

Chapter 7

Concluding Remarks on Policy Implementation

Key messages: Action is required on many fronts if work is to be made a rewarding and attractive proposition for older people: work incentives must be improved; employers must be encouraged to hire and retain older workers; and the employability of older workers must be strengthened. Thus, a co-ordinated and comprehensive package of age-friendly employment measures and policies is required, which should be developed and implemented jointly by government, employers, trade unions and civil society.

This report makes a case for action in three broad policy directions, namely getting incentives right; changing employment practices to facilitate retention and hiring of older workers; and promoting employability. The experience of the country reviews shows, however, that attention should also be devoted to a number of policy implementation issues.

1. Taking a comprehensive approach

There are clear advantages to action on all fronts, given that older workers often face a wide range of work disincentives and employment barriers covering both the demand-side and the supply-side of the labour market. For example, pension reform may be less effective in encouraging later retirement if other financially attractive pathways to early retirement remain open. Closing off these pathways will require, in turn, greater assistance being offered to older workers by public and private employment agencies, especially those with the greatest difficulties in terms of remaining in employment. It will also require expanding job opportunities more generally for workers as they age by tackling the barriers on the side of employers to employing older workers.

And yet, much of the reform effort to date has focused on the pension system and early-retirement schemes. This has generally been followed by more limited and ad hoc measures to increase employment opportunities for older workers. Finland and Norway have been notable exceptions. They have first attempted to implement a more wide-ranging programme of measures directed at changing employer attitudes and practices and strengthening the employability of older workers. This has subsequently been followed by actual or planned pension reform.

In a few OECD countries, such as Australia, Korea and the United Kingdom, policies directed at fostering greater labour market participation by older people have been incorporated within a broader strategy to tackle population ageing (see Box 7.1). This could be a useful approach for other countries to adopt since it may help to ensure that policies to cope with population ageing are more coherent and better co-ordinated. It can also serve to raise awareness more generally about the challenges and opportunities arising from population ageing and broaden the public debate about the appropriate public policy response beyond just the implications for pension reform. However, developing a broader strategy is not a panacea, and it is unlikely to be very effective unless: i) all stakeholders are fully committed to the strategy; ii) there are adequate evaluation mechanisms in place to measure what is working; and iii) there are appropriate targets against which progress can be measured.

Likewise, broader policy settings matter. A rising tide will lift all boats, and if greater job growth can be achieved through appropriate product and labour market reforms, as well as through sound macroeconomic policies, this will improve job prospects for older people and may help to gain acceptance for more specific reforms to encourage older workers to retire later. By strengthening the labour market attachment of women at younger ages, family-friendly employment policies may also serve to raise participation rates of future cohorts of older women. They can also help reconcile work and caring responsibilities for older men and women.

Box 7.1. National ageing strategies

Australia

The National Strategy for an Ageing Australia was launched by the federal government in 2001. It is intended to promote awareness among the Australian community of the likely impacts of, and possible responses to, population ageing and advise the government on short, medium and long-term policy responses as part of a coordinated national framework. The strategy's goals include: i) creating a sustainable retirement income system that provides an adequate retirement income for all older Australians, and supporting and encouraging individual contributions to retirement savings throughout working life; ii) removing barriers to a continued participation of older workers; iii) ensuring that society has a positive image of older Australians; and iv) promoting and support healthy ageing across the lifespan and a world class care system for elderly. The Strategy document states that there will be regular monitoring of progress in meeting the goals of the National Strategy, including a report to the Commonwealth Parliament every three years by the Office for Older Australians. The document also states that the directions set by the National Strategy should be evaluated at regular intervals to ensure that they remain relevant.

Korea

Under the responsibility of the President's Office, a Special Taskforce Team on Population and Ageing Society was established in October 2003 and released a report in January 2004 on "Policies to Cope with Low Birth rates and Ageing". Subsequently, in February 2004, the Presidential Committee on Ageing and Future Society was established, comprising 10 relevant ministers and 13 representatives of various academic and research institutes. The purpose of the Committee is to advise the President on mid- and long-term policies to predict and prepare for future social and economic changes brought about by a low birth rate and rapid population ageing, thus enhancing national competitiveness and the quality of people's lives. The main focus of the Committee is on the following issues: i) restoration of fertility and providing child care support that would restore a better balance in the population structure; ii) enhancing economic participation of women and senior citizens; and iii) expanding the current welfare system while focusing on the efficiency of welfare cost and managing the economy and industry with a proper adjustment to the new population structure in order to improve the quality of people's lives.

