BROCHURE

Retaining Talent at All Ages



OECD

About the OECD Directorate for Employment, Labour and Social Affairs

The Directorate for Employment, Labour and Social Affairs (**ELS**) leads the OECD's work on employment, social policies, international migration and health. It aslo oversees OECD work on interrelated policy areas that help countries boost employment and skills, and improve social welfare and health.

www.oecd.org/els/

Foreword

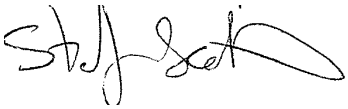


Attracting and retaining talent at all ages is crucial for the success of business. Excessive staff turnover is not only costly for employers but also for the workers involved, especially those with more experience, who may not always be able to fully use the skills they have acquired in another job. Indeed, earnings losses tend to be greater, and time out of work longer, for older workers who lose their jobs than for younger workers.

The unprecedented levels of labour shortages and recruitment that employers experienced in the recovery from the COVID-19 crisis have only underlined further the importance of taking further action to improve worker retention. This includes a mix of better working conditions, greater investments in training and tackling difficulties in reconciling work with health issues and caring responsibilities. Doing this is ever more important as millions of workers across the globe are demanding better quality and more meaningful jobs regardless of their age. According to the 2022 AARP Global Employee Survey in 12 countries, around 30% of workers left, retired, or considered leaving their job due to low pay, lack of advancement in their job and because they felt undervalued.

This report presents evidence on recent trends in job tenure and employee turnover, how they have changed due to the COVID-19 shock and sheds light on why employees quit their jobs. It identifies key employer and public policies that can support increased employment retention through better working conditions, health at the workplace, and training and skills.

In the context of rapid population ageing and longer working lives, we can and must do better to ensure that the talents and skills of a multigenerational workforce are put to best use.



Stefano Scarpetta
Director for Employment, Labour and Social Affairs
OECD

Retaining talent at all ages



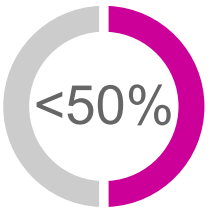
The COVID-19 crisis has exacerbated pre-existing labour and skill shortages, and at the same time rapid population ageing is reducing the size of the traditional 20-64 working age population as a share of the total population. In 2012, 34% of employers in 40 countries reported labour shortages, by 2022 this had risen to 75%. On average, across OECD countries the share of the population of traditional working age (20-64) has fallen since 2010 and is projected to continue to fall until at least 2060. Globalisation and technological change are also resulting in leaks from the talent pipeline because of skill gaps and obsolescence. At the same time, increased longevity means that many workers can and may want to work beyond current normal retirement. These trends underline the importance of taking further action to improve worker retention – one of the most important challenges employers face in managing their workforce.

Employee turnover is a vital ingredient of a dynamic labour market but excessive turnover is costly for individuals, firms and society. Job tenure is declining across the OECD. Between 2012 and 2019 average job tenure fell by 8% (about nine months), coinciding with an increase in the rate at which workers change jobs. Although the decline in average job tenure has been felt across all age groups, the largest declines have occurred for workers with low education. Job mobility is important for wage and career progression, but excessive employee turnover is detrimental for firms' profits and productivity.

Retaining talent of all ages is a major challenge

Average job tenure fell by about **8%** (nine months) in the past decade (for workers aged 1**5-64**).





Less than **50%** of workers aged **55-59** will still be in the same job five years later. For workers aged **40-44**, the share is more than **70%.**

