

1 Harnessing work potential at all ages: the role for career mobility

In an era marked by rapid technological change, rapid population ageing and evolving labour markets, career mobility at all stages of working life plays a vital role in helping people adapt. Ensuring workers have greater choices and opportunities for career mobility and work that meets their needs is essential for keeping them in the workforce. This chapter explores diverse aspects of career mobility, underlining its importance for helping older workers who may be affected by structural changes or who wish to continue working but not in the same job and for enabling transitions from poor to good quality jobs.

Key messages

Career mobility, or the fact of changing jobs or occupations, within or between firms, is essential for the functioning of labour markets and sustaining productivity. At the worker level, it is a well-established driver of wage growth, especially for younger workers.

Several megatrends such as rising longevity and the digital revolution are moving workers of all ages towards greater career mobility.

- **Workers 45 to 64 already constituted 41% of the OECD workforce in 2022**, up from 29% in 1990. With people staying in the labour force longer, an increasing number of workers want to change or rethink their career ambitions, and therefore planning for a career later in life is becoming increasingly important.
- **The 2022 AARP Global Employee Survey reveals that one in two workers over 45 is hoping to change jobs within the next three years.** On average across OECD countries the rate of job-to-job transitions increased by 1.5% between 2012 and 2020. More people may actually want to change job than currently do because of various structural or personal constraints.

Barriers to work due to health problems and disabilities increase with age, alongside demands for providing informal caregiving. These barriers can make it more difficult for older workers to continue working the same way they used to resulting in an increased need for career mobility.

For women, childbirth imposes a penalty in terms of wages and career progression. Childbirth can disrupt women's career trajectories through breaks in employment, part-time work and employment in jobs with greater flexibility but lower wages and fewer benefits.

Technological change has profound implications for older workers (aged over 55), who may need support in transitioning towards growing sectors and occupations.

- Older workers are 14% more likely to work in routine manual occupations than younger workers, thus facing a higher risk of losing their job due to automation.
- For older workers who are displaced the risk of long-term unemployment is high. The share of workers aged 55-64 in long-term unemployment is 12 percentage points higher than for workers aged 25-54. Long-term unemployment can ultimately lead to early retirement, particularly if unemployment benefits allow extensions up to claiming old-age pensions.

The evidence suggests that many older workers are trapped in bad jobs which can have long lasting consequences on their well-being, health and overall career prospects. Career mobility is an important lever for obtaining more suitable employment and facilitating longer working lives by reallocating workers from low quality to more productive and healthy jobs.

- **Older workers are 6% less likely to work in age-friendly jobs (i.e. jobs that have less physical exertion, less autonomy in their work, less hazardous for example) than younger workers.** Many older workers may not be in jobs that match their preferences for flexibility and reduced physical demands.

Career mobility is correlated with longer working lives. Workers who changed job mid-career are more likely to be employed at age 60 (61% in Europe and 72% in the United States) than those who did not switch jobs (53% in Europe and 68% in the United States).

Workers who changed job mid-career are also less likely to be retired at age 60, particularly women who are 3 percentage points less likely to retire at age 60.

1.1. Careers are becoming increasingly dynamic across all ages

The career landscape of the 21st century has witnessed a notable departure from traditional career paradigms, giving way to more fluid and diversified trajectories. Workers now change jobs, firms, and even careers more often than previously. Across OECD countries, average job tenure has fallen by about 8% (nine months) over the past decade (OECD, 2023^[1]) and recent data from the United States shows that baby boomers (birth cohort 1957-64) held an average of 12.7 jobs from ages 18 to 56, a figure that deviates significantly from the model of lifetime employment in a single job of previous generations (U.S. Bureau of Labor Statistics, 2023^[2]). Career changes are also becoming more frequent, with some employer survey estimates suggesting that one in two workers make a complete career change (occupational change) during their lifetime (Indeed, 2019^[3]).¹

Career mobility can take many different forms. It encompasses vertical (upward or downward) and horizontal (within the same level) transitions, which can occur internally within an organisation or externally between different organisations. As such, it can imply moving between jobs across firms (job-to-job mobility), changing occupations (occupational mobility), or changing roles within one firm (within firm mobility). This report will focus on job-to-job mobility and occupational mobility, and whenever possible, give insights on within-firm mobility (see Box 1.1 for the definitions used in this report).

Career mobility can also be voluntary – workers who voluntarily switch jobs to find better employment – or involuntary – workers who are laid off or forced to change jobs. Such a nuanced understanding of career mobility is essential to discern its multifaceted impact on labour market outcomes, and to acknowledge that career mobility is not universally beneficial. The policy goal should be to facilitate voluntary and good career mobility choices that encourage an enriched and prolonged participation in the workforce.²

Effective career mobility is crucial for boosting labour market responsiveness to economic changes and for improved productivity. Mobility can support worker reallocation to growing industries, thereby promoting economic growth and reducing the risk of unemployment (Manyika, 2017^[4]; Causa, Luu and Abendschein, 2021^[5]). Mobility can also boost individual productivity through improving the quality of job matches. To the extent that match qualities correlate positively with measures of firm level productivity, there should be a link between direct job-to-job transitions and workers moving upwards through a productivity ladder (Albagli et al., 2021^[6]).

Career mobility is a well-established motor for wage growth and career progression during the early stages of workers' careers (Topel and Ward, 1992^[7]; Hahn et al., 2017^[8]). However, discussion often focuses on younger workers with relatively little attention paid to the role of career mobility to support workers in their mid-life and later stages of their career which in turn can support more satisfying and longer working lives for older workers. While job stability is appropriate for workers who are happy in their jobs and do not want to change, current labour market developments, driven by population ageing and technological change, may leave workers with little choice but to change jobs. Workers' also need adaptability, mobility and resilience. This raises the following questions:

- In what ways does extended longevity affect workers' career aspirations in mid-life and older ages?
- How might technological change, with its impact on job destruction and creation, necessitate career transitions at later stages in one's career?
- With longer working lives, how will workers' preferences and barriers to work change over their work-life?

The following sections provide insights into these questions and highlight how these developments may create a need for better career mobility at all ages.

Box 1.1. What is career mobility?

In this report, we refer to the term career mobility to encompass different types of job changes:

- **Job-to-job changes** measured as people transitioning from one job to another. The definition will vary depending on the survey data used. In EU-SILC, the longitudinal survey is used and those experiencing a job change are identified as those responding “yes” to the question “Have you changed job since last year?”. When using linked employer-employee data, a job-to-job change is defined when someone switches firms between two consecutive years. In the United States-CPS, a job-to-job change refers to those who: (1) Had two or more employers in one year, (2) Had one employed but reported a change in 2-digit ISCO code, or (3) Had one employer but two or more spells of employment (although this accounts for only a small number of observations). When using the Korean Labor and Income Panel Study (KLIPS) longitudinal data, a job-to-job change refers to observations where an individual is employed in two consecutive years, but their job tenure is less than one year. In the United States Health and Retirement Study (HRS), a longitudinal survey, a job-to-job change refers to those who responded “no” to working in the same job as the previous wave.
- **Occupational changes** measured as job-to-job changes that also involve a change in occupation. In the European Union Statistics of Income and Living Conditions (EU-SILC), the US Current Population Survey (CPS), and KLIPS, an occupational change is coded as a change in the 2-digit ISCO code conditional on a job change.
- **Within firm job changes**, or promotions, are defined using linked employer-employee data, for individual wage growth of more than 10% relative to co-workers’ wage growth in the same firm.

This report also differentiates, whenever possible, between voluntary and involuntary mobility.

- **Voluntary mobility** captures the fact that workers change jobs in order to find better employment. In EU-SILC, voluntary mobility is measured as those workers who when asked why they have changed jobs, responded “to seek better employment”. In the US-CPS and KLIPS longitudinal data, voluntary mobility is measured as workers who changed jobs in the past year and had an unemployment spell of one month or less. The US HRS defines voluntary mobility as workers who reported that they “started next job” after leaving their previous job.
- **Involuntary mobility** captures those workers who are laid off, but also who are forced to make job moves. In EU-SILC it includes all workers who did not change jobs in order to find better employment. They could have changed jobs because they were laid off, forced to by their employer, their business closed, or due to family and other reasons, such as caregiving or a partner’s job move. In the US-CPS and KLIPS longitudinal data, involuntary mobility captures workers who changed jobs in the past year but experienced an unemployment spell of greater than one month. The US-HRS Life History Module defines involuntary mobility as workers who reported that they were “unemployed” after leaving their previous job. The US-HRS Longitudinal Survey defines involuntary mobility as workers who were laid off or left their jobs for health or family reasons.

