



Ageing and Employment Policies

FRANCE

WORKING BETTER WITH AGE



Ageing and Employment Policies: France 2014

WORKING BETTER WITH AGE

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Foreword

In a context of rapid population ageing, giving older people better work incentives and choices is crucial for promoting economic growth and improving the sustainability of public social expenditures. The OECD Employment, Labour and Social Affairs Committee accordingly decided in 2011 to carry out a new review of policies to encourage greater labour market participation at an older age by fostering employability, job mobility and labour demand. That review builds upon previous work that the OECD has conducted in this area in the *Ageing and Employment Policies* series, as summarised in its major multi-country report, *Live Longer, Work Longer*, published in 2006.

Drawing upon the findings of a comparative policy review of recent reforms, an empirical study of labour market factors and in-depth country case studies, a report, *Working Better with Age*, will be prepared in 2015. It will highlight the main issues and policy recommendations, which will be discussed subsequently by OECD Employment and Labour Ministers at a High Level Policy Forum.

In follow-up to the 2005 report *Ageing and Employment Policy: France*, the purpose here is to point to areas in which changes or new reforms are needed to encourage people to work to an older age.

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Acronyms and abbreviations

| | |
|-------|-----------------------------------------------------------------------------------------------------------------------------------|
| AAH | <i>Allocation aux adultes handicapés</i> (Adult Handicapped Allowance) |
| AER | <i>Allocation équivalent retraite</i> (Pension-Equivalent Benefit) |
| ALMP | Active Labour Market Programme |
| Anact | <i>Agence nationale pour l'amélioration des conditions de travail</i> (National Agency for the Improvement of Working Conditions) |
| APEC | <i>Association pour l'emploi des cadres</i> (Association for Executive Employment) |
| ARE | <i>Allocation d'aide au retour à l'emploi</i> (Unemployment Insurance Allowance) |
| ASS | <i>Allocation de solidarité spécifique</i> (Specific Solidarity Allowance) |
| ATS | <i>Allocation transitoire de solidarité</i> (Interim Solidarity Allowance) |
| CAATA | <i>Cessation anticipée d'activité des travailleurs de l'amiante</i> (Early withdrawal for workers exposed to asbestos) |
| CDD | <i>Contrat à durée déterminée</i> (Fixed-term contract) |
| CDI | <i>Contrat à durée indéterminée</i> (Permanent contract) |
| CIF | <i>Congé individuel de formation</i> (Individual study leave) |
| CNAV | <i>Caisse nationale d'assurance vieillesse</i> (National Pension Fund) |
| COR | <i>Conseil d'orientation des retraites</i> (Pensions Advisory Council) |

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|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CRP | <i>Convention de reclassement personnalisé</i> (Personalised Redeployment Agreement) |
| CSP | <i>Contrat de sécurisation professionnelle</i> (Occupational security contract) |
| CTP | <i>Contrat de transition professionnelle</i> (Occupational transition contract) |
| Dares | <i>Direction de l'animation, de la recherche, des études et des statistiques</i> (Research, Studies and Statistics Directorate of the Ministry of Labour, Employment, Vocational Training and Social Dialogue) |
| DGEFP | <i>Délégation générale à l'emploi et à la formation professionnelle</i> (General Directorate for Employment and Vocational Training) |
| DGT | <i>Direction générale du travail</i> (General Directorate for Labour Affairs) |
| DIF | <i>Droit individuel à la formation</i> (Individual right to training) |
| Directe | <i>Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi</i> (Regional Directorate of Enterprises, Competition, Consumption, Labour and Employment) |
| FPSP | <i>Fonds paritaire de sécurisation des parcours professionnels</i> (Joint Fund for Career Security) |
| GPEC | <i>Gestion prévisionnelle des emplois et des compétences</i> (Forward-looking career and skills management) |
| IGAS | <i>Inspection générale des affaires sociales</i> (Office of the General Inspector for Social Affairs) |
| ILO | International Labour Office |
| INSEE | <i>Institut national de la statistique et des études économiques</i> (National Institute of Statistics and Economic Studies) |
| MISSOC | Mutual Information System on Social Protection of the European Union |
| PES | Public Employment Service |
| PIAAC | Programme for the International Assessment of Adult Competencies (OECD) |

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| RSA | <i>Revenu de solidarité active</i> (Active Solidarity Income) |
| SMIC | <i>Salaire minimum interprofessionnel de croissance</i> (Minimum wage) |
| Unédic | <i>Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce</i> (National Unemployment Insurance Administration) |
| VAE | <i>Validation des acquis de l'expérience</i> (Validation of Acquired Experience) |

Executive summary

The employment rate for older people in France remains low, although it has increased over the last decade. During the crisis, many older workers lost their jobs and found themselves permanently unemployed. Unless the labour demand for older workers increases, there is a risk of greater end-of-career vulnerability. An overall strategy is needed to improve the handling of age issues in businesses in order to encourage employment through to retirement. The following courses of action are recommended.

Strengthen incentives to work longer

- Evaluate the impact of the bonus and the combining of pension and earned income on the target groups, and compare their cost-effectiveness in the different retirement regimes.
- Make gradual retirement more attractive.
- Change the system of age limits applied in the public sector.
- Review unemployment insurance benefits for older workers to avoid that they are considered de facto in early retirement.
- Activate the solidarity and social aid systems for the older unemployed more effectively to avoid their social isolation.

Remove obstacles to the hiring and retention of older workers

- Combat age discrimination.
- Encourage the social partners to pursue wage practices that reward experience.
- Make the termination of an employment contract by mutual agreement less attractive at career end for workers and firms.
- Undertake a rigorous evaluation of the generation contract.

Improve the employability of older workers

- Consider older workers' needs in the reform of vocational training.
- Step up the efforts of the public employment service (*Pôle emploi*) to help older unemployed to return to work.
- Prioritise retraining and access to part-time work without loss of pay for employees who have a personal account for preventing exposure to strenuous work.
- Promote the reintegration of workers who are on sick leave.
- Encourage firms' efforts to sustain employability throughout working life.

Assessment and recommendations

The transition from employment to retirement still takes place too early and poses problems for many older workers in France

Between 2008 and 2011, only 55% of older workers moved directly from employment to retirement in France. The others experienced often-lengthy spells of unemployment at the end of their working life. Consequently, France ranks near the low end among OECD countries in terms of the effective labour force exit age. In 2012, it was estimated at 59.7 years for men and 60.0 years for women, compared with 64.2 years and 63.3 years respectively for the OECD as a whole.

Although it has risen in recent years, the employment rate for older workers in France is among the lowest in the OECD: in 2012, 44.5% of those aged 55-64 were working in France, compared with the European average of 48% and an OECD average of 54%. France has seen progress, however, on two fronts, with respect to women and to “young seniors” (those aged 55-59). First, the employment rate for women aged 55-64 has almost caught up with the employment rate for men in the same age bracket, something that is far from being the case in the OECD area as a whole. Second, the employment rate for “young seniors” has risen more quickly than in the OECD area, reaching 67.1% in 2012, higher than the international averages (European average 63.3%; OECD average 65.8%). By contrast, progress for persons over 60 years has been very limited in France. The employment rate of those aged 60-64, while it nearly doubled in ten years, remains far below the international averages for 2012 (21.7% in France versus 32.2% for the European average and 41.0% for the OECD average). Moreover, beyond 65 years there are very few people still working. Although the employment rate for those aged 65-69 has tripled since the beginning of this century, it was only 6% in 2012, barely half the European average (11%) and less than a third the OECD average (19%).

France compares fairly well internationally, however, under a new indicator, which relates to older persons who are neither in employment nor in retirement: this covers those who are unemployed and those who are inactive and seeking work. The portion of persons neither employed nor

retired among the population aged 55-64 was 4.4% in 2012, far below the European average (8.1%) and the OECD average (7.7%). The reason for this is that the French tend to take early retirement and there is only a small group of older persons not retired who want to work. Three-quarters of these persons are classed as unemployed and only one-quarter are inactive, with roughly a third of them on sickness leave or disabled. By comparison with other countries, the number of disabled older persons is relatively low in France. Consequently, there does not seem to have been much switching among the different provisions for early cessation of work in France, and towards disability status in particular, in contrast to what happened in the 1990s in Norway and the Netherlands.

Reforms implemented over the past decade

The growth in employment for older people over the past decade can be attributed in large part to the policies implemented by the public authorities to strengthen incentives to continue working after the age of 50. The 2003 pension reform extended the duration of contributions necessary to qualify for a full pension (from 40 years to 41 years and three-quarters), effective as of 2009 until 2020, and the 2010 reform pushed back, between 2011 and 2017, the qualifying age for pension entitlement (from 60 to 62 years) and automatic access to the full rate (from 65 to 67 years). The provision that exempts older unemployed persons from looking for work as well as the public funding of early retirement have been largely abandoned. The taxation of private early retirement benefits has been increased and the mandatory retirement age in the private sector has been postponed to 70 years. Consequently it is the employers who must now, much more than previously, bear the cost of early retirement and they often prefer to keep their older workers on the job. This field of action has been favoured in the “older-worker agreements and plans” (*accords et plans seniors*) which firms with 50 workers or more have since mid-2009 been required to establish, or pay a penalty of 1% of their payroll. On the other hand, these agreements and plans have made little provision to hire older workers into businesses, to improve working conditions or to prevent situations of strenuous work.

When the world financial crisis struck, many older workers in France as in the OECD area lost their jobs and found themselves in long-term unemployment. Moreover, in France since the end of 2008 older persons have been overrepresented among workers who have voluntarily left their firms following a *rupture conventionnelle*, i.e. a negotiated termination of their work contract, and who are drawing unemployment insurance benefits. The unemployment rate for those aged 55-64 has risen in France by 2 percentage points since 2007, and stood at 7.1% of the labour force in 2012. Even if this is lower than the total unemployment rate (9.9%), it is marked by a greater frequency of unemployment exceeding one year

(61% and 40% respectively). Thus, if there is no increase in the labour demand for older workers, they will be at risk of greater insecurity at the end of their career, prior to retirement.

An overall strategy is needed

In the current context of crisis, it is particularly urgent to encourage the employment of older jobseekers. There is also a need to ensure that firms manage different age groups effectively in order to promote employment until retirement. There are three aspects that should be stressed within a strategy for acting simultaneously on supply and demand: i) strengthen incentives to work longer; ii) remove obstacles to the hiring and retention of older workers; and iii) improve the employability of older workers.

Strengthening incentives to work longer

Improve the transition to retirement

Apart from its fragmentation into some 30 separate regimes, one of the difficulties in reforming the French pension system is that the two parameters – the age of retirement and the duration of insurance cover – are linked. In order to improve the transition to retirement, they must be optimised in order to allow more individuals to work long enough to earn a full pension. Not surprisingly, it is the more highly skilled workers who are most successful at this, and the less-skilled are heavily exposed to long-term unemployment before they reach retirement age. While there are many “solidarity” aspects in the pension system that can offset some career hazards by counting accumulated periods of unemployment and sick leave, the system’s fragmentation into different regimes is poorly adapted to workers’ job mobility.

Pension reforms were front and centre in policy debates in 2013 in France. In February, the Prime Minister established a Commission “on the future of pensions”, chaired by Yannick Moreau, which submitted its conclusions in June. Following a summer of consultations with the social partners, the Council of Ministers approved a draft bill in mid-September to “guarantee the future and the fairness of the pension system”. On 26 November the National Assembly completed its review of that bill. The text must be re-examined by the Senate, and it should then be definitively adopted by the National Assembly in early December.

In its recent report, *France: Restoring Competitiveness*, the OECD has expressed some reservations about the scope of the changes that will result from the 2013 pension reform. It does however welcome the extension to 43 years of the time required to achieve full pension entitlement as of 2035, and the personal account for preventing exposure to strenuous work.

The implementation of this account must however be well prepared if it is to be effective (see below). There are three other measures that have great long-term potential as well: i) making it easier to obtain a quarterly retirement contribution, which would be of benefit to persons in non-standard jobs, particularly women and young people; ii) allowing certain amounts of time spent in apprenticeship, internship and vocational training to count towards retirement; and iii) establishing a single pension calculation for multiple-pension recipients, who in fact represent more than three-quarters of the workforce in France.

More generally, pension regimes rely on people who work for a longer time but who also start drawing their pensions later. Yet care must be taken so that the more attractive provisions for continuing to work do not in the end prove cost-ineffective. Three provisions coexist for those who are physically capable of continuing to work: the bonus, combining of pension and earned income and gradual retirement.

The *surcote* or “bonus”, which rewards persons pursuing uninterrupted full-time or part-time work after reaching legal retirement age and full pension entitlement, is particularly attractive and now applies to growing numbers of workers of the public sector. The authorities need to ask whether the bonus is overvalued in the integrated regimes where the increase is calculated on the basis of the total pension, whereas in the general regime for private-sector workers it is calculated at best from three-quarters of the total pension. Thought should perhaps be given to introducing a bonus in the complementary regimes for private-sector employees.

The *cumul emploi-retraite*, under which a person can continue to work while receiving a pension, represents the situation where a person has definitively taken his pension, has broken his employment links with his employer, but wishes to remain in a certain activity or to take up another one. This arrangement offers flexibility in end-of-career planning for those who are still working when they start drawing their pensions. Since the easing of the conditions for combining of pension and earned income, the habit of working during retirement has become more widespread, often by choice among more highly skilled and higher ranking employees. The 2013 pension reform would simplify working during retirement so that it will in no case create new pension entitlements. These new provisions make this possibility of extending working life less attractive, particularly for retirees who must find new work in order to increase their eventual pension.

The *retraite progressive* or “gradual retirement” allows for continued work, but only part-time, and access to the bonus, with a first portion of the pension paid at end-of-career and a second portion at some optional point in time. This arrangement, which can improve the worker's future pension

rights, has not taken off for 30 years, mainly because there is little value attached to part-time work in France. The 2013 Employment Security Act introduced a minimum weekly working time of 24 hours as of 1 January 2014. This change represents the shift from a logic where part-time work is used as a variable for adjusting the organisation of work to one in which the organisation of work must be adapted in order to favour voluntary part-time employment.

It is not clear however that this change will encourage part-time end-of-career employment. It would seem more promising to take other steps. First, there is a need to make the possibility of gradual retirement better known among the French public: according to the Eurobarometer survey of 2012, two-thirds of French citizens find that working part-time while receiving a partial pension is more attractive than taking full retirement. Next, the 2013 reform, which is intended to facilitate access to gradual retirement by bringing it forward by two years before the age of entitlement, should also make it more attractive, as the Moreau Commission predicted. In order not to see their pensions reduced, part-time workers can in fact ask to contribute on the basis of full-time pay. The employer must be in agreement, because there will be an increase in both the employees' and the employers' contributions. One of the reasons why there is little demand on the part of workers is clearly that company agreements making provision for part-time systems at end of career rarely offer any financial compensation.

Lastly, since 2009, the mandatory retirement age has been postponed to 70 years for private-sector workers. On the other hand, for public-sector workers, there is still a full-pension age limit (67 years in 2017), even if there are some exceptions. It might be wise to align the age limit for public-sector workers with that for private-sector workers.

Better activate older unemployed people

One effect of the suspension of public funding for early retirement in France as well as the end of the exemption for the older unemployed from the obligation to look for a job has been to boost the number of older persons registered as unemployed. However, it must be noted that this period of unemployment is still too often regarded by workers, employers and society as a kind of disguised early retirement. This is particularly the case for those who join the ranks of the unemployed after the age of 58, since the unemployment insurance benefit is maintained until the person is eligible for a full pension. For this reason many older workers quit their jobs by agreement with their employer at that age, through a negotiated contract termination (*Rupture conventionnelle*). According to the analysis in the *OECD Employment Outlook 2013*, this form of negotiated termination of an open-ended contract (*Contrat à durée indéterminée* – CDI), instituted in

2008, serves to make departures smoother but has only marginally affected the flexibility of the CDI without making it much more attractive for employers.

In France, unemployment insurance is based on the rule that the recipient must actively look for a job, but for older workers the maximum time during which benefits may be claimed is the longest among OECD countries (apart from Belgium, where there is no limit). The maximum duration is three years for persons over 50 (as opposed to two years for those under 50), and it rises to seven years after age 58: in effect, unemployed persons who are 61 years of age can continue to draw benefits until they reach full pension age. It is the best-paid older workers who benefit the most from this provision, because the generous monthly unemployment allowance (up to EUR 6 000 for salaries of EUR 12 000) can be maintained for seven years. While it is true that 99% of unemployed beneficiaries receive less than EUR 3 900 a month in France, the potential monthly allowance is much higher than in other OECD countries. For example, the maximum is EUR 1 500 in Belgium, Spain, Italy and Portugal, and EUR 2 500 in Germany and Denmark.

Such a long period of benefits for the older unemployed is rare among OECD countries, and all the more so because it starts early (50 years) and allowances are high. The OECD recommends that the social partners, who are to open negotiations in 2014 on the next unemployment insurance agreement, should rethink the length of the benefits period for the older unemployed. The idea would be to align compensation for older workers with that for those under 50 years, and to better activate unemployment insurance spending for older jobseekers. The spending thus freed up could be better geared to help the older unemployed find a job. In particular, this would involve strengthening provisions to help seniors go back to work, such as the differential redeployment benefit (*Aide différentielle au reclassement*). This benefit is targeted at unemployed persons over 50 years and at the long-term unemployed, and is designed to encourage them to accept a new job even if it is less well-paid than the one they have lost or left – but it is very little used. Only 7 500 persons were receiving the benefit in 2012, and three-quarters of them were over 50 years of age.

Lastly, the “solidarity” allowances and social aid can be extended every six months until retirement in France. They should be better activated, particularly for the lowest-income groups nearing retirement. In Denmark, for example, the right of workers over 55 years to claim longer unemployment benefits was abolished in 2011 for persons born in 1953 and after, and was replaced by a right to a subsidised job. In Norway, unemployed persons aged 64-67 whose benefits are expiring have since 2011 being guaranteed a place in an active programme.

The following courses of action are recommended:

- *Evaluate the impact of the bonus and the combining of pension and earned income on the target groups, and compare their cost-effectiveness in the different retirement regimes.* In particular, consider whether the bonus is overvalued in the integrated regimes and whether a bonus should be introduced in the complementary regimes for private employees. An analysis could also be done with respect to pensioners who work out of necessity.
- *Make gradual retirement more attractive.* The French public needs to be made more familiar with this arrangement. To make it more attractive, the authorities should promote part-time employment at end of career with a retirement surcharge added to the contributions of employees and employers. Fixing the minimum workweek at 24 hours as of 1 January 2014, as established by the Employment Security Act of 2013, should be accompanied by measures that go in this direction as of age 60.
- *Change the system of age limits applied in the public sector.* The mandatory age of retirement in the public sector could be aligned with that for private employees (70 years).
- *Review unemployment insurance benefits for older workers to avoid that they are considered de facto in early retirement.* This could involve the following steps: make a commitment to phase out gradually the specific unemployment insurance benefit for persons 50 years and over and maintenance of the benefit after 61 years; as a minimum, in 2014, raise the age of eligibility for a longer benefit period (for example to 62 years); and in any case, reinforce provisions to help older persons return to work.
- *Activate the solidarity and social aid systems for older unemployed persons more effectively to avoid their social isolation.* Many older recipients of the social minima tend to suffer from long-term unemployment and exclusion. The benefits received are not part of any effective provisions for returning to work. As in other OECD countries, eligibility should be targeted at the poorest elderly unemployed. One route would be to introduce the right to a subsidised job or to an active programme for jobseekers nearing retirement, as in Denmark and Norway.

Removing obstacles to the hiring and retention of older workers

On the labour demand side, it is difficult to identify appropriate measures, as the obstacles relate in large part to negative perceptions based on the idea that end-of-career salaries will be higher than productivity. The conclusions of studies on older workers are rather mitigated on this point, although they do highlight the positive impact of older workers' experience for maintaining productivity at work. It must be noted, however, that these studies cover only older persons who are still working, and their productivity is bound to be higher, overall, than that of older persons who are excluded from the labour market. The action levers on the demand side would involve measures to counter age discriminatory behaviour, to promote wage practices that reward workers' experience, to evaluate the impact of negotiated termination on older people's return to work, and to perform a rigorous evaluation of the generation contract.

First, the perception of age discrimination in the workplace seems to have grown in France over the last decade. Whereas between 2000 and 2010, an average of 4-5% of European workers 50 years and older complained of age discrimination, the figure for France stood at 7% in 2010, double the level in 2000. The government has the power to combat any type of discrimination, including age discrimination, by raising its cost, and more generally by detecting it and punishing it more severely. When it comes to hiring older people, one way of detecting discrimination could be to make regular use of the "dummy candidates" method. Other levers could encourage firms to limit age discrimination: these include case law, legal action by labour unions, good practices in other countries, and awareness-raising among key players.

It would also be useful to work more effectively to address some of the obstacles to the employment of older workers, such as problems relating to the "image" of seniors, who are sometimes regarded, wrongly, as less likely to adapt to a job. Rather than relying on the anonymous CV, one good practice for unskilled older workers is the "simulation" recruitment method developed by *Pôle emploi*. Candidates are selected through aptitude tests without regard to their age or to previously held jobs.

Second, the wages paid to older full-time workers in comparison to those for younger workers in any given year have since 2002 in France been slightly higher than the international average. The ratio of wages in the 55-59 age group compared to wages for the 25-29 age group is 1.5, compared to a European average of 1.4 and an OECD average of 1.3. Does this mean that the wage profile by age is steeper for all older workers in France? Answering this question involves tracking the profile of a cohort of workers (full-time and part-time) in order to eliminate the composition

effect related to the fact that the less-skilled workers leave the workplace sooner. It appears, then, that wages stagnate for more than half of salaried workers between 50 years and the end of their career, except for those who remain at work full-time until retirement. Managerial staff are less likely than other categories of workers to see a relative decline in their end-of-career pay, primarily because they resort less to part-time work. Lastly, in the public sector, more workers see pay progression, however weak it may be, at the end of their career.

Wage policy in the French private sector is determined primarily by the social partners. The levers for action available to the government in terms of fixing wage are therefore limited: they relate basically to the official minimum wage (*Salaires minimum interprofessionnel de croissance* – SMIC) and incentives for the social partners to negotiate. Moreover, wage negotiation in the public sector is highly centralised. The authorities could encourage the social partners in the private and public sectors to adopt wage practices that reward experience, which is a factor in maintaining the productivity of older workers. On the other hand, there is a need to rethink the automatic nature of seniority premiums and the consideration of seniority and age in salary schedules.

Third, in many OECD countries the loss of employment following a layoff is more traumatic for older workers than for their younger colleagues. They are, in fact, more likely than others to see their labour market situation deteriorate as a result. In France, the redundancy rate (economic and personal) of workers aged 55-64 was 1.8 times higher than that for workers aged 35-44 between 2000 and 2008, and it was 1.4 times higher during the crisis: these ratios are among the highest of the 14 countries for which data are available. Older workers are less likely to hold a job one year after their position was eliminated than are younger workers in France, as well as in Germany, Korea and Portugal, where re-employment rates for older workers are less than half the rate for workers aged 35-44. This report also contains a more detailed analysis of the impact of each type of labour contract termination for France between 2004 and 2011. Econometric estimates have been done to analyse the effect that the individual and occupational characteristics of workers whose contract has been terminated may have on their likelihood of finding a new job after a layoff, a resignation, or the expiry of a temporary contract. Once other factors are controlled for, the “penalty” for older workers is steeper in the case of economic layoffs than for other forms of termination. It is also interesting to note that “pre-seniors” (45-54 years) are also much less likely to find a new job after termination than is the reference population (35-44 years). The negotiated termination could be included in this analysis only partially, as it came into full effect only in 2009. It would be well to pursue such research in order to assess the impact of negotiated termination on the return to work for older persons.

Finally, the French Government intends to make the generation contract a lever for changing age management practices in businesses of all sizes. The message is promising, for it recognises that younger and older workers are complementary rather than substitutable in businesses. This stands in contrast to the early retirement culture introduced in the 1980s, when older workers were asked to yield their place to younger ones.

It is also important to analyse the impact of this far-reaching intergenerational device, which is not to be found in this form in any other OECD country. Firms with more than 300 employees are required to negotiate an agreement or an action plan addressing specific generational issues, or pay a financial penalty. Firms with fewer than 300 employees are eligible for a subsidy of EUR 4 000 a year, for three years, for hiring persons under 26 years on open-ended contract while retaining workers who are 57 years and older (or hiring them at or after age 55). Although the subsidy is not specifically targeted at the less skilled, it is relatively more significant at low wages because it involves a lump-sum payment. In other countries, measures to encourage intergenerational partnerships have taken the form of various distinct subsidies to promote the employment of certain categories of younger and older workers, or work-sharing arrangements between generations. For example, the “intergenerational solidarity pact” launched in Belgium in 2005 has introduced measures to facilitate the hiring of unskilled youth together with measures intended to promote employment for persons age 50 and over. On the other hand, Italy in 2007 encouraged the conversion of full-time contracts for workers over 55 years into part-time contracts, together with creation of part-time jobs for unemployed persons under 25 years (or under 30 years if they have a university degree).

A rigorous evaluation is planned in France, as soon as the generation contract is in place. Two questions arise in advance: is it efficient to target the generation contract at all older workers, regardless of their qualifications, and is it not the hiring of older workers that should be encouraged above all? In effect, rather than the difficulties of keeping a job, it is the virtual absence of job mobility and re-employment that are the weak points of the labour market for unskilled older workers in France.

The main intervention levers in firms have to do with the following fields:

- *Combating age discrimination.* It would be useful to combat the negative perceptions of older workers in the French workplace. Age discrimination in hiring should be subject to greater control and penalisation by the authorities and the unions. The generation contract could be the occasion for identifying and remedying such discrimination. The “simulation” hiring method developed by *Pôle emploi* should be targeted at older workers who have experience but no diplomas.

- *Encourage the social partners to pursue wage practices that reward experience.* Wage policies, even in the public sector, should reconsider the establishment of the seniority premium and the recognition of seniority and age in salary schedules, in order better to appreciate the role of experience in maintaining older workers' productivity.
- *Make the termination of an employment contract by mutual agreement less attractive at career end for workers and firms.* Amendments should be decided on the basis of a rigorous evaluation of the impact of negotiated termination on the re-employment of older workers. This form of termination seems particularly attractive for better-paid older workers and their employers, but it rarely involves a return to employment after 58 years.
- *Undertake a rigorous evaluation of the generation contract.* This evaluation would serve to identify the strengths and weaknesses of this new contract. The impact of providing further subsidies for the hiring of unskilled older workers (55 years and over) needs to be determined as a priority.

Improving the employability of older workers

In order better to plan for the ageing of the workforce, steps are needed first to reinforce access to vocational training. Next, to encourage a return to the labour market for those who have left the work force and are still capable of working will require the more determined and innovative use of active labour market programmes (ALMPs) for older persons. Lastly, workplace and health conditions must be improved so as to prevent “dropping out” and to avoid workplace stress.

First, the shortcomings of vocational training in France play a great role in making older workers less employable. One major problem seems to be the mismatch that exists between vocational training and the needs of workers and businesses. Vocational training needs to be made more attractive in the eyes of older workers, and firms need to be persuaded to train older workers, particularly the less qualified ones. Age, in effect, merely accentuates a relationship to vocational training that is essentially linked to the level of qualification. The challenge is one of scale. The impact of vocational training is recognised as very low for the less skilled in terms of boosting their qualifications during their working life.

The still-recent results of the new OECD International Survey of Adult Skills (PIAAC) show that France, in particular, has made much progress in terms of boosting the skills of the younger generations, but it is starting from a low level in the case of the older age groups. These intergenerational

differences are fairly sharp in comparison with other countries, and the poor performance of France is due in large part to the results for persons aged 45-65, while those aged 16-44 earn scores closer to (but still below) the average. The survey results will need to be analysed further to appreciate the share of older workers leaving the education system with a low level of competencies and the share of those whose skills have deteriorated over the course of their working life.

To mobilise the reform of vocational training now underway in favour of older persons is a first step. Labour-management negotiations should develop new arrangements that also have the objective of making older workers more employable, especially those without qualifications. In particular, implementation of the “personal training account” should be extended to older and experienced workers. Vocational counselling should allow workers over 50 to prepare better for the breaks in their professional career, and should provide them with coaching if they wish to “recycle” themselves in a new occupation. The protected voluntary mobility period (*Période de mobilité volontaire sécurisée*) targeted at permanent employees of large firms could offer an appropriate response to older workers’ demands for vocational mobility. Public funding should also be increased for older persons in the workforce, whether they are employed or not.

Second, when it comes to employment services, France, like most OECD countries, has adopted a standard strategy for jobseekers that applies to all regardless of age. A selection of target groups for coaching by *Pôle emploi* is based not on age but on distance to employment. This is a positive approach, for jobseekers over 55 years are far from constituting a homogeneous group. As well, access to employment measures is not theoretically dependent on age (apart from measures targeted at young people).

Many OECD countries, and in particular Germany, Australia and Canada, also target specific provisions at the most vulnerable groups among the older unemployed. These provisions are innovative, particularly in that they are implemented at the local level. In France, for persons aged 50 years and over who receive benefits under the Active Solidarity Income (*Revenu de solidarité active* – RSA), the Specific Solidarity Allowance (*Allocation de solidarité spécifique* – ASS) or the Adult Handicapped Allowance (AAH) or who are recognised as having a disability, the maximum duration of 24 months can be extended, for at most a year at a time, to 60 months.

Public employment services (PES) in Europe have recognised that personalised action plans combined with collective activities such as seniors’ workshops and seniors’ job clubs are part of good practices for the older unemployed. These good practices for the older unemployed are starting to be implemented in the agencies of *Pôle emploi*. It must be noted,

however, that older workers in France generally participate in subsidised jobs in the non-market sector, which are the least promising for work re-entry, and they are virtually absent from subsidised jobs in the market sector. Public and private employment services should, then, be encouraged to improve access for the older unemployed to job subsidies and to vocational training in the private sector.

Furthermore, up-front counselling in job seeking is assessed as an effective way to help older persons return to work in two cantons of Switzerland. Indeed, there are some valuable lessons to be drawn from this assessment. First, the advisers and the beneficiaries are both, on average, overly optimistic about the chances of a prompt return to work, although this may perhaps reflect the fact that unemployment is low in Switzerland. Consequently, the counsellors have trouble with initial profiling, particularly for the group at greatest risk of long-term unemployment, and the beneficiaries themselves are not very realistic in their salary expectations. Lastly, more intensive coaching and counselling tends to boost the effectiveness of the job search only for “pre-seniors” in the 45-54 age group. This is the case in Germany as well, under the *Perspektive 50plus* programme: it is primarily the younger seniors who benefit from such programmes.

There is a need, then, to sensitise *Pôle emploi* counsellors to the practical difficulties facing older jobseekers. While that already seems to be the case in placement agencies for executives, providing better coaching to older persons should also be a priority for counsellors in the general agencies of *Pôle emploi*. The challenge is primarily one of scale in France, for according to the latest results presented in this report, “enhanced coaching” is far from overcoming the obstacles to reintegration for the older unemployed *vis-à-vis* their younger colleagues. This is the case with the enhanced coaching proposed following an economic layoff, or long or recurrent spells of unemployment. Not only do older persons seldom find a job, but when they do so most of them are obliged to accept more substantial pay cuts than those of unemployed persons under 50 years. While the assessment in no way pre-judges the comparative effectiveness of this enhanced coaching *vis-à-vis* the conventional counselling of *Pôle emploi*, for older workers as well as for younger ones, it appears nevertheless that the enhanced coaching offered is not enough for older persons to overcome the obstacles to their re-employment (only one in four has landed a job at the end of one year), and more innovative forms of coaching must still be developed for these specific target groups.

Third, in the area of occupational health, the rate of health-related absenteeism is greater among older workers in France. Moreover, while they tend to suffer fewer workplace accidents, older workers are more likely than other age groups to fall victim to long-term occupational illnesses. France

could do more, then, to monitor workers so as to avoid repeated absences from work and, in the end, to prevent them from dropping out of the labour market or being dismissed as unfit. Nordic countries tend to encourage reintegration for persons who are on sick leave. In Norway, in particular, anticipating and reducing sickness-related absenteeism more effectively is one of the three goals of the “Inclusive Workplace Agreement” which was introduced in 2001 and by 2012 covered nearly 60% of workers.

It is important that the main stakeholders should adopt an overall strategy for improving workplace conditions throughout working life, in particular for workers who perform physically strenuous jobs. In Europe, too many policies relating to strenuous work by older persons are still confined to making provision for early retirement or disability benefits. It would be better to reduce exposure to strenuous work, to adapt and modify working conditions, and also to facilitate career mobility so that people can move out of strenuous lines of work.

In France, following the collapse of labour-management negotiations on strenuous work (which took place during 2005-08, pursuant to the Retirement Act of 2003), the Moreau Commission proposed a new way of addressing strenuous work situations in order to improve employment opportunities for older workers by taking action on working conditions and also by allowing the employees concerned to move on to less exposed jobs. As a headline measure of the 2013 pension reform, the personal account for preventing strenuous work exposure is to come into force in January 2015 for private sector workers. Depending on the number of points accumulated in this account, a worker can “convert” to a new occupation, take on a part-time job without loss in pay, and/or take earlier retirement. The first 20 points accumulated under a ceiling of 100 must by law be allocated to vocational training, and the balance of points can then be applied toward early retirement as of the age of 55. There will be transitional provisions for workers nearing retirement at the time the account is introduced, but those provisions do not apply to subsequent generations. The points acquired will be doubled for those aged 59 and a half year in January 2015, and the condition governing their use for training purposes will apply only after age 52.

Implementation of this account is proving to be a complex affair, and the government has set up a commission to prepare its launch. For the OECD, it is essential that older workers should be clearly differentiated from younger ones. In fact, there should be an effort to ensure that early retirement is the preferred option for those who are close to retirement in 2015, and that it does not become the norm for younger workers. Due attention must also be paid to the efforts to improve working conditions and prevent strenuous work made by the firms that will have to finance this new right, which could apply to one worker in four within 20 years.

Lastly, there is much to be learned from good practices pursued in other OECD countries, in partnership with public and private stakeholders, with a view to ensuring the employability of workers throughout their career. A good example is the “network initiative” that the Netherlands employment administration has developed with volunteer pioneer firms to promote sustainable employability for their workers. The National Agency for the Improvement of Working Conditions (Anact) and its regional network, which are key players in helping businesses cope with age management, could draw inspiration from this good practice.

The principal levers of action relate to the following fields:

- *Consider older workers’ needs in the reform of vocational training.* It will be essential for the intersectoral negotiations to develop the new provisions for promoting the employment and job mobility of older workers, with a special focus on unskilled workers. In particular, the protected voluntary mobility period should be offered to older workers in response to their demand for job mobility.
- *Step up the efforts of Pôle emploi to help the older unemployed to return to work.* The goal should be to give older jobseekers more frequent access to more effective measures such as intensive assistance in job seeking and a subsidised job in the market sector of the economy. *Pôle emploi* counsellors should be better equipped to address the real problems encountered by older jobseekers and to establish, early on, a solid profiling of their chances of finding a job quickly.
- *Prioritise retraining and access to part-time work without loss of pay for employees who have a personal account for preventing strenuous work.* The option of early retirement should be recommended only for workers nearing retirement age, during the first years of implementation of this account.
- *Promote the reintegration of workers who are on sick leave.* To avoid repeated absence from work and, in the end, to prevent workers from dropping out of the labour market, or from being dismissed as unfit, France should adopt the practices of Nordic countries, and of Norway in particular, in order to anticipate and reduce absenteeism due to sickness and to promote a rapid return to work.
- *Encourage firms’ efforts to promote employability throughout working life.* The initiative undertaken in the Netherlands with volunteer “pioneer” enterprises for promoting their workers’ sustainable employability could provide useful lessons for the experiments being pursued in France, and by Anact in particular.

Chapter 1

The “live longer, work longer” challenge for France

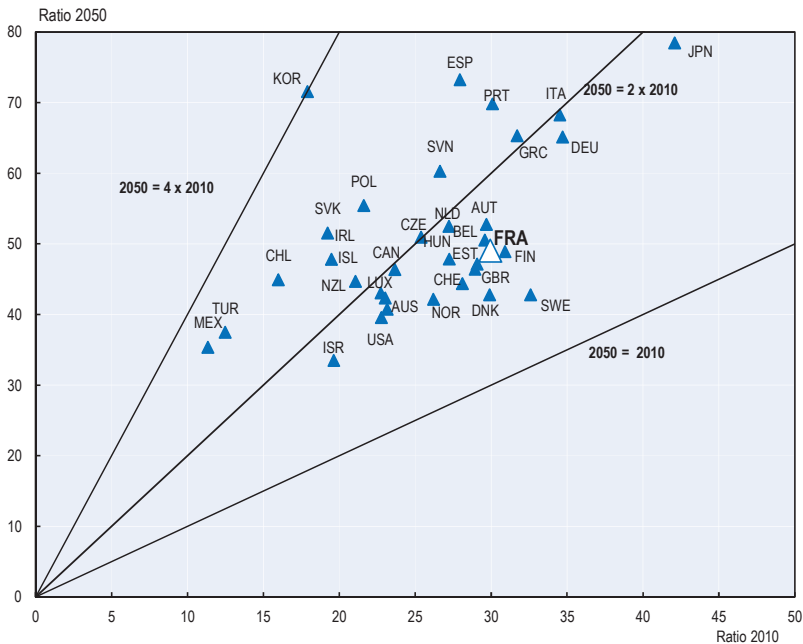
The French population is ageing steadily, even though fertility is higher than the average for most OECD countries. This chapter describes the magnitude of the demographic challenge. It then goes on to discuss the reforms pursued over the past decade to promote the employment of older workers and it offers a summary assessment of the extent to which France has followed the OECD recommendations from the 2005 report, Ageing and Employment Policies: France.

The magnitude of the demographic challenge


Populations are ageing across the OECD area. The French population, too, is ageing but it is still growing, in contrast to Japan or Germany, for example, where the population is beginning to shrink. As a result, although the average number of children born per woman in France is among the highest in OECD countries (at more than two since 2008), the demographic challenge is real indeed. As the baby boomers head into retirement and as life expectancy continues to increase, the demographic balance between persons 65 years and over and those aged 20-64 years is bound to worsen sharply by the year 2050. In France, this ratio could rise from 29% to 49% between 2010 and 2050 (Figure 1.1). The increase will be particularly pronounced in the countries of southern Europe, in Germany, in Japan, and in Korea.

