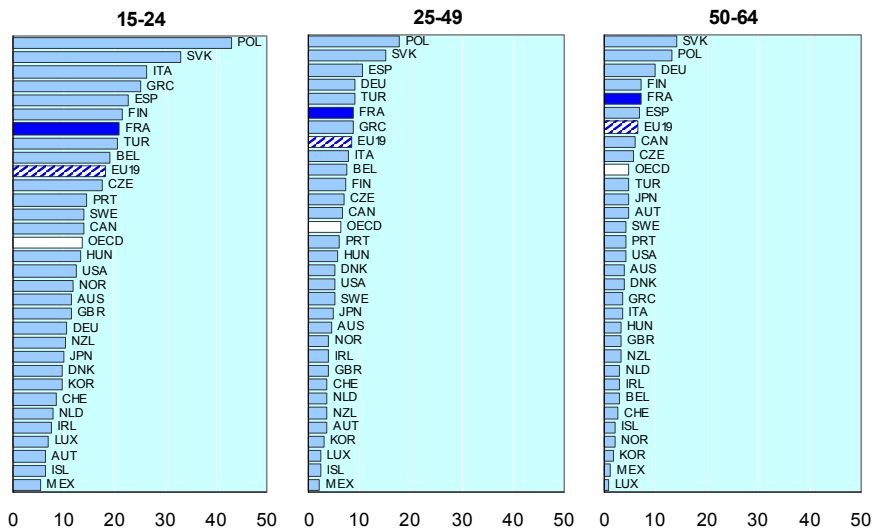
The moderate unemployment of the 50-64 age group is largely due to provisions allowing early withdrawal from the labour force, particularly early retirement programmes, as well as the exemption from looking for work. Older unemployed people may benefit from the latter under certain conditions from the age of 55, and with no conditions from the age of 57 and a half.⁸ Unemployed people exempt from looking for work are no longer counted in the definition of unemployment used in international comparisons by the ILO. If they were counted, the unemployment rate of the over-50s would almost double. In 2002, for instance, it would have gone up from 6.4% to 10.9% (Delarue, 2003).

Although the over-50s are less exposed to unemployment than other age groups, they have more difficulty finding a job again, even when the economic situation improves. This is because of labour market selectivity, which puts them right at the back of the recruitment line. As a result, the unemployed over-50s are mainly long-term unemployed: 40% of them have been looking for work for more than two years (Bigot, 2004). In France, more than six out of ten unemployed people in the 50-64 age group have been unemployed for over a year, compared with four out of ten in the 25-49 age bracket (Table 2.2). In most OECD countries, unemployment lasts longer for older people than for

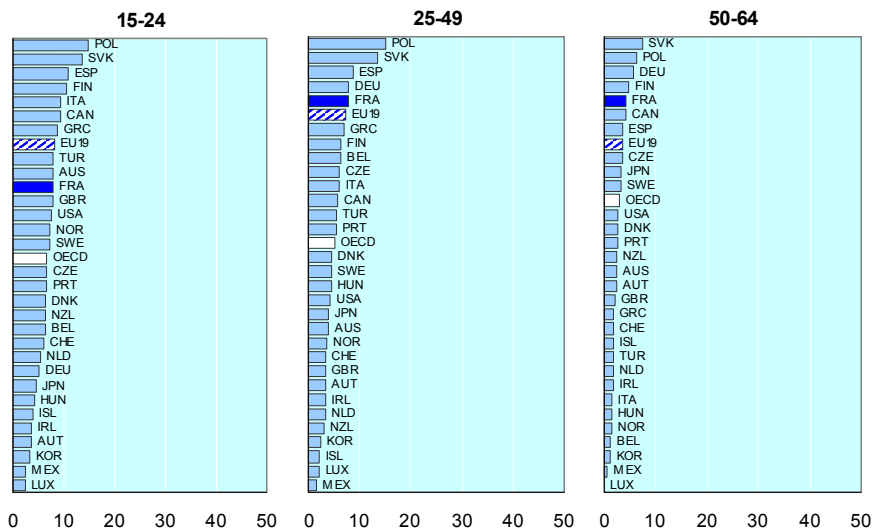
8. These provisions are given in detail in Chapter 3.

young people, but often in less acute proportions. In Sweden, for instance, a third of older unemployed people remain unemployed for over a year, half as many as in the 25-49 age group.

Figure 2.5. Unemployment by age in OECD countries, 2003^a
 A. Unemployment as a percentage of labour force



B. Unemployment as a percentage of population in each age group



a) 2002 for Iceland and Luxembourg.

Source: National labour force surveys.

Table 2.2. Incidence of long-term unemployment in some OECD countries, 2003

As a percentage of total unemployment by age and gender

	Total		Men		Women	
	25-49	50-64	25-49	50-64	25-49	50-64
France	43.7	62.2	43.6	64.4	43.8	59.9
Germany	48.6	64.1	47.1	62.9	50.5	65.5
Italy	59.7	55.9	59.8	55.4	59.6	56.7
Belgium	50.1	66.4	48.6	70.8	51.7	57.8
Sweden	16.8	34.3	18.0	36.3	15.3	30.9
United Kingdom	26.4	35.4	31.0	38.9	19.4	27.5
EU	47.8	58.4	46.7	57.6	48.9	59.5
OECD	41.3	54.2	38.5	52.5	44.6	56.9

Source: National labour force surveys.

3. Mobility of workers over 50

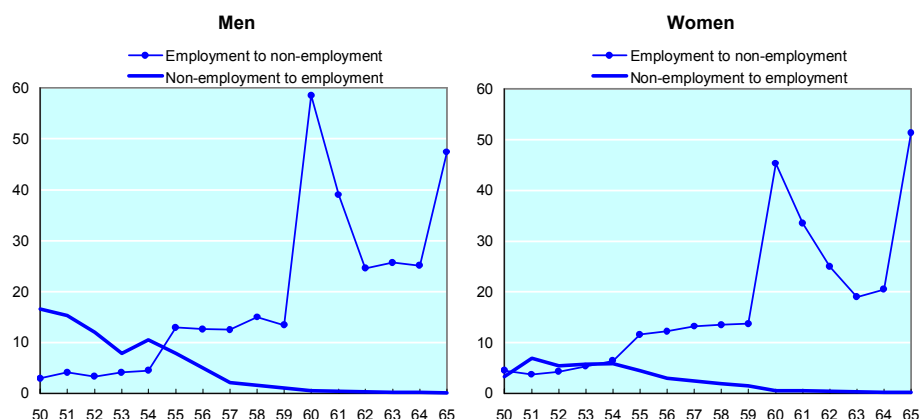
A. *There are more transitions from employment to non-employment than the other way round*

The transitions from employment to non-employment estimated by Blanchet *et al.* (2004) show peaks at 60 and 65, the ages at which people usually retire (Figure 2.6). The peak at 60 is the highest for men, who have longer and more continuous careers than women, while for women the peak at 65 is a little more pronounced. It is also worth noting that the probabilities of moving out of employment are already high before 60, and stand at more than 10% a year between 55 and 59. On the other hand, the probability of men returning from non-employment to employment diminishes steadily with age, and becomes practically zero at 57. For women, the probability is never higher than 10% even when they are in their early fifties, but it drops less at the end of their careers than it does for men.

The difference in the rate at which older unemployed people return to work depending on gender comes up again in the figures in UNEDIC's Outflows from Unemployment Survey (Delvaux, 2004). Figure 2.7 shows that after the age of 50 women can, as in 2003, have a higher rate of return to employment than men (giving a gender gap of more than eight percentage points).

Figure 2.6. **Transition probabilities by age between employment and non-employment,^a France**

As a percentage of population by gender and single year of age

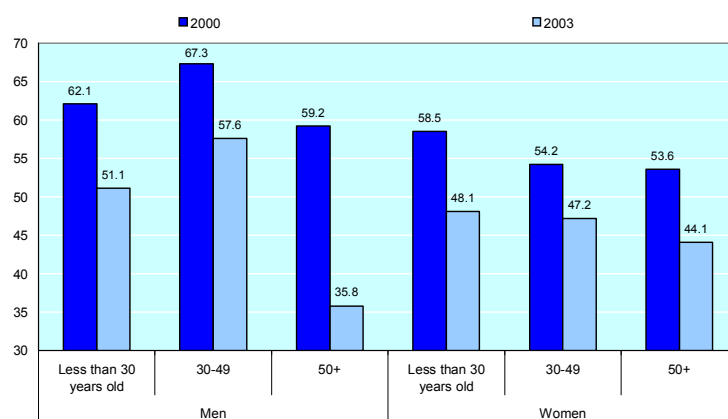


- a) Average transition probabilities by gender and single year of age for the 1930-1940 generations estimated from Enquêtes Emploi 1972-2002. Transition is from full-time employment to non-employment and from non-employment to all kinds of employment (full-time or part-time).

Source: Blanchet *et al.* (2004).

Figure 2.7. **Outflow from unemployment to employment by age and gender,^a France, 2000-2003**

As a percentage of unemployed people



- a) Survey of a sample of unemployed people around six months after they left unemployment.

Source: Outflow from Unemployment Survey, UNEDIC.

It would seem that returning to work after the age of 50 may be a matter of choice for men, but necessity for women (Anglaret and Bernard, 2003). Men move more quickly from unemployment to inactivity than women. Women remain on the register of the National Employment Agency (ANPE) for longer, and try more than men to remain active after the age of 50: 18% of them engage in reduced activity, compared with 9% of men of the same age. The gap widens with age. This can partly be explained by a supply-side reason: women more than men need to complete their working careers and to continue accumulating pension rights. Demand also plays a part: instances of re-entry into work are concentrated in industries such as education and health where there is a high demand for older workers and where the work often consists of subsidised contracts.

B. Job tenure and retention in employment

The low mobility of the over-50s may also be gauged by comparing the share of workers whose length of service in the same firm is less than a year. The proportion of men aged 50-64 with job tenure of less than a year was 4% in 2002. The corresponding proportion, however, for those in the 25-49 age bracket was 14%. Women aged 50-64 were not very mobile either: 5% had been in the same firm for less than a year, compared with 15% of women in the 25-49 age bracket.

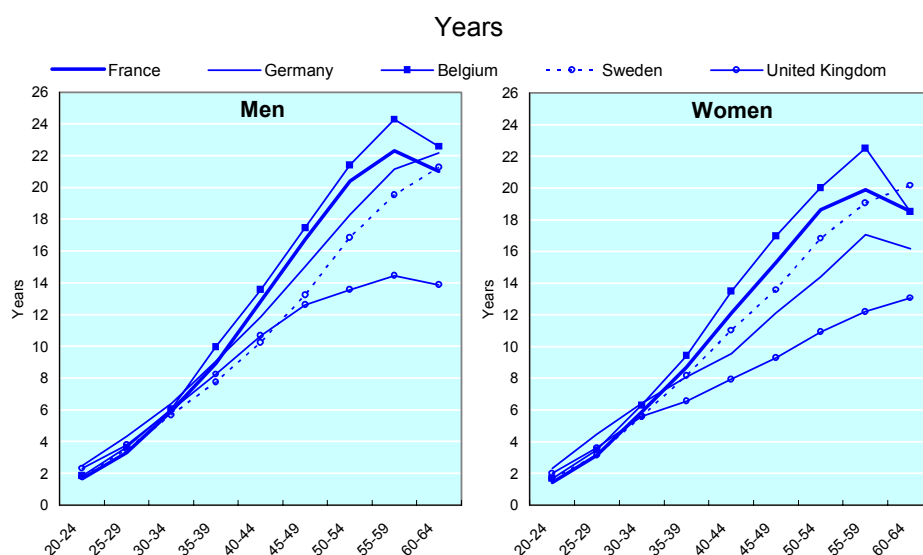
Job tenure by age and gender in several European countries is shown in Figure 2.8. There are considerable differences between countries. Job tenure by age in France follows the same upswing as in Belgium and Germany (only for men), and differs significantly from that in the United Kingdom where careers are less stable. The average job tenure for men in France aged 55-59 is 22 years, compared with 21 in Germany and only 14 in the United Kingdom. Job tenure for women in France is lower than for men, with only 20 years for those in the 55-59 age bracket. Job tenure for them up to their early fifties stands between that of women in Belgium and Sweden.

These job tenure figures by age should be interpreted with caution, as they are average figures.⁹ This is why it is also worth calculating retention rates¹⁰ by

9. The decrease in average job tenure from a certain age is not a direct indication of job loss, as you also have to take into account changes in the composition of the employment situation. For instance, average job tenure will decrease if it is the workers with the highest tenure who leave employment first. Furthermore, some

only looking at workers who remain in a firm during a given period. Generally, retention rates tend to trace an inverted-U curve according to age. We expect retention rates to be lower for younger workers, who try out several jobs at the beginning of their working lives. We then expect the rates to rise to the point where careers stabilise, and then to drop when older workers reach retiring age or take early retirement. This can be voluntary, when workers resign, for instance, or involuntary, as a result of dismissal. Figure 2.9 shows a much higher increase in job retention for the 20-49 age group in France in 2002 than in Sweden or the United Kingdom, but also a sharper downswing after the age of 50. Wage-earners in France tend to remain for a relatively long time in the same company before taking a sudden and early exit from working life.

Figure 2.8. Job tenure by age and gender in selected OECD countries, 2002



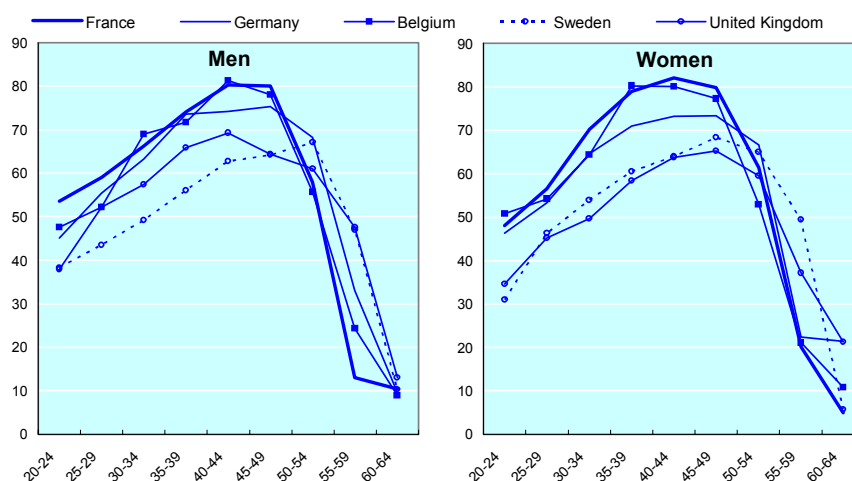
Source: National labour force surveys.

workers fall outside the scope of the survey because they cannot find a new job or because they are unemployed or inactive.

- Retention rates are calculated using data across rate years on length of service in the company. The calculation is as follows: the number of workers in a five-year age group with at least five years' job tenure is divided by the number of workers five years younger, five years earlier.

Figure 2.9. **Retention rates by age and gender in selected OECD countries, 2002**

As a percentage of population in each age group



Source: National labour force surveys.

4. The specificity of the situation in France with regard to older workers

Over the last thirty years a rather distinctive pattern of employment rates has emerged in France, in a society where “only one generation works at a time” according to Elbaum and Marchand (1993). The pattern is characterised by particularly low employment rates for workers before the age of 25 and after 55, in contrast with the 25-54 age group. The same pattern can be found in other European countries such as Luxembourg, Belgium, Austria and Italy. As soon as they reach the age of 50, workers become vulnerable, and are often displaced from the labour market early. For several decades, exit pathways have not gone through unemployment, but through largely subsidised early retirement. Those who have none the less found themselves unemployed have been given unemployment benefits for longer on account of their age, and have often been exempt from looking for work.

Since the mid-1990s, efforts have been made to restrict access to early retirement, and many provisions have been abolished or tightened up. And yet, as Gautié (2004) points out, getting rid of measures is not enough to eliminate the reasons they were brought in. This has resulted in a real “communicating vessels” effect, with the most noticeable results being on the one hand that there are fewer people taking early retirement, but on the other that there are more older unemployed people exempt from looking for work (Anglaret, 2004).

Chapter 3

PROTECTING PEOPLE WHILE ENHANCING WORK INCENTIVES

To understand the low employment rates of the over-50s in France, it is important to look into the system of social protection. Less than half of wage-earners move directly out of the labour market into retirement; for the rest, pathways first include various early retirement schemes, unemployment (often with the exemption from looking for work), social assistance or, to a lesser extent, disability. To illustrate this, by the time men from the private sector born in 1934 could draw their pensions, around 30% were unemployed and 25% had taken up early retirement (Coeffic, 2003). This chapter focuses on the main pathways to an early exit from the labour market. Sections 2, 3 and 4 will deal with early retirement, unemployment, social assistance and disability, respectively. Before this, Section 1 will look at the main features of the pension system in France, focusing on the possibilities of bringing forward or delaying exit from working life.¹¹

1. Retirement

A. Overview

The French pension system is characterised by having a wide variety of schemes. There are different schemes for wage-earners in the private sector, wage-earners in the public sector, people in the professions, artisans, shopkeepers and non-wage earning farmers, not forgetting the wage-earners covered by what are known as special schemes or *régimes spéciaux*.¹² For many

11. For a detailed analysis of the French retirement system, see the two reports by the Pensions Advisory Council (*Conseil d'orientation des retraites*, COR, 2001 and 2004) and the summary by the *Direction de la prévision* (DPAE, 2003).

12. The main special schemes are those for the French Electricity and Gas Company (EDF-GDF), the French National Railway Company (SNCF), the Paris City Transport Authority (RATP), the National Mining and Geological Service (Mines),

years now efforts have been made to establish coherence between the various schemes. Many of them are disappearing, while the rest are aligning or combining with one another. For instance, the basic scheme for farmers and wage earning farm workers (CCMSA), the one for the self-employed in trade, industry and services (ORGANIC), and the one for artisans (CANCVA) have been brought into line with the general scheme for wage-earners in the private sector (CNAVTS). The pension reform in 2003 also introduced convergence between the public and private sectors.

The 2003 pension reform reasserted the determination to maintain the pay-as-you-go principle, based on solidarity between the generations, whereby contributions from workers and employers are used to pay the pensions of retired people. Schemes offering fully-funded products can only provide limited financing. Additional retirement savings come from private investments that individuals may make to build up capital or have an annuity, or from company-based savings schemes. Voluntary saving for retirement through fully-funded products has not been widely taken up in spite of strong tax incentives. In the main, the rate of household saving in France is in fact high, compared with the international situation: in 2003 it stood at 11% compared with 6% for OECD countries as a whole. The rate has increased since 1990 when it reached 8%, unlike in OECD countries where it decreased by half during the same period. French households prefer to save to pay back loans on their homes, or else they purchase life-assurance products.

The compulsory pension schemes for private sector wage-earners, the self-employed, shopkeepers and farmers are two-tier:

- The first tier is made up of the general and aligned schemes, which pay a basic pension. The schemes base their calculations on quarters. Individuals who have reached the age of 60 with a full-working career of 160 quarters¹³ or 40 years' employment, are paid the full rate. This is 50% of the average yearly wage based on the best years of wages¹³ up to the social security ceiling.¹⁴

government blue collar workers, the *Banque de France*, the *Opera* and the *Comédie Française*.

13. For those born in 1944, this means the 21 best years.

14. The social security ceiling was 2 476 euros a month on 1st January 2004, so the corresponding maximum for a basic pension was 1 238 euros.

- The second tier consists of compulsory supplementary schemes managed by the social partners, which by law must cover all wage-earners. This tier comprises the AGIRC scheme for managerial staff in the private sector, the ARRCO scheme for all wage-earners in the private sector, and the IRCANTEC scheme for non-established central and local government employees. These schemes complement the pensions of the general and aligned schemes up to eight times the social security ceiling. They have constantly steered towards greater harmonisation with each other and with the general scheme.¹⁵ Their original feature is that they work on a pay-as-you-go basis but with defined contributions. Pensions are calculated according to the number of points accumulated in return for contributions and not according to the number of quarters of contribution. Moreover, the purchase price of a point (for the contributors) and the entitlement value of the point (for the retirees) are fixed according to the overall financial equilibrium of the systems.

In the civil service and special schemes, the pension paid out is a single tier one, there being no distinction between basic pension and supplementary pension. It is calculated according to the wages of the six last months, excluding bonuses.¹⁶ Up until 2003, the full rate was 75% after 37.5 years of contributions, with each year counting for 2%.

B. There have been two major reforms since the 1990s

The French pension system has been modified by two major reforms, the first in 1993 and the second in 2003. Table 3.1 shows the main changes by scheme affecting the earliest age at which retirement is possible, the mandatory age of retirement, the duration conditions for retirement, the full rate, the reference wage, the penalty for retiring before reaching the full rate, the bonus for retiring after reaching the full rate, and the indexation.

-
15. As an illustration of this, the agreement made on 13 November 2003 copied some of the provisions in the 2003 pension reform, such as the possibility of buying back points, or, for those who have had long working careers, of taking early retirement.
16. Bonuses, the variable part of remuneration, which account on average for 17% of government civil servants' pay, were not taken into account in the pension calculation until the reform in August 2003.

Table 3.1. Main changes in the pension system introduced in 1993 and 2003 by scheme, France

	General scheme (wage and salary earners in the private sector)		Public sector	
	Before the 1993 reform	Changes introduced by the 1993 reform	Before the 2003 reform	Changes introduced by the 2003 reform
	60 since 1983	No change	55 or 60 according to categories	56 in case of long career after 2008
Earliest age at which retirement is possible	60	No change	55 or 60 according to categories	56 in case of long career after 2008
Mandatory age of retirement	60	60	65 (55 or 60 in the « active » categories)	No change
Age or duration conditions for retirement at full rate	60 and 37.5 years of contribution or 65 without condition on contribution period	Duration condition raised progressively to 40 years in 2003	55 or 60 and 37.5 years of contribution	Contribution period increased by two quarters a year from 2004 to reach 40 years in 2008, 41 years in 2012 and about 42 years in 2020 ^a
Pension level at full rate	50% of the average of wages over the 10 best years of one's career (social security ceiling)	Same but the average over the best years rising progressively to reach 25 years in 2008	75% of the monthly wage during the 6 last months	No change
Penalty for retirement before reaching the full rate	Prorating effect plus a reduction of 10% per missing year (5 years maximum)	No change	Prorating	Prorating effect and introduction in 2006 of a reduction that will reach 5% per missing year in 2020 (5 years maximum)
Bonus for retirement after reaching the full rate	None	No change	None	3% from 2004 for each additional year of contribution
Indexation	Price	Price	Wages	Price

a) According to changes in life expectancy at 60.

Source: Information provided by the country.

The 1993 reform tightened up the conditions for general scheme pensions in the private sector:¹⁷

- The contribution period for retirement at full rate was increased from 37.5 to 40 years, being raised progressively between 1994 and 2003.
- The period for evaluating the reference wage was increased from the 10 best years of one's career to the 25 best years, being raised progressively between 1994 and 2008.

The 2003 reform affects all the pension schemes apart from the special schemes. There are at least six main aspects (de Foucauld, 2004). The four most important ones as far as this report is concerned are dealt with below:¹⁸

1. *Certain aspects of the 1993 reform applied to the public sector*

These aspects mainly focus on aligning the schemes for civil servants with the general scheme by increasing the employment period from 37.5 years in 2004 to 40 years in 2008, gradually introducing a penalty, and indexing pensions on prices. Age limits are still fixed according to category but when the length of service required for a full pension has not been reached it is now possible to waive these limits depending, however, on work needs.

2. *Partial easing of the consequences of the 1993 reform in the private sector*

The following main measures are to be implemented:

- The penalty rate for early retirement, which since 1983¹⁹ had been 10% for every missing year, will gradually decrease to 5% between 2004 and 2013, a situation that is closer to actuarial neutrality.

17. A study on typical cases shows that the 1948 cohort will be strongly affected by the 1993 reform (Raynaud, 2004). Even when individuals have had a long working career of 40 to 44 years, the net replacement rates will go down by three to five percentage points because of the increase in the period for calculating the reference wage.

18. The two other aspects analysed by de Foucauld (2004) are pension savings and funding.

19. The 10% penalty for every missing year was introduced in 1983 when the retirement age was lowered to 60.

- Wage-earners and non-wage earners who have had a very long-working career (beginning at 14, 15 or 16, and having completed their contribution period of 40 or 42 years) may retire with the full rate before 60.²⁰
- The replacement rate for a working career on the minimum wage or SMIC, provided that it is a full-working career, in other words that it has not only been validated but contributions have actually been paid, will correspond to at least 85% of the SMIC in 2008.
- The gap between the situation for multi-scheme pensioners, who account for half of the people who retired in 2001, and that of the one-scheme pensioners has narrowed considerably. There is now a prorating effect, so the years of employment taken into account are proportionate to the number of years contributed under each of the schemes.²¹
- Strenuous working conditions may or may not be taken into account, and will be subject to negotiation.
- The possibility has been introduced of buying back part of the time spent in higher education, and buying back incomplete years of employment.

3. *Sharing out the benefits of increased life expectancy between employment and retirement*

As from 2008, the contribution period required for entitlement to a pension at the full rate will increase progressively by a quarter a year for all wage-earners (reaching 41 years by 2012, and 42 years by 2018). The contribution period required for a full pension will progress in such a way as to keep the ratio between it and the average length of retirement constant until 2020 (two years of contributions for one year of pension).

20. A special early retirement measure is also becoming available to severely handicapped people (with permanent incapacity of at least 80%) who have worked for at least 15 years. Public sector workers will benefit from a similar measure as from 2005.

21. Beforehand, the 25 best years in each scheme were taken into account, which meant in the end that the whole working career was taken into account.

4. *Prolonging employment*

The main incentives for continuing to work are:

- A pension bonus of 3% is being introduced for each year of contribution after 60 and over the required contribution period for entitlement to a pension at the full rate.
- The age at which an employer may legally retire a wage-earner has been raised from 60 to 65, unless an exception is granted in a collective agreement.
- Gradual retirement has been reformed to enable workers to draw a fraction of their pension while continuing to work. Their pension entitlement will therefore be revised when they stop working thanks to the additional pension rights they will have acquired.
- Some of the rules governing the combination of pension and earned income have been relaxed.
- Public-funded early retirement programmes are being modified, and are now limited to two schemes only: one for those who have had strenuous jobs and another for those laid off through collective social plans (*plans sociaux*). In-house early retirement programmes have become more expensive since a special tax was levied on them.

