



ISSUES AND CHALLENGES TO DELIVER LONGER WORKING LIVES

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Lives”
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Outline

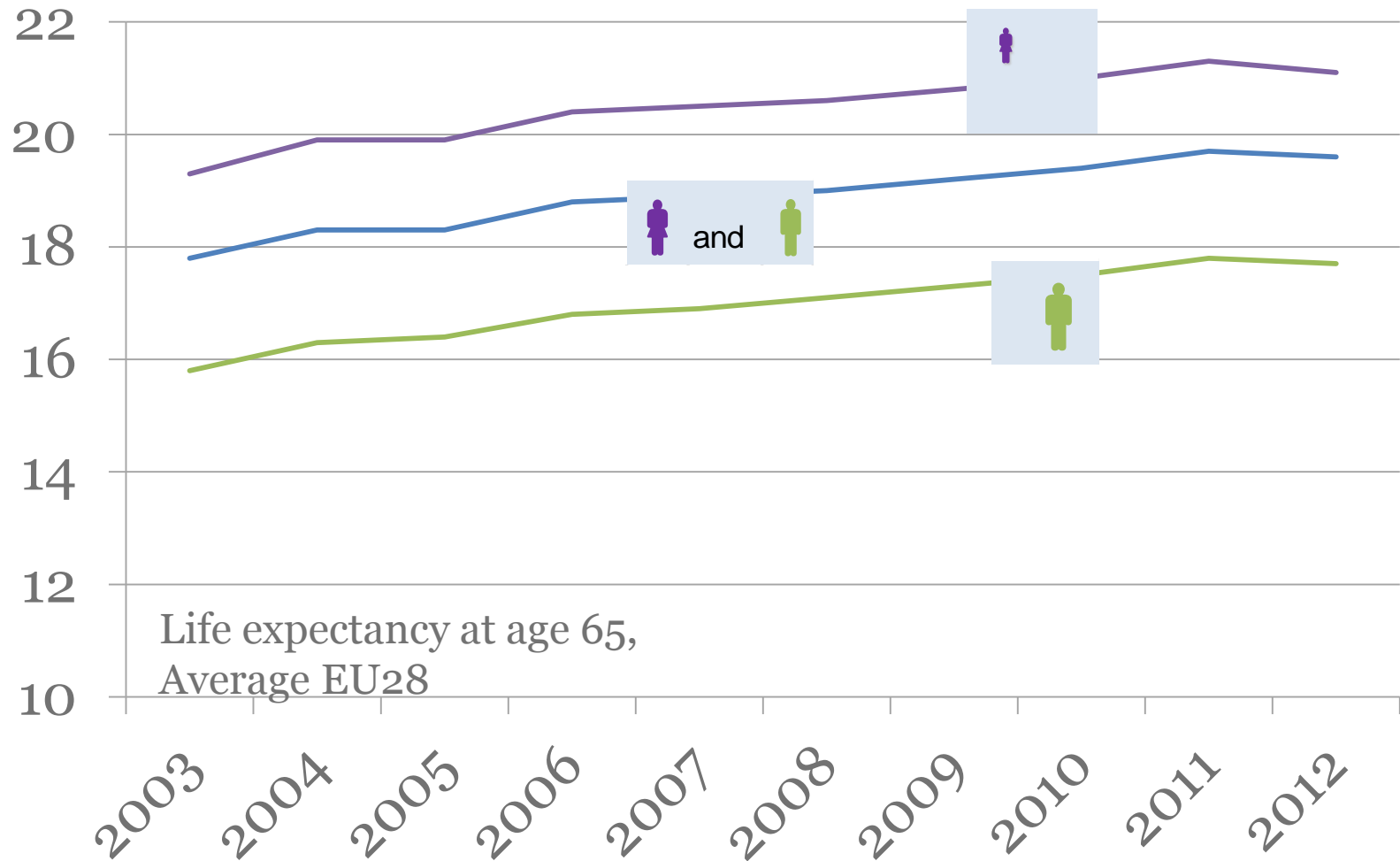
- Introductory remarks
- What countries have done
- Challenges
- Some lessons learned
- Conclusion



INTRODUCTION



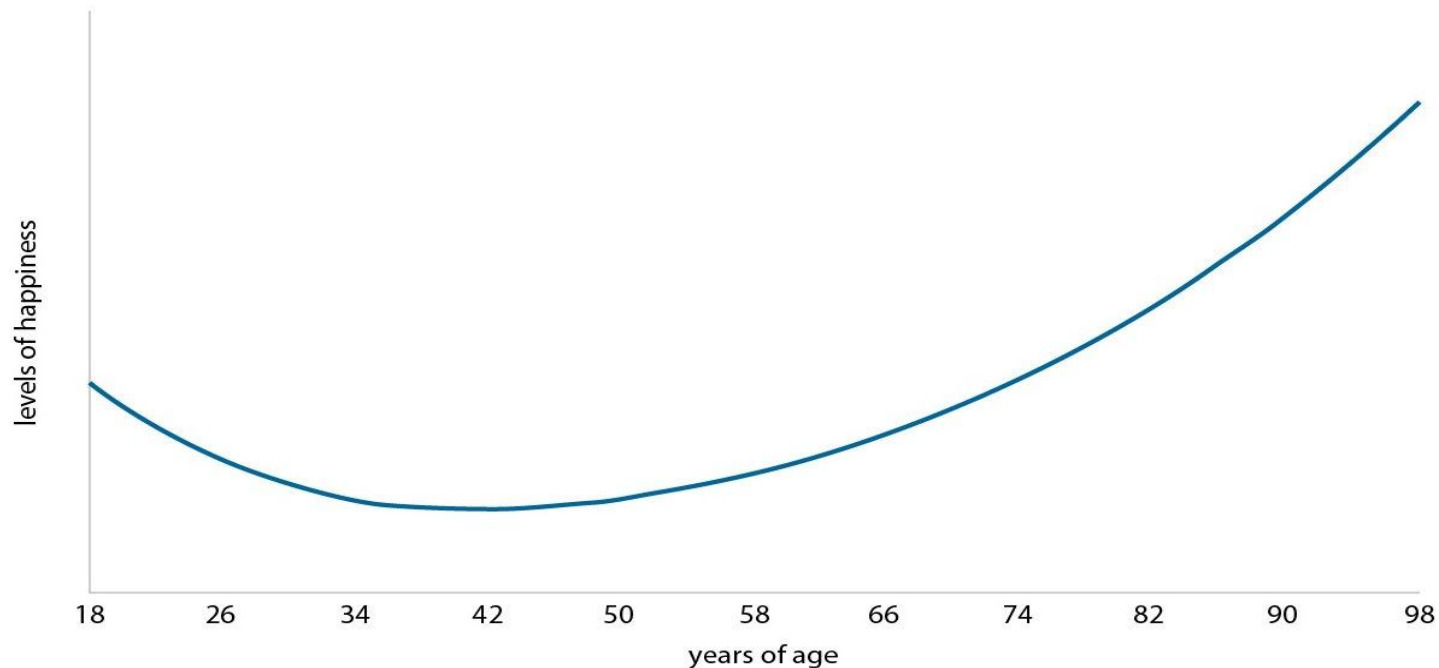
A good news: We are living longer!





And happiness increases with age!

Happiness and Age, World, 2012



Source: Gallup World Poll, 2013

Source: Graham and Nikolova (2014) at
<http://newsroom.iza.org/en/2014/10/10/why-aging-and-working-makes-us-happy/>



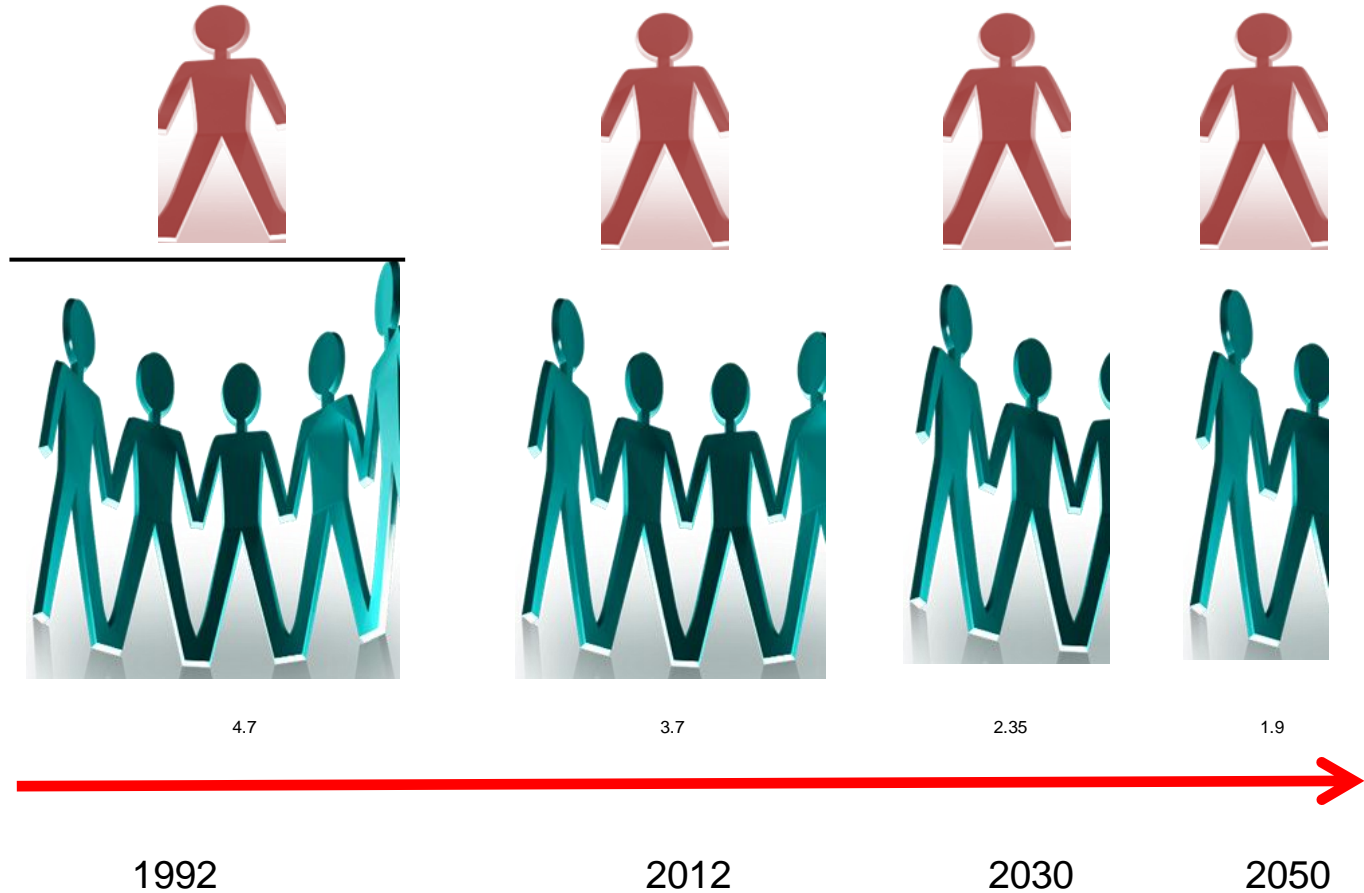
Is it a problem?





