



# **LATE-CAREER MOBILITY**

## A short overview of policies

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# Introduction

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The objective of this report is to provide an overview of policies dealing with either mobility or older workers' careers. That overview has two main aims. In the first place, we seek to illustrate the variety of policy instruments with which mobility has been tackled in the policies of different countries during the last decades, in a non-exhaustive manner. In the second place, we aim at extracting some limited policy lessons from those measures that can inspire the Flemish policy actors in the context of current developments regarding career policies.

The role of this report in the broader context of the project is a complementary one: it offers a number of measures that were not assessed in the context of the core country cases (Finland, UK, Netherlands).

Four main individual measures were selected as “complementary” or “peripheral” case studies:

- The Swedish system of Job Security Councils, by which work-to-work transitions in the context of forced mobility are facilitated by the social partners. The Job Security Councils act as “mobility agencies” that prepare workers for another positions through, among others, financial support, placement advice and training.
- The French “bilan de compétences”, by which every worker or jobseeker has the right to a career assessment in which he analyzes his motivations, competences and goals with the help of an external coach.
- The Japanese firm-level measures aiming at the re-employment of workers after retirement, among which the *Shukko* and *Tenseki* are the most relevant.
- The American and French variants of the Experience Rating system, by which employers are taxed for the dismissal of (a certain category of) workers.

Their selection obeys two main criteria. First, the search was not limited to “good practices”, but sought rather to identify “useful practices” from which relevant policy lessons could be extracted. In this sense, the selection of the French Delalande Tax, which was abolished in 2008 after a failure to protect the employment of older people, is a particularly interesting case, since it uncovers some characteristics of a political economy that should be studied before introducing experience rating systems. Second, we looked for alternative approaches towards mobility, such as the Japanese one, which fully deviates from the individual-centered practices of

several Western countries, and which shows that mobility can be approached from a myriad of basic paradigms, which are often strongly rooted in the institutional setting of a country.

The remainder of the report assesses the four cases mentioned above, whereas the conclusions summarizes their main characteristics and sets out some policy lessons that can be extracted from the cases.





# 1 | Sweden: Job Security Councils

## 1.1 Summary

<i>Name</i>	Job security councils (Trygghetsråden)
<i>Country</i>	Sweden
<i>Mobility regime</i>	Social-democratic
<i>Type of measure</i>	Self-regulation through collective agreements
<i>Level</i>	Sector
<i>Description</i>	The councils are in charge of offering outplacement services to dismissed workers. They provide, among other, guidance counseling, job-seeking activities, training or retraining and severance pay. Furthermore, in the case a user finds new but lower-pay employment, the council pays the difference with regard to the older job for a limited amount of time. The services may be provided directly by the council or outsourced to a private company.
<i>Target population</i>	All employees covered by collective agreements establishing a council (14) who have been given notice of dismissal
<i>Funding</i>	Employers (0,18-0,3 % of the annual wage bill)
<i>Results</i>	Evaluation conducted in 2000. Positive effects: councils reduce long-term unemployment by channeling people to employment or training.  Opinion survey from 2007: 90% of users satisfied (overall impression, role of advisors).

## 1.2 Introduction

Job security councils (Trygghetsråden) are bipartite bodies arisen from sector-level collective agreements (job security agreements, job transitional agreements) between employers and workers, and financed with employer resources, which provide outplacement services to dismissed workers. Those services include guidance counseling, training and financial support.

Even though Flemish policy research has already explored the case of the Swedish job security councils in the context of the outplacement market (De Cuyper et al 2008, p. 165), it seems convenient to shed some light on the institution from a late-career mobility perspective, while taking into account the Swedish mobility regime: the growth and functioning of job security council can provide us with some insights on the way in which bipartite initiatives can complement Public Employment Services. The remainder of this short report elaborates on the measure's origins and context, the job security councils' functions and structure and their

performance. The conclusion identifies a number of policy lessons that can be drawn from this specific case and assesses its policy transferability to a Flemish context.

### 1.3 Origins and context

Job security councils emerged in the framework of the 1974 Employment Security Act (LAS), which establishes a minimum compulsory level of protection while allowing collective agreements to go beyond that minimum, and the 1976 Co-determination Act (MBL), which provides for consultations between social partners on organizational changes and labour relations. This strong emphasis on collective agreements and social dialogue is embedded in the Swedish institutional structure<sup>1</sup>, where unionization has remained high in spite of the downward trend in other industrialized economies.

The first Council, which originated from the dissatisfaction of employers with the PES services for white-collar job seekers, was established in 1972 by means of a collective agreement (job security agreement), and the practice of establishing such councils extended over time to collective agreements covering blue-collar and public sector workers.

### 1.4 Goals

Even though the councils' goal might be narrowly described in the first place as providing assistance to dismissed workers, it has been pointed out (Diedrich and Bergström, 2006, p. 21) that their proponents regard them as an instrument to smoothen structural change and improve "the functioning of the labour market through an individual matching and upgrading of competences". This broader role in the Swedish labour market structure is confirmed by the policy evaluation (cf. *infra*).

### 1.5 Structure

The Job Security Councils are made up of bipartite boards and professional staff

- Employers and workers are equally represented in the board, which is in charge of deciding the "scope and content of the support" to be provided to the restructuring enterprise.
- The professional staff, consisting of advisors and consultants, carry out the board's decisions by engaging in individual support for each employee. Given the decentralized nature of the fourteen councils, which are established at the level of the large employers and workers' federations they dispose of a high degree of freedom when executing the board's decisions, what allows them to tailor support to the individual's needs or to outsource the services to the private market (cf. *infra*). XXX stresses the fact that advisors are often highly qualified (university degree, experience with restructuring).