Lastly, it is worth noting that through the 2003 pension reform it was decided that information should be improved at both collective and individual level (COR, 2004). On the one hand, the 2003 Law provides for a public report to be written by early 2008, which should track changes in the labour force participation rate of the over-50s, changes in the financial situation of the schemes, and changes in the employment situation. The whole range of scheme funding parameters will be examined. On the other hand, a right to information is being established for individual contributors. This will give people access to information on the pension rights they have acquired and on the amount of pension they may expect, and thus help them build up their personal pension. Implementing this right will mean that the schemes have to share the information they have on individuals.²²

22. This will take place through the «Insured Persons' Information on Pension Rights» Public Interest Group (*Groupement d'intérêt public*, GIP) approved by decree on 23 August 2003. The aim of the GIP is to establish conditions guaranteeing the right to information on pensions. The group has been set up for a 15-year period

C. Assessment of options for bringing forward or delaying retirement

While the 2003 reform marks considerable progress towards extending working life, there are still numerous provisions in the pension system that lead to early withdrawal from the labour force. Among these are the very low minimum statutory ages for retirement in the public sector and the special schemes, and, in the general scheme, the taking into account of numerous periods in the contribution period for which contributions are not in fact paid. Here, the possibility of retiring at 56 after a long-working career, for which a contribution period of at least 42 years is required, is not in question. This section will appraise the consequences of the 2003 reform and show that gradual retirement as opposed to combining pension and earned income should be encouraged, as it enables people to continue working and thereby accumulate new pension rights.

Statutory exits before 60 in the public sector and special schemes

In the public sector and special schemes the minimum retirement ages are often lower than in the general scheme (Table 3.2). People in the “active” categories of public services (such as police officers, firemen, nurses, prison guards and blue collar government workers), whose jobs entail a particular risk or are exceptionally tiring, may retire at 50 or 55. The entitlement age corresponding to each category is linked to a status rather than to any real arduousness in the job itself.²³ Texts governing special schemes also provide for early retirement for people in job categories that are exposed to strenuous working conditions. Lastly, in supplementary schemes, people may draw their pension from the age of 55. A reduction is applied for early retirement between 55 and 60 (except for long-working careers), and disappears between 60 and 65 if the basic pension is drawn at the full rate.

and has a membership of 38 institutions. The director of Social Security and the director of the Budget have been appointed government commissioners to the group.

23. Police officers working in administrative departments have the same right to retire at 50 as colleagues who have spent their entire working careers out in the field.

Table 3.2. **Legal minimum age of retirement in the main schemes, 1st January 2004, France**

Minimum legal age	Categories
65	Members of the clergy
60	Wage-and-salary earners in the private sector Artisans, the self-employed in industry, and shopkeepers Farmers Lawyers and the self-employed in the professions Public servants other than those in the "active" category Banque de France personnel, except for specific cases at 55 Electricity and Gas Industry personnel (including EDF-GDF) RATP personnel with 30 years' employment in service jobs Government blue collar workers Compulsory supplementary schemes, if full rate in general scheme
56	Wage-and-salary earners in the private sector, artisans, the self-employed in industry, shopkeepers, the self-employed in the professions and farmers who began their careers at 16 or earlier and who have had long working careers (general and supplementary schemes)
55	Disabled workers who have had long working careers (general and supplementary schemes) Public servants with at least 15 years' service in the "active" category (police officers, nurses, certain local public servants, etc.) Electricity and Gas Industry personnel with 15 years' active service or 10 years' insalubrious work SNCF personnel, apart from train crews or cleaning operatives, with 25 years' service Miners Government blue collar workers in the "insalubrious" category RATP personnel with 25 years' in ground jobs Compulsory supplementary schemes
50	Public servants with at least 10 years in the "insalubrious" category Miners at the pitface SNCF drivers RATP personnel with 25 years in blue collar jobs Firemen with 25 years' service Army officers with between 15 and 25 years' service
No minimal age	Mothers with at least three children and 15 years' service in the public sector Non-officer military staff with 15 years' service Army officers with 25 years' service

Source: Social Security Directorate.

The average age calculated in 1997 at which people in the 1926 generation claimed their pension was lower for civil servants and those in special schemes than for wage-earners in the private sector (Table 3.3). The average age decreased for the more recent 1930 generation. The average age at which women drew their pension, was, on average, two years later than that of the men. This is because fewer women benefit from long-working careers; they have to wait more often until 65 to draw a pension at the full rate.

Table 3.3. Average age at which 1926 and 1930 generations claimed their pension, 1997, France

	1926 Generation		1930 Generation	
	Men	Women	Men	Women
	One-scheme pensioners^a			
Wage and salary earners in the private sector	61.8	62.7	60.7	62.2
Civil servants	59.4	57.8	59.5	57.4
The military	51.0	n.s.	48.2	n.s.
Aligned special schemes ^b	55.9	57.5	54.9	56.5
Other schemes	62.1	62.3	50.8	61.2
	Multi-scheme pensioners^a			
With some time spent in the public sector	54.9	59.2	54.8	59.0
Other	61.6	62.5	60.6	61.6
	Total			
Total	60.3	62.1	59.4	61.5

n.s.: non significant.

- a) A one-scheme pensioner is a person who has contributed to the same basic scheme throughout his/her whole career. A multi-scheme pensioner is a person who has contributed to several basic schemes during his/her career.
- b) Banque de France, National Mining and Geological Service, Navy, CNRACL, SNCF, RATP, EDF-GDF.

Source: Inter-scheme sample of retirees aged 65 and over in 1997, DREES.

The length of working career is often not just a matter of contribution periods

To obtain a pension in the general scheme, a person has to show at 60 that they have paid at least one quarter's contribution to the scheme. The individual account opened in the person's name shows the periods that have given rise to the payment of old-age insurance contributions. It is thus possible to calculate the number of quarters for which contributions have been paid during the working career. To validate a quarter, a person has to have been paid the equivalent of 200 times the hourly minimum wage or SMIC, in other words, five weeks' pay on the SMIC, over a year. This means that student jobs, full- or part-time seasonal work and paid internship with one or more companies can be taken into account.

Far from reducing a working career to contribution periods, the basic scheme provides a high level of equity, particularly for people who have had difficulties during their working lives, such as spells of unemployment or setbacks in their careers, or have had to cope with the burden of child dependants. As an illustration, periods of non-work due to illness, disability, work-related accidents, maternity, unemployment, military service and war are

counted as being *comparable* to contribution periods.²⁴ Other periods, which are recognised as being *equivalent* to contribution periods, may also be taken into account. These are periods that have not given rise to contributions, such as time spent working abroad or helping with work in a family context. It is also possible to top up one's working career by buying back contributions to validate periods that had hitherto not been paid for.²⁵

Compensation has been introduced for mothers in recognition of the fact that their situation has a constant penalising effect on their contribution periods. In the general scheme, women are given a quarter for every year in which they bring up a child, up to his or her 16th birthday. This is limited to eight quarters per child. In the public service, a mother with three children may retire once she has worked for at least 15 years²⁶ (Table 3.2).

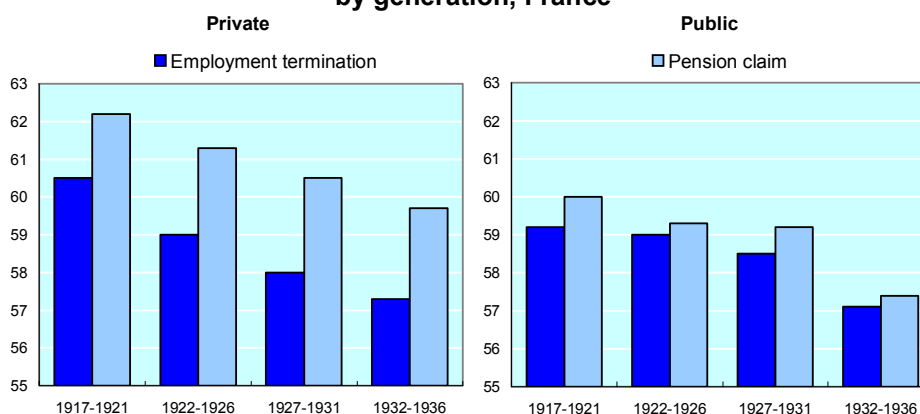
According to Coeffic (2003), 82% of the men in the 1934 generation drew their pension at the full rate with a full-working career at 60. On the other hand, the same was true for only 29% of the women in the same generation. The profiles recorded for the 1934 generation are likely to change, however, for more recent generations. A lower percentage of people may now retire at 60 at the full rate with a full-working career because of the required lengthening of contribution periods and the higher age at which people finish their studies. On the other hand, younger women will benefit from the increase in their working lives and the improvement in their careers. Consequently, for recent generations of men and women, steps should be taken to harmonise their *comparable* and *equivalent* contribution periods in order to validate their overall contribution periods.

-
24. There are also free points in the compulsory supplementary schemes.
 25. Two new buyback options were introduced by the 2003 Law: years spent in higher education resulting in a degree, and years of working life in which the income was not high enough to validate four quarters. It is now possible to buy back up to 12 quarters before retiring. These buybacks have to be actuarially neutral – they are more expensive if they are bought late in a person's working career, especially if this happens when the person is close to retirement.
 26. In 2002, this measure was found to be discriminatory by the European Court of Justice, which felt that it should also apply to men. This led to a number of early retirements by fathers with a minimum of three children who had filed requests with French civil service tribunals (*tribunaux administratifs*). In the rectified 2004 finance law (*Loi de Finances*), the right to retire early was restricted to parents with three children who had interrupted their working careers for each child.

Gap between the age at which people exit the labour force and the age they retire

Fewer and fewer people move directly out of employment into retirement. People are leaving the labour force at an increasingly lower age than that at which they are retiring. Figure 3.1 illustrates this, indicating simultaneously by generation the ages at which wage-earners in the public and private sectors, who have worked for at least a year beyond the age of 49, terminate employment and claim their pensions. The gap is particularly noticeable for those in the private sector, reaching 2.5 years in the case of the most recent generations. These people first receive early retirement benefits in the broad sense of the term (including unemployment benefit) before they go on to draw their pensions.

Figure 3.1. **Age of employment termination and age of pension claim by generation, France**



Source : Complementary survey to Enquête Emploi in March 1996: Blanchet (2004).

The particularly low age at which people draw their pensions in the public sector could go up by an average of two years for the 1945-1954 generations on account of the 2003 pension reform (Raynaud, 2004). For someone with an incomplete working career, the replacement rate would decrease by five to seven percentage points as a result of the combined effect of the penalty and the prorating effect due to the lengthening of the reference contribution period. More than half of the wage-earners in the public sector who belong to these generations could therefore delay their retirement.

Early exits from the labour force in France compared with other OECD countries

In a word, the effective age of withdrawal from the labour force is a lot lower in France than in other OECD countries, particularly as far as men are concerned (Figure 3.2). The countries are shown in decreasing order for the 1997-2002 period, with France ranked 28th for men aged 59.3, and 23rd for women aged 59.4. As we saw earlier in Figure 1.7 in Chapter 1, the effective age has dropped in France since the early 1960s, when it was over 67. At the moment, it is slightly lower than the legal age, which has stood at 60 since 1982.

Retiring before 60 after a long-working career with all the required contributions

The 2003 Law established the possibility of retiring before 60 for those in the private sector who began working very young. This provision is open to wage-earners, artisans, shopkeepers, heads of companies, people in the professions and farmers. It is granted on three conditions: the age the person began working (between 14 and 17), the contribution period (at least 42 years) and the length of employment that gave rise to the contributions (40 to 42 paid-up years depending on the age of retirement). The last two conditions mean that periods of unemployment are excluded from the calculation. Periods of non-work due to illness or military service are, however, counted. The basic pension is drawn at the full rate, as are the supplementary pensions.

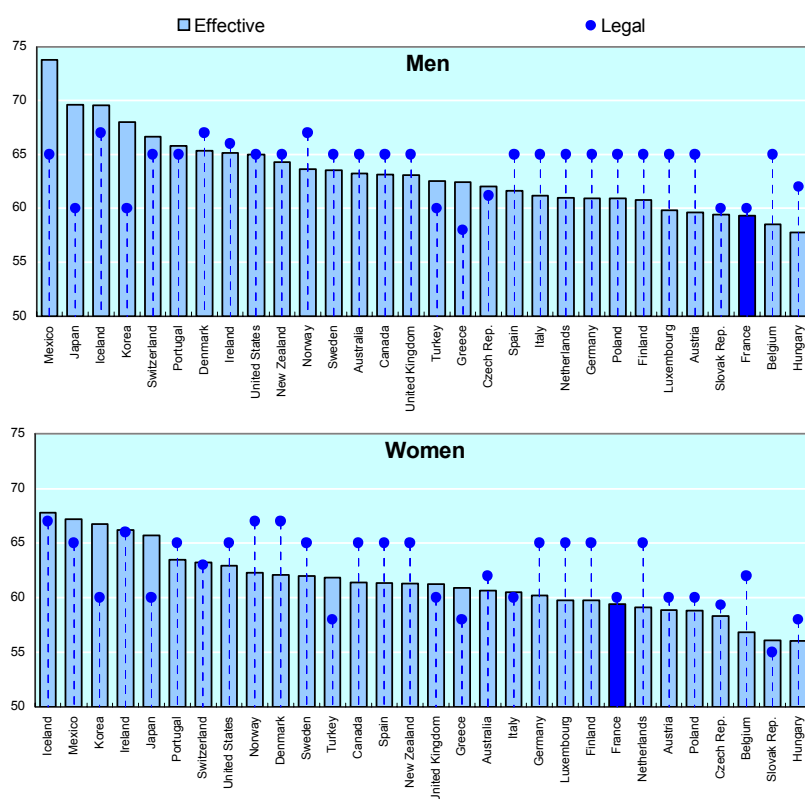
This provision has proved very successful with people under 59: 132 000 people benefited from it in 2004 (Box 3.1).²⁷ This figure corresponds to about half the potential beneficiaries, as few wage-earners aged 59 wanted to take early retirement. The National Pension Fund (*Caisse nationale d'assurance vieillesse*, CNAV) forecasts 90 000 new beneficiaries in 2005, in other words a take-up rate of 75%. By 2008, 500 000 people should have benefited from early retirement.

As from 2005, the right to retire before 60 will also be applied gradually to central civil servants, local public servants and public sector hospital staff who began working young. Only those aged 59 who began working before 17 will

27. The Social Security Accounts Commission estimates the cost at 630 million euros for 2004 and 1.3 billion euros for 2005.

be able to benefit from 1 January 2005. In July 2006, the right will be extended to those aged 58 who began their career before 16. Lastly, by 1 January 2008, those aged 56 and 57 who began working before 16 will be able to retire early. According to official estimates, 15 000 people in the public service will be able to retire in 2005, and 30 000 in 2007 and 2008.

Figure 3.2. **Effective and legal age of retirement, 1997-2002^a**



a) The average effective age of retirement is derived from the observed decline in participation rates over a five-year period for successive cohorts of workers (by five-year age groups) aged 40 and over.

Source: OECD estimates derived from European and national labour force surveys.

Box 3.1. Beneficiaries of early exit before 60 after a long career in the private sector

Those who benefit from an early exit after a long-working career are mainly male blue collar workers who began working at 14. The CNAV profiles those in the general scheme who retired before 60 between 1st January and 31st March 2004 (CNAV, 2004), as follows:

- Over 53% benefited from early retirement at 57 or 58, over 33% at 59, and the remaining 13% at 56.
- 86% of the beneficiaries were men and 14% women. Although some of the women had long contribution periods with additional quarters included for children (giving on average over 45 years, as opposed to 43 years for the men), fewer had completed the necessary contribution period through periods of employment, illness or military service.
- The majority of the beneficiaries had improved their status little during their working lives. At the end of their careers, two-thirds of the men were skilled workers in industry or the craft industry, or handlers, packers and drivers, or else they were in services to individuals, or retailing. The women were employed as skilled or unskilled workers in industry, or worked in retailing, or as administrative personnel, or in services to individuals. Because of the very nature of the provision, the managerial staff category only accounted for a small percentage (12.5%). Furthermore, half the beneficiaries came from sectors with a high demand for labour, such as construction, the metallurgical industry, retailing and the food industry.
- The beneficiaries had generally interrupted their careers very little. Almost 90% of them had completed the necessary 42 years thanks to the inclusion of periods for which contributions had been paid. The men who had begun working at 14 and retired early at 56 after 42 years had in fact kept up continuous employment until they retired. Of the beneficiaries as a whole, 20% had acquired the full-contribution period thanks to military service and periods of illness, which were counted. These periods are comparable to contribution periods and were used in the calculations for more than 10% of the women and almost 50% of the men.
- The majority of the people (58%) had only belonged to the general scheme during their working careers. Of those who had belonged to several pension schemes, four-fifths had also worked as farm employees, shopkeepers or artisans in addition to their jobs covered by the general scheme.

At some point in the future, these retirements for people who began working very young will become rare, as they will be occurring in generations of people whose careers began later, after they had completed their studies. The requirement of more than 40 years of contributions, without periods of unemployment being counted, will similarly become more restrictive for people in the private sector who have experienced more periods of unemployment ever since the first oil crisis in 1973.

Too many exceptions to the mandatory age of retirement

In the 2003 pension reform the compulsory retirement age was raised from 60 to 65 in the private sector. This means that any ending of an employment contract by the employer before this age will be considered as a case of dismissal. Before the reform, it was possible to lay wage-earners off as soon as they were entitled to a full pension, in other words, at 60 at the earliest. Now that the bonus has been introduced, the age has been pushed back, so people can continue to work after having reached entitlement to the full rate.

However, the 2003 Law has introduced considerable opportunities for exceptions. It is still possible for an employer to lay someone off between the age of 60 and 65 without this being considered a dismissal if the person concerned can benefit from a pension at the full rate and have access to an early retirement scheme that was defined before the legislation was passed. The same applies if a branch-wide collective agreement providing for jobs or professional training in return is signed before 1 January 2008.

In autumn 2003, a certain number of branches took advantage of the opportunities in the legislation to retire people before 65. The rate at which collective agreements were signed speeded up in 2004. Defining what can be offered in return, in terms of hiring or training can only be done through collective agreements. Most of the agreements envisage varied forms of hiring (Jolivet, 2004), with full-time open-ended contracts, as well as apprenticeship contracts, and contracts for on-the-job training programmes leading to skill acquisition. No agreement to date provides for the possible hiring of older workers. However, some agreements specifically provide for training for older workers.

Options for working beyond 65 are very limited

In the general pension scheme, people may continue working beyond 65 if their contribution period is lower than the maximum period taken into account in

the scheme. Their contribution period is then increased after 65 by 2.5% per additional quarter, up until they reach the scheme's maximum contribution period.

In the public service, which has a compulsory retirement age (65 in general, or 55 or 60 for people in "active" categories), it is possible to push back the age limit in certain conditions. Firstly, there are conditions linked to the family situation: civil servants who have reached the age limit may add a year for every dependent child, with three years extra at most, and people who at 50 had three living children, may add one year, provided that they are physically capable of continuing to work. Secondly, should people not have the required amount of quarters when they reach the age limit, they may seek an agreement with their hierarchy to extend their employment by ten quarters at the most. The periods worked beyond the age limit have only recently been taken into account.

Combining pension and earned income remains a limited option

Today around 300 000 people combine earned income and a pension. The complex legislation on the matter was changed by the 2003 Law, so as to simplify the rules in the general scheme, and harmonise the situation with regard to the supplementary schemes. Beforehand, it was forbidden for people to work again for their former employer but there was no restriction on combining a pension and a salary. Only the supplementary pension (ARCCO and AGIRC) had a ceiling. The age from which it is now possible to combine the two has been lowered from 60 to 55, in line with the lowest age at which pension rights may be exercised. People will no longer necessarily have to stop all employment to draw a pension. They may continue with a non-wage-earning activity (as self-employed consultants, for instance) and at the same time draw a pension from the scheme for wage-earners.

People may take up employment again with another employer, without having to respect any particular time limit. However, if they return to work with their former employer they must do so six months after the effective date of their pension at the earliest. Combining pension and earned income is not limited so long as the activity does not come under the wage-earners' scheme, which has a ceiling. In the wage-earners' scheme the income from the work and the various pension schemes should not exceed the last income from employment received before the effective date of the pension. If it does, the pension is suspended.

In the public service there are no constraints for people who take up employment again in the private sector, or under certain conditions, find a job in

the public sector. If people return to work in the public sector, they are taken on as non-established government employees and not as civil servants. The income from the job should not exceed a third of the pension, and it is possible to combine the two up to the age of 65. Exceptions are granted for a return to work in the public service, in which income and pension may be fully combined. However, they only apply to a limited number of cases (non-officer military staff whose pensions cover less than 25 years of service, and those with disability pensions). A full combination is also allowed when the new job involves the creation of works in the artistic or intellectual domain, or involves jurisdictional activities (as in the case of local community judges).

Gradual retirement could enable more people to keep working

Combining pension and earned income cannot, however, increase the amount of pension in the future because the contributions do not entitle people to any additional rights. However, this increase will now be possible thanks to transformations in the gradual retirement system. The early scheme that allowed a combination of pension and earned income was in very little demand, with an annual flow of around 800 people. There were two restrictions: on the one hand, limited access to the scheme (people had to have reached the age of 60 and satisfy the conditions entitling them to a full pension) and on the other, the impossibility of reclaiming the pension in spite of continuing to pay the contributions after having joined the scheme.

Access to the scheme will now be open with a less restrictive condition on the contribution period.²⁸ People will be able to draw a fraction of their pension as they work, which will mean that periods of partial employment occurring from the date they join the scheme will be taken into account to calculate the amount of the pension when it is claimed definitively. The pension will be increased by the additional contributions. So, people who joined the scheme with only 150 quarters will be able to draw their final pension at the full rate if their employment during the period of gradual retirement enables them to validate ten quarters.

28. The easing of the condition on the contribution period required for people to join the scheme comes under a decree that has not been published yet.

2. Early retirement

A. Brief history

The history of early retirement in France has been marked by regular new measures comprising cross-funding by the state on the one hand, through the National Employment Fund (*Fonds national de l'emploi*, FNE)²⁹ and the social partners on the other, through unemployment insurance. These measures were initially developed to accompany the restructuring of industrial companies in the 1960s (with special FNE allowances, such as the Special Redundancy Early Retirement Allowance or ASFNE), and then spread in the 1970s into special unemployment insurance schemes. The idea was to help young people into employment by offering older wage-earners attractive enough income alternatives for them to stop working. Balmay (2001) singles out three major trends that have been in combined force for more than twenty years: early retirement-restructuring, from 1963, early retirement-individual rights, from 1972, and early retirement-active measures, from 1982. Apart from public funding, there have always been numerous in-house early retirement programmes financed directly by the companies concerned.

In the mid-1990s the state began a tightening policy on early retirement schemes, for which it is responsible, especially on the ASFNE allowances used as accompanying measures to social plans (*plans sociaux*). The social partners did the same a little later. After having set up a new early retirement scheme (Combined Early Retirement/Hiring Scheme, *Allocation de remplacement pour l'emploi*, ARPE) in 1995, the social partners decided not to renew it in 2001. But a new Early Retirement Scheme for Certain Employees (*Cessation d'activité de certains travailleurs salariés*, CATS) was set up by a collective agreement in 2000, whereby the state only pays the allowance for certain wage-earners who have had strenuous jobs. In 2004 there were six public-funded early retirement schemes, of which three, ARPE, Gradual Early Retirement (*Préretraite progressive*, PRP) and End of Employment Leave (*Congé de fin d'activité*, CFA) are being phased out (Box 3.2).

29. The FNE is a special fund run by the Ministry for Employment, Labour and Social Cohesion. It was set up in 1963 and has a wide scope, covering both jobseekers and companies. Measures for companies, generally granted through agreements, tackle two concerns. On the one hand, they support action on career and skills management with a view to promoting change and development within companies, and on the other, they alleviate the social consequences of company restructuring on skills and employment.

Box 3.2. Public-funded early retirement schemes in force in 2004

1) **Special Redundancy Early Retirement Allowance (ASFNE)**. The state and the employer are required to sign a convention, often in the context of an employment preservation plan. The wage-earners have to give up some of their redundancy payment and may not then take on any employment whatsoever. They receive around 65% of their gross salary, on which there is a ceiling. The ASFNE is being implemented in increasingly restrictive conditions: redundancy for economic reasons, wage-earners aged over 57 for whom new jobs cannot be found and who meet the requirements on length of service and contribution periods, and lastly, increasing financial participation by the company.

2) **Phased Early Retirement (PRP)**. The state and the employer are required to sign a convention. The PRP enables wage-earners aged 55 to move into part-time employment and to top up their salaries with an allowance (30%) funded by both the state and the employer. The employer commits to recruiting a jobseeker in difficulty. The PRP schemes introduced in 1992 were withdrawn on 1 January 2005.

3) **Early Retirement Scheme for Certain Employees (CATS)**. This scheme is for those working in strenuous jobs, and was set up by decree in early 2000 for a five-year period. It extends the CASA scheme (Early Retirement Scheme for Wage-Earners in the Automobile Industry, which was introduced into the automobile sector in July 1999, to all branches. The scheme enables certain wage-earners aged 55 to stop working completely or partially when the social partners at both branch level and company level have signed an agreement to that effect. The employer is exempted from paying the employers' social insurance contributions on the allowances paid. The state is partly responsible for paying the alternative income for the wage-earners, who must be at least 57 years old and have had strenuous jobs (15 years of successive shift work or assembly line work, 200 or more nights a year for 15 years). It is also partly responsible for paying for the disabled. The scheme aims to make companies aware of their responsibilities. To access the scheme, they have to sign an agreement on developing forward-looking career and skills management (GPEC). This has given rise to what is known as the GPEC/CATS Agreement (Box 3.3).

