

OECD THEMATIC **FOLLOW-UP** REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

LUXEMBOURG (situation mid-2012)

In 2011, the employment rate for the population aged 50-64 in Luxembourg was 6.1 percentage points higher than in 2005 and 7.5 percentage points below the OECD average. Further statistical information about the labour market situation for older workers in Luxembourg is presented in the scoreboard in Table 1.

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working;
- removing barriers to continuing employment and recruitment after the age of 50;
- improving the employability of older workers.

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all Member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Luxembourg since 2003 are described in this Note. A summary assessment of the extent to which Luxembourg has followed the OECD's recommendations in the report *Ageing and Employment Policies: Luxembourg* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers.

OECD recommendations to Luxembourg in 2005: action taken

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

Move away from an early retirement culture

Progress in addressing issues associated with active ageing and age management in companies has been slow

- At a conference on age management in companies, held in November 2011, experts met with the social partners with a view to raising awareness of the issues, presenting and explaining good practice, discussing possible ways of implementing it in companies and considering future measures. In 2012, there will be a discussion on the way the lessons learned from the conference presentations and discussions have been applied in practice.
- At the beginning of 2012, the Ministry of Labour and Employment and the research institute CEPS/INSTEAD are to launch a joint contribution to the European Year for Active Ageing by collaborating on a series of studies on older workers and active ageing. The purpose is to examine the issues associated with active ageing and bring them to the attention of the public. To that end, 10 to 13 publications will be produced, each addressing a specific question relating to older workers. A conference is to be held at the end of 2012 where the lessons learned from these studies will be discussed.

Reform of the pension system is still being discussed

At the beginning of 2011, the Ministry of Social Security launched a series of reviews and discussions on reforming the pension system. On 31 January 2012 a reform bill was introduced in the Chamber of Deputies which sought to raise the actual retirement age, leaving the legal age unchanged, and also to ensure that the system was sustainable and make provision for demographic change. Employees will be able to retire at the same age as at present, but the amounts received during retirement will be adjusted accordingly. If, however, they wish to receive the same amount as they would now, new insured persons will be able to work for three more years. Working longer will increase the amount of their pensions in proportion to the number of years they have contributed at the date of the law's entry into force.

Reform institutional arrangements for early retirement

Gradual early retirement was reviewed with the social partners in 2011

One of the main objectives was to simplify the administrative procedures associated with gradual early retirement in order to make it much more attractive to companies and employees and encourage the latter to remain in work. Corresponding measures should begin to emerge in 2012. These should be an extension of government policy under the Europe 2020 strategy and reflect OECD recommendations.

Legislation on occupational incapacity and redeployment was assessed in 2008

The report by the General Inspectorate of Social Security (IGSS) examined the repercussions of the provisions introduced by the laws of 25 July 2002, 21 December 2004, and 1 July 2005 on the effectiveness of the guidance measures available to insured persons and their employers and assessed their impact on the financial equilibrium of the social welfare agencies concerned. The report also examined available studies on disabilities and highlighted contributions by government departments and social

partners' organisations, outlining their experiences and drawing attention to difficulties encountered when the legislation on vocational rehabilitation was applied².

B. REMOVING BARRIERS TO CONTINUING EMPLOYMENT AND RECRUITMENT OVER THE AGE OF 50

Fully implement, in consultation with the social partners, the European Directive on Age Discrimination

Labour-related aspects of the European Directive on Age Discrimination were transposed into the Labour Code in 2006. A campaign was launched, by the Ministry for the Family and Integration among others, to raise awareness of this new national legislation³.

Challenge pay practices based on age or length of service

Very little attention has been paid to pay policy, which, except as regards the minimum wage, is left entirely to the social partners. Sectoral salary scales, for example, are determined by collective agreements. It follows that the scope for action by the Ministry of Labour and Employment is rather limited. As for the public sector, a reform of civil-service wage policy was launched in 2010, and a preliminary bill should be submitted this year.

Improve working conditions

Discussions are in progress with the social partners on the establishment in 2012 of an agency that would review working conditions and raise awareness of their importance. The agency would meet with employees and companies with a view to improving working conditions and thereby reduce work-related diseases and lower the incidence of redeployment. Among other things, companies would be able to call upon experts for help in preventing adverse conditions from arising in the first place.

Create and regularly update an Internet site devoted to good corporate practices

Discussion on the solidarity economy and exchange of good practices in 2010

Ideas on good practice in companies are often exchanged by different national players at symposia, on training courses or simply via Internet sites, particularly where they have to do with the social and solidarity economy. Within this context, a special department to promote the social and solidarity economy, together with corresponding good practices, has been set up at the Ministry of the Economy and Foreign Trade. The department is also seeking to set up a national platform to encourage trade.

Tripartite discussions on age management in companies

The possibility of establishing a legal framework requiring employers with a specified number of workers to draw up an age management plan for their companies and provide access to training will be discussed in 2012 by the Permanent Committee for Labour and Employment (CPTE). The CPTE is a tripartite committee (representing the government, trade unions and employers' associations) which meets several times a year under the chairmanship of the minister for labour and employment. The CPTE provides a

² http://www.mss.public.lu/publications/rapport_igss/rapport_incapacite_de_travail.pdf [in French].

