Hartmut Buck, Bernd Dworschak (eds.)

Ageing and work in Europe

Strategies at company level and public policies in selected European countries

Öffentlichkeits- und Marketingstrategie demographischer Wandel

In the booklet series: Demography and Employment

Ageing and work in Europe
Strategies at company level and public policies in selected European countries
Hartmut Buck, Bernd Dworschak (eds.)

Stuttgart, 2003
ISBN 3-8167-6321-9

The „Demographic Change: Public Relations and Marketing Strategy“ project upon which this publication is based is funded by the Federal Ministry of Education and Research under the project number: 01HH9901/0.

The authors of this booklet are responsible for its contents.

Hartmut Buck, Bernd Dworschak (eds.)

Ageing and work in Europe

Strategies at company level and public policies in selected European countries

Booklet series:
Demography and Employment

Contents

Foreword

Klaus Luther
Federal Ministry of Education and Research, Germany

The German Federal Ministry of Education and Research (BMBF) was pleased to welcome researchers from several European countries to the international workshop “Ageing and Work”, which took place on September 2, 2002 in Bonn. The workshop was scheduled to take place on the occasion of the conclusion of the transfer project “Public Relations and Marketing Strategy – Demographic Change” as a forum for discussing with renowned European experts the work which had been carried out.

For the Directorate for General Education and Lifelong Learning at the Federal Ministry of Education and Research the subject of demographic change is of fundamental importance, primarily in respect to lifelong learning and in the context of the issue of, for example, initial and continuing education and training for older employees. In this respect, the subject of the workshop lies at the heart of the Ministry’s work with regard to lifelong learning.

After the change of government four years ago, the present Federal Government launched various measures and initiatives in connection with demographic development and under the umbrella of the overall concept “Innovative work design – the future of work”. The aim is to induce business and non-business entities to occupy themselves with the impact of demographic change on employment. The transfer project “Public Relations and Marketing Strategy” has focused on the question of how employees, companies and associations can shape and manage the relationship between ageing and the innovation process and on how to create an employment and personnel policy that spans the different generations and takes the aspect of ageing into account. During the project it soon became apparent that there was a lack of strategies for implementation. Although the problems had been identified, there was a shortage of ideas on how to put our knowledge into practice. How can we anchor the issue in the minds of those responsible? How can the knowledge gained be translated into specific measures in companies?

For this reason, the BMBF has started another initiative entitled: “Corporate strategies for an employment and personnel policy that spans the different generations and takes the aspect of ageing into account”. This initiative is called the “Demography Initiative”. It is the logical continuation of the transfer project. The issue of demographic change has to be brought to the business community at large. Standard practice at companies has to be sensitised to demographic development and to the need for an employment and personnel policy which takes the aspect of ageing into account while promoting innovation at the same time. We were able to involve 127 businesses into this initiative and have worked together with, for example, the

- Zentralverband Elektrotechnik- und Elektroindustrie (ZVEI) e.V. – the German electrical and electronic manufacturers’ assocation,
- Verband Deutscher Maschinen- und Anlagenbauer e.V. (VDMA) – the Federation of the Engineering Industries, and
- Zentralverband Sanitär Heizung Klima (ZV SHK) – the Association plumbing, heating, air-conditioning.

The idea is to structure working conditions and work organisation in such a way as to allow older employees to remain in work for a longer period of time and give them a chance of lasting employment. The Demography Initiative will create and implement practical solutions at the companies themselves and provide examples for broad implementation in other businesses as well.

The summaries in this booklet show that many of the problems and the solution strategies pursued in European countries and also many of the programmes which have been set up to meet the challenges posed by demographic change are very similar to those in Germany.
The description from Austria showing how in the 1980s the problems of the labour market were counteracted by early retirement and the report on the number of older employees who take early retirement due to health reasons remind of similar problems in Germany . The report on the changes in the age structure in Portugal or the Finnish approach of "changing attitudes" towards older employees seem to mirror the situation in Germany.

The fact that demographic change affects most European countries shows how urgent this problem is. The forecasts for development of the population in Germany up to 2050 hardly differ from those for neighbouring countries. However, we have to realise that demographic change will have very different effects on different regions and areas of work. For example, it is already obvious today that in Germany the problem of demographic change will be felt much earlier and more noticeably in eastern Germany than in the west.

The BMBF believes that demographic change is also a European problem which urgently requires a common European response, a fact the European Union has already recognised.

EU policies in support of Member State efforts to retain, reinforce and re-integrate older workers in employment[1]

Fritz von Nordheim
European Commission, Employment and Social Affairs DG, E-1

1. Introduction

From a European perspective this workshop (Sept. 2002) was a timely event. It came just as the Commission was developing a new structural indicator on the average effective exit age of older workers to be included in the synthesis report on the state of the Union, which every year goes to the European Spring Summit. The implied elevation of the reversal of early exit patterns to one of Europe's crucial policy priorities marked the culmination of developments which had been under way since the European Commission began focussing on the coming ageing of Europe's workforce in the early 1990's.

2. The past, present and future location of older workers in the EU labour supply

2.1 A 30-year trend

30 years ago the labour force participation rates of older male workers in the EU Member States were only 10–15 percentage points lower than those of prime-age workers. Today the difference has widened to 40–50 percentage points. From the early 1970's till the late 1990's the labour force participation and employment rates of European (male) workers aged 55+ have been in constant decline[2]. Though recent data (table 1) suggest that this long-standing trend may finally be levelling off Europe is far from a situation where it can safely boast of having reversed the stampede towards early exit.

2.2 How did we arrive at the present situation?

There are important variations in the form and extent to which it has manifested itself[3], but the trend towards ever-lower exit ages has been present in all Member States. While rooted in the health and safety related erosion of workability as well as in labour market pressures and work place practices affecting older workers substantially harder than younger workers, the decline has been accentuated and consolidated by public policies offering easy access to early retirement.

---

1 The assessments and views expressed in this paper are not necessarily identical to those of the Commission or its Services.

2 In the same period employment rates for women in this age group has been constantly growing as a reflection of the growing activity rates in successive cohorts of women. Yet, when we look beyond this structural trend it becomes obvious that female workers also encounter major barriers to continuous employment as they age and that their problems easily are on par with those of their male colleagues.

3 Perceptions of early retirement have obviously been influenced by the pension eligibility age in public pension schemes. Since these have ranged from 55 for women in some southern and central-European Member States to 67 for both genders in Denmark, the relevant groups of older workers have ranged in ages from late forties to early sixties.

Against the backdrop of major sectoral decline, economic recession, growing long-term unemployment, and an excess supply of younger workers after the mid 1970's, governments, employers' organisations and trade unions developed a mutual interest in the promotion of early retirement as a general remedy. What is more, the majority of older workers themselves seemed to embrace the idea wholeheartedly. All parties saw early retirement as a way to contain social conflict and facilitate necessary changes in a difficult situation. But over time these policies lead to the institutionalisation of very wasteful practices of age management in European work places and labour markets. They also gave rise to a veritable culture of early retirement expectations and practices. Though very few decisions about the lowering of standard retirement ages were made, ageing workers, their colleagues and personnel managers began to expect work careers to end some 5 to 10 years before workers became eligible for an old age pension – and to plan and act accordingly.

2.3 A resolve to break the trend is emerging

Over the last decade the old consensus has unravelled. Government policy makers have changed their perception and begun to take steps to limit access to early retirement, while trying to convince employers and trade unions that their standard practices of age management should be reviewed and changed. The aim is to generate a set of common perceptions of the ageing challenge as basis for the emergence of a new consensus on the need for policies of active ageing. Campaigns have pointed to the good business case for employing older workers and to the equally obvious case for trade unions to support the retention and reintegration of older workers. But poor practices of age management in work places and labour markets are well ingrained and changes in these and in worker expectations are slow to occur.

2.4 Why policies are changing

Among the factors contributing to the reversal of policy ambitions three stand out:

- The general paradigm-shift in employment policies from passive to active has altered perspectives, raised ambitions and highlighted early retirement as the most passive of all passive responses to employment problems. It now seems obvious that policies should concentrate resolutely on retaining and reintegrating older workers in employment instead of offering them routes of premature exit as compensation.
- In most Member States (MS) the general employment situation has recovered significantly and seems on solid course towards further improvements. The emergence of bottlenecks of labour shortages in some MS enhances both the necessity of and the opportunity for addressing the long-standing employment problems of older workers.
- The implications of demographic changes have become clearer and the time before they take effect shorter.

2.5 Demographic prospects: Accelerating ageing and shrinking of the workforce

The economic and social impact of the ageing of Europe's population will be particularly pronounced in the next decades as the longevity growth and lower fertility levels of the last decades combine with the retirement of the "baby boomers" and cause an accelerated ageing effect and a sudden worsening of old age dependency rates. The timing and magnitude of changes will vary between Member States, but the Union is generally faced with the prospect of an ageing and shrinking workforce. Over the next two decades the number of people in the 20–29-age band will fall by 20 %, while the number in the 50–64-age group will increase by 25 %.

The latter group is the one that presently is decimated by early retirement practices to the extent that participation rates of workers in the 5-year age group before the eligibility age for public old age pension may drop to just 1/3 of those of prime age workers. If the large cohorts of baby-boomers, which for 3 decades has provided us with an extraordinarily big share of people of working age, follow this pattern for early retirement, it will have a strong negative effect on overall labour supply and result in skill and labour shortages followed by wage drift and inflation.

In order to avoid such a scenario it is imperative to find ways to enable and motivate the baby-boomers to remain in work 3–5 years longer than present cohorts of older workers do. Europe must adjust working practices to an ageing work force and invest in the continued employability and productivity of older workers

2.6 The intricate causes of early retirement

In the debate about the causes for the curiously uniform trend towards early retirement across Europe three types of explanations emphasising factors of either PULL, PUSH or JUMP, have competed for attention.

The discussion has centred on whether early retirement should be seen as primarily voluntary or primarily involuntary. People have argued about the extent to which older workers are *victims of* strong external forces in tax/benefit structures or at the work place that either *pull* or *push* them out of the labour market. Alternatively, discussions has focussed on whether older workers are *agents* that are moved primarily by internal urges to exchange work for leisure/a life away from formal work and thus can be said to seek or create opportunities for themselves to *jump* out.

Yet, it is probably more useful to view these explanations as mutually complementary than as mutually exclusive. In reality most cases of early retirement are likely to involve an overlapping mix of push, pull and jump factors.

2.7 Returning attention to the seat of the fire and the crucial role of the social partners

No matter how these factors combine in specific instances (relative weight), they must all be taken into account in strategies to raise the overall activity and employment rates of older workers. Whatever the possible lure of economic incentives or of freedom from work a crucial nexus of any change will be the actual opportunities for older workers to go on working as determined by the practices of age management in work places and labour markets. After years of arguing about who's to blame, experts are increasingly turning their interest to concrete strategies for improving the employability of older workers and for adjusting employment conditions so that better opportunities for work after age 50 are opened. Government policies provide an important part of the context for practices and strategies of the social partners and older workers themselves. Yet, while a different framework of public policies is necessary it is hardly a sufficient condition for enabling and motivating older workers to defer retirement and continue in work for as long as possible. Without the active support and commitment from employers, trade unions and older workers themselves participation and employment rates are unlikely to improve sufficiently.

The new attention to the details of possible remedies at work place level is very appropriate because the many years of wasteful practices of age management have left relevant stakeholders fairly unprepared for the requirements of the coming period. They will need to learn how to operate under the new conditions of a tight and ageing labour market. Innovative strategies to retain and reintegrate older workers while securing productivity and profitability will be in strong demand as we prepare to return to older workers their rightful share in the European labour supply.

3. Recent developments in EU policies on age and employment

3.1 Older workers issues and the EU agenda

Though the European Commission became attentive to the challenge of future ageing already from the late 1980's it took quite a while before the effects on the labour force and employment came into focus. Like in the international debate attention tended to concentrate on the impact on pensions and health and long term care for the elderly. In fact it was not until the second set of employment guidelines (conceived in 1998 and pertaining to 1999) that older worker issues began to be addressed in the European Employment Strategy. Moreover, in the beginning it was perceived as primarily another vulnerable group problem and/or an aspect of the general problem with insufficient incentives in tax/benefit structures. Thereafter developments have been swift and intense, however.

The May 1999 Commission Communication "Towards a Europe for All Ages" issued as the official contribution to the UN Year of Older Persons located higher employment rates of older workers as one of the pivots of a successful policy response to the challenges from population ageing. Active strategies for an Ageing workforce was a major theme during the Finnish Presidency in the fall of 1999 and the employment package adopted at the Helsinki summit gave considerable attention to the age gap in Europe's employment performance[4]. As the Commission issued its first recommendations to the Member States it put a lot of emphasis on the need to change aspects of tax and benefit systems which facilitate early exit and punish people who work into their sixties and seventies. Towards the end of 1999 the Commission also presented a proposal for a directive to outlaw discrimination in employment including on grounds of age which surprisingly was adopted by the Council in less than a year.

Yet, more than anything it was the March 2000 launching of the Lisbon strategy with its target of full employment by 2010 and its goal to enable social protection systems to weather the impact of ageing that set the ball rolling.

Since then extending working life by improving the incentives and opportunities for older workers has indeed become a major priority in the European Employment Strategy and the European strategy for adequate and sustainable pensions. In telegraphic style recent policy initiatives include: the adoption of a specific employment guideline on active ageing from 2001; the 50 % employment rate target by 2010 for workers aged 55–64 agreed at the March 2001 Stockholm European Council; the pension objectives agreed at the Laeken European Council December 2001; the March 2002 Joint Report on labour-force participation and active ageing; the March 2002 Barcelona European Council agreement to raise the age at which people stop working by 5 years by 2010 and the Commission's decision to introduce a new structural indicator on the average effective exit age in the 2003 synthesis report.

As the older workers issue slowly worked its way up the EU agenda in the 1990's the perception of and approach to the phenomenon matured considerably. The resolution on older workers adopted during the 1995 French Presidency called on Member States to *adapt to the needs and prevent the social exclusion* of older workers. As the issue entered the Employment guidelines the emphasis was on securing *equal opportunities* for older workers. From the separate guideline on active ageing in the 2001 version of the employment guidelines and the Stockholm summit target older workers have been portrayed primarily as a *resource to be mobilised*. Older workers are no longer perceived as just another vulnerable group meriting special attention, but as a core element in the labour supply of the future and a factor in the sustainable development of Europe. In the same period EU instruments have evolved from soft suggestions to binding guidelines and recommendations.

4 The underemployment of older Europeans of working age accounts for 25 % of the overall difference in employment performance between EU and the USA. In relation to Japan employment rate differences in the older workers area are substantially wider.

3.2 The instruments at Europe's disposal

Europe's instruments to support Member States in their efforts to address older worker issues presently include the Employment process, the European Social Fund (ESF), EU Social Dialogue, Corporate Social Responsibility, the Open Method of Coordination on Adequate and Sustainable Pensions, European legislation outlawing discrimination in employment including on grounds of age and an action programme on anti-discrimination.

Of these the employment process and the ESF are by far the most important ones. The European Employment Strategy is an integrated part of the EU strategy of mutually reinforcing policies for growth, more and better jobs and adequate and sustainable social protection. Background conditions of steady growth and employment friendly social protection are meant to facilitate the success of interventions in support of specific employment goals such as with older workers. The sizeable ESF funds support the implementation of the employment strategy in Member States.

3.3 The employment process

In the first 5 years of the employment process, where 18–20 separate guidelines were clustered under 4 mutually supporting pillars of the employment strategy (Employability, Entrepreneurship, Adaptability and Equal Opportunities), Member States each year agreed and committed to implement a revised set of Employment Guidelines. Then they developed National Action Plans for the realisation of the guidelines and delivered implementation reports for the critical examination of the Commission and the Council. Finally, they subjected themselves to receiving a set of recommendations from these institutions on how best to improve their performance. The efforts of Member States are furthermore supported by exercises of benchmarking and peer-review on a multilateral basis. In the Revised European Employment Strategy 2003–2010 10 guidelines under the three overarching, complementary and mutually supportive objectives of full employment, quality and productivity at work, and social cohesion and inclusion are agreed for a 3-year period. But otherwise the working method remains similar.

3.4 The Stockholm Summit target and the 2001 guideline on active ageing

When EU leaders met in Lisbon in March 2000 they agreed a number of ambitious goals for policy developments over the coming decade, including that of reaching full employment by 2010, defined as an overall employment rate of 70 % for those of working age and a gender specific one for women of at least 60 %. In the spelling out of what is needed to reach these goals, it soon became clear that they could only be achieved if Member States also managed to raise the employment rates of older workers. It was therefore logical that EU leaders at the 2001 Spring summit in Stockholm adopted as specific employment rate target for older workers of 50 % and requested the Commission and the Council to prepare a report on "Increasing labour force participation and promoting active ageing" for consideration at the Barcelona Spring Summit in March 2002.

In the Autumn of 2000 the Commission had taken steps to insert in the guidelines for 2001 a separate guideline devoted to active ageing and to the employment policy and labour management agenda, which flows from this. The guideline pinpoints *existing social attitudes* towards older workers as one of the important barriers to be addressed. It goes on to underline that achieving full employment will require substantial improvements in the employment rates of older workers. Finally, it draws up the following sequence of priorities for Member States: securing the best use of older workers' experience; maintaining the work ability and qualifications of older workers; making working arrangements more flexible; alerting employers to the strong business case for employing older workers; securing that the right mix of incentives and disincentives are present in tax/benefit systems. Thus it touched on a number of areas where the involvement of the social partners were called for. The guideline represented a major advance towards a holistic approach to the problems of making work after 55 possible as well as attractive. Most importantly, together with the Stockholm target the adoption of this guideline underscored the link between successful implementation of active ageing policies and the realisation of some of the general policy goals of the Union. Promoting better employment opportunities for older workers and enabling and motivating them to seize these had thus finally become an integral part of Europe's overall strategy for employment and growth.

As demonstrated in the table below employment rates for workers aged 55–64 vary considerably across the Union. Between the low (Luxembourg, Belgium and Italy) and the high (Sweden and to a lesser extent Denmark) achievers there is a gap of more than a factor 2. The UK is the only of the big Member States, which presently meet the target. The rest of these hover around the EU average of 38.8 % or drop well below as in the case of France and Italy, where employment rates obviously also reflect that the pensionable age for men and women in the basic public scheme for a long time has been set at respectively 60 and 60/55.

	2001			Change 1997–2001			Change 1991–2001		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
B	25.1	35.1	15.5	3.0	3.4	2.6	3.4	1.6	4.9
DK	58.0	65.5	49.7	6.3	2.8	9.4	5.2	1.4	7.4
D	37.7	46.1	29.5	–0.4	–1.4	0.8	–0.4	–6.9	5.5
EL	38.0	55.0	22.5	–3.0	–4.1	–2.1	–1.7	–3.7	1.0
E	39.2	57.9	21.8	5.1	6.6	3.6	2.8	1.5	3.9
F	31.9	36.2	27.8	3.2	3.3	3.0	1.5	–0.1	2.8
IRL	46.8	64.7	28.8	6.0	5.8	6.4	8.2	4.3	11.8
I	28.1	40.7	16.2	0.0	–1.6	1.4	:	:	:
L	24.4	34.8	14.0	0.5	–0.6	1.1	0.6	0.2	0.5
NL	39.6	51.1	28.0	7.6	6.9	8.1	10.9	8.3	12.8
A	28.6	40.0	17.9	0.1	–0,6	0.7	:	:	:
P	50.1	61.3	40.3	1.5	–2.2	4.4	–0.5	–10.5	–7.1
FIN	45.8	46.6	44.9	9.9	8.4	11.1	4.9	2.9	6.6
S	66.8	69.4	64.1	4.3	4.9	3.6	–2.3	–4.0	–0,9
UK	52.3	61.7	43.1	4.0	3.3	4.6	:	:	:
EU	38.8	48.8	29.1	2.4	1.5	3.0	:	:	:

Table 1: Employment rate of older workers (55–64).
Source: Comparable estimates based on the LFS, annual averages (as used for the structural indicator), Eurostat – D, L, provisional.

3.5 The Laeken objectives: Extending working lives as condition for sustainable pensions

When the December 2001 Laeken European Council adopted 11 common objectives for an European strategy for adequate, sustainable and adaptable pensions higher employment rates for older workers were pinpointed as an important element in making pension systems durable in the light of population ageing. Around the same time this strategic assessment was amply confirmed by the findings of the Ageing Working Group under the Economic Policy Committee in its path-breaking forecast of developments in Member State public pension expenditure 2000–2050. Postponing retirement by extending working lives stood out as the single most powerful potential policy response to the problem of rising pension costs. Sensitivity calculations demonstrated that a single year's rise in the average effective pension age would neutralise between 1/5 and 1/3 of the expected growth in pensions expenditure if no extra rights were incurred in the process. Securing that pension schemes are made truly employment friendly so they promote longer working lives and later and more flexible retirement haf there fore become a key point in the EU reform agenda[5] for making pensions sustainable. At the same time it is increasingly understood that age management in work places and labour market must become much more social protection friendly and stop the long standing practice of off-loading employment problems onto pension systems evident in early retirement patterns. The passive use of money to take people out of labour markets through early retirement must be transformed into active policies for retaining and re-inserting older workers in employment. As in other areas a shift from a passive to an active response to the employment problems older workers is imperative.

3.6 The report on active ageing requested for Barcelona

The February 2002 Joint Commission-Council Report on “Increasing labour-force participation and promoting active ageing” adopts a life cycle approach to labour force participation. It focuses on policies to ensure that present and future working generations remain active as they grow older and on ways to prolong the participation of today’s older workers. The recommendations of the report are targeted on five specific areas: more jobs and better quality in work; making work pay; providing higher and adaptable skills at work; making work a real option for all; and developing a partnership approach to deliver the strategy.

These aspects are of particular importance in the revised European Employment Strategy 2003–2010. An increase in the participation of all ages in the workforce is critical to the success of the Employment Strategy. It requires promoting active ageing through the positive interaction of economic, social and employment policies, and strong support from the social partners. It calls for measures to provide an attractive and adaptable work environment, improve access to training, and enhancement of work incentives for taking up or staying longer in employment. Existing models of retirement and recruitment will have to change and early retirement should no longer be a major way to handle personnel problems during downsizing and corporate restructuring.

3.7 The Barcelona target of raising the average exit age by 5 years by 2010

In March 2002 the Spring European Council in Barcelona considered the older workers issue both from the point of view of maintaining labour supply and of making adequate pensions sustainable. In the particular ageing and pensions context of the Spanish host the issue of raising the effective retirement age took on particular importance. Thus, the Spanish Presidency which a months later would also play host to the 2nd UN World Assembly on Ageing, pressed

5 The EU strategy and the strategies of individual Member States is set out and assessed in the Joint report by the Commission and the Council on adequate and sustainable pensions which was submitted to and endorsed by the March 2003 Spring Council in Brussels.

this issue with vigour and skill. The result was that the assembled heads of government and state concluded that *"a progressive increase of about 5 years in the effective average age at which people stop working in the European Union should be sought by 2010"*.

Raising the average exit age by 5 years in the remaining 8 years before 2010 is an ambitious goal. To some observers the target agreed in Stockholm of raising the employment rate of older workers from the EU average of 38,8 % to 50 % in 9 years had already seemed quite daring. Now Barcelona seemed to go substantially further. Other commentators and stakeholders were greatful for the forceful emphasis on the need to enable older workers to continue working in labour markets which so far had demonstrated a marked tendency to squeeze them out.

By endorsing the Joint Report on Increasing labour participation and promoting active ageing the Barcelona Council simultaneously pointed to a set of instruments which could help realise the goal of postponing the age at which people stop working and exit the labour market.

3.8 The adoption of a structural indicator on the average effective exit age

In response to the Barcelona goal the European Commission set about developing a technique to measure the average effective exit age and allow the Union to monitor Member State progress towards the objective. By the autumn 2002 the Commission had established a conceptual definition and operationalised it into measurements based on data from the Labour Force Survey. Consequently it proceeded by adopting this as a new structural indicator to be included in the synthesis report which every year as an assessment of progress in the Lisbon strategy and the state of the Union is submitted to the Spring European Council.

The table below ranks countries according to their performance in relation to the average exit age (Barcelona target) and the employment (Stockholm target), activity and unemployment rates. The EU average for the average effective exit age stood at 59.9 years in 2001 corresponding to 60.5 years for men and 59.1 years for women. This implies that the Barcelona agreement commits the Union to strive to lift the average effective exit age to just about 65 years of age by 2010. The ranking shifts somewhat when we move from the average exit age to the employment rate. But clearly there are also important elements of stability. Sweden, Denmark, the UK and Portugal are among the 5 top performers in terms of average exit ages, employment and activity rates.

Average exit age (Barcelona target)		Employment rate 55–64 (Stockholm target)		Activtiy rate 55–64		Unemployment rate 55–64	
IRL	63.1	S	64.3 %	S	68.4 %	D	12.0 %
UK	62.1	DK	56.6 %	DK	58.9 %	FIN	9.0 %
S	62.0	UK	52.2 %	UK	54.0 %	E	8.6 %
P	62.0	P	50.7 %	P	52.1 %	**EU**	**6.8 %**
DK	61.9	IRL	46.7 %	FIN	50.0 %	S	5.9 %
FIN	61.6	FIN	45.5 %	IRL	47.9 %	F	5.8 %
NL	60.9	NL	39.3 %	D	42.8 %	A	5.6 %
D	60.7	E	38.7 %	E	42.3 %	I	4.6 %
E	60.6	**EU**	**38.2 %**	**EU**	**41.0 %**	EL	4.1 %
EU	**59.9**	EL	38.0 %	NL	39.9 %	DK	4.0 %
EL	59.6	D	37.7 %	EL	39.6 %	UK	3.3 %
A	59.6	F	30.7 %	F	32.6 %	B	3.0 %
I	59.4	A	27.4 %	A	29.0 %	IRL	2.6 %
F	58.1	I	26.9 %	I	28.2 %	P	2.6 %
B	57.0	B	25.2 %	B	26.0 %	NL	1.5 %
L	56.8	L	24.8 %	L	24.9 %	L	0.3 %

Table 2: Exit ages & labour market outcomes 2001 (descending order).
Source: DG EMPL and Eurostat, annual data for the average exit age. Eurostat, LFS, Spring results for employment, activity and unemployment rates (in order to allow for a comparison between employment, activity and unemployment rates this table uses employment rates from the Spring survey instead of annual weighted average as in the structural indicator in table 1. Employment rate figures therefore differ a bit from those given in the former table).

When we move to unemployment rates the picture gets much more complicated since low unemployment rates may result from low activity and low exit ages as well as from high employment rates. Thus, Luxembourg which is at the very bottom on the first 3 scores comes out on top when it comes to a low unemployment rate. Either Luxembourg is very good at retaining or reinserting those workers that remain in secure employment or people who become unemployed retire almost immediately. More to the point there are some important differences between the various measurements, which need to be highlighted.

3.9 Differences between the Barcelona and the Stockholm targets

The Barcelona and Stockholm target for older workers may be said to be broadly complementary – as they both require an increase in participation – yet, there are some important differences:

1. The Stockholm target is about increasing the level of employment of those aged 55–64. This requires reductions in the unemployment and inactivity of older workers and progress is monitored through the employment rate. The Barcelona target is about delaying the age at which individuals withdraw from the labour force into inactivity and it is monitored by *changes* in the activity rate. As the latter is calculated only over those who are active (in the labour force), countries with low participation rates may have relatively high exit ages. This, for example, is the case in the Netherlands.
2. The average exit age also takes the unemployed into account – presently amounting to 7 % of the 55–64 year-old labour force in EU15. Contrary to national statistics on unemployment benefit recipients and administrative registrations which may include people in de facto early retirement, those counted as unemployed in the Labour Force Survey (LFS) are actively seeking employment and are available for work. Thus, they have not decided to stop working (to leave the labour market) in the Barcelona sense. On the contrary the unemployed in the LFS sense are at the prime target group of policies to facilitate re-integration into employment when jobs become available.
3. Generally, men exit the labour force at a later age than women. Yet, in Italy or Spain, for instance, exit ages of men and women are broadly similar although the gender-gaps in the participation of older workers are among the highest in the EU.
4. The Stockholm target refers to those aged 55–64. The Barcelona target does not set any specific age threshold. But when monitoring the average age of withdrawal from the labour force the age-threshold must be broader – and it has in fact been defined as 50–70+ years of age. The age class 50–54 needs to be included because from the age of 50 one can observe that participation falls very significantly – i.e. transitions from the labour force into inactivity are already of substantial magnitude. The activity rate for a 50 year-old in the EU was 79 % in 2001 but the rate for a 55 year-old in the same year stood at 65 % or 14 percentage points lower. In the same way those above 65 years in the labour force are also included in the calculation. Presently many of these are self-employed or helping family members in primary occupations. The realisation of the Barcelona target will imply that in the future most of those above 65 years still in the labour force will be dependently employed in the service sector. Arriving at an average exit age of 65 will imply that a significant part of those in the labour force will continue to work into their late 60's and early 70's.