Falling fertility and increasing life expectancy implies that ...

The proportion of 15-64 to 65+ is declining...

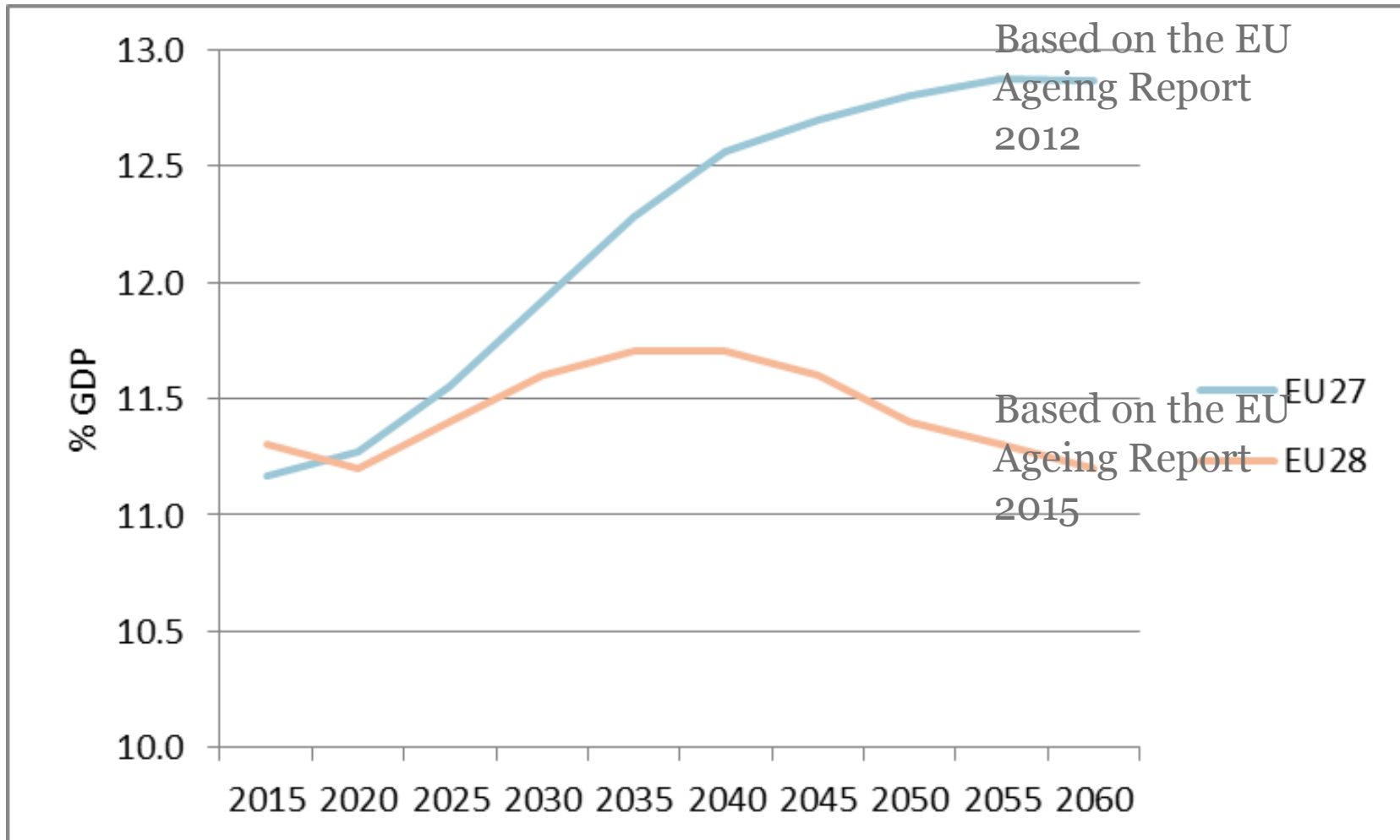


Source: based on population data for EU28 from Eurostat



The increase in the number of older people implies that pension spending will increase to some extent...

Public pension spending, % of GDP





Then *effectively* longer working lives may help

- To increase tax revenues by enlarging the contribution base
- To increase production (GDP)
- To make welfare systems more sustainable
- To make retirement-income more adequate



Key strategies to longer working lives need answers to the following questions

- How can we make older people want to work?
- How can we make older people more employable?
- How can we ensure employers want to hire older people?
- How can we ensure that working longer also means working better?





WHICH CHANGES HAVE
OCCURRED?

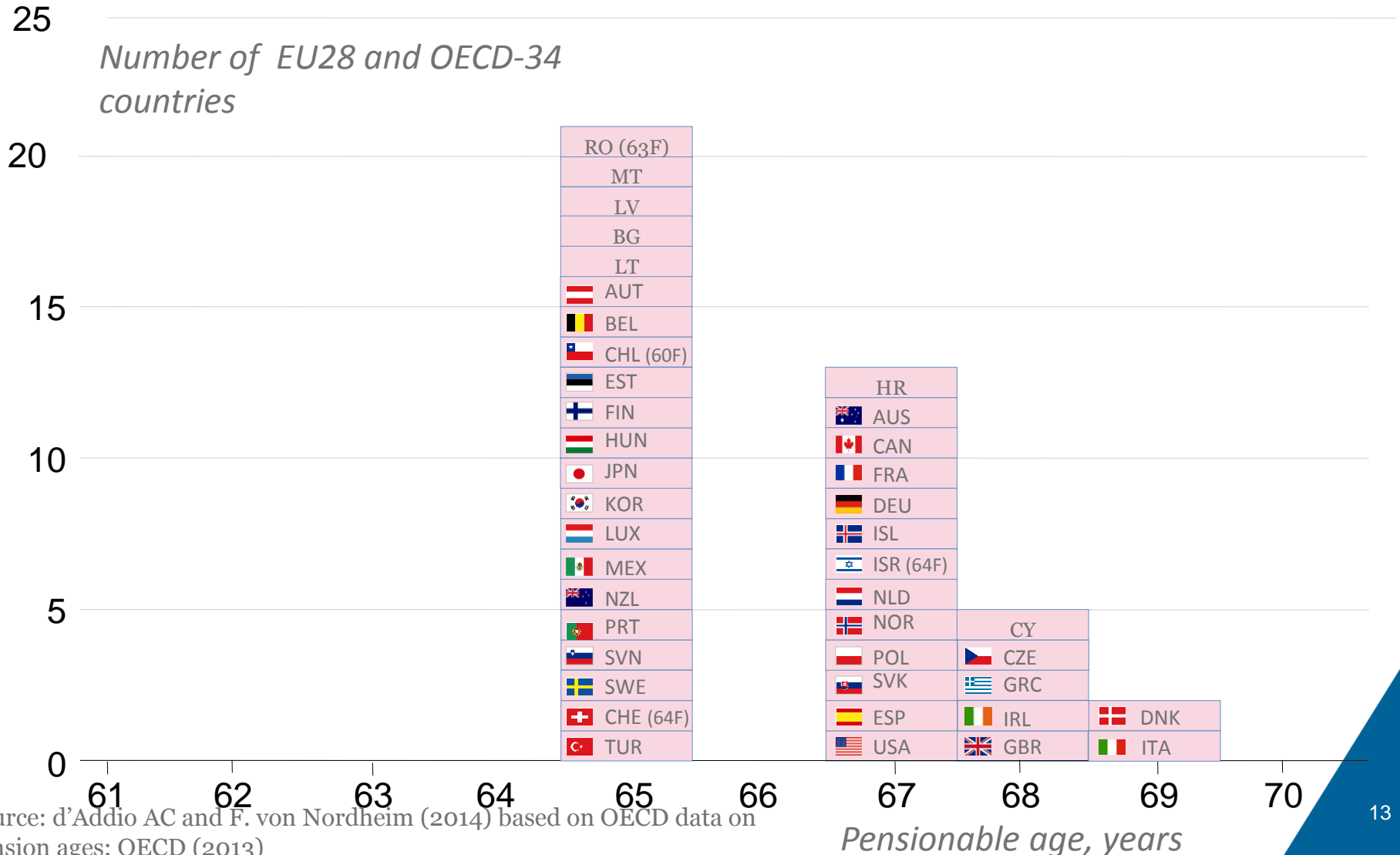


On the pension side many measures ...

