

AGEING AND EMPLOYMENT:

**IDENTIFICATION OF GOOD PRACTICE TO
INCREASE JOB OPPORTUNITIES AND MAINTAIN
OLDER WORKERS IN EMPLOYMENT**

FINAL REPORT

**Warwick Institute for Employment Research, University of Warwick
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EXECUTIVE SUMMARY

A key element of European economic and social strategy is the raising of the employment rate through extending working life. How this can be encouraged in practice without lowering living standards, endangering attempts to improve work-life balance, and undermining the pursuit of equity, economic efficiency and community depends on finding good practice approaches at organisational and institutional levels. The project on ‘Ageing and Employment: Identification of Good Practice to Increase Job Opportunities and Maintain Older Workers in Employment’ (AEIGP) was designed to shed light on the emergence of ‘good practice’ drawing on the experience from eleven Member States. The central part of the research consisted of 41 organisational case studies. This was complemented by analysis of the strengths and weaknesses of the national institutional framework within which the organisations operate together with the exploration of selected good practice examples of initiatives of social partners, NGOs and national or regional policy-makers.

This Executive Summary covers each of the principal chapters of the main report of the study.

THE CASE STUDIES: COUNTRIES, COMPANIES AND INSTITUTIONAL EXAMPLES

Company case studies

In general, five case studies were carried out in France, Germany, Italy and the UK, and three in the Czech Republic, Finland, Hungary, Lithuania, Netherlands, Poland and Portugal. In order to ensure a reasonable mix with regard to sectors, skill levels and gender and to allow for cases turning out to be less useful exemplars than had been expected, a higher number of potential case studies were initially explored. Thus, 67 case study organisations were initially approached, producing a final sample of 41.

- As regards the nature and size of the organisations chosen, public companies represent approximately one-fifth of those investigated, a quarter are SMEs and just one belongs to the co-operative sector.
- The company case studies covered a wide range of areas of economic activity. At the same time there were five branches for which cases were investigated in several countries: financial services, retail trade, public administration, the electronics industry and construction. These clearly do not provide for generalisations about sectoral effects but they offer a basis for drawing attention to especially interesting contrasts and for formulating hypotheses.

Driving forces and fields of intervention

The rationales, driving forces and contexts for implementing age management strategies

The case study organisations have implemented age management strategies in a variety of contexts, which include:

- industrial restructuring;
- growing markets and dynamic developments;
- organisational change and technological development;
- demographic change in the company and the danger of skills losses;

- labour shortages;
- trade union policies.

Moreover, in some cases, these contexts have acted directly as driving forces for the development of age management. In more generic terms, they may derive from:

- cost pressures;
- requirements of consumers;
- flexibility requirements in production;
- the need to compete for skilled labour – recruitment and retention problems;
- changing social values within companies.

In many cases we find a combination of different contexts and driving forces for change co-existing with age management strategies. However, their impact on strategic choices is mediated by the different rationales pursued by the various actors. So, alongside the undoubted importance of changes in ‘structure’, there is a significant role for ‘agency’ in the determination of policy outcomes and their consequent impacts.

Fields of intervention

With regard to the variety of age management strategies revealed in the case studies, the measures implemented are mainly in the areas of work organisation, mobility management, career development, design of tasks, recruitment, working time arrangements, continuing training including knowledge transfer, health-related measures, outplacement. If found together in one organisation, they would represent an extensively holistic approach.

A potential prototype of a reasonably integrated strategy, falling somewhat short of the ideal holistic case would perhaps consist of training measures accompanying mobility management, whilst also taking into account health-related aspects, job assignment decisions, and the sustaining of career management approaches for all age groups.

In reality, our case studies represent quite broad selections from the menu of possible interventions in which their ‘joined-upness’ is a matter for debate. Some of the companies have consciously elaborated an age management programme, but this is not the case for all companies. Many pursue interesting approaches to what amounts to age management without having explicitly formulated an age management strategy.