Figure 1.1. **Demographic dependency ratios, OECD countries, 2010 and 2050**

Population 65 years or more as a percentage of the population aged 20-64

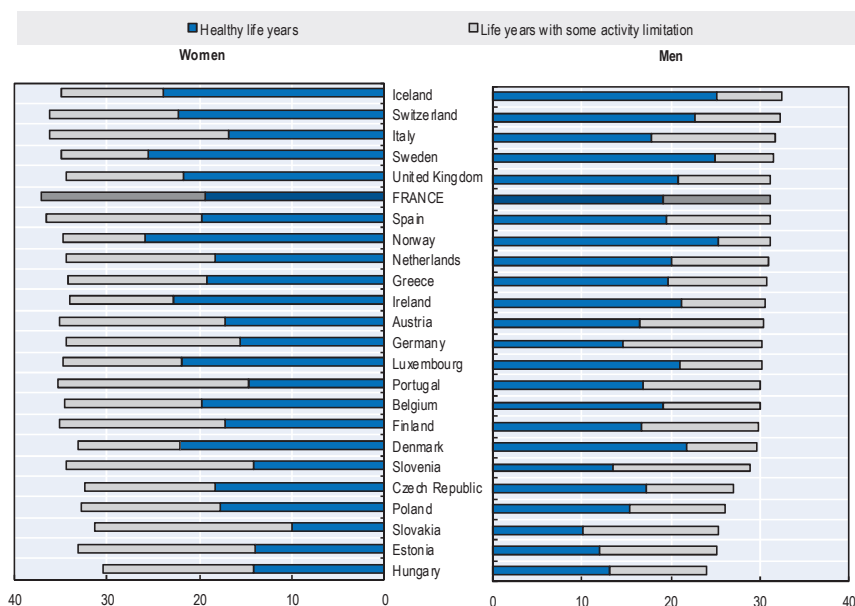


Source: United Nations (2012), *World Population Prospects, The 2012 Revision*, United Nations, New York.


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There has been remarkable progress in extending life expectancy, and years of life spent in good health in particular. In France, while women’s life expectancy is significantly higher than that for men (37 and 31 years, respectively, at age 50), the difference in terms of healthy-life years is negligible (Figure 1.2): it is estimated at close to 19 years at age 50 for both genders. Only two countries (Sweden and Norway) have a higher active life expectancy for the two genders, at around 25 years at age 50.

Figure 1.2. Active life expectancy at the age of 50, by gender, European countries, 2011



Source: Eurostat Health Database.

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What impact, then, are these demographic changes having on pension systems and the labour market? This impact is of concern for France, for the French tend to retire early. In fact, France ranks near the low end of OECD countries for the effective labour force exit age. In 2012, it was estimated at 59.7 years for men and 60.0 years for women, far below the OECD averages of 64.2 years and 63.3 years, respectively. Consequently, taking as an indicator the length of retirement – the remaining years of life at effective age of retirement – the French spend more years in retirement than do people in any other OECD country: 27.4 years for women and 22.6 years for men, compared with averages of 22.5 and 18.0 years, respectively, in the OECD area (OECD, 2013).

Beyond these average figures for men and women, estimates of length of retirement must also take into account mortality differences among persons according to their occupation. Thus, among retired men born in 1942 and living in France, former executives can expect to draw pensions for 2.8 years longer than those who were blue-collar workers (Andrieux and Chantel, 2013). Executives take their retirement a little later, on average, than blue-collar workers (at 60.9 years versus 60.4 years), but the life expectancy gap between the two categories (3.3 years) is clearly greater. Consequently, executives can expect to spend 22.7 years in retirement, and blue-collar workers 19.9 years. Similarly, there are differences in length of retirement depending on the sector of activity and the type of career: public sector retirees tend to have a longer retirement, while persons who started work at an early age have a shorter longevity than others in the same social category.

Recent reforms in the employment area to cope with ageing

The employment of older persons is a major concern, both economic and social, in France today, at a time when pension financing is a focus of attention, and population ageing underlines the issues of employability and working conditions for older workers.

A large-scale review of ageing and employment policies in a number of OECD countries was undertaken between 2003 and 2005, and was distilled in a report entitled *Live Longer, Work Longer* (OECD, 2006). That report highlighted a series of reforms that were needed to encourage people to work to an older age. Those reforms involve the following three broad areas:

- strengthen incentives to continue working
- remove obstacles to continuing employment and recruitment after the age of 50
- improve the employability of older workers.

France was one of the 21 countries¹ that took part in the 2003-05 review. The report, *Ageing and Employment Policies: France*, contained specific recommendations to France (OECD, 2005). A summary assessment of actions taken since 2005 indicates that France has focused its efforts primarily on the first area (Table 1.1).

Table 1.1. Ageing and employment policies, France, situation at mid-2012

| OECD's recommendations to France in 2005 | Actions taken |
|------------------------------------------------------------------------------------------------|---------------|
| A. Strengthen financial incentives to carry on working | |
| Continue to reduce the possibilities for early retirement | + |
| Reform the exemption from looking for work | ++ |
| Adjust the retirement age according to demographic trends | + |
| Make gradual retirement attractive and more accessible | + |
| Promote possibilities for benefiting from the bonus | + |
| B. Remove obstacles to continuing employment and recruitment after the age of 50 | |
| Review pay scales based on age or length of service | / |
| Diffuse more widely best practices adopted by enterprises | + |
| Implement good practices with regard to older public sector workers | / |
| Abolish the Delalande contribution or make it a genuine bonus/malus system | ++ |
| C. Strengthen the employability of older workers | |
| Emphasise professional training for all workers | + |
| Establish quantitative monitoring of training objectives for workers aged over 45 | + |
| Step up PES initiatives to help jobseekers over 50 back into work | / |
| Improve working conditions for all | + |
| Support financially the switch to part time work, though only for older workers on low incomes | + |

/: No (relevant) action taken; +: Some action taken, but more could be done; ++: Substantial action taken.

Source: Answers to the 2001 OECD questionnaire. For further information, see www.oecd.org/els/employment/olderworkers.

On the other hand, much remains to be done in the second and third areas, i.e. promoting labour demand and improving employability. This is particularly the case when it comes to reviewing wage practices based on age and length of service and stepping up PES initiatives to help jobseekers over 50 back into work. The aim of this report is to go further by determining the implementation status of measures for older workers² and identifying priority actions that should be initiated or pursued in all three areas.

Notes

1. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Norway, Netherlands, Spain, Sweden, Switzerland, United Kingdom and United States: see www.oecd.org/els/employment/olderworkers.
2. In this review, “older workers” refers to individuals aged 55-64, except where otherwise indicated.

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Chapter 2

The labour market situation for older workers in France

The labour market situation for older workers in France has improved significantly over the past decade. However, there has been an increase in unemployment among older workers, due largely to the crisis but also to elimination of the provision that exempted the older unemployed from looking for work. This chapter uses international comparisons to identify the strengths and weaknesses of the employment situation for older people in France. It offers a scoreboard with some 20 comparative indicators for older workers during the past decade.

How France compares internationally

Comparative labour market status after 50 years

By comparison with the other five countries for which the OECD conducted an in-depth study, France stands out (although less than does Poland) for the rate at which workers leave the labour market before age 60 (Figure 2.1). On the other hand in France, as in the other countries examined, full-time work dominates the scene both for men and for women (although this is less true for women in the Netherlands and Switzerland). Lastly, the proportion of inactive persons willing to work is particularly low in France, compared to the other five countries.

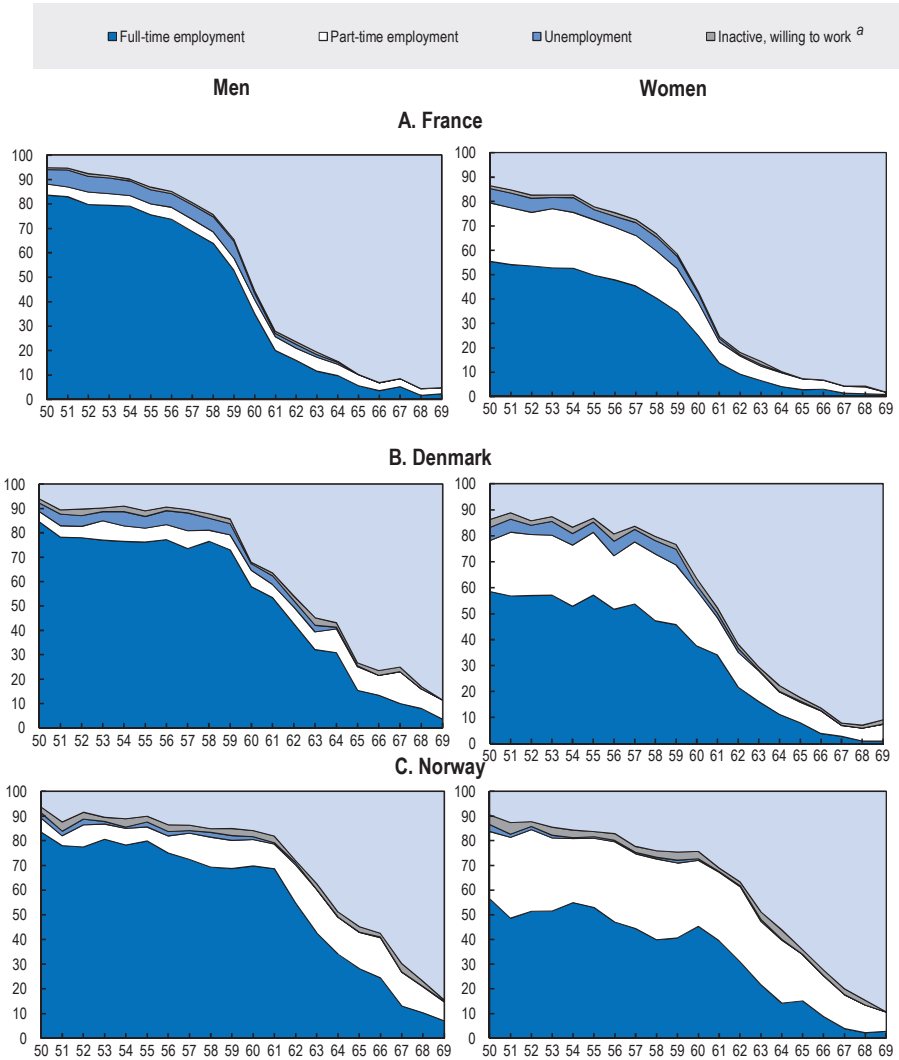
Employment in comparison with other OECD countries

The comparative analysis of the age structure of employment rates among OECD countries between 2005 and 2011 shows that France is not among the better OECD performers, which have a fairly flat age profile (Boulhol and Sicari, 2013). While the French employment rates for persons aged 30-54 are close to those observed in the best-performing countries (Australia, Canada, Denmark, Iceland, Netherlands, New Zealand, Norway, Switzerland and the United Kingdom), the age profile is low at its two extremes. France, then, falls in the same group as countries with low employment rates for youth and for older people (Belgium, Czech Republic, Estonia, Greece, Hungary, Italy, Luxembourg, Poland, Portugal, Slovak Republic, Slovenia and Spain).

France has however seen a significant increase in the employment of older workers over the last decade, and even since the crisis. Between 2007 and 2012, the increase of the employment rate for persons aged 55-64 in France was double the international average (6.3 percentage points in France, compared to an international average of around 3: Figure 2.2). There are great inter-country disparities, with Germany showing the sharpest increase (10.2 percentage points) and eight countries (Greece, Iceland, Ireland, Japan, Portugal, Slovenia, Spain and United States) recording declines. Beyond age 65, on the other hand, few people are working in France. Although the employment rate for persons aged 65-69 has doubled since 2007, it was only 6% in 2012, compared to a European average of 11% and an OECD average of 19%.

Figure 2.1. Labour market status by single year of age (50-69) and gender, six OECD countries, 2012

Percentages




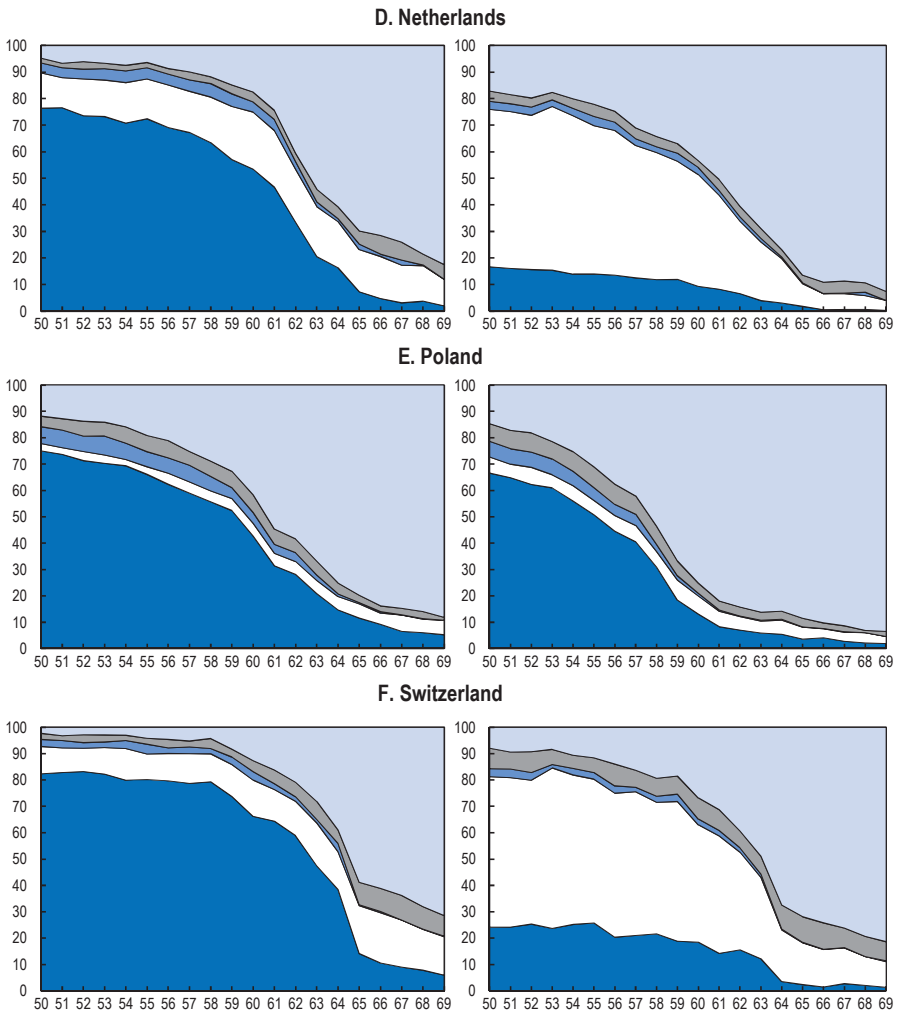
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Figure 2.1. Labour market status by single year of age (50-69) and gender, six OECD countries, 2012 (cont.)



a) Inactive persons willing to work are defined as those without a job who would like to work but do not look actively for a job in the reference week.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).


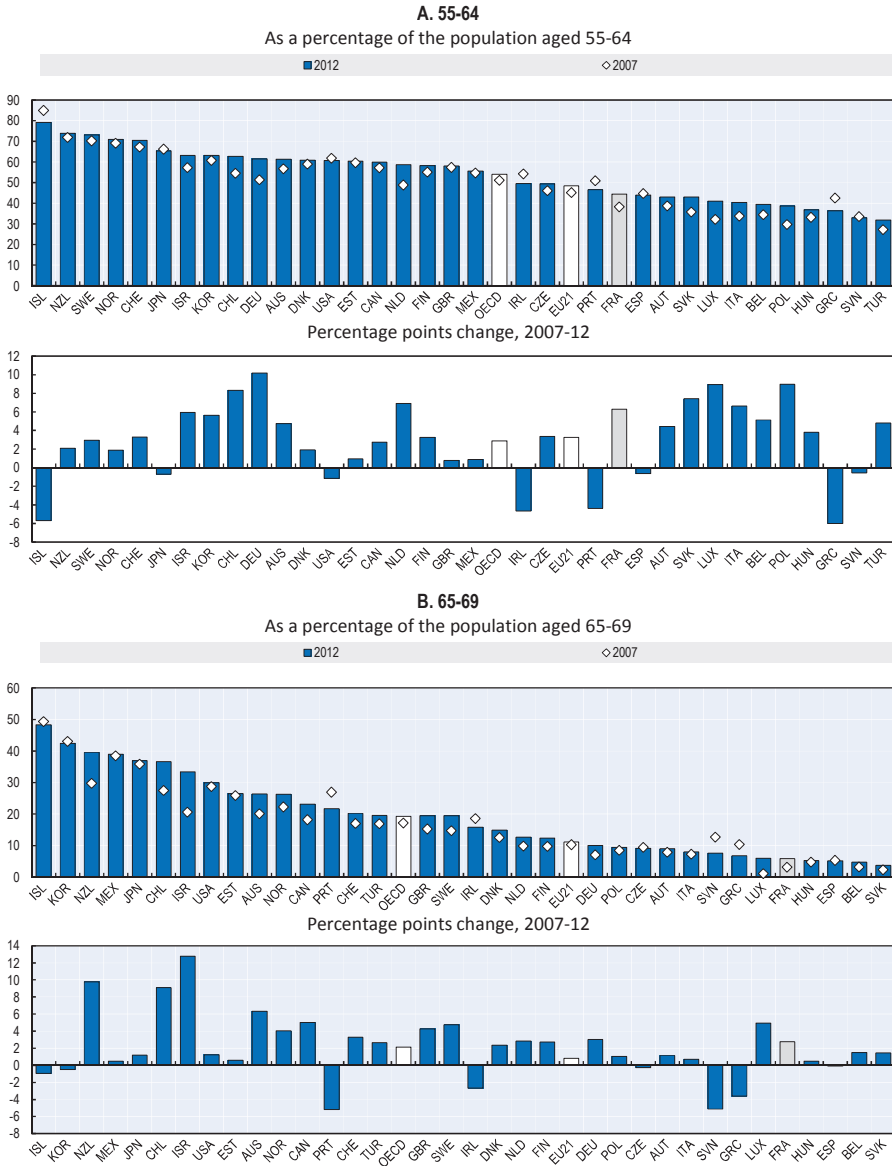

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Figure 2.2. Employment rates of workers aged 55-64 and 65-69, OECD countries, 2007 and 2012^a



a) Data for Germany for the 65-69 age group refer to 2011.

Source: OECD estimates based on national labour force surveys.

StatLink  <http://dx.doi.org/10.1787/888933000419>

The increase in the employment rate for older workers in France appears particularly strong after controlling for age structure effects

In order to appreciate the increase in the employment rate in recent years for all persons aged 55-64, it is important to take into account the demographic structure effect that influences its trend. As Minni (2012) explains it, the earliest of the post-World War II baby boomers reached age 55 in 2001. The growth in the number of these “young seniors”, more active than their elders, initially sparked a jump in the employment rate for persons aged 55-64. Beginning in 2006, these cohorts have been moving into the second part of the 55-64 years age bracket, where employment rates are lower. The effect was then reversed and it pushed the employment rate downward, even without any change in the behaviour of these cohorts. This demographic effect faded out in 2011. The cohort born in 1946, the first baby-boom generation, has reached the age of 65 and is no longer part of the 55-64 age bracket, whereas the following generations are of roughly the same size as that born in 1946. After controlling for this demographic structure effect in the “underlying” employment rate,¹ the accentuated increase in the “underlying” employment rate for persons aged 55-64 since 2008 concerned first those aged 55-59, and later, in 2011, those aged 60-64 years.

The improvement in the employment of older workers has not crowded out youth employment

Following the crisis, the employment performance of older workers was better than that of other age groups in France as in other OECD countries. This is one of the main findings in Chapter 1 of the *OECD Employment Outlook 2013*, which examined the experience of different age groups in the labour market (OECD, 2013). An econometric analysis using data for 25 OECD countries (including France) over the period 1997-2011 shows that, on average, increases in the employment rate of older workers are either associated with increases in the youth employment rate or have no impact at all.² Moreover, there is no evidence that the relationship between older worker employment and youth employment is significantly different during periods of recession, or that it has changed since the onset of the financial crisis.

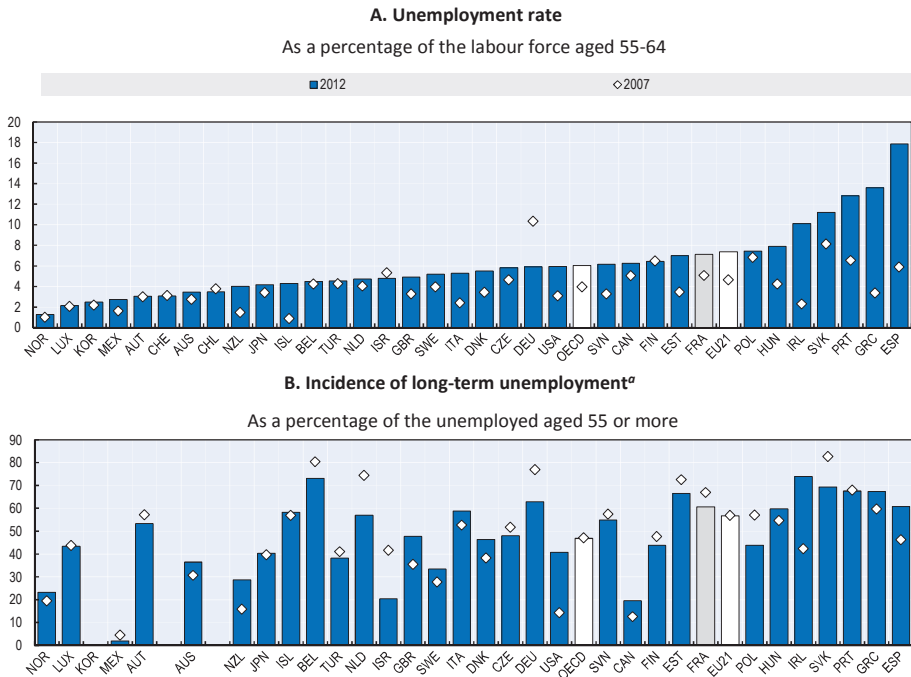
Unemployment in comparison with other OECD countries

The unemployment rate is structurally lower for persons aged 55-64 than for younger persons. There is little point in comparing the older worker unemployment rate with that of lower age groups, because older workers’ exit from employment is often final. By contrast, the steadily growing share of older workers within the working-age population since 2000, and their

increased presence on the labour market, have translated into a sharp increase in the proportion of older persons among the unemployed: at the end of 2011, 9.1% of the unemployed were 55 years and over, compared to 5% in 2000, and yet the unemployment rate for older workers rose no faster than that for youth (Govillot and Rey, 2013).

Nevertheless, while the older worker unemployment rate is lower than the average unemployment rate across all OECD countries, older workers have greater difficulty in escaping unemployment and France is by no means an exception. In France in 2012, 61% of unemployed persons over 55 years were in long-term unemployment (i.e. for more than one year), compared to 57% in Europe and 47% in the OECD (Figure 2.3). The risk of long-term unemployment seems to be greater for older persons in France than in the OECD area as a whole. It is 19 percentage points higher than for the unemployed aged 25-24, compared to an average international gap of around 11-12 percentage points.

Figure 2.3. The older unemployed (55-64), OECD countries, 2007 and 2012



a) Unemployed for more than one year.

Source: OECD estimates based on national labour force surveys.

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Older persons neither in employment nor in retirement

A new indicator of non-employment of older persons can be estimated. According to Govillot and Rey (2013), 6.4% of persons aged 55-59 in France in 2011 had no job and were willing to work. Three-quarters of them were unemployed in the ILO sense. Among inactive persons aged 55-59 who are willing to work, 15% are “discouraged workers”, persons wanting a job and available to work, but who are not looking for work because they consider that the time is not right, or that their age is a handicap to finding a job, or that there are no jobs available within their field of competence. By contrast, unavailability because of temporary or long-term illness or disability is more frequent among persons aged 55-59, and applies to one-third of inactive persons willing to work.

In a similar manner, the share of older persons neither in employment nor in retirement (i.e. the unemployed and inactive persons willing to work) in the population aged 55-64 has been estimated for all OECD countries (Table 2.1). France compares well internationally against this new indicator. The proportion of persons neither in employment nor in retirement within the population aged 55-64 stood at 4.4% in 2012, well below the European average (8.1%) and the OECD average (7.7%). It must be noted, however, that this indicator also suggests a reservoir of workers potentially available for the labour market.³ This finding is particularly useful in countries where the labour force is declining or where there is a shortage of workers.

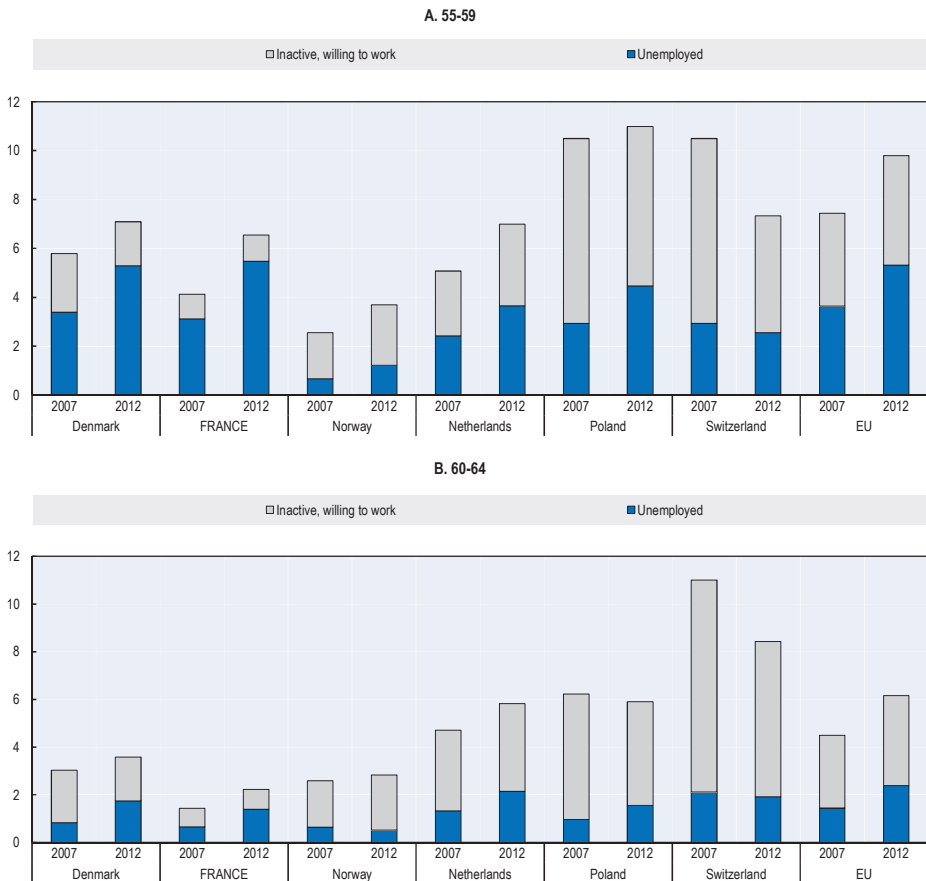
For the 55-59 age group in 2012, the proportion neither employed nor retired was 6.5% in France, which is below the European average of 9.8% but is up from the level in 2007 (Figure 2.4). On the other hand, for the 60-64 age group, retirement is a possible, and indeed the generally preferred, option. As a result, the share of older persons neither employed nor retired within the population aged 60-64 is very low in France (2.2% in 2012), by comparison with European average (6.2%).

In France, the proportion of unemployed within the 55-59 age group who are neither employed nor retired is very high, and it rose between 2007 and 2012 from 75% to 84%. By contrast, the equivalent European figure did not exceed 55%, except in Denmark. The proportion of inactive persons willing to work among the older population neither in employment nor in retirement is particularly high in Norway, the Netherlands, Poland and Switzerland, and reflects primarily persons who are inactive because of disability (OECD, 2010). The situation is the same for the group aged 60-64 that is neither employed nor retired: in France, the unemployed accounted for the majority of this group (64%), while the European average was only 39%.

Consequently, in France there does not seem to have been much switching among the different provisions for early cessation of work for older people without employment. Roughly three-quarters of these people are on unemployment, and disability situations do not seem to have increased after 55 years.


Figure 2.4. Share of older people neither in employment nor in retirement,^a six countries and Europe, 2007 and 2012

As a percentage of the population in the age group



a) Defined as those unemployed (ILO definition) and inactive willing to work.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

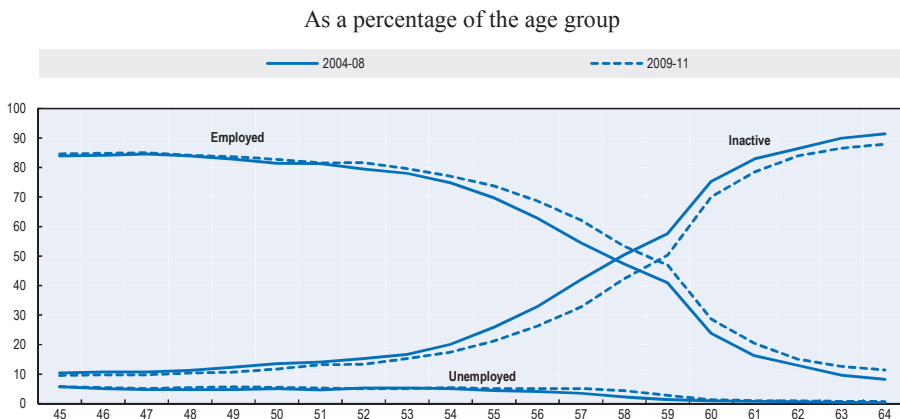
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Transitions in France between 2004 and 2011⁴


Evolution of the labour market status during the crisis

Changes in working conditions between the pre-crisis and crisis periods can be seen across the spectrum of ages between 51 and 64 years, with a shift in the employment and inactivity curves (Figure 2.5). Thus, the employment rate for those aged 55-59 rose by 5.7 percentage points between the pre-crisis period (2004-08) and the crisis period (2009-11), and that for persons aged 60-64 also went up by 3.1 percentage points. The employment rate for persons aged 50-54 increased more moderately (by 1.5 percentage points) between these two periods. While the proportion of the unemployed in the total population for each age group rose slightly, it was primarily through a notable increase in the labour force participation rate, and hence a decline in inactivity, that this adjustment took place: thus, the inactivity rate dropped by 7 percentage points between the two periods for persons aged 55-59. This age group saw the most important changes in its conditions of activity during the crisis. For those aged 55-59, the 7 percentage point increase in the activity rate thus translated into an increase of 5.7 percentage points in employment (or 81% of the total increase in activity) and an increase of 1.3 points in unemployment (or 19% of the total increase). The shift out of inactivity was, then, proportionately greater towards unemployment than towards employment, compared to persons who were already in the labour market in 2004-08 (by way of comparison, the proportion of unemployed in the labour force was 5% over this period for persons aged 55-59).

Figure 2.5. **Labour market status of people aged 45-64, France, 2004-08 and 2009-11**



Source: Estimates based on Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), "Labour Market Situation and Transitions of Older Workers in France", *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

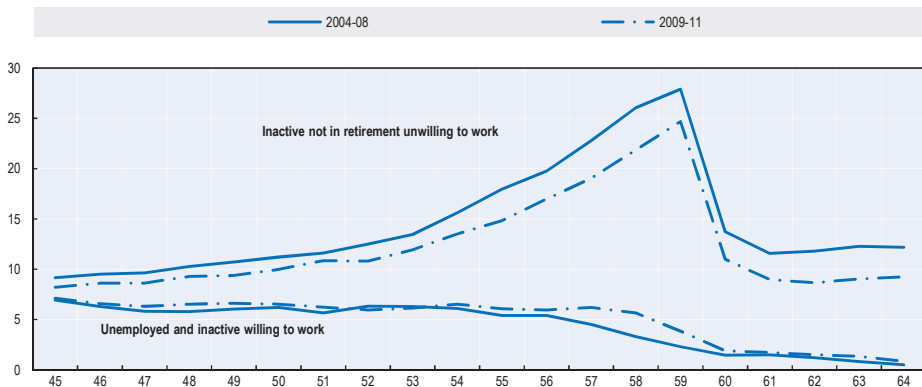
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Older persons without work


Older persons without work include not only the unemployed and those who are inactive and willing to work but also inactive persons who are not in (early) retirement and who do not want to work. The share of this last group has been stable at around 10% between 45 and 50 years and after 60 years. These persons are for the most part those who have never worked (stay-at-home mothers, for example). On the other hand, there has been a sharp increase in this category within the 55-59 age group. These are persons who do not yet meet the conditions for drawing their pension and who are either exempt from job seeking or do not want to work and are not looking for a job (Figure 2.6).

Figure 2.6. **Status of people aged 45-64 neither in employment nor in retirement, France, 2004-08 and 2009-11**

As a percentage of the age group



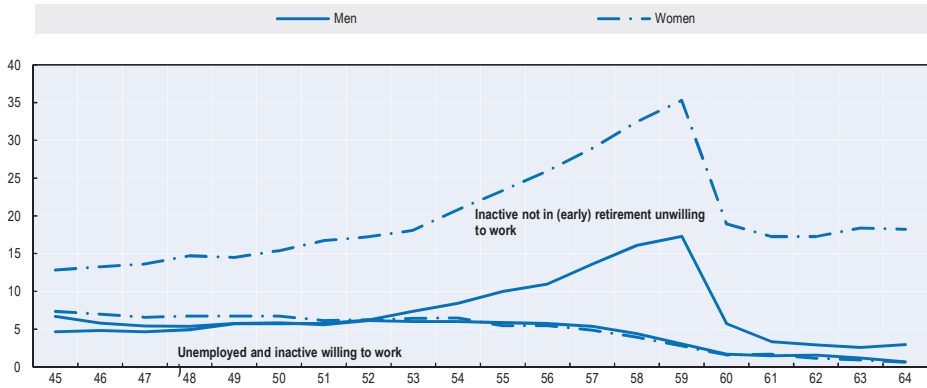
Source: Estimates based on Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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An analysis of the same profile by gender confirms that the proportion of non-retired inactive persons not willing to work is higher among women at all ages. Women are also less likely to be in employment but when they are they take retirement later than their male counterparts. On the other hand, there is no difference by gender for persons without employment (covering the unemployed and the inactive willing to work: Figure 2.7).

Figure 2.7. Status of people aged 45-64 neither in employment nor in retirement, by gender, France, 2004-08 and 2009-11

As a percentage of the age group



Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Key findings

Table 2.1 summarises some 20 key indicators of the labour market for older workers in France over the past decade compared with international averages. The main findings are as follows:

- *Employment.* The employment rate for older persons has improved in France over the past decade. It is higher than international averages for people in the 55-59 age group, but well below those averages for persons over 60. While the gender employment gap has narrowed everywhere, it is particularly small in France where, since 2007, there are almost as many women as men working between the ages of 55 and 64.
- *Job quality.* In France, as is the case on average in other countries, older workers are primarily employed full-time (82% of employed persons aged 55-64 in 2012) and on a permanent basis (more than 90% on CDI in 2012). Self-employment is less common than in other countries, on average. Full-time workers aged 55-59 are earning, on average, a wage that is 1.5 times that of those aged 25-29, a ratio that is slightly above international averages (1.4 in Europe and 1.3 for the OECD average).⁵

- *Dynamics.* The retention rate beyond 60 years has improved, although in 2012 it was well below international averages (barely half of the OECD average). Hiring and separation rates for persons aged 55-64 in France are close to the European averages for 2012. The effective labour force exit age in 2012 stood at 60.0 years for women and 59.7 for men.
- *Unemployment.* The unemployment rate for workers aged 55-64 was 7% in France in 2012, placing the country between the European average (7.4%) and the OECD average (6%). Long-term unemployment accounts for a higher-than-average share of this figure. The proportion of those aged 55-64 who are neither in employment nor in retirement has increased since 2002, reaching 4.4% in 2012, but is below international averages.
- *Employability.* The proportion of persons aged 55-64 with some tertiary education in France is rising, but it is still below international averages. Compared to the average of other countries, workers in this age group in France are only half as likely to pursue job-related training. As in other countries, access to this type of training is much better for persons aged 25-24 than for those over 55.

