

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

### SWITZERLAND (situation mid-2012)

*In 2011, the employment rate for the population aged 50-64 in Switzerland was 4.2 percentage points higher than in 2005 and 14.8 percentage points above the OECD average. Further statistical information about the labour market situation for older workers in Switzerland 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 countries<sup>1</sup> 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 Switzerland since 2003 are described in this Note. A summary assessment of the extent to which Switzerland has followed the OECD's recommendations in the report *Ageing and Employment Policies: Switzerland* is given in Table 2.

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<sup>1</sup> 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](http://www.oecd.org/els/employment/olderworkers).

***Set up a working group in Switzerland immediately after the country review to propose new measures in response to the OECD's recommendations***

The Swiss authorities are well aware that, as the population grows older, it is essential to employ a wide range of measures to encourage older workers to participate in the labour market. In 2005 the Federal Department of Home Affairs and the Federal Department of Economic Affairs jointly set up a steering group which was instructed to devise practical measures to improve social insurance provision, occupational health and marketable job skills. The steering group in turn set up three working groups which drew up proposals reflecting different points of view with the aim to:

- i)* avoid incentives to early retirement stemming from social insurance provision;
- ii)* improve health conditions and thereby increase the capacity and motivation for work;
- iii)* increase the reintegration of older job-seekers.

The steering group prepared a series of reports that were published at the end of 2005. Its proposals for meeting the three objectives, which were fully in line with the OECD's recommendations<sup>2</sup>, were incorporated into the Federal Council's growth strategy for 2003-2007. The most recent assessment of progress in this strategy, made in 2006, revealed that most of the recommendations regarding older workers were reflected in legislative initiatives currently underway. Many of the proposals have led to practical measures in the three fields referred to below, and the main recent advances in their implementation are outlined later in this report.

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<sup>2</sup>

See <http://www.seco.admin.ch/themen/00385/02023/index.html?lang=fr>.

## **A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING**

### **A.1. OECD's recommendations to Switzerland in 2003**

#### ***Encourage incentives to continue working and remove incentives to take early retirement***

*Financial incentives to carry on working after the legal age of retirement have been introduced.* Under the 10th Revision of the Federal Law on Old-age and Survivors' Insurance of 2006, the government has the power to exempt persons from paying contributions on income earned from gainful employment after the legal retirement age provided it does not exceed one and a half times the minimum amount of the retirement pension. Since 2006, contributions have only been payable on the share of the income in excess of CHF 1 400 per month or CHF 16 800 per year.

*Workers may choose to pay more in contributions towards their end-of-career pension.* The 2009 Revision of the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans offers insured persons the possibility of partially compensating for any fall in salary they may experience just before retirement by increasing the amount they pay in contributions and thereby avoiding a reduction in their pension. Under the pension fund regulations, insured persons may also apply to have payment of their pension postponed until they retire from gainful employment, but not beyond the age of 70.

#### ***Make sure that unemployment, incapacity and other social welfare benefits do not offer ways of taking early retirement***

In 2008, the 5th Revision of the Federal Law on Invalidity Insurance introduced two instruments with a view, *inter alia*, to encourage the rehabilitation of disabled workers. They provided for: *i*) early detection of persons unfit for work to ensure that they are quickly reintegrated; and *ii*) early intervention involving a range of measures to enable partly or totally disabled persons to keep their jobs or be retrained for a new job in the company or elsewhere.

Under the 2011 Revision of the Law on Unemployment Insurance, insured persons may receive the maximum number of daily benefits (520) if they have contributed without a break for at least 24 months of the two-year entitlement period. Even though they have paid contributions over this period, some insured persons cannot claim to have contributed for 24 months:

- if they have been unemployed for a few days following a change of job;
- if they have not registered with the benefit office as soon as their period of unemployment began and have tried to find a job by themselves.

In the interests of preventing these hardship cases from arising, the National Council's Economic Affairs and Taxations Committee (CER-N) lodged a parliamentary motion demanding that the law be amended. In January 2012, the minimum contributions period for a maximum number of 520 daily benefits was lowered from 24 to 22 months. The proposed amendment targets insured persons over the age of 55 as well as recipients of a disability pension (with a disability level of at least 40%) and who are over the age of 25 or have to support children under the age of 25.

