



**Viellissement et politiques
de l'emploi**

Belgique

**Ageing and Employment
Policies**



OCDE



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ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

Future challenges: a declining and rapidly ageing labour force

Like most other OECD member countries, Belgium is facing the demographic challenges of an ageing population. By 2050, the number of people aged 65 and over is likely to be half the number of people aged 20-64, compared with just over a quarter in 2000. Hence there will need to be a massive transfer of income from workers to pensioners to cover additional pension costs. Belgium has set up a special fund (*Fonds de vieillissement*) for this purpose, but it may not be sufficient to alleviate the pressures exerted by a declining and ageing labour force. The pressures will be even stronger if labour-market behaviour does not change. Therefore, an active policy will be required to help older people remain in work or to return to work. The challenge is a major one, since the effective retirement age in Belgium is among the lowest in the OECD area. For the period 1995-2000, it was estimated to be 58.3 for men and 56.9 for women. These figures should be set against those for life expectancy at birth, currently 75 for men and 81 for women.

Current situation: pushing older workers out of the labour market

For over two decades, the withdrawal of older people from the labour market in Belgium was promoted through public policies and company practices, and by the wishes of some professional groups of workers to retire earlier. Indeed, it has become common practice to retire early by taking advantage of one of the many, fairly generous, schemes available.

There has been a broad social consensus on the use of early retirement to absorb economic and social shocks. While such measures have occasionally succeeded in masking unemployment, the cost has been exorbitant. Furthermore, their impact on the labour market has been disappointing, in that early retirement has failed as a means of job substitution between younger and older generations. Youth unemployment in Belgium is still in double figures and most production now draws on workers from the 25-49 age group.

Consequently, Belgium's employment rate for people aged 50-64 was 41% in 2001, one of the lowest in the OECD area after Turkey, Hungary and Italy, and 14 percentage points below the OECD average. Yet the employment rate for the 25-49 age group is almost 80%, which is the OECD average.

This large gap between the employment rates of people aged under 50 and over 50 is fuelling the current debate on the physical and mental exhaustion of most of the country's workers, whose one wish upon reaching the age of 50 is to retire. According to the European Survey on Working Conditions, however, Belgian workers as a whole do not seem to have particularly hard working lives. But this does not mean that some categories have not had to cope with poor working conditions for much of their working lives.

Need to reverse the trend

Belgium is now at a crossroads. Either it looks to the future and acknowledges that its best interest lies in stopping the premature withdrawal from the labour market of older workers, who are experienced and still in their prime and whose number will account for a growing proportion of all employed persons in the decades to come. Or it decides to carry on promoting early retirement with marginal or one-off adjustments to increasingly complex schemes – in which case it will have to pay the price. Early retirement programmes impose a high cost on the community. They push up labour costs considerably, impede the transfer of know-how and, because of population ageing, eventually lead to much heavier public spending on pensions. Production will increasingly rely on workers in the 25-49 age group, undermining intergenerational solidarity and eventually lowering the economy's potential growth.

Today, postponing the effective age of retirement does not seem to be broadly viewed as a legitimate aim by the leading stakeholders. Employers see early retirement as a means of coping with short-term adjustment and controlling wage costs without too much opposition. Workers consider that they are entitled to leave the labour market early, especially since they do not lose out financially. Yet the Belgian authorities are determined to achieve the European target⁴ of a 50% employment rate for the 55-64 age group by 2010. The target is particularly ambitious in Belgium, where only one-quarter of that age group is still in work.

4. This target was set by the EU summit in Stockholm in spring 2001.

The raft of measures drawn up by the authorities to increase the employment rate among older workers will not be sufficient to reverse the trend, especially since early retirement schemes are still as attractive as they have always been.

Far-reaching reform is needed to promote employment of older workers, especially since public retirement schemes have grown far too complex, opaque and generally inequitable. Not everyone has an equal access to them. Few older workers gain in the long run and on the grounds that they cost too much and produce too little, most are obliged to accept a sudden end to their working lives with a consequent loss of self-worth.

