

Editorial

Working longer – what to do about hazardous or arduous work?

Since the last edition of *Pensions at a Glance* in 2021, the pension policy debate in OECD countries has switched from pandemic responses back to a focus on more long-term structural issues. The question of how to address the impact of population ageing on pension systems has moved back to centre stage.

The share of the population aged 65 and over stood at 18% in 2022 and is projected to rise to 27% by 2050, on average in the OECD. In the past, policy makers' chief concerns were around the fiscal impact of ageing and the funding of old-age security. Pension reforms thus aimed at making retirement income systems both financially and socially sustainable. Several OECD countries have passed reforms introducing and encouraging complementary private funded pensions. Promoting longer working lives was an important part of the agenda, but primarily to generate savings by having more people contribute to the systems while paying out fewer pensions.

Over the past decade, it has become clear that addressing the challenges of a rapidly ageing population requires promoting the employment and employability of older workers. This has become all the more central post-COVID as most OECD countries are facing labour shortages across many sectors and occupations. Unfilled job vacancies reached record-high levels in 2022; they remain high even in 2023 amidst a significant slow-down in economic activities. With large numbers of baby boomers retiring in the coming years, it is becoming even more important to promote the labour market participation of under-represented groups in general, and older workers in particular.

As documented also in previous editions of *Pensions at a Glance*, many OECD countries have combined action to increase statutory retirement ages, curb early retirement and offer incentives to work longer with efforts to foster employability, job mobility and labour demand for older workers. Normal retirement ages are set to increase in 23 out of 38 OECD countries, reaching an average of 66.3 years for men and 65.8 years for women starting their career today. In Denmark, Estonia, Italy, the Netherlands and Sweden, the normal retirement age will rise to 70 years or more if life-expectancy gains materialise as projected and legislated links with life expectancy are applied. Longer working lives are supported by growing life expectancy that, at age 65, increased by 4.8 years between 1970 and 2021, on average across the OECD, and by 1.6 years between 2000 and 2021. Despite the slowdown in life expectancy gains over the last decade, projections suggest further growth in the future.

The good news is that progress in the labour force participation of older workers across the OECD has been impressive. The employment rate of 55-64 year-olds in the OECD reached a record 64% in the second quarter of 2023, almost 8 percentage points higher than a decade ago.

But more needs to be done. Many older workers still struggle to keep their skills up to date, have limited access to good-quality jobs, and risk having an inadequate pension in old age because of short and unstable working careers. For example, concerns around productivity of older workers tend to fuel age discrimination and negative employer attitudes in hiring decisions. Perceptions of age discrimination remain common despite the fact that it is banned by legislation in virtually all OECD countries. Moreover,

older workers are potentially exposed to the risk of skills obsolescence in a rapidly changing labour market and need to adapt their skills. But participation in formal and informal training among older workers is less than half of that of prime-aged workers, on average. In addition, when looking at the reasons for quitting jobs, about one in five workers aged 50-64 across the OECD did so because of ill health.

Better prevention, improved working conditions, retraining and reskilling will increase healthy years in life further and help to keep more older workers in the labour market. But it also must be acknowledged that there are large differences in the expected number of years in retirement, especially in good health, between groups of workers and countries. For example, estimates show that low earners have three years fewer of life-expectancy at age 65 relative to high earners, which reduces their pension wealth by about 13%. Increasing retirement ages should thus be seen in the context of persistent socio-economic inequalities, potentially fuelling resistance against pension reforms. A case in this respect is that of older workers in hazardous or arduous jobs, as some of the working conditions in these jobs may have a long-lasting toll on their health status even after retirement.

In theory, the labour market would recognise hazardous or arduous work through better pay, given that workers have some choice which jobs to accept. But, in practice worse working conditions and larger job-related risks are not necessarily compensated through higher wages and many workers have de facto limited choices as to whether or not to take such jobs.

The traditional way in which pension policy has recognised the difficulties of hazardous or arduous jobs is to systematically grant workers performing them access to early retirement, either through specific pension schemes for certain occupations, or through special rules within the general pension scheme. But this approach is increasingly challenged by the evidence. Many jobs that were previously considered arduous have evolved thanks to technological progress, for example through the use of robots in production which take on repetitive and especially dangerous tasks. Work practices too are changing and within most job categories workers perform a range of different tasks, not all of which are hazardous or arduous.

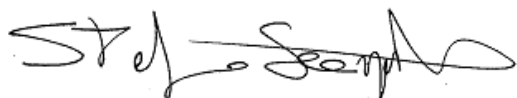
This is not to say that hazardous or arduous work no longer exists, but it implies that broad-stroke policies are no longer appropriate. Instead, the focus should be on specific individual cases of workers, on their health conditions and their ability to work, including in other jobs. It also means that more efforts need to be made to address health problems of individual workers throughout the working life and thus avoid work-related chronic ill-health at older ages.

The first line of policy action, together with social partners, should be through prevention of health problems and moving workers out of arduous work before health deteriorates significantly. In addition, workplaces should be redesigned to prevent poor health outcomes of workers, to the extent possible also making greater use of supporting technologies, and to retain in the labour market those who have health issues. This requires better regulation of worktime and workplace safety and a strengthened role for labour inspection bodies and occupational health services.

Then, for those who do have work-related health problems, support should be provided primarily through work injury, sickness and disability insurance rather than old-age pension schemes.

In some cases, there might be a rationale to continue to offer early retirement options, such as in public security and safety services like the military, police, firefighters, and others, as the age-related decline of physical and cognitive capabilities may put themselves and others at danger. Here again, age-management policies should provide support for a career shift early on. Early retirement solutions could also be considered, after careful evaluation, in cases of health conditions that develop as a consequence of difficult working conditions, such as night shifts, but only become visible much later.

With an inclusive approach to health, work, training and retirement, countries can improve the employment prospects, and quality of jobs, of people at an older age so as to ensure that the benefits of longer life expectancy are shared more fairly and that pension systems remain financially sustainable and deliver decent incomes in retirement.



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