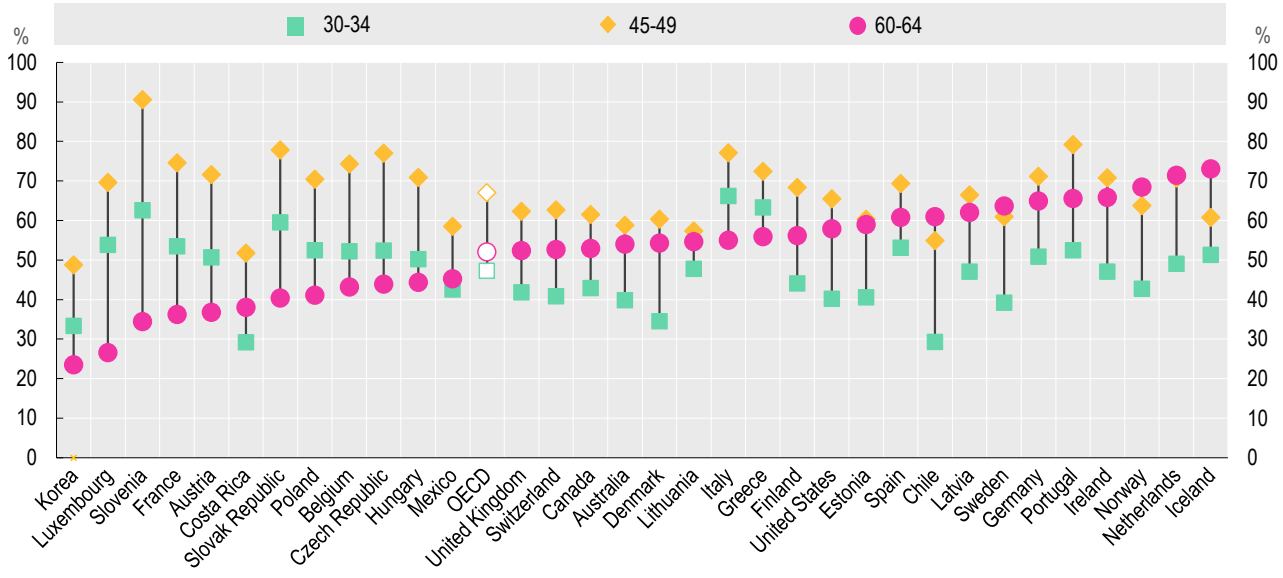


Did you know?

Although average job tenure is higher for older workers compared to younger workers, retention rates start to fall as workers get older. For working 55-59-year-olds just over half leave their employer by the time they are 60-64, compared to only about 30% of 40–44-year-olds who leave by the time they are 45-49. Older workers who leave their job are more likely to leave the labour market and less likely to change jobs compared to their younger counterparts.

Retention of workers towards the end of their career is a major challenge

Share of workers by age in 2014 that remained with the same employer (or self-employed) for a further five years

