Ageing and Employment Policies

Working Better with Age

OECD

Ageing and Employment Policies

Working Better with Age

BETTER POLICIES FOR BETTER LIVES

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2019), *Working Better with Age*, Ageing and Employment Policies, OECD Publishing, Paris, *https://doi.org/10.1787/c4d4f66a-en*.

ISBN 978-92-64-53705-7 (print)
ISBN 978-92-64-40219-5 (pdf)

Ageing and Employment Policies
ISSN 1990-102X (print)
ISSN 1990-1011 (online)

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Photo credits: Cover © fizkes/Shutterstock.com, © Pressmaster/Shutterstock.com, © Monkey Business Images/ Shutterstock.com.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/about/publishing/corrigenda.htm*.

Foreword

Never in history have people lived as long as they live today, mostly in good health. At the same time, people have fewer children than ever before and birth rates continue to fall or remain at low levels. As a result, region after region and country after country is facing an unprecedented shift in the age structure of its population. The timing and extent of ageing differs across countries, but the development is widespread.

Rapid population ageing requires a continuous and comprehensive policy response. To address its challenges while embracing its opportunities, policymakers across the OECD must should provide people with better incentives and choices to work at an older age. This will ensure that the benefits of longer, healthier lives are fully realised, while delivering continued improvements in living standards and the sustainability of higher public finances. Over the past decade, significant policy efforts have been made to foster employability, job mobility and labour demand, yet many older workers continue to struggle to keep their skills up to date, have limited access to good-quality jobs and risk facing an inadequate pension in old age because of short and unstable working careers.

This report summarises the main challenges and good country practices to improve the employment prospects of people at an older age, ensure that the benefits of longer life expectancy are shared more fairly and that sustainable pension systems deliver decent incomes in retirement. It draws on key lessons from nine *OECD Working Better with Age* country case studies, covering Denmark, France, Netherlands, Norway, Japan, Korea, Poland, Switzerland and United States, as well as a series of country notes prepared for other OECD countries. See http://www.oecd.org/employment/ageingandemploymentpolicies.htm.

The overarching conclusion of this report is that broad-based action is required across three main policy areas, involving governments, the social partners and civil society. First, governments should improve incentives to continue working at an older age by removing penalties to later retirement and providing more flexible work/retirement options. Second, in cooperation with the social partners, job opportunities for older workers must be enhanced by removing employer disincentives and barriers to the retention and hiring of older workers and promoting good management practices for age-diverse workplaces. Finally, the employability of older workers should be strengthened through better working conditions and training opportunities throughout working careers. This life-course approach will be crucial to avoid accumulation over time of individual disadvantages that would require costly and often ineffective interventions at a later stage.

With better polices, population ageing can go hand in hand with longer, more fulfilling and prosperous lives where work at an older age in good quality jobs is both promoted and valued.

Stefano Scarpetta
OECD Director for Employment, Labour and Social Affairs

Acknowledgements

This report was written by Shruti Singh under the supervision of Mark Keese. Statistical work was carried out by Dana Blumin and Sylvie Cimper with editorial assistance by Monica Meza-Essid, Lucy Hulett and Alastair Wood. The report benefitted from inputs and comments provided by Delegates of the OECD's Employment, Labour and Social Affairs Committee as well as comments from Stefano Scarpetta, Mark Pearson, Monika Queisser, Hervé Boulhol, Christian Geppert, Duncan Macdonald, Christopher Prinz and Olga Rastrigina of the OECD Directorate of Employment, Labour and Social Affairs.

Table of contents

FIGURES

INFOGRAPHICS

TABLES

Acronyms and abbreviations

AARP	American Association of Retired Persons
ALMPs	Active Labour Market Policies
APL	Accreditation of Prior Learning
CEO	Chief Executive Officer
EU	European Union
EU-OSHA	European Agency for Safety and Health at Work
EUR	Euro
GDP	Gross Domestic Product
GPEC	Gestion prévisionnelle de l’emploi et des compétences
HR	Human Resources
ICT	Information and Communication Technology
INO	New Opportunities Initiative
MHLW	Japanese Ministry of Health, Labour and Welfare
NEET	Neither in Employment nor in Education and Training
NIACE	National Institute of Adult Continuing Education
PIAAC	OECD Survey of Adult Skills (Programme for the International Assessment of Adult Competencies)
SMEs	Small and Medium-sized Enterprises
TIOW	Targeted Initiative for Older Workers programme
TRIPs	Transition-To-Retirement Pensions
UI	Unemployment Insurance
VET	Vocational Education and Training

Executive summary

OECD countries are ageing rapidly. If no action is taken to improve the labour market situation of older workers, this could put a brake on further improvements in living standards and lead to unsustainable increases in social expenditures. Across the OECD, the median age of the population is projected to increase from 40 years today to 45 years in the mid-2050s, and the ratio of older people aged 65 and over to people of working age (15-64) is projected to rise from 1 in 4 in 2018 to 2 in 5 in 2050.

Thanks to increases in life expectancy and policy reforms across the OECD, older people (aged 55-64) are more active in the labour market than ever before. During the past decade, their labour force participation rose by 8 percentage points to reach 64% on average in the OECD in 2018. However, there is no time for complacency: progress in participation rates remains uneven, and in virtually all countries the effective age at which people exit the labour market is still lower today than it was 30 years ago, despite higher remaining years of life.

Greater efforts are required to promote the labour market inclusion of 55-64 year-olds in countries that lag behind, but also strengthening working lives beyond the age of 65, especially where participation rates of those aged 55-64 are already high. A major challenge in most OECD countries will be to narrow gender gaps in labour-market activity, which in some cases are large and persistent. Last but not least, in some emerging economies, a key challenge will be to ensure a smooth transition of young cohorts into the labour market to prevent accumulation of disadvantages that prevent or discourage working at an older age.

Reducing incentives to retire early and rewarding employment at an older age to deliver longer working lives have been at the heart of the policy agenda in many OECD countries. Statutory retirement ages have increased in many countries where the “age 67” has become the “new 65” and several OECD countries are going even further. But it is not sufficient just to improve the incentives for older people to continue working longer; they must also have better opportunities to do so. Thus, a key issue for more inclusive ageing and employment policies is to encourage employers to hire and retain older workers in better jobs.

In recent years, policy makers across the OECD have devoted greater attention to, and undertaken a number of, reforms to boost labour demand of older workers, but more can be done. Sadly, age discrimination and negative employer attitudes towards older workers continue to hinder longer working lives in all OECD countries. Further sustained and determined efforts are needed not only to better enforce anti-discriminatory legislation but also a move away from seniority-based practices for setting wages and age-based hiring and dismissal rules. In addition, all employers including those in small and medium-sized enterprises should be given guidance and greater encouragement to manage an age-diverse workforce in an efficient way that allows all workers to stay longer in employment and maintain or increase their productivity.

Promoting the employability of workers throughout their working lives – with a view to enhancing employment opportunities at an older age – is also a key requirement for longer, rewarding careers. In the context of population ageing, mobilising the potential labour force more fully and sustaining high productivity at an older age are critical. This in turn requires a healthy workforce with up-to-date skills.

However, the limited training opportunities given to older workers across OECD countries make it difficult for them to stay in their existing jobs or find a new one. Currently, on average, a third of 55-to-65 year-olds have no computer skills or experience and only one in ten were assessed as having medium to good problem-solving skills in a technology-rich environment (i.e. solving problems in a simulated internet environment). Moreover, across the OECD, older adults and the low skilled more generally participate far less in training than their younger and more skilled colleagues. Ensuring that older people maintain their employability and have access to better employment choices will help them to navigate a labour market that will increasingly involve adaptation to changes in jobs and skill requirements.

According to the OECD *Job Quality Framework*, the quality of working conditions is higher on average for older workers than for their younger counterparts. Nevertheless, more than one in four older workers experience job strain as measured by the difference between the demands of their jobs (such as tight deadlines) and the resources available to them to handle these demands (such as good supervision). Working conditions should be adapted to the capacities and changes in circumstances of older workers. Businesses together with policies and institutions can strengthen and better enforce safety-at-work regulations and promote well-being at work, in particular for older workers.

This report identifies what further measures could be taken to promote more and better jobs for older workers. This includes taking action in three key areas: i) rewarding work and later retirement; ii) encouraging employers to retain and hire older workers; and iii) promoting the employability of workers throughout their working lives.

1 Overview: More and better opportunities to work at an older age

Populations in OECD countries are set to become significantly older over the coming decades. However, with the right polices in place, these challenges can be turned into opportunities for more inclusive growth and higher well-being by extending working lives and making better use of older people’s knowledge and skills.

Population ageing is a major challenge for sustaining economic growth and well-being

Population ageing has already pushed the average median age of the population above 40 in many OECD countries, which is projected to increase still further over the next three decades to around 45 on average. Consequently, the old-age dependency ratio (the ratio of the population aged 65+ over to the population aged 15-64) for the OECD area is projected to increase from 26% in 2018 to 43% in 2050. Populations in emerging economies, that are currently relatively young, will age even more rapidly.

The fact that people are living longer is a great achievement. But demographic change on such a significant scale will require concerted policy action. If nothing is done to change existing work and retirement patterns, the average number of "retirees" per 100 workers (i.e. persons aged 50 and over who are not in the labour force) in OECD countries is projected to rise from 42 in 2018 to more than 58 in 2050, and even rise to more than 100 in some of the oldest OECD countries. This will weigh heavily on future increases in economic prosperity and put severe strain on public finances. Population ageing may also widen inequalities later in life as disparities in employment, earnings and health continue to build up over the life course.

However, nothing is pre-determined; with the right policies, it is possible to address these challenges by extending working lives and making better use of older workers' knowledge and skills. Better utilising the talents of all people whether young or old in quality jobs remains a key engine for inclusive growth and higher well-being.

People are working longer but progress is uneven

The good news is that almost everywhere people are finding more opportunities to work at an older age and extend their working lives. Over the decade to 2018, the labour force participation rate of 55-64 year-olds rose by nearly 8 percentage points on average in the OECD area despite the deep, and in some countries protracted, global financial crisis. Governments and policymakers across the OECD have taken steps to promote employment at an older age, contributing to a rise in the effective age at which people exit the labour market by around two and a half years on average in the OECD area over the past 10 years.

Yet progress remains uneven: participation rates for 55-64 year-olds vary from less than 50% in countries such as Poland, Slovenia, Greece and Turkey to more than 70% in Iceland, Sweden and New Zealand. While the average effective retirement age has risen in almost all OECD countries since the late 1990s, it is still below its level in 1980 in most of them. Therefore, there remains considerable scope for further improvement in many countries. But raising the participation of older people will not be sufficient to ensure that population ageing goes hand-in-hand with higher living standards. In many countries, much more needs to be done to mobilise untapped sources of employment including prime-age women, the low-skilled and migrants.

A comprehensive approach is required to boost employment at an older age and dampen any negative economic impact of ageing

Tackling the labour market challenges arising from demographic change requires a comprehensive approach, involving governments, employers, labour representatives and civil society. The foundation of this approach must be to promote good quality employment opportunities for both men and women at all ages. Much of the policy focus to deliver longer working lives has been on reducing incentives to retire early and rewarding longer working lives, but sustained efforts are also needed to tackle demand-side barriers – we need workers who want to work longer, but also employers who want to employ them.

Therefore, the OECD Council recommendation on Ageing and Employment adopted in 2015 puts forward an age-friendly agenda in three broad policy areas to promote employment at an older age. This includes: 1) improving incentives to work at an older age; 2) tackling employer barriers to hiring and retaining older workers; and 3) improving the employability of older people through a lifecycle approach.

Infographic 1.1. The OECD policy agenda for better work choices and opportunities at an older age

Drawing on the OECD's nine case studies in the series *Working Better with Age*, as well as a series of country notes on ageing and employment policies[1], several lessons and good practices can be identified to respond to current and looming demographic challenges.

Starting off well in the labour market is crucial for ensuring greater labour market attachment and better employment outcomes at an older age

Rising inequalities together with the changing nature of work mean that young people (i.e. the future elderly) will experience old age in much more varied ways than previous generations. Many will live longer than those in previous generations, but with wide socio-economic disparities, due to more unstable labour market conditions and widening inequalities in the distribution of earnings and household income. These growing disparities in labour market conditions may result in higher risk of poverty in retirement in the future and could also jeopardise the move towards longer and more productive working lives.

The combination of ageing and growing inequalities is particularly challenging for countries with younger populations but also for some countries facing persistently high rates of youth unemployment and inactivity. Pushing ahead with reforms to improve youth labour market outcomes is therefore essential. Taking a lifecycle perspective, as recommended in the new *OECD Job Strategy* (OECD, 2018[1]) and *Preventing Ageing Unequally* (OECD, 2017[2]) can help ensure that countries are better prepared for rapid population ageing by putting in place measures to improve the health and skills of adults throughout their working lives.

Don't stop me now: Rewarding work and later retirement

Changing the financial incentives embedded in pension systems and other welfare benefits can play an important role in strengthening work incentives and enabling more people to work at higher ages. One trend common to many countries has been to increase the statutory retirement age in public pension systems and many countries have taken steps to align them for men and women. Despite some backtracking in recent years in some countries, there is nevertheless a growing trend in OECD countries to link the statutory retirement age to life expectancy, and the value of pension entitlements, as a means of ensuring the financial sustainability of public pension systems in the future. Thanks to rising life expectancy, men and women can still expect to spend between one-fifth and a quarter of their lives or more in retirement despite working longer.

Perhaps one of the biggest policy changes across the OECD has been the reversal of early retirement pathways that were a key driver for early labour market exit in the 1980s and 1990s. Nevertheless, countries must continue to pursue efforts to close-off early retirement pathways. In most countries, many workers still retire well before the official age of retirement. In the period 2013-2018, a quarter of men retired at 54 or below in Turkey and Luxembourg. Moreover, in several countries, older unemployed people can receive unemployment benefits for a longer period than younger ones and sometimes until the retirement age. Good practice across the OECD shows that, in general, countries should move away from entitlement criteria to non-pension welfare benefits that are explicitly based on age, as these rules can reinforce damaging stereotypes and social norms about older workers and do not reflect the diversity of labour market situations that they face.

In recognition of both financing challenges and diverse wishes among workers, more flexible forms of retirement have gained growing policy interest in many OECD countries. Some countries have made it easier to combine receipt of pensions with work income without facing punitive marginal tax rates while others introduced pension bonuses for those who opt to work beyond the statutory retirement age. However, in most countries, combining work and pensions is still uncommon, and available options are either poorly understood or unattractive. Therefore, more could be done to develop and promote *phased* retirement schemes but they should be designed with care to prevent subsidisation of part-time work or even early withdrawal from work, which may reduce rather than raise the effective labour supply of older people. At the same time, providing transparent and reliable information on the benefits workers can expect to receive under different scenarios concerning when and how they retire (completely or partially) can help them plan ahead.

Getting employers on board

A major challenge facing all OECD countries is to enhance job mobility of older workers who lose their jobs or wish to change jobs. While employers across the OECD have shown greater willingness to retain older worker, their willingness to hire older workers has hardly changed in the last decade.

Several factors discourage employers from hiring and retaining older workers, especially the most vulnerable among them. First, older workers tend to be more expensive for employers. On average in the OECD, ten additional years of job tenure with the current employer increase wages by nearly 6%. Tenure effects are particularly large in countries such as Korea, Turkey and Japan. Levers for action available to public authorities in terms of fixing wages that match better the costs of employing (older) workers with their productivity are limited, as wage policy is determined primarily by the social partners. However, in some countries such as Finland and Hungary, public authorities have served as role models to limit automatic rises in salary with tenure. Countries have also sought to reduce other seniority-based entitlements that raise the non-wage costs of older workers (e.g. the number of holidays, exemptions for arduous work or shift-work, etc.). The social partners have also been active in some countries in promoting wage setting policies linked more closely to performance.

Second, policies that penalise firms for laying-off older workers can reduce hiring rates of older workers. In this regard, special, age-specific, employment protection rules can be counterproductive. Firms may also seek to avoid these penalties through various early retirement arrangements. Nowadays, very few OECD countries have explicit age-specific employment protection measures but in many, laying off older workers can be administratively more complex (e.g. because notice periods increase with tenure) or create significant additional costs for employers in the form of higher severance pay. Easing employment protection legislation for permanent contracts while seeking to strengthen income and (re-)employment support for workers who do become unemployed have shown to be the most effective ways to safeguard the interests of workers without hurting their employment prospects.

Finally, concerns around productivity of older workers may also fuel age discrimination and negative employer attitudes in hiring decisions. Age discrimination is banned by legislation in virtually all OECD countries. Yet, perceptions of age discrimination remain very common. In general, in OECD countries, laws against age discrimination have only a limited impact on changing deeply-rooted workplace culture linked to age, as legal action remains costly, complex and time-consuming. Technological advancement may offer hope in this context. For example, the French *Public Employment service (Pôle emploi)* is now using aptitude test as a way of selecting candidates for employer interviews to help overcome the *ageism* bias in hiring.

It is also crucial that legal rules are complemented by other initiatives to promote age diversity that can help improve worker productivity. A number of promising initiatives have flourished in this area, but their implementation remains low, particularly in Small and Medium-sized Enterprises (SMEs). In particular, there is still room for improvement in sharing information on good practices and tools designed to support the development of age-management strategies. However, general guidelines for age management have their limitations because of the heterogeneity of older workers as well as the more limited strategic human resources management capacities of SMEs. Guidelines and specialist help should, therefore, to take into account the different management styles and conditions of companies of different size.

Investing in lifelong learning

The digital transformation is generating deep and rapid changes in the labour market. Many existing jobs will be overhauled and new ones will be created. Adapting to changing skills needs requires a massive effort to skill and re-skilling workers, which in turn requires well-adapted and well-funded adult learning systems. Older workers may be potentially more exposed to the risk of skills obsolescence and therefore maintaining their employability requires a special focus to help them navigate a labour market that will increasingly require adaptation of skills and job changes.

Unfortunately, many older people exhibit lower levels of digital readiness than their children and grandchildren, and they participate less in job-related training than younger workers. The large training gap between older and younger people continues to persist even in some of the top performing OECD countries, including Germany Canada and France where they exceed 25 percentage points. They are the lowest in Italy and the United States, where they are below 17 percentage points.

To encourage employers to invest in training for older employees, some countries have embarked on initiatives to reduce the cost of training older workers relative to other employees. Evaluations of the *WeGebAU* programme in Germany, which targets to support the training of low-skilled and older workers show that such programmes can keep older workers at work for longer. At the same time, countries are increasingly doing more to increase the interest and motivation of older adults to invest in their own skills. In this regard, several countries (e.g. Australia and Korea) offer targeted career advice and guidance services to help older adults understand the benefits of learning and make informed decisions about their investment in further skill development. Finally, many countries are deploying programmes that recognise existing skills through validation and certification to boost participation of older workers in training.

Ensuring job loss for older workers is not the prelude to early labour market exit

Job loss can be particularly damaging when it occurs at an older age. For older unemployed workers finding a job has remained difficult as demonstrated by their rising share in long-term unemployment. Recent evidence on the effectiveness of different types of active labour market programmes covering OECD and non-OECD countries suggests that a package of placement, training and counselling measures targeted at disadvantaged older workers may be more effective than wage subsidies alone. In particular, the results of the OECD Faces of Joblessness studies reinforce the importance of tailoring the services offered to the circumstance of individual jobseekers, rather than to, say, different age groups. In recognition of the diverse circumstances of older jobseekers, some countries are making greater use of personalised action plans together with targeted group activities for older workers.

Better job quality and health for longer working lives

Longer working lives can only be delivered if people are in good health and fit to work at an older age. According to the OECD *Job Quality Framework*, the quality of working conditions is higher for older workers than their younger colleagues. Nevertheless, more than one in four experience job strain as measured by the difference between job demands and job resources. In particular, long working hours may deter some older people from working longer and prevent some women, returning from child-rearing breaks, and pursuing longer work careers.

A number of policy initiatives have been taken in recent years to ensure that work-related health problems do not result in permanent withdrawal from the labour market. In many OECD countries, these concerns are addressed through toolkits and guidance materials for employers on how to deal with health issues when they emerge. While others have gone further by taking a more joined-up approach to improving health at work through a range of preventative measures such as obligatory psychosocial risk assessment of working practices (e.g. Denmark) or the use of financial incentives to improve working conditions such as experience-rating (e.g. United States). In the United Kingdom, a national occupational health advice services is set up to improve the capacity of small and medium-sized businesses to deal effectively with health issues.

Helping workers move out of arduous occupations is particularly difficult. A few countries (e.g. in Belgium and France) have shown that it can be encouraged, through retraining and providing alternative job opportunities and by ensuring that workers do not get sick or develop longer-term disabilities on the job. The Swedish government has given the Swedish Work Environment Authority a mandate to develop special measures to prevent forced early workforce exit due to heavy workload or inappropriate working postures in the health sector.

Policy Recommendations

In recognising, the need for action, OECD member countries adopted the Council Recommendation on Ageing and Employment in 2015. These recommendations build on countries' reform experiences and can be summarised in three broad areas, namely:

Rewarding work and later retirement

- Enhance incentives to continue working at an older age by ensuring that: i) the old-age pension system encourages and rewards later retirement in line with increased life expectancy; and ii) by encouraging longer and more satisfying careers through more flexibility in work-retirement transitions.
- Restrict the use of publicly funded early-retirement schemes which encourage workers to leave employment while they are still in good health and able to work.
- Discourage or further restrict mandatory retirement by employers in close consultation and collaboration with employers and worker's representatives.
- Ensure access to welfare benefits, such as unemployment and disability benefits whilst reducing incentives for early retirement for those still able to work.

Encouraging employers to retain and hire older workers

- Address age discrimination in recruitment, promotion, and retaining workers through adoption of legislation and adequate enforcement.
- Seek a better match between the labour cost and the productivity of older workers, and eliminate special employment protection and unemployment benefit rules for older workers.
- Inspire social partners by reviewing their practices in setting pay to reflect productivity and competences, not age.
- Encourage good practice by employers in managing an age-diverse workforce through public and private initiatives that provide guidance on work organisation, training, health measures, and working time policies to changing capacities of workers and their family responsibilities over their life course.

Promoting the employability of workers throughout their working lives

- Improve access to lifelong learning, especially for low-skilled and older workers; and better recognise skills acquired throughout working lives.
- Improve working conditions and job quality at all ages through a range of measures including: i) better regulations on working-time and safety at work; ii) promotion of healthy working conditions; iii) implementation of well-designed sickness schemes; and iv) improving the role of labour inspection bodies and occupational health care services.
- Limit the impact of job loss by providing effective employment assistance via a package of counselling and training measures targeted at those most at risk of long-term joblessness.

References

OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264308817-en. [1]

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264279087-en. [2]

Note

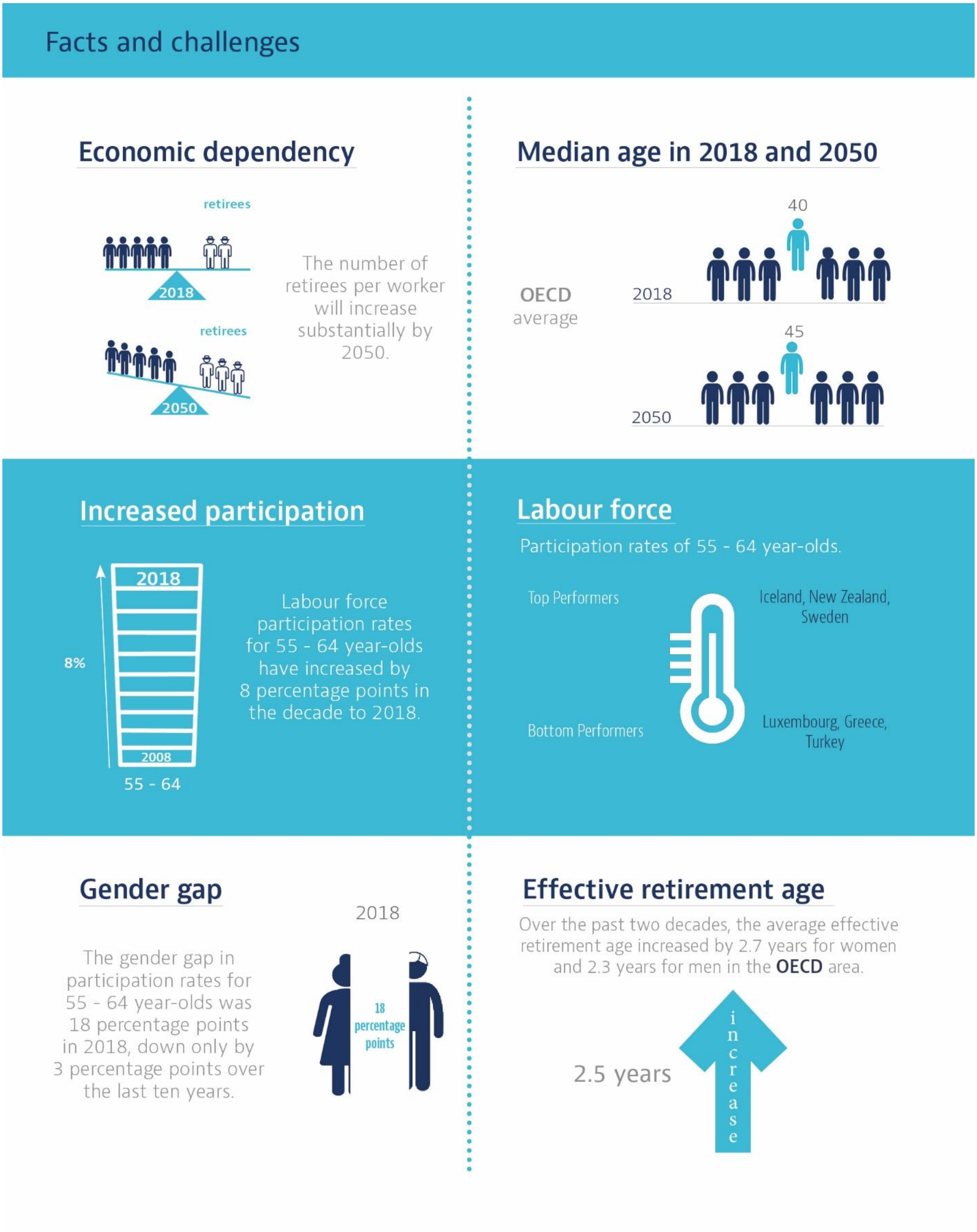
[1] See http://www.oecd.org/employment/ageingandemploymentpolicies.htm.