Table 2.1. Older workers scoreboard, France, European Union and OECD, 2002, 2007 and 2012

| | France | | | EU ^a | | | OECD ^b | | |
|--------------------------------------------------------------------------------------|--------|------|------|-----------------|------|------|-------------------|------|------|
| | 2002 | 2007 | 2012 | 2002 | 2007 | 2012 | 2002 | 2007 | 2012 |
| Employment | | | | | | | | | |
| -- Employment rate, 55-64 (% of the age group) | 33.8 | 38.2 | 44.5 | 39.3 | 45.1 | 48.4 | 46.2 | 51.1 | 54.0 |
| of which 55-59 | 51.6 | 55.3 | 67.1 | 52.3 | 58.5 | 63.3 | 57.1 | 62.1 | 65.8 |
| 60-64 | 11.5 | 15.7 | 21.7 | 24.6 | 29.1 | 32.2 | 33.5 | 37.8 | 41.0 |
| -- Gender gap in employment, 55-64 (ratio men/women) | 1.29 | 1.12 | 1.14 | 1.92 | 1.80 | 1.37 | 1.83 | 1.60 | 1.41 |
| -- Employment rate, 65-69 (% of the age group) | 2.1 | 3.1 | 5.9 | 8.7 | 10.3 | 11.2 | 15.7 | 17.2 | 19.3 |
| Job quality | | | | | | | | | |
| -- Incidence of part-time work, 55-64 (% of total employment) | 20.4 | 17.3 | 17.9 | 16.3 | 17.1 | 17.3 | 17.1 | 17.7 | 18.4 |
| -- Incidence of temporary work, 55-64 (% of employees) | 5.5 | 7.1 | 8.4 | 6.6 | 7.0 | 6.7 | 9.3 | 9.4 | 8.9 |
| -- Incidence of self-employment, 55-64 (% of total employment) | 14.9 | 19.6 | 17.3 | 25.8 | 22.7 | 22.0 | 30.2 | 27.1 | 26.1 |
| -- Full-time ^c earnings, 55-59 relative to 25-29 (ratio) | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 | 1.3 | 1.3 | 1.3 |
| Dynamics | | | | | | | | | |
| -- Retention rate ^e , after 60 (% of employees t-5) | 14.7 | 20.8 | 23.0 | 33.4 | 38.2 | 37.6 | 37.5 | 40.4 | 40.5 |
| -- Hiring rate ^f , 55-64 (% of employees t-1) | 3.3 | 3.9 | 5.1 | 4.9 | 5.5 | 5.0 | 5.0 | 6.1 | 5.9 |
| -- Separation rate ^g , 55-64 (% of employees t-1) | 17.9 | 17.6 | 13.9 | 17.2 | 16.2 | 15.1 | 16.6 | 16.0 | 15.3 |
| -- Effective labour force exit age ^h (years), Men | 58.5 | 58.7 | 59.7 | 61.4 | 61.7 | 62.4 | 63.3 | 63.7 | 64.2 |
| Women | 58.5 | 59.4 | 60.0 | 59.8 | 60.6 | 61.3 | 61.3 | 62.3 | 63.1 |
| Unemployment | | | | | | | | | |
| -- Unemployment rate, 55-64 (% of the labour force) | 5.3 | 5.1 | 7.1 | 5.4 | 4.6 | 7.4 | 4.7 | 4.0 | 6.0 |
| -- Incidence of long-term ⁱ unemployment, 55+ (% of total unemployment) | 54.0 | 66.9 | 60.7 | 55.0 | 56.8 | 56.8 | 43.4 | 46.2 | 47.2 |
| -- Neither in employment nor in retirement ^j , 55-64 (% of the age group) | 2.6 | 3.0 | 4.4 | 5.2 | 5.3 | 8.1 | 5.3 | 5.1 | 7.7 |
| Employability | | | | | | | | | |
| -- Share of 55-64 with tertiary education ^k (% of the age group) | 16.1 | 16.5 | 18.6 | 17.8 | 18.4 | 21.3 | 20.0 | 21.1 | 23.8 |
| -- Participation in training ^l , 55-64 | | | | | | | | | |
| Absolute (% of all employed in the age group) | 4.2 | 3.9 | 3.9 | 5.0 | 6.9 | 8.2 | 6.5 | 8.1 | 9.4 |
| Relative to employed persons aged 25-54 (ratio) | 0.5 | 0.5 | 0.6 | 0.4 | 0.5 | 0.6 | 0.4 | 0.5 | 0.6 |

a) Unweighted averages for 21 European OECD countries and 34 OECD countries.

b) Mean gross hourly earnings, 2002, 2005 and 2009 from *Déclarations annuelles de données sociales*.

c) Employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

d) Employees aged 55-64 with a job tenure of less than one year as a percentage of all employees aged 54-63 one year previously.

e) The separation rate is defined as the difference between the hiring rate and the net change in annual employment, adjusted for cohort size.

f) Age calculated in 1997-2002, 2002-07 and 2007-12 as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

g) Unemployed for more than one year.

h) Unemployed and inactive willing to work.

i) 2005, 2007, 2011.

j) Job-related training during the last month 2003, 2007 and 2011.

Source: OECD estimates based on national labour force surveys (except for wages), the European Union Labour Force Survey (EU-LFS) and the OECD Education Database.

Notes

1. The “underlying” employment rate of an age group is the average of employment rates for each single age. It is the rate that the age group would have exhibited if the size of each component generation were identical.
2. The analysis estimated average effects across a group of countries, and it is not possible to state robustly that there are no displacement effects, especially short-term ones, between youth and older-worker employment in certain countries.
3. The picture could be rounded out by looking more closely at the proportion of retired persons who want to work.
4. A more in-depth analysis was conducted using the results of the INSEE *Enquête emploi en continu* for the period 2004-11 (Nafilyan and Parent, 2014). With these results it is possible to go into greater detail for each of the topics examined in this report, using specific variables from the Employment survey which, however, are not systematically available in the data from other countries and therefore do not lend themselves to international comparisons.
5. This ratio must be interpreted with caution because of the significant composition effects (see Chapter 4).

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Chapter 3

Strengthening incentives to continue working in France

An important area to be explored for explaining the lower employment rate among older workers is social protection. While there has been progress in recent years, generally speaking, the question of staying in employment or not still arises for too many older workers. Nearly half of older workers do not move directly from employment into retirement, but experience long spells of non-employment of various kinds. At the same time, there are more older workers who continue to pursue a paid activity, even occasionally, after they take their retirement, thus combining a pension and income from work. This chapter will focus on the main situations in which older out-of-work persons find themselves (retirement, disability, early retirement, unemployment, and social assistance)

The transition from employment to retirement


While the average age at retirement has risen since the year 2000, it is still below 60 years (Table 3.1).¹ In 2008-11, it was 59.4 years, compared to 58.8 years in 2004-07. On average, women take retirement six months later than men, although men are slowly closing the gap. Thus, the average age at retirement for men increased by 8.8 months between 2004-07 and 2008-11, while the equivalent increase for women was only 6.7 months. Public-sector workers take their retirement, on average, 8.1 months earlier than those in the private sector, and 14.5 months earlier than the self-employed. The gap between the public and private sectors has widened (from 6.1 to 9.7 months), but it has narrowed *vis-à-vis* the self-employed (from 15.4 to 12.7 months).

Table 3.1. **Average age and labour force status at retirement, France, 2004-11**

| | 2004-11 | 2004-07 | 2008-11 | |
|------------------------------------------------------|---------|---------|---------|---------------------------|
| Average age at retirement (years) | | | | <i>Evolution (months)</i> |
| Total | 59.0 | 58.8 | 59.4 | 7.7 |
| Men | 58.8 | 58.5 | 59.2 | 8.8 |
| Women | 59.3 | 59.1 | 59.6 | 6.7 |
| <i>Difference Women-Men (months)</i> | 6.0 | 6.8 | 4.7 | |
| Public-sector employees | 58.4 | 58.1 | 58.8 | 8.6 |
| Private-sector employees | 59.1 | 58.6 | 59.6 | 12.2 |
| Self-employed | 59.7 | 59.4 | 59.9 | 6.0 |
| <i>Differences Private - Public (months)</i> | 8.1 | 6.1 | 9.7 | |
| <i>Self-Employed - Public (months)</i> | 14.5 | 15.4 | 12.7 | |
| <i>Self-employed - Private (months)</i> | 6.5 | 9.3 | 3.1 | |
| Labour force status at the time of retirement | | | | <i>Evolution (pp)</i> |
| (percentages) | | | | |
| Employed | 40.8 | 32.8 | 55.4 | 22.5 |
| Unemployed | 7.4 | 5.9 | 10.3 | 4.4 |
| Inactive not retired | 51.8 | 61.3 | 34.3 | -26.9 |

pp: percentage points.

Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

StatLink  <http://dx.doi.org/10.1787/888933000875>

The slight increase in the age at retirement observed in recent years has been accompanied by a change in the manner in which older people take their retirement. Thus in 2008-11, 55% of persons taking retirement were employed, compared to only 33% in 2004-08.² However, the proportion of persons who were in unemployment at the time of their retirement also rose, from 6 to 10%. Lastly, while 61% of persons taking retirement prior to 2008 did so after a spell of inactivity (including public and private sector workers on early retirement and unemployed persons exempt from looking for work), this is now the case in only 34% of transitions to retirement.

Pensions³

Despite its steady expansion since 2004, the optional supplementary pension (based most often on a capitalisation scheme) is still of marginal importance in comparison with the two compulsory pay-as-you-go pension schemes, the basic regimes and the complementary regimes (Drees, 2013).

There are more than 30 pension regimes

In the basic regimes, where the pension is calculated by reference to years of contributions, there are three sets of schemes relating to broad categories:

- The first set (around 70% of workers) covers private sector and non-civil-service public sector employees with two basic regimes, the general regime for employees in industry and commerce, managed by the National Pensions Fund (*Caisse nationale d'assurance vieillesse* – CNAV) for wage-earning workers, and the farm workers' regime, managed by the *Mutualité sociale agricole*.
- The second set (around 10% of workers) corresponds to the regimes for non-wage-earners and includes the following: regimes for artisans and shopkeepers managed since 2006 by the *Régime social des indépendants*; the regime for non-wage farm workers; the liberal profession regimes; the lawyers' regime; and the regime for ministers of religion, managed by the *Caisse d'assurance vieillesse des cultes*.
- The third set (around 20% of workers) embraces the special regimes, which essentially cover civil servants, wage-earning employees of public enterprises and, in some cases, employees of private enterprises (seamen, clerks, etc.).⁴

For the complementary regimes, where the pension is calculated in points, all employees and non-wage earners of the private sector are now affiliated with at least one compulsory pay-as-you-go complementary regime: the *Association générale des institutions de retraite des cadres* (General Association of Pension Institutions for Executives, AGIRC); the *Association pour le régime de retraite complémentaire des salariés* (Association of Complementary Pension Schemes for Non-Executive Employees, ARRCO); and the *Institution de retraite complémentaire des agents non titulaires de l'État et des collectivités publiques* (Complementary Pension Scheme for Non-Civil-Servant Central and Local Government Employees, IRCANTEC). On the other hand, there is no distinction between basic pension and complementary pension in the civil service regimes and the other special regimes: those regimes are classified as “integrated regimes”.⁵

There have been four pension reforms since 2003

The legally compulsory pension system that applies to all persons continuing to work has been frequently amended over the last decade, but it remains complex despite attempts to simplify and merge the different regimes. Thus, the 2003 pension reform merged the parameters of the civil service regimes with those of the general regime (period of contributions required for a full-rate pension, existence of a bonus and a penalty, price-based adjustment of pensions). As well, the 2007 and 2008 reforms to the special regimes have served gradually to align the principal parameters of these regimes with those applicable to the civil-service regime. The 2010 pension reform extended this move toward convergence by gradually aligning the old-age insurance (pension) contribution rate for civil servants with that for private sector employees.

The 2013 pension reform

The future of pensions has been a focus of debate in France in 2013. In February the Prime Minister established a Commission “on the future of pensions” to prepare for consultations with the social partners. That Commission, chaired by Yannick Moreau, was tasked with identifying different paths to reform that would ensure balance in the pension regimes over the short, medium and long terms, and would make them fairer and more transparent for the beneficiaries. The Commission submitted its conclusions in June (Moreau, 2013). The roadmap it set out should not only stabilise the pension system by restoring financial balance and make it more equitable, but should also improve the employment of older workers by addressing the priority issue of strenuous work (Box 3.1).

Box 3.1. The Moreau Commission: Setting a national goal for the employment of older workers and responding effectively to strenuous working conditions

A new, concerted plan for older workers which would:

- Define national objectives to be achieved over five years and the actions to be taken in the private and public sectors, at the national and local levels, to mobilise the existing tools (including the generation contract), develop new tools and relaunch a communication policy to encourage a change of mindset in businesses.
- Establish a precise balance sheet, prepared by a steering, monitoring and co-ordination body of government representatives working together with the social partners, which would meet regularly.

Box 3.1. The Moreau Commission: Setting a national goal for the employment of older workers and responding effectively to strenuous working conditions (cont.)

- Benefit from the studies and analyses of employment-retirement transition mechanisms performed by an end-of-career observatory attached to the *Commissariat général à la stratégie et à la prospective* (General Commission for Strategy and Forward Planning).

A new way of handling strenuous working conditions, with a view to:

- Stepping up preventive actions and facilitating and anticipating redeployment at career outset.
- Creating an “individual strenuous work account” that would be open to any employee exposed to at least one of the occupational risk factors listed in the decree of 30 March 2011. Employees would accumulate rights proportionate to their exposure, and those rights would have career-long portability. As a function of the length of exposure, employees would acquire points that create rights to the following (by increasing order of priority):
 - a. paid time off work to pursue occupational reorientation towards employment less exposed to strenuous working conditions
 - b. part-time work at end of career with compensation for lower earnings
 - c. buy-back of quarterly pension contributions.
- For periods of exposure prior to creation of the individual account, recognition of the deferred effects of certain stress factors (including two specific factors, night work and exposure to carcinogenic agents) by crediting additional quarters for persons nearing retirement.

Source: Moreau, Y. (2013), *Nos retraites demain : équilibre financier et justice*, Rapport au Premier Ministre, La Documentation française, Paris.

Following consultation with the social partners during the summer, the Council of Ministers in mid-September approved a draft law “guaranteeing the future and fairness of the pension system”. Its key feature is to extend the period of contributions required for the full rate (43 years in 2035) together with a series of measures for persons working under strenuous or harsh conditions. The bill was adopted by the National Assembly on 26 November, with the additions and specifications introduced during parliamentary debate. The text must be re-examined by the Senate, and it should be definitively adopted by the National Assembly in early December. The key measures of the 2013 reform relating to the parties are summarised in Box 3.2.

Box 3.2. Key measures for employees in the 2013 pension reform bill as adopted by the National Assembly on 26 November 2013

The two key measures are the following:

- *Extension of the period of contributions necessary to qualify for the full-rate pension*, at the pace of one quarter every three years beginning in 2020 for the generations born between 1958 and 1972. The contribution period would reach 43 years in 2035 (172 quarters for those born in 1973), and would remain stable thereafter.
- Creation of the personal account for preventing exposure to strenuous work

This account is to come into effect in January 2015. Depending on the points accumulated in this account, employees may retrain for a new occupation, take part-time work without loss of pay, and/or take early retirement. Each quarter of exposure earns one point in the account (or two points, in the case of multi-factor exposure), but there is a ceiling of 100 on the total number of points that can be accumulated. The schedule for converting points into quarters of training, part-time work and retirement would be as follows: one quarter would be acquired for every 10 points of exposure.

The first 20 points are to be used for vocational training. Acquired points can be cashed in to finance an increase in the contributions period as of age 55, provided a minimum number of points have been acquired. Acquired points may be used to finance a shift to part-time work at any point during the career (and not as of a certain age). Employers may refuse a shift to part-time work only under two conditions: if this refusal is substantiated and if the employer can demonstrate that this reduction is impossible in light of the firm's economic activity.

Under a transitional provision for insured workers nearing retirement as of 1 January 2015, the points acquired will be doubled for those aged 59 and a half, and there will be an exemption beyond age 52 from the obligation to use a minimum of 20 points for training.

The account is to be financed exclusively from employers' contributions, with a surcharge for companies that expose their employees to strenuous working conditions.

Other measures affecting employees include:

- *Gradual increase in employers' and employees' pension contributions*. The increase will be phased in over four years, 2014 to 2017.
- *For insured persons with disabilities, the full-pension retirement age will be reduced from 65 to 62*, even if they have not made contributions during the full period required (but provided they can demonstrate a minimum permanent disability rate).

Box 3.2. Key measures for employees in the 2013 pension reform bill as adopted by the National Assembly on 26 November 2013

(cont.)

- *Revision of procedures for discounting contribution periods.* As of January 2014, two additional quarters of contributions will be credited as paid for unemployment insurance and two quarters for disability, as well as all quarters of maternity leave.
- *New conditions for acquiring quarters of contributions.* As of 2014, it will be enough to have earned the equivalent of 150 hours at the SMIC, or EUR 1 100, to claim a quarter. Hitherto, the equivalent of 200 hours was required.
- *Easing of conditions for gradual retirement.* Employees may draw a portion of their pension and pursue an activity part-time at an age two years shorter than the legal retirement age (minimum 60 years). The minimum contributions period, currently set at 150 quarters, will also be reduced by two years.
- *Unification of the rules governing combined employment and pension income for pensions taking effect as of January 2015, whether the pensioner chooses to work under his old regime or in a new one.* In all cases, taking up work again will not give the person any new pension rights, in contrast to the current situation, where the “working pensioner” can obtain new pension rights if he holds a job under a new basic regime.
- *Reform of the situation of “multi-pensioners”.* The rules for calculating the pension income of a “multi-pensioner” are to be amended in 2016. The pension of a person covered by several regimes would then be calculated as if that person had belonged to only one regime, and the calculation will be done by a “pivot fund”.
- *Introduction of the possibility to retain rights to credit unpaid quarters for unemployment insurance, even in the case of a return to work, if the insured person remains registered with Pôle emploi.*

Source: Liaisons sociales (2013), “Bref social”, No. 16 429, No. 16 448 and No. 16 476, 20 September, 17 October and 28 November; and www.social-sante.gouv.fr/reforme-des-retraites.

Many parameters differ across regimes

At the two stages (basic and complementary) there are many differences in the rules and parameters for calculating pension rights, even if the underlying tendencies are to extend the length of the contribution period required for the full pension rate in accordance with the rising life expectancy (2003 and 2013 reforms) and the raising of the legal retirement ages (2010 reform).

Contribution period

The 2003 reform instituted, for all the basic regimes (public and private), the principle of extending the contribution period required to qualify for a full-rate pension in light of increases in life expectancy at age 60 until the year 2020 so that the relationship between this period and the average length of retirement would be stabilised at its 2003 level. For each generation, the life expectancy gains are shared between the contribution period, to the extent of two-thirds, and the duration of retirement, to the extent of the remaining third. Thus, insured persons who were born in 1952 and who take their retirement in 2013 must have contributed for at least 41 years. This minimum will rise to 41 and a half years for those born in 1955, and 41 and three-quarters years for those born in 1958. The 2013 reforms call for increasing the contribution period beyond 2020 up to a maximum of 43 years (172 quarters) for the generation born in 1973 (Box 3.2). This is an important step for ensuring the long-term viability of the pension system.

Legal ages and the possibilities of moving them forward or back

The 2010 reform provided for raising the minimum retirement age gradually between 2011 and 2017, from 60 years for persons born before July 1951 to 62 years for those born after January 1955. As well, the full pension entitlement age (also known as the age at which the penalty no longer applies) is to rise gradually from 65 years to 67 years for those same generations. This provision applies to employees and non-wage earners of the private sector, civil servants, and persons covered by most of the other special regimes. The age of entitlement to the complementary regimes has also been raised by two years, from 55 to 57.

However, it is still possible to retire before the legal minimum age. First, the civil service and other special regimes make provision for so-called “active duty” categories, which are defined by decree and include jobs that are deemed strenuous or that present a particular risk. Under the 2010 reform the legal retirement age for these categories has been increased by the same two years as for the rest of the population. By 2017 it will have been raised from 50 to 52 years (for police officers, prison guards, train conductors and air traffic controllers) or from 55 to 57 years (for customs officers, municipal police forces, hospital staff in contact with patients, and employees of the national railway, SNCF), depending on the categories.

Nor is it necessary to have spent one’s entire career in an “active duty” category: a minimum of only 15 years of service is required in 2010, and

this will rise to 17 years in 2017. In 2011, apart from disability and family reasons, a quarter of those taking retirement in the national civil service were in the active categories, 8% in the territorial civil service and two-thirds in the public hospital service, for an effective age of 57 for pension entitlement, on average (COR, 2013).

On the other hand, in the basic regimes, the rules allow retirement before the legal pensionable age under conditions defined by various criteria: whether the person began work at a young age and has many years of service, whether a person has the physical capacity to continue to work, or whether a person has been exposed to strenuous working conditions (Box 3.3).

Box 3.3. Retirement before the legal pensionable age: Situation in 2012

Long career: 16% of new retirees in 2012 (22% of men and 10% of women)

This provision was introduced by the 2003 reform for private sector employees. It allows retirement before the legal age (after age 56) provided three conditions are met simultaneously:

- Starting age: the person must have worked for five quarters (four quarters if the person was born in the fourth quarter) before age 16, 17 or 18 (the 18-year limit was introduced by the 2010 reform).
- Length of service: a validated period of service that is more than eight quarters longer than the normal length of service for the age cohort (this condition was tightened in 2009).
- Length of contributions: a period of contributions that exceeds by eight quarters or by four quarters or is equal to the normal length of service for the age cohort, depending on the age of retirement (the earlier the age at which retirement is taken, the more restrictive is the length-of-contributions condition).

The conditions of access to the long-career retirement provision were gradually extended to the civil service pension regimes between 2005 and 2008. In 2011, these conditions were similar to those applicable in the private sector.

As of November 2012, this possibility was extended to workers who had contributed for a time equal to the qualifying period required for the full-rate pension and who had begun to work before the age of 20. The length-of-service condition has been eliminated. Only a length-of-contributions condition is now required, and this represents a significant softening of the previous conditions. Persons on maternity leave or on unemployment benefits are deemed to have contributed for two quarters in addition to the three quarters that applied previously.

**Box 3.3. Retirement before the legal pensionable age:
Situation in 2012 (cont.)**

Disability: 0.4% of new retirees in 2012 (0.5% of men and 0.2% of women)

Since the 2003 reform, persons who are permanently disabled to the extent of 80% or are handicapped to the same degree or who, since the 2010 reform, are recognised as handicapped workers may claim their full pension rights at age 55, subject to three conditions: a minimum insurance period (corresponding to the period of insurance required for the full rate, less 40 to 80 quarters depending on retirement age), a minimum contributions period (corresponding to the period of insurance required for the full rate less 60 to 100 quarters depending on retirement age), and handicapped status extending over the entire minimum period of insurance required.

Strenuous work: 0.6% of new retirees in 2012 (0.8% of men and 0.4% of women)

According to the 2010 reform, persons covered under the general regime and under the farmworkers (wage earners and non-wage earners) regimes are able to claim their full pension rights at age 60 (regardless of their period of contributions), provided that their permanent disability rate is equal to at least 10%, due to an occupational illness or a workplace accident that has caused the same lesions as an occupational illness, and a period of service of 17 years, or only a rate equal to or greater than 20%. Moreover, asbestos workers are entitled to full retirement at 60 years, under certain conditions.

Source: Based on reports of the Pensions Advisory Council (COR) and the Directorate of Research, Evaluation, Studies and Statistics (Drees). For an international comparison, see the publication *Pensions at a Glance* published every two years by the OECD.

After falling steadily since 2009, the proportion of persons taking early retirement from a long career rose slightly in 2012, with the broadening of conditions for retirement at age 60 introduced by President Hollande and his government in 2012. The provision for disabled workers has met with very modest success (1 000 new entrants in 2012), as has the compensation provision for strenuous working conditions (about 4 000 persons at end-2012). The Moreau Commission offers the following reasons to explain the disappointing outcome from this last measure: lack of information on the part of the persons concerned, cumbersome procedures, “competition” from other, more accessible provisions (long careers), very restrictive conditions of access (Moreau, 2013). One of the key criticisms that the Commission offered with respect to this arrangement is that it requires a medical certificate citing one of a list of predetermined pathologies, with a specific occupational origin. This means, on one hand, that recognition of strenuous working conditions is subordinate to the effective appearance of a pathology before retirement age (whereas health problems typically

appear subsequently, and will have an impact on health and life expectancy, especially in the case of cancers of occupational origin); on the other hand, strenuous factors not recognised as the cause of specific pathologies (such as night work) are not included in the provision. The Moreau Commission's recommendation to create a personal strenuous work account is part of the 2013 reform (Boxes 3.1 and 3.2). The 2013 draft law also contains an amendment to early retirement for disability.

According to the Drees (2013), considering all regimes together, 19% of persons (primarily men) were drawing their first pension payment before age 60 in 2011, 37% were doing so at age 60, and 20% at age 65 or later. Women were more likely to wait until age 65 to draw their pension, as their period of contributions is generally shorter than that of men.

Full-rate pension

A full-rate pension (50% in the basic regimes for private sector employees and non-wage earners, and 75% in the integrated special regimes) will be granted automatically without any length-of-service condition at age 67 in 2017 (65 years in 2011), and at age 62, or 57 for the “active categories” in the civil service. If the pension is taken before this age, the pensioner must have accumulated a period of contributions that depends on year of birth in order to benefit from the full rate. This contribution period was 160 quarters for those born in 1948, and has since been increased to 166 quarters for those born in 1956 (and the 2013 reform will raise it further to 172 quarters for those born in 1973). Since 2008, the required contribution periods for the private and public sectors have been aligned. The full rate is also granted regardless of length of contributions, as of the legal pensionable age, to certain person such as those unfit for work.

More than 75% of new retirees take their retirement “as soon as they are eligible for a full-rate pension”, according to a survey conducted in 2012 among retirees under the general regime who had taken their retirement between July 2010 and June 2011 (Drees, 2013). There are also other reasons for this: having achieved an “adequate” pension level (for 41%); fear of further pension reforms (31%); the possibility of continuing to work (29%). Work-related factors may also come into play: 39% of new retirees cite health problems as impeding their ability to work, and 40% a sense of weariness.

Penalty

Under the general regime and the aligned regimes, the penalty applies to persons taking their pension between age 60 (in due course 62 years) and the age at which the penalty disappears (in due course 67 years), but who have not accumulated the necessary number of contribution quarters at time of retirement and do not take their unfit-for-work rights. The penalty amounts

to 1.25% of the pension for each missing quarter (5% for a missing year). The maximum penalty is 20 quarters, and women are more likely than men to see the maximum penalty applied to their pension. In the civil service, the penalty has applied since January 2006. Each missing quarter entails a reduction of 0.125% from the amount of the pension taken in 2006. This rate rises each year, to 1.25% by 2015. At the same time, the maximum age for application of the penalty is being gradually raised. By 2020, the full rate will be automatically acquired at age 67 for sedentary workers and at 62 for the active-duty categories in the public sector. Since July 2010 the penalty has been progressively applied in a number of other special regimes.

Bonus

The bonus instituted by the 2003 reform tops up the pension according to the number of quarters of contributions to all regimes after the legal pensionable age and beyond the contribution period required for the full rate. Since 2009, the bonus rate is 5% per additional year and the conditions applicable to the civil service regimes have been aligned with those in the private sector. Its field of application has also been expanded to pensioners who have completed a full career but at low pay, and who are therefore eligible for the “minimum contributory” pension.

The proportion of persons receiving the bonus is rising sharply, reflecting a trend in retirement behaviour. In 2011, 14.8% of new pensioners under the general regime were receiving a top-up to their pension (Drees, 2013). In the national civil service, the proportion of retirees taking their pension with a bonus is significantly higher than under the general regime: 29.5% of new pensioners. In 2011, the average monthly gain from the bonus was EUR 235 in the national civil service (or 12% of the average gross pension value), compared to EUR 18 and EUR 55, respectively, for farmworkers and for employees in general (or 9% of their gross pension value). The differences in the amount of the bonus between the public and private sector pension regimes are related essentially to the nature of those regimes. The former are integrated regimes, while the latter are basic regimes. The increase is calculated, then, from a lower fraction of the total pension in the private sector regimes. In their case, the acquisition of additional points in the complementary regimes with pursuit of a wage earning activity must be taken into account. However, the complementary pension regimes for private sector workers do not have a bonus provision in the strict sense.⁶

Reference wage

In the private sector, the reference wage is calculated as the average of the 25 best-paid years within the social security ceiling (EUR 37 032 in January 2013). In the civil service and in most of the special regimes, the

reference wage is the indicative earnings from the last job held for at least six months, excluding premiums (which are subject to contributions to only a very limited extent). Some special regimes consider a specific calculation base, such as the average of the ten best-paid years for clerks, the average of the three consecutive best-paid years for performers with the Paris Opera and the *Comédie Française*, and a flat-rate wage for miners and seamen.

International comparisons

The countries that have been most successful in reforming their pension systems continue to look for ways to make further adjustments for now and over the longer term. This is the case in Sweden, with the Blix report (Blix, 2013). The principal messages are the following. The best way to respond to economic constraints and to create greater intergenerational equity is to have people work more by extending the working life but also by bringing more young people into the labour market. However, it is not possible to continue working in all occupations, especially in jobs that demand physical strength and quick reflexes. It must be possible, then, to change jobs well before problems arise or an occupational illness appears.

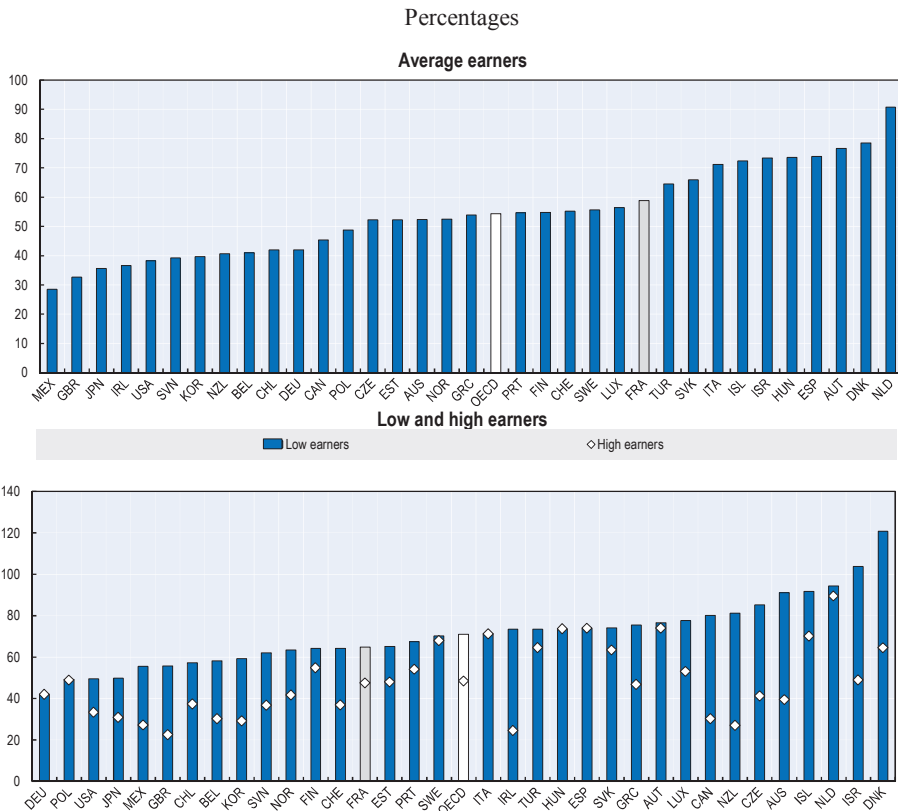
Two retirement ages are generally considered in international comparisons: the age of pension eligibility, and the full pension age. In France, the eligibility age, which was 60 years in 2010, is being gradually raised to 62 years by January 2017, and the full-rate age (at which the penalty disappears), which was 65 years in 2010, will be gradually increased to 67 years by that same date. The pension eligibility age today is 62 years in most European countries, and the full-rate age is 65 years. Several of the countries that have decided to raise this age to 67 years will do so later than France: by 2021 in Italy and the Netherlands, 2027 in Denmark and Spain, 2028 in the United Kingdom, and 2029 in Germany. In Norway, the 2011 pension reform introduced a flexible retirement period between age 62 and 75, but the full-rate age has been 67 years since 1973 (OECD, 2013b).

There are also many indicators for the replacement rate. One of the indicators used in the OECD pension models is the future pension entitlement calculated on the basis of earnings during a full career (OECD, 2013e). The calculations refer to a worker who began to work in 2012 and who takes his retirement at the end of a full career. The gross replacement rate (disregarding taxes) in France is estimated at 59% for an average-wage earner, which is higher than the OECD average (54%) (Figure 3.1). On the other hand, the gross replacement rate for low earners is slightly lower in France than the OECD average, and it is similar for high earners.

While the replacement rate generally declines as the wage level rises, the pension and social protection systems in place in each country are determining factors. In France, the ceiling for calculating the basic pension

under the general regime has the effect of reducing the replacement rate for high-wage earners, while the replacement rate with the pension paid under the complementary regimes rises with end-of-career earnings. In total, adding the basic pension and the complementary pension, private sector workers can expect to receive 75% of the average of their best earning years, which is close to the full-pension replacement rate in the public sector. In fact, the median replacement rate for the 1942 generation is nearly the same for private sector workers (74.5%) and civil servants (75.2%) (Drees, 2013).

Figure 3.1. Gross pension replacement rates,^a OECD countries



a) This is the amount of the pension benefit received as a proportion of the individual lifetime average earnings throughout their career. Low earners have one-half of average earnings while high earners have 1.5 times average earnings.

Source: OECD (2013), *Pensions at a Glance – OECD and G20 Indicators*, OECD Publishing, Paris, http://dx.doi.org/10.1787/pension_glance-2013-en; OECD pension models.

On the other hand, the replacement rate varies sharply with career profiles. Persons who have put in a short working life at low wages are disadvantaged. The 2003 reform introduced a guaranteed net replacement rate of 85% for a full career spent working full-time at the SMIC, with fully paid-up contributions. Beyond the rules of ordinary law, several mechanisms are designed to reduce the adverse impact of career misfortunes on the level of pensions. Periods of unemployment with benefits are credited on the basis of one quarter for 50 days of benefits.⁷ Periods of unemployment without benefits are also credited, but in a more restrictive way. The 2013 reform proposes to extend this credit (Box 3.2). However, beneficiaries of the Active Solidarity Income (*Revenu de solidarité active* – RSA) still do not earn pension credits, and they often have only the minimum old-age allowance to look forward to. In total, the French pension system implies a redistribution that helps to reduce inequalities among pensioners, but it remains complex and it penalises those with chaotic careers.

The practice of combining pension and earned income is spreading

It is possible to combine a pension with income from work in most OECD countries, but there is often a ceiling involved. In France, since 2009, all employees can combine their pension income with earnings from work under three conditions: they are drawing their full pension, as determined by length of service or age; they have terminated their labour contract; and they have claimed all personal pension entitlements under the basic and complementary schemes, in France and abroad. Pension contributions paid under a combined arrangement do not produce any additional pension rights within the same regime, but not if the retiree is working in a new regime. In the view of Jolivet (2013) this treatment is inequitable for low-pension retirees who need to supplement their period of contributions and their retirement pension. They will often not have achieved the full rate because of career breaks and health problems and they cannot then fully combine their pension with work nor can they continue to make contributions in order to improve their pension.

The need for retirees to claim all their pension rights in order to be able in future to combine employment and pension income without a ceiling has been confirmed by Parliament in the 2013 reform (Box 3.2). Moreover, a return to work under a new regime would no longer allow the retiree to obtain additional pension rights. The person would contribute but the funds would be lost to him, whatever the regime under which he is covered and whatever the age at which he draws his pension. A supplementary pension right exists in only a few countries, notably in Spain, the United States, Sweden and Norway.

Since the rules governing the combination of employment and pension income were loosened, the practice of working during retirement has spread. Men are somewhat more likely than women to combine pension and employment income, and it is generally persons who consider themselves in good health who do so. The practice is also more common among executives and persons with higher education degrees. Self-employment, in particular in trade and in the liberal professions, is overrepresented. When people combine pension and employment income, the latter very often comes from part-time work. In 2012, 7% of retirees aged 60-69 who had worked after age 50 had a job, double the figure in 2006 (Govillot, 2013). Half of these retirees said they were working primarily because their pension “was not enough to survive today”, 7% said it would allow them “to make further contributions to improve their pension tomorrow”, 1% cited both reasons, and 43% gave non-financial reasons.

Combining pension and employment income has also become more common in Europe among the same population group (Eurofund, 2012). Working retirees are most likely to be younger and male, to be highly educated, to live in urban areas, or to have debts to retire; if they are women they will most often have a medium level of education. Yet there are also retirees who would like to work but cannot find employment. Many were already without a job prior to retirement.

Gradual retirement is still rather rare

Since 1988, gradual retirement has allowed employees who have reached pensionable age to work part-time while drawing a portion of their basic and complementary pension benefits and to continue (since 2006) to acquire pension rights. To qualify, they must have 150 quarters (160 prior to 2006) to their credit in the compulsory basic regimes. Upon entering gradual retirement, the pension is initially calculated in a provisional manner, and a new calculation is made when the person ceases work definitively. The employee who opts for gradual retirement makes his old-age insurance contributions on the basis of his earnings, hence on a part-time work basis. But by exception, he may ask his employer to contribute as if he were working full-time. The contributory base intended to finance the pension is then maintained at the full-time wage level for his occupation. This provision assumes the agreement of the employer, who is obliged to shoulder the employer’s share. The 2013 reform makes gradual retirement more flexible, with access possible two years before the statutory pension age (Box 3.2).

This arrangement allows for a smooth transition to retirement while assuring supplemental income to the retiree. Moreover, by continuing to work the person can acquire new rights that in time will lead to a higher pension. However, since the measure was introduced, few people have taken

advantage of it. Between 1990 and 1997 the number of participants exceeded 1 000, but it dropped to around 500 by the end of 2005. The number of persons in gradual retirement at 31 December 2011 was 2 197, up by 33% since 2006, reflecting the relaxation of the rules (CNAV, 2012). The average age of “gradual retirees” in 2011 was 63.5 years. The length of service in gradual retirement averaged 2.2 years. One of the reasons for this low participation rate could be that employer and employee must be in agreement in order to implement the measure. Businesses seldom introduce such a device, and the employer is not required to grant part-time status to an employee who so requests. Similarly, the employer cannot insist that an employee move to part-time status.

Disability pension

Disability or “invalidity” pensions are paid to persons who are victims of a “non-occupational” risk that reduces their capacity to work by at least two-thirds, and who have fulfilled the minimum periods of registration and work. The disability pension is paid, in principle, up to the statutory retirement age, and is then replaced by an old-age pension for persons unfit for work, paid at the full rate and not subject to a length-of-contributions condition. Contributors who continue to work may oppose this substitution. The COR report (2013) stresses that the number of new retirees taking the “unfitness” pension in France exceeds by far the number of new retirees benefiting from early retirement provisions. Thus, in the general regime, 84 600 persons took “unfitness” retirement in 2011, while only around 38 800 took early retirement after a long career, slightly over 1 000 benefited from an early pension because of a handicap, and some 4 000 applications were submitted under the “strenuous working conditions” provision.

France does not figure among those OECD countries that have a high number of disabled workers of all ages (OECD, 2010). According to Behaghel et al. (2011), countries where the normal retirement age is high often resort to disability, especially when unemployment benefits are low and there is no publicly supported early retirement. The disappearance of most publicly funded early retirement schemes could produce an effect of displacement and substitution by disability pensions for certain workers, especially if the proportion of workers with health problems were to rise. For the time being, what is most evident in France is the increase in unemployment among older non-working persons, in part because they can receive unemployment benefits for a longer time after age 50.

