Ageing and Employment Policies

Retaining Talent at All Ages

OECD

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BETTER POLICIES FOR BETTER LIVES

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Foreword

Attracting and retaining talent at all ages is crucial for the success of businesses and our economies more generally. Excessive staff turnover is not only costly for employers but also for the workers involved, especially those with more experience, who may not always be able to fully use the skills they have acquired in another job. Indeed, earnings losses tend to be greater, and time out of work longer, for older workers who lose their jobs than for younger workers.

The unprecedented levels of labour shortages and recruitment difficulties that employers are experiencing in the recovery from the COVID-19 crisis only underline further the importance of taking further action to improve worker retention. This includes a mix of promoting better working conditions, greater investments in training, and tackling difficulties in reconciling work with health issues and caring responsibilities. Doing this is ever more important as millions of workers across the globe are demanding better quality and more meaningful jobs regardless of their age. According to the 2022 AARP Global Employee Survey in 12 countries, around 30% of workers switched to a new job due to low pay, lack of advancement in their career, and feeling undervalued in their former jobs.

This report presents evidence on recent international trends in job tenure and employee turnover, how they have changed due to the COVID-19 crisis and sheds light on why employees quit their jobs. It identifies key employer and public policies that can support increased employment retention through better working conditions, health at the workplace, and training and skills.

In the context of rapid population ageing and longer working lives, we can and must do better to ensure that the talents and skills of a multigenerational workforce are put to best use.

Acknowledgements

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Table of contents

FIGURES

INFOGRAPHICS

Executive summary

The deep and rapid changes in the world of work driven by the digital and green transformations as well as population ageing have been associated with greater job instability, with potential costs for companies, workers and society. Across the OECD, the average length of a job held by the same worker declined by around nine months between 2012 and 2019, and the decline has been felt across all age groups. This fall in job stability coincides with people changing jobs at a fast pace, sometimes at the highest rate seen in recent decades – one in five workers experience a change in their employment situation every year – and the rate of job change has increased in 24 out of 27 OECD countries for which data are available over time. Older people aged 55-64 do not switch jobs seamlessly – whether they quit or lose their job – they will often end up unemployed or will leave the labour market. Once out of work, they are far less likely to find a new job and more susceptible to large wage cuts upon hiring.

With more people working for longer, and in the context of current unprecedented labour and skill shortages, there is a pressing need to ensure that the talents and skills of a multigenerational workforce are put to best use, including through greater worker retention.

Stepping up pay and working conditions

Earnings quality as well as the quality of the working environment and labour market security are key components of job quality, and dissatisfaction with these can lead workers to quit their job. New evidence in this report shows that workers are less likely to quit higher-paying firms. On average across six countries for which there is available data, the quit rate is about 50% higher in firms in the bottom quintile of the firm-pay distribution compared with firms in the top quintile of the pay distribution. While firm wages depend critically on company choices and performance, institutional arrangements such as collective bargaining, minimum wages and labour taxation can play a role in ensuring that productivity gains are widely shared.

But it is more than money that can make jobs attractive. Based on evidence from the United Kingdom and Australia, the option to work at home on a regular basis is equivalent in value to workers to just over 20% of the average annual salary. Overall evidence suggests that work-schedule flexibility improves views of employees of different ages of their own work-life balance, and while flexibility will not work for all jobs, it can improve job satisfaction and employee retention. Unfortunately, according to the AARP's Global Employee Survey, mature workers have much less flexibility in their jobs (such as being able to work from home or flexible hours) and less flexibility to care for dependent adults. Currently, only 19 out of 35 OECD countries for which data is available provide paid caregiving leave for older adults. Moreover, there is often a stigma associated with using caregiving leave, which requires further action by firms and governments to improve the availability and take up of policies to support adult caregiving. Evidence suggests that flexible working arrangements are more likely to be successful when they are taken on as part of organisational strategy and used by senior staff.

Eliminating discrimination at the workplace is another key factor for retaining workers at all ages. Evidence shows that employees are often passed up for promotion or denied access to training because of age. Information campaigns as in Belgium and the Netherlands can prove effective in countering negative employer stereotypes.

Improving employee health pays off

Keeping older workers healthy and productive is a key policy goal. Ill-health is a key driver of labour market turnover; in 2019 20% of workers aged 35-44 left their job voluntarily because of poor health, compared to 25% of workers aged 50-64. In addition to premature labour market exit, health problems are also a key cause of sickness absence and presenteeism which if left untreated can have detrimental consequences for employees, employers and governments because of lost productivity and lower employee retention. On average, in 2019 the sickness absence rate was 1.3% among young workers, 2% among prime aged workers, and 3.2% among mature workers. Many large employers have put in place workplace health and wellbeing programmes but evidence suggests to be effective they must take a comprehensive and integrated approach to improve health and business outcomes. To support small and medium enterprise (SMEs), governments and social partners are strengthening occupational health services, as in the United Kingdom, developing national accreditation for health and well-being providers, and by creating certified recognition programmes for employers, as in Japan. Subsidies to encourage employers to invest in workplace health and well-being have also gained importance in recent years.

Policies aimed at preventing avoidable long-term sickness need to start early in life, for example by preventing obesity, smoking and harmful use of alcohol. Later in life, prevention campaigns in conjunction with government and employer policies such as paid sick leave can play a key role in supporting the recovering from ill-health and thus retention. Most OECD countries have a combination of employer-paid sick leave and sickness benefits for workers on sickness absence, except Japan and the United States. Evidence from Switzerland and the Netherlands shows that stronger employer-paid sick leave can provide greater employer incentives to prevent ill-health, support rehabilitation and return-to-work. Gradual return to work schemes following illness, as in Germany, can also be a win-win allowing workers to return sooner while preventing the loss of skills and experience. Similarly, making accommodations for workers with health conditions, such as changes to the physical working environment, working time arrangements, or workplace responsibilities, can play an important role in allowing workers with health issues to continue to work. In most OECD countries, employers are obliged to make adjustments for workers with disabilities, but this does not usually extend to workers experiencing sickness, illness or injury. In addition, more needs to be done to empower line managers to effectively manage sickness at the workplace.

Last but not least, spurred on by the rise in telework amidst the COVID-19 crisis, governments have initiated measures to deal with possible negative mental health impacts of the digital transformation of the workplace. For example France, Greece Italy, Luxembourg, the Slovak Republic and Spain, now have legislation in place giving workers the right to digitally disconnect.

Investing in workers skills and training

Employers across all industries need to invest in talent and skills development of workers. Persistent inequalities in the provision and take-up of training by age mean that older workers are frequently left without the right skills to flourish over longer working lives. Only 24% of adults aged 55 to 65 participate on average in job-related formal or non-formal training in the 12 months prior to being interviewed in the Survey of Adult Skills (PIAAC), compared to 41% of those aged 45 to 54. This is a major problem for firms as it leads to lower productivity and the loss of experience as older workers' skills become obsolete and they exit the workforce.

Good practice by employers includes regularly reviewing skills and work tasks to identify future training or development opportunities. In particular, high performance work practices (HPWP) such as work flexibility and autonomy, benefits such as bonuses, and performance management have proved to promote better skills use within workplaces and retention. But more is needed to raise awareness and dissemination of good practice. SMEs often experience severe shortages and lack the resources and information to provide training opportunities and thus need greater support to retain their talent. Governments and social partners can support the creation of learning and training networks to help bring down the per-worker costs of training. Competence centres as in Finland and the Netherlands have been successful in promoting digitisation and knowledge transfers to SMEs. Government can also help by targeting subsidies and vouchers for older workers and career guidance to improve training across all ages.

Key facts and figures

Retaining talent of all ages is a major challenge

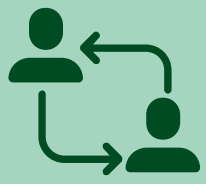
Average job tenure fell by about 8% (nine months) in the past decade (for workers aged 15-64).

Less than 50% of workers aged 55-59 will still be in the same job five years later. For workers aged 40-44, the share is more than 70%.

Older workers are more likely to leave the labour market than change job

6% of 55-64 year old workers exit the labour market every year compared with 3% of 30-54 year old workers.

4% of 55-64 year old workers change job every year compared with 8% of 30-54 year old workers.



This damages the business talent pipeline and ability of firms to reap the benefits of a multigenerational workforce.

Job quality is vital to retain staff

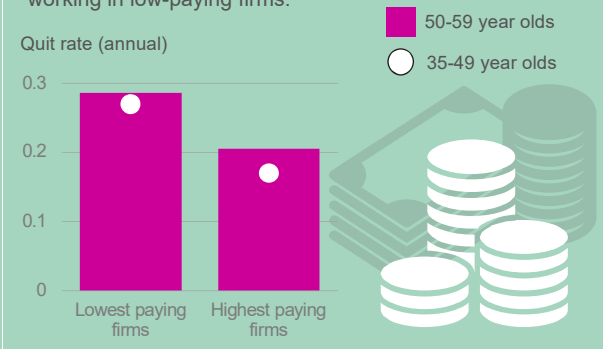
Top 3 reasons for workers leaving their job in the last five years (retired early: 50-64 years old, switched jobs: 25-64 years old)

%, across 12 surveyed countries

Employers and governments must do more to address the needs of an age-diverse workforce.

Low pay is a key driver of workers quitting their jobs

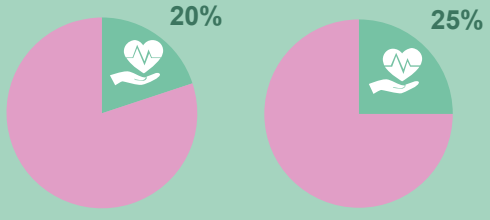
Older workers are 40% more likely to quit their job when working in low-paying firms.



Ill-health often pushes workers to quit their jobs

Many people who leave their job voluntarily do so because of poor health. This situation was made worse by COVID-19.

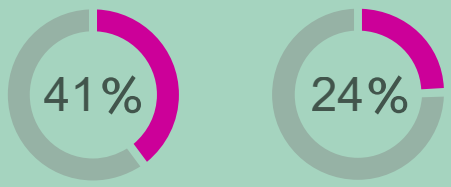
Workers who leave their job due to ill-health, as % of all workers who quit their job



It is crucial to develop and engage talent through lifelong learning

41% of workers aged 45-54 participate in job-related formal or non-formal training but this falls to 24% for older workers.

% of workers who participate in job-related training



1 Stay not leave: Retaining talent at all ages

Retaining talent of all ages is one of the most important challenges employers face in managing their workforce. This chapter provides an overview on why employee retention matters, and international comparisons of trends in job tenure and employee turnover in recent years and reasons for why workers quit jobs.

Key messages

Retaining multigenerational talent is crucial for firms and people to prosper amid rapid population ageing and unprecedented labour and skills shortages

- The share of 20-64 year-olds in the population is projected to fall from an average of 58% across OECD countries in 2021 to 53% in 2060, limiting the inflow of new talent into the labour market. Moreover, globalisation and technological change are resulting in leaks from the talent pipeline because of skill gaps and obsolescence.
- The COVID-19 crisis laid bare pre-existing skill shortages and during the recovery unprecedented labour shortages were recorded in many countries. In 2019, prior to the pandemic, about 55% of employers in a survey of more than 40 000 employers across all industry sectors in 40 countries were reporting talent shortages, by 2022 this had risen to 75%.

Employee turnover is a vital ingredient of a dynamic labour market but excessive turnover is costly for individuals, firms and society

- Job tenure is declining across the OECD. The average length of a job held by the same worker declined by around 8% (nine months) between 2012 and 2019, and the decline has been felt across all age groups.
- On average across the OECD, just over half of working 55-59 year-olds leave their employer by the time they are 60-64, compared to only about 30% of 40-44 year-olds who leave by the time they are 45-49.
- Falling job tenure coincides with people changing jobs more than ever before – one in five workers experience a change in their employment situation every year – and the rate of job change has increased in 24 out of 27 OECD countries for which data are available over time.
- For employers, excessive job turnover raises recruitment costs and hampers expansion and productivity gains in the face of labour shortages.
- For workers, job mobility can be important for career progression but when involuntary can result in a loss of firm-specific skills and difficulties in finding a new job, especially for older workers. Since 2013, mature workers (aged 55-64) have been more likely to leave a job and become unemployed or inactive (not searching for a job) compared with younger workers.
- Once unemployed, older people are more likely to stay out of work and for longer than their younger counterparts and leave the labour market prematurely. This has adverse implications for government revenues and expenditure.

Low wages, poor quality jobs and ill-health limit retention among workers of all ages

- The 2022 Global Employee Survey conducted by AARP in 12 countries shows that low pay (29%), feeling undervalued (27%), and a lack of advancement in their job (23%) were the top three reasons why people have started a new job in the last five years.
- Among those below the age of 65 who retired, 25% said it was because they were experiencing health problems.

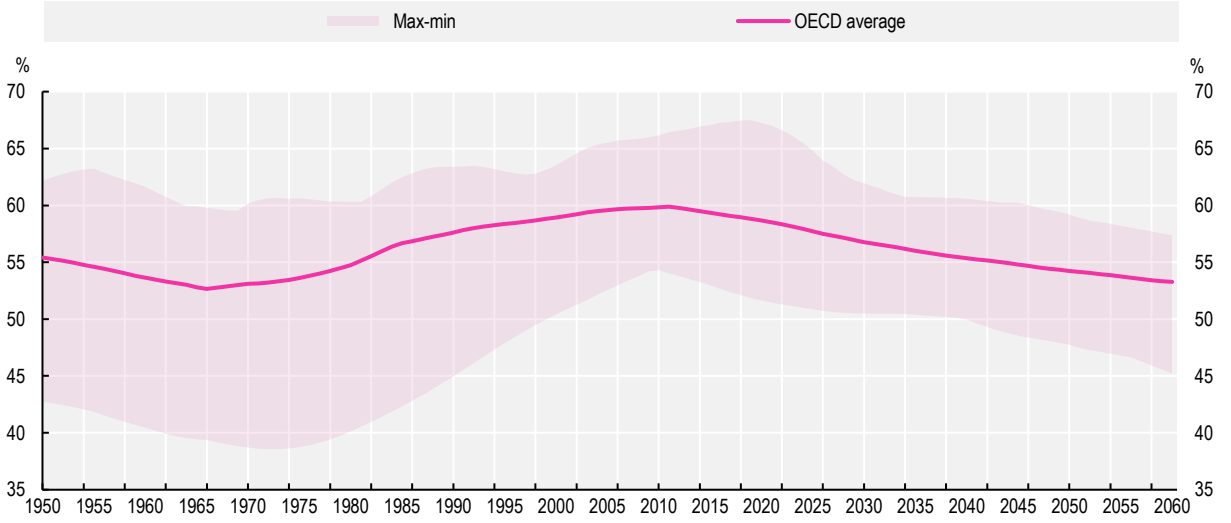
1.1. Retaining talent

1.1.1. Population ageing is limiting the talent pipeline

Growth in the labour force is now declining in many countries as lower fertility reduces inflows of young people into the labour force while outflows have increased because of the baby-boom generation reaching retirement (Bloom, Canning and Fink, 2010[1]). The population aged 20-64 – the prime working age population – as a share of the total population has been trending down on average across OECD countries since 2010. It has declined from an average of 60% in OECD countries in 2010 to 58% in 2021 and is projected to fall to 53% by 2060 (Figure 1.1).

Figure 1.1. Share of people at traditional working ages is declining for the first time in decades

Share of people aged 20-64 in the total population, average, maximum and minimum among OECD countries, 1950-2060



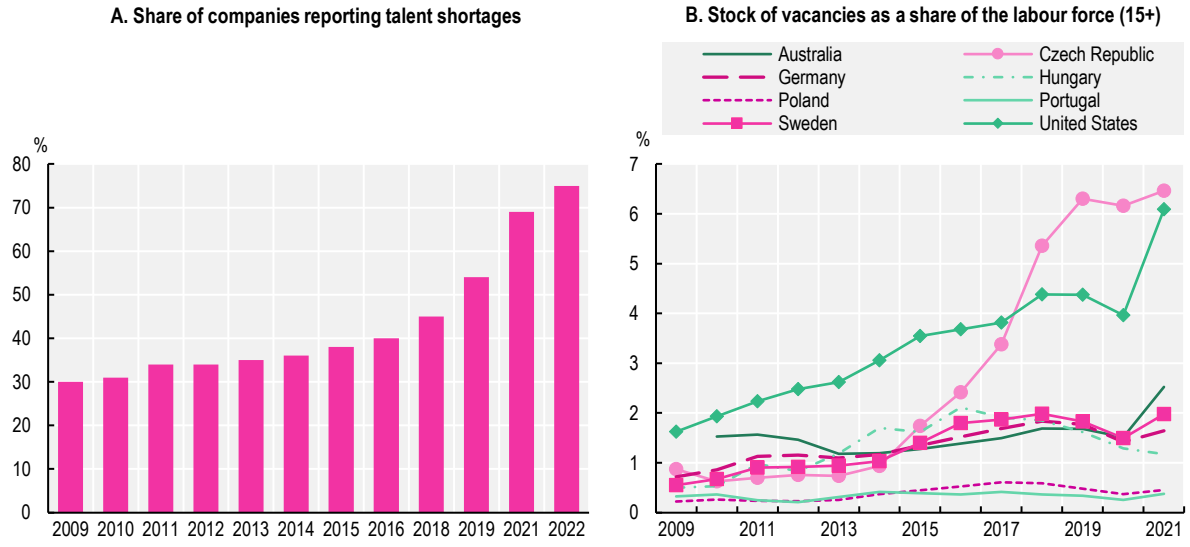
Note: The shaded area indicates the range between the country with the lowest and the country with the highest value. OECD is a weighted average.
Source: *OECD Population Projections Database*, http://stats.oecd.org//Index.aspx?QueryId=88954.

StatLink https://stat.link/jrisgy

1.1.2. Employers are facing unprecedented labour shortages in most countries and most sectors

The COVID-19 pandemic led to an unprecedented rise in labour shortages in many countries and companies, but shortages pre-date the pandemic. Labour shortages have been rising steadily since the Global Financial Crisis (Figure 1.2, Panel A). In 2019, prior to the pandemic, about 55% of employers in a survey of more than 40 000 employers across all industry sectors in 40 countries were reporting talent shortages, compared with 35% in 2013. Employers in Finland, Hungary, Slovenia, Sweden and the United States reported the largest increase in labour shortages in 2019 (Manpower Group, 2020[2]). Skilled trades, for example electricians and mechanics, sales and marketing, and technicians were at the top of the list of occupation groups that were scarce (Manpower Group, 2020[2]). Following the COVID-19 crisis, the share of employers reporting shortages rose to 69% in 2021, and as countries start to recover remains high at 75% in 2022. Health care professionals also entered the top ten most in-demand roles reflecting ageing populations and the growing need for health care. Unfilled vacancies have also grown considerably over the last decade, and particularly since the COVID-19 pandemic (Figure 1.2, Panel B).

Figure 1.2. Labour shortages had been rising before the COVID-19 crisis hit



Note: Panel A is based on more than 40 000 employers across all industry sectors in 40 countries and territories across the globe including 28 OECD countries, Argentina, Brazil, China, Guatemala, Hong Kong (China), India, Panama, Peru, Romania, Singapore, South Africa and Taiwan.
Source: Manpower Group (2020), *Closing the Skills Gap: What Workers Want, Talent Shortage 2020*, https://go.manpowergroup.com/hubfs/MPG_WhatWorkersWant_2020.pdf and https://go.manpowergroup.com/talent-shortage (Panel A) and the OECD dataset: Registered Unemployed and Job Vacancies (http://stats.oecd.org//Index.aspx?QueryId=96823) and OECD dataset LFS by sex and age, https://stats.oecd.org/Index.aspx?DataSetCode=LFS_D (Panel B).

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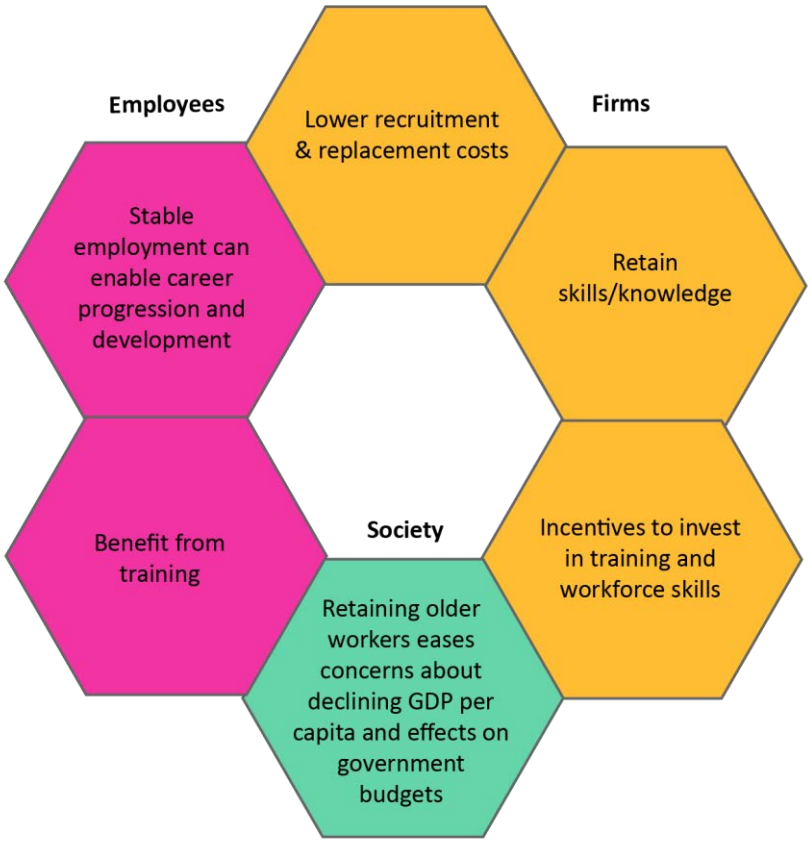
1.2. The benefits of employee retention

In this report, job tenure – the length of continuous time spent with the same employer – is used as a measure of job retention. Retention and labour turnover are key concepts for analysing the relationship between businesses and employees (Box 1.1). They are two sides of the same coin. Retention, measured at the firm level, tells companies how attractive their company is in holding onto talent, while turnover is a measure of the recruitment efforts that are needed because of employees leaving the company each year (voluntarily or involuntarily). Retention and turnover measure the strength of the attachment between employees and employers, and the extent to which they are too high or too low has implications for productivity, inequality and well-being. Some turnover is inevitable and desirable, but high or unwanted worker turnover ("excessive job turnover") can have serious consequences for business including higher staff costs, the loss of skills and experience, and the erosion of workplace diversity.

Labour turnover or mobility because of either changing jobs or moving in and out of the labour market is a normal part of how labour market's function. The flow of workers between firms and sectors over time facilitates adjustment to economic shocks (for example to product demand, technology, or costs) and structural change. This reallocation process is an important driver of productivity growth as workers move away from lower productivity firms towards higher productivity firms.[1] Job-to-job changes are the main component of labour turnover, and when voluntary can be a key driver of employee pay, and career progression (Topel and Ward, 1992[3]; Hahn, Hyatt and Janicki, 2021[4]). Job changes tend to be more frequent while young, and gradually decline over a workers' lifetime.

Although there are benefits associated with workers moving between jobs, there are also benefits to longer job tenure (Figure 1.3). The benefits of longer job tenure and the costs of labour turnover create a trade-off at the aggregate level between job stability and labour mobility. There is no optimal level of job stability or labour mobility, this depends on factors such as technology, firm size and social preferences.

Figure 1.3. The benefits of retention for employees, firms and society



1.2.1. Job stability helps boost productivity and inclusiveness

Excessive job turnover can hurt employees, businesses and society by adversely affecting productivity and inclusiveness. Productivity can be affected through multiple channels. Firms suffer from the loss of workers with job-specific skills and experience, disruption to the production or services they provide, and incur the costs of hiring and training new workers. The loss of key employees can have a particularly damaging impact in small and medium enterprises (SMEs), as departing workers may have particular skills or knowledge that are difficult to replace. At the firm level there is robust evidence that turnover can have a negative effect on productivity (Kuhn and Yu, 2021[5]).

Differences in the rate of retention of different groups within firms can erode workplace inclusiveness (Griffeth, 2000[6]) and lead to poorer overall organisational performance if particular groups, such as older workers, are less likely to be employed thereby depriving an organisation of critical knowledge. Certain groups of workers such as the low-skilled, people with poor health or disabilities, ethnic minorities, and older workers are less likely to be employed and have lower hiring rates (OECD, 2020[7]). This contributes to greater inequality in income and well-being within firms and in society at large.

If it is well managed, an age-diverse workforce can bring about several benefits, chief among them, improved productivity and lower turnover for companies and higher wages for workers. Greater age diversity in firms has been found to be associated with higher productivity and lower turnover (OECD, 2020[7]). Complementarities between workers of different ages can lead to higher productivity over and above that of the sum of individual workers' productivity. For example, older workers can provide advice to younger workers and can draw on firm-specific knowledge accumulated over time, while younger workers might bring knowledge of new technologies for example.

1.2.2. Hiring and other costs of staff turnover are high

As countries recover from the COVID-19 pandemic, firms are starting to rehire or replace workers, or hire workers with a different mix of skills in the context of a generally very tight labour markets (Domash and Summers, 2022[8]). The additional costs due to the pandemic induced disruption and labour market reallocation come on top of the already considerable time and effort that is required to recruit staff to fill vacancies or expand the workforce.

