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For better not worse: Job quality and the decision to stay in the job

Pay and working conditions are key components of job quality, and dissatisfaction with these have direct consequences on turnover, business performance and productivity. Other aspects of a job such as flexibility, management practices and the existence of discrimination also affect job quality. This chapter examines how job quality in its various forms affects employee retention and highlights employer and government policies that can contribute to talent retention.

Key messages

There is a close link between higher pay and higher employee retention

- Workers are less likely to quit higher paying firms. On average across six countries for which there is available data, the quit rate is 50% higher in the 20% of firms paying the lowest wages compared with the 20% of firms paying the highest wages.
- Mature workers aged (50-59) are much less likely to leave their firm for another one paying better wages compared to younger workers but are much more likely to exit the labour market altogether.
- Productivity growth is the main driver of better wages and job quality in the long run, however labour market institutions such as minimum wages and collective bargaining play an important role in ensuring that productivity gains are widely shared.
- A growing number of firms offer compensation packages that link pay to performance including bonuses which can help motivate workers and increase their attachment to an organisation or business.

Wages are not everything. More flexibility and better working conditions to reconcile work, family, and caring responsibilities are also key to improved retention

- More flexible work arrangements are a crucial aspect of working conditions and can reduce employee turnover as well as improve worker well-being and productivity.
- Women place a higher monetary value on flexible work practices than men. Based on evidence from the United Kingdom and Australia, the option to work at home on a regular basis is equivalent to just over 20% of their average annual salary, whereas for men this is worth 7% of their average salary. Similarly, having flexible start and finish times is worth in monetary terms about 48% of the average annual salary for women, and just under 30% for men.
- Flexible work arrangements are also effective in helping business prevent potential loss of skills linked to the retirement of older employees. Yet evidence from the 2022 AARP Global Employee Survey in 12 countries shows that mature workers have much less flexibility in their jobs (such as being able to work from home or flexible hours) than younger workers.

Positive management practices and eliminating ageism in the workplace helps to attract, retain and motivate employees

- Discriminatory and negative attitudes towards older workers can damage the talent pipeline. Training and engaging line managers in the importance of an age-inclusive work environment is vital to ensure their accountability for age diversity. Unfortunately, only 42% of employers offer their managers training on management practices for a multigenerational workforce, thus there is more scope to improve this across organisations.
- Better people management skills including career support, clear expectations about work tasks, coaching, consultation, a positive attitude and trust, have a substantial effect on staff retention.

2.1. Should I stay or should I leave? It depends on job quality

Job quality is central to worker well-being and is directly related to measures of firm performance such as employee turnover, productivity, and profitability. Evidence shows that dissatisfaction with pay, job security, and flexibility are important factors in causing people to quit their job. There is strong empirical evidence that as wages rise, quits fall, however quits also fall as other attractive features of jobs improve. Self-reported job satisfaction has long been found to be a good predictor of job mobility over and above the effect of wages (Freeman, 1978^[1]; Clark, 2001^[2]; Lévy-Garboua, Montmarquette and Simonnet, 2007^[3]), but job satisfaction by itself is not very useful if you do not know what drives it.¹

The OECD job quality framework covers three dimensions: earnings, quality of the working environment, and labour market security (Cazes, Hijzen and Saint-Martin, 2015^[4]). The chapter focus primarily on earnings quality and quality of the working environment. Both the average level of earnings and the distribution of earnings are included due to their importance for individual and overall well-being. The quality of the working environment, captures non-pecuniary aspects of employment such as being able to do meaningful work, working flexibility, fulfilling ambitions, and opportunities for training and development.

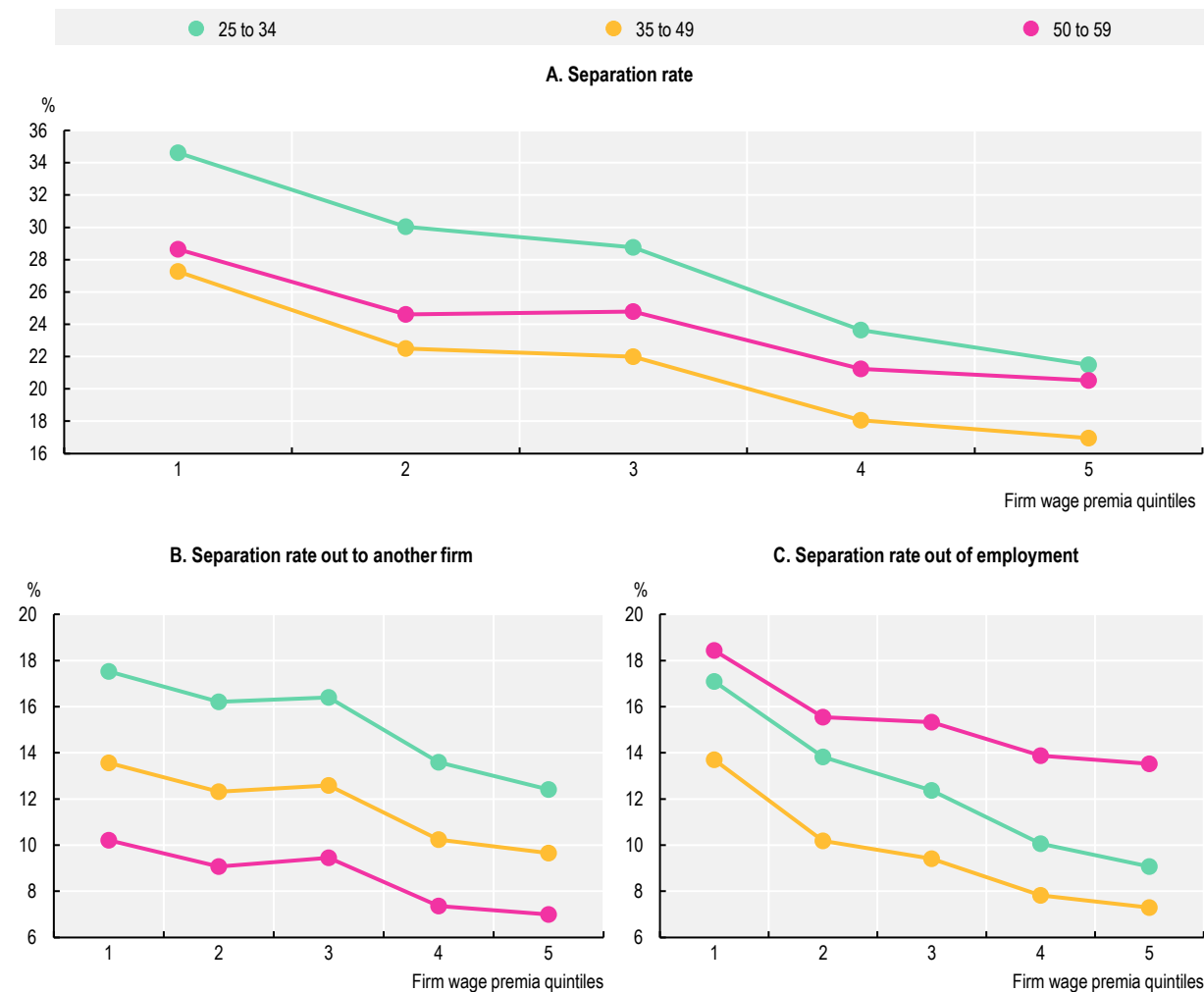
2.1.1. Pay matters – especially if it is perceived to be unfair

