Executive summary

The deep and rapid changes in the world of work driven by the digital and green transformations as well as population ageing have been associated with greater job instability, with potential costs for companies, workers and society. Across the OECD, the average length of a job held by the same worker declined by around nine months between 2012 and 2019, and the decline has been felt across all age groups. This fall in job stability coincides with people changing jobs at a fast pace, sometimes at the highest rate seen in recent decades – one in five workers experience a change in their employment situation every year – and the rate of job change has increased in 24 out of 27 OECD countries for which data are available over time. Older people aged 55-64 do not switch jobs seamlessly – whether they quit or lose their job – they will often end up unemployed or will leave the labour market. Once out of work, they are far less likely to find a new job and more susceptible to large wage cuts upon hiring.

With more people working for longer, and in the context of current unprecedented labour and skill shortages, there is a pressing need to ensure that the talents and skills of a multigenerational workforce are put to best use, including through greater worker retention.

Stepping up pay and working conditions

Earnings quality as well as the quality of the working environment and labour market security are key components of job quality, and dissatisfaction with these can lead workers to quit their job. New evidence in this report shows that workers are less likely to quit higher-paying firms. On average across six countries for which there is available data, the quit rate is about 50% higher in firms in the bottom quintile of the firm-pay distribution compared with firms in the top quintile of the pay distribution. While firm wages depend critically on company choices and performance, institutional arrangements such as collective bargaining, minimum wages and labour taxation can play a role in ensuring that productivity gains are widely shared.

But it is more than money that can make jobs attractive. Based on evidence from the United Kingdom and Australia, the option to work at home on a regular basis is equivalent in value to workers to just over 20% of the average annual salary. Overall evidence suggests that work-schedule flexibility improves views of employees of different ages of their own work-life balance, and while flexibility will not work for all jobs, it can improve job satisfaction and employee retention. Unfortunately, according to the AARP's Global Employee Survey, mature workers have much less flexibility in their jobs (such as being able to work from home or flexible hours) and less flexibility to care for dependent adults. Currently, only 19 out of 35 OECD countries for which data is available provide paid caregiving leave for older adults. Moreover, there is often a stigma associated with using caregiving leave, which requires further action by firms and governments to improve the availability and take up of policies to support adult caregiving. Evidence suggests that flexible working arrangements are more likely to be successful when they are taken on as part of organisational strategy and used by senior staff.

Eliminating discrimination at the workplace is another key factor for retaining workers at all ages. Evidence shows that employees are often passed up for promotion or denied access to training because of age. Information campaigns as in Belgium and the Netherlands can prove effective in countering negative employer stereotypes.

Improving employee health pays off

Keeping older workers healthy and productive is a key policy goal. Ill-health is a key driver of labour market turnover; in 2019 20% of workers aged 35-44 left their job voluntarily because of poor health, compared to 25% of workers aged 50-64. In addition to premature labour market exit, health problems are also a key cause of sickness absence and presenteeism which if left untreated can have detrimental consequences for employees, employers and governments because of lost productivity and lower employee retention. On average, in 2019 the sickness absence rate was 1.3% among young workers, 2% among prime aged workers, and 3.2% among mature workers. Many large employers have put in place workplace health and wellbeing programmes but evidence suggests to be effective they must take a comprehensive and integrated approach to improve health and business outcomes. To support small and medium enterprise (SMEs), governments and social partners are strengthening occupational health services, as in the United Kingdom, developing national accreditation for health and well-being providers, and by creating certified recognition programmes for employers, as in Japan. Subsidies to encourage employers to invest in workplace health and well-being have also gained importance in recent years.

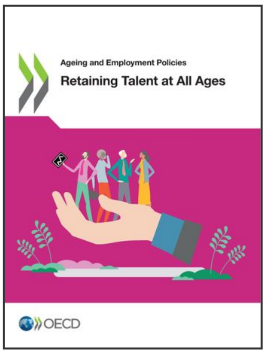
Policies aimed at preventing avoidable long-term sickness need to start early in life, for example by preventing obesity, smoking and harmful use of alcohol. Later in life, prevention campaigns in conjunction with government and employer policies such as paid sick leave can play a key role in supporting the recovering from ill-health and thus retention. Most OECD countries have a combination of employer-paid sick leave and sickness benefits for workers on sickness absence, except Japan and the United States. Evidence from Switzerland and the Netherlands shows that stronger employer-paid sick leave can provide greater employer incentives to prevent ill-health, support rehabilitation and return-to-work. Gradual return to work schemes following illness, as in Germany, can also be a win-win allowing workers to return sooner while preventing the loss of skills and experience. Similarly, making accommodations for workers with health conditions, such as changes to the physical working environment, working time arrangements, or workplace responsibilities, can play an important role in allowing workers with health issues to continue to work. In most OECD countries, employers are obliged to make adjustments for workers with disabilities, but this does not usually extend to workers experiencing sickness, illness or injury. In addition, more needs to be done to empower line managers to effectively manage sickness at the workplace.

Last but not least, spurred on by the rise in telework amidst the COVID-19 crisis, governments have initiated measures to deal with possible negative mental health impacts of the digital transformation of the workplace. For example France, Greece Italy, Luxembourg, the Slovak Republic and Spain, now have legislation in place giving workers the right to digitally disconnect.

Investing in workers skills and training

Employers across all industries need to invest in talent and skills development of workers. Persistent inequalities in the provision and take-up of training by age mean that older workers are frequently left without the right skills to flourish over longer working lives. Only 24% of adults aged 55 to 65 participate on average in job-related formal or non-formal training in the 12 months prior to being interviewed in the Survey of Adult Skills (PIAAC), compared to 41% of those aged 45 to 54. This is a major problem for firms as it leads to lower productivity and the loss of experience as older workers’ skills become obsolete and they exit the workforce.

Good practice by employers includes regularly reviewing skills and work tasks to identify future training or development opportunities. In particular, high performance work practices (HPWP) such as work flexibility and autonomy, benefits such as bonuses, and performance management have proved to promote better skills use within workplaces and retention. But more is needed to raise awareness and dissemination of good practice. SMEs often experience severe shortages and lack the resources and information to provide training opportunities and thus need greater support to retain their talent. Governments and social partners can support the creation of learning and training networks to help bring down the per-worker costs of training. Competence centres as in Finland and the Netherlands have been successful in promoting digitisation and knowledge transfers to SMEs. Government can also help by targeting subsidies and vouchers for older workers and career guidance to improve training across all ages.



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