

## *Chapter 6*

### **Improving Employability**

*Key messages:* Up-to-date skills, good access to employment services and better working conditions are three key aspects of employability that will affect the ability of older workers to find and keep a job and that will influence their retirement decisions. These three aspects will become increasingly important as larger cohorts of workers move into the older age groups and more of them stay on longer at work. Again, the responsibility for change needs to be shared between governments, employers, trade unions and older workers themselves.

Improving financial incentives to remain in work longer and encouraging employers to be more receptive to an age-diverse workforce is only half the battle. As discussed in Chapter 3, if older workers suffer from poor health, lack the necessary skills required by employers or face onerous working conditions, they may still be pushed into early retirement. A lack of access to good employment services and career advice will also reduce their options in terms of continuing to work longer. These are all aspects which affect an older worker's "employability".

The purpose of this chapter is to provide an overview of the range of measures that the review countries have been taking to improve the employability of older workers by: promoting training (Section 1); providing better employment assistance to older jobseekers (Section 2); and improving working conditions (Section 3). Some general lessons for policy are drawn out in the final section (Section 4).

## 1. Promoting a training culture

An important requirement for improving the employment prospects of older workers is to upgrade their skills. Older people in the workforce tend both to have lower prior levels of education and to engage in less training than younger workers. Tackling this double disadvantage is not an easy task, and no country has yet found an ideal way of doing so. Yet countries are starting to develop some measures both to improve adult training overall and to make learning more attractive and accessible to older workers. Governments now need to build on and co-ordinate such measures to create a multi-faceted strategy to address shortfalls in the knowledge and skills of older workers.

Such a strategy may need to operate simultaneously at several levels. One change that will improve things in the very long term is the raising of the educational attainment of the adult population, fed in particular by higher completion rates of upper secondary and tertiary education by today's young people. A faster and more direct means of compensating for low educational attainment among today's older age groups is through adult basic skills programmes. Similarly with job-related training, one can distinguish between measures that will help improve things for tomorrow's and today's older populations. Measures that seek to raise overall participation in skill training, but which often are taken up in the first instance by younger adults more than older adults, can nevertheless have important long-term effects on older workers. If a greater proportion of the working population, and in particular those with relatively low initial educational qualifications, develops a learning habit and updates their skills regularly, they may be more likely to continue learning through their 50s and 60s and beyond. On the other hand, there is also a case for targeting today's older workers in efforts to improve participation rates, by addressing some of the barriers that seem to prevent many people from engaging in job-related learning later in life. Experience shows that this is a tougher task.

### *Educational levels for older people will rise in the years ahead*

One effect of the rapid expansion of initial education systems in recent decades is that older generations of workers, educated in an earlier era, are on average much less well qualified than younger ones. The other side of this equation, however, is that the number of people over 50 with a weak educational background is certain to fall. Nevertheless, improvements in attainment are of their nature slow to arrive. Thus, much can be done, and needs to be, to improve the human capital of less well educated adults, through a variety of forms of lifelong learning.

### *Targeted approaches to improving basic skills*

A first task confronting governments who want to upgrade the skill level of the adult population is to ensure that more people gain a basic foundation of literacy and other basic skills on which to build. Second-chance education has been much stronger in some countries than others, with for example some Nordic countries systematically offering adults courses at municipal upper secondary schools that allow them to gain equivalent qualifications to young people. In modernising such systems, countries such as Norway (see Box 6.1) are recognising that effective participation may depend much on appropriate course design and recognition of competencies gained from life, rather than treating adults as if they were simply being sent back to school.

#### **Box 6.1. The Norwegian Competence Reform**

A new agreement between government and social partners in Norway in the late 1990s introduced a Competence Reform, aiming principally to meet growing competence demands but also to promote an increase in the number of older workers. The target groups for this measure are adults (whether working or not) who lack formal educational qualifications, older people who did not have access to education when they were young and adult immigrants with educational qualifications which are not recognized in Norway. Key measures include:

- A legal right to second-chance education for adults who lack primary, lower secondary or upper secondary qualifications. Teaching methods are as far as possible based on prior learning and adapted to the needs of individuals. Efforts are being made to develop new teaching models that suit adults.
- The development of a national system for accrediting adults' non-formal competencies to be recognised both at work and in education. Most people benefiting from this system use it in upper secondary education, but a minority does so in universities and colleges, particularly in the health-care and teaching fields.
- A right to study leave for adults who have worked for at least three years. The state provides means-tested study loans, but any compensation for living expenses is negotiated between employee and employer. Any course above upper secondary must be job-related to qualify.

A key issue with any attempt to upgrade the qualifications of the large section of any adult population that could benefit is how to target particular groups. Often those with obvious labour market disadvantages, such as the unemployed, are targeted. It can also be possible to target immigrants or older adults who were educated at a time when fewer opportunities were available. However, some countries also have relatively wide-ranging schemes, which ambitiously “target” fairly large sections of the adult population.

For example, in Spain, the national agreement on continuing training have set priorities and targets for upskilling workers aged 45 and over, women and low-skilled workers (OECD, 2003b). The United Kingdom's New Deal for Skills is trialling individually-tailored support to those not in the labour market to help them develop the skills they need to enter work and progress within it.

### ***Promoting learning across the adult population***

In addition to the promotion of basic skills and compensatory education, countries have adopted a wide range of measures promoting greater participation in learning across the adult population. The central objective is to promote a lifelong learning culture. Types of learning covered range from work-based skill development and maintenance, to vocational training and apprenticeship, to adult education. If learning is viewed in a lifecycle perspective, a response to low levels of training undertaken by older workers should not focus only on participation among those age groups. The experiences of workers at younger ages will have an impact on their labour market decisions and outcomes when older. For example, workers who have ample opportunities mid-career for upgrading their skills or for learning new skills may be better placed in terms of labour market outcomes when older than those who have had fewer prior opportunities. One important development in some countries in this respect is to try to give individuals more responsibility and control over their own learning over the lifecourse through Individual Learning Accounts (OECD, 2005j).