The level of pay is an important aspect of job quality and plays a key role in determining job quits. New OECD evidence shows that workers are less likely to quit in firms with more generous wage-setting practices (Figure 2.1).² Firm wage-setting practices may depend among other things on its performance, wage-setting power and personnel policies. It is measured empirically by wage premia (this represents a firm specific element of wage setting that is independent of the worker composition of the firm). On average across selected countries, the quit rate is about 50% higher in firms in the bottom quintile of the firm-wage premia distribution compared with firms in the top quintile of the wage premia distribution. Among mature workers (aged 50-59), the quit rate is 40% higher in firms in the bottom quintile compared to the top quintile of the wage premia distribution. However, workers in firms with less generous wage-setting practices are not only more likely to quit (separation rate), but they are also more likely to lose their job and become jobless as their jobs are less secure (separation rate out of employment). As a result, low-wage firms exhibit considerably lower job retention rates than their higher-wage counterparts.

While mature³ workers (aged 50-59) are much less likely to leave their firm for another firm compared to younger workers (Figure 2.1, Panel B), they are much more likely to exit the labour market altogether compared to younger workers (Figure 2.1, Panel C).

Figure 2.1. Workers are less likely to quit in firms with more generous wage-setting practices

Average of six European countries by age



Note: The firm wage premia provide an indication of a firm's wage setting policy which may depend among other things on its performance, wage-setting power and personnel policies. Points to the left on the horizontal axis represent firms with relatively low wage-setting practices, while points to the right represent firms with relatively high wage-setting practices. Empirically, wage-setting practices are measured by focusing on firm wage premia, i.e. the component of average firm wages that is not due to worker composition as captured by the firm fixed effects in a wage regression based on Abowd, Kramarz and Margolis (1999^[5]).

Coverage: Austria (2008-18), Estonia (2008-18), France (2002-17), Italy (2005-15), Portugal (2007-17), Spain (2008-18).

Source: OECD calculations from linked employer-employee data from: AMS-BMASK Arbeitsmarktdatenbank (Austria); Tax and Customs Board Register (Estonia); Déclaration annuelle des données sociales unifiée (DADS) panel linked with FARE/FICUS (France); Longitudinal Sample social security INPS (LoSai) (Italy); Quadros de Pessoal (Portugal); and Muestra Continua de Vidas Laborales con Datos Fiscales (MCVLCDF) (Spain).

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Pay relative to co-workers or other similar groups of workers can also affect turnover in addition to absolute pay (Card et al., 2012^[6]). People who perceive their pay to be below what they regard as unfair are more likely to put in less effort or even quit (Akerlof, 1982^[7]; Akerlof and Yellen, 1990^[8]; D'Ambrosio, Clark and Barazzetta, 2018^[9]). Wage inequality has risen in many OECD countries in recent decades, and in some countries such as the United States and the United Kingdom, median real wages have been stagnant for a decade or more, raising the prospect that interpersonal comparisons of pay might be more salient than ever before.

2.1.2. But it's more than money – the quality of the working environment is also key

Self-reported job satisfaction is a powerful predictor of separations and quits even after taking wages into account (Clark, 2001^[2]; Clark, Georgellis and Sanfey, 1998^[10]). Self-reported job satisfaction data can be useful in complementing objective measures of job quality if workers are asked about their satisfaction with specific aspects of the work environment. It can also be used to place a “willingness-to-pay” or monetary value on different aspects of the work environment. In this way job satisfaction can be useful to get an indication of what objective components of jobs matter for well-being.

Employee oriented flexible work practices are particularly valuable to women

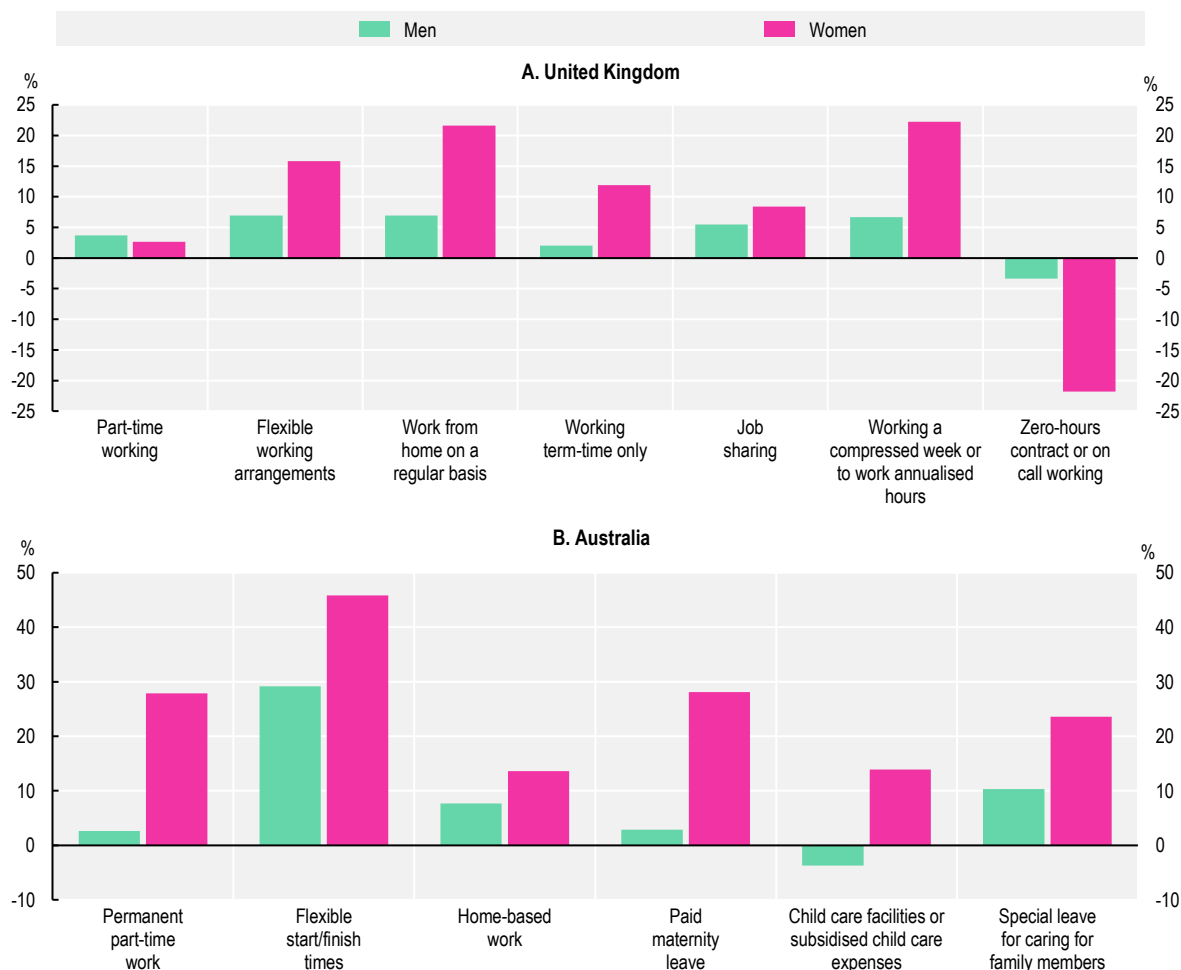
Using data from the United Kingdom and Australia it is possible to give indicative estimates of the monetary value of flexible working practices as a percentage of average annual income for men and women (Figure 2.2). Factors such as income, education, age, and marital status will also affect workers' attitudes to flexible working but these and other factors are taken into account, so that as much as possible we are isolating the effect of a particular work practice on an individuals' valuation. Respondents in the two surveys are asked a question of the type “which of the following arrangements are available at your workplace?”