ECONOMIC AND LABOUR MARKET CONDITIONS – SOME INTERNATIONAL REFLECTIONS

All countries are facing an ageing population and most exhibit declining activity rates among the older cohorts. Italy presents a particularly strong example of this whereas the main exception with regard to activity rates is Finland which has the most established age management policy approach though there is some debate about whether or not the rise in activity rates for both male and female older workers can actually be attributed to the policy regime. The relatively low qualifications and skills of older groups, along with their higher probability of working in agriculture or production activities, leave them at a particular

disadvantage in accessing higher-level jobs in the major growth areas of services to businesses and services to households.

New Member States, having experienced the most significant structural change are likely to continue to do so. The impact on older workers has been ameliorated by the relatively high growth in economic activity and the fact that a number of these countries have rather well-developed education and training systems. However, though new areas of economic activity and forms of employment relationship are developing, the relative lack of opportunity for flexible working, including part-time and fixed-term contract employment, tends to reinforce the disadvantages of older workers. These are produced by a combination of inherent characteristics, which tend to make them less employable, and discrimination that goes beyond the objective assessment of their worth as employees.

The individual country studies demonstrate quite clearly that older individuals are inevitably at risk in a number of respects unless there is some legislative framework or collective bargaining practice that aims to protect them.

Given the relatively low probability of finding a new job if made redundant, unemployed older workers are faced with a particular problem, that of ensuring sufficient income when retirement eventually comes. This applies both to those who were (had they retained their jobs) fortunate enough to have pensions linked to their final salaries and those unfortunate enough to have had particularly low-paid employment during their working lives and were still trying to build up sufficient pension contributions.

Training programmes for older workers are, in principle, a constructive response to the above situation but the predominance of those with limited histories of formal and, even, informal learning, make them less able to capitalise on the potential benefits of training. This group also faces shorter periods of remaining working life than is the case for younger workers, which thus truncates the rates of return to training that they might otherwise enjoy.

NATIONAL POLICIES: pensions reform, legislation and special programmes

It is not surprising that, in view of the economic and social developments summarised above, virtually all countries have, at least started, to examine the case for changing major parameters of their pensions systems, particularly those relating to the notions of retirement age and disability. Some countries are sufficiently emboldened by their concern to do something, and by their reading of the evidence on what to do, that they have already set in train nationwide increases in norms for retirement ages.

Others point to the difficulty of changing national norms when different parts of the labour force face quite different conditions in terms of the demands placed upon workers; their capacities to continue employment even to the point of reaching current formal retirement ages are already in question, never mind pursuing working lives which extend beyond those norms.

However, pension reform is only one of the policy instruments available to governments which seek to create more positive conditions for age management. Two other instruments available are: the introduction of age discrimination legislation and the provision of employment and training programmes for older workers both within the organisation and in the external market.

Age-based pensions and disability-based pensions

In the debate about pension reform, it is sometimes forgotten that the origin of pension schemes was not to provide more choice as to when to give up work but more to provide continuing income when those without choice, i.e. who were no longer able to work or faced special difficulties in doing so, were obliged to give up work. In some countries, there are clear relationships between pension ages and experience with life expectancy so that lower normal retirement ages tend to be found in countries with lower life expectancies, as is the case in eastern Europe.

At the same time, however, social benefit systems condition the point of entry to the pension regime through responses to unemployment and to different degrees of health problem or disability. The strong link that emerged in many countries in the 1980s and 1990s between high unemployment and increases in disability, recorded for the purposes of demonstrating eligibility for disability benefits, indicated a degeneration in the social policy system. Reforms over the last decade or so have sought to reverse these effects as well as the interaction between them.

