Adapting to Demographic Change

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Executive Summary

1. This paper provides an overview of the major labour market challenges arising from demographic change. It focuses in particular on the labour market situation of older people in G20 countries, and that of disadvantaged young people who are neither in employment nor in education. It provides background information for the discussion at the G20 Employment Working Group on how countries can respond to the challenges of demographic changes by fostering greater labour market participation at both younger and older ages. The paper concludes with some suggested policy directions drawing on good practice across G20 countries.

Demographic changes pose a major social and economic challenge

2. Populations in G20 countries are set to become significantly older over the coming decades. Population ageing has already pushed the median age above 40 in many high-income countries. However, populations in emerging economies, that are currently relatively young, are also expected to age rapidly. If nothing is done to change existing work and retirement patterns, the number of retirees per worker in G20 countries on average is projected to rise substantially by 2050, putting severe strain on public finances and future increases in economic prosperity. The overarching policy response for all G20 countries will be to develop their full productive potential by facilitating paid employment of both men and women at all ages. Better utilising the talents of people in quality jobs remains a key engine for inclusive growth and higher well-being.

There is substantial scope for promoting employment of older workers in nearly all G20 countries

3. Many G20 countries have taken measures to encourage labour force participation of older people (aged 55-64), and these have contributed to a rise in the effective age at which people exit the labour market. Yet, progress remains uneven, and there remains considerable scope for further improvement in many countries.

4. However, raising participation of older people will not be sufficient to reduce dependency burdens. In many countries, there is scope to mobilise untapped sources of employment including women people with disabilities and youth. In particular, G20 countries are committed to reducing gender gaps in labour force participation as approved by the Brisbane Action Plan 2014, as well as support youth who are at the risk of being left behind as agreed at the Antalva Summit 2015.

Further efforts to encourage more people to work longer are necessary

5. Much of the policy focus to deliver longer working lives has been on reducing incentives to retire early and reward later working lives, but sustained efforts are needed to tackle demand-side barriers. This entails changing firms’ behaviour by fighting deep-rooted age discrimination practices and encouraging inclusive age-diverse cultures.

6. In addition, ensuring that older people maintain their employability and have access to better employment choices will help them to navigate a labour market that will increasingly involve adaptation of skills and job changes. Similarly, working conditions
should be adapted to the capacities and changes in circumstances of older workers. This life-course approach will be crucial to avoid accumulation of individual disadvantages that require costly interventions at a later stage. This is especially important for countries that are currently relatively young, and have time on their side to better prepare for ageing societies.

7. Drawing on good country practices and taking into account the national circumstances of each G20 country, some key policy directions can be identified where action is required to adapt to respond to current and looming demographic challenges. These can be summarised around four areas to extend working lives: 1) Preventing accumulation of disadvantages early on; 2) Rewarding work and later retirement; 3) Encouraging employers to retain and hire older workers; and 4) Promoting the employability of workers throughout their working lives.

1. Demographic prospects: the challenge of ageing

Population ageing concerns all G20 countries

8. Demographic change is one of the most important challenges facing labour markets, economies and societies. These challenges range from ensuring a smooth transition from education to work for large numbers of young people, to promoting longer working lives as populations grow older. In both cases, the key policy response for each G20 country will be to develop its full productive potential by facilitating paid employment of both men and women at all ages.

9. Currently, the demographic situation is very different across the G20. In almost half of the G20 countries, half of the population is older than 40 (Figure 1). In contrast, in countries such as India, Indonesia, Mexico and South Africa, the population is relatively young as half are younger than 30. However, populations everywhere are set to become older over the coming decades.

10. Over the past decades, the pace of population ageing has already been substantial in many advanced G20 countries, most notably in Italy, Germany, Japan and Spain. And over coming years it will also be rapid in Korea and all of the G20 emerging economies, reflecting low or falling fertility rates and further increase in life expectancy. For instance, half of the population in China is projected to be older than 48 by 2050. By then, Brazil and Turkey, two currently “young” countries, will see median ages similar to those in several European countries today. In some countries, such as India and South Africa, birth rates will remain comparatively high, slowing the increase in the average age for the population as a whole. But sizeable cohorts currently of young adults will translate into successively larger numbers reaching old age in these countries as well, and the age difference with the oldest economies will have narrowed notably by 2050.

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1 However, there is considerably uncertainty about the rate of decline in fertility rates in emerging economies, as it will depend on a number of factors, including the increase in educational attainment of women in these countries. All else equal, population ageing will be faster the greater the decline in fertility.
Without policy action, growing numbers of retirees will strain public budgets and affect economic growth

11. Without determined and sustained efforts to improve the labour market situation of older individuals, population ageing can act as a significant drag on growth in living standards, and put public finances under strain. If labour force entry and exit patterns by age and gender remain unchanged (the baseline scenario), the average number of retirees (i.e. all persons aged 50 and over who are not in the labour force) in G20 countries is projected to rise from 35 per 100 workers in 2019 to almost 55 in 2050 (Figure 2). This increase could be slowed considerably, to 46 retirees per 100 worker, if employment at older ages were strengthened, e.g., if older workers successfully delayed labour market exit (delayed retirement scenario).

12. However, efforts to raise old-age participation rates alone will not be sufficient in most countries to prevent dependency burdens on workers from rising. A comprehensive strategy is needed to strengthen work attachment across all age and population groups. This includes boosting participation among women, people with disabilities and youth, especially in countries with large youth cohorts, e.g. by easing transitions from education to work for those not in employment or education and training (see Box 1). Maintaining a workable social contract between generations also requires ensuring that more workers have access to good-quality formal-sector employment.