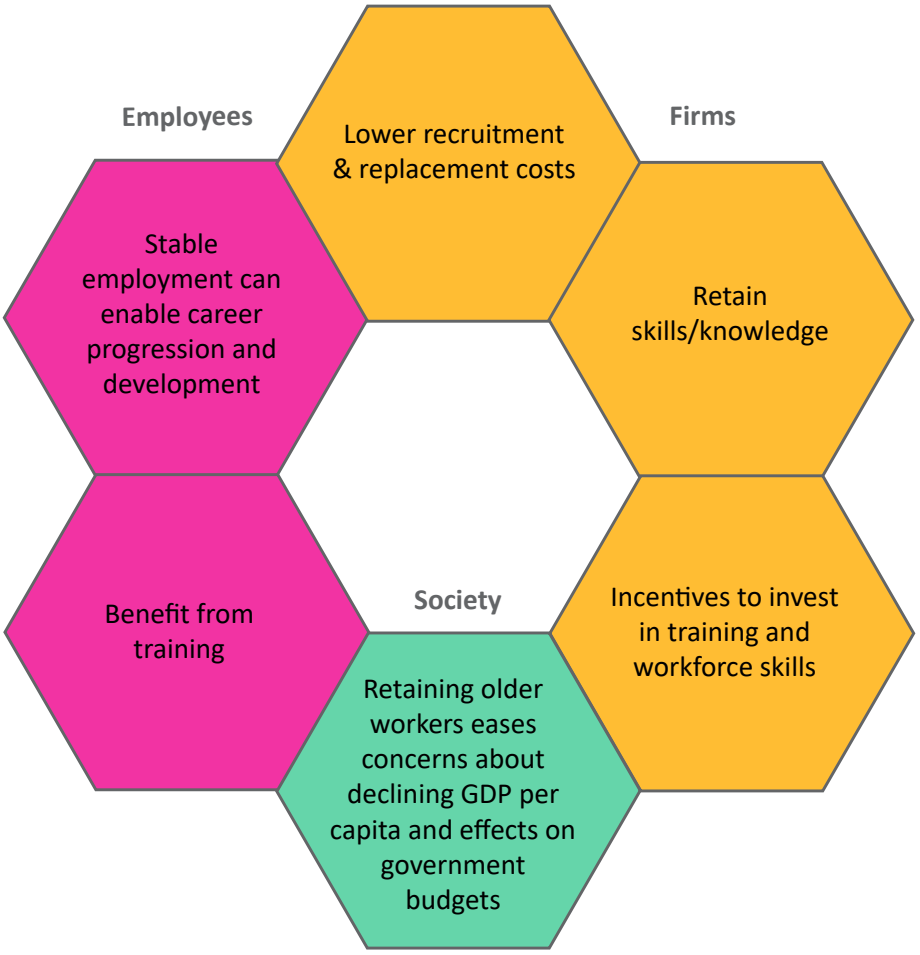


Note: OECD is an unweighted average of the 33 countries shown excluding Colombia, Israel, Japan, New Zealand and Türkiye for which data are not available. Data refer to 2017 (Australia) and 2018 (United States). Data cover employees only for Korea and the United States.

Source: OECD database Employment by job tenure intervals – persons, http://stats.oecd.org//Index.aspx?QueryId=9590.

Higher retention rates can be beneficial for employees, firms and society as a whole. Job stability helps boost productivity and inclusiveness. Training opportunities require long-term relationships. Firms invest in training programmes to enhance the human capital of their employees, but if employee turnover is unnecessarily high, firms will not capture the full benefits of this investment. Improved retention also helps lower hiring and replacement costs, especially when skills are specific to a business. For society, preventing the premature labour market exit of mature workers eases concerns about negative effects on government budgets from population ageing.

The benefits of retention for employees, firms and society



Who is leaving their job or the labour market?



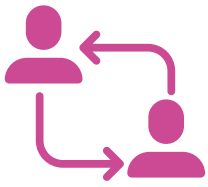
Workers who leave their job either move to a new job, become unemployed or leave the labour market altogether. On average across 27 OECD countries, about 1 in 5 workers make some employment related change each year (changing jobs, leaving a job, or leaving the labour market for example). About 1 in 10 change jobs every year. In the immediate aftermath of the pandemic quit rates rose to record highs in the United States, and there is evidence of quit rates also rising in the United Kingdom and France. This increase in quits appears to be driven primarily by workers changing jobs – looking for better opportunities – than leaving the workforce altogether.

Between 2012 and 2019 the rate at which workers change jobs has increased in all but two of 27 OECD countries for which there is available data. However, mature workers are less likely to change jobs compared to younger workers. This likely reflects older workers' preferences for fewer job changes as they are more likely to have settled into a good "match" with their employer and have more stable life circumstances. It could also reflect reservations on the part of employers for hiring older workers. Although the rate at which mature workers (aged 55-64) change jobs is low relative to younger workers – the rate at which mature workers voluntarily leave a job for either unemployment or inactivity is higher relative to younger workers.

6% of **55-64** year old workers exit the labour market every year compared with **3%** of **30-54** year old workers.



4% of **55-64** year old workers change job every year compared with **8%** of **30-54** year old workers.





This damages the business talent pipeline and ability of firms to reap the benefits of a multigenerational workforce.

Older workers are more likely to leave the labour market than change job

Stay or leave: Why do people change jobs?