Legislative action

The review of international evidence and the experience of those countries covered in this study is not very conclusive about the effects of anti-discrimination legislation and only slightly more so about the need to buttress legislative action with accompanying measures relating to awareness raising and employment and training programmes for older workers. The latter seem to help to reinforce the impact of legislation but the observed effects are not dramatic. Moreover, nor should we perhaps expect them to be so in view of the limited experience with more holistic approaches, the short periods of time for which the main components (pensions reform, legislation and programmes) have been in existence and the strong tendency to change specific elements within them before evaluating outcomes. The most common outcome of studies looking at the impact of legislation is that it is marginal.

Labour market programmes for older workers

So attempts to stem the flow into early retirement and/or disability status are now common and legislation against age discrimination is building up, particularly with the implementation of EU Directive 2000/78. In contrast, the use of measures to strengthen the position of those retained within the labour force through employment schemes and training designed for older people is much less developed. Where they are explored, their impacts on both the employment rates and wage rates of the older workers are usually difficult to demonstrate.

On the other hand, the importance of such programmes may lie more in their influence upon the climate of opinion in the labour market, working on the demand side as well the supply side. Thus, challenges to conventional thinking may help to reduce employer discrimination against older workers over the long term and prepare them more for adapting work places and practices accordingly. Similarly, on the supply side, changing attitudes of older workers may gradually encourage more positive engagement with opportunities for redeployment and retraining presented to them. There is evidence at national level to suggest that these effects should not be ignored and the significance of awareness-raising campaigns as part of a more holistic approach to pension reform and labour market intervention needs to be recognised.

At the same time, the experience particularly of Finland and, to a lesser degree, the Netherlands, points to the need for collective departmental or multi-agency approaches at government level in creating conditions under which age management might better flourish at

organisational level. It also recognises the importance of encapsulating and transmitting to wider groups of actors the knowledge acquired in development work concerned with age management

PRODUCTIVITY

In most ageing population scenarios, there is concern about pension arrangements giving undue incentives both to employers and individuals to favour early retirement rather than extended working life. Moreover, these are seen to be reinforced by what seem to be, on reflection, inappropriate wage-age structures at the organisational level. Thus higher wages at older ages offer economic incentives for employers to dispense with older rather than younger workers when seeking to reduce employment levels. These reinforce the social incentives already in favour of using the more acceptable vehicle of early retirement rather than creating more youth unemployment, even though, in reality, that trade-off is not as straightforward as public opinion might have it.

However, although, on the face of it, employers seem to be acting irrationally when adopting highly differentiated wage-for-age policies, economic theories can be found to explain their behaviour. Unfortunately, two of the most prominent economic models agree that current age-earnings profiles do not reflect productivity differences very well, but then disagree diametrically on how to interpret the profile: the human capital model suggest that the observed age-earnings profile *over-states* productivity at younger ages and *under-states* it at older ages, whereas the contract-efficiency wages model claims the reverse. Moreover, since we cannot easily observe the age profile of productivity directly at an empirical level, it is difficult to resolve the issue econometrically.

This situation is hardly of much help to policy makers seeking to promote age management with a view to increasing employment rates and productivity at the same time. How much should policy makers worry about persuading employers to change the relationships between age and earnings? Does this represent a major degree of irrationality against which other elements of age management will struggle to have the desired effects?

In practice, the main difficulties arise when there are marked transitions in the age structure of the population combined with the need for relatively large adjustments to employment levels and sectoral-occupational structures. Trying to achieve the latter without changing the age-reward profiles will tend to focus readjustment more onto older workers. In more stable economic development conditions with relatively high job security, age-earnings profiles that depart greatly from the age-productivity profiles are less likely to be problematical regarding losses of efficiency and equity since successive age cohorts of employees are more likely to follow similar life-cycles.

Even with less benign conditions, there are examples amongst our case studies where companies have sought to adjust working patterns so as to harness the comparative advantages of different age groups and minimise their disadvantages. Thus, on the one hand, there is evidence that heavy manual work, the need for rapid learning that makes previous knowledge obsolescent, and working under considerable time pressure cause more problems as age increases. On the other hand, jobs requiring substantial knowledge-based judgement exercised under more limited pressure of time and benefiting from high levels of social skills and awareness favour more experienced workers. However, our study has identified cases where employers have managed to deploy older and younger workers *doing quite similar jobs*

but under different circumstances within the organisation in such a way as to make the most of both groups.