Early retirement

Publicly supported early retirement provisions have virtually disappeared

The various early retirement provisions financed by government have virtually disappeared over the last decade (Merlier and Marioni, 2012). Restricted access to public early retirement schemes as a result of the elimination of certain provisions, the tightening of conditions for the remaining arrangements, and the reduction in funding for policies designed to withdraw older workers from the labour market have led to a decline in the number of early retirements: from nearly 160 000 in 2000 they dropped to slightly over 30 000 at the end of 2012, of which 26 204 related to the special provisions for early withdrawal by asbestos workers (*Cessation anticipée d'activité des travailleurs de l'amiante* – CAATA). Created in 1999, this provision allows employees under the general regime who are affected by asbestos-related occupational illnesses or who have worked in establishments identified by decree, to take early retirement at an age that depends on their length of service in an establishment at high risk of exposure to asbestos (but not before age 50). The establishments where workers are entitled to CAATA benefits include those engaged in the manufacture of asbestos-containing materials, asbestos spraying, lagging, and shipbuilding and repairs. The list of establishments that open rights to the provision has scarcely changed since 2008. The Social Security finance law for 2013 allows all CAATA beneficiaries to draw a retirement pension as of age 60, if they have fulfilled the required contribution period for a full pension, and at the latest at 65.

Apart from the CAATA, only the special allowance of the National Employment Fund is still accepting new beneficiaries: at the end of 2012 it covered 4 000 former employees. This allowance guarantees a replacement income for employees aged less than 57 whose job has been eliminated and who have no prospect of redeployment. With 363 new entrants in 2012, less and less use is being made of this early retirement provision. It is in fact implemented within the framework of a State/employer agreement. The conditions governing the establishment of such agreements were tightened in 2007, requiring that the firm must be in real financial difficulty and must have an employment safeguard plan in place. Lastly, the Early Retirement Scheme for Certain Employees, targeted at workers who have performed strenuous occupations under harsh conditions (assembly line work, night work etc.) or handicapped employees, applied to some 1 700 persons only at the end of December 2011.

Firms are still letting workers take “in-house” early retirement

Some companies, generally big ones, make available “in-house” early retirement schemes for their older employees, which they organise and pay for themselves without any public financial support. Such practices run counter to government policies for keeping older people at work. Nevertheless, they are legal: while they are reserved to older workers, they are not discriminatory, as they are frequently designed to take account of strenuous working conditions, and they are based on voluntary participation. When the firm terminates the labour contract, it has been required since 2003 to pay to the State a contribution on the total amount of early retirement benefits paid to its former employees. Initially set at 23.85%, the contribution rate was raised to 50% for persons taking early retirement after October 2007. The proceeds of this contribution, which go into the Old-Age Solidarity Fund, amounted to EUR 433 million in 2011, an amount that has remained relatively stable since 2007 and concerns fewer than 500 companies (Merlier et Marioni, 2012).

These practices are still in place in 2013. For example, employment management at Thales as formalised in an agreement of 26 April 2013 provides for “secondments with no permanent work obligation” for employees, who can access their full pension after 30 months. Employees covered by this arrangement are entitled to receive 72% of their annual salary during suspension of their contract. The retirement benefit paid to them is calculated on the basis of length of service, including their time in secondment. Practices of this kind are to be found in other industries as well. Thus, in the automobile services industry, between July 2013 and July 2014, employees taking early retirement after a long career can access their end-of-career capital. The arrangement concerns employees under 60 years of age on CDI with at least 20 years of service in their occupation, who agree to take early retirement and to leave the firm after the statutory notice of one or two months.

Unemployment

Recent years have seen a great increase in the number of registrations of persons over 50 in the public employment service, *Pôle emploi*. In October 2013, 724 300 fully unemployed persons (in category A)⁸ were 50 years or older, more than double the figure prior to the crisis. Their numbers increased by 11.5% over a year, compared to 6% for all categories of unemployed.

Since 2012, older workers registering with *Pôle emploi* are no longer exempt from looking for work. As a result, the number of applicants exempt from looking for work, which had peaked at 420 000 in early 2006, stood at less than 60 000 at the end of 2013. The exemption from looking for work,

introduced in 1984, allowed the older unemployed to receive their unemployment allowance by merely registering with the PES, without having to look actively for a job. The age of eligibility for this provision has been gradually raised since 2009: in the unemployment insurance regime, it went from 57 and a half years to 58 years in January 2009, to 59 years in January 2010, and to 60 years in January 2011. Since January 2012, the exemption applies only to current beneficiaries, and is not available for new registrants.

Beauvoir et al. (2013) estimate that the reform of the looking-for-work exemption accounted for more than 25% of the change in the number of over-50 jobseekers registered in category A with *Pôle emploi* in 2009; for around 75% in 2010 and 2011; and for 40% in 2012.⁹

The unemployment insurance regime

The unemployment insurance agreement currently in effect was negotiated by the organisations representing employers and employees in May 2011. The agreement is for three years, and is to be renegotiated in 2014. The renewal of unemployment insurance rights and the increase in unemployment contributions for “precarious contracts” stipulated in the national interprofessional agreement of January 2013 and the new 2013 Law on Employment Security will be spelled out in the new unemployment insurance agreement. The objectives are to encourage jobseekers not to refuse short-term employment and to preserve the rights they have acquired, while combating resort to precarious contracts. The new agreement should also seek to take into account the need to simplify the rules for users and make them more transparent (Unédic, 2013a). This point could also be applied to the provisions for reclaiming previous rights and rejoining the unemployment insurance scheme. At the present time, these provisions mean that people will not lose all their rights from one benefits period to the next, but they are particularly complex for people to use.

The principal unemployment insurance benefit is the Unemployment Insurance Allowance (*Allocation d'aide au retour à l'emploi* – ARE),¹⁰ which has been non-degressive since 2001 after the disappearance of the single degressive allowance. It is based on the principle of equality between the length of affiliation (at least four months) and the length of compensation, and at 31 December 2011 it represented on average 69% of the net reference wage (Unédic, 2013b). The allowance is not paid immediately, and a seven-day waiting period is systematically applied. Moreover, a deferred allowance is calculated as a function of compensation for paid vacation and termination benefits paid by the employer (including those under the negotiated termination arrangement).

There is a set of special arrangements for older workers in France

The specific allowance provisions for persons aged 50 and over are the following:

- Eligibility conditions are more flexible (longer reference period of work for determining rights, 36 months instead of 28).
- A longer maximum compensation period (36 months instead of 24).
- No maximum period for combining the ARE with income from work (or from reduced activity), which is normally limited to 110 hours per month.
- The “differential redeployment benefit” is not subject to a minimum benefits period for persons 50 years and over (it is 12 months for persons under 50). Instituted in 2006, the benefit is granted when a beneficiary accepts employment at an hourly pay scale at least 15% lower than in his previous job. The payment period cannot exceed the remaining period of ARE benefits due at time of recruitment, and it is eight months on average. During 2012, only 7 500 unemployed persons received this allowance. Older unemployed are the primary beneficiaries: a third of recipients are between 50 and 54 years, nearly 35% are in the 55-59 age bracket, and 4% are over 60 (Unédic, 2013b).

Moreover, it is possible to extend benefits to the full-rate pension age. The various unemployment insurance agreements have retained the ARE to the full pension age (65 to 67 years, depending on year of birth). The minimum age for this extension has been raised: in 2001 it was 59 and a half years; it was extended by six months in the 2003, 2006 and 2009 agreements, and it is now 61 years. To be eligible for this extension, a number of conditions must be fulfilled (Box 3.4). According to Unédic (2012), at the end of 2011 this applied to 1.7% of all unemployment insurance recipients (or 40 000 persons each month) and 56% of the unemployed age 61 and over. The cost of these extended allowances for older workers was around EUR 788 million in 2011, or nearly 3.1% of total benefits paid during that year.

Only a few OECD countries have special arrangements for older workers

In OECD countries, being older has little to do with unemployment insurance conditions (Box 3.4). There are only eight other countries where the length of benefits is longer for older persons. Moreover, Figure 3.2, which includes some countries that make no age distinction, shows that the

maximum period of seven years (three years as of age 50 and four years at age 61) that older workers in France enjoy is not to be found in any other country except Belgium, where there is no time limit on benefits. In the Netherlands, the maximum term is 38 months, but the only unemployed persons eligible are those who have worked for at least 208 hours a year in the last 38 years, and who have worked for at least four years over the last five. In its coalition programme announced at the end of 2012, moreover, the government indicated that its objective was to reduce this term to two years (OECD, 2014).

Box 3.4. The older unemployed enjoyed more favourable unemployment insurance conditions in some OECD countries in 2012

Easier registration based on a longer period of contributions

Belgium: 624 days of work or equivalent over the last 42 months after age 50, versus 468 days over the last 33 months for those under 50.

France: four months of contributions during the last 36 months after age 50, versus four months during the last 28 months for those under 50.

Longer maximum period of benefits (see Figure 3.2)

Germany: 18 months after 55 years, after 36 months of registration (maximum 12 months for those under 55 after 24 months of registration); 24 months after age 58 after 48 months of registration.

Austria: 13 months after age 50 (7 months for those under 50).

France: 36 months after age 50, with 36 months of enrolment during the last 36 months. Retention beyond 61 years until full pension age for those who have reached the statutory retirement age under different conditions: to be drawing benefits at age 61 for at least the past year, to have 12 years of enrolment in the unemployment insurance regime, including one continuous year or two discontinuous years of enrolment over the last five years; and to have 100 quarters of pension contributions.

Italy: 12 months after age 50 (8 months for those under 50).

Poland: 12 months after age 50 (6 months for those under 50).

Portugal: 18 months after age 40 with 60 months of registration (maximum of 18 months for those under 40 with 48 months of registration); 26 months after age 45 with 20 years of employment.

Czech Republic: 8 months after age 50 (5 months for those under 50); 11 months after age 55.

Slovenia: 19 months after age 50 (12 months for those under 50); 25 months after age 55.

Box 3.4. The older unemployed enjoyed more favourable unemployment insurance conditions in some OECD countries in 2012

(cont.)

Switzerland: 24 months after age 55, with uninterrupted contributions for 22 months over the last 24 months (12 months for those under 55 with no dependents, after 12 months of registration); 6 additional months for persons who became unemployed during the 4 years preceding retirement age (65 years for men and 64 years for women), and for whom job placement is impossible or very difficult.

Exemption from looking for work

Belgium: unemployed persons from age 60.

Netherlands: unemployed persons over 64.

Switzerland: during the six months preceding the statutory retirement age.

Looser definition of suitable work

Belgium: after age 50, the unemployed may limit their job search to their own trade or profession and to jobs that do not involve a daily commute of more than 2 hours and a daily absence from home of more than 10 hours (4 hours and 12 hours respectively for those under 50).

Norway: unemployed persons over 60 are treated as “local jobseekers”, who may accept a job with a daily commute of less than two hours (no commute limit for other jobseekers).

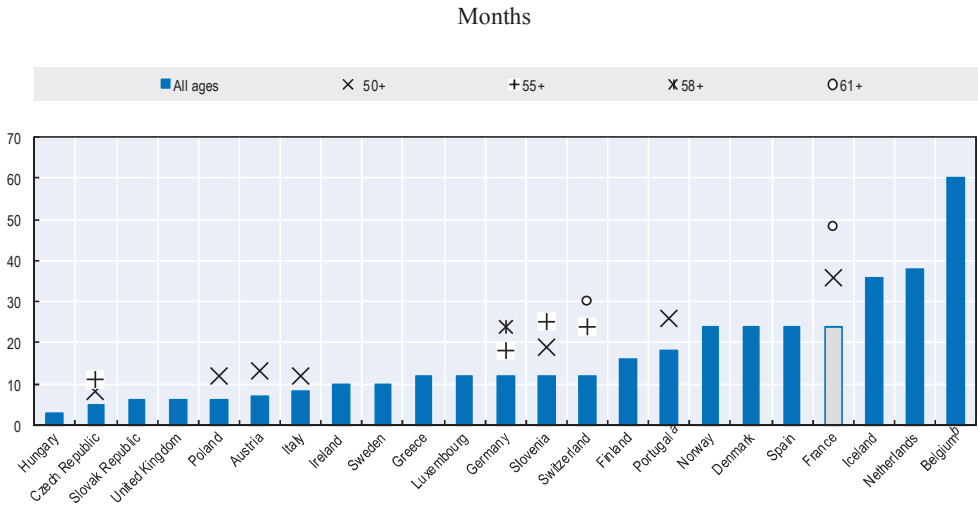
No monitoring of job-search efforts

Belgium: monitoring of job-search efforts by beneficiaries ceases at age 55.

Source: Venn, D. (2012), “Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries”, *OECD Social, Employment and Migration Working Paper*, No. 131, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k9h43kgkvr4-en>; *Mutual Information System on Social Protection* (Missoc) of the European Union; and responses from OECD countries.

Belgium represents a special case, as all unemployed persons may draw benefits without any time limit. The situation used to be even less strict for the older unemployed. The authorities reformed the unemployment benefit system at the end of 2012 to encourage the unemployed to make greater job-seeking efforts. The replacement rate guaranteed by unemployment benefits is now degressive over time, so that after a period of between 16 and 48 months of unemployment (depending on length of career), it provides an income just above the social assistance level. Degressivity is frozen, however, at age 55. In addition, long-term unemployed persons who have worked for at least 38 years or who are age 60 are still exempt for the job-search requirement. Lastly, monitoring of job-search efforts ceases at age 55, but this age will be gradually extended to 58 years by 2016.


Figure 3.2. **Maximum duration of unemployment insurance for an employee with a complete affiliation by age, European countries, 2012**



a) 18 months for a worker over 40 and 26 months for a worker over 45.

b) No time limit.

Source: OECD Work Incentives Database and Mutual Information System on Social Protection (Missoc).

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The “solidarity regime”

The older unemployed no more eligible to insurance unemployment benefits are entitled to financial assistance in many countries

Many OECD countries make provision for older unemployed persons to continue drawing benefits after their unemployment insurance or social assistance rights have expired. The continuing benefit typically becomes payable at a flat rate, some years before eligibility for retirement; in Denmark and Norway it is replaced by entitlement to an active labour market measure (Box 3.5).

Box 3.5. Prolongation of benefits for the older unemployed in selected countries beyond France, 2012

Denmark: *Right to a “senior job”*

The previous right to prolonged unemployment benefits for people aged 55 and over was abolished in 2011 for those born in 1953 or later; instead they now receive a right to a “senior job”, provided by their local municipality, when their benefits run out. The person must contact the municipality and must keep this job until the age of voluntary retirement set by his unemployment insurance fund. Employment conditions under a “senior job” are governed by labour law. The municipality receives a subsidy for each senior job. This type of subsidised employment does not create any new rights to unemployment insurance.

Estonia: *Flat-rate subsidy six months prior to retirement*

People may continue to draw unemployment insurance up to retirement age, if less than 180 calendar days remain before that date.

Hungary: *Flat-rate subsidy five years before retirement*

Persons who are within five years of retirement age are entitled to this subsidy if they have been drawing unemployment benefits for at least 45 days and if their benefits have run out, provided they will be five years short of retirement age within three years after the end of their unemployment benefits, and they have paid sufficient contributions for their pension (normally 20 years of contribution). The subsidy is paid until the unemployed person can claim an old-age pension, and is equal to 40% of the minimum wage.

Norway: *Eligibility for active labour market programmes to age 64*

The special rules for older workers contained in the unemployment benefits regulations were eliminated in 2011. Prior to that time, insured unemployed persons age 64 and older could receive unemployment benefits until age 67. After the reform, the regulations governing benefits for unemployed persons aged 64-67 are the same as for their younger colleagues. However, unemployed persons aged 64-67 whose benefits have run out are guaranteed a place in an active labour market programme if they have been unemployed for all or part of the past six months.

Netherlands: *Flat-rate benefit between age 60 and retirement*

Since 2006, older unemployed persons have been eligible at age 60 for an allowance of 70% of the minimum wage until they reach 65. This allowance is not subject to means-tested conditions. It cannot be combined with other allowances.

Box 3.5. Prolongation of benefits for the older unemployed in selected countries beyond France, 2012 (cont.)

Poland: *Flat-rate benefit between age 60 (men) or age 55 (women) and retirement age*

A transition pension equal to or greater than the minimum guaranteed old-age pension is paid in place of unemployment benefits to women from age 55 and to men from age 60, if their labour contract has terminated. The conditions include having accumulated at least 15 years of work under special conditions or of a particular nature and at least 20 years (women) or 25 years (men) of credits under contributory and noncontributory insurance schemes.

Source: MISSOC and responses to the OECD.

Older people in France whose benefits have run out are eligible for various social allowances

France has a system of social assistance (“solidarity”) for unemployed persons whose unemployment benefits have run out. The system includes, on one hand, the Specific Solidarity Allowance (*Allocation de solidarité spécifique* – ASS) for persons in this category who have few resources and have worked at least five years, and on the other hand, an allowance for certain older persons approaching age 60 (62 in 2017) to carry them over to retirement.

Since 2004, the ASS has not contained specific provisions for older beneficiaries, and has relied on three cumulative eligibility conditions: beneficiaries must be registered as jobseekers and must be actively looking for work; they must have worked during five of the last ten years before contract termination; and their household wealth must not exceed a certain ceiling.¹¹ The ASS is awarded for six months and is renewable every six months, up to retirement age if the person continues to fulfil the conditions.

The Pension-Equivalent Benefit (*Allocation équivalent retraite* – AER), created in 2002, was a means-tested allowance that paid slightly more than EUR 1 000 per month, and applied only to older unemployed persons who were not yet aged 60 and who had the necessary contribution credits to qualify for a full-rate pension. This allowance underwent various amendments in recent years, notably following the 2011 increase in the retirement age.

At the end of 2007 the government, seeking to eliminate age-related measures, decided to abolish the AER as of January 2009. However, given the collapse of the labour market following the 2008-09 economic crisis

and the shift of older unemployed persons onto social assistance, the AER was re-established on an exceptional basis until 31 December 2010. Since January 2011 the programme has accepted no new registrants. The number of beneficiaries stood at barely 30 000 in July 2012, compared to 68 700 in January 2008.

Another allowance for older persons, the Interim Solidarity Allowance (*Allocation transitoire de solidarité – ATS*), was introduced in July 2011, when the staged increase in the statutory retirement age from 60 to 62 years was introduced. The ATS may be paid to jobseekers born between July 1951 and December 1953 who were beneficiaries under the ARE in November 2010 and who also meet the eligibility conditions for the AER. These persons, then, receive the ATS between their 60th birthday and the new retirement age. The amount of the ATS is the same as that of the AER. Only 500 persons were drawing the ATS in July 2012.

A second, less restrictive ATS was introduced in March 2013. The 2013 ATS is paid to jobseekers born between January 1952 and December 1953 who meet certain conditions: they must be drawing unemployment insurance at 31 December 2010; they must have the necessary quarters to their credit to benefit from a full-rate pension (164 quarters for persons born in 1952 and 165 for those born in 1953); they must not have reached the statutory retirement age of 60 years and nine months for persons born in 1952, and 61 years and two months for those born in 1953; and their resources must not exceed a certain ceiling.¹²

There are some significant disparities in unemployment allowances for older workers

In 2011, nearly 70% of unemployed persons aged 50-54 were receiving benefits under the ARE (54%) and the ASS (15%) (Table 3.2). This distribution is close to that for persons aged 40-49. The proportion of non-insured persons eligible for social assistance declines after 55 years, because of access to the AER or the ATS. After 60 years of age, benefits are confined mainly to continued draws on the ARE up to the full-pension rate.

Older workers covered by the Unemployment Insurance Regime and who receive the ARE have incomes that are higher, on average, than those of other eligible jobseekers. In 2012, their average daily allowance was EUR 43.40 compared to EUR 34.70 for those under age 55 (Unédic, 2013b). It is among those 55 years and older that the disparities are greatest, with an inter-decile ratio of 4.7 to 3.2 for all eligible persons.


Table 3.2. **Jobseekers^a eligible for the unemployment insurance regime or not eligible, France, September 2011**

Percentages

| | Unemployment insurance allowance (ARE) | Specific solidarity allowance (ASS) | Pension-equivalent allowance (AER) or interim solidarity allowance (ATS) | Total eligible | Non-eligible | Total |
|-------------|----------------------------------------|-------------------------------------|--------------------------------------------------------------------------|----------------|--------------|-------|
| 29 or under | 56.2 | 0.8 | 0.0 | 57.8 | 42.2 | 100.0 |
| 30-39 | 59.3 | 7.1 | 0.0 | 67.0 | 33.0 | 100.0 |
| 40-49 | 55.3 | 11.8 | 0.0 | 67.5 | 32.5 | 100.0 |
| 50-54 | 53.8 | 15.4 | 0.1 | 69.7 | 30.3 | 100.0 |
| 55-59 | 56.5 | 16.3 | 7.0 | 80.3 | 19.7 | 100.0 |
| 60 or over | 61.2 | 26.1 | 4.2 | 92.2 | 7.8 | 100.0 |

a) Jobseekers at month's end who are immediately available and are required to seek work actively, and are without employment (category A); those who have worked for a short time (e.g. 78 hours or less during the month) (category B); and those who have worked longer (for example more than 78 hours during the month) (category C), or who are exempt from job search.

Source: OECD estimates based on administrative data; Fontaine, M. and J. Grangier (2013), "Les demandeurs d'emploi indemnisables par le régime d'assurance chômage en 2011", *Dares Analyses*, No. 012, Dares, Paris, <http://travail-emploi.gouv.fr/etudes-recherches-statistiques-de-76/statistiques-78/chomage-79/les-series-statistiques-265/caracteristiques-des-demandeurs-d-14427.html>.

StatLink  <http://dx.doi.org/10.1787/888933000894>

One reason for these disparities is that the better-paid workers who have lost their job have access to a high level of unemployment benefits. In fact, the remuneration ceiling on which French unemployment insurance contributions are calculated is the highest in Europe, at EUR 12 142 (MISSOC, 2012). Consequently, the net maximum monthly allowance payable can reach EUR 6 161, well above the level in other European countries. For example, the maximum monthly allowance is EUR 1 500 in Belgium, Italy, Portugal and Spain, and EUR 2 500 in Denmark and Germany. It is true that few people receive the maximum ARE: they numbered 1 600 in 2012, or 0.07% of unemployment insurance beneficiaries, for a cost representing 0.42% of total outlays. In fact, 99% of unemployed persons compensated under the ARE receive less than EUR 3 900 per month, 95% less than EUR 2 100, and 50% less than EUR 1 000.

Social aid

Jobseekers who cannot draw unemployment allowances are eligible for social aid under the Active Solidarity Income (RSA) regime. In 2011, this appears to have been the case for 30% of jobseekers aged 50-54, nearly a fifth of those aged 55 to 59, but less than 10% for those 60 years and older (Table 3.2). The specific allowances for older workers serve to reduce the ranks of those not covered, primarily after 55 years. However, the IGAS (2013) points out that while the rate of claims on the RSA declines with age, the number of persons over 50 drawing the RSA has risen sharply since the onset of the crisis.

The RSA came into effect in June 2009 in metropolitan France. It comprises two allowances, both of which are means-tested: the “base” (*socle*) RSA, which has replaced the Minimum Integration Income (*Revenu minimum d’insertion* – RMI), the “isolated parents” allowance and arrangements that offer incentives to return to work, and the “RSA activity”, which tops up low working incomes. The RSA is financed by the State (through the *Fonds national des solidarités actives*) and the *Conseils généraux*.¹³ A great many RSA beneficiaries are channelled into coaching by *Pôle emploi* or some other placement agency.

Evaluating the impact of eligibility criteria on older-age unemployment in OECD countries

A number of studies have recently been undertaken to evaluate the impact that changes in the benefits parameters for the older unemployed have had on their labour market situation. Researchers generally employ the experimental evaluation methodology, which compares the situation of those affected by the change with those who are not affected (Box 3.6). The main lessons to be drawn are the following. A measure that is limited solely to unemployment compensation is not effective for returning the older unemployed to work unless it is part of an overall strategy that covers all provisions for early cessation of activity. In fact, displacement effects frequently appear among the different provisions, and these can shunt jobseekers into a tunnel until retirement, without helping them find a job. This effect is particularly noticeable in countries that are facing a structural deterioration of their labour market. On the other hand, steps to ensure a swift return to work for the older unemployed and to make the allowance truly conditional on participation in an active labour market programme would seem more effective.

Box 3.6. Evaluation of the impact of benefits criteria on the older unemployed in selected OECD countries

Changing the unemployment benefits criteria

- *Reduced unemployment benefits for older persons have produced little in the way of immediate return to work in France.* Fremigacci (2010) analyses the impact on transitions out of unemployment that flowed from the sharp cuts (from 60 to 42 months or from 45 to 36 months depending on the period of past contributions) in maximum benefits duration for unemployed persons aged 50 and over, introduced by the 2003 Unédic reform. He uses official data from the National Employment Agency and identifies two groups, pre- and post-reform. He finds a significant structural effect through the displacement of jobseekers from unemployment insurance to social assistance when their UI benefits run out. The effect on transitions to employment is, on the contrary, quite modest.
- *Reduced unemployment benefits for “young seniors” yielded a medium-term improvement in their employment and earnings in Switzerland.* Degen and Lalive (2013) examined how the 2003 reduction in the duration of unemployment benefits from 24 to 18 months affected jobseekers younger than 55 years. They found that this reduction increased employment and earnings for jobseekers aged 50-54 years not only in the first 24 months after entering unemployment but even up to 50 months later. This was not the case for the control group, unemployed persons aged 55 and over. The positive effects were particularly pronounced among jobseekers who were previously employed in R&D-intensive industries and whose previous occupation involved the acquisition of cognitive skills. These findings suggest that the positive effects of reducing the depreciation of human capital and the stigma of long-term unemployment among older jobseekers outweigh the negative effects of a lower reservation wage.

Changing the unemployment benefits criteria and other provisions relating to early retirement

- *Extending unemployment insurance for older persons with facilitated access to other early-retirement provisions has had little effect on re-employment in Austria.* Inderbitzen, Staubli and Zweimüller (2013) analyse the impact on take-up of the different provisions (early retirement, disability and social assistance) flowing from more generous unemployment benefits for older workers. In Austria, between 1988 and 1993, unemployment insurance benefits were increased in some regions from one year to four for persons aged 50 and over. The probability that newly unemployed workers aged 50-54 (55-57) who access this programme will take early retirement is 17.0 (10.8) percentage points higher than for others. There is programme complementarity (sequential

Box 3.6. Evaluation of the impact of benefits criteria on the older unemployed in selected OECD countries (cont.)

take-up of unemployment and disability benefits) among the different provisions for workers 50 years and over up to retirement age, as well as programme substitution, but only for workers aged 55 and over, who are less likely to claim disability benefits. The authors conclude that the best approach is a set of measures that allow for co-ordinated reforms in unemployment and disability insurance to help older persons, together with incentives for firms to hire and retain older workers.

- *Action on several early-retirement provisions has increased employment in Finland.* Kyyrä (2010) followed the career paths of workers aged 51 born between 1941 and 1948 and analysed the joint effects of several reforms to the age of eligibility for the three early-retirement provisions: the “unemployment tunnel”, the “disability pension”, and the “part-time pension” (a subsidy for persons who switch from full-time to part-time work). The “unemployment tunnel” or “disguised early retirement” in Finland means that after the normal 24 months of unemployment insurance, those who have been unemployed for two years can receive an unemployment pension until retirement. The eligibility rules from the 1990s (53 years for the unemployment tunnel; 58 years for the disability pension; and 56 years for the part-time pension) have been changed: i) the age of eligibility for the unemployment tunnel has been increased by two years, to 55 years (1997 reform); ii) the disability pension has been eliminated (2000 reform); and iii) the age of eligibility for the part-time pension was postponed by two years, to 58 years (2003 reform). In fact, these reforms have served to raise the average age of exit from the labour force by 3.9 months. The most important impact has to do with the disappearance of the disability pension (+3.4 months), compared to the impact of the unemployment tunnel (+1.3 months) and in particular the delayed access to the part-time pension (-0.6). While in the last case the average exit age has declined somewhat, this has served, overall, to increase the number of hours worked by older persons who have continued to work full-time. However, different groups have been affected by different reforms. Concerning in particular the unemployment tunnel, the impact has been felt primarily by men in their early 50s working in the manufacturing sector.

More activation during unemployment

- *Abolition of the job search exemption for the older unemployed has increased employment but also disability claims in the Netherlands.* Hullege and van Ours (2013) examine the impacts of the job-search exemption that existed until 2004 in the Netherlands, for unemployed persons aged 57.5 years and over. They examine the job-finding rate of workers who became unemployed in 2001 between the ages of 55.5 and

Box 3.6. Evaluation of the impact of benefits criteria on the older unemployed in selected OECD countries (*cont.*)

57.5 years. They find a markedly negative effect at the exemption age and that age. According to Lammers et al. (2013), the end of the exemption for persons aged 55-59 leads to an increase of 6 percentage points and 11 percentage points, respectively, in the number of men and women who find a job within two years after becoming unemployed. On the other hand, this effect is accompanied by an increase of 4 and 9 percentage points, respectively, in the number of men and women receiving a disability allowance.

- *More activation during unemployment produces a return to work after a delay in Sweden.* Benmarker et al. (2013) looked at a reform in Sweden which reduced the duration of unemployment insurance from 90 to 60 weeks for the older, long-term unemployed who had exhausted their benefits but which allowed them to continue receiving benefits if they agreed to participate in a work practice programme. The authors find that return to work increases with a certain delay, as the unemployed take some time to be fully persuaded to participate in programmes. There appears to be no effect from lower earnings, which suggests that the higher rate of return to employment results from more intensive job searching rather than any reduction in the reservation wage.

Source: Fremigacci, F. (2010), “Maximum Benefits Duration and Older Workers’ Transitions Out of Unemployment: A Regression Discontinuity Approach”, EPEE Research Paper, Centre d’études des politiques économiques de l’Université d’Evry; Degen, K. and R. Lalive (2013), “How do reductions in potential benefit duration affect medium-run earnings and employment for older workers?”, IZA Workshop on Labour Markets and Labour Market Policies for Older Workers, 12-13 April, Bonn; Inderbitzin, L., S. Staubli and J. Zweimüller (2013), “Extended Unemployment Benefits and Early Retirement: Programme Complementarity and Programme Substitution”, *IZA Discussion Paper*, No. 7330, Bonn; Kyrrä, T. (2010), “Early Retirement Policy in the Presence of Competing Exit Pathways: Evidence on Policy Reforms in Finland”, *VATT Working Paper*, No. 17, Government Institute for Economic Research, Helsinki; Hullege, P. and J. C. van Ours (2013), “Seek and Ye Shall Find: How Search Requirements Affect Job Finding Rates of Older Workers”, *IZA Discussion Paper*, No. 7400, Bonn; Lammers, M., H. Bloemen and S. Hochguertel (2013), “Job Search Requirements for Older Unemployed: Transitions to Employment, Early Retirement and Disability Benefits”, *European Economic Review*, Vol. 58; Benmarker, H., O. Nordström Skans and U. Vikman (2013), “Workfare for the Old and Long-term Unemployed”, *Labour Economics*, No. 25.

Key findings

The transition from employment to retirement still takes place too early and poses problems for many older people in France. Consequently, the OECD is in favour of a set of measures that could improve the transition to retirement and do more to activate the older unemployed to find a job.

Improving the transition to retirement

The three pension reforms introduced in France since the beginning of this century have gone in the right direction. However, much remains to be done to make the many retirement regimes more convergent. It is also crucial to give more individuals the possibility of working for a sufficient time to obtain a full-rate pension.

Pension reform has been the focus of debate in France in 2013. The Commission “on the future of pensions”, chaired by Yannick Moreau, submitted its conclusions in June and the draft law “guaranteeing the future and fairness of the pension system” has been examined by the National Assembly and the Senate.

As the OECD stressed in its report, *France: Restoring Competitiveness*, it is important that the reform of pension financing should focus on reducing expenditure and avoiding any increase in the tax burden on incomes from work. Such a reform would be an important new step in restoring the financial sustainability of the French pension system (OECD, 2013d). The 2013 reform, by contrast, is considered to be of limited scope from the budgetary viewpoint. Moreover, the progressive increase as of January 2014 in employers’ and employees’ pension contributions runs the risk of raising the cost of labour (even if firms receive counterpart considerations) and of reducing purchasing power. Lastly, the 2013 reform does not address the issue of the current system’s fragmentation, which is the source of much inefficiency and inequity. Recent *OECD Economic Survey of France* (see the latest, OECD 2013a) have recommended a universal regime that would improve transparency and fairness, favour voluntary mobility, and make the system easier to manage, while at the same time yielding potentially substantial savings.

Nevertheless, the OECD welcomes the following measures, which have the greatest long-term potential: extending the contribution period required for the full-rate pension (to 43 years by 2035); making it easier to obtain credit for a quarter of contributions, which will benefit the young and in particular those working during their studies or as employees in nonstandard jobs, especially women; and the fact that some periods of apprenticeship, vocational training and internship will now count towards pension entitlement. The personal strenuous activity account for private sector workers, on the other hand, will have to overcome a number of implementation problems if it is to be effective.

Lastly, as Bozio (2013) notes, the 2013 reform includes a small first step needed to arrive in time at a more systematic reform: creation of a single pension account that will compile all relevant information, and an inter-regime structure that will feed this account.¹⁴ This will allow for the

introduction of a single pension calculation for multiple-regime pensioners, who represent more than three-quarters of the working population in France.

One of the things that make reform of the French pension system difficult is that simultaneous action is required on two key parameters: the age of retirement and the period of contributions. It seems clear that the French authorities today regard a further increase in the contribution period after 2020 and until 2035 as the most appropriate reform measure, given the increase in life expectancy. It is essential, then, to address the current situation where only half of older persons hold a job before they take retirement: that proportion should be increased substantially.

As the COR (2013) has stressed, if the pension regimes need people to work longer and to claim their pension entitlements later, care must be taken to ensure that the existing, more attractive provisions do not in the end entail costs that go beyond actuarial neutrality. There are three simultaneous provisions for those who have the physical capacity to keep on working: the bonus, the combination of employment and pension income, and gradual retirement. The modifications to the last two provisions in the 2013 reform respond in part to current concerns.

The bonus, which is designed to encourage the pursuit of full-time or part-time work without discontinuity for those who have reached the statutory age and are eligible for the full rate, is particularly attractive and is being taken up increasingly by civil service workers. The *OECD Economic Survey of France* also notes the absence of a bonus prior to the legal minimum age for quarterly contributions beyond the contribution period required for a full pension, and argues that this discourages those eligible for early retirement on long-career grounds from continuing to work (OECD, 2013a). It would therefore be advisable to change the rules for the bonus so that quarterly contributions beyond the legal duration required for a full-rate pension would increase the amount of the pension.

The combining of pension and work income represents the situation where a person has broken his employment links with his employer, but wishes to remain in a certain activity or to take up another one. This arrangement offers flexibility in end-of-career planning for those who are still working when they start drawing their pension. Its financial impact is positive for the pension regimes, even if it is costly to the treasury in the short term. Since the easing of the conditions for combining pension and earned income, the habit of working during retirement has become more widespread among more highly educated and higher-ranking male employees. The 2013 reform reflects the IGAS (2012) recommendations to simplify all arrangements for combining pension and earned income, which in no case should give rise to new pension entitlements.

The gradual retirement allows for continued work, but only part-time, with a first portion of the pension paid at end-of-career and a second portion at some optional point in time. This arrangement, which can improve the worker's future pension rights, has not taken off for 30 years. There have been some opposite proposals offered recently. On one hand, the IGAS (2012) has called for the elimination of gradual retirement. Implementing this is very complex, but simulations show that if it were to become popular gradual retirement would be the most costly provision for the pension regimes, especially for women, executive categories and the professions that require higher education. A comparison of combined employment-pension income and the bonus leads the IGAS to conclude that the long-term financial interest is best served by having workers with the longest life expectancy in retirement choose the combination route over the bonus. The Moreau Commission, on the other hand, is clearly in favour of gradual retirement and proposes to make it more attractive (Moreau, 2013). The 2013 reform takes up this proposal by making gradual retirement more flexible without extending the possibility of crediting extra pension contributions. To avoid seeing their pension reduced, part-time workers can, in effect, ask to contribute on the basis of a full-time salary. The employer must still agree, because there will be an increase in both the employees' and the employers' contributions.

Opening the possibility of gradual retirement to other regimes than the one for private sector workers and the self-employed would be a welcome move, as the French seem to prefer to take their retirement gradually. According to the Eurobarometer survey of 2012, two-thirds of French citizens find that working part-time while receiving a partial pension is more attractive than taking full retirement (Eurobarometer, 2012). This is also the case for two-thirds of the citizens of Europe, and for an even greater proportion in Sweden (90%), Denmark (87%), the Netherlands (84%), the United Kingdom (82%), Finland (80%), Ireland (78%), and Belgium (78%). More generally, there is a need to make the possibility of gradual retirement better known to the French public. In fact, a survey of people's grounds for retirement found that in 2012, 38% of persons interviewed had "heard speak of it without really knowing what it was all about" (Barthélemy et al., 2013).

Lastly, it must be noted that one option is to revise the parameters to make it more attractive to continue working after reaching full pension age, but the problem in France today arises mainly before that age.

Better activating the older unemployed

Partly as a result of ending public funding for early retirement in France and eliminating the job-search exemption for the older unemployed, greater numbers of older people are now registering as unemployed. However,

it must be noted that this period of unemployment is still too often regarded by older workers, employers and society as a form of disguised early retirement.

In France, jobless benefits rely on three pillars (insurance, assistance or “solidarity”, and social aid)¹⁵, and each plays its part in an effective back-to-work strategy. The routes taken in other countries involve stricter conditions for all unemployed persons, with allowances conditional upon actively looking for work and participating in active labour market programmes for work reintegration (see Chapter 5).

The maximum length of unemployment benefits in France is the longest in the OECD (apart from Belgium, where there is no limit). The maximum benefits period is three years starting at 50 years of age, and as high as seven years after age 58: in effect, unemployed persons aged 61 can keep drawing their unemployment benefits until they are eligible for the full pension rate. Such a generous arrangement is uncommon in other OECD countries, particularly at such an early age as 50.

In a report on getting the older unemployed back to work, the IGAS calls on the social partners, who are to open negotiations in 2014 on the next unemployment insurance agreement, not to call into question the special arrangement for older workers, given the current state of the labour market (IGAS, 2013). A shortening of the benefits period and abolition of the rights maintenance benefit would automatically shift more people from unemployment insurance toward social aid. While the special treatment of older workers should not be touched, the IGAS recommends actions to activate unemployment insurance spending, particularly for older people.