2 The challenge of ageing

Rapid population ageing is a major challenge to future increases in living standards and the sustainability of public finances. Longer working lives would help address this challenge but must be combined with efforts to strengthen work attachment at all ages.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Infographic 2.1. Population ageing



Rapid population ageing is widespread

People in all OECD countries and most developing and emerging economies are living longer and in better health than ever before. This is one of the major social and economic achievements of the past century. However, in combination with very low and in many cases falling fertility rates, longevity is leading to unprecedented population ageing that challenges labour markets, economies and societies in many ways. Fewer workers relative to the overall population can challenge further improvements in living standards and the sustainability of public finances as expenditures on public pension and health rise for a swelling elderly population. Promoting more rewarding and productive employment at an older age is the key to addressing these challenges but also for realising the opportunities that longer lives will bring.

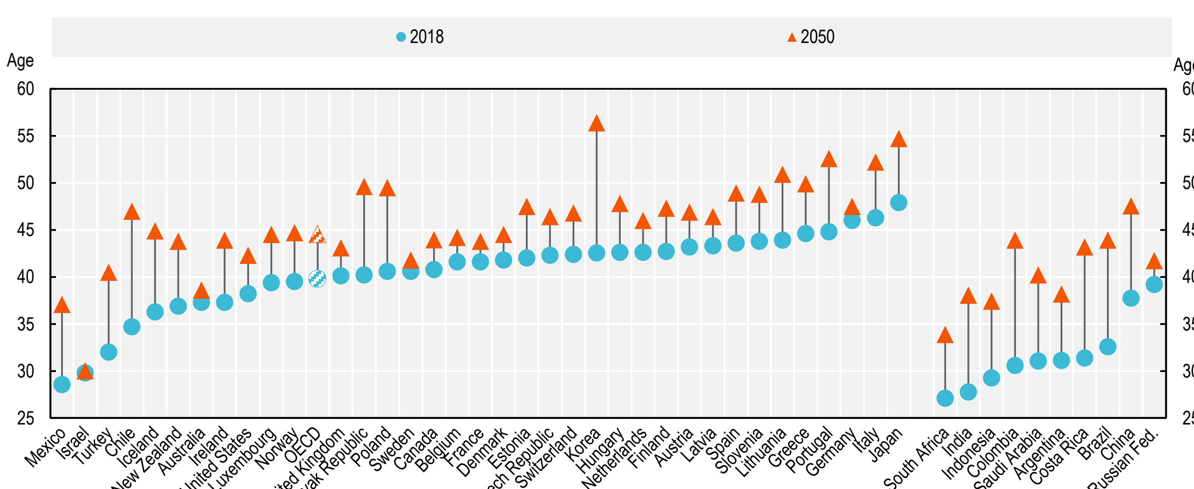
Currently, in the majority of the OECD countries, the median age of the population is 40 or above (Figure 2.1). In the past decades, the pace of population ageing has already been substantial, most notably in Italy, Germany, and Japan where the median age was already 46 or more in 2018. This demographic situation is different in emerging economies such as India, Indonesia, and South Africa, where the population is relatively young, with half being under 30. However, populations everywhere are set to become older over the coming decades.

The most dramatic increase in median age is expected in Korea from 43 in 2018 to 56 in 2050. Population ageing will also be rapid in all of the emerging economies, reflecting low or falling fertility rates and further increase in life expectancy. For instance, half of the population in China is projected to be older than 48 by 2050. By then, Brazil and Turkey, two currently "young" countries, will see median ages similar to those in several OECD countries today.

In some countries, such as India and South Africa, birth rates will remain comparatively high, slowing the increase in the average age for the population as a whole[1]. But sizeable cohorts of currently young adults will translate into successively larger numbers reaching old age in these countries as well, and the age difference with the oldest economies will have narrowed notably by 2050.

Figure 2.1. Rapid population ageing is widespread

Median age of the total population (in years), 2018 and 2050



Source: Eurostat estimates and projections for European countries; United Nations (2019), World Population Prospects: The 2019 Revision for Argentina, Colombia, China, India, Indonesia, the Russian Federation, Saudi Arabia and South Africa; and national estimates and projections for the other countries.

StatLink https://doi.org/10.1787/888933991166

Without policy action, growing numbers of retirees will strain public budgets and slow economic growth

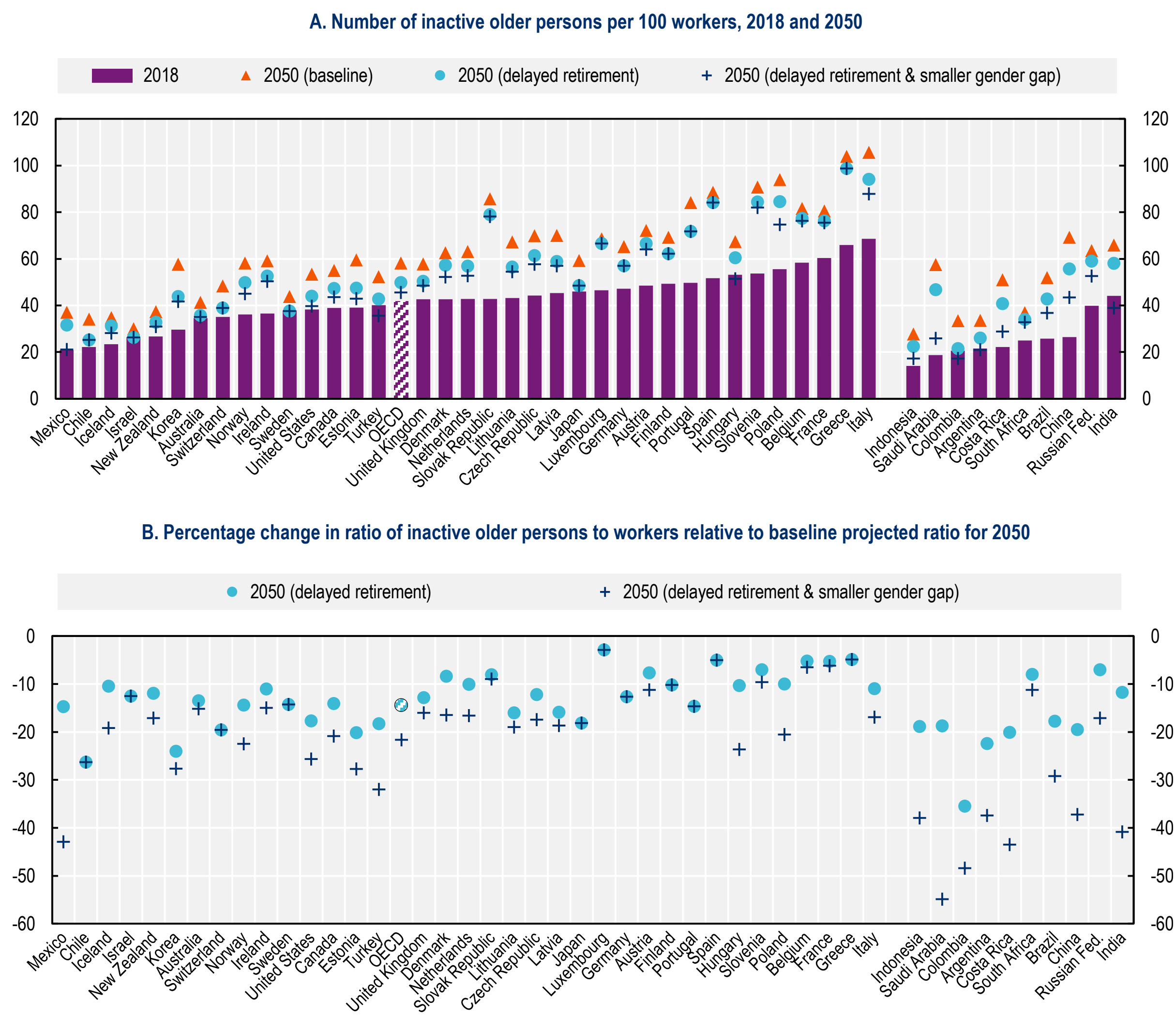
If labour force entry and exit patterns by age and gender remain unchanged (the baseline scenario), the average number of "retirees" or inactive [2] (i.e. all persons aged 50 and over who are not in the labour force) in OECD countries is projected to rise from 42 per 100 workers in 2018 to almost 60 in 2050 (Figure 2.2, Panel A). This increase could be slowed considerably, to 52 retirees per 100 workers, if employment at older ages was strengthened, and the labour market exit rate for older workers was reduced by 20% (i.e. the delayed retirement scenario). The increase could be further limited to 46 retirees per 100 workers if, in addition to delayed retirement, there was a reduction in the gender gap in labour force participation by 50% by 2050 from its level in 2012 (the delayed retirement and smaller gender gap scenario).

These cuts in the rise of the number of retirees per worker may seem modest in some countries according to the different scenarios but still represent a significant cut in the potential burden that workers may face in the future to finance a much larger number of older inactive people. Under the simple assumption that all pension payments for this group are financed out of current labour income, the percentage changes in the ratio of retirees to workers under the two alternative scenarios relative to the baseline scenario represent the potential savings that workers would gain in their incomes in 2050. Under the scenario of delayed retirement and a smaller gender gap, this would range among the OECD countries from a modest 3% saving in Luxembourg to 43% in Mexico, with an average saving for the OECD area of 22%. Even larger savings could occur in some of the other non-OECD G20 countries.

Thus, without determined and sustained efforts to enhance the participation of older workers in the labour market – as well as that of other under-represented groups such as women and migrants – population ageing can act as a significant drag on growth in living standards, and put public finances under strain. According to a recent OECD study, assuming no changes in institutional and policy settings, ageing populations would slow down GDP per capita growth although to varying degrees. Over the period 2018-30, declining working-age populations will drag down GDP per capita in the OECD, by up to 0.5 percentage points. Over the period 2030-60, only India and South Africa will still enjoy a demographic dividend (Guillemette and Turner, 2018[1]).

However, efforts to raise old-age participation rates alone will not be sufficient in most countries to prevent dependency burdens on workers from rising. A comprehensive strategy is needed to strengthen work attachment across all age and population groups.

Figure 2.2. Population ageing will place a growing economic burden on workers



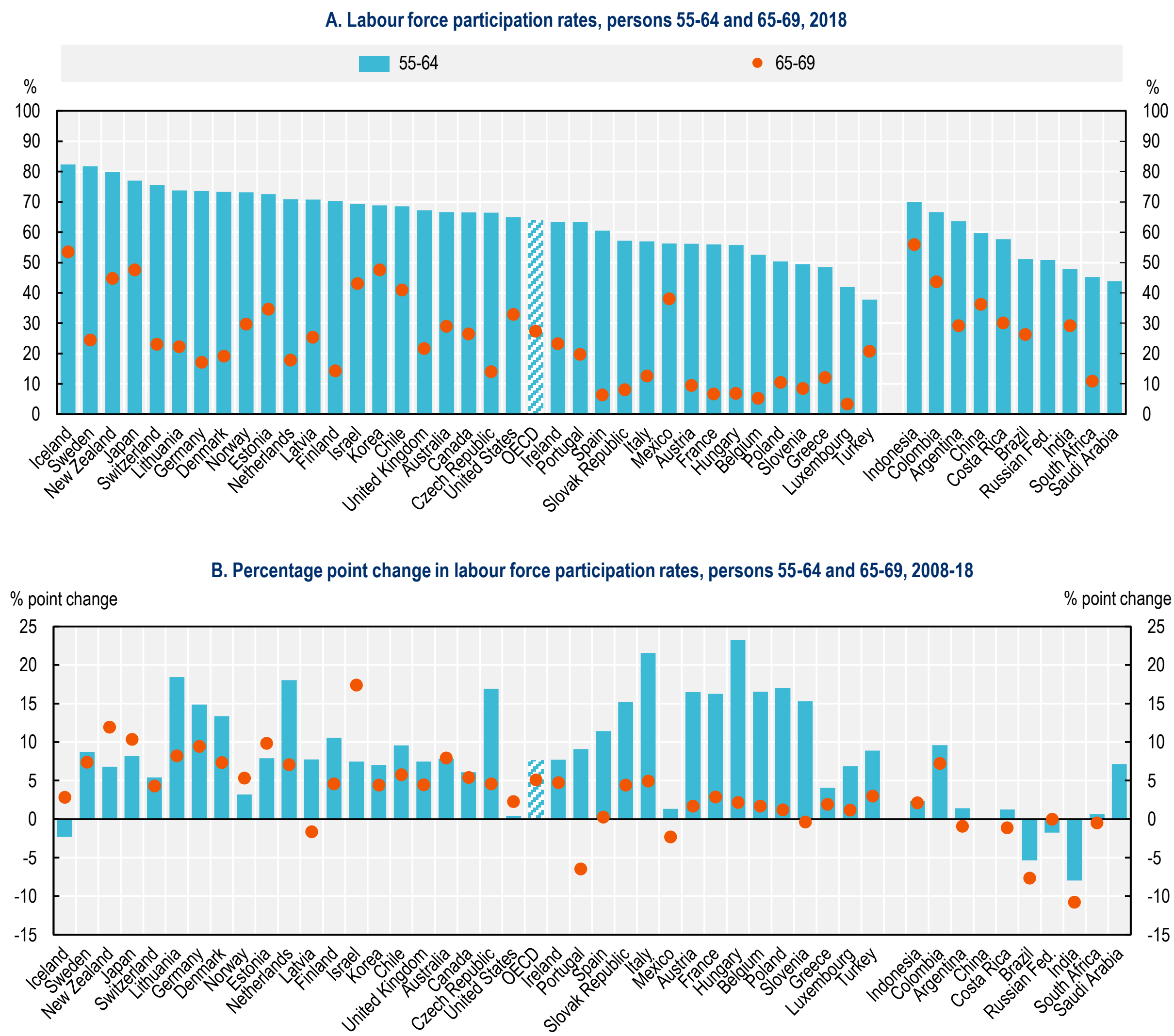
Note: "Inactive older persons" refer to all people aged 50 and over who are not in the labour force. The baseline projections assume that labour force entry and exit rates over 5 years by gender and 5-year age groups remain constant at their average rate observed in the period 2014-18. The projections with delayed retirement adjust the exit rates from age 50 onwards downwards by 20% (10% in Chile, Israel, Indonesia, Japan, Korea, Mexico and New Zealand, and no adjustment prior to age 60 in Iceland, where participation rates for men and/or women are already very high at older ages), phased in over the period 2018-31. The projections including a narrowing of the gender gap assume that the gender gap in labour force participation for persons aged 15-64 is reduced progressively by 50% by 2050 from its value in 2012.
Source: OECD population and labour force projections dataset (unpublished).

StatLink https://doi.org/10.1787/888933991185

Participation rates have mostly improved but progress has been uneven

The labour force participation rate of 55-64 year-olds has risen remarkably in most OECD countries over the past decade. On average in the OECD area, it rose from 56% in 2008 to 64% in 2018 (Figure 2.3, Panel A). Gains were notable in countries where rates were already high before the global financial crisis (Japan, Germany, Korea, United Kingdom, Australia, Canada), as well as in several countries where participation remains comparatively low (Italy, France, Saudi Arabia and Turkey). At more than 18 percentage points, Italy, Lithuania, Hungary and the Netherlands recorded the biggest increases for this pre-retirement age group. Only Iceland experienced a marginal drop, but it continues to have the highest participation rate among older people of any OECD country. In contrast to the OECD area, participation among older people improved little in most emerging G20 economies, and deteriorated in Brazil, India and Russia (Figure 2.3, Panel B).

Figure 2.3. Labour force participation rates have risen remarkably over the past decade



Note: Data for 2018 refer to 2010 for China and 2017 for Indonesia and Saudi Arabia. OECD is a weighted average.

Source: *OECD Dataset on LFS by sex and age - indicators*, http://stats.oecd.org//Index.aspx?QueryId=64197. OECD estimates based on microdata of the Encuesta Permanente de Hogares (EPH) for Argentina and Labour Force Survey results published by the General Authority for Statistics for Saudi Arabia.

StatLink https://doi.org/10.1787/888933991204

Despite the mostly positive developments, differences in labour market participation across OECD countries remain large; highlighting a diverse range of challenges and substantial scope for polices to mitigate the adverse effects of population ageing:

- Efforts to promote the labour market inclusion of 55-64 year-olds are needed in countries that lag behind.

- In Japan, Germany, New Zealand and Korea, participation rates for 55-64 year-olds are already very high and further progress at strengthening old-age employment will require efforts to extend working lives beyond the age of 65. Life expectancy at age 65 has risen by nearly 3 years over the past 20 years and so it is reasonable to expect that participation rates of the age group 65-69 could eventually match those previously recorded by 60-64 year-olds. Indeed, during the past decade, labour force participation for those aged 65 and over have risen in most OECD countries, although the gains have mostly been very modest. By 2018, around 27% of the 65-69 age group were active compared with under one quarter in 2008.
- Narrowing gender gaps in labour-market activity remains a key challenge in most OECD countries. Across the OECD, the average gender gap stood at 18 percentage points in 2018 for 55-64 year-olds, down by only 3 percentage points from 2008 levels. While gender gaps declined almost everywhere, and virtually disappeared in the Baltics, the Nordics and in France, they remain very large in many countries, exceeding 30 percentage points in Chile, Mexico and Turkey (Figure 2.4 Panel B). Achieving further and more substantial progress requires promoting participation of women at a younger age where there is still a substantial gap in most countries (25-54, Panel C). In particular, progress in fulfilling the G20 goal of a 25% reduction in the gender gap in labour force participation between 2012 and 2025 would help to offset an ageing-related slowdown or contraction in labour force, growth while boosting old-age income security.
- In some emerging economies, a major challenge will be to ensure a smooth transition of young cohorts into the labour market to prevent accumulation of disadvantages in life. Maintaining a workable social contract between generations also requires ensuring that more workers have access to good-quality, formal-sector employment.

Effective retirement ages are rising in advanced economies but remain below historical levels in many countries

Progress in labour force participation of older workers is largely driven by delayed exit from the market. Over the past two decades, the average effective retirement age increased by 2.3 years for men and 2.7 years for women in the OECD area (Figure 2.5). In many emerging economies, including Argentina, Brazil, Indonesia, Mexico, Saudi Arabia and South Africa, average labour market exit ages for men were initially higher, because a large numbers of informal workers had to work well into old age to sustain themselves and their families given low or non-existent pension entitlements. Nevertheless, unlike in OECD countries, effective retirement ages in these countries have fallen or remained stable after 2000.

The turnaround in effective retirement ages and higher labour market attachment across the OECD area are likely driven by several factors including the closing or tightening of early retirement schemes and other passive benefits and tightening of public pension schemes that previously discouraged people to work longer (see Chapter 3). In addition, long-term trends in rising educational attainment, better health and higher life expectancy have also played a key role (Geppert et al., 2019[2]).

However, in all countries, despite the significant increases life expectancy, the effective retirement age is still lower today than it was 30 years ago. This suggests that there is still scope for reforms to make work more rewarding at an older age. In addition to policies that strengthen labour supply, this requires determined reforms to sustain employability over work careers and to improve employment practices in firms to retain and hire older workers.

Figure 2.4. Gender gaps have narrowed but more should be done to improve labour force participation of women

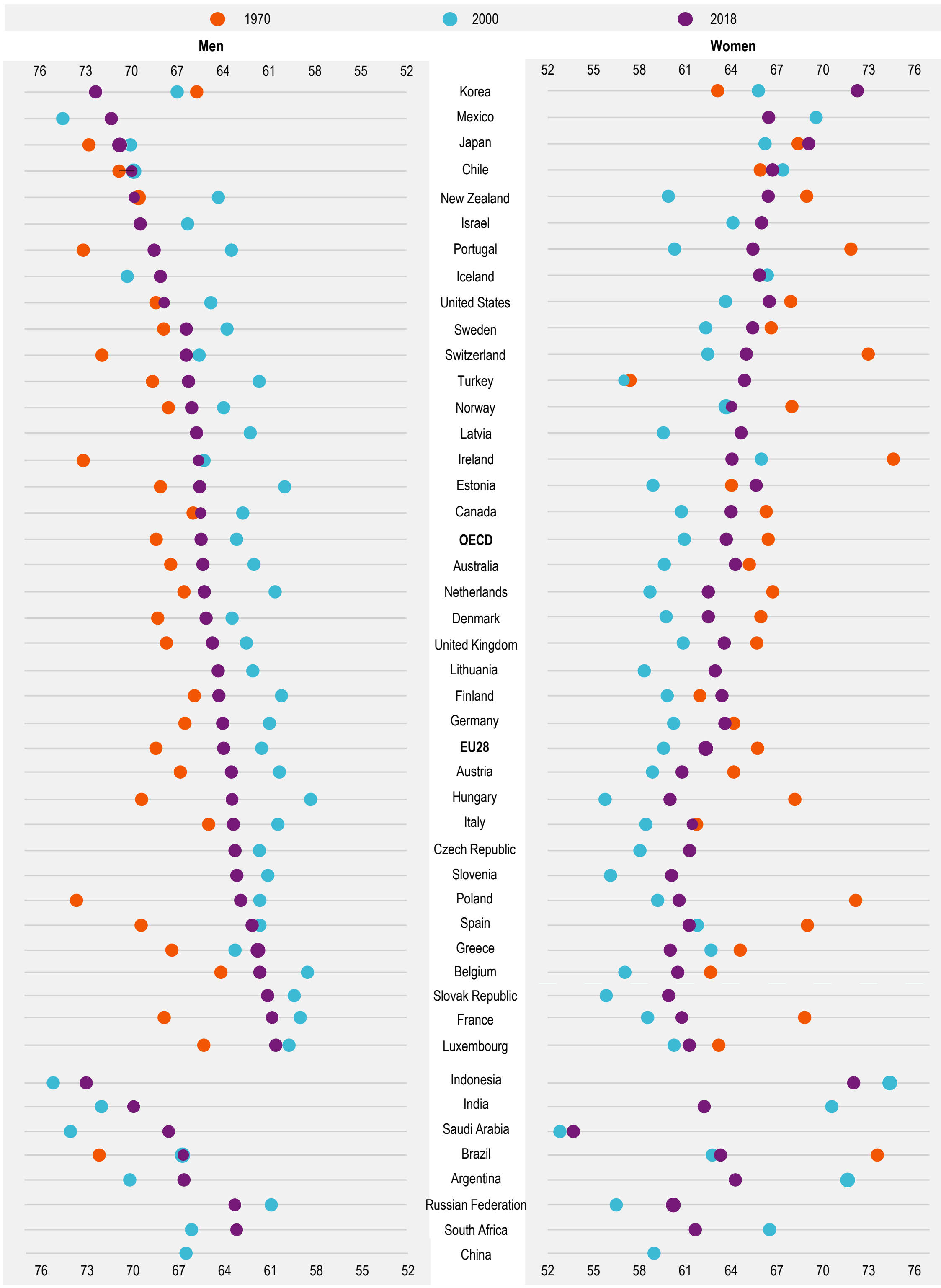
Labour force participation rates, 2018

Source: OECD Dataset on LFS by sex and age - indicators, http://stats.oecd.org//Index.aspx?QueryId=64197.