The average age of withdrawal from the labour force is to be distinguished from the calculation of the effective retirement age, i.e. the age at with one begins to receive a pension. The Labour Force Survey (LFS) includes people receiving a pension but who are at work (at least 1 hour in the reference week). This can occur when pensioners work part-time (e.g. to supplement the pension). The LFS also includes older workers receiving a pension while being unemployed (they are actively seeking employment). There are also the self-employed and the family workers who stay active until high ages. Therefore the average age of leaving the labour market may be higher than the average effective retirement age.

It has been estimated that meeting the Stockholm target would imply securing employment for an additional 5 million older workers in the labour markets of the EU.

As for the Barcelona target a simple simulation[6] shows that in order to reach this, about two thirds of those workers presently aged 46–55 years should remain in the labour force by 2010. This implies that between 24–26 million people of the 38.4 million 46–55 year-olds in the labour force in 2001 would need to be still active in 2010, which represents an increase of 7–9 million compared to the labour force aged 55–64 of 2001. Similarly, it contrasts with a comparable cohort of 1991 of which only half remained active at the age of 55–64 in 2001.

3.10 Active ageing in the revised European Employment Strategy 2003–2010

Following a favourable review of the first 5 years of the European Employment Strategy (EES) Member States in the early summer of 2003 agreed a revised strategy for the remainder of the Lisbon strategy decade and adopted a new set of employment guidelines for the first 3 years of this period. The fifth guideline in the revised Employment Strategy 2003–2010 entitled "INCREASE LABOUR SUPPLY AND PROMOTE ACTIVE AGEING" commits Member States to:

> "… promote active ageing, notably by fostering working conditions conducive to job retention – such as access to continuing training, recognizing the special importance of health and safety at work, innovative and flexible forms of work organisation – and eliminating incentives for early exit from the labour market, notably by reforming early retirement schemes and ensuring that it pays to remain active in the labour market; and encouraging employers to employ older workers."

Furthermore, it highlights that "… policies will aim to achieve by 2010 an increase by 5 years, at EU level, of the effective average exit age from the labour market (estimated at 59.9 in 2001)" and that "In this respect, the social partners have an important role to play." Thus, it forcefully continues the comprehensive approach introduced with the guidelines for 2001.

---

6 This simple simulation should be seen as indicating an order of magnitude rather then giving an exact number for at least two reasons. The Barcelona target does not imply a fixed number of active people to be in the labour force by 2010, as the average exit age is based on changes in participation rather on levels. The simulation looks only at the age group of older workers aged 55–64 in order better to capture similarities between the Stockholm and Barcelona targets, while changes in participation at the upper (65–70) and lower (50–54) boundaries of the exit age could alter the results.

3.11 The process towards higher employment rates

In Europe's endeavours to develop better employment opportunities and enable and motivate older workers to take advantage of these there will be a need for *multi-pronged* approaches and *integrated* strategies. Likewise there will be a need for the *involvement* and close *cooperation* of all stakeholders. The social partners must collaborate on devising better practices of age management while getting constructive support from government policies.

Some experts argue that policy makers should expect the raising of the average exit age to be a slow and gradual process, which will require massive awareness raising campaigns and coordinated efforts from many policies and all stakeholders. They also suggest authorities should formulate their success criteria accordingly. Changing the present retirement behaviour is likely to require a combination of carrot and stick: negative incentives to quit/lay off older workers must be combined with positive incentives that make working longer/employing older workers for as long as possible attractive, accessible and rewarded.

Yet, the present ageing and the coming shrinking of the work force does not leave EU Member States much time to improve their practices of age management. If the time-schedule of EU targets seem ambitious it is largely because it reflects the urgency of the changes that are needed.

3.12 How far have Member States progressed in their efforts to raise employment rates of older workers?

Each year progress achieved by Member States in implementing the Guidelines is assessed in the Joint Employment Report. In 2000 this report highlighted that:

"Most Member States have started to implement or are planning to introduce soon measures encouraging older people to stay longer in employment, by raising the retirement age or by introducing or strengthening disincentives to early retirement. The most comprehensive reforms are being undertaken or envisaged in Denmark, Germany, the Netherlands, Austria and Finland."

After the adoption of the Stockholm and the Barcelona targets and some more years of monitoring progress the tone was much less optimistic. Thus, the 2002 Joint Report laconically pointed out:

"With regard to older workers it is evident that, in spite of progress made, the combination of low employment rate plus moderate employment rate growth, only slightly above the overall growth rate, seriously questions the ability of the EU to reach the target set for this group."
"The employment rate growth for the age group 55–64 was 0.83 % between 1997 and 1998, 1.34 % 1998/1999, 1.89 % 1999/2000 and 1.85 % 2000/2001, but even with a sustained growth of 2 % until 2010 the employment rate would remain considerably below the target."

Clearly the employment and activity rates of older workers will have to improve at a much faster speed if targets are to be met by 2010. A number of Member States are presently taking steps to improve the incentive structures in tax/benefit systems though various reforms of their pension systems. At the same time quite a number of Member States are still working to get policy measures to improve the employment opportunities and the employability of older workers in place. The present slowdown in economic growth and the rise in unemployment obviously work in the opposite direction. Yet, it is still quite conceivable that taken together these changes in employment and pension policies could produce a significant increase in the growth in older workers employment – particularly if they manage to win the support of the social partners also. Indeed, the tone of the Joint Employment Report is by no means defeatist. It merely sounds a serious warning that much more needs to – and indeed can – be done.

3.13 Possibilities for a helping hand from structural developments?

Still it is obvious to ask if there are any structural trends, which could facilitate the necessary transformation of age management practices and worker attitudes.

Given the ageing context of the entire policy endeavour one must first of all ask whether the demographically determined trends in labour supply will create a market conjuncture more conducive to the employment of older workers? In other words will there be a helping hand from markets? Will demand for older workers automatically increase and employment opportunities develop as younger workers become scarce and the competition for them fiercer? Or will employers simply outbid each other for the young until it becomes cheaper to resort to capital substitution – and thus continue to shun older workers? Obviously, these scenarios are not mutually exclusive and possibly we will experience some of both.

If we approach the questions on the basis of developments in the age structure of the population we can discern the following trends. With the ageing of the baby-boomers and the maturing of the ever-smaller cohorts from the 1980's and 1990's the relative weight of people aged 55–64 in the working age population will jump upwards. In the present decade the combination of small cohorts of labour market entrants and the first large cohorts of baby-boomers becoming older workers will amount to a marked ageing of the labour force. In the 2^{nd} decade of the 21^{st} century when the baby-boomers begin to retire the labour force will also begin to shrink at an increasing rate. Thus, it seems safe to assume that demographics through their impact on labour supply over this and the next decade will produce a positive background conjuncture to policies aimed at improving employment opportunities and at enabling and motivating older workers to seize these.

Efforts to extend working lives have come up against barriers in the skill levels, attitudes and expectations of past and present cohorts of older workers. A second crucial question to ask would therefore concern whether structural developments in the characteristics of the labour force such as rising average levels of educational achievement are likely to make it easier to raise employment rates and the average exit age?

Table 3 below documents how educational levels co-vary with employment levels. The higher the educational level the higher the employment and activity rate. In most Member States the better educated are far more likely to continue to work into their sixties than the low skilled. As average levels of educational achievement grow with successive cohorts and as the proportion of low skilled among people 55–64 will drop significantly in several Member States in this decade, efforts to enable and motivate coming cohorts of older workers to continue to work may be markedly more successful than in the past.

	40–44		**45–49**		**50–54**		**55–59**		**60–64**	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
B	91.8 %	61.7 %	89.7 %	64.9 %	85.0 %	50.2 %	60.3 %	25.7 %	26.7 %	7.8 %
DK	93.4 %	73.8 %	90.1 %	70.7 %	88.8 %	68.7 %	88.5 %	61.8 %	47.2 %	19.2 %
D	90.9 %	67.0 %	90.6 %	66.6 %	87.3 %	61.6 %	75.0 %	44.0 %	39.6 %	15.3 %
EL	90.6 %	65.0 %	87.3 %	64.2 %	82.7 %	58.5 %	59.8 %	47.6 %	34.9 %	31.7 %
E	87.3 %	62.8 %	87.7 %	59.7 %	88.0 %	53.6 %	76.1 %	41.7 %	51.8 %	26.3 %
F	89.5 %	72.9 %	90.8 %	72.4 %	88.6 %	67.4 %	67.0 %	42.9 %	23.2 %	8.1 %
IRL	90.3 %	65.9 %	89.7 %	62.3 %	85.4 %	55.7 %	74.7 %	47.2 %	57.0 %	31.2 %
I	93.0 %	64.9 %	94.2 %	62.0 %	88.0 %	51.1 %	70.6 %	29.8 %	46.3 %	14.4 %
L	88.7 %	72.1 %	90.3 %	67.8 %	87.6 %	55.0 %	80.9 %	21.8 %	28.2 %	5.4 %
NL	92.0 %	73.9 %	91.3 %	68.4 %	86.9 %	61.6 %	75.7 %	44.7 %	32.1 %	13.4 %
A	92.9 %	72.7 %	93.2 %	71.1 %	88.7 %	59.4 %	77.0 %	30.9 %	32.0 %	8.4 %
P	95.8 %	81.5 %	97.2 %	79.2 %	90.6 %	72.2 %	74.6 %	55.4 %	62.9 %	44.6 %
FIN	92.2 %	73.4 %	92.5 %	73.8 %	89.1 %	74.5 %	78.1 %	52.1 %	36.8 %	19.9 %
S	92.5 %	74.1 %	91.7 %	75.2 %	90.2 %	76.8 %	86.6 %	71.8 %	60.1 %	41.2 %
UK	91.9 %	59.6 %	92.0 %	59.3 %	87.2 %	59.8 %	75.9 %	49.5 %	66.8 %	53.5 %
EU15	90.9 %	67.4 %	91.0 %	65.7 %	87.6 %	59.0 %	74.1 %	41.2 %	42.8 %	20.2 %

Table 3: Employment rate of high and low skilled in 2001 by age group.
Source: LFS Spring results, Eurostat.

4. Conclusion

If a sufficient labour supply is to be sustained in the face of the ageing and shrinking of the prime age labour force and if the EU Lisbon, Stockholm and Barcelona targets for 2010 are to be met, older workers must again become well represented among the active and employed in the EU.[7]

When we return to a steady growth in labour demand and employment the demographically determined drop in the supply of young and prime-age workers can be expected to create strong economic incentives to improve present practices of age management in work places and labour markets. To the extent that coming cohorts of older workers will exhibit higher average skill and educational achievement levels it will make it easier to enable and motivate them to continue to work till their mid-sixties.

Yet, market forces and structural changes in average education levels are unlikely to be able to bring about all the necessary changes. Changes to the tax/benefit context of decisions about when to retire will be important. Yet, the crucial question is, how the social partners and older workers themselves with support from the right public policies can work to achieve a re-balancing of the position of older workers in the employed EU labour force?

Innovative work place strategies to retain and reintegrate older workers on attractive conditions while securing productivity and profitability will be in strong demand by employers, trade unionists and policy makers as Member States with the support from EU collaboration prepare to return to older workers their rightful share in the European labour supply and the employed work force.

In the context of the opening of this conference it was therefore encouraging to learn that that next ageing related research initiative from the German Federal Ministry for Education and Research will focus on the development of enterprise level strategies for extending working lives.

7 A more in-depth analysis of the labour market characteristics of the older age group in relation to both the Stockholm and the Barcelona targets will be presented in the 2003 version of our publication Employment in Europe 2003.

References[8]

"Budgetary challenges posed by ageing populations: the impact on public spending on pensions, health and long-term care for the elderly and possible indicators of the long-term sustainability of public finances", EPC/ECFIN/655/01 –EN final

COMMISSION STAFFWORKING PAPER: The Stockholm and Barcelona targets: Increasing employment of older workers and delaying the exit from the labour market. SEC(2003) 429

Europe's response to World Ageing: Promoting economic and social progress in an ageing world – A contribution of the European Commission to the 2nd World Assembly on Ageing, COM(2002) 143 final

The Joint Employment Report 2000

The Joint Employment Report 2002

Joint report by the Commission and the Council on adequate and sustainable pensions. (CEU 7165/03)

Joint Report from the Commission and the Council: "Increasing labour-force participation and promoting active ageing" (CEU 6707/02)

Proposal for a COUNCIL DECISION ON GUIDELINES FOR THE EMPLOYMENT POLICIES OF THE MEMBER STATES, COM(2003) 176 final

Quality and viability of pensions – Joint report on objectives and working methods in the area of pensions, (CEU 14098/01) [Laeken]

Taking stock of five years of the European Employment Strategy, COM (2002) 416 final

Towards a Europe for All Ages – Promoting Prosperity and Intergenerational Solidarity, COM (99) 221 final.

The future of the European Employment Strategy (EES) "A strategy for full employment and better jobs for all", COM (2003) 6(01)

8 All documents can be consulted and downloaded at the homepages of the European Commission. The web address for documents produced by DG Employment and Social Affairs is: http://europa.eu.int/comm/employment_social/index_en.htm

Ageing and work in Germany – Challenges and solutions

Hartmut Buck, Bernd Dworschak
Fraunhofer IAO, Germany

1. Introduction

"In the developed countries, the dominant factor in the next society will be something to which most people are only just beginning to pay attention: the rapid growth in the older population and the rapid shrinking of the younger generation. Politicians everywhere still promise to save the existing pensions system, but they – and their constituents – know perfectly well that in another 25 years people will have to keep working until their mid-70s, health permitting." (Drucker 2001)

Demography and the future of work have recently moved to the forefront of public concern in Germany. While the problems which demographic change poses toward the financial health of the German social protection systems has attracted considerable public interest, much less attention has been paid to the consequences that demographic changes will bring to the companies and the world of work. Politicians, social partners, and an increasingly large number of companies are showing growing interest in the issues relating to ageing workforces. Broad public debate on the topics of ageing workforces and older employees really took off in 2001. There is now a broad consensus that demographic change will have a massive impact at all levels of society. The awareness is growing that as the population becomes older, workforces cannot be permanently rejuvenated. As the average age of the workforce increases, it is a central point to sustain and to improve the innovative ability and competitiveness of German enterprises in the long term. However, we are still waiting for more examples of good practice in companies and associations.

At the present time, businesses – regarded as the key players in terms of the employment of the ageing labour force – and other stakeholders currently tend to regard factors such as (over)ageing and demographic change as of comparatively minor importance.

A mere three to four percent of all the personnel managers interviewed in the recent IAB[1] firm survey (2000) regard the ageing of workforces as being an important human resources problem in the next few years. So, this problem is ranked well behind other personnel-related issues. This business survey of around 14,000 companies also revealed that only four of every ten companies in western and eastern Germany have any experience with older staff (i.e. workers aged 50 or older). A similar assessment of the ageing problem was revealed in the study "Personnel and organisational development today" (Ganz, 2002). In response to the question: "What personnel problems currently affect your company?" 23 % of the 518 surveyed companies stated that the ageing of their workforces represented a problem (Medium-sized and large companies are overrepresented in this sample). Companies in which staffing levels are growing at an average of 5 % a year regarded themselves as less affected by the problem of ageing (14 %) than other companies. Two other issues which are also the subject of frequent public discussion were considered more important than the issue of "ageing workforces". A total of 39.6 % of companies regard the "shortage of qualified labour" and a total of 27.4 %

1 *Institut für Arbeitsmarkt- und Berufsforschung* (IAB), Research Institute of the German Employment Service

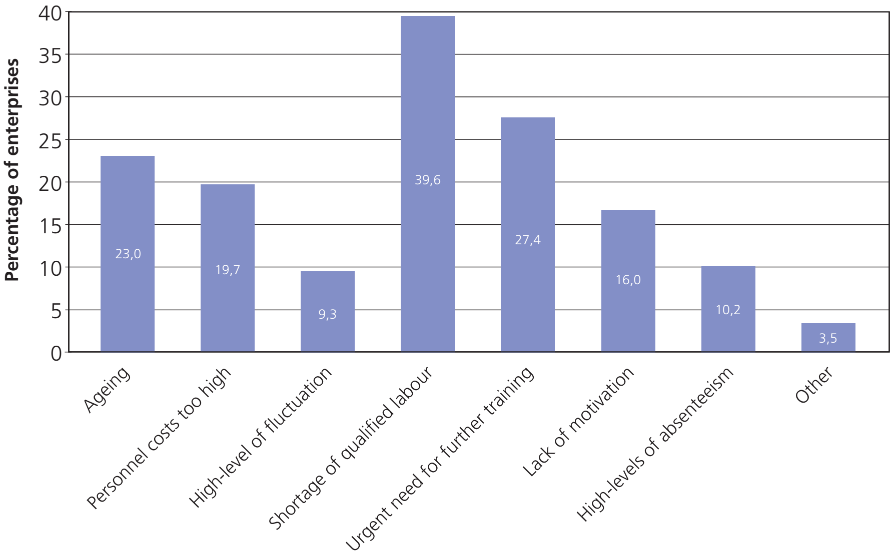


Fig. 1: Current personnel problems in German companies.
Source: Ganz, Personal- und Organisationsentwicklung heute, 2002.
Base: 518 companies

"continuing training" as areas of personnel policy in which action urgently needs to be taken. Several surveys of companies based in selected labour office districts in eastern and western Germany also suggest that respondents tend to regard the problem of population ageing as a medium to long-term rather than an immediate problem.

2. Ageing workforces

Decreasing birth rates and increasing life expectancy are the reasons for the fact that the German population will decrease in some years and that the average age of the population will increase. Until now, most attention has been paid to these facts from the point of view of the consequences for the social security systems. Much less attention has been paid to the fact that labour force ages as well: While the average age of the workforces increases, the recruitment of young staff will become more difficult. Thus, the demographic development will influence the labour market and the future world of work in a sustainable and profound way (Weimer, Mendius, Kistler 2001).

The average age of the German population will increase permanently in the next decades. It is already clear that in 2010 the age pyramid of the German population will have turned (Rössel, Schaefer, Wahse 1999), i.e. the share of the "young" (under 30-year-olds) will be below the share of the "old" (over 50-year-olds). In contrast to other fields, forecasts on the ageing of the population can be achieved on a quite reliable basis:

- Birth rates will be far below those needed to keep the current size of the population.
- A further increase in life expectancy seems to be a definite trend.
- Germany will have a positive net immigration in the future as well. Even if there is a debate on the definite number of expected immigrations, it is obvious that these will not be enough to stop or even reverse the ageing process of the German population.

The ageing process among 15 to 64-year-olds will be sustained in the foreseeable future and will very likely be combined with a decreasing overall population – this process is even predicted to accelerate markedly. Despite the lack of entirely reliable projections, all the available scenarios, such as the Federal Statistical Office's 9th coordinated population census, suggest that there will a further sizeable increase in the share of the working population accounted for by people over 50 after 2010 coupled with a further slight decrease in the number of 20 to 30-year-olds (cf. Buck, Kistler, Mendius 2002, p. 16). However, Germany is not the only country to be affected by this ageing of the working population. The other member countries of the EU will also experience similar changes (cf. Coomans 2001). Figure 2 shows the increase of the 50–64 age group in the countries of the European Union until 2025. This age group shows a

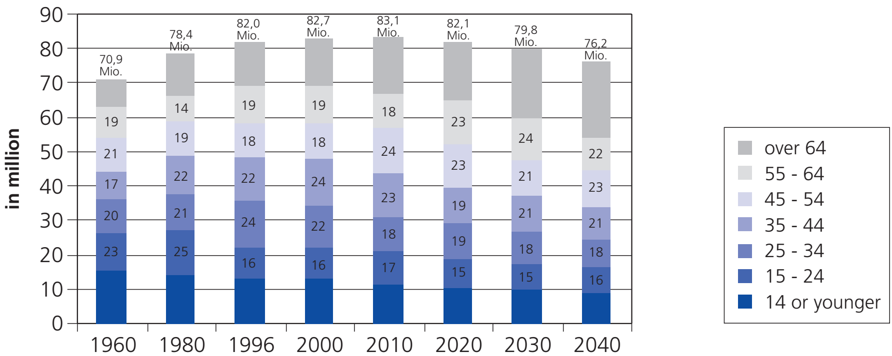


Fig. 2: Population in Germany according to age groups, 1960–2040 in millions and age cohorts within the 15–64 age group.
Shares of people in each age cohort as a percentage of the overall 15–64 age group.
Source: Rössel, Schäfer, Wahse 1999, page 25 ff.

similar increase in Germany, even if this increase takes place earlier and more rapidly than in the other European countries.[2]

The phenomenon of demographic change seems to be regarded by many companies at present as a limited "shortage of qualified labour", particularly of younger technically skilled specialists and engineers, rather than being recognised for what it is: the ageing of the workforce right across the board. While the decline in the population will begin having a major impact in Germany from 2020 onwards, the main changes in the age composition of the working population will take place in the years 2000–2020.

These changes are not linear, however, as extremely different sizes of each age cohort – the underrepresented war-babies, the large number of baby-boomers – themselves "age throughout" each of the age groups. In 2005, for the first time there will be more people over 50 than under 30 in the working population. To begin with there will be fewer and fewer 20 to 30-year-olds in the working population, soon to be followed by the 30 to 40-year-olds. The number of 40 to 49-year-olds will increase first reaching a pinnacle in the year 2010. The growth in the proportion of people over 50 in the working population will take off between 2005 and 2010 and will peak in the following decade (cf. Volkholz, Köchling 2002).

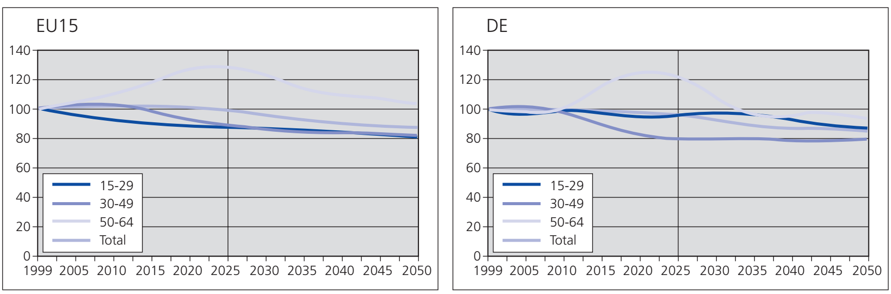


Fig. 3: Changes within the age group of the labour force between 1999 and 2050 (EU and D), index in percent (1999=100 %).
Source: Eurostat 2000 Demographic forecasts (basis-scenario) cf. Coomans 2001

2 For further information on a comparison of public policies in Europe see Taylor (2003).

	1979	1984	1989	1996	2005	2010	2015	2020
29 – and younger	32	33	32	25	21	21	21	20
30–39	23	21	24	29	25	21	21	23
under 40	**55**	**54**	**56**	**54**	**46**	**42**	**42**	**43**
40–49	24	23	22	24	30	31	27	23
50 and older	21	22	22	22	23	27	31	34
40 – and older	**45**	**45**	**44**	**46**	**53**	**58**	**58**	**57**
Relation of 29 and younger to 50 and older[3]	1,52	1,50	1,45	1,13	0,94	0,80	0,68	0,58
			Phase 1: share of 29 and younger decreases.		**Phase 2: share of over 40 rises.**		**Phase 3: share of over 50 continues to rise.**	

Table 1: Demographic development of the working population in 10-year cohorts 1979–2020 in percent.
Base: Statistisches Bundesamt, various years; from 2005 onwards (Prognos 1998, page 64ff)
Based on: GfAH (Volkholz, Köchling 2002)

As table 1 reveals, there is a steady increase rather than a sudden jump in the proportion of older workers in the labour force. What consequences will this development have for companies?

- Phase 1: Right up until the 1990s, companies which concentrated primarily on recruiting younger employees (youth-oriented personnel policy) profited from the demographic situation because the under-40 age groups were numerically strong.
- Phase 2: The proportion of people over 40 will increase during the first decade of this century. Human resource development will become an increasingly important competitive factor. The issue here is to maintain and continue to develop the skills and qualifications of the baby boom generation. During this phase there will be an opportunity to initiate preventive action geared towards a long-term personnel development policy.
- Phase 3: As of 2010 the number of over 50-year-olds will continue to increase disproportionately. Many companies will be confronted with the reality that the average age of workforces

3 Ratio of under 29-year-olds to over 50-year-olds. This figure shows how many younger people are in gainful employment in comparison with the number of older people in gainful employment.

is rising. Companies which have still not developed sustainable models for managing ageing workforces will be threatened by a loss of innovative potential and performance.

Beyond these averages, the change of age structures applies to different regions to a varying degree. The imploding birth rate in the new federal states of former East Germany revealed, for example, will thus have a transforming impact on the situation in the training market in eastern Germany in the very near future. While there is currently a large surplus of applicant trainees which can only be cushioned by the supply of intercompany training positions and by would-be apprentices moving to the territory of the former West Germany, in only a few years time there will be around half as many applicants for each training position on offer in eastern Germany. The specific regional developments briefly outlined here mean that – although there will not be a general shortage of labour across the board in the foreseeable future – mismatches between labour supply and demand are likely to be encountered on various sectoral labour markets: there will be more and more regional, occupational and qualification discrepancies (Buck, Kistler, Mendius 2002).

3. Consequences for the labour market

Due to financial reasons, the exchange of generations in the companies by means of early retirement becomes more and more difficult. In the face of the population bulge, there is no doubt that current regulations of early retirement have to be stopped sooner or later. Due to the volume of financial support, the room for manoeuvre of the social security systems is definitely limited.

In the first line, an increase in the statutory retirement age to e.g. 67 years would be an instrument solely referring to the pension law, lacking any link to the company level or the labour market. Neither the state of health nor the qualification level of older workers nor their situation in the companies and on the labour market improve automatically when the retirement age is being extended formally (Naegele 2001).

Since the early nineties, the number of older unemployed persons has been increasing steadily. It is not the problem of older workers that they are dismissed more quickly than younger ones. When they have been dismissed, however, they have less opportunities to find a new job than the younger workers (Kistler, Huber 2002).

In recent years, labour market policy for older unemployed persons or older workers threatened by unemployment gained in importance, not least because of the Initiative "50 plus – die können es (they are able to do it)" of the *Bundesanstalt für Arbeit*. Nevertheless, there is a limited success of efforts of placement and financing of the labour administrations when prejudices regarding the work performance of older workers are kept in the companies or when older workers are really lacking certain skills needed. Individual coaching and profiling as well as the support of a self marketing of older unemployed persons are indispensable instruments in order to increase their employment opportunities. However, the opportunities to re-integrate older workers into the first labour market, depend not only on the efforts of placement but rather on the creation of additional jobs and new fields of employment.[4] Specific measures for older workers in the sense of an active labour market policy will be indispensable for years.

4. Challenges at the company level

Policy-makers and researchers realised that tackling problems posed by demographic change on the public policy level is not enough.[5] What has to be aimed at is the company level. Particularly in the private sector and small enterprises campaigns in order to raise awareness had limited success. Both the UK's Code of Practice on Age Diversity and the European Code of Good Practice on Age and Employment are prescriptive, lacking information on *how* to implement age-aware human resource management policies. Thus, it is no surprise that this approach has had limited success until now (cf. Taylor 2003).

To which extent the problem of demographic change applies to or will apply to specific companies in the future depends on the sector, the size of the establishment and regional structures of the economy and the labour market. Generally speaking, however, companies face the challenge to rethink and adapt their deployment and recruitment strategies often geared exclusively to younger workers.

A central task of personnel policy should be to make sure that the age structure of company workforces is as balanced as possible. The dominance of particular age groups should be avoided in order to prevent age gaps appearing in the available human resources and to steer clear of marked waves of recruitment and retirement. For this reason, a key task is to plan the right mixture of youth and maturity in advance. However, an absolutely equal distribution of all age groups is unlikely given since the age spread among the population or labour force as a whole is not even.

The situation would be particularly precarious if the recruitment drive had to take place in a situation characterised by a shortage (and corresponding increase in the cost) of younger labour. However, this is precisely the scenario we may expect for companies faced with the need for large-scale recruitments in five to ten years time when demographic changes really do begin to make themselves felt. In future, companies have to be innovative and competitive with ageing workforces. Just a few, attractive employers will be able to keep a "compressed" age structure (mainly consisting of the middle-aged) as it is often the case nowadays.

---

4 For further information see the article "Employment and older workers in Germany" in this booklet.
5 See e.g. the article "The Finnish programme on ageing workers 1998–2002 – From a national strategy to a company strategy" in this booklet.

Fig. 4: Optimum age distribution: balanced versus age-centred age structures.