For women in the United Kingdom the option to work at home on a regular basis is equivalent to just over 20% of the average annual salary, whereas for men this option is only worth about 7% of the average salary (Figure 2.2, Panel A). For women, being able to work a compressed week or annualised hours is also worth 22% of the average salary; for men this is worth just under 7%. The top panel also shows that on average zero hours contracts or on call contracts have a negative effect on job satisfaction. Panel A shows that women would be willing to pay up to 22% of their salary to avoid zero hour or on call contracts. These results suggest that employee oriented flexible working practices are valued highly, particularly by women in the United Kingdom and Australia. This has implications for women's' careers if the lack of flexibility leads them to exit the labour force.

In Australia, the option of having flexible start and finish times is worth in monetary terms about 48% of the average annual salary for women, and just under 30% for men (Figure 2.2, Panel B). The Australian survey asks questions about fewer flexible work practices compared to the United Kingdom survey; however, the Australian survey also asks about the availability of some family leave policies. This shows that for women, paid maternity leave can be valued at just under 30% of the average salary. For women having access to special leave for caring for family members can be valued at 24% of the average salary, and for men at just over 10%. These results, while indicative, give some sense of the value that workers place on different aspects of the working environment.

Figure 2.2. Flexible working practices are a valuable component of workers' non-pecuniary compensation

The value of flexible working practices and certain family leave policies as a percentage of annual average income



Note: The life satisfaction approach to valuing amenities is used to calculate a monetary value for the availability of each work practice or family leave policy. The monetary values are estimated from a regression of job satisfaction on the availability of flexible working practices and family leave policies, in addition to a range of standard demographic and economic variables including gender, age, age squared, real labour income, hours worked, marital status, highest education qualification, housing tenure status, presence of children by age group, occupation (1 digit level), industry (1 digit level) and time fixed effects. The monetary values are then converted to a percentage of average income. The values are indicative and represent an average over the relevant time period of each survey.

Coverage: United Kingdom (2010-20), Australia (2001-20).

Source: The Understanding Society study (United Kingdom) and the Household, Income and Labour Dynamics in Australia survey HILDA (Australia).

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Flexibility can help retain workers and older workers are more likely to work for longer if jobs are more flexible

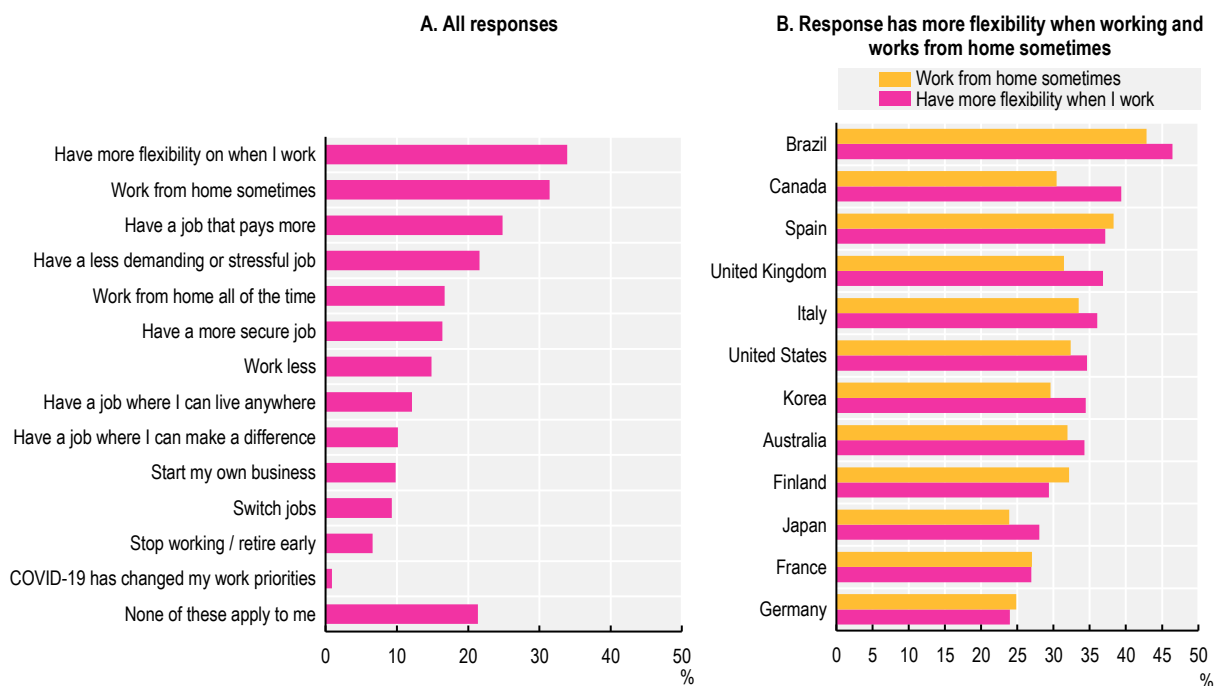
The value that employees place on work flexibility appears to have increased because of the COVID-19 pandemic. The 2022 AARP Global Employee Survey finds that workers are more likely to want flexibility on when and where they work (Figure 2.3, Panel A).⁴ There is more demand for flexibility in some countries than others, but this may partly reflect pre-pandemic differences in flexible working practices (Figure 2.3,

Panel B). Survey evidence suggests that at least some of the recent rise in post-pandemic quits are because of workers looking for jobs that allow greater scope for remote work (Barrero, Bloom and Davis, 2021^[11]), helping to push many employers to permanently change working arrangements.