In most cases, collective agreements to improve training have not focused on older age-groups, although recently some such agreements contain a combination of general and targeted provisions in this respect. For example, a 2003 agreement in France makes a particular point of auditing older workers' skills to work out what they need, in the context of a wider set of provisions extending access to training at all ages (see Box 6.2). One sign that countries are giving higher priority to training investments is that several of those countries with levies on firms obliging them to spend a certain percentage of payroll on training have recently increased these levies, while others have introduced new measures of this type. As well as the increases in France, referred to in Box 6.2, Italy has introduced an "inter-occupational fund" of 0.3% of payroll (OECD, 2004f).

#### **Box 6.2. Promoting training among experienced workers: the new French agreement**

In September 2003, the French social partners signed a national inter-sectoral agreement on "employee lifelong access to training". This agreement increases the financial contributions paid by employers to 1.6% from 1.5% of payroll for those with over 10 workers, and more steeply from 0.25% to 0.55% for small enterprises. Some of the innovative measures of this agreement focus on older or experienced workers; others are more general:

- Employees with over 20 years' work experience or aged over 45 with over a year in their present job will be offered a "skills audit" and prioritized access to qualifications that recognize their experience from work.
- Employees with over two years of services will be able to have a career guidance interview within their company.
- "Training passports" requested by employees will list knowledge, skills and occupational aptitude, whether acquired through training or experience.
- An individual "right to training" for employees with over 12 months' service with their company, who accrue a credit of 20 hours per year worked, redeemable during or outside working hours. Workers who lose their jobs can use the value of the credit to produce a skills audit.

### ***Focusing on older adults: targeting incentives and adapting provision***

In general, schemes to improve training rates across the adult population appear to have had lowest take-up among older workers. Are there ways of improving participation among these groups?

One approach may be to give added incentives to take up training. One country that has experimented with this is the Netherlands, which in 1998 increased employer tax breaks for training, most particularly for employees aged over 40. After a report commissioned by the Ministry of Finance in 2001 concluded that the effect of the tax reduction on the behaviour of firms was small, it was abolished in 2004. The report showed that part of the lag in participation among low-skilled and older workers resulted from the preferences of the individuals themselves. However, subsequent evidence shows that the reasons for low participation are complex, including difficulties encountered by less educated workers in negotiating with their employers about the content and quality of training programmes.

The Dutch experience confirms evidence from other countries that it is not enough to raise financial incentives to participate – one also needs to address the conditions under which training takes place, and some of its characteristics. As the Norwegian example cited in Box 6.1 above illustrates, this can include adapting accreditation and teaching styles to suit the profiles of older workers. It may also be important to address different time-horizons when thinking about training for workers who have shorter-than-average expected working life. This points to a need for flexible, short or modular courses to be made available – and in particular courses that recognise and build on existing skills and competencies, some of which have not previously been recognised. In this perspective, highly flexible modular provision such as that provided in Australia through its colleges of Technical and Further Education offers a more promising model than some, more standardised vocational training systems. Of course, later retirement itself will help to raise the potential net returns to training, and employers also need to recognise that the average time that a 50-year-old can be expected to remain in a particular job tends to be much longer than that of a 20-year-old.

### ***Evidence on outcomes: providing training opportunities on its own will not be enough***

Evidence from those initiatives that have sought to increase participation among older workers shows both that provision is not the same as participation, and that participation in training does not always bring unequivocal benefits in terms of labour market outcomes. This evidence varies according to different types of intervention. Thus:

- Many studies surveyed by the OECD find that training for existing workers does have beneficial impacts in terms of keeping workers employed. Furthermore, training enhances perceived employment security (OECD, 2004a). For this group, a critical impediment to participation is lack of time which, in the Finnish Adult Education Survey, for example, is more widely cited than lack of suitable training on offer. This suggests that it might be important to ensure that employed workers have sufficient time to engage in training so that they do not have to wait until they become unemployed before starting to train.
- The impact of training in getting unemployed people back to work may not always be positive when measured over the short-run relative to a comparable group of non-participants but, in some cases, is strongly positive when outcomes are measured over a longer period of time (OECD, 2005k). In addition, training that

has a clear link to local labour markets may prove more beneficial but outcomes need also to be offset against typically large deadweight losses.

Programmes in different countries have experienced a range of outcomes:

- In the Czech Republic, the report found that approximately 70% of older workers who participated in the programmes were in employment a year after completing the courses (OECD, 2004h). However, only a limited number of older workers participated in the programmes.
- In Spain, a “job workshop” programme provides training and practical job experience for job seekers at-risk. In 2004, 28% of programme participants were over age 45 and half of programme participants were in a job six months after completion of the programme.
- In Sweden, on the other hand, outcomes of the Activity Guarantee seem poor for older people. This programme provides unemployed workers with the opportunity to train, but only one in eight 50-64 year olds leaving it between August 2000 and February 2002 got a regular job afterwards (OECD, 2003a).

Such varied outcomes indicate the importance of programme design, with surveys of the evaluation literature on the effects of labour market policy measures (e.g. Martin and Grubb, 2001) suggesting that training that is targeted and has a strong on-the-job element is most likely to be successful.

The role that training can play in getting economically inactive people back to work is hard to evaluate. One reason is that participants in programmes for this group tend to self-select as the most enthusiastic and optimistic about their employment prospects, since participation is rarely compulsory. For this group, attitudes to the labour market are crucial. However, many studies indicate that workers who participate in training attach higher value to being employed and also have higher self-reported employment prospects, suggesting that training might be helpful in fostering positive attitudes.

Among those older unemployed who do participate in labour market programmes, many may have only a limited interest in training. The take-up of training grants in the UK’s New Deal 50 Plus is low. The Japanese government encouraged “self-training” in their 1998 Education and Training Benefit, by covering part of the cost, but older workers were under-represented in the take-up of this opportunity. Limited use of such grants appears to signal a general unwillingness on the part of older people to take the initiative in getting trained, or possibly that the designated courses do not suit them.