<sup>1</sup> This structure is based on the Saltsjöbadsavtalet<sup>1</sup>, a 1938 agreement between the social partners. <http://www.eurofound.europa.eu/emire/SWEDEN/ANCHOR-SALTSJ-Ouml-BADSAVTALET-SE.htm>



## 1.6 Functioning

A double caveat is needed before elaborating on the job security councils' functions. First, given the decentralized level at which they are established and managed, the policy priorities and measures may vary per council (e.g. finding a job soon *versus* finding the most adequate job). Second, the job security councils are by no means the only actors providing assistance to to-be-dismissed employees: the local PES and the occupational health services can also provide support. In addition, private providers are active since the end of the public monopoly of job placement services in 1993.

The councils' activities, directed at helping the dismissed workers to find a new job, start at the general level with guidance meetings and counseling. Throughout the process, attention is paid to the active involvement of the dismissed worker when deciding the most adequate action to take. Depending on the individual case, the sector involved and the state of the labor market, concrete activities may include:

- Personal guidance, advice and counseling on education and career.
- Preparation of an employee profile and individual activity plans.
- Arranging of job-seeking activities.
- Facilitation of contacts with employers.
- Financial support (salary during introductory training, severance pay, temporary compensation for a lower-paid job).
- Support for business creation.
- Additional training or retraining.

The duration of the activities varies per council, with support mostly starting after the expiry of the notice period. For instance, the activities of Trygghetsrådet (TRR), which covers white-collar employees in the private sector, have a maximum duration of five years, with an effective average of 6-8 months. In this context, it is worth noting TRR's Early Risk Service. The service, which is directed at all workers that may be affected by redundancies *before* the actual dismissals take place, includes consultations with individual workers, career planning, activity plans and competence development activities, with the main objective of strengthening the workers' employability regardless of their potential dismissal.

The activities mentioned are not necessarily carried out by the councils. Some of them, such as TRR, carry out the activities themselves, while others use the services of private suppliers of outplacement services. In order to finance those activities, the employers contribute with a proportion of the total payroll that varies according to the sector between 0,18% and 0,3% for affiliated companies and between 0,58% and 0,7% for non-affiliated companies.

## 1.7 Results

The job security councils have not comprehensively been evaluated to date, nor have they been assessed from the perspective of this project's subject-matter (late-career labor mobility). A limited evaluation took place in 2000. That study found out that:

- Dismissed workers tend to receive support from the councils soon after receiving notice, and often succeed in finding a new job or becoming self-employed.
- “A relatively large share of redundant workers proceeds to further education”.
- The councils diminish the risk of long-term unemployment, what implies positive fiscal effects (i.e. reduced cost of unemployment benefits and active labour market measures).

In addition, a 2008 survey by TRR found that 8 of 10 of their users succeeded in finding new employment, often with an improved salary and in small or medium-sized companies. A 2007 opinion survey, also by TRR, found that 90% of the users had a “very positive or positive overall impression” of the council, and 75% of the managing directors in affiliated countries have found the TRR services useful.

## 1.8 Conclusions

There are several policy lessons that can be drawn from the Swedish experience:

- A high level of decentralization and autonomy has helped the councils to design tailor-made solutions for their clients and to focus on both forced mobility and, as the TRR example shows, on voluntary mobility (cf. Early Warning Service).
- The councils show how the social partners can be constructively involved in policy design and implementation.
- The large number of actors that participate in the Swedish outplacement activities shows that a private market of job placement services, public involvement in the PES and social partners' initiatives can coexist.

It is, however, interesting to highlight two caveats that should be taken into consideration before assessing the potential transfer of the policy to a Flemish concept.

- The job security councils have grown organically as a complement to the PES, and are embedded in a strong social dialogue tradition where collective agreements at the sector level play an important role in the development of the labor market. The apparent success of the instrument is thus in the first place explained by a strong institutional complementarity that limits the transferability of its success.
- The lack of recent evaluations makes it difficult to univocally qualify the councils as a best practice. It should be noted that the positive experience of

TRR, which concentrates on private sector, white-collar employees, may not be applicable to blue-collar workers, whose employability is often much more reduced.

## 2 | France: the bilan de competences and the bilan d'étape

### 2.1 Summary

<b>Name</b>	Bilan de competences, bilan d'étape
<b>Country</b>	France
<b>Mobility regime</b>	Conservative
<b>Type of measure</b>	Competence and career assessments
<b>Level</b>	National
<b>Description</b>	The <i>bilan de competences</i> is a career assessment process to which economically active individuals are entitled by law. They are conducted by external service providers and consist of three phases: a preliminary assessment of the employees needs, a deep analysis of his competences, motivation and potential, and a results phase during which goals are set and plans of action undertaken. Those plans may entail training activities. The <i>bilan d'étape</i> is a joint evaluation, by the employer and the employee, of the competences and career prospects of the latter. Employees have the right to a <i>bilan d'étape</i> every five years.
<b>Target population</b>	All employees, job seeks and the self-employed
<b>Funding</b>	Employers (either directly or through sector funds)
<b>Results</b>	No comprehensive evaluations were found

### 2.2 Introduction

Two French training-related policy measures are relevant to the context of this project: the *bilan de competences* and the *bilan d'étape*. The former is a competence assessment in which the user (who can be either a worker or a jobseeker) undertakes several activities in order to explore his professional motivations, competences and goals under the guidance of an external adviser and by means of instruments such as tests and interviews. The latter is a joint career assessment by worker and employer.

Even though the degree of activity of French older workers (38.2%) is not much higher than Belgium's (32.8%) and in spite of the fact that the measures as such are not specifically focused on older workers<sup>2</sup>, it seems adequate to explore them within the context of this project due to two reasons. First, they represent an alternative approach towards mobility that is not covered by the other case studies. Second, they are linked with both external and external mobility, as they allow individuals to identify niche opportunities and to reflect on their careers. Furthermore, they may serve as a bridge towards undertaking training activities and thus a valid remedy for some of the barriers identified in the beginning of the project (lack of training, lack of self confidence, lack of career competences). The remainder of this chapter assesses the origins of the measures, their main goals, structure, functioning and results. It further draws some conclusions and explores its policy transferability to the Flemish and Belgian context in the last section.