<http://www.seco.admin.ch/themen/00385/01880/02734/index.html?lang=fr>

## **B. REMOVING BARRIERS TO CONTINUING EMPLOYMENT AND RECRUITMENT AFTER THE AGE OF 50**

### **B.1. OECD's recommendations to Switzerland in 2003**

#### *Improve conditions of employment for older workers*

In 2009, labour inspections were increased in certain sectors in order to reduce the number of work-related musculoskeletal disorders. Between 2009 and 2011, inspectors focused on the hotel, restaurant and hospital sectors (enforcing the “no carrying” policy for nurses, for example) and extended operations to the retail food sector in 2012. Accident prevention in the construction sector has also been promoted.

#### *Create a companies' good practice website and keep it updated*

*Although there is growing awareness among employers, good practice does not seem to be widespread*

In 2006 the Swiss Employers' Association published two reports to fuel discussion on the age of retirement and the different forms flexible retirement might take, and also to make recommendations to employers and policy makers:

- a strategy for the employment of seniors with particular emphasis on the strengths of older workers [www.arbeitgeber.ch/index.php?option=com\\_content&view=category&layout=blog&id=7&Itemid=39&lang=fr](http://www.arbeitgeber.ch/index.php?option=com_content&view=category&layout=blog&id=7&Itemid=39&lang=fr)
- a practical guide (in French) for members of the Swiss Employers' Association entitled *Travail et seniors*: [www.arbeitgeber.ch/files/Publikationen/guidesen.pdf](http://www.arbeitgeber.ch/files/Publikationen/guidesen.pdf)

### **B.2. OECD's recommendations to Switzerland in 2005 – no action taken**

#### *Do not discriminate on the basis of age when recruiting*

*There is no anti-discrimination legislation*

In September 2009, the National Council rejected a parliamentary motion to bring in a law to prevent discrimination on the basis of gender, ethnic origin, religion or ideology, sexual orientation, disability or age.

#### *Review salary scales based on age or length of service*

In May 2011, a study<sup>3</sup> was made of the impact on older workers' employment opportunities of the rise in salary costs resulting from the increase in employer contributions to the second-pillar pension scheme. The study showed that these increased contributions did not always have an adverse effect on the employment of older workers and that several other factors needed to be taken into account. It pointed out, for example, that the employers' contribution was based on only part of the worker's salary and that employers tended to reduce the salary rather than pay a higher contribution.

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<sup>3</sup> Sheldon and Cueni (German only: [Complete study](#).)

## **C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS**

### **C.1. OECD's recommendations to Switzerland in 2005**

#### ***Activate federal and cantonal benefits for older long-term unemployed persons***

*Job training grants* are paid to employers when they recruit unemployed persons whose reintegration into the labour market is a particularly lengthy exercise. In principle, they are automatically eligible for the grant when they recruit persons over 50. Between 2006 and 2011, job training grants were supposed to be made for no more than 6 months, but even then exceptions were made if the insured persons were over 50. In such cases, the grant was extended to 12 months to encourage employers to recruit older workers. The period of entitlement to job training grants has now been extended to 12 months for all insured persons over the age of 50 under the revised version of the law on Unemployment Insurance and its implementing ordinance, which entered into force on 1 April 2011. Moreover, on the same date, the share of the salary derived from job training grants for this category of insured person rose from 40% to 50%

Unemployed persons over 50 who meet the conditions for entitlement to unemployment benefit may, without loss of such benefit, continue to follow any training or work-experience programmes (courses, on-the-job training, vocational internships or temporary employment) that they have already started until the end of their entitlement period and, in exceptional circumstances, take further steps to improve their skills and employability.

#### ***Make regional employment offices more attentive to the problems of older workers***

A survey of the cantons conducted in 2009 showed that skills assessment and training in job-hunting techniques were the practices most used by regional employment offices to find work for the target group of older job-seekers.