The most important options available to companies regarding the management of ageing work-forces include:

- The creation of heterogeneous age structures: Definite age-homogeneous recruitment and retirement waves should be avoided.
- Ageing-appropriate job design and preventive occupational health measures which will enable workers to remain in their jobs right up to retirement age.
- Ongoing updating of the knowledge base by implementing lifelong learning in companies. The maintenance and continued development of the know-how and skills already available to firms will grow in importance to the extent that firms are less able to relay on the recruitment of young staff as a source of new knowledge. In the future more and older employees must be integrated in a continuous process of further training. The fact that older people are still underrepresented among those participating in vocational training measures is not only due to companies‘ cost-benefit analyses of investments in training – older workers, too, have so far shown insufficient willingness to engage in continuing training.
- Avoiding lopsided specialisation and, in contrast, systematically promoting the development of a range of competences and flexibility by ensuring that people carry out a variety of tasks (e.g. job rotation) and are subject to changing work demands throughout their company careers.

- Supporting the intergenerational transfer of know-how in companies and systematically exploiting the complementary, age-specific skills of younger and older workers by setting up age-mixed teams.
- Integrating older workers systematically into the innovation process in order to make use of their experiences.

These personnel and organisational development measures are also essential in order to secure the innovative ability of companies operating with ageing workforces. Innovative ability is not age-determined either, but is an expression of the work settings encountered during employees' working lives. There are numerous examples which demonstrate that companies which operate in markets characterised by a dynamic knowledge base and rapid pace of innovative change can also be highly successful even if they mainly employ older workers. Several of Germany's traditional branches of industry, such as the machine tools sector, owe a large part of their international success to their experience-based "innovative milieu" which is based on cooperation and exchanges between older experienced developers and new recruits able to offer fresh professional know-how. The youth-oriented innovation model propagated in the computer and software industries is by no means the only – or even the most appropriate – way forward.[6]

In the future even more flexibility will be in demand in the world of work – not only in terms of the times at which workers will be expected to make their labour available but also in terms of the stability of career paths. An increasingly older labour force threatens to collide with a world of work which demands patterns of behaviour tailored to younger age groups. For this reason, the employment problems confronting older workers are likely to intensify unless counteractive measures are taken in good time and efforts made to implement ageing-appropriate human resource management and work-related policies.

Work on developing adequate response strategies must begin immediately given that the process of demographic change continues apace. The current debate in companies about positive recruitment strategies for "high potentials" does not go anything like far enough towards meeting this challenge. As far as the problems of recruiting skilled labour and ageing workforces are concerned, companies must rethink their positions and must step up the amounts they invest in qualifying their 40–50-year-old employees – a group which has to some extent forgotten what it is like to learn new skills. Currently the resources and specific potentials offered by this group are often only unsystematically exploited, if at all. The problem is not just the training gap in the community as a whole, but also in the failure to provide sufficient further training in firms themselves.

There is now a growing realization among employers that highly-qualified, motivated employees are among the most valuable resources available to firms. As a result, companies are becoming increasingly vigilant in the field of human resource management. In contrast to short-

6 For further information on sustainable human resource and personnel strategies see the articles of Karazman and Köchling in this booklet.

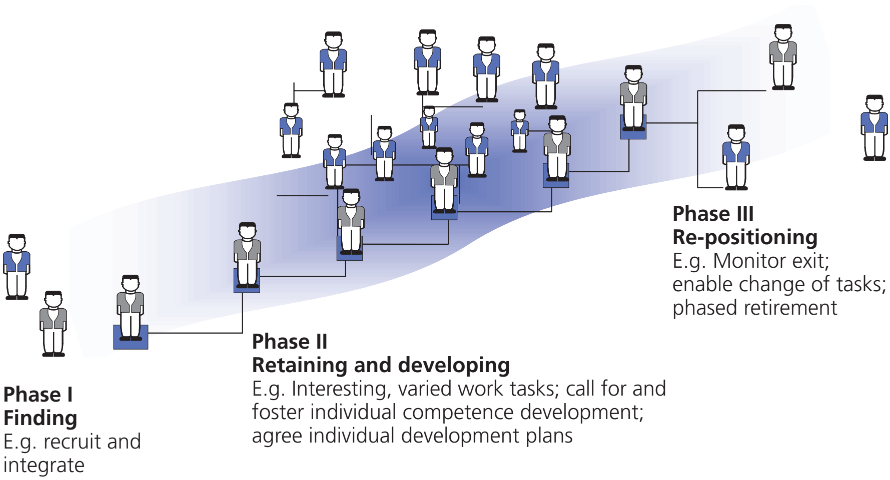


Fig. 5: Longer-term human resources orientation aiming at accompanying and developing careers from the beginning to the end of working life.

term business management policies, successful personnel policy will in the future be shaped more longer-term considerations – taking account of the occupational biographies of employees and ensuring that the work capacity of older workers can be effectively used.

5. Challenges at the individual level

Many firms have now recognized that their human resources represent their most valuable assets. Nevertheless, personnel development still focuses on younger workers. Concerning further training, a border of 45 years of age is often mentioned. But even if employees take part in further training every two years, it would be insufficient. If ageing workers are to be kept in employment, both the form of work and the kind and frequency of further training have to be rethought. In order to keep one's job performance throughout the working life, varying tasks and incentives to learn at work are indispensable (Buck 2002).

In recent years, work demands in large parts of production and services have continued to increase. The problem of "limited periods of work activity" – in other words the phenomenon of workplaces at which employees cannot "grow old" – is one which affects employees in all sectors of business and industry. Redeploying personnel within the company to less strenuous workplaces is becoming increasingly difficult as many of these jobs have fallen victim to

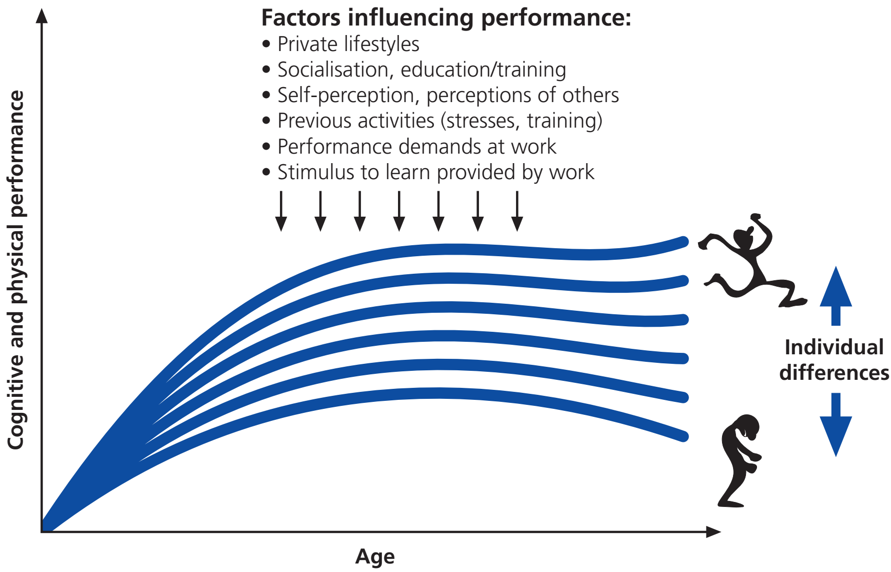


Fig. 6: Growing individual differences in the development of work performance with increasing age.

rationalisation processes. The problem has been intensified by forms of work organisation which often keep workers at one and the same workplace and make them carrying out the same tasks over a period of many years. Under these circumstances workers are not confronted with the need to cope with new challenges and take little part in the further training programmes offered by employers. As a consequence vocational skills are eroded, employees' learning skills atrophy, and flexibility and innovation suffer. Job histories of this type often make it very difficult to redeploy older workers in the context of restructuring measures. In other words, a lack of learning skills and flexibility is created by work situations throughout employees' careers. Given the widespread existence of working environments involving arduous tasks and conditions, the primary objective must be to re-establish a situation in which the majority of older employees are enabled to remain at work until they reach the statutory retirement age. This effort must be undertaken in the companies themselves.

Effective models for managing people's occupational biographies should not be restricted to older workers who are already beginning to experience a decline in their working capacity but must begin right at the start of people's working lives or even during initial vocational training. Action should be taken at the earliest possible stage to counteract a foreseeable decline in skills, health and motivation, and this also depends on a change of attitudes among employees and employers alike: the orientation in the future must shift away from the job position, job description, profession/activity itself towards fields of occupation which are associated with opportunities for the development of individuals and specialist skills. Part of this learning process will also be to sever the expected link between new fields of occupation and better pay or hierarchical promotion – on the contrary, new fields of occupation should also be accepted or aspired to even if the new activity "only" offers an opportunity of getting to know a new work setting, acquiring new experiences, and contributing one's own skills and expertise in a new context (cf. Pack et al. 2000). Everybody engaged in gainful employment needs to take stock at certain intervals in their working lives and look for new challenges. The meaning of one's own work and a search for future goals tend to become issues in the middle of people's occupational biographies in particular.

Recent calls for more intensive continuing training of older employees make perfect sense in themselves – they do not go far enough however. The key issue is to ensure that the idea of lifelong learning is fleshed out with contents and methods and becomes a reality for all age groups. The biggest risk for both companies and workers is that extended phases of non-learning will erode people's ability to learn at all.[7]

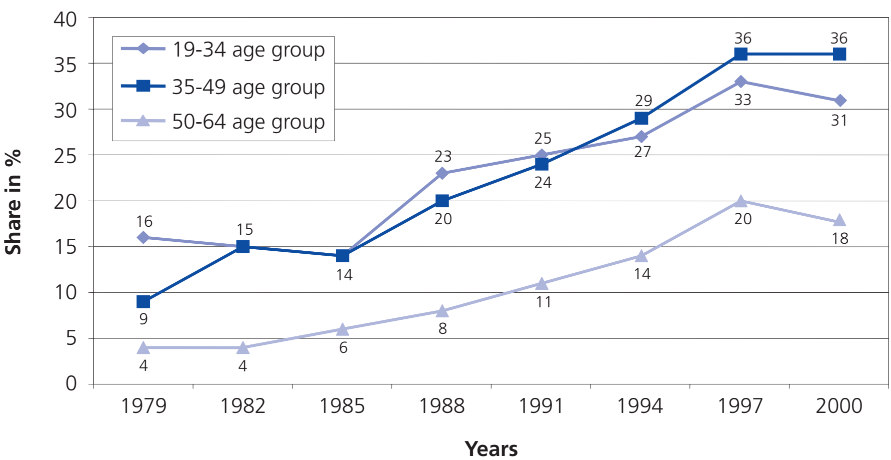


Fig. 7: Levels of participation in continuing vocational training in Germany according to age group
Source: Bundesministerium für Bildung und Forschung 2001, p.26.

7 For further information on the topic see the article "Training, skills and performance of ageing workers" in this booklet.

6. The German transfer project: Demographic Change – Public Relations and Marketing Strategy

The research on "Demography and Employment" was funded by the Federal Ministry of Education and Research (BMBF). Milestones in the development of this important topic were:

- The congress "Age and the Future of Employment", which took place in November 1992 in Berlin, made new research areas and approaches available.
- Between 1996 and 2000 the BMBF funded five interdisciplinary project networks concerning "Demographic Change and the Future of Employment in Germany", and
- In November 1999 there was a congress on "Ageing and Work" with international participation in Berlin. On this occasion the booklet "Future Report Demographic Change" presented the research results.

Following the completion of this phase of research the Federal Ministry of Education and Research (BMBF) launched the transfer project "Demographic Change: Public Relations and Marketing Strategy" toward the end of 1999. One aim of the project was to heighten public awareness of the topic. Another one was to elaborate ways of transforming the findings generated by scientific research into practical strategies for tackling and solving the problems posed by demographic change.

At the same time near the end of 1999 the Enquete commission "Demographic Change" of the German parliament continued its work and published the results concerning the impact on the whole society in 2002.

Since 2002 the Federal Ministry of Education and Research (BMBF) has started an additional initiative, called the "Demography-Initiative". This project is headed by three trade associations: VDMA (engineering), ZVEI (electronics) and ZV SHK (craft trade). 127 companies are funded in order to implement solutions for ageing-appropriate personnel policies developed by the transfer project "Demographic Change: Public Relations and Marketing Strategy".

The transfer project ran from the end of 1999 to the midth of 2003. It dealt with the following main topics:

- The impact of demographic change on the world of work
- Balanced age structures and innovative ability of companies
- Ageing-appropriate work and personnel policy
- Employment and new fields of occupation for older employees

The project focused on possible ways how working people, enterprises, and employer and trade union organisations might perceive, respond to, and manage the interactions between the processes of innovation and population ageing. The impact of the demographic change on the workforces is complex and includes a variety of different developments. So the project had to be designed as a transfer network consisting of 14 different research institutes. Each of these

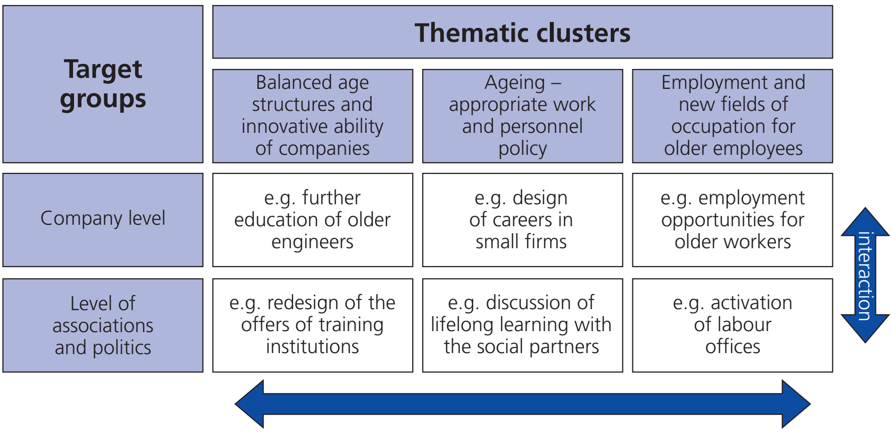


Fig. 8: Matrix of target groups and scope of topics.

institutes carried out a subproject on its own. In order to cope with the wide scope of thematic approaches the Fraunhofer IAO coordinated the network of the 14 subprojects. It was the central contact point for the entire transfer project and for the public.

The transfer network developed and tested examples of good practices at company level. It has to be pointed out that an integration of measures at company level and at the level of associations, as for example employers' and trade union organisations, and politics is indispensable to cope with the challenge of demographic change.

The subprojects covered the topics and the levels of the matrix as shown above. Each of the subprojects focused on one specific issue within a thematic cluster and integrates both levels. Such specific issues were:

- Old and young in company workforces. Intergenerational personnel policy as a competitive factor. (GfAH)
- Dynamic job design for younger and older innovators. (TUHH)
- Growing innovation with and for all age groups – consultation services for small and medium-sized enterprises for the design of innovation-friendly work settings. (Unique)
- Intergenerational teams in the innovation process. (VDI/VDE)
- Consultation of software development companies on the impact of changes in age structures. (BTU Cottbus)
- Designing work and careers to manage limited working lives in the context of intergenerational exchange. (ISIS)
- Designing careers in small firms. (Hochschule Niederrhein)

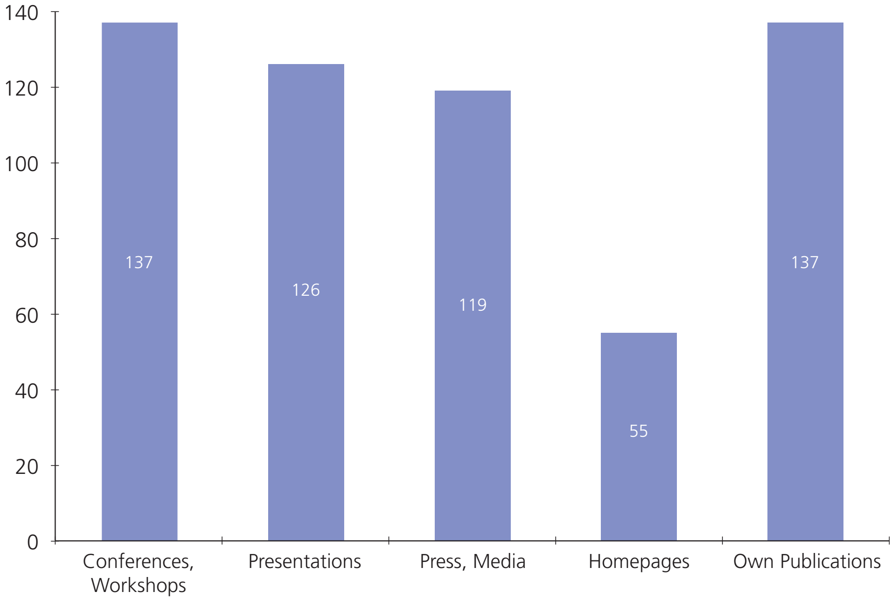


Fig. 9: Public relations of the transfer project 2000–2003.

- Ageing-appropriate flexible work arrangements in the craft trade sector. (Zukunftswerkstatt der Handwerkskammer Hamburg)
- Lifetime working-time arrangements in geriatric care. (FFG)
- Consulting strategies for an ageing-appropriate work and personnel policy. (ISO)
- Awareness and activation for the problems facing older workers in the region. (INIFES, SÖSTRA)
- Solving used vehicle problems and creating jobs for older employees in the automobile trade. (ISF)
- Sensitization of non-public labour market mediators to the problems confronting older workers – potentials and barriers. (ISF)
- Sensitization and activation of intermediary institutions to the problems confronting older employees. (Prognos)

In general, the main target groups of the transfer network were companies, the labour force, employers' and trade union organisations, employment services, regional and local industrial development agencies, social insurance institutions and the world of politics. Apart from this, the project sought to transfer solutions for an ageing workforce to the public, as for example, to the media.

As the figure shows, the aim to create awareness and disseminate solutions for an ageing workforce has been achieved by means of different ways of public relations. Not least thanks to the transfer project, the issue of demographic change at work has attracted considerable public interest in the last two years.

7. Selected European activities

Apart from the German projects, a wide range of activities and initiatives have been carried out on the issue of demographic change at the European level.

- In 1991, the **European Foundation** carried out a **Colloquium** dealing with the discrimination of workers, which will be intensified by ageing of the labour force in the European Union.
- In cooperation with other researchers, Alan **Walker** from 1997 to 1999 carried out several **projects** on the issue for the European Foundation, e.g. *Combatting Age Barriers in Employment* and *Managing an Ageing Workforce*. Several recommendations for action and research overviews were derived from these projects.
- The **Finnish Programme on Ageing Workers** (Finn Age) ran from 1998 to 2002. In the context of this programme several research and training programmes were started which dealt with questions and problems as well as opportunities and strengths of an ageing labour force.

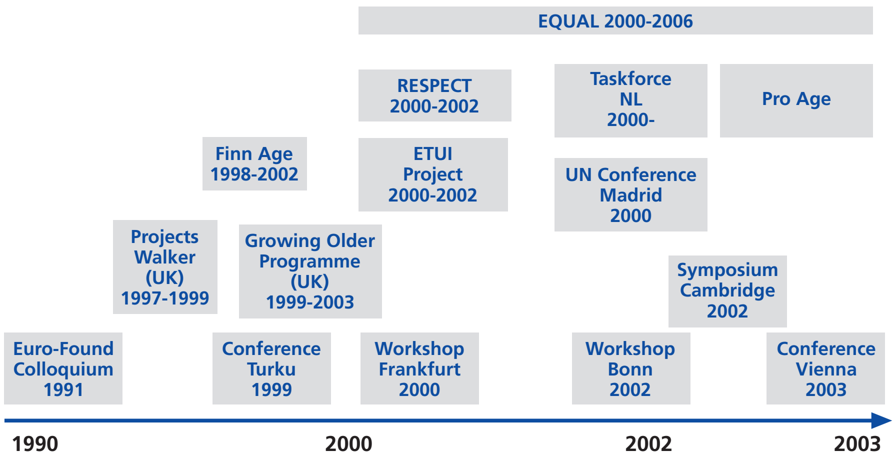


Fig. 10: European activities.

- In August 1999 the **Conference** *Active Strategies for an Ageing Workforce* took place in **Turku**. The conference examined the development, the implementation and the assessment of “active” and “integrated” strategies for an ageing workforce.
- In the United Kingdom, the **Growing Older Programme** (1999–2003), funded by the ESRC, wants to develop suggestions for policy and practices in order to extend the quality life. Research fields are e.g. defining and measuring quality of life, inequalities in quality of life, the role of technology, healthy and productive ageing.
- The **Project** *Active Strategies for Older Workers – Employment and Social Protection Policies for Older Workers in Europe* (2000–2002) of the **European Trade Union Institute (ETUI)** examined the current employment and social protection situation of older workers in a selected number of European countries.
- The EU project **RESPECT** (Research Action for Improving Elderly workers Safety, Productivity, Efficiency and Competence towards the new working environment) developed work models and instruments to support the capability of older workers.
- In the context of the Initiative **EQUAL** (2000–2006) the European Social Fund funds international activities and projects which directly aim at supporting the employability of older workers in the European Union.
- Since 2002 the Dutch **Taskforce** *Ouderen en Arbeid* develops suggestions and strategies to improve the workability of older workers. One focus of the taskforce is to identify European “good practices”.
- In April 2002 the Second World Assembly on Ageing of the **United Nations** took place in Madrid. Debates focused on strategies on how to cope with the challenges posed by an ageing world population. The representatives of the member states of the United Nations Economic Commission for Europe (UNECE) adopted in the context of the UNECE Ministerial Conference on Ageing in Berlin from 11 to 13 September the Regional Implementation Strategy of the Madrid International Plan of Action on Ageing 2002 in the UNECE region and committed their governments to implement this comprehensive strategy.
- Four European employers’ associations take part in the Initiative **Proage** of the European Union. The presentation of results takes place in the context of international benchmarking workshops and are available at the joint website www.proage-online.de.
- In the context of the **Workshop** *Ageing and work* in September 2002 in **Bonn**, results of projects which aimed at the problems of older workers at company level were presented and discussed by representatives from several European countries.
- The international **Symposium** *Public policy, ageing and work* in **Cambridge** dealt with employment policies for older workers of several European countries.
- The **Conference** “Work beyond 60: Preparing for the Demographic Shock” in **Vienna**, jointly organised by the Geneva Association, the Club of Rome and the Risk Institute, represented the current state of the art and debate on the issue.

At the moment, there are no programmes for funding the research issue “ageing workforce” anymore. Apart from this, there is a lack of systematic exchange on the subject at European level. So the basic future challenge will be to promote and support a network on the issue, e.g. by initiating a platform or larger network projects in order to take a step forward in developing and adapting measures to respond to the challenges in good time.

8. Conclusion and Outlook

Demography and the future of work have recently moved to the forefront of public concern in Germany and Europe. Politicians, social partners, and an increasingly large number of companies are all showing growing interest in the issues relating to ageing workforces. In-depth and informed public debate on the topics of ageing workforces and older employees really took off in 2001 in Germany. However, we are still waiting for more examples of good practice in companies and associations.

Companies need to be made aware of the likely impact of creeping structural change and require consultative support if they are to take effective action. Yet it is not enough to develop and test examples of good practice at company level. It has to be pointed out that an integration of measures both at the company level and at the association level, e.g. employers‘ and trade union organisations, and politics, is indispensable in order to cope with the challenge of demographic change.

If as many of companies as possible are to be reached – and it is absolutely vital that they are – then it will not be enough just to make such model examples available. The next essential step is to analyse these examples from various angles. They have to be compared and studied in terms of the specific preconditions which were met in concrete cases. This would make it possible to classify such model approaches and to determine to what extent they might be feasibly implemented in other companies for the future.

Organisations such as chambers of commerce, associations as well as employers and trade unions will need to respond to the impact of demographic change and develop strategies designed to support ageing-appropriate approaches for their target groups.

The ageing of the labour force does not necessarily mean a loss of innovativeness. The necessary responses, however, have to be taken in good time. The introduction of new technologies, working in projects in companies and between companies as well as a more intensive integration of customers into the preparation of production/service are reasons for the fact that employees increasingly do not have to play the role of an specialist but rather that of solving problems and integrating knowledge. People only are able to generate knowledge and to use it creatively. Exactly this ability, however, is nowadays often ascribed to younger employees. Depending on the sector, employees already belong to the group of “the older” from the age of 40, from 50 years of age they are “on the scrap heap”. Nevertheless, there in no scientific proof that older people are not able to learn anymore. The problems rather seems to be that of motivation or of incentives to learn something new. In this case, not only regular external further education is needed but a work organisation and development which demands from and enables employees to continuing education at work. Employees who have to learn regularly due to the change of their tasks, have good chances to keep their skills up-to-date and to keep their employment opportunities during the whole career.

In the future, the need to cope with an increase of complexity and to acquire new knowledge cannot be met by recruiting young specialists or graduates solely. The extent of the early retirement practices, which are still very common in Germany, will have to be rethought. The intensification of investment in personnel and career plans of the own "ageing" workers will be indispensable.

Due to the changes in work tasks and conditions of work (e.g. flexibilisation, increase in temporary contracts, danger of losing the job), employees have to learn to develop their own career more actively and to find a balance between (private) life, learning and work. Many employees plan their daily work tasks in a very rational and efficient way but not their occupational biographies. A new need for advisory services results herefrom. In a work of world which becomes increasingly complex not only managers will need advice concerning their careers. "Middle-skilled" workers also have to be supported in planning their occupational biography. Such an advisory service (training and education coaching) does not only have to enable them to acquire the "right" occupational and key skills but has to take into account future developments of needed skills and the personal situation of the client.

References

Buck, H.; Kistler, E.; Mendius, H. G.: Demographic change in the world of work. Opportunities for an innovative approach to work – A German point of view. Booklet series "Demography and Employment". Stuttgart: IRB, 2002.

Bundesministerium für Bildung und Forschung (ed.): Berichtssystem Weiterbildung VIII – Erste Ergebnisse der Repräsentativbefragung zur Weiterbildungssituation in Deutschland. Bonn, 2001

Coomans, G.: Die Alterung der arbeitenden Bevölkerung in Europa – Fragen und Prioritäten. In: Bullinger H.-J. (Hrsg.): Zukunft der Arbeit in einer alternden Gesellschaft. Broschürenreihe "Demographie und Erwerbsarbeit". Stuttgart: IRB Verlag, 2001.

Drucker, Peter: The next society. The Economist, Nov 1st, 2001.

Ganz, W. (ed.): Personal- und Organisationsentwicklung heute. Ergebnisse einer Befragung deutscher Unternehmen. Stuttgart, 2002.

Kistler, E.; Huber, A.: Die Beschäftigung älterer Arbeitnehmer und die demographische Herausforderung. In: Huber, A.; Kistler, E.; Papies, U. (Hrsg.): Arbeitslosigkeit Älterer und Arbeitsmarktpolitik im Angesicht des demographischen Wandels. Broschürenreihe "Demographie und Erwerbsarbeit". Stuttgart: IRB Verlag, 2001.

Köchling A. u. a. (Hrsg.): Innovation und Leistung mit älterwerdenden Belegschaften. München und Mering, 2000.

Morschhäuser, M.: Betriebliche Gesundheitsförderung angesichts des demographischen Wandels. In: Morschhäuser, M. (Hrsg.): Gesund bis zur Rente – Konzepte gesundheits- und alternsgerechter Arbeits- und Personalpolitik. Broschürenreihe "Demographie und Erwerbsarbeit". Stuttgart: IRB Verlag, 2002.

Naegele, G.: Demographischer Wandel und Erwerbsarbeit. In: Aus Politik und Zeitgeschichte, Das Parlament, 19. Jan. 2001.

Pack, J.; Buck, H.; Kistler, E.; Mendius, H. G.; Morschäuser, M.; Wolff, H.: Future report demographic change – Innovation ability in an ageing society. Bonn, 1999.

Rössel, G.; Schäfer, R.; Wahse, J.: Zum Wandel der Alterspyramide der Erwerbstätigen in Deutschland. Frankfurt, New York: Campus, 1999.

Taylor, P.: Politik für ältere Arbeitnehmerinnen und Arbeitnehmer in der europäischen Union: Kritik und Handlungsempfehlungen. In: Buck, H. (Hrsg.): Alternde Belegschaften – Herausforderung für die Wettbewerbsfähigkeit. Stuttgart, 2003 (forthcoming).

Volkholz, V.; Köchling, A.: Strukturwandel in die Zukunft. 2002, (www.strukturwandel-zukunft.de).

Weimer, St., Mendius, H.-G.; Kistler, E.: Demographischer Wandel und Zukunft der Erwerbsarbeit am Standort Deutschland. In: Bullinger, H.-J. (Hrsg.): Zukunft der Arbeit in einer alternden Gesellschaft. Broschürenreihe "Demographie und Erwerbsarbeit". Stuttgart: IRB Verlag, 2001.

www.demotrans.de

Public policies and employment

The national programme on ageing workers 1998–2002 – From a national strategy to a company strategy

Pertti Linkola
Ministry of Labour, Finland

1. Background

The reason to launch the National Programme on Ageing Workers was the change in the structure of the labour force, which will continue in the following years. The growth of employment after the recession in the first half of the 1990s gives a wider picture. In Finland, the worst employment year during the recession was 1994, when the employment rate was 60 % and an average of 2,040,000 persons were employed. In 2001, the employment rate was 67.7 % and 2,350,000 persons were employed, i.e. the growth in employment was 310,000. Within different age groups the growth of employment varied:

- In the 15–24 age group, employment grew by 92,000 persons, which means more part-time jobs for students,
- The 25–44 age group employment *diminished* by 8,000 persons, and
- The 45–64 age group saw an employment growth of 226,000 persons.