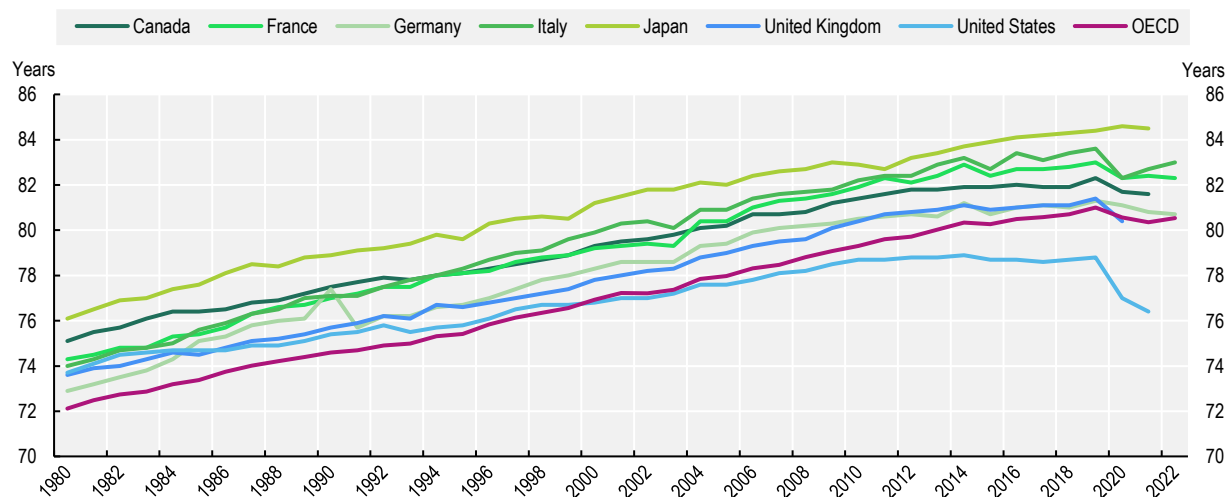
1.2. Increased longevity and population ageing can have profound implications on workers’ careers and aspirations

Ageing populations are leading to an ever-larger workforce of midcareer and older workers. Life expectancy at birth averages 81 years across OECD countries up from 72 years in 1980 (Figure 1.1), while

fertility rates have been steadily dropping over the last six decades (OECD, 2021^[9]). These trends are driving population ageing and contribute to a growing share of the OECD workforce who are aged 45-64. In 2022, this group constituted almost 41% of the OECD workforce, up from 29% in 1990 (OECD, 2024^[10]).

Figure 1.1. Life expectancy is rising across most OECD countries

Life expectancy at birth, G7 countries and OECD average, 1980-2022



Source: OECD dataset: Health Status, https://stats.oecd.org/Index.aspx?DataSetCode=HEALTH_STAT (accessed on 12 December 2023).

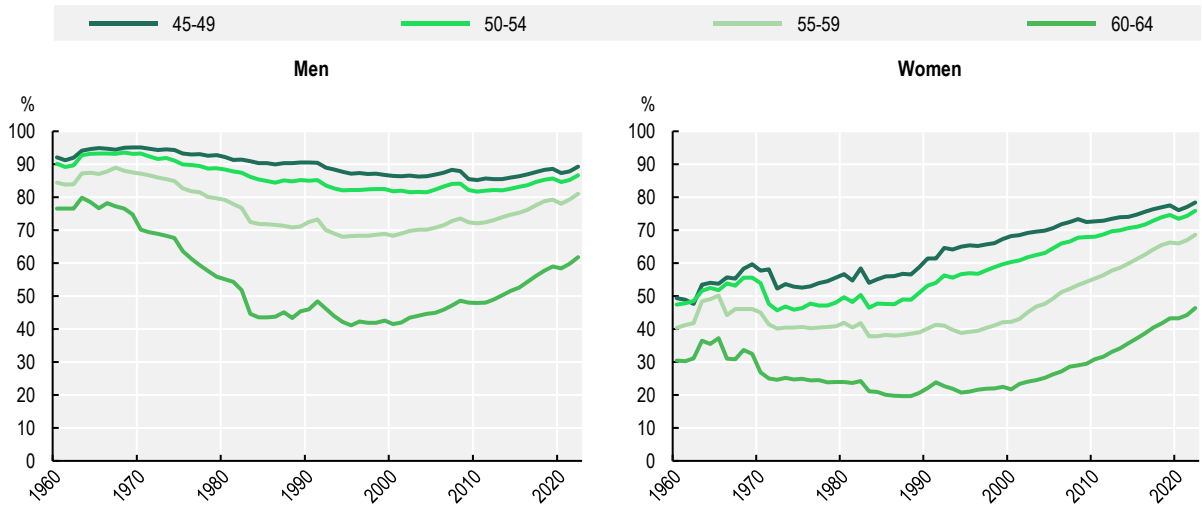
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These trends coincide with older people being more active in the labour market than ever before, particularly due to the increased labour market entry and retention of women. Overall, the employment rate of older workers (defined in this report as workers aged 55-64) has increased by 9.2% over the past 60 years on average across OECD countries. Yet, this overall increase masks large differences between men and women: the employment rate of women has increased since the 1960s, while that of men is now converging back to the 1960s rate after a long-term decline prior to 2000 (Figure 1.2).

With people staying in the labour force longer, more workers are changing or rethinking their career ambitions, and so planning for career changes later in life is becoming increasingly important. For instance, results from the 2022 AARP Global Employee Survey show that almost one in two workers aged 45 and older hope or expect to change jobs within the next three years (Figure 1.3). Across the globe, many mid-career and older workers are hoping to change jobs, even though they may not be sure of when. These results reflect that a large number of workers want to change jobs or want more career progression even at late stages of their careers.

Figure 1.2. The employment rate of older workers has increased over the last 60 years

Employment rates by age and by gender, 1960-2022, OECD



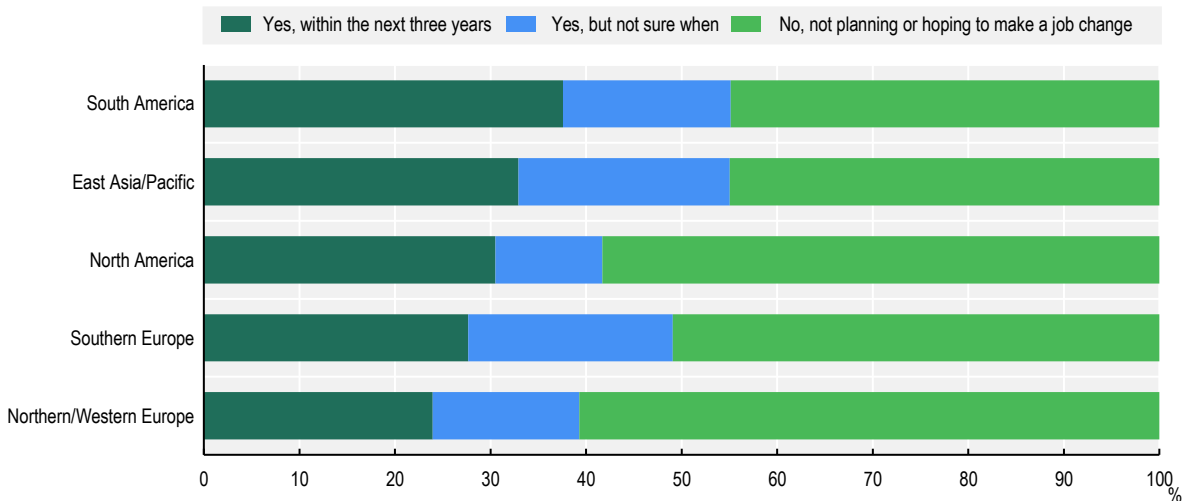
Note: OECD is a weighted average.

Source: OECD dataset: LFS by sex and age – indicators, <http://stats.oecd.org/Index.aspx?QueryId=118627>.

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Figure 1.3. Many mid-career workers expect or want to change jobs

Are you expecting or hoping to make a job change in the next few years?



Note: Respondents aged 45 and over. Unweighted averages of the 12 survey countries.

Regions: East Asia/Pacific (Australia, Japan, Korea), North America (Canada, the United States), Northern/Western Europe (Finland, France, Germany, the United Kingdom), South America (Brazil), Southern Europe (Italy, Spain).

Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in Australia, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Spain, the United Kingdom and the United States. Approximately 1 000 respondents in each country.

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Longer working lives also imply that as workers age, initially good job matches may deteriorate due to changes in workers' preferences, health challenges (including disabilities) or caregiving obligations as well as due to skill depreciation. Older workers are more likely to face health barriers to work (OECD, 2022^[11]) and chronic illness which are key drivers for of premature labour market exit (OECD, 2023^[1]).³ As health status worsens with age, combining work with certain health conditions may become increasingly difficult for older workers. While not all workers with a disability have the capacity to work, evidence suggests that many are often still able and want to continue working provided the right support and conditions are provided (OECD, 2022^[11]). In some instances however, the nature of the job is such that no adaptations are going to be effective, in which case, career mobility, either within- or between-firms is necessary to stay in the workforce.

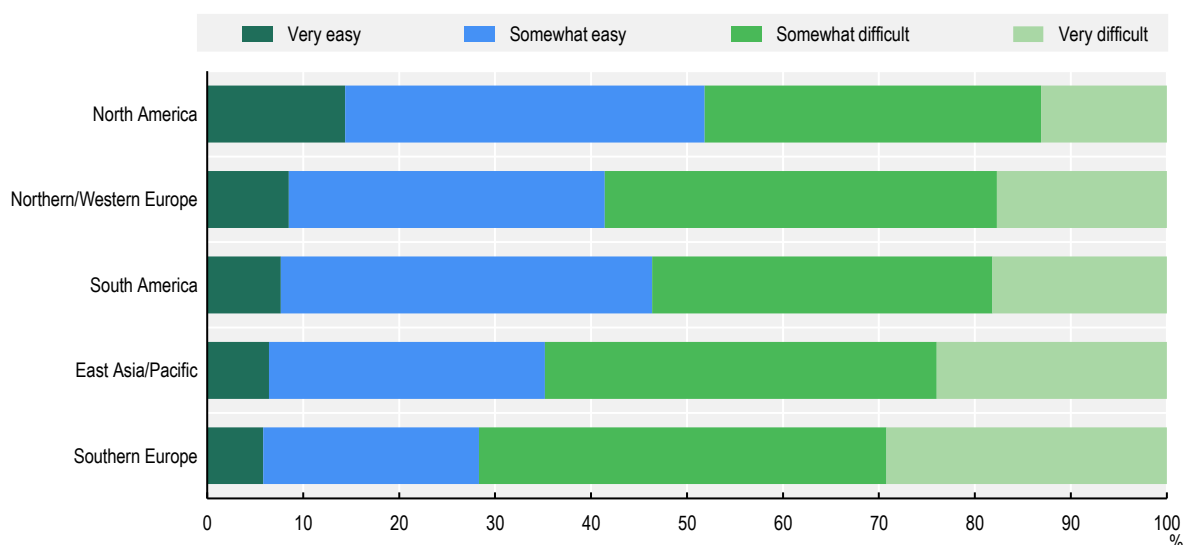
Care responsibilities may be considerable for people earlier on in their careers, for example, to look after young children, but they may rise again at older ages. for example, to provide informal caregiving to parents and partners.⁴ On average across OECD countries, around 13% of people aged 50 and over provide frequent informal care, 62% of which are women (OECD, 2021^[9]). Informal caregiving is known to contribute to lower employment and earnings levels, particularly among women and especially for older workers (Maestas, Messel and Truskinovsky, 2022^[12]). Most importantly, caregivers tend to have lower employment and earnings levels, even after caregiving obligations have ceased, reflecting the difficulty for workers to return to the labour market (Vangen, 2021^[13]). Further, this often comes on top of the “motherhood penalty” and “price of being female” which creates a divergence in wages between men and women over time as a result of childbirth (Goldin, Kerr and Olivetti, 2022^[14]). As the proportion of the population over 65 continues to rise, demand for caregiving will continue to rise in most countries, often without a concomitant increase in the supply of publicly funded caregiving. Workers are increasingly looking for jobs with working-time flexibility that allow combining work with informal care obligations, and this is essential to prevent early labour market exit.

Indeed, evidence suggests that how workers value different workplace characteristics evolves with age. Older workers tend to value flexible working environments, both in terms of flexible working time and geographical flexibility (Maestas et al., 2023^[15]; Hudomiet et al., 2021^[16]; Ameriks et al., 2020^[17]). For instance, Ameriks et al., (2020^[17]) find that older workers in the United States would be willing to accept up to a 20% hourly wage reduction in exchange for a more flexible work arrangement. This search for more flexibility is a development that may have been accelerated by the COVID-19 pandemic (OECD, 2023^[1]). Maestas et al., (2023^[15]) and Hudomiet et al., (2021^[16]) find that older workers also prefer jobs that involve less physical activity and stress.

Finding a job that matches the skills and experience of older workers can be difficult as illustrated by the response to a question in the 2022 AARP Global Employee Survey (Figure 1.4). In the 12 countries surveyed, on balance, respondents found looking for a job opening that matched their skills and experience difficult. Older workers often lack recent job search experience and therefore lack knowledge of current technologies and expectations around job search. Structural barriers such as age discrimination, geographic barriers or institutional barriers such as occupational licenses can also act as barriers. Structural, workplace and individual barriers to mobility, alongside policies to overcome these are discussed further in Chapters 3 and 4.

Figure 1.4. Finding a job that matches their skills and experience can be difficult for older workers

Response to question “During your job search, how easy or difficult was it to find job openings that matched your skills and experience?” by region



Note: Question for persons not working and looking for a job, or looking for a job. Respondents aged 45 and over. Unweighted regional averages. Sorted in descending order of those who replied “Very easy”.

Regions: East Asia/Pacific (Australia, Japan, Korea), North America (Canada, the United States), Northern/Western Europe (Finland, France, Germany, the United Kingdom), South America (Brazil), Southern Europe (Italy, Spain).

Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and over in Australia, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Spain, the United Kingdom and the United States. Approximately 1 000 respondents in each country.

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1.3. Technological change will result in job changes for many older workers

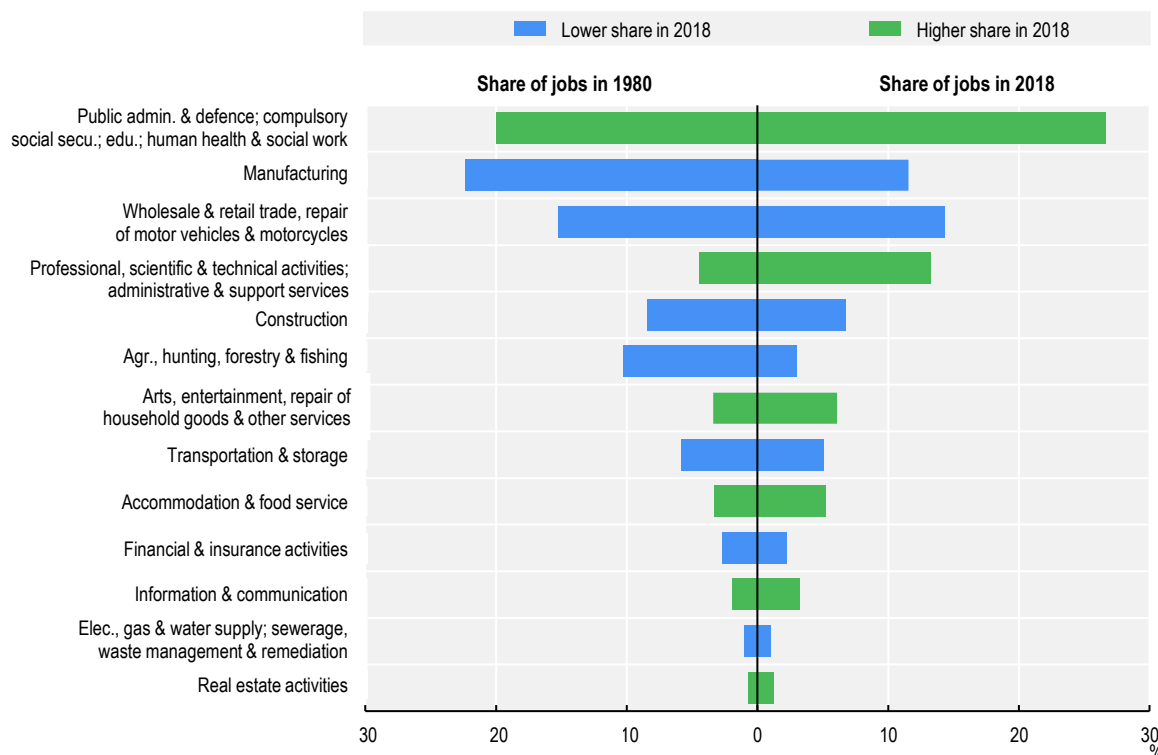
1.3.1. Technological change is causing a sectoral restructuring of jobs

The past four decades have seen large-scale change in the sectoral structure of jobs (Figure 1.5). This shift is characterised by a marked contraction in manufacturing employment and a simultaneous expansion in the services sector. This structural transition predominantly stems from an acceleration of technological change, spearheaded by the arrival and proliferation of computers and robotics. Such technological advancements have facilitated the automation of routine tasks, particularly in the manufacturing sector, enhancing productivity and diminishing the demand for traditional labour-intensive roles. The adoption of technology has simultaneously added value to jobs in services.