#### ***Encourage vocational training and develop ways of recognising, certifying and validating professional experience***

The main instrument used to promote professional training is “validation of skills acquired from experience” (*VAE*). *VAE* had already existed for more than 10 years in French-speaking Switzerland (Geneva and Valais were the “pilot-project” cantons) and the procedure was subsequently implemented in other cantons whose certificates are recognised at cantonal level. The Federal Law on Vocational Training of 2004 provided for a more clearly defined approach to validating experience. The Federal Office for Professional Education and Technology (*OFFT*), together with the State Secretariat for Economic Affairs (*SECO*), in its capacity as the federal authority for labour market issues, drew up a national manual for setting up validation agencies in the cantons, with a view to ensuring a degree of standardisation. The manual was published in 2010.

*SECO* encourages the practice of *VAE* at its unemployment insurance offices, and in spring 2011 it launched a project designed to make *VAE* an integral part of the unemployment insurance system. This project seeks primarily to raise awareness of the procedures for recognising, certifying and validating acquired skills among the cantonal authorities responsible for labour market questions and the organisers of labour market measures.

Table 1. Older workers scoreboard, 2001, 2005 and 2010

	Switzerland			OECD <sup>h</sup>		
	2001	2005	2011	2001	2005	2011
<b>Employment</b>						
-- Employment rate, 50-64 (% of the age group)	73.9	71.8	76.1	55.6	58.4	61.2
of which						
50-54	85.1	83.8	87.0	71.8	73.7	76.1
55-59	80.2	76.9	80.1	55.9	59.9	64.8
60-64	51.4	51.3	58.2	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	67.3	65.1	69.5	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	-	-	-	15.2	16.5	18.5
<b>Job quality</b>						
-- Incidence of part-time work, 55-64 (% of total employment)	34.7	35.0	36.2	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% of employees)	4.0	4.5	3.9	9.0	9.1	9.1
-- Full-time earnings <sup>a</sup> , 55-59 relative to 25-29 (ratio)	-	-	-	1.32	1.33	1.34
<b>Dynamics</b>						
-- Retention rate <sup>b</sup> , after 60 (% of employees t-5)	51.4	50.1	54.7	37.8	40.4	42.2
-- Hiring rate <sup>c</sup> , 55-64 (% of employees t-1)	4.9	4.1	5.3	7.8	9.2	8.5
-- Effective labour force exit age <sup>d</sup> (years)						
Men	65.5	65.3	65.5	63.1	63.3	63.9
Women	62.3	64.9	63.3	61.1	62.0	62.8
<b>Unemployment</b>						
-- Unemployment rate 55-64 (% of the labour force)	1.8	3.7	3.3	4.6	4.8	5.8
-- Incidence of long-term unemployment, <sup>e</sup> 55+ (% of total unemployment)	-	-	-	46.8	47.7	45.9
<b>Employability</b>						
-- Share of 55-64 with tertiary education <sup>f</sup> (% of the age group)	17.9	22.1	28.3	15.9	19.9	22.9
-- Participation in training <sup>g</sup> 55-64						
Absolute (% of all employed in the age group)	24.6	22.9	17.1	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.63	0.71	0.65	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: Switzerland (*situation mid-2012*)

OECD's recommendations to Switzerland in 2003	Action taken
<b>A. Strengthening financial incentives to carry on working</b>	
<i>Encourage incentives to continue working</i>	+
<i>remove incentives to take early retirement</i>	+
<i>Make sure that unemployment, incapacity and other social welfare benefits do not offer ways of taking early retirement</i>	+
<b>B. Removing barriers to continuing employment and recruitment after the age of 50</b>	
<i>Do not discriminate on the basis of age</i>	/
<i>Improve conditions of employment for older workers</i>	+
<i>Review salary scales based on age or length of service</i>	/
<i>Create a companies' good practice website and keep it updated.</i>	+
<b>C. Improving the employability of older workers</b>	
<i>Activate federal and cantonal benefits for older long-term unemployed persons</i>	+
<i>Make regional employment offices more attentive to the problems of older workers</i>	++
<i>Encourage vocational training</i>	+
<i>Develop ways of recognising, certifying and validating 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: Switzerland</i> and answers to the follow-up questionnaire from Switzerland.</p>	