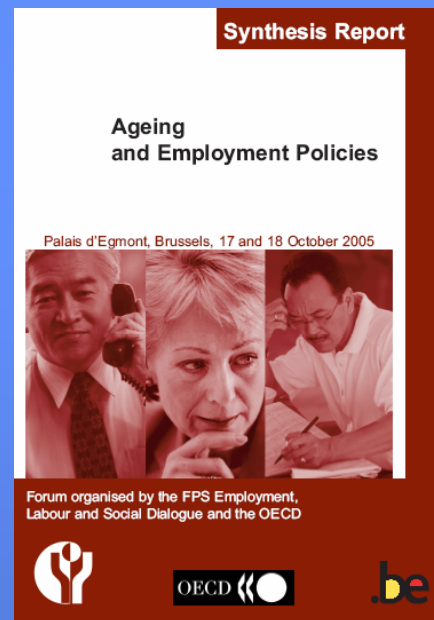


# Ageing and Employment Policies: Synthesis Report

Mark KEESE  
Employment, Labour and Social Affairs, OECD



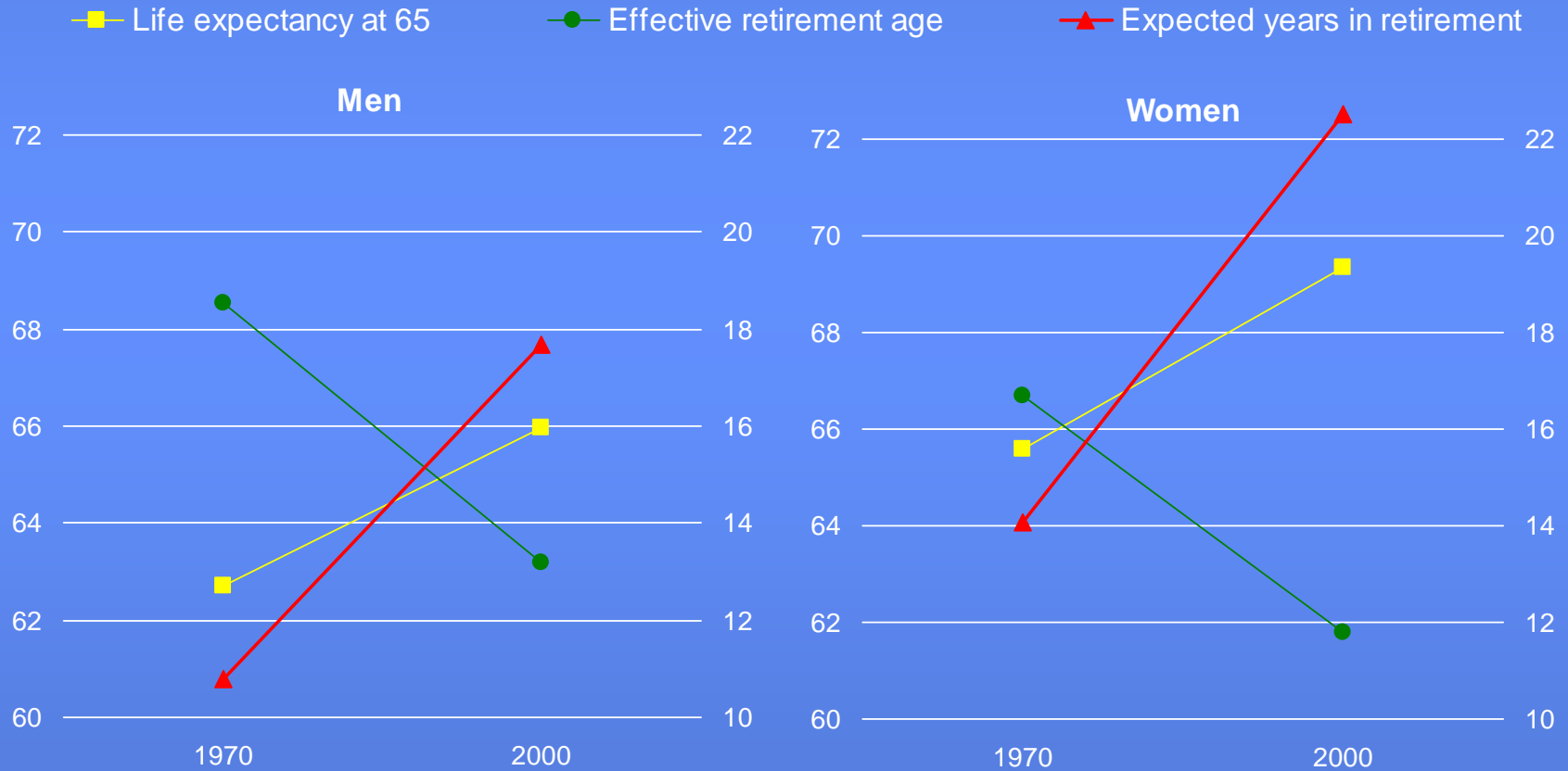
High-Level Policy Forum on Ageing and Employment Policies, Brussels,  
17 October 2005