There are significant business costs to replacing employees which are typically larger in "thin" markets and when skills are specialised (Jäger and Heining, 2022[9]). Using German data on worker exits from approximately 34 000 small firms,[2] Jäger and Heining (2022[9]) estimate that the marginal replacement cost ranges between EUR 65 000 and EUR 84 000, or between 2.3 and 3 annual salaries of an incumbent.[3] These estimates are much higher than previous firm survey based estimates such as Manning (2011[10]). However, Jäger and Heining (2022[9]) argue that their estimates capture costs missed in firm surveys, including the higher costs of retaining incumbent employees who become more valuable because of co-worker turnover. They also capture the loss of firm-specific human capital acquisition that is not embedded in worker training, i.e. tacit knowledge that takes time to acquire. Finally, they include the costs of replacing incumbent workers where the match between worker and firm is very good – something that takes time to be revealed.

Employee turnover can also be contagious, which means that the spread of employee turnover through a workplace or work group can result in costs that exceed a single instance of turnover (Porter and Rigby, 2021[11]). Felps et al. (2017[12]) found that an employee's decision to voluntarily leave an organisation is influenced by the attitudes and behaviours of their co-workers. In particular, how well employees feel they fit in with their job and the community ("job embeddedness"), and the job search behaviour of co-workers were important predictors of voluntary quits.

1.2.3. Investment in training requires long-term relationships

Employees can benefit from stable employment as it allows opportunities for career advancement through training and the accumulation of valuable job or firm-specific skills. Yet investment by firms in innovation and employee training arguably requires long-term relationships. Firms invest in training programmes to enhance the human capital of employees with the aim of raising firm productivity and profitability. If turnover is unnecessarily high, firms will not capture the full benefits of this investment. Likewise, for workers, too many job changes and periods of unemployment may limit opportunities for such training, leading to losses in human capital and earnings potential.

If turnover is high, firms have an incentive to take advantage of the training investment of other firms and therefore under-invest in their own employees (Acemoglu, 1997[13]). This effect could depress overall training levels in the economy, thereby reducing productivity. This effect is more likely to be found in high turnover sectors where general training is more important than more advanced firm-specific training. Training can also encourage workers to leave through improving their skills and therefore their outside options, but it may also encourage them to stay by raising their pay and performance.

1.2.4. Reducing fiscal costs

An ageing society – by 2060 the number of people in OECD countries over the age of 80 is expected to reach 151 million, up from 68 million in 2022[4] – leads to concerns about declining GDP growth per capita as a result of the decline in the working age population (Maestas and Zissimopoulos, 2010[14]; Bloom, Canning and Fink, 2010[1]) and has implications for public finances in the face of rising pension and health costs (Aksoy et al., 2019[15]; Cooley and Henriksen, 2018[16]). By supporting longer working lives – where possible – and boosting the retention and productivity of older workers, governments can help ameliorate the possible negative effects of population ageing and longevity on economic growth and government

budgets. However, working longer is not necessarily possible for all workers in the absence of improvements to job quality and health.

Older people who are displaced or voluntarily leave the labour market often struggle to find jobs and face much larger earning losses relative to younger workers if they do re-enter employment (OECD, 2018[17]). This has direct fiscal implications for governments from increased social welfare payments and reduced income tax receipts. The health status of older workers who leave the labour market prematurely often declines, with an increase in the incidence of depression, alcohol-related conditions and higher mortality, which also affects government budgets (OECD, 2018[17]).

1.3. A steady job? Who stays in the same job and for how long?

This section looks at pre-pandemic (up until 2019) trends in average job tenure across OECD countries for which there is available data. At the beginning of 2023 it is not yet clear whether the pandemic has had a temporary or permanent impact on trend changes in tenure and turnover.

Box 1.1. Data sources and key definitions

Data sources: Job tenure is measured as the length of time an employee or self-employed worker has spent working for the same employer. This question is asked in the European Union Labour Force Survey (EU-LFS), the Household, Income and Labour Dynamics in Australia (HILDA) Survey, the Canadian Labour Force Survey, the Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS) Tenure Supplement. While it is common to refer to this as job tenure, it does not capture the fact that an employee could change jobs within the same business. In all data sources we are using data up to and including 2019.

Labour market transitions (such as job-to-job changes, hirings, and separations) are constructed based on individual level data in the EU-LFS survey, HILDA, KLIPS, and the CPS. These sources contain information about individual labour market status in the current year and retrospective information about individual labour market status in the previous year along with comprehensive socio-economic and work-related characteristics. The Canadian LFS does not contain retrospective information on employment status. In the EU-LFS and Australian HILDA it is also possible to distinguish between voluntary and involuntary reasons for leaving a job. This is not possible in the Korean KLIPS, Canadian LFS or the United States CPS. All transitions are expressed as a percentage of those employed in the initial period.

Age group definitions: Young refers to persons aged 15 to 29, prime-age to those aged 30 to 54 and mature/older to persons aged 55 to 64.

Employee retention: The proportion of all employees remaining with their employer for a specified period (e.g. one year or more).

Job tenure: The length of continuous time an employee has spent working at a particular business. This is derived from the above surveys in response to the question “How long have you been continuously employed by your current employer/continuously self-employed?” Although this question is based on length of time at an employer, it is common to refer to this as “job tenure”.

Employee turnover: The proportion of employees who leave an organisation over a particular period (usually one year), expressed as a percentage of the total workforce. (This is a firm-level definition). It includes those who leave voluntarily as well as involuntary separations (due to being fired, laid off etc.).

Labour market turnover: The sum of movements into and out of jobs over a particular period, expressed as a percentage of the total workforce. It is the sum of job-to-job transitions, hirings from non-employment, and separations to non-employment. (This is an economy wide definition).

Job-to-job transitions/hirings: Individuals who were employed in both the current and previous year, and who have been at the current employer less than 12 months.

Hirings from non-employment: Individuals who were employed in the current year and non-employed (inactive or unemployed) in the previous year.

Separations to unemployment: Individuals who were unemployed in the current year and employed in the previous year.

Separations to inactivity: Individuals who were inactive (not in the labour force) in the current year and employed in the previous year.

Voluntary separations: An employee chooses to leave a business for their own benefit or because of dissatisfaction with their job.

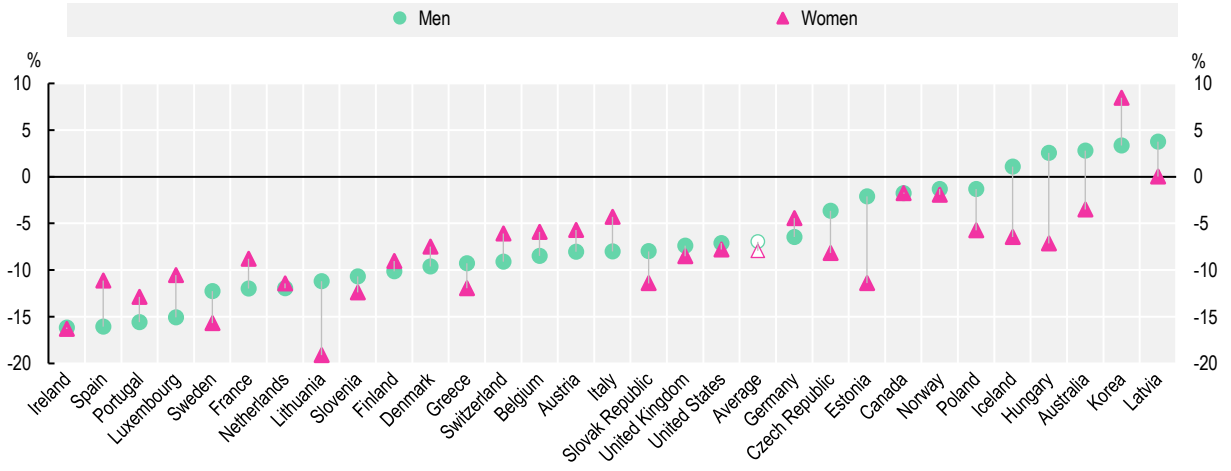
Involuntary separations: An employee leaves a business because of being fired, laid off, or following a forced resignation.

1.3.1. Tenure is declining across most countries

In 2019, the average length of a job held by the same worker was nine years and 10 months for women and 10 years and six months for men across 30 OECD countries. Between 2012 and 2019, overall job tenure fell in most OECD countries,[5] after taking into account changes in the composition of the workforce.[6] After adjusting for changes in socio-demographic structure, job tenure decreased by about 7.5% (or around 8.8 months) for men and women on average across OECD countries (Figure 1.4) between 2012 and 2019 (throughout this chapter changes between 2012 and 2019 refer to changes between the average of 2012/14 and 2017/19). Over this period, only Iceland, Hungary, Australia, Korea and Latvia saw an increase in average tenure for men; and only Korea saw an increase in average tenure for women. For women, average tenure declined by more than 12% in Lithuania, Ireland, Sweden, Portugal, Slovenia and Greece. Average tenure decreased by more than 12% for men in Ireland, Spain, Portugal, Luxembourg, Sweden and France (declines of between 12 to 16 months).

Figure 1.4. Average job tenure has fallen for men and women in most countries

Percentage change in average job tenure by sex, 2012-2019



Note: The data refer to the change in average job tenure (adjusted for compositional effects) between the average of years 2012/14 and 2017/19. The unfilled markers represent the unweighted average of the 30 OECD countries shown. Data are adjusted to control for the composition of the labour force by education and age. The methodology is the same as that used in OECD (2019[18]), *OECD Employment Outlook 2019: The Future of Work*, https://doi.org/10.1787/9ee00155-en and is based on Farber (2010[19]) "Job Loss and the Decline in Job Security in the United States", https://www.nber.org/books-and-chapters/labor-new-economy/job-loss-and-decline-job-security-united-states.
Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canadian Labour Force Survey, Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS) Tenure Supplement.

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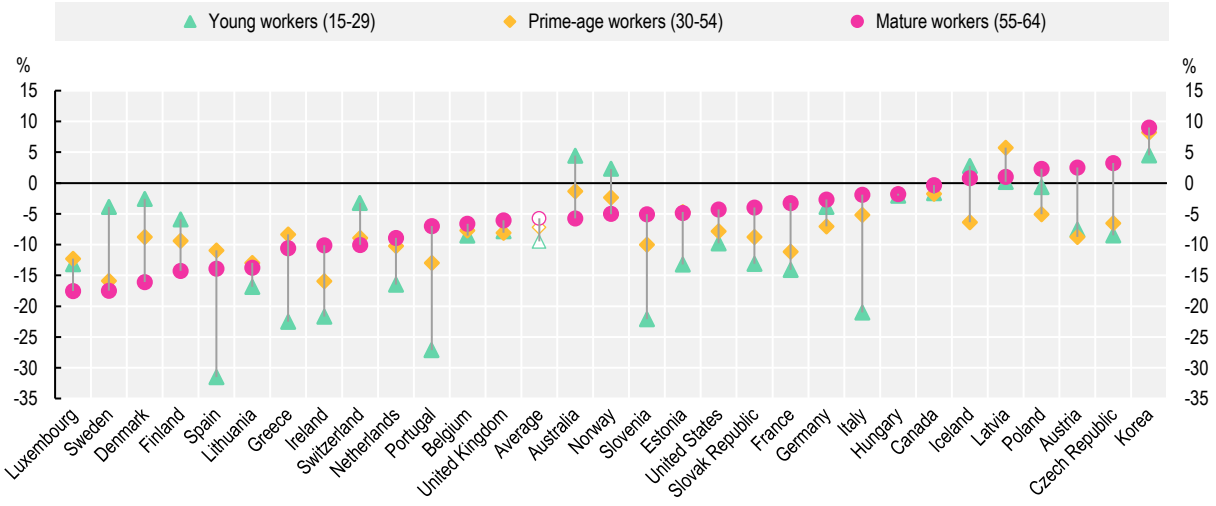
1.3.2. Average job tenure has declined for all age groups

Job tenure naturally varies across age groups reflecting greater time spent in the labour market for older workers. For young workers (aged 15-29, excluding students), average job tenure in 30 OECD countries in 2019 was two years and five months.[7] For those aged 30-54, the average length was 10 years and one month, and for mature workers aged 55-64 the average was 18 years and 10 months.

On average across 30 OECD countries, average job tenure has fallen by 9.5% for young workers (aged 15-29), 7.2% for prime-aged workers and 5.7% for mature workers (Figure 1.5) between 2012 and 2019. Young workers in Spain, Portugal, Greece and Slovenia experienced the largest declines in job tenure. All countries in the sample, except for Korea and Latvia, saw a decrease in average tenure for prime-aged workers. The average mature worker in 24 out of 30 countries experienced a decline in job tenure. Job tenure rose slightly for mature workers on average in Korea, Czech Republic, Austria, Poland, Latvia and Iceland.

Figure 1.5. Average job tenure has declined for mature and prime-aged workers in almost all countries

Percentage change in average job tenure by age, 2012-2019



Note: The data refer to the change in average job tenure (adjusted for compositional effects) between the average of years 2012/14 and 2017/19. The unfilled markers represent the unweighted average of the 30 OECD countries shown. Data are adjusted to control for the composition of the labour force by education and gender. The methodology is the same as that used in OECD (2019[18]), *OECD Employment Outlook 2019: The Future of Work*, https://doi.org/10.1787/9ee00155-en and is based on Farber (2010[19]) "Job Loss and the Decline in Job Security in the United States", https://www.nber.org/books-and-chapters/labor-new-economy/job-loss-and-decline-job-security-united-states.
Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canadian Labour Force Survey, Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS) Tenure Supplement.

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1.3.3. The largest declines in job tenure have occurred for workers with low education

The decline in average job tenure between 2012 and 2019 was larger for low-educated workers (i.e. with less than upper-secondary education) than for other education groups (Figure 1.6). This was the case for all age groups and both men and women. Over two-thirds of the OECD countries in the sample saw reductions in tenure for low-educated workers. In some countries, the reduction in tenure was large, exceeding 10% in Lithuania, Ireland, Luxembourg, Estonia and Sweden. In contrast, Latvia and Italy saw workers without an upper-secondary qualification experience an increase in tenure of 4% and 0.2% respectively. Job tenure has also declined substantially for those with high education in some countries. Lithuania, Spain, Ireland, Luxembourg, France and Finland saw declines of over 10% for those with high education. Average tenure also declined substantially in some countries for those with medium levels of education (Finland, Sweden, the Slovak Republic, Slovenia, Lithuania and France), which might reflect the hollowing out of middle-skill occupations.

Figure 1.6. The largest declines in job tenure have occurred for low-educated workers

Percentage change in average job tenure (years) by gender, age and level of education, 2012-2019

Note: *High education:* completed a tertiary education, *Middle education:* achieved an upper secondary education and possibly some additional education but less than a bachelor's degree, *Low education*: below upper secondary education. Each data point is the weighted average of the following 30 OECD countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States. The horizontal axis measures the observed average tenure in 2012/14 and the vertical axis measures the percentage change in average tenure between 2012/14 and 2017/19.
Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canadian Labour Force Survey, Korean Labor & Income Panel Study (KLIPS) and the US Current Population Survey (CPS) Tenure Supplement.

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1.3.4. Tenure by sector, occupation and firm size

Job tenure also varies by sector, occupation and firm size (Figure 1.7). Many sectors such as public health or social care struggle to retain staff compared to other sectors. Across broad sectors, average tenure tends to be highest in Agriculture, forestry and fishing at around 16 years and lowest in Accommodation and food services at about six years (Figure 1.7, Panel A). Differences such as these will partly reflect the business models and technology of different industries. For example, the skills required by people working in accommodation and food services will be relatively low on average compared with workers in manufacturing. This pattern can also be seen at the occupation level. Skilled agriculture forestry and fishery workers have average tenure of over 16 years, although this reflects that many of these workers will be older and self-employed (Figure 1.7, Panel B). Relatively unskilled elementary occupations have average tenure of about eight years.

Large firms generally find it easier to retain staff and this is reflected in longer average tenure for workers in these firms (Figure 1.7, Panel C) (see also Chapter 2).

Figure 1.7. Average job tenure varies significantly across sectors and occupations, less so across firm size

Average tenure by sector, occupation and firm size, average rates 2017-2019

Note: The data represent the weighted average of 26 European countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United Kingdom) in Panel C plus Australia and Korea in Panel B, with the addition of Canada and the United States in Panel A.

Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canadian Labour Force Survey, Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS) Tenure Supplement.

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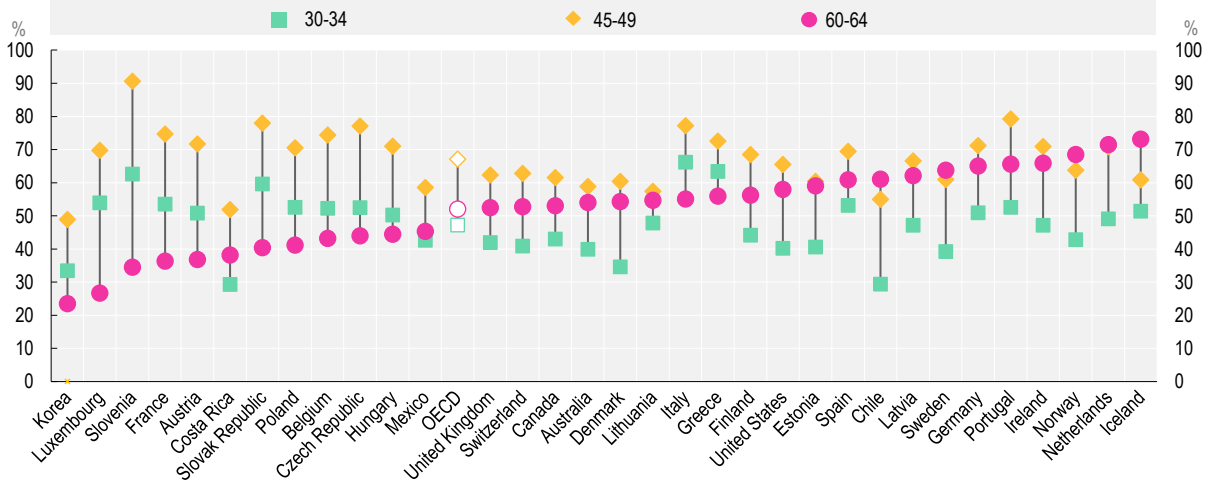
1.3.5. Retention rates for older workers are low in many countries

Average tenure data are censored – the data only include the length of tenure for current jobs, and it is not known for how long these jobs will last. An alternative is to consider the survival probability for retention of a particular cohort, such as 55-64 year-olds, i.e. the likelihood of workers being employed in the same job in five years' time. On average across the OECD, just over half of working 55-59 year-olds leave their employer by the time they are 60-64, compared to only about 30% of 40-44 year-olds who leave by the time they are 45-49 (Figure 1.8). Although older workers have relatively long average tenure, by the time they reach 55-59, the likelihood that they will continue in the same job falls dramatically. Further, there are stark differences across countries; in Korea, Luxembourg, Slovenia, and France the share of 55-59 year-olds who remain in the same job five years later is less than 40%. In contrast, for 55-59 year-olds in Germany, Portugal, Ireland, Norway, the Netherlands and Iceland, the likelihood that they are still in the same job five years later is greater than 65%. As the following section shows, workers in this age group are more likely to exit the labour market than change jobs. Displaced older workers have much lower re-employment rates than younger workers; therefore retaining older workers – when they can continue working – can be beneficial.

Figure 1.8. Retention of workers towards the end of their career is a major challenge

Share of workers by age in 2014 that remained with the same employer (or self-employed) for a further five years



Note: OECD is an unweighted average of the 33 countries shown excluding Colombia, Israel, Japan, New Zealand and Türkiye for which data are not available. Data refer to 2017 (Australia) and 2018 (United States). Data cover employees only for Korea and the United States.
Source: OECD database Employment by job tenure intervals – persons, http://stats.oecd.org//Index.aspx?QueryId=9590.

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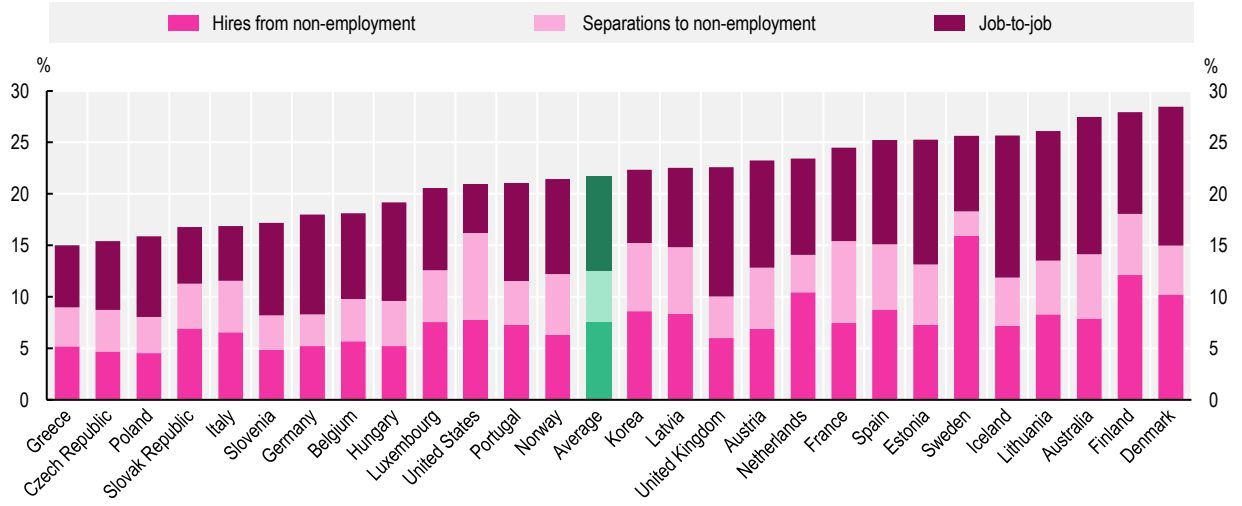
1.4. Who is leaving their job or the labour market?

The flip side of the decline in average job tenure is rising labour market turnover (the sum of movements into and out of jobs over the course of a year). People can change jobs, become unemployed or leave the labour market (inactivity) for a variety of reasons, which can broadly be defined as either voluntary or involuntary. Involuntary reasons include being laid off or a fixed term contract coming to an end. All other reasons are considered voluntary and are discussed in Section 1.5. On average across 27 OECD countries, the labour market turnover rate was just under 22% in 2019 (Figure 1.9).[8] Approximately 42% of this is accounted for by workers changing jobs, while the rest is split between workers shifting to non-employment (unemployment or inactivity) (23%) or being hired from non-

employment (35%). There is wide variation in turnover across countries: the annual turnover rate is over 25% in Denmark, Finland, Australia, Lithuania, Iceland, Sweden, Estonia and Spain, compared with about 15% in Greece and the Czech Republic.

Figure 1.9. There are large differences in labour market turnover across countries

Labour market transitions, average rates 2017-2019



Note: Job-to-job transitions, separations to non-employment and hires from non-employment. The green bar represents the unweighted average of the 27 OECD countries shown. Labour market transitions one year to another for working-age individuals are shown as a share of total employment in the initial year. Job-to-job transitions measure job changes from one job to another. Hirings from non-employment and separations to non-employment include transitions from and to both unemployment and inactivity.
Source: OECD calculations based on data from the European Union Labour Force Survey (EU-LFS), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS).

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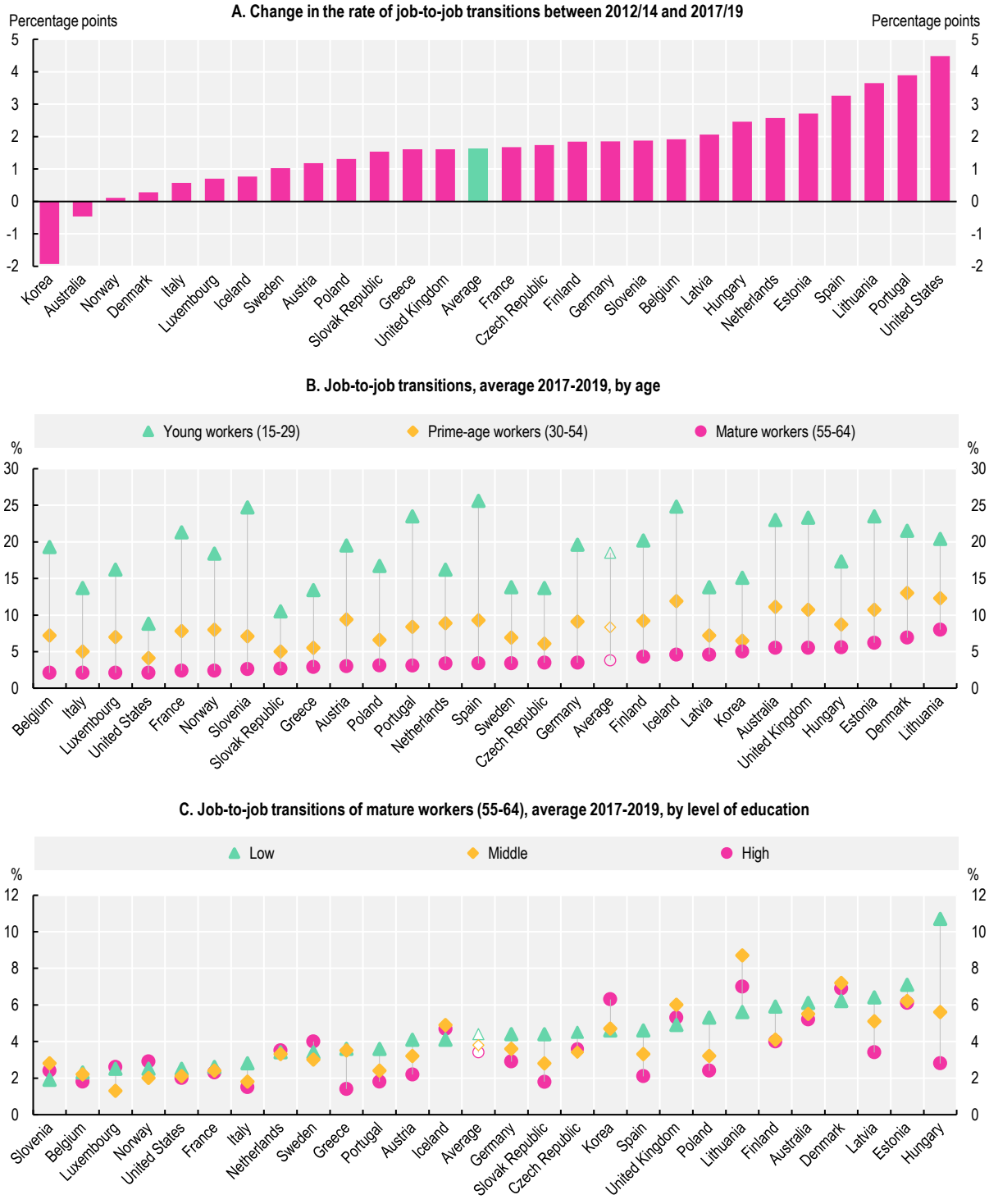
1.4.1. Job-to-job flows have increased across the OECD, but mature workers are less likely to change jobs than younger workers

Over the period 2012-19 job-to-job flows have increased in all but two of 27 OECD countries, after making adjustments for the demographic composition of the population and the business cycle (Figure 1.10, Panel A).[9] Although there has been an increase in job-to-job transitions for all age groups over this period, mature workers are less likely to change jobs compared to younger workers (Figure 1.10, Panel B). This likely reflects older workers' preferences for fewer job changes as they are more likely to have settled into a good "match" with their employer and have more stable life circumstances. It could also reflect reservations on the part of employers for hiring older workers.

