

Integration of the Ageing Workforce

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**Prepared & Edited
by
Manfred Krenn & Paul Oehlke**

Contributors:

Manfred Krenn - FORBA, *Austria*
Hilde Kees, Lorraine Léonard, Elisabeth Wendelen - *INRCT, Belgium*
Pertti Linkola - *Ministry of Labour, Finland*
Henri Rouilleault - *ANACT, France*
Günter Neubauer, Paul Oehlke - *DLR, Germany*
Sjiera de Vries - *TNO-Work and Employment, The Netherlands*
Kevin P O'Kelly, *European Foundation, Dublin, Ireland*

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Introduction

Declining birth rates and a continuous rise in life expectancy are leading to a considerable change in age structures in Europe and other industrialised countries. The ageing population will be, as it is felt more and more in public and private organisations, accompanied by an ageing workforce (Section 1). Shortsighted personnel policies supported by common prejudices concerning the performance of older employees might backfire and undermine the innovative capacity of companies (Section 2). Therefore, on the basis of thorough research, new approaches have to be established which foster the integration of an ageing workforce (Section 3). First results indicate the growing importance of an age-related shaping of work and work organisations (3.1), especially the setting up of team work in mixed age groups (3.2), resulting in a concept of intergenerational policy (3.3). In addition, there is a growing need to create new employment opportunities for older persons (Section 4). We conclude with recommendations for active strategies of ageing in the workplace (Section 5).

1. Facts and Figures of an Ageing Workforce

The EU population is ageing both in general and among the working age population. Present demographic trends show that in the next few decades the older population will substantially grow, partially reinforced by the ageing of the generation of baby-boomers, while at the same time the number of young people and adults is forecast to fall. Over the next 30 years people aged over 60 will grow by 50 % and the number of adults between 20-59 will fall by 6%. In particular, the numbers of those aged 20-29 will fall by 9 million. These figures indicate a constant decreasing of the working population and a continuous ageing of the workforce.

Both tendencies are the result of a falling or consistently low birth rate and a rising and constantly high life expectancy. The combination of both factors is a structural problem to be found more or less in all highly developed societies creating bottlenecks of financing the growing expenses particularly for retirement pensions, but also for health services and care for elderly people. These tendencies are questioning the future funding of social protection which is largely dependent on the contributions of the working population, which will decrease continuously by about one fifth till 2040. Thus, the changing balance between the active and non-active segments of the workforce is threatening the viability of the social security system.

Forecasts and expectations for the labour market, which conclude that there will be a general shortage in human capital in the foreseeable future, are scarcely likely to apply. There are opposite effects as increases in productivity, greater use of the working population potential, in particular women, migration and public recruitment policies (green cards etc.) and further decreases of employment in the traditional areas of the secondary and even in service branches of the tertiary sector. Therefore, the demand will present itself in a highly differentiated manner according to specific qualifications and regional structures.

Far more dramatic than the drop in the absolute size of the potential working population is the change in the composition of its age groups, since the volume of young workers is continuously decreasing and the group of older workers will constantly rise, at least up to

2020. The 15 to 24 year-old age group has constantly shrunk in recent years and the 25 to 34 age group will decrease noticeably in coming years. These are the groups used by enterprises as a reservoir of young human capital which they consider to be particularly efficient and capable.

This development will have a delayed effect from 2010 onwards on the intermediate age group, which will also substantially decrease. The consequence of this 'demographic trap' for companies is that they can rely less and less on workers under 45 years of age, in comparison to more and more older ones. This will lead to an ageing workforce that has recently been backed by public strategies in some countries to increase the official retirement age combined with increasingly unattractive possibilities or even sanctions for early retirement forcing enterprises to implement age-related policies in the near future. In spite of these new trends in some countries, there is still, according to OECD employment outlook figures, a broad range of activity rates of the 55-64 age group, from less than 30% in Italy to nearly 70% in Sweden.