This development was easy to forecast even in the years of high unemployment. The idea of the Finnish National Programme on Ageing Workers was presented by a committee nominated by the government in December 1995 to look at improving the employability of ageing workers. The committee studied the full usage of the ageing workers' contribution to working life. Subsequently, the implementation of a national programme for ageing workers was recommended in the committee report, and in May 1997 the government made a decision in favour of a five-year-programme. The aim was to improve, in particular, the position of workers over the age of 45 within working life.

The government's decision introduced 40 measures, which included multiple investigative, educational and tentative projects, research and improvement functions, modernisation of the structure of working life and legislation, and communication. Supporting the service structures of society and working communities was considered especially important, and additionally, the development of adult training was another key measure. The programme was supported by the modernisation of the labour market policy with a service model that uses and supports the self initiatives of the unemployed. In this way, the needs for training and vocational guidance were charted more systematically.

The main strategic idea of the programme can be termed a 'balanced implementation' (Concluding report of the programme; *The Many Faces of the National Programme on Ageing Workers,* Ministry of Social Affairs and Health, Publications 2002:14). The idea derives from a 'balanced scorecard' but when assessing how integrated projects such as the Finnish National Programme on Ageing Workers have functioned and how they have been developed and could be further developed, we need to take into account the information and culture of different actors. Balanced implementation is not a specific management tool. Several ministries and social partners funded the programme, and their analysis of the situation and possible solutions were naturally different. It is not easy to bring these views together, and 'balance' does not necessarily mean that everything had to be agreed upon.

1.1 The most relevant activity: Changing attitudes

Different kinds of focuses and views are acceptable within an integrated national strategy since situations on the grass-root level vary. However, a sufficiently coherent view among all partners and society as a whole – thus among the ageing workers themselves as well – is needed when it comes to basic strategic points. The slogan of the Finnish National Programme for Ageing Workers, "Experience is a national asset", emphasises the basic viewpoint. *Ageing should be taken as a challenge and a source of possibilities, not as a pure problem in working life. It is not only gerontologic weakening but also a demographic source of business possibilities and innovation*. The starting point for information campaigns was not easy, as early age pension schemes indicated that in Finland as well the belief in the motivation or working ability of the aged was hardly convincing.

The change of attitudes was supported in the aim to bring new challenging concepts to the Finnish ordinary working-life vocabulary, for example 'work ability' and 'age management', and giving systematically fresh and more positive meanings to the word 'ikä' (age) itself. The logo is used for example in words like lo (joy) or nnovaatio (innovation). The information campaigns' influence on the attitudes is difficult to analyse, as there seems to be direct and indirect effects. According to the Finnish experience, it is difficult to get results without abundant positive 'age-talk' with more tangible activities and style is as important as activity itself.

1.2 Strengths and weaknesses

It seems that the concepts of work ability and age management have become the most relevant subtopics in Finland. For example, the Finnish Ageing Programme did not actively stress discussions on age discrimination (age racism). Finland is a country where age discrimination, i.e. the unequal treatment based on age in working life, is clearly against the law. According to Finnish research and experience, age discrimination is especially problematic among the unemployed. Ageing unemployed persons who are actively seeking work view discriminatory hiring policies as a distinct and greater problem than the ageing who are still in working life. The concentration on the positive side of ageing was also a disadvantage for the programme because it diminished the reliability of the campaigning in the eyes of the older unemployed people. On the other hand, social partners could have seen their roles within the programme incompatible. When talking about age discrimination, they have naturally different opinions on individual discrimination cases. The Finnish ageing programme would not create a radical movement against age discrimination because this would have been in discordance with the idea of a balanced implementation.

In hindsight, it seems that five years was too long a time for most of the original 40 measures. Perhaps three years would have been enough for the original plan. The programme management, however, had freedom to create new activities, and maybe one of the success factors of the information campaigns was the extra time. Repeating the message and renewing the style is time-consuming. There was time for networking, evaluation of the results and creation of new ideas without changing the basic themes. There was also time to inform, educate and motivate field organizations (e.g. occupational safety and health inspectors and employment offices around the country).

2. Description of the programme

The true organization of the Finnish ageing programme is not easy to describe. The programme was highly integrated on the level of basic decisions and background organizations, on the other hand the coordination and management of different activities was loose and empowering. The ageing programme created an umbrella and network for many different activities, hence adding to its ‘many faces’. And also because of the networking, the true sums of money used are much higher than the annual 800,000 € in the programme budget. Funds from different sources (e.g. ESF etc.) were used for the same purpose.

2.1 Goals in general

The programme had two general goals that were easy to evaluate: To create a higher average retirement age and a higher employment rate within the over-45-year-old age group. The political importance of these goals is easy to understand and accept, it is a question of taxpayers’ money in a Nordic welfare economy and how much public debt will be left from the baby-boomers for the younger generations.

The programme objectives contained elements at several levels: The individual level (work ability), the business level (age management), the workplace level (development of workplace community, culture and working environment), and the working life and labour market level (employment requirements, participation, flexibility and working hours). The various levels have also been approached through different system and policy factors (pension, occupational health, education and training, and labour law). The aim of all the activities has been to support the labour market position of the over-45-year-olds. Because information of poor education and occupational health problems of the ageing workforce may be grounds for age discrimination, a balance of different objectives was continuously discussed among the programme management.

2.2 Target groups

The aim of the programme was to support the labour market position of the over-45-year-olds and their motivation to stay at work. The target group consisted of all actors influencing the labour market. The employers were considered a key target group because without the employers’ commitment, the possibilities to make progress on the workplace level are poor.

2.3 Results and the present situation

The main results and present situation can be described by using simple statistics. The estimated average retirement age (i.e. based on statistics from different sources, actuarial calculation) has grown steadily, but the target 62–63 years is still far.

1994	58,0
1995	58,1
1996	58,2
1997	58,5
1998	58,8
1999	59,0
2000	59,1
2001	59,3

Employment within the over-45-year-old age group has grown rapidly. The employment rates are still low but higher than the European average. The fastest growth in the employment rate has been in the youngest and oldest age groups. Only in the oldest age groups are the employment rates higher than in 1990, i.e. before the recession, but the employment rate within these groups was already low then.

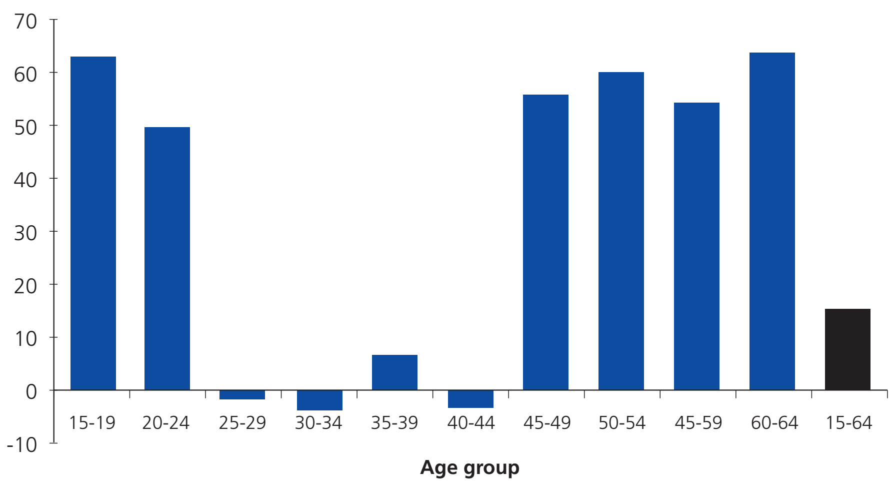


Fig. 1: Change in employment 1994–2001 in percent.

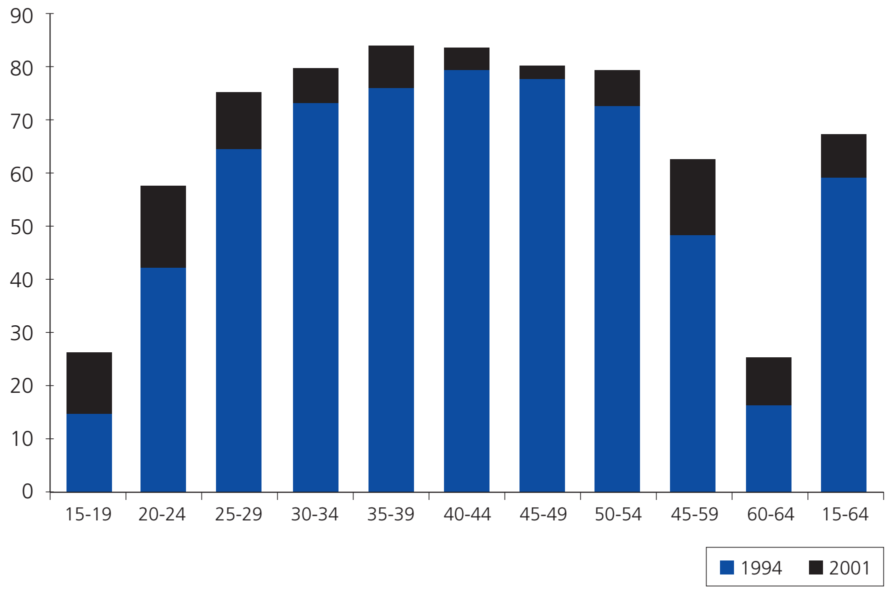


Fig. 2: Employment rates by age group 1994 and 2001 in percent.

3. Outlook

The pressure for future activities can be derived from the figure above. The employment rates within the oldest age groups have risen but are still too low and the overall employment target of 70 % will be difficult to reach without further significant progress in ageing policies. One of which is the ongoing pension reform (http://www.eiro.eurofound.ie/2001/12/InBrief/FI0112120N.html) but the programme of the next government probably includes new activities for the development of working life. The Ministry of Social Affairs and Health has already introduced a new programme called 'VETO' (drive). For the Ministry of Labour and its field organization (employment offices), the situation is more complicated. Methods to find jobs for the elderly unemployed are still inefficient. It seems that cooperation with companies and management gives the most fruitful possibilities but because of cultural differences the learning process of partnership takes time. A deeper understanding of the interactions between the national employment and ageing strategy and the company strategies is needed.

3.1 Items for new activities: Sustainable HRM, good corporate citizenship etc.

Balanced implementation may also have many faces in the workplace. Some experts of business strategy (e.g. Kathleen M. Eisenhardt and Donald M. Sull HBR January 2001) suggest that in a simple and stable business landscape, companies can afford complex strategies. When the business is complex and the environment is fuzzy and risky, successful business is often based on a very different approach. A few straightforward rules may be enough to define the direction. The overall rule should also be taken into account in personnel policies concerning the ageing process. Some companies and industries have a stable environment in the short run at least. Such companies can implement special comprehensive firm-specific ageing programmes as part of their personnel policy. But what about companies in a turbulent environment?

The idea of 'simple strategic rules' presented by Eisenhardt and Sull might be valuable. As a matter of fact, some suggestions, for example by Alan Walker, could also be seen as strategic simple rules for employers, employees, social partners, governments etc. in almost the same sense as Eisenhardt and Sull suggest (A. Walker: *Managing an Ageing Workforce: a guide to good practice).* Rules for the age management, however, are often seen merely as general moral statements of good corporate citizenship and social responsibility, not as an elementary part of human resource strategies. The strategic rules for age management could be written in a simple and demanding form:

1. Employers should aim to create conditions in which employees can manage their own careers and ageing.
2. It is the employee's duty to take advantage of opportunities.

The power of such simple instructing principles is well known in management and, for example, quality movement. From a public policy point of view, the rules are also demanding. The main success factor in public policy initiatives and programmes may be their ability to motivate activities at the workplace level. Are public authorities able to sell the principles of age management for companies? It is too early to answer 'yes' or 'no', and in the future more understanding of the age management and personnel policies is needed.

Eisenhardt and Sull make a distinction between three kinds of strategies. The first is the *position-oriented strategy* for a relatively stable situation. Public policy and also age management in private companies can aim to create a fortress for the ageing workforce (social security legislation, early exit systems) and try to defend it. The second type of strategy is the *resource-oriented strategy.* Governments can try to nurture and leverage unique resources (e.g. employability promotion, work ability and lifelong learning policies and programmes) and companies can invest in the re-training of their experienced personnel. The third broad class of strategies is the *simple rules-oriented strategy.* In this situation, governments and companies might flexibly pursue fleeting opportunities with simple rules (e.g. information campaigns: how to manage the ageing workforce, what skills you need tomorrow and how you learn them). This strategy can be supported by the dissemination of good practices.

This three-class typology of strategies is of course not applicable to all situations but it might be one tool for creating awareness of the basic ideas behind the policies for the ageing workforce. Legislation, the education system and information campaigns all have different roles within different strategies. Differences between strategies can be analysed on several dimensions.

3.1.1 Basic strategic idea

The position-oriented strategy aims to find the most suitable labour-market positions (e.g. jobs, pay, working hours etc.) for ageing people. Position-oriented thinking also tries to find proper jobs and work-roles for older employees (e.g. for specialists, mentors, advisers etc.). The resource-oriented strategy also stresses the ageing worker as a resource which should be fully utilized (Finnish ageing programme: Experience is an asset). The resource-oriented strategy considers what is most important by questioning 'what kind of policy initiatives do we need in order to develop ageing employees and their work ability?' The strategic logic of the simple rules strategy is based on opportunities of the dynamic environment. Even when there is long-term unemployment within the ageing workforce, there may be (e.g. like in Finland) concurrent lack of labour within the same economy and work which somebody should do. This should be seen as an opportunity. The simple rules strategy concentrates merely on the actions, roles, duties and responsibilities and good practices of different actors (e.g. governments, companies, social partners, third sector etc.).

3.1.2 Strategic steps

The position-oriented strategy is often ready to defend the privileges of the ageing workforce (e.g. early retirement schemes, seniority based pay, long holidays etc.) and even to create new ones (e.g. shorter working hours). The general aim in the position-oriented strategy is to reach a valuated and stable position for aged employees. The resource-oriented strategy tries to establish a vision (e.g. Finland as an innovative information society for older employees as well) and to disseminate information and resources (i.e. lifelong learning, work ability). The resource-oriented strategy highlights the advantages of the aged first (e.g. tacit knowledge, emotional intelligence, wisdom, stability etc.). The simple rules strategy accepts confusion and the lack of concrete solutions. Therefore the moral statements (i.e. particular to anti-discrimination) and continuous tough action to tackle the problems are seen as very important. The simple rules strategy emphasises key processes such as recruitment, re-employment, re-training etc. and processes of work themselves.

3.1.3 Risk

The general problem is to change the environment and the way the ageing employees resist this change. The position-strategy may be unrealistic because employees insist on too much. Someday there will be no more possibilities to arrange and finance special positions for older employees. Resource orientation can be based on too much optimism from the managers' perspective, for example it might be too difficult to re-train older employees. Even if they have tacit knowledge and practical wisdom, older employees may not be capable of further motivation. Also, the simple rules strategy is insecure in that governments and actors of society may be too tentative in executing opportunities. The core of age discrimination can be very hard indeed in European work cultures and trying hard may result in frustration.

From the point of view of the Finnish experience, it seems clear that different premises from actors lead to different kinds of strategic approaches. Traditional successful large companies and corresponding labour unions are often position-oriented. Ministries of Health and Education are typically resource-oriented because health, work ability and knowledge are resources. The Ministry of Labour and small companies are (at least in Finland) merely oriented to find 'simple rules' for the age management and employment. The best-known examples of good practice in the age management come, however, from big companies with a position-oriented age policy. This is natural because such a strategy is easy to describe and document.

'Simple rules', when properly used, could be a challenge for future activities because they serve as a moral base for common culture. If government or public authorities and social partners are unable to create or support commonly accepted culture and 'rules for the game', the ageing policy meets difficulties at all levels. One important success factor in the Finnish ageing programme between 1998 and 2002 may have been the Finnish culture of industrial relations. The simple rules of the Finnish ageing policy are part of the unwritten laws of national labour market consensus but since early exit had been widely accepted as a general rule, in Finland as well it takes time to change that culture entirely .

One important new item on the agenda of ageing is the corporate social responsibility or good corporate citizenship and the sustainable personnel policy as a part of it. In many cases it seems easier to sell the idea of the 'sustainable personnel policy' than that of 'age management'. Is it better to use the word 'sustainability' rather than 'ageing'? In position-oriented cultures the difference is perhaps small since there is strong pressure to create sustainability through legislation and collective agreements and control, and not through commitment and trust. If committed managers are the key actors in the ageing policy, then how to motivate and get them organized is the question?

In Finland, it is often difficult to see demography as the most reliable source of innovation (like Peter Drucker). In recent years, Finnish business has been technology-driven. One topic in Finnish policy for the future discussion of innovation is widening the concept of innovation itself (http://www.sitra.fi/suomi2015). This is a challenge to the Finnish ageing policy as well.

Ageing and work in the Netherlands

Lei Delsen
Nijmegen School of Management, Department of Economics,
University of Nijmegen, The Netherlands

1. Introduction

A successful partnership between government and business is essential for the development of active ageing. An effective policy designed to promote employment opportunities for older workers needs to serve the interests of both employers and workers. In business practice, therefore, improvements must be made in the variables that make end-of-career work less hard and more flexible, adaptable and productive. The following elements are important, given the weak position of older workers on the labour market: an age-conscious personnel policy, demotion, the encouragement of part-time work, flexible pay, and training and education. The Dutch polder model provides a good cultural and institutional basis for facing up to this challenge (Delsen, 2002a). This chapter discusses the experience in the Netherlands with some of these issues.

2. A Dutch fourth pension pillar miracle?

The fourth pension pillar involves carrying out productive work, whether at a specially adapted rate and/or in a specially adapted job. The pension is completely deferred, and income comprises earnings from (part-time) work for a number of years which are added to the existing three pension pillars, the cappuccino model. Since older workers can take things easier, they remain active for longer and much more balanced (Delsen and Reday-Mulvey, 1996; Delsen, Hutsebaut and Reissert, 1999). Increasing the employment rate of older people does not only have a denominator effect, because the basis for financing is broadened, but also a numerator effect, when the number of allowance recipients with a pension, disability, early retirement or unemployment benefit goes down.

The Netherlands is sometimes called the first part-time economy in the world. If the Netherlands is taken as the norm there must be considerable potential in the EU for promoting part-time work and thus for increasing the activity rate among older people (Delsen 1998). However, when it comes to the activity rate among older people (aged 55–64), the Netherlands is statistically an outlier in the European Union (EU) (see Figure 1). In 1995 the employment rate for both older men and older women was relatively low, despite the fact that the number of older men and women in part-time work as a proportion of the total number of older men and women in work was relatively high. In the same year, the proportion of older men in part-time work was 22.8 %, the highest in the EU, while the activity rate was only 39.9 %, one of the lowest in the EU. For older women, the proportion in part-time work was as much as 81.7 %, while the activity rate was only 18.0 %. The high proportion of part-time work in the 55–59 age group can be partly explained by the fact that collective agreements have reduced the working week for older workers, while for the 60–64 age group the agreements also contain gradual retirement schemes. Part-time work can shed light on some of the unemployment which is concealed in the disability and early retirement figures. Part-time work has a preventive effect: gradual retirement reduces the chance that older workers will become overburdened and offers them a way of keeping their job. Figures for the Netherlands do indeed show that part-time early retirement can considerably reduce the disability risk (Aarts and De Jong 1992), which means not just considerable savings in disability benefits, but also an increase in the activity rate among older workers and therefore in the ratio of active to inactive people. It does also imply that completely healthy workers will want to try to take advantage of the relevant part-time early retirement scheme, which will increase the total costs of early retirement schemes. But then again, a net saving of 12.5 % will be made in disability benefits. There are also considerable productivity gains with part-time work, which again broadens the funding basis for early retirement and pensions, and if full retirement is deferred for a year or more, the savings will be even greater. Increasing the standard pensionable age, by one year, say, to age 66, would appear to be ultimately feasible. Both the financial and the material conditions must be created to allow people to stay in work for longer, i.e. for a greater number of years. The claim that part-time working reduces the supply of labour is a deep-rooted misconception among economists. The total volume of labour is the product of the number of persons in work, the number of hours worked and the number of years worked. Expanding the volume of part-time work offers workers the material conditions to remain in employment and/or to carry on working for longer. Labour market practice in the Netherlands shows that part-time working is a necessary condition in order to encourage older people to be active, but is not a sufficient condition (see Figure 1). The low employment rate of older workers is related to the long tradition of early retirement. The part-time employment rate among older workers in the Netherlands is high, while the employment rate is relatively low, due to the existing generous early retirement options that are available.

Although it is only some five years ago that the employment rate of older workers in the Netherlands was one of the lowest in the EU, in 2001, as can be seen from Table 1, the employment rate among older people (55–64 years) has caught up with the EU average. Table 1 also shows that the business cycle i.e. the boom after 1994 is an important explanation for this

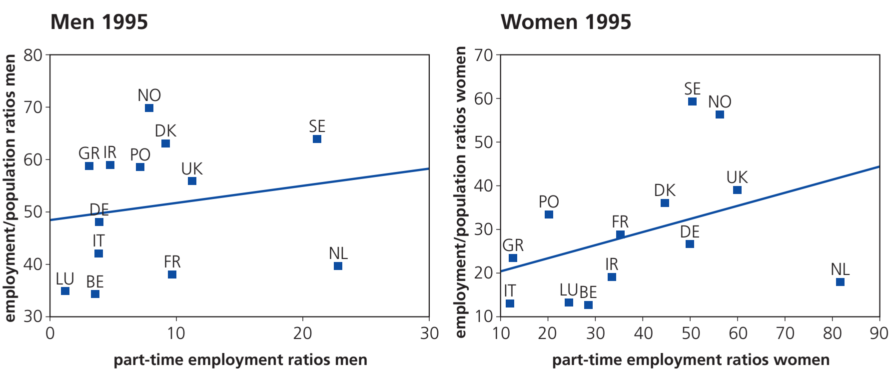


Fig. 1: Relationship between activity rates and part-time rates of older workers (55–64 years) in the European Union in 1995 by gender.
Source: calculated from OECD data

favourable development. A tight(ening) labour market seems essential for older people to be active in the labour market. However, it may be a necessary but not a sufficient condition (Delsen, 2002b).

	1990	1994	1995	1996	1997	1998	1999	2000	2001
NL	29.7	29.0	29.4	30.5	31.7	33.0	35.3	37.9	39.3
EU	38.6	–	36.0	36.6	36.9	37.1	37.9	38.7	39.2

Table 1: Employment rate among older people (age 55–64) 1990–2001.
Source: OECD, Employment Outlook, Organisation for Economic Co-operation and Development, Paris, various editions

The Dutch government and the social partners regard increasing the activity rate of older workers as one of the main socio-economic objectives. The government and the social partners each have their own responsibilities in this respect. Since the early 1990s it has been government policy to increase the activity rate among older workers. The government's input is to convert the choice between working and not working into a choice between a more gradual reduction in work and definitive retirement at a later age. The instruments used have included the conversion of pay-as-you-go early retirement (*Vrijwillige Vervroegde Uittreding, VUT*) schemes into funded flexible pension schemes, thus reducing the burden on the younger generation. The new pension schemes allow to carry on working part-time. Early retirement remains an option, but people have to pay for this individually. However, the key age is 60 rather than 65, which is the statutory retirement age in the Netherlands. This is, to a certain extent, at odds with the government policy of promoting the activity rate of older people. In principle, all persons aged under 60 who are fit to work should have employment. Those aged 60 and over are considered to retire according to individual preference, making a deliberate cost-benefit comparison between (carrying on) working, not working or retiring. Other instruments are the change in the pension base from final pay to average pay, and promoting an age-conscious personnel policy. The government's role in all of this has mainly been to lay down conditions. The number of workers belonging to an average-pay scheme rose from 23 % in 1995 to 32 % at the beginning of 1999. The number of persons receiving a pay-as-you-go financed early retirement benefit dropped from 151,800 in 1995 to 113,100 in 2000. In the same period the number of prepensioners receiving a funded actuarially fair pension increased from 23,100 to 65,800. For the employers this implies less costs and the employees have more choices.

Reversing the incentives in early retirement may be a necessary condition, but not a sufficient condition for active ageing. Offering workers greater choice and thus greater sovereignty can result in adverse selection on the labour market. In particular, workers who are well-off and highly productive are able and willing to opt for early retirement. The less well-off and less productive workers will choose, or be financially forced, to carry on working for longer, perhaps even too long. Lower paid will have less opportunity to choose; certainly when the conditions are increasingly individualised and made actuarially fair. The growth in the number of female workers and in the number of households with two incomes will increase the demand to stop work, which will also become possible due to private schemes. Thus, the financial scope to retire early increases. This may mean that despite the fact that the unemployment and disability benefit rules and the rules in (company-based) retirement schemes have been tightened up, the activity rate among older men will not increase by much. Also more complete careers and higher reference wages offer greater financial scope for early retirement. Public and private pension schemes act like substitutes. In fact, reduction of public pension provisions may be overcompensated by private provisions and savings.

3. Age-conscious personnel management

The wages, training and recruitment policies pursued by companies are of crucial importance for the employability of older workers and thus their employment and earning ability. If policy changes are to be effective – and make a genuine contribution to the fourth pillar – then personnel policy will also need to be adapted. An age-conscious personnel policy is designed to help all workers and aims to prevent relative ageing. To keep older workers motivated and productive training should not end at a certain age, but should carry on until the end of their career. More incentives from the government may be needed here. Older workers tend to be more productive if their duties are adapted or if they change jobs regularly. Practice has shown that age is a poor criterion for deciding whether or not a worker qualifies for training. Older people must not be seen as a homogeneous group. There is no such thing as "*the* elderly"! The only thing they have in common is that they have reached a certain age. The ageing and dejuvenation of the labour force in the Netherlands and the effects of internationalisation have brought older workers into the spotlight in personnel and organisational policy.

In the Netherlands after age 35–40, workers are given less and less attention. They no longer have job assessment interviews and few opportunities for training. This is what causes the problem of over-specialisation or "concentration of experience", partly because the few changes of function encourage workers to become set in their ways and less alert. This concentration of experience means that the quantity of experience increases but the variety of experience decreases with age. Work experience is not enough to compensate for the lack of (further) training. The organisation uses older workers only to carry out very specific tasks, and this then becomes a self-fulfilling prophecy. Depriving older workers of opportunities to develop automatically leads to problems of employability, flexibility and productivity. The employability problems increase with age and often lead to early departure from employment.

Training can play an important part in improving the position of older workers on the labour market, since it not only keeps knowledge up to standard, but also promotes mobility. Training reduces the discrepancy between remuneration and productivity. The age-training participation relation is hump shaped (see Table 2). Older workers take part in training courses less often than younger workers. The good news is that the attendance at courses has increased in recent years. The percentage of those aged 50 and over with a job that is involved in training in the Netherlands is above the EU average, with the Netherlands scoring higher than Germany here. Education and training can be partly financed from savings in early retirement spending.

	1993–1994	1995–1996	1997–1998
Age			
16–24	29.0	30.7	29.9
25–34	34.8	41.2	43.6
35–44	26.3	33.8	41.2
45–54	18.4	28.0	35.9
55–64	5.0	20.7	23.7

Table 2: Participation of employed people in training courses in the Netherlands, 1993–1998, by age.
Source: OSA (1999) Trendrapport Aanbod van Arbeid 1999, The Hague: Institute for Labour Studies

Those who have taken early retirement in the Dutch healthcare sector can take jobs in this sector from 2001 without incurring a reduction in their early retirement payment or pension. The PGGM, the pension fund in the healthcare sector, decided on this – in anticipation of changes to the collective agreement – because of the shortage of manpower. The arrangement means that those on early retirement could earn up to 180 % of their final pay. The pay-as-you-go system of financing means that active workers are paying for their re-employed older colleagues to receive extra, which also helps employers who are unable to find staff. It also produces steeper pay-age profiles, particularly at the end of the working life.