- Increasing retirement ages and contribution periods to get a full pension
- Automatic adjustment mechanisms
 - Linking retirement ages to life expectancy
- Tightening the link between contributions and benefits, for example by moving to
 - Lifetime pensionable earnings
 - DC and NDC vs DB
- Tightening access to and number of early retirement schemes/pathways to early exit the labour market
- Higher increments (decrements) for later (earlier) retirement
- Increasing possibility to combine/work and pensions
-



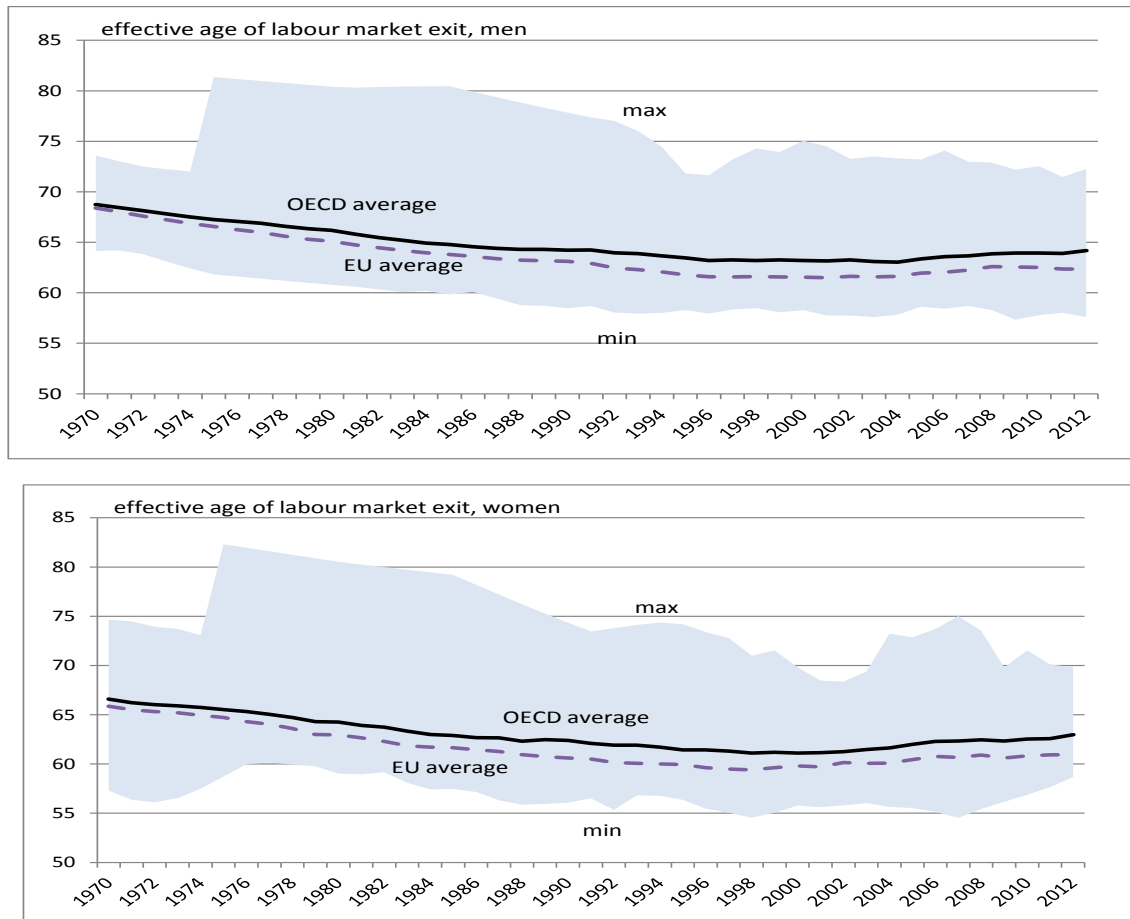
Pensionable ages will be higher and contributory periods will be longer





Does the increase in retirement ages mean that people will **effectively** work longer?

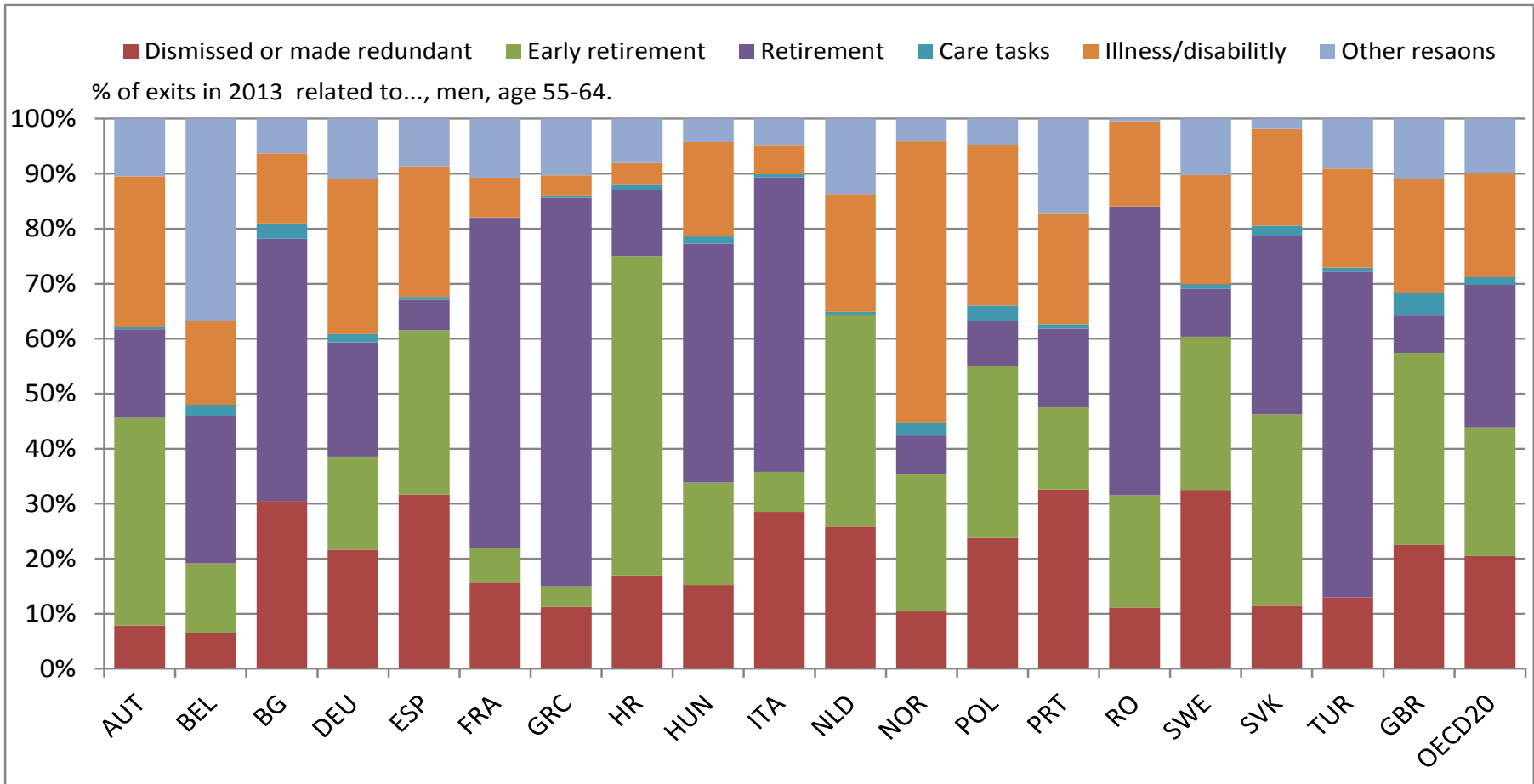
A first fact: effective ages of labour market exit have slightly increased over time



Source: OECD estimates of effective age of labour market exit.



Not clear cut...labour market exits still occur through pathways other than retirement...