# Purpose of OECD thematic review

- Identify key work disincentives and employment barriers facing older people
- Develop a new agenda of age-friendly employment policies and practices to:
  - ✓ Extend working lives to help offset the negative effects of population ageing
  - ✓ Promote greater choice for older workers in work and retirement decisions

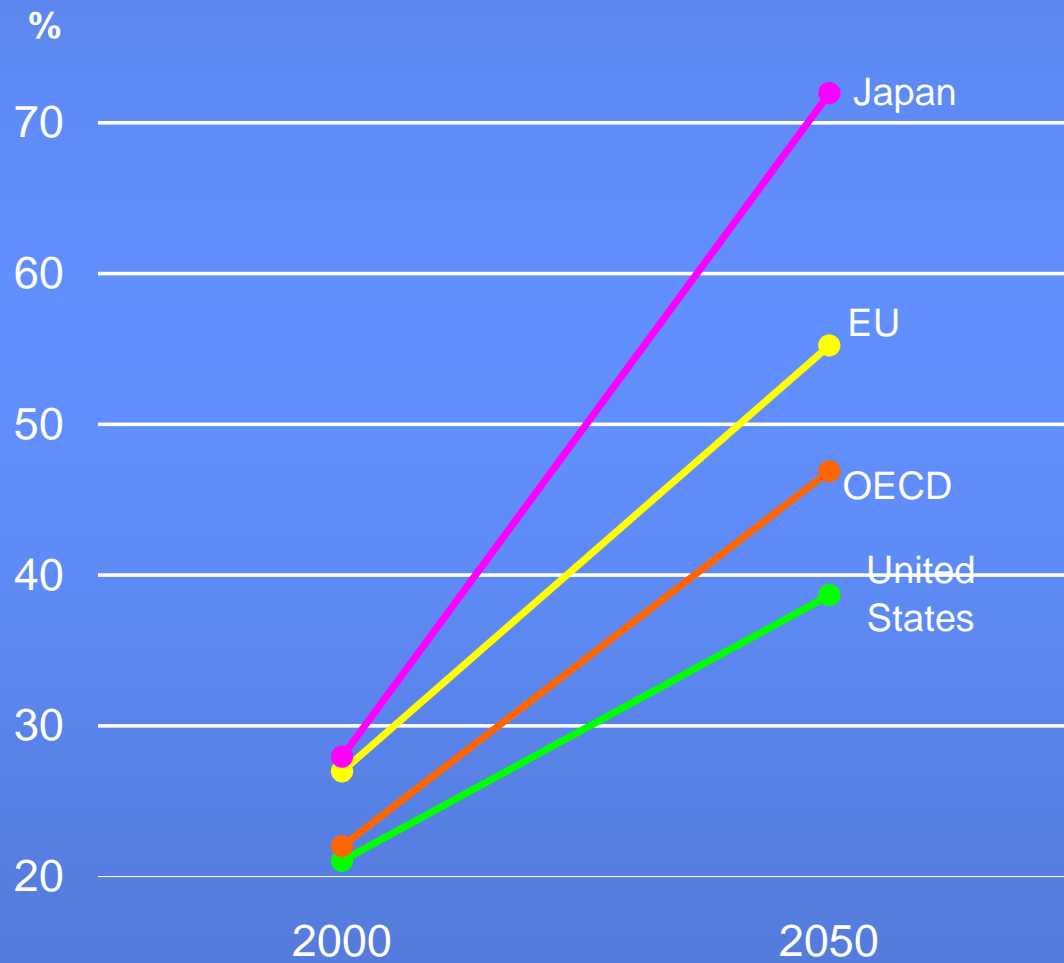
*The expected number of years in retirement has risen substantially*