Low-skilled mature workers are more likely to change jobs relative to higher skilled mature workers in 18 out of 27 OECD countries (Figure 1.10, Panel C), however in most countries (except Hungary, Poland and Finland) the differences in rates of job-to-job change among different age groups are very small and not statistically significantly different from each other. There is no evidence that high skilled older workers are more likely to change jobs compared to low and middle skilled workers.

Figure 1.10. People are switching jobs more often in the majority of countries



Note: The green bar and unfilled markers represent the unweighted average of the countries shown in each panel. Panel A values are adjusted for compositional changes (age, gender, education) and the business cycle following the technique used for correcting changes in tenure for socio-demographic changes.

Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS).

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In the immediate aftermath of the pandemic quit rates rose to record highs in the United States, and there is evidence of quit rates also rising in the United Kingdom and France (OECD, 2022[20]). In 2021, over 47 million Americans voluntarily quit their jobs.[10] While monthly quit rates remained higher than usual in the first six months of 2022 in the United States, arguably these quit rates have been broadly in line with the pre-COVID trend of a 0.1 percentage increase every year since 2009 (Fuller and Kerr, 2022[21]). This uptick in quits appears to be driven primarily by workers changing jobs, rather than leaving the workforce altogether (Barrero et al., 2021[21]).

1.4.2. Mature workers are more likely to leave the labour market compared to younger workers

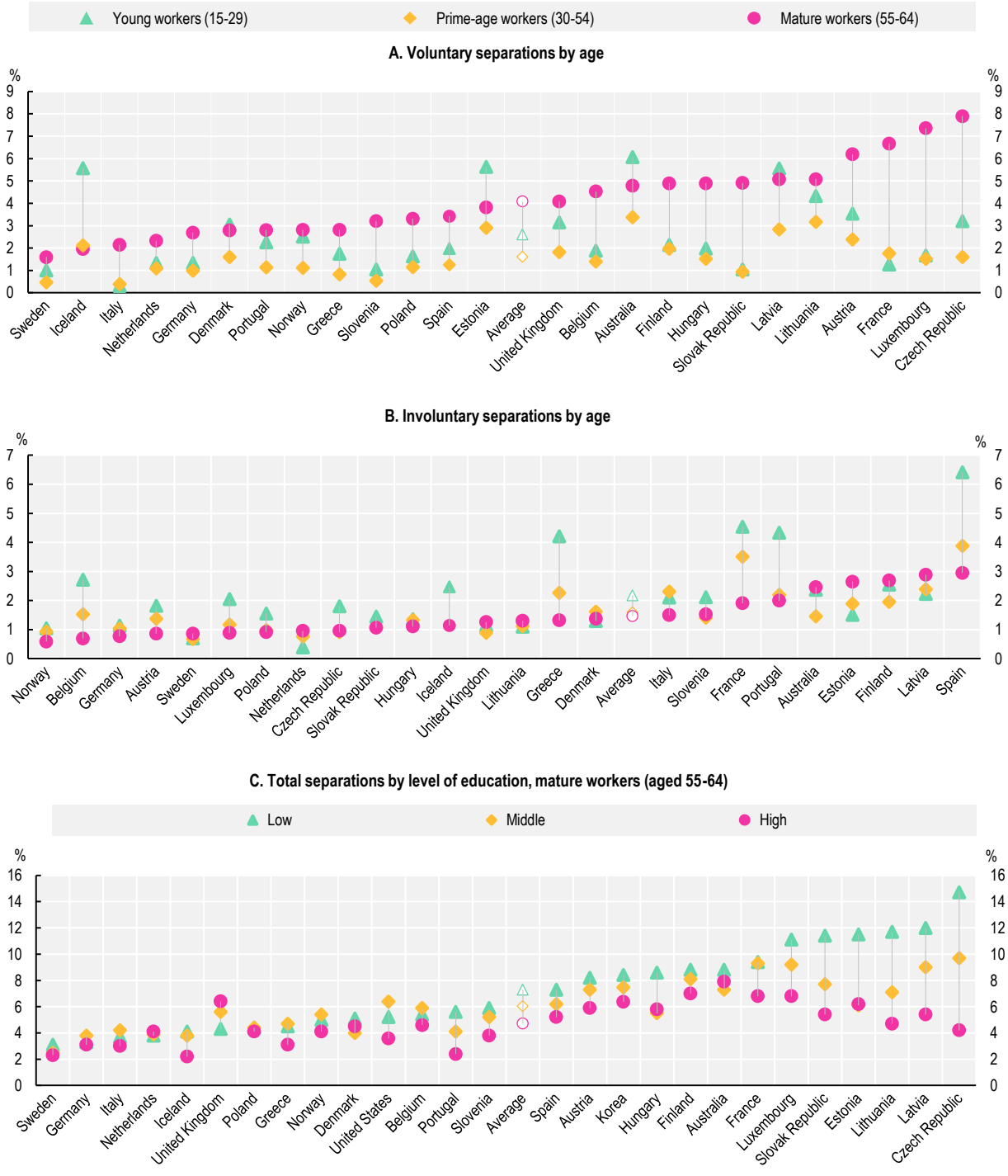
Although the rate at which mature workers (aged 55-64) change jobs is low relative to younger workers – the rate at which mature workers voluntarily leave a job for either unemployment or inactivity is higher relative to younger workers in most OECD countries (Figure 1.11, Panel A). With four exceptions (Australia, Estonia, Iceland and Latvia), the rate at which mature workers voluntarily leave a job for non-employment is higher relative to prime-age and young. This largely reflects early retirement which could be due to a change in preferences and having the financial ability to retire early, or ill-health, for example. The rate at which older workers voluntarily leave a job is the highest in the Czech Republic, Luxembourg, France, Austria, Lithuania and Latvia. It is relatively low in Sweden, Iceland, Italy and the Netherlands (Figure 1.11, Panel A).

The rate at which mature workers are laid off (involuntary separations) and enter unemployment or inactivity is generally at or below the rate for younger workers (Figure 1.11, Panel B). Further, after adjusting for demographics and the business cycle, the likelihood of becoming involuntarily unemployed or inactive fell on average between 2012 to 2019 across the 25 countries for which there is available data. This decline in the risk of being laid off (or a fixed term contract ending) was felt across gender, age groups and education groups (on average across 25 OECD countries).

However, for mature workers there are considerable differences across education level in the likelihood of ending up unemployed or out of the labour force. In some OECD countries (including Czech Republic, Latvia, Lithuania, and Estonia), the rate at which mature workers leave employment is much higher for low educated workers compared with higher educated workers (Figure 1.11, Panel C). This is primarily due to low-skilled mature workers being laid off or a temporary contract coming to an end, rather than for voluntary reasons. However, in the majority of countries there is very little difference between the separation rates of low, middle and highly educated workers.

Figure 1.11. Low skill mature workers are more likely to exit the labour market compared with younger workers

Separation rates to non-employment, average rates 2017-2019



Note: The unfilled markers represent the unweighted averages of the countries shown in each panel. Data to distinguish voluntary and involuntary separations is not available for Australia, Korea, and the United States.

Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS), the Household, Income and Labour Dynamics in Australia (HILDA) Survey, the Korean Labor & Income Panel Study (KLIPS) and the United States Current Population Survey (CPS).

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1.5. Stay or leave: Why do people change job?

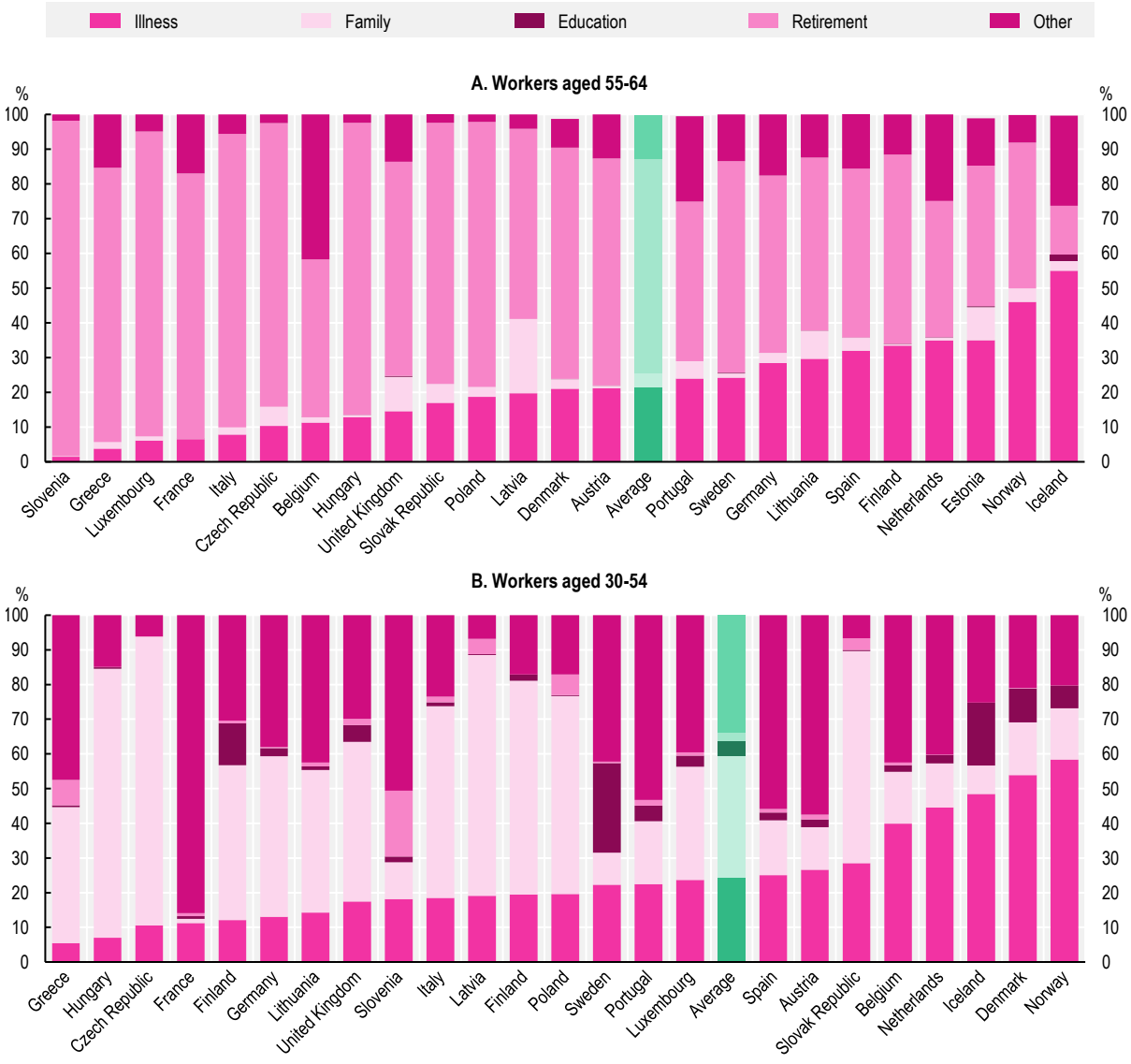
Labour force survey data give an indication of the broad reasons why people leave work (job or business) voluntarily. These include for personal health reasons, to pursue education or training, to take care of other family members, retirement, or other reasons.[11] Among workers aged 55-64, retirement is the main reason for quitting a job across OECD countries for which there is available data (Figure 1.12, Panel A). Illness is also a major reason for 55–64 year-olds quitting a job, 21% of 55-64 year-olds quit due to illness or disability, on average across OECD countries. Because the survey question only allows a single response, a respondent may select the retirement option even if illness is the reason for leaving a job. Therefore, it is possible that leaving due to illness is understated among older age groups. Among workers aged 50-64, 25% quit because of illness or disability. For workers aged 30-54, the majority quit either for family reasons (35%) or for "other" reasons (34%). A further 24% quit because of illness or disability (Figure 1.12, Panel B).[12] These data illustrate the importance of illness as a significant factor in driving people to leave their job.

The response category "other" in reasons for leaving employment in labour force survey data will include changing job, which could be for a variety of reasons. While it is not possible to explore these reasons further using labour force survey data, the 2022 AARP Global Employee Survey conducted in 12 countries in 2022 sheds light on the reasons workers might be leaving their jobs (Choi-Allum, 2023[22]).

The AARP Global Employee Survey finds that 65% of respondents have made one or more employment related changes (starting a new job, starting a business, being laid off, or retiring) in the last five years, and 35% have made no change.[13] Out of those who have made some employment-related change, almost half (45%) have started a new job. The survey shows that overall, low pay (29%), feeling undervalued (27%) and lack of advancement in their job (23%) were the top three reasons why people have switched to a new job in the last five years (Infographic 1.1). To follow a new passion or career (21%), lack of professional development in their job (17%) and poor working conditions (16%) were also important reasons for starting a new job or taking steps to find a new job.

Figure 1.12. Reasons for voluntary separations show different trends across countries

Voluntary separations (by reason) from last job or business as a percentage of total voluntary separations, average of 2017-2019



Note: The green bars represent the unweighted average of the 24 European countries. Countries sorted on the increasing share of illness. Illness refers to own illness or disability, family includes personal or family responsibilities including caregiving.
Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS).

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Infographic 1.1. Reasons for starting a new job in the last five years

Share who responded to the question “Why did you retire, leave, or consider leaving your job”?

Note: Persons who responded to the question “Why did you retire, leave, or consider leaving your job?” among those who retired from work or a job, voluntarily left a job/resigned, or started a new job in the last five years.
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in Australia, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Spain, the United Kingdom and the United States. Approximately 1 000 respondents in each country.

Men and women report similar reasons for having left or taken steps to leave over the last five years, but there are significant differences by age group. For older and prime aged workers, low pay, feeling undervalued, and lack of advancement in their job were the top three reasons given for those who have switched jobs (Figure 1.13, Panel A). For young workers the top three reasons for starting a new job were low pay (38%), feeling undervalued (30%), and to follow a new passion or career (26%).

The overall ranking of reasons is similar between people with different levels of education (Figure 1.13, Panel B). Among people who switched jobs, those who had not completed upper secondary education report low pay (29%), feeling undervalued (22%), and poor working conditions (20%) as the top three reasons, closely followed by lack of advancement in their job (19%). For workers with a tertiary education, feeling undervalued (29%), low pay (27%), and lack of job advancement (26%) were the top three reasons. Respondents with low and medium levels of education were more likely to report health reasons as a cause of changing job, 15% and 13% respectively, compared to only 9% of respondents with a tertiary education. Those with a tertiary education were much more likely to cite following a new passion or career, or lack of professional development as a cause of making a change or looking, compared to those with low education.

Among respondents aged 50-64 years who retired, apart from reaching or being close to retirement age (27%), the main reasons retirees gave were experiencing health problems (25%), caregiving (23%), low pay (22%) and concerns about COVID-19 (20%) (Figure 1.13, Panel C). This illustrates the importance of health and flexibility concerns for workers deciding whether or not to retire.

Figure 1.13. Reasons for leaving for those who switched and those who retired

Share who responded to the question “Why did you retire, leave, or consider leaving your job”?

Note: Persons who replied among those who retired from work or a job, voluntarily left a job/resigned, or started a new job in the last five years. Persons aged 25-64 in Panels B.

Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in Australia, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Spain, the United Kingdom and the United States. Approximately 1 000 respondents in each country.

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Notes

[1] However, not all job to job transitions will entail workers moving to more productive firms – the fraction of "productive moves" will vary enormously across countries and sectors – therefore a highly fluid labour market is not necessarily a sign of economy-wide productivity gains (Albagli et al., 2021[26]).

[2] They use unexpected deaths of workers as a source of exogenous variation. Studies trying to estimate replacement costs face the problem that employee turnover and productivity might be correlated not because turnover reduces productivity, but because low productivity causes employees to leave.

[3] These results are similar to those found by Kline et al. (2019[27]).

[4] OECD Population projections database: http://stats.oecd.org//Index.aspx?QueryId=88954.

[5] This is consistent with previous OECD research (OECD, 2019[18]), upon which this section builds. To avoid showing changes based on a single year, changes are based on the average of three years, for example the change between the average value of 2012-14 and the average value of 2017-19.

[6] The adjustment is obtained by means of regression analysis that identifies changes in job tenure between an average of 2012-14 and an average of 2017-19, controlling for workers' age, gender and level of education. Changes in the composition of the workforce need to be taken into account as they may obscure how job tenure is changing for specific groups of workers by age, gender and education. For example, job tenure typically rises with age and so average tenure will tend to increase as the workforce ages with baby boomers moving into the older age groups. Average job tenure rises because there are fewer workers at younger ages with lower tenure and more workers at older ages with higher tenure. Similarly, tenure rises with educational attainment and so average tenure will mechanically increase as the education level of the workforce rises. Thus, average tenure without any adjustment for compositional changes may increase even if tenure is falling for workers at each age and education level.

[7] Job stability can be measured in several ways, for example the average (or median) elapsed tenure of all current jobs, retention rates for five-year age groups, or the probability that a particular job will continue to exist. No single measure gives a perfect indication of the degree of job stability. Average or median tenure is the most common measure, but because it is based on all existing jobs, we do not know how long these jobs will last for.

[8] Alternative data for example from the LEHD (Longitudinal Employer-Household Dynamics) and JOLTS (Job Openings and Labor Turnover Survey) shows that turnover is significantly higher. Total turnover from LEHD for 2017-2019 (average) was 61% made up of job-to-job flows of 22%, separations to non-employment of 18% and hires from non-employment of 20%.

[9] The available measures of job-to-job transitions capture movements between jobs across consecutive calendar years. Transitions from one year to the next may in fact conceal one (or several) transitions in and out of employment that occur over the course of the reference year. For example, a worker who was employed in the previous year may have experienced a period out of employment before finding the current job but will be recorded has having experienced a job-to-job transition since job status is recorded yearly. The measure, therefore, should not be interpreted literally as an indicator of direct transitions from a job to another, but rather as a measure of transitions that involve short periods of non-employment between jobs. In the United States, the rate at which workers change jobs has declined since the 1980s, at least up until the early 2010s (e.g. Davis, Faberman and Haltiwanger (2012[23]), Davis and Haltiwanger (2014[25]), Hyatt and Spletzer (2013[24]), Molloy et al. (2016[29]). Job-to-job flows data from the LEHD (Longitudinal Employer-Household Dynamics) show that job-to-job flows have increased by 3.5 percentage points between 2012/14 and 2017/19. Autor, Dube and McGrew (2022[28]) also show an increase in job-to-job flows since pre-pandemic trends.

[10] U.S. Bureau of Labor Statistics.

[11] These data from the European Union Labour Force Survey show the main reason for leaving, hence a respondent can only select one response category. Therefore for example, someone who retires before the state pension age may select early retirement as the reason for leaving their current job, but they may also have health problem(s) which may in fact be the real reason for retiring.

[12] In France, education and other reasons are not separated.

2 For better not worse: Job quality and the decision to stay in the job

Pay and working conditions are key components of job quality, and dissatisfaction with these have direct consequences on turnover, business performance and productivity. Other aspects of a job such as flexibility, management practices and the existence of discrimination also affect job quality. This chapter examines how job quality in its various forms affects employee retention and highlights employer and government policies that can contribute to talent retention.

Key messages

There is a close link between higher pay and higher employee retention

- Workers are less likely to quit higher paying firms. On average across six countries for which there is available data, the quit rate is 50% higher in the 20% of firms paying the lowest wages compared with the 20% of firms paying the highest wages.
- Mature workers aged (50-59) are much less likely to leave their firm for another one paying better wages compared to younger workers but are much more likely to exit the labour market altogether.
- Productivity growth is the main driver of better wages and job quality in the long run, however labour market institutions such as minimum wages and collective bargaining play an important role in ensuring that productivity gains are widely shared.
- A growing number of firms offer compensation packages that link pay to performance including bonuses which can help motivate workers and increase their attachment to an organisation or business.

Wages are not everything. More flexibility and better working conditions to reconcile work, family, and caring responsibilities are also key to improved retention

- More flexible work arrangements are a crucial aspect of working conditions and can reduce employee turnover as well as improve worker well-being and productivity.
- Women place a higher monetary value on flexible work practices than men. Based on evidence from the United Kingdom and Australia, the option to work at home on a regular basis is equivalent to just over 20% of their average annual salary, whereas for men this is worth 7% of their average salary. Similarly, having flexible start and finish times is worth in monetary terms about 48% of the average annual salary for women, and just under 30% for men.
- Flexible work arrangements are also effective in helping business prevent potential loss of skills linked to the retirement of older employees. Yet evidence from the 2022 AARP Global Employee Survey in 12 countries shows that mature workers have much less flexibility in their jobs (such as being able to work from home or flexible hours) than younger workers.

Positive management practices and eliminating ageism in the workplace helps to attract, retain and motivate employees

- Discriminatory and negative attitudes towards older workers can damage the talent pipeline. Training and engaging line managers in the importance of an age-inclusive work environment is vital to ensure their accountability for age diversity. Unfortunately, only 42% of employers offer their managers training on management practices for a multigenerational workforce, thus there is more scope to improve this across organisations.
- Better people management skills including career support, clear expectations about work tasks, coaching, consultation, a positive attitude and trust, have a substantial effect on staff retention.

2.1. Should I stay or should I leave? It depends on job quality

Job quality is central to worker well-being and is directly related to measures of firm performance such as employee turnover, productivity, and profitability. Evidence shows that dissatisfaction with pay, job security, and flexibility are important factors in causing people to quit their job. There is strong empirical evidence that as wages rise, quits fall, however quits also fall as other attractive features of jobs improve. Self-reported job satisfaction has long been found to be a good predictor of job mobility over and above the effect of wages (Freeman, 1978[1]; Clark, 2001[2]; Lévy-Garboua, Montmarquette and Simonnet, 2007[3]), but job satisfaction by itself is not very useful if you do not know what drives it.[1]

The OECD job quality framework covers three dimensions: earnings, quality of the working environment, and labour market security (Cazes, Hijzen and Saint-Martin, 2015[4]). The chapter focus primarily on earnings quality and quality of the working environment. Both the average level of earnings and the distribution of earnings are included due to their importance for individual and overall well-being. The quality of the working environment, captures non-pecuniary aspects of employment such as being able to do meaningful work, working flexibility, fulfilling ambitions, and opportunities for training and development.