4) **Combined Early Retirement/Hiring Scheme (ARPE)**. This was set up by the social partners in the National Unemployment Insurance Administration (UNEDIC) through an agreement in 1995, which was renewed several times and then stopped in 2001. The ARPE enables people to stop working early of their own accord if they have validated at least 160 quarters of old-age insurance. The employer commits to hiring someone in return. An alternative income worth 65% of the former salary, on which there is a ceiling, is paid up until the people draw their pensions.

5) **Early Withdrawal for Workers Exposed to Asbestos (CAATA)**. This was set up in 1999 and allows those aged 50 who have an asbestos-related occupational disease to leave their jobs. This also applies to others who have not yet become ill but who have worked in high-risk establishments. The allowance may not exceed 85% of the monthly reference wage.

6) **End of Employment Leave (CFA)**. This was introduced in 1997 for three public services (state, local public servants and public sector hospital staff) enabling those who satisfy certain requirements regarding age, contribution period and service to leave their jobs before the age of 60 with 75% of the average gross wage over the six last months (70% for non-established government employees). Legislation brought in by the *Loi de Finances* provides for the phasing out of the CFA from 2004.

Box 3.3. Example of a GPEC/CATS agreement in a glassworks

In 2001-2002 a programme entailing considerable investment and new working practices was implemented in a plant that makes glass pots for the food industry. The jobs in this manufacturing category are carried out in strenuous working conditions.

2002-2006 CATS Agreement

Wage-earners may leave their job at 57 if they have completed 15 years of successive shift work. The same age requirement applies to the disabled. The other wage-earners, particularly those who have difficulty adapting to their new jobs, may leave at 58. The CATS Agreement will only apply if the company achieves the target number of workers negotiated with the union representatives on the site, and implements the provisions agreed in the GPEC Agreement. A third of the staff in the plant are likely to take up the option to leave. This means 635 people, two thirds of whom will be partially paid by the state.

Main provisions of the GPEC Agreement

- Finding alternative jobs for those whose posts have been cut, with the same organisation of labour and at the same classification level.
- Posting vacant positions to encourage in-house career advancement.
- Setting up task forces of the operators concerned to address the improvement of working conditions.
- Continuing apprenticeships and training agreements allowing young people to discover the world of work.
- Developing internal promotion. Management commits to examining in-house applications before hiring outside applicants.
- Benefiting from advice on ergonomics. Management will be advised by ergonomics specialists whose recommendations will serve as a basis for a suitable action plan for the different posts.

Training policy

The changes resulting from the new working practices and the early exit of the older workers will be accompanied by a training policy providing for:

- Training programmes to help people with these new working practices.
- Training programmes on replacing the glass-making skills of the wage-earners leaving under the CATS scheme.

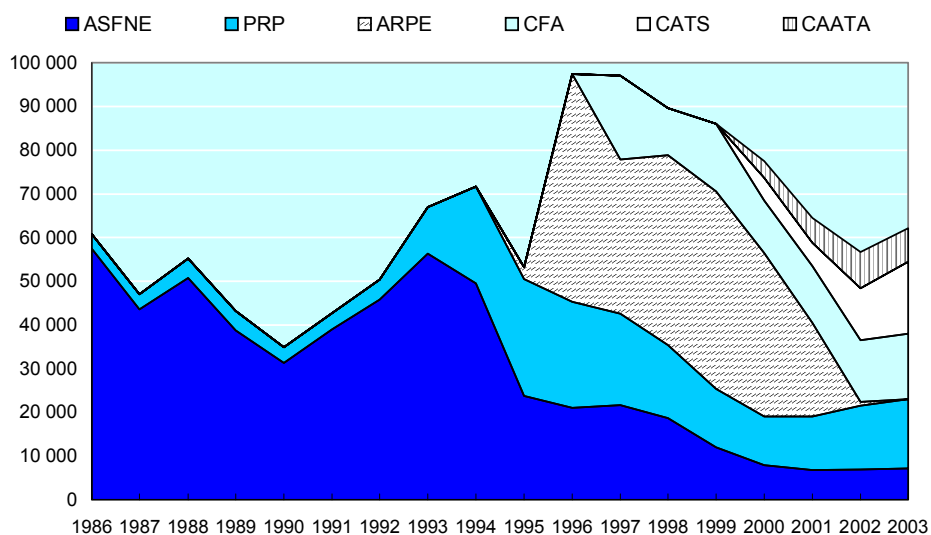
Managers will be trained to conduct job appraisals with staff to assess skills and identify training needs.

B. Distribution of early retirement

Drop in public-funded early retirement

In 2002 for the first time in almost ten years, the number of beneficiaries of public-funded early retirement dropped below 200 000 (Anglaret, 2004). Figure 3.3 shows an inflow into early retirement of nearly 100 000 new people in 1996-97, and around 60 000 since 2001.

Figure 3.3. Inflow into early retirement by scheme,^a France, 1986-2003

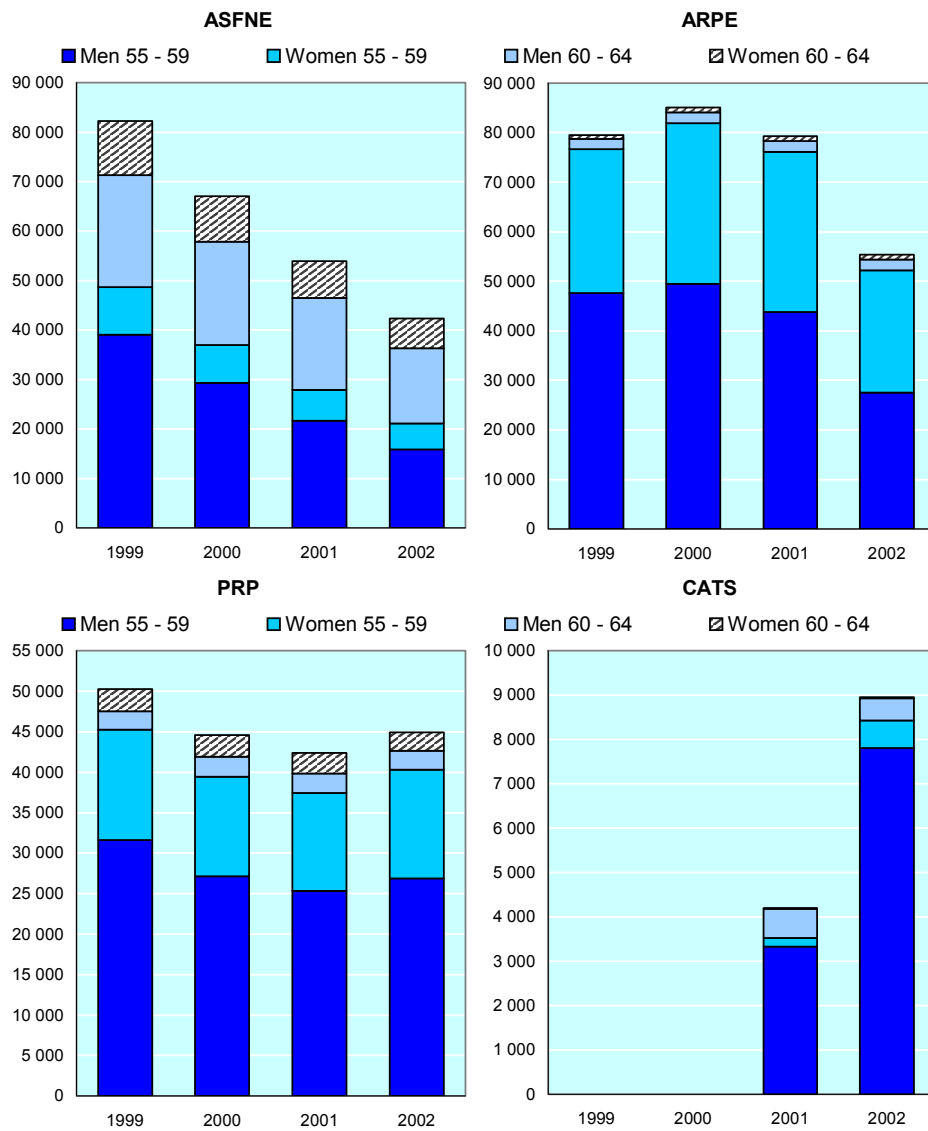


a) See glossary at the end for the meaning of the acronyms.

Source: DARES and FNE.

At the end of 2002, in terms of accumulated numbers, the schemes with the most early retirees were the PRP (26%), the ASFNE and the ARPE (21% each). Then came the CFA, the CATS and the CAATA, which each account for around 10% of the retirees. The schemes are mainly taken up by men between 55 and 59, although each one has its own specific public (Figure 3.4). Half of the ASFNE beneficiaries are between 60 and 64. This contrasts with the other more recent schemes in which nearly all the beneficiaries are under 60. The CATS has more men than the others, with less than 10% of women. The ARPE has the most women, with almost half the beneficiaries in 2002 being women, compared with 35% of women in the PRP and 26% in the ASFNE.

Figure 3.4. Early retirees by scheme,^a age and gender, France, 1999-2002



a) See glossary at the end for the meaning of the acronyms.
 Source: UNEDIC, ASSEDIC National Register.

Coherence and competition between the schemes

The drop has continued for the ASFNE scheme and, naturally for the ARPE (which stopped admitting beneficiaries in 2001). In November 2004 they only had 26 300 and 6 000 beneficiaries, respectively. On the other hand, demand for the PRP has kept up: there were 49 800 beneficiaries at the end of 2003, and then a slight downturn occurred in November 2004 with 41 700 beneficiaries, just before the scheme was stopped. Lastly, uptake in the CATS is rising sharply, with around 38 900 beneficiaries in November 2004.

To understand the distribution of these schemes more fully it is worth noting several points. Firstly, the fact that total early retirements and gradual early retirements coexist could have worked against the development of the second category. The inflows into the PRP scheme increased in the early 2000s when the ARPE was stopped. In 2002, when access to total early retirement was restricted, inflows into the PRP overtook those in the other early retirement schemes.

Secondly, the schemes based on a convention or an agreement between the state and the companies concerned may be more targeted, focusing on strenuous working conditions or economic difficulties for instance, but they are unevenly spread. On the other hand, the ARPE, which was based more on individual rights, had a wide uptake among SMEs. The CATS agreements only cover certain branches, certainly not all the sectors where working conditions are strenuous. The construction and public works sectors, for instance, are not covered by this type of agreement. The upswing in the CATS scheme is beginning to tail off, principally because the main agreements negotiated at branch level are reaching the end of their term. Furthermore, the 2003 Law restricted the exemption of employers' social insurance contributions – now this only applies to the salaries of people in strenuous jobs.

Thirdly, some of the early retirements before 60 that were possible under the ARPE scheme until 2001 are now possible as exits after a long-working career. There are two main differences, however. On the one hand, these retirements are now funded by a pension scheme, and on the other, they are only possible if the contribution periods, which have not only been validated but have actually had contributions paid on them, cover between 40 and 42 years. When companies sign a CATS agreement, certain wage-earners may benefit from two early exit options. These are CATS early retirement or retirement after a long-working career. It is important to guide people towards the option for retirement after a long-working career to remain consistent with the message of a complete break with the culture of early retirement.

Lastly, access to asbestos-related early retirement has grown markedly since the scheme was introduced. By the end of 2003, 22 500 people had benefited. The increase in uptake can be explained not only by the fact that people are increasingly recognising their rights, but also because companies are showing an interest at a time when the government is making other early retirement schemes a lot more expensive. To benefit, establishments first have to belong to legally defined sectors; the list is drawn up by decree. They must then, after scientific analysis, be deemed to be the most highly exposed to asbestos.³⁰ The scheme has been extended since its creation, in particular to dockers in 2000, and farm workers in 2003. It is financed by a special Fund for Early Withdrawal for Asbestos Workers (*Fonds de cessation anticipée d'activité des travailleurs de l'amiante*, FCAATA), boosted by a contribution from the state and by payment from the work-related accidents branch of the general scheme.³¹ Government measures taken through *Loi de financement* legislation on social security funding for 2005 are a step in the right direction in that they are making companies pay 15% of the cost of asbestos-related early retirements from 2005.

Cost of the different schemes

Quite a diverse range of institutions is involved in the early retirement schemes. As a general rule, companies finance part of the allowance, and the rest is borne by public administrations (state and social protection schemes). On several occasions the state has raised the financial contribution that companies make to the FNE for using the schemes. In 2002, the rate companies pay rose to 15% for the ARPE allowance, 25% for the PRP, 33% for the ASFNE, and from 50% to 80% for the CATS.

The cost to the community naturally varies according to the scheme. The popular ARPE scheme was very expensive. UNEDIC paid out 1 532 million euros in benefits for it in 2001. In 2002 the ARPE was still the most expensive scheme (957 million euros), followed by the ASFNE (650 million euros) and the PRP (385 million euros). On the other hand, the CATS scheme, which targets strenuous jobs, only cost 27 million euros in 2002. But costs for the

-
30. The sectors concerned are limpet spraying, lagging, manufacturing with asbestos, shipbuilding and repairs, and also dockers.
31. This fund is not responsible for compensating asbestos victims. That is the role of the Asbestos Victim Compensation Fund, FIVA (*Fonds d'indemnisation des victimes de l'amiante*), which is open to anyone with an asbestos-related illness.

CAATA are rising, with a 2003 estimate of 515 million euros. In 2005 the state will make companies using the scheme pay. Their contribution will amount to 15% of the annual allowance paid by the fund, although the first exits will be exempted so as not to penalise SMEs.³²

On the whole, public expenditure on labour market-related early retirement rose to around 0.17% of GDP in 2002 (OECD, 2004b). In comparison, three OECD countries, Belgium, Denmark and Finland, spent a lot more (0.45, 1.67 and 0.53% of GDP, respectively). The cost in France has dropped sharply over the last twenty years: in 1985 it stood at 1.19% of GDP.

C. *In-house early retirement programmes*

In order to escape the restricting rules on regulated early retirement, some companies finance their own schemes. Big prosperous companies (such as banks, insurance, oil and pharmaceutical companies) do this by negotiating with union representatives. It is difficult to list them, as no historical statistics are available. According to the Employment Survey on Wage-Earners by Age (Enquête Emploi des salariés selon l'âge, ESSA) carried out by DARES on 3 000 establishments in 2001, in-house early retirements are thought to account for over a third of the early exits in establishments of over 500 people (Anglaret and Massin, 2002).

The eligibility criteria, exit conditions and management systems of in-house early retirements vary greatly. However, apart from the fact that they escape control by the authorities, these programmes share the following characteristics:

- Payment of a temporary guaranteed annuity until the wage-earner reaches the age of entitlement to a full pension.
- Ending of, or less commonly, suspension of the employment contract.
- Joining the scheme is strictly on a voluntary basis, and gives rise to a document proving so that is signed by the wage-earner and the company.

If the exit is part of an employment preservation plan, the redundancy payment is exempt from income tax up to the legal or conventional severance limit. Otherwise, it is limited to 3 050 euros. With regard to the tax department,

32. However, the contribution each company pays per year may not exceed 2 million euros, and will have a ceiling set at 2.5% of the wage bill. The revenue expected for 2005 is 130 million euros.

there is currently no explicit position as to in-house early retirement and corporate tax, but it is possible to deduct the in-house early retirements if they are taken on for the sake of the company.

The 2003 Law on pensions increased the overall cost of in-house early retirements for employers. A special tax to go to the Old-Age Solidarity Fund (*Fonds de solidarité vieillesse*, FSV) has been introduced at a rate of 23.85%. This corresponds to the sum of the rates on the contributions that employers and wage-earners pay on old-age insurance and supplementary pensions.³³ This tax is levied on early withdrawal allowances paid in whatever form (annuity or capital) to people whose contracts have been ended in accordance with conventional provisions (conventions, collective agreements, employment contracts, or any other contractual stipulation) or as a result of a unilateral decision by the employer. It seems appropriate to tax all early withdrawals in the same way. Furthermore, monitoring this special tax would clarify company practices, and an evaluation should be carried out to analyse its impact on early exits.

3. Unemployment and social assistance

A. *More case by case dismissals after 50*

While the number of inflows into the various early retirement schemes dropped by 60% between 1998 and 2002, the number of inflows into unemployment benefit by the over-50s increased by a third over the same period (Anglaret, 2004). If there is no opportunity of retiring through an early retirement scheme, wage-earners and employers alike are encouraged to turn to unemployment insurance. All dismissed wage-earners, whatever the motive for their dismissal (even serious misconduct), benefit from unemployment insurance. On the other hand, this is not true in the case of resignation or a negotiated end to the contract, even if individual cases can be re-examined by the unemployment insurance body in the fourth month. The employer is free to propose that his employee receive supra conventional allowances in addition to the legal or conventional redundancy payment. These allowances may complement the person's unemployment insurance allowance in an in-house early retirement programme.

There has been a particularly noticeable increase in case by case dismissals of the over-50s. Pignoni and Zouary (2003) consider that dismissals for

33. This rate may be reduced in certain conditions for a provisional period ending on 31st May 2008.

personal reasons in 2001 accounted for 24% of the reasons why men aged 50 and over registered with the National Employment Agency (ANPE), and 21% of the reasons why women aged 50 and over did, compared with 15% for men aged 25-49 and 13% for women of the same age. These authors underline the fact that this method of terminating contracts may be one of the “tools” used to manage ageing labour. To justify dismissing an older worker for personal reasons people often bring up their physical inability to adapt to new posts or to the technological evolutions that fundamentally change conditions and methods at work.

Unemployment benefit appears to be an attractive alternative to the early retirement system, which employers consider to be more expensive. As a result, in the case of serious misconduct, employers do not have to make redundancy payments, nor do they have to pay the Delalande contribution (see Chapter 4). Such dismissals could also come about after negotiations with wage-earners who are all the more willing to leave, as they are financially motivated. The establishments that most use this type of dismissal are characterised by individualised labour management and low unionisation. Moreover, employers say that they are letting older workers go not because of their age, but for indirect reasons such as their unsuitable qualifications or the fact that the cost of their salaries to the company is too high (Richet-Mastain and Brunet, 2002).

B. Size of different non-employment groups after 50

It is interesting to measure the comparative size of the different non-employment groups for the 50-64 age bracket at the beginning of 2003 (Table 3.4). Between the age of 50 and 55, unemployment in the insurance and assistance schemes affects around 6% of the age group. Next come disability (a little over 3%) and the Minimum Integration Income, *Revenu minimum d'insertion*, RMI (a little over 2%). Between 55 and 59, unemployment grows noticeably, particularly in the insurance scheme, affecting 10% to 11% of the age group. It is worth noting that 8% of those aged 55-59 benefit from the exemption from looking for work (*Dispense de recherche d'emploi*, DRE), which corresponds to more than three times the percentage of people in public-funded early retirement schemes³⁴. Between 60 and 64, 4% of the age group are unemployed, four times as many as those in public-funded early retirement schemes or on RMI.

34. Phased early retirement is not counted in the public-funded early retirement schemes in Table 3.4, which focuses on non-employment.

Table 3.4. **Different non-employment situations by age and gender for people over 50, France, 1st January 2003**

As a percentage of the age group

		Unemployment insurance	Unemployment assistance	Total unemployment	Minimum Integration Income (RMI)	Total unemployment and RMI	of which job search exemption	Early retirement ^a	Disability ^b
Men	50-54	4.0	1.7	5.7	2.3	8.0	3.5
	55-59	8.9	3.0	11.9	1.7	13.6	8.9	3.1	6.1
	60-64	2.6	1.6	4.2	1.0	5.2	4.1	1.4	..
Women	50-54	4.5	1.5	6.0	2.3	8.4	3.3
	55-59	7.0	2.6	9.5	1.5	11.1	7.2	1.8	5.2
	60-64	2.7	1.3	4.1	0.9	5.0	4.0	0.5	..
Total	50-54	4.3	1.6	5.9	2.3	8.2	3.4
	55-59	7.9	2.8	10.7	1.6	12.3	8.1	2.4	5.7
	60-64	2.7	1.4	4.1	1.0	5.1	4.1	1.0	..

a) Beneficiaries of ASFNE, ARPE and CATS early retirement schemes.

b) Pensioners from the general scheme of sickness insurance (around 84% of the total) on 1st January 2002.

Source: UNEDIC, DARES, DREES and INSEE.

C. *Different benefit schemes for non-employment*

To respond to older jobseekers' specific difficulties in the labour market, particularly their risk of long-term unemployment, longer periods of benefits are generally provided for them, going in some cases right up to entitlement to a full pension, and often with the exemption from looking for work (DRE). Overall, however, conditions for unemployment insurance benefits were tightened up in the early 2000s, making many older jobseekers switch to the unemployment assistance scheme and RMI. In 2003 there was a marked increase in the number of RMI beneficiaries aged 55 to 59. The figure rose to 9%, while the average increase was 5% (Azizi and Gilles, 2004). Shorter unemployment benefit periods were partly responsible.

The unemployment insurance scheme managed by the social partners

In 2003 the social partners revised aspects of the benefit system of the Unemployment Insurance Allowance, *Allocation d'aide au retour à l'emploi* (ARE). Before 2003 unemployment benefit recipients over 55 had a maximum benefit period of five years, and a benefit with a fairly gentle degeneration rate. Since 1 January 2003, however, people aged 50-56 may have three years' benefits at the most, after having worked for 27 months over the last

three years.³⁵ If they are over 57 and have had 25 years' employment, they have a longer period, of three and a half years. If at 60 they do not have the required number of quarters for a full pension but have 25 years of old-age insurance and have received unemployment benefit for more than a year, they can keep up their unemployment benefit until entitlement to a full pension, at 65 at the latest.

The ARE is a non-digestive allowance, which generally corresponds to between 57.4% and 75% of the salary over the last 12 months. It may not, however, be less than 25 euros a day. The maximum allowance, on the other hand, is very high (187 euros a day, *i.e.* 5 610 euros a month). As Table 3.5 shows, at the end of 2003 the average daily ARE allowance for those aged 55-59 was 39 euros, which is higher than the average allowance of ARE recipients as a whole, but lower than the allowance for total early retirement.

Table 3.5. **Average allowances in the 55-59 age group, end 2003, France**

	Per day (euros)	Per month ^a (euros)	As a % of the average level of ARE
Unemployment insurance allowance (ARE)	39.9	1 197	124
Specific solidarity allowance (ASS)	17.2	517	54
Retirement-equivalent benefit (AER)	28.8	864	89
Redundancy early retirement allowance (ASFNE)	45.9	1 377	143
Combined early retirement/hiring scheme (ARPE)	46.3	1 389	144

a) 30 days per month.

Source: UNEDIC, ASSEDIC National Register.

State assistance scheme

If, before the age of 60, unemployment insurance recipients are no longer entitled to the benefit but satisfy means-test conditions, and have worked for five years over the last ten years, and are also looking for a job, they may receive the Specific Assistance Allowance (*Allocation de solidarité spécifique*, ASS), the minimum unemployment benefit financed by the state. If they are over 55, they may receive the ASS until they are entitled to a full pension. Since 2002, jobseekers who have clocked up 160 quarters of old-age insurance contributions before 60 may receive the Retirement-Equivalent Benefit (*Allocation équivalent retraite*, AER). This means-tested allowance is paid to

35. In comparison, the shortest period is seven months after six months' employment over the last 22 months.

jobseekers until they are 60, at which point they switch to retirement³⁶. As a last resort, older jobseekers with no means of support are always entitled to the RMI.³⁷

To encourage people back into work there are financial incentives whereby beneficiaries of solidarity allowances who have found a job or a paid training course can combine at least part of the allowance and the income from their new activity for a few months.

D. Exemption from looking for work (DRE)

The situation in France

People may preserve their unemployment benefits as long as they are actively seeking a job. Such is the case for those who sign up for a Return-to-Work Action Plan (*Plan d'aide au retour à l'emploi*, PARE) and who receive support through the Personalised Action Plan (*Projet d'action personnalisé*, PAP). Exemption from looking for work (DRE) may, however, be granted from the age of 55.

This measure was introduced for those aged 55 in the state assistance scheme in 1984 and has gradually been extended since. In 1985, people in the unemployment insurance scheme could ask to be exempted from looking for a job from the age of 57. Then in 1999, those receiving unemployment benefit aged 55 and with 160 validated old-age insurance quarters could also benefit.

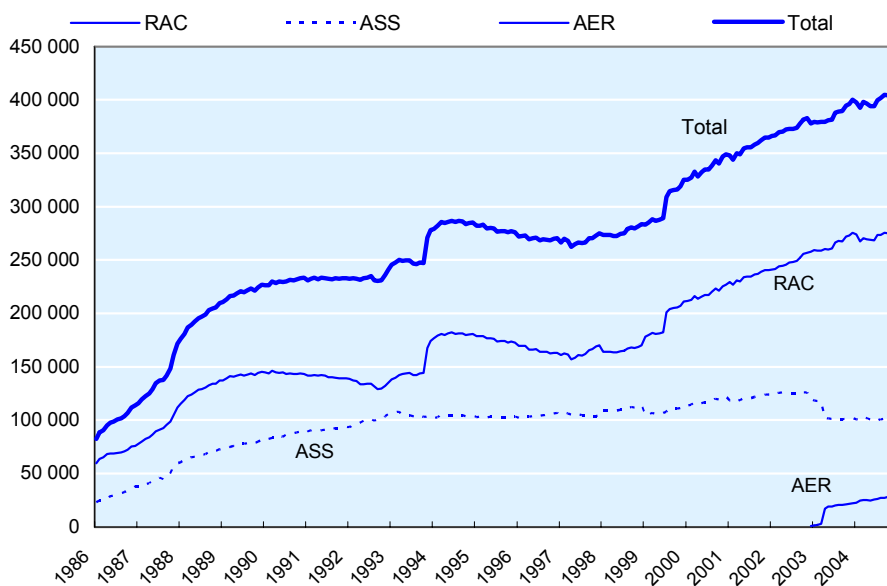
The Unemployment Insurance Fund (*Association pour l'emploi dans l'industrie et le commerce*, ASSEDIC) sends likely candidates for the DRE a letter enclosing a request form, which those interested then fill in and return to their local employment agency. The agency will in turn remove the name of the jobseeker from its register.