## Life expectancy and retirement, OECD averages



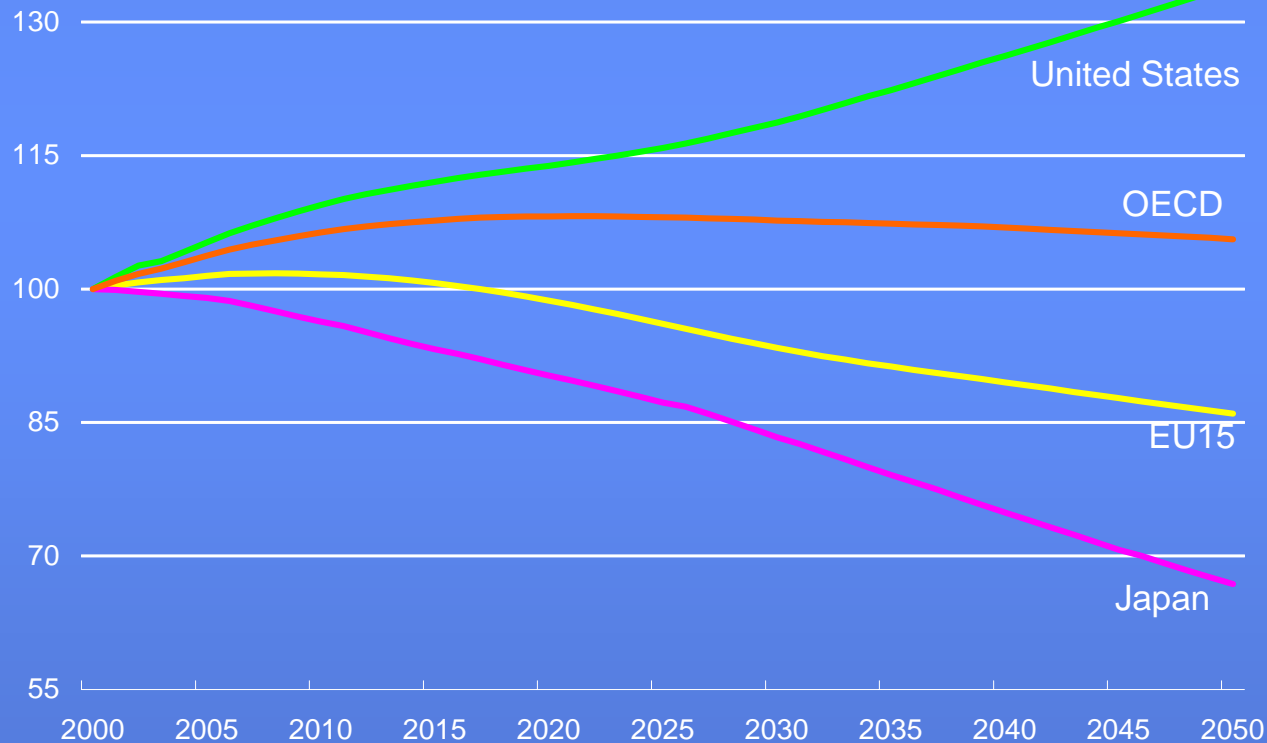
# The share of people in retirement is also set to rise steeply

Ratio of the population aged 65+ to the working age population (20-64)



*If nothing is done, labour supply will grow more slowly or contract → labour shortages, slower economic growth and unsustainable increases in public social expenditures*