Source: EU28: Eurostat estimates and projections; Australia, Brazil, Canada, France, Germany, Italy, Japan, Korea, Mexico, Spain, the United Kingdom and the United States: national estimates and projections; and, for the other countries: United Nations (2017), World Population Prospects: The 2017 Revision.
Figure 2. Population ageing will place a growing economic burden on workers

Retirees per 100 workers, 2017 and 2050

Note: Retirees refer to all people aged 50 and over who are not in the labour force and workers to the total labour force. The baseline projections of the labour force used to obtain the ratio of retirees per worker are obtained by assuming that labour force entry and exit rates over a 5-year period by gender and 5-year age groups remain constant at their average rate observed in the period 2008-17. The projections with delayed retirement are obtained in the same way but with exit rates from age 55 onwards adjusted downwards by 20% (10% in India, Indonesia, Japan, Korea and Mexico, where participation rates for men and/or women are already very high at older ages), phased in over the period 2017-30.


Box 1. Starting well to finish well: Policy principles

Many G20 economies face considerable challenges in ensuring that young people are well integrated into the world of work. The global Great Recession hit young people particularly hard, and even though labour markets have rebounded since then in all countries, employment rates for youth have been particularly slow to recover in a number of G20 countries.

Rising inequalities together with the changing nature of work mean that young people (i.e. the future elderly) will experience old age in much more varied ways than previous generations (OECD, 2017[1]). They are expected to live longer, but have been experiencing more unstable labour market conditions and widening inequalities in the distribution of earnings and household income. These growing disparities in labour market conditions will likely result in higher pensioner poverty in the future but also jeopardise longer and productive working lives.

The group of youth most at risk of failing to gain a solid foothold in the labour market or condemned to working in poor quality jobs are those who are Neither in Employment nor in Education and Training (the so-called NEET). Over the past decade, the share of NEET in the majority of G20 economies have remained stable except in a few countries. Notably, the proportion of young people at risk of being excluded from work and study fell sharply in Turkey while their shares increased in Spain and Italy reflecting the severity of the recession in the latter two countries (Figure 3).
Figure 3. Many young people are out of work and out of school
Share of young people (aged 15-24) who are not in employment or in education and training (NEET) (%)

Note: Countries are ranked in order of their NEET rate in 2014. The data for 2014 refer to 2010 for China and 2011-12 for India. The data for data for 2017 refer to 2015 for Brazil.

Source: Eurostat for EU28 and European countries; and national labour force and household surveys for the other countries (census data for China).

A comprehensive approach is needed to help youth make a good start in the labour market, while ensuring they avoid poor careers characterised by intermittent spells of low-paid work and unemployment.

In 2015, G20 Labour and Employment Ministers and Leaders made strong commitments to reduce the share of young people who are at risk of being left permanent behind in the labour market by 15% by 2025, and agreed on a set of key policy principles (see below) to both increase skills of young people and provide them with better access to quality jobs (OECD/ILO, 2015[2]).

**Improving the Skills of youth**

1. Ensuring basic skills for all
2. Ensuring school completion
3. Providing greater choice in educational pathway
4. Promoting access to higher education
5. Bringing closer together the worlds of education and work

**Improving youth employment**

6. Strengthening job opportunity
7. Tackling unemployment
8. Avoiding prolonged periods out of work
9. Improving job quality
2. Trends in retirement and in employment at older ages

*Participation rates have mostly improved but progress has been uneven*

13. Labour force participation rates of 55 to 64 year-olds have risen remarkably in most G20 countries over the past decade. Gains were notable in countries where participation was already high before the global financial crisis (Japan, Germany, Korea, United Kingdom, Australia, Canada), as well as in several countries where old-age participation rates remain comparatively low (Italy, France, Saudi Arabia and Turkey). At more than 15 percentage points, Germany, Italy and France recorded the biggest increase in participation for this pre-retirement age group. In most emerging G20 economies, participation among older people improved little, however, and deteriorated in several (Figure 4, Panel B).

14. Despite these mostly positive developments, differences in labour market participation across G20 countries remain large; highlighting a diverse range of challenges and the scope for polices to mitigate adverse effects of population ageing (Panel A). In many countries including Japan, Germany, Indonesia and Korea, participation rates for 55-64 year-olds are already very high and further progress at strengthening old-age employment will require efforts to prolonging working lives beyond the age of 65. The large gender gap in participation rates among prime-age workers (25-54, Panel C) in a number of countries suggests that these countries can do more to promote participation of women in paid work. Further progress in fulfilling G20 commitments to reduce the labour participation gap between men and women by 25% by 2025 will help to offset ageing-related contractions of the labour force, while boosting old-age income security.
Figure 4. Labour resources are under-utilised in G20 countries

A. Labour force participation rates, persons 55-64, 2017

B. Change in labour force participation rates, persons 55-64, 2007-17

C. Labour force participation rates by gender, persons 25-54, 2017

Note: Data for 2007 refer to years: China (2005) and India (2006). Data for 2017 refer to years: China (2010) and India (2012). OECD is a weighted average.

