Older workers

Living longer, working longer

DELSA Newsletter Issue 2

The Directorate for Employment, Labour and Social Affairs (DELSA) at the OECD works on labour markets, social policy, international migration and health. The second issue of the Directorate's newsletter focuses on the challenge of encouraging people to work longer as life expectancy increases, the topic of a recent high-level policy forum in Brussels.

Rapid population ageing requires urgent policy action. Most OECD countries have responded to this challenge by reforming pensions. But this will not be enough. If ageing societies are to continue to prosper, there is no way around working longer.

However, employment prospects of older workers are bleak in much of the OECD. People above age 50 are often the first to be fired and the last to be hired. Their skills can be out-dated because employers do not consider them for training and many older workers see little benefit to investing their time in training. Poor working conditions and inflexible working-time arrangements may also push some of them into early retirement. And public policies often fail to help older workers find jobs and discourage them from staying in work.

To set the policy agenda for working longer, we launched in 2001 a review of policies to improve the labour market prospects for older workers. This project has been a huge success: 21 countries signed up for the reviews. For each of them a country report was prepared and discussed in national seminars. The reports were well received, highly visible and sparked lively public debates (see pages 5 and 6). The project's highlight was a high-level meeting in Brussels in October 2005, which was attended by many Ministers (page 4).

The synthesis report of the project, to be published shortly under the title *Live Longer, Work Longer*, summarises the policy lessons from the cross-country analysis. It identifies a wide range of policy actions that will help to remove barriers to employment of older workers. These measures are discussed on pages 2 and 3.

DELSA recently reviewed the health system in Finland. The report was launched in Helsinki in December 2005 (page 7). Our research on health issues will be the theme of the next issue of the DELSA newsletter.

Another important event for the Directorate took place in Seoul in September 2005: the inauguration of the joint OECD/Korea Regional Centre for Health and Social Policy. The centre's goal is to share OECD experiences, best practices and lessons in social and health policy across Asia. Read more about this promising collaboration between the OECD and the Korean government on page 8.

Recent unrest in some OECD countries, involving first- and second-generation immigrants, has brought the integration of migrants to the top of the policy agenda. A report on our on-going project and a recent conference discussing this issue can be found on page 9.

Finally, you will find a preview of new work in DELSA on page 10, followed by an overview of the recent publications of the Directorate. We hope that your reaction to this second edition of the newsletter will be as positive as the feedback we received on the first.

John Martin, Director
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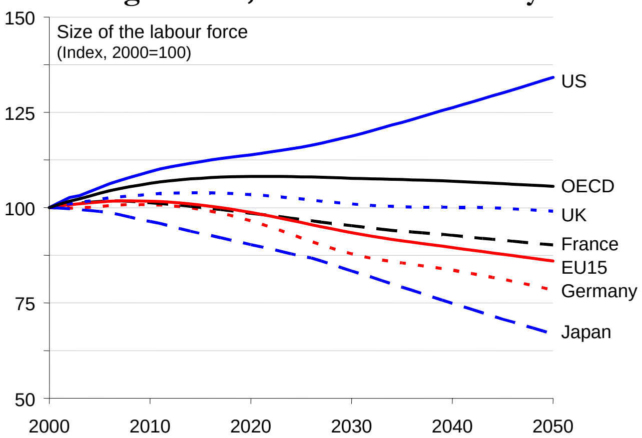
OECD

Live longer, work longer

People are living longer, but what is a boon for individuals threatens to be a bane for societies. Unless OECD countries adapt their employment and social policies to demographic realities, they will face shrinking workforces and declining prosperity. The OECD has reviewed 21 countries' policies. **Mark Keese**, who led the project, reports.

In OECD countries, less than 60% of people aged 50-64 have a job, on average. For prime-age people, between 25 and 49, the share in work is 75%. If nothing is done, there could be only one person employed for every retiree in European countries by 2050. As a result, the labour market could shrink by nearly 15% in the EU 15 over the next five decades (see chart). Japan faces an even more dramatic demographic challenge: the labour force could shrink by more than 30%. In contrast, the younger labour force of the United States is expected to continue to grow – albeit more slowly than in the past – through immigration and higher birth rates than in most other OECD countries.

If nothing is done, the labour force may shrink



The OECD's research shows that there are three key work disincentives or employment barriers facing older people (see figure on next page).