The reversal of public policies required by the rising problems of financing pension schemes contradicts the strong willingness of employees and employers for early retirement. Workers often see it as their prerogative to retire early - above all in the case of poor working conditions and long working hours being no longer compatible with their needs and life style. On the other hand, evidence across the EU of various forms of age discrimination, both open and hidden, still prevails, for example, in age limits for job recruitment and promotion. Older workers are experiencing more long-term unemployment and get less training than younger workers. At the same time there is substantial evidence from research results that older workers are, by no means, less effective and innovative than younger employees - though there are variations between skills and job content. Older staff also has fewer accidents and are less likely to leave organisations than their younger colleagues. In spite of all these facts, there are still a lot of prejudices and policies discriminating against older workers.

2. Prejudices, Personnel Policies and Problems

Prejudices tend to result from perceptions of lower productivity, flexibility and innovativeness of older workers, frequently coupled with relatively high wages. Influenced by this, employers are ready to selectively lay them off and, in general, try to avoid labour market regulations which protect older workers. They do not get access to appropriate training, which is reserved for younger workers who are, on average, better educated, especially with respect to the application of information and communications technologies. Consequently, older workers have fewer opportunities and are less willing to acquire new skills. However, workers who do not upgrade their skills reduce their ability to match the growing demands for handling new technologies, flexible working conditions and dealing with customers.

An employee's age as such is not, in the first instance, an issue that should prevent him/her carrying out a profession. Ageing in professional life mostly becomes a problem when employees remain for a long time in highly stressful jobs and when the specific resilience demanded there is used up to such a degree that the individual's performance ability is less and less able to satisfy the demands of the job. This applies not only to professions where considerable physical effort is required, but also to occupations where certain types of mental stress prevail. Part of the cause of physical wear and tear and the so-called burn-out syndrome, of reduced mental flexibility and of subsequently being unused to learning are the

duration of a one-sided physical and mental work load and too low demands being placed on employees' qualifications in badly designed work systems.

Managers, who are increasingly facing a shrinking time horizon, are obliged to rejuvenate their workforce. These personnel restructuring processes - mostly in traditional industries, but increasingly also in the IT sector - are taking place under the framework of rising competitive constraints resulting from globalising markets which are inducing companies to cut costs, often undertaken through lean management strategies. They aim at optimising production processes and outsourcing all tasks that do not belong to the company's core business. Thus, the laying off of workers is frequently combined with deteriorating working conditions for the still remaining workforce, intensification of work through increased time pressures and the cancellation of niche work places for older workers. Consequently, lean strategies affect older workers to a greater degree because of the use of early retirement schemes and part-time work. Accordingly, at the forefront of the discussion are political objectives of cutting back staff in a way which is 'socially acceptable', without consideration of these 'externalisation measures' which shift the related costs to social security services.

Cutting costs is too often severely connected with a decrease in older skilled staff, with intermediate and higher qualifications, for example, amongst craftsmen and skilled workers, engineers and even computer experts. It can endanger qualitative business strategies in which the competitive edge is derived from a higher standard of products and services, their continuous incremental improvement and increasingly from the development of new products and services, thus creating new markets and opportunities for employment. It is important to stress that most companies face a strategic choice - cost competition or qualitative competition. In a more and more knowledge-based society, there is, in fact, a strong need for a long-term promotion of the innovation potential of companies and personnel strategies can play a crucial role either putting older employees at a disadvantage or using their specific know-how which is deeply rooted in life-long work experience.

On the basis of the concept of 'experience based knowledge' the qualities and opportunities of work experience could be clearly analysed and made visible as a strength of older employees and, therefore, as an important factor for the integration of the ageing workforce. This approach shows that experience is, by no means, an out-dated resource in relation to new technologies and new forms of work organisation or new customer demands, but a tacit knowledge and a latent competence for the successful handling of uncertain and undetermined work situations, which often result in highly cost-effective disruptions.