More is said about the scope for such adjustments below, but it is unrealistic to believe that the ingenuity of employers and co-operation of employees can simply remove the need for closer attention to be paid to the design of wage structures in changing market conditions. It would also seem necessary to consider some re-balancing of employment relationships so that the benefits derived by the individual from length of service or age, *as long as they remain with the employer*, are reduced in favour of *increasing the likelihood of remaining* with the employer through effective opportunities for re-deployment and re-training before being faced with redundancy or early retirement. This inevitably favours greater consideration of collective, if not individual, age-specific performance-related criteria in the determination of pay systems.

WORKING CONDITIONS AND ‘WORK ABILITY’

So the earnings-productivity issue cannot be ignored. Nor, however, can the need for improvements in work organisation that generate the productivity outcomes and the potential role of age management. Finnish researchers, in particular, have developed a conceptual framework which is intended to facilitate more serious discussion and better policy design in relation to working and ageing, yet has its roots in more general analyses of what factors constitute, essentially, high performance organisations.

It is too simplistic to say that Finland has been pre-eminent amongst the bolder strategists in increasing retirement ages because of its access to more advanced thinking about work, organisation and, yes, age. But a major reason why Germany has held back, has been its recognition of the need to redesign workplaces and working practices so as to make less fraught the transition to older retirement regimes.

Whilst the notion of ‘employability’ has been a familiar part of the discussion of labour market change, that of ‘work ability’ has much less currency. Among researchers and leading practitioners, however, the concept has acquired significant status and has reached the stage where there is some consensus as to its definition and measurement. As regards the latter, the Work Ability Index (WAI) along with a standard questionnaire has gained considerable currency and covers a variety of variables: strain, autonomy, physical demands, enthusiasm, activity, education, vocational training, etc. International comparisons suggest that the extent of poor and moderate work ability is quite similar across countries, which also share the observation of ‘work ability’ declining with age.

‘Work ability’ is very different from ‘employability’ which tends to be part of the discourse on making people more able to perform the work available and, to a degree, individualising the responsibility for getting the knowledge, skills, etc. to be able to do so. Work ability concerns the interaction between the characteristics of individuals and groups and those of the working environment. It seeks a sustainable balance between the requirements of the work and the capacities of the workers and a sharing of responsibility between management and workers in order to bring this about. Moreover, the WAI is intended to be a diagnostic tool to be used in guiding the process of improvements in work ability so as to benefit both the individual and the organisation and which produces wider gains for society at large, especially when age management is involved.

Work ability integrates considerations of health, competence, values and work. At enterprise level it offers an holistic framework in which to address such issues as productivity,

competitiveness, sickness absence and the costs of disability. It gives a high profile to the quality of collaboration between different work groups, including different age cohorts, the quality of work organisation and the quality of leadership. Several of the cases studies show the importance of health promotion programmes as part of age management strategies. They show the closer attention paid to enterprise leadership in relation to older workers, to extending opportunities for responsibility and for having influence, and to designing work that is compatible with both the capabilities of the older workers but can draw on the scope for collaboration between older and younger workers.

In terms of process, several case study organisations actively involved intermediaries who were age management and/or health experts – in one Czech case a psychologist was employed to accompany older workers involved in internal mobility.

LIFELONG LEARNING

The country-based evidence indicates that continuing training strategies are best embedded in the wider approach of age management which aims to keeping the older worker connected to the organisation through work-related and work-based learning, which provides for internal mobility. Strategies that promote lifelong learning after the employment relationship is broken by redundancy in order to promote mobility in the external labour market are much less effective. This is where good age management can pay off in societal as well as meeting enterprise objectives.