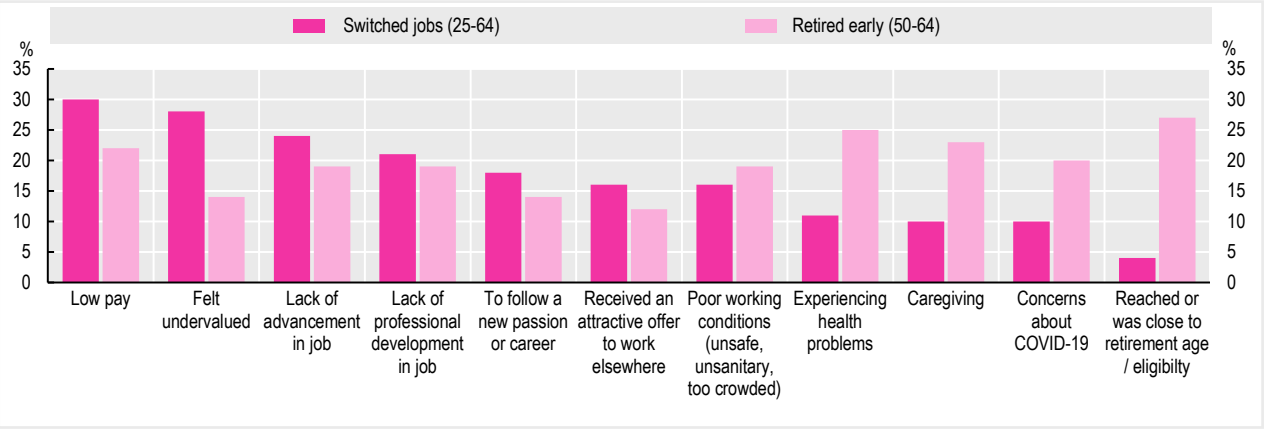
The AARP Global Employee Survey conducted in 12 countries in 2022 was designed to better understand the reasons workers might be leaving their jobs. According to this survey, low pay (29%), feeling undervalued (27%) and lack of advancement in their job (23%) were the top three reasons why workers aged 25-64 have switched jobs in the last five years. Among workers aged 50-64 who retired, health problems, difficulties with caregiving and low pay were the main reasons. Evidence from labour force surveys also show that health reasons account for 21% of quits among 55–64-year-olds.

Did you know?

For respondents aged 50-64 who retired early the main reasons were experiencing health problems (25%), caregiving (23%), low pay (22%) and concerns about COVID 19 (20%). This illustrates the importance of health and flexibility concerns for workers deciding whether to retire.

Reasons for leaving for those who switched and those who retired

By Change of status



Source: AARP Global Employee Survey. Online survey conducted in June/July 2022 of employees aged 25 and older 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.

The way forward: how to retain talent at all ages



The reasons for quitting mentioned above, illustrate the importance of a mix of policies to improve employee retention including:

- Promoting better job quality
- Better management and staff engagement, including age-inclusive management
- Improving physical and mental health
- Greater investment in training

Employers are at the core of any successful response to turn the challenge of population ageing into an opportunity for longer and more prosperous lives. Responding effectively to longer lifespans and greater retention of workers will require changes in business behaviour and business practices. Governments and social partners also have a key role to play in supporting employer actions.

Stepping up pay and working contitions



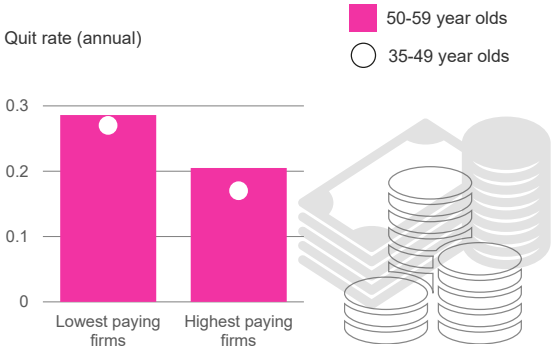
Key actions to improve job quality

- Raise productivity
- Make work more flexible
- Improve management and staff engagement
- Eliminate age discrimination

Job quality plays an important role for employees in deciding whether to change jobs. Pay matters for job quality. 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. 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.

Low pay is a key driver of workers quitting their jobs

Older workers are **40%** more likely to quit their job when working in low-paying firms.