StatLink https://doi.org/10.1787/888933991223

Figure 2.5. Labour market exit ages have increased but could rise further

Effective retirement age, OECD and emerging economies



Note: Each year refers to the end-year of a 5-year period. Data refer to 2017 instead of 2018 for Saudi Arabia.

Source: OECD Database on Average Effective Retirement Age, www.oecd.org/els/emp/average-effective-age-of-retirement.htm.

StatLink https://doi.org/10.1787/888933991242

Towards effective employment policies for older workers

There have been many changes in policies aimed at improving employment chances for older workers and making work a more attractive option at an older age. There are a number of policy levers to structure retirement pensions and other out-of-work benefits in a way that encourages and rewards later retirement. However, if working longer is to be an attractive and rewarding proposition for older workers, action on both the demand side and the supply side will need to be taken. Indeed, an increasing number of countries are also focusing on encouraging employers to retain and hire older workers. This includes: extending or abolishing mandatory retirement ages; fighting age discrimination; promoting further training over the whole working life; encouraging age-management approaches by employers; strengthening employment services for older job-seekers; and improving the health of older workers through good workplace practices throughout working careers.

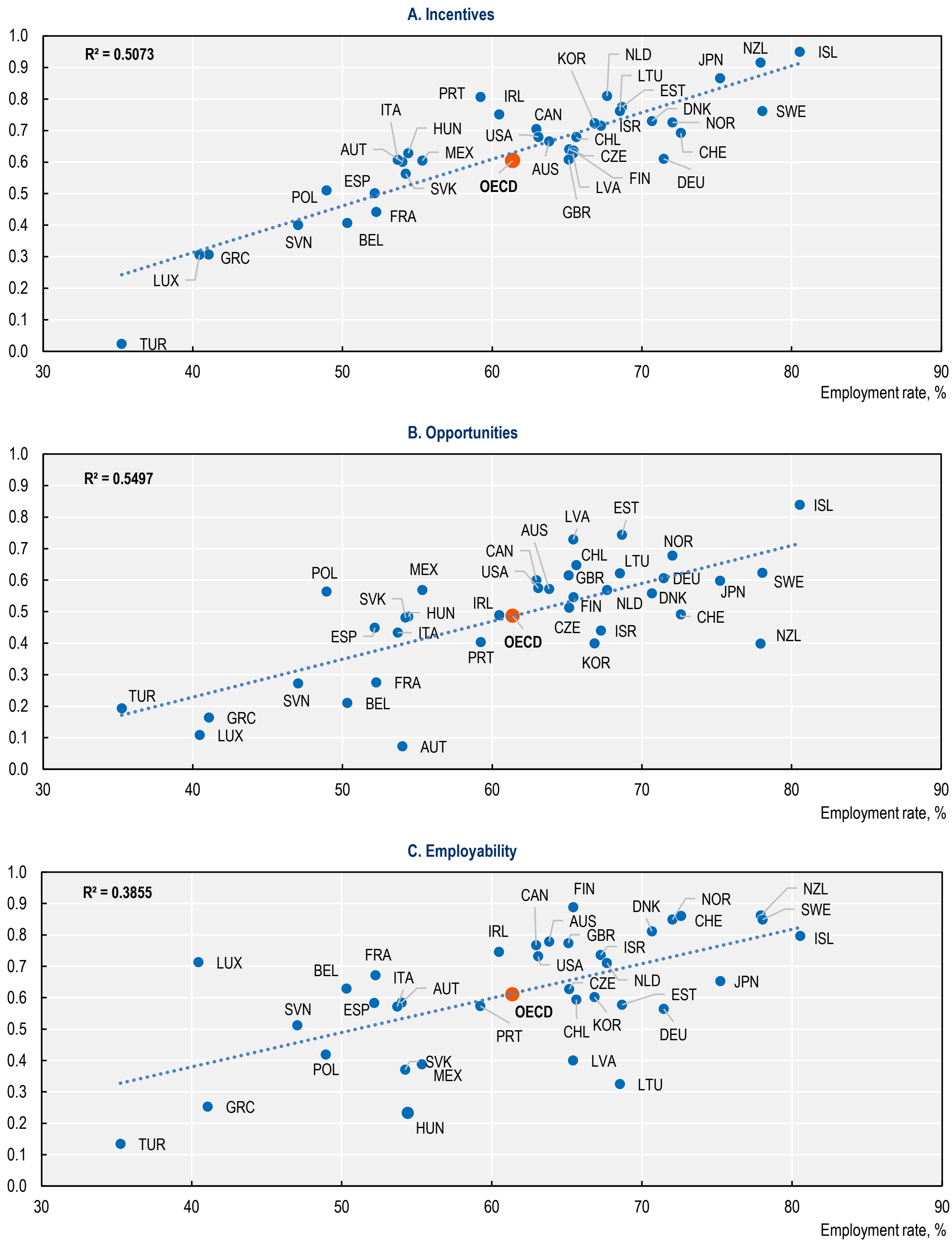
To provide guidance for tackling the challenges related to ageing workforces, OECD member countries adopted the Council Recommendation on Ageing and Employment (OECD, 2018[3]). These recommendations build on countries' reform experiences and can be summarised in three broad policy areas: i) strengthening ***incentives*** for workers to continue working at an older age; ii) ensuring there are good job ***opportunities*** for older workers by encouraging employers to retain and hire them; and iii) promoting the ***employability*** of workers throughout their working lives for better work choices and opportunities at an older age.

Each of these policy areas, along with good country practices, are discussed in detail in the subsequent three chapters. To support and contextualise this discussion, three indicators have been developed that summarise countries' positions along the key policy dimensions. *Incentives* for older people to continue working at an older age are captured by focusing on i) a combination of current retirement ages (men), ii) the gross replacement rates and iii) the impact on benefits when working and deferring pensions. Job *opportunities* for older workers the focus are captured by i) retention rates and ii) the full-time earnings ratio 55-64/25-54. Finally, the *employability* of older workers is proxied by several indicators, including i) training, ii) job strain and iii) life expectancy at 65. Further details on the construction of the composite indices for each of these key policy dimensions and country comparisons based on these indices are provided in Annex 2.A.

Higher country scores in each of these three areas are associated with better labour market outcomes for older people as summarised by either the employment rate of 55-64 year olds or the effective age of retirement (Figure 2.6). Stronger incentives to keep working such as higher retirement ages or less generous pension benefits are closely correlated with both higher employment rates and later exit from the labour force (Panel A). But employer behaviour also matters as shown by the positive correlation with the opportunities index (Panel B). Lastly, there is also a close association between a higher employability index and better outcomes of older workers (Panel C).

The main conclusion from these findings are that countries which provide better incentives, better opportunities and invest more in employability of workers via training and good quality jobs do better in promoting employment for older workers. For example, the Nordics such as Iceland, Sweden, Norway and Denmark as well as New Zealand and Canada, are among the best performing countries across the three policy dimensions and in terms of employment outcomes for older people. In contrast, Turkey, Greece and Luxembourg have relatively low employment rates for older people, reflecting relatively low retirement ages, weak incentives for working longer, low retention rates and poor lifelong learning opportunities.

Figure 2.6. Further policy reforms can aid higher employment of older workers



Source: OECD calculations based on Older Workers Scoreboard, OECD (2017[4]), *Pensions at a Glance 2017: OECD and G20 Indicators*, http://dx.doi.org/10.1787/pension_glance-2017-en and OECD (2019[5]), Will future pensioners work for longer and retire on less?, http://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf.

StatLink https://doi.org/10.1787/888933991261

References

Geppert, C. et al. (2019), “Labour supply of older people in advanced economies: the impact of changes to statutory retirement ages”, *OECD Economics Department Working Papers*, No. 1554, OECD Publishing, Paris, https://dx.doi.org/10.1787/b9f8d292-en. [2]

Guillemette, Y. and D. Turner (2018), “The Long View: Scenarios for the World Economy to 2060”, *OECD Economic Policy Papers*, No. 22, OECD Publishing, Paris, https://dx.doi.org/10.1787/b4f4e03e-en. [1]

OECD (2019), *Will future pensioners work for longer and retire on less?*, http://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf (accessed on 16 July 2019). [5]

OECD (2018), *Recommendation of the Council on OECD Legal Instruments Ageing and Employment Policies 8*, http://legalinstruments.oecd.org (accessed on 18 February 2019). [3]

OECD (2017), *Pensions at a Glance 2017: OECD and G20 Indicators*, OECD Publishing, Paris, https://dx.doi.org/10.1787/pension_glance-2017-en. [4]

Annex 2.A. Policy indicators to measure employment promotion of older workers

The OECD Council Recommendation on Ageing and Employment identified the following three key policy leavers for promoting longer working lives:

- Strengthening incentives for workers to build up longer careers.
- Encouraging employers to retain and hire older workers; and
- Promoting employability the employability of workers throughout their working lives.

In order to characterise the country situation along each of these three dimensions, a number of indicators were selected and combined. The indicators were selected on the basis of their relevance, availability and comparability. They build on the OECD's Older Workers Scoreboard as well as information from OECD *Pensions at a Glance* and other data regularly collected on job quality and life expectancy.

The indicators included for each dimension are as follows:

- *Incentives:* i) current statutory retirement ages (men); ii) gross replacement rates; and iii) impact on benefits when working and deferring pensions.
- *Opportunities:* i) retention rates; and ii) full-time earnings ratio 55-64/25-54.
- *Employability:* i) participation in training; ii) job strain; and iii) life expectancy at 65.

All indices are normalised between 0 and 1 for all countries for the latest year available, and averaged across each dimension. Each index is constructed so that higher values correspond to employment promoting policies for older workers (see Annex Table 2.A.1). For instance, the highest normal retirement age and the lowest gross replacement rate have the highest value on the scale. Similarly, higher seniority wages as measured by the full-time earnings ratio 55-64/25-54 and higher levels of job strain have lower values on the scale.

Annex Table 2.A.1. The highest and lowest observed values for each of the eight sub-indicators

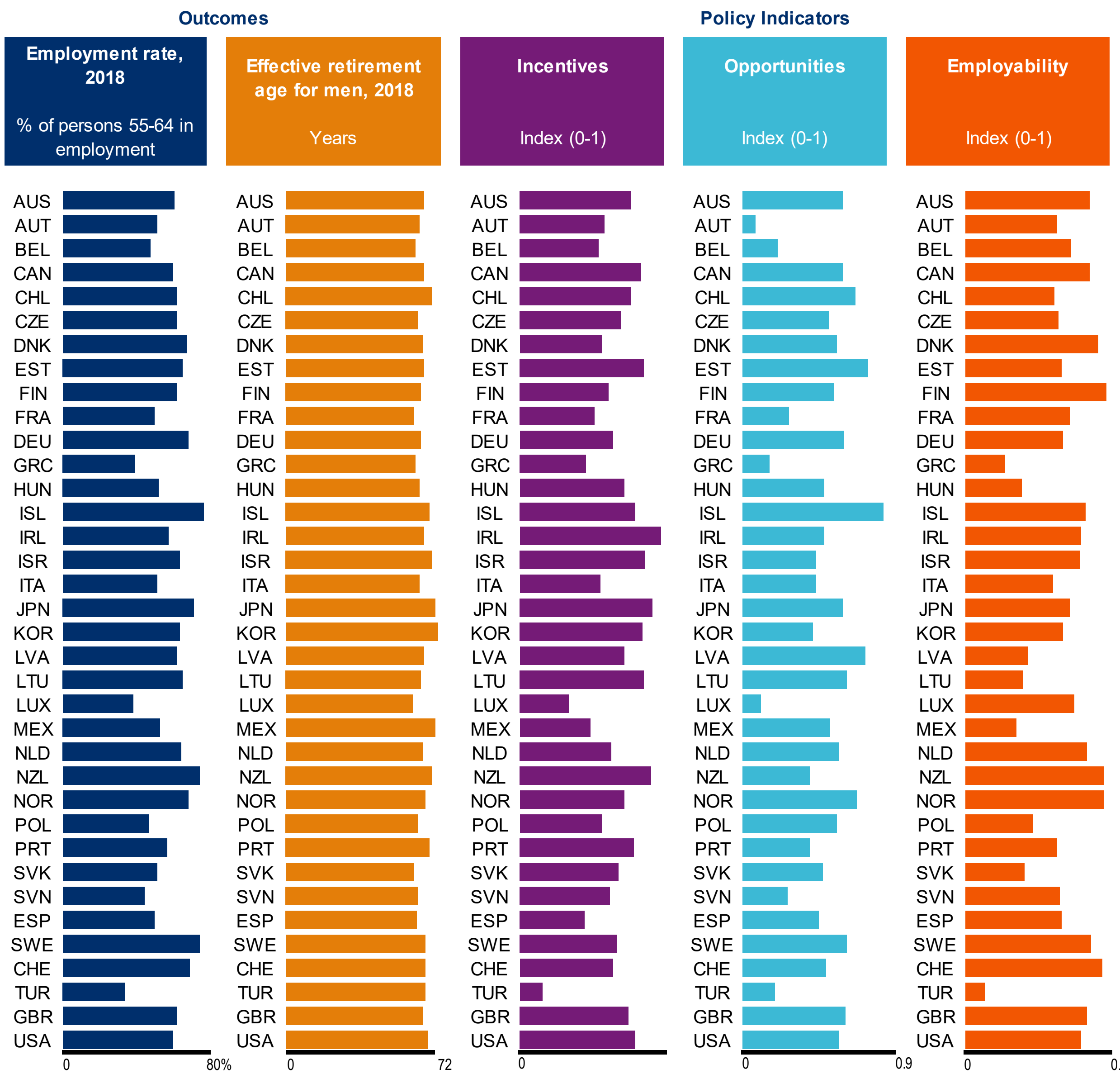
	Statutory retirement age (men)	Gross replacement rates	Impact on benefits when working and deferring pensions	Retention rates	Full-time earnings ratio 55-64/25-54	Participation in training (employed persons)	Job strain (total)	Life expectancy at 65 (years)
Value corresponding to 1= max	67	25.7	13.7	80.2	0.8	61.3	13.8	22.0
Value corresponding to 0=min	49	99.8	2.8	22.6	1.4	10.1	47.9	16.5

Source: OECD (2017[4]), *Pensions at a Glance 2017: OECD and G20 Indicators*, https://doi.org/10.1787/pension_glance-2017-en, OECD (2019[5]), Policy Brief on Pensions, http://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf, *OECD Job Tenure database*, http://stats.oecd.org//Index.aspx?QueryId=9590, OECD Earnings Database, https://www.oecd.org/employment/emp/employmentdatabase-earningsandwages.htm, Survey of Adult Skills (PIAAC), http://www.oecd.org/skills/piaac/, *OECD Job Quality Database*, https://stats.oecd.org/Index.aspx?DataSetCode=JOBQ and *OECD Health Status dataset* http://dotstat.oecd.org/Index.aspx?DataSetCode=HEALTH_STAT.

StatLink https://doi.org/10.1787/888933991280

The country values for each index as well as for the employment rate of 55-64 year-olds and the effective retirement age for men are shown in Annex Figure 2.A.1.

Annex Figure 2.A.1. Country situation in incentives, opportunities and employability for older workers



Source: OECD Employment Database, http://www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm, OECD (2017[4]), *Pensions at a Glance 2017: OECD and G20 Indicators*, https://doi.org/10.1787/pension_glance-2017-en, OECD (2019[5]), Policy Brief on Pensions, http://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf, *OECD Job Tenure database*, http://stats.oecd.org//Index.aspx?QueryId=9590, OECD Earnings Database, https://www.oecd.org/employment/emp/employmentdatabase-earningsandwages.htm, Survey of Adult Skills (PIAAC), http://www.oecd.org/skills/piaac/, *OECD Job Quality Database*, https://stats.oecd.org/Index.aspx?DataSetCode=JOBQ and *OECD Health Status dataset* http://dotstat.oecd.org/Index.aspx?DataSetCode=HEALTH_STAT.

StatLink https://doi.org/10.1787/888933991299

Notes

[1] However, there is considerably uncertainty about the rate of decline in fertility rates in emerging economies, as it will depend on a number of factors, including the increase in educational attainment of women in these countries. All else equal, population ageing will be faster the greater the decline in fertility

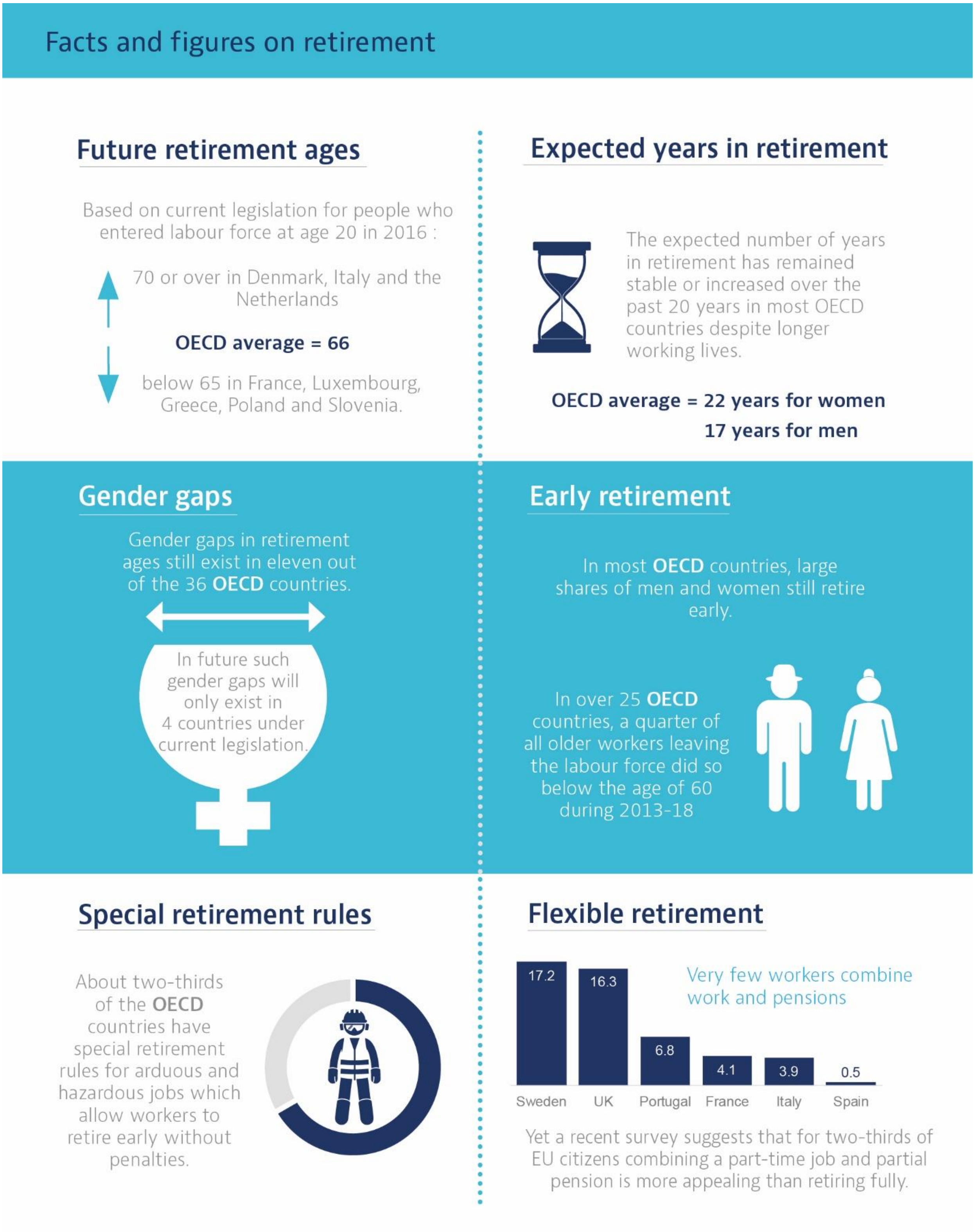
[2] A more traditional indicator has been the old-age dependency ratio which refers to the ratio of the population aged 65 and over to the population aged 20 to 64 (or more traditionally 15 to 64). However, not all people in the younger age group are working and not all older people have retired, and these proportions vary considerably across countries.

3 Strengthening incentives to build up longer careers

Over past decades, much of the policy focus in OECD countries to deliver longer working lives has been on increasing incentives to continue working at an older age. Countries have been reforming old-age pensions and restricting the use of early retirement schemes and other passive benefits. Some reforms have also sought to make it easier to combine income from work and the pension as well as reduce financial penalties to working longer. In many countries, the statutory age of retirement has been raised to improve the financial sustainability of the pension system. However, higher retirement ages must be accompanied by greater employment opportunities at an older age to avoid hardship for older workers. Good-practice measures towards a more inclusive labour market for older workers should facilitate phased retirement, with better possibilities for combining work and retirement while preventing welfare benefits being used as alternative pathways to early retirement.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Infographic 3.1. Stronger incentives needed to build up longer careers



Key policy recommendations

Enhance incentives to continue working at an older age by:

- Ensuring that the old-age pension system encourages and rewards later retirement in line with increased life expectancy while ensuring adequacy and sustainability of pension payments.
- Encouraging longer and more satisfying careers through more flexibility in work retirement transitions, including by promoting phased retirement, better balancing work and care and permitting a combination of pensions with work income.

Restrict the use of publicly funded early-retirement schemes which encourage workers to leave employment while they are still in good health and able to work.

Ensure access to social benefits, such as unemployment and disability benefits, for all workers, irrespective of their age and status, and monitor that these benefits are used for their original purpose and not to incentivise early retirement for those still able to work.

Individual decisions to leave, remain or return to work at an older age are strongly affected by old-age pension schemes and other social-benefit provisions for older workers, such as unemployment or disability benefits. Not surprisingly, reforming old-age pensions and restricting access to formal and de-facto early retirement schemes have been at the forefront of policy initiatives to strengthen financial incentives to work longer and promote supportive social norms about economic activity at an older age.

Pension reforms have been a key policy lever for promoting longer working lives

Over the past decades, the great majority of OECD countries has been reforming the pension system to encourage longer working lives and increase the financial sustainability of the system. These reforms have essentially included closing early retirement pathways, raising pension ages and making a stronger link between earnings and pensions; either by transforming traditional defined benefit schemes into notional defined contribution (Italy, Latvia, Norway, Poland and Sweden) or point (Estonia, Lithuania and the Slovak Republic) schemes, or, like in Austria, France, Portugal and Spain, by calculating pension benefits based on a larger part of a worker's career (OECD, 2019[1]).