A one-sided preference towards younger employees equipped with the very latest know-how and being flexible in terms of time and space while at the same time offering less resistance towards intensive workloads, including weekend working, neglects the experience of older employees in the areas of development and design linked to their ability to master complex processes and chaotic situations. The mix of professional and social skills is less a biological gift of younger age groups and far more a product of company structures and processes which are restrictive or conducive to innovative behaviour. A culture of developing human resources through participation in decision-making and comprehensible work tasks, transparent internal procedures, trust and co-operation avoids the dead end of 'social ageing' in organisations as there are the well-known features of functioning in 'well-trodden paths' or of a blindness to everything outside the company.

3. New Policy Approaches to an Ageing Workforce

Since the need for a new way of thinking by enterprises, employees and intermediaries takes time, just as the implementation of countermeasures, it is already important today to prepare for the situation which can be expected in a few years, that is a broadening of the shortage of skilled labour and a deepening of the financial crisis of social services. Workers who are becoming the focus of attention are precisely those who, to date, have not been employed or have been underemployed in various forms of hidden reserves, for example, young people in training, women waiting to return to work, persons involuntarily in part-time employment or in early retirement.

On the other hand, there are older employees who are more or less excluded from personnel policies either from developmental measures or from innovation management thus reducing the human resource potential of companies. Examples of misunderstood lean management strategies, targeted exclusively at short-term increases, in return show rising problems with inadequate planning capacities and a shortage of qualified staff which demand a reassessment of the consequences of an early exit and a policy change to equal opportunities for older staff. So, in order to lengthen professional careers, the need arises to create measures destined to prevent early retirement and encourage the reintegration of older people in search of employment.

The European Foundation for the Improvement of Living and Working Conditions (1997, 1999) have documented successful examples of good practice as a range of minor and major interventions. These confirm that economic constraints are better matched in the long run by age-related work and employment policies which demand a change of attitudes, behaviour and routines throughout the whole organisation based on evidence of the benefits for all in combating ageism. This includes a shift of paradigm from reactive personnel policies to preventive actions aimed at an innovative design of work, technology and organisation which avoids hazardous stress factors and fosters individual development options.

3.1. Age-related Shaping of Work and Organisation

The performance demands have always to be related to specific activities and work tasks. A 30 year-old sportsman may already be considered as too old; as trainer he would be considered as very young - and, the young sportsman may become a successful trainer. This demonstrates that the performance patterns of individuals change throughout the entire course of their working life. Whether they change in a qualified way depends, to a great extent, on personnel and human resource policies that provide an environment in which each individual is able to achieve his or her potential without being disadvantaged by their age. This general objective materialises in specific strategies, in particular with respect to the promotion of good health, qualification, social recognition and involvement.

- Promoting good health can encompass a wide range of measures - ergonomic workplaces and work systems, reduction of stress factors in the working environment, training in ways of working which protect health or planning working hours which are less burdensome and, at the same time, take into consideration personal needs. Encouraging good health in such a preventive and differential manner lessens chronic health risks, for example, muscle and skeletal complaints and heart and circulatory diseases. These policies improve the possibility of finding differential and individual solutions for leaving before or after the normal age of retirement ('retraites à la carte').

- Qualification does not only include opportunities for permanent vocational training and lifelong learning in the context of the developing knowledge society, but also a work organisation which fosters skilling processes by designing comprehensible work tasks, job rotation and co-operation. In addition, employees should be deployed in such a self-regulating way that they can continuously familiarise themselves with new developments and methods as stimuli for the creation of innovative abilities. This makes it easier to change jobs within an enterprise in a planned and targeted way.
- In view of the trend towards more flattened management arrangements, there is a greater need for more involvement of employees in the organisation of their work. This enriches the scope for action and for decision-making including, to a certain extent, tailor-made design solutions and performance patterns for the individual employees. These might motivate employees to act voluntarily to the benefit of their companies and to develop an entrepreneurial spirit and innovative performance, abilities that are by no means limited to any age group. On the contrary, such commitment and long-term employment and deployment policies are enlarging and enriching the scope of action for management and workforces in modern and successful organisations.