This could indicate there is a demand-side problem, which needs to be addressed in combination with supply-side policies. Only through a combination of initiatives on both sides of the training market can countries hope to improve on the so far limited progress that has been made in terms of running programmes in which older people participate and which have positive labour market outcomes. At the same time, it will be necessary to recognise the limitations of any policy solutions aiming to promote effective human capital development among older workers who have had limited prior education and training, underlining the importance of ensuring that such development is initiated much earlier in their careers and persists, *i.e.* a real investment in lifelong learning is made.

### ***A range of approaches is required***

To summarise, the decline in the incidence of training as workers age involves a number of issues and the appropriate policy response in each case will not be the same.

On the one hand, it may reflect a low expected number of remaining years that older workers will spend either with their current employer or in work more generally. Clearly, in this case, the best policies to promote training may be those policies directed at trying to improve retention of older workers as well as to extend their working lives. On the other hand, it may reflect a low incidence of training for all workers more broadly or for some groups of workers such as the low skilled in particular. In this case, policies need to address more closely the institutional barriers to lifelong learning and may need to look at special measures to promote training among the more disadvantaged groups. Better co-ordination of the provision of training may partly help in some countries. It may be particularly important in this case to take a lifecycle approach. These policies may need to concentrate on workers in the younger age groups since; if they can be encouraged to increase their participation in training, this may not only improve their immediate and future labour market outcomes but may also increase their likelihood of participating in training as they age. For older workers who have undergone little training in their work careers, it may be harder to encourage them to take up training opportunities. At the same time, there are specific training issues for older workers in terms of the way training is organised and in terms of its content. They will be more likely to participate in training if they have access to shorter courses that build on existing skills and experience and which have a stronger link to the workplace and which are more self-directed in terms of their organisation and pace of learning.

## **2. Providing better employment services for older workers**

Reforming pensions and income support arrangements to promote longer working lives and encouraging employers to be more receptive to an age-diverse workforce are only part of the battle to keep older workers active. To the extent that options to exit the labour market through early retirement, disability and other non-employment benefits are tightened, it is likely that an increasing number of older workers who lose their jobs will become unemployed. Therefore, it is essential that older unemployed individuals be encouraged to seek jobs actively and that government ensures the provision of suitable employment services, career advice and re-employment incentives to assist them in this task – the “mutual obligations” approach. The purpose of this section is to discuss how this approach is applied in participating countries, including also countries’ experiences in trying to meet the specific employment service needs of older workers.

Clearly, encouraging later retirement will require facilitating greater labour market mobility among older workers; many of them will want to or have to change jobs. Some may want to eventually transit out of the labour force by first working part-time, while others can be encouraged to do so through self-employment. The flexible work schedules offered by both types of job opportunities have the potential to lengthen one’s employment life. Still others who want to continue working full-time can be helped by career counselling, which may lead to an education and training programme. This raises the issue of the overall level of resources available to finance the employment services necessary to help accomplish the goal of increased labour force participation of older workers. Spending on active labour market policies as a percentage of GDP has been declining in most OECD countries in recent years. To meet this objective for older workers within the context of limited resources, OECD countries are devolving labour market programmes, requiring active job search for all unemployed workers, setting up institutions to help target specialized services, and phasing out (or thinking about it) passive early retirement measures to use those resources for active measures to support the hiring of older workers.

### ***Mutual obligations should be implemented***

In some countries, the older unemployed are exempt from job-search requirements (see Box 2.2), which may increase their risk of remaining out of work. There is, however, awareness that, since participation in employment programmes tends to drop with age, such exemptions need to be phased out and indeed some countries have moved in that direction. Moreover, even in countries where older unemployed workers are subject to job-search obligations, greater efforts should be made to implement them in practice.

Job-search requirements should be implemented as part of a mutual obligations strategy, under which jobseekers are offered adequate employment services and benefits in return for their job-search efforts. Many countries are using a work-first strategy – that is, strategies geared at finding a suitable job first and improving competences for that particular job on the job later – where PES assistance begins with teaching job-search skills followed by intensive or enhanced placement services (see OECD, 2005k, Chapter 4). A few countries have carried this approach a step further by combining placement support with some type of wage subsidy, especially for older job seekers, arguing that it is necessary because older unemployed people have significant labour market disadvantages.

### ***Targeted measures can help in certain cases***

But even in countries where older jobseekers are subject to effective job-search requirements, re-employment chances of this group tend to be lower than for younger jobseekers. And those older jobseekers who do manage to find a job are more likely to experience lower re-employment earnings than their prime-age counterparts. Given that the numbers of unemployed older workers are likely to increase because of the ageing of the labour force, more effective measures to meet their needs are called for if their employment rate is to be increased significantly.

This raises the issue of whether targeted measures are needed in order to promote re-employment prospects of older jobseekers. There are some arguments in favour of targeted measures. Targeting older workers may be warranted because they are under-represented in existing programmes and have special needs. For example, their skills may be obsolete and it may be difficult for them to adapt to new technology, or to move to new areas where jobs are available. Employers may also be unwilling to recruit older jobseekers. And public employment services themselves have sometimes been reluctant to spend much effort in “activating” this group. This implies that there may be scope for greater targeting of active labour market programmes (ALMPs) to the specific needs and skills of older workers. But there are also arguments against targeting, since it may also reinforce negative perceptions about the employability of older workers.

### ***Activation programmes***

Several OECD countries have or are experimenting with targeted or specialised employment programs for older workers. The United Kingdom’s New Deal 50 Plus scheme provides an interesting case in point. The schemes demonstrate the importance of qualified and motivated advisers with more time to spend on personalised follow-up (Box 6.3). New Deal 50 Plus is part of the UK’s welfare-to-work strategy; it makes returning to work more financially rewarding. The evaluation evidence on the New Deal 50 Plus programme is mixed. In some cases, it was reported that less than 25% of participants returned to benefits. Other results indicate that the deadweight loss was rather significant, *i.e.* more than half of participants expected to return to work anyway (OECD, 2004d).



### Box 6.3. New Deal 50 Plus in the United Kingdom

**Eligibility:** This is a volunteer programme available to individuals aged 50 and over who have been receiving benefits for the past six months and currently receive Income Support, Jobseeker's Allowance, Incapacity Benefit, Severe Disability Allowance, or any combination thereof.