Effective retirement ages are rising in advanced economies but remain below historical levels in many countries

15. A key factor behind stronger participation among older age groups is that workers now exit the labour market later than in the recent past. Relative to the year 2000, the average effective retirement age increased by about two years for both men and women in the high-income G20 countries (Figure 5). In many emerging economies, including Argentina, Brazil, Indonesia, Mexico, Saudi Arabia and South Africa, average labour market exit ages were initially higher, because of large numbers of informal workers who had to work into old age because of low or non-existent pension entitlements. But unlike in OECD countries, effective retirement ages in these countries have fallen or remained stable after 2000.
Figure 5. Labour market exit ages have increased but still potential to raise labour supply

Effective retirement age, developed and emerging countries (G20 countries)

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed countries</th>
<th>Emerging countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>67</td>
<td>68</td>
</tr>
<tr>
<td>2000</td>
<td>69</td>
<td>70</td>
</tr>
<tr>
<td>1970</td>
<td>68</td>
<td></td>
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</tbody>
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Note: Simple averages of individual country data. Source: OECD Database on Average Effective Retirement Age, [www.oecd.org/els/emp/average-effective-age-of-retirement.htm](http://www.oecd.org/els/emp/average-effective-age-of-retirement.htm).

16. In all countries, despite increasing life expectancy, the effective retirement age is still lower today than it was 30 years ago. This suggests that there is still scope for reforms to make work more rewarding at an older age. In addition to policies that strengthen labour supply, this requires determined reforms to sustain employability over work careers and to improve employment practices in firms to retain and hire older workers.

17. There are a number of policy levers to structure retirement pensions and other out-of-work benefits in a way that encourages and rewards later retirement. But an increasing number of countries are also focusing on encouraging employers to retain and hire older workers. This includes: extending or abolishing mandatory retirement ages; facilitating and possibly subsidising phased or part-time retirement; fighting age discrimination; promoting further training over the whole working life; encouraging age-management approaches by employers; strengthening employment services for older job-seekers; and improving the health of older workers through good workplace practices throughout working careers.

18. Building on these efforts, some suggested directions for policy are developed in the rest of the report. This consists of an age-friendly policy agenda in three broad areas: i) strengthening incentives for workers to build up longer careers and continue working at an older age; ii) encouraging employers to retain and hire older workers; and iii) promoting the employability of workers thought out their working lives for better work choices and opportunities at an older age.

19. These suggested policy directions take into account the significant foundation already provided by national best practice and several international policy standards on
Adapting to demographic change

Various aspects of ageing. Employment and social policies should aim to promote the economic inclusion of all, irrespective of age, as is recognised in the Recommendation of the OECD Council on Ageing and Employment Policies (OECD, 2018[3]); the OECD Action Plan for Preventing Ageing Unequally (OECD, 2017[4]); the Sustainable Development Goal (SDG 10.2) and the Global strategy and action plan on ageing and health of the World Health Organisation.

3. Strengthen incentives for workers to build up longer careers and to continue working to an older age

Individual decisions to leave, remain or return to work at and older age are strongly influenced by old-age pension schemes and the tax and transfer system. Reforming old-age pensions and restricting formal and de facto early retirement schemes have been at the forefront of policy initiatives to deliver longer working lives in many G20 countries.

These reforms have sought to reverse past policy mistakes in industrialised countries, which sought to tackle high youth unemployment rates by facilitating early labour market exit of older people via old-age pension, unemployment or disability insurance schemes. This approach was often based on the so-called “lump of labour” fallacy whereby the total number of jobs is more or less fixed, and encouraging older workers to retire early would open up job opportunities for younger workers. In fact, early retirement schemes not only led to a steep decline in employment rates for older people, and large increases in social spending and labour taxes, they also were not matched by better employment outcomes for youths, including in countries where youth unemployment was already high (OECD, 2006[5]).

Raising retirement ages

In the face of substantial increases in life expectancy, several G20 countries are raising the official retirement age, sometimes beyond the age of 65, which has generally been the norm in the past decade among high-income G20 countries. In the United Kingdom, the pension age will increase to 66 in 2026 and 67 by 2028. In Germany, the legal retirement age is being raised gradually to 67. Similar increases are to be legislated in several EU countries (e.g. Finland and the Netherlands). A few countries have gone further and linked retirement ages to life expectancy (e.g. Denmark, Finland, Italy, the Netherlands, Portugal, the Slovak Republic and Sweden).

In Russia, new legislation will gradually raise the retirement age for women from 55 to 60 and for men from 60 to 65 bringing it in line with some of the other G20 countries. Partly reflecting a persistent, and in some cases, widening gap in life expectancy, very few other G20 emerging economies have followed the example of the high-income G20 countries. Official retirement ages have either remained frozen at 65 (e.g. Brazil and Argentina) or remain comparatively low in spite of increasing longevity, (e.g. 60 in China, 58 in India and 55 in Indonesia).

One major drawback of increasing retirement ages as a response to longer lives is that it can exacerbate socio-economic inequalities. As life expectancy and incomes are positively correlated, low earners generally receive benefits for shorter periods than higher earners, who tend to live longer. To partly offset the resulting socio-economic inequality, France links entitlement to a full earnings-related pension to the number of years worked.
**Tightening early retirement options**

25. Over the past two decades, access to early retirement, in the main old-age pension or in special early retirement schemes, has become more restrictive in almost all countries. In some, this has been accompanied by an increase in the minimum years of contributions that are required to receive a full pension (e.g. France, Germany and Italy). Some EU countries have abolished early retirement options for the private sector entirely (e.g. Netherlands and Poland). Some countries have also sought to make early retirement more costly for employers.