For the OECD, it seems clear that allowances for the older unemployed will have to be revisited in order better to activate unemployment insurance spending for this group. The expenditures freed up by the Unédic could be used to reinforce subsidies for getting older persons back to work. This would involve a commitment for gradually eliminating the long benefits duration and, as a minimum, raising eligibility ages in 2014.¹⁶

Notes

1. The estimate of persons taking retirement relates to flows and considers as having made a quarterly transition to retirement all persons who are retired in $q+1$, but were not retired in q . The comparison of the age of this transition to retirement with the age for drawing pension rights calculated by the pension funds is not easy, given the many and complex regimes

involved. Thus, the average age of direct-right retirees living in France who for the first time claimed at least one direct right in a basic regime in 2008 is 59.3 years for men and 60.7 years for women, or 60.0 for the two genders (Drees, 2013).

2. In a different approach from that of Nafilyan and Parent (2014), who focused on quarterly transitions to retirement using data from the *Enquête emploi* (2004-11), Govillot (2013) uses the complementary module on the transition from employment to retirement from the 2012 *Enquête emploi* and shows that two-thirds of retirees age 60-69 (who had worked after age 50) received a retirement pension immediately after their last job.
3. For a detailed analysis of the French pension system, see the reports of the Pensions Advisory Council (COR) and the Directorate of Research, Evaluation, Studies and Statistics (Drees), one of the central administration directorates of the French health and social ministries. For an international comparison, see the publication *Pensions at a Glance* published every two years by the OECD.
4. The other principal special regimes are those for the electricity and gas industries, the French National Railways (SNCF), the Paris public transit system (RATP), the National Mining and Geological Service (Mines), government blue-collar workers, the Bank of France, the National Opera of Paris and the *Comédie française*.
5. Civil servants are also affiliated, since January 2005, with the Additional Regime for the Civil Service, which differs from the complementary regimes for employees and non-wage workers in the private sector by the fact that their contributions are based, not on their principal remuneration, but on the premiums and allowances received for additional hours of work and benefits in kind for civil servants, to a limit of 20% of indicative pay.
6. With the exception of the IRCANTEC for non-civil-service employees of the State and local governments where, when a pension is claimed after statutory retirement age, the number of pension points is increased by 0.75% per quarter worked between the statutory and the actual age of retirement. Work performed between the minimum retirement age and the statutory retirement age by persons entitled to a full pension gives rise to an increase in the number of pension points of 0.625% per quarter worked.
7. The unemployment insurance regime finances the Old-Age Solidarity Fund to take periods of unemployment into account in the calculation of pension rights.
8. These are jobseekers at month's end who are immediately available and are required to seek work actively, and are without employment.

9. It also had a fairly important impact on the change in the number of unemployed persons aged 50 and over within the ILO definition (+86 000 over the period 2009-12), particularly for the years 2010 and 2011.
10. Beyond the ARE, the unemployment insurance regime also finances other benefits for particular groups. The main ones are ARE training (for ARE recipients who begin training as part of their personalised re-employment plan) and allowances for the victims of economic layoff covered by a personalised redeployment agreement (CRP), an occupational transition contract (CTP) or an occupational security contract (CSP), who benefit both from a stepped-up coaching program and from specific benefits financed in part by the unemployment insurance regime and in part by the government (see Chapter 5).
11. As of 1 January 2013, the ASS was EUR 477 a month. The allowance is means-tested, and is paid at the full rate or a reduced rate. The jobseeker must, at the date of application, have a monthly income of less than EUR 1 113 for a single person, and EUR 1 749 for a couple.
12. In June 2013, the full-rate ATS was EUR 1 029.90 per month while the income ceiling was EUR 1 647.84 per month for a single person and EUR 2 368.77 per month for a couple.
13. The guaranteed monthly RSA was EUR 492.90 as of 1 September 2013 for a single person. This amount is increased for recipients with dependents and for isolated parents.
14. See the analysis arguing for the move to a new pay-as-you-go pension system based on individual contribution accounts (Bozio and Piketty, 2008).
15. While two-thirds of European countries formerly had a three-pillar system (insurance, assurance and social aid), the last decade has seen an increase in the proportion of countries with a two-pillar system (insurance and social aid).
16. Other approaches could also be examined in the negotiations on unemployment insurance for all unemployed persons, regardless of age, such as introducing degressivity in the duration of benefit (OECD, 2013a). This degressivity should apply in particular to workers who enter unemployment after a negotiated contract termination, and those who have high incomes. Alternatives could be to extend the deferred benefit following a negotiated contract termination and to reduce the very high ceiling on benefits.

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Chapter 4

Removing obstacles to the hiring and retention of older workers in France

The success of reforms intended to stimulate employment for older workers will require an increase in the demand for their labour, without which they will find themselves unemployed. The reluctance of employers to hire or retain older workers reflects in part their negative perception of the adaptability and the productivity of older workers, with perhaps a touch of age discrimination. There are also other, more objective factors that employers mention as motivating their behaviour. These may include, for example, the cost of labour, which rises sharply with age, and strict employment protection rules. All these factors will have to be taken into account in order to encourage employers to offer more possibilities to older workers.

An overview of the jobs held by older workers

In France, as in many OECD countries, the labour market for older workers is not very dynamic. While the retention rate in employment, even beyond the age of 60 years, has risen over the past decade, mobility from one job to another and hiring rates for older workers are low. To revive demand for the labour of older workers, it is useful to identify the types of jobs they have been holding during this past decade.

Education level and the nature of the employer

The education level of employed persons declines sharply after age 45, and especially after 55 years. Thus, 38% of employed persons aged 55-64 do not have the baccalaureate (upper secondary final degree), compared to 18% of those aged 25-44 (Table 4.1). The nature of the employer does not differ much between 25 and 59 years. As with younger workers, the great majority of workers aged 50-59 are wage-earning employees (around 60%) or civil servants (around 25%) and, lastly, self-employed (around 15%). The proportions of persons working in the civil service, for private employers, or self-employed rise steadily with age (up to 60 years for the civil service only). The proportion of employees of public and private enterprises alike tends to decline with age.

Table 4.1. **Educational attainment and nature of employer for persons employed, France, 2004-11**

| | Percentages | | | | |
|---------------------------------------------|-------------|-------|-------|-------|-------|
| | 25-44 | 45-49 | 50-54 | 55-59 | 60-64 |
| Employment rate (% of the age group) | 81.3 | 84.1 | 79.5 | 57.1 | 15.3 |
| Educational attainment | | | | | |
| (% of employment in the age group) | | | | | |
| Less than upper secondary | 18.0 | 30.1 | 35.8 | 37.7 | 37.8 |
| Upper secondary | 44.0 | 46.9 | 43.2 | 39.7 | 30.0 |
| Tertiary | 38.0 | 23.0 | 21.0 | 22.6 | 32.2 |
| Nature of employer | | | | | |
| (% of employed in the age group) | | | | | |
| Civil service | 21.2 | 23.5 | 24.7 | 25.0 | 23.4 |
| Private employers | 3.0 | 4.3 | 4.7 | 5.6 | 8.7 |
| Public enterprises | 19.1 | 17.8 | 17.5 | 14.6 | 8.2 |
| Private enterprises | 47.8 | 42.1 | 39.9 | 38.8 | 32.3 |
| Self-employed | 8.9 | 12.3 | 13.2 | 16.0 | 27.4 |

Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), "Labour Market Situation and Transitions of Older Workers in France", *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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On the other hand, there are important composition effects after age 60. Persons aged 60-64 who are working are more likely than their younger colleagues to have an education beyond the upper secondary level. This applies mainly to executives and persons working for their own account and, to a lesser extent, workers for private employers, and workers in the personal services sector. Thus, the proportion of the self-employed among these older workers is significantly higher than for younger workers (this is the case for 27% of workers aged 60-64 versus 9% for those aged 25-44). As well, the share of persons working for individual employers jumps from 3% for those aged 25-44 to 9% for those aged 60-64.

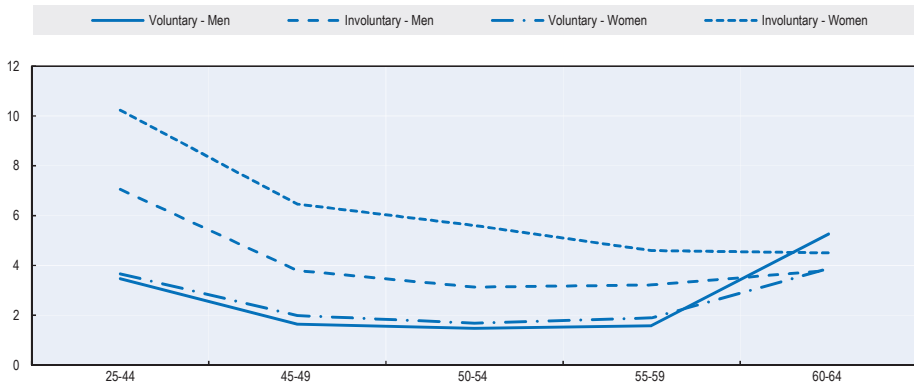
Type of labour contract

While more than 80% of new hires today are for temporary jobs, the proportion of older workers on temporary contract is low in France as it is internationally on average. The frequency of temporary jobs for older workers is 8.4% in France, compared to the European average of 6.7% and an OECD average of 8.9% (Table 2.1). There is however a so-called “CDD seniors” contract that was instituted in 2006 at the request of the social partners. This fixed-term contract is aimed at persons over the age of 57 who have been registered for more than three months as looking for work or are covered by an “occupational security contract” (*Contrat de sécurisation professionnelle* – CSP). The objective is to allow an employee to acquire additional rights in order to earn a full-rate pension. The initial contract runs for up to 18 months and is renewable once for a maximum term of 36 months (except for farmworkers). There is no specific benefit associated, and the contract is subject to the CDD termination allowance (in principle, 10% of the total gross remuneration owed to the employee). Seven years after its introduction, it must be admitted that the CDD has been very little used. It does not seem to respond to any need of businesses and it does not overcome employers’ reluctance to hire an older worker.

In fact, older persons up to age 60 are less often on a temporary contract (CDD, seasonal contracts, interim and apprenticeship contracts) than are those at the median age and younger: around 5% of men and 6 to 8% of women over 50 years have a temporary contract, compared respectively to 10% and 14% of men and women aged 25-44 (Figure 4.1). After the age of 60, the proportion of temporary contracts rises sharply. As a general rule for all ages, temporary contracts are more often involuntary (because a permanent job could not be found) than voluntary, except for men aged 60-64 years.


Figure 4.1. **Voluntary and involuntary temporary contracts^a among employees by gender, France, 2004-11**

As a percentage of employees



a) Fixed term contracts (CDD), seasonal, interim and apprenticeship contracts.

Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Time worked

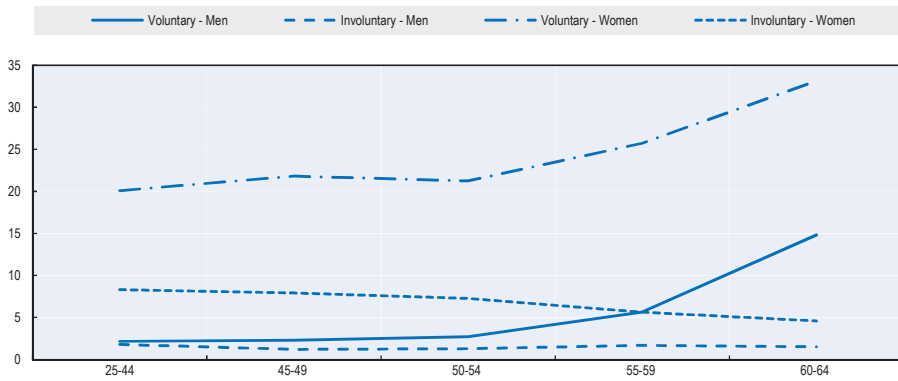
In 2012, around 18% of older workers were employed part-time in France and, on average, in European and OECD countries. In some countries, such as the Netherlands and the Nordic countries, part-time work is much more common, not only among older workers but among all age groups. This proportion has declined slightly in France over the past decade while it has remained stable elsewhere (Table 2.1).

In France, part-time work is usually of shorter duration for young people and older people than for the other age groups (Pak, 2013). Working time and its nature (by choice or by necessity) are highly correlated with gender and, to a lesser extent, with age (Figure 4.2). Women are much more likely than men to be working part-time, but they are less inclined than men to say that they want to work more (the official definition of involuntary part-time). On the other hand, up to 55 years for men as for women, age has little or no impact on working time: 4% of men aged 25-24 and 29% of women in the same age bracket are working part-time. After the age of 55, older workers seem to adapt their working time and to prepare their transition to retirement. The prevalence of part-time work among male employees aged 60-64 years thus rises to 16% and that for women of the


same age to 38%. Short of this threshold of 55 years, involuntary part-time work declines sharply with age, for men as for women, after age 45. Between 55 and 59 years, 23% of men and 18% of women working part-time say they want to work more, compared to only 9% of men and 12% of women over 60 years of age.

Figure 4.2. **Voluntary and involuntary part-time work among employees, by gender, France, 2004-11**

As a percentage of employees



Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Age stereotypes and discrimination

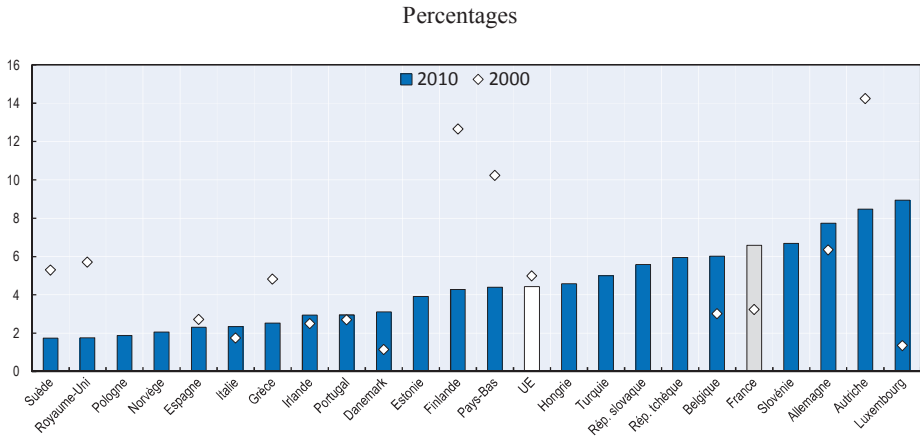
Age stereotypes and the resulting discrimination are still major obstacles to extending working life in nearly all European countries (Eurofound, 2013). A cultural change and efforts to raise awareness about the positive aspects of ageing in the work context are needed to eliminate these obstacles.

Perceptions of age discrimination are rising in France

Older persons’ perception of age discrimination in the workplace has increased in France over the past decade. While on average between 2000 and 2010 around 4-5% of European workers aged 50 and over complained of age discrimination, this was the case for 7% in France in 2010, double the proportion in 2000 (Figure 4.3). These significant disparities among

countries and over the course of the decade do not necessarily mean a greater prevalence of age discrimination, but may rather reflect a different degree of public awareness of this problem. It might also be concluded, then, that workers aged 50 and over were more sensitive in 2010 than in 2000 to age discrimination in the workplace in France, as in Belgium, Denmark and Luxembourg.

Figure 4.3. Age discrimination at the workplace, European countries, 2000 and 2010^a



a) Proportion of workers aged 50 or more declaring they were the victims of an age discrimination or were witnesses to age discrimination practice at the workplace during the last 12 months.

Source: European Surveys of Working Conditions, 2000 and 2010.

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Direct discrimination does exist in the workplace, even for skilled older workers. In 2012, according to a survey by the Association for Executive Employment (APEC) of executives and young graduates, on one hand, and of corporate recruiters and hiring agencies on the other, none of the players in the executive employment market believe that recruitment discrimination has disappeared. They concurred in considering that age is the most frequent factor behind discrimination in hiring (APEC, 2013). The fact of having too much experience also has an adverse impact. Persons interviewed complained in particular that few offers of employment were made to executives with more than eight years of experience.

Age discrimination sparks few complaints

More generally, the sixth annual barometer on the feeling of discrimination in employment, conducted by the French Institute of Public Opinion for the Ombudsman¹ and the ILO (International Labour Organisation), reveals that at least eight employees out of ten in 2012 claimed to have witnessed different forms of discrimination against persons over 50 years of age, whether in terms of hiring, access to training, career development or being “shelved”² (Défenseur des droits, 2013). Age discrimination problems seem to be felt in virtually the same way by workers in the public and private sectors. Measures in favour of employment for older persons seem fairly rare or are poorly known within businesses and government administrations. When they exist, these measures also relate to mentoring, working time accommodation as well as the recruitment or training of older workers.

Age still ranks far behind origin as a source of complaints submitted to the Ombudsman. Among complaints filed for refusal of employment, 29% claimed discrimination by reason of origin, 13% by reason of age, and 8% by reason of disability. While the majority of complaints were targeted at the private sector (54%), the public sector received its share too (46%).

Wages and productivity

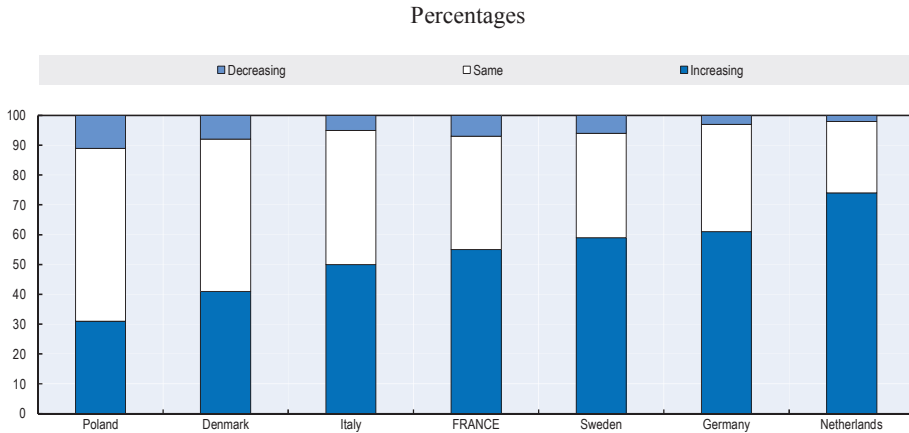
Older workers still encounter difficulties in keeping their job, in changing jobs, or in finding a new one. One of the main obstacles on the employers’ side has to do with labour costs, which they perceive as rising more with age than with productivity.

Employers’ perceptions in Europe and recommended means of action

The obstacles to the employment of older workers have to do in large part with negative perceptions on the part of employers, based mainly on the idea that wages will be higher than productivity in late career. According to a survey conducted in 2009 among employers in seven European countries, around half of employers expect that an increase of five years in the average age of their workforce will be associated with a widening of the labour cost-productivity gap (Conen et al., 2012) (Figure 4.4). There are important inter-country differences, but the perception of French employers (55%) is close to the average. By contrast, three-quarters of Dutch employers expect a widening of this gap, compared to less than a third of Polish employers. The survey also looked at measures taken to retain older workers. Except in the United Kingdom, few employers propose a pay cut (7% on average, 3% in France). On average, the three actions that employers in the seven countries advocate have to do with flexible working hours (35%), ergonomic measures

(29%), and training plans for older workers (23%). These three measures are also proposed by employers in France, but training plans come first (46%), followed by flexible working hours (28%) and ergonomic measures (28%).

Figure 4.4. **Gap between productivity and labour costs expected by employers in seven EU countries, 2009**



Note: The perception of this gap results from a combination of answers to the question: What would happen to the cost of labour and productivity in your company if the average age of your staff increased by five years? The possible answers are: 1) significant decrease, 2) lower, 3) no change, 4) increase, 5) significant increase. If an employer expects that productivity does not change but the cost of labour increases, that implies a wider gap between labour costs and productivity.

Source: Conen, W.S., H. P. Dalen van and K. Henkens (2012), “Ageing and Employers’ Perceptions of Labour Costs and Productivity: A Survey Among European Employers”, *International Journal of Manpower*, Vol. 33, No. 6; Activating Senior Potential in Ageing Europe (ASPA) Project of the Netherlands Interdisciplinary Demographic Institute (NIDI).

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Wage patterns and profiles at end of career in France

The wage that older full-time workers receive in comparison to that of younger workers over a given year is slightly higher in France than the international average (Table 2.1). The ratio for persons aged 55-59 to those aged 25-29 was 1.5 over the past decade, compared to a European average of 1.4 and an OECD average of 1.3. Does this mean that the wage profile by age is steeper for all older workers in France? Answering this question involves tracking the profile of a cohort of workers in order to eliminate the composition effect related to the fact that less-skilled workers leave the labour market earlier. This is the approach taken by Andrieux and Chantel (2012) to describe the career paths and the wages received at the

end of working life for persons born in 1942, in the public and private sectors.³ The principal message is that wages stagnate for more than half of salaried workers between age 50 and the end of their career, except for those who remain at work full-time until retirement.

- *The path from age 50 to end of career.* Among persons born in 1942 who were employed at age 50, more than half are no longer receiving a wage at age 60. Career ends are very different depending on the sector, public or private: whereas the proportion of persons still earning a wage during the year in which they turn 60 (or for at least a portion of that year) exceeds 60% for public sector employees aged 50, it is around 40% in the private sector. Unemployment or early retirement awaits a significant proportion of older private sector workers: these grounds for exit are virtually non-existent in the public sector. A minority of employees continue to work full-time without interruption from age 50 until their first pension draw. In the private sector, for persons born in 1942, they represent 11.6% of men and 6.3% of women. In the public sector, these proportions are much higher: 40.8% for men and 32.9% for women, for the same generation. Part-time work between age 50 and end of career is on the other hand frequent in both sectors, and concerns at least one in every two workers at the end of a “complete” career.
- *Wage progression from age 50 to end of career.* An indicator of individual relative earnings can be used to describe wage progression: this is defined as the ratio (on the basis of 100) of the wage received by a person at a given age to the wage which that same person was earning at age 50, taking into account the trend of average wages between those two ages.⁴ In the private sector, re-stated wages decline between 50 and 60 years for more than half of employees born in 1942 who are still working at age 60. Moreover, the 10% of workers whose wage trend is least favourable see their wages fall by at least half between 50 and 57 years (for those who keep a wage-earning activity). For the 10% of workers whose wages rise most strongly, they increase by more than 25% from 50 to 57 years and by more than 40% between age 50 and 60. These observations hold true across all wages. Relative individual wage cuts arise in many cases from the shift to part-time work. The range of wage trends is clearly narrower for those who remain at work full-time (especially before age 60). In terms of wages that correspond only to years of full-time work, the relative individual wage remains stable, or even rises slightly after age 50. Executives are less likely than other categories of employees to see a relative decline in earnings at end of career, primarily because they resort

less to part-time work: for employees who remain full-time (at full pay) the median wage trend appears differs much less from one occupational category to the next. In the public sector, more employees see a progression (if only a weak one) in their end-of-career wages. This sector is characterised by greater homogeneity at end of career. Not only are the trends less differentiated, but the level of wages at age 50 is also less dispersed than in the private sector (upward and downward wage movements are much closer to the median value). There is moreover little divergence in the median trend profile by gender and by occupational category.

Age and productivity

There are some complex interactions between characteristics specific to the individual and those specific to the firm that explain the absence of any statistically significant relationship between productivity and a worker's age (Levasseur, 2008). Aubert (2007), however, finds no significant discrepancy in firms between wage cost profiles and productivity according to age, at least after 55 years. His results seem to reject the hypothesis of a general problem of demand for older workers because of an unfavourable trend in the end-of-career wage/productivity ratio.

There are two important weaknesses in the studies conducted on the issue of older workers' productivity: they deal only with older persons in employment, whose productivity is on the whole bound to be higher than that of older persons who have withdrawn from the labour market; and they are confronted with the difficulty of measuring productivity gaps between individuals within a firm. This explains why the conclusions from the most recent research differ and are highly dependent on the choice of measures. This is demonstrated by Bloom and Souza-Posa (2013) in their summary review of this issue.

Nevertheless, recent research has yielded some significant findings:

- *Productivity is lower for low-skilled older workers in all sectors.* Roger and Wasmer (2011) assess the marginal productivity profile by age and skill level in the manufacturing, services and trade sectors in France. Labour productivity is lowest for low-skilled older workers, while high-skilled senior employees in manufacturing and trade are the most productive groups.
- *There is a bias against age in innovative sectors with evolving skills.* According to Aubert et al. (2006), older workers represent a smaller portion of the payroll in firms that are characterised by sharp technological changes in France. Workers over 50 years also face an allocation in declining sectors, automatically finding themselves

in firms that structurally destroy more jobs, rather than in firms operating in sectors that are currently dynamic. This “technological and organisational change bias” also appears within different skills categories: skills are not sufficient to protect a worker fully against the consequences of age. On the other hand, Romeu Gordo and Skirbekk (2013) show that, in Germany between 1986 and 2006, older workers who remained in employment were quite successful in adapting to technological change. They were more likely to be employed in tasks that demand intensive use of cognitive faculties, which may explain the significant increase in their wages over this period.

- *For older workers, the more job-specific their experience the lower will be their productivity if they change jobs or employers.* The fact that older workers’ productivity relies primarily on skills specific to the firm may go a long way to explaining their low rate of recruitment into new firms (Daniel and Heywood, 2007).
- *Creating mixed teams of workers of different ages can boost the productivity of all workers.* Zwick and Göbel (2013) analysed good practices in employee management in a panel of German firms over the years 1997-2005. One of their conclusions is that working arrangements need to be adapted to the capacities of older workers, for example by changing equipment to deal with auditory and visual problems or assigning them tasks that are physically less demanding. They find that as a result of such measures, older workers’ productivity is on average no lower than that of prime-age workers.
- *Adjusted working hours and specific training for older workers have no significant effect on the age/productivity profile.* Zwick and Göbel (2013) find that these arrangements have not been adequately implemented in Germany. Thus, flexible working time has been used for older employees primarily as a pre-retirement measure, with the possibility of working full-time in order to take retirement earlier. Similarly, training opportunities have not taken into account the specific wishes of older participants. It also seems that, in France, offering training to older workers is not sufficient in itself to overcome the bias against age (Behaghel et al., 2011).
- *Thanks to the experience acquired by older workers, the average age/productivity profile rose to age 60 in an automobile plant.* Börsch-Supan and Weiss (2013) measured errors occurring on an automobile assembly line in Germany, according to age. They show that the experience of older workers and their capacity to optimise teamwork help them to avoid severe errors, in contrast to younger workers.

Wage practices in firms

Wage progression is largely a function of seniority

Wage practice in businesses is based largely on age and seniority criteria. In particular, wage scales take into account seniority and they offer length-of-service premiums. According to a 2010 survey of labour costs and wage structures in private sector firms with more than ten employees, seniority premiums represent 2% of the gross payroll, compared to 3.8% for performance bonuses (Demailly, 2012). *Ceteris paribus*, the likelihood of receiving a seniority premium is five times higher for an employee aged 40 or more than for a young worker under the age of 25. Seniority premiums are granted primarily to blue-collar workers in industry, while management staff are more likely to be awarded performance bonuses.

Although wage policy is determined entirely by the social partners in France, the public authorities could encourage them to pay more attention to the issue of wage progression as a function of age in wage negotiations, including in the public sector. Thus, in order to offset the sometimes adverse effects that certain seniority-based mechanisms can have on the employment of older workers, the 2010 Law on Pension Reform sought to cover the cost of retirement benefits through an insurance mechanism rather than have the firm bear the cost itself, and in this way to reward employers who hire older workers or keep them on the job until retirement. There is not enough information available to tell whether this move has produced results.

There are almost no wage subsidies reserved for older workers in France

When wages cannot be adjusted downwards because of the minimum wage or collective labour agreements, economic theory holds that a wage subsidy can reduce the cost of labour and thus increase the demand for labour. This is the case with the wholesale exemptions from social contributions in France, which apply to all low-wage workers, including older workers. On the other hand, there are virtually no wage subsidies reserved for older workers in France. A subsidy for hiring older workers was instituted by the November 2010 Law on Pension Reform. This was a grant for recruiting jobseekers aged 55 and over, on CDI or on a CDD for at least six months, but the application decrees have never been published.

There are currently very few subsidies targeted solely at older workers in OECD countries. Those that existed in the past have not shown themselves to be very effective. The reasons for eliminating the subsidy targeted at low-wage older workers in Finland illustrate this point. Huttunen et al. (2013) examined the employment effects of a temporary

subsidy experiment between 2006 and 2010 targeted at the employers of workers aged 54 and over who were working full-time (at least 140 hours per month) at low wages (between EUR 900 and EUR 2 000 per month).⁵ The subsidy amounted at most to 16% of the gross monthly wage. The effects on this target group were compared with the effects on groups not eligible for the subsidy. The analysis was limited to persons aged 45-64, and to the years 2004 and 2007, i.e. two years before and two years after introduction of the subsidy. The researchers found that the subsidy had no impact on the employment rate or the wages of the target groups. The Finnish Government arrived at the same conclusions, and halted the experiment in 2010. This arrangement, however, did produce a slight increase in the hours worked by employees aged 58 and over. Those workers, who could opt for part-time work and had more flexibility in their working hours found themselves putting in more hours of work in order to be eligible for the subsidy. The subsidy, then, made the part-time work provision more costly and less popular with employers.

Employment protection

There is no specific, age-related job protection provision in France. The Delalande contribution, which the employer had to pay after 1987 when terminating the contract of a worker aged 50 or over, was eliminated as of January 2008 because it was found to be a disincentive to the hiring of older workers (see the evaluation of Behaghel et al., 2008).⁶ Older workers' jobs are protected de facto, because more than 90% have a permanent contract (Table 2.1). For this reason, older workers are particularly concerned by the negotiated contract termination (*Rupture conventionnelle*).

Older workers and negotiated contract terminations

Negotiated contract terminations and protection of the CDI

A new form of mutually agreed termination of the CDI was recently introduced in France. The social partners had called for this in their nationwide agreement of January 2008, and the law modernising the labour market instituted it as of August 2008. This provision makes it possible to terminate a CDI by mutual agreement, whereas previously the employee had either to resign (and face a delay of four months before being eligible for conditional unemployment benefits)⁷ or to be dismissed, which required grounds and could be stigmatising. The employee leaves the firm with compensatory allowances at least equal to those stipulated for an economic layoff,⁸ while at the same time being eligible for unemployment insurance. Moreover, for employees not eligible for a retirement pension, the termination allowance (like the layoff allowance) is exempt from income tax

and from social contributions. Since 2013, allowances have however been subject to a special contribution of 20%, known as the “*forfait social*”: this is paid by the employer and applies to the portion of the specific allowance for negotiated termination, which until 2013 was exempt from the employer’s social security contribution. This measure is intended to dissuade employers from resorting to negotiated contract termination by raising the cost of the benefits they must pay.

The January 2013 employment protection indicators in the *OECD Employment Outlook 2013* show that France still has rigid regulations governing permanent or open-ended contracts (CDIs) and that hiring on fixed-term contract (CDD) accounts for the overwhelming share of gross worker flows. While negotiated termination of a CDI has served to make exits from the labour market smoother, it has done nothing to reduce the marked dualism of the labour market – temporary employment and CDD on one hand, and CDI on the other. The main reason is that it has only marginally affected the flexibility of the CDI without making it much more attractive for employers than it was before. Neither the mutual agreement nor the fact that it has been officially approved by the Ministry of Labour can prevent the worker from turning to the courts and insisting that the agreement was concluded under duress, especially in cases where there was a previous conflict between the employer and the worker.

Take-up of negotiated terminations has been growing swiftly

After a breaking-in period to the end of 2009, there has been steady growth in the number of negotiated terminations, although the pace has slowed. It reached 320 000 in 2012, or 11% more than in 2011 (Minni, 2013). Yet few employees are affected. Between the beginning of 2009 and the end of 2012, a yearly average of 1.2% of employees had their contract terminated by mutual agreement, representing over this time 13.9% of all CDI terminations through layoff, negotiated termination, or resignation.

One study showed that eight employees in ten had a positive view of the negotiated terminations, although one in four had the feeling of being “pushed toward the exit” (Dalmaso et al., 2012).⁹ One of the recommendations offered by the authors of that study to improve the device is to ask *Pôle emploi* to ensure that jobseekers registered with it following a negotiated termination receive better coaching in their efforts to find a new job.

As indicated in Chapter 3, negotiated termination poses a risk to the unemployment insurance system. Negotiated terminations are particularly attractive at age 58, for at that age an individual can draw unemployment insurance benefits until age 61 and then continue to receive benefits until full-rate pension age. It seems clear, then, why negotiated termination is the

departure modality favoured by older executives who have not yet achieved the full retirement pension rate and who are able to make the link with unemployment insurance (APEC, 2012).

Of workers aged 58-60 whose CDI expired in 2012, more than a quarter have signed a negotiated termination agreement

In 2012, 16% of CDI terminations involved negotiated terminations, behind resignations (57%) and layoffs (27%), but among workers aged 58-60, the share of these terminations averaged 26%, ahead of resignations (22%) but behind layoffs (52%) (Minni, 2013). Confining the analysis to persons under 57 years of age, the age structure of employees who have taken a negotiated termination is close to that for workers who resigned from their CDI. More generally, there are some important points to note:

- The bigger the firm, the lower the share of negotiated terminations in CDI terminations, except for workers aged 58 and over. Between the beginning of 2009 and the end of 2012, around 2% of employees chose the negotiated termination route in firms with fewer than 10 employees, compared to less than 0.4% for firms with 250 employees or more. While negotiated terminations are more common in small firms, it is in those with at least 250 employees that the proportion of persons aged 58 and over within the negotiated terminations category is highest, 15.4% versus 9.4% for firms with 50-249 employees and around 6% for those with fewer than 50 employees.
- The additional benefit to be gained from negotiated termination, compared to the statutory layoff allowance, is not very great except for high wage earners. In fact, the negotiated termination allowance is close to the statutory layoff allowance for workers earning less than EUR 2 500 across all levels of seniority. By contrast, for workers earning more than EUR 2 500, the median negotiated termination allowance is significantly higher than the statutory allowance, by 50% to as much as 70%, between 4 and 33 years of service.
- The distribution of the level of the allowance is highly unequal. The allowance received in 2011 by an employee following a negotiated termination averaged EUR 6 660. This average must be treated cautiously, however: half of employees received less than EUR 1 400, and for one-tenth the allowance was below EUR 240. In a quarter of cases, the allowance exceeded EUR 4 000, and for 10% of employees it was at least EUR 14 000. Regardless of

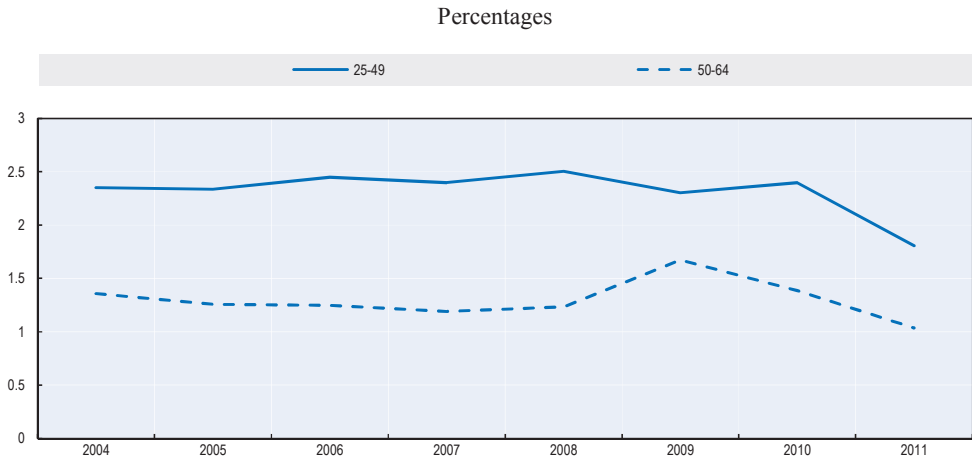
seniority, it is much higher for gross earnings of at least EUR 2 500 per month than for lower earnings. Whatever the wage bracket, the allowance is higher for employees who have been with the firm for at least five years.

Contract termination for older workers in the private sector in France¹⁰


The likelihood of contract termination (apart from retirement) is relatively lower for older workers in France

In the private sector (persons employed by private or public enterprises, associations or individual employers), older workers (age 50 and more) experience fewer labour contract terminations than do younger workers (25-49 years). Between 2004 and 2011, the average rate of contract termination (apart from retirement) from one quarter to the next stood at 2.3% for persons aged 25-49 and at 1.3% for those aged 50-64 years. The likelihood of contract termination for older workers did increase during the crisis, reaching 1.7% in 2009, but it quickly returned to its pre-crisis level (Figure 4.5).

Figure 4.5. **Quarterly probability of job loss (excluding retirement) by age group, France, 2004-11**



Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Compared to the younger age groups, older workers of all ages are less apt to quit, and are much less concerned by the termination of temporary contracts (which is also explained by the fact that older workers are less often on temporary contracts). Those aged 55-59 are, on the contrary, significantly more likely to be victims of economic redundancy (0.35% are laid off for economic grounds each quarter, versus 0.26% of workers aged 25-44) (Table 4.2 and Figure 4.6). Negotiated terminations as of the end of 2008 were fairly rare: 0.15% of persons employed in the preceding quarter said they had recourse to a negotiated termination in the following quarter.¹¹

Table 4.2. Quarterly probability of job loss by age group, France, 2004-11

Percentages

| | 25-44 | 45-49 | 50-54 | 55-59 | 60-64 |
|----------------------------------------------|-------|----------|----------|----------|----------|
| Job loss (excluding retirement) ^a | 2.52 | 1.50 *** | 1.25 *** | 1.34 *** | 1.43 *** |
| Economic redundancy ^b | 0.26 | 0.21 ** | 0.26 | 0.35 *** | 0.18 * |
| Personal dismissal ^c | 0.33 | 0.22 ** | 0.20 ** | 0.32 | 0.23 ** |
| Negotiated termination ^{b, e} | 0.20 | 0.14 ** | 0.10 ** | 0.21 | 0.17 |
| Resignation ^a | 0.70 | 0.33 *** | 0.22 *** | 0.15 *** | 0.34 *** |
| End of temporary contract ^d | 11.58 | 11.10 | 10.20 ** | 8.93 *** | 7.61 *** |

***Gap significant to 1% in comparison to the 25-44 years category, **5%, *to 10%.

a, b, c, d, e) For wage earners in the competitive sector (employed by private or public enterprises, associations or individual employers).

a) All types of contracts.


b) On CDI.

c) On CDI, CDD, apprenticeship contract.

d) On CDD, seasonal, interim or apprenticeship contract.

e) Introduced in 2008, the figures relate to the period 2009-11.

Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

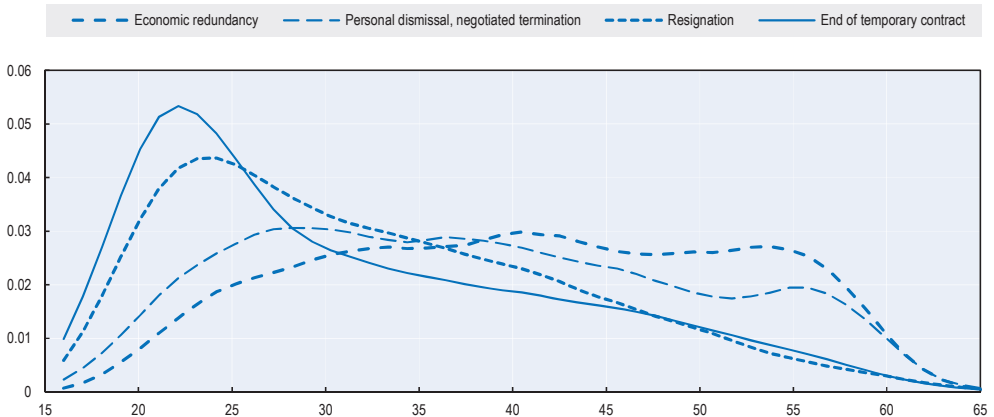
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The likelihood of economic redundancy has followed the same trend for older and younger workers, and the variations due to the crisis were more significant than the discrepancies between these two categories (Figure 4.7, Panel A). Older workers are more often subjected to personal dismissal, although the gap with younger workers has declined since 2008 (Figure 4.7, Panel B). Older workers also quit their job much

less frequently than do younger ones: around 0.2% resign each quarter, compared to 0.6% of workers aged 25-49 (Figure 4.7, Panel C). It is interesting to note as well that the resignation rate of older workers has remained fairly stable over the period, while that of younger workers dropped noticeably after 2006, in the face of growing uncertainties on the labour market and rising unemployment. Older workers on CDD, interim or apprenticeship contracts are less likely than younger workers to report termination of a temporary contract (9.5% versus 11.5% for those aged 25-49) (Figure 4.7, Panel D).

Figure 4.6. **Age distribution for each type of labour contract termination,^a France, 2004-11**

Percentages



a) As the age distribution of negotiated terminations is overall the same as that for personal dismissals, these two types of contract termination are grouped together.

Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.


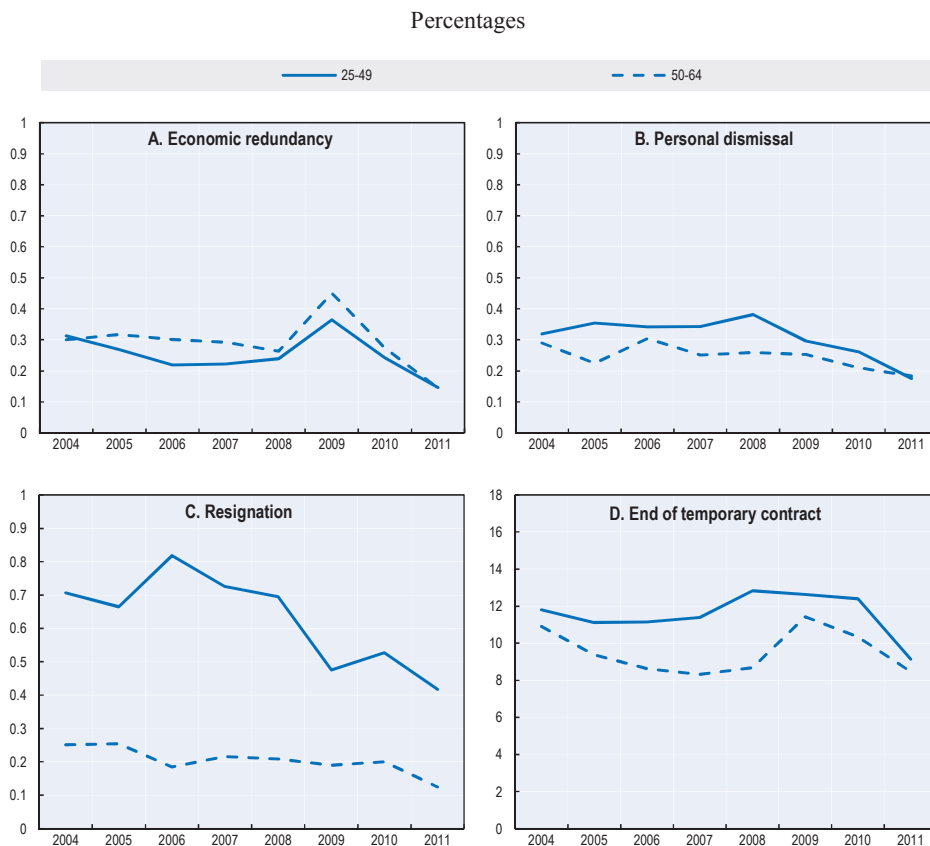
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Figure 4.7. Quarterly probability of each type of labour contract termination,^a
France, 2004-11



a) Negotiated terminations do not appear in this figure, as they became important only after 2009.

Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Likelihood of job termination for older workers in France, corrected for the effects of other characteristics

The likelihood of job loss depends on workers’ individual characteristics, the types of job held, and the sector in which they are working (Nafilyan and Parent, 2014).¹² It would seem that workers over 55 years of age are more likely than those aged 35-44 to experience economic redundancy, personal

dismissal or negotiated termination, and on the other hand they are less likely to resign, *ceteris paribus*. This pattern is exactly reversed for young persons aged 18-24, who moreover are much more affected by the expiry of temporary contracts. “Pre-seniors” aged 45-54 do not face the same risk of economic redundancy as their older colleagues but, like the latter, they are also less inclined to quit. The fact that older workers, including the younger among them, are much less likely to resign than are workers under 50 years of age can perhaps be explained by the fear of a prolonged spell of unemployment, limited job prospects for older persons, or simply the meagre prospects of career progress at these ages.

Older workers in manufacturing, construction, trade, and the hotel and restaurant sector are yet more exposed to layoff than younger persons who have exactly the same characteristics. This double penalty in sectors where layoffs are already high makes older workers in those sectors particularly vulnerable. On the other hand, older workers in positions of responsibility or management roles are less likely to face redundancy than are younger persons with the same characteristics.

Older workers in OECD countries are at high risk of losing their job permanently for economic reasons

In many OECD countries, older workers, as well as those with low education levels, are at higher risk of losing their job for economic reasons, and are more likely than others to see their labour market situation deteriorate subsequently. This finding emerges from Chapter 4 of the *OECD Employment Outlook 2013*, which offers new evidence on the frequency of job displacement (i.e. involuntary job losses due to economic factors) and their consequences for workers in 14 OECD countries, including France (OECD, 2013).¹³ In most of the countries examined, older workers have a higher displacement risk, take longer to get back into work and suffer greater (and more persistent) earnings losses.

In France, the displacement rate (economic and personal) of older workers was 1.8 times higher than that of persons aged 35-44, between 2000 and 2008, and 1.4 times higher during the crisis: these ratios are among the highest in the countries studied (see Figure 4.2, OECD, 2013). Young workers, while they have a higher risk of seeing their job eliminated than do workers aged 35-44, nevertheless fare better subsequently in all the countries examined, except France.

The proportion of displaced workers who were re-employed within one and two years has also been estimated in each of the countries for which data are available. Re-employment rates within one year of displacement range from around 30% in France and Portugal to more than 80% in Finland

and Sweden (see Figure 4.3, OECD, 2013). Several countries showed a marked improvement in re-employment rates between the first and second year after displacement, notably Korea and Canada. However, it is clear that re-employment rates fell markedly across all countries during the crisis. The biggest falls were in Denmark, Portugal and the United States, which all suffered a large increase in unemployment.

The speed of re-employment varies considerably across different demographic groups. Figure 4.4 shows the relative re-employment rates of various groups. The evidence is mixed when comparing youth (aged 20-24 years) with people aged 35-44 years, with youth getting back to work more quickly in Australia, Canada, Germany, Japan, Korea and Portugal, but more slowly in several other countries, notably France and the Russian Federation. However, older people (aged 55-64 years) are less likely to be working within a year of displacement than are workers aged 35-44 in all the countries examined, particularly in France, Germany, Korea and Portugal where re-employment rates for older people are less than half those for the 35-44 age group.

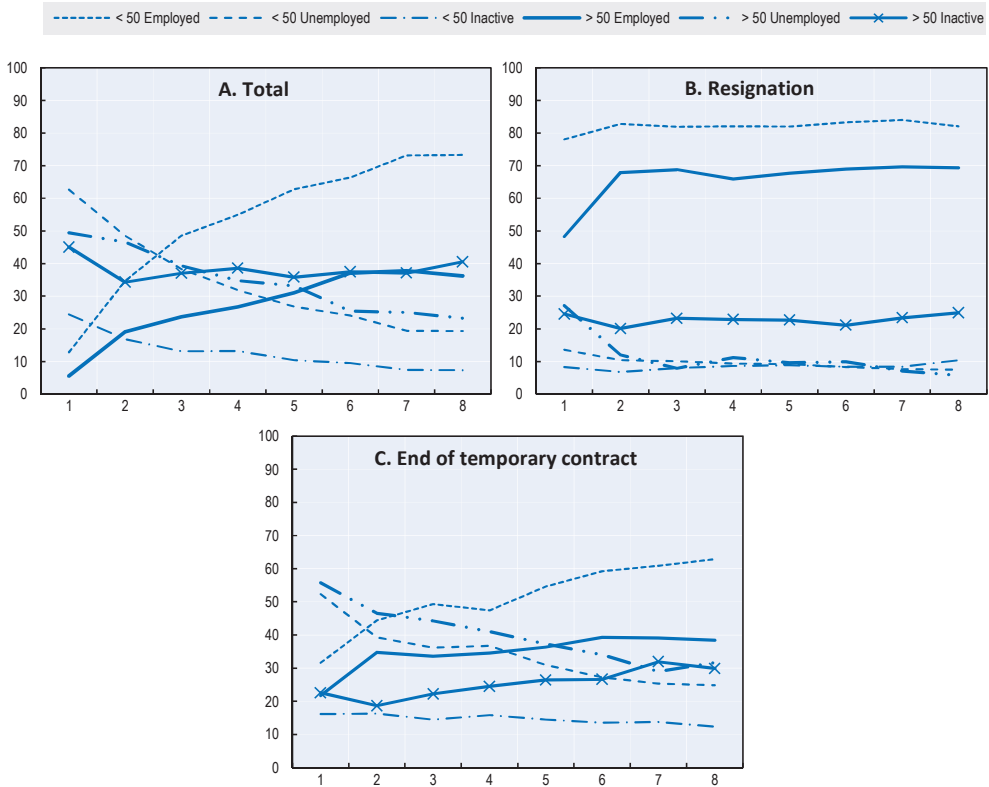
The re-employment rate and the speed of return to work are much lower for older workers in France

It comes as no surprise to find that in France, whatever the reason for the termination of the labour contract, re-employment rates are much lower for older workers than for those under 50 years (Figure 4.8, Panel A).¹⁴ The speed at which older persons return to work is also lower. Only 27% of displaced older workers have found a new job after one year, while more than half of workers under 50 years have done so. The unemployment rate, on the other hand, is similar for older workers and those under 50, throughout the period of time studied. One year after termination of a labour contract, one-third of older workers and of those under 50 years are unemployed, compared to 20% after two years.

The difference in the employment rate between older workers and those under 50 can be explained, then, by the fact that a significant portion of older workers drift into inactivity. Around 40% of older workers withdraw from the labour market if they have been displaced from their job. The inactivity rate (i.e. the proportion not in the labour force) for older workers remains constant, suggesting that few older workers return to the labour market. By way of comparison, three months after displacement, the inactivity rate is 24% among those under 50 years, but it declines with time and drops below the 10% threshold at the end of 18 months.

Figure 4.8. Labour force status following contract termination, by age, France, 2004-11

Percentages by quarter following termination



Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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The employment rate following a job quit (Figure 4.8, Panel B) is slightly lower among older workers than among those under 50 years (66% versus 82% one year after quitting), but it is significantly higher than when the labour contract is broken at the employer’s initiative. It is interesting to note that the employment rate after a job quit varies little over the course of time, suggesting that most quits take place in the context of a proactive change-of-job effort on the part of workers. The unemployment rate is substantially lower after a quit than after a dismissal, and remains at around 10%. However, 20% of older workers who quit their job will leave

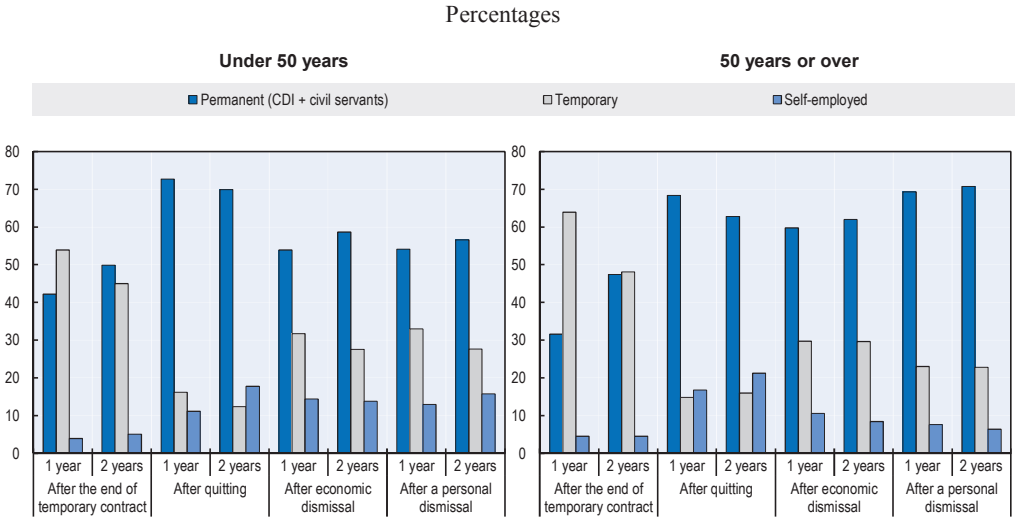
the labour force, while this holds for only 10% of those under 50 years (essentially women), which suggests a possible inclination to early retirement on the part of these older workers who quit their jobs some time before the transition to retirement.

The employment rate gap between older workers and their younger colleagues appears as well at the end of a temporary contract, although older persons are less affected by this phenomenon than younger ones (Figure 4.8, Panel C). Finding a new job after a temporary contract appears to be more difficult for older workers than for those under 50. The difference between older workers and those under 50 is, however, lower than in the case of economic redundancy, personal dismissal or negotiated termination. The unemployment rate for those who have lost a temporary job is slightly higher for older workers than for those under 50.

Probit estimates have been done to analyse the impact of the personal and work characteristics of displaced workers on their likelihood of finding a job after dismissal, resignation or the end of a temporary contract (Nafilyan and Parent, 2014). After controlling for other factors, the “penalty” for older workers is greater in the case of economic redundancy than for other forms of termination. It is also interesting to note that “pre-seniors” (45-54 years) are also significantly less likely than the control group (35-44 years) to find a job after termination.

Interestingly enough, while older workers are less likely than those under 50 to resume employment after an economic or personal dismissal, when they do find a job it seems to be of better quality (Figure 4.9). One year after an economic layoff, 54% of those under 50 had found a permanent contract, compared to 60% of older workers. On the other hand, at the end of a temporary contract, older workers who find a job are more likely to have a temporary contract one year after displacement: the contract quality gap stabilises after two years.

Figure 4.9. Type of labour contract for persons returning to work one or two years after a contract termination,^a France, 2004-11



CDI = *Contrat à durée indéterminée* (Permanent contract).

a) Negotiated terminations do not appear in this figure, as they became important only after 2009.

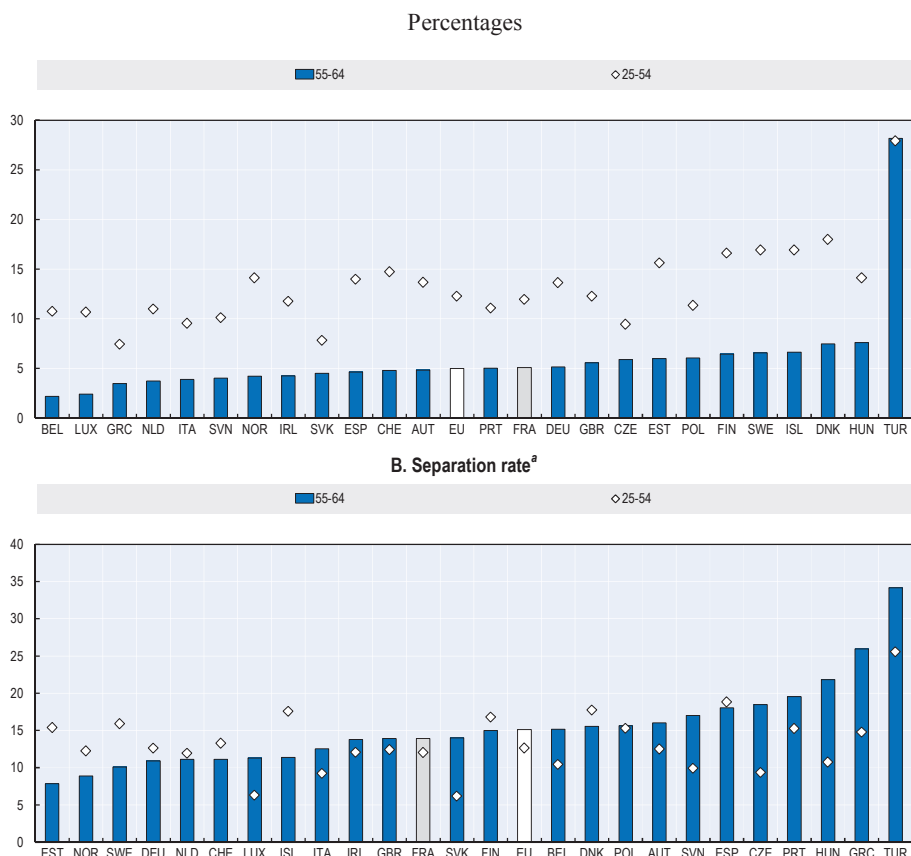
Source: Estimates based on the Insee *Enquête emploi*; Nafilyan, V. and G. Parent (2014), “Labour Market Situation and Transitions of Older Workers in France”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Actions taken in France


The French authorities have taken active steps with employers over the past decade to promote the employment of older workers. Changes in employment practices have been introduced, in particular concerning mandatory retirement, and various action plans have been introduced. As a result, older persons are being retained at work in greater numbers. However, job mobility and hiring rates are still inadequate after age 55. In France, as in other European countries, the hiring rate for persons aged 55-64 is much lower than that for the intermediate ages, while separation rates are similar for the two age groups (Figure 4.10).

Figure 4.10. Hiring and separation rates by age group, European countries, 2012



a) The hiring rate for 55-64 (25-24) is the number of employees in the age group, with a tenure of less than one year as percentage of the total number of employees aged 54-63 (24-53) the year before. The separation rate is the difference between the hiring rate and the net employment change, adjusted for the cohort size.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

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The mandatory retirement age for private sector workers has been higher than the full-rate pension age since 2009

France is one of the few countries where the mandatory retirement age for private sector workers is higher than the age at which the penalty expires or the full-rate pension kicks in. In effect, the age after which an employer can send an employee into involuntary retirement has slipped to 70 years (instead of 65 years prior to 2009), enabling workers who so wish to prolong

their working life beyond 65 years and to receive the bonus. By contrast, the age limit in the public sector is the full-rate (or no-penalty) pension age, with some exceptions.¹⁵

In 2013, the United Kingdom is the only European country that prohibits the setting of any mandatory retirement age (Box 4.1). This is also the case in four non-European OECD countries (Australia, Canada, New Zealand and the United States). In ten other countries, the employer cannot send a worker into automatic retirement before a certain age, which is often the statutory retirement age. Thus, in Belgium the employer has more flexible ways of terminating a contract at the statutory age (65 years): a shortened notice period of six months for employees dismissed at this age, and no liability for a fine for arbitrary dismissal of blue-collar workers.

Box 4.1. Mandatory retirement, OECD countries, 2013

Prohibited with no age specification

Australia: prohibited by the 2004 Age Discrimination Act

Canada: prohibited in all provinces in 2009 and federally in 2012

New Zealand: prohibited since 1999

United Kingdom: prohibited since 2011

United States: prohibited since 1986

Not before a certain age

60 years minimum and progressively more, often 65 years: Japan and Korea

65 years: Belgium, Greece, Italy, Luxembourg

65 years and one month: Germany and the Netherlands

67 years: Sweden

68 years: Finland

70 years: France (private sector), Iceland, Norway and Portugal

75 years: Denmark

Source: Country responses to the OECD.

Various action items have been adopted over the past decade

The National Action Plan for the employment of older workers between 2006 and 2010 was based on the “National multi-sector agreement” of 2005 for promoting the retention and re-employment of older persons. It was the

result of a joint effort between the public authorities, the Economic, Social and Environmental Council and the social partners.

The plan called for a number of measures aimed at ensuring greater employment security and promoting access to training for older workers, with a “second half of career” planning interview every five years for each employee after age 45; priority access to the “period of re-skilling” for those over 45 years; encouragement for the improvement of working conditions and adjustment of employment conditions; and the institution of earmarked funding and streamlined administrative procedures for skills audits and the validation of acquired experience for employees over 45 years of age.

These measures have been only partially implemented, as demonstrated in the report prepared by Dares in 2008 on the management of employees over 50 years of age in the enterprises that employ them (Box 4.2). While every employee has been entitled since 2009 to the mid-career interview upon reaching age 45, in 2011 only 18% of executives (primarily those working in big companies) had had this interview or were expecting to do so shortly (APEC, 2011).

The mixed results of the 2006 national action plan, as well as the need to involve employers more closely in the 2008 pension reform, led the government to a drastic overhaul of the approach to maintaining employment and managing older workers’ careers. In 2008 it introduced an obligation for firms with 50 or more employees to define an action plan or an industry-wide or firm-specific agreement during the course of 2009 or pay a penalty of 1% of their payroll, starting in 2010.¹⁶ The agreement or action plan must include a quantified target for the retention of workers aged 55 and older, or the recruitment of workers aged 50 and over, as well as favourable conditions relating to at least three fields of action in a list of six fields: hiring of older workers into the firm; vocational career planning; improved working conditions and prevention of stressful work situations; transmission of know-how and skills and development of mentoring; development of skills and qualifications and access to training; and adjustments for end of career and the transition from work to retirement.

Businesses have rallied strongly to the cause (Claisse et al., 2011). Receipts from the “1% seniors” penalty have been declining since 2010 (EUR 7 million in 2010, 2.4 million in 2011, 883 222 in the first half of 2012), which suggests that such provisions are becoming widespread (DGT, 2012). Businesses have filed 32 300 texts (of which two-thirds are action plans and one-third are agreements). If industry-wide agreements are included, 80% of employees of firms with 50 workers and more were covered by agreements (firm-specific or industry-wide) or an action plan at the end of 2010. The two areas of action most frequently selected are

occupational career planning, and development of skills qualifications and access to training. There has been little action, by contrast, when it comes to hiring older workers.

**Box 4.2. Prevalence in 2008, in firms with older workers,
of the measures recommended by the 2006 National Action Plan
for the employment of older workers**

The principal conclusions are the following:

1. Too few firms have been sensitised to age management

Age management is used in 36% of establishments with more than 20 employees. This rate is up from that recorded in 2001 (25%), but the age management time horizon has been shortened to some extent (less than five years in 72% of cases). A firm that has already negotiated a forward-looking career and skills management agreement (*Gestion prévisionnelle des emplois et des compétences* – GPEC) is four times more likely to use the age pyramid as a management tool.

2. Evidence for the involvement of older workers and training measures is still anecdotal

Only 9% of firms reported that at least one older worker had exercised his individual right to training (DIF); 4% reported that at least one older worker had spent some time at skills upgrading; and 3% reported that at least one older worker had achieved validation of acquired experience (*Validation des acquis de l'expérience* – VAE).

3. There is still little use of skills audits and mid-career interviews

5% of firms declare that at least one older worker had a skills audit; 12% of firms with fewer than 50 employees, and 37% of firms with at least 500 employees, have instituted end-of-career interviews, most often (two-thirds of cases) at the initiative of management.

Source: Defresne, M., P. Marioni and C. Thévenot (2010), “Emploi des seniors : pratiques d’entreprises et diffusion des politiques publiques”, *Dares Analyses*, No. 054, Dares, Paris.

The analysis by Farvaque and Lefebvre (2010) calls this a “toolbox” approach used by the government to revive the social dialogue by placing strict conditions on negotiation. As they see it, the principal failing of this approach is that improving working conditions is optional, whereas they consider it a necessary condition for achieving the objective of extending working life. The fieldwork conducted by Caron et al. (2012) on working conditions in the agreements and action plans for older workers show clearly that business managers are not persuaded that they should give priority to

improving working conditions and preventing stressful situations, and that they will have to comply formally with legal provisions in order to avoid penalties. In any case, the levers in place seem to be only modestly effective and they are rare in firms with fewer than 50 employees, which are exempt from the obligation of negotiating older-worker agreements.

In 2011, Dares issued a call for submissions on the topic “construction and implementation of enterprise agreements and action plans relating to the employment of older workers”. As a result, three studies appeared in 2013, shedding new light on practices, based on a targeted topical approach to firms. Those studies contain a wealth of detail on practices adopted, in particular the following:

- *In eight firms in which the issue of older workers was considered only under the impetus of the 2009 legislation*, Huyez-Levrat and Klaine (2013) found that business players, for the most part human resource directors in this case, had trouble determining, in practice, the specific features of the older workers at whom the law is aimed. Apart from administrative categorisations by age bracket, the law targets groups of two types: on one hand are the “experts”, employees whose experience constitutes an asset for productive organisations; on the other hand are employees who are “fragile” in terms of their skills and their state of health. These descriptions of older workers were not only insufficient to cover and give meaning to the variety of situations found in firms, but the proposed age categories might also seem inappropriate.
- *In ten firms that had already given thought to the issue of older workers*, Forté and Meyer (2013) find that most employees reject any stigmatisation of workers 45 years and older and have internalised the changes to the retirement age. Some employees, those best adjusted to their job and not necessarily the best paid, in fact want to keep working beyond the age at which they could claim a pension. Generally speaking, as it turns out, employees want to choose the age at which they will take retirement. For firms with an ageing staff the specific human capital inherent in older workers is a great asset. Mass waves of departures strip firms of know-how and many businesses are eager to retain the loyalty of older employees. Ensuring the transmission of skills, as a way to conserve know-how, also seems to be a major problem for firms. Overall, the study stresses the importance of taking a long-term view that links all the issues relating to age (stressful conditions, GPEC, vocational training, retirement, etc.) and the need for an approach to human resource management that takes account of the advancing age of the firm’s entire workforce.

- *In 11 firms interviewed at two different times*, Caser et al. (2013) identified four dynamics of change: the status quo (three firms); the virtuous status quo (two firms); enrichment/targeting (two firms); and activation/stimulation (four firms). In nearly all cases, regardless of the numerical target, firms seem to have proceeded cautiously. When the overall objective is to increase the proportion or the numbers of older workers, the target has been set at a level that the firms were sure to achieve. Thus, only three of the 11 firms studied selected recruitment measures as a field of action. The actions planned reflect two different approaches: in one case the emphasis is on equality of opportunities, and in the other it is on outcomes, which translates into recruitment targets. The first approach involves raising awareness about age discrimination, and this can range from a simple reminder to the distribution of awareness-raising tools to senior managers and recruitment agencies. Only one firm took an outcomes approach, with two targets: 10% of temporary workers should be aged 50 and over, and 20% of interviews should be conducted with persons 50 years and over.

Disseminating good practices

Various action plans for the employment of older workers have promoted good practices, and these have been rewarded. In 2007, the Regional Directorate of Enterprises, Competition, Consumption, Labour and Employment (*Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* – Direccte) for the Val d'Oise and its network of partners undertook a multi-year programme, with support from the European Social Fund, to identify and reward good practices in firms relating to the retention and hiring of older workers. Some 15 French firms have been recognised with “Active Ageing Awards” (*Trophées Trajectoires*).¹⁷ The various initiatives are focused on involvement, recruitment and recognition of the skills, experience and well-being of older workers. They are often part of an intergenerational approach and a medium and long-term vision (Box 4.3).

Box 4.3. Selected initiatives recognised by the *Trophées Trajectoires* “All generations in business” awards in France

Very small firm making precision tools

- *Intergenerational approach*: construction of a junior/senior working pair, with a view to teaching the trade to the younger partner, but also developing the managerial practices and the skills of the older partner/mentor, in line with the new strategy (direct relationship with the customer, capacity to be a force for innovation, empowerment).

Box 4.3. Selected initiatives recognised by the *Trophées Trajectoires* “All generations in business” awards in France (cont.)

- Better definition of trades and thinking about their medium and long-term evolution, in the interests of the firm (adaptation to change) as well as in the interest of its workers (employability).

Large public health care establishment (nearly 4 400 workers)

- *“Training-action” initiative for transmission of know-how, management knowledge and intergenerational co-operation:* following an initial stage (discussion groups for management, experimentation in pilot groups, and formalised feedback), identification of “godmothers” among the more experienced female employees who have received specific training in mentoring and who serve as true referents within the hospital, guaranteeing the transmission of informally acquired professional know-how about health care quality and safety.
- Within a restrictive environment (generational renewal, quality of care, budgetary constraints), a rigorous methodology has been used to promote intergenerational co-operation and to recognise experience in the form of informal learning.

Regional organisation of businesses involved in public works (150 firms employing 7 000 workers)

- *Highlighting health* as an employability tool and implementing inter-firm training for hands-on managerial development. In 2013 a multi-partner project was initiated to create a device for coaching firms and employees dealing with problems of readjustment to work after a health problem (limitations, suitability, handicap, etc.).
- A deliberately multidimensional approach combining the specific features of the industry, and taking into account complementary issues: working conditions, health, management qualification.

Catering services firm, part of an international group (413 000 employees distributed across 80 countries)

- *Involving older workers* in identifying and implementing conditions for continued work: working groups, composed of persons over 55 years and staff representatives, in order to identify the best courses of action; visits to sites where persons over 55 years are working, with an approach that pays particular attention to the question of well-being; annual information meetings on matters proposed by workers over 55.

Box 4.3. Selected initiatives recognised by the *Trophées Trajectoires* “All generations in business” awards in France (cont.)

- As a result of the actions taken over the last four years, the number of workers over 55 years has increased, as have their promotions and their access to training.

Airport services group managing more than 120 facilities in Africa, North America, Asia and Europe (10 000 employees around the world, including 4 500 in France)

- *Promoting comprehensive age management* through the transmission of knowledge and intergenerational co-operation. Encouraging older workers to stay on the job through specific initiatives relating to working conditions (many actions for prevention, dedicated vocational training and adaptation of procedures and tools).
- A special effort at training for workers beyond age 45, estimated at twice the effort made for the same groups in equivalent firms, with a direct impact on their employability and their retention, even beyond retirement age.

Regional bank branch

- *Recruitment and training of employees over age 45*: partnership with *Pôle emploi* designed to establish an initial selection of candidates, with priority to long-term jobseekers over 45 years. The candidates selected have benefited from nine months of retraining, alternating between one week in training and three weeks at work, in order to obtain the “bank reception officer” diploma. Graduates of this training are taken into the firm on CDI.
- In 2009, 14 persons took advantage of this arrangement in the regional branch: eight persons received their diploma, and five of them were hired on CDI in January 2010. Among these five, three have already moved on to counselling tasks within the firm. Of the six who dropped out, three obtained a diploma recognised by the profession. Based on the encouraging results (a diploma award rate of 80% and a recruitment rate of 45%), the firm renewed this initiative in 2010, hiring a new cohort of 12 persons.

Source: Direccte – Unité Territoriale du Val d’Oise (2012), *Recueil des meilleures pratiques, Trophées Trajectoires “Toutes les générations en entreprise”*, Ile de France.

The generation contract

New actions in firms should help raise awareness of the fact that several generations must cohabit within the workplace. It is from this perspective that the generation contract has been instituted in France. It is part of an initiative at complementarity between the employment of younger and older workers, by promoting the transmission of knowledge between generations within the firm.¹⁸ This contract was created by the law of March 2013, following the national multi-sector agreement signed by all the social partners on 19 October 2012.

The purpose of the generation contract is to institute specific and negotiated actions to promote the employment of young people, older workers, and the transmission of knowledge and skills. It is applicable to all firms and their employees, under two different modalities.¹⁹

- Companies with more than 300 employees are required to negotiate, by 30 September 2013, an agreement or a plan for addressing these generational issues, or pay a fine.²⁰ The agreement/plan must include numerical targets and indicators. With respect to commitments for the employment of older workers, actions must fall under at least two of the following five fields: hiring older workers; career planning and age management; organisation of intergenerational co-operation; development of skills and qualifications and access to training; and adjustments for end of career and the transition to retirement.
- A subsidy is available for firms with fewer than 300 employees: firms with fewer than 50 employees are exempt from negotiating an agreement, while those with between 50 and 300 employees are required to negotiate one (or an action plan). The subsidy is EUR 4 000 a year for three years for signing permanent contracts (CDI) with young people under the age of 26 (or under 30 years, for workers recognised as handicapped), while retaining a corresponding older employee aged 57 or over (or 55 and older for workers recognised as handicapped) at work or hiring a worker older than 55.

Implementation and monitoring

The rules for implementing the generation contract for older workers include the following:

- There is no condition relating to contract, qualification or workload for hiring or retaining older workers. There is only an age criterion. While the subsidy does not specifically target the least qualified, it is relatively more important for low-paid workers since it is a lump sum that does not depend on earnings.

- When it comes to pay, the condition is to respect legal and contractual obligations.
- The young worker and the older employee to not have to perform the same functions. They can also be situated in different establishments (within the same firm). The young worker's mentor is not necessarily the older employee, and the latter can transmit his skills to employees other than the young recruit.
- A minimum cohabitation of six months between the younger and older employees covered by the pairing arrangement is required to prevent the employer from concluding a generation contract with an older worker who would leave some days or weeks later, in which case the employer would get to keep the subsidy for the young worker but the transmission of skills would not be guaranteed.
- The subsidy associated with the generation contract can also be used to facilitate the generational handover of small enterprises. For firms with fewer than 50 employees, it is also possible to recruit a young person with a view to transferring the enterprise to him in due course. In this case, the firm does not need to have an older worker: the head of the firm, if 57 years or older, then serves as the counterpart in the pairing.
- The negotiation of the generation contract must be articulated within negotiated arrangements already in place within the firm or the group relating to the GPEC, strenuous working conditions and occupational equality between men and women. If the agreements or action plans under the generation contract do not replace the respective obligations with new ones, firms must ensure proper articulation of the measures in place.

A national monitoring committee comprising the DGEFP, the Dares and *Pôle emploi* has been established to oversee implementation of the generation contract. At the initiative of the DGEFP, this committee meets regularly (once a month in 2013 and quarterly as of 2014). Consistent with the law creating the generation contract, the government plans to submit to parliament, starting 30 June 2014, an annual report on implementation of the arrangement. It will specify the number of firm-specific, group and industry agreements concluded, the number of action plans prepared and the number of firms not covered either by an agreement or an action plan. The report will also analyse problems of implementation encountered by firms and by the administration. Moreover, the labour code requires firms (or groups) to file an annual document evaluating the agreements or action plans. These documents can be fed into the government's annual report as of 2015.

At the national level, the first studies will be conducted by the Dares in late 2014 or early 2015, probably using the model that was published in the context of monitoring the “seniors” agreements.

As with any new arrangement, the generation contract has been gaining strength gradually. In mid-October 2013, nearly 13 000 subsidy applications had been registered, representing nearly 26 000 jobs for younger and older workers. They have come primarily from firms with fewer than 50 employees, which are the only ones that can directly access the subsidy without a prior negotiation. Firms with 50 to 300 employees will access the subsidy in greater numbers after they are more thoroughly covered by industry-wide or company agreements. The first industry-wide agreements have been or are being concluded, and around 20 are under negotiation. By contrast, the generation contract has spread more widely among firms with more than 300 employees: more than 2 500 agreements and action plans have already been signed.

Other countries have no comparable arrangement

Few OECD countries have taken steps to promote intergenerational partnerships, and the initiatives undertaken to date do not seem to have had a decisive impact so far (European Parliament, 2013; OECD, 2013). The generation contract, in contrast, goes much further in its objectives than the generation-bridging measures that have been introduced elsewhere. Those measures have taken the form of intergenerational work-sharing arrangements or distinct subsidies to encourage the employment of young and older workers. For example, in 2007 Italy encouraged the transformation of full-time contracts for workers aged 55 and over into part-time contracts, and the simultaneous creation of part-time jobs for unemployed persons under 25 years of age (or under 30 years if they had a university degree). Elsewhere, the “solidarity pact between the generations” launched in 2005 in Belgium introduced measures to facilitate the hiring of unskilled youth, and other measures to promote employment beyond age 50. In 2012, the Employment Council of Belgium evaluated a large number of measures contained in the pact. It found that the impact on active ageing was minimal and that 16 measures had not yet been fully implemented (Conseil supérieur de l’emploi, 2012).

Key findings

Action on the demand side should include efforts to counter discriminatory behaviour, to review wage and end-of-career management practices, to assess the impact of negotiated terminations on older workers’

return to employment, and to develop the aspect of the generation contract that relates to the hiring of unskilled older workers.

First, workers in France were more sensitive in 2010 than in 2000 to age discrimination in the workplace, although they filed few complaints in this regard. There does however seem to be discrimination in hiring beyond a certain age. One way of detecting this could be to use the “dummy candidates” method regularly to identify “suspected discrimination” by a particular firm. Such suspicion should be sufficient to place the burden of proof on the firm. Other levers could encourage firms to limit discrimination. Amadiou (2013) suggests case law,²¹ legal action by labour unions, good practices in other countries, and above all, awareness-raising among key players.