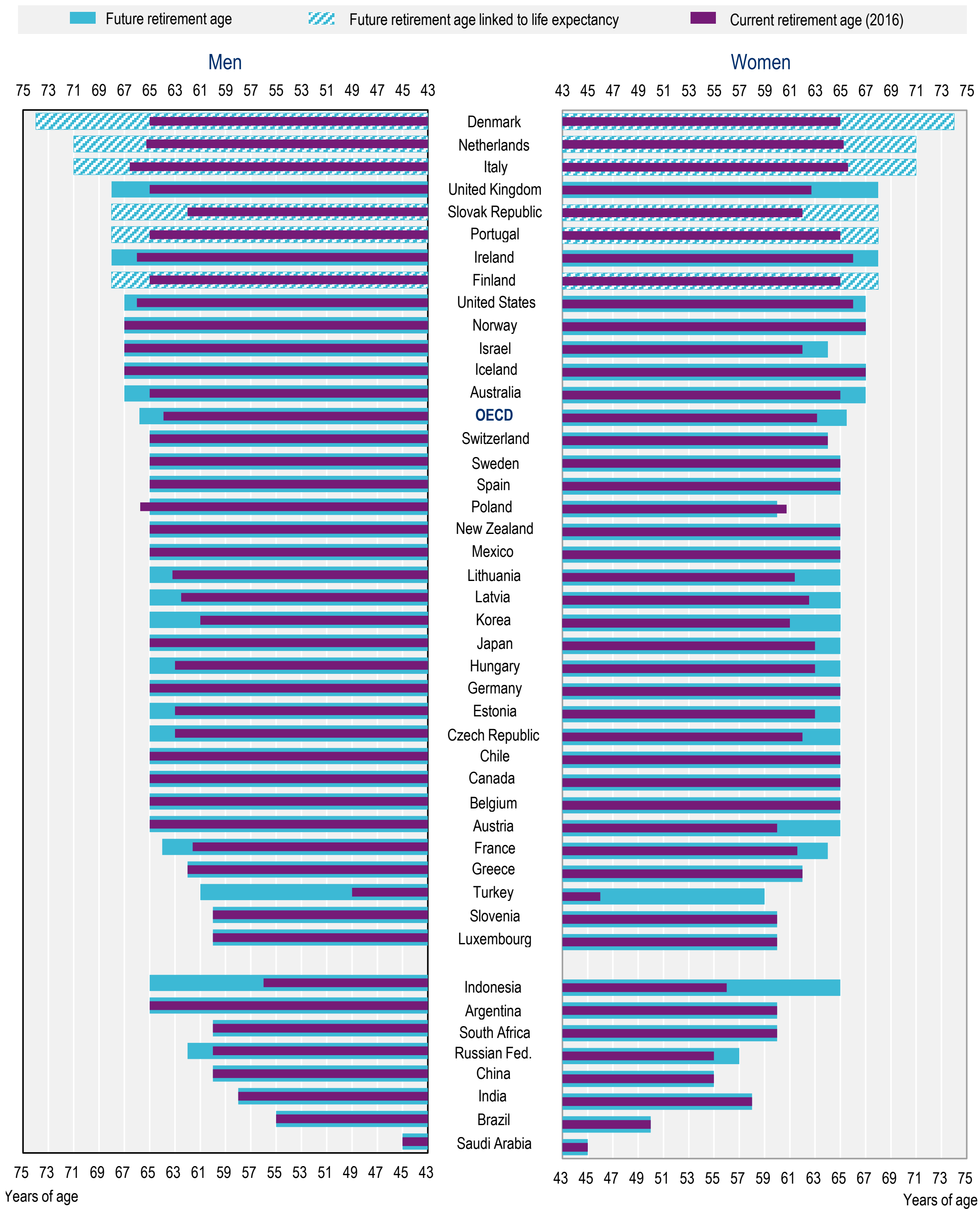
Raising pension ages has a pronounced impact on participation. Recent analysis suggests that participation rates drop by about 5 percentage points at the minimum retirement age - when pensions from mandatory schemes become first available - and another 5 percentage points at the normal retirement age. A one-year increase in both minimum and normal retirement ages is associated with a gain in the overall participation rate of the age group 55-74 by about 0.8 percentage points (Geppert et al., 2019[2])

Over the past two decades, statutory retirement ages have increased in many OECD countries for both men and women (Figure 3.4). Recent reforms have made "age 67" the new "65" and several OECD countries are going even further. In 2019, age cut-offs ranged from 58 (for women in Turkey) and 59.3 (in Slovenia) to 67 in Iceland, Israel and Norway.

Based on legislated measures, for those entering the labour market now and with a full career from age 20, the normal retirement age will increase by 1½ years for men and 2 years for women on average across the OECD. The future normal retirement age varies enormously from 59 years in Turkey (women only) and 60 years in Luxembourg and Slovenia to an estimated 74 years in Denmark. Only France, Luxembourg, Poland, Greece and Slovenia will have a normal retirement age below 65 years. In Denmark, Italy and the Netherlands, the future normal retirement age will be higher than 70 years.

Figure 3.1. Retirement ages have been rising and will increase further in nearly half of OECD countries

Current and future statutory retirement age for persons who have entered or will enter the labour market at age 20



Note: Future retirement age according to latest legislation for those entering the labour market in 2016.
Source: *OECD Dataset: Pensions at a Glance*, https://stats-2.oecd.org/Index.aspx?DataSetCode=PAG.

StatLink https://doi.org/10.1787/888933991318

Among the non-OECD G20 countries, the retirement age will gradually rise in Indonesia from 56 to 65, bringing it in line with OECD countries. The retirement will also rise in the Russian Federation over a relatively short time frame from 55 to 60 for women (55 with 37 years of contributions) and from 60 to 65 for men (60 with 42 years of contributions). Elsewhere, statutory retirement ages have either remained frozen at 65 for men (e.g. Argentina) or remain comparatively low, partly reflecting lower life expectancy even though longevity has been increasing (e.g. 60 in China for men, 58 in India and 55 in Brazil for men). In these countries, population ageing will also accelerate and so raising statutory retirement ages in line with increasing longevity will need to be considered.

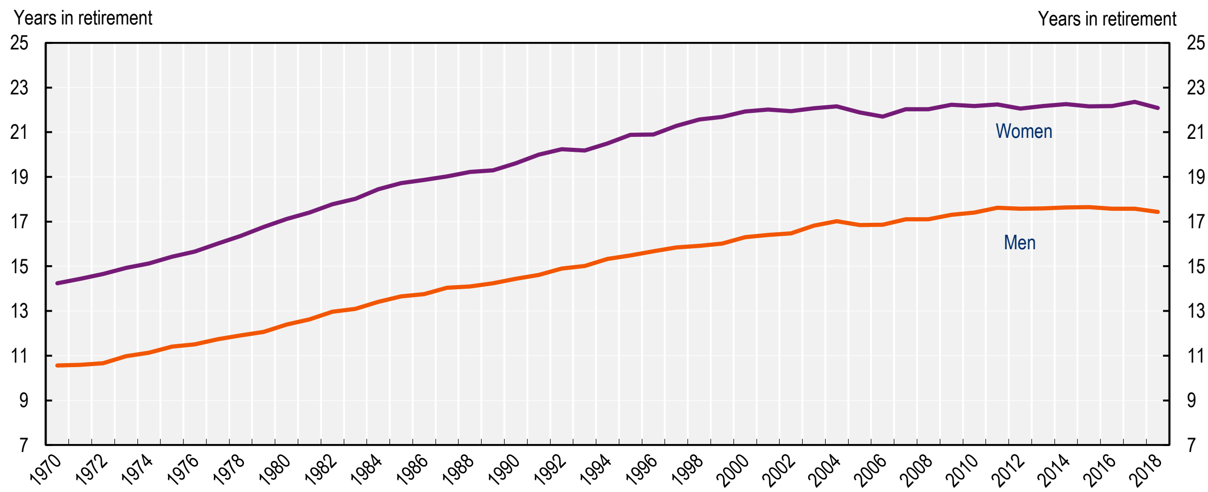
As pension reforms to deal with population ageing are often unpopular, a key challenge for many countries is to withstand pressures to backtrack on reforms and to implement those that are already legislated. Indeed, Canada chose not to implement a planned increase in the retirement age to 67 for the basic and means-tested pensions; the Czech Republic will no longer increase the pension age beyond age 65; and Poland reversed the planned increase to 67, with retirement ages now set to drop back to 65 for men and 60 for women (OECD, 2017[3]). Several other OECD countries including Slovak Republic, Netherlands, Italy and Spain have also backtracked on earlier reforms on extending retirement ages (OECD, forthcoming[4]).

Will higher pension ages reduce time spent in retirement?

In response to pension reforms and the closing of early retirement pathways, the average effective age at which older workers exit the labour force has been increasing over the past 10 to 15 years in nearly all OECD countries.[1] This has partly reversed a steep decline that occurred in all countries since the early 1970s. Across the OECD area, the average effective age of retirement for men has risen by 2.3 years between 2000 and 2018 after falling by 5.7 years between 1970 and 2000. For women, it rose by 2.8 years after a decline of 5.6 years. Does this mean that today's retirees will spend less time in retirement than those of yesterday? In fact, because life expectancy has continued to rise most countries, the expected time spent in retirement (i.e. the life expectancy of persons at the average effective age of retirement) has either risen by a small amount over the past 10 years or remained stable for men in most countries. For women, there have been some small declines in a number of countries. However, because of longer life expectancy and a slightly lower average effective retirement age, women can still expect to spend considerably more years in retirement than men – 22 years on average across the OECD versus 17 years for men. There are also considerable differences across OECD countries, ranging from 16 to almost 27 years for women and from 13 to almost 23 years for men. In general, despite later retirement, both men and women can still expect to spend close to a quarter of their lives or more in retirement.

Figure 3.2. Later retirement does not mean fewer years in retirement

Expected years in retirement, OECD average, 1970-2018



Source: *OECD Database on Average Effective Retirement Age*, https://www.oecd.org/els/emp/average-effective-age-of-retirement.htm.

StatLink https://doi.org/10.1787/888933991337

Pension reforms should avoid hardship for economically disadvantaged groups

While later retirement on average has not translated one-for-one into a lower expected number of years in retirement, there are differences between groups of workers and across countries. High-income earners tend to live longer than low-income earners and generally receive pensions for longer periods. It has been estimated that lower life-expectancy for low earners of three years at age 65 relative to high earners reduces their pension wealth by about 13% (OECD, 2017[5]). Increasing retirement ages can therefore potentially exacerbate socio-economic inequalities. However, if inequality in life expectancy is stable, increasing retirement ages given longer lives has a quantitatively small impact on this pension-wealth inequality (OECD, 2017[3]).

There is no easy way to account for inequality in life expectancy within pension systems. The first best solution is to focus policy action on actively reducing socio-economic differences in health. Shorter lives for retirees from disadvantaged socio-economic backgrounds imply that a pension system that seems to be actuarially neutral is in fact not neutral: it is regressive. This strengthens the weight that should be placed on redistributive components of pension systems.

Pension policy measures to take account of socio-economic differences in life expectancy could target the benefit formula (granting higher accrual rates for low earnings, as applied in Portugal) or the contribution-rate pattern, e.g. increasing with income (such as in Brazil) or including a higher wage ceiling for contributions than for pension entitlements (as in the notional defined contribution scheme in Norway). In funded defined contribution schemes, the annuity factors for conversion of assets into a pension benefit could be set in ways that increase pensions for people with low pensionable income (who die earlier on average) while people with high pensionable income (who die later on average) would receive lower benefits.

Portugal, in particular, provides a good example of how governments can strike a balance between equity objectives and the need to ensure the financial sustainability of public pensions (Box 3.1). If all OECD countries adopted a similar approach by 2020 (except for countries where the currently legislated increases of the retirement age are even larger), employment rates of older people and long-term GDP per capita would increase, alleviating the stress on public finances (Geppert et al., 2019[2]).

Box 3.1. Improving financial sustainability whilst offsetting inequalities

In **Portugal**, the statutory retirement age rises by two thirds of life expectancy gains, which aims to improve the financial sustainability of the pension system while keeping the ratio of adult working life to time spent in retirement roughly constant. In addition, people with very long careers can retire slightly earlier. A worker with a 43-year career can retire 1 year before the standard statutory retirement age. For someone who started working at age 20, this means that the retirement age in effect rises by half of life expectancy gains rather than two thirds.

At the same time, higher accrual rates are granted for lower earnings, offsetting the pension disadvantage for low-income earners from lower life expectancy.

There are several advantages to this approach:

- Linking the retirement age to life expectancy removes the need for recurring political wrangling that accompanies ad hoc initiatives that seek to keep pension parameters in line with demographic realities;
- The two-thirds increase maintains a broadly constant ratio of working life to life-in-retirement. This may be politically more acceptable than a one-to-one link of retirement ages to life expectancy;
- The provision included for long careers represents a progressive element that is beneficial for economically disadvantaged groups but which nevertheless maintains a link to life expectancy for everyone.

Source: OECD (2019[6]), *OECD Reviews of Pension Systems: Portugal*, https://doi.org/10.1787/9789264313736-en.

Increase in effective retirement ages will be limited if incentives to retire early are not tackled

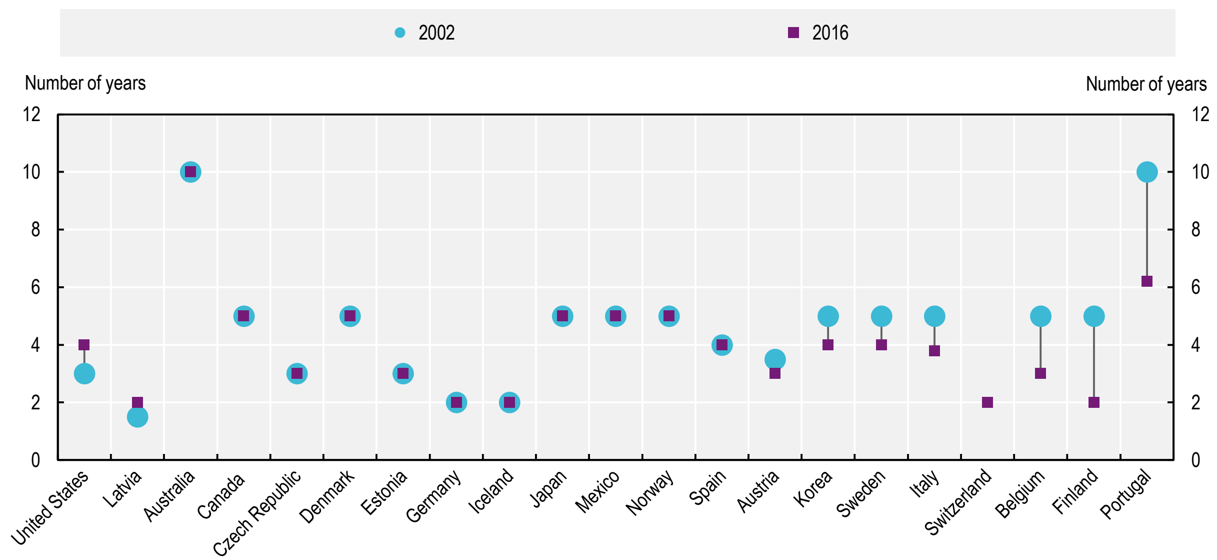
Access to early retirement in the main old-age pension or in special early retirement schemes has become more restrictive in almost all OECD countries. These early-retirement pathways were initially opened up to free up jobs for the young and reduce youth unemployment but proved to be costly failures as young people cannot be simply substituted for older workers and the increase in taxation to pay for these schemes can harm labour demand. In some countries, the possibility for early retirement has been restricted by an increase in the minimum years of contributions that are required to receive a full pension (e.g. Austria, Italy and Spain) or through large penalties (e.g. Portugal through the sustainability factor). Some countries have abolished early retirement options for the private sector entirely (e.g. Netherlands and Poland, including for public-sector workers) while others have sought to make early retirement more costly for employers (e.g. Belgium).

While these measures go in the right direction, early retirement options continue to exist in both private and public pension systems in many OECD countries even after recent reforms (Annex Table 3.A.1, Column A). For example, in the United States it is possible to claim Social Security benefits at age 62 subject to an actuarial reduction. Many older US workers, especially low-educated males, still opt to take early retirement even though it results in a lower pension benefit whereas working beyond the normal retirement age attracts a pension bonus (OECD, 2018[7]).

Among countries where early retirement is possible, the earliest age of retirement increased in only seven between 2002 and 2016, while the early retirement age has been kept unchanged in the majority. As a result, the average gap between the normal and early retirement age has remained constant in half of the OECD countries (Figure 3.3). Even though early retirement ages are expected to rise in some countries, thanks to the link between the retirement age and life expectancy, pathways into early retirement should be restricted to those older workers facing hardship in continuing to work.

Figure 3.3. The gap between early and normal pension ages remains large in some countries

Gaps in normal and early pensionable age 2002 and 2016, men



Note: Ages refer to labour market entry at age 20, with the normal retirement age being the earliest point to be eligible for all pension components without deduction.
Source: OECD (2017[3]), *Pensions at a Glance 2017: OECD and G20 Indicators*, Table 2.1, https://doi.org/10.1787/pension_glance-2017-en.

StatLink https://doi.org/10.1787/888933991356

Currently, many OECD countries have special retirement rules for arduous and hazardous jobs. A key component of special retirement rules for workers in these jobs is the possibility of earlier retirement than other workers and without penalties. As people in manual jobs not only have less expected years in retirement but also may not be physically able to work longer, some countries have explored compensating undesirable inequality outcomes in retirement by introducing more granularity in retirement eligibility based on people's skills and the physical requirements of their jobs. However, these schemes also tend to introduce administrative complexity for firms and workers and may create distorted incentives. For instance, it is difficult to account for mixed careers with periods of arduous and non-arduous work and it is not easy to define arduous work unambiguously. Instead, more effort is needed to prevent negative effects arising from hazardous or arduous working conditions in the first place while enhancing job mobility via upskilling and reskilling of worker and facilitating greater choice in working-time arrangements (including through greater flexibility in combining income from work and pensions). A well-designed disability benefit system can also take better account of individual differences amongst workers in their capacity to continue working rather than a rule-based pension scheme for arduous work.

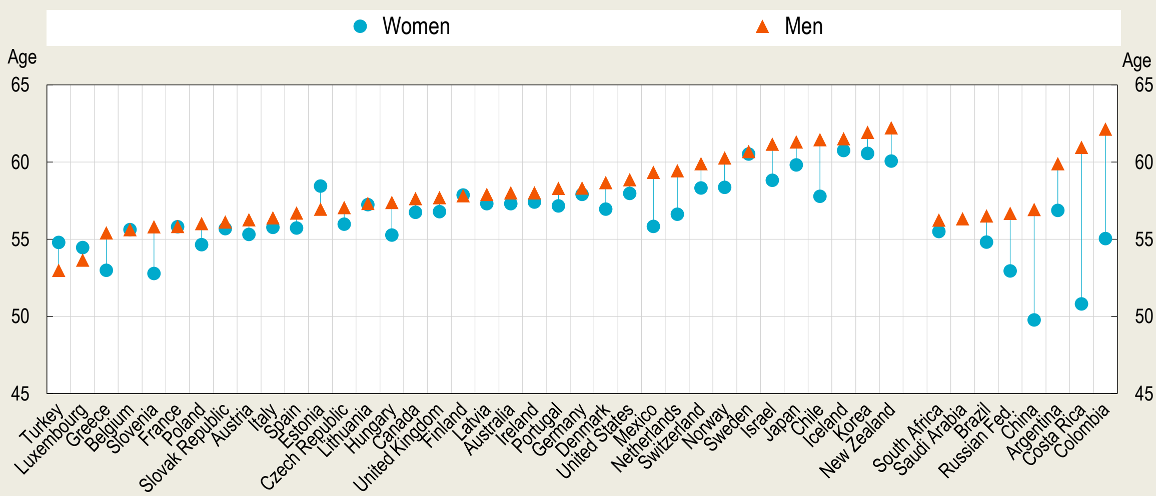
However, welfare programmes such as disability and unemployment schemes have not always been used for their original purposes and have served as *de facto* pathways into early retirement. Overall, official and *de facto* early retirement pathways have contributed to the situation where at least a quarter of older workers withdraw from the labour force at 60 years of age or below in the majority of countries even where the official age of retirement is 65 or higher (Figure 3.4).

Did you know?

Early retirement remains widespread despite efforts in many countries to tighten access to early retirement schemes. In 26 OECD countries, a quarter of men retired below the age of 60 in 2018, dropping to as low as 53 or 54 in Turkey and Luxembourg. The corresponding age is often substantially lower for women.

Figure 3.4. In most countries, large shares of workers retiring do so well before the age of 65

Age below which 25% of older retirees left the labour force, 2018



Note: The effective retirement age refers to the weighted average age of labour market exit for persons who were in the labour force in 2013 and aged 40 and over but no longer in the labour force in 2018. Data refer to the period 2005-2010 for China and 2012-2017 for Saudi Arabia.
Source: OECD calculations based on the Average effective age of retirement dataset (unpublished).

StatLink https://doi.org/10.1787/888933991375

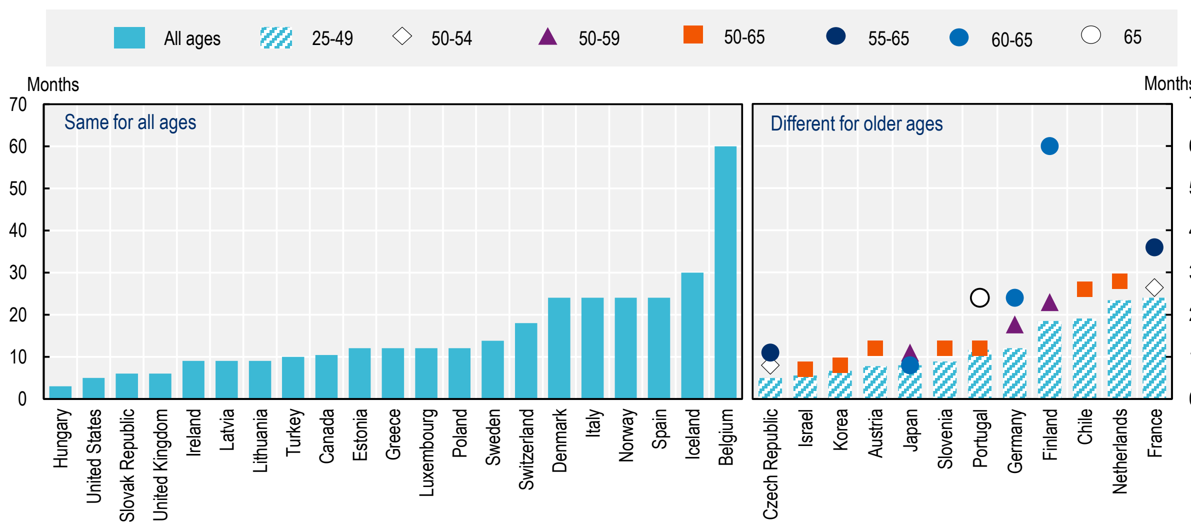
In several countries, the older unemployed can receive unemployment benefits for a longer period than younger ones and sometimes until the retirement age. Unemployment Insurance (UI) rules that link benefit duration to age remain particularly favourable for older workers in Chile, Japan, Korea and many EU countries (Figure 3.5). While for some older workers, longer UI durations might be justified by their greater difficulties in finding a new job, the same case could be made for other groups of jobseekers as well. In general, countries should move *away* from entitlement criteria that are explicitly based on age, as these rules can reinforce damaging stereotypes and social norms about older workers and do not reflect the diversity of labour market situations facing them. Instead, activation and employment-support policies should seek to address the specific employment barriers of all jobseekers, regardless of age, by actively tailoring job-search obligations and labour-market re-integration approaches more closely to their individual needs and employment prospects.

Finally, while early retirement pathways via disability benefits have been tightened, disability benefit programmes remain relatively generous and easy to access across many OECD countries (OECD, 2010[8]). It is difficult to strike the right balance between ensuring adequate income support for people with disability and encouraging a quick full or partial return to work for those with remaining working capacities. But the evidence suggests that, in general, restricting access to disability benefits to those unable to work will be more effective if combined with a strong focus on preventive and active measures (OECD, 2015[9]).

Research has demonstrated repeatedly that keeping people with reduced work capacity in employment is much easier and more promising than trying to help them back into employment after years of health-related inactivity. Good practice in this field includes: i) moving from medical to work capacity to asses eligibility; (e.g. Austria); ii) fostering a more co-ordinated approach for rehabilitation and early intervention (e.g. Portugal); iii) boosting the reintegration of those with capacity to work through active measures (e.g. the United Kingdom); and iv) increasing the incentives for employers to adapt work organisation and workplaces in order to prevent long-term sickness and disability (e.g. the Netherlands).

Figure 3.5. Older unemployed receive longer unemployment benefits in some countries

Maximum duration[1] of unemployment insurance[2] payment for a single unemployed aged 25-64 without children and with a full contribution record for all ages, 2018



1. The maximum duration is capped at 60 months for Belgium and Finland. The actual maximum duration might be longer or even unlimited (e.g. in Belgium). In the Netherlands, persons over 41 are capped at 28 with the maximum duration gradually reducing by 1 month per quarter to 24 months in April 2019.

2. The chart only shows insurance benefits. Assistance benefits can be available as follow-up support in some countries. Australia and New Zealand operate only unemployment assistance benefits which are means-tested but not limited in duration. In some cases, particular rules exist for older unemployed (65 or under) that are not fully taken into account in the database. This is the case for Finland, France, Lithuania, Luxembourg, Portugal and Spain where it is possible under some conditions to extend benefits to the full-rate pension age. For country details, see *Latest Policy descriptions* at www.oecd.org/social/benefits-and-wages/.

Source: OECD Tax and Benefits Policy Database: OECD Indicators, www.oecd.org/social/benefits-and-wages/.

StatLink https://doi.org/10.1787/888933991394

Flexible combinations of part-time work and pension receipt can promote longer working lives

In recognition of both financing challenges and diverse working preferences among workers, more flexible forms of retirement have gained growing policy interest in many OECD countries. Older people often report that they would continue to work if they had the possibility to reduce working hours. According to (Eurobarometer, 2012[10]), for two-thirds of EU adults combining a part-time job and partial pension is more appealing than retiring fully.