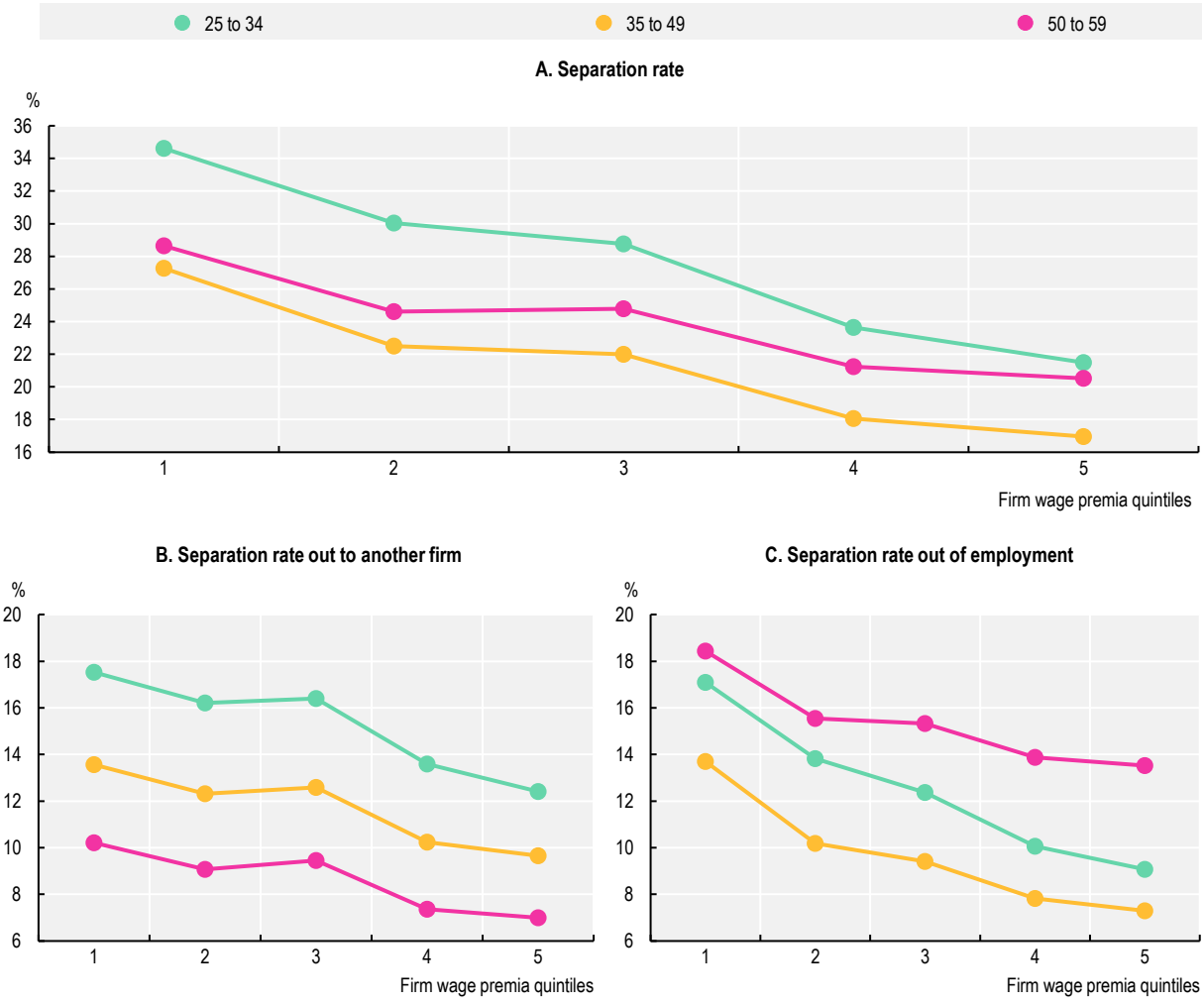
2.1.1. Pay matters – especially if it is perceived to be unfair

The level of pay is an important aspect of job quality and plays a key role in determining job quits. New OECD evidence shows that workers are less likely to quit in firms with more generous wage-setting practices (Figure 2.1).[2] Firm wage-setting practices may depend among other things on its performance, wage-setting power and personnel policies. It is measured empirically by wage premia (this represents a firm specific element of wage setting that is independent of the worker composition of the firm). On average across selected countries, the quit rate is about 50% higher in firms in the bottom quintile of the firm-wage premia distribution compared with firms in the top quintile of the wage premia distribution. Among mature workers (aged 50-59), the quit rate is 40% higher in firms in the bottom quintile compared to the top quintile of the wage premia distribution. However, workers in firms with less generous wage-setting practices are not only more likely to quit (separation rate), but they are also more likely to lose their job and become jobless as their jobs are less secure (separation rate out of employment). As a result, low-wage firms exhibit considerably lower job retention rates than their higher-wage counterparts.

While mature[3] workers (aged 50-59) are much less likely to leave their firm for another firm compared to younger workers (Figure 2.1, Panel B), they are much more likely to exit the labour market altogether compared to younger workers (Figure 2.1, Panel C).

Figure 2.1. Workers are less likely to quit in firms with more generous wage-setting practices

Average of six European countries by age



Note: The firm wage premia provide an indication of a firm's wage setting policy which may depend among other things on its performance, wage-setting power and personnel policies. Points to the left on the horizontal axis represent firms with relatively low wage-setting practices, while points to the right represent firms with relatively high wage-setting practices. Empirically, wage-setting practices are measured by focusing on firm wage premia, i.e. the component of average firm wages that is not due to worker composition as captured by the firm fixed effects in a wage regression based on Abowd, Kramarz and Margolis (1999[5]).

Coverage: Austria (2008-18), Estonia (2008-18), France (2002-17), Italy (2005-15), Portugal (2007-17), Spain (2008-18).

Source: OECD calculations from linked employer-employee data from: AMS-BMASK Arbeitsmarktdatenbank (Austria); Tax and Customs Board Register (Estonia); Déclaration annuelle des données sociales unifiée (DADS) panel linked with FARE/FICUS (France); Longitudinal Sample social security INPS (LoSai) (Italy); Quadros de Pessoal (Portugal); and Muestra Continua de Vidas Laborales con Datos Fiscales (MCVLCDF) (Spain).

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Pay relative to co-workers or other similar groups of workers can also affect turnover in addition to absolute pay (Card et al., 2012[6]). People who perceive their pay to be below what they regard as unfair are more likely to put in less effort or even quit (Akerlof, 1982[7]; Akerlof and Yellen, 1990[8]; D'Ambrosio, Clark and Barazzetta, 2018[9]). Wage inequality has risen in many OECD countries in recent decades, and in some countries such as the United States and the United Kingdom, median real wages have been stagnant for a decade or more, raising the prospect that interpersonal comparisons of pay might be more salient than ever before.

2.1.2. But it's more than money – the quality of the working environment is also key

Self-reported job satisfaction is a powerful predictor of separations and quits even after taking wages into account (Clark, 2001[2]; Clark, Georgellis and Sanfey, 1998[10]). Self-reported job satisfaction data can be useful in complementing objective measures of job quality if workers are asked about their satisfaction with specific aspects of the work environment. It can also be used to place a "willingness-to-pay" or monetary value on different aspects of the work environment. In this way job satisfaction can be useful to get an indication of what objective components of jobs matter for well-being.

Employee oriented flexible work practices are particularly valuable to women

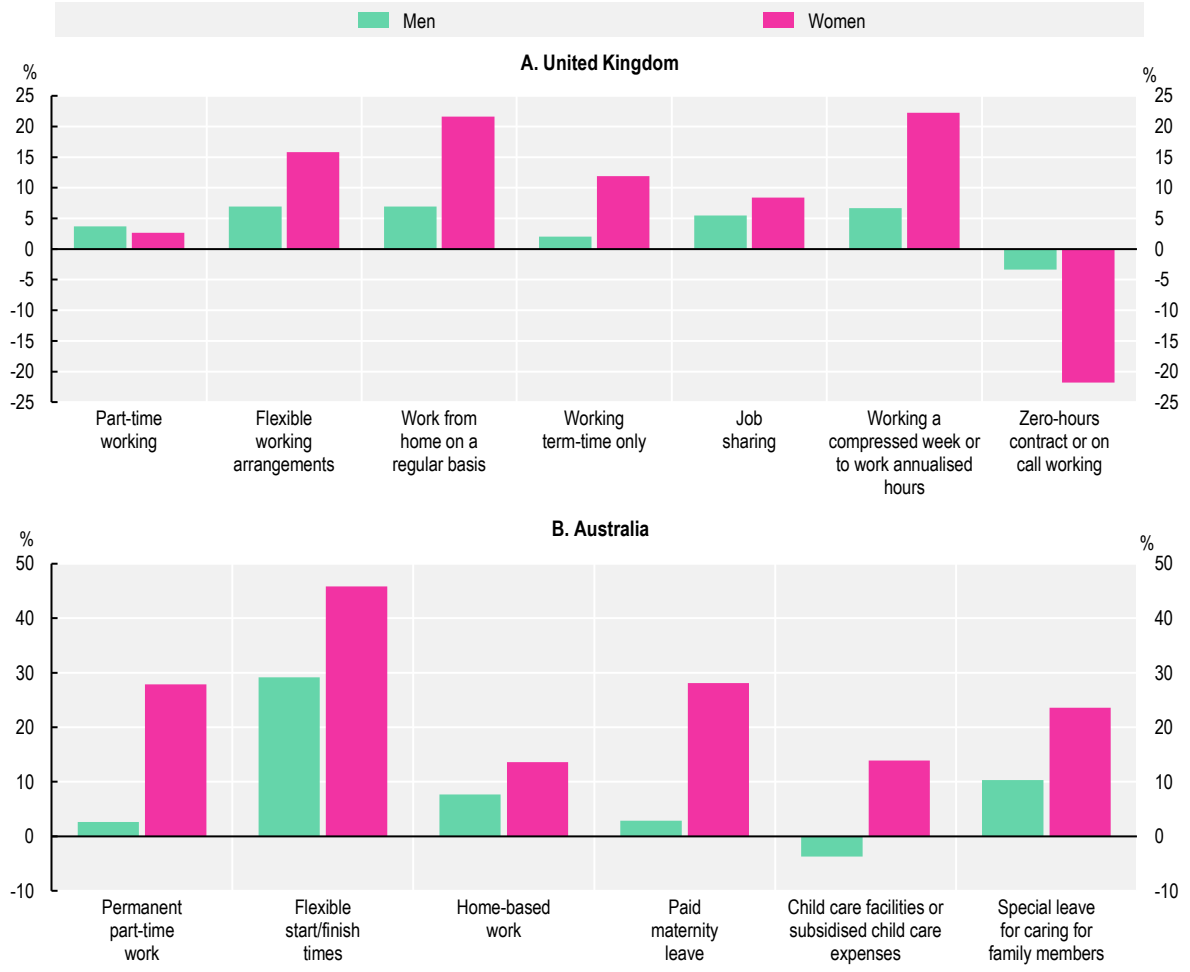
Using data from the United Kingdom and Australia it is possible to give indicative estimates of the monetary value of flexible working practices as a percentage of average annual income for men and women (Figure 2.2). Factors such as income, education, age, and marital status will also affect workers' attitudes to flexible working but these and other factors are taken into account, so that as much as possible we are isolating the effect of a particular work practice on an individuals' valuation. Respondents in the two surveys are asked a question of the type "which of the following arrangements are available at your workplace?"

For women in the United Kingdom the option to work at home on a regular basis is equivalent to just over 20% of the average annual salary, whereas for men this option is only worth about 7% of the average salary (Figure 2.2, Panel A). For women, being able to work a compressed week or annualised hours is also worth 22% of the average salary; for men this is worth just under 7%. The top panel also shows that on average zero hours contracts or on call contracts have a negative effect on job satisfaction. Panel A shows that women would be willing to pay up to 22% of their salary to avoid zero hour or on call contracts. These results suggest that employee oriented flexible working practices are valued highly, particularly by women in the United Kingdom and Australia. This has implications for women's' careers if the lack of flexibility leads them to exit the labour force.

In Australia, the option of having flexible start and finish times is worth in monetary terms about 48% of the average annual salary for women, and just under 30% for men (Figure 2.2, Panel B). The Australian survey asks questions about fewer flexible work practices compared to the United Kingdom survey; however, the Australian survey also asks about the availability of some family leave policies. This shows that for women, paid maternity leave can be valued at just under 30% of the average salary. For women having access to special leave for caring for family members can be valued at 24% of the average salary, and for men at just over 10%. These results, while indicative, give some sense of the value that workers place on different aspects of the working environment.

Figure 2.2. Flexible working practices are a valuable component of workers' non-pecuniary compensation

The value of flexible working practices and certain family leave policies as a percentage of annual average income



Note: The life satisfaction approach to valuing amenities is used to calculate a monetary value for the availability of each work practice or family leave policy. The monetary values are estimated from a regression of job satisfaction on the availability of flexible working practices and family leave policies, in addition to a range of standard demographic and economic variables including gender, age, age squared, real labour income, hours worked, marital status, highest education qualification, housing tenure status, presence of children by age group, occupation (1 digit level), industry (1 digit level) and time fixed effects. The monetary values are then converted to a percentage of average income. The values are indicative and represent an average over the relevant time period of each survey.
Coverage: United Kingdom (2010-20), Australia (2001-20).
Source: The Understanding Society study (United Kingdom) and the Household, Income and Labour Dynamics in Australia survey HILDA (Australia).

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Flexibility can help retain workers and older workers are more likely to work for longer if jobs are more flexible

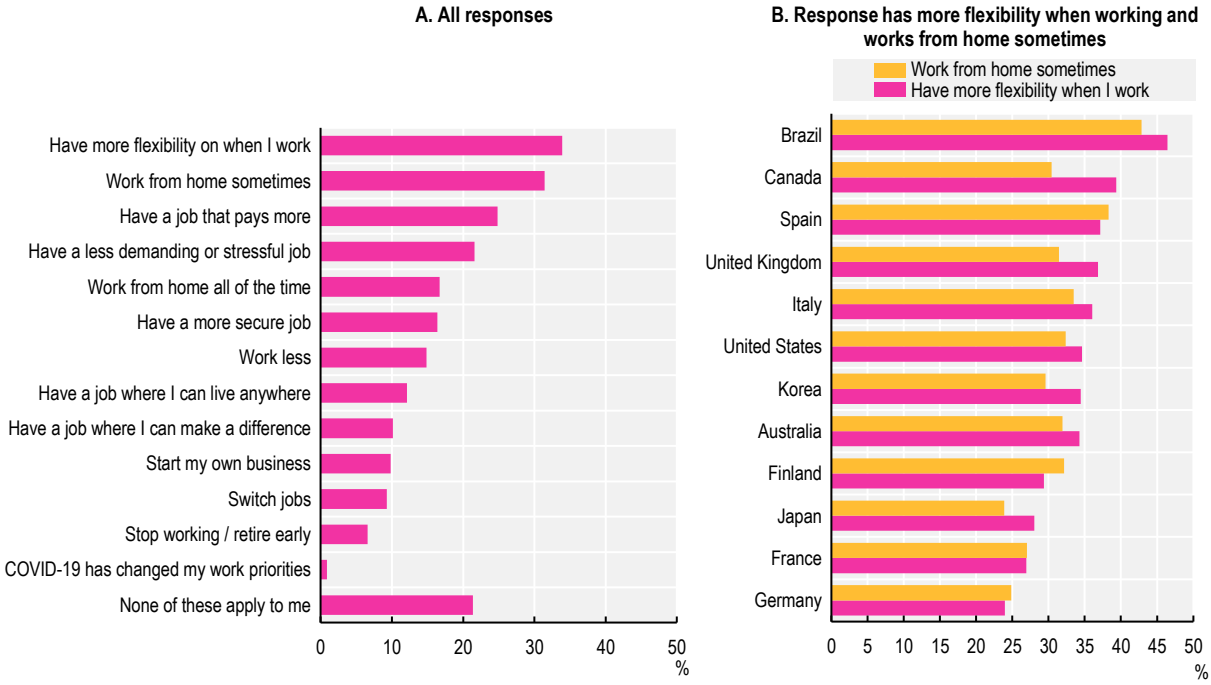
The value that employees place on work flexibility appears to have increased because of the COVID-19 pandemic. The 2022 AARP Global Employee Survey finds that workers are more likely to want flexibility on when and where they work (Figure 2.3, Panel A).[4] There is more demand for flexibility in some countries than others, but this may partly reflect pre-pandemic differences in flexible working practices (Figure 2.3,

Panel B). Survey evidence suggests that at least some of the recent rise in post-pandemic quits are because of workers looking for jobs that allow greater scope for remote work (Barrero, Bloom and Davis, 2021[11]), helping to push many employers to permanently change working arrangements.

Pre-pandemic evidence found that more flexible work arrangements can reduce employee turnover and improve worker well-being and productivity (Bloom et al., 2015[12]). In an experiment with a "results only" work environment, Best Buy, a large United States retailer found that by shifting the emphasis from being visible at a particular time to giving employees control over where and when they do their work, that staff turnover amongst employees exposed to the scheme fell by 46% eight months after implementation (Moen, Kelly and Hill, 2011[13]).

Figure 2.3. Workers want more flexibility (and higher pay) following the pandemic

Share of workers who want different options following the COVID-19 impact on their job



Note: Persons who replied "yes" to the question "Thinking about the impact of the COVID-19 pandemic on your job, has it made you realise that you want any of the following options?"
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries in Panel B. Approximately 1 000 respondents in each country.

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Older workers are more likely to work for longer if jobs are more flexible. In a survey of 3 000 American workers aged 55 and over, about 40% of respondents that were not working at the time of the survey, mostly in their 60s and 70s, said that they would be willing to work again if they had exactly the same conditions as in their previous job (Ameriks et al., 2017[14]). However, 60% reported that they would be willing to return to work with a flexible schedule. Furthermore, 20% of these workers would be willing to take more than a 20% hourly wage reduction to do so.

Uncertain time: Unstable schedules and unpredictable working hours are not a flexibility boon

Uncertain hours (which also affect pay) are a key dimension of job insecurity, alongside the lack of sufficient hours. Unstable and unpredictable work schedules reduce job satisfaction and the likelihood that an employee will stay with the same employer (Boushey and Ansel, 2016[15]; Fugiel, 2022[16]). More and more workers are confronted with unpredictable hours, unstable schedules, and variations in days of work, typically without any input from the employee, this is particularly the case in low-paid sectors such as retail and hospitality, but also in higher-wage jobs in transport, construction and manufacturing.

Burnt out and overworked – is it time to leave?

Pre-pandemic reports of stress and burnout in several sectors – including health – shows that this is not a one-off consequence of the pandemic but an ongoing issue that needs to be dealt with in the interests of employee well-being. The OECD job quality framework uses the incidence of job strain as a measure of the quality of the working environment, where job strain is defined as jobs where workers face more job demands than the resources they have at their disposal (Cazes, Hijzen and Saint-Martin, 2015[4]). Scanlan and Still (2019[17]) use this framework to explore the relationship between job satisfaction, turnover intention and burnout in an Australian mental health service, finding that emotional demands, shift work, and work-home interference all contribute to increasing employees' quit intentions. Willard-Grace et al., (2019[18]) find that burnout and low employee engagement is related to higher levels of turnover in a study of San Francisco health services. There is widespread evidence that intensification of work has increased in recent decades, a phenomena that appears widespread across occupations from nurses to aerospace workers, managers and IT workers (Green et al., 2022[19]; Hunt and Pickard, 2022[20]; Giménez-Nadal, Molina and Sevilla, 2022[21]; Eurofound, 2019[22]; Kelly and Moen, 2020[23]).

Please call me back – age discrimination is a major limiting factor for older workers

Discrimination and negative attitudes towards different age groups are obstacles to long and productive working lives which has an economic cost. In the United States this was estimated to be USD 850 billion in 2018 (AARP, 2020[24]). Age discrimination is still present in many modern workplaces and manifests itself in discrimination in hiring practices, firing practices, promotion decisions and opportunities for advancement, workplace inclusion, access to resources such as up-skilling and re-skilling. According to the International Social Survey Programme, 15% of respondents across 28 countries report to having been discriminated against with regard to their work within the last five years; for example, when applying for a job or not being considered for a promotion (OECD, 2020[25]).

2.2. How to improve job quality and retention in all firms?

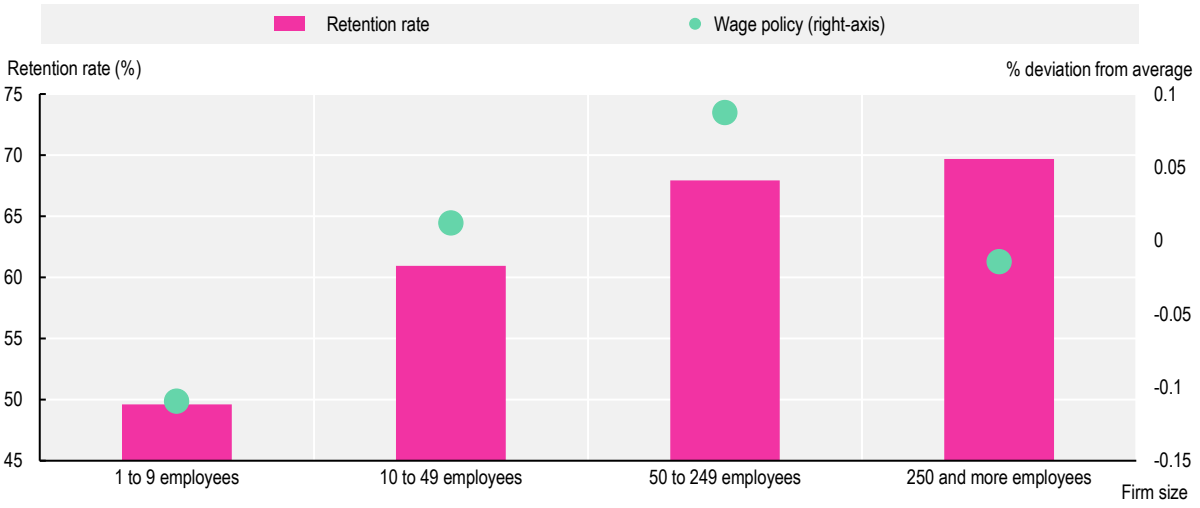
2.2.1. Productivity growth is key to driving better wages and job quality in the long run

Productivity growth is the main driving force of better wages and job quality in the long term. Job quality tends to be highest in companies with high-performance work practices, which rely on high pay, long-term relationships (security) and a high-quality work environment. Small firms struggle more often than large firms to provide good working conditions and tend to have less generous wage-setting practices. To some extent this reflects the fact that smaller firms are typically less productive and have less generous wage-setting practices. Although there is a strong overall relationship between firm wage-setting practices and retention, the relationship varies depending on the size of firms. The average retention rate is the highest in firms with over 250, but the wage setting policy is higher in firms with 10 to 49 and 50 to 249 employees (Figure 2.4). This suggests that other aspects of job quality also play an important role.

Firms that improve productivity raise pay in comparison with firms that do not raise productivity (Engbom, Moser and Sauermann, 2022[26]). Improving employee skills is a key way to improve productivity in low-wage firms (see Chapter 4). Minimum wages have also been shown to contribute to higher labour productivity (Riley and Rosazza Bondibene, 2017[27]; Coviello, Deserranno and Persico, 2022[28]).

Figure 2.4. Job retention is a particular challenge in small firms which tend to provide less generous wage and non-wage working conditions

Average of six European countries



Note: The firm wage premia provides an indication of a firm's wage setting policy which may depend among other things on its performance, wage-setting power and personnel policies. Points to the left on the horizontal axis represent firms with relatively low wage-setting practices, while points to the right represent firms with relatively high wage-setting practices. Empirically, wage-setting practices are measured by focusing on firm wage premia, i.e. the component of average firm wages that is not due to worker composition as captured by the firm fixed effects in a wage regression based on Abowd, J., F. Kramarz and D. Margolis' (1999), *High wage workers and high wage firms*.
Coverage: Austria (2008-18), France (2002-17), Italy (2005-15), Portugal (2007-17), Spain (2008-18), Estonia (2008-18).
Source: OECD calculations from linked employer-employee data from: AMS-BMASK Arbeitsmarktdatenbank (Austria); Tax and Customs Board Register (Estonia); Déclaration annuelle des données sociales unifiée (DADS) panel linked with FARE/FICUS (France); Longitudinal Sample social security INPS (LoSai) (Italy); Quadros de Pessoal (Portugal); and Muestra Continua de Vidas Laborales con Datos Fiscales (MCVLCDF) (Spain).

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2.2.2. Taking the high road: Raising the pay of low wage workers

Productivity growth is essential to support rising living standards, and while much of the firm wage-premia depends on business choices and performance, institutional arrangements such as collective bargaining, minimum wages and labour taxation can play a key role in ensuring that productivity gains are widely shared. A growing number of firms offer compensation packages that link pay to performance (Box 2.1). In retail, hospitality, and other consumer facing services, the "low road" practice of setting wages low and managing high turnover is all too common. Governments need to address the high incidence of low pay, income inequality, and often-stagnant wage growth to improve job quality and retention.

Minimum wage increases in many countries have raised the pay of workers at the bottom of the income distribution and have not substantially reduced employment or hours of work (Dube, 2019[29]).[5] Minimum wages can also help reduce employee turnover (Brochu et al., 2013[30]; Dube, William Lester and Reich, 2016[31]) and reduce wage inequality (Autor, Manning and Smith, 2016[32]; Engbom and Moser, 2022[33]). Theoretically there is potential for minimum wages to have a negative effect on employment if they are set

too high. On average across OECD countries minimum wages are set at around 50% of the median. Following a review of international evidence, Dube (2019[29]) argues that there is room for exploring a more ambitious minimum wage of between 60% to two-thirds of the median wage. Currently, 29 out of 38 OECD countries have statutory minimum wages. In the nine OECD countries without statutory minimum wages (Austria, Denmark, Finland, Iceland, Italy, Norway, Sweden, Switzerland and Costa Rica), a large part of the workforce is formally covered by wage floors specified in collective agreements.

While minimum wages can set a wage floor, collective bargaining can improve wages and conditions over and above this minimum. Apart from pay, collective agreements can often improve other aspects of job quality such as the design and implementation of occupational health programmes, management practices, intimidation and discrimination, and reskilling and training (OECD, 2019[34]). Collective bargaining can help ensure that workers' requests for pay to increase with productivity are heard therefore preventing excessive turnover (Bryson and Forth, 2010[35]).

As an alternative to collective bargaining, wage boards can be used to target middle-income workers. These can set multiple minimum pay standards by sector and occupation in collaboration with business and worker representatives (Dube, 2020[36]). The Australian Modern Awards System contains elements of such a system, and a similar approach is in the process of being implemented in New Zealand in the form of the Fair Pay Agreement System (which is a hybrid of collective bargaining and wage boards).[6]

Box 2.1. Well-designed performance related pay can help reduce excessive turnover

Performance related pay such as bonuses can help motivate workers and increase their attachment to an organisation or business, lowering turnover and absenteeism, as long as the type and design of schemes are appropriate (Lucifora and Origo, 2022[37]). However, evidence shows that there is wide variation in the effects of performance-related pay – what works in one situation may not work in another, and this may explain why it is not widely used. Such schemes also need to be carefully designed, otherwise the effects can be counterproductive, as when performance is difficult to measure, or employees' intrinsic motivation is relevant (Lucifora and Origo, 2022[37]). Linking pay to performance may also generate excessive stress and damage long-term performance. Nevertheless, the spread of remote work arrangements is likely to lead to more performance related pay rather than input-based compensation systems (based on hours of work for example).