**Non-pecuniary benefits:** Entrants into the programme have their own personal adviser at their local jobcentre. Personal advisers provide individuals with a broad range of support: they draw up individual action plans, prepare CVs and application letters, assist in job search and organise training courses and other volunteer activities intended to upgrade employability.

**Financial incentives:** Until recently, upon becoming gainfully employed, individuals were paid an employment credit directly through their personal adviser. It was payable in three stages and for up to 52 weeks. However, in April 2003 the employment credit was replaced, and financial benefits now fall under the umbrella of the Working Tax Credit (WTC). Individuals aged 50 and over working more than 16 hours per week now receive the "50 Plus element" of the WTC for 52 weeks. After this period, those on low incomes working 30 hours or more will continue to receive basic WTC entitlements.

**Training:** A training grant is available upon taking up employment. It can be used towards improving existing skills and learning new skills to help remain employed.

#### *In-work benefits for older workers*

In a few countries, such as Germany, Japan, the United Kingdom and the United States, older workers directly receive a wage top-up (or so called "in-work benefit") for either finding a job or for remaining in employment (see Table 6.1). The German and United States schemes are very similar, providing unemployed workers who subsequently find jobs with a supplement equal to 50% of the decline in earnings between their old and new jobs (up to a ceiling). In the Japanese case, workers are only eligible for the top-up if they experience a fall in their earnings of 25% or more relative to what they were earning at age 60. In addition, they must not claim unemployment benefits. Effectively, all three schemes may result in a larger subsidy for those workers who had higher earnings prior to becoming unemployed and who therefore risk experiencing the largest drop in earnings in a new job. On the one hand, this could imply large deadweight loss if these workers are also the ones most likely to find work even if the subsidy was not available. On the other hand, in a country like Germany where unemployment-benefit replacement rates are relatively high for the long-term unemployed, it may serve to encourage these workers to take up job offers which involve much lower wages than in their previous jobs. The Japanese scheme which provides a higher rate of subsidy for larger falls in earnings may also discourage workers from taking up higher-paid jobs.

The UK approach is quite different again and gives an earnings top-up that will be more generous for low-wage workers since the amount is higher for those with lower household incomes. It also only applies to workers who have been on income support for six months or more and so may be more tightly targeted and less prone to deadweight loss than the corresponding schemes in Germany, Japan and the United States where there is no minimum waiting time to become eligible for the employment benefit. The United States scheme is much more narrowly targeted than the German and Japanese schemes since it only applies to workers who were displaced from jobs for trade-related reasons.<sup>1</sup> All four schemes run the risk of employers being able to offer lower wages than they would otherwise have been able to because of these schemes.

Table 6.1. **Employment subsidy schemes for older workers**

Country	Description of measure
Austria	Persons aged 50 and over who have been unemployed for one year or more are eligible for the <i>Return-to-Work Supplement</i> (of around EUR 160 per month in 2003) once they take up either full-time or part-time work. This is a fixed, lump-sum amount and is renewable every 12 months while the person remains employed.  The unemployed aged 45 and over who accept a new job that pays less than their old job maintain their right – if they subsequently lose their job – to (higher) unemployment benefits based on their wages in their former job.
Germany	Workers aged 50 years and over who experience a spell of unemployment are entitled to a <i>Wage Guarantee</i> , corresponding to 50% of the net difference between the wages earned before and after the spell. This wage supplement is tax-free and not subject to social contributions. In addition, old-age pension insurance contributions are boosted to 90% of those paid in the previous job. Recipients of the subsidy must have a (residual) claim to at least 180 days of unemployment benefit and the wage guarantee is granted for the remaining period for which there is a claim to unemployment benefit. The scheme will be closed to new entrants as of 31 December 2005.
Japan	All workers aged 60-64 who experience a fall in their wages of 25% or more (prior to 2003, 15%) relative to their wages at age 60 are entitled to the <i>Employment Continuation Benefit for the Aged</i> of up to 15% of their current wage (prior to 2003, 25%) for a maximum period of two years. If workers receive unemployment benefits prior to being re-employed at a lower wage, the benefit is lost or its duration reduced.
United Kingdom	Under the <i>New Deal 50 Plus</i> programme, persons aged 50 and over who have been on income benefits for six months or more are eligible for an in-work benefit for up to 52 weeks once they take up work of more than 16 hours per week. The benefit is now paid in the form of a "50 plus" supplement (of up to GBP 32 per week) to the Working Tax Credit which is a general in-work benefit for low-income workers.
United States	Under the <i>Alternative Trade Adjustment Assistance</i> programme, eligible workers aged 50 and over can receive a payment of 50% of the difference between their new salary and their old salary for up to a maximum of USD 10 000 for two years. To be eligible, older workers must be certified that they were displaced from their jobs for trade-related reasons and must obtain a different full-time job within 26 weeks after job loss.

Source: OECD series on *Ageing and Employment Policies*.

As discussed in Chapter 5, wage subsidies are also given to employers in several countries for employing older workers (see Table 5.2, p. 111). Under what circumstances are employer wage subsidies a more appropriate tool for helping older workers than schemes which provide older workers with some form of earnings top up or in-work benefit? At a theoretical level, Orszag and Snower (2003) suggest that an in-work benefit for low-wage workers will be more effective than a wage subsidy paid to the employer in promoting employment if the targeted group is likely to be trapped in dead-end jobs with flat wage profiles. This would appear to characterise the current situation of a significant proportion of older workers or jobseekers who are the most disadvantaged in terms of retaining their jobs or finding a new job. However, better information regarding take-up rates and evaluations of the existing schemes – of which there is little known – is warranted.

### *Decentralisation and specialisation*

Some OECD countries are moving towards a more decentralised approach to providing employment services. As part of this process, the contracting-out of re-integration services is a major trend in the reform of the PES in Australia and the Netherlands since early 2002. Jobseekers older than 50 are a separate target group within the subcontracting procedure in these countries. And, in the Netherlands, specialised re-integration companies have been hired to provide services for this group of hard-to-place jobseekers facing several barriers to employment.