Pre-pandemic evidence found that more flexible work arrangements can reduce employee turnover and improve worker well-being and productivity (Bloom et al., 2015^[12]). In an experiment with a “results only” work environment, Best Buy, a large United States retailer found that by shifting the emphasis from being visible at a particular time to giving employees control over where and when they do their work, that staff turnover amongst employees exposed to the scheme fell by 46% eight months after implementation (Moen, Kelly and Hill, 2011^[13]).


Figure 2.3. Workers want more flexibility (and higher pay) following the pandemic

Share of workers who want different options following the COVID-19 impact on their job



Note: Persons who replied “yes” to the question “Thinking about the impact of the COVID-19 pandemic on your job, has it made you realise that you want any of the following options?”

Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries in Panel B. Approximately 1 000 respondents in each country.

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Older workers are more likely to work for longer if jobs are more flexible. In a survey of 3 000 American workers aged 55 and over, about 40% of respondents that were not working at the time of the survey, mostly in their 60s and 70s, said that they would be willing to work again if they had exactly the same conditions as in their previous job (Ameriks et al., 2017^[14]). However, 60% reported that they would be willing to return to work with a flexible schedule. Furthermore, 20% of these workers would be willing to take more than a 20% hourly wage reduction to do so.

Uncertain time: Unstable schedules and unpredictable working hours are not a flexibility boon

Uncertain hours (which also affect pay) are a key dimension of job insecurity, alongside the lack of sufficient hours. Unstable and unpredictable work schedules reduce job satisfaction and the likelihood that an employee will stay with the same employer (Boushey and Ansel, 2016^[15]; Fugiel, 2022^[16]). More and more workers are confronted with unpredictable hours, unstable schedules, and variations in days of work, typically without any input from the employee, this is particularly the case in low-paid sectors such as retail and hospitality, but also in higher-wage jobs in transport, construction and manufacturing.

Burnt out and overworked – is it time to leave?

Pre-pandemic reports of stress and burnout in several sectors – including health – shows that this is not a one-off consequence of the pandemic but an ongoing issue that needs to be dealt with in the interests of employee well-being. The OECD job quality framework uses the incidence of job strain as a measure of the quality of the working environment, where job strain is defined as jobs where workers face more job demands than the resources they have at their disposal (Cazes, Hijzen and Saint-Martin, 2015^[4]). Scanlan and Still (2019^[17]) use this framework to explore the relationship between job satisfaction, turnover intention and burnout in an Australian mental health service, finding that emotional demands, shift work, and work-home interference all contribute to increasing employees' quit intentions. Willard-Grace et al., (2019^[18]) find that burnout and low employee engagement is related to higher levels of turnover in a study of San Francisco health services. There is widespread evidence that intensification of work has increased in recent decades, a phenomena that appears widespread across occupations from nurses to aerospace workers, managers and IT workers (Green et al., 2022^[19]; Hunt and Pickard, 2022^[20]; Giménez-Nadal, Molina and Sevilla, 2022^[21]; Eurofound, 2019^[22]; Kelly and Moen, 2020^[23]).

Please call me back – age discrimination is a major limiting factor for older workers

Discrimination and negative attitudes towards different age groups are obstacles to long and productive working lives which has an economic cost. In the United States this was estimated to be USD 850 billion in 2018 (AARP, 2020^[24]). Age discrimination is still present in many modern workplaces and manifests itself in discrimination in hiring practices, firing practices, promotion decisions and opportunities for advancement, workplace inclusion, access to resources such as up-skilling and re-skilling. According to the International Social Survey Programme, 15% of respondents across 28 countries report to having been discriminated against with regard to their work within the last five years; for example, when applying for a job or not being considered for a promotion (OECD, 2020^[25]).

2.2. How to improve job quality and retention in all firms?

2.2.1. Productivity growth is key to driving better wages and job quality in the long run

Productivity growth is the main driving force of better wages and job quality in the long term. Job quality tends to be highest in companies with high-performance work practices, which rely on high pay, long-term relationships (security) and a high-quality work environment. Small firms struggle more often than large firms to provide good working conditions and tend to have less generous wage-setting practices. To some extent this reflects the fact that smaller firms are typically less productive and have less generous wage-setting practices. Although there is a strong overall relationship between firm wage-setting practices and retention, the relationship varies depending on the size of firms. The average retention rate is the highest in firms with over 250, but the wage setting policy is higher in firms with 10 to 49 and 50 to 249 employees (Figure 2.4). This suggests that other aspects of job quality also play an important role.

Firms that improve productivity raise pay in comparison with firms that do not raise productivity (Engbom, Moser and Sauermann, 2022^[26]). Improving employee skills is a key way to improve productivity in low-wage firms (see Chapter 4). Minimum wages have also been shown to contribute to higher labour productivity (Riley and Rosazza Bondibene, 2017^[27]; Coviello, Deserranno and Persico, 2022^[28]).

Figure 2.4. Job retention is a particular challenge in small firms which tend to provide less generous wage and non-wage working conditions

Average of six European countries



Note: The firm wage premia provides an indication of a firm's wage setting policy which may depend among other things on its performance, wage-setting power and personnel policies. Points to the left on the horizontal axis represent firms with relatively low wage-setting practices, while points to the right represent firms with relatively high wage-setting practices. Empirically, wage-setting practices are measured by focusing on firm wage premia, i.e. the component of average firm wages that is not due to worker composition as captured by the firm fixed effects in a wage regression based on Abowd, J., F. Kramarz and D. Margolis' (1999), *High wage workers and high wage firms*.

Coverage: Austria (2008-18), France (2002-17), Italy (2005-15), Portugal (2007-17), Spain (2008-18), Estonia (2008-18).

Source: OECD calculations from linked employer-employee data from: AMS-BMASK Arbeitsmarktdatenbank (Austria); Tax and Customs Board Register (Estonia); Déclaration annuelle des données sociales unifiée (DADS) panel linked with FARE/FICUS (France); Longitudinal Sample social security INPS (LoSai) (Italy); Quadros de Pessoal (Portugal); and Muestra Continua de Vidas Laborales con Datos Fiscales (MCVLCDF) (Spain).

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2.2.2. Taking the high road: Raising the pay of low wage workers

Productivity growth is essential to support rising living standards, and while much of the firm wage-premia depends on business choices and performance, institutional arrangements such as collective bargaining, minimum wages and labour taxation can play a key role in ensuring that productivity gains are widely shared. A growing number of firms offer compensation packages that link pay to performance (Box 2.1). In retail, hospitality, and other consumer facing services, the “low road” practice of setting wages low and managing high turnover is all too common. Governments need to address the high incidence of low pay, income inequality, and often-stagnant wage growth to improve job quality and retention.