Flexible retirement provides older workers with the option to continue working, often part-time, while drawing at least a partial pension, or to choose when to retire with pension rights adjusted in an actuarially neutral way. Combining work and pensions is possible in most OECD countries but the conditions for doing so vary. All countries allow pensioners who have fully retired to engage in paid work but earnings from this employment can affect pension payments in different ways. These depend on the design of a pension system and its individual components, as well as tax rules and rules governing possible withdrawal of pensions once earnings from work reach a certain level (OECD, 2017[3]).

Conversely, claiming pension entitlements early is frequently only possible for some parts of the pension package, typically the (defined contribution) earnings-related portion e.g. United Kingdom and Ireland; flat-rate or safety-net benefits are only available at the normal retirement age, almost by definition. Australia provides so-called Transition-To-Retirement Pensions (TRIPs) that let workers move from full-time to part-time work and complement their earnings with pension (superannuation) entitlements. In a further eleven OECD countries, work and early pension receipt can be combined under their defined benefit or point schemes (Annex Table 3.A.1, column B).

Flexible retirement systems can facilitate the choice of phased retirement, i.e. switching from full-time to part-time work at older ages, by smoothing income from work and pensions for different choices of working time. This can be particularly beneficial for extending the working lives of older people in poor health, with care responsibilities or in arduous jobs (Eurofound, 2016[11]).

However, phased retirement schemes should be designed with care to prevent subsidisation of part-time work or even early withdrawal from work, which may reduce rather than raise the effective labour supply of older people. In Germany, for example, a subsidised phased retirement scheme ("old-age part-time") was introduced in 1988 and, initially, it was mainly used as a "block-work model". Workers preferred to work full-time for half of the period up until eligible for the full old-age pension and then not work at all for the second half of the period, i.e. effectively, they were able to retire earlier on a full pension. This was reformed in 2009, but the block-work model of phased retirement still exists in some companies and sectors on the basis of collective agreements (e.g. in the metal and electrical industries).

Pensions systems should be designed to reward, not penalise, longer working lives

Pension systems in many OECD countries already allow combining work and pensions after the normal retirement age. Yet, in practice, there can be significant constraints or disincentives that discourage people from staying active after retirement.

In most countries where the combination of pension receipt and work is possible before the normal retirement age, there is an earnings threshold, which if exceeded, pensions are cut (Austria, Belgium, Finland, France, Germany) and therefore limits the incentives to work.

No OECD country requires workers to stop working entirely at the normal retirement age but several of them limit how much pensioners can earn. Seven OECD countries apply limits to post-retirement earnings, above which pension benefits are reduced (Australia, Denmark, Greece, Israel, Japan, Korea and Spain). In France, working retirees do not earn any additional pension rights even though they are liable to pay pension contributions, which then act as a pure tax on continuing to work. Removing such obstacles is important to make combining work and pensions a genuine attractive option for most, or all, older workers. More generally, in order to efficiently promote more gradual forms of retirement, conditions to withdraw partial pensions should not depend on the amount of work and labour income after the normal retirement age.

The adjustment of entitlements for either postponing retirement or retiring early should be based on actuarial neutrality to avoid these distortive effects. This amounts to a bonus estimated at about 5.5% on past entitlements on average in OECD countries for each year of deferral (OECD, 2017[3]).

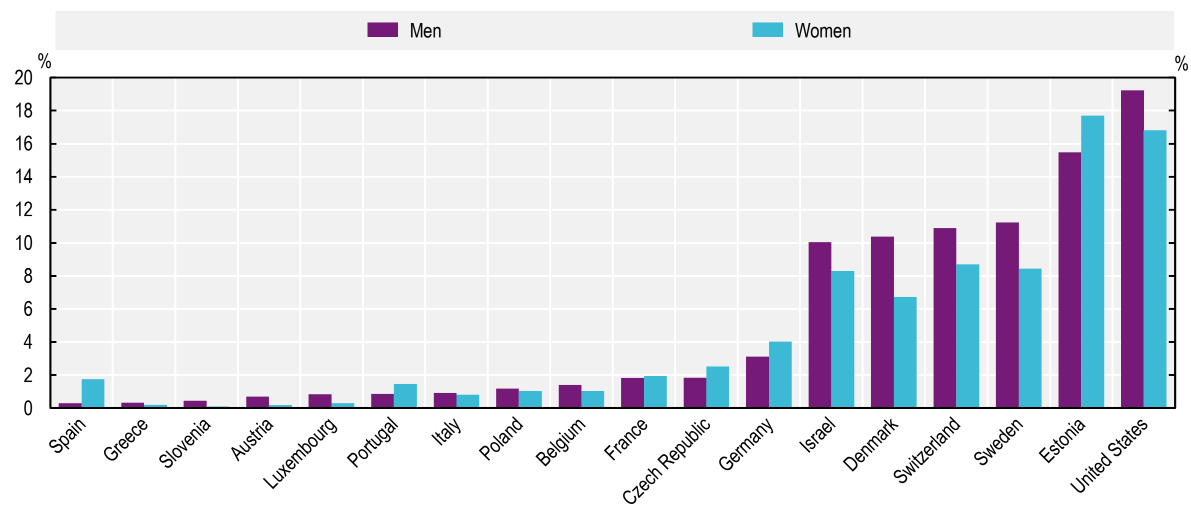
Options for flexible retirement must come with renewed efforts to foster financial literacy and transparency

In spite of the wish for greater retirement flexibility, surveys confirm that combining work and pensions is still uncommon and available options are either poorly understood or unattractive for retirees. In Europe, only 10% of individuals aged 60-64 or 65-69 combine work and pensions (Figure 3.6), and take-up of partial pensions is also rare in countries where it is legally possible, e.g. in the United States and France. In addition to barriers in the pension systems themselves, labour-market practices and cultural norms regarding part-time work or working past retirement still limit individuals' freedom to choose an employment and retirement pattern that works best for them.

Only a few employers have programmes in place to support a gradual exit from employment, even if they support flexible work arrangements in principle. Only 39% of employers offer flexible time schedules in the United States (TCRS, 2016[12]). In Europe, 78% of older workers cited a lack of gradual-retirement opportunities as an important reason to stop working altogether (Eurobarometer, 2015[13])

Figure 3.6. Very few workers combine work and pensions in the OECD

Share of 60-69 year-olds who combine work and retirement benefits, 2014/2015



Note: A person is on retirement when he/she receives an old-age pension (statutory scheme, occupational scheme, personal scheme or unknown scheme).
Source: OECD (2018[7]), *Ageing and Employment Policies: United States 2018: Working Better with Age and Fighting Unequal Ageing*, Figure 1.17, https://doi.org/10.1787/9789264190115-graph17-en.

StatLink https://doi.org/10.1787/888933991413

Whether people will benefit from combining work and pensions depends on their capacity to make well-informed choices to avoid jeopardising their final retirement incomes. Financial literacy plays an important role in that respect. People need transparent and reliable information on the benefits that they can expect to receive under different scenarios concerning when and how they retire (completely or partially) in order to help them plan ahead. Above all, genuine flexibility also requires reassuring older workers that they will be able to review and adapt their choices as their employment prospects, health situation or family circumstances change before or after retirement.

References

Eurobarometer (2015), “Special Eurobarometer 437 DISCRIMINATION IN THE EU IN 2015 SUMMARY”, http://dx.doi.org/10.2838/325154. [13]

Eurobarometer (2012), *Special Eurobarometer 378 Active Ageing REPORT*, http://ec.europa.eu/public_opinion/index_en.htm (accessed on 19 July 2019). [10]

Eurofound (2016), *Extending working lives through flexible retirement schemes: Partial retirement European Foundation for the Improvement of Living and Working Conditions*, http://dx.doi.org/10.2806/004233. [11]

Geppert, C. et al. (2019), “Labour supply of older people in advanced economies: the impact of changes to statutory retirement ages”*, OECD Economics Department Working Papers*, No. 1554, OECD Publishing, Paris, https://dx.doi.org/10.1787/b9f8d292-en. [2]

OECD (2019), *OECD Reviews of Pension Systems: Portugal*, OECD Reviews of Pension Systems, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264313736-en. [6]

OECD (2019), *Will future pensioners work for longer and retire for less?*, http://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf (accessed on 19 July 2019). [1]

OECD (2018), *Ageing and Employment Policies: United States 2018: Working Better with Age and Fighting Unequal Ageing*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264190115-en. [7]

OECD (2017), *Pensions at a Glance 2017: OECD and G20 Indicators*, OECD Publishing, Paris, https://dx.doi.org/10.1787/pension_glance-2017-en. [3]

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264279087-en. [5]

OECD (2015), *Fit Mind, Fit Job: From Evidence to Practice in Mental Health and Work*, Mental Health and Work, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264228283-en. [9]

OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*, https://www.oecd-ilibrary.org/docserver/9789264088856-en.pdf?expires=1563823607&id=id&accname=ocid84004878&checksum=1D64006530BDAA9A916345CE8BF99567 (accessed on 22 July 2019). [8]

OECD (forthcoming), *Pensions at a Glance 2019: OECD and G20 Indicators*, OECD Publishing, Paris. [4]

TCRS (2016), “All About Retirement: An Employer Survey: 17th Annual Transamerica Survey”, *Transamerica Center for Retirement Studies*, https://www.transamericacenter.org/docs/default-source/employer-research/tcrs2017_sr_employer_research.pdf (accessed on 9 August 2019). [12]

Annex 3.A. Flexible retirement provisions

Annex Table 3.A.1. Summary of early retirement option and rules for combining work and pensions

	A	B	C
	Early retirement option given	Combination of work and pension receipt possible	
		Before retirement age	After retirement age
Australia	N	N	Earnings limit
Austria	Y	Earnings limit	Y
Belgium	Y	Earnings limit	Y
Canada	N	Earnings related	N
Chile	N	N	N
Czech Republic	Y	Earnings limit	Y
Denmark	Y	N	Earnings limit
Estonia	Y	N	Except national pension
Finland	Y	Y	Y
France	Y	Earnings limit may apply	Y
Germany	Y	Earnings limit	Y
Greece	Y	Earnings limit	Earnings limit
Hungary	For women with at least 40 years of contributions	For women with at least 40 years of contributions	Y
Iceland	N	N	N
Ireland	N	N	Y
Israel	N	N	Earnings limit
Italy	Y	N	Y
Japan	Y	Earnings limit	Earnings limit
Korea	N	N	Earnings limit
Latvia	Y	N	Y
Lithuania	Y	N	Y
Luxembourg	Y	N	Y
Mexico	N	N	N
Netherlands	Occupational pension	Occupational pension	Y
New Zealand	N	N	N
Norway	N	N	N
Poland	N	N	Y
Portugal	Y	N	Y
Slovak Republic	Y	Earnings limit	Y
Slovenia	Y	N	Y
Spain	Y	N	Earnings limit
Sweden	Earnings-related only	Earnings-related only	Y
Switzerland	N	N	N
Turkey	N	N	N
United Kingdom	N	N	Y
United States	N	Y	N

Note: Ages refer to labour market entry at age 20, with the normal retirement age being the earliest point to be eligible for all pension components without deduction.
Source: OECD (2017[3]), *Pensions at a Glance 2017: OECD and G20 Indicators*, https://doi.org/10.1787/pension_glance-2017-en.

Note

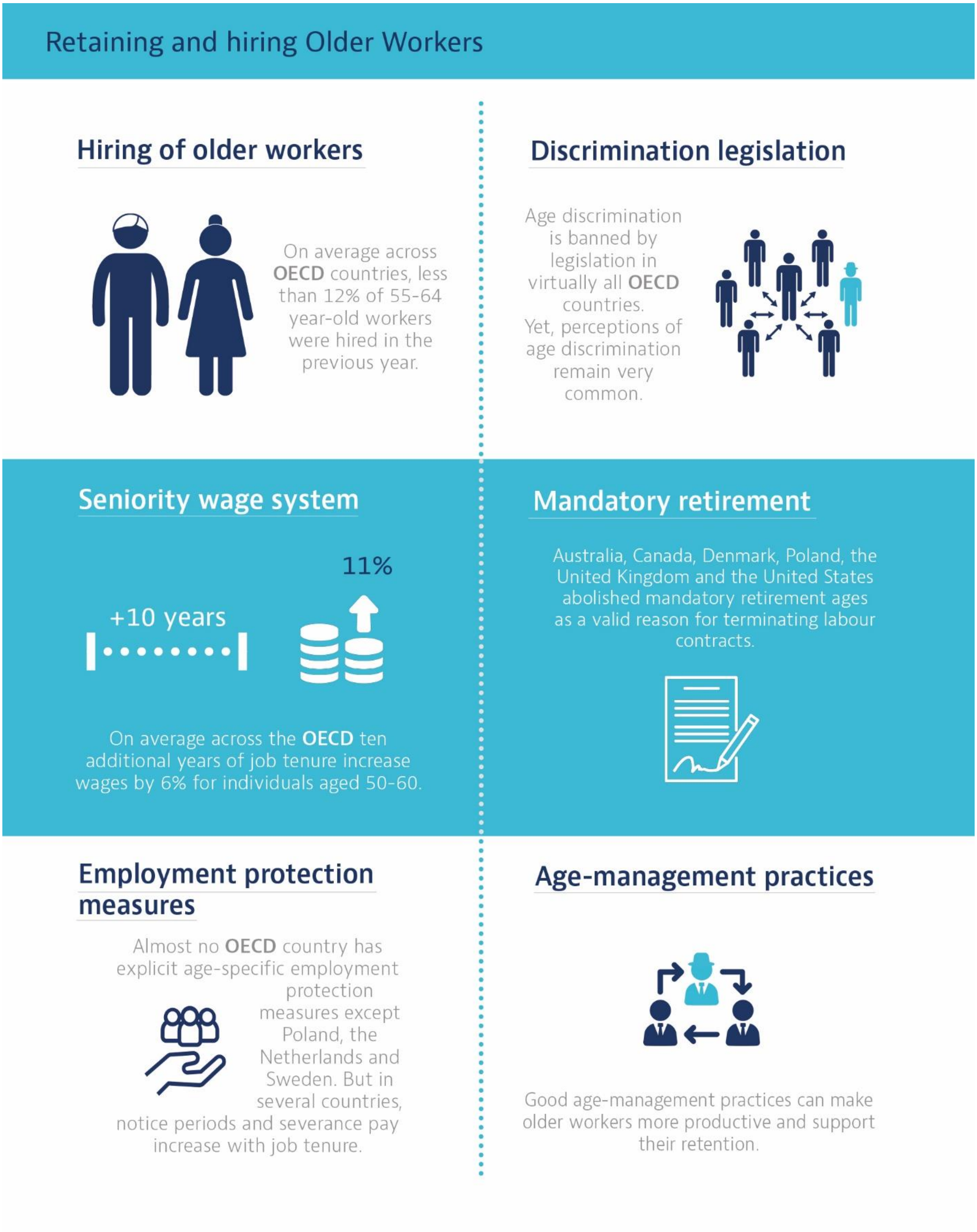
[1] For people aged 40 and over, the average effective age of retirement is calculated as a weighted average of the declines in the participation rate over a 5-year period for people in each 5-year age-group at the beginning of the period and those aged 5-years older at the end of the period.

4 Encouraging employers to retain and hire older workers

It is not sufficient to improve the incentives for older people to continue working longer; they must also have better opportunities to do so. Thus, a key issue for more inclusive ageing and employment policies is to encourage employers to hire and retain older workers in better jobs. This in turn depends on how well firms manage age diversity and ensure the most productive use of all workers irrespective of their age and according to their capacities. Governments' policies can influence the employment policies of employers with respect to hiring and retention of older workers by striking the right balance between employment flexibility and stability via labour market regulations.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Infographic 4.1. Ensuring better employment opportunities for older workers



Key policy recommendations

Address discrimination in employment on the basis of age by taking measures, such as legislation preventing age discrimination and public-awareness campaigns, to eliminate discrimination in the recruitment, promotion and training process, and in employment retention.

Take a balanced approach to employment protection by ensuring that age is not a criterion in determining the level of employment protection while promoting better access to quality jobs for older workers.

Seek to discourage or further restrict mandatory retirement by employers in close consultation and collaboration with employers' and workers' representatives, while respecting in a limited number of instances that such practices may be necessary.

Encourage employer and worker representatives to identify mechanisms to facilitate the retention and hiring of all older workers, even those in vulnerable situations, including reviewing their practices in setting pay to reflect productivity and competences, not age.

Encourage good practice by employers in managing an age-diverse workforce:

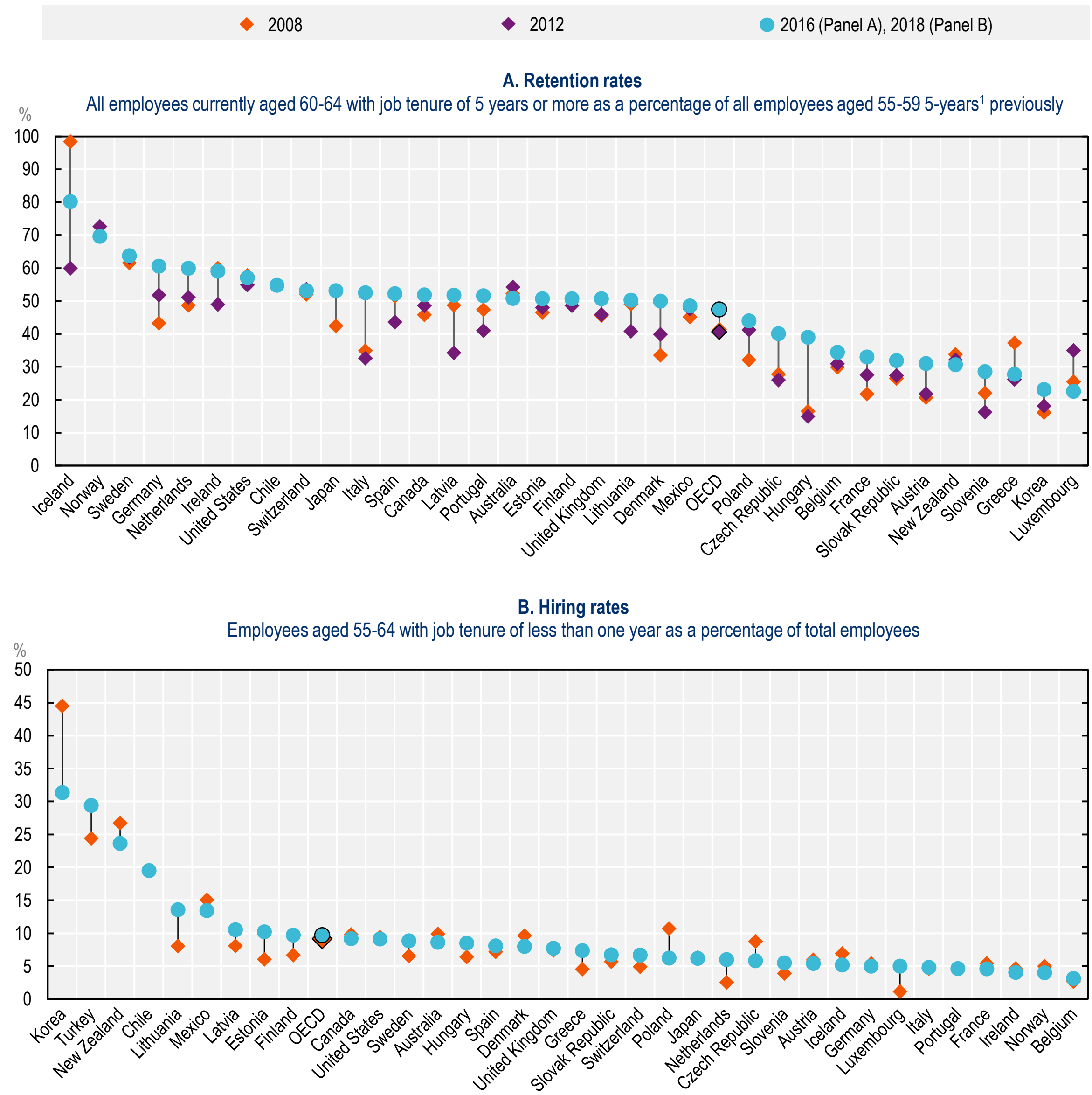
- Through public and private initiatives that provide guidance on issues such as promoting a sharing of knowledge and experience across different age groups.
- Adjusting work responsibilities and working-time arrangements to the changing capacities of workers and their family responsibilities over their life course as well as to take account of improvements in the education, health and physical capacities of older workers.

Employers play a key role on promoting longer working lives by offering older workers good employment opportunities. However, they may be hesitant to retain or hire older workers because of an actual or perceived gap between the costs of employing older workers and their productivity. They may also have stereotypical views about the lack of adaptability and flexibility of older workers. Public policy in OECD countries have addressed these challenges in three main ways: action to tackle or ban age-discrimination; measures to facilitate retention and hiring by lowering labour costs and finding the right balance on employment protection rules; and encouraging the use of age management practices to enhance the employability and productivity of older workers.

Older workers are staying longer with firms but have fewer opportunities to find new jobs

Job mobility and job retention among older workers are key to prolonging careers and increasing employment of older workers. The good news is that employer across the OECD have shown an increased willingness to retain older workers. According to *OECD scoreboard on older workers* retention rates increased in all except seven countries between 2008 and 2016 (Figure 4.1). In Iceland, Ireland, Greece and the United States retention rates rose between 2012 and 2016, when labour markets recovered following the global financial crisis, but remain below their pre-crisis levels.

Figure 4.1. Labour-demand for older workers remains weak in the majority of the OECD



Note: OECD is an unweighted average (excluding Israel). In Panel A, 2008 refers to: 2007 for Japan, 2009 for Australia, Greece, Korea and the United States, 2010 for Estonia, Mexico, Slovak Republic and Slovenia and 2011 for the Netherlands; and 2016 refers to: 2015 for Lithuania and Japan. For the United States, the data refer to all employees aged 55-59 4-years previously. In Panel B, 2008 refers to: 2006 for Japan; and 2018 to: 2017 for Australia, Iceland, Japan and New Zealand.
Source: *OECD Job tenure database*, http://stats.oecd.org//Index.aspx?QueryId=9590

StatLink https://doi.org/10.1787/888933991432

Notwithstanding these improvements, a major challenge facing all OECD countries is to enhance job mobility of older workers who lose their jobs or wish to change jobs. On average across OECD countries, less than 12% of workers aged 55-64 had been recently hired in 2018 (i.e. within the past 12 months). Hiring rates of older workers are typically between one-third and half of the hiring rates of prime-age workers, and far below youth.

Between 2008 and 2018, hiring rates of older workers increased in barely half of all OECD countries. The sharp decrease in hiring rates in Korea reflects specific characteristics of its labour market where there is still a large share of older workers in temporary employment.

There are several reasons why firms may be reluctant to retain or hire older workers. The productivity of older workers might be one concern. Furthermore, if firms rely on seniority or efficiency wages as an incentive device, the cost of retaining workers at an older age or hiring them may be too high relative to their productivity. Employers might also have negative perceptions about the adaptability of older workers. Such attitudes may be based on more or less objective factors (e.g. lack of IT skills) or on stereotypes about the weakness (and strengths) of older workers.

Age discrimination is still a challenge

Age discrimination and negative employer attitudes towards older workers remain major obstacles to longer working lives in all OECD countries. By restricting the available pool of experience and talent in the production process, discrimination also acts as a break on productivity and economic growth and reduces well-being for younger and older generations alike. Perceived discrimination may influence employment outcomes not only through hiring decisions but also because discriminatory barriers can lead older workers to restrict their job search (e.g. by focussing on poor-quality jobs only) or to stop searching for employment altogether. Young people may also suffer obstacles in finding jobs or obtaining promotions because they are perceived as inexperienced or unreliable irrespective of their actual talents.