A comprehensive reform package is vital

A comprehensive reform package should be introduced, taking into account both incentives and disincentives for older people to work, backed up by a policy of closer co-ordination among the relevant ministries (employment and labour, social affairs, finance) at the federal, regional and community level. It is crucial to involve the social partners if restructuring is no longer to be managed primarily through recourse to early retirement. Instead of clinging to the status quo, it will mean building creatively a new consensus between the social partners and the government around the idea that social protection should no longer have the effect of undermining employment of older people. Initiatives to improve working conditions, provide more training opportunities and make older people more employable are also vital since, without an age-friendly human-resource policy, it would be unrealistic to expect that workers will opt to remain longer in the workplace.

To ensure that the reform makes headway, a few basic principles might provide some useful guidance. First, the authorities should clearly announce their intention to stop subsidising early retirement schemes. This will free up resources to help older people with financial difficulties to stay in or return to the labour market. Next, the institutional rules governing retirement should be made more transparent, simpler and more equitable.

As for the scope of the changes recommended, action is required at several levels: there should be a shift away from the early-retirement culture; schemes that make early retirement possible should be reformed; employers should be encouraged to review their practices regarding older workers; and the employability of older members of the workforce should be promoted further.

Shift away from the early-retirement culture

To reverse the trend towards early retirement, there needs to be a consensus that a fundamental paradigm shift is required towards promoting employment instead of early exits from the labour force. A new phase of compromise and negotiation is called for, particularly in the context of implementing the new National Collective Agreement (*Accord Interprofessionnel*) for 2003/2004. In response to today's sluggish economic climate, it is also important to avoid the previous policy of tackling industrial restructuring with extensive recourse to early retirement. The economic and social consequences are bound to be highly detrimental. Many older people will decide to withdraw permanently from the labour market and will not be available for work when the economic climate picks up.

The following steps should therefore be taken without delay:

- *Launch a national campaign to change attitudes.* Many of Belgium's workers over the age of 50 are often discouraged and share the feeling that they have reached the end of their working lives. The value of their experience is effectively discounted by employers. One priority would be to launch an immediate campaign similar to Finland's, with the slogan "Experience is a national asset".
- *Encourage the social partners to promote employment of older workers.* The Belgian authorities should encourage the social partners involved in implementing the 2003/2004 National Collective Agreement to place far more emphasis on retaining older people in their jobs and even attracting them back onto the labour market, particularly the more experienced among them, rather than focusing the debate on maintaining the age at which early retirement can be taken.
- *Hold regular inter-ministerial meetings.* Inter-ministerial meetings, both at policymaking and administrative level, could be a way of addressing and monitoring the cross-cutting issue of jobs for older workers. The meetings should be attended by officials from the relevant institutions (employment, unemployment, placement services, pensions and public finance). For example, the National Employment Office (ONEM) cannot single-handedly monitor the so-called "Canada Dry"⁵ arrangements for early retirement, since it is not informed of any additional compensation

5. The term used for early retirement arrangements that are used to avoid various legal restrictions.

paid to the unemployed upon termination. The “High Council for Employment” (*Conseil supérieur de l’emploi*) could play a pivotal role here.

Reforming early-retirement schemes

Reform is crucial if incentives to retire early are to be changed. For several decades, central government has been using unemployment insurance to subsidise early retirement through its early-retirement/termination programme. When the eligibility criteria for conventional early retirement were tightened, early retirees then began being granted the status of “older unemployed” (*chômeurs âgés*). Standard unemployment benefits are higher for unemployed persons over the age of 50 who have been unemployed for a year but have spent 20 years in work. Until very recently, those in the “older unemployed” category were exempt from the ‘actively seeking work’ rule, which suggested that it was virtually impossible to find work again after the age of 50. Since summer 2002, however, this exemption for the older unemployed is gradually being phased out.

It is also the case that early retirement arrangements have become opaque and inequitable. The range of measures is now so wide that there has clearly been some duplication. They include early retirement on a half-time basis (*pré-pension à mi-temps*) and career break (*interruption de carrière*) measures, now replaced by the time-credit (*crédit-temps*) scheme. Some managers in large companies are able to achieve large windfall gains from retiring early by benefiting from the advice of human resource consultants hired by their employers for the optimal management of retirement packages. Another measure relates to the fact that beyond a certain age, periods of inactivity count as periods of employment in terms of pension rights. People leaving work under the early retirement programme (*pré-pensionnés*) also enjoy tax breaks. All of these factors mean that the disposable pension available to people retiring early at the age of 58 may be more than they would have received had they worked until the age of 64.