3.2. Team work in Mixed Age Groups

In the discussion about how older employees whose abilities have changed can be reintegrated, work groups of mixed ages as an organisational form are often regarded as the instant recipe. It is assumed that the younger employees lessen the load for their older colleagues with regard to heavy physical labour while older staff support younger workers with their experience. Such an understanding of team work in mixed age groups fostered by immediate time-to-market pressures, however, would lead to a new division of labour and a further specialisation. This could result in a low level of flexibility in terms of personnel deployment. As practice shows, a few basic conditions must be fulfilled so that stable teamwork with mixed age groups becomes viable.

- A team with mixed age groups must in principle achieve the same performance as a team of young employees of homogenous age. If this is not the case, then management will exert pressure on the group which often triggers internal conflicts between older and younger staff. Such conflicts are more likely to occur when variable remuneration factors, such as bonuses are based on group performance.
- It must be possible to compensate for limitations in physical performance with experience, problem-solving ability and planning skills. This means the group's tasks may not be reduced to a simple carrying out of activities, but should be designed to match future demands on increasing complexity and variety of components. Each employee should master every activity occurring within the group.
- By means of regular rotation through all the sub-tasks in the group and reciprocal exchange of experience within the work process, the existing physical and mental performance abilities can be brought more in line and even broadened for all members in the group. Such an expansion of group performance should be supported by a budget for training and suitable incentives through remuneration.

3.3. Concept of Intergenerational Personnel Policy

Mixed age groups in teamwork, as well as a balanced age structure in the company, as a whole, are important elements of a personnel policy across generation boundaries. The concept of intergenerational personnel policy is built on a long-term orientation towards sustaining the employability of staff and the competitiveness of companies. If human resources are to become an asset in a knowledge-based society they have to be nurtured and developed as early as the vocational training stage or at the beginning of employees' careers. Accordingly, new demands and concepts have evolved not only for the longer term preservation of their working ability but also in conjunction with their whole working biography.

- The turn-around from corrective to forward work planning, from post-care for older employees to preventive care for all age groups, places specific demands on the personnel policy of the future, which make for new ways of thinking and new learning necessary among all the company protagonists involved. Aspects of the ageing process should be integrated into company strategies and these have to be realised by appropriate procedures and methodologies in a changing company culture.
- Upholding a transfer of knowledge and experience across generation boundaries as a guarantee for competitive business processes and innovation ability demands constant staff additions and departures. What must be asked is whether and to what extent age-mixing as a personnel policy objective should apply as a general structural pattern in all organisational units or whether it should just apply as an average norm for the enterprise as a whole, providing room for further training measures for all age groups, instead of recruiting younger staff.
- A long-term personnel policy demands thinking and action along several planning horizons, so as to take account of cohort effects, such as, the 'age peaks wandering through the generations'. When searching for solutions, the company's changing resources must be borne in mind and, on the other hand, the differences between individuals in working abilities and retirement wishes. In addition, the learning processes of enterprises and employees must be taken into consideration.

4. Creating New Employment Possibilities for Older Employees

When shaping career paths it is a matter of allowing the demands, incentives and pressures within a working life to follow each other in a specific order so that premature constraints to health are counteracted and the qualification, motivation and performance potential of employees are encouraged. These objectives refer both to employees and to enterprises in order to sustain and to develop their employability and their workforce alike. In this context, women are often in a position which is different to that of men because in their profession and working life there can be many career interruptions and changes in occupations, for example, after maternity leave.

Because traditional career and promotion paths are increasingly blocked due to flat hierarchies and ageing workforces, new opportunities that allow for changing jobs within an enterprise must be planned and established in a targeted way. Taking into account the

changing demand structures especially concerning services, for example, the pressure to supplement production by service functions, there is a growing need to set up new customer service departments or outsource them for the servicing and maintenance of special equipments manufactured by the firm, offering new job opportunities, especially for experienced and skilled older employees.