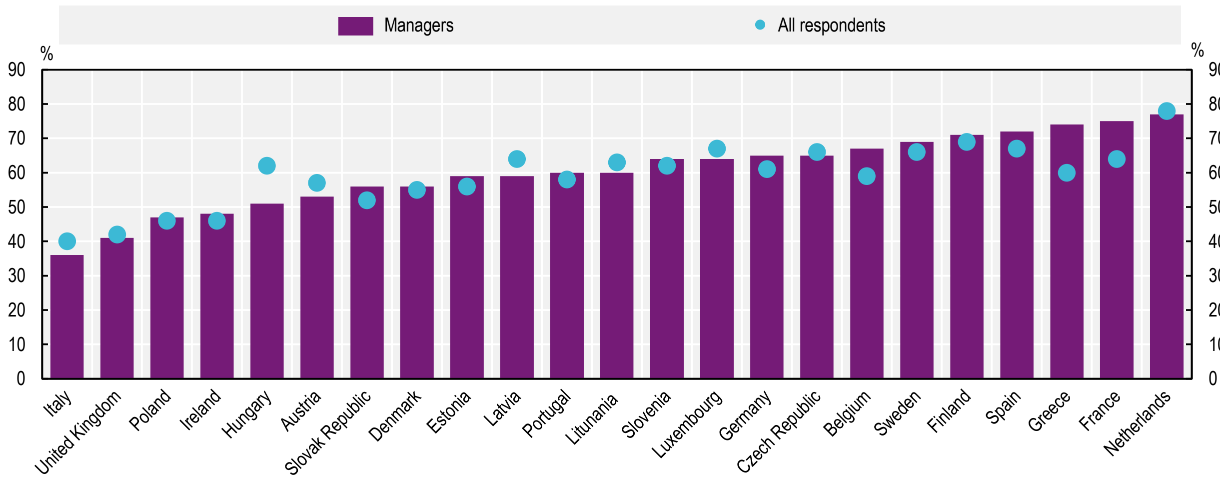
Age discrimination is banned by legislation in virtually all OECD countries. Yet, perceptions of age discrimination remain very common. In the European Union, a 2015 survey showed that 60% of respondents, including managers (Figure 4.2), think that an older age is a factor that puts job applicants at a disadvantage (Eurobarometer, 2015[1]). In the same year, 27% of Australian employees aged 49 and above reported having actually experienced age discrimination in the workplace within the last two years, and 11% of managers reported taking age into account when deciding whether to offer employees access to training opportunities (Australian Human Right Commission, 2015[2]). A US survey in late 2017 reported that nearly 2 out of 3 workers aged 45 and older have seen or experienced age discrimination on the job (AARP Value of Experience survey).

There is also evidence in emerging economies of ageism in hiring decisions. A study of managers in Brazil shows that a significant share of them prefer hiring a younger worker even when an older worker was described as more productive (Rego et al., 2018[3]). Implicit biases against hiring older workers are also likely to be pervasive among other emerging G20 countries, such as India and Indonesia, where legislation to address age discrimination explicitly is lacking. Indeed, in Indonesia, almost all job vacancies specify upper age limits (Awaliyah et al., 2017[4]).

Most OECD countries have launched a number of *ad hoc* pro-active initiatives to change employer attitudes towards older workers. These include legislation, awareness campaigns, development of “tool kits”, promotion of best practices, and consultation and co-operation with the social partners (Sonnet et al., 2014[5]). Nevertheless, in general in OECD countries, the effectiveness of laws against age discrimination in the workplace is hampered by difficulties in proving that discrimination takes place, as well as cost and procedural barriers to bringing a case before courts.

Figure 4.2. Older age, a factor that puts job applicants at a disadvantage

Percentage of respondents indicating that older job applicants may be disadvantaged, 2015



Note: Percentage of all respondents and of managers answering "Being over 55 years old " to this question: "When a company wants to hire someone and has the choice between two candidates with equal skills and qualifications, which of the following criteria may, in your opinion, put one candidate at a disadvantage?" The following criteria are: Ethnic origin, Gender, Sexual orientation, Being over 55 years old, Being under 30 years old, Religion or beliefs and Disability or Gender identity. Multiple answers are possible.
Source: Eurobarometer (2015), Discrimination in the EU in 2015.

StatLink https://doi.org/10.1787/888933991451

Better enforcement, paired with concrete measures to tackle age discrimination in hiring, can help to reduce ageism biases

Although legislation cannot eradicate all forms of age discrimination, a strong and a well-enforced anti-discrimination framework can put a stop to the more overt forms of discrimination such as age limits in job-vacancy announcements. Such a pattern has been documented in the United States, for instance (Neumark and Song, 2011[6]).

Beyond anti-discrimination legislation, a handful of countries have implemented targeted measures that might help lower the barriers to hiring older workers. For instance, in the Netherlands, through the initiative "Vacancies for all ages" classified ads for job vacancies placed in newspapers and on the Internet are screened for age discrimination. At the same time, employers responsible for placing offending classifieds receive a letter explaining why that particular notice is discriminatory, and receive information about equal treatment legislation. According to the Equal Treatment Commission, the number of unlawful ads has declined since its inception in 2005 (OECD, 2014[7]). In Poland, some firms use the logo "50+ friendly" in their job offers to attract older workers.

Recent evidence suggests that data analytics and machine learning might help overcome the ageism bias in hiring. For example, under the "skills-based" recruitment method used by the French Public Employment Service (Pôle emploi) candidates are selected for employer interviews based on aptitude tests and without regard to age or previously held employment (Sonnet et al., 2014[5]). Indeed, placing more weight on test scores reduces the influence of human bias or mistakes, but it may also mean forgoing valuable private information from a job seeker's former manager. This illustrates that trade-offs can arise, that solutions are unlikely to be simple, and that tackling discrimination requires sustained and multi-pronged efforts (Hoffman, Kahn and Li, 2015[8]; Cowgill et al., 2017[9]).

A careful review of age-specific labour-market regulations or social policy legislation is also required. For instance, several countries have either abolished mandatory retirement ages as a valid reason for terminating labour contracts (Australia, Canada, the United Kingdom and the United States along with two EU countries, Denmark and Poland), or have raised the applicable age limits.

Getting rid of mandatory retirement altogether is not without controversy. In particular, employers often argue that their businesses could not be run as efficiently without mandatory retirement practices. As it is difficult to objectively measure the performance of older workers, mandatory retirement provides an easy mechanism to dismiss less productive workers. Ultimately, it comes down to a point of fairness. Why should someone still performing well be forcibly retired just because of age?

Measures to better align age profiles of wage and productivity in collective bargaining agreements would increase demand for older workers

Ageism in hiring decisions can arise from a perceived or actual gap between the cost of employing older workers and their productivity. In many OECD countries, there are concerns that seniority-based pay schemes (where wages rise as a function of seniority rather than actual performance) create a barrier to continuing to work at an older age (Frimmel et al., 2015[10]). Across OECD countries, there is a negative relationship between the age-wage premium and the job retention rate of older workers (Figure 4.3).

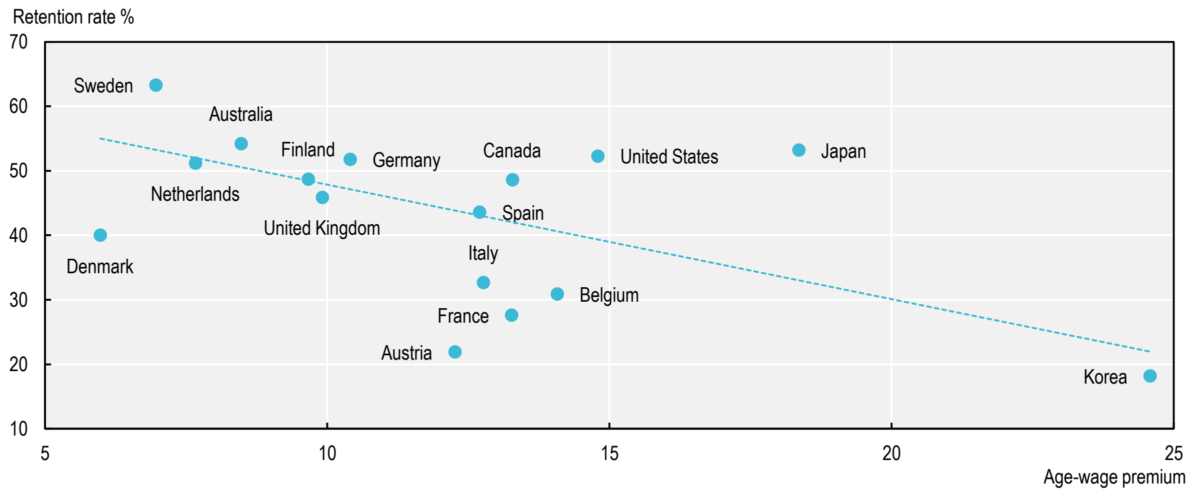
Employment practices should be more age-neutral and negotiations between the social partners over pay and working conditions should seek to make links with age or length of service less automatic and place more emphasis on actual skills and productivity.

In many OECD countries, the importance of seniority in formal wage-setting processes has diminished significantly in recent decades. For example, collective bargaining agreements in Germany no longer feature binding clauses on seniority-based wage progression. Yet, seniority wages remain deeply embedded in firms' wage-setting practices in Korea and Japan. Low mandatory retirement ages are therefore attractive for employers in both countries and few older workers are retained in their existing jobs beyond ages 55 or 60 (OECD, 2018[11]; OECD, 2018[12]). Many older Koreans and Japanese workers experience a sharp decline in their earnings and job quality following transitions out of their career jobs, with negative implications for their job satisfaction and productivity.

Levers for action available to public authorities in terms of fixing wages that better match the costs of employing (older) workers with their productivity are however limited, as wage policy is determined primarily by the social partners. Nevertheless, public authorities can give an example in public-sector wage-setting arrangements by introducing performance pay and limiting automatic rises in salary with tenure and therefore encourage the social partners in the private sector to follow their example. In Hungary, for example, even though in the public sector the principle of seniority continues to exist, newly established career schemes emphasise personal competencies and efficiency rather than age, time served or wage progression. In Japan, the Japanese Ministry of Health, Labour and Welfare (MHLW) seeks to influence wage setting more directly in the private sector by providing subsidies to help Small and Medium-sized Enterprises (SMEs) incorporate worker performance and ability into their wage and personnel systems.

Figure 4.3. Seniority wages may harm retention

Age-wage premium and retention rate, 2012



Note: The wage premium indicates the effects of age and tenure on wages. The retention rate is defined as the number of employees aged 60-64 with job tenure of 5-years or more as a percentage of all employees aged 55 59 5-years previously (and 4-years previously for the United States). The age-wage premium is wage growth between the ages of 40-49 and 50-59.
Source: OECD (2018[12]), *Working Better with Age: Japan,* Figure 2.3, https://doi.org/10.1787/9789264201996-en.

StatLink https://doi.org/10.1787/888933991470

Employment protection legislation is another area that, while intended to safeguard the interests of workers, can harm the labour-market prospects of under-represented groups in particular, including of older workers (OECD, 2013[13]). Overly strict labour-market regulations can undermine employers' willingness to hire older workers and encourage them to make use of mandatory retirement and early-retirement provisions as a means for ending longer-term employment contracts that may be legally difficult to terminate, especially in large firms where unions have stronger presence. Almost no OECD country has explicit age-specific employment protection measures, except Poland, Netherlands and Sweden[1]. In Poland, special employment protection rules are intended to limit the layoff of older workers with less than four years remaining until retirement age. According to (Krynska, 2013[14]) employers refrain from recruiting people who are about to be "protected" by this regulation.

However, in almost half of the OECD countries, laying off older workers can be administratively more complex (e.g. because notice periods increase with tenure) or create significant additional costs for employers in the form of higher severance pay. Generous entitlements to severance pay for long-tenure workers can reduce mobility and prevent transitions to better jobs at all career stages (OECD, 2006[15]). In turn, locking workers into jobs with reduced mobility is incompatible with multi-stage working-life models that would be well suited for aligning employment patterns to the labour-market opportunities brought about by longer life expectancy. In addition, employers may face additional implicit costs for employing older workers because labour market regulations or collective agreements may place constraints on the types of jobs they can do (e.g. limits on the amount of overtime or types of shift work).

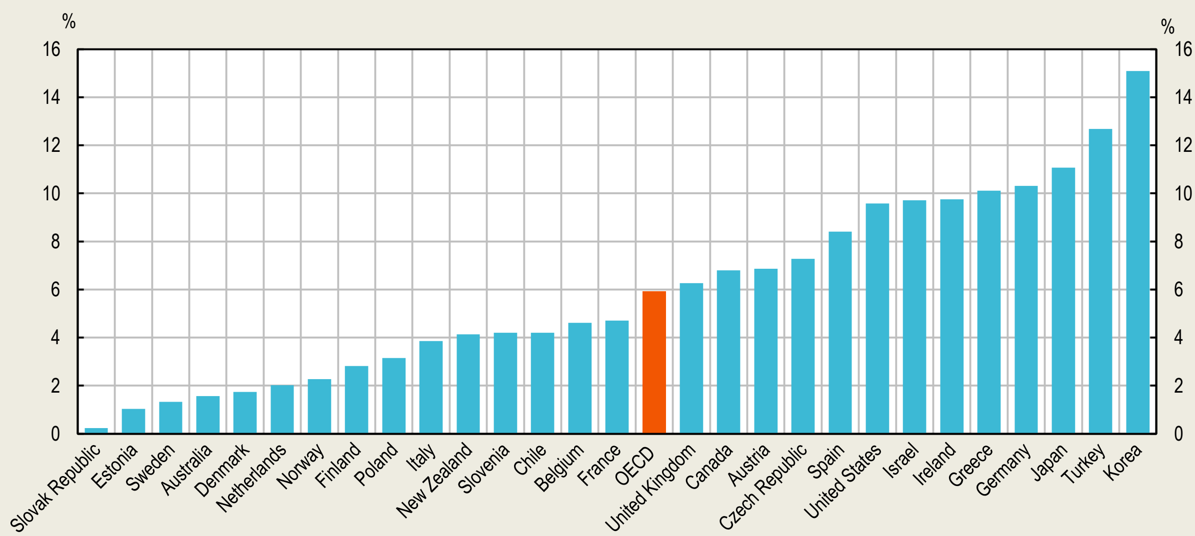
Several OECD countries have eased employment protection legislation for permanent contracts (e.g. France, Italy, Portugal and Spain) while seeking to strengthen income and (re-)employment support for workers who do become unemployed. Strengthening unemployment benefits and related support is also a prerequisite for successful reforms of severance payments in emerging economies, where they typically represent the main, and sometimes only, form of protection against job loss. Some OECD countries have sought to reform severance payments for instance by: i) reducing their amount (e.g. Italy and Portugal)[2]; or ii) turning them into so-called "transition allowances" with a specific focus on supporting job mobility (e.g. the Netherlands). It is also important that workers receiving severance pay are encouraged to register with public (and private) employment services as soon as possible following job loss in order to receive prompt help in finding a new job.

Did you know?

On average in the OECD, ten additional years of job tenure (i.e. length of time spent in the job with the same employer) increase wages by nearly 6%. Tenure effects are particularly large in countries such as Korea, Turkey and Japan. Indeed, the strong tenure pay policies in these countries have been blamed on firm's policies or re-hiring workers by their previous employer when they reach mandatory retirement age to reduce labour costs.

Figure 4.4. Seniority wages remain dominant in many OECD countries

Predicted wage growth moving from 10 to 20 years of job tenure for individuals aged 50-60, 2011/12 or 2014/15



Note: Estimates were obtained from a cross-sectional regression of wages on tenure, squared tenure and controls for: gender, experience, years of education, literacy and numeracy skills, occupation, skill use at work, and educational status of the parents. The OECD is a weighted average and excludes Hungary, Iceland, Latvia, Lithuania, Luxembourg, Mexico, Portugal and Switzerland. Data for the United Kingdom refer to England and Northern Ireland and Belgium to Flanders.
Source: OECD (2018[12]) *Working Better with Age: Japan,* Figure 2.2, https://doi.org/10.1787/9789264201996-en.

StatLink https://doi.org/10.1787/888933991489

Pro-active age management policies can make older workers more productive and support their retention

It is not sufficient to ban discrimination on the basis of age, employers should be given guidance and greater encouragement to manage an age-diverse workforce in in an efficient way that allows all workers to stay longer in employment and maintain or increase their productivity. Studies carried out in past decades show that holistic age-management approaches, including work organisation, training, health measures, working time policies and other measures are particularly promising (Duell, 2015[16]). An example from the German car producer BMW is illustrative of the benefits of adopting such approaches. To address potential productivity declines due to the ageing structure of the firm, BMW heavily promoted health care and skill development alongside improvements in the workplace environment and more access to part-time. As a result, productivity increased by 7% in one year, erasing productivity differences with other plants with younger staff (Christoph L, F. Sting, 2010[17])

In spite of the well-documented benefits of age-management strategies, the level of implementation of these strategies varies greatly between OECD countries and the “knowing-doing gap” remains large. In particular, implementation of age-management strategies in SMEs remains weak. Even in large firms, where age-promotion policies are more dominant; the measures that are implemented are rather selective (Muller-Carmen, 2009[18]).

A promising way to promote the implementation of age management in companies is to include it as a collective bargaining issue. In this way, employee and employer concerns can be tackled at the same time. Furthermore, it may oblige more companies to consider appropriate age-management strategies. For instance, in France, companies are required to develop an age-management action plan or to conclude collective agreements at the sector or enterprise level in order to keep older workers in employment. The action plans cover recruitment, career development, working conditions, training, knowledge-transfer and mentoring. However, the implementation of age-management measures remains weak (OECD, 2014[19]). Experience suggests that many of these initiatives require a well-functioning collaboration between firms, social partners and the Government to reap their full benefits (See Box 4.1 for details).

Box 4.1. Promoting age management strategies in collective agreements to keep older workers productive

Norway’s *Inclusive Workplace Agreement* (IA Agreement) which was introduced in 2001, is a central framework for tripartite co-operation between social partners and the government on age management (OECD, 2013[20]), encouraging companies to develop a more senior-friendly policy and implement special measures to retain older workers. The agreement has three goals: i) a 20% reduction in sick leave; ii) increased employment of people with reduced functional ability; and iii) extending the effective labour force exit age for an employee aged 50 by six months compared with 2009. Research, however, has found that the senior initiatives most commonly offered by Norwegian firms fail to produce the desired effects, as they provide benefits to workers who would continue working anyway. To be effective, it has been suggested that such initiatives need to be differentiated among occupations, sectors and industries (OECD, 2013[20]).

In 2008, the social partners in the ***German chemical industry***, signed a collective agreement “lifelong working time and demography”. The agreement covered training, skill development, work organisation and lifelong working-time models. The agreement obliged all companies to analyse their age structure as a starting point for company-specific age-management strategies. To finance measures such as gradual retirement schemes, health, training programmes and other schemes promoting a good work-life balance, demography funds were also set up, financed by firms with EUR 300 per staff member per year. The use of the funds is negotiated at the firm and workplace level with the works councils (Duell, 2015[16]).

Infographic 4.2. Innovative examples of age management approaches

In the **United States** the AARP Employer Pledge Program is a nationwide group of over 1,000 employers that stand with AARP in affirming the value of experienced workers and are committed to developing diverse organizations.

In **Finland**, the Finnish Social Partners have developed a guide to designing an age plan – the so-called life cycle - for employers that takes into consideration all age groups (not only older employees).

The Age Action Alliance is an interactive resource, offering guidance for managers on retaining, retraining and recruiting older workers in the **United Kingdom**

The Productive Ageing Package, Consultative Forum on Mature Age Participation in **Australia,** facilitated the sharing of information on good practices to support the development of age management strategies.

In **Japan**, the Ministry of Economy, Trade and Industry recognises 100 companies implementing diversity management, including many examples of age management.

In order to raise awareness of age management issues at the local and sector levels, social partners and Ministries have issued guidelines on dealing with age-related issues and developing age-management approaches in a number of countries. A common way of raising awareness at national, regional and local levels is the granting of awards or prizes for the implementation of age-management strategies. For example, in the United States, AARP, which is concerned with the living situation of Americans over 50, for several years granted the AARP Best Employers for Workers over 50 award, co-sponsored by the Society for Human Resource Management, a biennial programme that recognises employers with exemplary practices for recruiting and retaining mature workers. Today, AARP continues this work with its AARP Employer Pledge Program. The Pledge Program is a nationwide group of over 1 000 employers that stand with AARP in affirming the value of experienced workers and are committed to developing diverse organisations.

Some countries have also implemented programmes, such as the Consultative Forum on Mature Age Participation in Australia, and its more recent Collaborative Partnership on Mature Age Employment, to facilitate the sharing of information on good practices to support the development of age management strategies. An important component of these initiatives is representation from diverse social partners – that share best practices and recommendations for supporting older workers in the workforce. In the United Kingdom, the Department and Work and Pensions has developed the so-called Age Action Alliance employer toolkit which provides guidance for managers of older worker and how they can better manage their workforce.

Finally, policy approaches need to consider the diversity of the workforce and taking a life-cycle approach instead of focusing only on the integration of older workers. For instance, in Finland, social partners have long advocated the need for age and diversity action plans at firms. Such approaches have been identified as a key success factor for age-management programmes (see Box 4.2).

Box 4.2. Facilitating longer careers: The Finnish Job Life Cycle Model

Based on the social partners' agreement on the importance of extending working careers, the Finnish Social Partners have developed a guide to designing an age plan for employers that takes into consideration all age groups (not only older employees).

The plan emphasises seven key areas in a workplace age plan:

- Age management.
- Career-planning and extending careers.
- Managing competence and professional skills.
- Flexible working hours.
- Re-defining a job.
- Health assessment in the workplace.
- Promoting Healthy habits and life management.

Source: https://www.akava.fi/en/current_issues/current_themes/longer_careers_with_the_job_life_cycle_model.

Wage subsidies can promote re-employment if well targeted and carefully implemented

In many countries, wage subsidies continue to be a common instrument for offsetting any gaps between pay and productivity of older workers. For example, in the Netherlands, social security contributions can be reduced up to EUR 7 000 per year when recruiting a worker aged 50 or above (OECD, 2018[21]). In Poland, social security contributions can be reimbursed and wages subsidised up to 80% of the minimum wage for employing older workers (over 50 years old) who are eligible to early retirement, and up to 50% for older workers who are not eligible for early retirement.

A number of empirical studies have investigated how wage subsidies influence employers' hiring and employment decisions and whether the subsidies are likely to be efficient. Surveys and meta-analyses find that wage subsidies are generally effective in bringing the unemployed back to work (Card, Kluve and Weber, 2015[22]). However, these studies often do not consider older workers or only examine the situation of "pre-seniors" in the 45-54 age group.

In addition, most evaluations confirm that budgetary costs and deadweight effects can be large, suggesting that these programmes are frequently not cost-effective (Boockmann and Brändle, 2015[23]). To be effective, wage/hiring subsidies need to be well targeted at disadvantaged older workers, such as low-wage earners and jobseekers who have been unemployed for a long time, e.g. more than six months for the least skilled and more than a year for the others. For instance, the strict eligibility criteria and clear targeting of the Austria "Come Back" hiring subsidy (2/3 of wages) targets unemployed men aged 50 and over and unemployed women aged 45 and over. Evaluations confirm that this measure had the best effects for those from older age categories (45–54), in terms of funding period, unemployment time and income (European Union, 2014[24]). Nevertheless, it is likely to be even more cost effective if measures are in place to prevent older workers from becoming long-term unemployed after job loss (OECD, 2018[25]).

Some governmental measures are focused on preventing people from retiring early with in-work benefits or taxation systems which encourage individuals to work longer through financial gain. For example, in

2007, Sweden introduced two tax reductions for workers over 65 year olds with the aim of increasing incentives to work longer. Firstly, an employment-conditional tax credit was introduced for all workers, and this was made especially generous for people over 65. Secondly, employer´s social contributions for workers over 65 were reduced with roughly 16 percentage points. Due to its positive impact on the subsequent length of job retention, the credit has been extended several times (OECD, 2018[26]).

Start-up subsidies for the older unemployed may also be effective

In some OECD countries, counselling is provided for the older unemployed to make use of start-up incentives. For example, the Irish Senior Enterprise Initiative promotes entrepreneurship among 50+. This may be through starting a business, alone or with others, acquiring or investing in a business, advising an entrepreneur or supporting innovation within a business owned by another.

While few evaluations exist on the effectiveness of start-up incentives for older workers, this may be an effective measure. The *“OECD older workers scoreboard”* indicates that self-employment among older workers is quite high in a number of countries. There are several reasons for this. First, liberal professions and company owners may have a higher motivation to remain in employment. They are in general also not subject to (de facto) mandatory retirement. Second, former managers may be offered a consultant contract. More generally, self-employment may represent a possibility for the older unemployed to get a job, as many employers may prefer to engage older workers as contractors rather than as employees.