Disparities between the various retirement pension schemes in Belgium also play a role in the overall institutional context that encourages people to leave the labour market early. All three statutory pension schemes – for public-sector workers, private-sector workers and the self-employed – calculate retirement pensions differently. So people are not all under the same pressure to remain in their jobs. Public-sector pensions, for instance, are based on the average wage for the last five years of service, and so, are clearly more generous than private-sector pensions, based on wages over an entire career. But the latter are in turn more generous than those available to the self-

employed. This is one reason why the self-employed are commonly found working after the age of 60.

What Belgium needs to envisage is a major reform of the public pension system, as in Sweden.⁶ Retirement decisions should be actuarially neutral, and retirement arrangements should be brought into line with longer life expectancy. Thus retiring early should mean a smaller pension, and retiring later a larger one. It is also important that people are kept regularly informed of their pension entitlements so that they can make informed choices. At the same time, it is crucial to ensure that other arrangements – social security, unemployment benefits, sickness benefits and invalidity pensions – are used as originally intended, rather than as an early way out of the labour market.

The following measures should take high priority:

- *Phase out subsidies for early retirement.* Central government should withdraw funding gradually by reversing the decision to let unemployment insurance be used as early-retirement benefits. If it is thought advisable in specific industries to grant early retirement to people who have contributed for a sufficient number of years or spent many years working under hard or stressful conditions, the social partners in those industries ought to finance such arrangements using their own sectoral funds. Central government would only contribute if the social partners make a simultaneous undertaking to introduce proper forward-planning with regard to jobs and skills.
- *Discourage the older unemployed from considering themselves as already retired.* Until July 2002, unemployed persons over the age of 50 were not obliged to look for work and were no longer registered as job seekers. Although this is no longer the case, the requirement on the newly unemployed to register as job seekers is being phased in so gradually that the message might not be clearly conveyed. Then there is the fact that the requirement applies only up to the age of 57. Instead, it would be better to start encouraging as many older unemployed as possible to register as job seekers again, not just the newly registered older unemployed during the transitional phase. At the same time, the Belgian authorities should consider whether it is appropriate to continue paying supplementary unemployment benefits to older workers who have just lost their jobs, and should undertake to do away with them.

6. The reform is described in the report on Sweden as part of the Thematic Review of Policies to Improve Labour Market Prospects for Older Workers.

- *Tackle so-called “Canada Dry” early-retirement practices.* This form of early retirement, which manages to avoid all of the usual constraints (no age limit, no requirement to replace staff, no additional social-security contributions), is also more flexible and less costly for employers as it provides the older unemployed with a retirement pension as soon as they reach the age of 60, unlike early retirees who must wait until the age of 65. The authorities should ensure that employers who resort to such practices are subject to the same constraints as those imposed by conventional early-retirement schemes.
- *Avoid displacement effects.* When one scheme is tightened up, there is always the risk that another will take its place. This is the case in Belgium, with a decline in the number of people benefiting from conventional early retirement and a surge in the number of people awarded “older unemployed” status (*i.e.* “Canada Dry” early retirement). Now that the government is quite rightly tightening benefit eligibility rules for the older unemployed, it would be unadvisable to let another scheme such as disability pensions leave the door open to cases of early retirement on grounds unrelated to ill-health.

Encourage employers to review their practices regarding older workers

In Belgium, employers have clearly been seeking to shed older workers for many years now. Restructuring plans with the emphasis on removing older workers, in some cases those aged as young as 50 and over, have proliferated since the mid-1970s. In 2002, the slowdown in economic activity prompted an upsurge in early retirement. Even firms competing on tough but potentially expanding markets, and not experiencing any serious financial difficulties, have implemented major downsizing plans offering retirement packages for workers in their fifties. Furthermore, there is very little recruitment of staff over the age of 45, although employers maintain that age is seldom a selection criterion.

Firms should be discouraged from conveying the idea that working life is over after the age of 50. An age-friendly policy could find innovative ways of retaining older members of the workforce, particularly the more experienced, rather than squeezing them out. Corporate human-resource policies should be age-neutral and available to young and old alike. In Belgian enterprises, participation in vocational training is generally low. There is a need to motivate firms and workers by offering high-quality training courses that are recognised and valued on the labour market.