The sectoral shift has been further influenced by the dynamics of global trade. The intensification of international commerce has prompted the offshoring of manufacturing to countries where production costs are lower, thus contributing to the decline of manufacturing jobs in higher-cost economies. This reallocation of jobs, while fostering economic efficiency on a global scale, has contributed to a reallocation of workers within national labour markets.


Figure 1.5. The sectoral structure of jobs has changed significantly over recent decades

Share of employment by sector, average of 10 OECD countries



Note: Unweighted average composed of Austria, Denmark, Finland, France, Italy, Japan, the Netherlands, Norway, Spain and Sweden.

Source: OECD calculations based on the OECD dataset: STAN Industrial Analysis 2020 ed. http://stats.oecd.org/Index.aspx?DataSetCode=STANI4_2020.

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These sectoral shifts are likely to continue in the years to come due to ongoing technological change, further reinforced by the green transition. Recent OECD estimates show that on average, occupations at risk of automation account for 28% of employment, but the risk varies widely across countries and sectors (OECD, 2023^[18]). Some jobs, occupations and sectors are going to be in more demand, while others may dwindle. Most of the growth is likely to occur in the information sector, but also in service-providing sectors such as healthcare and social assistance (U.S. Bureau of Labor Statistics, 2022^[19]). Green technologies and industries that mitigate adverse environmental effects are another area initiating many entirely new occupations. For example, two occupations that the Bureau of Labor Statistics in the United States has projected to have the fastest employment growth from 2020 to 2030 are wind turbine service technicians and solar photovoltaic installers (U.S. Bureau of Labor Statistics, 2022^[20]).

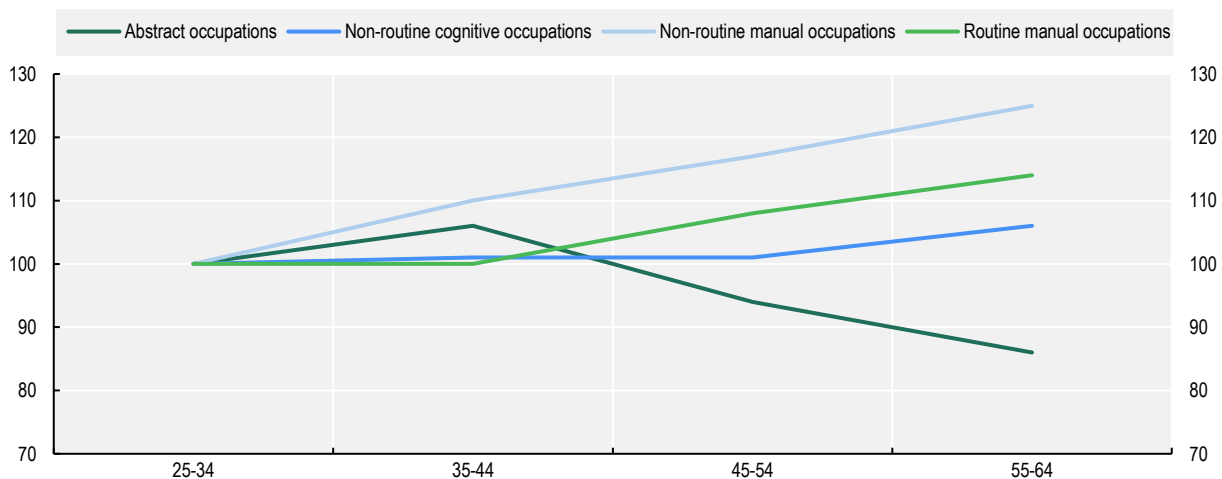
1.3.2. Workers of all ages are exposed to risks from technological change

Automation generates both a displacement effect as well as a productivity effect (Acemoglu and Restrepo, 2018^[21]). The displacement effect can reduce the demand for labour, wages and employment, while the productivity effect as the cost of automated tasks declines. Older workers potentially face a higher risk of losing their jobs to automation. Figure 1.6 shows that older workers aged 55-64 are 25% more likely to be employed in non-routine manual occupations (such as personal care, retail) than workers aged 25-34, and 14% more likely to be employed in routine manual occupations (such as construction, manufacturing).⁵

The probability of being employed in manual occupations increases from mid-career, indicating that this gap starts rather early in workers' careers. Routine occupations are more likely to consist of tasks that can be codified such that workers can be replaced by machines and computers (Autor and Dorn, 2013^[221]) (Autor, Dorn and Hanson, 2015^[231]). Artificial Intelligence raises the prospect of automating non-routine tasks, increasing the risk of automation faced by older workers (Lassébie and Quintini, 2022^[241]). One of the few existing studies of the effects of artificial intelligence (AI) at the firm level finds that in the United States, AI investments are associated with a significant increase in the share of workers at the junior level and a decline in the share of workers in middle-management and senior roles (Babina et al., 2023^[251]). Nevertheless, new technologies generally increase the importance of skills and tasks for which there is still no good substitute (Autor, 2015^[261]). Many older workers have soft skills such as management experience or other tacit knowledge acquired through on-the-job experience that is harder to replace with new technologies.⁶

Figure 1.6. Older workers potentially face a higher risk of automation

Occupational characteristics of workers across age groups, normalised at age 25-34, 2018-20



Note: Data show the unweighted average of 26 European countries: Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovenia, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom.

Source: EU Statistics on Income and Living Conditions (EU-SILC), O*NET work abilities, skills, environment data.

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1.3.3. Technological change creates more challenges for older workers

Older workers can be particularly vulnerable to technological change as new technologies usually call for a higher level or different skills, requiring upskilling or reskilling of workers. Older workers with less recent vintages of skills are particularly exposed to the risk of skills obsolescence (Yashiro et al., 2021^[271]), and are less likely to participate in job-related training compared to younger workers, often because opportunities are fewer (OECD, 2019^[281]).

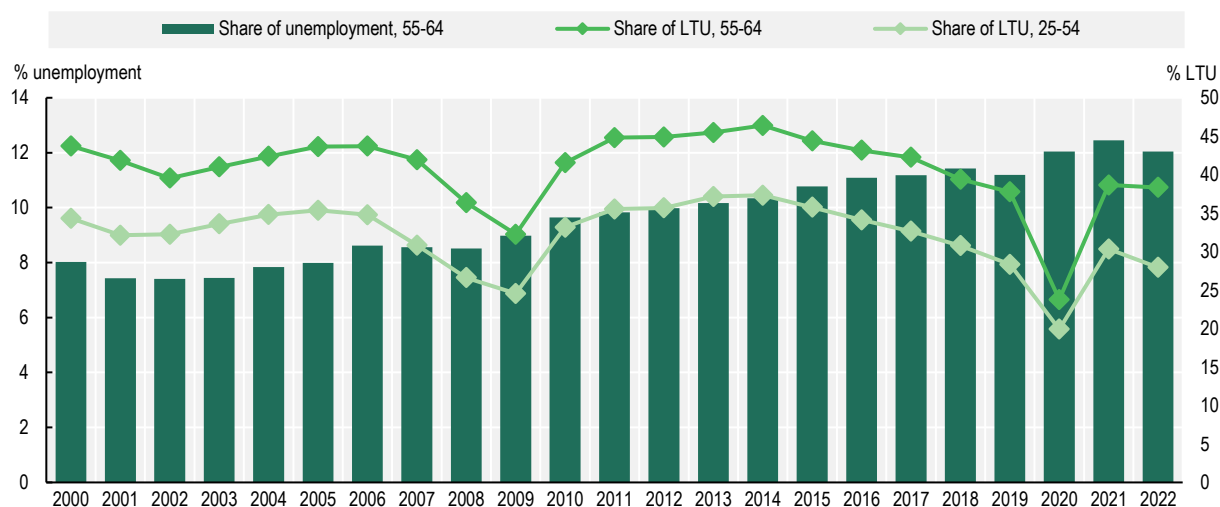
Technological change can precipitate early retirement, although this depends on the task content of jobs as well as employer provided policies and social insurance systems. Evidence from the United States suggests that the automatability of skills has an effect on retirement decisions (Lee, 2023^[291]). Although the magnitude of the effect is fairly small in the context of many other factors that determine retirement such as income, wealth, and access to pensions and social insurance, those with more automatable skills are more likely to retire earlier (Lee, 2023^[291]). Older workers requiring upskilling in the face of automation may