36. Since 1st January 2002 the AER has replaced the Older Jobseekers' Allowance (*Allocation aux chômeurs âgés*, ACA) and the Supplementary Interim Allowance (*Allocation supplémentaire d'attente*, ASA, for people on minimum welfare). Unlike RMI periods, AER periods are counted in the calculation for pension contributions.

37. This was created in 1988 and is a means-tested allowance for anyone over 25. In 2004 adults with no children were guaranteed 418 euros a month.

In November 2004 there were 406 000 people exempt from looking for work. 68% were in the Unemployment Insurance Scheme (*Régime d'assurance chômage*, RAC), 25% were in the ASS scheme and 7% in the AER. The measure has steadily gained popularity since it was introduced, especially among RAC beneficiaries in the early 2000s (Figure 3.5).

Figure 3.5. **Number of people exempted from job search, France, 1986-2004^a**



a) See glossary at the end for the meaning of the acronyms.
Source: UNEDIC, ASSEDIC National Register.

The measure is very expensive, costing around twice as much as the early retirement schemes. If each unemployed person exempt from looking for work was given the average benefit of an unemployed person not exempt from looking for work, as well as supplementary pension entitlements, the cost of the DRE could be estimated at around four billion euros in 2003.

International perspective

The logic behind the exemption seems to run counter to the objective of raising employment rates for older people: you cannot encourage them to get back into work and at the same time exempt them from looking for any. This measure points the finger at what is considered to be an age at which people are no longer employable and should therefore no longer benefit from the services

of the ANPE. And yet the General Inspectorate of Social Affairs (*Inspection générale des affaires sociales*, IGAS, 2004) justifies keeping the measure, given the current labour market conditions for older people. Older unemployed people are on average five times less likely to find a job quickly than unemployed people under 25. IGAS believes that there has to be a massive step up in active measures to help older people back into work before changing the measure.

The few OECD countries that introduced a similar exemption are now getting rid of it or considerably reducing access to it. The way they are doing so is not to abolish it overnight, as this would result directly in an increase in the number of older unemployed people according to the ILO definition. Most of the countries are gradually raising the age at which people can be exempted (Box 3.4). The idea is to avoid benefits sanctions by offering greater help to find employment.

Box 3.4. Exemptions from looking for work in OECD countries

In practice, placement services do not systematically check to see that older unemployed people on benefit are actively seeking a job. Australia is an interesting case as it is less demanding for older people who are not yet ready to look for work, although it does not exempt them completely.

In **Australia** there is no exemption from looking for work for older unemployed people. Every three months when jobseekers aged 50-59 with unemployment periods of nine months or more meet their personal adviser, they have to show that they have made at least four job contacts per fortnight. These job contacts must be recorded in what is known as a participation record, without there necessarily having to be the stamp of any organisations concerned to prove that the contacts were actually made. Verifications will however be required if there is a doubt. For those aged 60 and over, up to two job contacts per fortnight are required, regardless of the unemployment duration. Finally, older jobseekers who are not yet ready to look for work can undertake a broader range of activities.

Definite exemption from looking for work from a particular age is rarely granted in OECD countries. Current exemptions in Germany, Belgium, the Netherlands and Finland are being reformed. Austria abolished its exemption in 1996.

In **Germany** the exemption from looking for work that has been the rule for unemployed people aged 58 and over will gradually be abolished from 2006. The Hartz reform will introduce the following main measures: promoting temporary work and self employment for workers aged 52 and over; promoting small part-time jobs; providing wage subsidies for people taking up a lower paid job.

In **Austria** the possibility of taking up early retirement for older unemployed people was abolished in 1996 and that of early retirement for older workers after long-term unemployment in 2004. Unemployed people across the board are subject to the same requirements for looking for work. Older unemployed people and the long-term unemployed are target groups that receive special attention from advisers. Furthermore, regional offices have to achieve specific targets on the number of workers in these groups reintegrated into the labour market.

In **Belgium** the status of older unemployed non-job-seeking person was introduced in 1985 for older unemployed people of 55 – or 50 for those with reduced ability – who had been unemployed for at least two years. In January 1996 the scope of this status was considerably widened: the age was brought down to 50 and the period of unemployment to one year. The result was an explosion of non-job-seeking older unemployed people. In 2003 they accounted for 11% of the 55-59 age group.

Since summer 2002 all new older unemployed people aged 50 to 57 gradually have to re-register as jobseekers (with temporary options). Since 1 July 2004 the age has been extended to 58 unless those concerned can testify to 38 years as wage-earners. This obligation does not affect older people who are already unemployed. The change in status has little impact on what happens in practice. The “activation of job-seeking behaviour” procedure that has been in force since July 2004 to assess the efforts that jobseekers are making to get back into the labour force does not apply to unemployed people over 50.

In the **Netherlands** on 1st January 2004 the government reintroduced the requirement to look for work for unemployment benefit recipients aged 57.5 who have had recent working experience and still have a real chance on the labour market. People who were formerly listed in the disability category and now listed in the unemployment category are exempted from looking for work.

In **Finland** there is no formal exemption rule mentioned in the rights of older jobseekers, but exemptions do exist. There is what is known as the “unemployment tunnel” that enables people to receive unemployment benefits from 55 to 65. This comes about because people at the age of 57, after being on ordinary unemployment benefits for two years, can have their benefits extended to the age of 60. Then from 60 to retirement age at 65, they can have what is called an unemployment pension if they have been unemployed for 500 days and have worked for at least five years over the last 15 years. It has now been decided to abolish this pension scheme gradually between 2009 and 2014 and to replace it with ordinary unemployment benefits. Similarly, the qualifying age for the unemployment tunnel has been raised from 55 to 57.

4. Illness and disability

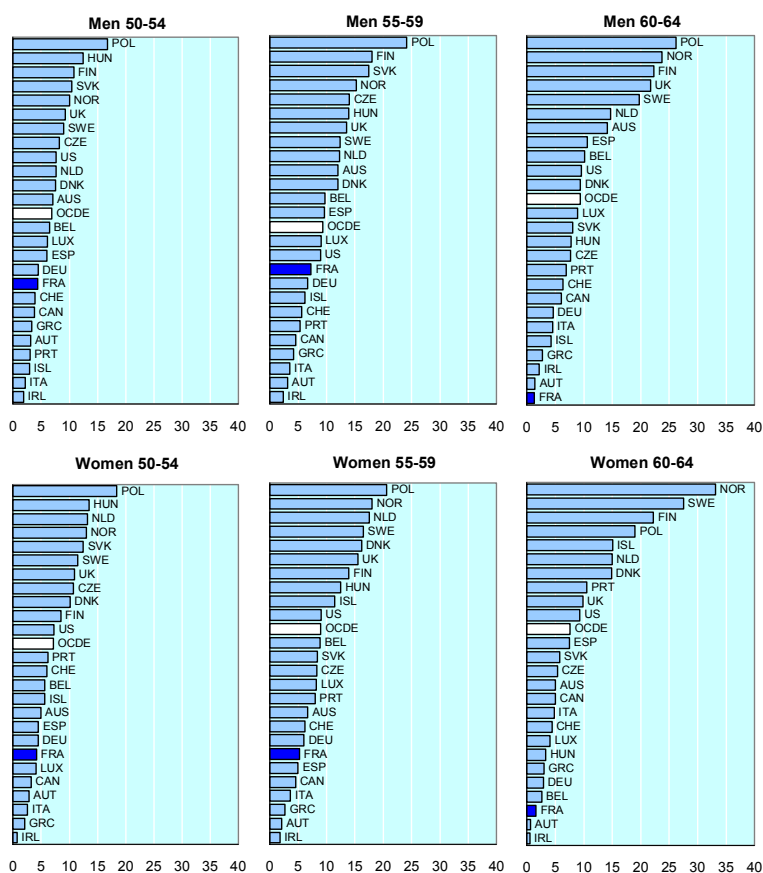
Illness and disability remain little used pathways into retirement compared with the average in OECD countries (Figure 3.6). In 2003 as in 2001, a little over 4% of those aged 50 to 64 said they were inactive on account of illness or disability, compared with an average of 9% in OECD countries.

However, some exit methods seem to be on the rise in France, especially where older workers are concerned: sick leave, exits on the grounds of disability, or dismissals for unfitness. The National Pension Fund for Salaried Workers (*Caisse nationale d'assurance vieillesse des travailleurs salariés*, CNAVTS) reported that the proportion of people who were unfit when they drew their pensions had increased in 2002, although it had been dropping since

the early 1980s. Nearly 16% of new claimants under 65 now come under this category. This trend has accentuated over the last few years and now poses a problem, firstly in relation to the aim to keep older workers in employment, and secondly, in relation to funding for social protection.

Figure 3.6. **Inactivity status because of illness or disability in OECD countries, ^a 2003**

As a percentage of the age group



a) Weighted average of the 25 OECD countries shown.

Source: OECD estimates using European Labour Force Survey data for European countries, and ILO data for non-European countries.

A. *Sick leave lengthens with age*

Wage-earners with a minimum period of employment who become physically incapable of continuing to work or returning to work, and have a medical report to that effect, may claim the daily allowance of sickness benefit after the fourth day that they have stopped working. They may claim this for a maximum of three years in the case of a long-term ailment. The daily allowance is equivalent to 50% of the average gross salary of the last three months, up to a monthly ceiling.

The greater the age of the workers, the higher the average number of days of sick leave. In 2002 the average number of sick leave days per person was 28 days for the under-40s, 45 days for those aged 40-49 and 67 days for those aged 50-59.

The lengthening of sick leave with age is due to the increase in the share of long sick leave in the total amount of sick leave. Around half the long-term allowances (over six months) were paid to people over 50, compared with only a quarter of the short-term allowances (less than six months). In this context, the ageing of the population has a high impact on the evolution of long-term allowances.

A joint report by the General Finance Inspectorate (*Inspection générale des finances*, IGF) and IGAS was devoted to explaining the rise in expenditure on daily allowances of sickness benefit (IGF/IGAS, 2003). While the amount of daily allowances rose as a yearly average by 6% between the first half of 2000 and the first half of 2002, then by 4.2% between the first half of 2002 and the first half of 2003, the increases were much higher for the population aged 55-59, with 13.4% and 15.9%, respectively. The fact that the population is ageing only partly explains these evolutions. The IGF/IGAS mission tried to check whether, for a certain number of placement units, there had not been a temptation to use either disability or long-term daily allowances to get round the current less attractive options for early exit from employment. It found no overall data that could measure the phenomenon or say whether it was a widespread practice or a matter of local practice in particular situations.³⁸

Caution is advised, however, as the risk of diverting the use of daily sickness benefit allowances, especially long-term allowances, will remain,

38. Especially on sites belonging to declining industries, with older wage-earners who are hard to place in other sectors, and who have worked in difficult conditions.

unless alongside the cut backs in early retirement options, which are set to tighten in France, companies improve the career management of their older workers.

Examples in other countries, mainly Nordic, show that keeping people in employment to later ages can result in a high increase in the amount of sick leave. In 2003 in Norway the employment rate of those aged 60-64 stood at 57%, but 28% of the individuals in that age bracket said that they were inactive because of sickness or disability. In 2001 a three-party agreement was signed between the Norwegian Government and the social partners to promote a working environment that would reduce sick leave for workers across the board (OECD, 2004e).

B. Disability pensions are often temporary

People in France make far less use of disability as a pathway to early exit from the labour force than people in other OECD countries like the Netherlands. In 2002, 3.4% of those aged 50-54 and 5.7% of those aged 55-59 received a disability pension from the general health insurance scheme in France, almost three times fewer people than in the Netherlands (9.6% and 14.4%, respectively).

Disability pensions are granted under strict medical conditions

To have the right to a disability pension, workers are subject to a report stating that their disability reduces their ability to work by at least two thirds. This also reduces their earning ability by two thirds. In other words, they are unable to obtain, in whatever profession, a salary that is more than a third of the normal pay received in the same region by workers in the same category, in the profession that they exercised beforehand.

The disability is assessed by the medical adviser of the health insurance fund, who takes into account the person's remaining ability to work, their general condition, age, physical and mental faculties as well as their skills and vocational training. The amount of pension is fixed by determining to which of three categories the person belongs, depending on the degree of disability.

People in the second and third categories are recognised as being absolutely incapable of work. Their pension is 50% of the average salary of their ten best years up to the social security ceiling. For people in the first

category the pension is 30%. People in the third category are given an increase to pay for outside help when they need care in looking after themselves.

The advantages of having a disability pension are temporary

Disability pensions are always granted on a temporary basis, and up to the age of 60 at the latest. People who are officially recognised as being disabled are entitled to a full pension at 60 without a penalty even if they do not have the required number of insurance quarters. The disability pension is re-assessed if there is a change in the person's health. All disability pensions, regardless of category, may legally be combined with income from a job.³⁹

5. Promoting employment for older people and offering them greater choice when they take retirement

The 2003 pension reform removed many barriers to continuing in employment, especially on the supply side, while preserving a strong commitment to solidarity. However, there are still many areas where work is in progress.

Older workers form a very disparate group, so a single retirement formula would not suit the wide variety of situations. The ideal solution is to offer greater individual choice as to the conditions of retirement while respecting the general principles of redistribution and actuarial neutrality and taking account of greater life expectancy.

In France, the combination of an entitlement age and a minimum contribution period for access to a full pension is an interesting way of taking account of different situations. The decision in 2003 to increase the minimum contribution period according to increased life expectancy is likely to result in a gradual rise in the effective retirement ages. The minimum entitlement age –

39. However, if for two consecutive quarters the combined amount of pension and pay is higher than the average quarterly salary of the last calendar year of employment, the health insurance fund reduces the amount of each subsequent pension payment up to the limit of the recorded excess. The disability pension may thus be totally or partially suspended then re-established when the employment ends or the pay decreases. The reduction may be limited to 50% when the person drawing it is following a course of treatment, taking classes or doing a training course for job reintegration or vocational rehabilitation purposes.

one of the lowest in international comparisons – will probably have to be adjusted at some point in the future so as to reflect the demographic trends.

Emphasising the contribution period, as with retirement before the minimum age following a long career, is a way of reconciling the solidarity objective with that of sustainable funding. The accumulation of pension points in compulsory supplementary pension schemes satisfies similar objectives. Ensuring a high degree of solidarity with people who have had setbacks in their careers during their working life is also important. However, steps should be taken to harmonise the calculation of contribution periods (periods of non-work due to illness, disability, work-related accidents, maternity, unemployment, military service and war) in order to determine access to a full pension.

With the bonus/penalty scheme, actuarial neutrality was strengthened in the 2003 pension reform. The same applies to the tightening of conditions for early retirement, which sends all the players involved a clear message of a break with the culture of early retirement. However, too many workers in public services and special schemes still benefit from attractive terms for taking retirement at a very early age.

Care must also be taken to ensure that other measures, like in-house early retirement programmes or exemption from looking for work, are not used or diverted to replace public-funded early retirement. A specific tax on in-house early retirement was introduced in 2004 so as to make the option less attractive. Statistics on this new tax should be compiled so as to provide information about the number and characteristics of in-house early retirements and assess the measure's impact.

The very rapid rise in the number of jobless exempt from looking for work is a cause for concern and runs counter to the objective of raising employment rates for older people. The obligation to look for work should gradually be brought back for new jobseekers aged 55, and at the same time active labour market programmes for older people should be stepped up (see Chapter 5). Moreover, there are considerable differences in the financial situation of unemployed people. Some have very high unemployment benefits that they can keep between the ages of 60 and 65, at which point they become entitled to a full pension. Others have only a small, means-tested allowance. Those in precarious situations should benefit as a priority from back-to-work contracts and the help of employment services.

There are few choices for workers other than to take full retirement as soon as they reach entitlement age in the general scheme, at 56 or 60, or acquire full pension rights at 65. For workers who can retire at 56 after a long career, there is no financially attractive option for continuing to work. As they retire before the age of 60, they are not entitled to the bonus. The only possibility is to combine pension and earned income, which is subject to considerable restrictions. Attractive phased retirement programmes could also have been offered to workers in that situation. The phased early retirement scheme was abolished in January 2005 without any apparent alternative; indeed the gradual retirement system has not been revised as yet. This possibility of drawing a fraction of one's pension while continuing to work should be encouraged because, unlike combining pension and earned income, it means that people can acquire additional pension rights.

There are incentives for continuing to work between the ages of 60 and 65, especially before reaching the full pension entitlement. However, once that entitlement has been acquired, the possibilities for continuing to work and benefit from the bonus, especially after the age of 65, appear very limited. The compulsory retirement age was raised from 60 to 65 in 2003 but many exceptions have been granted in collective agreements, which also limit access to the bonus and run counter to the social partners' stated intentions at national level.

Chapter 4

REMOVING DEMAND-SIDE BARRIERS

Acting on labour supply by limiting early retirement and encouraging people to continue working longer is not enough. It is crucial to have demand for older workers at the same time, otherwise they will end up being unemployed. What, then, are the barriers to hiring and retaining the over-50s? Alongside the effect of employment protection measures, there is the negative perception employers have about the adaptability and productivity of older workers, largely due to their high cost relative to that of younger people. Discrimination against older people based on stereotypes strengthens this perception in practices in many companies. Squeezing older people out of the labour force is often justified by the deep-rooted idea that when companies are overstaffed it is preferable and more socially acceptable to first lay off the older workers through generous early retirement schemes. This chapter will be examining these questions and will try to identify the areas that require change.

1. Employers' attitudes and practices

A. *Ageing is not a great concern for employers*

While the ageing of the population is an increasingly popular theme in public debate, it seems to have concerned companies little since the early 2000s. This is one of the main messages of the Employment Survey on Wage-earners by Age (Enquête Emploi des salariés selon l'âge, ESSA).⁴⁰ In almost one out of two companies, the manager interviewed had never thought about the question (Minni and Topiol, 2004). Overall reflection on ageing at company level had only been carried out in 13% of the cases. Furthermore, 70% of the managers

40. The ESSA survey set up by DARES in spring 2001 consisted in interviewing managers or heads of human resources in 3 000 private sector firms that had at least ten wage-earners. It collected qualitative information on employers' perceptions about older workers, and employers' behaviour (hiring and firing decisions, etc.). The findings of the survey have given rise to much analysis.

interviewed considered that they would not have problems in connection with retirement over the next ten years. Currently, there is little recourse to forward-looking population pyramid management or career and skills management, except in large companies.

When companies do focus on the matter, employers have contradictory reactions to the consequences of labour ageing on company performance (Monso and Tomasini, 2003). Almost 70% of employers consider that increasing the number of employees over 50 would have a positive effect on the company from a collective point of view. Older people would pass on firm-specific skills and help maintain established company culture. On the other hand, employers are often pessimistic about cost-effectiveness. While half of them believe that an ageing workforce would not affect productivity or wage costs, two out of five think that wage costs would increase, and one out of four foresees a drop in productivity. Pessimism regarding productivity is stronger when the employees are older and have been in the company longer.

Not all wage-earners are considered to be “old” at the same point in their careers, but in most cases well before retirement age. Attitudes to ageing depend not only on the strenuousness of the jobs concerned but also on the age of the human resource manager being interviewed, and on the labour management practices in the company. Anglaret and Massin (2002) show that 65% of the managers interviewed considered employees to be older from the age of 55. This rose to 75% when the manager interviewed was under 30, or when the company had early retirement schemes, or when it was in the construction sector.

B. Company practices

Employers are relatively reticent about hiring older people

Employers rarely recruit older people. Of the nine out of ten companies hiring in 2000, only 25% hired someone aged 50 or over, as opposed to 89% that hired a young person under 30 (Richet-Mastain and Brunet, 2002). Employers mainly explain this by the low number of applicants in this age bracket, and the fact that older workers adapt less easily to new technologies (Table 4.1). The three next criteria least favourable to older workers relative to younger ones, were the ability to adapt to change, being multi-skilled, and long-term labour management. On the other hand, when employers preferred to recruit older people, it was because they were interested in their specific skills, their greater knowledge of the world of work, and their more developed professional conscience.

Table 4.1. **Reasons for hiring a young person or an older person, France, 2000**

Percentages

	Reason for hiring someone	
	under 30 (rather than someone over 30)	aged 50 or over (rather than someone under 50)
Specific skills	33	67
Greater knowledge of the world of work	7	45
More developed professional conscience	9	42
Fewer training needs	10	33
Higher motivation	37	24
More flexible working hours	29	23
More multi-skilled	42	21
Diversified skills within the company	34	21
Possibility of obtaining public subsidies	20	19
More job applications in this age bracket	58	13
Better atmosphere in the company	26	12
Better company image in the outside world	18	11
Greater mobility	37	8
Re-establishing a balance in the population pyramid	33	8
Lower wage costs	23	8
Enabling long-term labour management	42	6
Greater ability to adapt to change	51	5
Greater ability to adapt to new technologies	56	3
More physical ability	34	3

Source: Employment Survey on Wage-Earners by Age (Enquête Emploi des salariés selon l'âge, ESSA), DARES.

The companies that do hire older people do so either because they do a lot of hiring in general, or because they have a good image of older people. The larger the company and the more mobile its workforce, the more it recruits in general and the more it recruits older people: 46% of companies with more than 200 employees recruit the over-50s as opposed to only 21% of companies with fewer than 50 employees. On the other hand, even when they have difficulty in recruiting, one out of two companies will not consider taking on older people, particularly in retailing, construction and public works, and especially in SMEs. However, the fact remains that, all things being equal in other areas, people over 50 have more of a chance of being hired by companies that have difficulty finding people.

Managing age diversity is a relatively new idea. In companies with an ageing population pyramid, the concern is to keep older people in employment and to hire young people to reduce the average age of the workforce. In the so-called «young» companies and sectors, the working conditions and/or the speed at which technologies change are presented as being huge barriers to age diversity in hiring. For the moment, it seems that sectors with very few older workers can only manage by working with a young population.

Early retirement is more widespread in large companies

Not only do large companies hire more older workers but they also make more use of early retirement, whether subsidised or not (Anglaret and Massin, 2002). In companies with between 10 and 49 employees, retirement is by far the most common pathway out of employment at the end of a working life (80%). More than half the people in medium-sized companies – with between 50 and 499 employees – leave their jobs to retire, and the rest join an early retirement scheme, mainly the ARPE or the PRP. On the other hand, two thirds of the retirements at the end of a working life in companies with more than 500 employees take the form of early retirement. Of these, 65% have public funding, mainly giving rise to complete withdrawal, and the rest are in-house early retirements. Apart from social plans (*plans sociaux*), this type of early retirement enables companies to state their own social protection policy without giving rise to conflict with trade unions or other personnel representatives. Early retirement comes about as a result of consensus between employers and employees, as they are seen to be a factor of solidarity between generations and an efficient tool to re-establish a balance in the population pyramids of companies with an ageing population.

C. *Towards more innovative practices*

Taking age into account too much in labour management can create threshold effects, increase negative attitudes towards the age groups concerned and run counter to what was originally intended. Some companies have already come to realise the need to break with the culture of early retirement. Innovative practices focus on adapting people's skills to their occupations, encouraging horizontal mobility at all ages, and hiring older workers in business groupings to help them reposition themselves in their original company or other firms and embark on a new career phase or expert assignments (Box 4.1).

2. *Regulations in favour of work for older people***A. *Age discrimination****Unfavourable practices are widespread*

Even if there are no flagrant discriminatory practices against older workers in private sector companies, their skills, attitudes and abilities are subject to strong stereotyping (Minni and Topiol, 2004). One of the factors explaining their being squeezed out of the labour force is the so-called cultural prejudice by companies against employment for these older workers. Nearly 80% of the managers interviewed in the ESSA survey in 2001 said that they were not in favour of pushing back retirement age.

Box 4.1. Innovative practices in companies aiming to break with the culture of early retirement

Renault Trucks. Confronted with the increasingly technical nature of occupations, an ageing workforce and a deep rooted culture of early retirement, the company is focusing human resource management policy on adapting and renewing skills. The “Career and Skills” (*Parcours et compétences*) agreement, which grew out of intense negotiations, aims to anticipate the way occupations will evolve, facilitate career management and provide the employees with the means to develop their expertise. The company is now equipped with new management tools and has made employees with long job tenure more operational by opening up grade scales, carrying out performance appraisals, and setting up skills passports and an information system on jobs available to employees.

Thales. To break with a culture of early retirement, the company preferred not to adopt a policy on positive discrimination regarding age. Its human resource tools are for the use of people of all ages. As a symbolic gesture, it rid all its human resource registers of any reference to age. Its main tools are performance appraisal, vocational training, a dual career ladder enabling people to fulfil themselves as experts and managers alike, encouraging horizontal mobility between occupational categories, and developing in-house consulting.

French Federation of Business Groupings (*Fédération française des groupements d'employeurs*). In 2005-2006 action will be taken in partnership with the General Delegation for Employment and Vocational Training (*Délégation générale à l'emploi et à la formation professionnelle*, DGEFP) to help older workers in companies that intend to get rid of them completely. The workers in question should also be mentally prepared for an early end to their employment. The aim is as follows: helping the original company to reposition older workers inside the company, helping the workers embark on a new career phase, and enhancing the possibility of using their skills in other companies. The older workers become full-time employees of the business grouping. They are either made available to their original companies on a part-time basis with jobs that enhance their specific skills and restore their employability, or they become available on a part-time basis to one or several companies in the same employment area. They may do training should they need to improve skills, and they may also benefit from validation of experience (*Validation des acquis de l'expérience*, VAE). Recruiting unemployed older people will also mean that jobs created by the business groupings can be filled.

QuinCadres. This recruitment consultancy upholds the potential of 50-year-old managerial staff, hiring them on permanent contracts and sending them out on assignments. By publicising older workers' qualities, such as their experience, maturity, mobility and ability to integrate into new groups, this action goes some way to changing people's mindsets.