Corporate practices could be reviewed on the following basis:

- *Encourage firms to provide vocational training.* First, they should spend more than they currently do on staff training. The target set by social partners for 1.9% of the wage-bill by 2006 does not appear sufficiently ambitious. But a more decisive course of action would be to increase enrolment by the entire workforce, young and old alike, on high-quality training courses that would make them more employable throughout their working lives. If this training provides them with skills that are recognised and valued in the labour market, the workforce will be all the more willing to enrol in them and to bear part of the cost. Workers could be encouraged to participate financially with the offer of tax incentives.
- *Set new priorities for mass redundancies.* This was the course taken in 1994 in the Netherlands, where the authorities radically changed the rules on redundancy. In the event of mass redundancies, job cuts should no longer be confined to older workers but instead reflect the corporate age structure. Ideally, the skills and competencies required to ensure the smooth running of the firm should dictate priorities in the event of mass redundancies.
- *Avoid measures based solely on age.* Older workers are not a homogenous group. Other aspects to be taken into consideration are number of years' contributions, wage levels, arduous working conditions, and skill levels. These factors are all decisive when selecting staff for flexible retirement, time-credit arrangements or mandatory outplacement services. Measures intended to benefit older workers as a whole are not targeted closely enough at the groups who need them most.
- *Challenge pay practices based on age or length of service.* Social partners should be aware of the adverse effects that pay scales linked to age or length of service can have on the employment of older workers. Collective bargaining should seek to make the link less automatic, particularly among white-collar workers, and place more emphasis on skills and productivity.

Continue to promote the employability of older workers

The Belgian government has decided to pursue an essentially preventive policy to encourage older workers to remain in work. One step in the right direction is to focus on training and employability throughout a person's

working life, and definitely well before the age of 50. Some of the measures introduced in Belgium since early 2000 are particularly worthwhile, such as sponsorship and mentoring, a new fund to improve working conditions for older workers, lower social contributions, the “activation” of unemployment benefits for older workers (*e.g.* as wage subsidies for newly-hired older job seekers) and time-credit arrangements, although the last two would be more effective if confined to older workers with financial difficulties. Further resources could be allocated to these active measures targeting older workers with financial difficulties as the authorities phase out passive subsidies for early retirement.

From a life-cycle perspective, one of the Belgian government’s top priorities is to improve the balance between work and family life. To this end, the following initiatives are recommended:

- *Improve working conditions.* Making jobs less arduous and better designed will ultimately benefit society as a whole. Any improvement in working conditions prevents the health of younger people from deteriorating prematurely and keeps stress levels down, and is largely beneficial in terms of keeping ageing workers in employment. The recent initiative to set up a fund promoting quality working conditions for workers aged 55 and over is excellent. As soon as the fund is operational, practices should be reviewed and the best should be selected for an information campaign.
- *Make the Public Employment Service (PES) aware of older people’s needs.* Job seekers over the age of 50 are faced with a lack of job offers for their age group. Local employment agencies in Belgium’s three Regions should focus on assisting these people in their job search. They should also canvass potential employers for “suitable” job offers. Training counsellors to help workers nearing retirement, as the Flemish PES (VDAB) is doing, appears to be a promising approach.
- *Develop systems to recognise, certify and validate professional competencies.* To develop the occupational competencies of older, relatively unskilled workers it is vital to establish recognition, certification and validation systems for the professional skills they have gained, in many cases on the job.
- *Evaluate the potential impact of new measures to promote employability within a dynamic framework.* Policies to promote part-time career breaks, for instance, or time-credit arrangements for those over the age of 50, may allow older workers to remain in their jobs with less stress. However, if part-time arrangements

became too widespread, the cost might prove too heavy, particularly if effective labour supply were reduced. The mandatory provision of outplacement services is another example. Employers might consider this means of protecting the jobs of older workers as a disincentive to hire workers over the age of 45, since the cost of laying them off would be increased.

- *Develop ways of recognising informal work done by early retirees.* It is common knowledge that some people who have been obliged to retire early continue to work informally in order to utilise the skills they have learnt on the job, supplement their income and work at a pace that suits them. It is important to find ways of reintegrating this type of work into the formal labour market.

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