Practice in the Netherlands shows that wages do increase with age, but the productivity curve peaks at around age 45. According to the contract theory the wages of younger workers are below their productivity and those of older workers are above their productivity (See Delsen, 2002b). Wages go up periodically; younger workers subsidise the higher wages of older workers. In theory this does not have any cost implications for employers, but does generate commitment from both younger and older workers. Both will work hard, either because they have a lot to gain from long-term employment with the firm (younger workers), or because they have a lot to lose if they are made redundant (older workers). This generates higher productivity and greater loyalty to the company. The implicit contract also helps to overcome the ‘hold-up’ problem and encourages investment in company-specific human capital[1]. However, in future seniority-based pay will increasingly lead to cost problems if the average age of the workforce increases as a result of ageing and dejuvenation, and if the number of

1 The hold-up problem concerns the relationship between employer and worker in the same company. As a result of uncertainty about the distribution of any future surplus, both employer and worker defer their investment, since they expect future wage negotiations on the surplus generated by company-specific investment to deprive them of part of the profits, because contracts or agreements are incomplete. This means that less is invested in specific training than is socially desirable.

expensive older workers in the workforce expands in relative terms. To keep costs down they are then made redundant, and if this does not happen because of a shortage of labour, then profitability drops. This costs jobs in the long run as well. It also explains why Dutch employers prefer to make older workers redundant first.

4. Outlook

The Dutch government is targeting a permanent increase in the employment rate among older people – the 55–64 generation – from around 40 % now to over 50 % in 2030. It is a typical feature of the Dutch 'polder model' that the government and the social partners are involved in the preparation, formulation and implementation of policy (Delsen, 2002a). The Dutch negotiating model (*overlegmodel*) with its emphasis on seeking a balance between legislation, self-regulation by the social partners and (tax) incentives from the government seems to provide a suitable framework to achieve this aim.

In order to encourage employers to take on older workers, from 1 January 2001, the target group of the scheme of reduced social security contributions for the long-term unemployed (*Vermindering Langdurige Werklozen – VLW*) has been broadened for older people. The employer who retains an older worker is exempt from paying disability (WAO) and unemployment (WW) insurance premiums. From 2002 onwards a number of fiscal measures will be introduced to keep older workers in employment. The 58-years-old employee receives a tax credit of 227 EUR, increasing to 681 EUR for those 65 years of age. The fiscal support for early retirement (VUT) schemes will be abolished in 2002. On the other hand, the planned obligation of unemployed older workers of 55 years and over, from 1 July 2002 onwards, to look for work has been postponed.

To discourage the laying off of older workers, the government wants to introduce an own-risk element in unemployment insurance (WW) for employers who dismiss workers aged 57.5 and over. This risk would not apply to workers recruited after their 50^{th} birthday. However, the planned premium differentiation in unemployment insurance will do older workers more harm than good. Premium differentiation makes it attractive to invest in existing older workers instead of replacing them with new ones. It encourages internal flexibility. Older workers are laid off less readily, but unemployed older workers are also taken on less readily. The solution to the inactivity problem, which in the Netherlands centres on older people and the long-term unemployed, lies in an active reintegration policy.

References

Aarts, L. and Ph. De Jong (1992) *Economic aspects of disability behaviour*, Amsterdam: North Holland.

Delsen, L. (1996) Gradual Retirement: Lessons from the Nordic Countries and the Netherlands, *European Journal of Industrial Relations*, Vol. 2, Nr 1, March, pp. 55–67.

Delsen, L. (1998) 'When do men work part-time?', in: J. O'Reilly and C. Fagan (eds.) *Part-time prospects*, London: Routledge, 57–76.

Delsen, L., M. Hutsebaut and B. Reissert (1999) 'From early to phased retirement in the European Union', in: J.-Y. Boulin and R. Hoffmann (eds.) New Paths in Working Time Policy, Brussels: European Trade Union Institute, pp. 183–210.

Delsen, L. and G. Reday-Mulvey (eds.) (1996) Gradual Retirement in the OECD Countries. Macro and Micro Issues and Policies, Aldershot: Dartmouth Publishing Company.

Delsen, L. (2002a) *Exit Polder Model? Socioeconomic Developments in the Netherlands*, Westport: Praeger Publishers.

Delsen. L. (2002b) 'Active strategies for older workers in the Netherlands', in: M. Jepsen, D. Foden and M. Hutsebaut (eds.) *Active strategies for older workers*, Brussels: European Trade Union Institute, pp. 299–344.

Active ageing, labour and growth in Portugal – Perspectives for research

Eduardo de Sousa Ferreira, Fernando Ribeiro Mendes
ISEG, Technical University of Lisbon, Portugal

1. Early ageing of a late developer

Portugal belongs to the group of European countries that launched into modern economic growth only after 1950. However, its demographic transition starts early and the age structure of the Portuguese population has been changing rapidly since 1960. Since that year until 1970, the ratio of the age group 65 years old and over to the under-15-year-old age group grew annually at 2.2 %, and subsequent increases in the rate of growth occurred in 1970–80 and 1981–2001 at 2.8 % and 4 % respectively, according to official Censuses. As a consequence, the age structure of the Portuguese population has become comparable with that of the other European Union countries.

	1960		2000	
Age group	Portugal	European Union	Portugal*	European Union**
0–14	30	25	16	17
15–64	63	65	67	67
65 +	8	10	17	16

Table 1: Age structure of Portugal and the European Union (1960 and 2000; percent of total population, *2001; **1998)
Source: INE Census; Eurostat.

Several factors account for this evolution:

- Net migration grew at –1.4 % per year in the period 1960–70: the increasing outflow of people brought the rate of annual growth of the population to a negative figure (–0.32 %) and played a major role in the ageing process during the decade; after 1970, there was the reversal of its sign (+0.44 % per year in the period 1970–80); in the eighties emigration took the lead again (net migration grew once more at –0.32 % per year through the decade); in the nineties, there was a new reversal, and as a consequence, the 2001 Census registers a slight increase of the population, after decades of stagnation.
- Fertility started its decline before the take-off to sustained growth: the total fertility rate (TFR) was 3.2 in 1960, at a time when developed countries recovered from World War II and neared 3; by 1980 when the GDP per capita is reaching the conventional threshold of development, TFR has been 2.2 and fell to 1.4 after 1995.
- Mortality changes also at a fast pace: life expectation at birth and at 65 increase for both sexes (Table 2).

Life expectancy	1960/61	1990/91
$e^0{}_m$	61.0	70.4
$e^0{}_f$	66.8	77.6
$e^{65}{}_m$	13.0	14.1
$e^{65}{}_f$	15.3	17.3

Table 2: Life expectancy in Portugal at birth and at 65 for both sexes (1960/61, 1990/91)
Source: A. Barreto (ed.), A Situação Social em Portugal 1960–99, ICS, 2001

In the long run, the key factor of demography is fertility. The choice about children becomes a private subject to be dealt within families. Their decision generally follows the familiar rational-choice procedure through the balance of costs against benefits derived from children in order to achieve the optimal size of family in life-cycle welfare terms. As individual longevity increases, the outcome is fast ageing. The recent inflows of immigrants from Eastern Europe will have an impact in the short run and eventually slow the pace of ageing.

An important issue is whether there are different demographic regimes at work in certain regions of the European Continent, or differences result from mere lagging behind in accomplishing the demographic transition. Arguments in favour of the first hypothesis arise from the very important differences in family models opposing Western, Southern and Eastern European countries:

- Nuptiality keeps its historic role in Southern Europe (even if Portugal is closer to Western European indicators),
- Divorciality is high both in the West and the East, and much lower in the South, and
- Contraception and abortion are less frequent in the South.

Consequently, there are strong contrasts among the selected countries (*Table 3*):

- The size of households is considerably bigger in Southern countries,
- The impact of children on employment in couples varies significantly between countries,
- Lone parent families with children under the age of 16 are negligible in the South,
- Chronic forms of dependency in old age pose different challenges as life expectation without disability lags behind life expectation at birth unevenly in the selected countries;
- The impact of longevity begins much earlier in Western Europe.

Selected European Countries	Single households (1996) (%)	Couples with children; two full time earners (2000) (%)	Lone parent households with children under 16 (1996) (%)	Life expectancy without disability (1998) (%)		Old Age Dependency Rate (%)	
				Males	Females	1970	1996
Germany	33.9	26.1	11.5	57	60	21	23
Spain	12.8	35.6	3.0	62	64	15	23
France	28.0	45.4	11.7	60	65	21	23
Italy	22.2	31.2	4.6	60	61	17	25
Portugal	13.5	66.5	4.6	55	57	16	22
UK	27.8	28.6	16.4	59	61	21	24

Table 3: Households and dependency in selected Member States of the European Union
Source: Eurostat

2. Ageing and the economy

From an economic point of view, ageing operates through different channels:

- Expenditure pressures on public finances (health, pensions, etc., partly offset by educational expenditure reduction),
- Possible private savings reduction (due to life-cycle effects),
- Labour force implications, and
- New social risks.

2.1 Pressure on public finances

In Europe, the sustainability of public pensions systems has been a major topic for the last twenty years. The European Council mandated at its meeting in Lisbon (23–24 March, 2000) the High Level Working Party on Social Protection to prepare new studies on the matter, that have recently come to light. Three-pillar pension schemes are to be revised in order to ensure financial sustainability in the long-term. The role of funded schemes versus pay-as-you-go social security and the raising of the retirement age are important issues in public policy discussions, drawing the full consequences of the demographic ageing process. The effective retirement age, for example, dropped from 64.3 to 61.3 years in the EU between 1950 and 1990.

The Portuguese social security pensions scheme will be under strong demographic pressure in the next decades. The Eurostat projections suggest that the percentage of the total population aged 65 and over will reach 24 % around 2040. And likewise, as early as 2010, the dependency rate will reach 24 %. Also, economic adjustments at company level to increase competitiveness and productivity have inflated the number of early retirees, a process that will certainly continue for a while.

2.2 Labour force

The labour force presents different traits that are also striking (*Table 4*): participation rates follow different age and gender patterns. It is the ageing of the workforce that raises most problems, and the amount of annual gain in labour productivity needed to compensate its effect is expected to rise sharply after 2005 (according to Eurostat).

If women raise their participation level, this will compensate the effects of ageing in the labour force for some time. However, the possibilities vary across countries, and Portugal has only a moderate margin to explore as Table 4 reveals.

Selected European Countries	Total Participation Rate (%)	Population of 50–64 year old Participation Rate (%)	Gender gap in the Participation Rates (%)
Germany	23	54.7	15.8
Spain	23	47.8	26.4
France	23	50.6	12.8
Italy	25	38.4	27.6
Portugal	22	59.6	15.2
United Kingdom	24	62.2	15.2

Table 4: Labour Force participation of selected European countries (1998)
Source: Eurostat Labour Force Survey

2.3 Immigration

New immigration is also a countervailing factor posing specific social and cultural problems that may challenge social cohesion. It is a factor with implications in the growth and structure of the population and the labour market. The research findings on the relations between the EU and the CEECs do not suggest that trade and capital movements will lead to factor price equalisation, so that wage differentials will remain and, consequently, there will be a potential incentive for migration. The prospective impact will remain relevant, independent of the volume and structure of the flows, but the degree of the impact will vary according to the volume and structure.

Although several studies have produced different results, all come to the conclusion that the most pessimistic forecasting has no real pragmatic foundation. From a survey organised by the Dresdner Bank on the results of the studies we can assume that, on average, only 3–4 % of the CEEC population will use the freedom of movement in the next one or two decades. In net migration numbers this will mean 1–2 %.

However, these results do not preclude that migratory flows to smaller and economically less attractive countries will not have a significant impact on the respective labour markets and social agendas, as for example, on their pension systems. A good example is the case of Portugal, in particular with its already existing and gradually growing immigration flows from Eastern Europe.

The main challenge for the EU today regarding the Eastern European migratory flow is trying to gain enough insight from previous experiences of earlier European migrations (e.g. Portugal from the ex-colonies) for a comparative outlook. The fact that these new immigrants have a radically different culture, family structures, and professional qualifications raises the challenge for impact analysis. The effects are also different, for example, whether older relatives also leave the home country or not; or if we consider the stability of the migration, the possibility of having permanent effects on the social security and pension schemes.

2.4 Investment

Endogenous growth may partially offset the ageing effect on the economy. But it will mainly depend on whether a large part of investment is redirected towards human capital and R & D, both claiming very strong policy interventions. Public investment in total investment in human capital, R & D and general infrastructures has been overwhelming in the past. Fiscal consolidation, however, may downsize the amounts to invest in the coming years.

2.5 New social risks

New social risks emerge as an expected implication of ageing demographics and post-industrial economies. The early industrial countries were dual societies with a sharp divide between "Haves" and "Have nots". The vast majority of its members were "Have nots" who faced one single social risk: the loss of wage through few contingencies (e.g. sickness, unemployment, old age, disability, labour accidents, etc.). In developed countries of the new millennium most of their members derive their income from plural sources such as: Wages, rents, fringe benefits, returns from human capital individual investments, social transfers, returns from different assets accumulated as precautionary savings, etc.. In the present, the former single social risk of loss of wage becomes a complex of multiple social risks through many contingencies:

- Professional and social exclusion due to technological obsolescence;
- Older active population employability;
- Increased variability of life cycle income;
- Contradictory needs of family life and professional careers;
- Multiple occupational diseases;
- Several forms of disability, and
- Longevity, chronic illness and disability in very old age.

2.6 Effective policies

The report from the European Commission to the Council (2002) on *"Increasing labour force participation and promoting active ageing"* takes into account most of these aspects and specifies an adequate comprehensive approach to devising effective policies based upon:

- A joint government-social partners initiative to retain workers in employment;
- The review of tax and benefit systems to remove incentives encouraging early retirement;
- The reduction of gender gaps both in pay and in labour market access;
- The development of child and eldercare services, the absence of which is a major obstacle to labour market participation (especially for women);
- The implementation of effective measures to reduce school dropout rates.

3. Lines of research

The issues reviewed promote substantial effort toward demographic, social, and economical research that is currently being conducted in Portugal. These research projects are designed to structure new policy integration, and the subsequent monitoring of their implementation. Methodologies of research generally emphasise the survey of general trends and case studies of 'best practices' in dealing with the social and economical implications of ageing. With this, the proposal of sound policies at the state, community, family, and corporate levels can then be established.

Lines of research with immediate priority have been:

1. Family changes
   - Adaptability to demographic ageing, and
   - Capability to handle longevity-related risks.
2. Emerging forms of work
   - Changing patterns of employment: self-employment, temporary employment, part-time jobs, subsidised employment, voluntary work and life-cycle occupational profiles, and
   - New patterns of employment: the impact on skills and jobs.

3. Competitiveness and ageing
    - Competitive restructuring of companies, sectorial clusters of firms and industrial districts,
    - Labour productivity and the ageing of labour force: expected handicaps and lifelong learning, and
    - Human resources and innovative ability: the effective role of professional experience.
4. New immigration wave from Eastern Europe and Third World countries
    - Stability and duration of immigration,
    - Familial and demographic patterns,
    - Skills and their implications on the labour market, and
    - Cultural identities and social integration.
5. Social policies
    - Sustainability of public social protection: multi-pillar pension schemes and health insurance/national services with intergenerational fairness;
    - Social risk management: new arrangements for sharing risks by a wider participation of civil society (in particular corporate social responsibility and incentives for the family care of the elders and the disabled).

Both surveys and case studies have already highlighted the role of several clusters of themes:

- Families and local communities that have developed new arrangements to deal with old age disabilities in metropolitan areas around Lisbon and Porto;
- New wave immigrants and their social integration;
- New forms of employment and the starting of second careers;
- Entrepreneurship and outplacement solutions for the ageing labour force in different sectors of economic activity (e.g. banking, manufacturing, ship building and repair, telecommunications);
- Activities after retirement: leisure occupations.

More surveys and case studies will certainly be accomplished in the coming years. The first efforts to establish the main trends in order to formulate new hypotheses have begun to take effect. It is in this context that further investigation is warranted as our research team has been for some time outlining.

Policy making towards older workers in the United Kingdom

Philip Taylor
University of Cambridge, Cambridge Interdisciplinary Research Centre on Ageing, United Kingdom

1. Introduction

The first section of this chapter outlines developments in employment policy targeting older workers and examines its success. This is followed by a review of relevant social security and pension reforms and a discussion of the UK's strategic approach to tackling the effects of population ageing. The chapter concludes with a brief discussion of the current debate in the UK.

2. Employment policy

Over the last decade UK policy makers have begun to implement policies targeting the employment of older workers. The main focus of Government employment policy currently is the EU Directive for Equal Treatment in Employment which commits it to legislate to proscribe age discrimination by 2006. As a first step, the Government is consulting widely about the issues the directive raises for the UK. It has set up an advisory group consisting of employer bodies, trade unions and groups representing older people. It began consulting on the content of the legislation in 2001.

In 1999, following consultation, the Government launched a Code of Practice on Age Diversity. This sets out principles of non-age biased employment practices. Included is guidance on the application of the principles and examples of best practice. The Government committed itself to evaluating the impact of this campaign. Its impact has been limited. Over the three waves of a Government commissioned evaluation of the impact of the code[1] awareness of it increased from 23 per cent to 37 per cent of respondents. However, a very small number of respondents – nine per cent at wave 3 – had seen a copy. More representatives of larger companies had seen a copy of the code – one in five larger employers compared to one in twelve smaller employers. A very small number – two per cent at wave 3 – of companies stated that they had changed policies as a result of the code.

On the other hand, given that the implementation of the code is still in its early stages it would be unwise to label it as being ineffective on the basis of these findings alone. But they can be taken as an indication of the considerable amount of convincing employers will require before they begin to implement age-aware human resource management policies. Also, they suggest that on its own, voluntary persuasion of employers may have a limited impact on the development of workplace policies on age.

In addition, the Government has banned upper age limits in recruitment advertisements in official job centres. Since 1998 it has also published annual Key Indicators showing the position of older workers in the labour market. Since 2000 the government has run Age Diversity in Recruitment Awards of Excellence and has aimed to raise awareness of the issue in specific

1 Goldstone, C. & Jones, D. (2001) 'Evaluation of the Code of Practice on Age diversity in Employment', In Age Diversity, Summary of Research Findings, Department for Education and Employment, Nottingham.

sectors via the placement of articles in trade publications and more broadly via articles in the general business and regional press.

In April 2000 it also implemented a new programme for non-working older people – New Deal 50 plus – which aims to provide them with the practical assistance and support needed to compete effectively in the labour market. It offers employment advice to non-employed older people who have been claiming benefits for at least six months or more and who wish to return to work. The programme is voluntary and is open to people inactive on benefits as well as those who are registered unemployed. A wide range of practical help from a Personal Adviser is available: help with job-search skills, costs for travelling to interview, work-based learning for adults and work trials. There is also a range of help specifically for people with disabilities. It pays an Employment Credit – an extra £60 a week, tax free – on top of a person's wage if they take a full-time job – £40 for a part-time job. This top-up money is paid directly to the employee – not the employer. New Deal 50 plus guarantees a take home wage of at least £180 a week (over £9,300 a year) for the first year of work in the case of full-time employment. The Employment Credit can also be used to help set up a small business. An in-work Training Grant is also offered.

Clients generally move into full-time employment, although a large minority – almost one third – move into part-time employment.

An evaluation of New Deal 50 plus has been undertaken. Interviews among a small group of clients and Employment Service officials found that the main element of the programme was felt to be the Employment Credit, about which views were positive[2].

A further survey of participants[3] found that clients tended to be clustered around the lower end of the age range for eligibility (the average age was 55). Most clients were male. This study also found that the training grant was hardly used. This research suggested that the value of the Employment Credit was less clear-cut. Over half those surveyed stated that they would have taken a job anyway, although it had encouraged almost two-thirds (63 per cent) to take a job earlier than they otherwise would, and over two-fifths (43 per cent) to stay in the job for longer than they might otherwise have done. The main factors influencing whether or not a client had entered work were that they were aged 55 or younger, female, not had a long spell of previous unemployment, and being convinced by the availability of the Employment Credit to take a job with a lower wage. Regarding what they thought they would do after the credit ended, 40 per cent of clients felt they would probably remain in the job, 11 per cent felt that they would return to benefits, while the rest had plans to remain in work and increase their earnings.

---

2 Atkinson, J., Kodz, J., Dewson, S. & Eccles, J. (2000) Evaluation of New Deal 50 plus. Qualitative Evidence from Clients: First Phase, Employment Service, Sheffield.
3 Atkinson, J. & Dewson, S. (2001) Evaluation of the New Deal 50 Plus: Research with Individuals (Wave 1), Employment Service, Sheffield.

A recent initiative is the Age Positive website (http://www.agepositive.gov.uk/). This was launched in 2001 and comprises a variety of informative and interactive features including: employer case studies, a discussion forum, advice and guidance, updates on the Government's Age Positive campaign and progress towards legislation. The Second Chance website (http://www.dfee.gov.uk/secondchances) provides advice and guidance to older workers wishing to undertaking learning activities.

3. Social security

The UK is gradually raising the state pension age for women to that of men – 65. In addition, the 'earnings rule' which restricted the amount those beyond pension age could earn before their National Insurance pension was reduced was abolished in 1989.

4. Strategic approaches

Steps towards a 'whole of government' or 'joined-up' approach to tackling age and issues have been taken. The Better Government for Older People programme was launched in June 1998 to improve the delivery of services to older people at the level of local Government. It ended in December 2000. It established pilot integrated inter-agency projects tackling a range of issues, including employment and lifelong learning among older workers, and brought together central and local government, the voluntary sector, academia and older people.

Recognising that age discrimination impacts on many areas of policy, the Government has also created a Cabinet sub-committee on older people to coordinate work across departments.

A recent report commissioned the Government and prepared by the Cabinet Office's Performance and Innovation Unit[4] sets out a number of recommendations for the development of policies towards people in the third age. Key recommendations for Government are as follows:

- Set out its vision of the role and value of older people in society.
- Increase contact with and job-search assistance for sickness and disability benefit recipients.
- Provide careers information and advice for older displaced workers.
- Raise the minimum age at which an immediate pension is payable.
- Increase the transparency of occupational pension schemes by showing the cost of early retirement in company accounts.
- Promote the advantages of diversity and flexibility in working practices through a group of 'champion' employers.
- Each Government department to review the case for increasing its retirement age to 65.

4 Performance and Innovation Unit (2000) Winning the Generation Game: Improving Opportunities for People Aged 50–65 in Work and Community Activity, The Stationary Office, London.

5. The current debate

An important debate in the UK at present concerns the implications of the provisions of the European Employment Directive on Equal Treatment. First, there is debate about whether a single equal opportunities act of parliament should replace the separate acts the UK currently has. Second, and related to this, there is discussion about whether the UK bodies established to oversee its separate equal opportunities acts of parliament – the Commission for Racial Equality, the Equal Opportunities Commission and the Disability Rights Commission should be consolidated into a single equality commission. Third, there is debate concerning the scope of the UK's proposed legislation on age. Lobby groups are pressing the Government to legislate against age discrimination in the provision of goods and services as well as employment. Finally, it seems likely that the UK's legislation will, importantly, outlaw age discrimination at all ages, shifting the debate away from one about older workers, primarily, to one about 'age diversity'.

Pension reform is high on the policy agenda. Advocacy organisations are calling for changes to current pension regulations to enhance flexibility and allow gradual retirement. In addition, the Labour Party's last General Election manifesto committed it to investigate options for encouraging flexible retirement. In contrast to other European countries where Government schemes have been introduced in an attempt to encourage gradual retirement, this is rare in the UK. Occupational pension scheme rules and tax laws have discouraged this, although the Government recently published a consultation document which may be the first step towards encouraging much greater flexibility in retirement[5]. In its manifesto the Labour Party stated that: 'To help bridge the gap between work and retirement, we will examine ways to ensure that people will be able to draw on their occupational pension and continue to work part-time for the same employer, phasing their retirement without compromising their pension.

In December 2002 the UK Government published a consultation paper on pensions[6] which considers the issue of flexibility in retirement, proposing to raise the earliest age at which an occupational pension can be claimed from 50 to 55, allowing people to draw their occupational pension while working for the same employer and encouraging those who want to work on beyond state pension age to do so.

5 Inland Revenue (1998) Occupational Pension Schemes: Enhanced Flexibility, Savings and Investment Division, London.
6 Department for Work and Pensions/Her Majesty's Treasury/Inland Revenue (2002) Simplicity, Security and Choice. Work and Saving for Retirement, The Stationary Office, Norwich.

Labour participation of older workers in Austria

Gabriele Schmid
Social Policy Department, Chamber of Labour Vienna, Austria

1. Background

In 2002, approximately 650,000 employees in Austria were above 50 years of age, which constitutes 15.3 % of all employees. The labour participation of older workers is rapidly falling as the age of workers increases. For example in 2001, 76.5 % of 50 to 54-year-olds, 44.2 % of 55 to 59-year-olds and 12.4 % of 60 to 64-year-olds were gainfully employed. In Austria, the average pensionable age under the legal pension system was 57.5 years for the year 2000. Thus, Austria, alongside Belgium, Italy and Luxembourg, is one of the countries with the lowest pensionable age in Europe.

Noticeably, the labour participation rate of older Austrian workers is low above all due to the high number of persons claiming invalidity/occupational disability pensions. In 2001 for instance, 55 % of male workers, 36 % of male employees, 26 % of female workers and 21 % of female employees went into retirement based on health grounds. The main causes of invalidity and inability to practice one's profession are the physical deterioration of the body (i.e. particularly among male workers) and the increasing psychological illnesses observed over the last few years.

The huge structural change of the 1980s, which was accompanied by a heavy shedding of labour in the nationalised industry, was politically cushioned by various labour policy instruments. By easier access to early retirement pensions (i.e. male workers as a matter of priority) or other support instruments (e.g. old-age unemployment benefits, special support, crisis region regulation, etc.) older workers were given the opportunity to experience an "opt-out with dignity" that was palatable to society.

As much as it seemed that the socio-political intervention was justified back then, it nevertheless generated negative after-effects. The broad political consensus of "diverting older workers into retirement" has gathered its own momentum over the years, leading to older workers envisioned as a "deficient group on the brink of retirement". For companies, staff cuts and personnel restructuring through a reduction in the number of older workers became the cheapest (i.e. because it was publicly financed) and most socially accepted practice. At the same time, interventions for older workers in terms of labour, educational and health policies did not occur, which has further aggravated the labour market problems of today's workers when the support instruments had run out.

Older workers are an extremely diverse and heterogeneous group, however the key problems facing them are further revealed by summarising essential problem situations:

- Reduced working capacity due to health problems (caused by high strain at work throughout one's working life; jobs with reduced labour intensity are becoming fewer)
- Lack of skills (traditional occupations, job profiles and "standard operational-specific" skills have all been devalued during the structural change; new and up-to-date skills are not open to workers)

- Prejudices against the supposed disadvantages of older workers, and the uncertainty about the advantages of older workers (frequent levels of sickness, excessive wage costs and the inability to adapt are refutable prejudices against older workers; there is also a lack of knowledge about the benefits of employing older workers)

The Council summits of Stockholm and Barcelona specified an extremely ambitious older worker employment aim for the EU Member States: i.e. 50 % of 55 to 64-year-olds should be gainfully employed by 2010. At present in Austria, 28.7 % (i.e. 262,000 persons) of this age group are active within the labour market, and the European target appears unattainable for Austria at the moment. Additionally, if the employment rate of 55 to 64-year-olds remains unchanged, it will result in a labour shortage that cannot be offset either by immigration or an increase in younger female workers.

Building on a social partner consensus, the Austrian government in 1999 put into operation a package of measures for older workers. Whilst this package of measures contains a host of structural principle reform approaches (e.g. sabbatical leave, gradual pension improvements, early warning system for terminations, etc.), it nevertheless was not accepted by the protagonists from the business world. Only one approach was accepted after modifications were made: The elderly part-time model in which older workers receive a wage allowance for a reduction in working hours.

In the year 2000, the new Austrian government implemented a pension reform (i.e. increasing the early retirement age by one-and-a-half years and abolition of the early old age pension on account of reduced working capacity) that was accompanied by transitional measures for older people.

A brief overall appraisal of how effective the measures have been:

Old-age part time work[1] has developed into an important factor that stabilises employment in the course of pension reform. The uptake in elderly part-time work is tremendous. The number of elderly part-time workers rose from 1,000 in October 2000 to 25,000 in February of 2002, and continues to rise. Thus, already between 8 % and 10 % of older employees of the relevant age group were in elderly part-time work.

The question arises as to whether the creation of working conditions and jobs suitable for older people is being supported because of the overriding choice of the block model in elderly part-

1 Old-age part-time work can be utilised in the form of a block model (i.e. one part full-time employment and one part exempt from duty). Accordingly, the vast majority of elderly part-time workers could continue to work in actual full employment in Phase 1 with a reduced salary. From the employers' viewpoint, the wage costs of elderly part-time workers have already been reduced so that additional recruitment is possible. It is only when a large part of the elderly part-time workers enter Phase 2 (i.e. exempt from duty) that the extent of elderly part-time employment becomes apparent.

time work. In this sense, employers and workers have the feeling of "being able to retire earlier". At any rate, it is positive that old-age part-time work keeps older workers longer in employment.