The case studies show that the quality of the learning opportunities is crucial – their adaptation to the needs of older workers where necessary but at the same time being integrated within the overall enterprise learning strategy and effort; examples identified were modular design, certification of skills and competencies acquired in the workplace, individual training plans for older workers not just those in their earlier years of working life, inter-generational knowledge transfer through mixed teams and mentoring. In a few cases, training within the company was intended to assist the worker with *external* mobility when a change of employer was anticipated in the course of industrial re-structuring.

HUMAN RESOURCE MANAGEMENT

Age management whether or not informed by the ideas of ‘work ability’ does itself imply a certain way of approaching human resource management (HRM). It may start from concern to protect older workers from disadvantage and redundancy; it may aim especially to strengthen the contributions that older workers can make by positioning them and enabling them to position themselves in more promising circumstances within the organisation. However, an age management approach inevitably begins to see at least some HR issues more in *lifecycle* terms rather than as being tied to the circumstances of particular age groups such as the training of (young) apprentices, progression among (middle-aged) middle or senior managers, re-training or redundancy of (old) skilled tradesmen. Moreover, it deals as much with the lifecycle of the *employment relationship*, as with that of the employee (or the organisation).

Note, though, that whilst an age management strategy is intended to introduce a more *balanced approach* to the treatment of different age groups, it is not intended to promote balanced age *structures* of the workforce. Its major preoccupation is rather with monitoring and developing the *internal mobility system* of the organisation.

The case studies reveal the importance of internal mobility in a variety of forms and promoted with a variety of primary motives. Examples include:

- multi-skilling to facilitate job rotation in response to the need for flexible deployment of the workforce in changing demand conditions;
- internal mobility so as to optimise the allocation of tasks for a worker who had acquired a health problem;
- internal mobility enabling those most capable of adapting to technological change to be trained to do so and others to be re-deployed with or without training to other positions in the organisation;
- generating more internal mobility than is strictly required by current business conditions in order to accustom the workforce of all ages to changes in activity so that this capacity can be drawn upon when it is really needed and so that older workers in the future will be more able to cope with the need for mobility-flexibility;
- increasing mobility and job rotation to increase motivation through offering workers greater variety and interest;
- vertical and horizontal career management to avoid restricting accidentally both the opportunities for individuals to develop combinations of knowledge and experience which will aid their future advancement and the opportunities for the organisation to discover and develop the capabilities of its employees to meet the needs of the business – attention to the demographics of the workforce is especially important in this respect.

Well-developed internal mobility systems also benefit the operation of the external labour market through making the organisation able to consider a wider range of potential recruits (including older workers without the preferred technical skills but with potentially valuable experience in other respects). Where there is a predominance of small companies, sectoral solutions to the delivery of training and careers guidance can be part of a shared strategy to retain skills and promote ‘sectoral internal mobility’. This is more difficult to engineer but examples feature among the case studies and in the wider research literature.

DILEMMAS FACING THE SOCIAL PARTNERS

The first conclusion from this part of the research is that the role of the social partners and, in particular, trade unions with regard to developing good age-management practice is rather ambiguous. This applies to many countries and involves a mix of opposing strategies at the different levels of intervention. Thus, trade unions may be opposing the lengthening of working life at national level, while bargaining on the best way to enhance the ‘work ability’ of older workers at company or workplace level. Furthermore, for many years social partners have pursued two strategies: (a) they followed a seniority-based approach to bargaining over wage structures and redundancy rules protecting older workers and at the same time, (b) they encouraged the early exit of older workers from the labour market when unemployment was high generally and especially for young people. This strategy mix is now tackled as the

possibilities for early retirement have been restrained and retirement age increased in a number of countries.

Basically, the role of the social partners in age management is determined by the level at which opportunities for intervention present themselves, namely the macro-level (tripartite negotiations, influencing policy making, being represented on the boards of the welfare state institutions) as well as the sector and company-level (sector-level, company-level and workplace-level collective bargaining). Strategies pursued at these different bargaining levels may be contradictory as the interests are formulated in different ways. However, a number of factors influence the strategy of the social partners. These are in particular, the economic context, the labour market context, the industrial relations system and the role of the State as well as the welfare system.