It would also be useful to work more effectively to promote ways of removing some of the obstacles to the employment of experienced workers, such as problems relating to the “image” of seniors, who are sometimes regarded, wrongly, as less likely to adapt to a job (Delacroix, 2012). In pragmatic terms, one promising tool for encouraging the hiring of unskilled but experienced older workers might be the “simulation” recruitment method developed by *Pôle emploi*. Yet neither this tool nor the use of anonymous resumé is guaranteed to eliminate discrimination in hiring, for they can influence only the first stage of the selection process and they also eliminate positive discrimination, if this is present in the contracts to be promoted (Behaghel et al., 2011).

Second, wage practices based on age and seniority seem to have changed little in France since the 2005 OECD review. Yet it is important to look beyond the comparison of the wage paid to older persons working full-time *vis-à-vis* that of young workers in a given year to determine whether the wage profile by age is steep for all categories of older workers in France. To answer this question, Andrieux and Chantel (2012) tracked the profile of a cohort of workers in order to discard the composition effect related to the fact that the less skilled tend to leave the labour market at an earlier age. It appears, then, that wages stagnate for more than half of salaried workers between age 50 and the end of their career, except for those who remain at work full-time until retirement.

In France, apart from the SMIC, wages are determined primarily through individual negotiations between workers and employers. The authorities could encourage the social partners to give more prominence in national and sectoral wage negotiations to the issue of wage progression as a function of experience, which should be clearly distinguished from seniority. These negotiations would also benefit from being more decentralised, including in the national and territorial public sector.

The seniority premiums or the automatic rewarding of age and time in service that are built into wage schedules should be reconsidered, and more emphasis given to experience. Börsch-Supan and Weiss (2013) show, in fact, that older workers' experience allows them to avoid making severe errors, in contrast to younger workers, on an automobile assembly line in Germany, and to maintain their productivity at least to age 60.

Third, in France as in many OECD countries, older workers as well as those with low education levels are at higher risk of displacement than are workers aged 35-44, and they are more likely than others to see their labour market situation deteriorate subsequently. The more detailed analysis by type of contract termination in 2004-11 offered in this chapter shows that the re-employment rate and the speed of return to work are relatively much lower for older persons. Negotiated termination has been included only partially in this analysis, as it came into effect only in 2009. According to the results of a survey conducted by the Dares among workers who had signed negotiated termination agreements between April and July 2011, those aged 50 and over were more likely (57%) than the average (48%) to leave work as a result of mutual agreement with the employer (Bourieau, 2013). Persons aged 50 and over are less likely to be employed immediately after the termination (16.5% versus 24.5% on average) as well as 12 months after the termination (36.5% versus 55.2% on average). One year after the termination, 47% of them are looking for a job, while 7% have taken retirement or early retirement. Further research is needed to assess more carefully the impact of negotiated terminations on older persons' return to work.

In 2011, the *Cour des Comptes* (the national audit office) recommended monitoring the use of negotiated terminations for older workers in order to avoid unfavourable impacts on their employment (Cour des Comptes, 2011). It must be noted that the negotiated termination is an ambiguous provision, and older workers appear to be overrepresented in its use: it could in fact constitute "disguised early retirement" and a means of circumventing legislation against discrimination. While it seems reasonable to think that negotiated termination has concentrated flows that previously gravitated to other forms of agreed termination (such as early retirement), the question of consent remains at issue. The negotiated termination assumes such consent, thus avoiding any appearance of individual discrimination, but if an especially large number of negotiated terminations should become apparent for a particular age group, the unions could be expected to take collective action on grounds of indirect discrimination.

Lastly, the government is moving in the right direction with its intent to use the generation contract as a tool for changing the age management practices of firms. The clear message is that younger and older workers in a

firm are complementary rather than substitutable. This is the opposite of the “early retirement” culture introduced in the 1980s, when older workers were asked to yield their place to younger ones. It will be important to analyse the impact of this far-reaching intergenerational device, which is not to be found in this form in any other OECD country. Several questions arise. First, is it efficient to target policies at all young workers and at all older workers, regardless of their qualifications? Should the generation contract not be targeted at the least-qualified older workers? In their note on the employment of unskilled youth in France, Cahuc et al. (2013) argue that, when it comes to hiring young workers on CDI, the generation contract should be targeted at people earning less than 1.6 times the SMIC, among other reasons in order to avoid dead weight effects. As the virtual absence of job mobility and re-employment are the weak points of the labour market for unskilled older workers in France, the question also arises of whether the generation contract should place more emphasis on hiring older workers rather than on retaining them. This is also one of the recommendations of IGAS (2013) in its report assessing measures to promote return to work for unemployed older persons.

Notes

1. The Ombudsman (*Défenseur des droits*) is an independent authority instituted by law in 2011, pursuant to the Constitutional Act of 23 July 2008. It has taken over the powers of the Mediator of the Republic, the Defender of Children, the Senior Authority against Discrimination and for Equality, and the National Security Ethics Commission. The Ombudsman presides over three “colleges” that assist him in carrying out his duties of defending and promoting the rights of children, of combating discrimination and of promoting equality. www.defenseurdesdroits.fr/connaître-son-action/la-lutte-contre-les-discriminations/lage/critere/lage.
2. For example, relegating a person over the age of 50 to less interesting tasks.
3. The analysis of wages and career paths from age 50 to the end of working life is based in that study on panel information from INSEE (*Déclaration annuelle de données sociales et État*) for individuals in the 2008 inter-regime retirees sample. These data retrace the annual record of wages and employment conditions for selected workers in the 2008 sample (and hence alive in 2008), whether or not they were retired in 2008.

4. Thus, an employee whose wage moves exactly as do average wages in the economy would have a relative individual wage of 100 at each age.
5. The study is based on a set of administrative data, including a longitudinal file matching employers' and workers' records (Finnish Longitudinal Employer-Employee Data).
6. The proposal of Hairault (2012) to tax firms that dismiss workers with less than ten years to go to full-rate pension age is equivalent to a Delalande-type contribution, which the OECD recommended in 2005 that France should eliminate.
7. At the end of this four-month waiting period, if the employee who has quit his job has been continuously registered with *Pôle emploi* and can demonstrate active efforts to find work since quitting, he can claim all the benefit rights that he would have had in the case of dismissal or negotiated termination.
8. Or, according to the labour code, one-fifth of the monthly wage per year of service, to which are added two-fifteenths of a month per year of service beyond ten years as statutory compensation. It can be higher in the context of the collective labour agreement for the industry to which the firm belongs.
9. Unfortunately, the study does not provide results by age.
10. A detailed analysis of the nature of labour contract terminations of which workers have been the victims has been prepared on the basis of data from the INSEE *Enquête emploi* for the period 2004-11 (Nafilyan and Parent, 2014).
11. For workers aged 55-64 years in 2009-11 they represented 13% of contract terminations (excluding retirement) compared to 3% for those aged 25-54 years.
12. Probit estimates have been performed to explain the probability of contract termination (excluding retirement) and then to explain separately each type of contract termination: economic dismissal, personal dismissal, resignation, negotiated termination (2009-11), and end of temporary contract. The population groups on which these estimates were performed differ for each type, as the probabilities of economic dismissal or negotiated termination relate solely to persons on CDI (it is only they who are exposed to these types of separation), while the estimate of temporary contract terminations relates to workers on CDD, seasonal, apprenticeship or interim contracts, and estimates of personal dismissals and resignations cover all types of labour contract. Nafilyan and Parent (2014) have also performed estimates integrating cross-effects for each of the variables, allowing the coefficients of the control variables to differ between persons aged 25-49 years and those 50 years and over, and making it possible to

identify the characteristics that render older workers particularly vulnerable on the labour market.

13. Care must be taken in drawing inter-country comparison because of disparities in definitions and the nature of the data used (displacements as self-defined in a survey or as firm-identified in administrative data).
14. Nafilyan and Parent (2014) use a method based on quarterly transitions to analyse the speed of re-employment according to the nature of the labour contract termination. The sample is not restricted to persons with at least one year in service, as in OECD (2013).
15. To begin with, there is a child exemption. If a public employee still has one or more dependent children upon reaching the age limit, he may continue work for one additional year per child, to a limit of three years. Moreover, if on his 50th birthday he was the parent of at least three living children, he can continue work for an additional year. There is also an exemption for incomplete careers. A civil servant or contract employee who does not have a sufficient number of quarters to qualify for a full-rate pension at the age limit may ask to remain at work for ten quarters at most, or up to the duration of contributions required to qualify for a full-rate pension. The administration may reject this demand if the interests of the service so dictate. Lastly, there is an exemption for management employees. A civil servant holding a senior management position in government (prefect, university rector, etc.) may on an exceptional basis, upon reaching the age limit, be retained in that position by government decision, in the interests of the service and with his agreement, for two years at most.
16. Penalties amounting to 1% of the payroll have multiplied in recent years (relating to older workers, gender equality and strenuous working conditions). One union official, in discussing the various issues under negotiation in 2009-11, speaks of a “stressed-out old woman” accord (Huyez-Levrat and Klaine, 2013).
17. On the occasion of the European Year for Active Ageing and Solidarity between Generations, the *Trophées Trajectoires* were opened up in 2012 to a network of European partners. The following institutions are now partners with Direccte in preparing the tools needed to evaluate business practices: the University of Liège Management School, the Finnish Institute of Occupational Health, the Czech organisation Gender Studies and the Polish Institute of Labour and Social Studies.
18. An intergenerational solidarity provision involving incentives for mentoring was in fact proposed by a labour union, *Force ouvrière*, in 2010 (Force ouvrière, 2010). The idea was to make the most of older workers at the end of their career by ensuring a transfer of know-how to young workers hired under reskilling contracts. An intergenerational

solidarity allowance was to be paid by the government to employers as compensation for retaining older employees (over 58 years) who agreed to provide mentoring services within the firm for a young person under 25 years hired on a reskilling contract, by adjusting the pace and time of work.

19. Communication tools have been put in place to facilitate appropriation of this tool, in particular the Internet site www.contrat-generation.gouv.fr.
20. The 30 September deadline will be interpreted flexibly for businesses that have negotiations under way.
21. Thus, in March 2013 the high court (*Tribunal de Grande instance*) of Grenoble ruled discriminatory a measure adopted in November 2012 by the national union of French ski monitors, and ordered it to pay EUR 10 000 in damages and interest to 20 monitors. The measure in question, known as an “intergenerational pact”, called for monitors over the age of 62 to cut back their activity in order to encourage the hiring of younger monitors.

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Chapter 5

Improving the employability of older workers in France

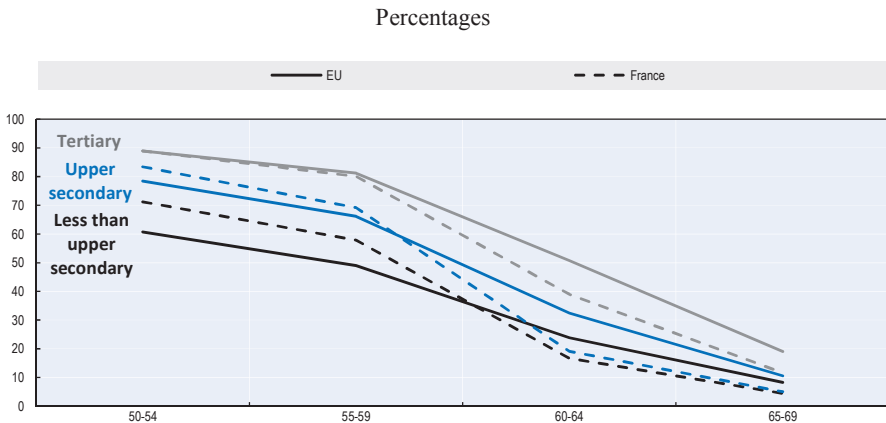
As workers advance in age, it is important to ensure that they can update their skills continuously, have ready access to the facilities offered by the public and private employment services, and enjoy better working conditions. This chapter assesses the French situation in these three fields and shows that greater efforts are needed to enhance the employability of older workers. It is crucial to do this in order to respond to rising unemployment among older workers, and the need to prolong their working life.

Workers' skills


Even the better-educated older workers leave the labour force early in France

In 2012, the employment rate for the best-educated older workers was significantly higher than that of older workers with a lower level of education in France as in most European countries (Figure 5.1). The French employment rate for persons aged 50-54 with an upper secondary degree or less is higher than the European average. Yet the age profile is of concern, as it reflects a marked drop-out of employment rates in France between ages 55 and 59, regardless of education level. The employment rate at the upper secondary level becomes similar to that for unskilled persons beyond 60 years, which is not the case on average in Europe.

Figure 5.1. **Employment profile by educational attainment, France and the European Union, 2012**



Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

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There is a sharp difference in skills between generations

Skills development is an essential policy instrument for keeping workers employed. Recent results from the new OECD International Survey of Adult Skills (PIAAC) show, in particular, that the less-skilled workers who have not received training to stabilise their cognitive capacities are more vulnerable to technological change (OECD, 2013d). French adults' proficiencies in literacy and numeracy are among the lowest in the


24 countries participating in the assessment. Yet skills differences between generations in France are often sharper in comparison with other countries. The poor literacy performance in France is in large part attributable to the outcomes for persons aged 55-65, while those aged 16-24 earn scores close to (although still below) the average (Figure 5.2). France has made great progress, then, in terms of the skills of younger generations, but it is starting from a low base for the older generations. Inter-generational progress is most marked in Korea, in contrast to the United Kingdom which has seen none. The question that must be examined in future works based on the survey is whether older workers in fact left the education system with a mediocre level of skills, or whether their skills have deteriorated over the course of their working life. The weaknesses of vocational training in France seem to play a greater role in rendering older workers less employable.

Figure 5.2. **Progress in literacy skills for two generations, selected OECD countries, 2012**



a) England and Northern Ireland.

Source: OECD estimates based on the *Database on the Programme for the International Assessment Survey of Adult Competencies (PIAAC)*.

StatLink  <http://dx.doi.org/10.1787/888933000780>

Initial education, vocational qualification and continuous training are linked

Access to continued vocational training in France is dictated primarily by the level of initial education. It is because they belong to a generation that was initially less well-educated than their younger colleagues that older workers have less access to on-going training. In France, and on average internationally, workers aged 55-64 are only half as likely to participate in job-related training as their younger colleagues (Table 2.1).

Age merely accentuates a relationship with vocational training that is essentially linked to the level of qualification. More than half of executives aged 50 to 59 took advantage of training during the course of 2006, while this was the case for only 18% of blue-collar workers of the same age, and in the end executives over age 50 receive more training than blue-collar workers under 30 years (Fournier, 2010). Improving access to vocational training must therefore be implemented earlier for unqualified workers and the 50-year threshold, or even 45 years, is much too late for many of them.

Older workers are underrepresented in training programmes

The “re-skilling periods” of the 2006 National Action Plan for the employment of older workers are intended to help retain permanent employees (those on CDI) at work, through training spanning both theoretical and practical learning. One of the target groups is persons who have been working for 20 years or who are aged at least 45 years and have at least one year of service in the last firm that employed them. However, in 2009 only 30% of re-skilling participants were over 45 years of age, i.e. less than their proportion in the population of employees on CDI (40%). There is also under-use of the individual training leave (*Congé individuel de formation* – CIF) and the individual right to training (*Droit individuel à la formation* – DIF) for employees aged 45 and over: in 2009, 17% of those using the CIF and 32% of those using the DIF were age 45 or older.

Two directions to emphasise

Several reasons are put forward to explain why France is lagging in vocational training for older workers. First, older workers seem to have less appetite for job-related training. Secondly, older workers are less likely to be working in leading-edge firms, which are subject to abrupt organisational changes and an on-going need for internal re-skilling. Lastly, firms offer less training after a certain age, and in particular are reluctant to invest in employees seen as likely to leave shortly for retirement.

Making training more attractive to older workers

The potential advantages of participating in training need to be made clear to older workers. Not only does continuous training contribute to protecting their job, it is indispensable for helping them adapt to new working practices in firms. It is useful, then, to conceive of training that will address the specific characteristics of older workers, such as arrangements attuned to real work activity, participatory learning methods, or training that can be offered in regular modules. Training is in fact little used to prevent skills from becoming obsolete and to promote mobility for older workers. Taking a panel of French firms which they followed over the second half of the 1990s, Behaghel, Caroli and Roger (2011) confirm that new technologies and certain innovative working practices tend to be tilted against older workers. The adoption of the Internet, of network-interconnected computers as well as the increased responsibilities conferred upon the operators tend to boost the wage bill share of workers in their 30s and reduce that of older workers. Moreover, the challenge is even greater for the less-educated among them who are, according to Behaghel and Greenan (2010), less well-placed to learn new technologies.

Persuading firms to train older workers, especially the less qualified

Firms need to invest more in training their least-qualified workers, of whatever age, and certainly in the second half of their career. Moreover, coming years will see the extension of life expectancy, and firms can hope to profit from keeping their older workers on the job longer through continuous training. Consequently, firms need to integrate the extension of this “horizon effect”¹ into their practices. The horizon effect can be seen in hiring practices in Norway: according to the Senior Policy Barometer, 33% of Norwegian employers report that job applicants should have at least ten years to retirement in order to be invited for an interview (OECD, 2013b).

Recent actions taken in France*Developing the GPEC (Forward-looking career and skills management)*

In order to promote GPEC practices in industries and firms and encourage them to “train rather than dismiss”, the French authorities have relied on career and skills development undertakings. These constitute an incentive available to the State to help industries and firms (SMEs in particular) to take initiatives to anticipate changes and prevent the risk that their employees will become unsuitable for work. Workers over the age

of 45 have been given priority in this arrangement since 2005, with the key objectives being to prevent risks of unsuitability for work and to retain employees on the job in the second half of their career. One performance indicator in the programme's operating budget identifies the yearly share of employees aged 45 and over among the target beneficiary groups of career and skills development undertakings. The goal set for 2012 is 35%, and for 2013 it is 37%, but the indicator has been stable at around 31% since 2008.

For the period 2009-12, 18 industry-wide agreements have been signed that contain career and skills development undertakings. The value-added of these agreements can be seen in the social dialogue, which is at the heart of the forward-planning initiative and establishes a strong political base for the intended initiatives and actions. This social dialogue also leads industry organisations to work together and to share experience.

Firms with more than 300 employees are under a three-year obligation to negotiate on GPEC. This obligation stems from the 2005 Law on Social Cohesion, which preceded the 2008 law calling for negotiation on the employment of older workers. In order to develop this tool for anticipating changes in the workplace, the 2013 Law on Employment Protection has expanded the range of GPEC issues for negotiation in order to bolster the contents of agreements that are often deemed too formalistic and lacking a truly strategic and forward-looking approach to skills development and the needs of the firm. Some newly signed agreements seem promising, such as the three-year GPEC agreement signed by the MMA insurance company in July 2013. That agreement includes intergenerational arrangements for taking on board new employees and for the professional development of older workers (such as the generation contract), as well as job mobility. Age management uses the midcareer interview, which is held every five years beginning at age 45. It includes an employment maintenance aspect whereby the insurance company has set a target of maintaining at 12.6%, at least, the employment rate of workers aged 57 and over. However, the share reserved for the hiring of workers aged 55 and over, which is 1% of hirings on CDI, is very low.

Refocusing training expenditures on career security since 2009

The 2009 Law on Vocational Guidance and Lifelong Training created the Joint Fund for Career Security (*Fonds paritaire de sécurisation des parcours professionnels* – FPSPP), the purpose of which is to support and finance projects for developing skills and qualifications as well as training activities for the most vulnerable groups (jobseekers with entry-level qualifications) and the most exposed firms. The resources of the FPSPP come from the contributions that firms make under the heading of continued vocational training, and they are distributed according to a joint agreement

concluded between the unions and the employers' organisations (the last agreement dates from October 2012), which led to a framework agreement between the government and the joint fund. The fund will give priority in 2013-15 to financing efforts to promote youth employment and training for workers, particularly the most vulnerable (combating illiteracy, training leading to certification in the context of re-skilling periods under a DIF, qualification of workers in firms resorting to part-time unemployment). These projects implemented by the FPSPP should be targeted more specifically at older age groups that are also vulnerable in terms of their access to vocational training.

Vocational training is now being reformed

At the second social conference of July 2013, the social partners were invited to undertake multi-sectoral negotiations during the second half of 2013 dealing among other things with implementation of the new vocational training provisions flowing from the national multi-sectoral agreement of 11 January 2013 and the Law on Occupational Security of June 2013. The government's objective is to present a draft law based on the outcomes of this negotiation by the end of 2013 or early 2014.

The principal new provisions concerning vocational training are the following. Upon entering the labour market, every person will have a personal training account. This account will be used by the person, whether employed or looking for work, to access training on an individual basis. Everyone will also receive career counselling, intended primarily to improve qualifications. It will be provided by the local public career orientation service (which is responsible for co-ordinating and making available complete information on training, certifications, trades, jobs and pay levels), and will improve available information for all employees on their work environment and on activity trends in their territory, as well as on the mechanisms they can access to reorient their career path. The law has also created a protected voluntary mobility period, a form of secondment) so that an employee can perform work for a new employer in order to diversify his experience and his career record. During this time, the labour contract is suspended and at the end of the term, the employee is guaranteed to return to his former job or a similar one, unless he decides to leave his original firm.

Employment services

Employment services for older workers in France

Generally speaking, Pôle emploi gears its support to how far a person is from the labour market

The offer of *Pôle emploi* services is determined by how far a jobseeker has yet to go to find employment, as measured in the registration interview and diagnostic assessment. This rule was established in the tripartite convention signed in January 2012 by the government, Unédic and *Pôle emploi*, and the *Pôle emploi 2015* strategic plan that emerged from consultation with the social partners. For purposes of personalised monthly monitoring, a person now has three modalities of support available, of varying intensity: reinforced coaching targeted at jobseekers who are farthest removed from the labour market or who are at high risk of dropping out (around 6% of jobseekers in September 2013); guidance for persons who need regular help in looking for a job (around 55% of the unemployed); and job-search monitoring and support for unemployed persons who are close to the labour market and can look for work on their own (around 39%). The situation of the jobseeker must be reassessed at milestones corresponding to the fourth and ninth month of unemployment, in order to adjust the coaching modality.

Age, then, is not the determining criterion. Nevertheless, among the 15 indicators of the effectiveness and quality of service in the 2012-14 tripartite convention, there is one indicator which measures the performance of *Pôle emploi* in helping jobseekers over 50 years of age to return to employment. This indicator relates to the share of jobseekers aged 50 and over still registered with *Pôle emploi* 12 months after their initial enrolment. The objective is that this share, which was 47% in March 2011, should decline over the course of the subsequent three years to 41% in 2014 (IGAS, 2013). This indicator is still high, and stood at 55% in 2013.

The assigned employment counsellor will have a separate portfolio for jobseekers under each monitoring and coaching approach. The indicative size of the “enhanced coaching” portfolio is 70 jobseekers at most, that of the “guidance” portfolio is 150 jobseekers at most, and that of the “monitoring” portfolio is between 200 and 350 jobseekers.² Following the registration interview and assessment, an action plan is drawn up setting out the steps that the jobseeker is to take. With respect to the mandatory interview, which must take place no later than four months after registration, the counsellor may, on an exceptional basis, organise a collective interview for all jobseekers under the “monitoring” modality. Beyond the mandatory fourth- and ninth-month contacts, the counsellor will decide the frequency and the modality of contact with jobseekers in light of their situation.

The services that *Pôle emploi* offers firms have changed since June 2013 in order to reflect more closely the diversity of business situations and to respond to recruitment needs with tailored services of support and coaching in recruitment. Employers may also be accorded personalised coaching by the “Enterprise” counsellors in *Pôle emploi* agencies on all matters concerning measures to promote the employment of older workers, the associated financial subsidies and their conditions of implementation.

Access to employment measures (apart from youth measures) is in theory not dependent on age

Older jobseekers can access the entire range of employment measures (apart from youth measures) for returning to work (contracts with subsidies according to regional scales and under certain conditions).³ Older workers with little education may find particularly useful the tool for promoting recruitment without a CV and by simulation, which makes it possible to identify the best candidates without any reference to their age. Moreover, as candidates are selected via aptitude tests, this measure naturally removes certain obstacles such as the image problems of older workers, who are sometimes thought less likely to adapt to a job, and may even face a degree of age discrimination (see Chapter 4).

For older jobseekers, access to several services has been improved, as follows:

- The on-the-job assessment takes place prior to recruitment (lasting up to 120 hours for persons over 50, versus 80 hours in general), so that the employer can assess the candidate’s suitability at work.
- Subsidised contracts, normally limited to 24 months, can be extended up to five years when hiring persons over 50 years of age who are receiving social benefits such as the Active Solidarity Income (*Revenu de solidarité active – RSA*), the Specific Solidarity Allowance (*Allocation de solidarité spécifique – ASS*) or the Adult Handicapped Allowance (*Allocation aux adultes handicapés – AAH*). The maximum duration can be extended, by successive periods of at most one year, to 60 months.
- Adult re-skilling contracts are not only exempt from social contributions but, since 2011, have offered the right to a lump sum grant of EUR 2 000 when they involve an employee over age 45.

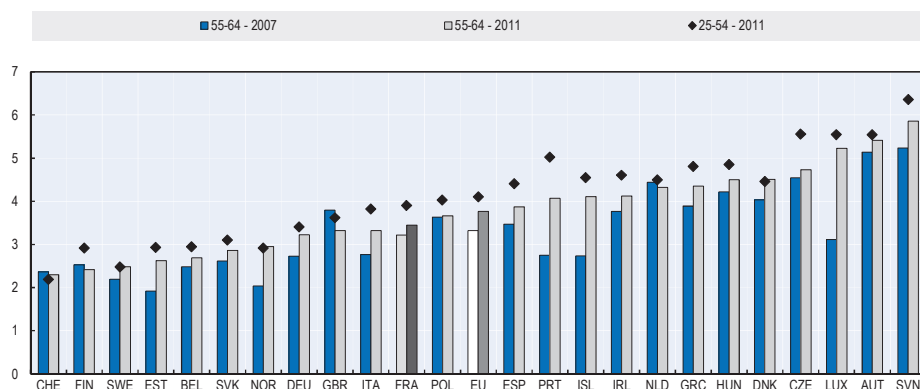
A number of services are reserved to older persons, such as:

- A “seniors information workshop” to introduce older workers to the employment and training subsidies, encourage them to consider alternative forms of work (creating a business, consulting, freelancing,⁴ worker sharing arrangements) and to answer their questions about the allowances to which they are entitled.
- The “seniors club” or “older jobseekers’ club” to encourage and motivate jobseekers aged 50 and over, bolster their networking capabilities, and keep them plugged into the labour market. The method used by *Pôle emploi* is to pool job searches for older members of the club so as to save time for participants by allowing them to benefit from the experience of their peers. The counsellor organising and supervising the club as facilitator will appoint a motivated older person to serve as co-facilitator. He or she will support participants’ applications as soon as one of them interests a recruiter and takes actions as required.
- The “Seniors Employment Forum”: for example, in March 2013 the Employers’ Association (MEDEF) of Ile-de-France and the Ministry of Labour, Employment, Vocational Training and Social Dialogue organised the fifth session of the regional employment forum dedicated to older workers, in collaboration with *Pôle emploi* Ile-de-France and the association *À compétence égale*.⁵ The objective is to put employers and jobseekers in touch with each other, but also to offer older workers advice on looking for a job, on training, and on the services and benefits available as well as workshops on specific issues (for example, conducting an effective job search, creating one’s own enterprise, or sharing one’s time in an employer sharing arrangement).


The looking-for-work subsidy is important for older jobseekers who have trouble conducting an effective search. There is in fact less diversity in job search methods after 55 years of age. The number of different methods used by jobseekers can be estimated from the 12 different channels reported by the European Union Labour Force Survey (EU-LFS). For all jobseekers aged 55-64 years in France, the average number of methods used was 3.4 in 2011, slightly up from the pre-crisis number in 2007 but lower than the European average of 3.8. By contrast, this average number is higher for persons aged 25-24 in most European countries, including France, with the exception of Austria, Denmark, the Netherlands, Norway, Sweden and Switzerland (Figure 5.3).

Figure 5.3. Diversity of job search methods used by the unemployed (ILO definition), by age, France and Europe, 2007 and 2011

Average number of different channels used to find a job



Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

StatLink  <http://dx.doi.org/10.1787/888933000799>

Pôle emploi has developed in-house and out-sourced coaching for older job-seeking executives

Executives looking for work are on average older than jobseekers as a whole: at 30 June 2012, 34.2% were at least 50 years old, compared to 20.4% for all jobseekers. Moreover, among executives registered with *Pôle emploi*, the proportion of long-term jobseekers is relatively high: 40.5% have been registered for more than one year, compared to 42.2% for the entire group.

Pôle emploi has developed workshops for senior executives (Box 5.1). As well, *Pôle emploi* introduced the *Atouts Cadres* (roughly, the “executive advantage”) provision in August 2010. It is aimed at persons who already have experience and qualifications, and are thus relatively older. It addresses the need to offer executive jobseekers a response that is specific to their needs and to ensure delivery of appropriate service, as a supplement to the existing services available. This new provision takes account of the end, in April 2010, of co-contracting with APEC, without replacing that arrangement. *Atouts Cadres* is also intended to enhance the placement capacity of *Pôle emploi* in regions and urban areas identified as having a significant volume of executive jobseekers (exceeding 5%). This service is outsourced to operators with expertise in executive-level placement. They are selected through calls for proposals and are contracted for two years, renewable twice for one year. During 2012 these arrangements yielded positive results in terms of service delivery and outcomes (Benabdelmoumen et al., 2013). The target

group of beneficiaries receives tailored support that meets the specific needs of executives, through personalised coaching and group actions designed to make the job search more dynamic. Re-employment rates are higher than those observed for executives with an equivalent profile but who have not received enhanced support, and the jobs found through *Atouts Cadres* have turned out to be of better quality.

Box 5.1. “Seniors workshop” in the *Paris Cadres Brochant Agency* (one of the four *Paris Cadres* agencies)

Target clientele

The agency has a staff of 30 (including four managers) and is responsible for monitoring executive jobseekers from the 8th, 17th, 18th and 19th *arrondissements* of Paris. It is equipped to offer dedicated placement services. In June 2013 it was handling 2 923 jobseekers (of whom 22% were over age 50) and more than 38 000 firms are registered with the agency.

The older jobseekers registered with the agency are, by definition, former employees who have lost an executive job or who have contributed to an executive retirement fund. They are for the most part in their early 50s (53% are aged 50-56, 26% are 57-59, and 21% are 60 years and over); 62% have been unemployed for less than two years; 21% left their former position through a negotiated termination; 87% are drawing benefits; and 45% are women.

The services are tailored on the basis of a diagnostic assessment performed in the first month. They involve primarily monitored (45%) or guided (47%) support, and rarely offer reinforced coaching (8%). The schedule includes two obligatory interviews (at four and nine months), but others can be arranged on request. Nearly all (88%) have benefited from at least one service since their registration.

Senior workshops

Purpose: presentation of all forms of available support: assessment, orientation, enterprise creation; training; validation of acquired experience (*Validation des acquis de l'expérience* – VAE); partnership coaching; subsidies and “specific seniors contracts”; alternative forms of employment; and compensation.

Reasons for participating: to obtain information on all the available services in order to register for those that best meet a participant's needs and expectations; to escape from isolation; to meet other older jobseekers; to make face-to-face contact with recruiters and human resource directors over breakfast meetings, for example.

Participation: the ideal participant will have been unemployed for six months, will have a well-thought-out plan for the future, and is encountering problems in finding a job.

Source: Based on answers from the *Paris Cadres Brochant Agency* to the OECD.

Employment subsidies are often ineffective for older jobseekers, and there is little demand for them

Older persons and firms make little use of assisted employment tools, in part because they are not very effective. Thus, few persons over 50 receive mobility grants (9.5% of job seeking subsidies and 12.4% of re-employment subsidies in 2012, compared to 26.6% and 24.2%, respectively, for persons aged 25-29). After receiving these subsidies, their likelihood of finding a job, *ceteris paribus*, is 13 percentage points less than that of young persons aged 25-29 years (Buchner, 2012).

The same holds true when it comes to entrepreneurship subsidies. This type of grant, for which beneficiaries under the Unemployment Insurance Allowance (*Allocation d'aide au retour à l'emploi* – ARE) are eligible, provides upfront capital for taking over or starting a business. Since 2012, its amount has been set at 45% of the recipient's remaining benefits. According to Unédic (2013), only 10% of recipients were aged 50 and over in 2011, although such persons accounted for 23% of unemployment insurance beneficiaries: older workers are thus clearly underrepresented, in contrast to persons aged 30-39 (37% of grant recipients and 26% of unemployment insurance beneficiaries). This confirms the recent finding by the European Commission and the OECD: there is little difference in the entrepreneurial activity rates (thinking about or actually starting a business) between prime-age and older people in Iceland, Slovakia and the United States, while older people in countries such as Austria, Belgium and France are considerably less likely to follow the entrepreneurial career option (European Commission and OECD, 2013).

Subsidising jobs for older workers in the non-market sector is not a very effective way of returning them to employment

Even specific contracts like the “CDD senior” or the enhanced provisions for older people are little used. This is the case with the re-skilling contracts, where since January 2008 only contracts concluded with jobseekers aged 45 and over continue to enjoy the total exemption from social contributions. Yet 81% of persons entering into such contracts in 2011 were young people, and those over 45 accounted for only 2%. Similarly, the extension of subsidised contracts beyond 24 months for older persons receiving solidarity allowances and social aid does not seem to have had any effect except on their access to subsidised jobs in the non-market sector. In 2012, persons aged 50 and over represented 24% of subsidised contracts in the non-market sector – about the same rate as that for young people – but they represented less than 2% of subsidised contracts in the market sector, compared to 93% for young people (Beauvoir et al., 2013). This finding is of concern, for the effectiveness of subsidised jobs in the non-market sector as a way of returning to work is rated

as low. According to Bayardin (2013), 37.5% of employees aged 50 and over exiting a subsidised contract in the non-market sector in 2011 were in employment six months after the end of the government subsidy, whereas the equivalent figure was 67.1% for employees leaving a subsidised contract in the market sector.

In the second half of 2013, jobseekers aged 50 and over are among the priority target groups for subsidised contracts, as are the very long-term unemployed (registered for 18 months out of the last 24 months) and RSA beneficiaries. A supplementary envelope of 92 000 subsidised jobs is programmed in the non-market sector, for a total of 262 000 contracts for the six-month period. With 25 000 contracts programmed, the subsidised job envelope in the market sector remains unchanged in the second half of 2013.

Training take-up by older jobseekers is low, as it is for older employed persons

Age disparities in the take-up of training by jobseekers are similar to those for persons in employment. Jobseekers under age 26 are more likely to benefit from training than their elders: in 2011, 29.6% accessed training, compared to 19.2% for those aged 26-44 years and 12.6% for those over 45 (Aude, 2013a). The track record of the interns from age 45 and beyond is poor, and much less promising than that of their younger colleagues (Aude, 2013b). They are less likely to find a job in the two years following vocational training (75% versus 87% for youth and persons aged 26-44 years), they less often have a CDI (33% versus 38% for youth and 44% for those aged 26-44), and it takes them longer to find a job at all (at least six months for half of older persons versus three months for youth and those aged 26-44 years). One older worker in four will have taken 23 months or more to find that job, versus 11-12 months for youth and those aged 26-44. Lastly, when the intern's age, gender, and level of education are taken into account, as well as the objective and field of the training internship, activity status and length of unemployment or inactivity preceding the training, the chances that an older person who has taken training will find a stable job rather than staying unemployed or inactive are 4.8 times lower than for a young person. An older person's likelihood of obtaining a temporary job is also 4.8 times lower than a young person's, and his probability of taking new training or pursuing his studies is 3.3 times lower.

Good practices in OECD countries

In the wake of the crisis, and with unemployment rising among older workers, it is important to put in place an effective activation strategy to make re-employment possible. Public and private employment services should be encouraged to give the older unemployed greater access to active labour market programmes (ALMPs). Although most OECD countries initially adopted a standard strategy (applicable to all jobseekers regardless

of age), many of them have subsequently targeted specific provisions at the most vulnerable groups among the older unemployed.

There appears to be a broad consensus among public employment services (PES) participating in the 2012 European peer review as to the best means of getting the older unemployed back to work (PES-to-PES, 2012). Personalised action plans together with targeted group activities are recommended for the following reasons:

- The older unemployed are far from constituting a homogeneous group, and personalised action plans, if they are to be effective, must be based on individual profiling, while identifying problems and making arrangements for marketing the skills of older workers. This sometimes requires not only offering them further training, but also raising awareness among PES staff about this objective. Moreover, the creation of specific teams with lower counsellor-to-client ratios can help to tackle some of the additional challenges facing many older workers.
- A number of PES have achieved good outcomes using group activities targeted at the older unemployed. For example, in Germany and in the Netherlands, organising counselling sessions in self-help groups has been found useful in tackling social isolation and the lack of networking opportunities while enhancing job search skills. Job clubs, whether they are age-centered or not, can also help to identify “hidden” vacancies. Because of the stereotypes that employers tend to entertain regarding older workers, it may also be more important for this target group to benefit from measures that bring jobseekers directly into contact with employers, such as job fairs, speed dating and work trials.

In many countries, individual action plans are part of the assistance offered by PES to meet the specific needs of the older, long-term unemployed. Several countries that have eliminated longer-term passive programmes for older workers have replaced them with active measures, as part of an activation strategy (Box 3.5). In Denmark and Norway, for example, the general rules governing unemployment benefits for older workers have been harmonised and an activation measure is guaranteed for those close to retirement who cannot find a job (see Chapter 3).

With its *Perspektive 50plus* programme introduced in 2005, Germany has adopted an approach targeted at the most vulnerable groups (Box 5.2).⁶ In 2005, with the first call for proposals, 62 regional pacts received financial assistance and support from the Federal Ministry of Labour and Social Affairs. This programme is now into its third phase (2011-15) and the number of pacts has risen to 78, covering 96% of German territory.⁷

The partners in the regional pacts are the local employment centres, which implement activation policies for persons on unemployment assistance benefits (*Arbeitslosengeld II*) and which work closely with the municipalities, the chambers of commerce and industry, and training institutions. The objectives are set out in the annual agreements negotiated between the federal and regional levels.

Each phase has been evaluated. The evaluation of the first phase showed that success rested on a combination of individual counselling and coaching for older people, and proactive and targeted outreach to employers (Büttner et al., 2008). The quality of candidate pre-selection for job offers has responded well to SME needs. According to the survey results, the older long-term unemployed and employers alike have welcomed the programme and have in general found it more effective than previous efforts.