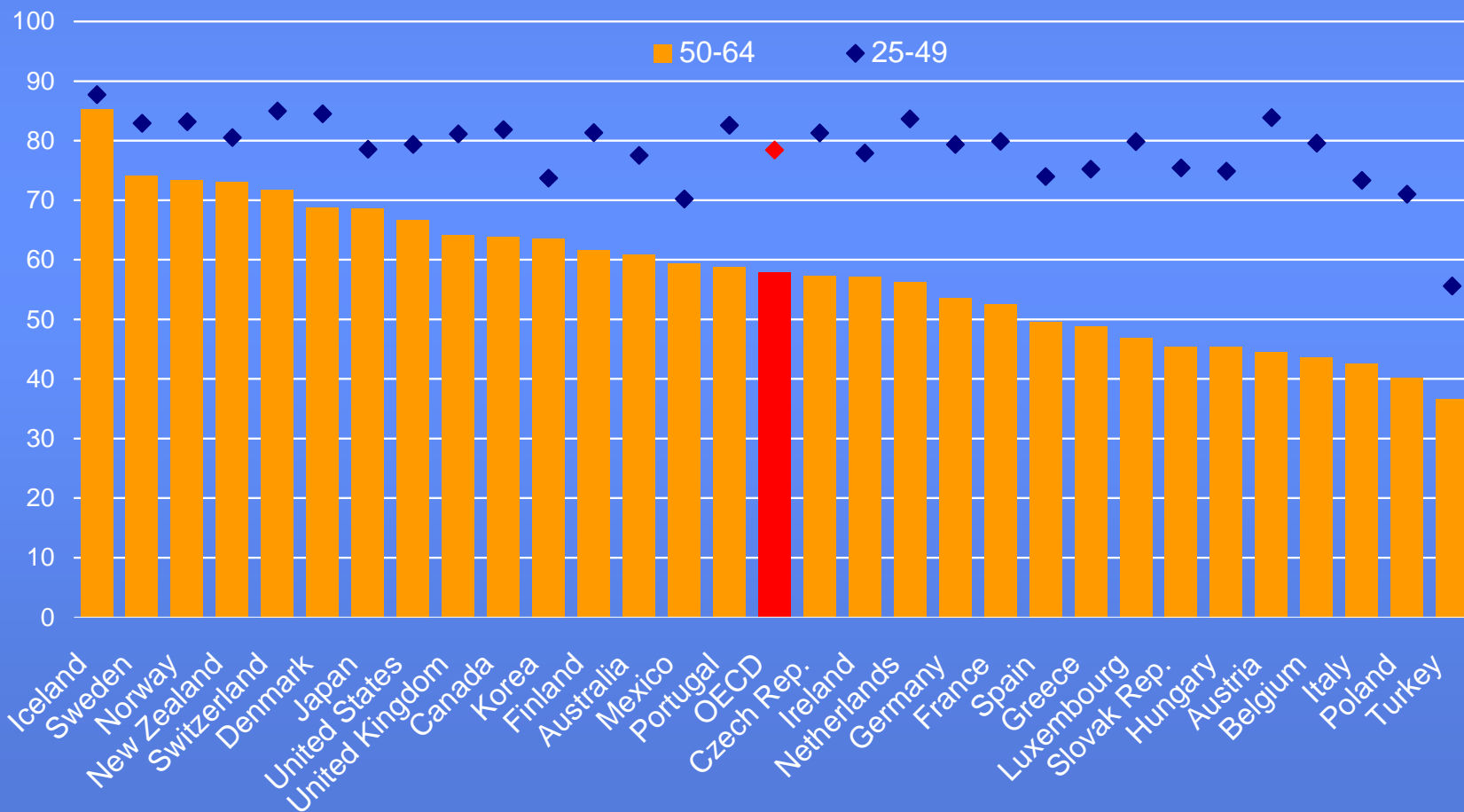
**Projected change in labour force, 2000-2050 \***  
Index (2000 = 100)



\* Assuming participation rates by age and gender remain unchanged at their current levels

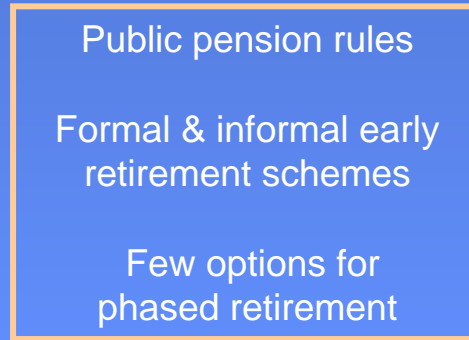
*Meeting these challenges will require mobilising more fully the labour resources of older people*