First, social-protection systems, including old-age pensions, disability and unemployment benefits, often function in ways that encourage people to leave work before the official pension age. And it is often financially unrewarding to work beyond age 65. Some governments promoted early retirement in the past as a response to high and persistent unemployment in the mistaken belief that retiring older workers would encourage firms to offer more jobs to the young.

For example, France has one of the highest rates of youth unemployment and one of the lowest effective retirement ages in the OECD. Raymond Torres, Head of the Employment Analysis and Policy Division in DELSA, told BFM Radio: "En fait, on a un cercle vicieux de retraits précoces d'activité qui coûtent cher au budget, ce qui augmente les cotisations sociales et engendre moins de création d'emploi donc plus encore de retraits précoces d'activité". ("In fact, there is a vicious circle of early retirement which is costly to the budget, thus raising labour taxes and leading to less job creation and so to more early retirement.")

Secondly, negative attitudes to older workers are still widespread, which is reflected in biased hiring and firing practices. Older workers are often thought of by employers as being less productive than the young. And rarely do they receive on-the-job training, so their skills can become obsolete. Some employers wrongly believe that older workers are not adaptable and are resistant to change. Ageism is also evident in the public employment service: older workers in several countries are exempt from job-search requirements and they are much less likely than the young to be covered by active labour-market policies.

Thirdly, working conditions are often ill-suited to the needs and capacities of older workers. Inflexible working patterns mean that many older workers face a stark choice between full-time work and full-time retirement.

Older workers often cost more than younger workers in terms of either higher wages or higher non-wage labour costs, such as sickness or health insurance. In the face of overly strict employment protection rules, employers may also seek to encourage older workers to leave through early retirement schemes that are often publicly subsidised.

Policy responses
An effective approach has to address the full range of factors that are either pushing older workers out of work or pulling them into early retirement.

Government has a key role in reducing the financial disincentives to carry on working by closing pathways to early retirement, raising the pension age, rewarding work at older ages and allowing flexibility in combining income from work and pensions so that the older worker is better off as a result.

Dismantling employer barriers to hiring and retaining older workers requires action by both government and the social partners. Some countries have sought to deal with negative employer attitudes through age discrimination legislation. Others have preferred to rely on public-information campaigns and guidelines. However, both approaches should be pursued. There also needs to be a better match between the costs of employing older workers and their productivity. And the appropriate balance needs to be found between protecting jobs of older workers and enhancing their labour mobility.

Tackling weak employability requires action on three fronts: skills, job search and better working conditions. The rewards for improved skills through training can be lower for older workers than they are for the young. It is crucial that lifelong learning policies encourage constant upgrading of skills over the working life. For these policies to be effective, workers of all ages must be subject to the same job-search requirements. Public employment services may need extra resources to provide tailored help to the over 50s. Improving occupational health and safety for workers of all ages will also assist future generations of older workers to remain in employment longer.

Reports

The success of the project and the importance of these issues are both reflected in broad participation: 21 countries took part. These are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States. The reports on Germany, Denmark and Ireland are discussed in brief in the newsletter's section on publications. The synthesis report, *Live Longer, Work Longer*, which summarises the lessons from the 21 reviews, will be published in early 2006.

Follow-up

Live Longer, Work Longer, OECD, 2006.