The bonus/surcharge rule: Since April 1996, employers must pay a surcharge when dismissing older workers. On the other hand, if they recruit older workers, they receive a bonus.

In 2001, a surcharge was paid for 5,300 persons, whilst employers received a bonus for recruiting 25,000 persons. However, the great number of those persons withdrawing from working life due to health problems relativises the significance of the effectiveness of the bonus/surcharge rule. The falling number of surcharge cases indicates the effect of the measure, albeit modest it may be. In principle however, the rule can only have a limited effect. On the one hand, only persons employed for at least 10 years are included, which may greatly restrict the group of people affected in view of the high mobility on the labour market (i.e. only 37 % of all employees have an employment relationship that lasts over 10 years). On the other hand, the surcharge payment becomes seriously relative in view of the level of entitled compensation due to dismissal of four monthly wages.

The other measures have not achieved any major impact so far (e.g. the use of the further education grant, which was exploited by just 878 persons by December 2001, even showing a downward tendency).

2. Knowledge database of the social partners www.arbeitundalter.at as virtual advisory service for companies and works councils' representatives

There is a long and successful tradition in the co-determination of the world of work by the social partners in Austria. By way of a knowledge database, a virtual business consulting system was created for the reorganisation of work processes suitable for older employees by the Chamber of Labour Vienna and the *Industriellenvereinigung* (Industrial Association) in cooperation with the *Institut für betriebliche Gesundheitsförderung* (health@work; Dr. Rudolf Karazman). By collecting and processing successful examples and international experiences, an information tool for management, works councils, management consultants and those in charge of personnel, was created that provides constructive stimuli and specific proposals for measures.

3. Pension reforms without supporting measures for older workers lead to unreasonable hardship

In 2000, the Austrian government carried out a pension reform which mainly consisted of an increase of the retirement age. Compulsory measures such as this pension reform are not able to increase the labour participation of older workers significantly. They neglect the difficult labour market situation of older workers and the lack of investment into employability. Furthermore, no impulses for a support of an ageing-appropriate world of work are to be expected from them. The experiences of this pension reform show that old-age unemployment markedly increased, younger ones were excluded from the labour market and only considerable investments into the job stability of older workers by means of old-age part time work were successful to some extent.

The Austrian government plans to pass a radical pension reform after 2003 including the abolition of all early old-age pensions until 2009. This means that until 2013 more than 130,000 older workers (55 to 60-year-old women and 60 to 65-year-old men) have to remain in employment additionally. The Austrian companies are in no way prepared for this situation and that means that the vast majority of those involved will have to wait for their pension while unemployed. The planned measures to support older workers to remain in employment are limited to only one single measure: The reduction of non-wage labour costs for over 60-year-olds of 10 % and for 56 to 58-year-olds of 3 %. For unemployed young persons under 25 years of age and older unemployed over 50, an entitlement to training is planned after eight weeks of unsuccessful placement. The access to old-age part time work is going to be restricted extensively by stopping both the block model and the financial support in the case that no unemployed person is engaged in order to replace the older worker. In contrast to the national programme on ageing workers in Finland from 1998 to 2002, for example, the Austrian government completely refrains from an integrated concept to create a ageing-appropriate world of work, namely the support of older workers although they are made to remain in employment. This change in culture in dealing with older workers, who were used to go into retirement with support instead of having to remain in employment without support, will in the short and in the medium term not only have serious consequences on the Austrian labour market but rather put the world of work to a severe test. At any rate, it has to be doubted that companies themselves are able to or want to employ older workers in a reasonable way without public support and without the awareness that investments in ageing-appropriate jobs might be profitable. The Austrian social partners, who co-determined and designed the Austrian world of work together with the government for decades, are externalised in their influence by the new government. But it is inevitable to involve in particular the protagonists at company level if the objective of a consensual and cooperative development of work for older workers is to be achieved. Unfortunately, the Austrian example may only serve to show what happens if there is a lack of – desperately needed – political foresight and action.

Employment and older workers in Germany

Stefanie Weimer
ISF-München, Germany

1. Point of departure

The question about the impact of a decreasing and aging population on the labour market is a central focus of public debate. The consequences of demographic change require a close survey of the current employment policy in Germany. Will the demographic development lead to a relief of the labour market? Will the danger of a massive shortage of labour threaten growth after a long period of oversupply? These are questions that require recognition.

There are numerous assessment insecurities concerning the development of the labour force (e.g. employment of women), and even more so on labour demand (e.g. productivity and new potentials for rationalization). In spite of these insecurities results from analyses conducted by the Federal Ministry for Education and Research as part of its priority programme ("*Demographic Change and the Future of Gainful Employment in Germany*") suggest: "A sustainable relief of the labour market in terms of a widespread shortage of labour is not to be expected in the medium term". Furthermore, a high level of unemployment has to be assumed for the next ten to fifteen years. This does not imply that there will be shortages of skilled labour pertaining to temporal, regional and specific qualifications. In fact, such mismatch problems are most likely to increase in the medium term.

The challenge for employment policy is the actual aging of the labour force and workforces in companies. This "creeping-effect" of aging in the labour force is already apparent. Forecasts concerning the development of the labour force in Germany up to the year 2040 show that:

- The proportion of older workers aged 50 and over of the total labour force is already rising and will increase rapidly from 2010 onwards,
- The proportion of those aged 15–29 has already been strongly decreasing and that this decrease will intensify from 2010 onwards, and
- The proportion of the "middle-aged" (30–49), i.e. the group which feeds the core workforces of experienced skilled workers at the moment, will decrease markedly as well.

A stock taking of the age structure of the German population at the turn of the century reveals – beyond all forecasts – that after a short demographic relief of the labour market by the small age cohorts of the first post-war years, already in the mid-term the population bulge ("baby-boomers") of the fifties and sixties will turn into the category of older workers. These persons have to be integrated in the companies and on the labour market. These cohorts will retire at a point of time when the reservoir of young staff starts to eventually decrease.

By looking at the current stance on coping with the ageing workforce, it may be assumed that the German employment system is not prepared to integrate an increasing proportion of older employees. For many companies demographic change still does not matter and personnel polices are often decisively youth-centric. At the moment, the personnel policy for older employees – in particular those of large companies – still focuses on imminent staff reductions or planned reductions of the average age of the workforce by dispensing older employees in the framework of so-called "pre-retirement rules".

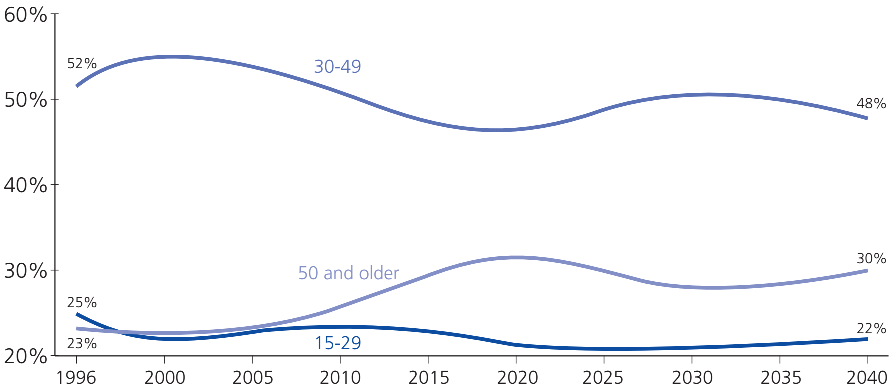


Fig. 1: Forecast: Age structure of the labour force in Germany 1996–2040.
Source: Fuchs/Thon: Nach 2010 sinkt das Angebot an Arbeitskräften, IAB-Kurzbericht

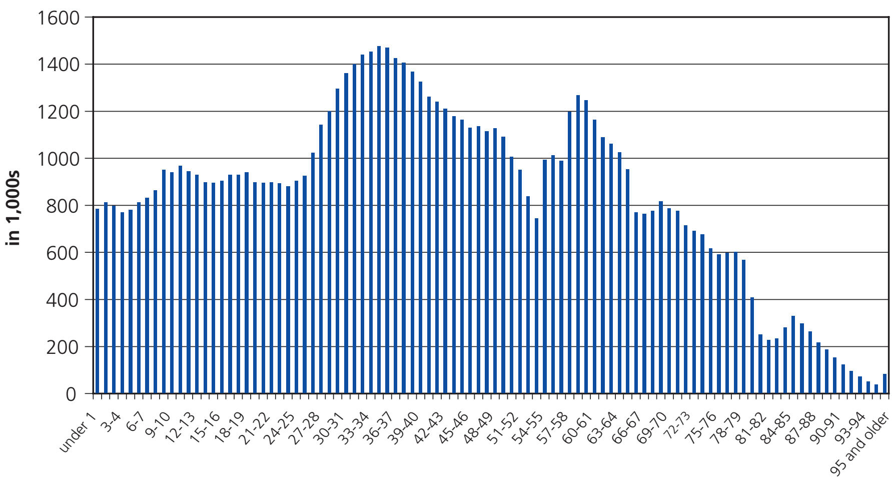


Fig. 2: Age structure of the population in Germany at the turn of the century (31 December 1999).
Source: INIFES, Stadtbergen

As a consequence of this early retirement policy, the average retirement age has fallen under 60. In 2000, the “normal” retirement age for men was 62.4 years (West) and 61.2 years (East), and for women 62.8 (West) and 60.5 years (East). In particular the decreased retirement age for pensions to cover loss of earning capacity leads to the low average retirement age. This may be interpreted as a hint that the problem of stressful and exhausting working conditions is still relevant. Another reason for the low average retirement age is the steadily increasing proportion of early retirement at 60 as a result of the unemployment in the nineties. In 2000, more than a quarter of pensioners in West Germany belonged to this group, in East Germany it is more than half. The dominance of this “externalisation” pattern is also indicative in the number of registered unemployed older people that – despite the different forms of making older workers leave the labour market and go into early retirement – markedly increased in recent years. And within this unemployed group, more and more of the “younger” group of the 50 to 54 year-olds are included. The recent unemployment of older employees is a problem of a stabilizing long-term unemployment.

As a result, more than the half of German companies have no employees over the age of 50 anymore. Meanwhile, only 20 % of persons within the 60 to 65 year-old age group continue to work. It is unfortunate that not only with the companies, but also with the employees themselves, an expectation to end work as soon as possible has solidified. Nevertheless, against the backdrop of this expectation, health problems for many older employees prevent them from ever reaching the statutory retirement age. These health problems have been ascribed to the rapidly increasing productivity seen in recent years and the intensification of work in many industries. Finally, since the externalisation practices are socially accepted with the transfer of their costs to the social security systems, the pressure for companies to design careers in such a way that older employees remain performable up until the retirement age has become negligible.

Meanwhile the foreseeable problems of financing the pension system in Germany has led to a turn in retirement policy. By the pension reform law in 1999, the retirement age has been raised to 65 in general and the (premature) pension benefits at age 60 due to unemployment have been abolished. At the same time the conditions for retirement before 65 have been restricted intensively (e.g. the minimum insurance period is 35 years and a severely disabled status) and the financial conditions of early retirement largely deteriorated (actuarial deductions). Further considerations to increase the statutory retirement age are in discussion.

Up to now the increase of the statutory retirement age is not reflected in the real retirement age. It has to be assumed, however, that in the long term the retirement age in Germany will increase again. Older workers are in danger of being caught in a trap between tightened pension laws, continued high employment risks and little opportunities for reintegration into the labour market. Pension deductions, a decreasing level of pensions in general and discontinuous careers will intensify the individual pressure to extend the working life. If this pressure is not countered by the creation of additional employment opportunities for older workers and the improvement of opportunities by means of an appropriate work design, the increase of older employees caused by this demographic change will result in a higher level of unemployment connected with the problematic and long-term consequences born by the individuals (i.e. old-age poverty).

2. Current labour market policy and future challenges

The increase in older worker labour force participation, as demanded by the EU, has to be achieved in a situation of high long-term unemployment and a continuing oversupply of labour. This will still enable firms to cling to youth-oriented personnel policies, and – in times of scarce financial resources – measures of employment policy for older employees will compete with measures for other problem groups of the labour market (e.g. young people and women). Since the required actions have long-term impact, they have to be initiated today. This involves the required re-orientation of company personnel policies towards a sustainable human resource management approach (i.e. health promotion, lifelong learning, job design, etc.) and the indispensable closure of externalisation practices in order to promote a mental re-orientation of society towards a culture of older employee employment.

Given the notion that the demographic bulge of older people is approaching the labour market, the situation of nearly four million unemployed people (i.e. including many older workers) and the long-term impact of the required re-orientations, an active labour market policy for older workers will be indispensable for the years to come. Two starting points are important for labour market actions for older workers: (1) ensuring the employment of those older workers who are still in the employment system (i.e. to “keep them in”) and (2) improving the opportunities for reintegration of those who are unemployed (i.e. to “bring them back”). Continuing education seems to be one of the most promising strategies for ensuring the employability of older workers. Different surveys on the situation of further education in Germany show that the participation in continuing education decreases in age and that older employees are often not involved in qualification measures at the company level. In the face of the demographic challenge, comprehensive qualification initiatives for older workers have been decided in the framework of the so-called “Alliance for Jobs” (“Bündnis für Arbeit”) and employers agreed on intensifying the qualification of older employees. The JOB-AQTIV law in 2002 puts emphasis on the continuing education of older workers (e.g. financial support of initiatives for older workers in SMEs). In order to counteract long-term unemployment at the early stage, the age limit for reintegration incentives has been legally reduced from 55 to 50 years of age. In the debate on labour market policy for the improvement of reintegration opportunities for older workers, however, a certain concentration on the protection regulations which are rated as an obstacle for employment, in particular on the dismissal protection for older workers, has to be stated. The abolition of the limitation in time of temporary work contracts of employees aged 58 and over, points at this direction. Even if no visible increase in employment of older employees resulted from this deregulation, in the framework of the so-called “Hartz reform”, a further reduction of the age limit for temporary work contracts from 58 to 50 years is currently debated.

It remains to be seen to what extent the measures already taken or announced will be effective or contribute to reducing the unemployment of older people. The slight decrease of the unemployment rate of workers aged 55 and over in 2000 is due to a demographic side effect (the small age cohorts of the first post-war years turn into this age group and the intensified efforts of the labour administration in finding jobs for this target group – an effect of the initiative “50 plus" of the *Bundesanstalt für Arbeit*) rather than to a basically improved labour market situation of older workers. Nevertheless, the average duration of unemployment of older workers has continued to increase in the year 2000 as well.

Apart from the application of established, classical techniques (e.g. subvention of wages, integration allowances, and job-creation measures), the systematic search for new methods of additional employment opportunities that is dependent on the qualification, experience and specific capabilities of older workers will gain importance. The question is: In which areas of the economy and society do such employment opportunities exist and can be established?

In the face of the extent of demographic challenges such employment opportunities have to be sought not only from within the "first" labour market but from beyond. The employment policy for older workers has to turn its attention to the second labour market more intensively. With this, it seems to be essential to develop innovative forms of employment between the "market and state". This includes such forms that combine income by wage and by transfer, which promotes longer employment and enables a phased retirement by means of a combined part-time work and partial retirement.

One of the central challenges of employment policy for older employees in the future is the development of corresponding models, concepts, and strategies.

Rapid ageing and employment policies in Japan

Katsuhiko Iwata
The Japan Institute of Labour, Japan

1. Background

In January 2002, Japan's National Institute of Population and Social Security Research issued its new population projection for Japan. According to this forecast, the ageing of Japan due to factors such as a declining birth rate (the total fertility rate, the annual total of birth rates per woman by age, was 1.36 in 2000) is going to occur at an even more accelerated rate than indicated by the former projection. By about 2010, about one out of every three people in the total population will be age 60 or older. With the need to maintain financial balance of the public pension system, the age at which individuals are eligible to start receiving public pension benefits will be gradually raised starting in fiscal 2001.[1]

The support ratio is a measure often used in relation to ageing and economic activity. It is calculated by dividing the working age population by the elderly dependent age population. It expresses how many workers it takes to support one older person. The support ratio varies drastically depending on whether the upper working age used to calculate is set at 60, 65, or 70. If we compare the support ratios in Japan and in the EU total, we clearly find that, because the population is ageing at such a rapid pace in Japan, it is even more important here than in the EU that as many older persons as possible are shifted from "those needing support" to "those providing support." At various international conferences held in recent years, many "active ageing" proposals were made aimed at involving older persons in society in various forms, including employment. Japan needs, even more than other countries, to take the initiative in pursuing such efforts (Figure 1 and 2).

Indeed, older people in Japan have an extremely high motivation to work, creating an environment more conducive to achieving active ageing than in other countries. Two out of every three males in their early 60s continue to work, as do more than half of those in their late 60s. Meanwhile, it has been shown that 10 % of males in their early 60s do not work due to health reasons, thereby suggesting that men feel naturally inclined to work and earn a living at least until the age of 65 as long as they are healthy. Moreover, there is still a high work motivation in the late 60s, despite a lower rate of labour participation.

For women, similarly, 40 % of those in their early 60s are employed, and of those not working, 40 % cite "health reasons" or "no suitable jobs available" as the reason for not working. Even among those in their late 60s, 30 % continue to work. Though not on par with the levels expressed by men, work motivation among older women is still considerable (Ministry of Health, Labour and Welfare, Survey on Employment Conditions of Older Persons 2000).

1 The public pension for employees consists of two parts. The fixed-amount base pension will begin to be paid at the age of 65 in 2013 for men and 2018 for women. The wage-based portion will begin to be paid at the age of 65 in 2025 for men and 2030 for women. In 2001, the base pension starting age for men was 61. Only employees receive the latter; all other contributors only receive the former already at the normal pensionable age of 65.

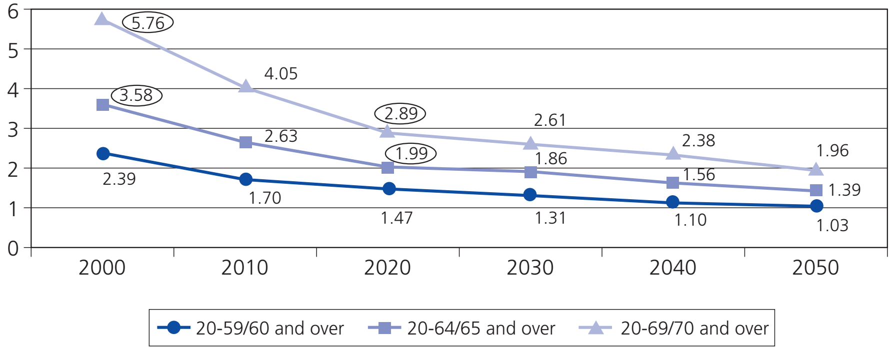


Fig. 1: International comparison of support ratios in Japan (Working age population/Older dependents population).

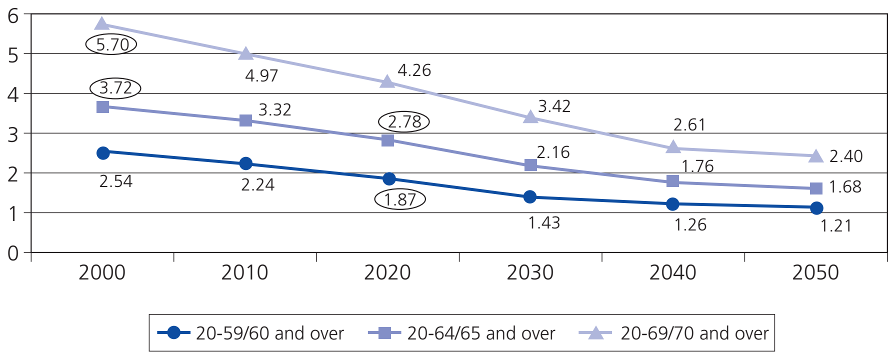


Fig. 2: International comparison of support ratios in the EU (Working age population/Older dependents population).
Sources: (Japan) National Institute of Population and Social Security Research, "Projection of Japanese Population (January 2002); (EU) UN, "World Population Prospects: the 1998 Revision"

By international standards as well, the work motivation among older people in Japan is high. For example, an international comparison of employment rates among men aged 55–64 shows that the employment rate in Japan is much higher than those in European countries (Figure 3).

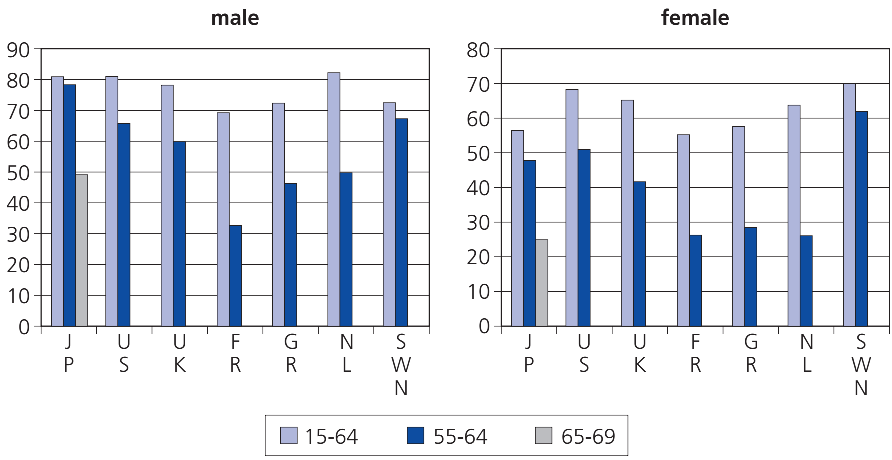


Fig. 3: International comparison of employment rates.
Sources: (Japan) "Labour Force Survey 2000", Statstics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, (EU) Eurostat, "Labour Force Survey 2000", (US) US Department of Labor, "Employment & Earnings 2001"

2. Towards the achievement of gradual retirement in all aspects including continued employment until 65

Based on the labour participation and the employment rate, Japan has already implemented gradual retirement, at least among males (Figure 4). However, wages, job types and employment patterns are quite different before and after the age of 60, because in Japan there is a widely implemented mandatory retirement system which stipulates that the worker's employment contract automatically ends when they reach that age (usually at 60). So the achievement of gradual retirement in all aspects, including wages and the kinds of job, is an important issue in Japan together with the promotion of employment among women in all age groups. The government promotes extending employment in ordinary work forms after 60 years of age.

Given good health and employment opportunities, male workers will be motivated to continue working until they are 70. But for health and various other reasons, it can be difficult for them to work in exactly the same way as they did before 60. Therefore, it is also important that diverse employment formats, not necessarily limited to full-time work but also including others such as short-term and home-based work, are developed.

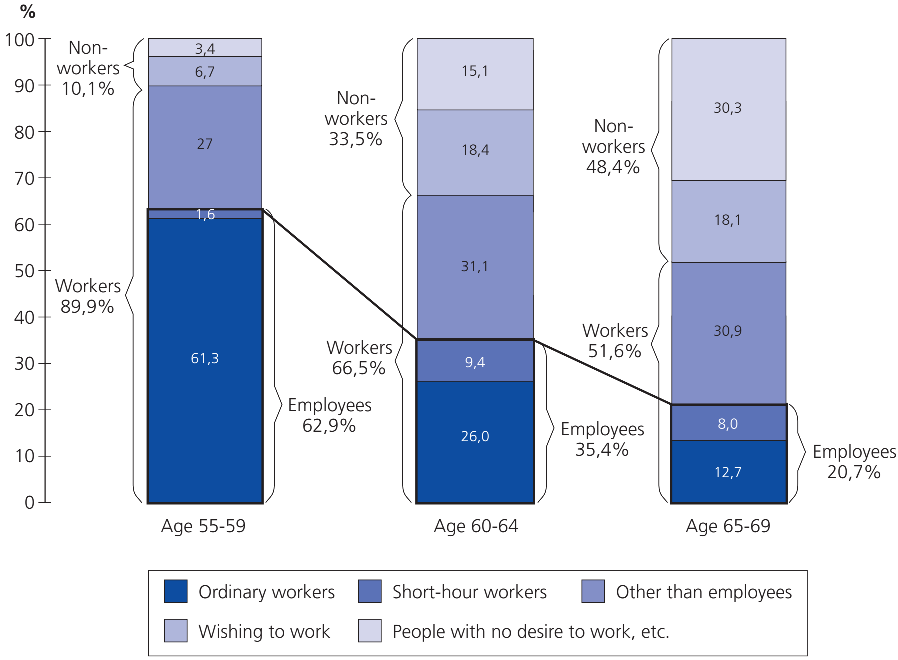


Fig. 4: Employment status of older people (Male).
Source: Ministry of Health, Labour and Welfare "Survey on Employment Conditions of older Persons (2000)"
Notes: 1. "Other than employees" includes "Company executives", "Self-employed", "Family business workers", "Side work", "and "Unknown". 2. "People with no desire to work etc." includes "People with no desire to work " and "Unknown".

3. Challenge of age-free employment

If policies for the employment of older persons are divided into: (1) policies that are restricted to older persons; (2) policies that more broadly treat persons who have difficulty finding employment including older persons; and (3) policies that aim at correcting age discrimination, Japanese policies are more focused on (1) and (2), while efforts to correct age discrimination have only just begun. In 2001, the Employment Measures Law was amended to include provisions by which employers must endeavour to avoid age discrimination when recruiting and hiring personnel. Guidelines to tackle age discrimination have been formulated to ensure the efficacy of these provisions. However, age restrictions may be applied when the recruitment and hiring of workers by an employer fall under one of 10 exceptions, and when the employer has explained this fact to a public or private job introduction agency and to the job applicants.[2] And the guidelines do not include any penal sanctions. The government is considering making further developments in this area by assessing its effect in the future.

Socio-economic factors surrounding workplaces in Japan are changing by way of slower economic growth, severe international competitiveness and increasing number of workers seeking more flexible types of employment. The long-term employment and seniority-based wage system will inevitably have to vary. By monitoring these changes carefully, the government and social partners should make step by step efforts to achieve a society in which anyone can work regardless of age. Many policy makers and social partners think that the continuation of one's career before and after 60 through employment extension should be realized before enacting any age discrimination legislation that includes penal provisions.

References

Iwata, K.: Policies for the Employment of Older Persons in Japan. A Comparison between the European Union, United States and Japan. Journal of Japanese Trade & Industry, Vol. 21, No. 3, May/June 2002.

2 One of these exceptions, for example, states: When persons below a specific age are recruited and hired in situations where workers, even if hired, could not sufficiently manifest their abililies and would retire before the necessary job skills have been acquired, in connection with the mandatory retirement age or the maximum age for continued employment.

The company level

Productive ageing – Balancing generations and managing human sustainability at work

Rudolf Karazman, Irene Kloimüller, Peter Arato
health@work Consulting & Services, University for Economy, Vienna, Austria

1. Relevant activities concerning "ageing and work" in Austria since 1993

In Austria, relevant activities on "ageing and work" have been promoted by our consulting company (health@work Consulting & Services) since 1995. So far, these activities from health@work are the only relevant activities in Austria. We have developed a strategic approach for companies challenged by demographic change in order to maintain or improve human productivity as well as the well-being of employees by enhancing the specific potentials of every generation. The programme is called "Productive Ageing – Generationenbalance". Up to now, 18 companies and institutions in Austria, Germany, Ireland and Croatia have participated in this programme.

We have made our first experiences and investigations within the German health promotion programme for elderly drivers of the Munich public transport authority started in 1993 at the Gesundheitspark Volkshochschule München.

In 1993, 1994 and 1996, we organised conferences and road shows in Austria on the topic "ageing and work", which were sponsored by the AUVA (i.e. the workers compensation board), the Ministry of Health, the Ministry of Social Affairs and the Industry Board. We also published a book entitled "Betriebliche Gesundheitsförderung für älterwerdende Arbeitnehmer" (Company health promotion for elderly workers).

Our goal to induce a nation-wide governmental programme supporting companies and institutions to develop diversity management for all generations was welcomed but has not been supported by any government until today.

The two major arguments against the national programme for productive ageing were:

- Early retirement in Austria supports the labour market, and
- Programmes such as productive ageing are not attractive for both managers and trade unions.

Despite this lack of 'official' support many companies, institutions and trade unions instructed us to initiate "productive ageing"; hence a non-governmental national initiative emerged with health@work as the major player. Large companies such as *Voest Alpine* and the *Viennese Hospital Association* with 18.000 and nearly 30.000 employees respectively, joined the Productive Ageing programme.

The official activities by the government and the labour market service (AMS) were labelled as age-programmes but in reality were simply measures designed to withdraw elderly from the working process prematurely, e.g. by means of the "Altersteilzeit" (part-time work for older employees). In most cases, part-time was applied in order to reduce the professional working life by two and a half years.

Likewise, the policy of the new government has not supported any initiative for a working development in conformity with age, and on the contrary has increased pressure by the following measures:

- Postponing the early retirement age to a higher age, and
- Cutting the refunds in favour of companies for mid- and long-term sickness absence

By way of these activities, the government hoped that older workers would remain longer within the work process. But without a change in the work processes and working life as a whole, these decisions increase the pressure on both older workers and companies. All in all, this policy implies a high risk for a destructive ageing process. The Ministry of Labour and Economy promoted workshops focusing on retirement policy only, and gave no genuine support for companies to cope with demographic change.