References

Australian Human Right Commission (2015), *National prevalence survey of age discrimination in the workplace*, http://www.humanrights.gov.au/publications (accessed on 18 February 2019). [2]

Awaliyah, S. et al. (2017), "Law Review on Age Discrimination for Job Seekers in Indonesia", *Journal of Law, Policy and Globalization*, Vol. 63. [4]

Boockmann, B. and T. Brändle (2015), *Integrating Older Employees into the Labour Market – Evidence from a German Labour Market Programme*, https://www.ifo.de/DocDL/dice-report-2015-3_Boockmann-Braendle.pdf (accessed on 9 August 2019). [23]

Card, D., J. Kluve and A. Weber (2015), "ACTIVE LABOUR MARKET POLICY EVALUATIONS: A META-ANALYSIS*", http://dx.doi.org/10.1111/j.1468-0297.2010.02387.x. [22]

Christoph L, F. Sting, N. (2010), "The Globe: How BMW Is Defusing the Demographic Time Bomb", https://hbr.org/2010/03/the-globe-how-bmw-is-defusing-the-demographic-time-bomb (accessed on 12 August 2019). [17]

Cowgill, B. et al. (2017), "Automating Judgement and Decisionmaking: Theory and Evidence from Résumé Screening", http://about.beyond.com/press/releases/20140520-National-Survey-Finds-College-Doesnt-Prepare- (accessed on 18 February 2019). [9]

Duell, N. (2015), "Local economic strategies for ageing labour markets: Management practices for productivity gains of older workers", *OECD Employment Policy Papers*, No. 11, OECD Publishing, Paris, https://dx.doi.org/10.1787/5jrnwqkwpxjj-en. [16]

Eurobarometer (2015), "Special Eurobarometer 437 DISCRIMINATION IN THE EU IN 2015 SUMMARY", http://dx.doi.org/10.2838/325154. [1]

European Union (2014), *Stimulating job demand: The design of effective hiring subsidies in Europe : 2014*, Directorate-General for Employment, Social Affairs and Inclusion (European Union), Luxembourg, http://dx.doi.org/10.2767/22824. [24]

Frimmel, W. et al. (2015), "Seniority Wages and the Role of Firms in Retirement", http://hdl.handle.net/10419/114065 (accessed on 24 May 2018). [10]

Hoffman, M., L. Kahn and D. Li (2015), *Discretion in Hiring*, National Bureau of Economic Research, Cambridge, MA, http://dx.doi.org/10.3386/w21709. [8]

Krynska, E. (2013), "Diagnosis of the Current Situation of Women and Men Aged 50+ on the Labour Market in Poland: Final Report", *University of Lodz.*. [14]

Muller-Carmen, M. (2009), "'Age Diversity at the Workplace: A Comparative Study on the Influence of National Institutions on Employers', Age Management Practices:", *Full Research Report, ESRC End of Award Report, RES-000-22-2219.* Swindon: ESRC. [18]

Neumark, D. and J. Song (2011), "NBER WORKING PAPER SERIES DO STRONGER AGE DISCRIMINATION LAWS MAKE SOCIAL SECURITY REFORMS MORE EFFECTIVE?", http://www.nber.org/papers/w17467 (accessed on 18 February 2019). [6]

OECD (2018), *Key policies to promote longer working lives, Country note 2007 to 2017, Netherlands*, https://www.oecd.org/els/emp/Netherlands%20key%20policies_Final.pdf (accessed on 19 July 2019). [21]

OECD (2018), “Key policies to promote longer working lives, Country note 2007 to 2017, Sweden,”, http://www.oecd.org/els/emp/Sweden_Key%20policies_Final.pdf (accessed on 11 September 2019). [26]

OECD (2018), *OECD Employment Outlook 2018*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2018-en. [25]

OECD (2018), *Working Better with Age: Japan*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264201996-en. [12]

OECD (2018), *Working Better with Age: Korea*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264208261-en. [11]

OECD (2014), *Ageing and Employment Policies: France 2014: Working Better with Age*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264207523-en. [19]

OECD (2014), *Ageing and Employment Policies: Netherlands 2014: Working Better with Age*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264208155-en. [7]

OECD (2013), *Ageing and Employment Policies: Norway 2013: Working Better with Age*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264201484-en. [20]

OECD (2013), *OECD Employment Outlook 2013*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2013-en. [13]

OECD (2006), *OECD Employment Outlook 2006: Boosting Jobs and Incomes*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2006-en. [15]

Rego, A. et al. (2018), “Brazilian managers’ ageism: a multiplex perspective”, *International Journal of Manpower*, Vol. 39/3, pp. 414-433, http://dx.doi.org/10.1108/ijm-09-2016-0167. [3]

Sonnet, A. et al. (2014), “Towards More Inclusive Ageing and Employment Policies: The Lessons from France, The Netherlands, Norway and Switzerland”, *De Economist*, Vol. 162, pp. 315-339, http://dx.doi.org/10.1007/s10645-014-9240-x. [5]

Note

[1] In the Netherlands and in Sweden the seniority rule is formulated as a ‘last-in- first-out’ (LIFO) principle.

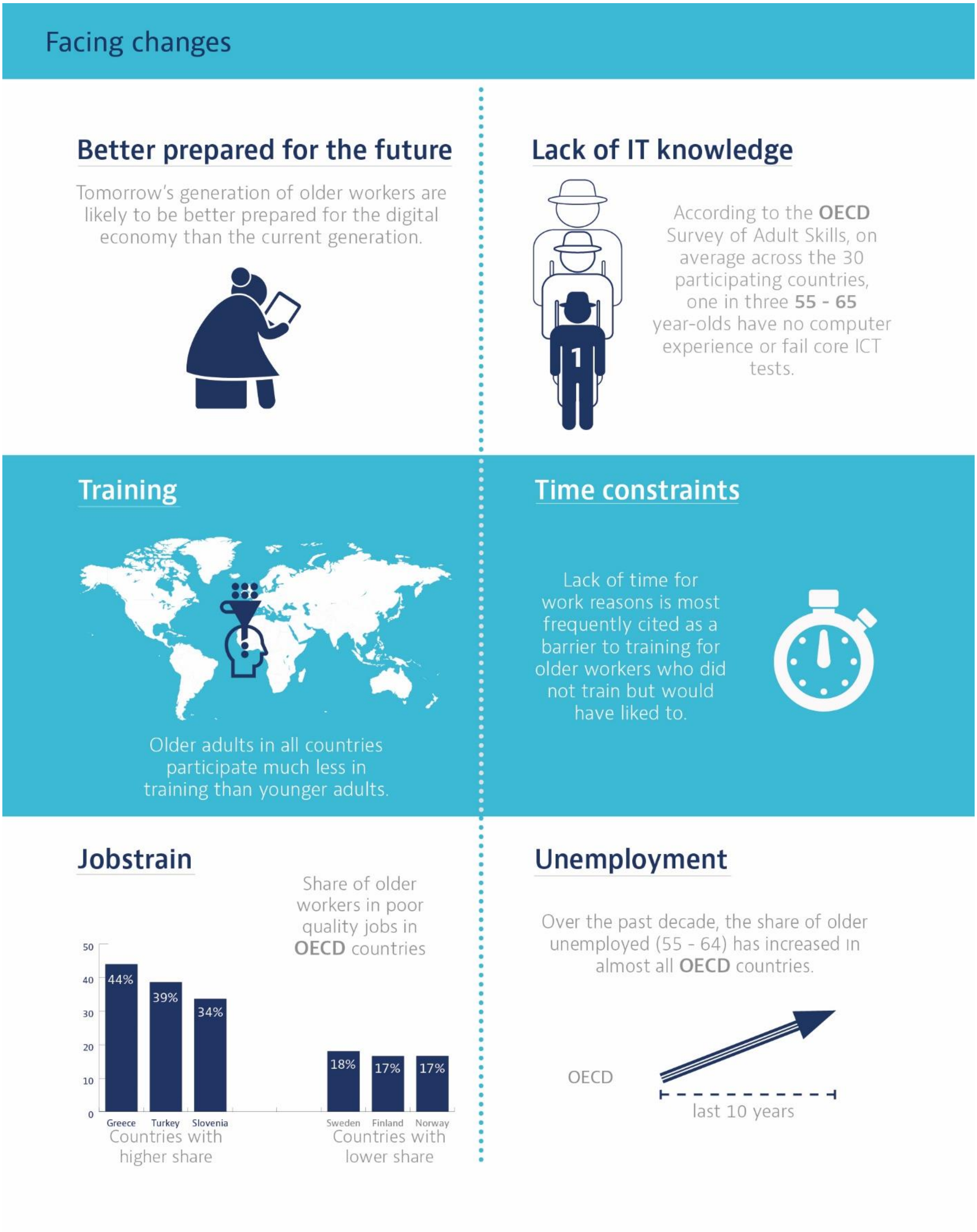
[2] In Italy, in 2004, the Jobs Act introduced a new standard employment contract in with a generally lower severance payment graduated by length of service.

5 Promoting employability throughout working lives

Many barriers deter people from working longer. Some are related to employers' willingness to retain and hire older workers (Chapter 4) but others affect older workers directly, which make it difficult for them to either stay in their existing job or find a new one. These include poor working conditions, limited training possibilities and interrupted careers earlier on in workers' lives. The best practice for strengthening employability and job opportunities at an older age is to provide equal opportunities for workers to continuously upgrade their skills, recognise skills acquired throughout working lives and improve working conditions at all ages. This prevention strategy should be the motto of a work culture promoting longer and better working lives.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Infographic 5.1. Employability throughout working lives



Key policy recommendations

Enhance participation in training by workers throughout their working lives by:

- Providing guidance services and ensuring that training is adjusted to reflect the experience and learning needs of workers at different ages, including strengthening access to work-based training for those in non-standard forms of work.
- Encouraging increased investment in skills development at mid-career and improving the attractiveness of training and its potential returns for older workers by adapting teaching and learning methods and content to their needs.

Provide effective employment assistance to jobseekers, irrespective of their age, but targeted at those groups most at risk of long-term joblessness while ensuring that older jobseekers have the same obligations as younger jobseekers for receiving unemployment benefits in terms of actively seeking a job, but also the same rights in terms of access to targeted re-employment services.

Improve working conditions through a broad-based strategy to enhance job quality for workers at all ages by: strengthening workplace safety and physical and mental health; reducing the incidence of hazardous and arduous work; and balancing professional and family responsibilities.

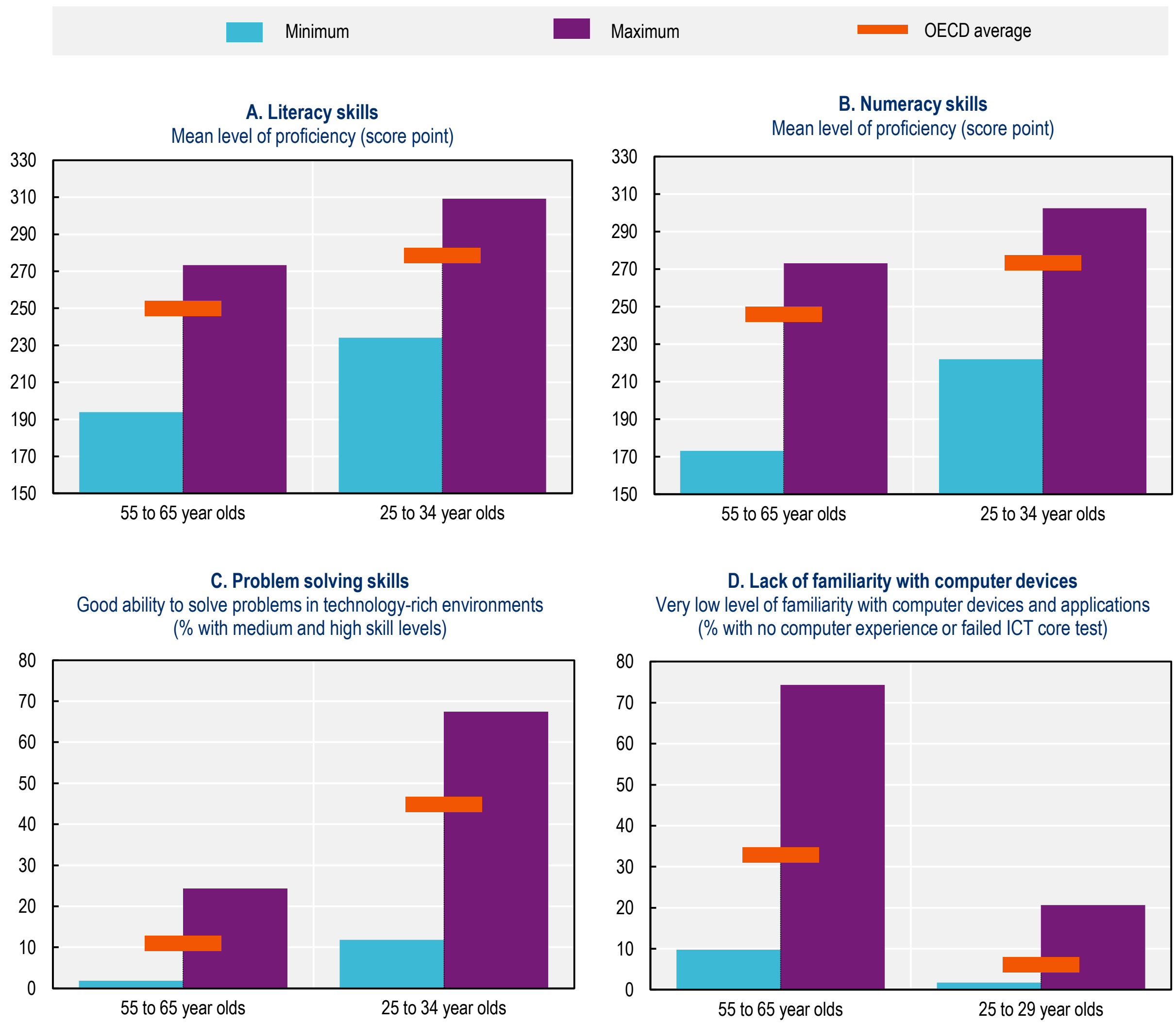
Promoting the employability of workers throughout their working lives is key to strengthening labour market opportunities at an older age. Older workers are a very diverse group; many do well in the labour market and are in good quality jobs, while others struggle to find and hold on to jobs, very often because their skills are insufficient or outdated. To make longer working careers possible, older people should have opportunities to develop the skills that are required in today's labour markets and to work in environments that enhance well-being, health and productivity. For those affected by job loss later in life, effective employment services are crucial to help them back into work.

Ensuring that older workers remain employable and productive requires a life cycle approach to prevent skill obsolescence and closing the age gap in digital technology proficiency

Jobs increasingly involve sophisticated tasks that require analysing and communicating information. The use of new digital technologies pervades all aspects of life. Hence, poor proficiency in information-processing skills not only restrains employment opportunities but also limits access to many services. More than ever, lifelong learning is of key importance for all workers in all kinds of jobs. Workers in low-technology sectors and those performing low-skilled tasks must learn to be adaptable, because they are at higher risk of losing their job, as routine tasks are increasingly performed by machines and companies may relocate to countries with lower labour costs. In high-technology sectors, workers need to update their competencies and keep pace with rapidly changing techniques.

Results from the OECD Survey of Adult Skills (PIAAC) suggest that older workers across the OECD are not well equipped to deal with changes in skill requirements brought about by technological progress and globalisation. Though many countries have made considerable progress in terms of boosting the numeracy and literacy skills of the younger generations, the average level of these skills often remains low for the older age groups. On average across the OECD area, older adults (55-65 year-olds) score around 30 score points lower in literacy and numeracy than 25-34 year-olds (Figure 5.1). Many older people also exhibit lower levels of digital readiness than their children and grandchildren. On average, a third of 55-to-65 year-olds have no computer experience or fail core ICT tests and only one in ten older workers were assessed as having medium to good skills in terms of problem-solving skills in a technology-rich environment (i.e. solving problems in a simulated internet environment).

Figure 5.1. Older workers are less well equipped to work effectively in a digital world



Note: OECD is an unweighted average of the 30 member countries in PIAAC rounds I and 2 and excludes France, Italy and Spain in Panels C and D.
Source: OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills, OECD Skills Studies*, OECD Publishing, Paris, https://doi.org/10.1787/9789264258051-en.

StatLink https://doi.org/10.1787/888933991508

Adult learning is important to improve and develop new skills

Workers who regularly maintain and upgrade their competencies throughout their working lives fare better in the labour market. Upskilling, reskilling, and a greater focus on lifelong learning will be especially critical to help older workers cope with rapidly evolving skill demands due to technological progress and globalisation. However, available data from OECD countries shows that older workers continue to receive less training than other population groups thereby compounding their disadvantage.

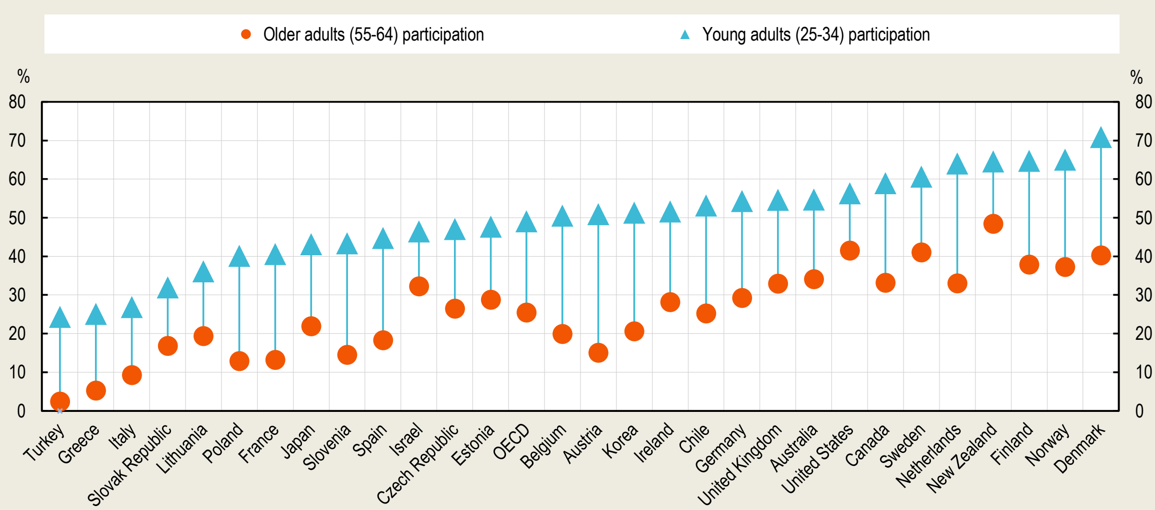
One key factor preventing older workers from closing the skill gap with younger employees lies in the fact that the employers usually do not see the benefits of investing in the training of their employees. Older people themselves may also see little value in training if they face poor prospects of remaining much longer in work. In addition, like other groups, lack of time is still the largest barrier, particularly so in Korea, Japan and Spain. In Japan, the inconvenience of training is also cited as a major barrier while cost appears to play a major role in the United States (OECD, 2019[1]).

Did you know?

Longer working lives should strengthen the willingness of firms to train older workers. Yet, older adults across the OECD participate far less in training than their younger counterparts. Large differences continue to persist even in some of the top performing OECD countries, including Germany Canada and France where they exceed 25 percentage points. They are the lowest in Israel, the Slovak Republic and the United States, where they are at or below 15 percentage points.

Figure 5.2. Older adults participate in training far less than younger adults

Share of young adults and older adults in job-related training, 2011/12 or 2014/15



Note: Year 2014/15 for Chile, Greece, Israel, New Zealand, Slovenia and Turkey. OECD is an unweighted average of the countries in the chart.
Source: OECD calculations based on the Survey of Adult Skills (PIAAC) (2012), http://www.oecd.org/skills/piaac/.

StatLink https://doi.org/10.1787/888933991527

To encourage employers to invest in training for older employees, some countries (e.g. Australia, Germany and the Netherlands) have embarked on initiatives to reduce the cost of training older workers relative to other employees (Box 5.1). At the same time, efforts on the side of firms need to be complemented by adequate mechanisms to increase the interest and motivation of older adults to invest in their skills. In this regard, targeted career advice and guidance services can help older adults understand the benefits of learning and make informed decisions about their investment in further skill development (Box 5.1).

Box 5.1. Policies to increase training participation among older adults

Career advice and guidance services targeted to older adults

- In mid-2019, **Australia** rolled out nationally the Career Transition Assistance program for job-seekers aged 45 and above, following a trial of the program in five regions. The program combines tailored career assistance and functional digital literacy training using different types of technology.
- In the **Netherlands**, workers aged 45 and more can participate in subsidised career development guidance (*Ontwikkeladvies*). These guidance activities help older workers understand the future prospects of their current job, and give insight into their skills profile and career opportunities. Participants develop a personal development plan that describes the actions that will be taken to ensure employment until retirement age.
- In **Korea**, Job Hope Centres offer re-employment services for vulnerable individuals aged 40 and over, including counselling and guidance services for older workers who need (re)training before starting their job search and often lack the basic ICT skills needed to use online services. Almost 30 000 people benefited from this programme in 2017 (OECD, 2018[2]).

Encouraging employers to train older workers

- In **Germany**, the public employment agency supports training of low-skilled and older workers in SMEs through the programme *WeGebAU*. SMEs receive a 75% subsidy to the training costs of workers aged 45 and older, while micro-enterprises (with less than 10 employees) receive a 100% subsidy. Evaluations of the programme find that it helps participants to increase their time spend in employment, although it has no effect on wages and the probability of receiving benefits later on (Dauth, 2017[3]).
- In **Slovenia**, the "Comprehensive Support for Companies for Active Ageing of Employees Programme" provides financial incentives for employers to prepare action plans and strategies for better management of older workers as well as financial incentives for older workers for upskilling (aged above 45). Capacity building workshops for Human Resource (HR) managers and Chief Executive Officers (CEOs) are organised to build their competencies for effective HR management of ageing workforce.

The key lessons from good-practice measures for training of workers approaching the end of their career also suggest that programmes designed along the lines of an apprenticeship concept – combining short classroom sessions with a firm-based approach – are more effective for older workers, as is informal, self-determined training with a clear focus on practical, relevant work issues (OECD, 2018[4]). However, apprenticeships have traditionally focused on younger adults and only recently have countries started to promote the access of older adults to apprenticeship schemes (e.g. in Australia, New Zealand and the United Kingdom, a substantial proportion of apprentices are older adults). With the introduction of New Zealand Apprenticeship, a programme introduced in 2014, all apprentices now enjoy the same level of government support, regardless of age.

Finally, to improve digital skills of older workers and prepare them for new forms of work, some countries have started to promote the development of their ICT skills. For example, in Greece since 2012, 50plus Hellas (https://www.50plus.gr) has been providing free ICT training to older people with the support of a national telecommunications company and local authorities. Other countries are promoting a broader approach to adapting the skills of older workers to changing skill needs. In Germany, the programme "Corporate Values People Matter" (UnternehmensWert Mensch) was initiated in 2014, funded by the European Social Fund and the Federal Ministry for Labour and Social Affairs. The programme's objective is to help SMEs develop future-oriented, employee-centred human resource management strategies with a particular focus on training measures to help workers prepare and adapt to the digital economy. The programme subsidises consultancy services for SMEs for up to 50% or 80% of these costs. On-site consultancies in a company may last about ten days. During its first two years, about 3 000 companies benefited from the programme, which included entrepreneurship education at schools, technical colleges and universities.

Identifying training needs and recognition of skills are particularly valuable for older workers

The continuous adoption of new technologies and forms of work organisation are changing the skills needed in jobs and hence opportunities to train are required at all stages of working lives. Training needs are also linked to changing jobs, functions or duties within the company. But training needs are not always explicitly identified either by employers or workers themselves. Mid-career reviews, where employers organise an assessment of workers in the workplace at a mid-point in their working life, are an important tool to ensure that workers' skills continue to match the job demands, or whether for mobility reasons a change in tasks or career is required. Good practice among companies starts with identifying skills needs through dialogue with employees, e.g. through regular dialogue about performance and mid-career interviews which take a more strategic view (Box 5.2).

Skills acquired on the job and outside the formal education system should also be better recognised and made visible. Reliable procedures are needed to assess and validate people’s skills and competencies, to make skills transparent to employers, and to establish a baseline for further learning. In case of job loss, this can help workers find a matching job. This is especially important for mid-career and older workers, whose initial qualifications may be outdated. Many of them have acquired new skills and competencies in various work experiences, but most often lack certificates to prove it. However, the procedures for skill recognition should be carefully designed so that they do not become so cumbersome and lengthy as to dissuade their use.

Several countries offer good examples: the Netherlands has an instrument to validate skills acquired on the job, the *Ervarings certificaat* (Experience Certificate). Finland launched a new adult VET programme in 2014 for low-qualified adults aged 30-50. Portugal, a country with a large share of low-skilled workers, launched the New Opportunities Initiative (INO) in 2005, which offers skills audit to all adults (Box 5.2). In addition, in Switzerland since 2018, the federal government published a new guideline on vocational education and training whereby all Cantons and professional organisations now have common guidelines for the accreditation of prior learning.