26. Similarly, Unemployment Insurance (UI) schemes sometimes feature special rules for older unemployed that can effectively provide a pathway from unemployment into early retirement. These schemes have also been tightened in some countries. For instance, France and Germany abolished the exemption from active job-search requirements for the older unemployed. Nonetheless, UI rules that link benefit duration to age remain particularly favourable to older workers in Japan, Korea and many EU countries.

27. Several countries have enacted reforms that restrict access to disability benefits and promote partial employment among groups with reduced work capacity. It is difficult to strike the right balance between ensuring adequate income support for people with disability and encouraging a quick full or partial return to work for those with remaining working capacities. In general, restricting access to disability benefits can be more effective if combined with a strong focus on preventive and active measures (OECD, 2015[6]).

**Encouraging longer careers through more flexible retirement transitions**

28. Older people often report that they would continue to work if they had the possibility to reduce working hours. Evidence also points to partial retirement options as a potentially effective measure for strengthening employment among older people in bad health, with care responsibilities or in arduous jobs (Eurofound, 2016[7]). Flexible combinations of part-time work and pension receipt, both before and after standard retirement ages, are therefore an attractive option for both enabling and rewarding longer working lives and have gained growing policy interest in many G20 countries. However, they should be designed with care to prevent subsidisation of part-time work which may reduce rather than raise the effective labour supply of older people.

29. Pension systems in many G20 countries already allow combining work and pensions after the normal retirement age. Yet, in practice, there can be significant constraints or disincentives that discourage people from staying active after retirement. In Australia, Japan and Korea, there is an earnings limit, beyond which basic pension benefits are reduced. In France, working retirees do not earn any additional pension rights even though they are liable to pay pension contributions. Removing such obstacles is important to make combining work and pensions a genuine attractive option for most, or all, older workers.

30. Phased retirement prior to the normal retirement age tends to be complex as well. Claiming pension entitlements early is frequently only possible for some parts of the pension package, typically the (defined contribution) earnings-related portion, e.g. United Kingdom and Ireland. Australia provides so-called Transition-To-Retirement Pensions (TRIPs) that let workers move from full-time to part-time work and complement their earnings with pension entitlements. Only Canada, France, Germany, Japan and the United...
States allow combining work and early pension receipt. Even then, there is limited flexibility in the provision of gradual retirement schedules by pension providers.

31. Real choice in making the retirement decision means that postponing retirement should be sufficiently rewarding to compensate for lost pension years, while partial retirement a few years before the normal retirement age should not be overly penalised. Above all, people need transparent and reliable information on the benefits that they can expect to receive under each scenario in order to help them plan ahead. Genuine flexibility also requires reassuring older workers that they will be able to review and adapt their choices as their employment prospects, health situation or family circumstances evolve before or after retirement.

4. Encouraging employers to retain and hire older workers

32. Employers may be hesitant to retain or hire older workers because they often claim that they see a gap between the costs of employing older workers and their productivity. They may also have stereotypical views about the lack of adaptability and flexibility of older workers. Public policy can help overcome this in three main ways: action to tackle or ban age-discrimination; measures to facilitate retention and hiring by lowering labour costs; finding the right balance on employment protection rules; and encouraging the use of age management practices to enhance the employability and productivity of older workers.

Tackling age discrimination

33. Age discrimination and negative employer attitudes towards older workers remain major obstacles to longer working lives in all G20 countries. By restricting the available pool of experience and talent in the production process, discrimination also acts as a break on productivity and economic growth and reduces well-being for younger and older generations alike. Perceived discrimination may influence employment outcomes not only through hiring decisions but also because discriminatory barriers can lead older workers to restrict their job search (e.g. by focussing on poor-quality jobs only) or to stop searching for employment altogether. Young people may also suffer obstacles in finding jobs or obtaining promotions because they are perceived as inexperienced or unreliable irrespective of their actual talents.

34. Legal anti-discrimination frameworks ban age discrimination in virtually all high-income G20 countries. Yet, perceptions of age discrimination remain very common. In the European Union, a 2015 survey showed that 60% of respondents, including managers, think that old age is a factor that puts job applicants at a disadvantage (Eurobarometer, 2015[8]). In the same year, 27% of Australian employees aged 49 and above reported having actually experienced age discrimination in the workplace within the last two years, and 11% of managers take age into account when deciding whether to offer employees access to training opportunities (Australian Human Right Commission, 2015[9]). A US survey in late 2017 reported that nearly 2 out of 3 workers ages 45 and older have seen or experienced age discrimination on the job (AARP Value of Experience survey).

35. Evidence in emerging economies is not systematic but also points to ageism being a common influence in hiring decisions. A study of managers in Brazil shows that employers prefer hiring young employees and are less willing to retain older workers. Implicit biases against hiring older workers are also likely to be pervasive among other
emerging G20 countries, such as India and Indonesia, where legislation to address age discrimination explicitly is lacking. Indeed, in Indonesia, almost all job vacancies specify upper age limits (Awaliyah S, Suhaningsih A, 2017[10]).

36. The effectiveness of laws against age discrimination in the workplace is hampered by difficulties in proving that discrimination takes place, as well as cost and procedural barriers to bringing a case before courts. Yet, while legislation cannot entirely eradicate all forms of age discrimination, a strong anti-discrimination framework can put a stop to the more overt forms of discrimination such as age limits in job-vacancy announcements. Such a pattern has been documented in the United States, for instance (Neumark and Song, 2011[11]).