Percentage of the population who are employed, 2004

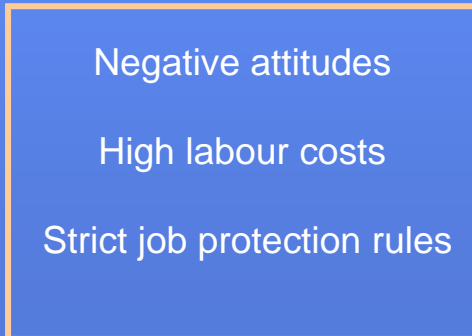


# Three key barriers to working at an older age

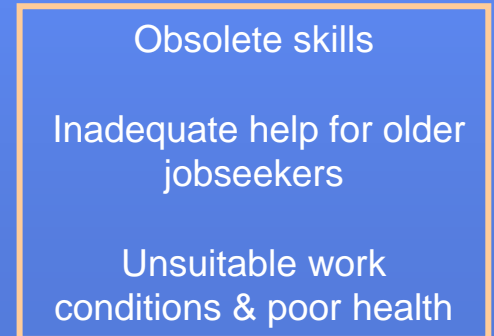
## Financial disincentives



## Employer barriers



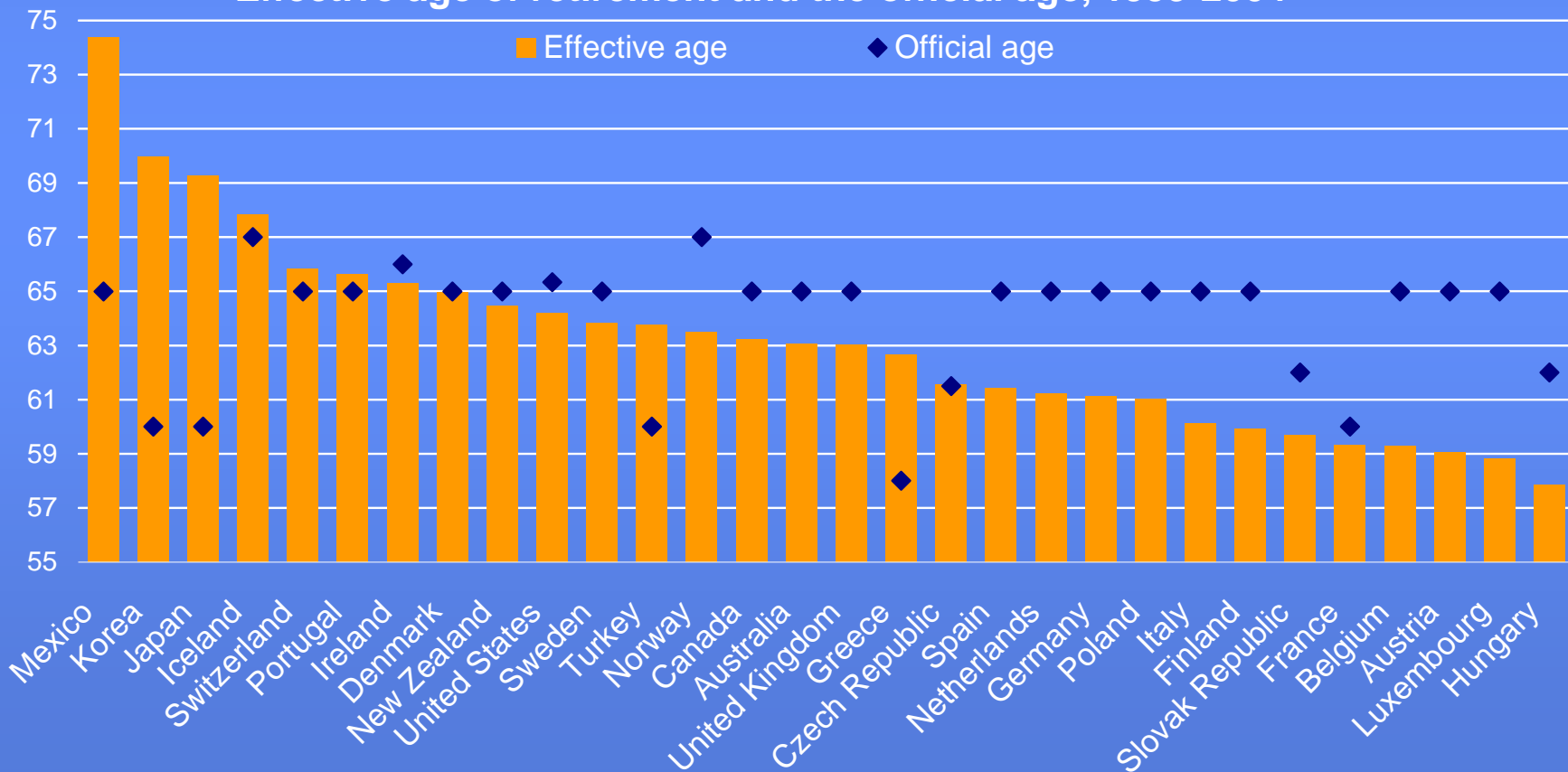
## Weak employability



# 1. Work disincentives

- Pension systems and other early retirement schemes penalise work at older ages
  - Effective age of retirement is below official age in most countries

Effective age of retirement and the official age, 1999-2004



# *Improving incentives to continue working*

- ❑ Ensure greater neutrality in work-retirement decisions
  - Moving towards actuarial neutrality
  - Taking account of rising life expectancy
  
- ❑ Reduce early retirement options
  - Raising pension age
  - Phasing out formal early retirement schemes
  - Ensuring that other welfare benefits are not used as early retirement pathways
  
- ❑ Beyond neutrality – actively promote participation
  - Increasing pension rights with age
  - Part-time pensions
  - Combining work and pensions