lose their job or decide to retire early, on the other hand, technological change can increase productivity and boost wages, giving greater incentives to remain employed (Ahituv and Zeira, 2011^[30]; Burlon and Vilalta-Buñi, 2016^[31]). Whether the productivity effect dominates the need for upskilling effect in anticipating retirement will depend on whether employers provide on-the-job training (Messe, Moreno-Galbis and Wolff, 2014^[32]). Very importantly, it will also depend on the availability of unemployment benefit extensions to bridge the gap until retirement (Yashiro et al., 2021^[27]). Given the large share of long-term-unemployed workers at older ages, these incentives to retire early can be particularly problematic in many countries due to the fiscal implications for governments.

Older workers face higher risks of long-term unemployment when displaced than younger workers. The unemployment share of older workers (55-64) has increased by more than 4 percentage points during the past 20 years (Figure 1.7). The share of older workers in long-term unemployment is about 12 percentage points higher than for younger workers (aged 25-54). This reflects that when older workers become unemployed, they face greater difficulties in getting back into employment: the hiring rate from unemployment declines as workers age, making it less likely for unemployed older workers to find a job. When they do find a job, they experience higher costs from their unemployment spells, including earnings losses that are twice as high as for younger workers (Box 1.2). These risks make it vital to prevent the displacement of older workers due to technological change by intervening early in facilitating their transition towards growing sectors and occupations. It gives a potentially large role to timely career mobility.

Figure 1.7. Older workers also face higher risks of long-term unemployment

Share of unemployment and long-term unemployed (LTU), by broad age groups, OECD, 2000-22



Note: Long-term unemployed are persons unemployed for one year and over. OECD is a weighted average.

Source: OECD calculations based on OECD datasets: LFS by sex and age, <http://stats.oecd.org/Index.aspx?QueryId=9571> and Unemployment by duration, <http://dotstat.oecd.org/Index.aspx?QueryId=9594>.

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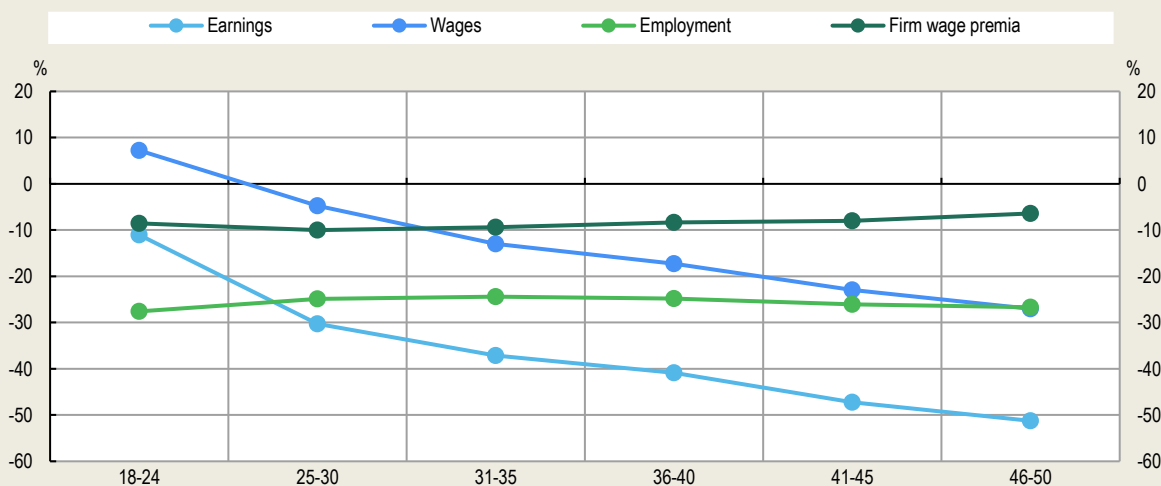
Box 1.2. The costs of job displacement are larger for older workers

This box analyses the long-term earnings losses of displaced workers. Displaced workers are defined as workers who separate from their firm as a result of a mass layoff or firm closure. The effects of job displacement are analysed by comparing the outcomes of displaced workers with their non-displaced counterparts who share similar observable characteristics. The analysis is based on linked employer-employee data for Austria, Portugal and Spain. Figure 1.8 visualises the effects of job displacement after five years with respect to annual earnings, wages, firm wage premia (a measure of the generosity of the wage-setting practices of the firm) and the probability of being employed.

- **Job displacement carries large and persistent earnings losses.** On average across countries, displaced workers have 40% lower earnings than their non-displaced counterparts five years after the time of displacement.
- **The earnings losses of job displacement tend to be larger for older workers.** On average across countries, the earnings of older displaced workers aged 46-50 five years after displacement are cut in half relative to their non-displaced counterparts. Earnings losses for older workers are about five times as large as those for younger ones aged 18-24.
- **Higher earnings losses of job displacement for older workers are driven by larger wage losses upon re-employment.** Higher wage losses primarily reflect the loss of firm-specific human capital rather than a change in the generosity of firm pay practices.


Figure 1.8. The costs of job displacement are larger for older workers

Average annual percentage difference in outcomes between displaced workers and their matched counterparts during the first five years since displacement by age, average across three countries



Note: Countries included are Austria, Portugal and Spain. For details on the methodology see Barreto et al. (forthcoming^[33]), "Job displacement in high-emission sectors: implications for the green transition", in *OECD Employment Outlook 2024*.

Source: OECD calculations based on national linked employer-employee data.

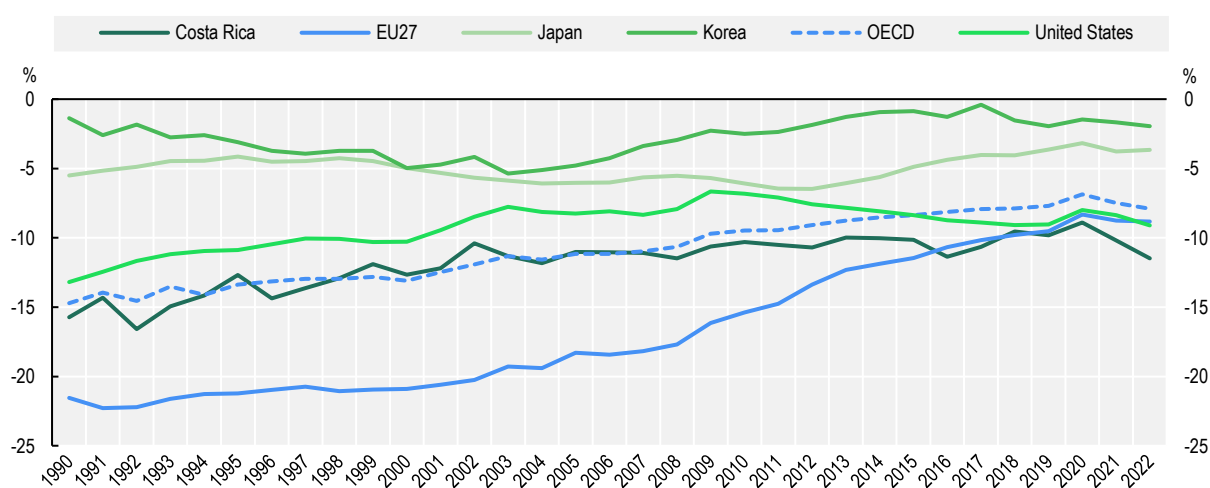
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1.4. Can mid-career mobility promote longer working lives?