37. Better enforcement, paired with concrete measures to tackle age discrimination in hiring, can help to reduce ageism biases further. For example, under the “skills-based” recruitment method used by the French Public Employment service (Pôle emploi) candidates are selected for employer interviews based on aptitude tests and without regard to age or previously held employment (Sonnet et al., 2014[12]). Indeed, placing more weight on test scores reduces the influence of human bias or mistakes, but it may also mean forgoing valuable private information of their managers, illustrating that trade-offs can arise, that solutions are unlikely to be simple, and that tackling discrimination requires sustained and multi-pronged efforts (Hoffman, Kahn and Li, 2015[13]; Cowgill et al., 2017[14]).

38. This includes a careful review of age-specific labour-market regulations or social policy legislation. For instance, several countries have either abolished mandatory retirement ages as a valid reason for terminating labour contracts (Australia, Canada, the United Kingdom and the United States along with two EU countries, Denmark and Poland), or have raised the applicable age limits.

The role of seniority wages and employment protection legislation in hiring decisions

39. Ageism in hiring decisions can arise from a perceived or actual gap between the cost of employing older workers and their productivity. In many OECD countries, there are concerns that seniority-based pay schemes (where wages rise as a function of seniority rather than actual performance) create a barrier to older-worker employment (Frimmel et al., 2015[15]). A cross-country comparison of the relationship between the age-wage premium (the wage growth between the ages of 40-49 and 50-59) and the job retention rate of workers aged 60-64 indeed suggests that a negative link among OECD countries (Figure 6).

40. In many high-income G20 countries, the importance of seniority in formal wage-setting processes has diminished significantly in recent decades. For example, collective bargaining agreements in Germany no longer feature binding clauses on seniority-based wage progression. Yet, seniority wages remain deeply embedded in firms’ wage-setting practices in Korea and Japan. Low mandatory retirement ages are therefore attractive for employers in both countries and few older workers are retained in their existing jobs beyond ages 55 or 60 (OECD, 2018[16]). (OECD, 2018[17]). Many older Koreans and Japanese workers experience a sharp decline in their earnings and job quality following transitions out of their career jobs, with negative implications for worker’s job satisfaction and productivity.
Figure 6. Seniority wages may harm retention

Age-wage premium and retention rate, 2012

Note: The wage premium indicates the effects of age and tenure on wages. The retention rate is defined as the number of employees aged 60-64 with job tenure of 5-years or more as a percentage of all employees aged 55-59 5-years previously (and 4-years previously for the United States). The age-wage premium is wage growth between the ages of 40-49 and 50-59.


41. Employment practices should be more age-neutral and negotiations between the social partners over pay and working conditions should seek to make links with age or length of service less automatic and place more emphasis on actual skills and productivity.

42. Employment protection legislation is another area that, while intended to safeguard the interests of workers, can harm the labour-market prospects of under-represented groups in particular, including of older workers (OECD, 2013[18]). Overly strict labour-market regulations can undermine employers’ willingness to hire older workers and encourage them to make use of early-retirement provisions as a means for ending longer-term employment contracts that may be legally difficult to terminate, especially in large firms where unions have stronger presence. There are no age-specific employment protection measures in high-income G20 countries, even though they exist in some EU countries (e.g. Sweden and the Netherlands).

43. However, in almost half of the G20 countries, including Argentina, Australia, Brazil, China, Indonesia, India, Italy, Germany, and South Africa, laying off older workers can be administratively more complex (e.g., because notice periods increase with tenure) or create significant additional costs for employers in the form of higher severance pay. Generous entitlements to severance pay for long-tenure workers can reduce mobility and prevent transitions to better jobs at all career stages (OECD, 2006[19]). In turn, static careers with reduced mobility are incompatible with multi-stage working-life models that would be well suited for aligning employment patterns to the labour-market opportunities brought about by longer life expectancy.

44. Several G20 countries have eased employment protection legislation for permanent contracts (e.g. Brazil, France, Italy, Portugal and Spain) while seeking to strengthen income and (re-)employment support for workers who do become unemployed.
Strengthening unemployment benefits and related support is also a prerequisite for successful reforms of severance payments in emerging economies, where they typically represent the main, and sometimes only, form of protection against job loss. Some G20 countries have sought to reform severance payments for instance by: i) reducing their amount e.g. (Italy and Portugal); or ii) turning them into so-called “transition allowances” with a specific focus on supporting job mobility (e.g. the Netherlands).

**Age Management**

45. There is ample evidence suggesting that pro-active age management policies, such as workplace adaptations, can make older workers more productive and support their retention. Studies carried out in past decades show that holistic age management approaches, including work organisation, training, health measures, working time policies and other measures are particularly promising.

46. Employers in a number of countries, such as Australia, France and Norway, have put in place comprehensive age management strategies. Experience suggests that many of these initiatives require a well-functioning collaboration between firms, social partners and the Government to reap their full benefits (See Box 2 for details).

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**Box 2. Towards better practices on age management policies**

In 2010, the Australian Government introduced a *Productive Ageing Package* to reduce barriers to employment for older workers. One component of the initiative included the creation of the Consultative Forum on Mature Age Participation, which concluded its work in 2012. The forum, made up of representatives from diverse social partners, shared best practices and recommendations for supporting older workers in the workforce through various publications, some of which specifically for employers.