Box 5.2. Good-practice measures for identifying training needs and for skill recognition

Identifying training needs of mid-career and older workers

- In the **United Kingdom,** the use of mid-career plans around the age of 50 was promoted as part of a pilot project carried out from 2013-2015 by the National Institute of Adult Continuing Education (NIACE).
- In **France,** for the period 2009-2012, 18 industry-wide agreements were signed that contain career and skills development arrangements. Firms with more than 300 employees were under a three-year obligation to negotiate on forward-looking management of employment and proficiencies (called *gestion prévisionnelle de l'emploi et des compétences* (GPEC).

Assessing and validating skills and competencies

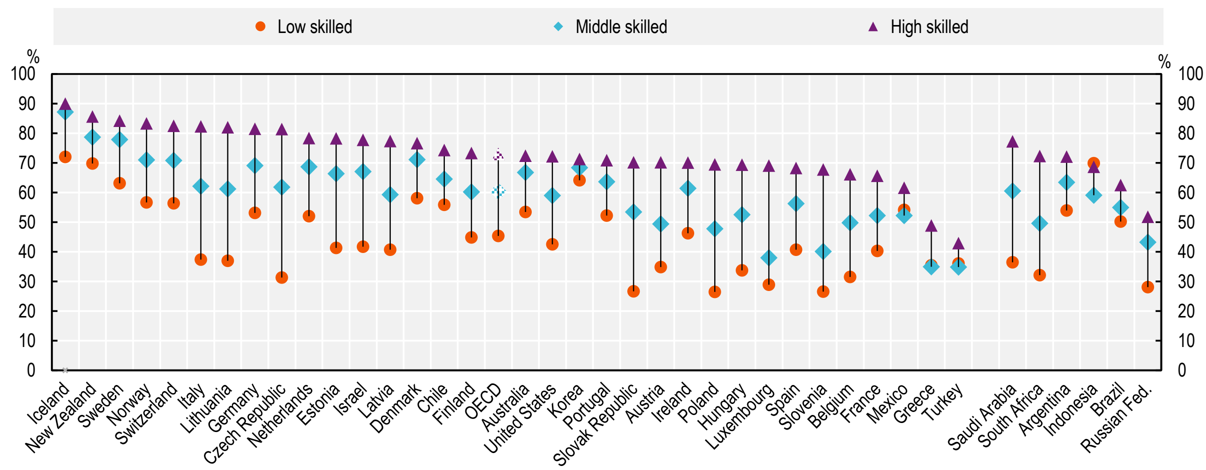
- In the **Netherlands,** the use of the *Ervaringscertificaat (Experience Certificate*) increased through campaigns (television, radio and billboards) the steady diffusion of a quality code for Accreditation of Prior Learning (APL), and the development of regional partnerships for lifelong learning. The Certificate is also included as part of collective labour agreements in several sectors and is paid for by a number of training and development funds.
- In **Finland,** the new adult VET programme is embedded in the system of Competence Based Qualifications, which recognises competencies acquired in a variety of ways and offers the possibility to complete a vocational upper secondary qualification, further vocational qualifications and specialist vocational qualifications as a competence-based qualification.
- In **Portugal**, the New Opportunities Initiative (INO) in 2005 offers skills audit to all adults and assists in education and training or in recognition and validation of competencies. Most participants in the programme were employed workers. Evaluations found that certification had a positive impact on income and employment but only when combined with training courses.

Promoting a good start to working life to increase employment rates

While the above measures can help narrow inequalities later in life, governments and employer and employee associations should take concerted action to overcome what may be more deeply entrenched problems. For instance, investment in early education and concentration of resources at an early age, especially disadvantaged children should be a top policy priority given education heavily influences older people's employment opportunities and improves their access to continuous training and to skills upgrading. The strong effect of educational background over the lifetime is illustrated by the employment rates of older workers, which average 44% for low-educated older workers and 70% for those with high education (Figure 5.3).

Figure 5.3. Low-educated older people fare less well in the labour market

Employment rates by skill level[1] for persons aged 55-64, 2017[2]



1. *Low skilled* refers to below upper secondary education, *Middle skilled* to upper secondary or postsecondary non-tertiary education and *High skilled* to tertiary education.
2. Data refer to 2011 for India, 2014 for Saudi Arabia, and 2015 for Brazil, Chile and the Russian Federation.
Source: *OECD Education at a Glance, 2018*, stats.oecd.org/wbos/default.aspx?datasetcode=EAG_NEAC.

StatLink https://doi.org/10.1787/888933991546

Promoting a good start for the youth in their working lives can also yield the double benefit of increasing employment rates and fighting life-long inequalities that build up early in life, resulting in old-age poverty decades later. This includes ensuring a smooth school-to-work transition by strengthening vocational education, and designing effective labour market policies to connect youths not in employment, education or training with jobs (Box 5.3).

Box 5.3. Starting well to finish well: Policy principles

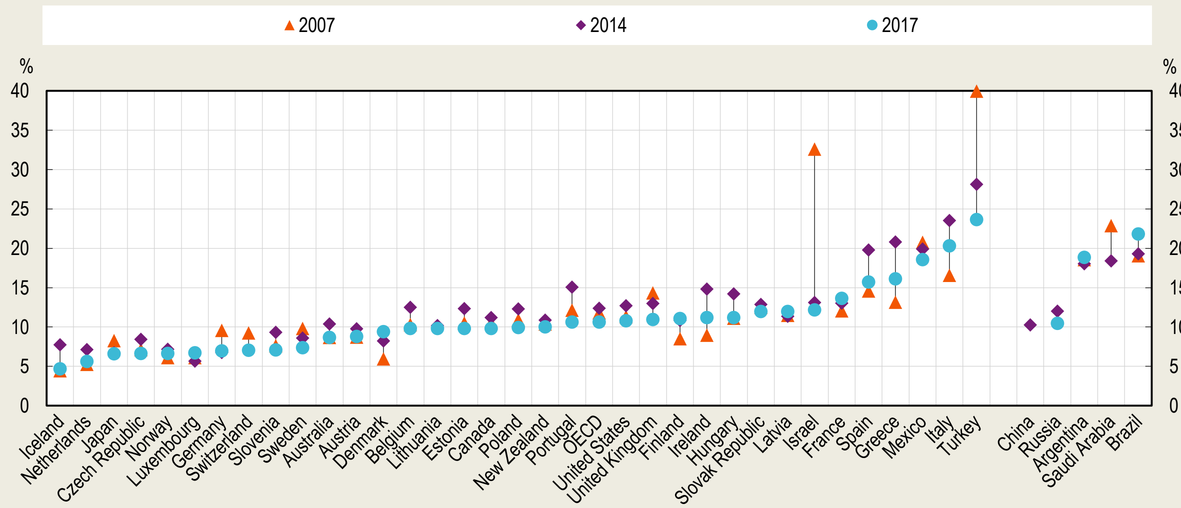
Many OECD and emerging economies face considerable challenges to ensure that young people are well integrated into the world of work. The global economic and financial crisis hit young people particularly hard, and even though labour markets have rebounded in all countries, employment rates for youth have been particularly slow to recover in a number of OECD countries.

Rising inequalities together with the changing nature of work mean that young people (i.e. the future elderly) will experience old age in much more varied ways than previous generations (OECD, 2017[5]). They are expected to live longer, but have been experiencing more unstable labour market conditions and widening inequalities in the distribution of earnings and household income. These growing disparities in labour market conditions could result in higher pensioner poverty in the future but also jeopardise longer and productive working lives.

The group of youth most at risk of failing to gain a solid foothold in the labour market or condemned to working in poor quality jobs are those who are Not in Employment or in Education and Training (the so-called NEET). Over the past decade, the share of NEET in the majority of OECD economies has remained stable. It fell sharply in Israel and Turkey but increased in Spain and Italy reflecting the severity of the recession in the latter two countries (Figure 5.4).

Figure 5.4. Many young people are out of work and out of school

Share of young people (aged 15-24) who are not in employment or in education and training (NEET)



Note: Data for 2014 refer to 2010 for China and for 2017 to 2015 for Brazil.
Source: *OECD Transition from school to work dataset*, http://stats.oecd.org//Index.aspx?QueryId=92102 and national labour force surveys for Argentina, India, Indonesia and Saudi Arabia and census data for China.

StatLink https://doi.org/10.1787/888933991565

In 2015, G20 Labour and Employment Ministers and Leaders pledged to reduce the share of young people who are at risk of being left permanent behind in the labour market by 15% by 2025, and agreed on a set of key policy principles (see below) to both increase skills of young people and provide them with better access to quality jobs (OECD/ILO, 2015[6]).

Improving the skills of youth

1. *Ensuring basic skills for all*
2. *Ensuring school completion*
3. *Providing greater choice in educational pathway*
4. *Promoting access to higher education*
5. *Bringing closer together the worlds of education and work*

Improving youth employment

6. *Strengthening job opportunity*
7. *Tackling unemployment*
8. *Avoiding prolonged periods out of wok*
9. *Improving job quality*

Improving job quality at both younger and older ages is a challenge for all OECD countries

There is now abundant evidence that poor or ill-adapted working environments can have a profound impact on workers' physical and mental health (OECD, 2014[7]). Work-related health problems can lead to prolonged periods of not working and, particularly among older workers, result in early and permanent withdrawal from the labour market. A good quality work environment is not only key for preventing work-related health problems with long-term consequences for workers' careers, but also for allowing people with health problems to return to work more quickly after illness and to remain economically active for longer (Arends, Prinz and Abma, 2017[8]). Therefore, the quality of the work environment is crucial for sustaining an effective labour supply over the life course.

According to the OECD *Job Quality Framework*, the quality of working conditions is higher for older workers than for younger workers. Nevertheless, more than one in four older workers experience job strain, i.e. high job demands relative to job resources. Working conditions are often ill-suited to the needs and capacities of older workers. Across the 28 EU countries, in 2015, 38% of older workers were exposed to physically unpleasant working conditions at least half of the time, somewhat less than in 2005 (43%) (Eurofound, 2015[9]).

Figure 5.5. Many older workers face high job strain

Job strain (high job demands relative to job resources) in OECD countries, 2015

Source: *OECD Job Quality Database*, http://stats.oecd.org/Index.aspx?DataSetCode=JOBQ.

StatLink https://doi.org/10.1787/888933991584

Data on working conditions for older workers is scarce in emerging economies but specific aspects of the working environment, as put forward in the OECD job quality framework, are generally of lower quality in emerging economies than in the OECD area. In particular, the incidence of very long working hours is frequently much higher. Likewise, the share of jobs with considerable job strain is much higher than the OECD average in Mexico, South Africa, Turkey and in the Russian Federation (OECD, 2014[10]). This may be deterring some older people from working longer and preventing some women, especially mothers, from entering employment at younger ages and pursuing longer work careers.

Strengthening workplace safety is especially important for workers with low socio-economic backgrounds as they are more like to be exposed to workplaces with poor working conditions. Health deteriorates as people age and workers with low socio-economic backgrounds have a higher chance of being in poor health, which can push them into retirement, resulting in both lower well-being for the individuals concerned and a loss of human capital for society. Early intervention is often the best way of preventing long-term dependence on benefits, particularly among older workers.

Toolkits and guidance material for companies with a focus on older workers provide a cost-effective way to help employees mitigate the effects of bad working conditions. The European Agency for Safety and Health at Work (EU-OSHA) E-guide “Health and safety at work is everybody’s business” prepared by EU-OSHA Europe is a practical tool to help employers and workers manage OSH in the context of an ageing workforce. The E-guide offers simple explanations of the issues, along with practical examples of how to deal with risks relating to ageing and how to make sure that all workers stay safe and healthy in the long term, as well as links to further resources.

Countries have taken a range of measures to ensure a more joined-up approach to improving health at work through a range of preventative measures such as obligatory psychosocial risk assessment of working practices or the use of financial incentives to improve working conditions such as experience-rating of insurance premiums to cover their workers for work-related accidents and illness (Box 5.4).

At the same time, countries are increasingly shifting their focus towards improving working conditions and to facilitate career mobility so that people can move out of arduous occupations more easily. This includes offers of retraining and alternative job opportunities (e.g. in Belgium and France) to ensure that workers do not get sick or develop longer-term disabilities on the job. The Swedish government has given the Swedish Work Environment Authority a mandate to develop special measures to prevent forced early workforce exit due to heavy workload or inappropriate working postures in the health sector.

Incorporating healthy ageing policies into the formal and the informal sectors remains a challenge in many emerging economies. Policy makers should consider prioritising worker security and the quality of their working environment through promoting health and safety standards and well-enforced labour regulations, and through effective social protection systems (unemployment compensation and social assistance programmes, health-care benefits and pension coverage) (OECD, 2014[10]). Finally, given the strong association between informality and low job quality, policies that successfully reduce informality will raise overall job quality (OECD, 2006[11]).

A key aspect of job quality is ensuring that workers can find a good balance between work and family responsibilities. This not only affects the well-being of workers but also their decision to continue working or to take up work, especially for women. Flexible working time arrangements to combine work and care-giving are becoming more frequent. In Canada, under the Employment Relations (Flexible Working Arrangements) Amendment Act of 2007 all employees with caring responsibilities have the right to request flexible working arrangements. Since 2015 in England, the Care Act 2014 places new duties on local authorities to assess and support adult carers to maintain or re-enter employment and training, for example by helping to ensure that the person they care for is looked after while they are at work. These measures can help fight inequalities among older workers, in particular women, triggered by long-term care needs of family members and often resulting in employment, earnings and pension losses for the carers.

Box 5.4. Prevention and early intervention strategies to improve health at work

- In **Japan**, with the amendment of the Occupational Safety and Health Act of 2014, a new "Stress Check System" was mandated in firms with more than 50 employees from December 2015. The purpose of the system is to: i) decrease the risk of mental health problems in workers through periodic surveys and feedback; ii) decrease work-related stressors by analysing stress survey results and improving the work environment; and iii) prevent mental health problems by screening for high-risk workers and providing them with opportunities for interviews with a physician.
- In **Denmark**, the Working Environment Act includes 24 sector- and job-specific guidance tools that describe in concrete terms both the risks of stress and psycho-social health problems in the workplace and the instruments that companies can use to address them. Inspectors from the Working Environment Authority have been trained to support employers in their obligations. Preliminary results suggest that employers appreciate the guidance tools.
- In the **United Kingdom,** the Department for Work and Pensions developed a specific initiative for providing small and medium-sized businesses with a greater capacity to deal effectively with health issues and sickness absence, e.g. through national occupational health advice services. These provide employers and employees in small and medium sized businesses with easy access to quality, professional, tailored advice on individual employee health issues, including mental health and well-being.

Helping older jobseekers is becoming increasingly important

Effectively extending working lives requires improving help to older workers to move quickly between jobs, so that later retirement age does not mean longer unemployment spells for older people, especially the lower-skilled.

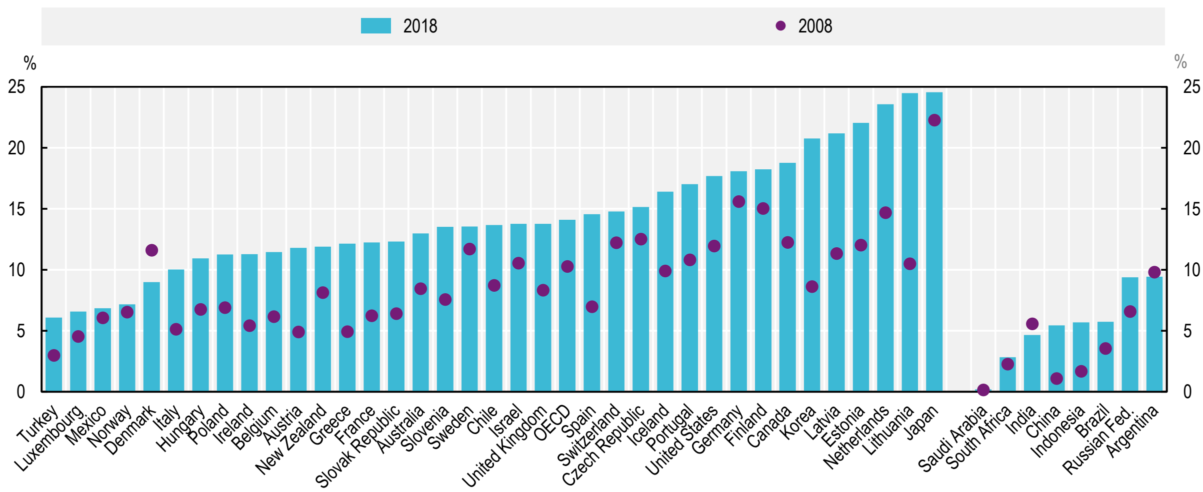
With older workers comprising an increasing share of total unemployment across OECD countries (Figure 5.6), active labour market policies (ALMPs) and activation strategies play a growing role in connecting older workers with the labour market and in maintaining or restoring their employability.

Recent evidence on the effectiveness of different types of active labour market programmes covering OECD and non-OECD countries highlights that specific types of ALMPs are more effective for some groups and in some contexts than in others, reinforcing the importance of tailoring the services offered to the circumstance of individual jobseekers, rather than to, say, different age groups. For instance, older displaced workers are confronted with specific barriers to re-employment such as obsolete skills and the absence of recent job-search experience. Alternatively, some older workers may be at a disadvantage due to increasing use of online platforms in recruitment and job application despite their history of stable employment and strong labour force attachment.

In recognition of the diverse circumstances of older jobseekers, some countries are making greater use of personalised action plans together with targeted group activities for older workers. For example, Germany emphasised intensive counselling for the older unemployed under its "Perspective 50 Plus" employment pacts for older workers in the regions, which ran from 2005 to 2015 (Box 5.5). In the Netherlands, counselling sessions targeted at older workers in self-help groups have been found useful in tackling social isolation and strengthening networking opportunities and job-search skills.

Figure 5.6. Older workers represent a large share of the unemployed

Share of unemployed persons 55 and over in total unemployed, 2008 and 2018



Note: Data for 2008 refer to 2000 for China and 2007 for Argentina and Saudi Arabia. Data for 2018 refer to 2010 for China, 2011-12 for India, 2016 for Saudi Arabia and 2017 for Argentina and Indonesia. OECD is a weighted average.
Source: *OECD Dataset on LFS by sex and age - indicators*, http://stats.oecd.org//Index.aspx?QueryId=64197. OECD estimates based on microdata of the Encuesta Permanente de Hogares (EPH) for Argentina and Labour Force Survey results published by the General Authority for Statistics for Saudi Arabia.

StatLink https://doi.org/10.1787/888933991603

Several countries have also announced reforms to further improve labour market integration of older workers. In Switzerland, as part of a pilot, older unemployed will be able to participate in education and employment measures even after they exhaust unemployment insurance. Moreover, access to measures will be expedited rather than being subject to a two-year waiting period as currently practiced. In Ireland, improving employment outcomes for older people will form an integral part of the new Pathways to Work, 2020-2024 strategy. The strategy, which is currently in the developmental stage, will prioritise cohorts who are distant from the labour market – including older workers – for employment programmes to ensure that all people share the benefits of an improved labour market context.

Redundancy may be particularly challenging for older people, whose skills may be obsolete and who may need intensive re-training and guidance to be able to find a new job. In Canada, the Targeted Initiative for Older Workers programme (TIOW) helped older job seekers to regain their place in the labour market and improve their employment prospects through a mix of group-based employment assistance services such as peer mentoring and counselling, skills upgrading and training, work placements, and self-employment assistance. In 2017, TIOW and other programmes were transferred to Canada's provinces and territories under the creation of the Workforce Development Agreements to allow them to provide employment assistance and skills training with the flexibility to respond to the diverse needs of their respective clients.

In a situation of scarce resources, it is crucial that funds for ALMPs are allocated to the most effective interventions. Profiling of jobseekers can help to ensure more tailored and effective interventions are taken to help them find employment (OECD, 2018[12]).

Box 5.5. Germany's Perspektive 50 Plus programme (2005-15)

In 2005, the Federal Ministry of Labour and Social Affairs launched and financed the Perspektive 50 Plus - Employment Pacts for Older Workers in the Regions. This programme ran from 2005 to 2015. It aimed to re-activate and integrate older workers (50+), predominantly those who are low- or semi-skilled and long-term unemployed, into employment. Furthermore, the programme worked to change the attitudes of employers as well as to identify and share best practices and innovative tools.

Local impact. About 77 regional employment pacts were set up with nearly all Jobcentres as partners as well as with a wide range of local stakeholders such as companies, chambers and various associations, trade unions, municipalities, training institutions, churches, and social service providers. Regional partners were able to adapt the programme to fit their regional and local needs, which is made possible through the rigorous simplification of administrative rules. The budget was free-to-use and Jobcentre counsellors had a great deal of discretion.

Services provided. Coaching, profiling, training in communication skills and job application training, job training, internships, and wage subsidies.

Evaluation. Evaluation of the first phase conducted in 2007 showed that the success of the programme rested on the combination of individualised counselling and coaching as well as on proactive outreach to employers. The most recent evaluation showed that placement results were better than in the case of more traditional approaches.

Limitations: i) the average age of the effectively activated and placed unemployed is relatively young (about 54 years with a peak at 51 years) and the share of people aged 60 and more represented only 3% of all participants placed in the regular labour market; and ii) the programme did not sufficiently raise awareness about more effectively coping with ageing. The new programmes launched in 2016 were targeted towards the (very) long-term unemployed, among whom many are older workers.

Source: OECD (2018[13]), *Ageing and Employment Policies: United States 2018: Working Better with Age and Fighting Unequal Ageing*, https://dx.doi.org/10.1787/9789264190115-en.

References

Arends, I., C. Prinz and F. Abma (2017), "Job quality, health and at-work productivity", *OECD Social, Employment and Migration Working Papers*, No. 195, OECD Publishing, Paris, https://dx.doi.org/10.1787/43ff6bdc-en. [8]

Dauth, C. (2017), "Weiterbildung Geringqualifizierter und beschäftigter älterer Arbeitnehmer in Unternehmen (WeGebAU)", in Möller, J. and U. Walwei (eds.), *Arbeitsmarkt kompakt*, Institut für Arbeitsmarkt- und Berufsforschung der Bundesagentur für Arbeit (IAB)/ Bertelsmann Verlag , Nürnberg/ Bielefeld, http://dx.doi.org/10.3278/300939w. [3]

Eurofound (2015), *First findings : sixth European working conditions survey*, Publications Office [of the European Union], https://www.eurofound.europa.eu/publications/resume/2015/working-conditions/first-findings-sixth-european-working-conditions-survey-resume (accessed on 9 August 2019). [9]

OECD (2019), *OECD Employment Outlook 2019: The Future of Work*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9ee00155-en. [1]

OECD (2018), *Ageing and Employment Policies: United States 2018: Working Better with Age and Fighting Unequal Ageing*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264190115-en. [13]

OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264308817-en. [4]

OECD (2018), *Profiling tools for early identification of jobseekers who need extra support*, http://www.oecd.org/employment/connecting-people-with-good-jobs.htm. [12]

OECD (2018), *Working Better with Age: Korea*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264208261-en. [2]

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264279087-en. [5]

OECD (2014), "How good is your job? Measuring and assessing job quality", in *OECD Employment Outlook 2014*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2014-6-en. [7]

OECD (2014), *OECD Employment Outlook 2014*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2014-en. [10]

OECD (2006), *Live Longer, Work Longer*, Ageing and Employment Policies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264035881-en. [11]

OECD/ILO (2015), *Setting objectives for achieving better youth employment outcomes*, http://g20.org.tr/wp-content/uploads/2015/11/Setting-Objectives-for-Better-Youth-Employment-Outcomes.pdf (accessed on 14 February 2019). [6]

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
ISBN 978-92-64-53705-7 – 2019

Ageing and Employment Policies

Working Better with Age

People today are living longer than ever before, but what is a boon for individuals can be challenging for societies. If nothing is done to change existing work and retirement patterns, the number of older inactive people who will need to be supported by each worker could rise by around 40% between 2018 and 2050 on average in the OECD area. This would put a brake on rising living standards as well as enormous pressure on younger generations who will be financing social protection systems. Improving employment prospects of older workers will be crucial. At the same time, taking a life-course approach will be necessary to avoid accumulation of individual disadvantages over work careers that discourage or prevent work at an older age. What can countries do to help? How can they give older people better work incentives and opportunities? This report provides a synthesis of the main challenges and policy recommendations together with a set of international best practices to foster employability, labour demand and incentives to work at an older age.

Consult this publication on line at ***https://doi.org/10.1787/c4d4f66a-en***.

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.
Visit ***www.oecd-ilibrary.org*** for more information.

OECD*publishing*
www.oecd.org/publishing

ISBN 978-92-64-53705-7

9 789264 537057