2.2.3. Improve management practices and staff engagement

Better people management skills can reduce employee quit rates (Hoffman and Tadelis, 2021[38]; Friebel, Heinz and Zubanov, 2021[39]; Moscelli, Sayli and Mello, 2022[40]), as well as improve firm productivity (Bloom et al., 2019[41]). Hoffman and Tadelis (2021[38]) find that a manager's interpersonal skills in relations with their subordinates have a very strong effect on reducing employee attrition. Further, positive human resource management practices, including career support, clear expectations, coaching, consultation, a positive attitude and trust have a substantial effect on reducing staff retention. Having autonomy over how work is done, participation in decision making, supportive supervision and positive interpersonal contact have also been shown to be strongly associated with self-reported job satisfaction (Bryson, Forth and Stokes, 2015[42]).

One mechanism through which better management can improve retention is through staff engagement. Staff engagement can be defined "as a blend of three existing concepts: job satisfaction, commitment to the organisation and extra-role behaviour, i.e. the discretionary effort to go beyond the job description" (Schaufeli, 2013[43]). In the English National Health Service (NHS), Moscelli et al. (2022[40]) find that better staff engagement improves the retention of nurses. They find that workplace culture, leadership and

resources all have a positive effect on engagement, and one of the key predictors of engagement is the perception that managers involve employees in important decisions. Self-realisation at work, measured by the share of staff with opportunities to use their skills, also has a significant positive association with engagement. Pay and having a full-time job also play a role in explaining nurses' engagement. Improving staff engagement also proved important in a related intervention to improve retention in the English NHS (Box 2.2).

Box 2.2. Relatively light-touch interventions can improve job quality and employee retention

Retention of skilled workers is essential for labour intensive organisations like hospitals where excessive turnover of nurses and doctors can reduce the quantity and quality of care. The non-financial aspects of job quality are also particularly important in such organisations where large workforces and budget constraints limit the opportunity for wage increases. To tackle staff shortages and low retention rates, the English National Health Service implemented the Retention Direct Support System (RDSP) to improve the non-pecuniary aspects of job quality.

Improving career progression, development and engagement and stimulating a compassionate work culture contributed to the largest retention gains in the hospitals characterised by the worst average retention before the intervention; while improvements in staff engagement, support to new staff, selection of new joiners and the inclusion of retention in the organisation strategy worked best in hospitals with the highest pre intervention retention. Compared to training new nurses, which takes three to four years, improving retention is a time and cost-efficient solution to staff shortages.

The programme was implemented between 2017 and 2020 and was found to improve nursing retention by 0.78 percentage points leading to the retention of 1 697 nurses and midwives who would have otherwise left public hospitals. The intervention was very light touch (and therefore relatively cheap) which appears to have worked primarily by filling information gaps on the scale of the problem at the hospital level, and by providing some examples of best practice about how it could be solved. It was cost-effective; the cost of replacing the nurses that would have otherwise quit was likely higher than the productivity loss of the working hours spent to organise and implement the programme.

Source: Sayli et al. (2022[44]), "Do Non-monetary Interventions Improve Staff Retention? Evidence from English NHS Hospitals", https://docs.iza.org/dp15480.pdf.

2.2.4. Promote good quality flexible working conditions

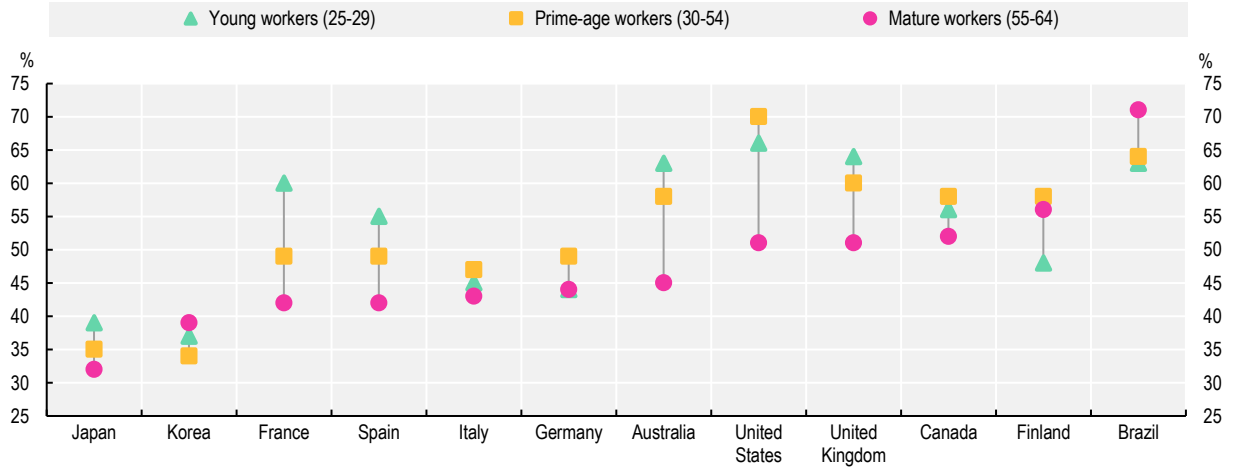
Overall, evidence suggests that work-schedule flexibility improves employees' views of their own work-life balance, and while flexibility will not work for all jobs, greater flexibility can improve job satisfaction and employee retention (Moen et al., 2016[45]). Surveys of employee attitudes show that a large proportion of people do not want to return to pre-pandemic working patterns, and that many workers prefer working from home at least part of the week (Barrero, Bloom and Davis, 2021[46]). Flexible work arrangements are effective in helping organisations respond to the potential loss of skills linked to the retirement of older employees (Ameriks et al., 2017[14]), yet evidence from the 2022 AARP Global Employee Survey shows that mature workers have much less flexibility in their jobs (such as being able to work from home or flexible hours) relative to younger workers in most countries in the sample (Figure 2.5).

There are both opportunities and challenges for businesses in implementing more flexible arrangements. The Forbes Human Resources Council highlight the need to focus on work results and deadlines rather than on the length of the working day (Forbes, 2021[47]). Forbes suggests that by entrusting employees with the freedom of a flexible schedule, they will work harder to maintain the trust of employers. Flexible

working arrangements are also more likely to be successful when they are taken part of an organisations' culture. McKinsey found that having the right policy in place was not enough if people were looked down on for taking time off (McKinsey, 2021[48]). Older workers also need to be sufficiently secure to request flexible work without damaging their occupational position. One way in which this can be supported is through ensuring that flexible working arrangements are used by senior staff (Smeaton and Parry, 2018[49]).

Figure 2.5. Workers in Japan and Korea have the least job flexibility

Share who replied agree or strongly agree that they have flexibility in their job, by age



Note: Persons who replied "agree or strongly agree" to the question "I have flexibility in my job (e.g. able to work from home, flexible hours)".
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries shown. Approximately 1 000 respondents in each country.

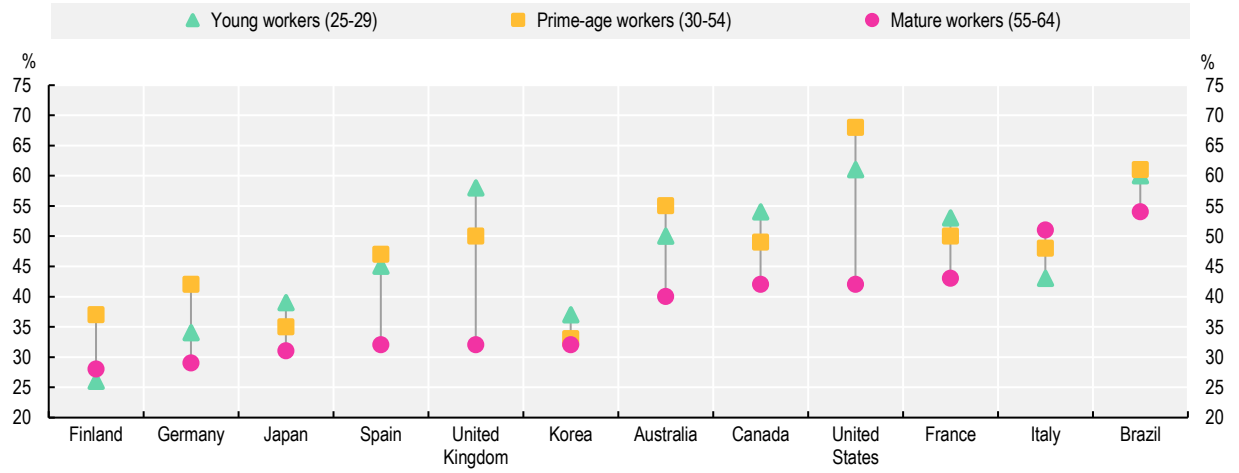
StatLink https://stat.link/1n8r4a

2.2.5. Support people to reconcile work with family and care responsibilities

In addition to flexible working practices, government and employer policies such as parental leave and paid caregiving are also crucial to helping people reconcile work with family and care responsibilities. The high proportion of women with caring responsibilities in the labour market and unpaid care work carried out by older workers means that governments and employers need to do much more to help people balance work and caring responsibilities. Evidence from the 2022 AARP Global Employee Survey shows that mature workers have much less flexibility to care for children and dependent adults relative to younger workers, with the least flexibility in Finland, Germany, Japan and Spain (Figure 2.6). A recent American survey found 64% of workers who live with children under 18 are more likely to consider a new job with a hybrid working arrangement than compared to 49% of workers without children under 18 (Barrero, Bloom and Davis, 2021[11]). In many countries, paid leave for caring duties, childcare voucher systems, gradual return to work programmes for workers on maternity or paternity leave, and extended parental leave are used to help retain workers.

Figure 2.6. Mature workers have the least flexibility to care for children and dependant adults

Share who replied agree or strongly agree that they have flexibility to care for children and/or dependent adults



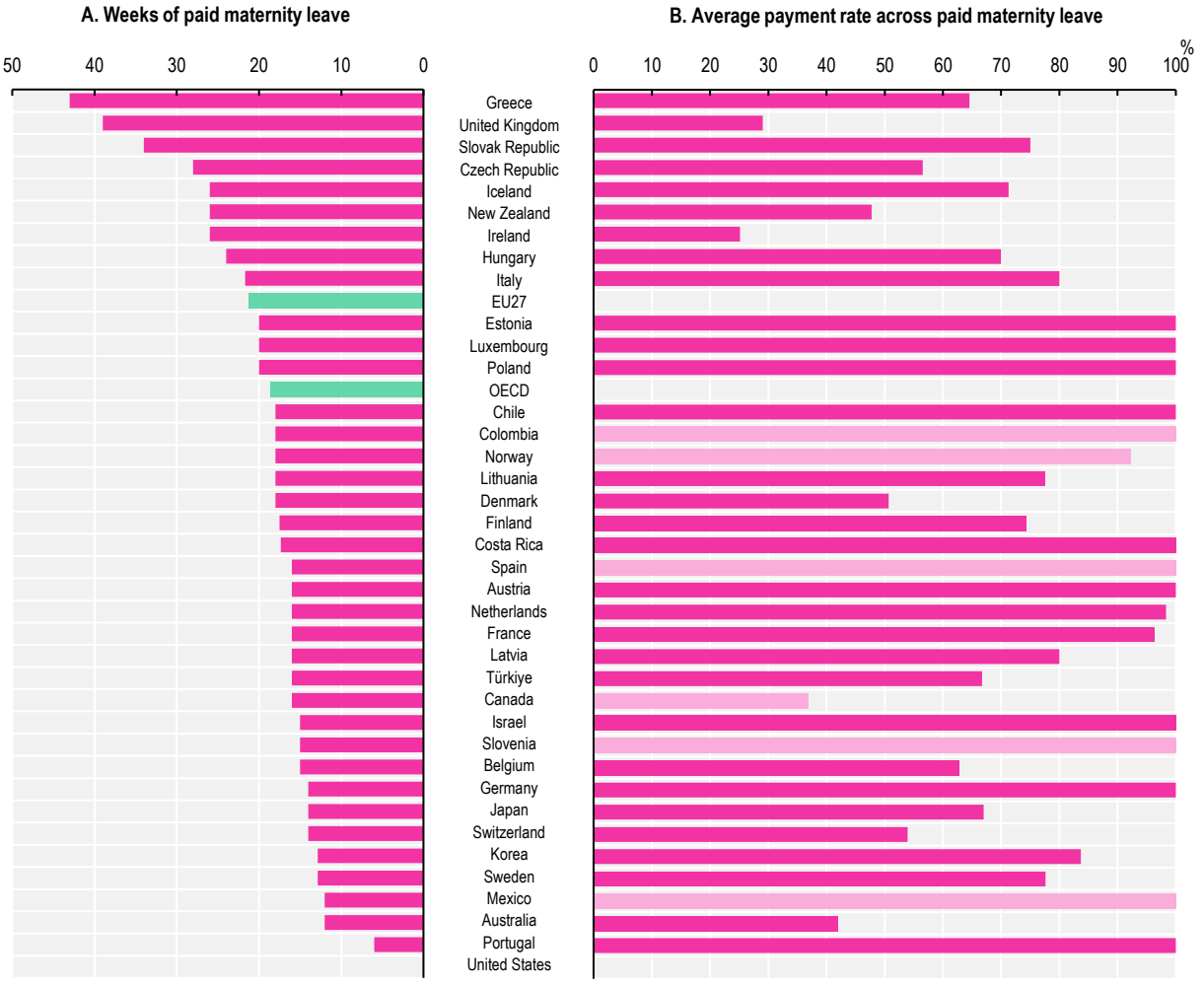
Note: Persons who replied "agree or strongly agree" to the question "I have flexibility to care for children and/or dependent adults".
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries shown. Approximately 1 000 respondents in each country.

StatLink https://stat.link/zh65lm

Almost all OECD countries offer some national paid parental leave policy. On average across OECD countries, mothers are entitled to just over 18 weeks of paid maternity leave around childbirth, with around 70% of wage replaced on average (Figure 2.7).[7] The exception is the United States, the only OECD country to offer no statutory entitlement to paid leave on a national basis (although there are policies at state level). Providing paid family leave benefits at the state level in the United States has been shown to improve firm outcomes by helping them to recruit and retain highly qualified employees (Bennett et al., 2020[50]). Paid family leave policies in California, New Jersey and New York show that access to leave can support job stability for female partners of men who experience a negative shock to their health (Coile, Rossin-Slater and Su, 2022[51]). Paternity leave should also be expanded to improve the work-life balance of mothers and fathers (and other family types).[8] This can help reduce the stress on mothers, allowing them to return to the workplace earlier (McKinsey, 2021[48]) (Box 2.3).

Figure 2.7. Paid maternity leave duration and payments vary widely across countries

Duration of paid maternity leave and the average payment rate across paid maternity leave for an individual on national average earnings, 2021



Note: Light pink bars indicate payment rates based on net earnings. Information refers to paid maternity leave entitlements in place as of April 2020 (and to 2016 for Chile). Data reflect entitlements at the national or federal level only. The "average payment rate" refers to the proportion of previous earnings replaced by the benefit over the length of the paid leave entitlement for a person earning 100% of average national full-time earnings. If this covers more than one period of leave at two different payment rates, then a weighted average is calculated based on the length of each period. In most countries benefits are calculated based on gross earnings, with the "payment rates" shown reflecting the proportion of gross earnings replaced by the benefit.
Source: OECD Family Database, https://www.oecd.org/els/family/database.htm.

StatLink https://stat.link/3xfu27

Box 2.3. Recent improvements in the labour force participation of women are under threat without better childcare and adult social care

Female participation in the labour market has generally increased in recent decades (Albanesi, Olivetti and Petrongolo, 2022[52]), but care for children and dependent adults more often falls on women and in the context of population ageing this raises the risk of undoing the recent gains in labour market participation. For instance, evidence suggests that, on average across OECD countries, 61% of those providing daily informal care are women. The high cost of childcare and long-term care in many countries can prevent re-entry into the labour force or lead women to leave current positions in search of work-from-home or other alternatives. More generous support for childcare, such as public provision or subsidies plays a key role in supporting female labour force participation (Albanesi, Olivetti and Petrongolo, 2022[52]). In contrast, most evidence based on European reforms finds that longer leave delays mothers' return to work, without long-lasting negative or positive effects on pay and participation (Albanesi, Olivetti and Petrongolo, 2022[52]). On average across OECD countries, the typical gross childcare fee paid for two children (aged two and three) in full-time centre-based care equates to just under 26% of average earnings, but this varies from as low as 1% of average earnings in Germany to 50% or more of average earnings in countries like Australia, Greece, Japan, Luxembourg, the Netherlands, New Zealand and Switzerland (OECD, 2022[53]).

In addition to parental leave, most OECD countries provide employees an entitlement to paid leave to care for sick children or other family members. Currently, 19 out of 35 OECD countries (for which data are available) provide paid leave to care for an older dependent (Rocard and Llena-Nozal, 2022[54]). Many countries offer unpaid leave for family caregiving as an extension to paid leave or in place of paid leave. Twenty-two out of 35 OECD countries (for which data are available) provide either paid or unpaid leave for caring for an older dependent. Care leave is found mostly in European countries. In non-European OECD countries, only Japan and Canada have paid leave, and only Canada, Japan and Korea provide unpaid leave. In the United States, five states have legislated for paid care leave under specific and various conditions.

There is often a stigma associated with using caregiving leave, therefore firms and governments need to be encouraged to improve the availability and take up of policies to support adult caregiving. Organisation culture can play a key role in ensuring that available benefits are well advertised, creating an internal Working Caregivers Community on an internal messaging platform, or providing visible examples of how senior leaders have used caregiving leave (AARP, 2022[55]).

2.2.6. Promote phased retirement and work redesign

In the last decade, many OECD countries have raised the retirement age above 65 years of age to 67 and higher. Governments should encourage longer and more satisfying careers for those who are able to through more flexibility in work-retirement transitions, for example by promoting phased retirement, better balancing work and care and permitting a combination of pensions with work income. Canada, Denmark, Iceland, Norway, Portugal, Switzerland and the United States have maximum deferral ages for men of at least 70 (and 69 for women in the case of Switzerland) (OECD, 2017[56]). Countries should also 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 (OECD, 2019[57]). A range of policies have been implemented by OECD countries to extend flexible retirement options (Box 2.4).

Box 2.4. Phased retirement can help extend working lives

- Estonia expanded flexible retirement options, allowing the combination of pension and labour income for three years before the legal retirement age. It is also possible to take out only half a pension, which makes later pension payments higher compared to taking the full pension (Republic of Estonia Social Insurance Board, 2022[58]).
- In Austria, the so-called "partial pension" facilitates employment for older employees with the greatest possible financial security at reduced working hours until they reach the standard retirement age (Federal Ministry of Social Affairs Republic of Austria, 2019[59]).
- In France the scheme of *retraite progressive* allows individuals to receive part of their pension from the age of 60 while continuing to work part time, if 150 quarters of paid work have been completed. Having more than one part time job is also allowed (OECD, 2017[56]).
- In Spain, under the *jubilación parcial*, workers can receive part of their pension while working between 50-75% capacity. The minimum age to be able to take advantage of the scheme is 62 years and two months in 2022, increasing on a yearly basis, alongside the full retirement age. Years of employment in the company one plans to continue to work for and the type of contract can also affect eligibility (European Commission, 2022[60]).

The Singaporean Government is taking action to extend the working lives of older workers through its re-employment policy and job re-design grants. Rather than increase the retirement age, the Government's re-employment policy aims to create the opportunity for employers and employees to think about how work may be re-designed to enable older workers to continue working, supported by a job re-design grant of up to 80% of the project costs or SGD 20 000, whichever is the lower, with an employer able to make multiple submissions.

2.2.7. Engage employees and managers to improve accountability and reduce prejudice

A twin-track approach of engaging line managers and employees is likely to be more effective than diversity training as evidence shows how difficult it is to de-bias minds (Bohnet, 2016[61]). According to the 2020 AARP Global Employer Survey only 42% of employers offer their managers training on management practices for a multigenerational workforce, so there is scope to improve this across organisations. At the same time employee engagement and buy-in can be boosted through Employee Resource Groups (ERGs) (OECD, 2020[25]). ERGs are voluntary employee led groups which can promote accountability, engage members and increase contact among diverse groups. While evidence on their effectiveness is scarce, other studies on corporate diversity taskforces that share similarities with ERGs, show that intergroup contact effectively reduces prejudice among a broad range of minority groups including older people (Bertrand and Duflo, 2017[62]). Programmes led by governments and social partners can also work to reduce prejudice in the workplace (Box 2.5).

Box 2.5. Affirmative action through information campaigns can counter negative employer attitudes

- The Netherlands has used public awareness campaigns featuring an ex-soccer player to reduce the negative stereotypes among employers and encourage them to hire older workers. Anti-age discrimination laws are powerful if victims themselves are aware of their rights. Belgium disseminated information via banners and posters on the illegal nature of discrimination based on age and encouraged victims of discrimination to report their experience.
- In Latvia the *Promoting Diversity* programme is a good example of how affirmative action and coercive measures can be mutually reinforcing. Latvia implemented four activities related to age discrimination including i) targeted motivation and support services for individuals at risk of discrimination to help them integrate them into employment, ii) educational activities targeted at employers and employees on social inclusion and anti-discrimination, iii) support measures to promote an inclusive working environment and diversity management, and iv) public awareness-raising. By the end of 2022, it is expected that 930 people who are at risk of discrimination will either start their job search or participate in education/training, qualification, employment, including self-employment, following the use of motivation services. In addition, 300 employers and employees will be trained in social inclusion and non-discrimination and five good practices will be promoted to create an inclusive working environment and diversity management.

Source: OECD (2022[63]), Report on the Implementation of the OECD Recommendation on Ageing and Employment Policies, https://www.oecd.org/mcm/Implementation-of-OECD-Recommendation-Ageing-and-Employment-Policies.pdf.

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Notes

[1] For example a recent meta-analysis of 339 studies using data accumulated by Gallup across 49 industries in 73 countries found that higher employee well-being is associated with higher productivity and firm performance (Krekel, Ward and De Neve, 2019[64]). From studying the relationship across this large range of studies, they examine the relationship between employee satisfaction and four aspects of firm performance: customer loyalty, employee productivity, profitability, and employee turnover. They find a significant negative relationship between employee satisfaction and staff turnover. They also find that higher levels of employee satisfaction are associated with higher levels of customer loyalty, productivity and profitability. However, these results do not give any indication about what drives employee satisfaction, making it difficult to draw any policy conclusions.

[2] Firm-wage setting practices are measured empirically by focusing on average firm wages after controlling for differences in workforce composition following Abowd, Kramarz and Margalis (1999[5]).

[3] The terms “mature” and “older” are used interchangeably throughout this report.

[4] This is consistent with other survey results for example from the United Kingdom showing that employees whose working from home expectations are not met are twice as likely to want to quit their employer (Understanding Society COVID-19 study), and in a global working from home survey 15% of respondents said that they would quit or look for a working from home job if forced back to the workplace in person full time (Aksoy et al., 2022[66]).

[5] The self-employed have risen as a share of low paid employment in recent years; a group of workers who are not directly affected by minimum wages. One-way to include some self-employed would be to extend the minimum wage to self-employed people who do not have the power to set their own prices – this would cover some of the “gig economy” platforms such as Uber and Deliveroo who control the prices that are charged to customers (D’Arcy, 2017[65]). An alternative in some countries such as the United Kingdom is to enforce existing laws better – many self-employed people are in fact “workers” rather than “independent contractors” and therefore have the right to the minimum wage and other benefits.

[6] This system will allow any union to initiate bargaining for a Fair Pay Agreement if represents at least 1 000 employees or 10% of the employees in the proposed coverage. The agreements will cover basic pay and other conditions.

[7] Many empirical studies find that female labour outcomes improve following the implementation of maternity leave programmes, for example Rossin-Slater (2017[67]).

[8] On average, OECD countries offer just under nine weeks of paid father-specific leave, either through paid paternity leave or paid father-specific parental or home care leave. In some countries such as Sweden and Norway, partners have dedicated use it or lose it time off.

3 Staying healthy with age: Promoting healthy ageing in the workplace

Poor mental and physical health of employees is associated with premature labour market exit, higher sickness absence and presenteeism. This in turn contributes to lost productivity and lower employee retention. Poor health often starts early in working careers and the effects can accumulate over time. Managing a multigenerational workforce requires employers to think intentionally about how the workplace they create promotes good health of workers at all ages. This chapter highlights employer and government policies that can contribute to healthier workers and workplaces.

Key messages

Ill-health results in lost productivity and higher turnover through absence and presenteeism and is a major driver for premature labour market exit among mature workers

- In 2019, around 20% of workers aged 35-44 voluntarily left their jobs because of poor health, and this share was higher (25%) among workers aged 50-64.
- Results from the 2022 AARP Global Employee Survey shows that health problems were a reason for retiring early for 25% of workers aged 55-64.
- Job strain, stress and burnout affects almost one in every three employees in OECD countries.
- On average among 25 European OECD countries the sickness absence rate is 1.3% among young workers, 2% among prime aged workers, and 3.2% among mature workers.