The social partners are defending the interests of their members in the first place. By doing so, trade-unions, in particular, might also pursue social and political objectives, such as influencing the distributional policy in the company or the whole society. At the same time the organisations seek to remain attractive for their members, offering benefits that come only with membership. Trade unions especially face the free-rider problem. They are struggling to find the right balance between engaging in pursuing equity and growth objectives for all workers at the macro level and focusing on the interests of their members only. A further tension for trade unions consists in addressing the interests of actual members (e.g. older workers) and potentially new members (e.g. younger workers). Thus, membership structure and the interests of the members are also shaping trade unions' strategies. Finally, trade unions generally push for early exit but seek at the same time to improve 'work ability' for those remaining in the company.

In the same way, the position of employers is ambivalent: early retirement represents a welcome option for managing and financing industrial restructuring. However, the possibilities for early retirement are now being increasingly restricted and early retirement is becoming a more expensive tool. Whilst the latter still offers the possibility of limiting social conflicts at the organisational level, nonetheless, it transfers the financial and social costs of doing so to the societal level. A further tension for employers consists in seeking a balance between the requirements of short-term and long-term strategies.

So, strategies formulated at the macro-level may operate against strategies pursued at the micro-level. The general discourse as well as collective bargaining betrays a tension between protecting older workers, but not necessarily protecting their work ability and favouring early exit. Nevertheless, we find that collective bargaining on 'work ability' is emerging in a number of countries in pioneering companies or at the initiative of the State. In those countries where there is a lack of skilled labour, the collective actors are more advanced in developing age-management strategies. In contrast, high unemployment and major industrial restructuring render strategies aiming at enhancing employment rates of older workers more difficult. In this context, also the position of the State is ambiguous: the extension of working lives can conflict with attempts to reduce unemployment, though we need to avoid falling into the 'lump of labour' trap in assessing the outcomes.

As more sophisticated attempts are made to tackle age management questions, the possible fields of negotiation quickly expand to encompass working time, further training (e.g. with regard to cost sharing), work organisation, wage system, working conditions and social plans. The low level of collective bargaining on age-management-related issues in a number of countries has to be understood as a result of high unemployment and industrial restructuring. Our comparative analysis has also shown that in a few countries the social dialogue on 'work ability' of older workers or more generally all workers is quite advanced. Moreover, the

quality of this dialogue can be regarded as being a success factor for the effective integration of older workers. Indeed, we see interesting examples in the Netherlands in particular, but also in Finland and France.

MAPPING OUT GOOD PRACTICE AND SHARING THE LEARNING AND IMPLEMENTATION PROCESS

Identifying good practices and disseminating them through networks constitute a key part of EU strategies, policies, programmes and knowledge management. It has been recognised as an integral part of the Open Method of Coordination (OMC), now widely practiced in the EU. The rationale is that by exposing different countries, programmes and projects to validated good practice, the overall performance can be enhanced through mutual learning.

This is also the rationale behind the AEGIP and other research-related initiatives: first, identify validated good practices of age-management in the private and public sector in different countries, build a case-bank of good practices, and then disseminate them to enhance the overall performance in age-management in Europe. However, our research has also reflected on ways of improving the learning network for good practice dissemination.

There are several European networks dealing with identifying and disseminating good practice on improving work ability and working conditions that are relevant for the age management issue. There is probably room for improvement of the mutual linking of these efforts, platforms and databases.

The *European Foundation for the Improvement of Living and Working Conditions*, <http://www.eurofound.eu.int/> conducts surveys on working conditions and has several publications, articles and links addressing and pioneering the age issue, including good practices in age management.

The work of the *European Agency for Safety and Health at Work* (EU-OSHA), <http://agency.osha.eu.int/OSHA> is also an important body, especially because it brings together in many ways occupational health and safety professionals, government officials and social partners. Through EU-OSHA there are links to other OSHA-related networks and sites in the world, like USA, Australia, Canada, Japan, ILO, WHO.