At the same time, non-financial aspects of job quality are important as well. Employees want more flexibility in their jobs, for instance opportunities to determine when and where they work, including teleworking. Based on evidence from the United Kingdom, the option to work at home on a regular basis is equivalent in value to workers to just over 20% of the average annual salary. Overall evidence suggests that work-schedule flexibility improves views of employees of different ages of their own work-life balance, and while flexibility will not work for all jobs, it can improve job satisfaction and employee retention. Unfortunately,

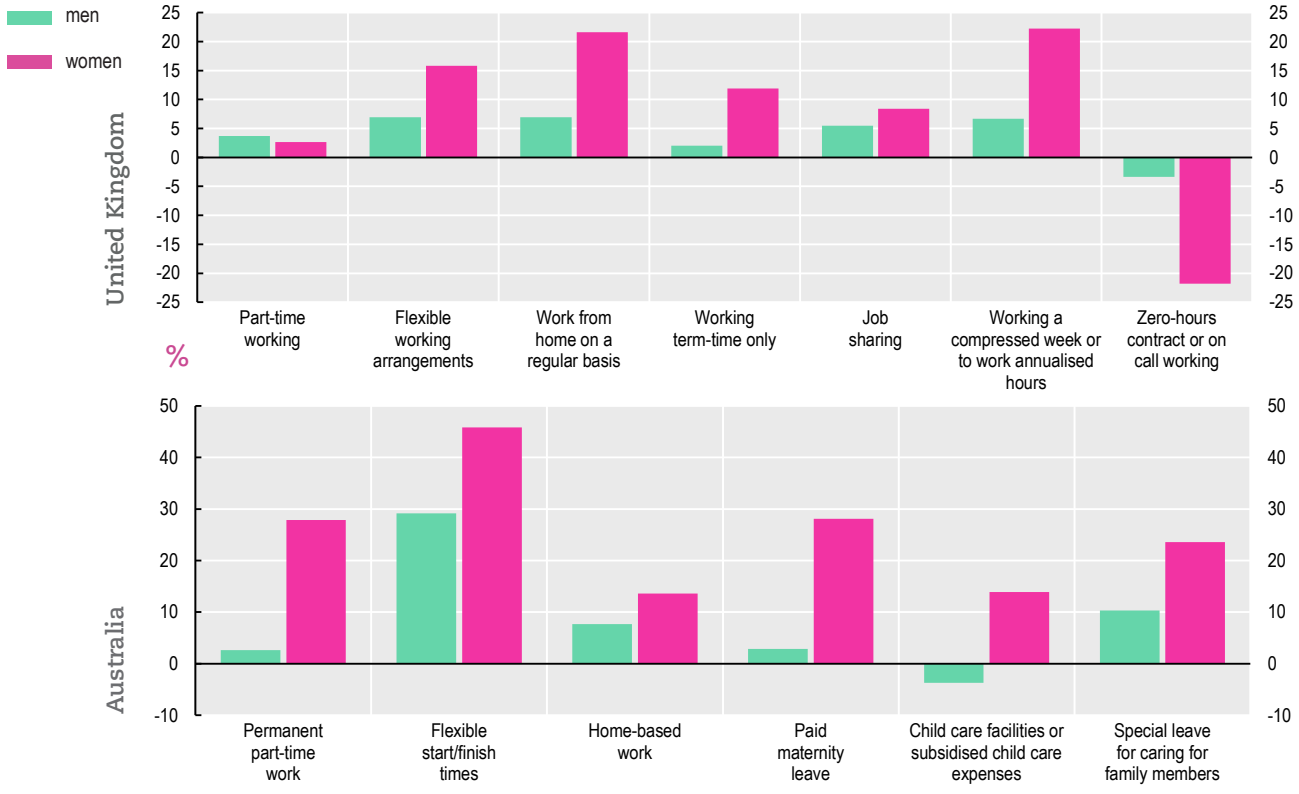
according to the 2022 AARP Global Employee Survey, older workers (aged 55-64) have much less flexibility (such as being able to work from home or flexible hours) in their jobs compared to younger workers. They also have less flexibility to care for dependent adults.

Did you know?

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. This shows that employee oriented flexible working practices are particularly valuable to women. 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.