Given the severity of the employment situation for older workers, Korea and Japan have strengthened their PES by establishing special offices that support older job seekers as well as older incumbent workers. Korea has shown an impressive expansion of

the PES over the space of just a few years. This has included the setting up of special offices to deal with older jobseekers (Aged Service Centres and Manpower Banks for Older Workers). However, these offices mainly serve a niche market for much older people who are seeking jobs in a limited range of occupations. Placement rates (the percentage of registered job seekers that are placed in jobs) do not decline as much with age as in other OECD countries. The authorities are considering the possibilities for some sub-contracting out to private employment agencies of placement service for older jobseekers with special needs.

Japan's new institutional structure to support the re-employment of older workers includes:

- *Career Exchange Plazas* to help middle-aged and older white-collar workers in job-seeking activities working in close cooperation with Talent Banks.
- *Older Persons Vocational Experience Utilization Centres* to provide free placement services and dispatching services specifically for older persons aged 60 and over.
- *Industry Employment Security Centre* to provide matching services to middle-aged or older workers.
- *Elderly Employment Support Centres/Corners* to establish an office in every prefecture in order to provide assistance to middle-aged and older workers to develop their career life plans.

There were small improvements in the placement rates for the older age group (60-64 years) in Japan after the implementation of their more targeted approach. But it is impossible in the absence of rigorous evaluations to establish how much, of any of these improvements, were due to the new approach.

#### *Placement incentives*

Placement agencies for older workers operate in the same way as those for younger jobseekers; the only difference is that those for older workers have to put in extra effort to help their clients find a job. Employers still often have to be convinced to take on an older worker. Serving older unemployed workers, many of whom experience long jobless spells and/or are disabled, is time-consuming for the PES and other service providers. It is important to avoid creaming and parking – which are both to the detriment of hard-to-place jobseekers. A governance mix is necessary, in which financial incentives to providers are complemented by performance benchmarking, control and monitoring. There must be safeguards to make sure that services are delivered equitably to all jobseekers, not only those that earn the highest profit margins for the providers.

Creating performance incentives within the PES for the successful job placement of individuals confronting barriers to employment, such as older workers, could boost the time devoted to meet the needs of older workers and in turn improve their labour market outcomes. For example, in the UK, Jobcentres are allocated points for a successful job placement. Given the large number of older people receiving Incapacity Benefit in the UK, Jobcentres which successfully place an older Incapacity Benefit recipient into employment are awarded more points, which are used to justify additional resource requests. In Australia's Job Network, discussed below, job seekers that are more difficult to place (e.g. older job seekers) receive a higher weighting in the Job Seeker Classification Instrument, which can mean early referral to more intensive assistance.

This means that the payment received by the Job Network provider is potentially greater for placing an older unemployed person and it also results in higher “star ratings” in the evaluation process, which is crucial to be included in the next round of tenders and thereby for staying in business.

### *Innovative approaches*

Perhaps, the most innovative model, given its heavy reliance on the private sector, is Australia’s Active Participation Model (APM) introduced in 2003. In 1998, the publicly funded PES was replaced by Job Network – a national network of about 200 private, community and government organizations. Each organization in Job Network is awarded contracts for providing employment services through a competitive tender process. Generally, all job seekers have to meet the requirements of the activity test, including older workers. They will also be required to enter into an activity agreement which sets out their participation in an appropriate activity at a level to satisfy their mutual obligation. However, for people 50 years and over these requirements are more individualized and are developed together with their personal adviser as part of their participation agreement, which takes the older job-seeker’s skills, abilities and goals into consideration. Frequent meetings with adviser are required. Older job seekers (*i.e.* 50 and over) are generally expected to look for work. Moreover, 150 hours must be devoted to employment-related activities during a six-month period in order to demonstrate that they are taking reasonable steps to comply with the terms of their Participation Agreement. These activities might include education or training, engagement with Job Network, rehabilitation, disability employment services, approved voluntary or community work, financial planning or counselling and are designed to improve their employment prospects in the long term.

There are also obligations on the side of Job Network providers regarding the guaranteed level of service. This guarantee requires that services should be sensitive to job seekers circumstances and background as well as tailored to both their needs and available job opportunities.

Given the heterogeneity of older workers by gender, skill level, health, etc., many countries have a comprehensive and individualized approach to employment services for older workers, especially providing intensive support that includes a personal coach and career counselling, but are still not that successful in re-employing them compared to younger jobless workers. In the report on Job Network Evaluation – Stage 3, it was suggested that older job seekers and Job Network providers on their behalf generally find it difficult to secure job interviews or employment, and that older job seekers were considered sometimes to be too difficult or expensive to re-train or lacked motivation to take up training.

Austria provides a good example of a new, non-profit institution to help with re-employing older workers. Known as Flexwork, and established in 1997, it is one of several non-profit, temporary work agencies opened in recent years in order to assist experienced job seekers who wish to enter jobs other than through the traditional entry ports. Flexwork have been particularly successful in helping the unemployed make the switch from temporary to permanent work.

Several Regions in Italy provide financial incentives to promote the employment of older workers in “social solidarity services”, *i.e.* services to support the local community and proximity services. Demand for such services is growing rapidly, partly due to population ageing.

### *Recent Internet-based ideas*

In July 2002, the Mature Age Toolbox was introduced in Australia as a way to assist employment service providers rather than job seekers. The toolbox is an internet-based resource for Job Network members to assist them in dealing with older job seekers and to develop new methods to better help older people finding a job. The toolbox also includes facts and figures, case-study and training materials, and information on how to change employer attitudes and so forth. The toolbox has been extremely popular among Job Network providers and there are plans to expand and update it.

The United States, via the Office of Disability Employment Policy, U.S. Department of Labor, recently launched the Job Accommodation Network (JAN), which provides information on job accommodations (*i.e.* adapting workplaces to the needs of disabled workers), self-employment and small business opportunities to facilitate the employment and retention of workers with disabilities, many of whom could be older workers. It provides the following services:

- Individualized worksite accommodations solutions;
- Technical assistance regarding the ADA and other disability-related legislation; and
- Information about self-employment options.