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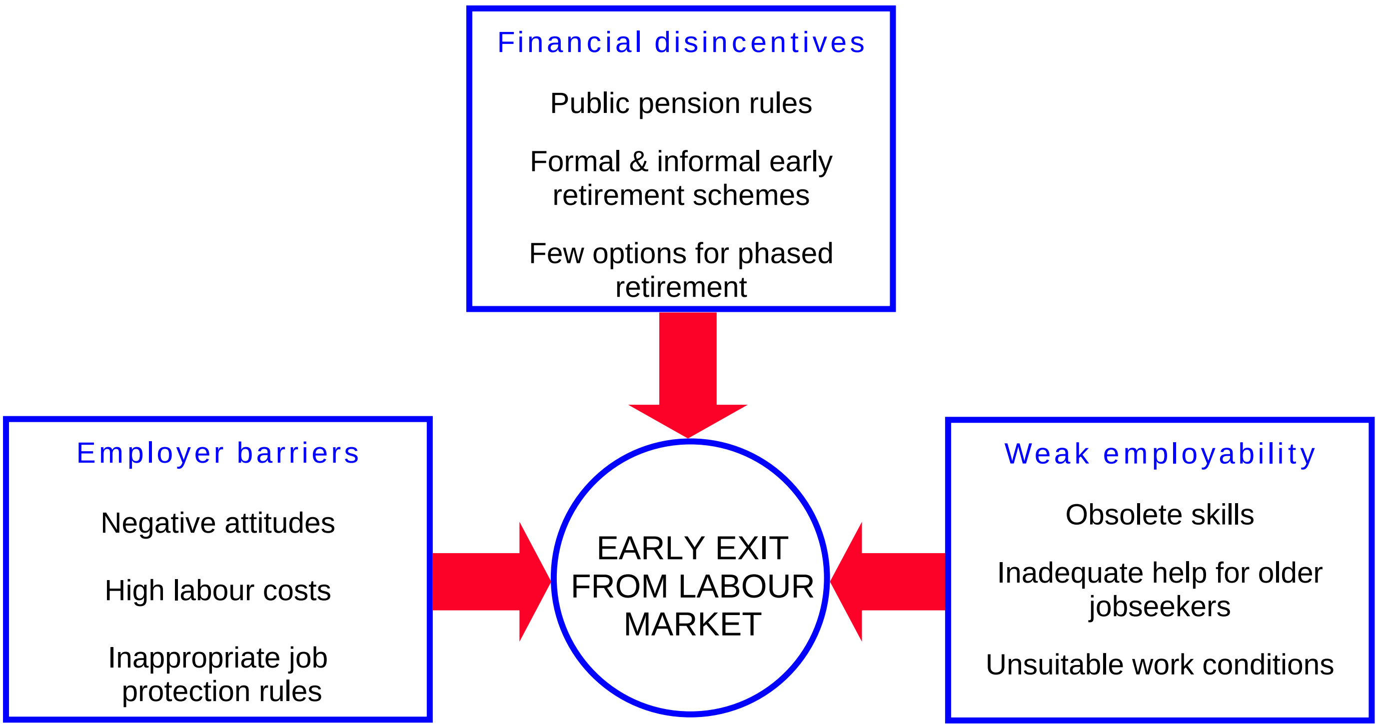

High-level forum on ageing and employment

Bruno Tobback, Minister for Pensions in Belgium, hosted a major meeting in Brussels in October 2005 to discuss the policy implications of the OECD's project on ageing and employment. Ministers from 11 countries attended, including Australia, Canada, the Czech Republic, Finland, France, Japan, the Netherlands, Portugal, Spain and the United Kingdom.

In his opening statement, Mr Tobback welcomed "the OECD's excellent report on older workers" and noted that it "highlights the need to reform retirement systems and other social security benefits to reward longer working lives" and that workplace practices should be adapted to "create better employment opportunities for older workers". He said that this would meet both economic and social objectives and ensure the sustainability of social-protection systems.

Ernst Kreuzaler, Deputy Director-General of the German Ministry for Economics and Labour, described the country reviews and synthesis report as "essential reading" for all policy makers dealing with the challenges of population ageing.

The two-day meeting, held in the Palais d'Egmont in Brussels, began with an open forum, involving government officials, social partners, academics and representatives of civil society. Martine Durand, Deputy Director of DELSA, summarised the discussions.

The clearest conclusion was that "pension reforms have to go hand-in-hand with labour-market measures" if working lives are to be extended. Many participants argued that successful policy needed to address both demand and supply factors. Ms Durand reported a "heated debate on the roles of seniority wages and employment protection legislation". Several speakers noted the importance of offering not just any job but attractive employment opportunities to older workers. Finally, everybody agreed that progress could only be made if mentalities changed, and the Finnish campaign for older workers was cited as a particularly good example.

On day two, Ministers discussed three issues in a closed meeting:

- Should working longer best be promoted by penalising early retirement or by making work more attractive?
- How can entrenched attitudes towards early retirement be changed?
- Are there best practices to promote the employability of older workers?

The discussions were surprisingly frank with some Ministers acknowledging the failure of past policies. There was consensus around the table that governments needed to encourage longer working lives. But Ministers also called upon the social partners to help remove the barriers to employment facing older workers. They underlined that both employers' and employees' attitudes needed to change.

In the run-up to the high-level forum, Ms Durand and Mark Keese presented the results to a meeting organised by the Lisbon Council. The council assembled a broad audience, including members of the European Parliament and of the Brussels press corps.

In his closing statement at the high-level forum, Mr Tobback said that "the myths that older workers are resistant to change and their early exit from the labour market will create job opportunities for young workers need to be dispelled". He called on the OECD to "pursue its work in this area and follow up on the implementation of reforms by member countries in order to identify best practice".

