



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

BIAC/TUAC LMP Meeting

“Improving the Prospects of Older Workers in the Labour Market”

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BIAC DISCUSSION PAPER

Over the next decades, most OECD countries will experience a significant ageing of their populations. Falls in fertility rates and increasing life expectancy will raise significantly the number of elderly and the cost of age-related expenditure. At the same time, the acceleration of ageing populations will lead to a decrease in the labour force participation rates. This shift has led to increasing concerns about the viability of our social security systems and about declines in productivity and economic growth. It is therefore essential to increase the period over which people are working.

Reforms are needed in a number of areas to adjust to these developments. In order to secure sustainable economic growth and at the same time tackle the other problems associated with current demographic challenges, it is crucial to increase the employment rates of older workers. It is therefore very timely that the OECD carries out an in-depth analysis of policies to improve the labour market prospects of older workers. BIAC is pleased to contribute to this activity.

Expanding employment

A first consideration is that to secure employment for older workers, there must be jobs! Otherwise, there are always people who will suffer, in particular groups at the margins of the labour market. The promotion of older workers should first of all focus on considerations how we can increase the total volume of employment opportunities. In order to expand employment opportunities, it is necessary to create a business environment that helps the private sector to grow and create sustainable jobs. The overall labour market must be functioning smoothly and real incentives to work must be given. This requires government policies that encourage job creation through entrepreneurial activity and reform or eliminate regulations that needlessly impede starting or expanding an enterprise.

Apart from underlining the importance of creating an enabling framework for general improvements in the labour market, the following measures should be considered:

Increasing the effective age of retirement

The early withdrawal of older people from the labour market and the redistribution of labour from old to young will have and often already has a negative effect on the labour market. In order to secure sustainable economic growth and to ensure the viability of our social security systems, the employment rate of older workers needs to be increased. Countries need to remove incentives to retire before the normal retirement age. Policies to increase the average retirement age need to go hand in hand with policies that ensure adequate employment opportunities for older workers.

Diversification of working times and work organisation

The diversification of employment types and introduction of flexible work-sharing arrangements can be an important step towards improving the employment prospects of older workers. Different types of working patterns should be considered, for example, working from home using ICT. In order to exploit unused reserves of flexibility, companies should be able to agree working time volumes with individuals on a voluntary basis. Age-related part-time work should be used as a flexible instrument to respond to the needs of certain older worker. The possibilities for making working time and work location more flexible also help older people. The overall framework can introduce new forms to allow a smoother transition to retirement.

Increasing emphasis on lifelong learning

Maintaining the employability of older workers is crucial for increasing the participation rate of older workers. Lifelong learning is generally recognised as an important issue, which is also relevant for older workers. A life-cycle perspective suggests that it may be necessary to promote greater training opportunities for workers at earlier stages and not just after the age of 50. Training measures for older people are of crucial importance, but they should be tailored on a case-by-case basis, and priority should be given to well-targeted short-term measures. Government, employers and employees have a shared responsibility in ensuring lifelong learning.

Analysing the effects of employment protection measures

In many countries, policies considerably increase the effective costs of laying off older workers. Employment protection measures that are too strict may lead to lower hiring rates of older workers and can thus make it more difficult for older people to find a job. What was originally conceived as a protection mechanism, has increasingly developed into a hurdle to employment of older people. In order to improve the employment opportunities of older workers on a long-term basis, it is crucial that increased flexibility be introduced.

Encouraging more wage flexibility

It is necessary to reform the conventional seniority-based wage system towards a more skill- and performance-based system taking into account employees' intentions and

companies' conditions. One area where further work should be carried out is on the effects of seniority wages on employment opportunities of older workers. Pay rises are often too closely linked with the duration of the number of years worked. This places growing pressure on business not to hire older workers or to encourage older workers towards an early exit into pensions. Therefore, in order to remove employment barriers for older workers, remuneration systems need to be adjusted. Age-related pay increases should be gradually wound down.

Promoting effective job placement

A labour market policy which encourages people to take jobs must also build bridges into new work activity for older workers. For older workers, as for other groups, targeted placement is the most effective instrument for reintegration in the labour market. It is crucial to focus on active and rapid job search assistance, in addition to improving the quality of the general job brokerage systems. Matching between companies' needs and job seekers skills must be improved, which can be facilitated by closer liaison of PES's with companies.

In summary

In summary, it has to be emphasised again that the target should not be limited to older workers alone, but that the first focus should be on having more efficiency and flexibility in the overall labour market. Economic growth continues to be the most important basis for reducing widespread unemployment and for increasing the employment rate of older people. In this respect, the OECD has made a valuable contribution with its Jobs Study and follow-up work on its implementation. With regard to older workers, policy measures are necessary, which act both on the demand and supply side to encourage older workers to remain longer in the workforce.

In this respect, it is important to note that older workers do not form a homogeneous group, which underlines the importance of policies which are not only targeted simply on age. The various BIAC presentations made at the LMP meeting give specific examples of how selected countries and companies have responded to this challenge. In view of the current demographic shifts, the skills and knowledge of older workers are an essential element for a competitive labour market. We look forward to working with the OECD on this issue.