Such a change of jobs also encompasses new thinking among the employees and enterprises, which should lead to new fields of activity frequently demanding new, mixed technical and commercial qualifications (direct productive manufacturing tasks combined with indirect productive tasks of purchasing, distribution and logistics). This switching between various types of tasks is not necessarily linked to promotion and a better remuneration. Appropriate mobility processes will, however, only materialise to the same degree as the material security of the persons concerned is guaranteed.

Companies complaining the irretrievable loss of the know-how of departing older employees have tried to safeguard their experience by establishing interdisciplinary staff pools, not only for the purpose of in-house consulting, but also as a service which can be purchased on the market by others. In this context, the option of self-employment has been observed in recent years, in particular in the information technology sector where older people have a comparatively low average age and relatively high qualifications. A classic example of finding a solution outside the enterprise is the setting up one's own business, especially by craftsmen. How far such a step into self-employment would be appropriate for women in quantitatively significant female-dominated areas of work such as health services, hotel work or hairdressing, needs to be further investigated.

Under what conditions, in what form, whether as a staff pool, self-employed or part-time work and, above all, for which groups of older employees and for which business sectors can feasible and generally applicable models for the future be developed? This is becoming an urgent task from the standpoint of the persons concerned and labour market policies in general. This task can be illustrated by the example of the automobile trade where thousands of firms and tens of thousands of jobs are at risk due to a drop in the need for repairs, longer intervals between maintenance checks and a reduction in the size of manufacturers' networks. In a situation where moving to another sector is less and less an option and if new job opportunities, especially for older automobile workers, are to be opened up this could be done by dealing with the current problems of the disposal and dismantling of end-of-life vehicles. Usable parts could be recycled for repair work and made available on a larger scale than to date.

It is precisely in a modern knowledge and service society, which is permeating all branches and sectors of economic activity and social life, that know-how gained from experience and a qualification culture, as well as lifelong learning and the transfer of knowledge are becoming strategic prerequisites for individuals, enterprises and organisations. In view of a constant increase in virtual processes and production, firms are confronted with the need to establish systems of internal and external knowledge management. They have to be organised in-house or through agencies set up for this purpose with access to venture capital and some initial funding. This offers the chance to preserve and develop the accumulated experience of older employees all the more, considering that the traditional path of acquiring new knowledge by recruiting skilled young staff is becoming more difficult, in particular for small and medium-sized companies.

Thus, the increasing demand of an effective knowledge management combined with new customer-oriented service functions opens up new work roles and employment opportunities for older workers, for example in the fields of:

- transfer and training of experience-based knowledge, for example, through tandem and mentoring models;
- quality management, for example, developing and keeping quality standards for project work especially in research and development;
- process and product innovation, for example, the role as innovation coach in software design companies;
- service functions, for example, creating new departments or companies for the maintenance of special machines and processes of customers.

Introducing new work roles for older, experienced employees is a reactive strategy to solve current ageing problems in companies by changing work organisation. The invention and implementation of 'age suitable' workplaces have to fulfil two demands – first, working conditions should be adapted to the health and safety needs of older employees; second, experience-based knowledge should play an important role in fulfilling the tasks. Such a combination could bring advantages to both sides, the company and the workforce. Management, on the one hand, can make use of important human resources and older employees, on the other hand, stay in employment under suitable working conditions.

5. Active Strategies for Ageing in the Workplace

The need for age-related integration policies and the creation of new employment opportunities for older persons challenges, not only employees and companies, but also intermediary organisations, such as employers' associations and trade unions, chambers of commerce and crafts, professional and trade organisations and finally, public bodies from local municipalities and regional authorities to national governments and the European institutions. Thus, the issue of demographic change and the ageing workforce has been taken up by legislation, measures and programme activities in European countries.