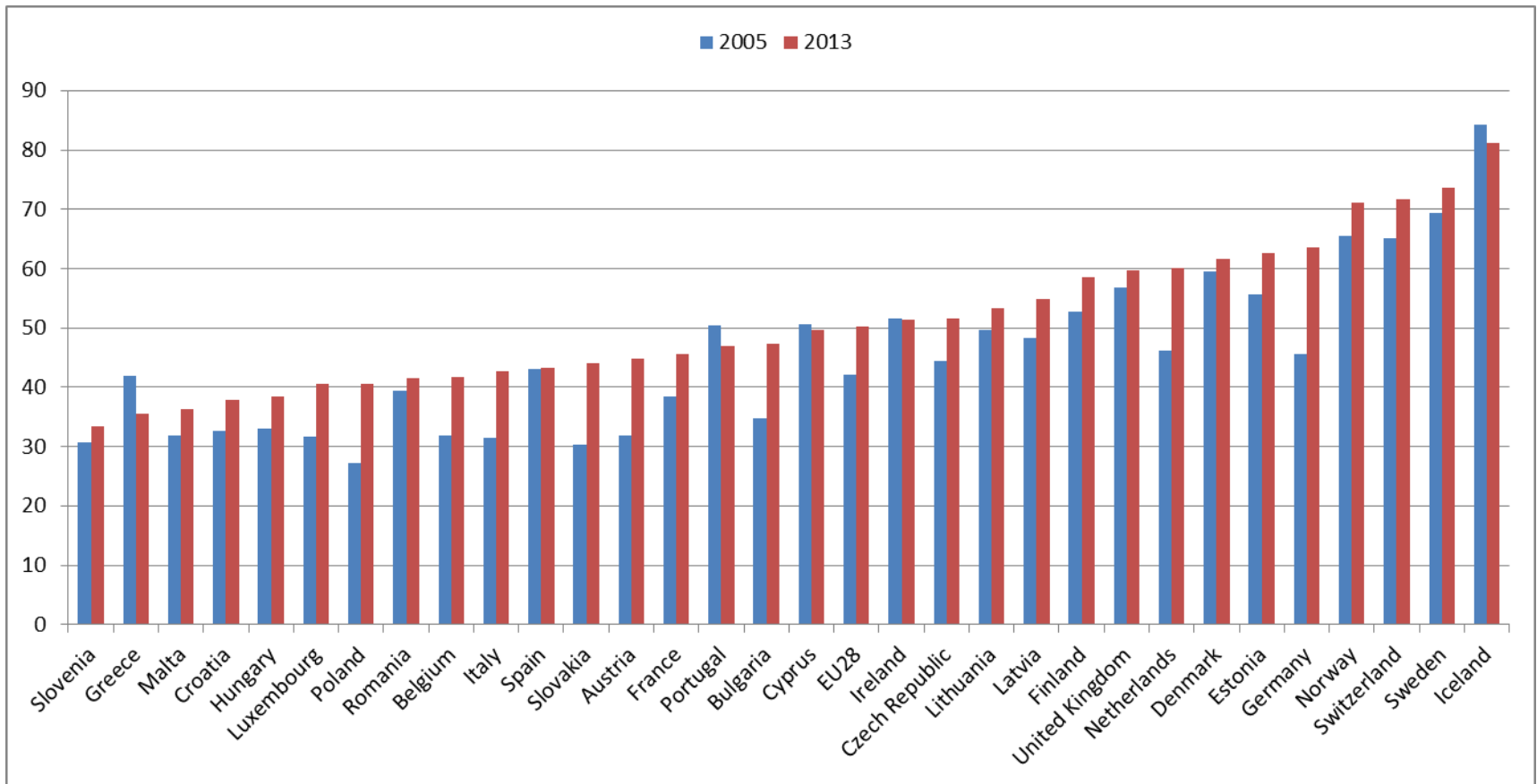


Source: based on EU-LFS ; in OECD (2015c) forthcoming



But employment rates of older workers have (generally) increased over time

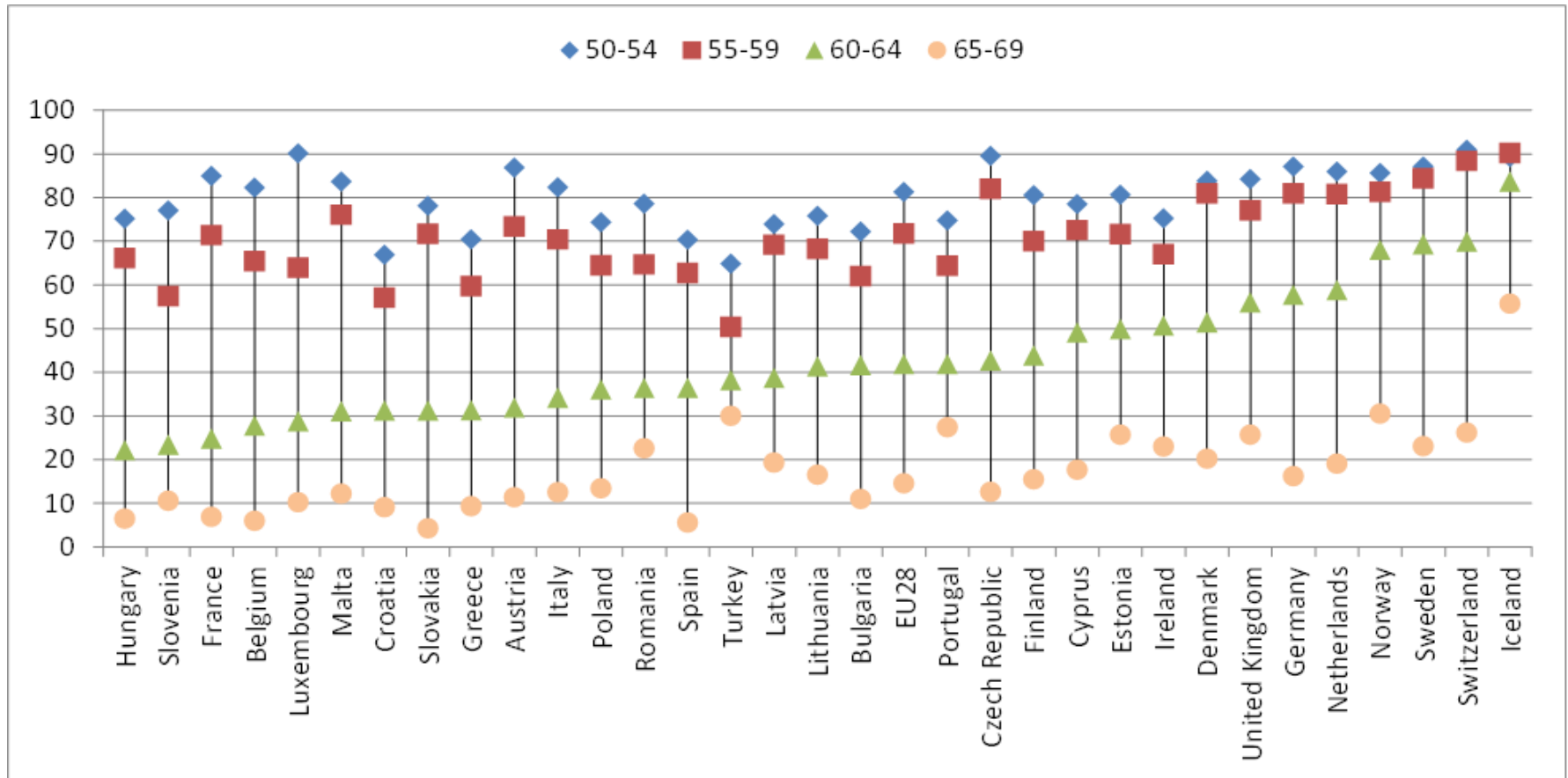
Employment rates 55-64, 2005 and 2013



Source: d'Addio, A.C., OECD (2015a) Report to the European Commission on Working Longer



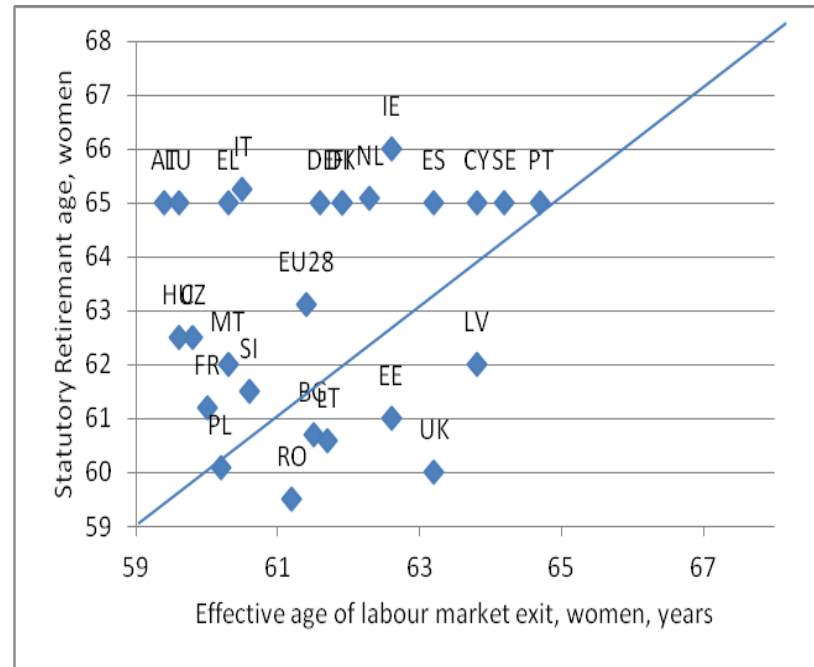
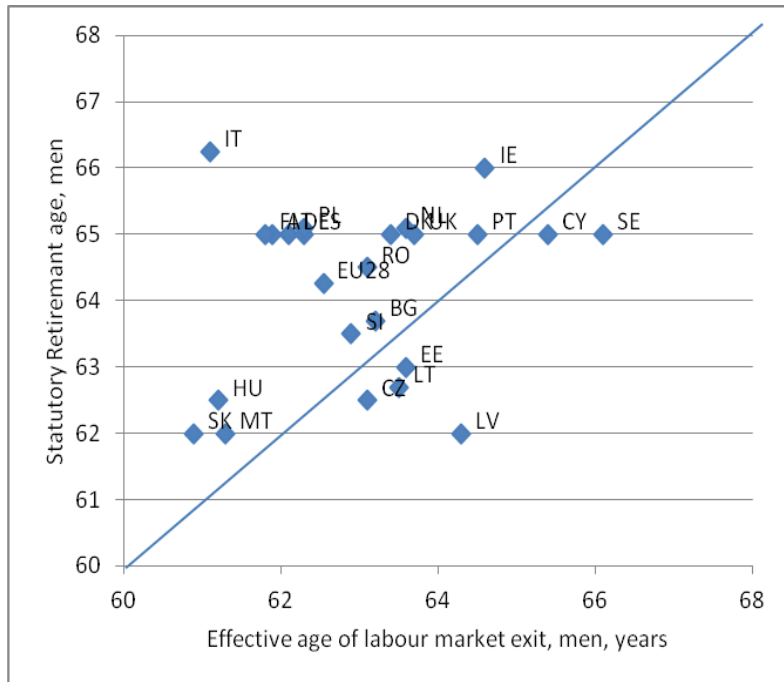
Even though important differences by age-groups exist



Source: based on OECD labour market indicators;



Still, official retirement ages are generally higher than ages of effective labour market exit



Source: OECD report to the EU, OECD (2015a)