Follow-up
High-Level Policy Forum on Ageing and Employment Policies, Brussels, 17-18 October 2005, Chair's conclusions, Bruno Tobback, Belgian Minister for Pensions

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Making a splash 1: media coverage

"Global growth to fall unless people work longer" was how the *Financial Times* reported on the older workers' study on October 11, 2005. The *FT* stressed the timeliness of the report at a time when Britain's unions were "threatening to stage the country's biggest stoppage since the 1926 general strike" over an increase in the pension age.

Mark Keese, the leader of the *Ageing and Employment* project, described the issue well to the *Europe Information Service*: "If you want to maintain past prosperity, you need to mobilise older people in the labour market. That's the group that will give you the biggest bang for your buck." The service praised the project as having "yielded a cornucopia of statistical comparisons underscoring how different countries are handling the retirement question".

The report was especially well covered in France. *Les Echos*, the main economic newspaper, entitled its article "L'OCDE très alarmiste sur le vieillissement de la population". ("The OECD is very alarmed by population ageing.") In contrast, *La Croix*, a Catholic newspaper, wrote that "A y regarder de plus près, l'étude est moins violente qu'il n'y parait. " ("On closer inspection, the study is less radical than it appears.")

The French broadcast media devoted substantial air-time to the older workers' study. Raymond Torres, Head of the Employment Analysis and Policy Division of DELSA, explained on the news channel *LCI* how ageing might affect economic growth. He said "l'augmentation des budgets qui iraient à financer la protection sociale ne serait pas disponible pour financer d'autres dépenses, qui elles, vont directement à la croissance économique". ("The necessary increases in social expenditures will not be available for other public spending which would benefit economic growth directly").

The report was also covered on television by *TV5* and *iTV*, and on radio by *Europe 1, BFM, France Bleu, Radio Classique* and *France Inter*.

The Belgian newspaper *Le Soir* included in its reporting of the Belgium country report a cartoon showing OECD experts trying to entice Belgian retirees to return to work.

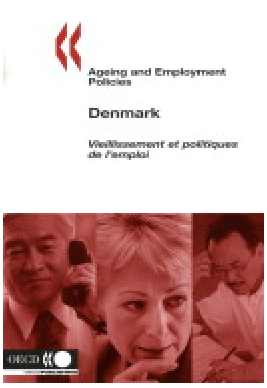
("Hey, you, the Belgian over there with the cool trainers, you should be good to work for a few more years. Sorry, it's such a shame.")

The Guardian of the United Kingdom commented "If you have ever felt under pressure to work longer and harder, it is nothing compared to what awaits you". The article was headlined "No carriage clocks", referring to the practice of giving mantelpiece clocks or gold watches to retiring employees in Britain.

The most colourful reporting of the OECD's work on older workers was in *The Times* (again of the United Kingdom). Carl Mortished wrote: "If we are to avoid economic paralysis as the army of idle over-50s sucks the life-blood from Western societies we must work longer". He went on to say "The cult of youth among employers will die naturally of starvation as businesses chase a diminishing band of decorative but poorly educated graduates."

Making a splash 2: policy impact

The main goal of the OECD is to share the experience of its 30 member countries and inform debates among policymakers and the public. **Mark Keese** reports on the impact of the ageing and employment studies on policy discussions and debates in six countries.



The Welfare Commission in **Denmark**, after two years' work, recently released its report on welfare reform. Among other things, the commission recommended that pensionable age be increased, early retirement gradually abolished, integration of migrants improved, and income taxes reduced. Many of these proposals reflected the OECD report on ageing and employment policies in Denmark, issued two days before the commission reported. Patrik Andersson, the author of the OECD report, was interviewed by the two leading Danish newspapers. And the Danish Minister of Labour responded positively to the OECD's recommendations.

United Kingdom

The Pensions Commission in the United Kingdom issued its second and final report at the end of November 2005. Lord Turner of Ecchinswell, who chaired the commission, proposed to simplify the public pension system, reduce the role of means-testing and offset the cost by increasing the state pension age. These are very much in line with the OECD's proposals in the DELSA report on older workers in the United Kingdom and in the Economic Survey.

The then Secretary of State for Work and Pensions, Alan Johnson, set out the government's response to the OECD report as a result of questions from the Parliamentary select committee on work and pensions. He said: "[the government] welcomes the OECD's review of the UK's older worker policies, and is considering their recommendations in the development of future policies". Mark Keese and Peter Whiteford also presented the results to people from financial institutions, business, government and the media at a seminar organised by the Centre for the Study of Financial Innovation in London.