Greater efforts to tackle health at the workplace will be key to prevent talent loss

- Comprehensive and integrated workplace health or well-being programmes can improve health, productivity and retention.
- Governments and social partners can support small and medium enterprises (SMEs) in implementing workplace health and well-being programmes by strengthening occupational health services, developing national accreditation for health and well-being providers, and by creating certified recognition programmes for employers.
- Workplace accommodation and job redesign are essential tools to retain workers with ill health. Improving employee control over work, reducing excessive work demands and enhancing social relationships at work can improve health and well-being.
- Paid sick leave can play a key role in promoting better health by allowing sick workers to recover at home and ensuring they can access medical support. However, this must be accompanied by active return-to-work measures to prevent avoidable long-term absence which can be costly for employers, the workers concerned and society.
- Employee attachment to employers can be maintained following illness by using gradual return to work schemes, where necessary, and by making accommodations for workers with health conditions. This can prevent the loss of skills and experience, and in some cases the partial return to work can help with rehabilitation.
- With the rise of teleworking following the COVID-19 pandemic, governments and employers have a key role to play in mitigating any negative impact on mental health impact. For example, some countries now have legislation in place giving workers the right to digitally disconnect outside of standard working hours.

3.1. Poor health is a key driver of employee turnover and absence

The negative effects of poor working conditions on employee health (Box 3.1) take their toll on workplace outcomes such as employee turnover, absence, presenteeism, premature labour market exit and productivity. Poor health is a key driver of labour market turnover. In 2019, 20% of workers aged 35-44 and 25% of workers aged 50-64 left their current job because of ill-health (Chapter 1, Figure 1.12). People with poor health are less likely to be employed and face greater labour market disadvantage generally. Once employed, people with poor health are also less likely to remain in employment compared to people in good health (Webber et al., 2015[1]).

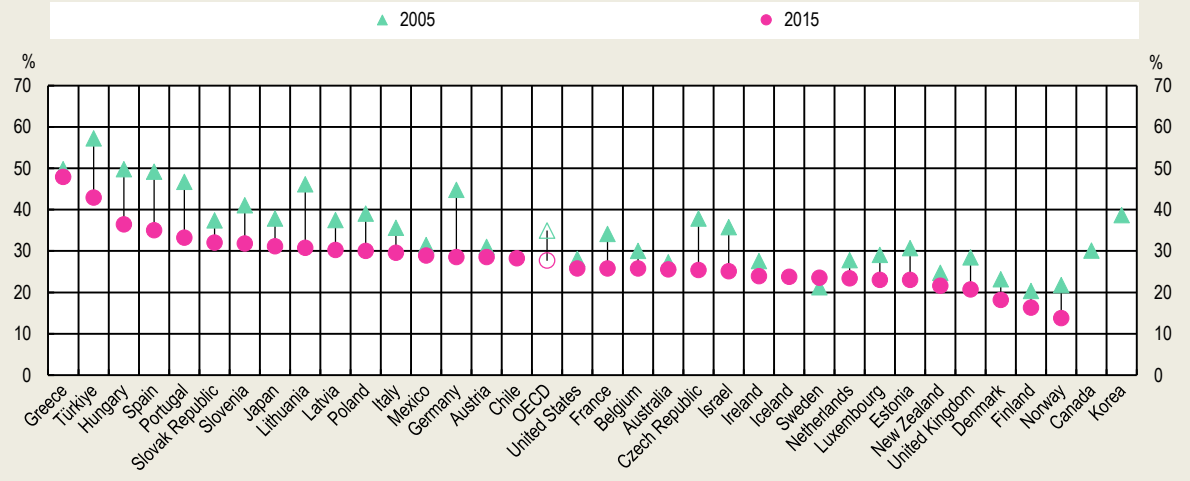
The two most common groups of health problems are musculoskeletal disorders (MSDs) and common mental health problems such as depression and anxiety. Because of population ageing and greater longevity there will be an increasing proportion of older workers in the workforce, who are twice as likely as 35-54 year-olds to have multiple long-term conditions including physical and mental health (OECD, 2020[2]). Older workers are therefore more likely to change jobs, change the type of work they are doing, or leave the labour market altogether. Poor health also varies by other socio-economic characteristics, in all OECD countries with available data, older people in the lowest quintile of the income distribution are more likely to be in poor health than those in the highest quintile (OECD, 2021[3]). Employers therefore need to support all employees regardless of age or life stage if they have long-term or chronic conditions which may limit their ability to perform effectively at work and retain them at the workplace.

Box 3.1. Poor quality jobs can cause poor health

Poor quality jobs harm the mental and physical health of employees (Marmot and Smith, 1997[4]; Marmot et al., 2020[5]; Cottini and Lucifora, 2013[6]). One measure of a poor quality working environment is job strain, experienced by almost one-third of employees in OECD countries in 2015, and defined as a situation where the job demands experienced by workers (i.e. physical demands, work intensity, inflexible working hours) exceed the resources available to them (i.e. task discretion, training, career advancement) (Cazes, Hijzen and Saint-Martin, 2015[7]). The share of employees experiencing job strain is generally higher in central and southern European countries (peaking at almost 50% in Greece), while affecting around 20% of employees in northern Europe and New Zealand (Figure 3.1). Individuals exposed to high levels of job strain are more likely to develop cardiovascular and coronary heart disease, hypertension, musculoskeletal disorders and high blood pressure from work accidents (Saint-Martin, Inanc and Prinz, 2018[8]).

Figure 3.1. Job strain affects almost one in every three employees in OECD countries

Share of employees who experienced a number of job demands exceeding that of job resources



Note: OECD is the unweighted average of 31 countries and excludes Canada, Chile, Colombia, Costa Rica, Iceland, Korea and Switzerland due to incomplete time series.
Source: *OECD Job Quality Database*, http://stats.oecd.org/Index.aspx?DataSetCode=JOBQ.

StatLink https://stat.link/gprh6d

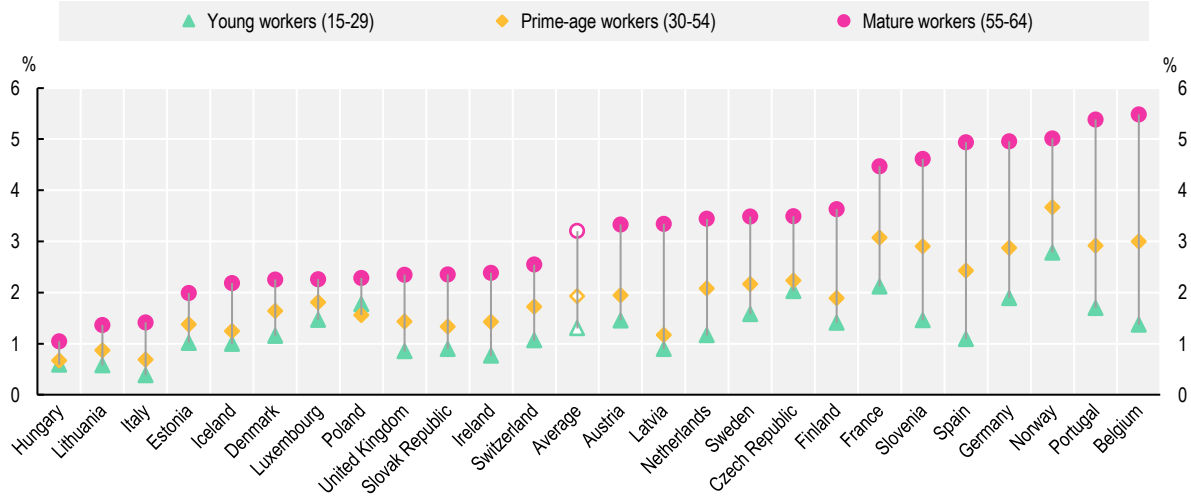
3.1.1. The costs of absence and presenteeism are large

Absence from work because of sickness reduces the productive capacity of an organisation and can often be a way in which workers end up leaving the labour market altogether. The absence of one employee can also lead to declines in the productivity of remaining workers, as the co-workers are asked to "fill in the gaps" and compensate. The indirect costs of illness or injury (productivity) then add up to roughly the same if not more than the direct costs (hospital stay and medication), effectively doubling the total cost of sickness absence (McNamara and Tinsley-Fix, 2018[9]).

The prevalence of sickness absence various substantially across countries. On average among 25 European OECD countries the sickness absence rate is 1.3% among young workers, 2% among prime aged workers, and 3.2% among mature[1] workers (Figure 3.2). In Belgium, Portugal, Norway, Germany, Spain the rate for mature workers is at or above 5%, and rates for prime-aged workers are 3% or more in Norway, France, Belgium, Portugal, Germany and Slovenia.

Figure 3.2. Older workers are more likely to experience sickness absence for health reasons

Rates of sickness absence by age, 2019



Note: The unfilled markers represent the average of the 25 countries shown. Derived from the variable 'nowkreas' (reason for not having worked at all during the reference week though having a job), and the response "Own illness, injury or temporary disability". The denominator is total employment.
Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS).

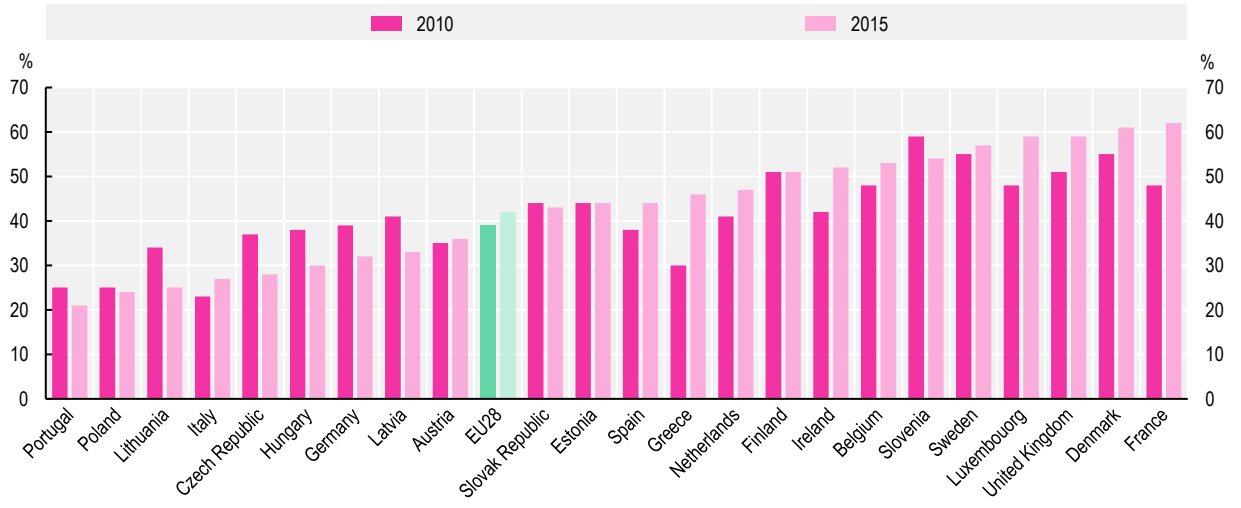
StatLink https://stat.link/26bn45

While the costs of sickness absence may be large, the cost of presenteeism – the lost productivity of attending work when unwell – is estimated to be 1.5 times higher than sickness absence (OECD, 2020[2]). The latest data suggest that employees in France, Denmark and the United Kingdom have the highest rate of presenteeism in European OECD countries (Figure 3.3). There is a risk that employers may underestimate employee ill health by focusing solely on absence. Evidence from the study of the long-term health of UK Civil Servants (Whitehall II) shows, presenteeism may be detrimental to employee health in the long run because it can "mask" serious illness (Marmot et al., 2010[10]).

Poor mental health also increases the prevalence of sickness absence and workers with poor mental health (for example depression or anxiety) are likely to be far less productive even when at work (OECD, 2012[11]). There is often a stigma associated with mental health issues such that presenteeism is likely to be common (OECD, 2021[12]).

Figure 3.3. Self-reported presenteeism in the EU, 2010 and 2015

Share of employees who continue to work or return to work while still feeling sick



Note: EU28 is a weighted average.
Source: OECD (2020[2]), *Promoting an Age-Inclusive Workforce: Living, Learning and Earning Longer*, https://doi.org/10.1787/59752153-en, Figure 4.7.

StatLink https://stat.link/g3qbsp

3.1.2. Loss of talent through premature labour market exit

Ill health, unresolved or long-term sickness absence can lead to early retirement or premature labour market exit, i.e. leaving before the state pension age. For instance, results from the 2022 AARP Global Employee Survey shows that health problems were a reason for retiring early for 25% of workers aged 55-64 (Chapter 1, Figure 1.13). Further evidence suggests that that since COVID-19, ill-health may have contributed to surge in activity among older workers in some OECD countries such as the United Kingdom (Haskel and Martin, 2022[13]).

Data from other indicators, such as effective retirement ages shows that although statutory retirement ages have risen, people still leave well before state pension age. In all OECD countries, despite the significant increases in life expectancy, the effective retirement age is still lower today than it was 30 years ago (OECD, 2022[14]). Although institutional factors such as the availability of early pension benefits, difficult working conditions and caregiving responsibilities play a role, poor health is also important (OECD, 2018[15]).

Disability is another channel through which workers may leave their jobs and can prevent people gaining employment at all ages. Among those who do, or who develop conditions later in life, exiting the labour market permanently due to disability is all too common. While not all workers with disability have the capacity to work, evidence suggest that many are often still able and want to continue working provided the right support and conditions are provided (OECD, 2022[16]).[2]

Similarly, disability due to mental health conditions is strongly associated with lower employment. Moreover, many individuals with mental health conditions are unable to find or keep jobs. On average, across OECD countries, 60% of people with moderate mental health conditions are employed compared to 70% of those without a mental health condition (OECD, 2021[12]). Individuals with a mental health condition are also almost twice as likely (85% higher) to be unemployed, indicating that many are either looking for jobs without success and/or are transitioning into and out of work more often (OECD, 2021[12]). The COVID-19 pandemic has led to major changes in working arrangements for many people, such as increased teleworking. While there are benefits such as increased flexibility associated with this, there are

also potential negative consequences for mental and emotional wellbeing if remote work is not carefully managed (Bevan and Cooper, 2022[17]).

Overall, as the number of working age people with long-term health conditions rises, Government and employers need to improve workplaces and support systems to help people to manage their health conditions and remain at work.

3.2. Promoting health and well-being in the workplace

Preventing ill-health starts from childhood through preventing obesity, smoking, harmful use of alcohol, and sedentary lifestyles, for example. It is critical to support policies to prevent ill-health throughout employment as the effects of poor health can accumulate over time. With an ageing workforce, both employers and governments play a key role in ensuring the good health and well-being of the workforce.

3.2.1. Workplace health and well-being programmes can improve worker productivity and well-being

Workplace health and well-being programmes (WHWP) are employer driven initiatives directed at improving the health and well-being of workers. This can include programmes that encourage exercise, healthy eating, stress management, smoking cessation, as well as interventions aimed at ailments such as diabetes, cardiovascular diseases (CVDs), musculoskeletal disorders, and depression. Many companies are also providing broader programmes that blend a range of physical, social/emotional, and financial programmes (OECD, 2020[2]). Financial security programmes are increasingly common, as it is recognised that it is difficult to engage employee's wider health needs if they are struggling with managing a budget or large household debts.

Evidence on the effectiveness of WHWP is mixed. Recent meta-reviews of WHWP suggest that programmes can (on average) reduce medical costs, and improve health and productivity (Baicker, Cutler and Song, 2010[18]; Baxter et al., 2014[19]; Chapman, 2012[20]; Mattke et al., 2013[21]). However, these reviews find that the effects of health programmes vary depending on the type of evaluation method used. Because healthier people are more likely to participate in workplace health programmes, robust evaluation using randomised experimental methods is necessary to gauge whether a programme has a positive effect. Habits about diet and exercise are often deeply rooted and not easily amenable to change; often people respond to financial incentives in the short term but fall back into old patterns once the incentives end (Royer, Stehr and Sydnor, 2015[22]). Overall evidence suggests that 'medicalised' interventions to improve exercise or diet, for example, are less successful than holistic interventions which focus on organisational climate, job quality, job design, flexible working, social support, and matching resources to job demands (Bevan and Cooper, 2022[17]).

Meta-reviews also show that the comprehensiveness, intensity and duration of WHWP varies widely.[3] Further research is still needed to fully understand which attributes of health programmes are the most important and how such programmes should be optimally designed. Nevertheless, existing evidence points to elements of promising practices (Goetzel and Ozminkowski, 2008[23]). These are: a) integrating programmes into the organisation's central operations; b) addressing individual, environmental, policy, and cultural factors affecting health and productivity; c) targeting several health issues simultaneously; d) tailoring programmes to address specific needs of the population; e) attaining high participation rates; f) rigorously evaluating outcomes; and g) effectively communicating these outcomes to key stakeholders (Goetzel and Ozminkowski, 2008[23]). The Centers for Disease Control and Prevention (CDC) also emphasise the importance of a co-ordinated, comprehensive set of programmes, policies, benefits and environmental supports for a successful workplace health programme (Centers for Disease Control and Prevention, 2016[24]). The workplace health programmes in Box 3.2 illustrate many of these features.

Box 3.2. Workplace health programmes can improve worker health

- Since 1979 **Johnson & Johnson** has run a comprehensive, holistic workplace health and wellness programme. The programme integrates disability management, occupational health, employee assistance, work-life programmes, wellness, and fitness (Bartz, 2018[25]). The objective is to create an environment that fosters and supports healthy choices through fitness centres, step challenges, healthy food, a tobacco-free environment, mental well-being, weight loss programmes, and medical coverage. Participants receive a financial incentive to complete a health risk assessment followed by meetings with health advisor to develop a plan for reducing any identified risks. The programme has achieved high participation rates and has significantly reduced risk factors (such as physical inactivity, smoking, high blood pressure and cholesterol) (Goetzel et al., 2002[26]). In turn this has led to lower overall corporate health care spending, less absenteeism, and a positive return on investment. The return on investment in Johnson & Johnson's programme has been estimated at between USD 1.88 – 3.92 for every dollar spent (Henke et al., 2011[27]). All employees have access to a course called Energy for Performance during which participants identify and prioritise the most meaningful parts of their lives. Johnson & Johnson has found this has improved productivity and increased retention (Bartz, 2018[25]).
- The **LifeWorks@TURCK** platform is a comprehensive, integrated set of services and programmes that has developed incrementally since 2003, directed at the creation of a culture of health and well-being (Pronk, Lagerstrom and Haws, 2015[28]). Based primarily in Minneapolis, the United States, TURCK is a manufacturer of industrial automation technology. Between 2008-10, a framework promoting five pillars of well-being (financial, social, career, physical and community) was established (Pronk, Lagerstrom and Haws, 2015[28]). Services include an on-site health clinic focused on screening for diseases such as diabetes and cancer, an on-site pharmacy, financial budget planning, 1-on-1 financial counselling, and a volunteering company match. The programme is embedded into the culture of the organisation and has become TURCK's employment brand. It has had a positive impact on operating earnings, as well as retention, job satisfaction, and recruitment of new workers (Pronk, Lagerstrom and Haws, 2015[28]).

SMEs need more support in implementing workplace health promotion programmes

Large companies are more likely than small and medium-sized enterprises (SMEs) to offer health and well-being programmes. In the United States, 33% of the smallest firms (50-100 employees) have a wellness programme, compared to 80% of the larger ones (over 1 000 employees) (OECD, 2022[29]). The barriers SMEs face in implementing WHWP include cost, the lack of sufficient human resources, and lack of knowledge about potential programmes. However, SMEs may be in a good position to adopt successful WHWP due to having less bureaucracy, easier implementation, and the potential for team bonding (OECD, 2022[29]). Governments and social partners can support SMEs in the process of implementing WHWP by strengthening occupational health services, developing national accreditation for health and well-being providers, and by creating certified recognition programmes for employers and offering subsidies to SMEs (OECD, 2022[29]). The CDC argue that workplace health promotion programmes are more likely to be successful if occupational safety and health is considered in their design and execution (Centers for Disease Control and Prevention, 2016[24]). An example of a certified recognition programme is the Health and Productivity Management (H&PM) programme in Japan (Box 3.3).

Box 3.3. Health and Productivity Management Programme (H&PM) in Japan

In Japan the Health and Productivity Management Programme (H&PM) provides both certification and awards for employers who take measures to promote health and well-being at the workplace, and also aims to incentivise investment in such health-promoting corporations. Whereas large corporations are required to fill in a dedicated H&PM questionnaire, SMEs only need to submit written evidence for assessment, given that the questionnaire requires detailed information that may not be collected regularly by smaller companies. The top 500 SMEs are awarded "Bright 500" status and the top 500 large corporations are awarded "White 500 Corporation" status.

High-performing companies have lower rates of smoking, hypertension (high blood pressure) and hyperglycaemia (high blood pressure) among other outcomes. There are also significant monetary benefits for employers. Employer medical expenditure for employee health is considerably lower in higher-performing companies, and turnover rates (5.4%) in the top-performers were about half of the turnover rates in companies across Japan (11.4%), suggesting that H&PM implementation enhances employee retention and loyalty. Large corporations also receive an individualised feedback sheet based on their responses to the H&PM survey that helps them to diagnose areas for improvement.

Source: OECD (2022[29]), *Promoting Health and Well-being at Work: Policy and Practices*, https://doi.org/10.1787/e179b2a5-en.

3.2.2. Redesigning the workplace to prevent poor health outcomes

The Work and Well-Being Initiative, a joint Harvard and MIT research-for-action initiative has proposed a toolkit designed to help reshape work conditions that are a root cause of stress-related health problems. The toolkit is based on three principles: i) increasing worker schedule control and voice, ii) moderating job demands, and iii) providing training and employer support aimed at enhancing social relations at work (Lovejoy et al., 2021[30]; The Work and Well-Being Initiative, 2021[31]). This toolkit has been established in response to the often-poor effectiveness of corporate health and well-being programmes, however there are some similarities with the promising practices for WHWP discussed above.

Control at work involves having meaningful discretion over how, when, and where work gets done (Kelly and Moen, 2020[32]). A lack of control over important aspects of work life can be stressful, particularly combined with high work demands. Working time autonomy has been shown to improve productivity and reduce labour turnover (Moen, Kelly and Hill, 2011[33]; Beckmann, Cornelissen and Kräkel, 2017[34]; Shepard, Clifton and Kruse, 1996[35]). A work design initiative called STAR (Support. Transform. Achieve. Results.) implemented in a Fortune 500 company made three changes to reduce employee burnout (Kelly et al., 2014[36]). Employees were given greater control over when and where they work. Managers were trained to focus on "results" rather than "face-time" and encouraged to share their support for and interest in employees' personal and family lives. The programme brought benefits to employees and the company. Staff were less stressed, and with fewer interruptions better able to concentrate and innovate. Better control over their schedules allowed workers to juggle work and their personal lives more effectively which benefitted physical health.

Chronic work stress is often associated with long working hours and/or work under intense pressure (Box 3.4). This affects employee's health as well as affecting productivity by reducing employees' ability to sleep, concentrate, make decisions well and function optimally (The Work and Well-Being Initiative, 2021[31]). When demands are excessive or are not matched with supportive conditions and resources then this contributes to excessive job strain (Box 3.1). The Work and Wellbeing Initiative shows that the management strategy known as kaizen has the potential to reduce work demands by streamlining work procedures in a participatory way. A study of Danish postal workers found that kaizen resulted in higher employee job satisfaction and better mental health (von Thiele Schwarz et al., 2017[37]).

Preventing physical strain is another key dimension to reducing workplace stress. Toolkits and other approaches can be used to undertake systematic and regular workplace risk assessments which can be used to make adaptations or adjustments to behaviour or environment to prevent health problems (Bevan and Cooper, 2022[17]). A new generation of risk assessments methods recognise that workplace, clinical and psychosocial factors can interact to generate 'hazardous personal states' (Bevan and Cooper, 2022[17]).[4] Therefore policies need to address both physical factors such as ergonomic changes in addition to stress responses that might cause mental health problems (Bevan and Cooper, 2022[17]).

Box 3.4. Did you know? Despite regulation, excessively long working hours remain relatively widespread

Regulations on working hours vary across the OECD, but most countries set regulations on statutory normal working hours, which is supplemented by a statutory limit on maximum working hours including overtime (OECD, 2021[38]). The ILO has recently reported that in many cases there has been insufficient resources dedicated to tackling violations of working time regulations (ILO, 2018[39]). Long hours spent in paid work can impinge on leisure time, personal care, and a person's ability to contribute to unpaid work (such as housework and caring for family members) within a household. On average, around 7% of employees in OECD countries routinely work 50 hours or more each week. The EU's Working Time Directive requires that average weekly working hours must not exceed 48 hours including overtime. Both Japan and Korea have implemented reforms to reduce the incidence of excessively long working hours in recent years, but the statutory limit remains 51.25 hours in Japan and 52 hours in Korea. It is recognised in both Korea and Japan that excessively long working hours carry significant health costs that require policy attention (Hijzen and Thewissen, 2020[40]).

Finally, the third principle of the Work and Well-Being Initiative highlights the importance of social relationships in the workplace for employee health and well-being. Positive social connections such as supportive interactions, a sense of belonging, and effective teamwork, improve worker well-being and can prevent the harmful effects of stress (The Work and Well-Being Initiative, 2021[31]). These connections can also improve worker performance and reduce sickness absence and the likelihood of quitting. The Availability, Responsiveness, and Continuity initiative was tested among social services workers in child welfare and mental health programmes (Glisson, Dukes and Green, 2006[41]; Glisson et al., 2012[42]). This initiative provided workshops and training to improve workers' communication, trust, and goal alignment within teams. Teams also worked together to make changes they thought would improve client services and their own experiences on the job. The initiative led to significant improvements in workplace climate and employee well-being, including reduced symptoms of employee burnout and turnover, and enhanced morale, job satisfaction, and organisational commitment.