Minimum wage increases in many countries have raised the pay of workers at the bottom of the income distribution and have not substantially reduced employment or hours of work (Dube, 2019^[29]).⁵ Minimum wages can also help reduce employee turnover (Brochu et al., 2013^[30]; Dube, William Lester and Reich, 2016^[31]) and reduce wage inequality (Autor, Manning and Smith, 2016^[32]; Engbom and Moser, 2022^[33]). Theoretically there is potential for minimum wages to have a negative effect on employment if they are set

too high. On average across OECD countries minimum wages are set at around 50% of the median. Following a review of international evidence, Dube (2019^[29]) argues that there is room for exploring a more ambitious minimum wage of between 60% to two-thirds of the median wage. Currently, 29 out of 38 OECD countries have statutory minimum wages. In the nine OECD countries without statutory minimum wages (Austria, Denmark, Finland, Iceland, Italy, Norway, Sweden, Switzerland and Costa Rica), a large part of the workforce is formally covered by wage floors specified in collective agreements.

While minimum wages can set a wage floor, collective bargaining can improve wages and conditions over and above this minimum. Apart from pay, collective agreements can often improve other aspects of job quality such as the design and implementation of occupational health programmes, management practices, intimidation and discrimination, and reskilling and training (OECD, 2019^[34]). Collective bargaining can help ensure that workers' requests for pay to increase with productivity are heard therefore preventing excessive turnover (Bryson and Forth, 2010^[35]).

As an alternative to collective bargaining, wage boards can be used to target middle-income workers. These can set multiple minimum pay standards by sector and occupation in collaboration with business and worker representatives (Dube, 2020^[36]). The Australian Modern Awards System contains elements of such a system, and a similar approach is in the process of being implemented in New Zealand in the form of the Fair Pay Agreement System (which is a hybrid of collective bargaining and wage boards).⁶

Box 2.1. Well-designed performance related pay can help reduce excessive turnover

Performance related pay such as bonuses can help motivate workers and increase their attachment to an organisation or business, lowering turnover and absenteeism, as long as the type and design of schemes are appropriate (Lucifora and Origo, 2022^[37]). However, evidence shows that there is wide variation in the effects of performance-related pay – what works in one situation may not work in another, and this may explain why it is not widely used. Such schemes also need to be carefully designed, otherwise the effects can be counterproductive, as when performance is difficult to measure, or employees' intrinsic motivation is relevant (Lucifora and Origo, 2022^[37]). Linking pay to performance may also generate excessive stress and damage long-term performance. Nevertheless, the spread of remote work arrangements is likely to lead to more performance related pay rather than input-based compensation systems (based on hours of work for example).

2.2.3. Improve management practices and staff engagement

Better people management skills can reduce employee quit rates (Hoffman and Tadelis, 2021^[38]; Friebel, Heinz and Zubanov, 2021^[39]; Moscelli, Sayli and Mello, 2022^[40]), as well as improve firm productivity (Bloom et al., 2019^[41]). Hoffman and Tadelis (2021^[38]) find that a manager's interpersonal skills in relations with their subordinates have a very strong effect on reducing employee attrition. Further, positive human resource management practices, including career support, clear expectations, coaching, consultation, a positive attitude and trust have a substantial effect on reducing staff retention. Having autonomy over how work is done, participation in decision making, supportive supervision and positive interpersonal contact have also been shown to be strongly associated with self-reported job satisfaction (Bryson, Forth and Stokes, 2015^[42]).

One mechanism through which better management can improve retention is through staff engagement. Staff engagement can be defined “as a blend of three existing concepts: job satisfaction, commitment to the organisation and extra-role behaviour, i.e. the discretionary effort to go beyond the job description” (Schaufeli, 2013^[43]). In the English National Health Service (NHS), Moscelli et al. (2022^[40]) find that better staff engagement improves the retention of nurses. They find that workplace culture, leadership and

resources all have a positive effect on engagement, and one of the key predictors of engagement is the perception that managers involve employees in important decisions. Self-realisation at work, measured by the share of staff with opportunities to use their skills, also has a significant positive association with engagement. Pay and having a full-time job also play a role in explaining nurses' engagement. Improving staff engagement also proved important in a related intervention to improve retention in the English NHS (Box 2.2).

Box 2.2. Relatively light-touch interventions can improve job quality and employee retention

Retention of skilled workers is essential for labour intensive organisations like hospitals where excessive turnover of nurses and doctors can reduce the quantity and quality of care. The non-financial aspects of job quality are also particularly important in such organisations where large workforces and budget constraints limit the opportunity for wage increases. To tackle staff shortages and low retention rates, the English National Health Service implemented the Retention Direct Support System (RDSP) to improve the non-pecuniary aspects of job quality.

Improving career progression, development and engagement and stimulating a compassionate work culture contributed to the largest retention gains in the hospitals characterised by the worst average retention before the intervention; while improvements in staff engagement, support to new staff, selection of new joiners and the inclusion of retention in the organisation strategy worked best in hospitals with the highest pre intervention retention. Compared to training new nurses, which takes three to four years, improving retention is a time and cost-efficient solution to staff shortages.

The programme was implemented between 2017 and 2020 and was found to improve nursing retention by 0.78 percentage points leading to the retention of 1 697 nurses and midwives who would have otherwise left public hospitals. The intervention was very light touch (and therefore relatively cheap) which appears to have worked primarily by filling information gaps on the scale of the problem at the hospital level, and by providing some examples of best practice about how it could be solved. It was cost-effective; the cost of replacing the nurses that would have otherwise quit was likely higher than the productivity loss of the working hours spent to organise and implement the programme.

Source: Sayli et al. (2022^[44]), "Do Non-monetary Interventions Improve Staff Retention? Evidence from English NHS Hospitals", <https://docs.iza.org/dp15480.pdf>.