United States

John Martin, Director of DELSA, presented the report on older workers in the United States to the AARP, which represents 35 million older Americans. One of the discussants, Joseph Antos of the American Enterprise Institute, described the report as a "tremendous accomplishment" and an extremely timely contribution to the debate on social security reform. The OECD report was also presented to Congressional staffers.

France

The Minister for Employment, Gérard Larcher, warmly welcomed the OECD report on older workers in France. However, he also admitted that it made "painful reading at times" in its critical analysis of the situation of older workers in France.

Canada

In October 2005, Steven Tobin, the author of the Canadian country report, was invited to testify to the Senate Banking, Trade and Commerce Committee on demographic issues. The Senators welcomed the Canadian report and generally agreed with its recommendations. Mr Tobin also held an interview with a Canadian business television channel which was broadcasting a week-long series on baby boomers and the future prospects of this generation.

Luxembourg

Martine Durand, Deputy Director of DELSA and Anne Sonnet, the country report's main author, presented the results to the Minister of Employment, François Biltgen. Mr Biltgen commented that the OECD report confirmed that "il n'y a pas de solution miracle au problème de l'emploi des travailleurs ages". ("There are no miracle solutions to the problems of older workers".)

Healthcare in Finland

Finland has a high-performance and low-cost health system, according to a new OECD report. But the system is not perfect. Rising costs of medicine, queuing for treatment and staff shortages are the main problems for healthcare in Finland.

The launch of the OECD report, chaired by Markku Lehto, Permanent Secretary to the Ministry of Social Affairs and Health Department, took place in Helsinki on 7 December 2005. Mr Lehto outlined how Finland asked the OECD to evaluate the reforms undertaken as part of a national project on "safeguarding the future of health services".

The national project was initiated in response to the last OECD analysis of healthcare in Finland in the Economic Survey of 1998, noted Tuula Haatainen, Minister of Social Affairs and Health. She described the OECD review as thorough and very accurate.

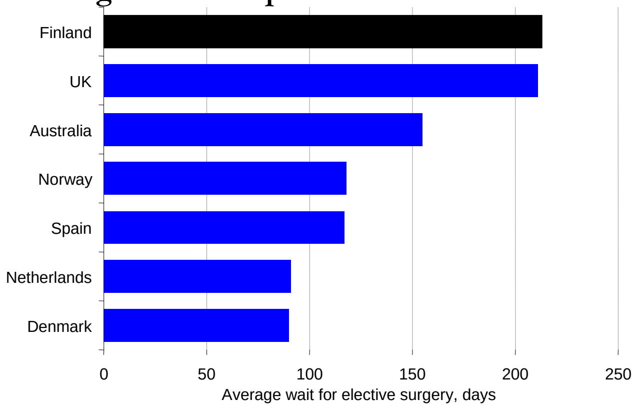
John Martin, Director of DELSA, and Jeremy Hurst, the report's main author, presented the key results. Finns are more satisfied with their healthcare than people in many other OECD countries. Health spending of 7.4% GDP compares favourably with the OECD average of 8.8%. Deaths from heart attacks and strokes have dropped sharply over the past three decades. And medical care is of high quality, as evidenced, for example, by high rates of cancer screening, kidney transplants for people with renal failure and rapid treatment of broken hips.

There are, however, some blackspots in healthcare in Finland. Open-ended reimbursement for prescription drugs from the health-insurance scheme has led to rapid rise in expenditure on medicines. Waiting times for operations can be long, but new targets introduced in March 2005 already seem to be having an effect.

The OECD report also outlined three main challenges for healthcare in Finland in the future: i) technological improvements that push up the cost of hospital care and medicines; ii) rising patient expectations; and iii) population ageing at a more rapid rate than the rest of Europe between 2010 and 2020.

Liisa Hyssälä, Minsiter of Health and Social Services, asked rhetorically why the OECD – primarily an economic institution – had been asked to look at healthcare, praising the organisation's growing track record in health policy advice. She said that citizens needed and deserved good quality health services and so external assessment of progress towards that goal was of great value.

Waiting times for operations



UK: England only. Spain: Insalud. Average waiting time for six surgical procedures.

The OECD report contains over 20 recommendations. Its calculations suggest that Finland could cut drug costs by 6% by introducing pharmaceutical budgets for municipalities and more cost-effective prescribing. This would free up resources to hire more doctors. The report also proposed Finland should strengthen the role of municipalities in purchasing hospital services, regionalise or even centralise hospital governance, and develop a national method of pricing in-patient services.