CHALLENGES



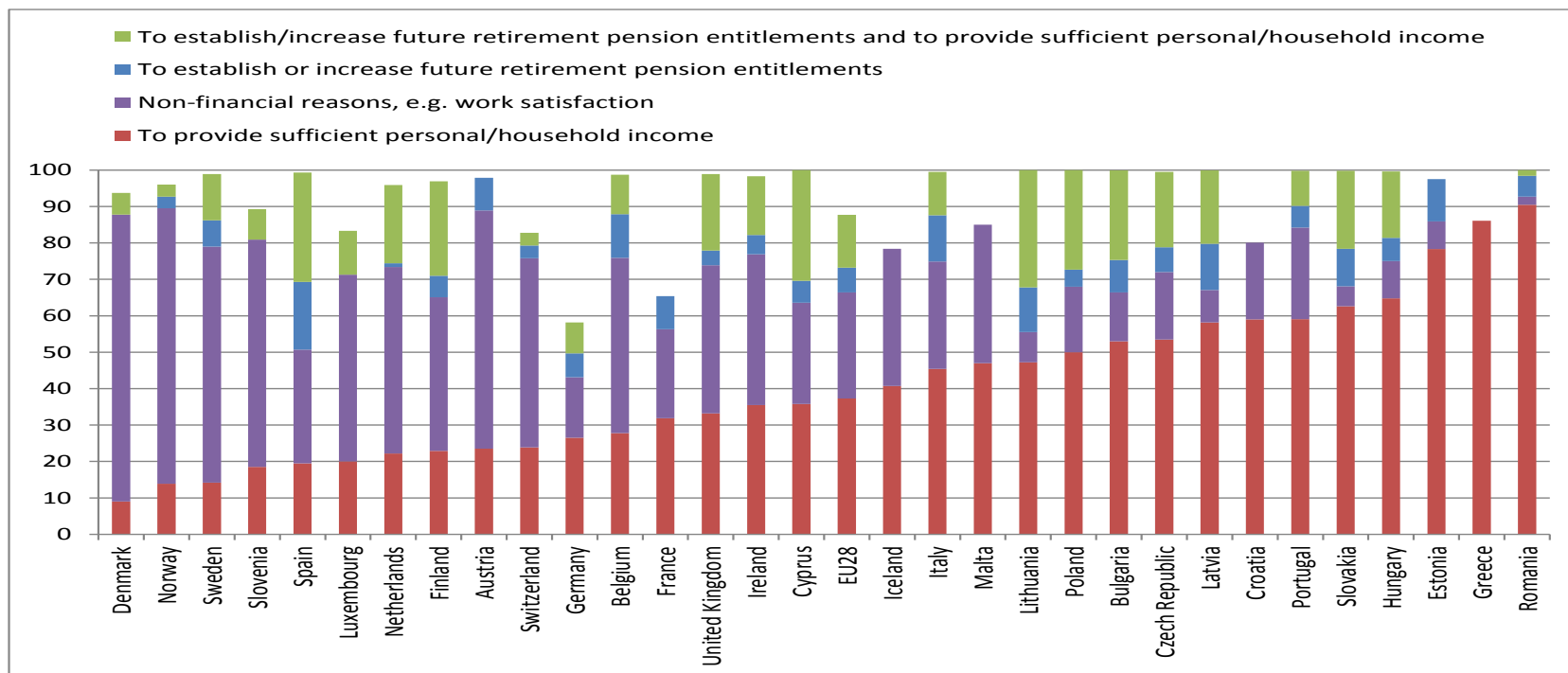
1. Opportunities and barriers to work longer exist

- Financial rewards matter but also non-financial increasingly important
 - Health important with impact varying across occupations, education levels and age-groups
 - But also workplace strategies such as possibilities of combining work and pensions, flexibility in retirement, training opportunities, etc.
- **Both Labour demand and supply matter!**



People report both financial and non-financial reasons to continue work

Share of people reporting a particular reasons to continue work after pension age, %, 2013