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



Notes: For complete notes please visit the publication, Chapter 2, Figure 2.2 at: https://doi.org/10.1787/00dbdd06-en

CASE STUDIES
COMPANIES

Productivity growth is key to raising wages in the long run

- Firms that improve productivity raise pay in comparison with firms that do not raise productivity. A range of actions can improve productivity, such as raising employee skills and improving management practices. Raising employee skills is key to improving productivity in low-wage firms.

Improve management practices

- The Retention Direct Support Programme, implemented by the National Health Service (NHS) in **England** was designed to improve the non-financial aspects of job quality by improving career progression, development and engagement and stimulating a compassionate work culture. It was cost-effective as the cost of replacing the nurses that would have otherwise quit was likely higher than the productivity loss of the time implementing the programme.

Effective teleworking & flexible working conditions

- 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 reduced staff turnover.

Training for line managers to manage multigenerational workforces

- 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. Training managers is a key step to tackle age discrimination. A twin-track approach of engaging line managers and employees is likely to be more effective than diversity training.

CASE STUDIES
GOVERNMENT

Collective bargaining and minimum wages

- Collective bargaining and minimum wages play an important role in ensuring that improvements in productivity and pay are widely shared.

Caregiving leave

- 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.

Phased retirement

- Estonia expanded flexible retirement options, allowing the combination of pension and labour income for three years before the legal retirement age. 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.

Affirmative action through information campaigns

- 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.

Improving employee health pays off



Key actions to improve health

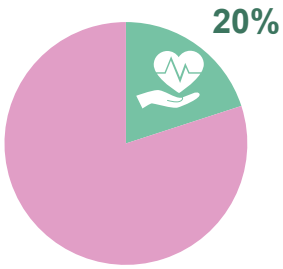
- Improve physical and mental health
- Ensure paid sick leave
- Redesign the workplace
- Establish timely return to work programmes

Keeping older workers healthy and productive is a key policy goal. Ill-health is a key driver of labour market turnover; in 2019 25% of workers aged 50-64 quit their job because of poor health. Poor health also affects younger workers, 20% of workers aged 35-44 quit because of poor health. In addition to premature labour market exit, health problems are also a key cause of sickness absence and presenteeism which if left untreated can have detrimental consequences for employees, employers and governments because of lost productivity and lower employee retention. Job strain, stress and burnout affects almost one in every three employees in OECD countries.

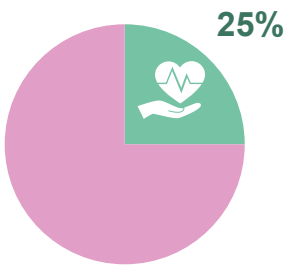
Many people who leave their job voluntarily do so because of poor health. This situation was made worse by COVID-19.

Workers who leave their job due to ill-health, as % of all workers who quit their job





Workers aged **35-44**



Workers aged **50-64**

Ill-health often pushes workers to quit their jobs

Improving employee health pays off

Policies aimed at preventing avoidable long-term sickness need to start early in life, for example by preventing obesity, smoking and harmful use of alcohol. Later in life, prevention campaigns in conjunction with government and employer policies such as paid sick leave can play a key role in supporting the recovery from ill-health. Most OECD countries have a combination of employer-paid sick leave and sickness benefits for workers on sickness absence, except Japan and the United States. Gradual return to work schemes following illness, as in Germany, can also be a win-win allowing workers to return sooner while preventing the loss of skills and experience. Similarly, making accommodations for workers with health conditions, such as changes to the physical working environment, working time arrangements, or workplace responsibilities, can play an important role in allowing workers with health issues to continue to work.

Last but not least, spurred on by the rise in telework amidst the COVID 19 crisis, policy makers are already making attempts to deal with possible negative mental health impacts of the digital transformation of the workplace. Some countries, including France, Greece Italy, Luxembourg, the Slovak Republic and Spain, now have legislation in place giving workers the right to digitally disconnect.

Did you know?

Nearly all OECD countries have legislation that prohibits explicit age discrimination in the form of firing or refraining from hiring someone due to age. However, discrimination can be difficult to prove and efforts to deal with it need to go beyond legislation. According to International Survey of Social Survey Programme, age was the most common reason for feeling discriminated against. Among those aged 50-64, 35% reported complaints around ageism, while 42% of those aged 65 and above reported complaints.