<sup>2</sup> There is however a variant of the *bilan* specifically created for older workers (cf. infra).

## 2.3 Origins and context

The *bilan de compétences* originated from a long-standing tradition of competence assessment in French policies, which was rooted in the conviction that career guidance should be informed by a scientific diagnose of workers' competences. Earlier measures adopted under this tradition were the former *examen d'orientation professionnelle*, adopted to facilitate the transitions from school to work during the 1950s. During the 1970s, the soaring unemployment rate and the 1971 on lifelong learning encouraged the creation of methods for the professional guidance of adult workers, but it was only in 1991 that a law on the *bilan de compétences* was adopted. The law was subsequently amended to elaborate on some aspects of the policy, such as the right to request time off for the conduction of the *bilan* (cf. infra) (Blanchard, 2003; Blanchard and Sontag, 2011). The *bilan d'étape* was introduced in 2009 by legislation, in the framework of attempts to modernize the labor market, and a nation-wide agreement between developed the policy further.

Currently, the two policies are related to the broader *droit à la formation* or “right to training”, by which every individual worker is granted the right to request 20 hours of training per year, which can be cumulated until a maximum of 120 hours is reached.

## 2.4 Goals

The goals of the *bilan de compétences* are set out by Law no. 91-1404 of 31 december 1991. Those goals are essentially related to allow the user to analyze his motivation and professional personal interests and, if needed, to evaluate his general knowledge and possibilities of professional evolution. Those goals are further paraphrased as follows by the federation of service providers (CIBC, cf. infra):

- The identification and valorization of the individual's personal and professional competences.
- The discovery of the individual's professional motives and interests.
- The improvement of the individual's knowledge with regard to the socio-economic environment in his geographic surroundings.
- The drafting and validation of a realistic project of change or professional evolution.
- The construction of a plan of action that allows for the implementation of the project.

The objectives of the *bilan d'étape* are, according to article L6315-1 of the Labour Code:

- To allow the worker to evaluate his personal capabilities and competences.
- To allow the employer to determine training objectives for the worker.

The social partners specify the goals of the mesure further in terms of increasing workers' engagement towards their own career, as well as providing a common vision to both the enterprise and its workers regarding future developments.

## 2.5 Structure

In line with the French regulatory tradition, the policy on the *bilan de compétences* is set out in detail by legislation and involves three main actors: the individual worker, his or her employer

and the service provider (*centre de bilan*). The *bilan* is conceived of as a process (Blanchard, 2003; Bournel-bosson, 2003; Clavier, 2007), which the individual worker has the exclusive right to initiate (i.e. it cannot be imposed by the employer or, in the case of a jobseeker, by his counselor).

*Bilans de compétence* are targeted at a broader audience: government officials, workers, jobseekers and self-employed can request a *bilan* (Ministere du Travail, n.d.). There are no age limits to do so, what opens possibilities for the use of *bilans* for older workers.

The *bilan de compétence* can be conducted by an officially certified service provider, who can be either for-profit or non-profit. The majority of the *bilans de compétences* are conducted by *centres de bilan de compétences*. They are non-profit associations, managed by representatives from the government, trade unions and employer organizations, among other, which are integrated into networks for best practice dissemination purposes. According to CEDEFOP (2008) there are in total 110 such centers employing 1500 people.

By contrast, the *bilan d'étape* is conducted in the context of the enterprise, jointly by the employer and the employee.

## 2.6 Functioning

The process by which a *bilan de compétences* is carried out can be implemented in two alternative ways. Along the first path, the worker may ask his employer for such an assessment.<sup>3</sup> If he complies with a number of seniority requirements, his employer is obliged to grant him a maximum of 20 hours of paid holidays in order to undertake the process. Along the second path, *bilans de compétences* may be contemplated in an employer's training plan. The worker may however reject it if he wishes to do so.

The *bilan de compétences* has a maximum duration of 24 hours, often distributed in five sessions that take place every two weeks. The process comprises three main phases:

- A preliminary phase, which is aimed at confirming the user's engagement. During this phase the individual signs a contract in which he commits to carry out the process. His needs are then defined by the service provider by means of an interview. During the same interview, information is provided about the way in which the process will develop.
- The research phase implies an analysis of the worker's motives, knowledge, competences, experience and potential by means of tests, questionnaires and interviews (Blanchard, 2003).
- In the concluding phase, personalized interviews take place. During those interviews the results of the second phase are communicated to the worker. In addition, he drafts a project for professional development, which may include training components.

The results of the *bilan de compétences* are provided to the individual, either in the written or the oral form (Gosseume & Hardy-Dubernet, 2005). Those results are the sole property of the individual worker, who is entirely free to communicate them to third parties.

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<sup>3</sup> The same is valid for other groups such as the self-employed and jobseekers.

Different types of *bilans de compétences* have been designed by service providers for different target groups: white-collar employees, handicapped workers, mid-career workers, disabled workers seeking to preserve their job, and workers wishing to prepare their transition to retirement. In the case of the mid-career and retirement phases, the role of the interactions between age and work is taken into consideration throughout the process.

Regarding the way in which the *bilans de compétences* are funded, there are three main possibilities:

- If the *bilan* is contemplated in the employer's training plan, the funding is provided by the enterprise itself.
- If the individual complies with the seniority requirements, he may undertake the *bilan de compétences* in the framework of his right to request holidays (cf. supra). He may decide whether to inform the employer or not. In the former case, the assessment is funded by an instance managing employer contributions. In the latter case, the employer may deny permission once.
- The *bilan de compétences* can be funded in the right to training (cf. supra). The employer has the right to deny the request two consecutive times. The third denial implies that the request is automatically financed by a special fund at the sector level, consisting of employer contributions.