In this difficult situation, the Industry Board (i.e. employers) and the Chamber of Labour (i.e. employees) started to develop a semi-governmental national approach by applying an internet-based consulting programme in co-operation with health@work Consulting entitled "Ageing and Work" (www.alterundarbeit.at). These two organisations have worked on this topic for several years. At present, one can say that a step forward has been achieved by the social partners, and it is to be hoped that more and more companies and their management begin to understand this process as absolutely crucial in their handling of human resources management.

2. Productive ageing® – Change management towards human-ecological productivity

In contrast to technological, communication and global challenges, the demographic challenge forces human resources management to cope with a lack of workforce, to compete for employees (i.e. the "war for talent") and to maintain work ability, sustainability of work processes and an attractive corporate culture for all generations as a precondition for economic growth.

In the future, shareholders will emphasise the bio-psycho-social quality of company human resources as opposed to staff reduction measures.

2.1 Research concerning "ageing and work"

The basic question is: Does demographic change cause problems, or is it a solution in itself? Does the ageing of the working population mean a loss of work capacity and therefore create an economic involution of Europe, or not?

Investigating the impact of work on health the model of double impact suggests:

- Work endangers health through chronic effort and exhaustion, and
- Work promotes health through meaning and personal evolution.

Meaning, interest and evolution are phenomena of personal productivity and productivity is the basis of health and performance. A productive working life promotes health. Thus a working life is possible which maintains or even promotes health and competence.

Work is one of the bases of evolution of mankind and of any individual if anthropological needs are fulfilled.

The human sciences show the changes of work capacity in the three domains of human being:

- Decrease of physical work capacity,
- Maintenance of mental work capacity, and
- Increase of socio-noetic work capacity

We are different persons during the individual working life; growing older means less quantity but higher quality.

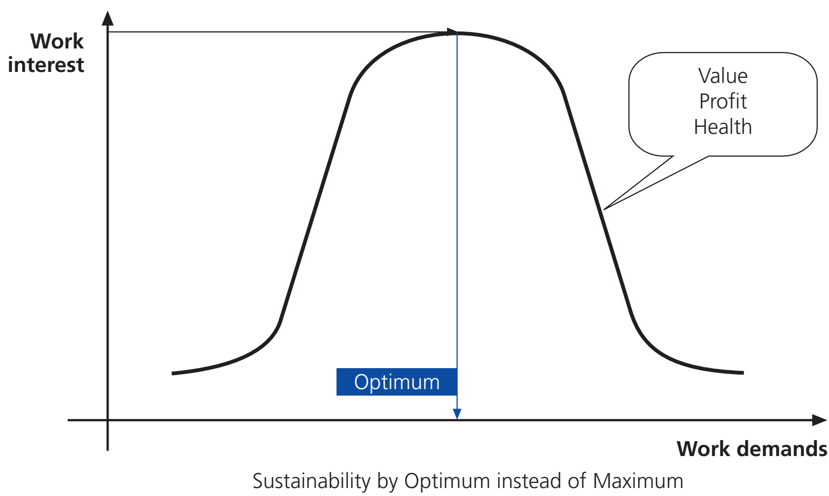


Fig. 1: Sustainable productivity.

By taking into account these results for the design of working processes, the working demands should be reduced with regard to hardness and be raised with regard to complexity, and thus support the social integration.

The majority of workplaces is designed for young and healthy staff. And the increasing gap between work demands and work capacity as determined by age leads to chronic stress, diseases, conflicts and de-motivation. The consequences are increasing absence rates and early retirement.

2.2 The Programme "Productive Ageing®"

According to the aforementioned scientific results, we have established the **vision** of ProdAge®: Economic growth is possible by optimising the processes for age specific potentials and requirements by supporting the best possible development for all generations and thus achieving the best performance from every generation.

ProdAge® is a change process for diversity management based on a win-win approach by integrating the goals of growth, quality, productivity and well-being. It is not only an aged-programme but also an "ageing"-programme optimising culture, processes, and capacities for beginners, sophomores, the midlife and the age 50+ until retirement generations.

A sustainable *and* productive work process is a "side-effect" of an optimum dynamic in the three dimensions of personal productivity:

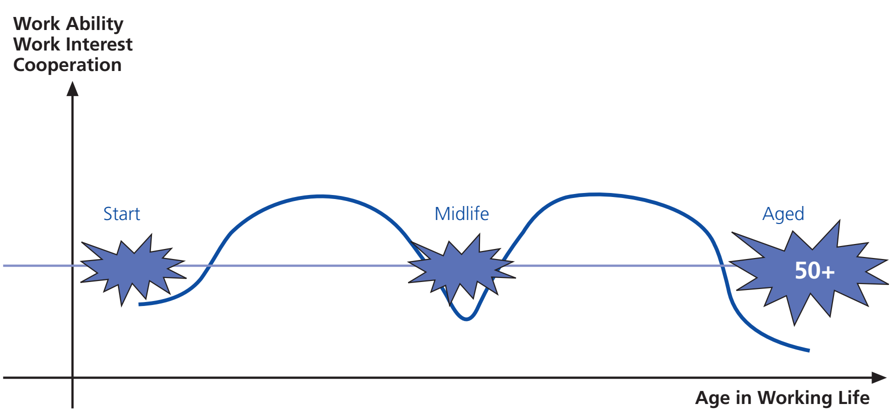


Fig. 2: Work life balance.

I can	Work Ability
I want	Work Interest
I may	Co-operation
We should	Leadership

Fig. 3: The three dimensions of personal productivity.

These three domains are the relevant **indicators of ProdAge® –** indicating the level of productivity and sustainability of workplaces. From 1993, we have developed an indicator system in accordance with this model of sustainable productivity, the so-called **Human Work Index®**.

The Human Work Index® [1] (HWI) integrates the Work Ability Index of the FIOH and the instruments of health@work Consulting & Services (e.g. the Existence Typology[2], Effect Typology[3], and the Reluctance Score[4]). Based on more than 15 years of research, a reference data pool of

Work Ability	Work Ability Index
Work Interest	Work Interest Scale
Co-operation	Co-operation Scale
Leadership	PPI

Fig. 4: The Human Work Index.

1 KARAZMAN R., KLOIMÜLLER I., KARAZMAN-MORAWETZ I.: From Work Ability Index to Human Work Index. In: People and Work, Research Reports, FIOH Helsinki 2002.
2 KARAZMAN R., K.-MORAWETZ I.: Sinnfindung und zwischen-menschliche Entwicklung als Kriterien betrieblicher Gesundheitsförderung. Evaluationsversuche mittels "Existenz-Typologie" und "Effekt-Typologie". In: Lobnig H. und Pelikan J. (Hrsg.): Gesundheitsförderung in Settings: Gemeinde, Betriebe, Schule und Krankenhaus. Gesundheitswissenschaft/Gesundheitsförderung 1996;2:87–100. (ISBN 3-86076-408-7)
3 KARAZMAN R., KLOIMÜLLER I., GEISSLER H., KARAZMAN-MORAWETZ I.: Effect-Typology – An evaluation method of occupational health promotion programs. Journal Experimental Ageing 1999; 25, 313–322 (4).
4 KARAZMAN R., K.-MORAWETZ I.: Sinnfindung und zwischen-menschliche Entwicklung als Kriterien betrieblicher Gesundheitsförderung. Evaluationsversuche mittels "Existenz-Typologie" und "Effekt-Typologie". In: Lobnig H. und Pelikan J. (Hrsg.): Gesundheitsförderung in Settings: Gemeinde, Betriebe, Schule und Krankenhaus. Gesundheitswissenschaft/Gesundheitsförderung 1996;2:87–100. (ISBN 3-86076-408-7)

more than 50.000 employees from different industrial sectors[5] was developed. The HWI was validated with productivity, quality, maintenance at work, fluctuation, health, accidents and personal cost factors.

By this validation, the HWI has proven as an indicator for the sustainability of human resources, work processes and corporate culture. The HWI produces a fluctuation/stability prognosis for 5 years.

2.3 Implementation of ProdAge® programmes in several European companies

In the following industrial sectors and companies, ProdAge® programmes have been implemented with different degrees of intensity.

The **strategic approach of interventions** follows the "ergonomic triangle", which was defined by Finnish researchers of the FIOH (Ilmarinen et al.). Their results show that the sustainable effects of the promotion of work ability and health are build on parallel interventions by three domains:

- Human relations,
- Work processes and organisation, and
- Personal competence and capacity.

Our **target groups** for activities are:

A. Prime target groups:
- Shareholders and analysts – Shareholder value and human capital
- Management – Strategic goals, HRM, and indicators
- Employees – Competence, fitness, flexibility, and interest

B. Secondary target groups:
- Supervisors – Managing diversity
- Trainers, health service staff, and OHS – Age-adjusted procedures, and methods
- Trade unions – Sustainability, health, and life quality

C. Tertiary target groups (beginning):
- Clients – Market for older people (e.g. age-adequate services and devices)

These groups are introduced to the theory of ProdAge® and become integrated in the development of strategic company goals.

---

5 JOHANNING E., GEISSLER H., HÖRSCHINGER P., KARAZMAN R.: Cardio-vascular risk and back-disorder intervention study of mass transit operators. Int J Occup Environ Health 1996;2:79–87.

Professional Branch	**Company/ Employees**	**Region**	**Projects**
Public transport drivers	2 companies with 4.000 E	Munich, Hamburg	• OHP Munich • Programmme "Wettbewerb & Gesundheit"
Viennese Hospital Association	30.000 E	Vienna	• Corporate culture nurses-physicians • Horizontal career models for nurses • Shift Schedule Reforms • Stress management by teams • Multiethnic team development
Teachers covering all school levels in Styria	16.000 E	Styria	• Surveys, analysis, strategy • Implementing ProdAge® processes • Training of ProdAge® moderators • Reinventing OHS
Chemical Industry	2 companies with 1.400 E	Austria (France)	• Surveys, analysis, strategy • Implementing ProdAge® processes • Shift schedule reforms • Health training • Ergonomic measures
Paper Industry	All employees paper industry 5.000 E 1 company with 2.000 E	Austria (Finland)	• Survey • Implementing ProdAge® processes • Implementing Health Management • HRM
Steel Industry	1 company 18.000 E 1 company 5.000 E	Global (Austria) Ireland	• Surveys • Implementing ProdAge® processes • Integration in Balanced Score Card
Bank & Insurance Companies	6.000 E	Austria, international	• Surveys • Implementation of Health Management System
Public services	> 3.000 E	Austria, Croatia	• Surveys • Implementation of Health Management System
IT-E-Commerce	> 1.000 E	Austria, international	• Surveys • Implementing Health Management • Gesundheitsprognose®

Table 1: Implementation of programmes.

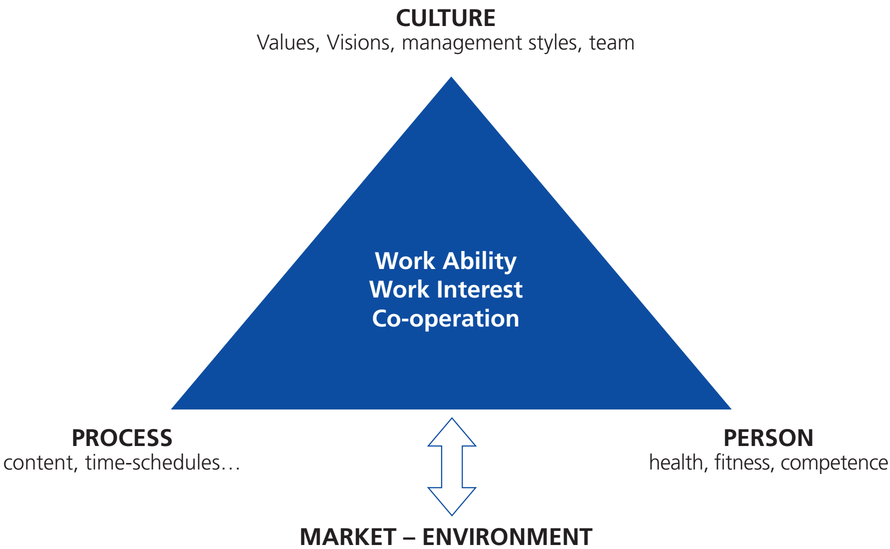


Fig. 5: The ergonomic triangle.

We start with the implementation of a kind of SWOT-analysis, focusing on how well prepared the company is for age-diversity on different levels.

We discuss the results with the different groups, and then a tailored, participatory ProdAge® programme is developed with internal and external experts.

At *Voest Alpine*, for example, we started with a ProdAge® programme and based on theory, analysis and participatory development, a total HR strategy was finally created. This strategy was called LIFE with the mission "Voest Alpine the most attractive working world".

Voest Alpine is ranked by Stanley & Morgan as the most efficient steel company in Europe. In attaining these results, high competence and experience of the older employees were key assets and determining factors. Therefore, the maintenance of older employees, the integration of new generations and the balancing of know-how transfer are all important steps in becoming a global player.

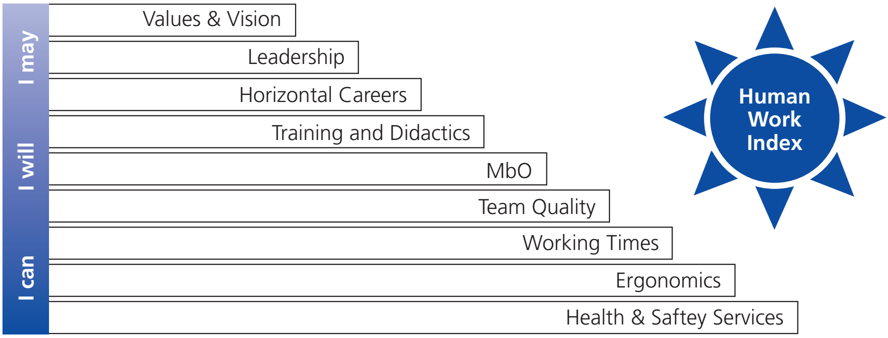


Fig. 6: Screening.

2.4 The results of ProdAge® activities

- The age-profile of the staff and the 10-year prognosis on staff development and recruiting requirements have altogether increased the importance of the Human Resources Management.
- The model of sustainable productivity and the human-ecological approach of HRM influenced the involved companies deeply and offered new solutions for growth and value building.
- The vision of ProdAge® and the model of double impact of work on health has re-valued work as a potential for personal growth and health through challenge, meaning and co-operation. A positive attitude towards work creates a higher social coherence and work interest as a precondition of maintenance at work.
- Using the high experience and the intuitive-intellectual potential of aged workers in investigating new processes, products and team development leads to higher productivity and more effective solutions. Thus, the image of the aged worker has changed from a problem-view to a solution-view scenario.
- Sickness leave and stress levels have decreased while maintenance at work, work ability and work interest all have increased (www.arbeitundalter.at). The average retirement age of active participants in projects was higher than that of control groups.
- The financial ROI in our projects was high. These results are extensively documented in the case story survey on the Internet (www.arbeitundalter.at).

3. Outlook

1. European roll-out of ProdAge® in co-operation with the FIOH, other research institutes and consulting agencies focussing on the metal, paper and chemical industries, hospital nurses, teachers and public urban transport systems.
2. Establishing the Human Work Index as a due diligence and strategic indicator (i.e. by way of a balanced score card, human capital index, and social due diligence) as well as a HR and health indicator with a view to integrate the whole company towards sustainable workplaces. At present, we are preparing a Human Work Index network in the steel and paper industry supported by the AUVA.
3. To extend the ProdAge® approach to the issue of market and age in order to improve the age-adjustment of products, services, designs and deliveries. For example, a young IT/computer industry designs products in a way that excludes older people from operating them. On the other hand, the IT/computer technology is an essential tool for the elderly in order to enhance their life quality and to contribute to the social and democratic development of society.

Human Resources Management under conditions of demographic change

Annegret Köchling
GfAH Dortmund, Germany

1. The age-divide effect[1]

Figure 1 shows the labour supply from 1950 to 2040. One can see that from about 1960 both the older (over 50) and middle-aged (31 to 49) groups increase, whereas the younger age group (up to 30) decrease. At around the year 2000, the over 50s line intersects the under 30s line. From this point, there are more older people than younger people (the "age-divide effect"). From about 2008, there is a sharp rise in the number of over 50s. This future "old-age mountain" corresponds to the current "middle-age mountain". Since the under 30s group continually declines until approximately 2030, before slowly increasing again, the world of work at the beginning of the 21st century is characterised by **three trends**:

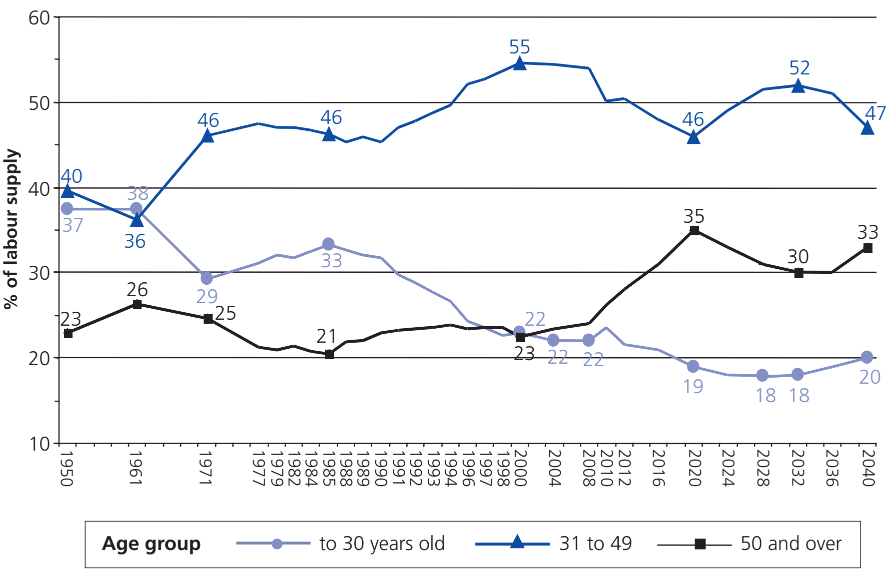


Fig. 1: Labour supply according to age group from 1950 to 2040 (in %).
Source: Federal Statistical office 1972, 1978, 1980, 1983, 1985–87, 1989–91, 1993–2000; Fuchs, Thon 1999; Fuchs 1994; calculations by GfAH

1 See Köchling, A.: Leitfaden zur Selbstanalyse altersstruktureller Probleme in Unternehmen, Dortmund April 2002 (GfAH-Selbstverlag).

1. The lack of young people in training and on the labour market, thus causing a critical shortage in the new generation of specialised staff ranging from trainees to engineers. The decline in young people set in around 1961, and this was also the point where the real shortage of specialized staff began.
2. The ageing of company workforces.
3. The continual shrinkage in the labour supply (see Figure 2).

Figure 3 shows the decline in the next generation of employees, i.e. new students in the fields of mathematics, engineering and science with the exception of information technology from 1991 to 2000. This development is currently aggravated by a lower willingness to study among adolescents and especially by a lesser orientation of adolescents towards industrial, technical and scientific occupations. Demographic change is accompanied by the shortage of skilled labour as a structural imbalance between supply and demand in the labour market according to region, industry, profession, education and qualifications.

As illustrated in Figure 4, companies today are always confronted with **two sets of personnel problems:**

1. Shortage of specialized staff, new generation of employees in short supply, recruitment problems, and turnover problems with younger specialized staff;
2. The ageing of company workforces with an increase in the number of middle-aged and older employees, maintenance of work ability until 65, and limitation of early retirement.

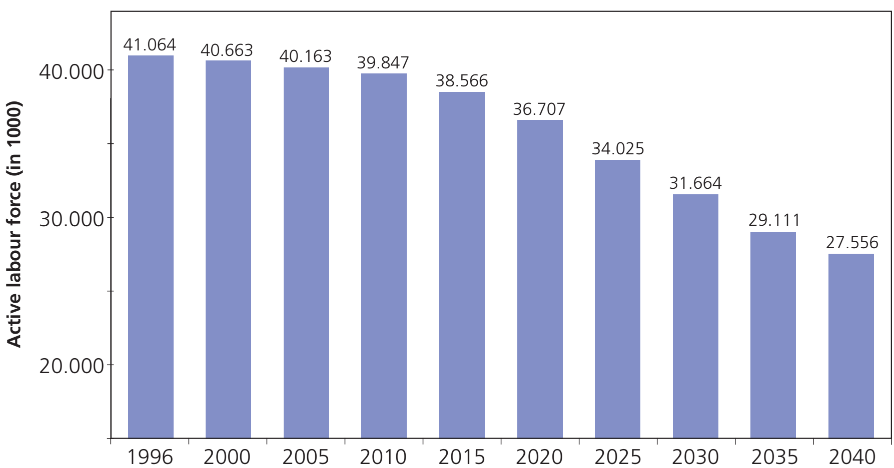
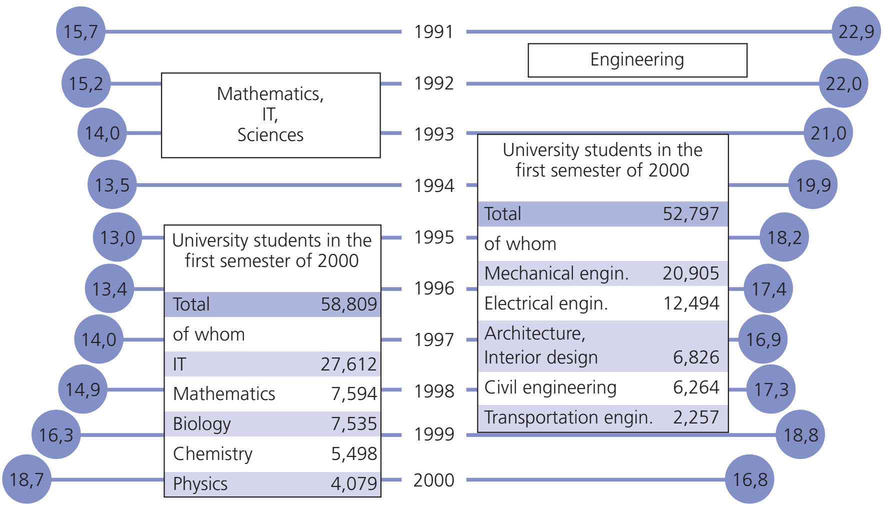


Fig. 2: Shrinkage in labour supply from 1996 to 2040.
Source: Fuchs/Thon 1999; calculations by GfAH

**New Students:
Engineering not popular**

Students in the first semester at university as a percentage of all new students



In each case summer semester and following winter semester until 1992: only West Germany: Federal Statistical Office

Fig. 3: New students of mathematics, engineering, science and technology from 1991 to 2000 (in percent).
Source: iwd 09/2002, p.6

<u>Companies which tackle one set of problems but neglect the other, can easily fall into one of many demographic traps.</u>

Examples of demographic traps for companies include:

<u>Companies with mostly middle-aged or old employees:</u>

Principles of seniority permeate all areas of personnel policy and prevent younger people from being recruited or retained for longer periods. In the long term due to early retirement, the company also slowly looses many essential staff because the staff level gradually diminishes and cannot be replenished.

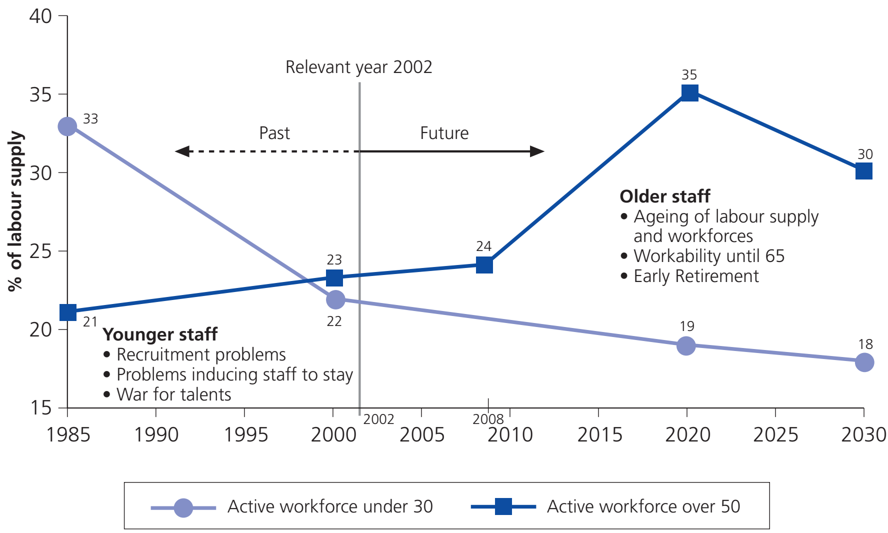


Fig. 4: Demographic change and problem areas within companies.
Source: Federal Statistical Office; Fuchs, Thon 1999; Fuchs 1994; GfAH

Companies with mostly middle-aged employees:

A rejuvenation strategy (exchanging old for young) is pursued through a continuous early retirement process. Due to the intense "war of talents" (cutthroat competition in the personnel recruitment market), there is a high turnover rate among young specialized staff of whom only stay for an average of two to four years. As a result of the unstable staffing levels in certain areas, the continuity of the value creation process is impaired.

Companies with mostly young employees:

Due to the fierce "war for talents" and the high degree of willingness among young employees to change jobs, the entire staff is continually fluctuating.

2. Age balance in personnel policy[2]

The GfAH therefore believes that it is necessary to have a company personnel policy which takes into account both sides of the age divide and the resultant problems for the company (see Figure 5). This personnel policy always has **two major objectives**:

1. Inducing younger employees to stay with the company by means of specific measures aimed at younger staff, and
2. Maintenance of work capability of older employees by means of specific measures aimed at older staff.

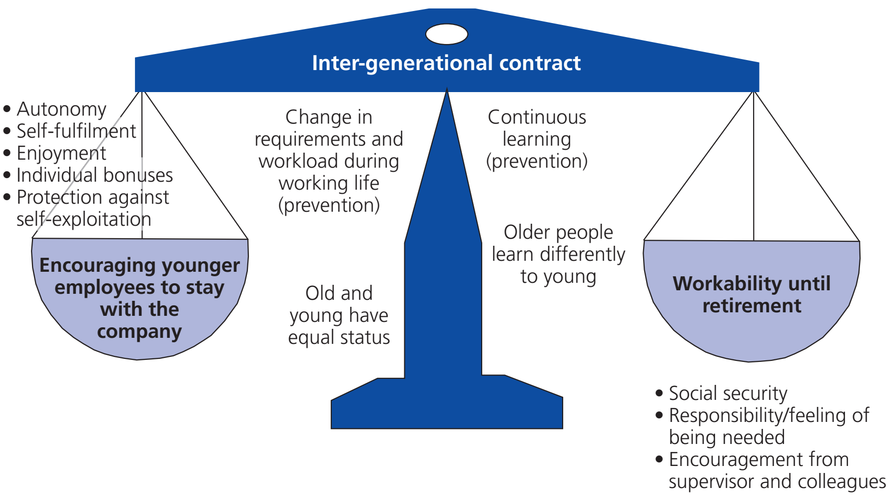


Fig. 5: Balanced (age) structure in personnel measures.

2 See also "Intergenerative Personalpolitik". (Köchling, A.: Die Ausgangssituation: Die "demographische Falle" – ihre Ursachen und ihre Wirkungen auf Wirtschaft und Betriebe, in: Köchling, A. et al (ed.): Innovation und Leistung mit älterwerdenden Belegschaften, München and Mehring 2000, p.43ff, p.92f); "Generationenübergreifende Personalpolitik" (bmb+f (ed.): Innovative Arbeitsgestaltung – Zukunft der Arbeit. Rahmenkonzept, Bonn May 2001, p.18).

There is no simple patent recipe for this kind of personnel policy (Figure 6).

- "Pay attention to differences between age groups and generations when planning personnel measures", e.g. in preventive health care within the company: ergonomic improvements to compensate for functional limitations due to age.
- "Creation of a culture of equal status and mutual respect", e.g. is an essential requirement if a reciprocal exchange of experience and knowledge is to take place instead of a mere one-sided "tapping of knowledge" shortly before the older employee leaves the company. It is not only the younger who learns from the older but vice-versa.
- "Remove exclusions on grounds of age", e.g. in the day-to-day personnel work of many companies, this type of age marker is consciously or unconsciously set when organising recruitment and termination of employment as well as in the selection of staff for more sophisticated advanced training and professional development measures. However, simple demands such as "employ more older people" are ineffective.
- "Balance out the strengths and weaknesses of older and younger employees", e.g. in personnel placement for individual, group, and project work.