United Kingdom

In March 2005, the UK government outlined its strategy for coping with population ageing in its paper on "Opportunity Age: Meeting the Challenges of Ageing". The strategy has two objectives: i) to prepare effectively for the age shift which gathers pace between now and the middle of the century; and ii) to help meet everyone's aspirations for better later lives for themselves and their families. More specifically, it aims to: i) achieve higher employment rates and greater flexibility for over-50s in continuing careers, managing any health conditions and combining work with family (and other) commitments; ii) enable older people to play a full and active role in society, with an adequate income and decent housing; and iii) allow individuals to keep independence and control over their lives as they grow older, even if constrained by health problems that can attend old age. The government has set a target for an 80% overall employment rate, including a million more older workers. It also plans to develop a simple and transparent set of outcomes and indicators to assess progress towards improved quality of life as people age, to be developed, published and periodically reviewed.

Source: Australian Department of Health and Ageing (2002); Korean website of the Presidential Committee on Ageing and Future Society, www.cafs.go.kr; United Kingdom Department of Work and Pensions (2005).

Finally, policies should be forward looking. For example, pensions systems should be made more resilient to future (unanticipated) increases in longevity. Policies also need to take into account that major changes are occurring in the labour market and that, as discussed in Chapter 2, older workers of tomorrow will not be the same as those of today. Thus, in the future, increasing demands may be placed on private and public employment agencies in terms of providing employment assistance and career advice to a growing number of more highly educated older workers who are more job-mobile. Older women are also likely to account for a growing share of the older workforce and they may require additional assistance to help them remain longer in the labour market, especially in those countries where the pension age for women is being progressively raised to the same age as for men.

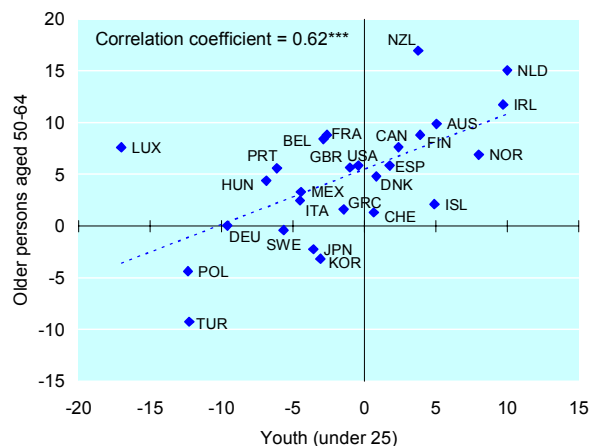
2. Dispelling the myths

A number of myths about the capacities of older workers and the way the labour market functions need to be dispelled, as these may be hampering reform efforts and the adoption of age-friendly employment practices.

First and foremost, it is often claimed that fewer jobs for older workers means more jobs for younger workers. This is based on the so-called “lump of labour” fallacy that there are a fixed number of jobs to go around and workers are perfectly substitutable for each other. In practice, neither of these propositions is true; younger workers cannot necessarily be easily substituted for older workers and the costs of subsidising early retirement can result in reduced employment opportunities for younger workers because of higher labour taxes to finance these costs. Indeed, across OECD countries there is a positive rather than negative correlation between changes in employment rates for younger and older people (Figure 7.1).¹

Figure 7.1. **More jobs for older workers do not mean fewer jobs for youth**

Percentage point change in employment-population ratios, 1992-2002



*** statistically significant at 1% level.

Source: OECD estimates based on OECD *Labour Force Statistics*.