In France, companies are required to develop an age management action plan or to conclude collective agreements at the sector or enterprise level in order to keep older workers in employment. The action plans cover recruitment, career development, working conditions, training, knowledge-transfer and mentoring. However, the implementation of age management measures remains weak (OECD, 2014).

Norway’s *Inclusive Workplace Agreement* (IA Agreement) is a central framework for tripartite co-operation between social partners and the government on age management (OECD, 2013), encouraging companies to develop a more senior-friendly policy and implement special measures to retain older workers. The agreement has three goals: i) a 20% reduction in sick leave; ii) increased employment of people with reduced functional ability; and iii) extending the effective labour force exit age for an employee aged 50 by six months compared with 2009. In 2012, 58.4% of Norwegian employees worked in firms with an IA Agreement.

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2 In Italy, in 2004, the Jobs Act introduced a new standard employment contract in with a generally lower severance payment graduated by length of service. Similarly.
5. **Promoting the employability of workers throughout their working lives**

47. Promoting the employability of workers throughout their working lives is key to strengthening labour market opportunities at an older age. Older workers are a very diverse group; many do well in the labour market and are in good quality jobs, while others struggle to find and hold on to jobs, very often because their skills are insufficient or outdated. To make longer working careers possible, older people need to develop the skills that are demanded in today’s labour markets, and they need access to working environments that enhance worker well-being, health and productivity. For those affected by job loss later in life, effective employment services are crucial to help them (back) into work.

**Strengthening and expanding the skills of older workers**

48. Workers who regularly maintain and upgrade their competencies throughout their working lives fare better in the labour market. Upskilling, reskilling, and a greater focus on lifelong learning will be especially critical to help older workers cope with rapidly evolving skill demands due to technological progress and globalisation.

49. An effective way to improve and develop new skills is through participation in adult education and training. However, available data from G20 countries shows that older workers continue to receive less training than other population groups thereby compounding their disadvantage. Large differences continue to persist even in some of the most advanced G20 countries, including Germany Canada and France where they exceed 25 percentage points. They are the lowest in Italy and the United States, where they are below 17 percentage points (Figure 7).

**Figure 7. Older adults participate in training less than younger adults**

<table>
<thead>
<tr>
<th>Share of young adults and older adults in job-related training, 2012</th>
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<tbody>
<tr>
<td><strong>Older adults (55-64) participation</strong></td>
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<tr>
<td>%</td>
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<tr>
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</tr>
<tr>
<td>Turkey</td>
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<td>Germany</td>
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<td>Italy</td>
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<td>Greece</td>
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**Note:** Year 2015 Greece and Turkey; for all other countries, 2012.  

50. One key factor preventing older workers from closing the skill gap with younger employees lies in the fact that the employers usually do not see the benefits of investing in the training of their employees. Older people themselves may also see little value in training if they face poor prospects of remaining much longer in work. In addition, like
other groups, lack of time is still the largest barrier, particularly so in Korea, Japan and Spain. In Japan, the inconvenience of training is also cited as a major barrier while cost appears to play a major role in the United States (OECD, 2019[22]).

51. Targeted career advice and guidance services can help older adults understand the benefits of learning and make informed decisions about their investment in further skill development. To encourage employers to invest in training for older employees, some countries (e.g. Australia, Germany and the Netherlands) have embarked on initiatives to reduce the cost of training older workers relative to other employees. For instance, some OECD countries are implementing financial incentives for firms that train older workers (Box 3).

Box 3. Policies to increase training participation among older adults

Career advice and guidance services targeted to older adults

- Since mid-2018, Australia has been trialling a new programme Career Transition Assistance for job-seekers aged 50 and above in five regions, with the perspective of national roll-out for everyone aged 45 and above in 2019. The programme will combine tailored career assistance and functional digital literacy training using different types of technology.

- In the Netherlands, workers aged 45 and more can participate in subsidised career development guidance (Ontwikkeladvies). These guidance activities help older workers understand the future prospects of their current job, and give insight into their skills profile and career opportunities. Participants develop a personal development plan that describes the actions that will be taken to ensure employment until retirement age.

Encouraging employers to train older workers

- In Germany, the public employment agency supports training of low-skilled and older workers in SMEs through the programme WeGehAU. SMEs receive a 75% subsidy to the training costs of workers 45 years of age and older, while micro-enterprises (with less than 10 employees) receive a 100% subsidy. Evaluations of the programme find that it helps participants to increase their time spend in employment, although it has no effect on wages and the probability of receiving benefits later on (Dauth, 2017[23]).

52. Programmes designed along the lines of an apprenticeship concept – combining short classroom sessions with a firm-based approach – are more effective for older workers, as is informal, self-determined training with a clear focus on practical, relevant work issues (OECD, 2018[24]). However, apprenticeships have been traditionally focused on younger adults and only recently have countries started to promote the access of adults to apprenticeship schemes (in Australia and the United Kingdom, a substantial proportion of apprentices are older adults).

53. Skills acquired throughout working lives should also be better recognised and made visible. Reliable procedures are needed to assess and validate people’s skills and competencies, to make skills transparent to employers, and to establish a baseline for further learning. In case of job loss, this can help workers find a matching job. This is
especially important for mid-career and older workers, whose initial qualifications may be outdated. Many of them have acquired new skills and competencies in various work experiences, but most often lack certificates to prove it.