Employer groups themselves should be encouraged to set up dedicated websites with information on best practices for accommodating age-diversity in the workplace and with tools for employers to rank their own performance in terms of “age-friendly” employment practices. Especially, for small and medium-sized enterprises, this kind of practical information could be of great value. Small firms often lack knowledge and resources for meeting their recruitment needs and can be a difficult target group to reach in terms of changing their attitudes towards older workers. The website set up by Austria’s peak employer body, the Austrian Employers Federation, with this type of information could serve as a possible model.

### *Recent pilot projects*

Australia, the Czech Republic, and Canada have been experimenting with new pilot approaches to providing employment services to older workers. As part of their Mature Age Employment and Workforce Strategy, Australia recently introduced Jobwise Outreach, which is aimed at older job seekers and workers, and will focus on ten regions in 2004/05. It consists of the following measures:

- *Jobwise Labor Market Update Seminars* are for Job Network members and other intermediaries to improve their knowledge of demographic issues and the likely impact on their local labour markets.
- *Jobwise Workshops* will be held nationally for older job seekers and workers to provide them with information on the changing nature of the labour market (including their own local labour markets), effective job-search strategies and available assistance measures.
- *Jobwise Self-Help Groups* are networks of older job seekers, allowing them to exchange experiences, provide mutual support, develop their job-search techniques and improve career decisions.

This initiative is too new to have been evaluated, even on an elementary level. However, there may be an implied message in the Australian employment services system. Given the extensive use of the private sector and other entities in providing employment services under contract to the federal government, there is a measure of flexibility to the system not found elsewhere in OECD countries. They are clearly on the forefront of generating and implementing new ideas and approaches to serving unemployed workers.

In Spain, workers in certain sectors as well as the self-employed are henceforth exempt from paying social contributions if they are over age 65. This is an interesting initiative given the potential of self-employment to promote job prospects of older workers.

In June 1999, Canada announced the Older Workers Pilot Projects Initiative (OWPPI) to assist displaced older workers, usually aged 55 and over, into employment or to maintain older workers at risk of losing their job in employment (OECD, 2005). In total, more than 100 pilot projects are being undertaken with the aim of testing innovative measures and approaches designed to meet the labour market needs of older workers. All projects had to fit within one of several approaches (Box 6.4).

#### Box 6.4. The Canadian Older Workers Pilot Projects Initiative

This initiative has several objectives as follows:

**Awareness and promotion:** remove the existing systemic barriers and prejudices concerning the hiring of experienced workers and raise employers' awareness of the competitive advantages they can offer.

**Prevention:** provide support for projects or measures that offer alternatives to layoffs and facilitated the establishment of mechanisms for early detection of layoffs.

**Adjustment:** promote a more skilled and more mobile older labour force by introducing measures adjusted to their needs and creating job opportunities for them.

**Labour force participation:** facilitate older workers' transition from working life to retirement by retraining them for sectors in the social economy; help them to find jobs that require little training and no advanced schooling and are available nearby; and offer an alternative to income support for certain older workers with limited education who live in regions where there are few employment opportunities.

The evaluation mechanisms that have been put in place to determine what works and why in these pilot projects are quite limited. However, once all of the provincial and territorial evaluations have been carried out, an overall evaluation will be undertaken. To date though, some preliminary qualitative information based on focus groups held in various sites across the country is available. Firstly, there appears to be substantial support among participants for programmes and services that target older workers. Secondly, there was some consensus on the barriers they faced in accessing employment; notably, older workers cited the lack of formal specific training received as a main barrier. Older workers felt they were lacking suitable training opportunities due, in part, to negative employer attitudes about their willingness to undertake training and their own perceptions that employers were reluctant to train older workers due to low expected returns to their training investment. Finally, in terms of the strengths and weaknesses of the pilot initiative, older workers felt that the programmes provided good specific and general skills training. However, they would have preferred more focus on training including increasing the length of training.

### 3. Promoting better working conditions and health

Given that many older workers cite health problems as one of the reasons for withdrawing from the labour market, improving working conditions will play a key role in encouraging longer working lives. All countries have in place regulations and procedures to ensure that minimum standards in terms of working conditions are respected. Increasingly, though, measures are focusing on the needs of older workers and ways to improve working conditions for this group.

#### *Specific programmes for older workers*

The most well-known programme is the Finnish National Programme on Ageing Workers which ran from 1998 to 2002. This programme was in fact an umbrella programme for a range of programmes targeted at the general public and employers, covering information campaigns, research and demonstration projects and specific programmes to increase the “work-ability” of older workers through rehabilitation, training and improvements in occupational health and safety. This has since been followed up by a number of other programmes including the VETO programme (see Box 6.5).

#### **Box 6.5. Finland’s extensive range of programmes to promote longer working lives**

Shortly after the end of the economic recession in the mid 1990s, a series of government programmes were introduced in Finland (OECD, 2004e). These focus on improving work ability and working conditions in order to promote longer working lives.

##### **The National Programme on Ageing Workers**

This largest and best known of Finland’s public programmes for older workers sought to improve employment opportunities and the work-ability of people over the age of 45, both in work and unemployed. Proposed by a special committee in 1996, the programme ran from 1998 to 2002. It was implemented jointly by the Ministry of Social Affairs and Health, the Ministry of Labour and the Ministry of Education. The focus of the programme varied over time. In the initial phase, most measures concentrated on legislative amendments and information campaigns. The middle phase involved research and development projects, while the final phase focused on management training and development of the workplace.

##### **The Well-Being at Work Programme**

This programme, which ran from 2000 to 2003, operated at four levels: information provision and promotion of good practice; research and utilisation of research findings; support and funding for development projects; and monitoring of legislation. The main goal was to encourage people to stay in work longer.

##### **The Workplace Development Programme**

Launched in 1996 by the Ministry of Labour together with the social partners, this programme provides expert support to workplaces striving to improve the quality of working life. The programme has been extended beyond its original end date of 2003.

##### **The VETO programme**

This programme was introduced by the Ministry of Social Affairs and Health in 2003. Based on the experiences of the previous programmes, it seeks to ensure that people can fully participate in working life, encourages workers to stay on longer, and addresses job quality. The programme will run until 2007.