Scepticism is also sometimes expressed regarding the ability of older workers to remain in the labour market. This may be on grounds on perceptions that working capacity systematically deteriorates with age. As discussed in Chapter 3, there is some decline in

some physical and cognitive capacities with age. However, this is often offset by changes that older workers themselves make in the way they work or can be compensated for by relatively minor adjustments in the work environment. In fact, various studies on older and younger workers show that each have relative strengths and weaknesses that they can contribute to the workforce – the most obvious strength of older workers being those that derive from maturity and experience. This points to the need for age-diverse workforces, that are able to draw on a range of strengths from different groups.

One argument for early exit from the labour force is that jobs today are so demanding. However, the limited evidence available suggests that it is more mundane jobs with lack of autonomy rather than highly stressful jobs that are associated with early retirement. Policy needs to respond to the difficulties workers face in continuing in their jobs by providing greater opportunities for job mobility and rehabilitation rather than through early retirement schemes.

And there is suspicion that reforms are in fact intended to reduce social protection. Instead, as Chapter 1 shows, it is the lack of reforms which will threaten the sustainability of public budgets, eventually forcing a drastic downsizing in social protection.

3. Linking policy more closely to the evidence

It is also important for policy implementation to monitor and evaluate the measures. In many countries, it was pointed out that the necessary evidence for evaluating what works was lacking. In general, there is a lack of studies that have estimated the age profile of the returns to adult training and education or of the magnitude of the net impact on employment and wages for participants in active labour market programmes. For example, estimates of the net employment impact and hence the deadweight losses associated with the UK's major flagship programme for older workers, New Deal 50 Plus, are not available. Similarly, it is difficult to assess the net impact of Finland's various programmes for older workers. Partly this is the result of the introduction of these programmes at a national level and so there has been no possibility of establishing a control group through piloting the programmes first in a limited number of areas.²

The link between health, working conditions and retirement also warrants further investigation. Ideally, this requires longitudinal surveys with quite large sample sizes and therefore most of the studies to date have been confined to the United States based on various large longitudinal surveys and the Nordic countries where large administrative datasets are available to researchers and often merged with survey data.³ However, cross-sectional surveys of working conditions can also supply useful information and, outside of Europe, have not been very common.

4. From challenges to opportunities

The bottom line is that population ageing is both a challenge and an opportunity. It may put upward pressure on public expenditures while dragging down economic growth. These challenges will be more easily met if the potential labour resources of older people can be utilised more fully. Indeed, many older people would choose to carry on working longer if the appropriate incentives, policies and workplace practices were in place. There are several factors which are already working in the direction of increasing job opportunities for older people and, in a number of countries, the trend towards ever earlier retirement has been halted and even partially reversed. These factors include a rising average level of educational attainment among older workers and a shift away from

manual occupations, as well as deliberate policy action to encourage older workers to carry on working. The real challenge for all OECD countries will be to ensure that this process is not hindered, and that future gains in longevity are turned into opportunities for older people to spend more fulfilling years both in employment and in retirement. This will require the involvement and co-operation of government, employers, trade unions and civil society to adopt and implement a new agenda of age-friendly employment policies and practices.

Notes

1. The positive relationship may also reflect the cyclical responsiveness of employment rates for both groups and certainly merits further investigation.
2. As discussed in OECD (2005k, Box 5.2, pp. 224-226), analysing the net labour market effects of a programme requires some sort of control group who have not participated in the programme. This control group can be established through i) the random assignment of individuals to participation or non-participation in the programme; ii) non-experimental comparison of outcomes for participants and non-participants, with econometric controls for selection biases; or iii) pilot studies where the programme is implemented in some local areas but not others, and outcomes are tracked and compared.
3. The United States surveys include the Health and Retirement Survey (HRS) and the Panel Study of Income Dynamics (PSID). In the UK, there was also the very well-known Whitehall studies (I and II) that were carried out but these are now somewhat dated and were confined to civil servants.

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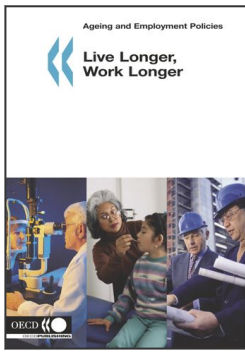
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