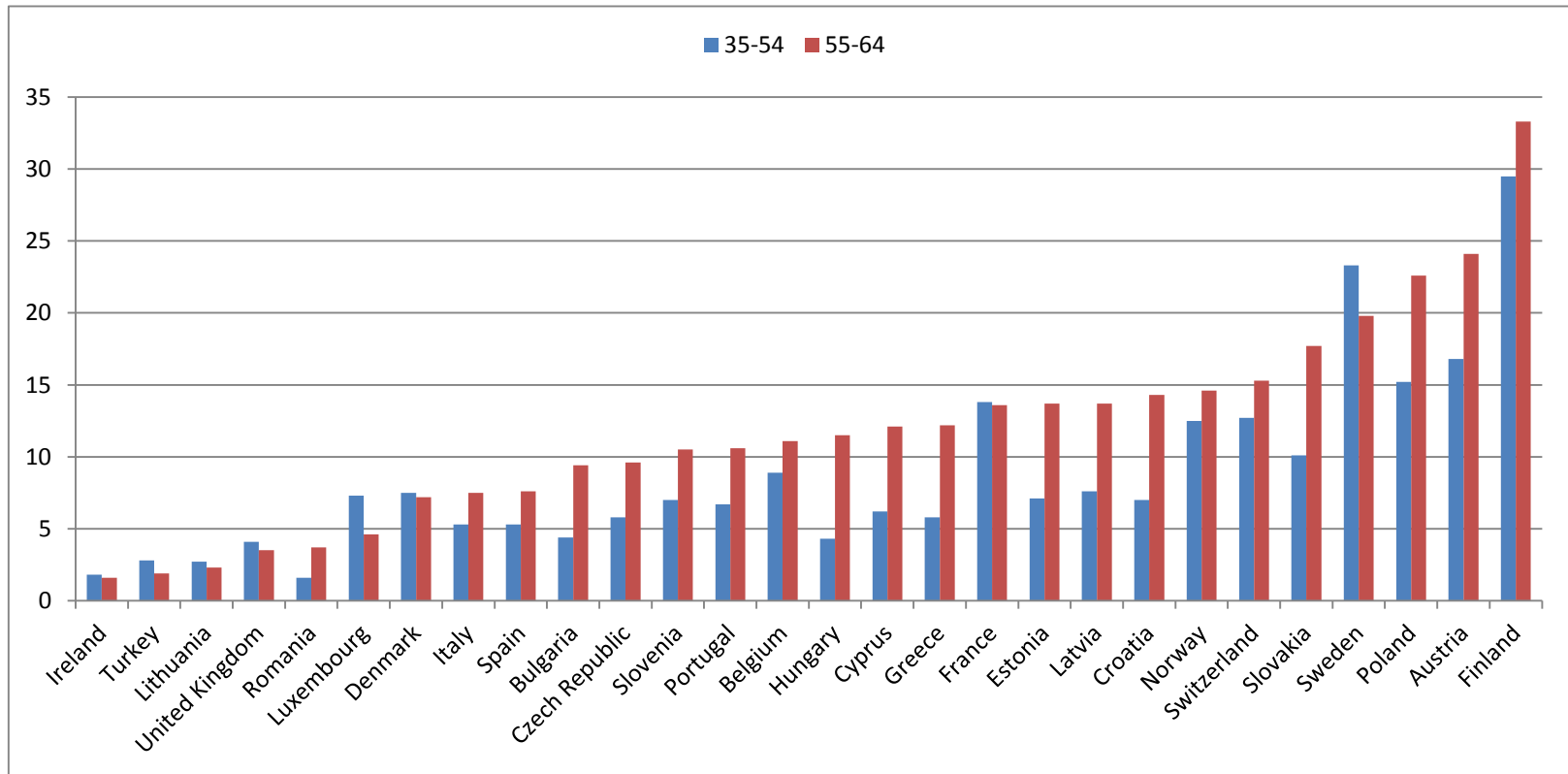


Source: Based on LFS special module 2012



Health problems may also affect the probability of being employed

% people reporting work-related problems, 2013

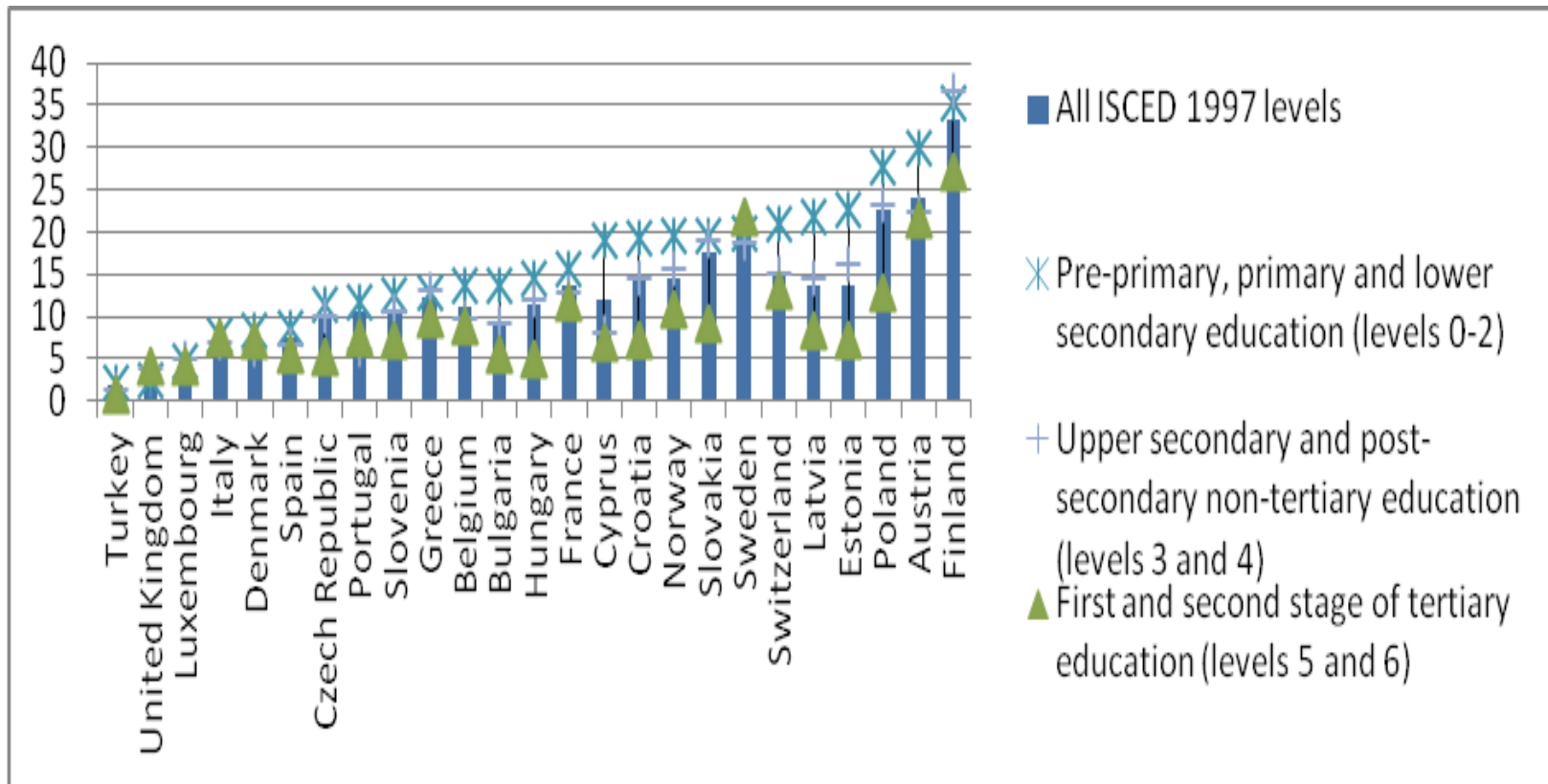


Source: OECD estimates of LFS



Older workers are not a uniform group, Education matters

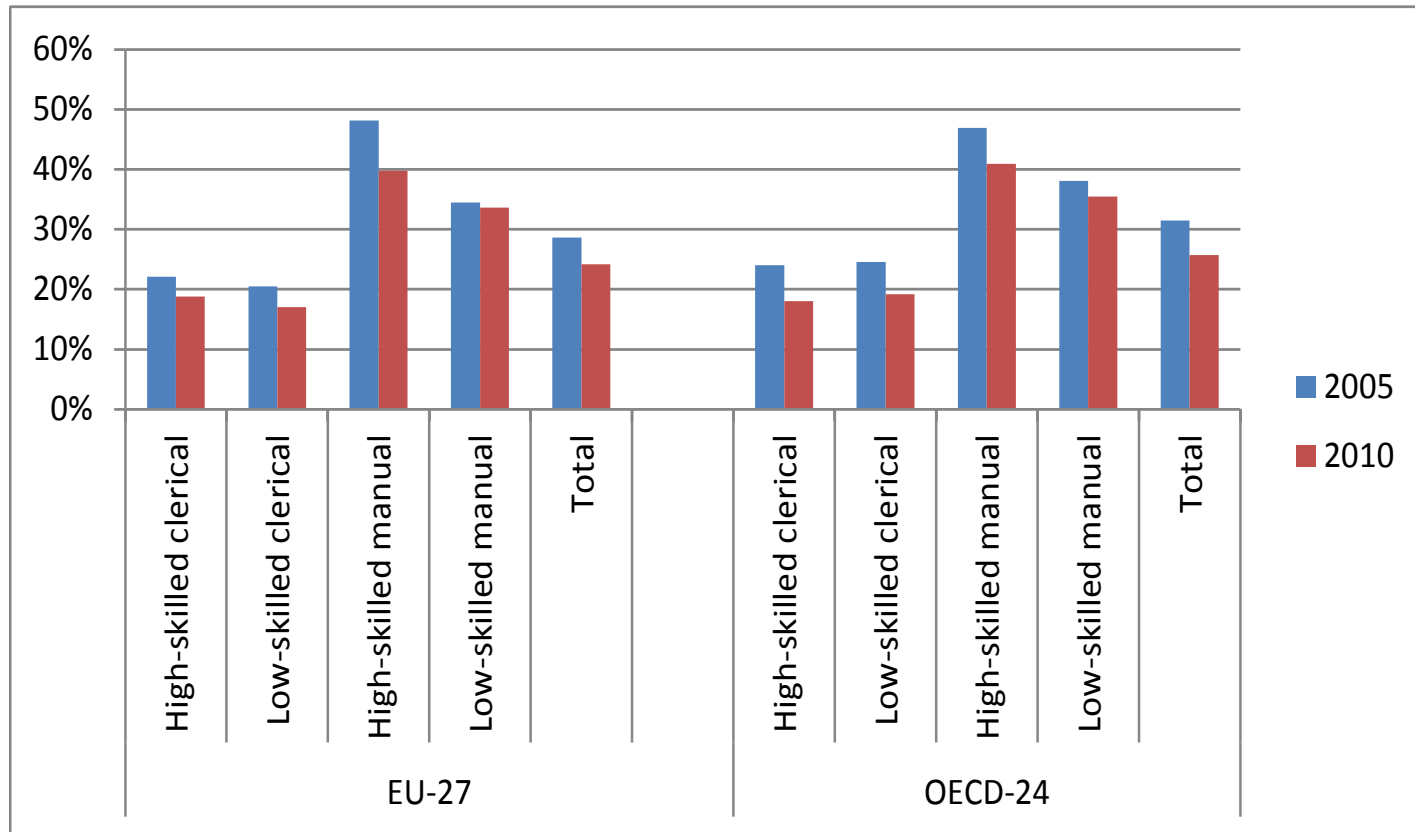
Share of people reporting health problems by education levels, 2013



Source: OECD estimates of LFS



In manual occupations the % of people thinking that their health is at risk because of their work is large...



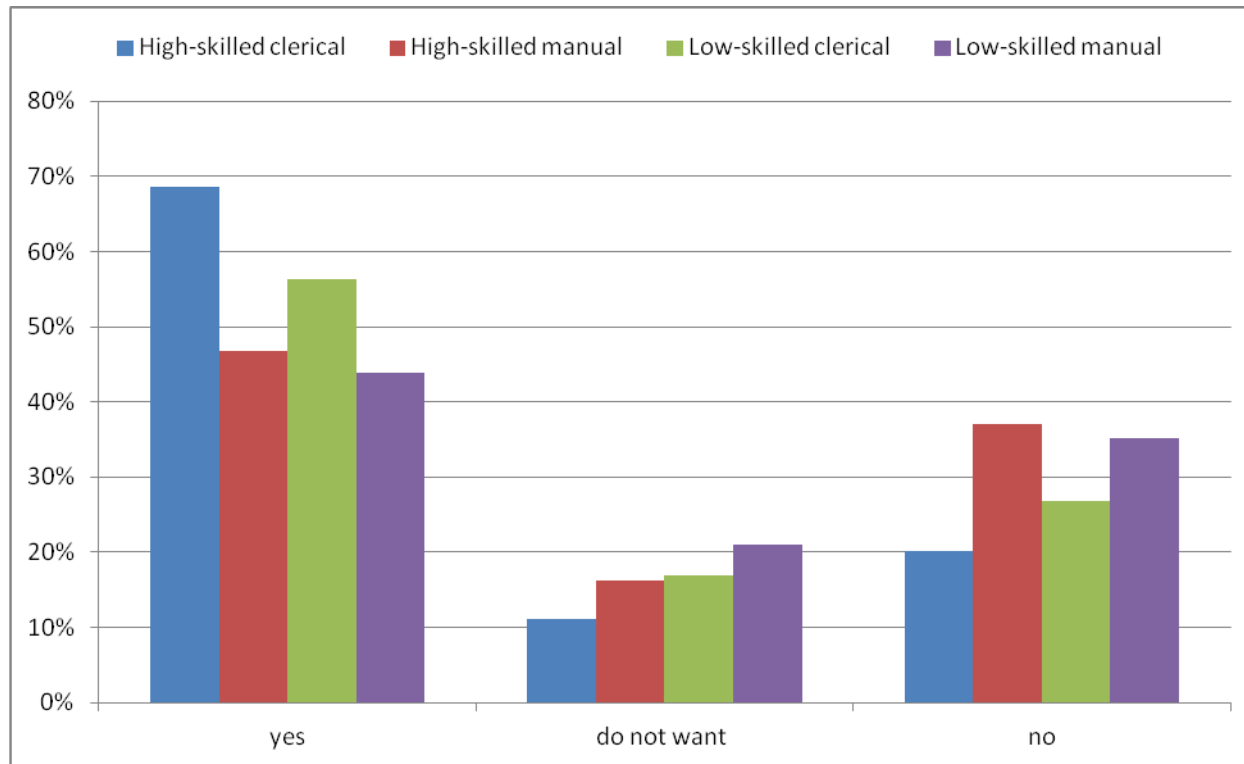
Source: OECD estimates of Eurofound EWCS

Pension rules for arduous and hazardous jobs should not be used to replace effective and efficient health and safety policies



The share of people who report they will not do the same job when they will be 60 is large in manual occupations

% of people that will, do not want, will not do the same job when they are 60 by occupation

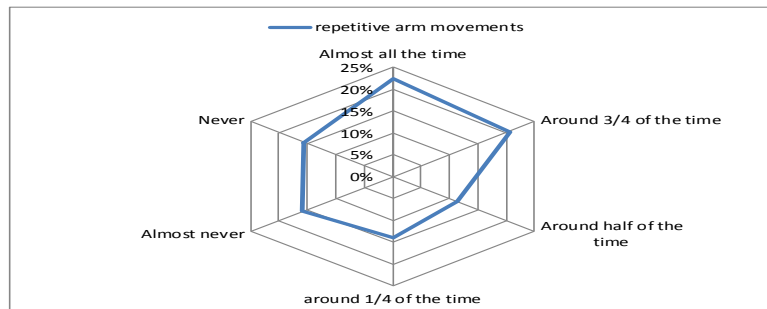
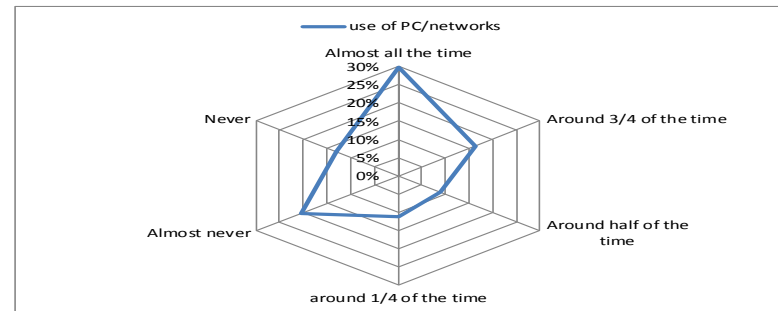
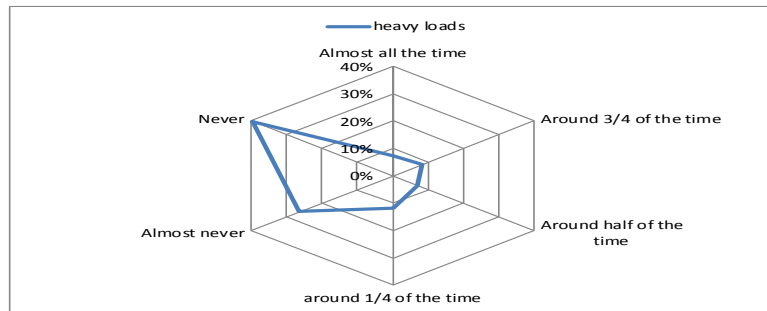
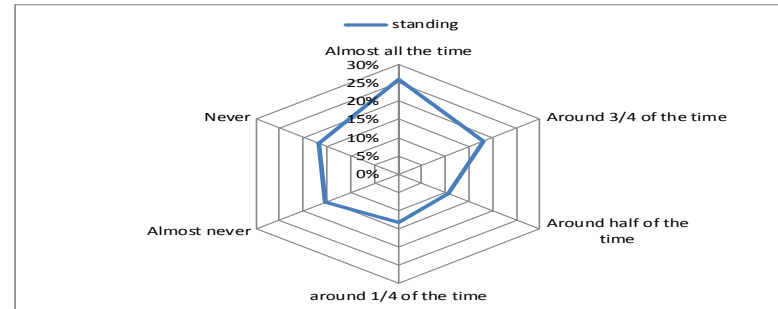
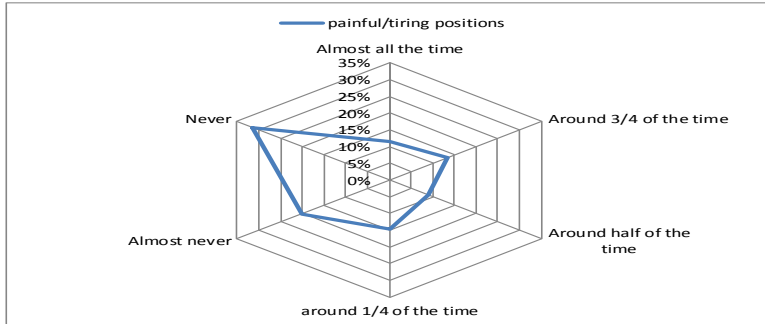