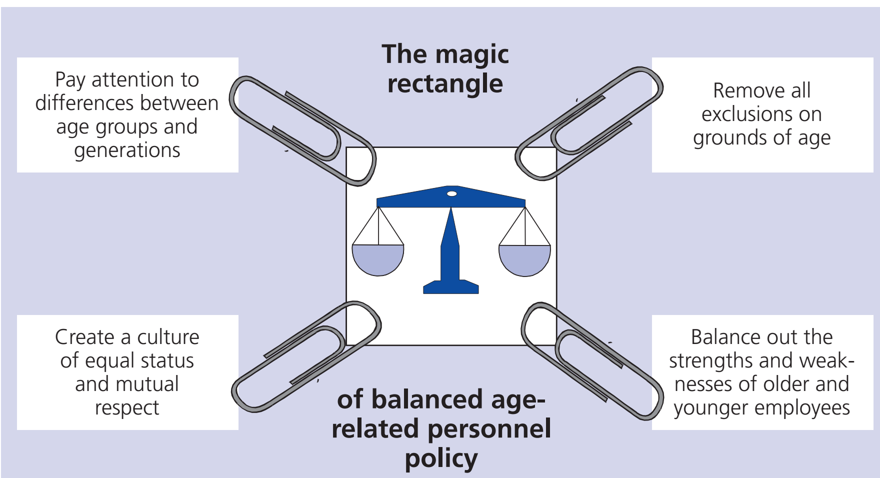


Fig. 6: The magic rectangle of balanced age-related personnel policy.

3. Human Resources Management[3]

Company human resources managers who foresightedly plan respectively start to plan, consciously or unconsciously, take into consideration the socio-demographic development in its entirety (and not a part thereof) within their human resources strategies. The employment and promotion of women and older persons, the upgrading of educational qualifications (starting with the unskilled and semi-skilled) and initial training are thereby regarded as important solution options that can be mutually exclusive or supplementary. Human resources managers are more likely to consider a mixture of company-adequate measures rather than exclusive measures that concern just one of the employee groups. A broader solution spectrum for the development of the future personnel policy is more readily accepted than specific requirements.

The structural shortage of skilled labour is currently aggravated by the predatory competition between companies on the labour market for young qualified technically skilled persons with professional experience. This is also evidenced by the high readiness to change employers, especially in this employee group. Many companies develop their own, often very sophisticated, strategies for the recruitment and company-binding of young skilled staff. This shortage of skilled labour affects small, medium and larger companies with medium-sized character more than large companies with group affiliations, and likewise supplier companies with invisible brands more than brand name companies, companies in regions with a low unemployment rate more than those in regions with a high unemployment rate, and companies in the new federal states more than those in the old federal states ("brain drain" from the east to the west).

The continuous increase in the number of 'over 50-year-olds' in the labour supply is currently for many companies not as noticeable as the shortage of skilled labour. However, the extent of the company impact from the shortage of skilled labour had in the past an obvious and latent effect on the employment of older staff up until the statutory pension age. Companies which are more affected by the shortage of skilled labour are less hesitant to deliberately promote older staff and to employ them until the statutory pension age respectively.

The recruitment of middle-age or older staff predominantly occurs when the company shows the fundamental readiness to employ older persons until the statutory pension age and to actively support their continuing employment respectively. A major influence factor, in this respect, is the extent of the personal or company use of old-age pensions (and part-time employment of older staff) for the generation swap (a number to be calculated yearly) within

3 Compilation of selected results from several projects supported by the BMBF with more than 90 companies since 1992: Research projects on the basis of qualitative social research methods, projects on the systematic transfer of research results within companies via manuals, corporate consultancy, corporate work groups, and special types of workshops with several companies. See Köchling, A.: Leitfaden zur Selbstanalyse altersstruktureller Probleme in Unternehmen, Dortmund April 2002 (GfAH Selbstverlag); Zentralverband Elektrotechnik- und Elektronikindustrie (ZVEI) o.V.: Demografie-Initiative mit Unternehmen der Elektrotechnik- und Elektronikindustrie, Frankfurt am Main September 2002 (ZVEI-Selbstverlag).

the scope of the so-called 'corporate age-reduction strategies'. This personnel-policy custom, over many years, significantly prevents the awareness of problems in respect to the ageing of the workforce and the need for forward-looking corrective action. Useful arguments for problem sensitisation are: (1) The end of the advantageous general pension conditions for the personal or company use of old-age pensions (and part-time employment of older staff) with the specific consequential effects for the company from (the future) day X, and (2) The extent in take-up of part-time employment of older staff with the specific consequential effects for the company in the (future) time period Y.

When introducing a about-turn in the personnel policy thinking and acting, it must also be taken into account that the pending performance of proven personnel policy routines can also cause the tasked human resources managers to think and act irrationally, such as ignoring the actual phasing-out of the old-age pensions ("The politicians will surely...").

Solutions for the improvement of the employability of older staff will only be communicable in a useful way until the hurdle of the dispute over the future corporate early retirement policy has been taken. Problem solutions for the organisation of a systematic knowledge transfer between the generations will also be welcomed by the human resources managers when the corporate age-reduction strategy is to be retained.

Companies that have, since their founding or for a long time for various reasons (economically-rational reasons, socio-ethical principles), aimed at a broad spectrum of employee groups and their promotion in orientation to equal opportunity are better prepared for these future developments than companies that have previously retained and continue to retain a youth culture (young, male, qualified, German employees). This also applies to the company integration of other so-called disadvantaged employee groups, e.g. disadvantaged adolescents, disabled persons and foreigners.

There are exceptions to the approaches or strategies of the human resources policy described above. There are companies that are currently deliberately seeking new solutions for the retention of the employability of their middle-aged and older employees such as: (1) Companies with recruitment problems that currently employ within the core areas important for their value-added process a large percentage of middle-aged and older staff who are exposed to a high level of health wear-out, (2) Companies with recruitment problems that employ within the core areas important for their value-added process a large percentage of young staff who are exposed to a high level of health wear-out and therefore change occupation and/or leave the company after a relatively short period of employment, and (3) Companies with a large percentage of middle-aged and older staff with a high level of experience that will leave the company (prematurely) within the short term.

Training, skills and performance of ageing workers – Issues, measures and models

Johann Behrens, Frerich Frerichs
ISIS, Frankfurt; FFG, Dortmund, Germany

1. Introduction

Both experts and politicians responsible for employment policies consider that maintaining employability and the health and secure training opportunities of older workers all play a vital role in the preparation toward forthcoming demographic challenges (cf. German Bundestag 2002). At present, the employment prospects of this group of employees in Germany are endangered because of respective deficits which arise in the course of work life and in each case result from the actual conditions of work and employment themselves (Naegele 1992; Frerichs 1998). In this respect, one can refer to two especially marked risk factors specific to ageing which are associated with, or caused by work. Thus, older employees, in comparison with their younger counterparts, carry both a higher risk of illness and a higher qualification risk. Both risks are subject to "career paths", i.e. they develop – usually quite gradually – in the course of an employee's working and professional biography and climax in the later phase of working life, often occurring cumulatively at this point and then quite decisively characterising the higher employment risk of the elderly.

These two risks are also overlaid by a third risk component typically associated with ageing in the labour world, which is recorded in the specialist literature under the terms "reputation loss and loss of morale" (Behrens 1999). They are often individual reactions to career hitches connected with ageing (e.g. being passed over for promotion, etc.), to the effects of classical ageing stereotypes that follow the so-called deficit model of the older employee, and in the process are sometimes an expression of management shortcomings and are particularly prevalent in the so-called young and dynamic industries (e.g. in the computer sector). In the following, the chapter will concentrate on describing qualification risks of older workers and discuss possible solutions for them.

2. Exclusion from training and skill deficits of older workers

In Germany, there is no evidence that companies or the government set official age limits for their training provisions. On the contrary, in the law on labour relations in the workplace it has been stipulated that, with regard to the support given to vocational training within organisations, due consideration must also be given to the interest of older employees.

Despite this fact, data available from a representative study shows that there is a sharp decline in the participation rate in vocational training for people aged 50 to 65. Only 18 % of this age group participated in vocational training in 2000, whereas 36 % of the people aged 35 to 49 were involved (Kuwan & Thebis 2001). In addition to this lack of participation in vocational training, older workers face numerous risks for disqualification. These can be summarized as follows:

- Devaluation of existing skills: Older workers run the risk that their acquired skills and competencies may become devalued as new technologies are introduced. For example, the skills

and experiences of older workers in operating a particular machine are rendered obsolete if the machine is replaced by a computer-operated one.
- Loosing acquired skills: Older workers may even lose acquired skills and their versatility may decline because they only perform certain limited tasks at their jobs and the work process does not allow them to use all their existing skills. This "disuse" effect combined with long periods of work within undemanding jobs may lead to diminished learning abilities. Thus, not only may their skills deteriorate, their ability to acquire new skills may likely decline as well.
- Intergenerational skill-level differences: As a result of the educational expansion during the last decades, older cohorts of workers in general have a lower level of education than younger ones. This is the result of lower initial education as well as advanced training.
- Age-specific skill changes: Though the deficit model of ageing has had to be revised, some differences in cognitive ability between younger and older workers do exist. In general one can say that, although the ability to learn – under equal conditions – stays the same, discernment increases and short-term memory and the ability to pick up information in a certain amount of time decreases. This may lead to disadvantages for older workers in adapting to new technologies.

In conclusion: There is evidence that although age is not *per se* a good criterion for defining a problem group, in combination with other factors it can cause skill deficits and/or make them more acute. Especially the work activity itself and changing technology can jeopardize the skills of older workers.

3. Combating qualification risks

The aforementioned risks can be identified in the manufacturing sector as well as in the service sector but the differentiation between small or medium sized firms and large-scale enterprises as well as between tayloristic working conditions and companies with higher skill levels has to be observed. Last but not least, gender differences have to be taken into consideration. Any improvement in this situation must be primarily company-led and company-based policies must be at the core of the innovations that are required. In order to prevent skill deficits among older workers and to raise the level of participation of older and ageing workers in vocational training schemes, it is necessary to:

- Create a learning environment at the workplace for all age groups: The introduction of a greater variety of tasks at the workplace as well as work groups, through which older workers can exchange experiences and simultaneously acquire new skills, would increase skill levels significantly.
- Develop workplace-based training schemes: These schemes should contain a high number of practical sessions and allow for an immediate interchange between theory and practice.
- Combine working-time arrangements and training in order to promote a continuous process of training: Both paid and unpaid educational leaves for enrolment in job-related courses should be introduced. Efforts should be pursued to systematize vocational training through the introduction of a second training phase during the life course.

- Design training courses that are effective in teaching older and younger people: These training courses should incorporate “older-friendly” learning techniques and take advantage of the work experiences of older workers.

4. Practical solutions and ‘best practices’

Vocational training is primarily the responsibility of employers, trade unions and those in individual companies. In particular, workplace-based training methods are required to facilitate non-age-specific training, and the flexibility afforded by the introduction of new methods of working and hours of work should be used more aggressively to enhance the effects of training. In addition, there should be a continuous assessment of training needs and access to training, including the anchorage by written agreements of workers in the higher age groups. Training must also be offered particularly to older workers who are unaccustomed to the learning process and the teaching methods employed should be geared to this target group. Likewise, the awareness of middle management should be raised through targeted information campaigns. The *de facto* age discrimination toward vocational training should be countered by means of government action and the development of good practice should be encouraged through the targeted use of state funding. In particular, the training of older workers by small and medium-sized companies and inter-company cooperation should also be fostered.

Concerning the raising of awareness, the Federal Institute for Vocational Training (BiBB) (cf. Gavralas 1999), the Federal Ministry of Research (BMF) (cf. Wolff et al. 2001) in Germany and the European Foundation for the Improvement of Living and Working (cf. European Foundation 1997) in recent years funded projects to foster or at least identify models of good practice within this context. To offer more insight into what is meant: In a project funded by the European Foundation, the Institute of Gerontology identified 19 organizations that had taken appropriate positive measures to train older workers or to let them participate in existing training programmes. One company that comes nearest to a holistic approach, enables older workers to stay as productive as younger workers when introducing new forms of production. This was achieved by a formal agreement in which older workers were integrated into these new forms of production, special training measures for older employees and support training for managerial functions.

Concerning public policy for vocational training, until recently older employees were not a specific target group in public training and retraining schemes funded under the terms of the Social Security Code III and were not well represented within these measures as well (s. above). Though since the year 2002 and according to § 417 of the Social Security Code III, federal employment agencies can fund vocational training for older workers aged 50 and over if they are employed in a company with less than 100 employees and if the company pays the salary during the training measure. Training has to take place outside the company and has to go beyond limited work-place refresher-trainings. Additionally, employment agencies can pay wage subsidies for workers who are endangered by dismissals and who are taking part in training measures. Both measures are limited until December 2005.

Though it remains to be seen how this funding programme will turn out in practice, in any case it can be assessed as an initial positive approach in combating age barriers in training older workers in employment.

References

Behrens, J. (1999). Länger erwerbstätig durch Arbeits- und Laufbahngestaltung: Personal- und Organisationsentwicklung zwischen begrenzter Tätigkeitsdauer und langfristiger Erwerbstätigkeit (Working longer by means of work adjustment and carreer planning). In: Behrens, J., Morschhäuser, M., Viebrok, H., Zimmermann, E. (1999). Länger erwerbstätig – aber wie? Wiesbaden. Westdeutscher Verlag (pp. 71–133).

German Bundestag (2002). Final report of the Enquete Commission on “Demographic Change: Challenges Posed by Our Ageing Society to Citizens and Policy-makers. Document 14/8800. German Bundestag: Berlin.

European Foundation for the Improvement of Living and Working Conditions (1997). Combating age barriers in recruitment and training. European Foundation: Dublin.

Frerichs, F. (1998). Älter werden im Betrieb. (Ageing in companies). Opladen: Westdeutscher Verlag.

Gavralas, B. (1999). Ältere Arbeitnehmer. Eine Dokumentation. (Older Workers – Documentation). Bielefeld: Bertelsmann.

Kuwan, H. & Thebis, F. (2001). Berichtssystem Weiterbildung 2000 (Report on vocational training). Bonn.

Naegele, G. (1992). Zwischen Arbeit und Rente. (Between work and retirement). Augsburg: Maro.

Wolff, H.; Spieß, K. & Mohr, H. (2001). Arbeit – Altern – Innovation. (Work – Ageing – Innovation). Wiesbaden: Universum.

Innovation and workability

Klaus-Dieter Fröhner
TU Hamburg-Harburg, Germany

The subject will be approached from two sides. On the one hand, by an explanation concerning the importance of the topic and on the other hand, by naming restrictions that confine the subject. These procedural elements will give a better understanding of the results of research which will be presented in a very condensed form to reflect the subject. This should enhance logical consistency on what can be done concerning the topic of innovation and workability in the future, especially on an European level.

It is evident that innovation and workability are two dimensions which should be considered in companies; especially those in high developed industrial societies with an aging population have problems. The need is not only for the companies but also for the societies to cope with this problem. This is because the social costs of an aging population ask for new, innovative and profitable business. At a first glance it seems contradictory to demand for a high level of innovation in companies with an aging work force due to aging population.

The restrictions that had to be cared for are seen in the methodical approach that was realized. This was influenced by the allocation of the funding (by the German Federal Ministry for Education and Research) within the field of Demographic Change and the Future of Labour as well as the evaluation of this issue in companies. This new field led to a qualitative research approach, excluding metric scales. The belief behind this was to discover new findings, to detect gaps and by this to develop a new conceptual understanding of the field. Nevertheless some projects included quantitative measures to different extent. In general, this led to a position to stimulate innovation and workability.

The first phase of projects was followed by a second one converting the experience and knowledge of the first phase into tools, handbooks etc. These two phases are now in the centre of examination. In the third phase, a branch-oriented transfer is being conducted.

The experience and knowledge of the first phase were gained from a set of 35 case-studies in companies being randomly selected. The following remarks can exemplarily be extracted:

- An innovation stimulating working-environment is complex and asks for a high leeway of activities
- Installing demographic oriented personnel strategies in companies is seen in supporting protagonists in their differentiated tasks
- Sensitisation and the installation of measures have to be looked at as one set-up to support protagonists
- New founded companies in East Germany are threatened by the demographic change
- Not all protagonists in companies with innovation can be approached by management schemes concerning demographic changes, especially not engineers in research and development (innovators)
- The ability to innovate is closely linked with the personnel strategy
- The workforce of a company has to be seen as a holistic power, young and old
- The career of the person determines the potential of readiness to innovate
- A subjective analysis of the potential of innovation is a promising test.

This led to the development of tools, handbooks, CD-ROMs etc. to cope with the marked explanations. They were set up in cooperation with a limited number of companies (sometimes only with one company). So there are tools available with a wide scope exemplarily as:

- Health-management in aging work force
- Supporting the integration of younger and older innovators
- Personnel controlling for better health
- Checklist for an innovation audit
- Different slide-sets for protagonists for sensitisation and stimulation for change.

Light can be shed on the procedure and the results by opening and concentrating the process by:

- International cooperation to overcome the self-evaluation process (first, second and third phase have this bias)
- A powerful integration of more quantitative approaches and research in the topic
- A stronger emphasis of combining personal policy level with the workplace and the individual by integrating these levels especially by different disciplines
- Examining if the tools are focussing on the changeable set of indicators.

The annually in a monthly rate growing life expectancy asks to shift after a stimulation period of installing demographic topics in personnel management to a long-term oriented aging accepting personnel strategy. This has to take into account tools that are feasible for different groups of protagonists and fit into every day working life as well as into functional specialists reasoning.

There seems to be a long way ahead.

Revision of the pension system and employment issues – Involving workers in their early 60s at Japanese firms

Hiroyuki Fujimura
Hosei University, Japan

1. Relationship between the pension system and the mandatory retirement system

1.1 Revision of the pension system

In April 2001, Japan took a big step towards the revision of the Old-age Pension System. The minimum pensionable age of 60 years for the basic, old-age portion of the pension under the Employees' Pension System (a public pension system for salaried employees) was raised to 61. Payment under the Employees' Pension System had formerly commenced at age 60, but the rapid greying of the population and the consequent increase in pension payments had made it difficult to maintain the ongoing payment at age 60. Therefore, in 1994, a revision of the Employees' Pension System was passed by the Diet. The main points of the revision were: (1) raising pension premiums and curbing the amount of pension payments; and (2) gradually raising the minimum pensionable age to 65.

The former point meant in practice that pension premiums, borne by companies and employees together, rose to 17.35 percent of monthly salaries, accompanied by a reduction in pension payments for new pensioners. Under the Employees' Pension System, the balance between premiums and payments had been more generous to participants than in other countries, with participants receiving higher pensions for the payment of smaller premiums. A system so generous to participants would not be able to cope with increasing numbers of older people, and a rise in premiums and reduction in payments were inevitable measures if healthy pension funds were to be maintained.

The latter point, a gradual rise in the minimum pensionable age, consists of two parts. The first is to gradually raise the minimum age for the basic, old-age portion of the pension. The second is to commence payment of the salary-linked portion of payments at age 65. The first part of the revision was executed in April 2001, with the second part to be put into effect in 2016. The minimum pensionable age for the basic, old-age portion of the pension was raised to 61 in April 2001, and is to be raised by one year every third year, finally reaching age 65 by 2013.

1.2 Gap between mandatory retirement and commencement of pension payment

More than 90 percent of Japanese firms have a mandatory retirement age system, which is a system whereby firms are obliged to terminate employment contracts with their employees who have reached a specified age. According to the 2000 Survey on Employment Management, 91.3 percent of firms with 30 or more regular employees have a mandatory retirement age system. By size of the firms, those having such a system are: 100 percent of firms with 5,000 or more regular employees; 99.9 percent of those with 1,000 to 4,999 regular employees; 99.6 percent of those with 300 to 999 regular employees; 98.5 percent of those with 100 to 299 regular employees; and 88.2 percent of those with 30 to 99 regular employees. A substantial majority set their mandatory retirement age at 60 years: 96.5 percent of firms with 5,000 or more regular employees; 94.2 percent of those with 1,000 to 4,999 regular employees; 93.6 percent of those with 300 to 999 regular employees; 91.0 percent of those with 100 to 299 regular employees; and 77.6 percent of those with 30 to 99 regular employees.

Under the former Employees' Pension System, those workers who had reached age 60 and retired under the mandatory retirement age system could immediately receive their pension. A rise in the minimum pensionable age to 65 with the mandatory retirement age remaining at 60 will create the problem of how people are to live between retirement and commencement of pension payment. At the moment, the delay in pension payments is confined to the basic, old-age portion of the pension as a whole, but it still accounts for a significant one-third of the total payment.

Since the early 1990s, the Ministry of Health, Labour, and Welfare has been promoting various campaigns for the realization of a society in which people can work until age 65. Since the mid-1990s, the labour unions have been discussing with employers the issue of job security for workers up to the age of 65. Consequently, in the year 2000, during the "spring offensive," labour and management in many companies reached partial agreement on continuing employment contracts for workers in their early 60s. The agreed extensions of employment for workers aged 60 and over have been in effect since April 2001.

This article will describe the various arguments put forward in Japan concerning the employment of workers in their early 60s, as well as the steps being taken to secure jobs for such workers.

2. Possible approaches to the question of employment of workers in their early 60s

2.1 Three approaches

In 1997, a report released by a research group of the Ministry of Labour (now Ministry of Health, Labour and Welfare) presented three possible approaches to the question of employment of workers after retirement at age 60: (1) 60 plus alpha, (2) 65 minus beta, and (3) "age-free." The concept of "60 plus alpha" implies an approach whereby the mandatory retirement age is left at 60, but efforts are made to make "alpha" as close as possible to five years, so that employment is extended to 65 years of age. The "65 minus beta" concept involves an approach whereby the mandatory retirement age is raised to 65, while the individual decides on the length of "beta," i.e. when to retire. The third approach, "age-free," abolishes the mandatory retirement age system itself and aims at realizing a society in which people can continue working regardless of their age.

According to the 2000 Survey on Employment Management, "60 plus alpha" was adopted by 59.8 percent of the firms surveyed (more precisely, the percentage adopting an employment extension system or a reemployment system among firms with a uniformly mandatory retirement age system); “65 minus beta” was adopted by 5.1 percent of the firms surveyed (more precisely, the percentage adopting mandatory retirement age systems at 65 or above among firms with a uniformly mandatory retirement age system); while the “age-free” approach was taken by a mere 8.7 percent of firms surveyed. The sum of these percentages does not reach 100 because some firms have no continuing employment system, while others have a mandatory retirement age system without a uniform age limit. In short, “60 plus alpha” is the most common employment pattern offered to workers in their early 60s.

This approach is widely accepted because it allows the present personnel management system to stay unchanged, simply requiring employment contracts for retiring workers to be considered. Adoption of the “65 minus beta” or “age-free” approaches requires a fundamental revision of the entire personnel management system. In particular, it would inevitably include a substantial change in a wage system that also involves younger workers. For labour and management to agree on changes to the wage system would involve extended negotiations. Thus, a majority of firms, seeing such discussions and alterations as unavoidable in the future, have taken on the “60 plus alpha” approach as a “temporary measure.”

2.2 The meaning of mandatory retirement

Supposing that the “60 plus alpha” approach is a temporary measure, then which would come next, the “65 minus beta” approach or the “age-free” approach? The former is adoptable, provided that “mandatory retirement” is maintained, whereas the latter implies that the mandatory retirement system itself should be abandoned. As already stated, the commencement of pension payments in Japan is planned for age 65 in the future, and either approach would seem to have the same effect of safeguarding the jobs of workers up to age 65. However, just where to locate “retirement” in their employment system remains a major task for Japanese firms to consider.

The mandatory retirement age system, whereby firms compulsorily terminate employment contracts with their employees who have reached a certain age, is seldom adopted by firms in American and European countries. People in such countries voluntarily retire from work once their life plan after retirement comes into view. In fact, the 2001 Labour Force Statistics (OECD) shows that the proportions of the economically active population in their early 60s for male are 54.8 percent in the U.S., 50.3 percent in the UK, and 31.0 percent in Germany, while 72.6 percent of the Japanese male are economically active. The age of eligibility for the public pension in those three countries is usually 65, which means that quite a lot of people retire from working life before their pension age. In the case of Germany, early retirement is recommended for the purpose of reducing the unemployment rate among young workers. Partly because of this, but also as a personal desire, many wish to retire as early as possible before reaching 65.

A mandatory retirement age system possesses a negative aspect: it forces workers of a certain age out of the company. It also has a positive aspect in that it guarantees workers a job until a certain age. Even when business performance is poor, firms make efforts to safeguard employment for their workers until they reach retirement age, while employees live their working lives with retirement as a future goal.

Deciding treatment on the basis of age has the effect of cutting time and energy expended on explaining the treatment. However, the currently dominant trend in revision of personnel management systems in Japanese firms is towards “performance-based” and “achievement-based” wage systems. The current reform of the system is aiming at a policy whereby, regardless of age or tenure, workers who perform a better job receive better treatment. It would be plainly contradictory for a company widely assuring young and middle-aged workers that “age does not matter,” to seek at the same time to introduce a retirement age system for executive levels and to maintain a mandatory retirement age system which ends employment agreements on the basis of a retirement age. However, it is also true that for employees themselves, age is a reasonably acceptable criterion for retirement. It would require laborious efforts to justify demotion or termination of an employment contract on the basis of employees’ ability or performance; the issue cannot be discussed without considering the employees’ feeling of equality.

2.3 “60 Plus Alpha” as a realistic approach

When considering the employment issue for workers in their early 60s, it is necessary to appreciate the feelings of both employers and employees. The author believes that Japan should aim at becoming a society free of age consciousness, but doubts the possibility of the immediate realization of such a society. It will take more time for Japan to become a society where workplace and job duties are determined not by physical age but by vocational ability.

Then, what about the “65 minus beta” approach? Because mandatory retirement guarantees employment by age, firms do not desire to raise the mandatory retirement age to 65, and because many employees do not wish to postpone their retirement, it is not realistic to raise the mandatory retirement age. A survey of individuals conducted in autumn 1998 by the Association of Employment Development for Senior Citizens showed that less than half (42.7 percent) of respondents in their 40s and 50s wanted employment to be extended.

The introduction of a system or law desired by neither firms nor employees would hardly be accepted, even if it were mandated. It would be more productive to consider the issue of employment for workers in their early 60s on the basis of “60 plus alpha,” which is in fact becoming increasingly common.

It is safe to say that this issue is relevant only to medium-sized or large firms. Small firms, which have difficulty in hiring young workers even if they wish to, are already making full use of their older workers. A calculation using data from the 1999 Basic Survey on Wage Structure suggests that 7.8 percent of male workers in firms with 10 to 99 employees are 60 years old and older. On the other hand, the same data yielded a figure of only 1.3 percent for large firms with 1,000 or more employees. In other words, the work experience of employees in their early 60s is concentrated within small firms.

Now, at last, many large firms have started to think seriously about how to make use of those of their workers who have reached their retirement age of 60. While some companies, including Mayekawa Mfg. Co., Ltd. and Yokokawa Electric Corp. have already more than 20 years of experience in this field, the majority of large firms are just beginning to consider how to proceed.

In order to realize the employment of workers in their early 60s, the following four problems require solutions: (a) is it possible to continue hiring all workers who reach the mandatory retirement age and wish to continue working; (b) what kind of jobs are to be offered to such workers, and is it possible to secure a sufficient amount of work for them (the issue of the development of suitable jobs); (c) how much should the workers be paid (the issue of reconsideration of the wage system); and (d) what the workers themselves ought to do in order to acquire skills and abilities that encourage firms to continue hiring them in their 60s (the issue of skill development). It would take a few years for Japanese firms to develop appropriate solutions for these problems.

References

Hiroyuki Fujimura [2000] "Employment Extension for Workers in Their Early 60s at Japanese Firms" Japan Labor Bulletin Vol. 39-No.4 (April)

Hiroyuki Fujimura [2001] "Revision of Pension System and Employment Issues Involving Workers in Their Early 60s" Japan Labor Bulletin Vol. 40-No.7 (July)

Further information on the contents of the transfer project is available from:

DLR – project coordinator of the BMBF
Südstraße 125, 53175 Bonn
Dr. Günter Neubauer, Tel. +49 (0)228 – 3821-145, e-mail: guenter.neubauer@dlr.de

Fraunhofer Institute for Industrial Engineering (Fraunhofer IAO)
Nobelstraße 12, 70569 Stuttgart
Hartmut Buck, Tel. +49 (0)711 – 970-2053, e-mail: hartmut.buck@iao.fhg.de
Bernd Dworschak, +49 (0)711 – 970-2042, e-mail: bernd.dworschak@iao.fhg.de
Alexander Schletz, Tel. +49 (0)711 – 970-2184, e-mail: alexander.schletz@iao.fhg.de

www.demotrans.de

The project is funded by the Federal Ministry of Education and Research (BMBF) as part of the programme "Innovative work arrangements and the future of work".
Project number: 01HH9901/0

Booklet series:
Demography and Employment