In developing closer associations between workplace development, health and safety, and spreading the concept and practice of work ability and the work ability index (WAI) and related issues, a key contribution could be made by exploiting the possibilities of EU-OSHA's site and networks.

The same can be said about the *European Network for Workplace Health Promotion* (ENWHP), <http://www.enwhp.org/home/index.php>. The European Network for Workplace Health Promotion is an informal network of national occupational health and safety institutes, public health, health promotion and statutory social insurance institutions. It aims through the joint efforts of all its members and partners to contribute to improving workplace health and well-being and reduce the impact of work-related ill health on the European workforce. The Network is at the leading edge of developments in European workplace health promotion. By means of various *joint initiatives*, it developed good practice criteria for WHP for a variety of types of organisations and established infrastructures for WHP in the Member States. Through these *national forums* and networks ENWHP facilitates the cross-border exchange of

information and the dissemination of good workplace practice. ENWHP focuses in its current 5th initiative on strategies which enable employees to remain longer in work. There are several other organisations and networks of relevance but it is recommended that steps be taken to fully capitalise on the three mentioned above. The Commission could play a key facilitating role in this process.

AEIGP - case evidence of dissemination and networking

The case material of AEIGP shows that there have been awareness-raising campaigns and government policy developments concerning age programmes, better coordination between ministries on the age issue (see Finnish, German and Czech examples), activities of social partners (see the German example of services provided by social partners with regard to age management) and the companies themselves, special networking to reach small and medium-sized companies (Finnish), awareness raising and campaigning by an NGO (UK) and a regional project providing support for the unemployed 45 plus (UK).

RECOMMENDATIONS

The final chapter of the main report draws together the evidence from the case studies, offers some reflections on the notion of good practice in the light of the research conducted, identifies the factors that seem to contribute most to the successful introduction and continuation of age management and the factors that seem to act as a barrier, and makes some recommendations for action at European, national, company and individual level. This final part of the Executive Summary concentrates on the last of these elements by summarising the main recommendations.

At the outset, it has to be stressed that, ultimately, strategies for lengthening working lives can only succeed if much greater progress is made in tackling unemployment through increasing competitiveness and expanding labour demand.

European/transnational level

Recommendations at European level focus on the development of suitable frameworks and support measures on which EU Member States can draw when designing and implementing measures.

- Promote awareness of the potential of age management among national authorities
- Encourage Member States to develop national (or regional) age management programmes
- Promote co-operation among key institutes, networks, agencies and projects in the field of WHP, OSH, workplace development, innovation, adult learning, and strengthen the dissemination of good practice on age management
- Engage in discussions with partners at European level to reveal elements of common interest between generations in the labour market and a more rigorous approach towards notions of inter-generational conflict which does not automatically associate good age management with threats to increase youth unemployment.

National level

- Reform pensions systems to remove distortions that obstruct the potential lengthening of working lives for those who desire it, whilst also taking into account the need for labour

market flexibility. A flexible pension system should facilitate retirement over a wider age range according to individual needs.

- Act so as to align public sector retirement practices with those being advocated for the private sector
- Promote effective engagement with key networks concerned with WHP, OSH, workplace development, innovation and adult learning.
- Promote awareness of good age management practices and the co-operation of social partners and citizens through programmes, projects and campaigns
- Adopt a comprehensive approach that adopts a life-cycle perspective rather than focuses largely on employment in later life
- As at the European level, promote a balanced discussion of the notions of inter-generational co-operation and conflict in the labour market.

Regional level / sectoral level

- Provide expertise on age management to SMEs - which are less likely to have access to in-house specialists.
- Provide support (financial or otherwise) for SMEs with regard to life-long learning.
- Incorporate age management perspectives into policy development aiming at greater intra- and inter-sectoral mobility, especially as it affects SMEs
- Build co-operative networks on the aspects mentioned at national level.