Follow-up

OECD Reviews of Health Systems: Finland, December 2005.

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OECD/Korea Regional Centre for Health and Social Policy

Geun-Tae Kim, Minister of Health and Welfare of Korea, and Berglind Ásgeirsdóttir, OECD Deputy Secretary-General, cut a symbolic wedding cake to celebrate the opening of the OECD/Korea Regional Centre for Health and Social Policy in Seoul in September 2005. **Mark Pearson**, Head of the Social Policy Division in DELSA, was at the launch.

The countries of Asia are playing a more and more important role in the global economy. It is timely then that the Korean government and the OECD took the initiative of creating a joint regional centre. The centre will share expertise and best practice within Asia. It will also communicate lessons from health and social policy reforms between OECD countries and Asian countries that are currently not members of the OECD.

The regional centre is financed by the Korean government and is staffed with Korean experts on secondment from the civil service and research institutes. The OECD jointly manages the centre's work programme. Willem Adema coordinates the work from the OECD Secretariat in Paris.

The launch of the regional centre included an international seminar covering social policy issues in the Asia region. Dr Ramesh of the National University of Singapore discussed how to achieve social security through compulsory savings in the city state. "Health insecurity is the biggest challenge of human insecurity in China", argued Hu Angang from Tsinghua University at the seminar. The third presentation was on the interesting experience of introducing universal healthcare coverage in Thailand. Sanguan Nittayarumphong explored the successes and weaknesses of this programme. Finally, Byoungho Tchoe, from the Korean Institute for Health and Social Affairs, looked at the effects of ageing on healthcare costs.

The regional centre has subsequently organised a series of seminars on policy-relevant issues. Peter Whiteford from the Social Policy Division (SPD) in DELSA opened the series with a well-attended presentation on pension reform in November 2005. Anna D'Addio (SPD) presented research on trends in birth rates and policies that may reverse the decline in fertility.

Eleven countries were represented at a joint meeting between the centre and the Asia-Pacific national health accounts network. They agreed to meet regularly in the future, co-ordinated by Ravindra P. Rannan-Eliya of Sri Lanka.

The centre will also translate OECD reports into Korean. Among the first wave will be the publications in the "at-a-glance" series: health, pensions and society.

Tying the knot: Geun-Tae Kim, Minister of Health and Welfare of Korea and Berglind Ásgeirsdóttir, Deputy Secretary-General of the OECD.

Follow-up

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Integrating migrants

Recent events have shown how crucial it is to integrate immigrants and their children into OECD economies and societies. DELSA's International Migration Division is reviewing a series of countries' integration policies: Australia, Denmark, France, Germany and Sweden are first. **Thomas Liebig** reports on the launch of the study of Germany in Berlin.

Germany is the OECD country with the second largest number of immigrants after the United States. Immigrants' share of population is similar between the two countries: around 12%.

Germany has had different waves of immigration. First, in the period from the mid 1950s to the mid 1970s, workers were recruited from Turkey, Italy, former Yugoslavia, Greece and Spain. This was followed by large-scale immigration of ethnic Germans and refugees in the 1990s.

Until the early 1990s, immigrants were quite well integrated into the German labour market, but they have been particularly hard hit by unfavourable labour-market conditions since then.

The situation of second-generation immigrants also gives cause for concern. The OECD's PISA study shows that the gap between school results of immigrants' children and those of native-born parents is higher in Germany than in any other country. Over half of this difference is due to the lower socio-economic background of immigrant households. The language spoken at home also has a powerful impact on the PISA results. Pre-school programmes in Germany are not well developed and half-day schools cuts exposure to the German language at a critical age.

The new German immigration law introduces a uniform integration framework for all permanent immigrants. This should be more effective than the piecemeal approach of the past. But evaluation of local integration projects is still lacking as are mechanisms to embed and spread good practice. One area that the OECD recommended for further examination is language training of immigrants and whether and how this can help immigrants find stable jobs.

There is a shortage of vocational education places in enterprises and children of immigrants are strongly underrepresented in the dual system. Although there are measures in place to rectify this, more needs to be done.