Source: OECD estimates of Eurofound EWCS



Push factors may be important and persist

% reporting problems in executing their job

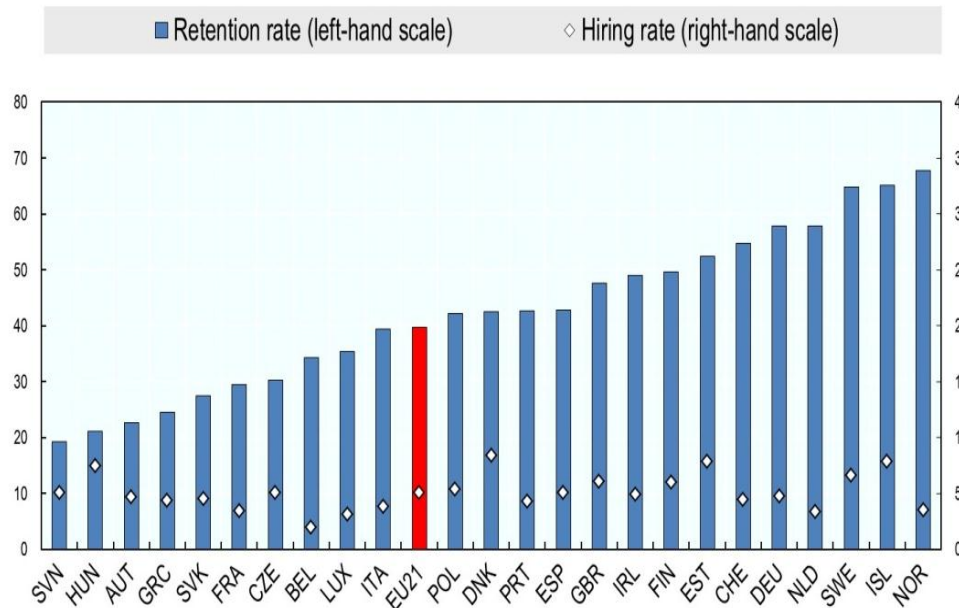


Source: OECD estimates of Eurofound EWCS;



Late-career labour markets need to be developed further

Working longer occurs generally through retention and still too little through rehiring at older ages



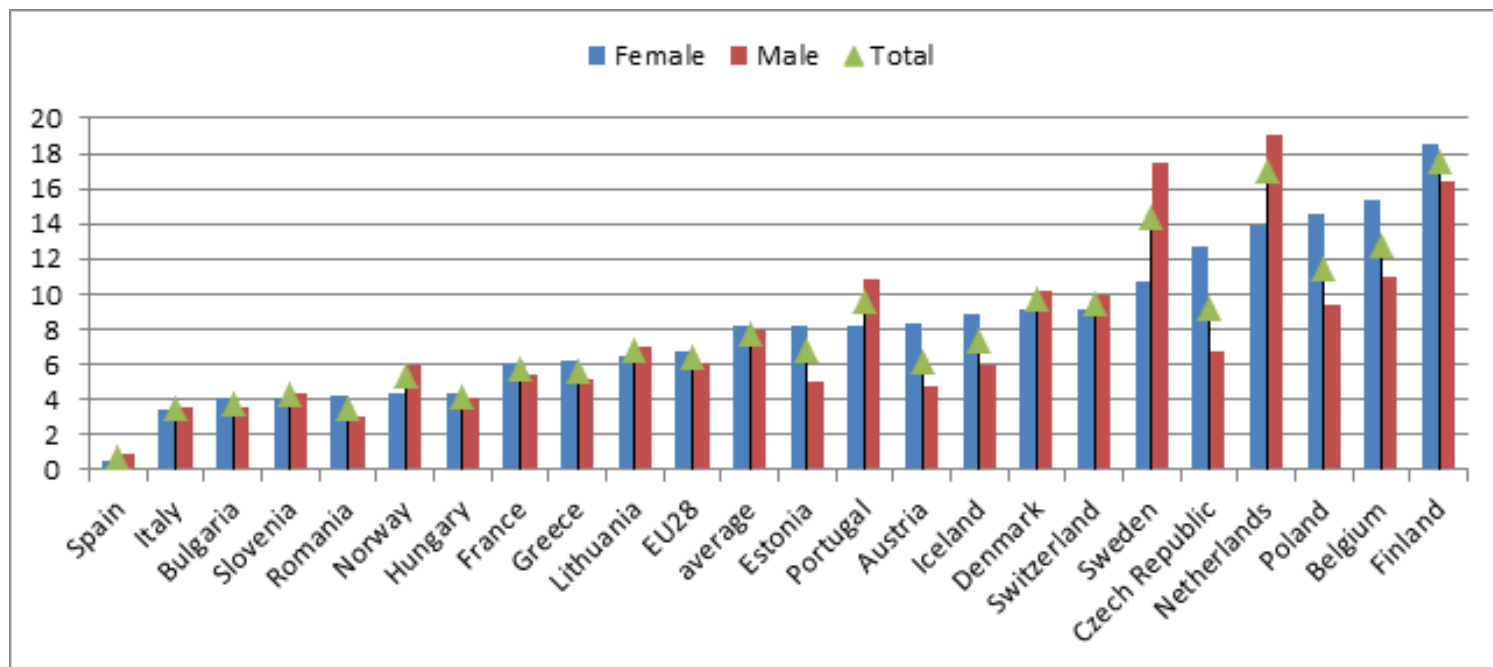
Source: OECD estimates; see OECD (2014a, b,c; 2015a)

Employability: Training possibilities are still limited for older workers



More flexibility in the transitions into retirement ?

% of people who reduced their working time in a move towards retirement, 2012



Source OECD estimates on 2012 EULFS



Challenges

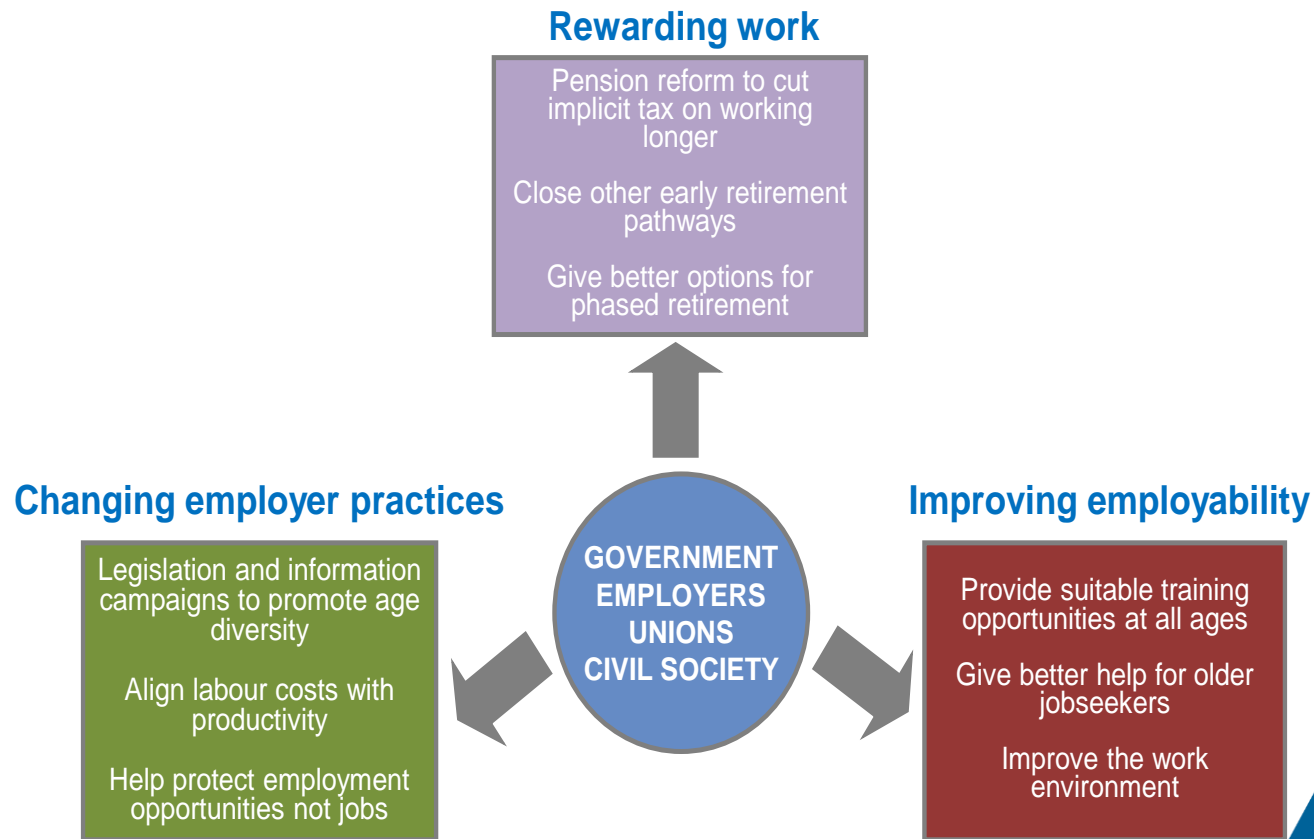
- Decision to retire is complex : Pull/push jump/stuck factors matter!
- Working late in life depends on the extent to which pension systems and labour markets “*match*”
 - If there are barriers these may not possible in practice!
- Rules and parameters of pension systems affect the extent to which working lives are becoming *effectively* fuller and longer
- *However it is not because retirement ages increase that people will effectively work longer!*