2.2.4. Promote good quality flexible working conditions

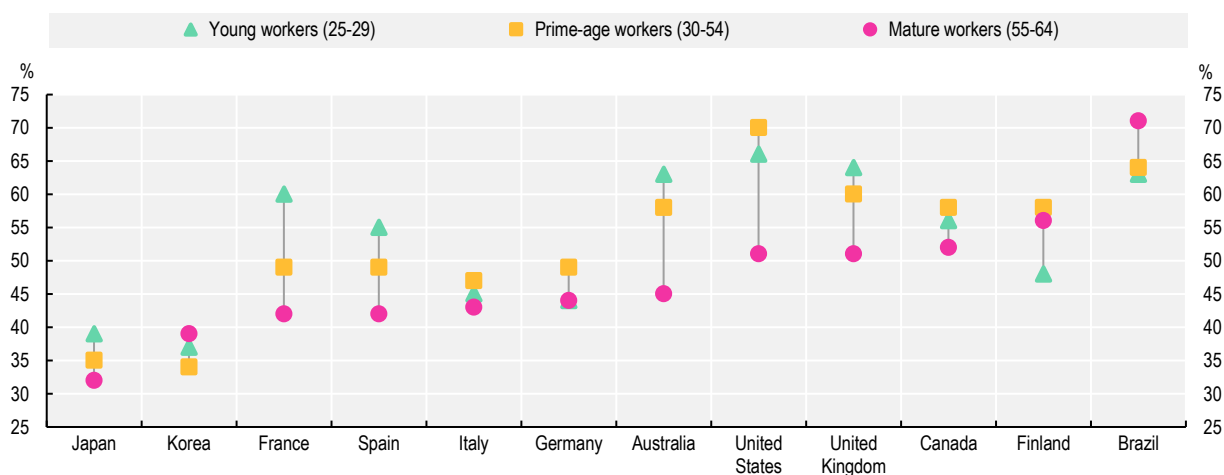
Overall, evidence suggests that work-schedule flexibility improves employees' views of their own work-life balance, and while flexibility will not work for all jobs, greater flexibility can improve job satisfaction and employee retention (Moen et al., 2016^[45]). Surveys of employee attitudes show that a large proportion of people do not want to return to pre-pandemic working patterns, and that many workers prefer working from home at least part of the week (Barrero, Bloom and Davis, 2021^[46]). Flexible work arrangements are effective in helping organisations respond to the potential loss of skills linked to the retirement of older employees (Ameriks et al., 2017^[14]), yet evidence from the 2022 AARP Global Employee Survey shows that mature workers have much less flexibility in their jobs (such as being able to work from home or flexible hours) relative to younger workers in most countries in the sample (Figure 2.5).

There are both opportunities and challenges for businesses in implementing more flexible arrangements. The Forbes Human Resources Council highlight the need to focus on work results and deadlines rather than on the length of the working day (Forbes, 2021^[47]). Forbes suggests that by entrusting employees with the freedom of a flexible schedule, they will work harder to maintain the trust of employers. Flexible

working arrangements are also more likely to be successful when they are taken part of an organisations' culture. McKinsey found that having the right policy in place was not enough if people were looked down on for taking time off (McKinsey, 2021^[48]). Older workers also need to be sufficiently secure to request flexible work without damaging their occupational position. One way in which this can be supported is through ensuring that flexible working arrangements are used by senior staff (Smeaton and Parry, 2018^[49]).

Figure 2.5. Workers in Japan and Korea have the least job flexibility

Share who replied agree or strongly agree that they have flexibility in their job, by age



Note: Persons who replied “agree or strongly agree” to the question “I have flexibility in my job (e.g. able to work from home, flexible hours)”.

Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries shown. Approximately 1 000 respondents in each country.

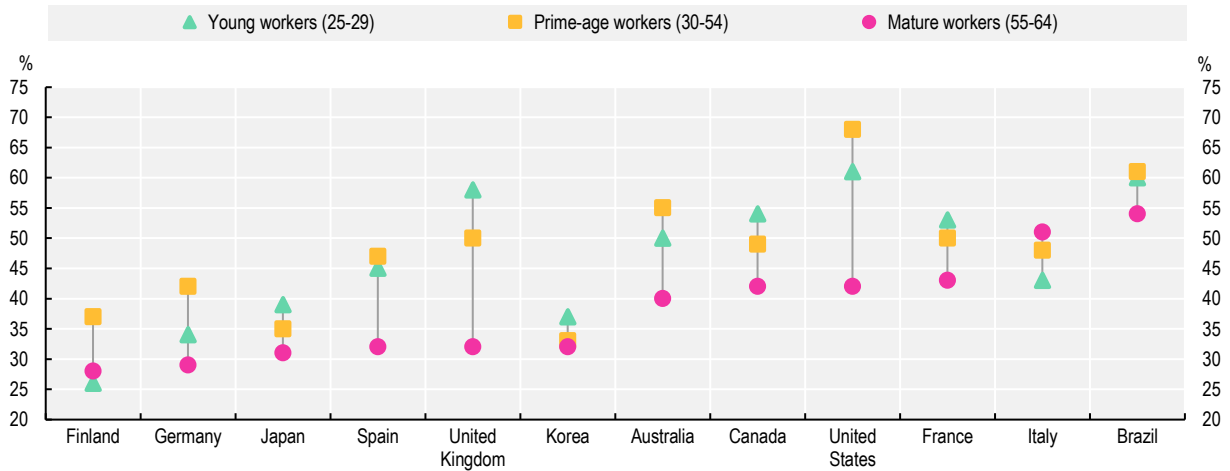
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2.2.5. Support people to reconcile work with family and care responsibilities

In addition to flexible working practices, government and employer policies such as parental leave and paid caregiving are also crucial to helping people reconcile work with family and care responsibilities. The high proportion of women with caring responsibilities in the labour market and unpaid care work carried out by older workers means that governments and employers need to do much more to help people balance work and caring responsibilities. Evidence from the 2022 AARP Global Employee Survey shows that mature workers have much less flexibility to care for children and dependent adults relative to younger workers, with the least flexibility in Finland, Germany, Japan and Spain (Figure 2.6). A recent American survey found 64% of workers who live with children under 18 are more likely to consider a new job with a hybrid working arrangement than compared to 49% of workers without children under 18 (Barrero, Bloom and Davis, 2021^[11]). In many countries, paid leave for caring duties, childcare voucher systems, gradual return to work programmes for workers on maternity or paternity leave, and extended parental leave are used to help retain workers.


Figure 2.6. Mature workers have the least flexibility to care for children and dependant adults

Share who replied agree or strongly agree that they have flexibility to care for children and/or dependent adults



Note: Persons who replied “agree or strongly agree” to the question “I have flexibility to care for children and/or dependent adults”.