The new State Minister for Migration, Refugees and Integration, Maria Böhmer, introduced the OECD review in Berlin on 2 December 2005. It was presented by Jean-Pierre Garson and Thomas Liebig. State Secretary of the Ministry of Labour and Social Affairs, Gerd Andres, gave Germany's response to the report's recommendations. The new German Ambassador to the OECD, Mattei Hoffmann, and the Turkish Consul-General, Ahmet Nazif Alpman, also participated in the event.

The German government sees the integration of migrants as a key issue, said Ms Böhmer. She mentioned that the situation of migrant women in Germany was particularly problematical. Mr Andres welcomed the study, saying that an outside perspective, such as that taken by the OECD, was helpful and that the report was available at exactly the right moment. He extended his "heartfelt thanks" to the OECD for its "valuable work on migration in the past years and for the elaboration of this study."

The German integration review was also covered by major German media. The newspaper *Frankfurter Rundschau* headlined "OECD sees migrants at a disadvantage". *Die* Welt wrote the OECD sees cause for concern about "the gap between the situation of native-born Germans and migrants".

Follow-up

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New projects

Disability

Disability policy has become a key policy concern in most OECD countries as more and more people rely on disability and sickness benefits as their main source of income. Becoming disabled typically means never to work again.

The OECD published a study on disability prevalence and policies in 2003 (*Transforming Disability into Ability*) which was well received by member countries. Now, a new thematic review on reforming sickness and disability policies to improve work incentives has been launched to examine in more depth national disability policies. The reviews will analyse both the measures that countries take to control the inflow into sickness and disability benefit programmes and the policies to help beneficiaries who want to re-enter the labour market.

The first round of the review, covering Norway, Poland and Switzerland, started in June 2005. Future rounds will cover Australia, Denmark, Finland, Ireland, Luxembourg, the Netherlands, Spain, and the United Kingdom. The project will conclude with a synthesis report and an update of *Transforming Disability* with data for all OECD countries.

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Youth

The labour resources of youth need to be better mobilised to help meet the challenge of population ageing. Youth unemployment rates are still in double digits in two out of three OECD countries. A significant proportion of younger people in some countries are neither in education nor in employment, which may lead to long-lasting social and economic disadvantage.

DELSA has launched a new thematic review on policies to help young people get a good start in the labour market. Reports will be prepared for each country participating in the review. This will provide a diagnosis of the labour-market situation of young people and examine policies that promote employability and facilitate the transition from school to work. Such policies can include "activation" strategies, income support and measures to tackle demand-side barriers to youth employment. Each report will be presented at a national seminar and will include reform proposals.

So far, 11 countries have indicated that they will participate: Belgium, Canada, Denmark, France, Mexico, the Netherlands, New Zealand, Norway, the Slovak Republic, Spain and the United States. The reviews will begin early in 2006.

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Life course

The project "life risks, the life course and social policy" will examine public policies from a lifecycle perspective. Past policies were developed in a world where the vast majority of the population followed a standard life sequence. When children, people are cared for by their two parents. Human capital is wholly accumulated during school with, perhaps, some tertiary education. Men work full-time for a single or a small number of employers until a set age when they stop work completely and retire. Women drop out of the labour force on marriage or when giving birth and, perhaps, return to work part-time when children are older.

This project aims to answer a number of questions about modern-day life courses. Are deviations from the standard course temporary or permanent? Should we continue to regard support for families with children as an issue of horizontal equity or instead regard it as a question of redistribution of resources over the life course? Can public policies help at the key transition points over the lifecycle?

The project is being prepared in consultation with a group of national experts from Australia, Canada, Mexico, the Netherlands, the Slovak Republic, Spain and Switzerland.

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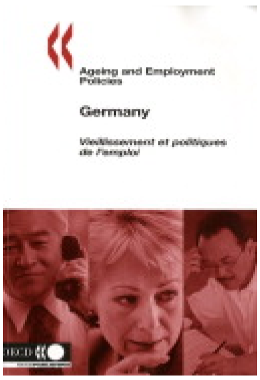
Recent publications

Ageing and Employment Policies: Germany

Today, many older Germans stop working well before reaching the statutory retirement age of 65. As a result, only two out of five people in Germany between the ages of 55 and 64 are employed, well below the ratio in most other OECD countries. Unless this situation changes, Germany could face labour shortages, slowing economic growth and worsening public finances. The problem is especially acute in eastern Germany, where birth rates are lower and many younger, skilled workers have emigrated to take advantage of job opportunities in western Germany.