It is difficult to assess how successful Finland's programmes to promote longer working lives have been. On the one hand, they have coincided with a strong increase in employment rates among older workers. On the other hand, some of this increase can be ascribed to the recovery of Finland's economy following a deep recession in the early 1990s. The National Programme on Ageing Workers has been evaluated by a number of institutions. For instance, the programme was reviewed under the European Commission's system of peer review of measures taken in different countries in order to implement the European Employment Strategy. The review praised the programme's broad range of measures and coverage as well as the consensus that appeared to have been developed among all of the responsible actors involved in the programme. However, it seemed difficult to draw any definitive conclusions about the impact of the programme on the labour market performance of older workers in terms of indicators such as employment rates and the average age of retirement.

Other country measures include Germany's "new quality of work initiative" (INQA), which involves the federal and regional governments, social partners, social insurance authorities, various foundations and business (OECD, 2005m). The objective is to improve working conditions both for older and younger workers within the context of promoting competitive workplaces. As part of this initiative, a campaign was launched called "30, 40, 50 plus – Working healthily as you get older". In Belgium, the federal government created a special fund in 2003 of EUR 5 million to subsidise employers wishing to improve working conditions for workers aged 55 and over (OECD, 2003c). In France, one of the key objectives of the National Agency for the Improvement of Working Conditions (Agence nationale pour l'amélioration des conditions de travail, ANACT), as part of its 2004-2008 agreement with the government, is the promotion of good age-management practices in workplaces. ANACT is managed jointly by government, employers and trade unions, and through its regional associations advises companies, develops innovative methods for dealing with technological, organisational and social change and disseminates best practice (OECD, 2005f).

### ***General strategies to improve occupational health and safety***

All OECD countries are striving to improve occupational health and safety standards as well as to disseminate best practice and to carry out research to identify areas where further improvements can be made. In the case of Australia, a general strategy has been introduced with quantitative targets for reducing workplace injuries (see Box 6.6). Finland also has several quantitative targets as part of its VETO programme, including: a decrease in the frequency of work accidents and the development of occupational diseases by 40% between 2002 and 2010; and a reduction in work absences due to illness by 15% between 2002 and 2007.

### ***Prevention and better disease management***

Prevention is also another important avenue for promoting longer working lives, not just by reducing the risk of occupational injuries and diseases but also by tackling those factors outside of work which may be leading to poor health. These include obesity and tobacco and alcohol consumption. At the same time, better management of health conditions such as diabetes or anxiety and depression could also help to facilitate greater labour force participation by both younger and older people. For instance, as part of Finland's VETO programme (see Box 6.4), there is a target to reduce per capita tobacco and alcohol consumption from their 2002 levels.



### Box 6.6. Australia's national strategy to improve occupational health and safety

In May 2002, the *National Occupational Health and Safety (OHS) Strategy 2002-2012* was launched to improve the health and safety of all workers. This strategy has been signed by the federal and state governments, as well as the Australian Chamber of Commerce and Industry and the Australian Council of Trade Unions, and commits these parties to work cooperatively on national priorities for improving OHS. Relative to 2002, it sets out the following two national targets:

- Reduce the incidence of work-related fatalities by 10% by 30 June 2007 and by 20% by 30 June 2012; and
- Reduce the incidence of workplace injury by 20% by 30 June 2007 and by 40% by 30 June 2012.

To meet these targets, five national priorities were identified: reduce high incidence/severity risks; strengthen the capacity of business and workers to manage OHS effectively; prevent occupational disease more effectively, eliminate hazards at the design stage; and strengthen the capacity of government to influence OHS outcomes. The national strategy will be continuously monitored and reviewed in order to change or adjust priorities to achieve the above targets.

#### *Helping workers with reduced work capacity to remain in employment*

Older workers who have spent many years in physically strenuous jobs or working under considerable stress may not be able to carry on working in their current jobs. However, as discussed in Chapter 4, the appropriate policy response in this case is not to encourage complete exit from the labour market through some form of early retirement benefit or pension. Instead, older workers with some form of work limitation but who are not entitled to an old-age pension should be dealt with through the regular unemployment scheme, if unemployed, or the disability scheme with special arrangements to help them find suitable jobs. This could be through more intensive job-search assistance to help them find suitable jobs, as well as through rehabilitation, or through some form of employment subsidy so that they can take up part-time jobs. For instance, this could be in the form of a more generous taper in the earnings test for unemployment benefits so that it would be still worthwhile to work part-time.

In Denmark, a person with some form of incapacity can be employed in a so-called “flexjob” and will receive full-time pay while only working part-time or at a reduced pace on a full-time basis (OECD, 2005h). In turn, the employer receives a subsidy for the effective time not worked. However, one drawback of the Danish scheme is that there is no clear incentive for employers to take on disabled workers on a part-time basis as opposed to worker that are not disabled. Moreover, if there are substantial fixed costs to employing additional workers, employing two part-time workers may be more expensive than one full-time worker and this may also dissuade employers from participating in the scheme.

Managing workplace absence because of illness is also important not only because of the potential costs to business and to society in terms of sickness benefits, but also because it can lead to early exit from the labour market. Therefore, in Norway, the government and the social partners signed an agreement in October 2001 for a more “inclusive workplace” with the objectives of reducing sickness absence and the inflow to disability and helping older workers and persons with limited functional capacity to find and remain in work (OECD, 2004a).

*Internalising the cost of work injuries*

Adequate financial incentives for employers to fulfil their key role in raising the employability and work-ability of their workers are crucial. One way of achieving this is through risk-rated or experience-rated accident insurance premiums. Currently, most of the review countries have some form of risk-rated or experience-rated work-injury insurance premiums, although this is not the case in Austria and Belgium.<sup>2</sup>

The principle of experience rating could also be extended to social security contributions for disability benefits. Many disabilities that arise among older workers – not least the stress-related ones – are work-related and result from poor working conditions or from workplaces that ignore the well-being of the employee. Therefore, a greater contribution to the costs of the disability pension programme by employers who generate a disproportionate number of disability benefit recipients could be envisaged. In Finland, insurance premiums related to the provision of disability benefits are already experience-rated but, as discussed in Chapter 3, this effectively increases non-wage costs for employing older workers since they have a higher risk of becoming disabled and may discourage employers from hiring older workers. Therefore, any form of experience-rating should ideally control for the age structure of the company's workforce to avoid any disincentives for employers to hire or retain older workers.