54. Several countries can offer good examples: the Netherlands has an instrument to validate skills acquired on the job, the Ervarings certificaat (Experience Certificate). Finland launched a new adult VET programme in 2014 for low-qualified adults aged 30-50. Portugal, a country with a large share of low-skilled workers, launched the New Opportunities Initiative (INO) in 2005 which offers skills audit to all adults.

55. While the above measures can help narrow inequalities later in life, governments and employer and employee associations should take concerted action to overcome what may be more deeply entrenched problems. For instance, investment in early education ad concentration of resources at an early age, especially disadvantaged children should be a top policy priority given education heavily influences older people’s employment opportunities and improves their access to continuous training and to skills upgrading. The strong effect of educational background over the lifetime is illustrated by the employment rates of older workers, as shown in Figure 8, average 44% for low-educated older workers and 70% for those with high education.

**Figure 8. Low educated people fare less well in the labour market**

Employment rates by skill level for persons aged 55-64, 2017

![Employment rates by skill level](image)

*Note: Low skilled refers to Below upper secondary education, Middle skilled to Upper secondary or post_secondary non-tertiary education and High skilled to Tertiary education.

b. The European Union includes only the 23 European OECD member countries.


**Improving job quality for workers at all ages**

56. There is now abundant evidence that poor or ill-adapted working environments can have a profound impact on workers’ physical and mental health (OECD, 2014). Work-related health problems can lead to prolonged periods of not working and often, particularly among older workers, result in early and permanent withdrawal from the
labour market. A good quality work environment is not only key for preventing work-related health problems with long-term consequences for workers’ careers, but also for allowing people with health problems to return to work more quickly after an illness and to remain economically active for longer (Arends, Prinz and Abma, 2017[25]). Therefore, the quality of the work environment is key for sustaining an effective labour supply over the life course.

57. Working conditions are often ill-suited to the needs and capacities of older workers. Across the 28 EU countries, 38% of older workers are exposed to physically unpleasant working conditions at least half of the time, only slightly less than in 2005 (43%, European Working Conditions Survey). Data on working conditions for older workers is scarce in emerging economies but specific aspects of the working environment, as put forward in the OECD job quality framework, are generally of lower quality in emerging economies than in the OECD area. In particular, the incidence of very long working hours is frequently much higher. Likewise, the share of jobs with considerable job strain – that is, jobs which combine a high level of demands with few resources – is much higher than the OECD average in Mexico, South Africa, Turkey and in the Russian Federation (OECD, 2014[26]).

58. Effective implementation of occupational health care services (OHS) and well-designed sickness-leave schemes play an important role, both in preventing work-related health problems and in promoting employment reintegration. In the United Kingdom, the Department for Work and Pensions developed a specific initiative for providing small and medium-sized businesses with a greater capacity to deal effectively with health issues and sickness absence, e.g. through national occupational health advice services.

59. There are a number of good practices by employers in managing a diverse workforce. These often provide guidance on: how to promote sharing of knowledge across age groups (and in age diverse teams); how to adjust work responsibilities and working-time arrangements to better balance professional and family responsibilities; and how to promote good-quality work environments, in general and especially for older workers. Examples of such initiatives can be found in Denmark and Germany, where programmes combine practical guidelines and financial incentives for employers to promote well-being at work, in particular for older workers.

60. Countries are increasingly shifting their focus towards improving working conditions and to facilitate career mobility so that people can move out of arduous occupations more easily. This includes offers of retraining and alternative job opportunities (e.g. in Belgium and France) to ensure that workers do not get sick or develop longer-term disabilities on the job. The Swedish government has given the Swedish Work Environment Authority a mandate to develop special measures to prevent forced early workforce exit due to heavy workload or inappropriate working postures in the health sector.

61. Incorporating healthy ageing policies into the formal and the informal sectors remains a challenge in many emerging economies. Policy makers should consider prioritising worker security and the quality of their working environment through promoting health and safety standards and well-enforced labour regulations, and through effective social protection systems (unemployment compensation and social assistance programmes, health-care benefits and pension coverage) (OECD 2014). Finally, given the strong association between informality and low job quality, policies that successfully reduce informality will raise overall job quality (OECD, 2006[5]).
Tailoring employment services for older workers

62. With older workers comprising an increasing share of total unemployment across G20 countries, active labour market policies (ALMPs) and activation strategies play a growing role in connecting older workers with the labour market and in maintaining or restoring their employability (Figure 9).

63. Recent evidence on the effectiveness of different types of active labour market programmes covering OECD and non-OECD countries highlights that specific types of ALMPs are more effective for some groups and in some contexts than in others, reinforcing the importance of tailoring the services offered to the circumstance of individual jobseekers, rather than to, say, different age groups. For instance, older displaced workers are confronted with specific barriers to re-employment such as obsolete skills and the absence of recent job search experience. Alternatively, some older workers may be at a disadvantage due to increasing use of online platforms in recruitment and job application despite their history of stable employment and strong labour force attachment.

64. In recognition of the diverse circumstances of older jobseekers, some countries are making more use of personalised action plans together with targeted group activities for older workers. For example, Germany emphasised intensive counselling for the older unemployed under its “Perspective 50 Plus” employment pacts for older workers in the regions, which ran from 2005 to 2015. In Netherlands, counselling sessions targeted at older workers in self-help groups have been found useful in tackling social isolation and strengthening networking opportunities and job-search skills. In Canada, the Targeted Initiative for Older Workers programme (TIOW) helps older job seekers to regain their place in the labour market and improve their employment prospects through a mix of group-based employment assistance services such as peer mentoring and counselling, skills upgrading and training, work placements, and self-employment assistance.