The procedure governing the *bilan d'étape* is less extense, as the process is limited to interactions between worker and employer. According to the inter-professional agreement where the procedure is set out, it comprises a joint analysis that allows to assess the worker's professional capacities, his educational level and diplomas, the abilities developed throughout his professional trajectory, and his capacities to evolve in the framework of current and future needs of his professional environment. During the year in which the *bilan d'étape* has been conducted, the worker and the employer have the obligation to look for ways to put into practice the conclusions of the process regarding either training or mobility.

Workers have the right to request a *bilan d'étape* every five years, and the employer is obliged to respond within thirty days of the request, which he is allowed to postpone for three months (he does not, however, have the right to refuse it). In order to benefit from the *bilan d'étape*, the worker is obliged to incorporate the results of previous *bilans d'étape* to his official training records.

With regard to the initiation of both the *bilan de compétences* and the *bilan d'étape*, the law foresees since 2009 in a specific provision regarding older workers: employers with more than 50 employees have the obligation to organize interviews with all those workers older than 45 during the year following their 45<sup>th</sup> birthday, in which they inform the workers of the possibility to conduct a *bilan de compétences* and a *bilan d'étape*. That obligation is placed within the employer's responsibility to preserve the workers' capabilities to carry out a job in the framework of technological and organizational change.

## 2.7 Conclusions

Both types of *bilans* are illustrative of the French policy approach, from which three main conclusions can be drawn:

- The French approach makes clear that mobility can be tackled by both small-scale, bottom-up and broad, top-down measures. As opposed to the Dutch and Finnish

examples, where a large degree of freedom is given to individual employers to come up with innovative approaches, the French example is strongly regulated by legislation and prescribes in detail how the *bilan* process should look like. Furthermore, it combines a strongly rights-based view (each worker has the right to a *bilan*) with an equally strong emphasis on individual initiative (it is up to the individual to decide whether or not he undertakes the *bilan de compétences*, and the final product of the exercise is his exclusive property). Rights prevail in other words over obligations.

- Even though the policy does not address mobility explicitly, we can infer certain characteristics of the French approach towards mobility from the *bilan* policies. First, the rights-based view is illustrative of the fact that career-related decisions, including mobility and training activities, are ultimately in the hands of the individual worker or user. Second, the state has the role of facilitating those decisions by making career-oriented instruments available (this is further confirmed by the fact that obligations on the part of the individual are nearly absent).
- The French state has chosen to adopt the role of policy conductor and to fully utilize it. This does not mean, however, that the social partners remain inactive or uninvolved: they participated in the policy design of the *bilan d'étape*, which was defined by a collective agreement, and in the implementation and funding of the *bilan de compétences*.

## 3 | Japan: post-retirement re-employment practices

### 3.1 Summary

<b>Name</b>	Re-employment practices ( <i>Shukko, Tenseki</i> )
<b>Country</b>	Japan
<b>Mobility regime</b>	n/a (Asian)
<b>Type of measure</b>	External mobility
<b>Level</b>	Company or company conglomerate ( <i>keiretsu</i> )
<b>Description</b>	Japanese firms have developed a practice of transferring employees, whether younger or older, to subsidiary or related firms as part of their company strategies. In the case of younger employees this has training-related functions, whereas for older employees it is a way of prolonging employment beyond the mandatory retirement age. There are two variants of the transfer: <i>Shukko</i> , by which the employee remains attached to the parent company, and <i>Tenseki</i> , in which he is re-employed by the subsidiary. The transfers occur on the basis of contracts between the companies.
<b>Target population</b>	Employees older than 60, though the measures can also be applied to younger employees with other goals (training)
<b>Funding</b>	Employer
<b>Results</b>	No comprehensive evaluations, but possibly prolong working lives.

### 3.2 Introduction

Japan is one of the OECD countries with the highest number of active older workers (66.3%). That high degree of activity is in the first place to be ascribed to the Japanese particular setting, which displays the following characteristics:

- A seniority-based employment system in which wages depend on tenure.
- The widespread practice of lifetime employment, in which employees enter a firm at a young age in order to spend most or all of their worklife there.<sup>4</sup> This is based on a “tacit contract of lifetime employment” (Oka & Kimura, 2003, p. 597). That contract ends with *Teinen*, which Riach (2006) translates as “prearranged or prescribed year”, and which does not represent the abrupt end of a career” but rather the transition towards retirement or, as Riach puts it “preparation to the end of work”, as most workers remain re-employed at the same company or a subsidiary one (cf. infra, *Shukko* and *Tenseki* practices), and only a fifth of post-*Teinen* employees leaves the labor market without a job. It is important to note that the decision to make the transition to *Teinen* is in the first place the employer’s. In this sense, Rebeck (1996) and Casey (2005) define *Teinen* as “mandatory retirement”, though Rebeck points at the fact that “age of selective outplacement” may be more adequate.
- The central role of employers, traditionally organized in large firm conglomerates or *keiretsu*. Employers are implicitly responsible for their employee’s careers and therefore most of the training takes place at the level of the firm. In that context, the firm is largely responsible for the training and the career of the employees.
- Japanese culture encourages late-career activity. This emphasis on work as a means to give life a meaning and enhancing well-being (*ikali*) is, according to Riach (2006) behind the strong wish of Japanese workers to remain active after pension age. She quotes a survey in which 90% of workers within *Teinen* age claim to still want to work.

Internal and external mobility is addressed explicitly in that system by practices such as re-employment of older workers, *Shukko* (external mobility) or a lump sum payment to the employee. Even though those practices are strongly rooted in the Japanese system and it is unclear whether its transferability to a Western context is possible or even desirable, we decide to discuss them in the framework of this project as part of the overview of possibilities among mobility policies.