3.2.3. Tax credits and subsidies can be used to encourage employers to invest in workplace health and well-being

There is growing appetite among governments to use tax credits and subsidies to encourage employers to invest in workplace health and well-being. For example, France, Germany, Italy and the United Kingdom all provide tax credits at the national level related to health and well-being and several others have measures at the sub-national level (Australia and the United States). In Germany, a tax exemption introduced in 2008 provides employers with an exemption for health and well-being expenditures up to EUR 600 (USD 710) per employee per year (OECD, 2022[29]). In France and the United Kingdom tax exemptions have been introduced to encourage cycling to work. In France, employers can pay employees

up to EUR 500 (USD 592) per year for commuting by bicycle or car-sharing schemes as part of the Sustainability Mobility Package (*Forfait Mobilité Durable*) (OECD, 2022[29]).

3.2.4. Paid sick leave plays a vital role in preventing ill-health in the workplace and return to work

Preventing avoidable[5] sickness absence from work due to ill-health is key to promoting health and well-being at the workplace. Prevention policies can also play a key role later in life in conjunction with government polices such as paid sick leave. Sick leave can allow sick workers to recover at home and ensure that they have access to medical support. However, long-term absence from work due to sickness can also have long lasting effects on labour market outcomes. The COVID-19 pandemic led many OECD countries to strengthen arrangements to provide paid sick leave, and the spotlight on access to paid sick leave has led some countries to make long-term changes – placing greater emphasis on incentives for employers to prevent sick leave. Most OECD countries have a combination of employer-paid sick leave and government sickness benefit for workers on sickness absence, Japan, Korea and the United States being the exceptions.

The period and replacement rate of sick leave is particularly important as it has the potential to create a financial incentive for employers to promote better health among their employees, but in most countries the duration of employer-paid sick leave tends to be too short to provide a strong incentive to reduce or prevent sickness absence (OECD, forthcoming[43]; 2022[29]). Paid sick leave replaces on average, 65% of an eligible employee's wage during a two-week sickness spell. In some countries, such as Ireland, the United Kingdom, the United States and Korea, some workers may receive non-mandatory sick pay from their employer (OECD, forthcoming[43]).

3.2.5. Promote timely return-to-work and workplace accommodations

Governments should promote recovery and return-to-work of partially recovered workers early on during a sickness absence to avoid the prospect of paid sick leave becoming an exit route out of the labour force. Evidence from several OECD countries, including Belgium, the Netherlands, and the United Kingdom, shows that return-to-work becomes increasingly difficult as the duration of absence lengthens, particularly after three months of absence (OECD, 2015[44]). In the Netherlands, employees and employers have strong incentives to do everything they can to reintegrate sick employers, including offering retraining (OECD, forthcoming[43]). In Korea a return-to-work programme called *My job, Tomorrow Service* provides integrated medical, psychological care and vocational rehabilitation services for employees with a disability due to an accident or occupational injury (OECD, forthcoming[43]). Making substantial changes to a production process to improve the match between worker abilities and job demands can also yield positive results (Box 3.5).

Capacity-oriented sickness certificates like those used in Denmark, the Netherlands and Norway can be used to promote recovery by showing what work and tasks a sick worker can still reasonably do and what accommodation is necessary (OECD, forthcoming[43]). Work capacity should be regularly reassessed by all actors involved as these are an efficient way to reduce sickness absence and promote return-to-work. Reassessment six months into the sick leave spell reduced the time until partial or full work could be resumed by approximately 20 days in Norway (Markussen, Røed and Schreiner, 2018[45]).

Box 3.5. Adapting workplaces to retain older workers – the Ford Fiesta production line in Cologne

To develop a new production process at the Ford Fiesta factory in Cologne, it was necessary to close an in-house manufacturing plant affecting 5 000 employees, including 500, mainly older workers with acquired disabilities. For health reasons these workers could only carry out simple assembly jobs. Ford and the Institute for Quality Assurance in Prevention and Rehabilitation (IQPR) in Cologne used innovative methods to re-integrate workers with acquired disabilities (mainly musculoskeletal diseases and cardiovascular diseases) into the new manufacturing process. An interdisciplinary integration team was formed which used software to match the demands of a job with the precise abilities of a particular worker. The ability profiles were prepared by physicians, with the employee's consent.

Over 300 workers were re-integrated into production jobs which brought about huge economic advantages including saving recruitment costs of up to USD 9 million per year. Rates of sickness absence also fell from over 20% to about 7% due to improved job satisfaction and motivation. Disability rates also fell as job demands were reduced or adjusted to the specific needs of employees. The project also brought about long-term change – the move from a "deficit-oriented approach", with the focus on what an employee can no longer do, to a "resource-oriented approach".

Source: Eurofound (2005[46]), Ford Werke, Germany: Redeployment, health and well-being, https://www.eurofound.europa.eu/observatories/eurwork/case-studies/ageing-workforce/ford-werke-germany-redeployment-health-and-well-being.

In most OECD countries, employers are obliged to make adjustments for workers with disabilities, but often this does not extend to workers experiencing sickness, illness or injury (OECD, 2022[29]). Expanding eligibility to workers with health conditions would be beneficial, particularly for older workers. Accommodation costs are often minimal, as it usually involves an increase in flexibility for employees rather than an increase in expenditure (OECD, 2021[47]).

Graded work facilitates a gradual return to work allowing workers to return to work sooner, perhaps working different, lighter duties, which prevents the loss of skills and experience and can be helpful for rehabilitation from some diseases (Kools and Koning, 2019[48]). Many European OECD countries facilitate gradual return-to-work by allowing workers to continue to receive a proportion of paid sick leave (OECD, forthcoming[43]). Evidence from Germany suggests that the use of gradual return-to-work reduces the duration of sickness absence and reduces the risk of labour market exit into disability benefits (Schneider, Linder and Verheyen, 2016[49]).

3.2.6. Adapt workplace policies to promote positive mental health

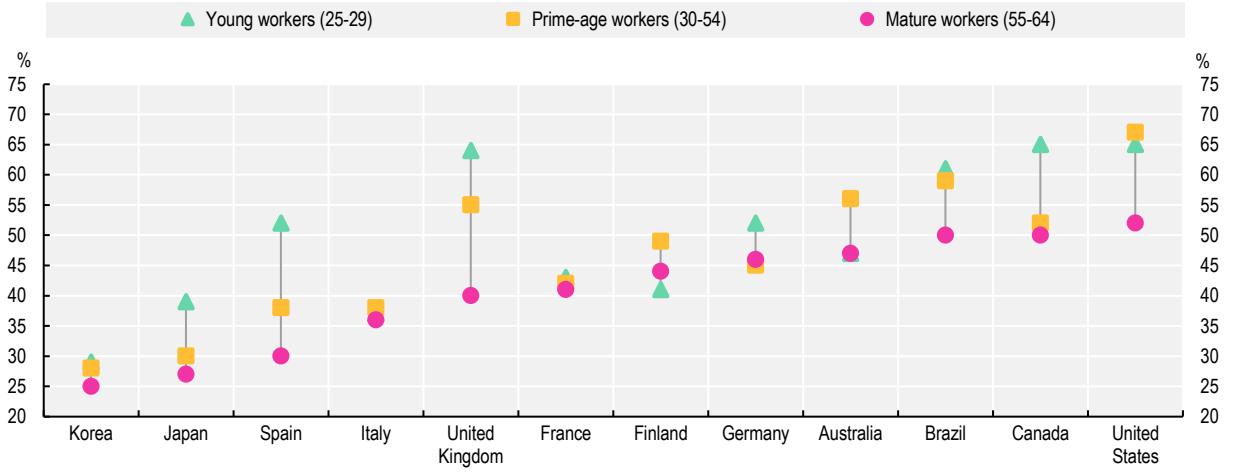
Many of the risk factors associated with poor mental health such as unemployment, fear and financial insecurity reached new heights amidst the COVID-19 pandemic. In some countries the prevalence of anxiety in early 2020 was double or more than double the level observed in previous years (OECD, 2021[50]). Although many governments and employers have reacted rapidly to scale up mental health services, the scale of the mental distress since the start of the pandemic requires more integrated, whole-of-society mental health support (OECD, 2021[50]).

Employers play an important role in helping their employees manage and deal with mental health issues, yet there remains a lack of awareness and understanding of the impact mental health can have on individuals and the labour productivity losses that can result from poor mental health among employees. Psychosocial risks should be a core component of occupational health and safety policies. The 2022 AARP Global Employee Survey found that in most of the 12 countries in the survey, mature workers are less

likely to agree or strongly agree that their employer promotes mental and/or physical health compared to younger workers (Figure 3.4). This suggests that there is significant potential to improve the promotion of mental and physical health in workplaces, particularly in Korea, Japan, Spain and Italy, where levels of employee agreement are quite low.

Figure 3.4. Mature workers are less likely to agree that their employer promotes mental and/or physical health compared to younger workers

Share who replied agree or strongly agree that their employer promotes mental and/or physical health by age



Note: Persons who replied "agree or strongly agree" to the question "My employer promotes mental and/or physical health".
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries shown. Approximately 1 000 respondents in each country.

StatLink https://stat.link/zr9mjg

Employers can take proactive steps to promote and provide mental health support to all employees Box 3.6. Effective approaches include tackling stigma at work, encouraging the disclosure of mental health problems among employees as well as practical tools for employees to monitor their stress levels and face-to-face counselling. The OECD Recommendation on Integrated Mental Health, Skills and Work Policy (2015[51]), adopted by all OECD members in 2015, calls for policies to promote psychosocial risk assessment, to increase awareness and competence of line managers in mental health, and to support return-to-work for workers experiencing mental health issues on sick leave.

Box 3.6. Promoting mental health in the workplace

- **Bell Canada** is a telecommunications company with over 52 000 employees. In 2010, the company launched the "Let's talk" initiative to focus on the mental health of its work force. The programme includes enhanced access to care, as well as practices to remove stigma from mental health issues in the workplace, such as the creation of a brochure on communication with fellow employees who might be struggling, as well as a toolkit, proposing self-care activities to employees and providing a forum for discussion. The initiative also offers an enhanced return to work programme as well as mandatory leader training on mental health issues. Since 2011, the "Let's talk" fund has provided more than 1 000 grants to organisations promoting mental health (Bell Canada, 2022[52]). The return on investment has consistently been positive, with an estimated return of CAD 4.1 for every Canadian dollar invested in the programme. Other KPIs have also shown positive change, with use of the Employee and Family Assistance Program (EFAP) being double that of the industry and national standard, short-term disability claims decreasing by 20% and mental health related short-term disability recurrence dropping by 50% since the launch of the programme in 2010 (Deloitte, 2019[53]).
- In Japan, SMEs implementing a **Mental Health Promotion Plan** can apply for a subsidy of up to JPY 100 000 (USD 911). Since 2015, subsidies have been provided to all employers in Japan with more than 50 employees to offer a required stress check to their employees (OECD, 2022[29]).
- In the United Kingdom the **mental health charity Mind developed a guide for employers** on how to meet and implement the six core standards for mental health in the workplace (Stevenson and Farmer, 2017[54]). A toolkit is available on how to implement the Thriving at Work standards in the workplace (Farmer, 2018[55]). The core standards include: i) develop mental health awareness among employees by making information, tools and support accessible, ii) encourage open conversations about mental health and the support available when employees are struggling, during the recruitment process and at regular intervals throughout employment, and iii) provide employees with good working conditions and ensure they have a healthy work/life balance and opportunities for development (Farmer, 2018[55]).

New working practices such as telework demand new protections for workers' mental health

Telework can increase the risks of working long hours and burnout. Evidence from before the COVID-19 crisis on the interaction between teleworking and mental health was mixed (OECD, 2021[12]), and the take-up of teleworking in OECD countries was limited before the pandemic.[6] Telework offers benefits such as flexible working arrangements, elimination of commuting time, and the possibility to better balance work and family commitments. However, telework can also blur the boundaries between work and home, increase usage of digital technologies, and contribute to extended working hours, and result in a sense of detachment from the workplace, all of which can have a negative impact on mental health (OECD, 2021[12]).

Spurred on by the rise in telework amidst the COVID-19 crisis, policy makers are already making attempts to deal with the negative mental health impacts of the digital transformation of the workplace. New regulations around teleworking may also be required to protect workers' mental health, and policy makers have already responded rapidly in several countries in this area. Some countries, including France, Italy, Spain and Luxembourg, Greece and the Slovak Republic, now have legislation in place giving workers the right to digitally disconnect from work outside of standard working hours (Eurofound, Weber and Vargas Llave, 2021[56]).

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Notes

[1] The terms “mature” and “older” are used interchangeably throughout this report.

[2] In 2016-19, the disability employment gap, measured as the difference in the employment rate between people without a disability and people with a disability, was 27 percentage points on average across 32 OECD countries, ranging from around 15 percentage points in Mexico, Chile and Switzerland to over 35 percentage points in Lithuania, the United States and Ireland (OECD, 2022[16]).

[3] In the studies reviewed by Baicker, Cutler and Song (2010[18]) programmes included a health risk assessment in 81% of firms. In 42% of firms self-help education materials where included, individual counselling was available in 39% of firms, classes, seminars, and group activities were available in 36%, and additional incentives for participation were included in 31% of firms.

[4] For example the risk assessment model of Oakman and Macdonald (2019[57]).

[5] Illnesses that are at least partly caused by modifiable health risk factors and poor lifestyle habits.

[6] In the EU in 2015, according to European Working Conditions Survey data, only 3% of employees regularly worked from home, a further 5% “highly mobile” employees worked regularly from several locations (including home), and another 10% of workers occasionally worked from home (OECD, 2021[38]).

4 Learning more with age: Lifelong learning in the future workplace

Continual training and development throughout working lives is critical to ensure that employees have the right skills to stay in employment. Reskilling and upskilling ensures that workers can remain productive and adapt to changing job tasks, increasing the likelihood of remaining in employment. Although older workers generally can and want to continue learning, they are less likely to participate in training compared to younger workers. This chapter highlights good practices for employers and government policies that can promote lifelong learning and improve training participation.

Key messages

Workers need to continuously upgrade, reskill or expand their skills over their entire working lives to enable continued employment

- There are persistent inequalities in the provision and take-up of training by age. PIAAC data show that on average across OECD countries only 24% of adults aged 55-65 participate in job-related training, compared to 41% of adults aged 45-54. This can leave older workers without the right skills to flourish over longer working lives.
- Results from the 2022 AARP Global Employee Survey show that lack of job advancement and lack of professional development were reasons for changing jobs for 23% and 17% of workers, respectively, aged 25-64.
- Workers want to continue learning. The AARP survey shows that among workers aged 45 and over who have not participated in any job training in the last five years, 41% want to do so.
- Older workers can face several barriers to training, including cost and age discrimination that prevents them from accessing training.

Promoting all-age lifelong learning is essential to retaining talent

- High performance work practices play a key role in ensuring that firms are effectively using their employees' skills. This includes effective career development and performance management which can support skill use and grow the skills and experience of existing employees.
- Governments and social partners can promote high performance work practices through supporting research, raising awareness and disseminating good practice, and funding workplace interventions.
- Equipping all workers with basic digital skills should be a key priority as it can boost their confidence and increase their willingness to participate in further training.
- Good practice by employers and employees includes regularly reviewing skills and work tasks to identify future training or development. Tools such as mid-life career reviews, personal development plans and career conversations can help employees make informed decisions about their training and development.
- Make training attractive to workers of all ages without being discriminatory. Training may need to be adapted to the needs of older workers who are more likely to appreciate in-house one-on-one training, or training with the same age cohort.
- The formal qualifications of older workers are often out of date and participating in training can take considerable time. Recognising the skills and knowledge that older workers have gained on-the-job can reduce the time needed to participate in further training.
- SMEs often experience severe labour shortages and lack the resources and information to provide training opportunities. Governments can target financial incentives such as subsidies at SMEs or support firms that supply training programmes in SMEs. Learning and training networks can also be used to pool resources to reduce costs and share knowledge about effective training.

4.1. The importance of training and development for retaining workers

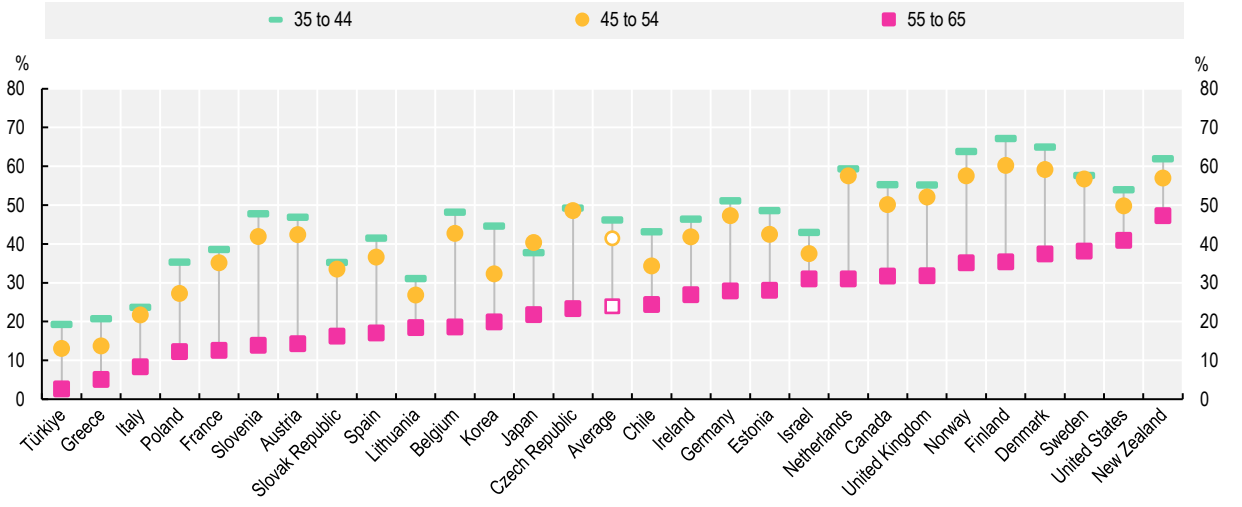
Firm-provided training plays a key role in retaining employees and reducing turnover. Training refreshes and updates the skills of workers thereby making them and their employer more productive and can raise employee retention (Garcia, Arkes and Trost, 2002[1]; Parent, 1999[2]; Picchio and van Ours, 2013[3]), in addition to wages and productivity (Dearden, Reed and Van Reenen, 2006[4]; Konings and Vanormelingen, 2015[5]). Further, job-related training can enable continued employment and also boost cognitive learning and mental well-being, depending on the type of work (Picchio, 2021[6]). The 2022 AARP Global Employee Survey shows that lack of professional development and career advancement were important reasons for changing job. Among workers who had recently switched jobs, 23% said this was because of lack of advancement in their job, and 17% said this was because of a lack of professional development (Chapter 1, Infographic 1.1).

4.1.1. Participation in training remains low for mature workers across OECD countries

In many OECD countries participation in adult learning remains low. About half (46%) of adults aged 35-44 participate on average in job-related formal or non-formal training in the 12 months prior to being interviewed in the Survey of Adult Skills (PIAAC). For those aged 45-54, 41% participate, while among those aged 55-65 only 24% participate (Figure 4.1). There is wide variation in participation rates across countries, with rates for mature[1] adults of less than 10% in Türkiye, Greece and Italy compared to over 30% in Sweden, the United States and New Zealand. There are also large gaps in participation across other dimensions such as firm size and skill level (people with lower skill levels receive less training compared to people with higher skill levels). This suggests that there is wide scope to improve participation in training.

Figure 4.1. Mature workers are less likely to participate in training compared to younger workers

Share of adults who participated in formal or non-formal job-related training over the previous 12 months



Note: The unfiled markers represent the unweighted average of the 28 countries shown. Data refer to 2012 for most countries, and to 2015 for Chile, Greece, Israel, Lithuania, New Zealand, Slovenia and Türkiye. Data for Belgium refer to Flanders only.
Source: Survey of Adult Skills, PIAAC, https://www.oecd.org/skills/piaac/.

StatLink https://stat.link/is0zeu

Workers want to continue learning. According to the 2022 AARP Global Employee Survey, even among workers who have not participated in any job training in the last five years, 63% of those aged 25-44 want to undertake some training, and 41% of those aged 45 and above want to do so. The survey also found that 52% of respondents over the age of 45 said that the main reason for doing job training is to update their skills for better job performance. However, evidence from PIAAC shows that overall, older workers tend to have a lower willingness to participate in training which can be attributed to a range of barriers they face including time, affordability as well as due to limited offers of training (OECD, 2019[7]). Proximity to retirement may also discourage older workers and age discrimination may also limit access to training.

4.1.2. Upskilling and reskilling are necessary to avoid skill obsolescence

Investment in skills to build resilience is important as with ageing societies employers can no longer rely so heavily on a skills pipeline of younger workers leaving initial education. Older workers are more likely to experience skills obsolescence and therefore upgrading and reskilling of workers throughout their working lives is essential.

Automation, artificial intelligence and demographic change are transforming the nature of work and production, radically altering the task content of jobs. At the occupation level the risk of automation depends crucially on the particular bundles of skills and abilities that a job consists of (Lassébie and Quintini, 2022[8]). Most jobs are made up of skills and abilities that are easily automatable and those that are not. On average across OECD countries, occupations at highest risk of automation account for about 28% of employment (Lassébie and Quintini, 2022[8]). However, very few jobs are at risk of disappearing altogether; only 9% of workers are employed in occupations with a significant share of highly automatable skills and abilities (Lassébie and Quintini, 2022[8]). Population ageing itself is also leading to greater development and adoption of robots and other automation technologies at an industrial level, caused by the relative scarcity of middle-aged workers (Acemoglu and Restrepo, 2022[9]).

The risks of skill obsolescence are greatest for low-educated workers compared to those with middle or high levels of education (Lassébie and Quintini, 2022[8]). Chapter 1 shows that in some countries such as Czech Republic, Latvia and Lithuania, older workers with low levels of education are more likely to end up unemployed or out of the labour force after leaving a job compared to workers with high levels of education. Both younger and older workers are also more likely to be employed in high risk occupations. Unfortunately, those who are most at risk of automation are the least likely to receive training (Nedelkoska and Quintini, 2018[10]; Lassébie and Quintini, 2022[8]), and therefore employers and governments need to take action to mitigate the risk of skill obsolescence.

4.2. Skills use and high performance work practices can improve job satisfaction and retention

Poor use of skills can lead to job dissatisfaction and is related to increased employee turnover (OECD/ILO, 2017[11]), whereas intensive skill use can stimulate investment, employees' engagement and innovation (OECD, 2016[12]). Skills use is positively associated with being extremely satisfied at work even after taking into account skills proficiency, educational attainment, wages and socio-demographic characteristics (OECD, 2016[12]). Workers who use their skills more frequently also earn higher wages after taking into account differences in education and skills proficiency (OECD/ILO, 2017[11]). At the same time there is also evidence of a wage penalty associated with over-skilling, which also demands that skills are put to better use.

In the context of population ageing and technological change, it is vital for employers and governments to better understand how skills are used in the workplace and ensure the effective use of skills through training, workplace design, the use of technology and organisational culture (OECD/ILO, 2017[11]). Many employers are not effectively using the skills of their employees, partly because of poor work organisation.

There are a range of things that can be done to improve worker training and the use of skills in the workplace. This includes the use of high performance work practices, career development and performance management, ensuring that training is attractive to older workers, and supporting training in SMEs.

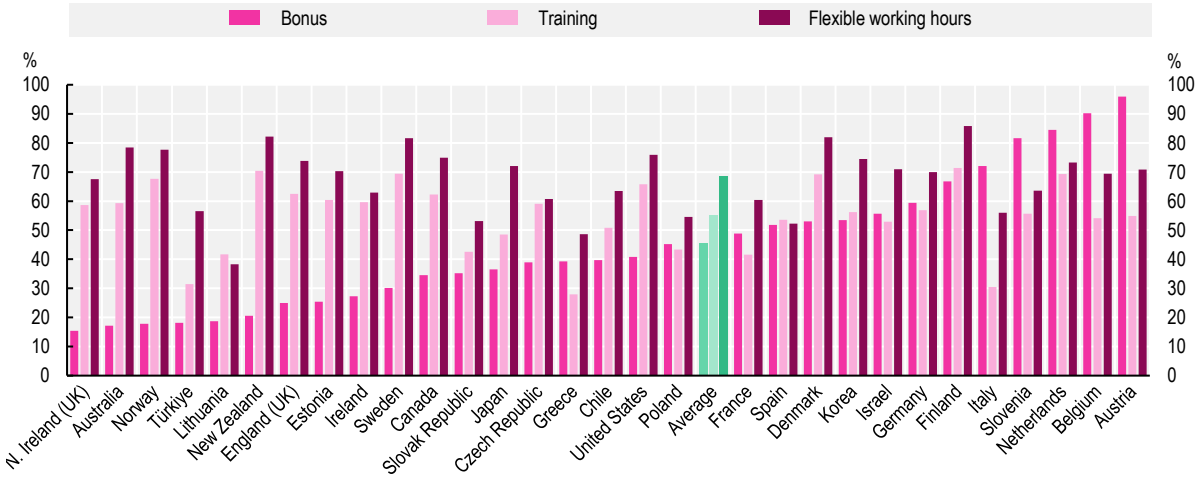
4.2.1. High performance work practices can increase skills use and retention

By implementing high performance work practices (HPWP), firms can improve the use of skills and raise productivity. HPWP includes aspects of work organisation, such as team work, autonomy, task discretion, mentoring, job rotation, applying new learning, as well as management practices including employee participation, incentive pay, training practices and flexibility (Fialho, Quintini and Vandeweyer, 2019[13]). Workers in firms that employ robust HPWP are generally more likely to invest/participate in further adult learning and skill development (OECD, 2021[14]).[2] The way work is organised also affects the degree to which a firm can flexibly adapt new job tasks to the skills of existing or new staff.

However, HPWP are not widely used, overall use of HPWP varies from about 15% in Greece to 41% in Denmark and Sweden; the use of HPWP management practices also varies widely across countries (Figure 4.2).