Figure 9. Older workers represent a large share of the unemployed

Share of unemployed persons 55 and over in total unemployed, 2007 and 2017

Note: Data for 2007 refer to years: China (2000) and India (2008). Data for 2017 refer to years: China (2010), India (2012) and Saudi Arabia (2016). OECD is a weighted average.
65. In many countries, wage subsidies continue to be a common instrument for offsetting any gaps between pay and productivity of older workers. However, most evaluations confirm that budgetary costs and deadweight effects can be large, suggesting that these programmes are frequently not cost-effective (Boockmann, 2015). To be effective, wage/hiring subsidies need to be well targeted at disadvantaged older workers, such as low-wage earners and jobseekers who have been unemployed for a long time, e.g. more than six months for the least skilled and more than a year for the others. For instance, the strict eligibility criteria and clear targeting of the Austria ‘Come Back’ hiring subsidy (2/3 of wages) targets unemployed men aged 50 and over and unemployed women aged 45 and over. Evaluations confirm that measure had the best effects for those from older age categories (45–54), in terms of funding period, unemployment time and income (European Commission, 2014).

66. In a situation of scarce resources, it is crucial that funds for ALMPs are allocated to the most effective interventions. Profiling of jobseekers can help to ensure more tailored and effective interventions are taken to help them find employment (OECD, 2018[27]).

6. Taking a comprehensive approach to the challenges of demographic change

67. Tackling the labour market challenges arising from demographic change requires a comprehensive approach, involving governments, employers, labour representatives and civil society. The foundation of a successful approach must be to promote good quality employment opportunities for both men and women at all ages.

68. Starting off well in the labour market is crucial for ensuring greater labour market attachment and better employment outcomes at an older age. This is particularly challenging for several G20 emerging economies with younger populations but also for some advanced G20 economies facing persistently high rates of youth unemployment and inactivity. Pushing ahead with G20 commitments and principles for improving youth labour market outcomes is therefore essential.

69. Improving employment opportunities and job quality at an older age is a challenge for all G20 countries and requires a multi-pronged approach. This includes improving incentives to work at an older age, tackling employer barriers to hiring and retaining older workers, and improving the employability of older people through a lifecycle approach. Taking a lifecycle perspective is especially important for G20 countries with relatively young populations currently. They can ensure that they are better prepared for rapid population ageing by putting in place measures to improve the health and skills of adults throughout their working lives.

70. Taking a comprehensive approach to the labour market challenges of demographic change can be summarised around four areas to extend working lives: 1) Preventing accumulation of disadvantages early on; 2) Rewarding work and later retirement; 3) Encouraging employers to retain and hire older workers; and 4) Promoting the employability of workers throughout their working lives. Together these could form the basis for a G20 Demographic Challenges Action Plan (DCAP) (Box 4). Successfully implementing this plan will require coordinated action by government, the social partners and civil society.
Box 4. Key policy directions for a G20 Demographic Challenges Action Plan (DCAP)

Preventing accumulation of disadvantages early in life

- Promote a good start in working life by ensuring a smooth school-to-work transition by strengthening inter alia vocational education; and design effective labour market policies to connect youths not in employment, education or training with jobs.
- Tackle barriers to the acquisition of adequate levels of education and labour market skills by individuals from disadvantaged backgrounds, through targeted interventions during (pre-)school years.

Rewarding work and later retirement

- Enhance incentives to continue working at an older age by: i) ensuring that the old-age pension system encourages and rewards later retirement in line with increased life expectancy; and ii) promoting more flexibility in work retirement transitions.
- Restrict the use of publicly funded early-retirement schemes, which encourage workers to leave employment while they are still in good health and able to work.
- Discourage or further restrict mandatory retirement by employers in close consultation and collaboration with employers and worker’s representatives.
- Ensure access to welfare benefits, such as unemployment and disability benefits for all workers irrespective of age whilst reducing incentives for those still able to work to use these benefits as a pathway to early retirement.

Encouraging employers to retain and hire older workers

- Address age discrimination in recruitment, promotion, and retaining workers through anti-age discrimination legislation and adequate enforcement as well as public awareness campaigns.
- Promote a better match between the labour cost and the productivity of older workers through consultation with employers and workers’ representatives; and avoid age-based rules in employment protection and unemployment benefits.
- Encourage good practice by employers in managing an age-diverse workforce through public and private initiatives that provide guidance on work organisation, training, health measures, and working time policies to changing capacities of workers and their family responsibilities over their life course.

Promoting the employability of workers throughout their working lives

- Improve access to lifelong learning, especially for low-skilled and older workers; and better recognise skills acquired throughout working lives.
- Improve working conditions and job quality at all ages through a range of measures including: i) better regulations on working-time and safety at work; ii) promotion of healthy working conditions; iii) implementation of well-designed sickness schemes; and iv) improving the role of labour inspection bodies and occupational health care services.
- Provide effective employment assistance to jobseekers at all ages via a package of counselling and training measures targeted at those most at risk of long-term joblessness.
References


OECD (2019), OECD Employment Outlook (Forthcoming).