³ The following documents [in French] may be consulted: *Survey "Observatoire des discriminations" 2011*: http://cet.lu/wp-content/uploads/2011/07/Sondage-Obs.discr_20111.pdf; *Rapport d'activités du Centre pour l'égalité de traitement*: <http://cet.lu/wp-content/uploads/2011/02/Rapport-annuel-2010.pdf>.

forum where the main players can discuss social issues, including problems relating to work and employment, or ministerial proposals for specific matters of concern, particularly those with a high impact on the labour and employment markets.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

Make the public employment service (ADEM) aware of older people's needs

The decision to reform the ADEM was taken in 2009 in response to an OECD audit carried out in 2006. The reform set out to change the role of the service so that it would no longer simply manage unemployment but would take proactive steps to promote and enhance employment opportunities and thus provide a genuine service for its clients. An executive committee to supervise the reform of the ADEM was formed in 2010, and the bill establishing the Agency for the Development of Employment was voted through on 15 December 2011, with the new law entering into force on 1 February 2012⁴.

A pilot project “Fit4job 45+” was launched in 2010. The idea of “Fit4job” is to provide close, proactive supervision of persons who have lost their jobs, increase their employability by assessing their situation and then offer them tailor-made training in close collaboration with companies. The 2010 pilot project was followed in 2011 by a second: “Fit4job 45+/seniors”⁵, which was supported by the European Social Fund.

Develop part-time work

In 2012, discussions were held at the CPTÉ on extending the reference period for calculating hours worked by part-time employees so as to encourage older workers to take up part-time work.

Encourage vocational training in companies

The bill tabled in the Chamber of Deputies at the end of 2011 seeks to increase the rate of State co-financing for continuous vocational training in companies so that the provision may be extended. This rate currently stands at 14.5% and will be raised to 20% and 25% respectively for employees who are over 45 or unskilled. In the last two cases the rate applies to the amount of pay earned by the employee receiving training⁶.

Develop ways to recognise, certify and validate professional experience

Chapter V of the Law reforming vocational training (passed on 19 December 2008 and implemented by a Grand Ducal regulation in 2009) provides that “all persons shall be entitled to have the knowledge and skills they have acquired through their experience validated so that they might have a professional qualification”. This applies to certificates and diplomas obtained in secondary technical education, post-secondary-level vocational training certificates, and the master craftsman's diploma. Applications may also be made for validation of knowledge and skills acquired from formal, non-formal or informal apprenticeships⁷.

⁴ For more about the reform of the ADEM [in French] see: http://www.gouvernement.lu/dossiers/social_emploi/reforme-adem/index.html.

⁵ For details of the “fit4job” concept [in French] see: http://www.gouvernement.lu/salle_presse/actualite/2011/04-avril/08-schmit-qe/index.html.

⁶ Assessments of continuous vocational training and statistics [in French] are available from the following site: <http://www.lifelong-learning.lu/Detail/Script/Accueil/listing-etudes-et-enquetes/fr>.

⁷ More information on the validation of knowledge acquired from experience is available [in French] from the following site: http://www.men.public.lu/sys_edu/form_vie/vae/index.html

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Luxembourg			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	41.1	47.6	53.7	55.6	58.4	61.2
of which						
50-54	66.1	72.4	75.7	71.8	73.7	76.1
55-59	39.3	46.8	54.6	55.9	59.9	64.8
60-64	8.9	12.7	20.9	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	24.8	31.7	39.3	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	2.9	1.3	6.5	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	13.2	17.7	20.2	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% of employees)	1.1	1.4	3.2	9.0	9.1	9.1
-- Full-time earnings ^a , 55-59 relative to 25-29 (ratio)	-	-	-	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees t-5)	25.2	23.2	37.9	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees t-1)	0.7	1.8	2.2	7.8	9.2	8.5
-- Effective labour force exit age ^d (years)						
Men	59.7	59.2	57.8	63.1	63.3	63.9
Women	60.3	61.4	58.4	61.1	62.0	62.8
Unemployment						
-- Unemployment rate 55-64 (% of the labour force)	0.3	2.1	2.8	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	100.0	54.0	46.4	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	12.0	15.8	24.9	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	2.9	6.4	10.6	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.50	0.56	0.68	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings, 2002, 2005 and 2009.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

Table 2. Ageing and employment policies: Luxembourg (situation mid-2012)

OECD's recommendations to Luxembourg in 2003	Action taken
A. Strengthening financial incentives to carry on working	
<i>Move away from an early retirement culture</i>	/
<i>Reform institutional arrangements for early retirement</i>	+
B. Removing barriers to continued employment and recruitment over the age of 50	
<i>Fully implement, in consultation with the social partners, the European Directive on Age Discrimination</i>	+
<i>Challenge pay practices based on age or length of service</i>	/
<i>Improve working conditions</i>	/
<i>Create and regularly update an Internet site devoted to good corporate practices</i>	/
C. Improving the employability of older workers	
<i>Make the public employment service (ADEM) aware of older people's needs</i>	+
<i>Develop part-time work</i>	/
<i>Encourage vocational training in companies</i>	+
<i>Develop ways to recognise, certify and validate professional experience</i>	/
<p>/ : no (relevant) action taken; + : some action taken, but more could be done; ? : some action taken, but could have negative impact and requires further assessment; ++ : substantial action has been taken. See Note for further details.</p> <p>Source: OECD (2003), <i>Ageing and Employment Policies: Luxembourg</i> and answers to the follow-up questionnaire from Luxembourg.</p>	