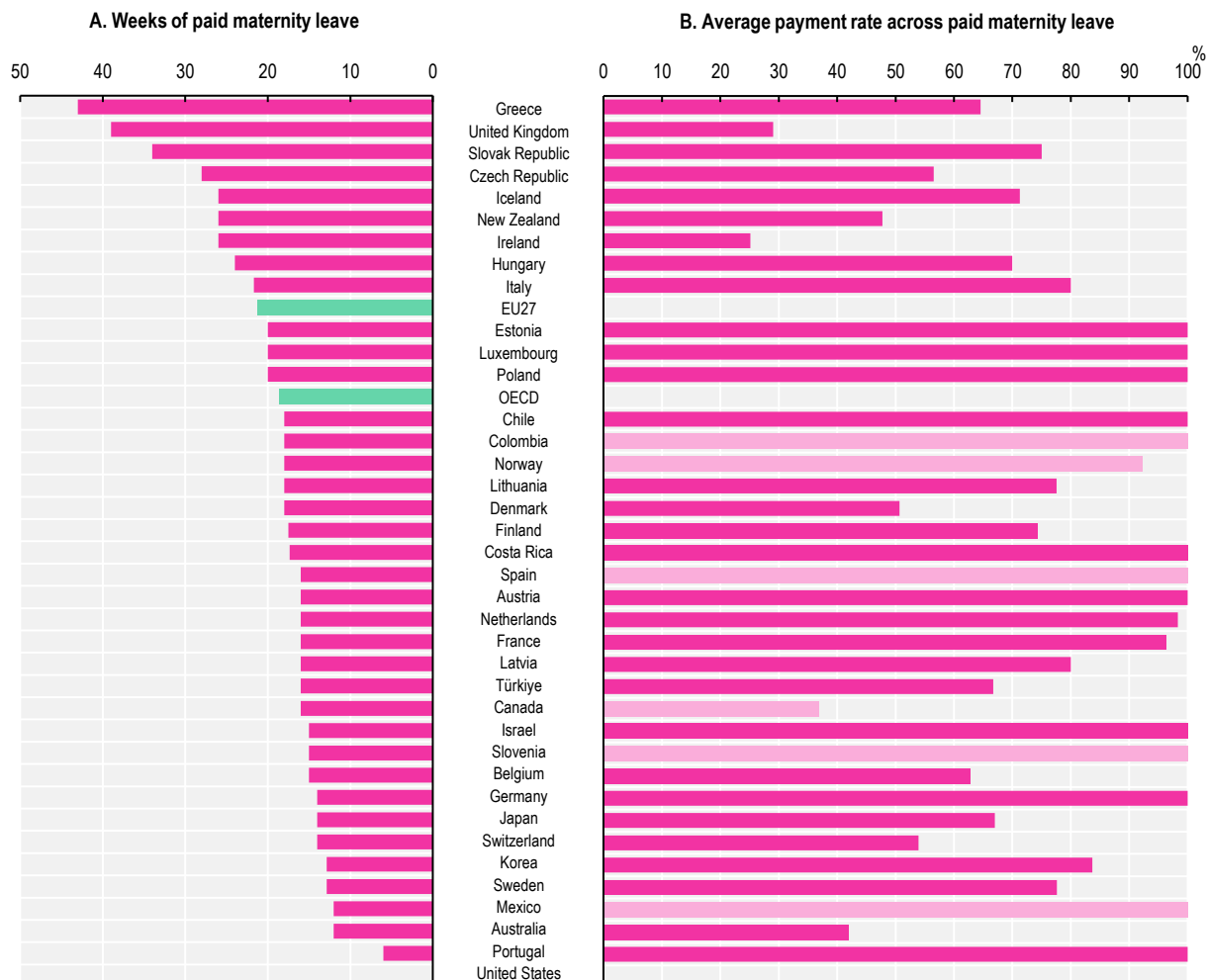
Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in the 12 countries shown. Approximately 1 000 respondents in each country.

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Almost all OECD countries offer some national paid parental leave policy. On average across OECD countries, mothers are entitled to just over 18 weeks of paid maternity leave around childbirth, with around 70% of wage replaced on average (Figure 2.7).⁷ The exception is the United States, the only OECD country to offer no statutory entitlement to paid leave on a national basis (although there are policies at state level). Providing paid family leave benefits at the state level in the United States has been shown to improve firm outcomes by helping them to recruit and retain highly qualified employees (Bennett et al., 2020_[50]). Paid family leave policies in California, New Jersey and New York show that access to leave can support job stability for female partners of men who experience a negative shock to their health (Coile, Rossin-Slater and Su, 2022_[51]). Paternity leave should also be expanded to improve the work-life balance of mothers and fathers (and other family types).⁸ This can help reduce the stress on mothers, allowing them to return to the workplace earlier (McKinsey, 2021_[48]) (Box 2.3).

Figure 2.7. Paid maternity leave duration and payments vary widely across countries

Duration of paid maternity leave and the average payment rate across paid maternity leave for an individual on national average earnings, 2021



Note: Light pink bars indicate payment rates based on net earnings. Information refers to paid maternity leave entitlements in place as of April 2020 (and to 2016 for Chile). Data reflect entitlements at the national or federal level only. The “average payment rate” refers to the proportion of previous earnings replaced by the benefit over the length of the paid leave entitlement for a person earning 100% of average national full-time earnings. If this covers more than one period of leave at two different payment rates, then a weighted average is calculated based on the length of each period. In most countries benefits are calculated based on gross earnings, with the “payment rates” shown reflecting the proportion of gross earnings replaced by the benefit.

Source: OECD Family Database, <https://www.oecd.org/els/family/database.htm>.

StatLink  <https://stat.link/3xfu27>

Box 2.3. Recent improvements in the labour force participation of women are under threat without better childcare and adult social care

Female participation in the labour market has generally increased in recent decades (Albanesi, Olivetti and Petrongolo, 2022^[52]), but care for children and dependent adults more often falls on women and in the context of population ageing this raises the risk of undoing the recent gains in labour market participation. For instance, evidence suggests that, on average across OECD countries, 61% of those providing daily informal care are women. The high cost of childcare and long-term care in many countries can prevent re-entry into the labour force or lead women to leave current positions in search of work-from-home or other alternatives. More generous support for childcare, such as public provision or subsidies plays a key role in supporting female labour force participation (Albanesi, Olivetti and Petrongolo, 2022^[52]). In contrast, most evidence based on European reforms finds that longer leave delays mothers' return to work, without long-lasting negative or positive effects on pay and participation (Albanesi, Olivetti and Petrongolo, 2022^[52]). On average across OECD countries, the typical gross childcare fee paid for two children (aged two and three) in full-time centre-based care equates to just under 26% of average earnings, but this varies from as low as 1% of average earnings in Germany to 50% or more of average earnings in countries like Australia, Greece, Japan, Luxembourg, the Netherlands, New Zealand and Switzerland (OECD, 2022^[53]).

In addition to parental leave, most OECD countries provide employees an entitlement to paid leave to care for sick children or other family members. Currently, 19 out of 35 OECD countries (for which data are available) provide paid leave to care for an older dependent (Rocard and Llana-Nozal, 2022^[54]). Many countries offer unpaid leave for family caregiving as an extension to paid leave or in place of paid leave. Twenty-two out of 35 OECD countries (for which data are available) provide either paid or unpaid leave for caring for an older dependent. Care leave is found mostly in European countries. In non-European OECD countries, only Japan and Canada have paid leave, and only Canada, Japan and Korea provide unpaid leave. In the United States, five states have legislated for paid care leave under specific and various conditions.

There is often a stigma associated with using caregiving leave, therefore firms and governments need to be encouraged to improve the availability and take up of policies to support adult caregiving. Organisation culture can play a key role in ensuring that available benefits are well advertised, creating an internal Working Caregivers Community on an internal messaging platform, or providing visible examples of how senior leaders have used caregiving leave (AARP, 2022^[55]).