# *Improving incentives to continue working*

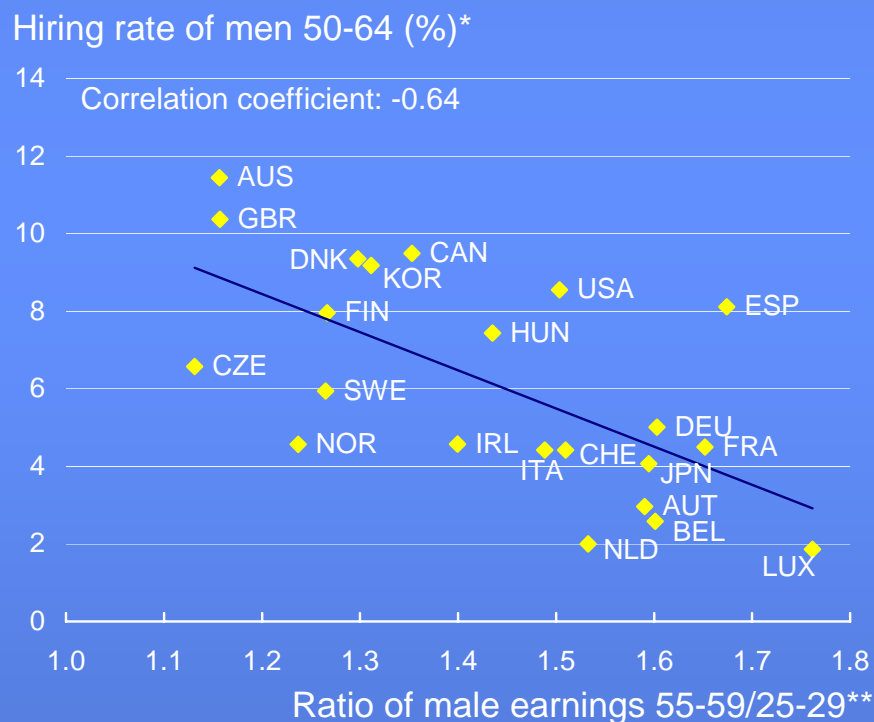
## Key issues:

- ❑ Actuarial neutrality raises difficult issues concerning initial age, equity and adequacy of benefits.
- ❑ Are measures to promote later retirement sufficiently targeted?
- ❑ How to increase the flexibility of work-retirement decisions while discouraging early retirement?
- ❑ How to deal with the stock of older people already on long-term benefits?

## 2. Employer barriers

- Hiring and retention rates decline steeply after 50, reflecting:
  - Negative employer attitudes
  - Labour costs that rise with age faster than productivity

### Seniority wages and hiring rates



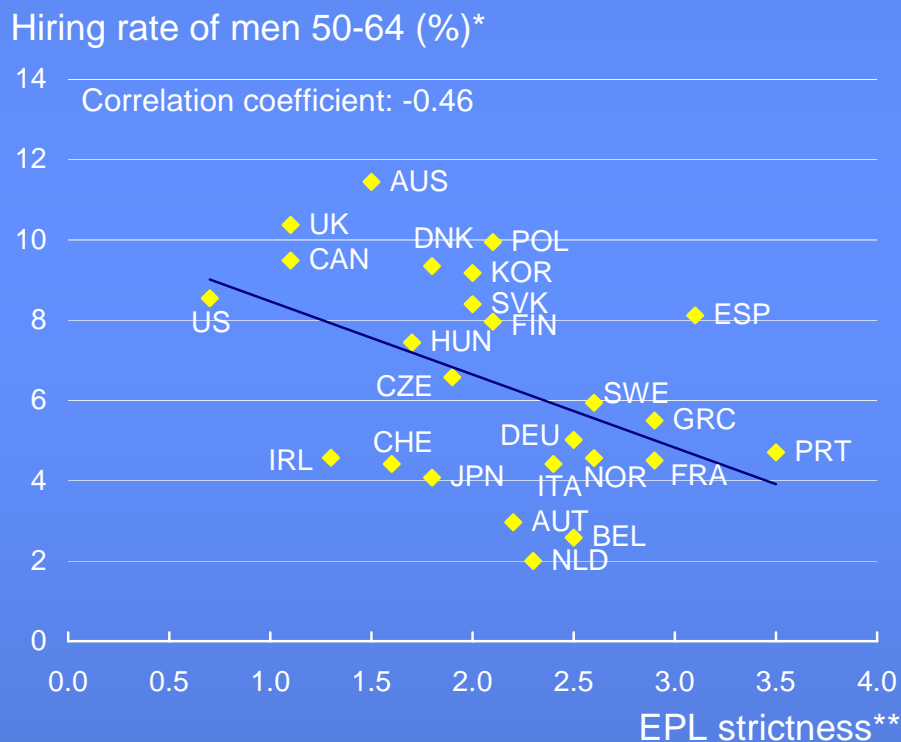
\* Ratio of employees with less than one year of tenure to all employees, 2004.

\*\* Full-time workers only.

## 2. Employer barriers

- Strict Employment Protection Legislation (EPL)

### EPL and hiring rates



\* Ratio of employees with less than one year of tenure to all employees, 2004.

\*\* OECD index for 2003 of the overall strictness of Employment Protection Legislation.