### 3.3 Origins and context

The *Shukko* practice fits within the *Teinen* system and the ongoing process of pension reform that started in 1974 in order to promote the extension of *Teinen* from age 55 to age 60 . Several measures were adopted in that context (Oka & Kimura, 2003):

- An act was adopted in 1994 in order to promote the employment of older workers in which an “allowance for older persons continuously engaging in work” was introduced in order to offer a top-up the wages of those workers older than 60 if those wages were lower than their pre-*Teinen* salary.
- In 1998, the *Teinen* age of 60 was legally enforced, and the Labour Ministry recommended that firms encourage continuous employment until age 65.

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<sup>4</sup> It should be noted, however, that the seniority-based system has changed after the economic stagnation of the end of the 1990s and the beginning of the 2000s. In a context of unemployment, non-full time workers and workers with temporary contracts (“contingent” workers) have become more common (Ohsako & Sawano, XXXX). Casey (2005) also claims that the importance of lifetime employment in Japan has been exaggerated, and that it only applies to about 30% of the workforce, mainly full-time, male workers in large firms.



- In 1995, there was an improvement of in-work pension benefits for worker between 60 and 64 years of age.
- The eligibility age for a full pension was raised from 60 to 65 for men between 2001 and 2013, and from 58 to 65 for women between 1995 and 2018.

In addition to the above, government policies focused on the promotion of re-employment and on securing diverse work opportunities for the retired, and advisory services were provided to employers and employees. This generated the need for companies to implement age-related policies. Some examples of those policies are set out in the following section.

### 3.4 Goals, structure, functioning and results

In view of the need of post-*Teinen* employment for older workers, companies have adopted several practices that help them cope with an ageing workforce. Riach (2006) relates these practices to the entrenched nature of the notion of the employer's liability towards the worker (cf. supra). Some of the practices recurrently mentioned in the literature (Riach, 2006; Futagami, Waragai & Westphal, 2008; Oka & Kimura, 2003; Casey, 2005) are:

- Re-employment by the firm where the employer has been active, by means of short-term contracts. The employer may continue his previous work, or become a *madogimawo* (window-watcher), a redundant yet paid employee.
- Transfer to either subsidiary companies or non-affiliated companies (quasi-inner labour market), a practice known under the name of *Shukko*. The worker remains employed by the parent company, and the transfer may be temporary or permanent. In the case of older employees, employees are not likely to return to the parent company, whereas *Shukko* for younger workers is often temporary.

The transfer, often from a large to a mid-sized or small company<sup>5</sup>, occurs not on the basis of an employee request in function of his own wishes, but in the framework of companies' human resources strategies, which may involve training of managers. There is in this setting an agreement between the sending and the receiving company, although transfers to unaffiliated companies may also occur. Sato (1996) indicates in this sense a widespread lack of information available to employees. He states, on the basis of a survey, that only 25.4% of respondents were told what the length of the transfer would be.

Oka & Kimura (2003) describe a fivefold rationale for the *Shukko* system within Toyota, which largely overlaps with the goals of other companies inventorized by an earlier government survey (Sato, 1996). First, it is used to reduce the pay burden caused by the seniority-based system (transfers often involve a wage reduction according to Casey, 2005, p. 622). Second, it aims at regenerating the organization by rotating managers. Third, it provides a second career opportunity for workers. Fourth, it creates a pool of well-trained, reliable workers for subsidiary firms. Fifth, it contributes to the stability of industrial relations by taking care of older workers. In addition, Sato (1996) quotes personnel reduction and the development of employee skills as goals.

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<sup>5</sup> Sato (1996) claims that the practice is conducted by "virtually all corporations with 1000 and more employees".

It should be noted, however, that the *Shukko* practice can be contingent upon the economic conjuncture: Casey (2005) points at the fact that economic crises often cause the same slowdown for a whole sector. This may generate difficulties to ensure the transfer of older workers, as restructuring becomes necessary. In this context, early retirement systems become an option.

The *Shukko* practice is used both for older and younger workers in the Japanese setting, even though it has a negative image. Futagami, Waragai & Westphal (1998) argue, however, that it has been increasingly applied in order to cut costs in the face of economic crisis. This is especially true in the case of older workers. In the case of younger workers, *Shukko* has the purpose of training the employee and to transfer skills to subsidiaries.

- *Tenseki*, also used by Toyota, is “the permanent transfer of pre-*Teinen* employees to subsidiaries or related firms” (Oka & Kimura, 2003, p. 603). The only difference with the *Shukko* system is that the contract with the parent company ends, and its fringe benefits are no longer available (which is the case for *Shukko* employees). However, Toyota offers a financial compensation to the *Tenseki* employees for their expected income loss. According to Casey (2005), *Shukko* may follow *Tenseki* in some cases.
- *Yakushoku-Teinen* implies that middle managers resign when they become a certain age (currently 55 at Toyota) if their position is lower than section chief. This is done in order to replace older managers with younger ones. At Toyota, the *Yakushoku-Teinen* employee remains employed as a specialist or as an adviser without supporting staff, and help to transfer knowledge to new managers. A training course is provided to prepare them for the transition. Higher-level managers in the company are not subjected to the *Yakushoku-Teinen* rule, but often experience *Shukko* and *Tenseki*, are promoted to board member (unlikely) or remain as specialists without staff.
- Some companies offer their workers a lump sum payment to become self-employed in the absence of transfer or re-employment possibilities.

The policies mentioned above have not been comprehensively evaluated in terms of results, as they take place at the company level. However, Sato (1996) concludes, from a descriptive analysis based on workers’ perceptions, that *Shukko* and *Tenseki* practices for older workers has led to a lengthening of working lives, as it allows employees to stay at work longer than they would have done at the parent company. However, the practice may be detrimental to relations between companies. Lanciano and Nitta (2010) point on the basis of a company-level qualitative case study at the fact that the use of *Shukko* caused an imbalance in the age structure of the receiving company’s workforce. In addition, the introduction of *Tenseki* by the same company created a secondary labor market with precarious, poorly paid positions, mainly populated by older workers.