CONCLUDING REMARKS



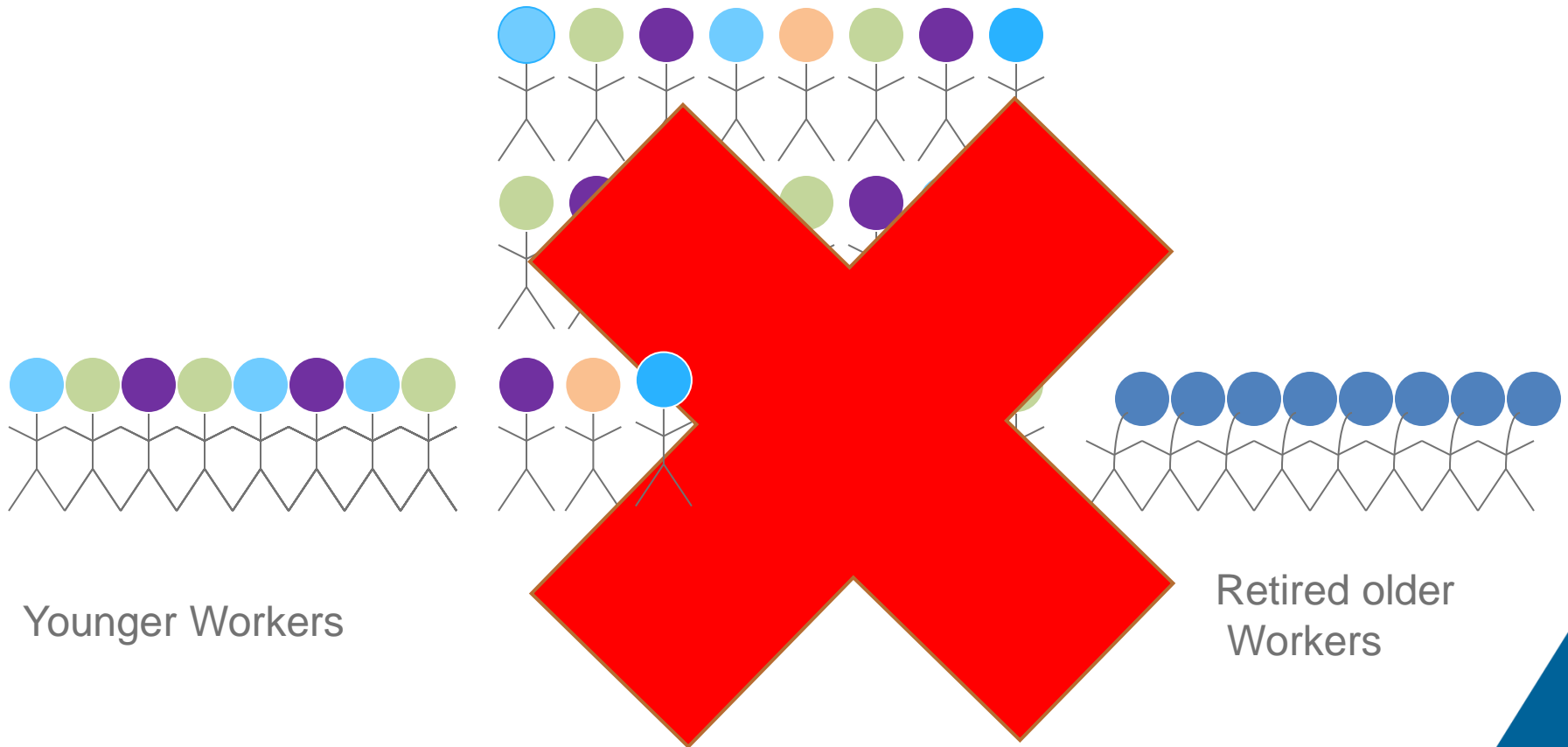
Key directions to improve working life



Source: OECD; OECD (2014a,b); OECD(2015b)



The assumption of the lump of labour fallacy does not hold...





Living longer = Working longer does not apply to all individuals



- Individuals are different
 - Age, education, skills, health, income, marital status matter
 - As individual preferences and attitudes do too!
- Trade-off between income and leisure
 - Do people want to work longer?
 - Can people work longer?
- “One solution fits” all does not work
 - Forgetting this might *mean paving the way for unequal ageing*
- It is necessary to give older people better work incentives and choice options!



The decision to stay in employment / retire is a complex one

- A large range of levers is needed to deliver longer working lives
- Pension reforms matter but other factors are equally crucial
- *Setting the incentives right seems crucial for both reasons of equity and efficiency*



Conclusion

- Efforts are still needed to deliver effectively longer working lives
 - Pensions policy makers have made a lot on the labour supply side
 - Demand factors have, by contrast, been underscored for long
- The extent to which longer working lives will “materialise” depends crucially on the degree to which labour markets and pension systems come closer
- Still important differences between individuals exist especially those with precarious lifetime earnings trajectories



Conclusion



- Going forward, efforts should aim to secure the changes in workplaces and labour markets needed to enable and encourage people both to work longer and to have fuller careers.
- Age-friendly solutions need to be found by employers, social partners, policy makers and individuals working together
- An inclusive and broad approach to action seems essential to achieve this aim



**Pensions
at a Glance**

Pensions at a Glance

**Pensions at a Glance
2009**

**Pensions at a Glance
2011**

RETIREMENT-INCOME SYSTEMS IN OECD
AND G20 COUNTRIES

**Pensions at a Glance
2013**

OECD AND G20 INDICATORS

OECD



Thank you:

anna.daddio@oecd.org

New OECD Pensions at a Glance 2015
forthcoming in December 2015

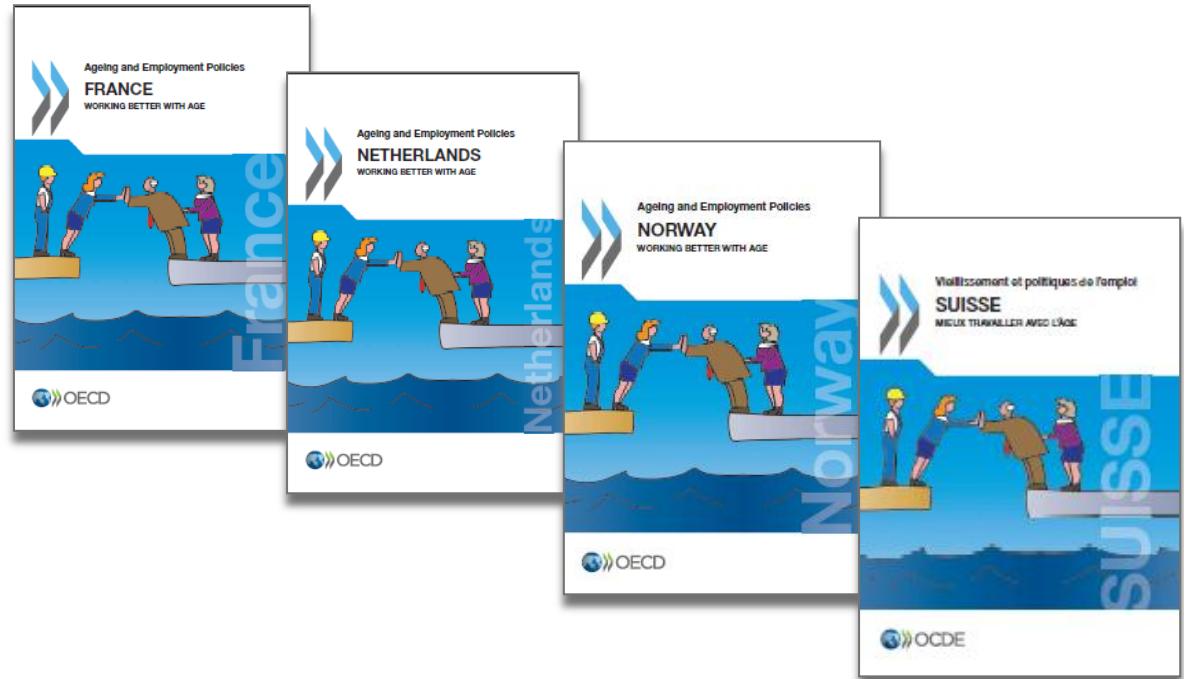
<http://www.oecd.org/pensions/pensionsataglance.htm>





Working Better with Age

THANK YOU



For further information: www.oecd.org/els/employment/olderworkers

OECD Directorate for Employment, Labour and Social Affairs: www.oecd.org/els



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References

- d’Addio, A. C. and F. von Nordheim (2014), “Towards an integrated agenda to deliver effective higher retirement ages: an issues note from the pension perspective”, Background note for the OECD-EU joint workshop on “Delivering longer working lives and higher retirement ages”, November 2014
- OECD (2014a), *Ageing and Employment Policies: Netherlands 2014 Working Better with Age*
- OECD (2014b), *Ageing and Employment Policies: France 2014 Working Better with Age*
- OECD (2014c) OECD Pensions Outlook, OECD Publishing, Paris
- d’Addio A.C. , OECD (2015a) Report to the EU on longer working lives and Higher retirement ages,
- OECD (2015b), *Ageing and Employment Policies: Denmark 2015 Working Better with Age;*
- *OECD (2015c) Pensions at a Glance 2015, forthcoming*