Job offers in France still often mention age as a criterion. In the public sector, age limits frequently appear in local community job offers and in conditions for competitive examinations in the public service. These practices are not illegal, as they are based on special status, but they nonetheless confuse the message in favour of employment for older workers, and show that the public sector is giving a poor lead.⁴¹

In the private sector, mentioning age in job offers still exists although it is illegal. In a comparative study on French, Spanish and British job offers diffused on the Internet, around 20% of the French and Spanish offers mentioned age, as opposed to 1% of the British ones (Marchal and Rieucou, 2005). In the United Kingdom it is totally inconceivable to give age as a reason for eliminating applicants.

On a more general note, recruitment discrimination against older people has been measured. In spring 2004 a test survey was carried out by the temporary agency ADIA and the Discrimination Observatory (*Observatoire des discriminations*) (Amadiou, 2004). It consisted in sending out 1 800 curriculum vitae (CVs) of seven different types⁴² answering 258 job offers for salespeople. The 50-year-old applicant received four times fewer replies than did the reference applicant, who had the same characteristics but was 28 years old. The 50-year-old was among the three applicants with the least replies, alongside the disabled person and the North African.

And yet age discrimination is against the law

Age discrimination is forbidden by the 2001 Law on discrimination in relation to labour and employment. The law covers all the different stages in a wage-earner's career: the recruitment process, access to vocational training,

41. Electronic screens in strategic places in Paris post information on Paris City (*Ville de Paris*) competitive exams, showing that candidates have to be less than 45 years old.

42. The reference CV was for a 28-year-old man with a French first name and family name, who was white and had a "standard" appearance. The six other CVs differed by a single variable (gender, ethnic origin, age, handicap, place of residence, and facial characteristics).

in-house training, promotion, transfer, disciplinary measures, and dismissal. Some discrimination is punishable by law.⁴³

The 2001 Law strengthens protection for discrimination victims by adjusting the obligation to provide proof. Victims now have to present facts that lead one to suppose that there was discrimination, and defendants have to prove that the motives for their decisions had nothing to do with discrimination. Furthermore, personnel representatives now have greater powers, and unions can replace victims in court.

It is difficult to know how the monitoring bodies have made use of the tools made available to them by the law. As far as the Labour Inspectorate (*Inspection du travail*) is concerned, establishing proof is still a problem. It is difficult to report a discrimination offence, mainly because those responsible rarely leave proof that they were deliberately acting in a discriminatory way. To date, no statistics on the number of complaints lodged are available. It is difficult to compile them because the registers in appeal courts do not include discrimination motives in their classification system. However, few cases on discrimination seem to be brought to court in either the criminal or the civil courts whatever the discrimination motive. Among the rare cases that do exist, those on age seem to be exceptional. It is worth noting, however, that people may still be largely unaware as to the options open to them should they wish to expose discrimination.

Age limits are common in the public sector

The 1992 Law on employment, development of part-time work, and unemployment insurance had already introduced measures on recruitment – particularly in relation to age – into the Labour Code (*Code du travail*). Any mention of maximum age in a job offer is forbidden, unless conditions on age are stipulated in legislative or statutory texts.

Statutory texts limit age for recruitment into the public service. In the past, age limits were justified because of the difficulty of reconciling late entry into the service and a minimum of 15 years' working career before being entitled to a public service pension. The difficulty is greater for those with jobs in the "active" category, who can retire at 50 or 55.

43. In Article L 225-2 of the penal code, two years of imprisonment and a fine of 30 000 euros are dealt for discrimination, particularly for refusing to hire someone, or punishing or dismissing them.

Today longer working careers make setting a limit on age less relevant. Mobility should be facilitated and second careers encouraged. The latter concern people who work in both the private sector and different categories (over 1 000) in the public sector (Box 4.2). Some age limits for particular occupations have already been relaxed or abolished. In 1989, for instance, age limits were abolished for access into the category for teachers. The government is currently planning to lift most of the restrictions in the public service except for occupations in the “active” category. A bill to that effect was put before the French National Assembly in April 2004 (Poignant, 2004).

Box 4.2. A second career for teachers

In 2005 teachers will be able to have a second career in the public service, if they have spent at least 15 years in the classroom. All the positions in the most highly skilled category will be open to them in public hospitals, local communities and the civil service. There will be interviews, skills assessments, and possibly training for two to six months. Salaries will be guaranteed at their current amount. The teachers will firstly be on secondment, which may be renewed for a year, and then they may be integrated into their new ministry, with the option of returning to their original category. At the beginning of the new school year in 2005, between 500 and 1 000 posts will become available to them. This is an interesting step, but it is off to a difficult start due to the very small number of posts available, considering there are 320 000 teachers with more than 15 years' job tenure.

The government is also going to modernise the recruitment system to boost the public service role of helping people with social integration and social betterment. In 2005 access to three public services will be opening up through the *Pacte* scheme (*Parcours d'accès aux carrières de la territoriale, de l'hospitalière et de l'État*). This will enable young people and long-term unemployed older people to get into the public service – without having to take competitive examinations for low-skilled jobs – after a vocational test and training.

Public awareness of discriminatory behaviour has meant that the players in the labour market (jobseekers, employers and employment agencies) have come to realise the implications of the phenomenon. Furthermore, under the impetus of the European Commission, legislative measures have been integrated into the Labour Code (*Code du travail*). In early 2005 the founding of the High Authority to Fight Discrimination (*Haute autorité de lutte contre les discriminations*) marked the latest example of European directives on equality being transposed to France. Thanks to the High Authority's role – carrying out studies, making recommendations and tackling discrimination issues in public

debate – it should contribute to a more efficient fight against discrimination in all its forms, including that against older workers. Anyone who is discriminated against may appeal directly to the authority, which will respond by proposing services ranging from mediation to submitting the case to the court.

B. Employment protection

Conclusions about the role of employment protection legislation in relation to aggregated rates of employment and unemployment are mixed (OECD, 2004b). On the other hand, the idea that the legislation has an influence on the employment options of the different population groups has met with wider support. Yet there does not seem to be much impact on the employment of older people, as the effects on hiring and firing could offset each other.

Action to protect older workers

The Labour Code (*Code du travail*) specifies that treating people differently because of age does not constitute discrimination when it is objectively and reasonably justified by a legitimate objective, particularly labour policy objectives, and when the means for fulfilling these objectives are appropriate and necessary.⁴⁴ The authorities therefore have room to manoeuvre for positive action, and to see that job subsidies are accompanied by conditions on age to favour the employment of such and such an age group. They use this option for two main targets: young people and unemployed people over 50. The most commonly used active measures for helping older unemployed people are presented in Chapter 5.

Dismissal of older people can thus be prevented. Using the idea of an older worker for the first time in a legal text, the 1989 Law on the protection against dismissal and the right to retrain specifically asks for the difficulty of reintegrating older workers to be taken into account. It is the employer who, after consulting the work council, defines the criteria to fix the order of dismissals and to strike a balance between different approaches, such as protecting the most vulnerable people and preserving firm-specific skills. The law provides an open list of criteria to take into account, including family commitments, length of service, and wage-earners – particularly the disabled and older people – who may have difficulty with job reintegration. The list also mentions vocational competencies, which is assessed according to category.

44. Article L.122-45 of the Labour Code (*Code du travail*).

By law, job tenure is taken into account to calculate the cost of a dismissal. The legal severance pay depends on how long the wage-earner has been in the company, and is therefore often indirectly linked to the person's age, even though job tenure and age do not always necessarily correspond.

If the wage-earner has been in the company for at least two years, the severance pay is 1/10th of a month of wages for each year of job tenure up to ten years, increased by 1/15th of a month for each year over and above ten years.⁴⁵ The amount is doubled if the person is being laid off for economic reasons.

The Delalande contribution

Any end of contract of a wage-earner aged 50 or over entitling the person to unemployment benefits entails the obligation for the employer to pay the unemployment insurance administration (UNEDIC) a contribution called the *contribution Delalande*. This is to make up for the time older people spend looking for a job, which is generally longer than that spent by other age groups.

This tax was introduced in 1987 and has since been adjusted on a number of occasions (Table 4.2). Since July 1992, the tax has been applied to dismissals involving wage-earners aged 50 and over, except those who were 50 or over when they were hired and have been registered as jobseekers for more than three months. The amount is adjusted according to the age at which the dismissal took place. Since 1999 the amount has doubled for companies with more than 50 employees. Since August 2003 employers have no longer had to pay the tax on dismissals of wage-earners who were over 45 when they were hired.

In some situations, given in a closed list by the Labour Code (*Code du travail*)⁴⁶ the employer may be exempted. The tax is reimbursed if the person concerned is reintegrated into the labour force with a permanent contract within three months after the end of the notice.

45. Most collective agreements provide for more favourable compensation.

46. Namely, dismissal for serious or gross misconduct; termination of a business under sole ownership for health reasons, or because the employer is retiring and therefore bringing about the closure of the company; end of contract due to *force majeure*, dismissal for physical inability; and first end of a contract occurring within a 12-month period in a company that usually employs less than 20 people.

Table 4.2. Amount of the Delalande contribution
Number of gross monthly earnings

	Age at layoff								
	50	51	52	53	54	55	56-57	58	59
July 1987-June 1992									
All sizes						3	3	3	3
July 1992-December 1992^a									
More than 20 employees	1	1	2	2	4	5	6	6	6
Less than 20 employees	1/2	1/2	1	1	2	2 1/2	3	3	3
January 1993-December 1998^a									
All sizes	1	1	2	2	4	5	6	6	6
Since January 1999^a									
More than 50 employees	2	3	5	6	8	10	12	10	8
Less than 50 employees	1	1	2	2	4	5	6	6	6

a) Exemptions for employees hired after the age of 50 registered for more than three months as jobseekers. Since August 2003, this exemption has been extended to all employees hired after the age of 45.

Source: Behagel *et al.* (2004).

UNEDIC monitors the payment of the unemployment insurance for people aged over 50 who are potential candidates for the Delalande contribution.⁴⁷ Table 4.3 shows that one out of five cases may be exempted, or one out of three if the ends of temporary contracts and resignations are excluded. By far the most frequent exemptions are the dismissals for serious or gross misconduct or physical inability, which account for 91% of the cases identified. The companies most liable to pay the Delalande contribution are those with less than 50 employees (77%). In 2003 the amount collected was 571 million euros, which was half the amount calculated in the simulation using the number of unemployed people concerned according to age and company size.

Given the situation, many companies, often the largest ones manage to avoid paying the Delalande contribution when they lay off older wage-earners. In Chapter 3 we saw how the rise in dismissals for personal reasons targeted older people. In cases of serious misconduct, employers are exempted from paying both severance pay and the Delalande contribution. This provides them with an inexpensive way of cutting down on their

47. UNEDIC calls the tax the Supplementary Contribution for Older Wage-earners (*Contribution supplémentaire pour les travailleurs âgés*, CSTA).

workforce. All things considered, it seems that the measure only has a marginal effect on the employment of older people, but there is great inequality when it comes to company size (Box 4.3).

Table 4.3. **Unemployment and Delalande contribution, 2003**

	Number	%
Unemployment insurance beneficiaries aged 50 and over	240 673	100.0
Subject to the contribution	101 167	42.0
Not subject to the contribution	139 506	58.0
Ends of contracts exempted	92 492	38.4
Ends of temporary contracts	73 116	30.4
Ends of interim contracts	18 341	7.6
Resignation without legitimate grounds	1 035	0.4
Identified exemptions^a	47 014	19.5
Firm closures	3 320	1.4
Ends of work	946	0.4
Dismissals for serious or gross misconduct	20 398	8.5
Ends of contracts due to <i>force majeure</i>	139	0.1
Dismissals for physical inability	22 211	9.2
Resignation to follow a spouse	0	0.0
Subject to the contribution	101 167	100.0
Firms with less than 50 employees	77 760	76.9
Firms with more than 50 employees	23 407	23.1
	Euros	%
Estimated contribution ^b	1 201 976 376	100.0
Firms with less than 50 employees	515 318 384	42.9
Firms with more than 50 employees	686 657 992	57.1
Contribution collected	571 500 000	47.5

a) Three exemption cases are not identified in the register: dismissal of a domestic employee by a private individual; first end of a contract of a wage-earner aged 50 or over occurring within a 12-month period in a company with less than 20 employees; and end of a contract of a wage-earner who was 50 or over when hired, and who has been registered with the National Employment Agency (ANPE) for more than three months.

b) The estimated contribution is based on the contribution amount according to employee age and firm size.

Source: UNEDIC, ASSEDIC National Register.

Box 4.3. Evaluation of the Delalande contribution

Few studies evaluate the impact of the Delalande contribution on the employment of older people. However, there is a direct effect on dismissals (encouraging employers to retain their workforce), an indirect effect on hiring (dissuading employers from hiring) and a net effect on the employment of older people. Two studies (Bommier *et al.*, 2003, and Behaghel *et al.*, 2004) have explored the variations in the measure over time to examine their impact on labour market transitions of various age groups. Their main conclusion is that the impact of the measure is marginal.

Behaghel *et al.* (2004) have tested the direct effect on dismissals in logit and probit models of dismissals based on individual Enquête Emploi data. The estimated effects do not seem to be very robust and indicate that company decisions to dismiss workers do not appear to be influenced by the high variations in the Delalande contribution scale. On the other hand, the indirect effect on hiring appears to be significant and negative. This assumption is tested by using the variations in the measure from 1992, when employers were exempted from paying the tax on people who were hired after the age of 50. The analysis highlights the fact that since 1992 there has been a marked decrease in the number of people hired just under the age of 50, but this effect may also be explained by the development over the same period of job subsidies to help people back into work, which are particularly favourable to unemployed people over 50. Bommier *et al.* (2003) come to similar conclusions concerning the low influence of the direct effect of the Delalande contribution on dismissals, by analysing the consequences of the 1992 extension of the tax to the 50-55 age group.

In conclusion, these studies suggest that the Delalande contribution has had little impact on dismissals of older workers. Its impact on hiring is generally difficult to define on account of the job subsidies that largely target the over-50s. Their impact may interfere with that of the Delalande contribution.

3. Labour costs

A. *Relatively high wages for older workers*

In many countries, wages tend to grow with age – a pattern that may reflect productivity gains associated with experience. However, the age-profile of earnings may also be the result of an implicit contract between the employer and the employee such that wages depend on age or length of service, rather than on an individual worker's performance. Accordingly, wages would grow with length of service. This practice can serve to encourage greater work effort and commitment from workers, and reduce costs on labour turnover. As workers move through their careers, their wages evolve from being initially

lower than their productivity when they were recruited, to eventually rising above their productivity towards the end of their career.

Remuneration according to length of service

Some of the provisions on length of service in collective agreements can be a barrier to hiring or retaining older workers. According to Circé (2000), the impact of these provisions in that area should be measured with great caution. Firstly, the idea of length of service is not necessarily linked to age. Secondly, it is the way the provision is applied, more than the provision itself that can act as a disincentive to the employment of older people.

Bearing these reservations in mind, there are two main types of clauses in agreements:

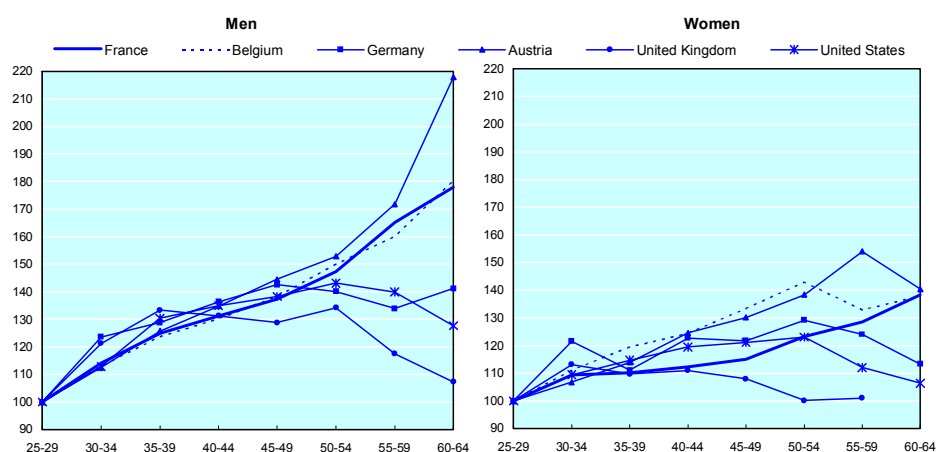
- a) The *seniority bonus* is the largest wage benefit and the one that is the most frequently provided for in agreements. It gives wage-earners a percentage of a minimum amount fixed by the agreement for every year they spend in a given post. However, it would seem that the bonus has featured less in collective agreements since 1981, with only half of the agreements providing for it. In 1992 seniority bonuses accounted for 2.9% of overall annual remuneration in companies with more than ten wage-earners, and only 1.7% in 2002. Furthermore, during negotiations on the reduction in working time, the bonus was also subject to negotiation – sometimes being abolished for new recruits, or frozen or integrated into the basic wage for other employees.
- b) *Promotion by seniority in wage scales*. Most of the oldest classifications provide for automatic promotion by seniority. More recent ones have tried to put an end to the automatic aspect of the benefit, by introducing an increase based on professional experience, often in connection with recognition of skills acquired thanks to vocational training. That said, most agreements still mention promotion by seniority for wage-earners who are starting out in the labour force. Moreover, these practices are being kept up in branches consisting of small companies to make up for the limited possibilities of career development.

Average age-earnings profiles

Average earnings profiles often increase with age (Figure 4.1).⁴⁸ What seems to be specific to France, unlike the situation in Germany, Sweden, the United Kingdom or the United States, is the particularly steep upswing in the profile after the age of 50. The opposite occurs in the United Kingdom, where the maximum is reached in the 50-54 age group. The gap between women at the end of their workers lives is far less marked in the six OECD countries shown in Figure 4.1 than that between men. However, the profile for French women stands out, alongside those for Belgian and Austrian women.

Figure 4.1. **Average age-earnings profiles by gender in selected OECD countries**

Earnings of 25-29 year olds = 100



Note: INSEE has revised the data for France and the profile is less steeper than in the French version of the report.

Source: OECD database on full-time workers: France: Enquête Emploi, 2002; Belgium: Social Security Database, 2000; Germany: German socio-economic panel, 1998; Sweden: Statistics Sweden, 1999; United Kingdom: Labour Force Survey, 2000; United States: Current Population Survey, 2000.

48. Comparisons should be made with reservations. On the one hand, the remuneration details taken into account may differ from one country to another (for bonuses, for instance), and on the other, average profiles represent individual profiles to varying degrees of accuracy. In France, the wage variance grows steeply after the age of 50, and the increase in the average wage is mainly due to the high earnings of a very few wage-earners.

It is important to stress that the steep rise in average earnings in France for men over the age of 55 is largely due to composition and selection effects, because of the early exit from the labour force of a high number of low-skilled workers with relatively low wages. Figure 4.2 shows that the selective nature intensified over the last fifteen years in the 45-49 age bracket upwards, when you compare the average profiles in 1985 and 2002. The profiles according to education level also show that in 2002 the wage-earners with a high level of education had the most marked increase in average earnings at the end of their working lives. Lastly, the difference between the public and private sector profiles reflects higher education levels in the public sector compared to the private sector, particularly for men after 55.

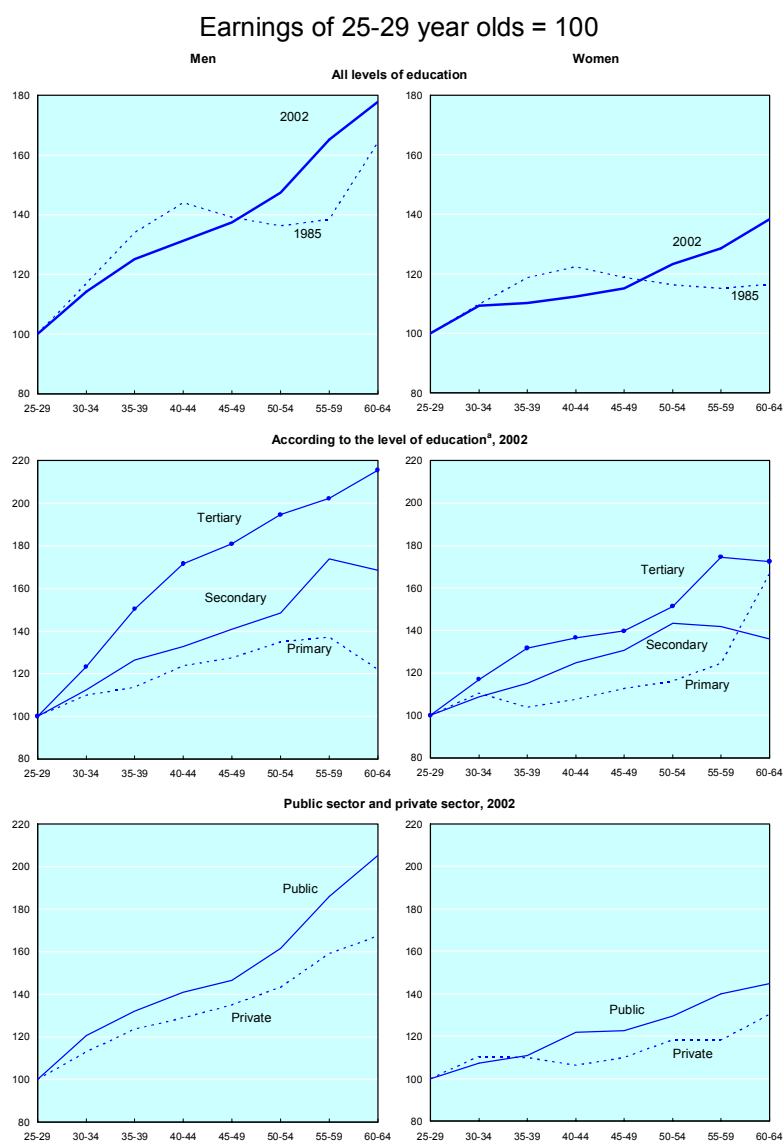
4. Wages and productivity

The high cost of older workers is often considered to be one of the most important factors in explaining the low demand for them. And yet, among the reasons companies give for hiring a young person rather than someone over 50, wages are far from being mentioned as a deciding factor (Table 4.1). Furthermore, Aubert (2004) shows that in companies where the relative wages of older workers are the highest, there are no fewer older workers, and the rate at which they leave employment is no higher than that of others. What counts is the possible gap between older workers' wages and their productivity. The question of whether older workers are less productive or not is delicate, because it is extremely difficult to measure productivity according to age.

Using the approach developed in the United States by Hellerstein, Neumark and Troske (1999),⁴⁹ researchers have made an attempt to check whether the higher wages of older workers correspond to higher productivity. A recent analysis for the United States shows that on the whole, older workers over 55 have lower productivity relative to their wages, and are roughly 20% overpaid compared to workers in the 35-49 age bracket (Hellerstein and Neumark, 2004).

49. The productivity of a group of wage-earners can be defined as this group's contribution to the added value of the company. Consequently, productivity is not estimated at the individual level but by categories of wage-earners defined according to similar characteristics. This approach was initially developed in an American context by Hellerstein, Neumark and Troske (1999) using matched employer-employee databases containing information on the financial characteristics of companies and the structure of their workforces.

Figure 4.2. Average age-earnings profiles by different breakdowns, France



a) Primary: less than upper secondary; secondary: upper secondary; tertiary: more than upper secondary.

Note: INSEE has revised the data for France and the profile is different from the French version of the report.

Source: Enquête Emploi, monthly net average earnings of full-time employees.

Crépon *et al.* (2003) have applied the same approach to France using a very wide dataset⁵⁰ and come up with similar results: older workers over 55 are about 10% overpaid compared to those in the 35-49 age bracket.

However, this approach leads to biased results, as it is based on a simple correlation between production and workforce structure. There is a bias in the productivity estimate because there are more older wage-earners in old, less productive companies. The companies with the highest growth in employment during the 1995-2000 period also had a much lower share of older workers in 1995 than companies with more of a decrease in employment. One of the explanations could be that companies with a high demand mainly hire young workers. Those where demand is lower hire little or not at all, which leads to the ageing of the workforce on the spot.

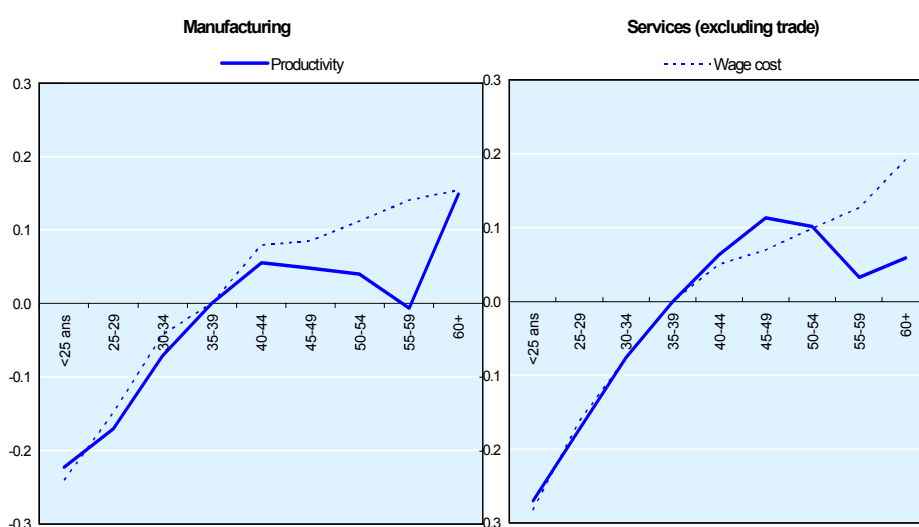
Aubert and Crépon (2004) have attempted to correct this bias.⁵¹ Their findings for manufacturing and services (excluding trade) show that wage-earners' productivity increases with age up to 40-44, and then stabilises (Figure 4.3). The decrease that follows is not statistically significant. In the same way, the estimate for the growth in productivity after 60 is only based on the very small number of wage-earners who remain in employment. The productivity parameters estimated by using a production function are then compared with those estimated by using wage-cost equations. The results show that the wage-cost profile by age – once the bias due to different types of sector and different sizes of companies has been controlled for – is moderate after 50 and follows the productivity profile fairly closely, except for those over 55. Nonetheless, the wage-productivity gap is not statistically significant.