### 3.5 Conclusions

Four main conclusions relating to mobility policies can be drawn on the basis of the practices sketched above:

- Mobility is not only a bottom-up phenomenon with the wishes and aspirations of the individual as a starting point. In this sense, the top-down approach to the *Shukko* and *Tenseki* practices implies that mobility is implicitly regarded as the full responsibility of the employer and happens in function of the company needs. This is strongly embedded in the Japanese *keiretsu* culture, where firms traditionally adopt a paternalistic position towards employees. The individual's preferences are in this context barely taken into account.
- The role of the authorities seems to be a marginal one, limiting itself to large-scale incentives such as changes to *Teinen* and other characteristics as pension policies. This role also seems to be deeply entrenched in the Japanese institutional system, where the firm or conglomerate is one of the central policy actors. The social partners seem to be fully absent from the debate.
- As in the case of bottom-up mobility, the Japanese top-down approach reveals some of the pitfalls of changing jobs at a later age: the fact that older workers are more vulnerable than younger workers in terms of skills and potential to be discriminated shapes the possibility for *Tenseki* practices to shape secondary job markets, as the study of Lanciano and Nitta (2010) illustrates.
- The fact that the *Shukko* and *Tenseki* practices are based on contracts between firms illustrates the importance of inter-company cooperation in ensuring mobility. Although in the Japanese case this cooperation is rather limited (i.e. between related companies, most likely within the same sector), it makes clear that in order to ensure mobility initiatives at the company level are needed. However, the fact that these initiatives often take place on the basis of own strategies and goals raise the question about the need of general policy coordination at the governmental level: the fact that the transfer of employees takes place from large to small companies may have detrimental effects at two levels. On the one hand, the age balance of the small companies is distorted (cf. supra). On the other hand, a precarious labor market may be created for the transferred older workers. In this sense, a coherent government policy aimed at protecting both small companies and workers may be indicated.

## 4 | France and the US: Experience Rating

### 4.1 Summary

<b>Name</b>	Experience Rating (generic name)
<b>Country</b>	US, France (also Austria, Finland, Netherlands)
<b>Mobility regime</b>	n/a
<b>Type of measure</b>	Worklife-enhancing policies (retention)
<b>Level</b>	National
<b>Description</b>	The Experience Rating system aims at making employers accountable for their own behavior, by making their contributions to social benefits (unemployment, disability, pensions, etc.) dependent on the extent to which they effectively use the measure.
<b>Target population</b>	Varies: older workers, whole population, workers facing disability
<b>Funding</b>	Employer

## 4.2 Introduction

The Experience Rating (ER) system is applied in several countries to the calculation of employer contributions to certain workers' benefits such as disability pensions or unemployment insurance. Within ER, employer's contributions vary according to the extent to which the workers of each individual firm make use of the benefits. In other words, taxes change according to the use of a certain service. For instance, US firms with a high turnover will pay higher unemployment contributions than firms that barely lay off workers.

Even though the US, where the system originated (XXXXX), have been quoted as the only example where ER is applied to unemployment insurance (OECD, 2004), the system has been used by other countries in other domains, for instance in the case of disability, the dismissal of older workers, or unemployment and disability pensions of older workers<sup>6</sup>.

We decide to focus on both the US and the French examples due to three reasons. First, the fact that the US ER system has been extensively studied makes it easy to find sources on the characteristics and results of the policy. Second, the French example is, along with the Finnish case, the only example where ER has been directly applied to older workers. Moreover, the fact that the country's institutional setting is similar to Belgium's (they are both conservative mobility regimes) allows us to draw some meaningful policy lessons.

## 4.3 Origins and context

The Experience Rating system was first introduced in the United States as one of the pillars of the unemployment insurance system in 1935. The system, instituted by the Social Security Act, contained three distinctive features: it left a considerable freedom to individual states to implement their own unemployment insurance schemes, it limited the duration of benefits and it instituted a possibility for the states to introduce experience rating. Even though the law was adopted during the Great Depression, it drew lessons from previous experiences with unemployment (Baicker, Goldin & Katz, XXXX).

ER was adopted by France in 1987. The policy was adopted in parallel with other policies that attempted to improve older workers' perspectives to return back to labor, after the initial provision of incentives for early retirement that were adopted during the 1980s. Those work incentives, focused on (unemployed) workers above 50 years of age, included lowering the costs of labor. The policy was introduced in the form of the Delalande Tax (*contribution Delalande*), which aims at reducing the transitions towards unemployment of those over 55 years of age by increasing the cost to dismiss them (cf. infra). The introduction was done by an amendment introduced by a member of Parliament (Delalande) to a law dealing with long-term unemployment (Béhaghel, Crépon & Sédillot, 2005).

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<sup>6</sup> For overviews of countries applying ER see OECD (2004) and [ARTICLE NEW ZEALAND ADMINISTRATION](#).

The Delalande Tax suffered several changes since its inception: age conditions have been broadened, exceptions have been introduced and the sanctions to non-complying firms have been modified (Béhaghel, Crépon & Sédillot, 2004). In 2008, it was finally abolished, as it was considered to be an obstacle to the recruitment of older workers. The details of the policy are provided below.

#### 4.4 Goals

The goals of ER and the Delalande Tax were extremely different. The introduction of ER in the US had two main aims: equity and the smoothening of production of the season and the cycle. Regarding equity, ER aims at internalizing the costs of unemployment insurance. In other words, it is based on the principle that those employers whose workers rely proportionally more on unemployment insurance should bear the costs therefore. Conversely, employers with a low turnover rate should not pay disproportionately more than they use the system. Regarding the second reason, the introduction of ER aimed at discouraging seasonal industries (i.e. those industries whose degree of activity varies along different seasons) from laying off workers during less active seasons and thus obtaining an implicit subsidy in the form of unemployment insurance.