There are two limitations to be noted: i) it is the “young seniors” (those in their early 50s) who derive the most benefit in terms of job placement, and ii) the programme failed to achieve its objective of raising awareness about the demographic challenge.

The evaluation of the second phase confirmed the positive outcomes for participants (Knuth et al., 2012). The 21% re-employment target was exceeded, and in 2010 around 24% of participants found employment for at least six months. The use of wage subsidies has helped to protect jobs. However, two weak points were noted: i) the new jobs found were mainly part-time, and ii) too many participants remained jobless and dependent on social assistance.

The evaluators consequently recommend the inclusion of certain practices (e.g. greater flexibility in local budgets, more comprehensive services for jobseekers instead of subsidies to employers) which have proven effective in the *Perspektive 50plus* Programme for all groups of jobseekers in receipt of the unemployment assistance benefit.

Australia and Canada offer other examples of targeted approaches to older workers in difficulty (Box 5.3). In Australia, service providers working with the PES (Job Services Australia) also offer specific programmes for “mature age” workers, i.e. Australians aged 45 and over. These workers are eligible for the Experience+ Career Advice programme, which includes career counselling, continuing education grants, training and on-the-job coaching for workers with health problems, as well as training and coaching for those who want to switch to a less physically demanding job. In Canada, a targeted initiative has been in place for several years now to help older workers living in economically vulnerable areas to return to employment.

Box 5.2. The *Perspektive 50plus* Programme in Germany

Target group: long-term unemployed persons over 50 years of age who are no longer entitled to unemployment insurance but are in receipt of the government-funded unemployment allowance (*Arbeitslosengeld II*).

Objectives: to reintegrate the long-term unemployed into the labour market; to raise awareness of demographic change and the role of older workers; and to change the attitudes of employers and workmates.

Formulation of the programme and innovative content: the programme involves all stakeholders at the regional and local level; it takes a comprehensive approach, including labour market, social affairs and health policies; it uses a broad range of tools, including profiling, skills audits and training, internships in companies, placement measures, wage subsidies for employers, and campaigns to raise awareness of the challenges of demographic change.

Factors for success: great autonomy in budget use; simplified administrative rules; the programme is adapted to regional and local needs; and failure to achieve objectives can mean reduction or loss of funding.

Major effects

- The average age of participants in 2010 was 54 years. Most participants have low education levels, and more than a third have no apprenticeship diploma. Around 13% have not worked during the last ten years, and nearly a fifth have health problems.
- During the first and second phases (2005-10), nearly 130 000 older long-term unemployed workers were reintegrated into unsubsidised jobs.
- The objectives of attacking long-term unemployment have helped to avoid “cherry-picking” in the selection of jobseekers (a phenomenon often identified in ALMP evaluations), i.e. restricting the choice to those with the best chances of finding a job.
- This programme has made it possible to take better account of the needs of the older, long-term unemployed and to recast the image of older workers. The local employment centres have adapted their activities on the basis of the programme’s results.

Source: Answers from Germany to the OECD; Büttner, R., M. Knuth, O. Schweer and T. Stegmann (2008), “Perspektiven auf dem Arbeitsmarkt auch mit 50plus. Ausgewählte Ergebnisse aus der Evaluation des Bundesprogramms ‘Perspektive 50plus’ für ältere Langzeitarbeitslose” [Labour market outlook for workers aged 50+. Principal results from the evaluation of the federal *Perspektive 50plus* Programme], Institut Arbeit und Qualifikation (IAQ) Report, No. 3, Duisburg; Knuth, M., C. Niewerth, T. Stegmann, L. Zink, B. Boockmann, T. Brändle, A. Kirchmann, R. Kleimann, C. Klempt and H. Langkabel (2012), “Evaluation der Zweiten Phase des Bundesprogramms *Perspektive 50plus* – Beschäftigungspakte für Ältere in den Regionen (2008-2010)”, [Évaluation of the second phase of the *Perspektive 50plus* Programme in the regions (2008-2010)], IAQ, Institut für angewandte Wirtschaftsforschung (IAW), 30, Duisburg et Tübingen.

Box 5.3. Services for mature age workers in Australia and the older workers initiative in Canada

Australia

Jobseekers aged 45 years and over have access to the Experience+ Career Advice service, which offers the following:

- *Career advice*: free career-planning advice and assistance in preparing a resume.
- *Experience+ Training*: training subsidies designed to increase the capacity of mature age workers to provide effective mentoring and supervisory support to apprentices and trainees in the workplace.
- *On-the-job support*: training and assistance to older workers who may have on-the-job difficulties because of health problems or disabilities.
- *Job transition support*: training and assistance to help workers move from a physically demanding to a less strenuous job and to assist workers whose jobs have been eliminated.

Canada

The Targeted Initiative for Older Workers (TIOW) provides employment assistance services and employability improvement activities to unemployed older workers (normally aged 55 to 64) living in vulnerable communities (with populations of 250 000 or less) that are experiencing high unemployment and/or with a high reliance on an industry significantly affected by downsizing or closure. The TIOW supports tailoring of projects to the needs and learning styles of participants, provides for screening and selection of participants, and offers a suite of employment assistance and employability improvement measures, including peer support and targeted skills training. A formative evaluation of the initiative in 2010 showed that 75% of participants had found a job during or after their participation in the programme, and 80% of them felt more employable thanks to project activities. All provinces and territories are currently participating in this initiative. In October 2011, the programme had 331 projects in place, involving more than 16 000 participants.

Source: Australia and Canada's answers to the OECD.

Evaluation of measures for older workers

There have been few experimental assessments of the specific impact of active labour market measures in helping the older unemployed return to work. Two recent evaluations find that activation and enhanced coaching can help older people find a job.

- Mandatory participation by unemployed persons aged 50-52 in an active job search programme has had a positive impact on re-employment in Flanders. Bollens (2011) analysed the impact over seven months of mandatory participation after three months of unemployment in Flanders. Mandatory ALMP participation for the unemployed in Belgium was introduced in 2004 but was limited to persons under 50 years of age. In May 2009, Flanders extended this obligation to those aged 50-52 years. The programme offers job search assistance, counselling and training. The data used are individual data from the monitoring of jobseekers by the PES. Using a difference-in-differences analysis, transitions to employment are found to be higher by around 3 to 4 percentage points four to five months after the programme for those aged 50-52 years, compared to those aged 53-55 years who did not participate. Until 2012, the federal government (which has the power to decide on sanction on unemployment benefits) was not monitoring the efforts made under this mandatory programme by jobseekers aged 50 and over in Flanders. Since the beginning of 2013, however, the federal government has begun to monitor job search efforts to age 55, with the consequent potential impact on benefits, and accordingly these results could be improved in the future.
- Arni (2012) conducted an experimental evaluation of the impact on the older unemployed in Switzerland of a special programme based on early intervention, intensified coaching, and individual targeting (Box 5.4). The two principal measures involve a doubling of the intensity of support, with interviews every two weeks over four months, and systematic enrolment in a new coaching seminar for persons 45 years and over. This 20 day seminar is very intensive, and involves groups of 10 to 15 individuals working on job search strategies, self-marketing, and future career planning. Jobseekers begin the seminar, on average, 50 days after they become unemployed.

Box 5.4. Enhanced support for older jobseekers in Switzerland

Participants: jobseekers aged 45-63 years who registered as unemployed between December 2007 and 2008 with the regional placement offices of Baden and Brugg and who fulfilled certain minimum conditions in terms of language capabilities and availability.

Method: random allocation of 327 participants to a treatment or a control group, depending on whether or not they benefited from the new measures: the treatment group had 186 persons, and the control group 141.

Box 5.4. Enhanced support for older jobseekers in Switzerland (cont.)

Main findings

- 72% of the treatment group, versus 63% of the control group, found a job within one year. There were two factors in play: more realistic wage expectations and more effective job search methods.
- The programme has a positive impact on participants aged 45-54, but not on those aged 55 and over. One explanation here is that participants may believe there is no use in reorienting their job search after 55 years.
- Occupational stability rises in the 18 months following the exit from unemployment, thus avoiding, on average, 20 days of future unemployment – the resulting savings to the unemployment insurance system are used to fund programme costs.
- At the outset of the programme (before the coaching seminar), jobseekers cut back their job search effort and the rate of transition out of unemployment declines. Earlier enrolment in the seminar reduces or even eliminates this negative effect on exit rates.
- Stepped-up coaching and counselling enhance the effectiveness of the job search.
- Jobseekers systematically overestimate their chances of returning to work, and the coaching seminar makes them more realistic, especially in their wage expectations.
- Programme counsellors are, on average, too optimistic about the chances of returning to employment and they have trouble with initial profiling, especially for the group that is most at risk of long-term unemployment and that should receive enhanced coaching.

Source: Arni, P. (2012), “Conseil et coaching intensifs pour demandeurs d’emploi âgés : une voie pour améliorer leurs chances sur le marché du travail ?”, Systematic evaluation of results, final report for the Economy and Employment Office of the Canton of Aargau, University of Lausanne.

As Arni (2012) demonstrated in the case of Switzerland, enhanced employment support can help older workers in their job search, but in France assistance of this kind is far from overcoming the obstacles to the work reintegration of the older unemployed. The analysis performed by Parent (2014) shows that the situation of older workers in France is particularly difficult following an economic layoff, or recurrent spells or a long period of unemployment (Box 5.5).⁸ Not only do older workers seldom find a job, but when they do so most of them are obliged to accept significant pay cuts. There are several reasons for this, starting with the seniority-based wage policy that prevails in many firms and that imposes a heavy penalty on older workers who lose their job, forcing them to accept a sharp drop in earnings when they take up employment in a new firm. It must also be recalled that 41% of older workers complain of age discrimination in their job searches, suggesting that the attitude of firms and their recruiters has much to do with the difficult situation of the older unemployed.

Box 5.5. Return to work for the older unemployed benefiting from enhanced coaching in France

A statistical survey conducted jointly by Dares and *Pôle emploi* among jobseekers enrolled in an enhanced coaching programme in 2009-10 compiled information on the contents of the support offered, the expectations and opinions of the jobseekers with respect to the services offered, and their employment situation 8, 13 and 18 months after their enrolment in the programme. The survey was conducted as part of the assessment of *Pôle emploi*'s use of private operators to provide enhanced support for the victims of economic layoffs and jobseekers facing difficulties in reintegration, an assessment that was the subject of a detailed policy brief (Dares-Pôle emploi, 2013). The analysis by Parent (2014) presented here deals more particularly with age distinctions both in the characteristics of the unemployed and in their re-employment prospects. This box presents the principal findings from that analysis for persons aged 50 and over, compared to those under 50.

Enhanced coaching is targeted at two groups: i) workers made redundant, i.e. laid off for economic reasons, who shortly after their involuntary job loss entered into a “Personalised redeployment agreement” (CRP) or a “occupational transition contract” (CTP) guaranteeing 12 months of support either by *Pôle emploi* or by a private operator; and ii) persons facing reintegration difficulties (the long-term unemployed or those who have experienced repeated spells of unemployment, or persons registered for less than 12 months but exposed to the risk of long-term unemployment) who have received six months of enhanced coaching, either from private operators under the *Trajectoire emploi* provision or from *Pôle emploi* under the *Cap sur l'entreprise* arrangement. These are two very different target groups, then, and they receive support at different moments of their unemployment episode: at the beginning, for those laid off, and later, for those facing reintegration problems.

Box 5.5. Return to work for the older unemployed benefiting from enhanced coaching in France (*cont.*)

The enhanced support offered by *Pôle emploi* and by the private operators includes an initial stage of setting an occupational goal or a redeployment plan (for persons laid off), a second stage of gearing up for the job search, and a third stage that involves intensive coaching in that search. The programme calls for three months of on-the-job monitoring, but this is seldom done (Dares-Pôle emploi, 2013). Jobseekers typically see their counsellor every week in the most intensive phases of the programme, or every three to four weeks, for interviews lasting between 30 minutes and an hour. Each counsellor is assigned a limited number of jobseekers (between 30 and 50), working closely with them individually and responding to their specific problems.

The principal difficulty that older jobseekers report in their search for a job is age discrimination, which is cited as the main obstacle by one person in three. When considered together with the second reported difficulty, nearly 41% of older jobseekers declare that employers' age discrimination has been an obstacle (principal or secondary) in their search, compared to only 4% of those under age 50. Among the other main obstacles cited are labour market difficulties (mentioned by one senior in four), primarily a paucity of employment offers in their field and employers' failure to respond to their applications. Unemployed persons under 50 are more likely than older jobseekers to mention the scarcity of job offers in their field, and in particular the difficult economic context.

Return to employment. Older unemployed persons face more difficulties than younger ones in returning to work. After age 50 (for those laid off) and after age 40 (for those with reintegration problems), the employment rate drops off sharply and diverges from the rates for younger age groups. The situation of those over 55 years is even more problematic: their chances of finding a job are only half as good on average as those for other age categories. Whatever the nature of the group, or the analysis horizon (8 or 13 months), the employment rate for those over 55 does not exceed 27%.

Re-employment and length of coaching. The employment rate for persons on economic layoff is significantly higher after 13 months than after 8 months for all age groups, while this is not the case for jobseekers with reintegration difficulties. A significant portion of those on economic layoff find a job within the last four months of their CRP or CTP coaching arrangement, and this could constitute an argument for a longer period of coaching for this group. However, there are two seemingly opposed considerations at play here (and with the available data it is impossible to tell which should predominate). On one hand, persons on economic layoff frequently have many years of service in their previous job, as well as specific skills in the activity in which they have spent most of their career, and consequently a full year's coaching could be justified, particularly if they seek to switch to a new field. On the other hand, it is also possible that persons on economic layoff will deliberately delay their return to work because of the "lock-in effect", stemming from the fact that their level of allowances is higher than that for unemployment insurance (ARE) beneficiaries.*

Box 5.5. Return to work for the older unemployed benefiting from enhanced coaching in France (*cont.*)

Modalities of re-employment and particular problems facing older jobseekers. Taking the detailed analytic model used in the Dares-Pôle emploi report (2013), Parent (2014) explains the probability of re-employment by a probit model, integrating the cross-effects of being 50 or older and the set of other explanatory variables.

- Some characteristics are less penalising for older jobseekers than for others: being a woman is a penalty for persons on economic layoff under age 50, but this is not the case for older women. Skilled older workers find re-employment more easily than skilled workers under age 50, and a higher unemployment rate in the local area is less of an obstacle for older than for younger persons.
- Other characteristics are significantly more penalising for older workers than for those under 50: for example, a long period of service in the previous job and the fact of not having an Internet connection (which is the case for 27% of older workers versus 18% of those under 50).
- Among the characteristics that are just as penalising for older workers as for other age groups are mobility problems (the fact of having a driver's license or a personal or collective means of transport) and health problems which, regardless of age, constitute major obstacles to re-employment for both target groups studied.

Quality of the new job. The quality of the work found by older jobseekers is lower than that of the work found by younger persons.

- *Jobs are less likely to be permanent:* 39% of older workers who find a job within a year of their lay-off are on CDI, compared to 46% of younger workers. This is true of 37% of the group with reintegration difficulties, for whom age has no effect on the probability of having permanent employment.
- *Jobs are more likely to be part-time:* of those older workers who find a new job within a year after displacement, one in three will be working part-time, compared to one in seven in the equivalent group under age 50. While the gap is smaller for the group with reintegration difficulties, the situation is the same. On the other hand, for persons wishing to work full-time, the risk of being forced to accept a part-time job does not change with age. Yet older jobseekers are more likely to look for (and to find) a part-time job, no doubt because they want to stage their transition from working life to retirement (by reducing their working time).

Box 5.5. Return to work for the older unemployed benefiting from enhanced coaching in France (*cont.*)

- *Jobs are less well paid:* the median net monthly wage in the jobs found by older workers made redundant is 20% lower than that of the jobs they lost, and for older workers with reintegration difficulties it is 14% lower than in the lost jobs. The wages paid to persons under 50 years drop more modestly by 3-4%. This overall trend conceals a great diversity of individual situations. Thus, 72% of laid-off older workers redeployed after one year have accepted a lower-paid job (median reduction of -33%), compared to 53% of redundant workers under age 50 (around -21%). Only 22% of older redundant workers who have found a new job have seen their wages increase (by around +3%), versus 38% of those under age 50 (around +16%). Seniors who find a job, then, make significant wage concessions, and this is true of 60% of the older unemployed with reintegration difficulties (for whom the median loss compared to their previous wage is 43%).

* The special redeployment allowance amounts to 80% of the former gross wage, assuming at least two years of service in the firm, versus 54 to 72% for the ARE, depending on the case. The special redeployment allowance received by those on CRP or CTP is thus very close to their former net wage.

Source: Dares-Pôle emploi (2013), “L’accompagnement renforcé des demandeurs d’emploi : Évaluation du recours aux opérateurs privés par Pôle emploi de 2009 à 2011”, *Synthèse-Éval*, No. 03 (Dares) and *Les Cahiers Études*, No. 15 (Pôle emploi), Paris ; Parent, G. (2014), “Retour à l’emploi des chômeurs seniors ayant bénéficié d’un accompagnement renforcé vers l’emploi”, *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

Conditions and organisation of work

Main challenges

For many policy makers, human resource managers and business and union negotiators, improving the conditions and organisation of work are very important levers to be considered for encouraging people to extend their working lives.

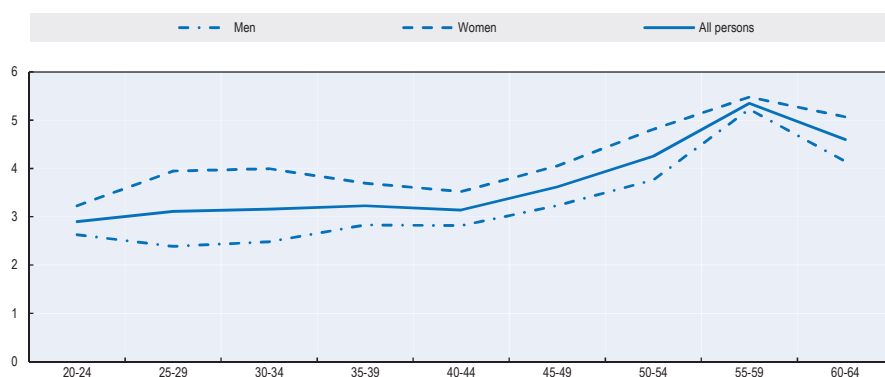
Health-related absences from work increase with age, but not after 60 years

In the course of a typical week during the years 2003-11, health-related absences from work increased with age (Inan, 2013). Among employees aged 20-24 years, 2.9% were absent for health reasons, but this proportion rose to 5.4% for those aged 55-59. Yet the sick-leave rate for persons aged 60-64 was slightly less, at 4.7%: employees who can extend their working life beyond 60 years are, on average, in better health than those who stop

work sooner (Figure 5.4). Working conditions play an important role, for absenteeism rises sharply with the degree of exposure to physical or psychosocial constraints. While executives are much less likely to be absent for illness than blue-collar workers (1.6% versus 4.5%), this is in large measure because they are on the whole less exposed to strenuous work.

Figure 5.4. **Proportion of workers absent for health reasons, by age and gender, France, 2003-11**

As a percentage of the age group



Source: *Enquête emploi en continu*, Insee ; Inan, C. (2013), “Les absences au travail des salariés pour raisons de santé : un rôle important des conditions de travail”, *Dares Analyses*, No. 009, Dares, Paris.

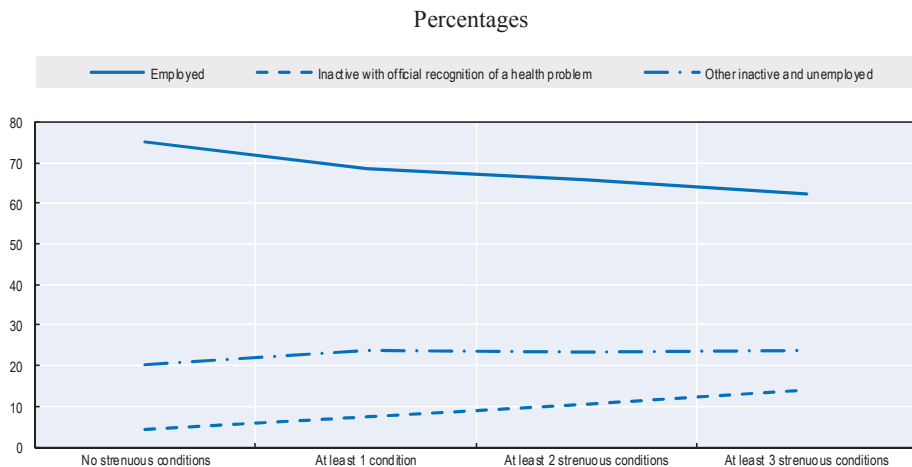
StatLink  <http://dx.doi.org/10.1787/888933000818>

Older workers who are constantly subject to strenuous work are at risk of dropping out

In 2007, 35% of persons aged 50-59 who had worked for at least 10 years reported that they had been exposed for 15 years or more to at least one of the following four strenuous situations: night work, repetitive tasks, physically demanding work, harmful or toxic products (Coutrot and Rouxel, 2011). Moreover, 40% of them claimed to have faced at least two forms of physical stress during their working life, either in the same job or in successive jobs. Persons aged 50-59 who have been steadily exposed to physically stressful working conditions are less often in good health: 24% claim to be limited in their daily activities because of a health problem, compared to 17% of other older persons. They are also less likely to be employed after age 50, particularly after compound exposure to physical stress: 68% of those exposed to at least one strenuous condition, and 62% of

those exposed to at least three, are working after age 50, compared to 75% of those who have not been exposed, or who have been exposed for less than 15 years (Figure 5.5).

Figure 5.5. **Labour force status of individuals aged 50-59 according to the accumulation of previous long exposures (15 years or more) to physically strenuous working conditions**



Source: Enquête santé et itinéraire professionnel, 2007; Coutrot, Th. and C. Rouxel (2011), “Emploi et santé des seniors durablement exposés à des pénibilités physiques”, *Dares Analyses*, No. 020, Dares, Paris.

StatLink  <http://dx.doi.org/10.1787/888933000837>

Older workers have few workplace accidents, but they are more likely than other age groups to suffer work-related illnesses

It is generally recognised that older workers have proportionately fewer workplace accidents than young workers (who are less experienced and are often assigned to riskier tasks), but when they occur such accidents are more serious for older persons: their time off from work will be longer (20 days on average for workers aged 20, 50 days for those aged 60), and their permanent disability rates higher (Moreau, 2013; Cour des Comptes, 2011). When it comes to work-related illnesses, workers aged 50 and over represent more than half of recognised cases. The age of recognition depends heavily on the type of illness: musculoskeletal troubles, which account for four out of five occupational illnesses, are recognised in three-quarters of cases concerning workers aged 40-59. Asbestos-related troubles (15% of

recognised occupational illnesses) and work-related cancers are recognised at higher ages: 94% of occupational cancers are recognised after age 50.

One of the recommendations in an information report to the National Assembly (Poletti, 2013) was that the workplace health issue should be better integrated upstream in firms. Instances of sick leave are increasingly linked to working conditions. The report finds that, after six months on sick leave, 50% of insured workers do not return to their job, and this rate rises to 70% after one year. Control by the medical service should place more emphasis on monitoring and helping workers on sick leave, in order to prevent repeated absences and to keep them from eventually dropping out of the labour market or being dismissed as unfit. In order to promote occupational reintegration, the report proposes targeted monitoring of lengthy spells of sick leave, starting no later than the second month. This practice already exists in Nordic countries. In Norway, in particular, anticipating and reducing absence due to illness is one of the three goals of the Inclusive Workplace Agreement introduced in 2001, and which, ten years on, covered nearly 60% of Norwegian employees (OECD, 2013b).

The next agreement on objectives and management between the national government and the workplace accidents and occupational illness branch of the National Sickness Insurance Fund covering the years 2014-17 will introduce personalised monitoring of victims of severe or complex workplace accidents, on an experimental basis. This initiative is inspired by practices in place abroad (notably Germany) for the victims of workplace accidents. It is intended to improve and preserve the state of health of such persons and to facilitate their work reintegration. Moreover, keeping people from dropping out of the workforce is already a key theme for the branch, which has instituted a dedicated service with regional and local co-ordination units. The future agreement will strengthen these efforts even further, by harmonising arrangements throughout the national territory.

As part of the reform of occupational medical services, flowing from the law of 20 July 2011 and its two application decrees of 30 January 2012, all workers who have been on sick leave for more than 30 days, whatever the cause, must have a consultation with the in-house doctor before coming back to work in order to plan for their return, to identify any needs for job adjustment or redeployment, and thus reduce the risk of unsuitability.

Policies implemented by government and the social partners

It is the responsibility of the government to prepare and implement public policies relating to workplace health and safety and the improvement of working conditions. Those policies have been the subject of broad consultation between the public authorities, the social partners, specialised

agencies, individual experts and the representatives of occupational risk victims, members of the various sections of the Advisory Council on Working Conditions (*Conseil d'orientation sur les conditions de travail – COCT*). It is within this Council that consultations are organised at the national level. Its Standing Committee offers guidance and makes recommendations as it deems appropriate. In 2013, its attention was focused on reviewing the interim results of the second Workplace Health Plan with a view to preparing the third plan. It also considered ways to strengthen policies for preventing strenuous working conditions as well as the consequences flowing from the signature, in July 2013, of the national multi-sectoral agreement on the quality of working life.

Workplace health plans

The public authorities and the sickness insurance system have sought to raise employers' awareness of workplace health issues. An initial Workplace Health Plan was prepared for the period 2005-09. The objective was to set priorities for evaluating occupational risks, preventing them more effectively, and improving working conditions. A second Workplace Health Plan for the period 2010-14 recognised older workers as a public priority and set more ambitious targets consistent with the European strategy for workplace health. It associated more closely all stakeholders in the occupational health field and focused on making the plan operational. It stressed the implementation of effective actions to prevent occupational risks, to reduce workplace accidents and illnesses, and to prevent working strenuous conditions and damage to health and their consequences in terms of labour-force desertion.

Each regional plan, then, contains responses to local issues, with specific and geographically focused prevention actions geared to the particular features of the regional economic fabric or the local labour force. The plans also reflect mandatory national priorities such as training, the prevention of chemical hazards and psychosocial risks.

The website of the General Directorate for Labour (www.travaillermieux.gouv.fr) contains links to sections dealing with specific themes (for example sections on the Committee on Hygiene, Safety and Working Conditions, on the prevention of strenuous work, and on musculoskeletal problems), as well as direct access to sections on “dangers and risks” and on “trades and activities”. It is designed to make complex but important labour issues readily understandable to the general public.

Strenuous working conditions

The prevention of strenuous working conditions takes on a new dimension with the inevitable lengthening of vocational careers. It has to do, on one hand, with reducing exposure to strenuous work by adapting and improving working conditions, but also facilitating career mobility for exiting strenuous trades.

Multi-sectoral negotiations on strenuous working conditions, called for in the 2003 Law on Pensions, took place between 2005 and 2008, but they foundered as a result of differing views on an eventual compensation mechanism. Two options were proposed: to have the national social assistance (“solidarity”) system take responsibility, in light of the nature of certain jobs (recognising that there are some indispensable activities where strenuous conditions cannot be totally eliminated), or to have businesses pay for compensation (for example with a bonus-penalty system) in order to encourage the improvement of working conditions.

The 2010 Law on Pension Reform includes a strenuous work provision that has been written into the labour code, and came into force in January 2012. New prevention tools have been created. The law uses ten occupational risk factors to define strenuous work: they relate to major physical constraints, a harsh physical environment, or a stressful pace of work. A provision for preventing strenuous conditions in businesses has been instituted. Firms with more than 50 employees and where more than 50% of the workforce is exposed to one or more risk factors must either negotiate or, failing that, draw up their own plan to prevent strenuous work. This agreement or plan is to run for up to three years, and must address at least three out of six areas, including at least one of the first two areas (reducing exposure to risk factors, and adapting and improving certain work stations) and at least two of the other four areas (improving working conditions, especially in organisational terms; developing skills and qualifications; making end-of-career arrangements; and retention in employment). Those firms that are found not to be covered by such an agreement or action plan can be fined, upon notice from the labour inspection office. The amount of this fine is set at a maximum of 1% of the remuneration and benefits paid to workers exposed to one or more risk factors depending on the efforts made by firms to reduce strenuous conditions. The Law also provides for a traceability mechanism for exposure to risks by establishing an individual file for workers exposed to one or more risk factors as specified by the Law. The objective is to take better account of working conditions in order to facilitate treatment of a pathology classed as a work-related illness.

The initial elements for an audit of this obligation to negotiate (often called the *1% pénibilité*) have been prepared by the General Directorate for Labour (DGT, 2012). As of November 2012, 11 industry-wide agreements concerning the prevention of strenuous work had been concluded and transmitted to the DGT. Among the topics of negotiation, those most frequently selected relate directly to working conditions: reducing multiple exposures and improving working conditions, especially in organisational terms. In addition, as of 1 June 2012, 1 422 agreements or action plans had been deposited with the regional directorates (Direccte) (53% were action plans and 47% agreements). A great majority of the agreements and action plans refer to a diagnostic assessment on which the strenuous work prevention arrangement is built. Among the issues most frequently addressed, adaptation and improvement of work stations stands out in particular. Development of skills and qualifications is another of the subjects often addressed and generally translates into the organisation of training for adopting approaches that make work less strenuous or will allow the employee to move to another, less exposed job. Among the topics more seldom addressed are end-of-career arrangements and retention in employment, as well as the reduction of multiple exposures.

Anact is helping businesses in all aspects of age management

The National Agency for the Improvement of Working Conditions (Anact) and its regional network are essential players in assisting firms with age management. This agency also promotes and encourages efforts to improve the quality of work in firms of all sizes. In its study on good business practices in re-employment and retention of older workers, Anact (2009) notes that there is a balance to be struck between broadly cast and more targeted actions, particularly for older workers.

In some cases, the analysis suggests making provisions for all workers, such as preventive actions with respect to certain working constraints, or comprehensive thinking about the evolution of trades and careers within the business. In other cases, it is appropriate to take specific actions for older workers, such as special monitoring during major redeployments that call seriously into question a worker's experience, the modalities of transition between working life and retirement, or stimulating end-of-career arrangements.

In particular, Anact has conducted some interesting experiments with the “Tempo” initiative. This provision creates synergies among firms grouped within clusters where different compulsory topics of negotiation are addressed (preventing strenuous work, as well as employment of older workers and occupational equality between women and men). These are typically groupings of perhaps ten firms, each represented by a

manager-worker pair. The idea is to help firms conduct a diagnostic assessment of these issues and determine paths of action. The initiative is currently under way, and includes the issue of the generation contracts. The networking initiative developed in the Netherlands among volunteer “pioneer” firms to promote sustainable employability for their workers may provide some useful lesson for the experiments now being undertaken in France, by Anact in particular (Box 5.6).

Box 5.6. The “sustainable employability” initiative in the Netherlands, launched in April 2012

This is an initiative led by a small team within the Ministry of Employment and Social Affairs to promote direct dialogue with hundreds of employers and workers on how to maintain employability.

Goals

- To prevent unemployment and sickness.
- To maintain and improve the productivity of all workers.
- To develop networking activities on health, training and mobility issues.
- Initially, to encourage voluntary participation by innovative firms or those undergoing dynamic changes, rather than firms in trouble.
- Subsequently, to encourage participation by other firms by disseminating best practices for changing standards and approaches.
- The *five factors for success in firms* relate to staff engagement, organisation of work, attention to workplace health, skills development, and prevention of strenuous work.

Some good practices

In a pharmaceutical firm: strike a proper balance between working and private life by offering a series of working options (flexible hours, part-time work, teleworking), health (including mental health) benefits and promotion programmes, respect for equal opportunity and diversity, workplace health and safety measures, as well as on-going and constructive dialogue between workers and the company’s human resource and communication teams.

In a shipyard: anticipate risks of strenuous working conditions and achieve the highest levels of productivity by, for example, promoting healthful food services in the workplace, prompt and direct contact with the medical team and the health director (a former top sportsman), close monitoring of shipyard facilities to address difficult situations, and participation by families and local clubs in sporting activities within the shipyard’s health centre.

Source: OECD (2014), *Ageing and Employment Policies. Netherlands 2014. Working Better with Age*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208155-en>.

Key findings

In order to plan more effectively for the ageing of the workforce, steps will have to be taken first to boost access to vocational training. Second, to promote the return to the labour market of those who have dropped out but have the capability to work will require stronger and more innovative mobilisation of the classic tools of employment policy (subsidised contracts and services of *Pôle emploi*) for older workers. Lastly, it is essential to improve working and health conditions so as to prevent strenuous working conditions and desertion from the workforce.

First, training must be made more attractive in the eyes of older workers and at the same time businesses must be persuaded to provide training, especially for the less qualified. Age merely accentuates a relationship to vocational training that is essentially linked to the level of qualifications. The challenge is a big one. Santelmann (2013) finds that vocational training does almost nothing for the least qualified in terms of their employability or of boosting their qualifications during working life. One of the main reasons for this situation is that the continuous training programme is too closely geared to academic standards for the transmission of knowledge, and is far from being in synergy with the dynamics of experience, technological and social innovations, and the specific development modes of adults.

Mobilising the current reform of vocational training on behalf of older workers is a fundamental step. Multi-sectoral negotiations will have to develop new tools for promoting the employment of older workers, and in particular the less skilled among them. Public funding for training must also do better to address the needs of older workers, whether they are employed or not.

Second, like most OECD countries, France has adopted a standard strategy for all jobseekers over the age of 25, regardless of their age. *Pôle emploi* selects the beneficiaries of its support in terms of their individual problems in finding a job. Access to employment measures (apart from those targeted at youth) does not, in theory, depend on age. A number of OECD countries, including Australia, Canada and Germany, nevertheless target specific mechanisms at the most vulnerable groups among the older unemployed. These mechanisms are innovative particularly as they are implemented at the local level.

European public employment services have recognised that individual action plans accompanied by group activities constitute best practices (PES-to-PES, 2012). As the older unemployed are far from constituting a homogeneous group, effective personalised action plans must be based on individual profiling, while identifying problems and making arrangements for marketing the skills of older workers.

Some services in France, such as workshops and “senior job clubs”, are geared to the specific needs of older jobseekers. It is true that the diversity of job searching methods used by older workers is particularly low in France, in comparison to countries such as Austria, Luxembourg and Slovenia. Providing earlier employment support also seems to be an effective measure, at least for “pre-seniors”, according to assessments of re-employment for older workers in Belgium and in Switzerland.

In France, however, stepped-up job search coaching is far from overcoming the obstacles to vocational reintegration for the older unemployed, compared to their younger colleagues. This is the case with the enhanced coaching and support offered following an economic layoff, or recurrent or long spells of unemployment: not only do older workers seldom find a job, but when they do so the great majority of them are obliged to accept significant pay cuts.

Third, in France as in the majority of OECD countries, absences from work for reasons of health increase with age. Moreover, while older workers have few workplace accidents, they are more likely than other age groups to suffer lengthy occupational illnesses. France could do more in monitoring and helping workers in order to prevent repeat spells of sick leave and to keep them from eventually dropping out of the labour market or being dismissed as unfit.

According to the European Industrial Relations Observatory, strenuous working conditions affect workers well before they reach their 50s in Europe, and particularly among the less skilled categories (Eurofound, 2013). Consequently, action must be taken earlier and it must be targeted at the occupations most at risk, where workers who are constantly exposed to strenuous conditions are most likely to drop out. Policies concerning strenuous work performed by older employees generally focus on early retirement or disability allowances, rather than on improvements to working conditions. It is important that the principal stakeholders should adopt a more comprehensive strategy to improve working conditions throughout the lifecycle, in particular for workers in physically demanding jobs.

In line with the thinking and the negotiations sparked by the 2008 Law on the Employment of Older Workers, improving working conditions and preventing strenuous work are now a permanent field of interest for a small number of French firms aware of the stakes involved in maintaining older persons at work (Jolivet et al., 2012). If these actions are to be successful, the agreements and plans should include, as part of a dynamic whole, a detailed knowledge of employees' skills and of the conditions in which they carry out their tasks, the performance and the competitiveness of the firm, as well as the framework set out in the law. This is one of the major challenges in the current renewal of these agreements and plans, in the context of the generation contract.

Notes

1. According to Hairault et al. (2006), because employers are aware that the horizon for older workers is at most equal to their remaining time to retirement, they tend not to invest in these employees, in contrast to younger workers for whom the “return on investment” horizon will be longer.
2. This distribution of employees among the three forms of support does not cover all the unemployed. The calculation excludes jobseekers who have been registered for four months or less and those who are monitored by private placement agencies, who have an occupational security contract (CSP), or who are covered by specific programmes such as *Atouts Cadres*.
3. The *contrat unique d’insertion* (CUI), in force since January 2010, facilitates the hiring of unemployed persons facing social and vocational difficulties in accessing employment. It takes the form of a *contrat initiative emploi* (CIE) in the market sector and of a *contrat d’aide à l’emploi* in the non-market sector. The *conventions de cellules de reclassement* are aimed at workers who have been made redundant in order to help them find a new job. The CSP is geared to laid-off workers of a firm not covered by the obligation to offer redeployment leave. In September 2011 it replaced the personalised redeployment agreement (CRP) and the occupational transition contract (CTP) (see Box 5.5).
4. The portage salarial is a working arrangement that combines the advantages of pursuing an independent professional activity while retaining the social coverage of an employee, through a tripartite relationship between a client (enterprise, administration, local government, association, private individual), a consultant (a specialist or trainer in a given field) and a *société de portage* (an umbrella company that bills the “employee’s” services and pays his salary).
5. See www.forumemploiseniors.fr/.
6. The IGAS (2013) report, which makes 14 recommendations for helping the older unemployed return to work, is complemented by a separate report on the German *Perspektive 50plus* programme (Daniel et al., 2013). What is particularly interesting for the IGAS in this programme is that the German approach relies on local initiative and not on national prescriptions as in France, and the local projects are highly diversified both in their content and in their forms of organisation.
7. At this time, the federal government has no plans to continue the *Perspektive 50plus* programme.
8. The OECD is grateful to *Pôle emploi* and to Dares for the complementary results provided for the drafting of this analysis on the distinctions of beneficiaries by age.

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Ageing and Employment Policies

FRANCE

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