On average across the OECD the gap in employment rates between mid-career and older (ages 45-65) and younger workers (25-44) has narrowed, from 15 to 7 percentage points in the last three decades (Figure 1.9). Despite these positive developments, older workers continue to work significantly less than younger workers. Additionally, the narrowing of the employment gap seems to have reached a standstill in many countries, suggesting that there are still considerable barriers for achieving a comparable level of employment throughout the lifecycle, which is what might be needed considering the rapid ageing of the population.

Figure 1.9. Employment opportunities for older persons lag behind despite improvements in recent decades

Difference in employment rates between ages 25-44 and 45-64



Note: EU27 and OECD are weighted averages.

Source: OECD calculations based on OECD dataset LFS by sex and age, <http://stats.oecd.org/Index.aspx?QueryId=9571>.

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Improving employment opportunities for older people is imperative to offset the costs associated with rapid population ageing. The age employment gap, paired with a rapid ageing of the workforce, could contribute to labour shortages in the short term. By 2060 the share of 20-64 year-olds in the population is projected to fall from an average of 58% across EU countries in 2021 to 53% in 2060 (OECD, 2019^[28]). The decreasing share of the population aged 20-64 is likely to drive up labour shortages in the short term, as it limits the inflow of new talent into the workforce (European Commission, 2023^[34]). Other factors, such as the adoption of artificial intelligence, could impact labour demand such that labour shortages do not arise in all sectors and for all occupations (OECD, 2023^[18]). Balancing these dynamics requires strategic interventions aimed at optimizing the contribution of older workers to the labour market.

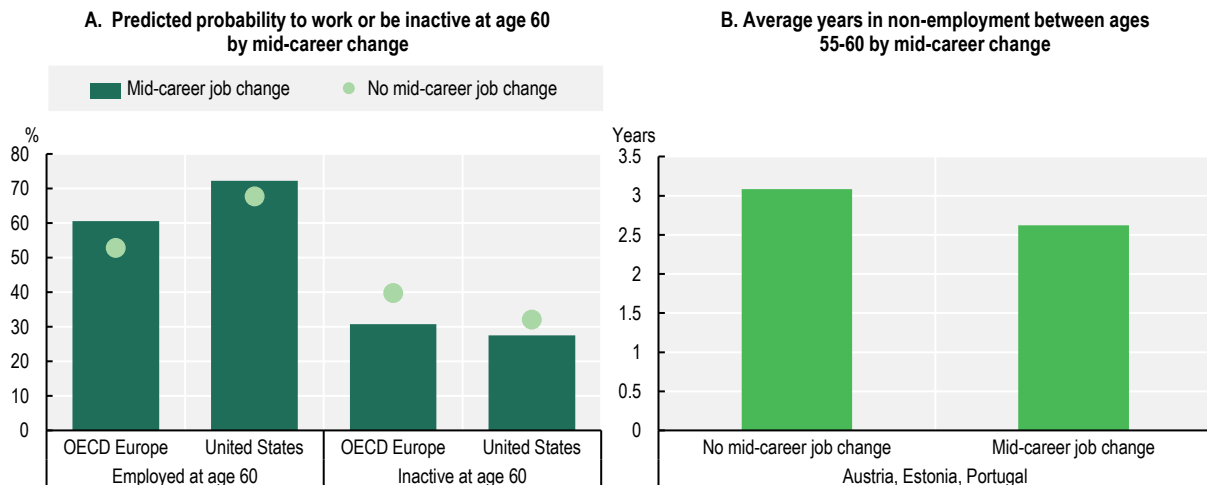
Unlocking the potential of older workers is pivotal to addressing labour shortages. Efforts need to be amplified to ensure the full integration of older workers into the workforce. Creating inclusive, multigenerational environments within firms, where opportunities for career progression and fair working conditions are accessible to workers of all ages, is a key component of this (OECD, 2023^[11]). Facilitating career mobility to allow workers of all ages to change jobs and occupations if they would benefit from it is also a key to ensuring fulfilling longer working lives.

1.4.1. There is an overall positive correlation between mobility and longer working lives

To understand whether effectively changing jobs later in a career helps people work longer, it is possible to compare the working years of those who switched jobs to those who did not. People who switch jobs might be different to people who don't in ways that are not immediately obvious. This analysis can consider observable factors available in the data such as demographic characteristics, health, and income, as well as differences between countries and over time. However, there might still be unknown factors that we cannot account for that may also affect the results.

On average across selected OECD countries, there is a positive correlation between mobility at mid-career and longer working lives (Figure 1.10). The analysis calculates the predicted probability of being employed and the predicted probability of being inactive at age 60 for workers who have made a mid-career job change (between age 45-54). This is compared to the predicted probability for those who did not make a mid-career job change. In a set of European OECD countries and the United States, workers who switched jobs aged 45-54 are more likely to still be employed at age 60 (60.6% in Europe and 72.3% in the United States) compared to those who did not change jobs (52.8% in Europe and 67.7% in the United States). Workers with mid-career job changes are less likely to have left the labour market (30.7% compared to 39.8%).

Figure 1.10. Mid-career job mobility is correlated with less inactivity and more employment at older ages



Note: A mid-career job change is a change in job between ages 45-54. Panel A reports the predicted probability of being employed/inactive at 60 after a regression of a dummy indicating whether a worker self-reports being employed/inactive on the year of one's 60th birthday, on the mid-career switch dummy. Controls for OECD Europe include demographic factors (gender, age dummies, education), health indicators (depression and overall health), labour market indicators (number of jobs in career, time entry labour market, wage of current job, industry and occupation), wealth and income indicators (household income, benefit receipt, difficulty to make ends meet, a home renter indicator), household size, and informal care responsibilities, as well as country and time fixed effects. Controls for the United States include demographic factors (gender, age dummies), health indicators (depression), labour market indicators (number of jobs in career, time entry labour market, industry, and occupation), household size, and time fixed effects. Countries included in Panel A show unweighted average predictions for Austria, Belgium, Czechia, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Slovenia, Spain, Sweden and Switzerland. Panel B reports averages over the period 2005-20 for the three European countries and 2015 for the United States. Data show the unweighted average predictions for the three countries in Panel B.

Source: OECD calculations based on the Survey of Health, Ageing and Retirement in Europe (SHARE) Life History Wave 7, <https://share-eric.eu/> and The Health and Retirement Study (HRS) Life History Wave 13 for the United States, <https://hrs.isr.umich.edu/>, (Panel A) and Linked employer-employee data (Panel B).

There is also a positive correlation between mid-career mobility and the time spent in non-employment (Figure 1.10, Panel B). Using linked employer-employee data for three European countries the analysis shows that non-mid-career switchers spent on average 15% more time in non-employment (which captures both unemployment and inactivity) than workers who did switch jobs mid-career. This correlation could be uncovering the potential role of mid-career mobility in sustaining longer employment at older ages and preventing premature exit from the labour market.

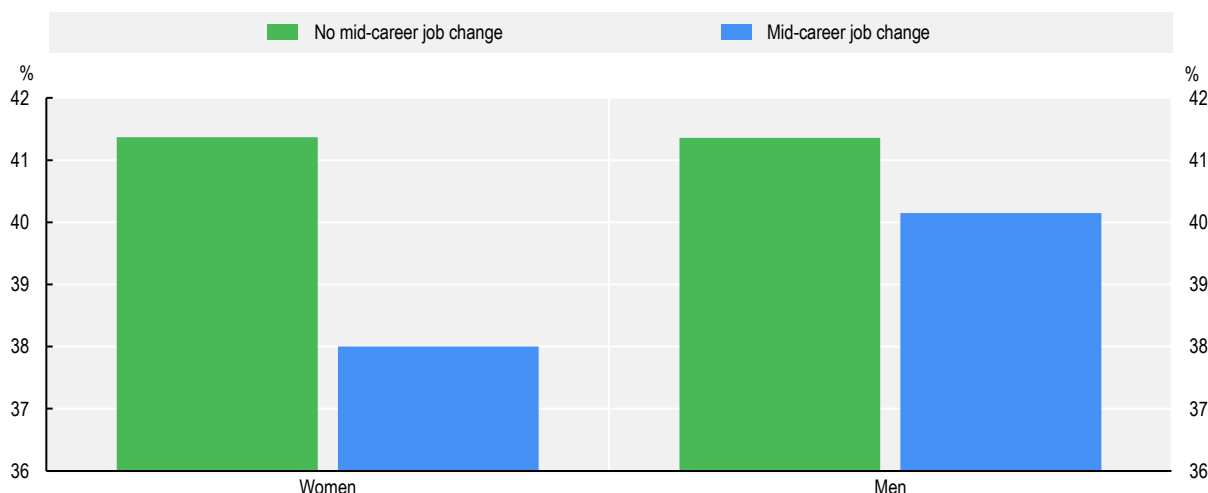
1.4.2. Mid-career mobility may delay the decision to retire

Job mobility at mid-career (aged 45-54) may also delay the decision to retire, which could explain the positive correlation between mid-career mobility and employment at older ages. If older workers have experienced good career mobility and are now in jobs that better match their skills, experience or preferences, they may be less likely to leave the labour market prematurely. This can be analysed by exploring how a job change affects the expectations of retiring early for older workers.