In the same way as for the gross-wage profiles by age, the age-productivity profiles do not take into account the possible selection bias linked to early retirement systems (Gautié, 2004). This means that if

-
50. The database combines information from two registers, one on Actual Income (*Bénéfices réels normaux*, BRN) containing information given by employers on the company, and the other on Annual Labour Data Statements (*Déclarations annuelles de données sociales*, DADS) containing information on employees. The estimate focuses on the 1994-1997 period, using information on 77 868 companies.
51. The correction of the simultaneity bias implies the use of the generalised moments method by instrumentating the changes in the production factors by variables assumed to be independent of unobserved productivity shocks (see Aubert and Crépon, 2004, Annex 2).

companies only keep their most productive older wage-earners, then the productivity levels will in all likelihood be overestimated. The wage/productivity ratio may, however, not be affected, as the workers who have been got rid of on account of their low productivity are also those who received the lowest wages.

Figure 4.3. **Age-earnings profiles and age-productivity profiles,^a France**



- a) The Y-axis productivity parameter is estimated by using a production function, and the Y-axis wage cost parameter is estimated by using a wage function. Both are taken from a panel of firms surviving from 1994 to 2000 with five employees or more in manufacturing and services (trade, finance and government excluded) according to estimates by Aubert and Crépon (2004).

Source: INSEE, Annual Labour Data Statements (*Déclarations administratives des données sociales*, DADS) and Actual Income (*Déclarations des bénéficiaires réels normaux*, BRN).

Other more qualitative research puts forward the fact that the relation between age and productivity is not a one-to-one situation, but rather involves a whole series of factors, such as choices about working practices, strenuous working conditions, types of technology used in the company, or the workers' skills (Box 4.4).

Box 4.4. Age and productivity – qualitative approaches

The Centre for Research and Studies on Age and People at Work (*Centre de recherches et d'études sur l'âge et les populations au travail*, CREAPT) carries out research using a multidisciplinary approach, calling on ergonomics, demography and epidemiology. As age advances, physical, sensorial and cognitive performance may decline, doing so in a variety of different ways and at different rates depending on the individual. But at work, professional experience usually gives people their own ability to adapt, thus ensuring they are efficient (Volkoff *et al.*, 2000). The problem is that with the development of techniques and the frequent re-organisations, older people's strategies to adapt are no longer relevant, and they are considered to be less productive. Working practices seem to be mainly to blame for making their skills obsolete.

And yet ageing wage-earners do not do things less well than younger ones, they just do things differently. The company can help mobilise their resources by giving them room for manoeuvre. The older we get, the more time we need to cope with change and make coherent sense of the situation. Age should be taken into account when designing the means to carry out the work. This requires adjusting work stations, drawing up suitable schedules (including time to "take a breather"), ensuring that the tools and software are appropriate, getting the right combination of people for teams, and more generally, creating an overall environment in which working conditions and practices enhance room for manoeuvre for all categories in the workforce. If the work stations and working practices give people the chance, they will set up strategies that make up for areas where they are lacking, and help them adapt and co-operate. These strategies will favour performance.

5. Steps to act on demand for older workers

The factors analysed to explain the low demand for older workers are not mutually exclusive. According to Blanchet *et al.* (2004), they even have a tendency to reinforce each other. The development of early retirement schemes may have helped maintain relatively high wage levels for people who remain in employment, and it may also have reinforced stereotypes concerning the productivity or adaptability of older workers, calling in turn for further extensions of early retirement.

Judged from the low employment rate for older people, employers consider that the specific difficulties of employing older wage-earners outweigh the benefits. Employers' attitudes to age seem paradoxical: they appreciate the contribution made by older workers while still wanting to get rid of them and not hire them. These practices, unfavourable to older workers, have developed in a context of high unemployment that still makes it easy for employers to

reduce the average age of their workforce. The long-standing consensus with trade unions to give older workers early retirement under attractive conditions has been undermined recently by the government's decision to freeze most early retirement schemes. Given the inevitable ageing of the workforce it is important to start looking at options that will get over the difficulties blamed on past human resource management policies.

The state, as an employer, seems at last to be aware of the challenge of an ageing public service workforce. Among the initiatives it should set in motion without delay – but with more substantial means so that they actually go beyond the announcement stage – are abolishing age limits on recruitment, and encouraging internal and external mobility without the need to take competitive examinations, particularly for long-term unemployed older people.

In the negotiations on the employment of older people, the social partners should address the issue of pay scales based on professional experience rather than on age or length of service. Furthermore, the impact of the Delalande contribution should be examined in depth. Despite many changes to this tax, not only does it not prevent firms from laying off employees aged over 50, it actually could encourage them to do so on the grounds of serious misconduct or physical inability, which means that they do not have to pay compensation. It seems that the “bonuses” granted too often run counter to the original aim, which was to protect employment for wage-earners beyond the age of 50.

Chapter 5

STRENGTHENING EMPLOYABILITY

An essential question is to know how to strengthen workers' employability, especially when they get older. There are almost as many answers as there are older workers. Older workers are far from forming a homogenous group, and the extent to which they can be employed depends a lot on their level of education, the skills they have acquired through continuous training and professional experience, and also the strenuousness of their work.

However, older workers share a number of characteristics, which means that one can make a diagnosis – albeit moderated – on what should be done as a matter of urgency to reinforce their employability. This chapter attempts to do that, and first gives an account of older workers' qualification. Then it analyses the active labour market programmes implemented by the Public Employment Service (PES) to strengthen vocational skills and help people go back to work. Lastly, it is critically important to know what older workers themselves think about their working conditions, and what they expect in the later stages of their careers. People cannot have a longer working life unless working conditions are improved throughout their careers.

1. Encouraging qualification

A. Educational attainment of 50-64-year-olds is low

Older workers in France have not benefited from as much education as their counterparts in other OECD countries. In 2002 there were relatively more people in the 50-64 age bracket with a low level of education in France than in OECD countries overall. There were also more than the average in European Union countries (Table 5.1). Typically, they belong to generations that attended school for shorter periods than the generations that followed. The more recent generations, however, often have a higher level of education than their European counterparts, particularly as far as women are concerned.

Table 5.1. Level of education^a of population by age and gender, 2002
As a percentage of the age group

		France		EU 19		OECD	
		25-49	50-64	25-49	50-64	25-49	50-64
Men	Primary	27.9	43.1	26.0	38.3	29.1	38.7
	Secondary	46.4	39.0	51.6	42.6	44.6	38.0
	Tertiary	25.6	17.9	22.5	19.1	26.3	23.3
Women	Primary	29.7	53.2	27.1	49.8	30.6	45.0
	Secondary	40.9	31.0	50.0	37.4	42.6	36.8
	Tertiary	29.3	15.8	22.9	12.8	26.8	18.2

a) Primary: less than upper secondary; secondary: upper secondary; tertiary: university or superior.

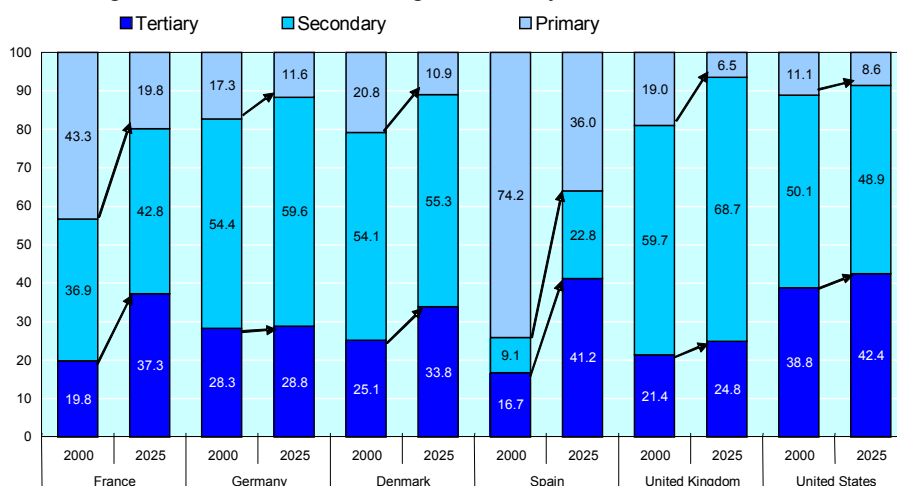
Source: OECD database, *Education at a Glance*.

France will have caught up by 2025 (Figure 5.1) thanks to the better educational level of the generations in the 25-49 age bracket. The growth obtained by simply extrapolating the trend shows that by 2025 almost 40% of those in employment in the 50-64 age bracket will have reached a tertiary level of education, the present percentage in the United States. In France there will be a large increase in the number of people obtaining a high level of education, just as there will be a large drop in the number of people aged 50-64 with a low level of education. However, those with a low level of education will still account for around one person out of five in the 50-64 age bracket. In the coming years, ambitious action should be taken in France on validation of experience (*Validation des acquis de l'expérience*, VAE), whereby many experienced workers who have been trained on the job will be recognised as having attained the upper secondary level of education.

The higher the level of education, the higher the employment rate (Figure 5.2). In France the employment rate gap between those with a primary level of education and those with a tertiary level is 26 percentage points for both men and women in the 50-64 age bracket. But the employment rate of older workers in France with a high level of education is still a lot lower than in Norway or Iceland, the two countries with the highest employment rates for well-qualified older workers.

Figure 5.1. The rise expected in education level^a of older workers (50-64), 2000-2025^b

Percentage shares of labour force aged 50-64 by level of educational attainment

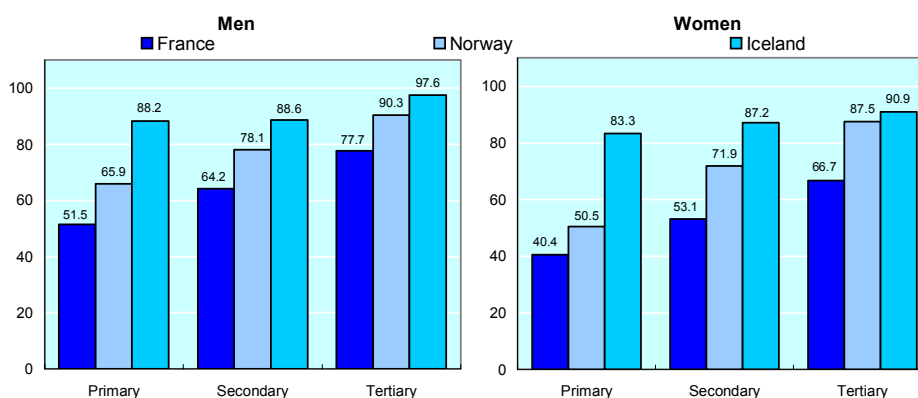


- a) Primary: less than upper secondary; secondary: upper secondary; tertiary: university or superior.
- b) Extrapolations based on data for 2000 and obtained by applying participation rates by educational attainment, gender and five-year age groups between the ages 50-64 to the corresponding population aged 25-39.

Source: For 2000, OECD, *Education at a Glance*; for 2025, OECD estimates.

Figure 5.2. Employment rates of older workers (50-64) by gender and level of education, France, Norway and Iceland, 2002

As a percentage of the age group



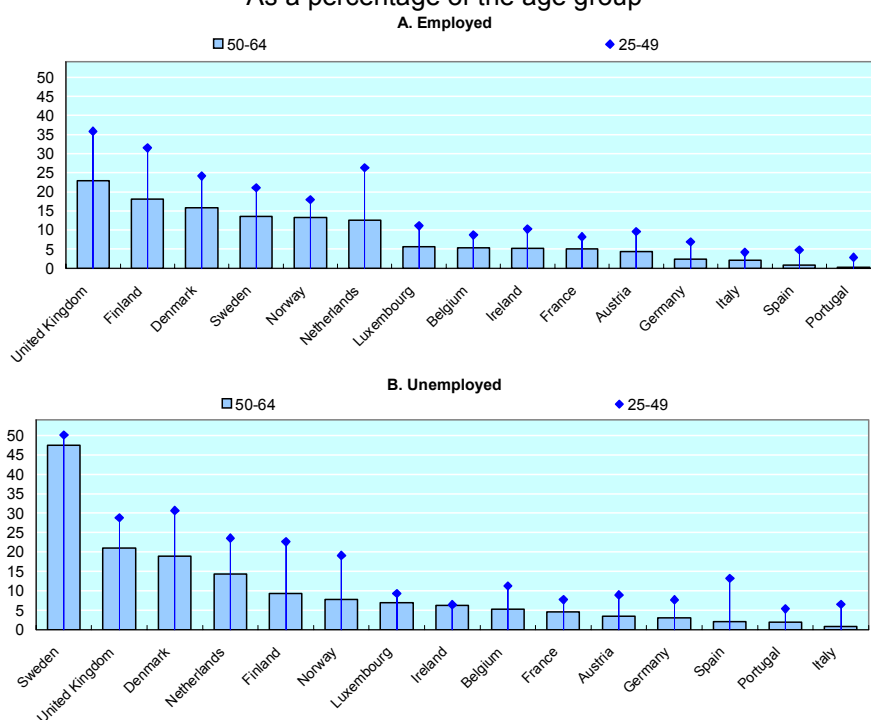
Source: OECD, *Education at a Glance*.

B. Older workers do not have enough access to continuous training

In 2003 only around 5% of the employed and unemployed over-50s in France had received training in the past four weeks (Figure 5.3). This incidence is low by European standards. The incidence of training for employed people in the 50-64 age bracket is at least twice as high in Nordic countries, and four times as high in the United Kingdom. It is only lower than France in Austria, Germany and countries in Southern Europe.

While the incidence of continuous training for French workers aged 25-49 is also low by European standards, it is significantly higher than that of the over-50s. In France as in other European countries there is great disparity between the incidence of training for the over-50s and that of the under-50s. The only exceptions are Sweden and Ireland. In Sweden, half of those unemployed received training whatever their age, and in Ireland one unemployed person out of sixteen did.

Figure 5.3. **Incidence of training by age, gender and work status in European countries,^a 2002**
As a percentage of the age group



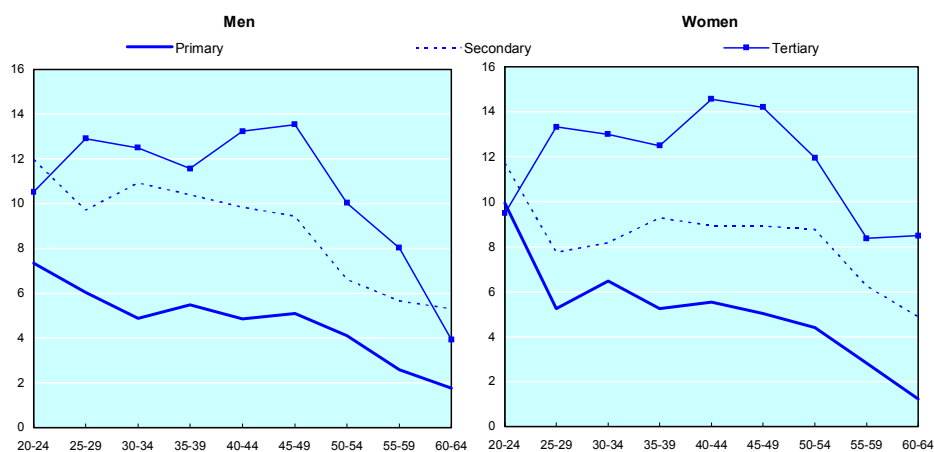
a) The question was "Have you received some education or training in the past four weeks?"
Source: European Labour Force Survey; France, Enquête Emploi 2003.

When you take types of training into account, the idea of a widespread decline in continuous training for older people takes on a different shade of meaning. Behagel and Greenan (2005) show for instance, that the older the wage-earner, the more training on management (supervising people and teamwork), even if the gaps between older and younger people attending are small. On the other hand, the profile for the most frequently held types of training (training in the main task and computer training) is bell-shaped, with a lower incidence for the youngest people and a decrease in incidence after the age of 45. Lastly, training on the use of machines decreases continuously with age.

A high level of education always gives greater access to continuous training, particularly before the age of 45 (Figure 5.4). From 45, access drops for everyone and often decreases even more after 55. The highest incidence – almost 15% – is achieved by 40-45-year-old working women who have a high level of education.

Figure 5.4. **Incidence of training^a by age and level of education, France, 2003**

As a percentage of workers by age, gender and level of education



a) Training received in the past four weeks.

Source: Enquête Emploi 2003.

C. *Promoting access to training after 45*

The lower incidence of continuous training after 45 could be explained among other reasons by the fact that older wage-earners have been removed from training for fairly long periods. Their skills have therefore been eroded to a greater extent, given the changing technological environment. Both employers and workers concede that it is difficult and costly to invest in programmes to make up for the accumulated lag, especially for people nearing the end of their career.

While older workers express less need for training, Lainé (2003) emphasises that this is in fact due to a circular phenomenon that feeds on itself: the lower incidence of training for the workers fosters the feeling that they are giving up, or at least feeling less partial to the idea. They may be doubtful of their own ability to learn, and fear that they will not be able to control the new situation at work, or that they will be under unbearable stress. It may also be true that their low interest is further determined by whether or not the training is really worthwhile for them. As they are nearing retirement, and the prospects for additional earnings are slim, investing in training makes little sense.

Disparities in access to training depending on age could also result from choices by management. Employers are often less inclined to favour access to training by the over-50s, as they feel there will be less time to recoup the cost of the investment than with younger wage-earners. The little time left for older workers to use their recently acquired skills, and the possible drop with age in their ability to assimilate new knowledge, would reduce the profitability of the training.

However, in a context of an ageing population and the end of the culture of early retirement, companies have to realise that they will have to keep workers for longer. Training people later in their working life will become a necessity. So it is essential to find suitable learning methods for older people. It is better to do the training at the workplace, basing it on processes that people already know. Banks and insurance companies provide training for their personnel right up to retirement. The outside world is often unaware of this, as it takes place in-house. It is done on a regular basis over short periods, and generally consists of updates on products. Being an older worker is often seen as an asset, particularly when it comes to advising clients of the same age.

Mentorship and passing on know-how

According to the ESSA survey, few companies had a specific training policy for older workers in 2001. And yet seven out of ten decision-makers considered that increasing the share of the over-50s in training would help people pass on specific know-how (Monso and Tomasini, 2003). Employers also said that their need for older well-trained workers was greater in industries where know-how is less standardised and where it is acquired on the job and through experience (in construction for instance).

According to an analysis of case studies in four large companies by Alexandre-Bailly *et al.* (2004), it is always necessary to pass on knowledge directly, even if it exists in written, codified form. In two of the four companies, it was more difficult to pass on know-how because of the new production practices (reduced workforce and more intensified work), and the work schedules (staggered working hours or days of attendance either due to the 35-hour working week or to shift work). Furthermore, passing on know-how can be discouraged partly because older workers feel that their experience is scorned, or on the contrary that people make free use of it. In both cases older workers feel it is not valued enough.

Players on the ground also stress that old-style mentorship is being called into question, and that there is a need for a different approach to co-operation between generations.⁵² Employers often feel confused by younger generations because they are so unlike the older ones. Taddei *et al.* (2004) clearly explain that the difficulty lies in the fact that young people do not want to listen to older people who are at a disadvantage on account of their age, and who may also be reticent about sharing their experience because it is the only identity they have left. On the other hand, the reversed mentorship role – when a young person supervises an older one – only applies to a small number of cases.

52. This features among many other observations in the study for the Chamber of Commerce and Industry in Lyon, carried out by Lab'ho (2004) in partnership with the National Agency for the Improvement of Working Conditions (*Agence nationale pour l'amélioration des conditions de travail*, ANACT) and the Rhône-Alpes Agency for the Enhancement of Social Innovation and the Improvement of Working Conditions (*Agence Rhône-Alpes pour la valorisation de l'innovation sociale et l'amélioration des conditions de travail*, ARAVIS).

Tools to encourage training in companies

A large number of training tools at company and branch level can be used to prevent de-skilling among wage-earners.⁵³ The state proposes and funds schemes that aim to change the relationship between age and work. These schemes fall into three categories: stepping up forward-looking career and skills management, planning for changes through human resource management, and promoting lifelong learning.

a) Stepping up forward-looking career and skills management

Companies are encouraged to focus on forward-looking career and skills management (*Gestion prévisionnelle des emplois et des compétences*, GPEC). In 2003 the state set up by decree a counselling system for companies to help them develop GPEC plans. This is mainly for companies with an unbalanced population pyramid, or for companies restructuring. In the late 1990s not many companies were familiar with GPEC. According to the second European survey on continuous training practices in companies (CVTS2), only 15% of companies with more than ten employees were showing an interest in GPEC in 1998 (Descamps, 2004).

Unlike large companies, SMEs often lack the means to carry out GPEC action alone (Box 5.1). This is why counselling on GPEC targets SMEs (less than 250 employees) as a priority, although other firms may also benefit (it is possible to have a combination of SMEs and larger firms in inter-company projects).

b) Planning for changes through human resource management

Companies that have successfully moved towards changes in the age/work relationship stress the importance of holding career guidance discussions with the line manager trained to that effect, carrying out mid-career assessments, overhauling job grading systems, and individualising career development. Giving employees information about the jobs available and the way the occupations of the company are developing also plays a vital role. Employees can then put themselves in a dynamic perspective as far as their future is concerned, whether inside or outside the company.

53. Among others, mention may be made of Prospective Study Contracts (*Contrats d'études prospectives*, CEP), Training Development Commitments (*Engagements de développement de la formation*, EDDF) and National Employment Fund Agreements (training by the *Fonds national de l'emploi*, FNE).

Box 5.1. An SME plans for retirements thanks to forward-looking career and skills management

Mecalectro, a small-sized industrial firm, is a leader in France and in Europe for designing and manufacturing electromagnets. It has been controlled by directors and managerial staff since 1990, and employs around 120 people in the Paris area, of whom more than half are blue collar workers. The work council plays an important role.

The pay policy is attractive, and is based on individual skills rather than level of education. Pay rises are carried out on an individual basis. There is an employee profit sharing scheme – those on the lowest pay get 1.5 to two months' wages. There are many benefits (efficient mutual insurance company, staff canteen, etc.) The possibility of in-house mobility is systematically examined before anyone is hired from outside. The training programme accounts for around 3% of the wage bill.

Mecalectro has to tackle the problem of its ageing workforce. The average age is 43, and the average length of service is 13 years. Company policy is to retain wage-earners until they are entitled to a full pension, and to plan for retirements, particularly those of key people. The company has to ensure that the extensive know-how of key people with more than 15 years' experience is passed on.

To do this, the following has been carried out: exhaustive skills assessments by managers in all departments; updated timetable for foreseeable retirements; identification of new key people; and horizontal mobility between different departments. In practice, for key posts, two people work together for around three years, so that before retiring the experienced worker can train someone as a replacement.

The initiative is thanks to both the Chamber of Commerce and Industry of the Essonne *département*, and the Modernisation, Innovation and Human Resource project (*Modernisation, Innovation et Ressources Humaines*, MIRH) financed by the Ministry for Economy, Finance and Industry. The MIRH project is aimed at directors and managers of SMEs who are looking to modernise, or set up a system for human resource management, by creating their own development tools. In 2003 around twenty SMEs in the Essonne *département* took part in the project and received subsidies.

c) Promoting lifelong learning

The aim of the multi-sector agreement on lifelong learning signed by the social partners in 2003 and which has since become law (Law on Lifelong Vocational Training, 4 May 2004) is to make the vocational training system more efficient (Box 5.2). The system was running poorly and could no longer rise to the challenge. More generally, and as a precaution, employees who benefit from lifelong learning are in a stronger position to continue learning and have training when they are further along in their careers.

Box 5.2. New measures for continuous training in 2004

The financial contribution that companies are obliged by law to make for training has been increased. For firms with ten or more employees, the increase is from 1.5% to 1.6% of the wage bill, and for firms with fewer than ten employees, it is from 0.25% to 0.55 %.

Employees may now have access to training in three different ways:

a) On the employer's initiative, through the company training programme. The training programme is a document that the employer draws up and submits to staff representatives for their opinion. The employer has to propose three types of training, each one being implemented differently: action on adjusting to job posts is carried out in working hours and the pay is maintained; action on developing jobs or keeping people in jobs is carried out in working hours – up to 50 hours a year –, but without being ascribed to the overtime quota; action on skills development may take place outside working hours – up to 80 hours a year – and gives rise to a training allowance (corresponding to 50% of the employee's net pay).

b) On the employee's initiative, through Individual Study Leave (*Congé individuel à la formation*, CIF). CIF offers employees the possibility of undergoing long training of up to a year, whereby they can reach a higher level of qualification. They can also do up-grading training or training to change jobs. Funding will be provided by the training fund to which the company belongs.

c) On the employee's initiative with the employer's agreement on the kind of training, through the Individual Right to Training (*Droit individuel à la formation*, DIF). DIF enables employees to have 20 hours of training a year, which can be rolled over for six years. Training is done outside working hours, unless there is an agreement at branch level.

Employees may also benefit from periods of re-skilling. These periods are implemented on the employer's initiative – through the company training programme – or on the employee's initiative – through DIF – and are open to employees whose qualification is unsuitable. They enable employees to acquire a qualification or take part in initiatives on learning new skills.

The government contributes mainly by granting an exemption on the social insurance contributions for the training allowance, and by helping with the replacements when the employees are away on training to facilitate the development of training in SMEs.

Priorities have been set for older workers:

- After 20 years in employment, and whatever the case before the age of 45, all employees who have been in the company where they work for at least a year, benefit from a skills audit – which is to take place outside working hours – and priority access to VAE.

- When employees reach the age of 45, the period over which they can use their rights to time off, when they have a time savings account (*Compte épargne temps*, CET), no longer has a time limit.⁵⁴
- Periods of re-skilling are open to employees who have been in employment for 20 years, or who have reached the age of 45.

The 2002 Law on social modernisation had already created the individual right to VAE. Access for employed people to the different vocational certificates currently available has been favoured, and the skills acquired through a wage-earning or voluntary activity have become more comprehensible, and are now transferable thanks to a national directory of vocational certificates. A territorial network has been set up with a regional centre (*Cellule régionale interservices*) and outlets providing advice (*Points relais conseils*).