While Germany has been doing a lot over recent years to encourage older workers to carry on working, it is important that the new government keeps up the momentum of reform. The report recommends that Germany should: i) raise the retirement age in line with rising life expectancy; ii) introduce job-search requirements for all, irrespective of age; iii) discourage the use of unemployment and disability benefits as pathways into early retirement; and iv) improve the employability of older workers, especially through training programmes for those with few skills.

OECD, November 2005
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Ageing and Employment Policies: Denmark

In some respects, Denmark is better placed to meet the challenges of population ageing than many other OECD countries: population ageing is less rapid; labour-market participation rates of older people are already among the highest in the OECD; and disincentives to continue working and the employability of older workers have already been addressed. Nevertheless, many older Danes continue to withdraw from the labour market well before reaching the official retirement age. If nothing is done, Denmark's labour force will shrink over the next 50 years, while the number of those in retirement will increase significantly. This would result in a pronounced slowdown in economic growth and worsening public finances.

The report calls for a number of measures, including: i) abolish the voluntary early retirement pension but allow for more flexible work-retirement pathways through the public pension system; ii) discourage the use of unemployment benefits as a pathway to early retirement and reinforce mutual obligations for the older unemployed; iii) promote an age-friendly environment in firms by abolishing mandatory retirement practices and raising awareness of age discrimination legislation; and iv) expand training opportunities for older and low skilled workers, within a life-course perspective.

OECD, November 2005
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Ageing and Employment Policies: Ireland

Unlike many other OECD countries, Ireland has a window of opportunity of around 10 years to put in place age-friendly employment policies that will encourage older workers to remain longer in the workforce. Up until then, it will face only modest population ageing and small and sustainable increases in public spending related to ageing. However, over the longer term, Ireland will face more severe pressures as its population ages rapidly and there will be less room to rely on immigration for sustaining rapid economic growth.

The adequacy of retirement incomes in Ireland is already an issue, given that public pensions are not very generous and only half the workforce are covered by employer-provided pension schemes. But any future pension reform should ensure that measures to increase adequacy are also compatible with strong incentives to continue working at an older age. Currently, the public pension system provides little incentive to continue working after 64 and many workers retire well before this age through the use of other welfare benefits. Lack of flexible work arrangements, less intensive assistance for older job seekers and low participation in training are some of the other barriers to employment for older workers in Ireland.

The report recommends that Ireland should: (i) provide greater work incentives in pensions and other welfare benefits; ii) strengthen job-search requirements for older job seekers in exchange for more effective assistance to find jobs; iv) abolish mandatory retirement in firms and improve awareness of age discrimination legislation; and v) improve overall skills and training, especially for mid-career workers.

OECD, December 2005
Contact: Mark Keese
www.oecd.org/els/employment/olderworkers

Older Workers Reports: Translations

Several reports in the series on *Ageing and Employment Policies* have been, or soon will be, published in another language:

Canada: from English to French
Czech Republic: from English to Czech
Germany: from English to German
France: from French to English
Japan: from English to Japanese
Korea: from English to Korean
Spain: from English to Spanish

Net Social Expenditure: More Comprehensive Measures of Social Support

This 2005 edition of net social expenditure contains information on net (after-tax) public and private social expenditures, which supplement the historical information on gross (before-tax) publicly mandated social expenditure in the OECD Social Expenditure Database by accounting for the varying roles of voluntary private social spending and the tax system on social policy across OECD countries.

Accounting for the impact of the tax system and private social expenditure leads to a greater similarity in ratios of social expenditure to GDP across countries and to a reassessment of the magnitude of welfare states. Usually, Denmark and Sweden are seen as the biggest social spenders. After accounting for the impact of taxation social expenditure to GDP ratios appear highest in France, Germany and Sweden. The gap in social spending between Europe and the United States is smaller when measured in this comprehensive way.

OECD Social, Employment and Migration working paper no. 29, November 2005
Contact: Willem Adema, Maxime Ladaique
www.oecd.org/els/workingpapers

Welfare Reform in European Countries: A Microsimulation Analysis

This paper explores two types of welfare reform in the European Union 15. The reforms are revenue neutral. The first distributes the additional revenue uniformly to everybody (traditional welfare) while the second distributes them to workers only (in-work benefit).

A simple model of labour supply and the EUROMOD tax-and-benefit model are used to quantify the equity-efficiency trade-off for a range of assumptions. In most countries, because of large existing welfare programmes with high phase-out rates, the in-work benefit reform is more desirable than uniform redistribution. The paper also addresses the practical policy implications for welfare policy.

OECD Social, Employment and Migration working paper no. 28, September 2005
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