Older workers, particularly women, who change jobs mid-career are less likely to consider retiring early. The analysis estimates the effect of a job change on self-reported early retirement expectations, separately for men and women. For both men and women, workers who have changed job mid-career are more likely to report a lower likelihood of retiring early (Figure 1.11). The effect is stronger and statistically significant for women: women who have changed jobs mid-career are more than 3 percentage points less likely to want to retire early.

Figure 1.11. Older workers, particularly women, who change jobs are less likely to consider retiring early

Predicted self-reported expectations to retire early by gender, 2010-20



Note: A mid-career job change is a change in job between ages 45-54. The figure reports the predicted probability of retiring early from a model estimating the effect of a mid-career job change on whether they are considering early retirement. The model includes controls for health status, caregiving, income, and disability, as well as individual, time and year fixed effects.

Source: OECD calculations based on Survey of Health, Ageing and Retirement in Europe, (SHARE).

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1.5. Career mobility can support workers in finding better jobs at all ages but there are many challenges

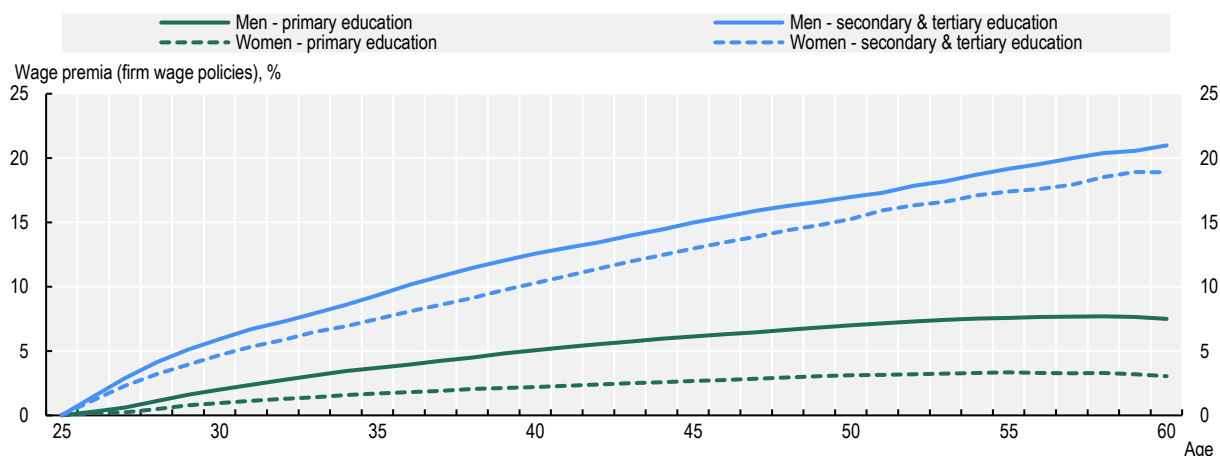
Career mobility is an important lever in supporting workers to move to better quality jobs (with better pay and/or working conditions), facilitating longer or more satisfactory working lives. Moving workers away from jobs with poor working conditions, including hazardous work, is also important for ensuring that older workers are not forced out of the labour market prematurely. However, the career trajectories that workers embark upon are often at least partly driven by inequalities that develop early in life leading to differences in opportunities for career progression.

1.5.1. Inequalities in career trajectories start early on in life

Evidence suggests that career paths are shaped early in life and that the career paths of workers can diverge depending on education, gender and firm pay practices. Labour markets of all OECD countries are characterised by some degree of inequality in wages. This is due to differences in the skills that workers possess, but also differences in the pay policies of firms (see for example Barth et al. (2016^[35])). For example, across the OECD, differences in wage policies across firms explain about one-third of the overall inequality in wages on the labour market (OECD, 2021^[36]). As such, the workplace is an important determinant of a workers' wages. It also means that differences in opportunities for career progression between groups of workers across firms can have potentially important implications for the depth and persistence of inequality. Using linked employer-employee data this is analysed in the case of Portugal by documenting the evolution of firm wage premia – i.e. the part of worker wages that can be attributed to the wage policy of their employer – from age 25-60 by gender and educational attainment (Figure 1.12).

Figure 1.12. Careers strongly diverge over the life course as a result of job mobility

Evolution of firm wage premia since age 25 by gender and educational attainment, 2002-19, Portugal



Note: The figure shows the evolution of the firm-specific premium on wages resulting from between firm mobility over the life course, relative to age 25. The firm wage premium can be interpreted as the generosity of firm wage policies after accounting for the portable skills of workers (Abowd, Kramarz and Margolis, 1999^[37]), "High Wage Workers and High Wage Firms", *Econometrica*, www.jstor.org/stable/2999586. A higher value means that the firm pays higher wages than firms with lower values when employing similarly skilled workers. The data refers to workers who have been employed for at least ten years in the private sector during the period 2002-19.

Source: Linked employer-employee data from Portugal's Instituto Nacional de Estatística – Quadros de Pessoal.

Opportunities for moving up the firm wage ladder (the ranking of firms based on generosity of their wage policies) differ strongly across educational groups and widen with age. Skilled workers with at least secondary education, tend to steadily move up the firm wage ladder up to the age of 60. In contrast, workers with only primary education, which make up a large group of workers in Portugal, move much more slowly up the firm wage ladder and their progression largely stalls after age 50.

1.5.2. Women face particular bumps in the road towards career advancement

Motherhood is estimated to have a substantial negative effect on the career opportunities for women in terms of wages and career progression (Healy and Heissel, 2020^[38]; Kleven et al., 2019^[39]; Barth, Kerr and Olivetti, 2021^[40]; Goldin et al., 2017^[41]). This “motherhood” penalty is attributed to both direct discrimination by employers and indirect effects such as reduced work hours or taking time off for childcare responsibilities. Career breaks tend to be more common among low to medium-skilled women, possibly reflecting the lower opportunity costs of not working (OECD, 2021^[36]). The gender gap can arise from differential earnings growth between men and women within firms as well as differential earnings growth from job mobility between firms. In the case of Portugal, differences in opportunities for moving up the firm wage ladder are apparent between men and women, and the differential is larger for low skilled workers (Figure 1.12). While skilled women move up the firm wage ladder almost as quickly as skilled men, the progression of low-skilled women up the wage ladder is particularly slow. By age 60, low-skilled women see an increase in firm wage policies of 3% compared to 7.5% for low skilled men (and 20% for skilled women).

Recent evidence from the United States finds that both within firm career advancement and between firm mobility is important for determining differences in the gender gap, but that these channels work differently for low skilled workers compared to high skilled workers (Barth, Kerr and Olivetti, 2021^[40]). For college educated workers the increasing gender gap is mostly due to differential earnings growth within firms; only 27% of the widening of the total gender pay gap is explained by differences between firms. In contrast for non-college educated workers, there is very little divergence by gender. Between firm mobility contributes to differential earnings growth for college and non-college educated workers, and for women there are large differences between married and non-married women. The age-earnings profile for non-married women is similar to that of men, whereas for married women the age-earnings profile across firms is significantly flatter compared to that of men. The authors suggest that the divide arising from differences in marital status are related to the costs of job search and the efforts and uncertainties related to starting a new job, which rise with the increased time spent at home.