The Ministry for Labour called upon the Association for Adult Vocational Training (*Association nationale pour la formation professionnelle des adultes*, AFPA) to completely overhaul all its qualifications, so that people would be able to access them through the validation of experience scheme. AFPA also delivers nearly all the vocational qualifications of the Ministry for Labour. In 2003 almost 5 500 candidates took a test and almost 1 000 obtained a full qualification (Bonaïti, 2004). Nearly all the qualifications are lower secondary level and are aimed at unqualified or poorly qualified people. Demand focuses on particular qualifications: in seven cases out of ten, the candidates try for the *assistant de vie* qualification (social work on the ground, helping people in their daily lives), and nine cases out of ten are women. Only 13% of the candidates are over 50.

2. Better mobilising the employment services

The Public Employment Service (PES) does not have any active labour market measures that solely target older unemployed people. The French authorities rightly believe that measures providing for the over-50s alone, such as a sort of “older person’s job” would tend to stigmatise older workers and do little to change employers’ attitudes towards them (Vimont, 2004). There are no public agencies either specialised in counselling older jobseekers, although

54. The CET allows employees to accumulate paid days off, or money in a savings account, over several years. It is set up by collective agreement and has to be used within five years from the day the employees have accumulated two months’ paid leave.

existing schemes on helping people in difficult situations back into employment often contain stepped up measures for the over-50s. Other countries like the United Kingdom, however, do target the over-50s directly (Box 5.3).

Box 5.3. The New Deal 50 plus introduced in the United Kingdom in 2000

Eligibility: Volunteer programme available for individuals aged 50 and over who have been receiving for the past six months, and are currently in receipt of Income Support; or Jobseeker's Allowance; or Incapacity Benefit; or Severe Disability Allowance; or any combination thereof.

Non-pecuniary benefits: Entrants into the programme have their own personal adviser at their local Jobcentre. Personal advisers provide individuals with a broad range of support including drawing up individual action plans, preparing CVs and letters of application, job search and organising training courses or other volunteer activities intended to upgrade employability.

Financial incentives: Individuals aged 50 and over working more than 16 hours per week may receive the "50 plus element" of the Working Tax Credit (WTC) for 52 weeks. After this period, individuals on low incomes will continue to receive basic WTC entitlements.

Training: A Training Grant of up to 2 100 euros is available upon taking up employment. Four fifths can be used towards improving existing skills and up to a fifth to learn new skills to help remain employed. Only 7% of those eligible for the allowance actually ask for it.

A. Support measures for hiring the over-50s

Since 2001, through the Personalised Action Plan (*Plan d'action personnalisé*, PAP) implemented by the National Employment Agency (ANPE), action helping people back to work has increased, mainly in the form of skills assessment, guidance for writing CVs, and training in the context of job-search programmes. The efforts aim to strengthen support for all jobseekers, particularly those who are the least ready to reintegrate. As jobseekers, the over-50s should in theory benefit from the whole range of measures and incentives facilitating a rapid return to work, but in practice few of them do.

Labour market policy has resulted in three schemes that are particularly supportive of hiring the over-50s: the Employment Initiative Contract (*Contrat d'initiative emploi*, CIE) for the private sector, and the Employment-Solidarity Contract (*Contrat emploi solidarité*, CES) and the Consolidated Employment Contract (*Contrat emploi consolidé*, CEC) for the public or non-profit sector (see Box 5.4).

Box 5.4. Three subsidised hiring schemes

The **Employment Initiative Contract (*Contrat d'initiative emploi, CIE*)** is a job subsidy for the private sector which aims to get the long-term unemployed and those receiving income support back into work, and to keep them in work. It is an incentive scheme based mainly on a bonus. The amount of bonus depends on the profile of the person being hired. The scheme became more attractive in June 2003 when the budget was increased and the payments were made quarterly rather than annually. The length of unemployment required to benefit was reduced from 24 months to 18. The over-50s receive the highest amount of monthly assistance (500 euros), which lasts for five years as opposed to two for a permanent contract (CDI).

The **Employment-Solidarity Contract (*Contrat emploi solidarité, CES*)** is to help people into the public or non-profit sector. Those targeted are the long-term unemployed, the unemployed over-50s, the disabled, people on minimum integration income (RMI) or the single-parent allowance, as well as people who have great difficulty finding a job. The CES is a part-time (20 hours a week) fixed-term contract, which may last from three to 12 months and be renewed twice up to a limit of 24 months. The option of extending the contract up to 24 months is particularly for the long-term unemployed who are over 50. State assistance consists of paying 65% to 80% of the wage-earner's pay, and exempting all the employers' social security contributions (except the unemployment insurance contributions). Lastly, employers using CES contracts can obtain subsidies for the beneficiaries' vocational training, for training mentors, and for financing back-to-work support initiatives.

The **Consolidated Employment Contract (*Contrat emploi consolidé, CEC*)** is designed to help back into work people on CES contracts who have no job or training prospects at the end of their contract. The contract can be entered into by the same employers as for a CES contract once they consider creating a lasting job within a five-year time limit. The CEC can either be a fixed-term employment contract for 12 months that can be renewed to up to 60 months at the most, or it can be a permanent contract. The lower limit on the amount of working hours a week is 30. State assistance consists of paying part of the wage-earner's pay, up to 120% of the minimum wage (SMIC) for 30 hours a week at the most. An exemption is also granted on the employer's social security contributions up to 120% of the SMIC (including unemployment insurance contributions and the supplementary pension contributions). This assistance is subject to a time limit. Assistance for the wage-earner's pay is granted on a degressive basis.

In 2003 the government gave more of a priority to getting people into work in the private sector than in the public or non-profit sector. This resulted in a marked drop in the number of CES and CEC contracts in 2004 (170 000 CES and 15 000 CEC contracts, as opposed to 240 000 CES and 25 000 CEC contracts in 2003). Efforts were stepped up to make employers in the public or non-profit sector aware of their responsibilities. To obtain a CES or CEC contract, they had to make a determined commitment to carry out initiatives on mentorship, support, and vocational training for their employees.

The Social Cohesion Plan provides for a new CIE contract that will cover the different reintegration contracts for jobseekers in the private sector. In the same way, the CES and CEC contracts will be replaced by a single contract, the Back-to-work Support Contract (*Contrat d'accompagnement dans l'emploi*), which will be more adjustable and give greater freedom and more responsibility to the local players in charge of carrying it out.

In 2002, the over-50s accounted for 14% of new CES contracts, 29% of CEC contracts and 26% of CIE contracts, although they only accounted for 6% of the total number of hires in the private sector⁵⁵ and around 15% of jobseekers (Lerais and Marioni, 2004). The share of women among the beneficiaries is growing.

It is possible to evaluate the schemes by examining the panel of beneficiaries (Adjerad, 2004). The over-50s who take up a CIE contract seem to have a better chance of remaining in employment. At the end of a CIE contract, or two and a half years later, there are twice as many older people hired through a CIE contract in employment than those with the same characteristics but who did not benefit from a CIE contract. There is more hiring in SMEs on permanent contracts (CDIs) for this age group than for others. With this type of contract, employers are exempted from paying the employers' social insurance contributions. On the other hand, at the end of a CES contract, the older people – in the minority – who do have a job mostly have a subsidised one (CEC). If a CES contract is followed by a CEC contract, and both are used for their maximum duration, it is possible to remain in employment for eight years.

It is important to stress that these three schemes are used by different types of people. The over-50s hired through a CIE contract are generally quite young men (three-quarters of whom are between 50 and 55). Forty-four per cent had had a regular job and then been unemployed for less than a year. The CES scheme targets the most vulnerable people, mainly quite young women under 55 who have had setbacks in their careers.

B. Measures to support training and re-skilling

The over-50s are still in a minority in training courses for jobseekers. In 2002 they accounted for around 10% of the participants in Integration and Employment Training Programmes (*Stages d'insertion et de formation à l'emploi*, SIFE) intended to help jobseekers in difficulty back into work. On the other hand, in 2002 they only accounted for 4% of the participants in Enterprise Induction Programmes (*Stages d'accès à l'entreprise*, SAE) – which provide training subsidies for employers who have difficulty recruiting – or in AFPA courses – which provide jobseekers with vocational training that leads to a qualification.

55. According to labour turnover declarations for companies with ten or more employees.

To provide a jobseeker over 50 with lasting help, is it better to suggest that they take a training course or accept a subsidised job? According to findings by the DARES Panel of Beneficiaries, the best solution is a subsidised job in the private sector, followed by a training course, and finally a subsidised job in the public or non-profit sector (Berger *et al.*, 2004). Table 5.2 compares the situation for beneficiaries in two age groups in 2003, three years after they had completed a measure, either in the form of a training programme (SIFE), or two subsidised employment measures (CES and CIE) (Berger *et al.*, 2004).

Table 5.2. **Where the beneficiaries are in March 2003, three years after having benefited from a measure,^a France**

Percentages

	Employment	Subsidised employment	Unemployment	Education training	Inactivity	Total	Share of beneficiaries
SIFE							
30-49	50.2	9.8	31.1	2.5	6.4	100.0	70.4
50 and over	37.1	7.9	35.1	1.8	18.1	100.0	8.1
CES							
30-49	43.3	21.7	28.0	0.9	6.1	100.0	49.5
50 and over	12.2	24.3	32.9	0.2	30.4	100.0	11.9
CIE							
30-49	79.1	2.0	13.6	0.7	4.6	100.0	59.1
50 and over	54.4	1.4	22.7	0.0	21.5	100.0	16.8

a) Beneficiaries having completed a measure in the 4th quarter of 1999. See glossary at the end for the meaning of the acronyms.

Source: DARES, Panel of Beneficiaries.

The group of younger beneficiaries always came off better than the group of older ones, especially after a CIE contract. Depending on the scheme, either 54% or 12% of the beneficiaries aged 50 and over were in a non-subsidised job in 2003. Again, those who left a CIE contract were mostly in employment, while those who left a CES contract were mainly unemployed, inactive or in another subsidised job. The SIFE training measure enabled 45% of the beneficiaries to find employment (whether subsidised or not), which is higher than the proportion of those unemployed (35%) and especially higher than the proportion of inactive people (18%).

There are four types of support facilities that reintegrate people through work (*entreprises d'insertion*, *entreprises de travail temporaire d'insertion*, *associations intermédiaires* and *chantiers d'insertion*). These facilities are designed to help people in great difficulty by “re-motivating” them as they work, and by giving them a qualification to enter the labour force with later.

These facilities do not have any specific measures for older jobseekers but their share of vulnerable over-50s is growing. The vulnerable over-50s in the four types of facilities accounted for between 7% and 13% of wage-earners in 2002, compared with between 6% and 9% in 1999 (DARES, 2003).

C. Active measures by the social partners

UNEDIC's social partners are increasingly investing in active labour market policies, especially in connection with older unemployment insurance recipients (UNEDIC, 2003). Their aim is to tighten up funding for early retirements through unemployment insurance and to favour a return to work for the over-50s.

To boost hiring for older jobseekers, the Degressive Employer's Subsidy (*Aide dégressive à l'employeur*, ADE) was revised on 1st January 2003. Jobseekers over 50 receiving benefits have access to ADE as from their third month of unemployment, as opposed to their 12th month as is the case for other benefit recipients. Part of the starting salary is paid to the employer on a monthly basis for a period of three years at the most, depending on the period over which the remaining entitlements will have been paid. For a permanent contract (CDI), UNEDIC pays 40% the first year, 30% the second, and 20% the third. For a fixed-term contract (CDD), a third of these rates is applied throughout the length of the contract. In 2003, 112 000 unemployed benefit recipients were hired thanks to ADE, of which 28.5% were over 50.

Jobseekers over 50 are also encouraged to return to work on a part-time basis. As wage-earners in a new job, they are entitled to part of their unemployment benefits if they work less than 136 hours a month, and if their pay is no higher than 70% of their former wage. There is no time limit on this for the over 50s, who moreover, receive a higher amount than younger people do.

3. Improving working conditions and practices

A. Opinions of employed and inactive individuals on work and retirement

The most recent survey on workers' opinions about their career coming to an end is the one on Health and Working Life after 50 (*Santé et vie professionnelle après 50 ans*, SVP50). It was conducted in 2003 and took the form of medical consultations during which company doctors asked

wage-earners over 50 how they felt about their prospects regarding work and retirement. The survey still needs further analysis but early results are available (ASMT, CISME and CREAPT Epidemiological Group, 2004).

Having reached 50, 76% of men and 65% of women know when they will be entitled to a full pension. Of these people, 46% of the men and 41% of the women think they will stop working then. 21% of the men and 24% of the women think that they will stop before, while 17% of the men and 15% of the women think they will stop after. The most common reasons for “stopping before” were because they had “done their bit” and they wanted to “hand over to the young” (Table 5.3). Then came health problems and strenuous working conditions, mainly for blue collar workers, and getting involved in other activities, for the executives. The reasons for “stopping after” are mainly to keep up a certain level of income, and the feeling that “work is an important part of life”.

Table 5.3. Opinions on reasons for retiring earlier or later, France, 2003

As a percentage of those who are thinking of retiring before or after

	Men	Women	Executives	Middle management	White collar workers	Blue collar workers
A Why stop before?^a						
For family reasons	14	31	20	22	25	15
For health reasons	39	43	20	37	40	54
To hand over to the young	69	57	45	66	64	76
Because you've done your bit	81	73	64	77	76	87
Because of unpleasant conditions at work	40	37	33	40	35	44
Because you've had a difficult career	48	36	20	37	36	65
To do other things	38	46	59	51	46	23
Because of boredom at work	30	26	23	25	33	35
B Why stop after?^b						
To keep up an income	54	58	54	51	59	51
For family reasons	14	9	15	11	9	12
Because you feel satisfied with your work	41	35	52	34	32	27
Because work is an important part of life	47	41	50	40	41	39

a) "If you are thinking of stopping work before being entitled to a full pension, it's..." (you may give several answers).

b) "If you are thinking of continuing to work beyond the age at which you are entitled to a full pension, it's..." (you may give several answers).

Source: SVP50 Survey carried out by ASMT, CISME and CREAPT on 11 213 wage-earners aged over 50.

In 2003, another survey was carried out on jobseekers over 50 in Upper Normandy, in the context of the European Social Fund's Equal Seniors Project (Equal Seniors Project, 2003). Among the reasons wage-earners gave to explain their loss of employability in their jobs were, in order: the lack of training after 45, non-existent or inefficient skills management, and the difficulty of adapting to constant changes in occupations. Their most important handicap in looking for a job was their age, particularly age-related health problems. On the other hand, they tried to put forward their experience, level of competence, better knowledge of the world of work, and their maturity.

B. Working conditions and health of older workers

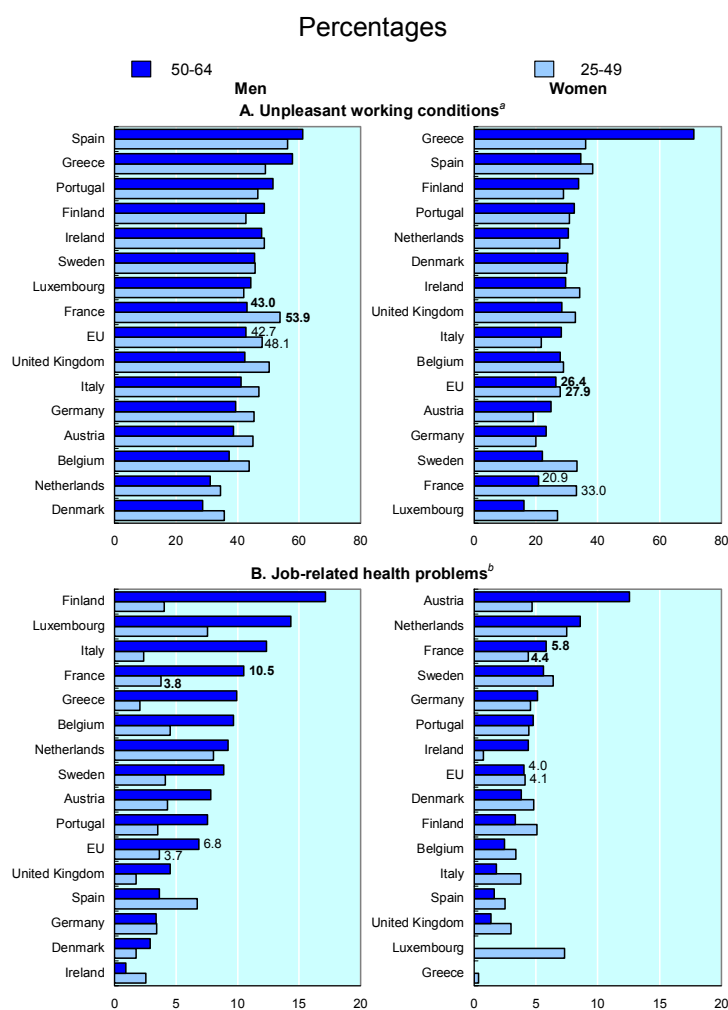
Improving working conditions is one of the most essential measures to consider in order to help people remain employed for longer. Older workers' state of health can serve to evaluate how long they can maintain their employability. Reasons for early retirements are often linked to physically demanding jobs in difficult conditions at work. Adjustments can be made for people nearing the end of their career to avoid systematic early and definitive exits from the labour market.

Older workers' working conditions

Workers over 50 have a relatively favourable opinion of their working conditions. This is backed up by what they reported in surveys carried out in 1984, 1991 and 1998 (Guignon and Pailhé, 2004). Even if the intensity of their work had increased, they persisted in saying they had fewer constraints than younger people. Their working hours were easier to anticipate, they were more independent, and they underwent less physical and mental hardship. Their experience often protected them at work. However, it should be pointed out that the people who had been exposed the most to unpleasant working conditions had already taken an early exit.

These results for France are confirmed in the Third European Survey on Working Conditions, conducted in 2000 (Figure 5.5). Of the men aged 50-64, 43% reported unpleasant working conditions, while 54% of those aged 25-49 did. Older women (21%) also reported fewer unpleasant working conditions than their younger counterparts (33%), and women were generally exposed to less strenuous conditions than men. France has an average European ranking for men, but a more favourable one for women aged 50-64. Job-related health problems also affect men aged 50-64 (10%) more than women in the same age group (6%), but the ranking for France is less favourable than the European average for both men and women.

Figure 5.5. Incidence of unpleasant working conditions and job-related health problems, 2000



- a) Workers reporting unpleasant working conditions refer to all workers who report that they are exposed during at least half of their working time to one or more of the following conditions: vibrations from hand tools or machinery; loud noise; high or low temperatures; breathing in vapours, fumes, dust or dangerous substances; handling dangerous products; or radiation such as X-rays, radioactive radiation, welding light or laser beams.
- b) Workers reporting absence of five days or more during the last 12 months because of work-related health problems.

Source: European Foundation for the Improvement of Living and Working Conditions, Third European Survey on Working Conditions.

Health and safety at work

The curve for work-related accidents tails off with age. Data from the National Health Insurance Fund for wage-earners show that while workers over 50 have fewer accidents overall than younger ones, their accidents are the most serious. In 2002 wage-earners over 50 accounted for more than a quarter of serious accidents (*i.e.* accidents resulting in permanent disability), and more than 35% of fatal accidents. The effects of occupational diseases are often felt at later stages of life, and particularly affect workers nearing the end of their career, or once they have ended it. This explains why more than 90% of the deaths related to occupational disease occur after the age of 50. The over-50s are also particularly vulnerable to muscular-skeletal disorders (*troubles musculo-squelettiques*, TMS) and more generally to the effects of physical constraint (lifting loads, working in difficult physical positions, being exposed to vibrations, etc.).

Risks are heightened in certain professions and industries. The construction and public works industry, for instance, directly entails strenuous working conditions. In comparison with other activities, it has a higher percentage of workers exposed to ongoing physical duress – joint constraints, difficult physical positions, and handling heavy loads. Apart from the harmful effects on the health of the workers themselves, particularly older workers, these risks damage the image of the profession and diminish its appeal. An ambitious campaign was therefore launched in 2004 to address these two issues. Part of it will be focusing on changing the image of the profession, through communication and awareness raising initiatives highlighting the prevention of occupational hazards. On a more general level, the campaign should encourage a break with the culture of early retirement, and motivate people to remain in employment.

Initiatives by the state and the social partners

One of the conditions to ensure that people stay active in the labour market beyond the age of 55 is to avoid tiring them prematurely through exposure to physical hardship throughout their careers. The government has set a priority to provide a better working environment and to actively improve workplace conditions. The Fund for the Improvement of Working Conditions (*Fonds pour l'amélioration des conditions de travail*, FACT) supports innovative projects and exemplary practices⁵⁶ in companies. An association of maintenance

56. These projects have to study and carry out exemplary, transferable and innovative practices on preventing occupational hazards and enhancing high quality jobs. They should grow out of active discussions with the different players in the company.

workers, the *Association des professionnels de la maintenance*, representing more than 450 000 wage-earners has just received over 1.5 million euros from the FACT to carry out action on reducing strenuous working conditions.

Government measures come within the scope of a strategy on health and safety at work, lasting several years (currently 2003-2006). This focuses on job quality and well-being at work. Policy is defined through dialogue with the social partners, and particularly targets older workers.

As far as working practices and conditions are concerned, the state has entrusted the National Agency for the Improvement of Working Conditions (*Agence nationale pour l'amélioration des conditions de travail*, ANACT) with trying out and promoting concerted action on change in working practices. ANACT was founded in 1973 and is a public establishment with a three-party management system. It draws up progress contracts with the Ministry for Labour. Its third one, for 2004-2008, has age management as its prime objective. The ANACT network covers the whole of France through the ARACT regional associations. It provides diagnosis assistance and also helps draw up action plans combining age, gender, state of health, skills, demographic data on working populations and labour organisation (Box 5.5). Action is developed on awareness raising, experimentation and stock-taking, and also on transferring methods within companies, branches, territories, research bodies and regional councils (Lab'ho, 2004).

Box 5.5. Age management – an array of measures

The aim is for each wage-earner to be able to work in good conditions throughout his or her working life. To achieve this, Rouilleault (2003) recommends:

- *Improving job posts and reducing strenuous work.* For example, when a new model is launched in the automobile industry, the posts requiring the most physically demanding work should be done away with.
- *Managing labour differently.* In the iron and steel industry, when workers are nearing the end of their career, they are offered part-time work, rather than retirement at 50.
- *Ensuring that the hand-over to the next generation is done smoothly.* Co-operation between generations and a mix of different ages in groups at work should be encouraged.
- *Developing corporate negotiation.* Corporate negotiation can give new impetus to preventing occupational hazards, to managing labour and developing skills.

Preventing occupational hazards and adjusting job posts and working hours are traditional parts of the measures introduced by companies that work towards integrating labour at all ages. Taking steps to prevent strenuous conditions at work can lead to job retention, which makes more economic and social sense than repairing the effects of unfavourable working conditions after the event.

Analysis of job posts focuses on four aspects that are of central importance to strenuousness. These are: working hours (length of time worked, rate at which work is carried out, number of working hours at night, alternating shift work); physical positions in which the work is done (difficult or painful positions, physical or mental demands, work subjected to noise, heat and climatic variations); time pressure (more intense work, losing time that was meant to be made up); and changes in work. By carrying out an analysis, the job posts can be classified according to how strenuous they are. Through negotiations, agreements can be reached with the social partners so as to reduce the number of strenuous posts according to a pre-established timetable. There can be follow-up and regular assessments. This analysis can be applied to all the different stages in the production process, from the design of the products and machines (or the line of services), to the packaging, logistics or even the design of the job posts themselves.

The 2003 pension Law gave the social partners a central role, entrusting them with the responsibility of negotiating the definition of strenuous work and how it should be taken into account. The level of negotiations and the timetable for them were defined precisely in the Law. Within three years of the Law's publication, the social partners were to launch multi-sector negotiations on the definition of strenuous work and how it should be taken into account.⁵⁷ This theme was to feature among those on which the social partners were to then negotiate every three years at branch level, starting at the end of the multi-sector negotiations. Lastly, in a more general way, from now on compulsory yearly negotiations in companies should be held every three years to tackle older workers' access to, and remaining in, employment, and their access to vocational training.

Importantly, the negotiations on strenuousness should not start out on a poor footing. Rather than granting retirement incentives on a permanent basis, in an attempt to repair the harm to wage-earners who have difficult professions, priority should be given to the principle of prevention. Retirement incentives

57. More than a year since the Law was passed, multi-sector negotiations have still not begun.

should only be envisaged over a limit period of time, to help the workers who have already experienced hardship. The aim is to reduce, and gradually do away with the incentives (Askenazy, 2004).

C. *End-of-career adjustments*

Certain changes for wage-earners nearing the end of their career could help them continue working in satisfying conditions. Such is the case for part-time work, when labour market conditions, or the person's state of health reduce the chances of their remaining employed. Fixed-term contracts or temporary assignments can help people embark on a second career. Currently, the people who take up this option the most are managerial staff.

Part-time work

Part-time work is not very widespread among older people in France. On average, 5% of the men and 30% of the women, regardless of age group, took up the option in 2003. These figures are not far off the average in OECD countries, but the figures for the Netherlands are more than twice as high, with 12% for men and 64% for women.

The benefit of a move to part-time work to prolong employment has been shown in a study carried out in firms that used the Phased Early Retirement (*Préretraite progressive*, PRP) scheme (Charpentier and Jolivet, 2001). The study shows that the scheme was overwhelmingly popular with wage-earners. Among other things, the part-time work gave them the opportunity to take better care of their health, overcome tiredness and have more free time. Employers, however, were less enthusiastic, as they may have had difficulty organising the wage-earners' work. Furthermore, the scheme was closely monitored by the administration. For example, the person hired to make up for the wage-earner off on a part-time basis had to be a disadvantaged jobless person, otherwise the company had to pay for part of the scheme.