Improving employee health pays off

CASE STUDIES
COMPANIES

Comprehensive workplace health and wellbeing programmes

- Turck (**United States**) offers a comprehensive programme focused on improving health and wellbeing (targeting five pillars: financial, social, career, physical and community wellbeing). Services include an on-site health clinic focused on screening for diseases such as diabetes and cancer, an on-site pharmacy, 1 on 1 financial counselling, and a volunteering company match.

Support good mental health

- Bell **Canada's** "Let's Talk" programme includes access to care, as well as practices to remove stigma from mental health issues in the workplace. Mental health charity Mind (**United Kingdom**) developed a toolkit for employers on how to meet and implement the six core standards for mental health in the workplace. Core standards include: i) develop mental health awareness among employees by making information, tools and support accessible, ii) encourage open conversations about mental health.

Redesign the workplace to avoid poor health

- A work design initiative called STAR (Support. Transform. Achieve. Results) implemented in a Fortune 500 company made three changes to reduce employee burnout. Employees were given greater control over when and where they work. Managers were trained to focus on "results" rather than "face time" and encouraged to share their support for and interest in employees' personal and family lives.

Adapt to the health needs of employees

- A Ford Fiesta factory in **Cologne** used innovative methods to re-integrate workers with disabilities into a new production process. An interdisciplinary integration team was formed which used software to match the demands of a job with the precise abilities of a particular worker.

Offer employer paid-sick leave

- In countries where paid sick leave is not ensured at the level of federal government, providing paid leave is an important measure to be taken by employers, in order to prevent avoidable sickness absence, by providing employees with time to recover at home during sickness.

CASE STUDIES
GOVERNMENT

Certification and Awards for best practices in supporting employee health

- In Japan the Health and Productivity Management Programme (H&PM) provides both certification and awards for employers who take measures to promote health and well-being at the workplace. It also aims to incentivise investment in such health-promoting corporations.

Regulate and enforce working hours

- Long hours spent in paid work can impinge on leisure time, personal care, and a person's ability to contribute to unpaid work (such as housework and caring for family members) within a household. The ILO has reported that in many cases there has been insufficient resources dedicated to tackle violations of working time regulations.

Paid sick leave

- Most OECD countries have a combination of employer-paid sick leave and government funded sickness benefits for workers on sickness absence, Japan, Korea and the United States being the exceptions.

Promote timely return to work

- In Korea a return-to-work programme called "My job Tomorrow Service" provides integrated medical, psychological care and vocational rehabilitation services for employees with a disability due to an accident or occupational injury.

Develop and engage talent through lifelong learning



Key actions to improve training and skills

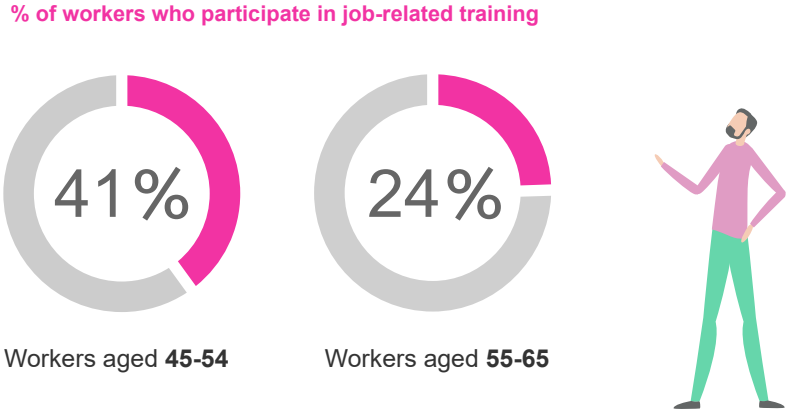
- Improve skill use and training participation
- Career development to grow skills and experience
- Targeted support for older workers

As the population ages, employers cannot rely so heavily on the skills pipeline of young employees leaving education for the first time. All adults need to continuously refresh or reskill to avoid obsolescence as digitalisation and automation alter the content and tasks of jobs. Employers across all industries need to invest in talent and skills development of workers.