As it has been stated above, the goals of the Delalande Tax when it was first introduced were linked, above all, to employment protection. Béhaghel, Crépon & Sédillot (2005) state that the original Delalande amendment had two main purposes: to restore the financial balance of the unemployment insurance system, and to counter an increase in dismissals of older workers that followed a weakening of the employment protection legislation in 1986, which aimed at discouraging early retirement.

It seems relevant in this setting to contrast the US ER system with the French Delalande Tax. The US system was introduced in the aftermath of the Great Depression in order to make firms with a high turnover internalize the costs of the unemployment insurance as opposed to firms with a low turnover, which should not bear the costs associated with the former. This contrast, which can also be seen with regard to the Finnish pension system (cf. supra) shows that, independently of the explicit goal of the measure (in the French case, employment protection), it may serve for purposes of responsibility transfer towards the employers and/or workers themselves.

#### 4.5 Functioning

The ER system in the United States consists on a tax which varies by individual employer in function of their past use of unemployment insurance. The tax varies along a continuum, limited by a minimum and a maximum, which are set by each state. The more workers the employer has laid off in the past, the closer he will come to the maximum. The less workers, the more he will move towards the minimum. New employers pay a fixed rate before qualifying for ER. The maximum contribution rate is 5.4% of the taxable wage base, so in practice there employers never have to pay entirely for the unemployment insurance. In other words, there will always be a part of the insurance which is financed by other sources. In addition, some unemployment benefits (i.e. short-tenure employees' benefits, students who return to school, or individuals with bankrupt employers) are not paid by the employer in some states of the US (OECD, 2004).

There are several ways in which the system can be concretely applied. The most common one is the “reserve ratio system” in which “firms have an account with the state from which unemployment benefits charged are debited and to which taxes payments are credited”. The reserve ratio is equivalent to the reserve balance (account balance) divided by the average of the firm’s payroll over the past three years. That ratio is then converted into a tax rate, which is inversely proportional to the reserve balance. The higher the reserve balance, the lower the reserve ratio and the tax (Ratner, 2011). Another approach is the “benefit ratio” system, in which the tax base is defined on the basis of the ratio between benefits charged to a firm’s account (i.e. those benefit paid to the dismissed employees) and the taxable wages (OECD, 2004). If the balance becomes negative during a recession, the government can provide a loan, which is repaid by higher contribution rates during a certain period.<sup>7</sup>

In France, the Delalande Tax was introduced for situations in which a firm dismissed an worker older than a certain age (first 55, then 50). In such cases, a contribution was paid to the unemployment insurance system. The contribution, which only applied to the private sector, was proportional to the gross wages of the worker, and only due for workers hired under permanent contracts. From 1992 to 1998, the tax increased with the age of the workers, and in 1999 a further distinction was introduced for firms with more than 50 employees, from which higher contributions were asked. An exception was introduced, however, for employers hiring workers older than 50 who had been unemployed for more than three months. The scheme until 1999 is summarized in the table below. The figures in the second to fourth rows represent the amount of monthly wages to which the tax amounts for different categories of workers of different ages.

		50	51	52	53	54	55	56-57	58	59
July 1987- June 1992	All firm size						3	3	3	3
July 1992- Dec 1998	All firm size	1	1	2	2	4	5	6	6	6
Since January 1999	More than 50 employees	2	3	5	6	8	10	12	10	8
	Less than 50 employees	1	1	2	2	4	5	6	6	6

From 2004, a further change was introduced: the minimum age at which workers should be hired to qualify for the Delalande tax was lowered from 50 to 46 years.

## 4.6 Results

Both the US ER system and the Delalande tax have been subject of evaluations regarding their effects.

In the case of the US, a recent study (Ratner, 2011) which compares the different experience rating maximums across the US states found that higher experience rating is related to reduced job flows (i.e. reduced mobility) as well as reduced unemployment. Furthermore, he also found that experience rating serves as a “buffer” to economic shocks, as firms dismiss less workers in response to a shock when they are subject to a higher ER. In this context, a recent paper

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<sup>7</sup> This is valid for both benefit ratio and reserve ratio systems.

advocates the reduction of cross-subsidies of unemployment insurance by means of ER. This would provide some relief to the state's financial reserves in the context of the current economic crisis.

As for the French case, the abolishment of the Delalande Tax in 2008 is illustrative of the fact that the policy did not achieve the expected results. In a 2005 study, XXXXx, XXX and Crépon find robust evidence, on the basis of micro-economic data, of the fact that the tax had a negative effect on the probability of unemployed workers to be hired. The main lesson they obtain from the analysis is that “if experience rating is targeted upon a category of workers with a strong unemployment risk, hiring discrimination against these workers is a real issue”. Conversely, they do not find evidence for the impact of the measure on the employment protection of older workers.

In this context, Cahuc and Malherbet (2004, quoted in XXXX, XXX and Crépon, 2005) also warn about the introduction of ER on European labor markets due to the fact that already existing EPL may make further increases in the cost of dismissals inefficient. However, Hakula and Usitalo (2005), found for Finland that ER (introduced for disability pensions of older workers, cf. supra) effectively reduced the unemployment rate of older workers. Positive results for a similar tax introduced in Austria with regard to the dismissal of older workers (Schnalzenberger and Winter-Ebmer, 2009). Such an effect was also found for the Netherlands (Koning, 2005), where ER was applied to disability insurance. A 15% decrease in the inflow towards disability insurance was registered one year after the measure was adopted, and employers undertook more preventive measures.