2.2.6. Promote phased retirement and work redesign

In the last decade, many OECD countries have raised the retirement age above 65 years of age to 67 and higher. Governments should encourage longer and more satisfying careers for those who are able to through more flexibility in work-retirement transitions, for example by promoting phased retirement, better balancing work and care and permitting a combination of pensions with work income. Canada, Denmark, Iceland, Norway, Portugal, Switzerland and the United States have maximum deferral ages for men of at least 70 (and 69 for women in the case of Switzerland) (OECD, 2017^[56]). Countries should also restrict the use of publicly funded early-retirement schemes which encourage workers to leave employment while they are still in good health and able to work (OECD, 2019^[57]). A range of policies have been implemented by OECD countries to extend flexible retirement options (Box 2.4).

Box 2.4. Phased retirement can help extend working lives

- Estonia expanded flexible retirement options, allowing the combination of pension and labour income for three years before the legal retirement age. It is also possible to take out only half a pension, which makes later pension payments higher compared to taking the full pension (Republic of Estonia Social Insurance Board, 2022^[58]).
- In Austria, the so-called “partial pension” facilitates employment for older employees with the greatest possible financial security at reduced working hours until they reach the standard retirement age (Federal Ministry of Social Affairs Republic of Austria, 2019^[59]).
- In France the scheme of *retraite progressive* allows individuals to receive part of their pension from the age of 60 while continuing to work part time, if 150 quarters of paid work have been completed. Having more than one part time job is also allowed (OECD, 2017^[56]).
- In Spain, under the *jubilación parcial*, workers can receive part of their pension while working between 50-75% capacity. The minimum age to be able to take advantage of the scheme is 62 years and two months in 2022, increasing on a yearly basis, alongside the full retirement age. Years of employment in the company one plans to continue to work for and the type of contract can also affect eligibility (European Commission, 2022^[60]).

The Singaporean Government is taking action to extend the working lives of older workers through its re-employment policy and job re-design grants. Rather than increase the retirement age, the Government’s re-employment policy aims to create the opportunity for employers and employees to think about how work may be re-designed to enable older workers to continue working, supported by a job re-design grant of up to 80% of the project costs or SGD 20 000, whichever is the lower, with an employer able to make multiple submissions.

2.2.7. Engage employees and managers to improve accountability and reduce prejudice

A twin-track approach of engaging line managers and employees is likely to be more effective than diversity training as evidence shows how difficult it is to de-bias minds (Bohnet, 2016^[61]). According to the 2020 AARP Global Employer Survey only 42% of employers offer their managers training on management practices for a multigenerational workforce, so there is scope to improve this across organisations. At the same time employee engagement and buy-in can be boosted through Employee Resource Groups (ERGs) (OECD, 2020^[25]). ERGs are voluntary employee led groups which can promote accountability, engage members and increase contact among diverse groups. While evidence on their effectiveness is scarce, other studies on corporate diversity taskforces that share similarities with ERGs, show that intergroup contact effectively reduces prejudice among a broad range of minority groups including older people (Bertrand and Duflo, 2017^[62]). Programmes led by governments and social partners can also work to reduce prejudice in the workplace (Box 2.5).

Box 2.5. Affirmative action through information campaigns can counter negative employer attitudes

- The Netherlands has used public awareness campaigns featuring an ex-soccer player to reduce the negative stereotypes among employers and encourage them to hire older workers. Anti-age discrimination laws are powerful if victims themselves are aware of their rights. Belgium disseminated information via banners and posters on the illegal nature of discrimination based on age and encouraged victims of discrimination to report their experience.
- In Latvia the *Promoting Diversity* programme is a good example of how affirmative action and coercive measures can be mutually reinforcing. Latvia implemented four activities related to age discrimination including i) targeted motivation and support services for individuals at risk of discrimination to help them integrate them into employment, ii) educational activities targeted at employers and employees on social inclusion and anti-discrimination, iii) support measures to promote an inclusive working environment and diversity management, and iv) public awareness-raising. By the end of 2022, it is expected that 930 people who are at risk of discrimination will either start their job search or participate in education/training, qualification, employment, including self-employment, following the use of motivation services. In addition, 300 employers and employees will be trained in social inclusion and non-discrimination and five good practices will be promoted to create an inclusive working environment and diversity management.

Source: OECD (2022^[63]), Report on the Implementation of the OECD Recommendation on Ageing and Employment Policies, <https://www.oecd.org/mcm/Implementation-of-OECD-Recommendation-Ageing-and-Employment-Policies.pdf>.

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Notes

¹ For example a recent meta-analysis of 339 studies using data accumulated by Gallup across 49 industries in 73 countries found that higher employee well-being is associated with higher productivity and firm performance (Krekel, Ward and De Neve, 2019^[64]). From studying the relationship across this large range of studies, they examine the relationship between employee satisfaction and four aspects of firm performance: customer loyalty, employee productivity, profitability, and employee turnover. They find a significant negative relationship between employee satisfaction and staff turnover. They also find that higher levels of employee satisfaction are associated with higher levels of customer loyalty, productivity and profitability. However, these results do not give any indication about what drives employee satisfaction, making it difficult to draw any policy conclusions.

² Firm-wage setting practices are measured empirically by focusing on average firm wages after controlling for differences in workforce composition following Abowd, Kramarz and Margolis (1999^[5]).

³ The terms “mature” and “older” are used interchangeably throughout this report.

⁴ This is consistent with other survey results for example from the United Kingdom showing that employees whose working from home expectations are not met are twice as likely to want to quit their employer (Understanding Society COVID-19 study), and in a global working from home survey 15% of respondents said that they would quit or look for a working from home job if forced back to the workplace in person full time (Aksoy et al., 2022^[66]).

⁵ The self-employed have risen as a share of low paid employment in recent years; a group of workers who are not directly affected by minimum wages. One-way to include some self-employed would be to extend the minimum wage to self-employed people who do not have the power to set their own prices – this would cover some of the “gig economy” platforms such as Uber and Deliveroo who control the prices that are charged to customers (D’Arcy, 2017^[65]). An alternative in some countries such as the United Kingdom is to enforce existing laws better – many self-employed people are in fact “workers” rather than “independent contractors” and therefore have the right to the minimum wage and other benefits.

⁶ This system will allow any union to initiate bargaining for a Fair Pay Agreement if represents at least 1 000 employees or 10% of the employees in the proposed coverage. The agreements will cover basic pay and other conditions.

⁷ Many empirical studies find that female labour outcomes improve following the implementation of maternity leave programmes, for example Rossin-Slater (2017^[67]).

⁸ On average, OECD countries offer just under nine weeks of paid father-specific leave, either through paid paternity leave or paid father-specific parental or home care leave. In some countries such as Sweden and Norway, partners have dedicated use it or lose it time off.



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