*Facilitating greater choice in working hours*

A number of initiatives have been taken to ease the transition between full-time work and full-time retirement. In recognition that older workers in particular would welcome the possibility to scale back their working hours as they approach retirement, the Belgium federal government has introduced a Time Credit scheme which gives workers over the age of 50 an indefinite subsidy to switch from full-time to part-time work. However, while this may encourage some older workers to delay their retirement plans, it may encourage many other workers to also switch to part-time work who, in the absence of this scheme, would have continued to work full-time. Thus, there is a risk that this type of measure could reduce rather than increase older people's effective labour supply.

Both Austria and Germany have introduced an old-age part-time employment scheme which allows workers to switch from full-time to subsidised part-time work over a specified period. However, these schemes also allow workers to choose to work full-time over the first half of the period and then to stop working altogether over the second half of the period. Most workers have adopted this latter option and so these schemes have mostly been used as de facto early retirement schemes rather than as gradual retirement schemes, the objective for them in the first place.

As mentioned in Chapter 3, occupational pension arrangements may also reduce flexibility in working-time arrangements. This prompted the UK government in 2004 to change the regulations governing occupational pensions so that workers could access their pension benefits while continuing to work part-time for the same employer. In November 2004, the Internal Revenue Service of the United States released a proposal for changing the Internal Revenue Code so that pension plans would be permitted to pay a pro rata portion of the employee's benefits before each plan's normal retirement age subject to a reduction of 20% or more in hours worked.

### *Tackling long working hours*

Among those countries with particularly long hours of work, there have been some moves to reduce average working hours. Japan introduced measures in 1992 to reduce the standard working week progressively to 40 hours between 1994 and 1997, although with a number of exemptions. The Japanese government has also set a target of reducing annual working time to 1 800 hours per worker. The annual average number of hours worked annually by Japanese workers has fallen substantially since 1988 but, at 1 816 hours per employee in 2004, still remains high relative to most other OECD countries.<sup>3</sup> More recently, the Korean government announced measures in 2003 to cut the standard working week from 44 to 40 hours and encourage greater use of leave entitlements. These changes will be implemented progressively over the period 2004-2011 according to industry and company size.<sup>4</sup>

### *Fostering greater choice in working-time arrangements for all workers*

More generally, greater choice in working-time arrangements is required not just for older workers but also for other groups such as women with substantial family responsibilities. Both long and non-standard hours of work may make it more difficult to reconcile work with family life.<sup>5</sup> Policies to tackle these barriers as well as to promote more generally a better balance between work and family responsibilities are discussed in more detail in the OECD series on *Babies and Bosses – Reconciling Work and Family Life* (OECD, 2002, 2003e, 2004j and 2005c). As mentioned in Chapter 3, helping women at younger ages to participate in the labour force is also likely to increase their participation at an older age.

## **4. Taking a broader perspective**

Improving the employability of older workers raises a number of issues. First, a life-cycle perspective is essential. Clearly the experience of workers at younger ages will have an impact on their labour market decisions and outcomes when older. For example, workers who have ample opportunities mid-career for upgrading their skills or for learning new skills may have better labour market prospects when older than those with fewer opportunities. Similarly, improving occupational health and safety for workers of all ages will assist future generations of older workers to remain in employment longer. Thus, some policy interventions to encourage later retirement should, in fact, focus on workers at younger ages. Second, greater attention needs to be devoted to facilitating labour mobility among older people. This includes providing better employment services to help older workers find new jobs and start up their own businesses, as well as greater provision of career advice at all stages of workers' careers. In exchange for more intensive assistance, the older unemployed should not, as a general rule, be exempted from active job search or from having to accept suitable job offers. Finally, it is important to recognise that older people are a very diverse group in terms of their work and retirement preferences and labour market prospects. Therefore, age should be preferably one factor only and not the defining factor in deciding who should be targeted by a specific labour market policy. Otherwise policy interventions risk being ineffective and costly and may give the wrong signal that older workers are generally less productive than younger workers. Coping with, and benefiting from, age diversity should be a key objective of measures by governments, employers and trade unions.

### Notes

1. Although, as pointed out in OECD (2005b), the US scheme may result in inequities in the treatment of different groups of older workers. For example, older workers who are displaced from jobs for reasons that are not directly trade-related will not be eligible for the top-up, and yet they may be just as disadvantaged as those who were displaced for trade-related reasons in terms of facing large earnings losses when they find new jobs. Moreover, take-up of the programme is very limited. In fiscal year 2003, the US Department of Labor reported that only 42 workers were enrolled in the new wage insurance program.
2. However, the Belgium government has announced that as part of its PhARAon Plan, which was launched in 2004 to reduce workplace accidents, it will be considering introducing some form of risk-rating into work-injury insurance premiums.
3. Part of the fall in annual average working time in Japan can be ascribed to a substantial increase in the incidence of part-time work and to sluggish economic conditions which have reduced the number of overtime hours worked. The government's information campaigns to encourage workers to take longer holiday breaks also appear to have been largely unheeded since on average workers took less than 50% of the number of annual paid holidays that they were entitled to in 2004.
4. See Box 5.2, p. 131, in OECD (2004c) for further details.
5. The results presented in Chapter 1 of OECD (2004i) suggest that the percentage of workers reporting a conflict between their working hours and family and social commitments is significantly higher for workers with children, with long working hours, in high intensity jobs, with non-standard hours (*i.e.* working evenings, nights or weekends) or whose work schedules are variable and unpredictable. The proportion is significantly lower for workers who have some control over their working time and for older workers relative to younger workers (even after controlling for the presence of children, employment status, working hours and other working-time arrangements).

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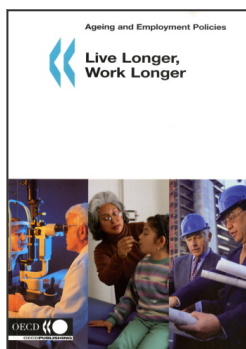
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