From an analytical point of view, the measures of position-oriented strategies (social security legislation, early exit systems etc.), resource-oriented strategies (employability and quality of work promotion including lifelong learning opportunities contributing to the health and well-being of an ageing workforce) and simple rules-oriented strategies (recruitment, anti-discrimination etc.) compete with each other. In reality, however, there is always a strategic mix to be found, which differs from country to country according to the respective national systems of industrial relations, the development of social policies and unwritten laws of cultural and traditions.

In the European context of demographic change, the European Foundation for the Improvement of Living and Working Conditions, Dublin, launched, in April 1994, a European project on *Combating Age Barriers in Employment* which involved Belgium, France, Germany, Greece, Italy, the Netherlands and the United Kingdom. Some limited material from Finland and Sweden was also included. The research results from this project made a significant contribution to the 1995 *Council Resolution on the Employment of Older Workers* calling on the European Commission to organise an exchange of information, experience and good practice. The examples of good practice quoted in the final reports have

demonstrated that, although it is still only a minority of organisations, leading European commercial companies and major public authorities indicate a growing awareness and articulate a business case for safeguarding, developing and utilising human resources instead of wasting them.

The comparative study of the *European Industrial Relations Observatory (EIRO)* on national measures to combat age discrimination in employment reveals likewise an increasing concern to policy-makers and industrial relations practitioners at both national and European levels. However, it is clear that the issue of age discrimination has yet to become accepted as a key target of equal opportunities policies to the same extent as discriminations on grounds of sex, race or disability. At the same time, age discrimination and the employment position of older workers are generally not the subject of extensive collective bargaining. Accordingly, older workers are still suffering from a weak position in external and internal labour markets and, therefore, from long-term unemployment and few re-employment possibilities. Under these circumstances, there is a growing need to analyse and to discuss the obstacles and opportunities of change in a European dimension.

The European Commission's communication *Towards a Europe for all Ages* (May, 1999) states that 'the effect of demographic ageing is that human capital is becoming a resource which we must treat with much greater care than before'. This implies that to increase the level of participation of older people in the labour market we need to reinforce their employability, review employment rules and practices to adapt workplaces to ageing and promote equal opportunities. Accordingly the *Employment Guidelines for 2000* invited the Member States and the social partners to develop policies for active ageing that would emphasise the age dimension of human resource management and promote flexible working arrangements to enable older workers to actively participate in working life.

A major challenge for all public, intermediary and private stakeholders is to carefully develop integrated policies, strategies and measures, so that contradictions and counter effects such as the age and employment paradox of the co-existence of an ageing workforce and expensive early exit policies are avoided:

- The regional and national differences of dealing with an ageing workforce according to the specific economic and social framework conditions have to be taken into account by European institutions at the same time highlighting the importance of the Commission's networking role in encouraging a greater sharing of knowledge and expertise.
- National governments have to co-ordinate a whole range of policy activities, for example, in the areas of social security and labour market, work and employment, education and research providing financial support and subsidies on the one hand and taking care for regulations and initiatives which encourage the employability and employment of older persons.
- Intermediary organisations, such as employers and trade unions as well as of professions and trades, can play a pivotal role in information campaigns tackling the dangerous stereotype that older persons are automatically less efficient, flexible and innovative, through striving for equal opportunities and disseminating examples of good practice.
- Employers have to be aware of age related policies which do not stigmatise older workers, but, on the contrary, foster an integrative personnel policy, a human resource strategy and

an enlightened company culture, by designing human and innovative working conditions for all age groups and by taking advantage of an intergenerational knowledge transfer.

- Finally, employees must, increasingly, recognise their share of responsibility for shaping their careers by increasingly taking advantage of further education opportunities, co-operative behaviour and self-management, which are becoming a prerequisite for sustained employability and entrepreneurial activities.

**Selected Publications of BMBF, European Foundation and OECD
which are available in English:**

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