1.5.3. Many older workers remain stuck in poor quality jobs

Many older workers are trapped in poor quality jobs which can have long lasting consequences for their well-being, health, and overall career prospects. Table 1.1 summarises several metrics based on the task content of the occupations held by workers of different age groups, by using survey data on occupations matched to the task contents of each occupation from O*NET to obtain the average incidence of each metric across age groups. Higher numbers indicate a higher incidence of a given metric relative to the age group 25-34, while lower numbers indicate a lower incidence. Some clear trends emerge from this analysis:

- The working environment of workers tends to worsen over the lifecycle. Older workers work more often in occupations exposed to job hazards and poor environmental conditions. Greater exposure to bad environmental conditions is another way to observe that older workers appear to be more frequently working in poor quality jobs.
- Mid-career and older workers tend to work in occupations requiring more physical strength and stamina. Working in physically demanding jobs may become increasingly difficult with age, both because they prefer jobs that are not physically straining and because of physical health barriers

to work which may limit their strength. As a result, a large share of older workers may not be employed in jobs that they can sustainably keep.


Table 1.1. The quality of occupational characteristics declines over age

Occupational characteristics of workers across age groups, normalised at age 25-34, 2018-20

	Age 25-34	Age 35-44	Age 45-54	Age 55-64
Poor environmental conditions	100	101	103	105
Job hazards	100	101	102	104
Physical strength	100	100	102	103
Stamina	100	100	102	104

Note: Data show the unweighted average of 26 European countries: Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovenia, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom.

Source: EU Statistics on Income and Living Conditions (EU-SILC), O*NET work abilities, skills, environment data.

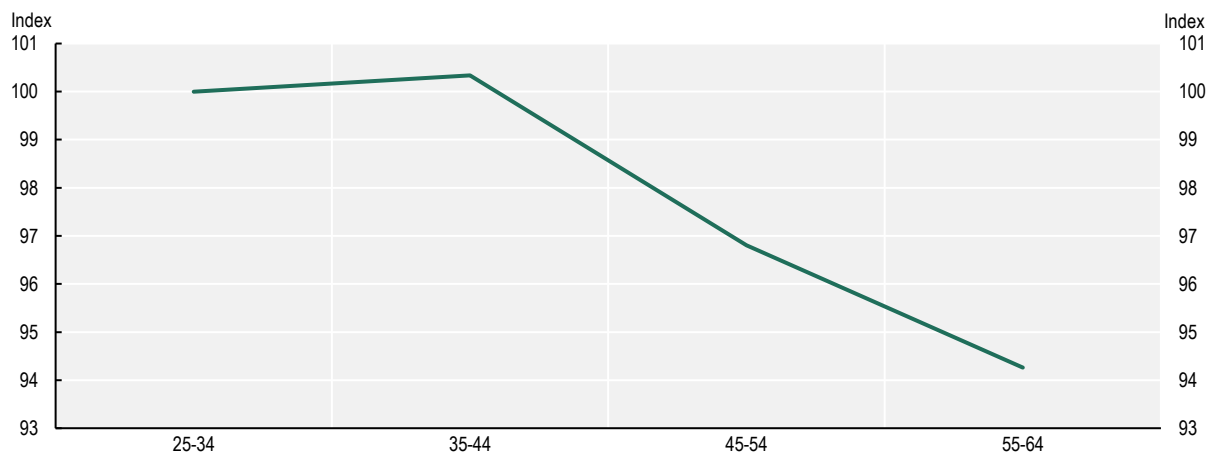
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Older workers may not have jobs that match their preferences. One way to summarise the quality of a job match for older workers is through an “age friendliness” indicator (AFI). Such an indicator ranks occupations in their age friendliness by considering the various occupational characteristics that make a job appealing to older workers, such as job flexibility, stability, opportunities for skill development and training, and supportive and accessible work environments (Acemoglu, Mühlbach and Scott, 2022^[42]).

This indicator suggests that older workers do not have particularly age friendly jobs. Older workers tend to work in occupations which on average have a lower age friendliness indicator score (Figure 1.13). This result for European OECD countries, is similar to that found in the United States (Acemoglu, Mühlbach and Scott, 2022^[42]). Despite an increase in the availability of age friendly jobs, older workers have not benefited proportionately (Acemoglu, Mühlbach and Scott, 2022^[42]).⁷ As such, many older workers may not be employed in jobs that match their preferences, potentially being less engaged in the labour market and leaving the workforce prematurely. Given that job quality and the quality of job matches seems to decline over the lifecycle, it’s vital to give workers, at every career stage, the resources to shift to better jobs.

Figure 1.13. Older workers have less age-friendly jobs

Share of workers by age friendliness index and age, European OECD countries, 2017-20



Note: The age friendliness indicator is constructed following (Acemoglu, Mühlbach and Scott, 2022^[42]), “The Rise of Age-Friendly Jobs”, on the basis of worker skills, abilities, and work environment of the O*NET classification. Occupations with a higher age friendliness index require workers to have higher cognitive abilities, but lower physical, psychomotor, and sensory abilities. Occupations with a higher age friendliness index require workers to have higher communication skills and are less focused on work output. In terms of work environment, higher age friendliness occupations have more conflictual contact, recognition and better working conditions, and less responsibility for others, environmental conditions, job hazards, pace and scheduling. The figure shows the indicator normalised to 100 for workers aged 25-34, to show differences in the score across age groups. A level below 100 indicates a lower average age friendliness indicator across the occupations held by workers from that age group compared to those aged 25-34, while a level above 100 indicates a higher age friendliness indicator.

Data represent the unweighted average of 26 European countries: Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovenia, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom.

Source: EU Statistics on Income and Living Conditions (EU-SILC), O*NET work abilities, skills, environment data.

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Notes

¹ Measuring career changes is difficult due to the difficulty of defining what is a career change. Official statistics on career changes are therefore rare, and statistical offices do not try calculating this figure (U.S. Bureau of Labor Statistics, 2023^[44]). Estimates can be obtained from industry studies, and the figure can vary, from three to seven career changes per person (The Balance, 2020^[43]). Indeed data presents estimates that pre-pandemic, 49% of workers experience a career change in their lifetime (Indeed, 2019^[3]). This figure may be higher now after the workplace and work attitudes changes that the pandemic has prompted.

² There is no optimal level of job mobility at either the macroeconomic or individual level. At the aggregate level what is optimal will depend on a range of factors such as technology, economic conditions, industry composition, firm size, and social preferences. The optimal level of job mobility also varies for individuals and also depends on a wide range of factors including personal preferences, career goals, industry norms and economic conditions. Government policies, regulatory frameworks, and social programmes also play a significant role in shaping the dynamics of the labour market and influencing the balance between job stability and mobility (discussed further in Chapter 3).

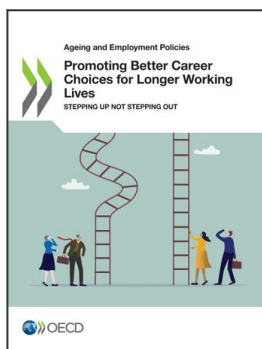
³ In 2016-19, the disability employment gap, measured as the difference in the employment rate between people without a disability and people with a disability, was 27 percentage points on average across 32 OECD countries, ranging from around 15 percentage points in Mexico, Chile and Switzerland to over 35 percentage points in Lithuania, the United States and Ireland (OECD, 2022^[11]).

⁴ Informal caregiving refers to instances where someone, often a family member, provides care, typically unpaid, to someone with whom they have a personal relationship.

⁵ Throughout this report *low skill workers* includes workers with limited formal education and training. They often perform routine tasks that require basic skills. Jobs in this category may involve manual labour, simple administrative tasks, or service roles with minimal skill requirements. *Medium-skilled workers* have a moderate level of education and training. They may have completed secondary education or obtained vocational qualifications. Jobs in this category often involve a mix of routine and non-routine tasks. Examples include service workers and shop and market sales workers. *High-skilled workers* possess advanced education, training, and expertise. They typically hold degrees from tertiary education institutions (universities or colleges) and may have specialised knowledge in specific fields. Jobs in this category often require problem-solving, critical thinking, and analytical skills. Examples include professionals such as doctors, engineers, scientists, and managers.

⁶ See for example Heckman and Kautz (2012_[45]) for evidence on the importance of soft skills such as personality traits, goals, motivations, and preferences that are valued in the labour market.

⁷ Acemoglu, Mühlbach and Scott (2022_[42]) find that for the United States most the age friendlier jobs have been taken up by females and college graduates. Amongst older workers, females and graduates have also benefitted in contrast to non-college graduate males. They suggest this is mainly because of the overlap in job characteristics that make jobs attractive to females and college graduates as well as older workers. For example, jobs that require less physical exertion, jobs with less harsh environmental conditions, and jobs that require greater use of social and communication skills. Other reasons may include the unwillingness or inability of older workers to move away from their existing jobs, as well as a preference on the part of employers for younger workers.



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Stepping Up Not Stepping Out

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