A more recent study by Jolivet *et al.* (2004) shows that schemes enabling older wage-earners nearing the end of their career to adjust work, by taking their needs and hopes into account, will play an even more determining role, given that the pension contribution period will be extended. The wage-earners in the study aged 55 to 59 who had been in part-time work for less than ten years had been marked by ageing factors at work that played to their disadvantage – health deficiencies, a feeling of tiredness, fatigue and wear related to a demanding career, constraining working hours, the physical hardship of the job post and pressure due to deadline demands and intense output. Moreover, some

of the companies themselves had financed a gradual reduction of their wage-earners' working hours before they took retirement (Box 5.6).

The phased early retirement scheme was abolished on 1st January 2005 when early retirement schemes were tightened up in general. However, the move to non-subsidised part-time work for people nearing the end of their career is still a viable option for an extended working life. The 2003 pension reform provides for continuing contributions to the old-age insurance scheme at the full-time rate, with the employer's agreement. But this is difficult to set up for short part-time contracts or part-time contracts on low pay, because the low wage will not entitle the employee to take up the option. For workers with a low income, partial payment by the company or the state may be envisaged, to protect the workers from too severe a drop in their income.

Box 5.6. Preparing for retirement and gradually reducing work time

With almost 2 400 wage-earners, Laboratoires Boiron lead the world in homoeopathic products (and account for 65% of the French market). The company is recognised for its employee-friendly style of management and contracts, which guarantee it a good image in the media.

As far as age management and end-of-career adjustments are concerned, Laboratoires Boiron signed a company agreement on retirement, and the preparation for it, in 1976. This aimed to ease the move from employment to retirement by progressively reducing work time without reducing wages. This agreement is the oldest signed by Laboratoires Boiron, and has since been renewed – in 1982, 1988, 1999 and 2000. It is based on time savings accounts (*comptes épargne temps*) topped up by the wage-earners and employer alike.

The company ensures that the wage-earners fulfil the conditions entitling them to a full pension. It commits to informing them as to its decision regarding their retirement at least six years beforehand, and enabling them to benefit, if they so wish, from the retirement preparation scheme.

From the company's point of view, the agreement enables it to manage retirements on a transparent basis, with six years' time to prepare. It also enables it to organise the hiring of replacements in line with company needs (quantitatively and qualitatively), and to ensure that know-how is passed on.

From the wage-earners' point of view, the agreement enables them to get used to the idea of retirement (as opposed to an abrupt departure). It means their free time increases gradually, without changing their income. They can organise retirement and reduce exposure to fatigue (production pressure or stress).

Fixed-term contracts and temporary assignments

Temporary contracts are taken up less by older workers than by younger ones, and a little more by women than by men. In 2002, 4% of the men and 7% of the women in the 50-64 age bracket had a fixed-term contract (*Contrat à durée déterminée*, CDD), compared with 10% of the men and 16% of the women in the 25-49 age bracket. The corresponding average percentages for older workers in OECD countries are twice as high, while the percentages for those aged 25-49 are on a par.

There are still barriers to older people taking up a CDD or a temporary assignment. From the legal point of view, wage-earners on CDDs have the same rights and the same obligations as wage-earners on CDIs in similar conditions. The pay for people on temporary contracts is not allowed to be lower than the pay for people on permanent contracts. However, access to certain rights – particularly those set up by collective agreements – and the amount these rights are worth, depend on length of service (different aspects of contingency funds, seniority bonuses, and severance pay). With each new contract with a new employer, seniority begins from scratch, so wage-earners have to wait before they are entitled to rights. For the over 50s, this can be an ordeal, both financially and socially. Many of them will have had a long career in the same company, and so spending the end of their working life in temporary jobs can seem like a difficult step backwards. Furthermore, this type of employment is used as a means to cope with increased workloads, which often results in a stepped-up work rate and more difficult conditions, thus posing a problem for workers who may already be worn out from past work.

To compensate for the insecurity that goes along with a short-term job, fixed-term contracts and temporary work secondments give rise to an allowance. There is an end-of-contract allowance for fixed-term contracts, and an end-of-assignment allowance for secondments. At the end of a temporary job, if wage-earners are unemployed, they may, depending on the case, either benefit from new entitlements to unemployment insurance, or continue benefiting from entitlements that they had had before, by receiving the remainder owing to them.

Temporary work could, however, become a valuable option. Loisel (2002) wonders whether it is a solution, or a factor that induces insecurity. Wage-earners with skills to offer from their “first career” may welcome a new working life. On the other hand, re-skilling training may be negotiated with the temporary employment agency. As is often the case, managerial staff and

people with a high level of education are at an advantage, and often gain from this type of training (see the QuinCadres experience in Box 4.1).

The public sector employs large numbers of temporary staff (*vacataires*) on very short contracts. This practice will be limited by decree, in line with a European directive. The *vacataires* will be able to obtain a CDD for three years, which can then be renewed once, after which they will only be able to continue with a CDI. The public sector will be under the obligation to give the over-50s who have worked there for eight years a CDI.

4. Measures for promoting the employability of workers

Access to continuous training should be promoted throughout people's working lives. Participation rates in training are too low in France compared with the countries of northern Europe. In 2003, 6% of French workers aged 25 to 64 said they had taken a training course in the last four weeks; in Finland the rate was almost three times as high. The French government and the social partners should take steps to promptly implement the provisions of the 2003 multi-sector agreement on access to lifelong training and ensure that mechanisms for regular monitoring are in place in companies.

International comparisons also indicate that having a qualification is a decisive factor for remaining in employment. Under the 2003 agreement on lifelong learning, workers over 45 or with 20 years in employment have priority access to periods of professional training and validation from experience (VAE). Measures should be taken to ensure that workers are properly informed about their special rights to professional training. Another important step would be to set ambitious quantitative targets for securing recognition of acquired skills certificates and ensuring their transferability for workers over 45 whose qualification is unsuitable. The individual right to VAE introduced by legislation in 2002 does not yet seem to be sufficiently widely used in France in comparison with other OECD countries, particularly Australia.

It is extremely difficult for older jobseekers to find work. Recruitment subsidies in the private sector such as CIE or ADE, which are not aimed at a particular age group but at those in difficulty, can help to overcome labour market selectivity. A part-time return to work coupled with preservation of some or all unemployment benefits should also be developed. Employment service advisers and staff at the future *maisons de l'emploi* should implement an innovative back-to-work strategy for the over-50s, in particular to reintegrate

jobseekers over 55 who would gradually no longer be exempted from looking for work. The New Deal 50 plus scheme in the United Kingdom has demonstrated the importance of qualified and motivated advisers with more time to spend on personalised follow-up.

The government and the social partners should continue to promote health and safety at work for older workers, who tend to suffer the most serious workplace accidents, with a higher than average mortality rate. Improving working conditions is one of the most important measures to consider for prolonging working life. Giving all workers better conditions throughout their working lives could make their work less strenuous and help prevent early exits from the labour force. Rather than recognising a permanent right to early retirement for those in strenuous jobs, action to alleviate difficult working conditions should be taken upstream to abolish them as far as possible.

Contracts should be reformed to enable people to continue working part-time or take up a new career as a wage-earner or in self-employment. Part-time work to allow for gradual retirement seems to correspond to the wishes of many older workers. One option worth exploring is for the employer or the state to assume partly pension contributions on a full-time basis for low-income workers who want to switch to part-time.

*Chapter 6***POLICY COHERENCY AND DILEMMAS**

The previous chapters have set out a range of specific actions that should be taken to encourage greater labour force participation by older people. However, to change current behaviour patterns and break with the culture of early retirement, these actions have to form part of an overall programme. Such a programme will be more likely to succeed in an economic context of higher overall employment, strong mobilisation of all the players, and early, preventive action throughout people's working lives.

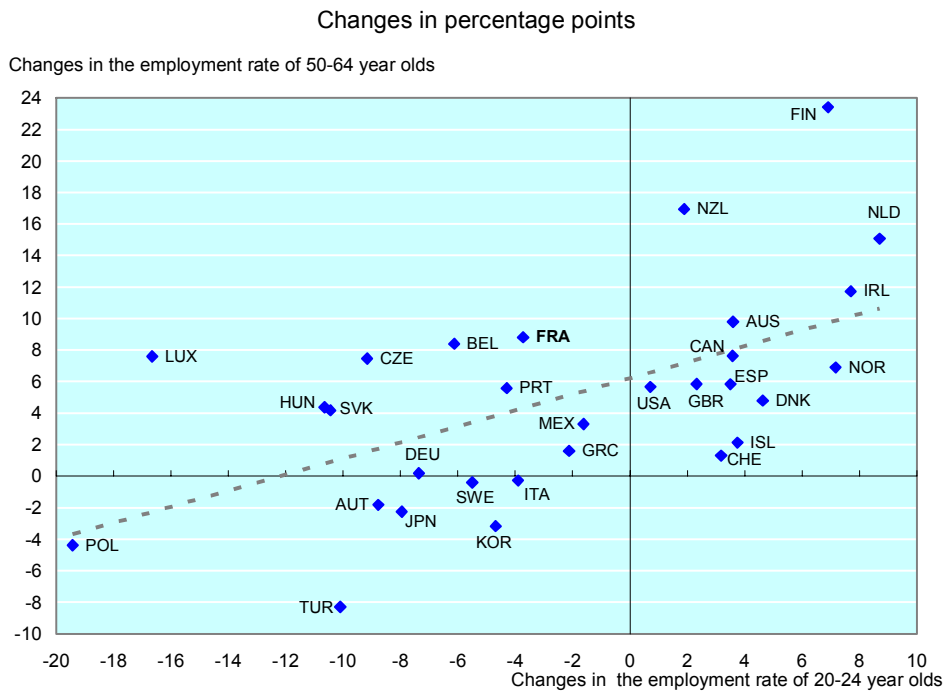
1. Promoting an economic environment of higher overall employment

Promoting an economic context of higher overall employment is an essential prerequisite for change. Past strategy, in which only one generation worked at a time, led to a dead end. In fact, reducing labour supply, mainly through early retirement schemes, has not resolved the problem of youth unemployment. Figure 6.1 shows that the relationship between changes in the employment rates of younger and older workers in OECD countries appears to be positive rather than negative. There are no countries in the quadrant where employment rates would have fallen for older workers but risen for younger ones.

Schemes promoting early retirement in exchange for hiring have not had the expected impact on reducing unemployment. Going beyond the simple question of arithmetics, it is clear that in firms younger, inexperienced workers are not direct substitutes for older, more experienced ones. In France, the cost of schemes like the Combined Early Retirement/Hiring Scheme (ARPE) has posed a problem for the social partners. The ARPE had to be stopped in 2001.

Increased life expectancy is a positive force for society as a whole, in so far as people live longer and in better health than they did in the past. It is only fair that some of this longer life should be spent at work, so that the 20-54 age group does not have to bear the full burden of social protection, and so that the funding for public social systems can be sustained.

Figure 6.1. **Complementarity between older and younger workers, 1992-2002^a**



a) 1993-2002 for the Czech Republic and 1994-2002 for Austria and the Slovak Republic.

Source: OECD estimates based on labour force surveys.

It must be stressed that the need for raising employment levels is all the more acute in France, since, in response to the demographic challenge, the 2003 pension reform gave priority to increasing the contribution period and therefore extending people's working lives to finance pensions in the long term. As Gaullier (2004) points out, the reform is based on two developments: firstly, France reaching a situation of full employment by 2012, and secondly, jobs being given to older workers. There is every reason to believe that the second gamble will be easier to meet in a situation of almost full employment, but also, conversely, that full employment will not automatically mean keeping older workers in employment. The way forward is not easy. On the one hand it would just be wishful thinking to expect the labour market situation for older workers to be resolved automatically when skills and labour shortages begin to appear. On the other hand, for as long as unemployment remains high, the proportion of older people in work cannot increase simply because of the ageing of the

population or a spontaneous reaction by the players in the economic arena (Marioni, 2005). Only a determined policy affecting labour supply and demand as a whole will be able to change behaviour.

2. Mobilising all the players around a coherent, overall programme

The French government has recognised the advantage of putting employment measures for older people into the perspective of a coherent, overall programme (Ministry for Social Affairs, Labour and Solidarity, 2003). In simple terms, all the players involved should benefit. Companies would, through enhanced performance; wage-earners would, through better quality jobs and more attractive working conditions, and the government and social partners would, through a more sustainable link between economic growth and social cohesion.

The community as a whole is affected by older people's employment. Experience in foreign countries has shown that measures can only be efficient if they grow out of broad consultation and dialogue with all the players concerned. The success of the national Finnish programme, which brought all the players together to promote an active ageing population has been widely recognised (OECD, 2004a). In Belgium, however, government measures to encourage employment for older people have only had a limited impact because unions continue to uphold early retirement and employers continue to put it into practice (OECD, 2003). The emergence of "Canada Dry pre-pensions" (attractive income replacement options for older people, consisting of unemployment benefit plus a top-up from the employer), which exploit the early retirement status, have led to an explosion of unemployed people who are exempted from looking for work. Recent developments in France have shown that a similar situation could arise, given the large number of wage-earners being laid off for personal reasons.

The government and the social partners have drawn up a large number of reports

There are many reports in France on encouraging employment for older workers. The government has produced a substantial amount of research giving a detailed understanding of the ageing phenomenon and the challenge of managing a greying population. Pluralist authorities have also focused on the question. Already in 2001 the Economic and Social Council (*Conseil économique et social*) was examining employment for older people (Quintreau, 2001), and the first report by the Pensions Advisory Council (*Conseil*

d'orientation des retraites, COR) underlined the fact that the future of pensions was inextricably linked with older people's behaviour in relation to work (COR, 2001). In its 2004 annual report, the Social Affairs Inspectorate (*Inspection générale des affaires sociales*) came down in favour of more diversified and coherent public policies to promote age management in companies (IGAS, 2004). Today there is consensus between the government and the social partners in organisations at national level that keeping older people in employment is beneficial for the community.

Since the mid-1990s, the government has also taken action by restricting access to early retirement schemes and stepping up measures to encourage mid-career training and combat age discrimination. A decisive step was taken with the pension reform in 2003. However, the proclaimed mobilisation in favour of employment for the over-50s has not materialised as yet. In 2005 the government is seeking to give it fresh impetus through the Social Cohesion Plan (*Plan de cohésion sociale*), the *Contrat France 2005* and the Health-at-Work Plan (*Plan santé au travail*). In the Law passed on 21 August 2003 there were provisions for negotiations by the social partners regarding employment for older workers and strenuous work. These two themes have been split up and have been under negotiation since February 2005.

Mobilisation of all the players remains too weak in France

The state can guide human resource management practices in private firms through incentives, but it certainly cannot bring about the necessary changes alone. It could, however, give a better lead to the public sector by abolishing age limits on recruitment, doing more to encourage mid-career mobility, and reviewing early retirement options for certain categories. The state should also reconsider the exemption from looking for work, as this goes against the aim of encouraging employment for older people. It is essential that the Public Employment Service (PES) introduce more effective support measures to help disadvantaged older people find a job. The social partners that manage the various social protection institutions should also step up initiatives, and action planned for the future *maisons de l'emploi* should mean that local labour market conditions are better taken into account.

According to Yannick Moreau (2003), if the culture of early retirement so deeply rooted in people's minds and behaviour is to change, there will have to be concerted action by the state and the social partners. There needs to be a shift in attitudes to the world of work, and more decisive action on the organisations

concerned. This is all the more important given that France has made great use of early exits in the past. The country needs to tackle the challenge of a greying population on a broader basis, capitalising on good practices and making them more widely known. While most firms are generally averse to the idea of a workforce of older people, some have succeeded in keeping their older wage-earners through good practices, and a few have managed to recruit the over-50s. However, others get rid of older workers too easily, laying them off for serious misconduct or physical inability, thereby becoming exempt from paying the Delalande contribution.

Discussions should continue with the social partners in companies to make people aware of the damaging effect of early retirement on society, and the need for improved forward-looking age management. This would mean that both the supply-side and the demand-side factors of early exits would decline. Most wage-earners who are not yet ready for the prospect of working longer are not sufficiently encouraged to do so by human resource managers (especially younger ones) nor by union representatives who still put forward the idea that early exit is a right and a mark of social progress.

A campaign is needed to step up awareness in companies and among the general public about the country's demographic changes. This should enhance the value of experienced workers and contribute to making good practices more widely known.⁵⁸ The Labour Relations Directorate (*Direction des relations du travail*, DRT) is planning to carry out action in 2005, focusing on age cohesion and the benefits of experience.

3. Taking preventive action early on

It is critically important to take preventive action early on. If people in difficulty before 50 could see a way forward that would give them better qualifications and a less precarious working career, they would find it easier to continue working once they reached 50.

Firms have to rise to the challenge of ensuring that their wage-earners are not worn out by stressful, physically demanding jobs. They also need to keep their workers in employment, hire older people, and improve career paths by making them more attractive. To achieve a better quality working environment, human resource management should not only focus on older people but on all

58. "Experience is a national asset" was the slogan for Finland's campaign in 2000.

the age groups in the company. This means making the majority of the job posts available to the workforce as a whole (Volkoff *et al.*, 2000). Indeed, even when one is young, one can already be too old to do certain tasks, particularly in sectors where work is broken down into individual operations and the pressure from deadlines is intense.

In some countries in Europe where progress has been made to integrate labour at all ages, firms have adjusted job posts and improved working conditions and practices to reduce strenuousness. But the government has also played an active role by capitalising on good practices and making them more widely known. In the United Kingdom, best practices in the workplace have been widely introduced, and the government has identified over 93 Age Positive Champions, singled out for the way they have tackled age management⁵⁹ (OECD, 2004c).

In France, the government is set upon encouraging an age-diversity strategy. Those firms that have acted effectively to manage human resources and a mixed-age workforce have done so as part of their individual policy. However, they have contributed greatly to showing other firms that haven't yet risen to the challenge that it is possible to start up a process of change. Firms embarking on such a path generally do so by first sharing diagnoses of the situation and engaging in broad consultation by involving all the players concerned, particularly through company agreements.

59. See the www.agepositive.gov.uk site.

GLOSSARY

ACA	Allocation aux chômeurs âgés (Older Jobseekers' Allowance)
ADE	Aide dégressive à l'employeur (Degressive Employer's Subsidy)
AER	Allocation équivalent retraite (Retirement-Equivalent Benefit)
AFPA	Association nationale pour la formation professionnelle des adultes (Association for Adult Vocational Training)
AGIRC	Association générale des institutions de retraite des cadres (General Association of Pension Institutions for Executives)
ANACT	Association nationale pour l'amélioration des conditions de travail (National Agency for the Improvement of Working Conditions)
ANPE	Agence nationale pour l'emploi (National Employment Agency)
ARAVIS	Agence Rhône-Alpes pour la valorisation de l'innovation sociale et l'amélioration des conditions de travail (Rhône-Alpes Agency for the Enhancement of Social Innovation and the Improvement of Working Conditions)
ARE	Allocation d'aide au retour à l'emploi (Unemployment Insurance Allowance)
ARPE	Allocation de remplacement pour l'emploi (Combined Early Retirement/Hiring Scheme)
ARRCO	Association pour le régime de retraite complémentaire des salariés (Association of Supplementary Pension Schemes for Non-Executive Employees)
ASFNE	Allocation spéciale du FNE (Special Redundancy Early Retirement Allowance)
ASMT	Action scientifique et recherche en santé du travail (Scientific Action and Research on Occupational Health)
ASS	Allocation de solidarité spécifique (Specific Assistance Allowance)
ASSEDIC	Association pour l'emploi dans l'industrie et le commerce (Unemployment Insurance Fund)
BIPE	Bureau des informations et de prévisions économiques (Economic analyses and consulting services provider)
BRN	Bénéfices réels normaux (Actual Income)

CANCAVA	Caisse autonome nationale de compensation de l'assurance vieillesse des artisans (Artisans' Pension Scheme)
CAATA	Cessation anticipée d'activité pour les travailleurs de l'amiante (Early Withdrawal for Workers Exposed to Asbestos)
CASA	Cessation anticipée des salariés de l'automobile (Early Retirement Scheme for Wage-earners in the Automobile Industry)
CATS	Cessation d'activité de certains travailleurs salariés (Early Retirement Scheme for Certain Employees)
CCMSA	Caisse centrale de la mutualité sociale agricole (Basic scheme for farmers and wage-earning farm workers)
CDD	Contrat à durée déterminée (Fixed-term Contract)
CDI	Contrat à durée indéterminée (Permanent Contract)
CEC	Contrat emploi consolidé (Consolidated Employment Contract)
CEE	Centre d'études de l'emploi (Research Centre on Employment)
CEP	Contrats d'études prospectives (Prospective Study Contracts)
CES	Contrat emploi solidarité (Employment-Solidarity Contract)
CET	Compte épargne temps (Time Savings Account)
CFA	Congé de fin d'activité (End of Employment Leave)
CIE	Contrat initiative emploi (Employment Initiative Contract)
CIF	Congé individuel de formation (Individual Study Leave)
CISME	Centre interservices de santé et de médecine du travail en entreprise (Inter Occupational Health and Medicine Group Services Association)
CNAV	Caisse nationale d'assurance vieillesse (National Pension Fund)
CNAVTS	Caisse nationale d'assurance vieillesse des travailleurs salariés (National Pension Fund for Salaried Workers)
CNRACL	Caisse nationale de retraite des agents des collectivités locales (National Pension Fund for Local Government Employees)
COR	Conseil d'orientation des retraites (Pensions Advisory Council)
CREAPT	Centre de recherches et d'études sur l'âge et les populations au travail (Centre for Research and Studies on Age and People at Work)
CREST	Centre de recherche en économie et statistique (Center for Research in Economics and Statistics)
CSG	Contribution sociale généralisée (Flat-rate Levy on All Income)
CSTA	Contribution supplémentaire pour les travailleurs âgés (Supplementary Contribution for Older Wage-earners)
DADS	Déclarations annuelles de données sociales (Annual Labour Data Statements)

DARES	Direction de l’animation, de la recherche, des études et des statistiques (Department for the Promotion of Research, Studies and Statistics)
DGEFP	Délégation générale à l’emploi et à la formation professionnelle (General Delegation for Employment and Vocational Training)
DIF	Droit individuel à la formation (Individual Right to Training)
DMMO	Déclaration des mouvements de main-d’œuvre (Labour Turnover Declarations)
DPAE	Direction de la prévision et de l’analyse économique (Prospective Studies Directorate)
DRE	Dispense de recherche d’emploi (Exemption from Looking for Work)
DREES	Direction de la recherche, des études, de l’évaluation et des statistiques (Research, Analysis, Assessment and Statistical Studies Directorate)
DRT	Direction des relations du travail (Labour Relations Directorate)
EDDF	Engagements de développement de la formation (Training Development Commitments)
EDF-GDF	Électricité de France et Gaz de France (French Electricity Company and French Gas Company)
ESSA	Enquête sur l’emploi des salariés selon l’âge (Employment Survey on Wage-earners by Age)
FACT	Fonds pour l’amélioration des conditions de travail (Fund for the Improvement of Working Conditions)
FCAATA	Fonds de cessation anticipée d’activité des travailleurs de l’amiante (Fund for Early Withdrawal for Asbestos Workers)
FIVA	Fonds d’indemnisation des victimes de l’amiante (Asbestos Victim Compensation Fund)
FNA	Fichier national des ASSEDIC (ASSEDIC National Register)
FNE	Fonds national de l’emploi (National Employment Fund)
FSV	Fonds de solidarité vieillesse (Old-Age Solidarity Fund)
GPEC	Gestion prévisionnelle des emplois et des compétences (Forward-looking Career and Skills Management)
GIP	Groupement d’intérêt public (Public Interest Group)
IGAS	Inspection générale des affaires sociales (General Inspectorate of Social Affairs)
IGF	Inspection générale des finances (General Finance Inspectorate)
ILO	International Labour Organisation
INSEE	Institut national de la statistique et des études économiques (National Institute for Statistics and Economic Studies)

IRCANTEC	Institution de retraite complémentaire des agents non titulaires de l'État et des collectivités publiques (Supplementary Pension Scheme for Non-Established Central and Local Government Employees)
MIRH	Modernisation, innovation et ressources humaines (Modernisation, Innovation and Human Resources)
ORGANIC	Organisation Autonome Nationale de l'Industrie et du Commerce (Basic Scheme for the Self-employed in Trade, Industry and Services)
PAP	Projet d'action personnalisé (Personalised Action Plan)
PARE	Plan d'aide au retour à l'emploi (Return-to-Work Action Plan)
PES	Public Employment Service
PRP	Préretraite progressive (Phased Early Retirement)
RAC	Régime d'assurance chômage (Unemployment Insurance Scheme)
RATP	Régie autonome des transports parisiens (Paris City Transport Authority)
RMI	Revenu minimum d'insertion (Minimum Integration Income)
SAE	Stage d'accès à l'entreprise (Entreprise Induction Programme)
SIFE	Stage d'insertion et de formation à l'emploi (Integration and Employment Training Programme)
SME	Small and Medium-sized Enterprise
SMIC	Salaire minimum interprofessionnel de croissance (Minimum Wage)
SNCF	Société nationale des chemins de fer français (French National Railway Company)
TMS	Troubles musculo-squelettiques (Muscular-skeletal Disorders)
UNEDIC	Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce (National Unemployment Insurance Administration)
VAE	Validation des acquis de l'expérience (Validation of Experience)

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OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(81 2005 06 1 P) ISBN 92-64-00846-2 - No. 53959 2005

Ageing and Employment Policies

France

In the face of rapid population ageing and the trend towards early retirement, there is a need to promote better employment opportunities for older people. Much has been said about the need for reform of old-age pensions and early retirement schemes but this may not be sufficient to raise employment rates for older people significantly or to reduce the future risk of labour shortages. Both governments and firms will need to take active measures to adapt wage-setting practices to ageing workforces, to address the extent to which other welfare schemes act as pathways to early retirement, to tackle age discrimination and to improve the job skills and working conditions of older workers. In addition, older workers will need to change their own attitudes towards working longer and acquiring new skills. Little is known about what countries have been doing or should be doing in these areas.

This report on France is part of a series of around 20 OECD country reports that are intended to fill this gap. Each report contains a survey of the main barriers to employment for older workers, an assessment of the adequacy and effectiveness of existing measures to overcome these barriers and a set of policy recommendations for further action by the public authorities and social partners.

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ISBN 92-64-00846-2
81 2005 06 1 P