# *Changing employer practices*

- ❑ Tackle negative employer attitudes
  - Through age discrimination legislation
  - And through information campaigns and guidelines
- ❑ Align labour costs closer to productivity
  - Link earnings more closely to individual performance
  - Avoid wage subsidies that are simply targeted by age
- ❑ Focus on enhancing employability of older workers rather than on job protection
  - Reassess impact of job protection rules on labour mobility and hiring of older workers

# *Changing employer practices*

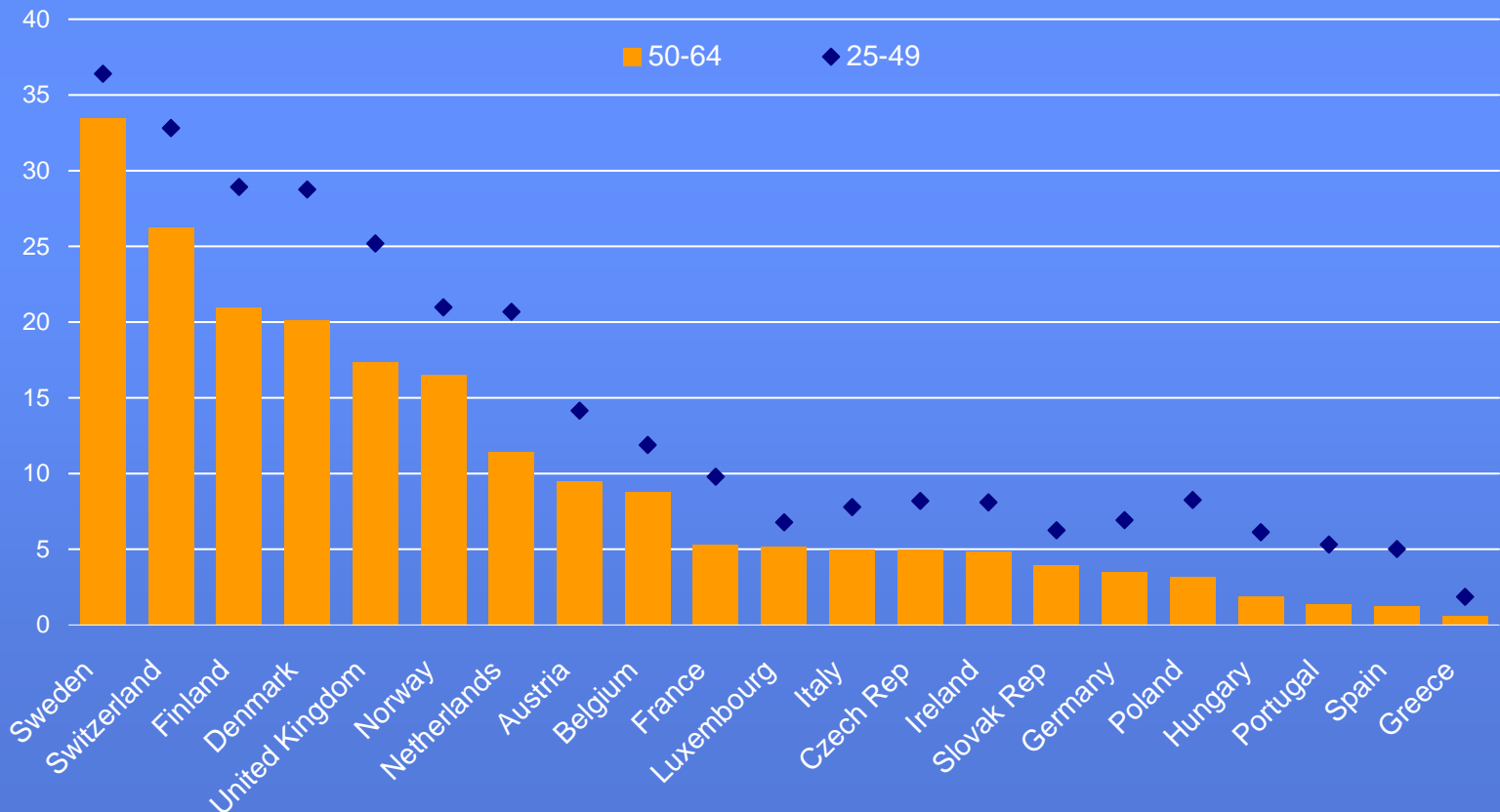
## Key issues:

- ❑ Age discrimination legislation is no panacea.
- ❑ Should wage subsidies go to employers or to older workers via an earnings top-up?
- ❑ Important role for non-governmental organisations.
- ❑ How can good practices be promoted among SMEs?