## 4.7 Conclusions

The goals and concrete characteristics of ER systems varies extensively across national settings. There are several conclusions that can be obtained from that variety:

- A single measure can be introduced with several aims, which may implicitly reflect different conceptions of mobility. In the US, the introduction of ER was explicitly introduced not to discourage mobility but rather to make employers externalize its costs. In France, by contrast, the Delalande Tax made a clear choice for retention as opposed to mobility, as it aimed at strengthening employment protection for older workers as a way of keeping them in the labor market, rather than facilitating or encouraging job changes.
- If the Delalande Tax is taken into account along the *bilan de competences*, we can see that both mobility-enhancing and retention-enhancing policies can coexist in the same political economy. It is yet less evident whether the policies did not intervene with each other: an older worker who has decided to change jobs as a consequence of his *bilan de competences* may see his transition encumbered by the presence of stringent protection legislation as the one introduced by the Delalande tax, which sets obstacles to both his dismissal from a current job and his hiring for another one. This makes clear that there is a strong need to look at the possible interactions between policies when assessing their effect.
- As XXXx, XXXX and Crépon illustrate, before introducing ER with employment protection purposes it is necessary to investigate the possible interactions with characteristics of the target groups, such as the fact that older workers are less likely to be hired than other population groups. In this sense, the introduction of

ER in a Belgian context does not seem a desirable solution in the current context, where both a high level of employment protection and a high cost to hire older workers already exist. However, this does not exclude an alternative application of the measure following for instance a US-like population-wide approach, in which unemployment contributions are for instance linked to training expenses.

## 5 | General conclusions

The cases presented above provide us with a small illustration of the wide variety of shapes that mobility and worklife-enhancing policies can adopt in different contexts. Some general remarks can be made about the different policies, which are placed in the instruments typology by table X.X below:

**Table 1. Overview of mobility and worklife-enhancing policy instruments in the peripheral case countries**

	Institutional filter				Barrier addressed
	Employment relations system	Occupational system	Employment sustaining policy	Pension system	
Type of instrument					
Nodality					
Authority	<i>Shukkeo and Tenseki</i>	<i>Bilan de compétences</i>			Multiple barriers
Treasury	Delalande Tax (FR)		Experience Rating (US)		Dismissal of older workers
Organization			Job security councils (SE)		Multiple barriers

- Mobility can be tackled either explicitly or implicitly. For instance, the Swedish Job Security Councils were established in a policy context in which mobility was explicitly stimulated, whereas the Japanese *Shukkeo* practice addresses the mobility of older workers in practice but is not part of any policy in which mobility is either stimulated or discouraged. Sometimes the implicit-explicit distinction can take place within the same country. The *bilan de compétences* is, for instance, not directed at mobility, although it can be considered as a mobility-facilitating instrument as it is directed to the worker's aspirations and goals independently from those of his current employer. Conversely, the Delalande Tax aims explicitly at keeping older workers in employment. Given their goals, both approaches are classified differently in the instrument typology above. This variety of approaches illustrates the assumption made in the first paper of this project's series about the fact that different policy instruments may have an impact on mobility even if they are not designed to do so.
- The different policies place the responsibility for mobility in different societal and political actors. For instance, the Swedish Job Security Councils are implicitly rooted in a conception of mobility in which the transitions from work to work are the



collective responsibility of the employer and the workers (for a similar bipartite approach see the report on the Netherlands within this series). On the other hand, the Japanese system places the responsibility fully on the side of the worker.

- Even though this section did not explicitly address the institutional context in which the different policies are adopted, it is clear that they are strongly rooted in national traditions: the Swedish Job Security Councils are rooted in a tradition of participation and involvement of the social partners in policy-making; the French history of broad involvement of the state in policy-making has an impact on the regulatory legalistic approach adopted towards the *bilan de competences*, and the role of the *keiretsu* and the hierarchical nature of Japanese industrial relations has contributed to shape *Shukeko* policies.

### **POLICY LESSONS FROM THE PERIPHERAL CASES**

When the different policies are assessed from the Belgian and Flemish perspective, they seem a particularly interesting source of inspiration. Even though Belgium's and Flanders' institutional infrastructure does not fully overlap with the countries at stake's, the current conjuncture and a certain number of systemic features may form a favorable context for the transfer of policies. The main policy lessons can be summarized as follows:

-The on-going federal-regional reform process and Flemish PES reform process may create a window of opportunity for a broader involvement of the social partners in mobility policies. The creation of mobility agencies similar to the Swedish Job Security Councils, which might fulfill a complementary role to the VDAB's, is a possible way of involving them. The fact that the social partners have a role in the administration of unemployment benefits provides a unique institutional basis to further their role.

-The strong tradition of collective agreements in Belgium may provide a point to anchor the social partners' initiatives. A particular problem in the Belgian context is the coordination between federal and state level as well as the central and sectoral/company level.

- The fact that the market for outplacement services is open both in Sweden and Belgium provides some space for the introduction of new initiatives with regard to outplacement, whether or not in the context of late-career mobility.

-The French *bilan de competences and bilan d'étape* can serve as an inspiration in the current discussion regarding Personal Development Plans (*Persoonlijke Ontwikkelingsplannen*) within the Flemish government. In this sense, the approach illustrates the needs to coordinate skills-related policies with broader labor market policies. It also makes clear that the individual has an important role to play in mobility-related policies.

-The Japanese example shows that, aside from government policies, employers can implement mobility-related policies at the firm level, and possibly cooperate with each other. It is important, however, not to look at mobility only in terms of the firms' objectives, but to give some space to the wishes of the individuals. In this sense, the combination of employers' involvement with instruments such as the *bilan de competences* may prove an ideal mix to foster employer involvement while at the same time keeping the individual's desires central to the policies.

-The potential incorporation of instruments which affect the financial incentives to hiring or dismissing (older) employees, such as Experience Rating, necessitates a detailed impact assessment which takes into account existing instruments and the institutional setting in which the policy might be implemented. This becomes clear from the French Delalande Tax, which had the opposite effect than the one sought by its creators.

# Bibliography

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