Figure 4.2. High-Performance Work Practices (HPWP) could be more widely used

Prevalence of HPWP management practices



Note: Data show the share of workers receiving bonuses, having participated in training over the previous year and those enjoying flexibility in working hours. The green bars represent the unweighted average of the 28 countries and 2 entities shown. Data for Belgium refer to Flanders only.
Source: OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills*, http://dx.doi.org/10.1787/9789264258051-en, Figure 4.14.

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The relative lack of use of HPWP might be due to a lack of information on the practices and their benefits, limitations based on firm size, managerial difficulties in implementation and reluctance of employees (OECD, 2020[15]). Governments and social partners can play a key role in promoting HPWP through supporting research, raising awareness and disseminating good practice, and funding workplace interventions (OECD, 2020[15]). Online databases and learning platforms such as the European Workplace Innovation Network, or how-to guides, and other tools can be effective (Box 4.1). Interventions designed for networks of firms rather than at individual firms can be an effective way to implement HPWP; these promote peer learning rather than from an outside actor and can be cost-effective (OECD, 2020[15]). One size may not fit all – programmes need to be adapted to individual firms.

Box 4.1. Governments and social partners can support firms to adopt HPWP

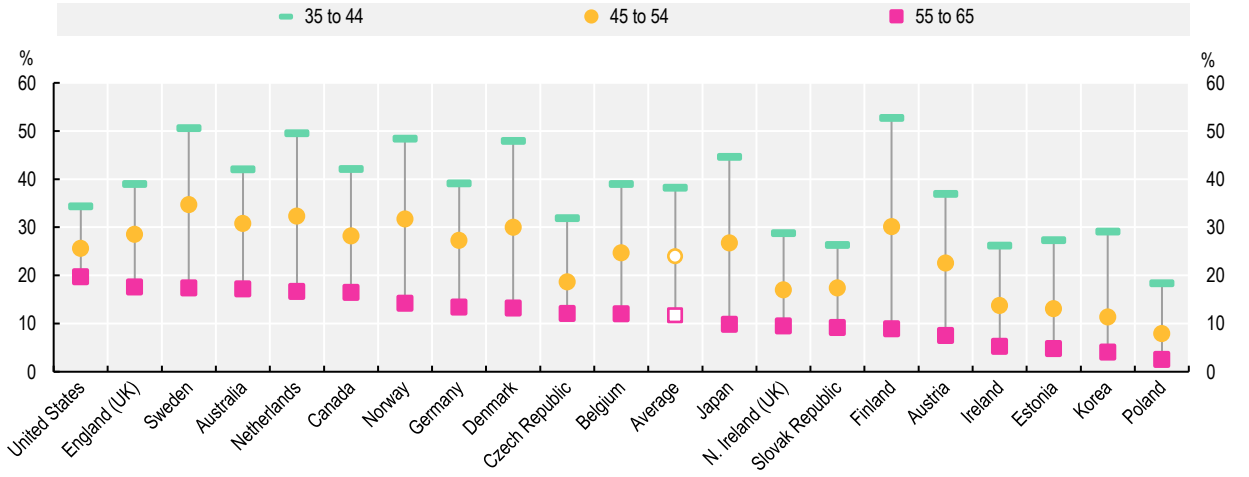
- The European Commission's **European Workplace Innovation Network (EUWIN)**, created in 2013 is a platform were enterprises, social partners, researchers and policy makers can share information on the improvement of the workplace (OECD/ILO, 2017[11]). A key element of EUWIN is the knowledge bank where best practices, articles and evidence on workplace innovation is shared. Companies can also download a guide both to assess their workplace as well as to improve innovation, focusing on employee participation. EUWIN's workshops and conferences reached more than 10 000 individuals and companies since the launch of the initiative.
- New Zealand's **High Performance Work Initiative** is a government policy to help primarily SMEs establish new HPWP (OECD, 2017[16]). The government provides firms with consultants in order to enhance autonomy, teamwork as well as training in the workplace. While the initiative is funded by the government, firms are required to contribute half of the overall cost.
- In Norway, the **Skills Strategy 2017-21** promotes the learning of new skills and their application in the workplace. While this is a government initiative, the involvement of social partners is key (Norwegian Ministry of Education and Research, 2017[17]). The strategy is focused on improving the skills of the Norwegian labour market through co-ordinating skills programmes implemented at the local, regional and national level which were previously viewed as separate from one another. It also creates a coherent evidence base for the assessment and fulfillment of Norway's future skills needs.

Digital skills can boost training participation

Digital skills have become even more essential since the the COVID-19 pandemic which has driven millions of workers into remote work and learning. Ensuring that workers have the digital skills to access work and training remotely is a key component of high performance work practices. The ability to solve problems in a technology rich environment is assessed in PIAAC through an online assessment consisting of multiple tasks (OECD, 2015[18]). At Level 1, adults can complete tasks in which the goal is explicitly stated and for which a small number of operations are performed in a single familiar environment, for example using e-mail to send information to several people. At Level 3, adults can complete tasks involving multiple applications, a large number of steps, and occasional impasses, such as evaluating search engine results with a set of criteria. Data from PIAAC show that there are wide disparities in digital skill proficiency at Levels 2 or 3 between age groups (Figure 4.3).

Figure 4.3. There is large potential to improve the digital skills of older workers

Share of adults who score at Level 2 or 3 in problem solving in technology-rich environments by age



Note: The unfilled markers represent the average of 19 participating OECD countries and entities. Data for Belgium refer to Flanders only. Tasks are used to assess adults' proficiency in digital skills. At level 2, the tasks involve organising information in a spreadsheet, categorising e-mail messages into new folders, evaluating search engine results according to a set of criteria, completing a multi-step consumer request using a website and e-mail, and evaluating multiple websites to identify the most trustworthy site. At level 3, the tasks involve evaluating search engine results with a set of criteria, solving a scheduling problem by combining information from an Internet application and several e-mail messages, determining the proper folder destination for categorising a subset of e-mail messages, and transforming information in an e-mail message into a spreadsheet and performing computations with it.

Source: OECD (2015), *Adults, Computers and Problem Solving: What's the Problem?*, https://doi.org/10.1787/9789264236844-en, Table A3.3.

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Digital skills are closely associated with labour market outcomes. The proportion of workers who are proficient at Level 2 or 3 explains 41% of the variation in labour productivity across countries (OECD, 2015[18]). Workers who lack proficiency in digital skills are less likely to participate in the labour force and are paid lower wages compared to those who to have proficient skills (OECD, 2015[18]). Digital skills can boost worker confidence and increase their willingness and ability to participate in other types of training (Hecker, Spaulding and Kuehn, 2021[19]; OECD, 2021[14]). A wide range of initiatives designed to boost digital skills in OECD countries exist (Box 4.2).

Box 4.2. Developing digital skills

Data Analytics Learning Framework at Airbus (France, Germany, Spain, United Kingdom)

This framework was established to upskill the internal Airbus workforce with competences in Data Science. It is part of the company's digital transformation. The approach is innovative, as it relies on both digital and social/community learning. A community of practice emerges where participants can voice questions, receive feedback, and share results. The employees greatly appreciate this learning framework as it provides the opportunity to develop their profile and career opportunities.

#Hackeuses! (France)

It is a digital acculturation programme organised by Simplon.co dedicated to women to support them in the construction of a professional project in the digital sector. The programme is targeted at women from 18 to 50 years old, mainly residents of low-income neighbourhoods and rural areas, and women unemployed and /or without training. The programme includes theoretical classes, discussions, group workshops etc. and tackles different aspects of the digital sector including web development, robotics and personal data.

Innovation Training Course: Data Science and Deep Learning (Austria)

The main goal of this course is to enable the implementation of data driven innovation by imparting knowledge to companies on the newest developments in Data Science. It helps participants to recognise and describe potential application areas for Data Science in an enterprise and to design adequate solutions and intervention strategies.

Source: European Digital Skill Awards 2018. https://digital-strategy.ec.europa.eu/en/news/european-digital-skills-awards-meet-24-outstanding-finalists.

4.2.2. Career development and performance management ensures that employers make the most of each employee

Benefits such as incentive pay and other types of performance management and career development practices can also improve skill use and improve staff retention (Sayli et al., 2022[20]). Effective career development can grow the skills and experience that businesses need – high skill jobs often require skills that are specific to the organisation or are hard to recruit. Motivating people at work is also linked to high organisational performance (CIPD, 2005[21]). Data from the European Working Conditions Survey show that only 45% of firms have performance appraisal systems for all employees, and only 39% signal good prospects for career advancement (OECD, 2020[22]). In Belgium, under a Fund for Professional Experience, firms can apply for subsidies in order to improve the working conditions of employees aged 45 or more, including the training needed to achieve an internal change of jobs (Eurofound, 2016[23]). Even if workers are not changing jobs, a changing business environment still requires that people continue to develop, and this ensures that businesses can fully benefit from the talent and experience of their employees.

Mid-career interventions can help workers make good decisions about their future career

Tools such as mid-life career reviews, personal development plans and career conversations can ensure that workers make informed decisions about investments in future skills. A lack of information about relevant opportunities, ways to get involved and potential career development outcomes are often a barrier for older workers. In the 2022 AARP Global Employee Survey 25% of respondents between the age of 55

and 64 said that they found it hard to know if training was worth their time or would lead to the outcome they wanted. A lack of information, as well as a poor training offer, motivational barriers and social norms are factors that hinder participation in training (OECD, 2021[14]).

Mid-career reviews can be used to assess the extent to which the skills and experience of a worker still match the job, and what can be done to bridge any gap. They are best undertaken around the age of 40 to 50 (OECD, 2020[24]). Personal and professional development plans (PDPs) and Career Conversations (CCs) are another way to help workers discover their training needs and can help align their development with the needs of the organisation (CIPD, 2005[21]). These tools can provide information on opportunities, the kinds of jobs and career paths an employer can offer and the kinds of job moves it is possible to make (CIPD, 2005[21]). Information and feedback on skills, performance and how an employer views a persons' potential is also central to effective career development.

Internal mobility allows employees to make lateral moves within a company, filling vacancies and trying different roles. This has been shown to have productivity benefits but is also often perceived as career advancement by employees, even if it does not involve an increase in pay or a promotion (OECD, 2020[24]). Internal mobility in this way leads to higher retention and lower turnover costs for employers. In order to increase its effectiveness, the latter should prioritise a structured, formal way to fill internal vacancies.

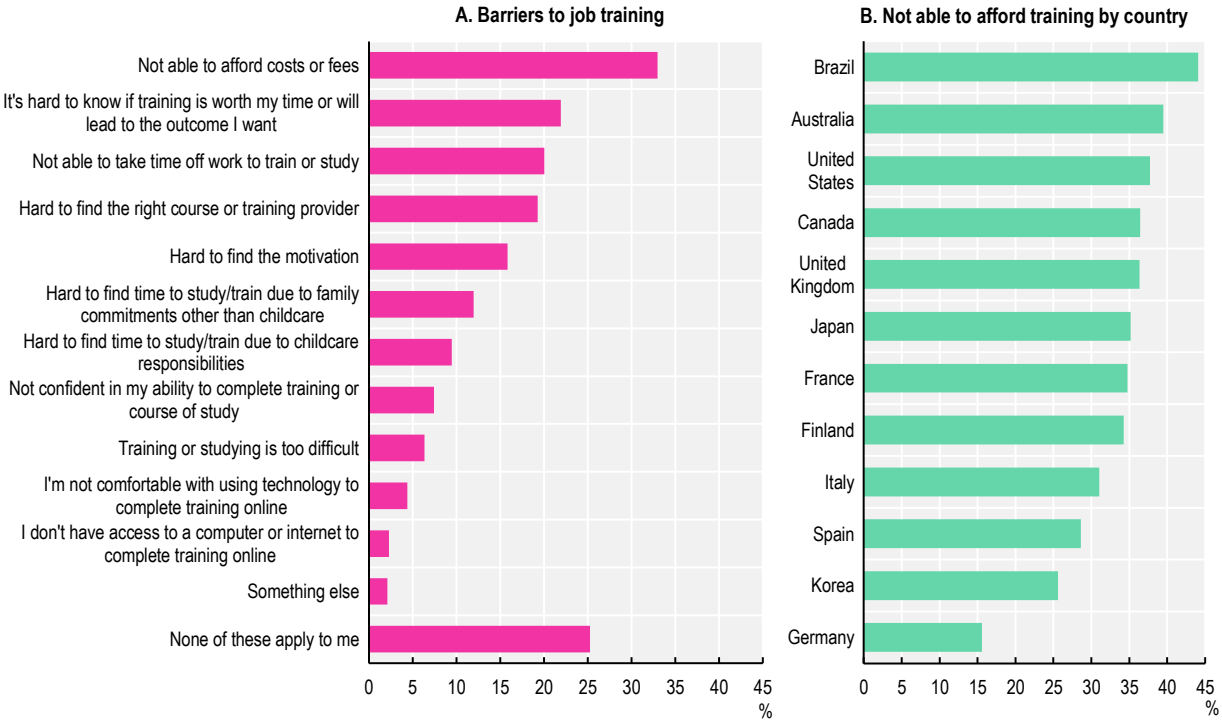
4.2.3. Ensure that training is attractive to older workers

The incentives faced by employees and employers mean that older workers are typically less likely to receive any training and if they do, receive less of it, relative to younger workers. One reason for this is that the costs of training older workers are generally higher (higher opportunity cost) and employers might regard the expected (shorter) job duration of older workers as a reason to invest less in training older workers (Allen, 2022[25]; Picchio, 2021[6]). However, employers need to separate the effects of age and tenure. As Chapter 1 shows, younger workers tend to have higher turnover rates than older age groups and therefore the potential return to training a younger worker is not necessarily higher than an older worker. With longer working lives there is also greater opportunity for the benefits of training older workers to be realised. Finally, there is evidence that in the context of population ageing automation increases the productivity of older workers (Acemoglu and Restrepo, 2022[9]), which therefore increases the potential value of training.

The 2022 AARP Global Employee Survey found that, for workers aged over 25, cost was the most important barrier to accessing job training, followed by not knowing whether the training was worthwhile or would lead to the intended outcome (Figure 4.4, Panel A). For workers aged over 45, the main barrier to participating in training was also cost, followed by not knowing whether the training was worthwhile, and difficulties in finding the right course or training provider. There are several ways to lower the cost of training for employees and employers including paid training leave and subsidies. In Belgium, paid training leave is a right granted to employees in the private sector to follow recognised training and to be absent from work while retaining their wages. The employer continues paying the salary and is reimbursed after the completion of the leave.[3] Individual Learning Accounts can also be particularly helpful for those on non-standard contracts (Box 4.3).

Figure 4.4. Cost is a major barrier to job training

Share of workers encountering job training barriers by reason and those with financial difficulty



Note: Response to the question "Thinking about any job-related skills training that you wanted to take over the past 5 years (since 2017), which of the following situations have you encountered?"
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries shown in Panel B. Approximately 1 000 respondents in each country.

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Box 4.3. Individual learning schemes can increase training participation particularly for workers with non-standard contracts

Individual learning account (ILA) schemes provide resources to individuals allowing them to make decisions about what training would be useful to them (OECD, 2019[26]). The funds can be "real" – provided by the government, the individual and/or the employer – where rights/saving for training are accumulated over a certain period of time, or voucher schemes which support training through direct governmental payments, sometimes with a contribution from the participant (OECD, 2019[7]).

Because of their portability they have the potential to reduce inequalities in access as they are accessible to workers with non-standard employment contracts. A voucher-based ILA in Kent (United Kingdom) involved a network of trusted intermediary organisations which helped target the scheme towards priority groups (Cedefop, 2009[27]). These groups provided pre- and post-course support, which improved retention rates and supported progression into qualification-based learning (Cedefop, 2009[27]).

Adapt training for the needs of older workers

Older workers can learn new skills, although evidence suggests that the learning processes of older workers might be different from those of younger workers (Fang, Gunderson and Lee, 2021[28]; Picchio, 2021[6]; Berg et al., 2017[29]). This suggests that training should be structured in such a way to meet the specific needs of older workers. Applied on-the-job training can be more effective for older workers, and integrating different learning styles can improve the performance of older workers (AARP, 2021[30]; Picchio, 2021[6]). Self-pacing can also be particularly beneficial for older workers as it allows them more time to master the training content. Older workers also appreciate the use of older workers as role models (Lundberg and Marshallsay, 2007[31]). Cohorts of older workers can create a safe environment were learners can ask questions of instructors and each other, and allow older workers to work together (Hecker, Spaulding and Kuehn, 2021[19]). On the other hand, multigenerational cohorts offer opportunities for mutual learning and reverse mentorship. "Train the trainer" schemes, in which older workers are trained to pass on that know-how to their younger colleagues (Lundberg and Marshallsay, 2007[31]) may act to break down negative stereotypes about older workers.

Age discrimination can also limit access to training for older workers. Evidence of age discrimination in hiring and firing is well established. There is also evidence that age discrimination can limit access to training and affect promotions (OECD, 2020[24]). Chapter 2 discusses approaches employers and governments can take to reduce age discrimination in the workplace. In addition to this, employers should ensure that training opportunities are inclusive of all ages. Information about training opportunities should be disseminated equally and simultaneously among employers. Any language that hints at ageist assumptions about who might be most interested in training should be removed (AARP, 2021[30]).

Many OECD countries have policies promoting older adults' participation in training, some of which are highlighted in Box 4.4.

Box 4.4. Make on-the-job training more attractive for older workers

- **In the Netherlands, workers aged 45 and above can participate in subsidised career development guidance (*ontwikkeladvies*)** that helps them understand the future prospects of their current job and give them insight into their skills profile and career opportunities. Participants develop a personal development plan that describes the actions that should be taken to ensure they remain employed until retirement age (OECD, 2019[32]).
- **In Singapore, lifelong learning is the basis of all workforce development activities and learning in general, regardless of age.** The Skills Development Fund (SDF) supports a training leave scheme for older workers and on-the-job training consultancy services for accelerating skills development in the knowledge economy (OECD/ILO, 2017[11]). The Mid-Career Enhanced Subsidy is designed to encourage mid-career workers to reskill and upskill by covering up to 90% of the cost of training in a range of vocational and university institutions. The Enterprise Training Support (ETS) scheme was introduced to 1) raise employees' productivity and skills levels; 2) attract and retain valued employees by developing good human resource (HR) and management systems and practices tied to training; and 3) attract and retain valued employees by benchmarking compensation and benefits. The ETS seeks to make skills development relevant to workplace performance and link skills acquisition and utilisation to retention (OECD/ILO, 2017[11]).

Certify the skills of older workers to facilitate further training

Enhancing upskilling and reskilling can be promoted by recognising and making visible the skills and knowledge gained on the job. Participation in lifelong learning activities can require a large commitment of time which can be particularly difficult for older workers if they are working full-time and have caring responsibilities. Recognition of prior learning can help to reduce the time and effort needed to engage in training (Meghnagi and Tuccio, 2022[33]). Most recognition systems focus on professional and technical competencies for the purpose of entering and progressing in the labour market or accessing continuing vocational education and non-formal on-the-job training (Meghnagi and Tuccio, 2022[33]). Other recognition systems recognise the general competencies of workers, i.e. cross-field competences that all individuals need for personal fulfilment and development. Several countries offer good examples of how to validate skills learned on the job (Box 4.5).

Box 4.5. Recognising skills and knowledge gained from on-the-job experience

- In **Korea** adults can obtain primary or lower secondary degrees if they enrol in specific government funded programmes designated by the Metropolitan Office of Education and run by public schools or NGOs such as lifelong learning centres or community welfare centres. Schools use diagnostic evaluations to assess the competencies of adult students leading to a learning pathway personalised for each student.
- In **Estonia** training providers are responsible for recognising the non-formal and informal learning of potential learners through the VÕTA system. The system aims to ensure a transparent, rigorous and learner-centred process. Students' prior learning is often identified using the STARR (Situation, Task, Action, Result, Reflection) method. The portfolio of a potential learner is then assessed and evaluated with respect to the learning outcomes of the programme.
- In the Wallonia-Brussels Federation of **Belgium** the *Enseignement de Promotion Sociale* provides upskilling opportunities through flexible training programmes regardless of labour market status. Due to the modular nature of the training, adults' learning pathways can be personalised by validating their previous relevant experience.

Source: Meghnagi and Tuccio (2022[33]), "The recognition of prior learning: Validating general competences", https://doi.org/10.1787/2d9fb06a-en.

4.3. Strengthen the investment in skills in SMEs

Employees in small and medium-sized enterprises (SMEs) are less likely to participate in training (Figure 4.5). The share of workers who participate in training is approximately 47% in small firms (1 to 50 employees), compared to 64% in firms with more than 250 employees (PIAAC data). Older adults (55-64) are also less likely to participate in training if they work in small firms (36% participation rate) compared to larger firms (56%). SMEs often lack the resources and information to provide training opportunities, therefore public intervention can help facilitate this and expand SME access to talent pools. Policies that have proved effective in Europe in supporting SMEs' investment in skills include financial incentives, learning on the job and skill assessment and anticipation (OECD, 2021[34]).

Figure 4.5. Employees in SMEs are much less likely to participate in training

Share of adults who participated in formal or non-formal job-related training over the previous 12 months

Note: Data refer to 2012 for most countries and to 2015 for Chile, Greece, Israel, Lithuania, New Zealand, Slovenia and Türkiye. The non-filled marlkers represent the unweighted average of the 28 countries shown.
Source: Survey of Adult Skills, PIAAC, https://www.oecd.org/skills/piaac/.

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4.3.1. Target financial incentives at older workers and other vulnerable groups

Governments should target subsidies and vouchers at providing training opportunities for older workers and other vulnerable groups such as workers with non-standard contracts or low-skilled workers. Subsidies are particularly suited to SMEs as they lower the barriers to investment and can be easily adjusted to target different needs and circumstances (OECD, 2021[34]). Several countries are putting considerable resources into supporting firms that supply training programmes for older workers (Box 4.6).

Box 4.6. Encourage SMEs to train older workers

- **In Germany, the public employment agency supports training of low-skilled and older workers in SMEs** under the 2020 Work for Tomorrow Act (known as WEGEBAU from 2007 to 2019). Subsidies are larger for small (100% of training costs) and medium-sized enterprises (50%) than for large (25%) or very large enterprises (15%). They are also larger for workers aged 45 and above. Employers can request the subsidy for each employee undergoing specific training (minimum 120 hours certified training) or one request for several employees if they participate in the same training. Evaluations of WEGEBAU were positive (although take-up was low). Workers were approximately 2.5 percentage points more likely to remain in paid employment two years after entering the programme. The effect was even higher for part-time and older workers. It also had a positive effect on job satisfaction.
- **In the Netherlands, MKB!dee provides full grants to successful SMEs which provide training projects for their workers**, prioritising ICT sectors, digitalisation and the green transition (OECD, 2019[7]). In a recent pilot project, Uitblinqend, a specialist in the field of team and organisational development, behavioural change and sustainable employability, worked to stimulate the learning of soft skills. Two companies, Koenen Bakery and GldGrafiMedia, are working together, focusing on exchanging new knowledge, experiences and improvement tips. The companies work in different industries enabling cross-sectoral learning. A key motivation of the project is to improve mutual co-operation among employees in different departments and among different ages. (MKB!dee, 2022[35]).

4.3.2. Support workers to learn on the job

SMEs tend to prefer informal training, such as learning by doing, peer learning, and mentoring and coaching, over formal training due to lower cost. These types of training are not typically covered by subsidies or financial incentives, therefore informal training could be encouraged by recognising these costs. In France, AFEST (*Action de formation en situation de travail*) is an on-the-job training programme targeted at SMEs by the government and social partners since 2014. The programme has been shown to be successful in helping employees develop relevant skills, as well as having positive effects on confidence and autonomy in completing tasks (OECD, 2021[34]).

4.3.3. Establish learning and training networks to pool resources

The creation of learning and training networks enables economies of scale and can help bring down the per-worker costs of training. Governments and social partners can support these by allowing them to apply for support for projects in individual firms (OECD, 2021[34]). Competence centres can be successful in promoting digitisation and knowledge transfers to SMEs. The Finnish and Dutch Governments recognise the importance of creating such networks, with policies targeting training programs being proposed by a partnership of firms (Finnish Joint Purchasing Training Programme and MKB!dee respectively) (OECD, 2021[34]). In Austria, Impulse Training Networks (Implus-Qualifizierungs-Verbund) are networks through which companies co-operate to provide cost-efficient and work-relevant training, including organising and purchasing relevant qualifications for their employees. The public employment service offers a subsidy that covers 50% of the costs of older and low skilled workers (OECD, 2021[34]).

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Notes

[1] The terms "mature" and "older" are used interchangeably throughout this report.

[2] The wage returns to informal and formal training are also higher in the presence of HPWP (Fialho, Quintini and Vandeweyer, 2019[13]), suggesting that HPWP contributes to the effectiveness of training.

[3] There is a maximum number of hours for which leave is available and a maximum training leave wage.

Ageing and Employment Policies

Retaining Talent at All Ages

The deep and rapid changes in the world of work driven by the digital and green transformations as well as population ageing have been associated with greater job instability, with potential costs for companies, workers and society. The unprecedented labour and skill shortages that emerged during the recovery from the COVID-19 pandemic have raised further the importance of developing and retaining talent. In the context of a more age-diverse workforce, addressing this challenge will require better working conditions, greater investments in training and tackling difficulties in reconciling work with health issues and caring responsibilities. This report presents evidence on recent trends in job tenure and employee turnover, how they have changed due to the COVID-19 shock and sheds light on why employees quit their jobs. It identifies key employer and public policies that can support increased employment retention through better job quality, health at the workplace, and training and skills.

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