### 3. Weak employability

- ❑ Inadequate employment services
- ❑ Obsolete skills
  - Training declines sharply with age

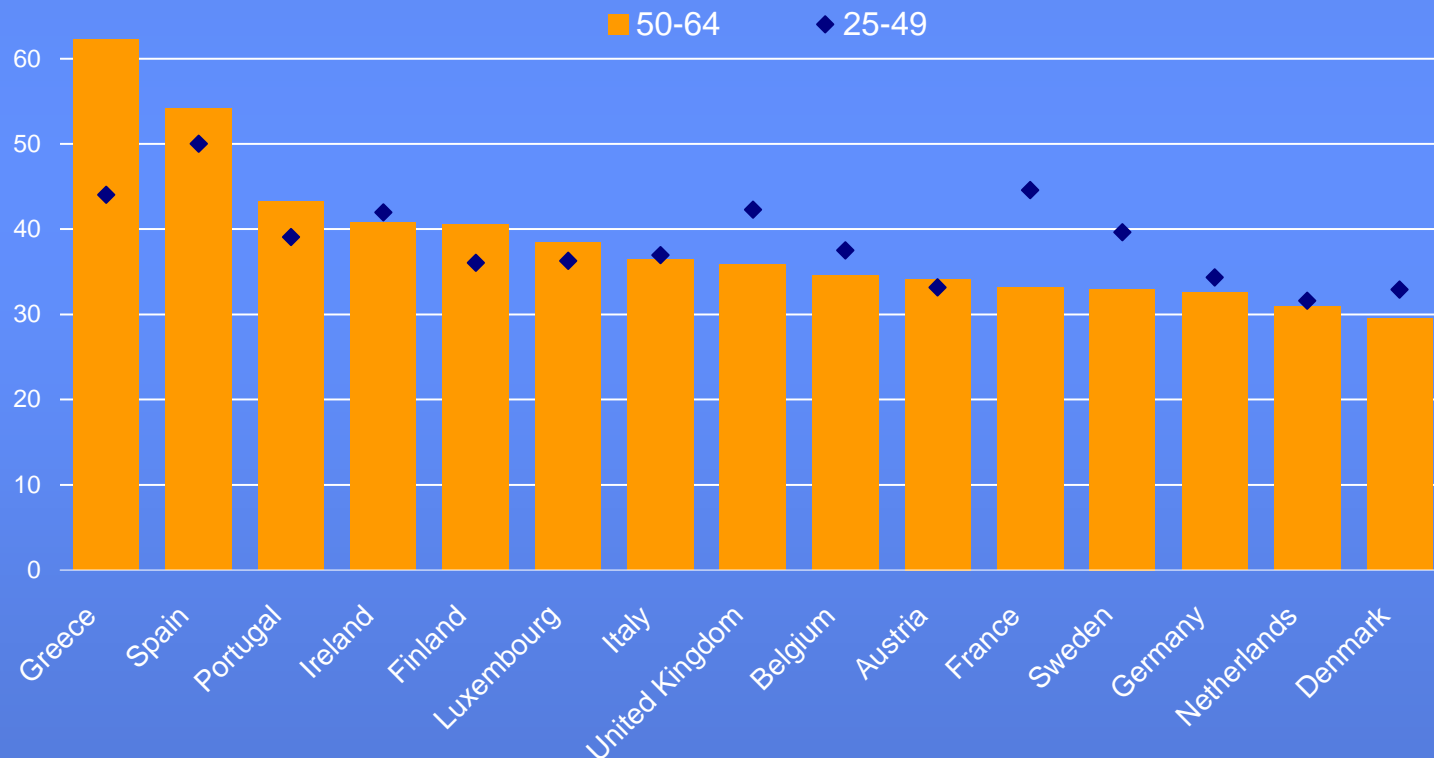
Percentage of employees in age group who received job-related training over the previous year



### 3. Weak employability

- Many older workers report poor working conditions

Percentage of employees with unpleasant working conditions\*



\* For between one-half to all of the time, exposed in main job to at least one of the following: vibrations from hand tools or machinery; loud noise; high or low temperatures; breathing in vapours, fumes, dust or dangerous substances; handling dangerous products; and radiation such as X rays, radioactive radiation, welding light or laser beams.

# *Strengthening employability*

- ❑ Ensure older unemployed are actively seeking work in exchange for better employment services
  - General exemptions from looking for work should be abolished
  - More resources should be devoted to helping older job seekers
- ❑ Encourage greater take-up of training
  - More flexible courses
  - Better opportunities for lifelong learning
- ❑ Improve the work environment
  - Greater flexibility in work hours
  - Adapting working conditions

# *Strengthening employability*

Key issues:

- ❑ For older workers, the returns to training may not be high, thus need to invest more in lifelong learning. But how to do this?
  - Who should pay for training and how can the more disadvantaged groups be encouraged to train?
- ❑ How best to encourage public and private employment agencies to give more priority to helping older jobseekers find jobs?
- ❑ How can employers – especially SMEs – be encouraged to improve working conditions for both younger and older workers?

## *THE BOTTOM LINE*

Older workers must be given better incentives and opportunities to carry on working