Persistent inequalities in the provision and take up of training by age mean that older workers are frequently left without the right skills to flourish over longer working lives. On average across OECD countries 41% of adults aged 45-54 participate in job-related training,

41% of workers aged **45-54** participate in job-related formal or non-formal training but this falls to 24% for older workers.

It is crucial to develop and engage talent through lifelong learning



but the figure drops to 24% for those aged 55-65. This is a major problem for firms as it results in lower productivity and the loss of experience as older workers' skills become obsolete and they exit the workforce. But workers want to continue learning. The 2022 AARP Global Employee Survey shows that 41% of workers aged 45+ who have not done any recent training want to do so.

SMEs often experience severe shortages and lack the resources and information to provide training opportunities and thus need greater support to retain their talent. Barriers to training for mature workers include higher costs, but also age discrimination. Targeting older employees is particularly important as their formal qualifications are at times out of date and participating in training can take considerable time. To improve take-up, training may need to be adapted to the needs of older workers who are more likely to appreciate in-house one-on-one training, or training with the same age cohort.



CASE STUDIES
COMPANIES

Implement High-Performance Work Practices (including management and training practices)

- Workers in firms that employ robust HPWP are generally more likely to invest/participate in further adult learning and skill development. The way work is organised also affects the degree to which a firm can flexibly adapt new job tasks to the skills of existing or new staff.

Digital skills training

- #Hackeuses! is a digital acculturation programme organised by Simplon.co in **France,** dedicated to support women in the construction of a professional project in the digital sector. The programme includes theoretical classes, discussions, group workshops etc. and tackles different aspects of the digital sector including web development, robotics and personal data.

Ensure training is attractive to older worker

- Training may need to be adapted to the needs of older workers who are more likely to appreciate in-house one-on-one training and applied on-the-job training. Older workers also appreciate the use of older workers as role models, and self-pacing allows more time to master material.

Enabling career progression

- Tools such as mid-life career reviews, personal development plans and career conversations can ensure that workers make informed decisions about investments in future skills. A lack of information on relevant opportunities, ways to get involved and potential career development outcomes are often a barrier for older workers.

CASE STUDIES
GOVERNMENT

Contribute to learning at all ages

- In Singapore, the Skills Development Fund (SDF) supports a training leave scheme for older workers and on-the-job training consultancy services for accelerating skills development in the knowledge economy. The Mid-Career Enhanced Subsidy is designed to encourage mid-career workers to reskill and upskill by covering up to 90% of the cost of training in a range of vocational and university institutions.

Promote HPWP

- New Zealand's High Performance Work Initiative is a government policy to help primarily SMEs establish new HPWP. The government provides firms with consultants in order to enhance autonomy, teamwork as well as training in the workplace. While the initiative is funded by the government, firms are required to contribute half of the overall cost.

Support SMEs

- In Germany, since 2020 the public employment agency has supported training of low-skilled and older workers in SMEs under the Work for Tomorrow Act (known as WEGEBAU from 2007 to 2019). Subsidies are larger for small enterprises (100% of training costs) and for medium-sized enterprises (50%) than for larger enterprises (25%) or very large enterprises (15%); they are also larger for workers aged 45 and above.

Support networks to pool resources and share knowledge

- In Austria, companies co-operate through Impulse Training Networks (Implus-Qualifizierungs-Verbund) to provide cost-efficient and work-relevant training. The public employment service offers a subsidy that covers 50% of the costs of older and low skilled workers.

Contact: Shruti SINGH (shruti.singh@oecd.org); Andrew AITKEN (andrew.aitken@oecd.org).
Editing: Monica MEZA-ESSID
Infographics: Monica MEZA-ESSID; Alastair WOOD (p. 4, 10, 15, 18)

For more information

The digital report is available at : https://doi.org/10.1787/00dbdd06-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territoriry, to the delimitation of internacional frontiers and boundaries and to the name of any territory, city or area.

©OECD 2023

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at http://www.oecd.org/termsandconditions.

www.oecd.org