Company level

- Implement holistic approaches to age management, adopting a life-cycle perspective and drawing actively on the experience of other organisations, paying special attention to the factors that help to make them sustainable. Strategies at company level that need to be integrated include:
 - improving working conditions and enhancing work ability
 - promoting health
 - increasing internal mobility and flexibility of all age groups
 - implementing career development for all age groups
 - setting up mixed age groups and organising knowledge transfer
 - offering flexible working time
 - reducing or avoiding physically demanding working hours (shift work) and considering deployment of older workers in less busy periods
 - examine the scope for adapting wage and pension systems to reduce incentives for early retirement.

Employers' Federations and Trade Unions

- In the formulation of their strategies employers' federations and trade unions should take a longer-term view.
- In collective bargaining, adopt age management and 'work ability' perspectives to
 - wage policies

- improving working conditions
- equal access to training for all age groups
- negotiating flexibility (work organisation and career development)
- volume and distribution of working time
- company pensions

Employers' Federations and Trade Unions can play important roles in raising awareness of age management and provide general guidance to the social partners on how to develop and respond to the implementation of an age management approach.

Trade unions (at all levels)

It has been argued that trade-unions are in an especially difficult position. Nevertheless, our study points to a need for trade unions to develop a clearer strategy in response to demographic change and a need to communicate this to their members.

- In the formulation of their strategies trade unions should take a longer-term view which balances the interests of those members approaching retirement and wanting to retire early, with the interests of those wanting to work on, and with the interests of those members who are young enough to consider alternative pension arrangements that offer them an appropriate mix of flexibility and security with good benefits in proportion to their costs.
- Trade unions should develop a clearer position towards what is in the best long-term interests of their members when dealing with questions of equity in relation to entitlements to company pensions which unduly favour those with longer lengths of service and to removing aspects of pension schemes that discourage mobility and flexibility.

Individual level

Individuals need to take responsibility themselves for maintaining and enhancing their work ability and employability throughout their entire working life, drawing as much as possible on institutional support for life-long learning and career development.

1. INTRODUCTION

1.1 The Background

Demographic change reflected in the ongoing ageing of the European population will have important consequences for European labour supply.

In the medium-term (up to 2010), EU countries will mainly have to face the problems of an ageing workforce while in the long-term they will have to face labour supply restrictions caused by a shrinking working age population (European Commission, 2003a). Moreover, the speeds of ageing vary across European countries, as do the projected starting dates for declining populations of working age.

Thus, in order to reduce the waste of human resources represented by premature retirement, the European Union adopted the objective of delaying the labour market exit age and increasing the employment rate of older workers. In particular, the Barcelona European Council 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”, which means increasing the activity rate of older workers (European Commission, 2004). The Stockholm European Council agreed to “set an EU target for increasing the average EU employment rate among older women and men (55-64) to 50 per cent by 2010”. According to the Employment in Europe 2003 report (European Commission, 2003b) this would mean that, taking account of demographic change, the EU15 would need to increase employment of older workers by almost 7 million between 2002 and 2010 with 2.6 million of this total required purely to counteract the effect of ageing.

The Stockholm and Barcelona targets are embedded in the European Employment Strategy to “create more and better jobs”. The general aim is to increase labour market participation for all groups of workers and to reduce inequalities including those relating to age. The new employment strategy explicitly includes promoting active ageing in the sense of increasing labour force participation, working for more years and remaining at work longer (European Commission, 2003c).

The joint report from the Commission and the Council on *Increasing labour-force participation and promoting active ageing* puts forward a life-cycle approach.¹ The Council has taken this up and the new employment guidelines for 2005 to 2008, decided in July 2005, encompasses guideline 18 - *Promote a lifecycle approach to work*. This guideline tackles different age groups and, in particular, younger and older workers. For the latter group, the guideline specifies the following aims and approaches (European Council, 2005):

- support for active ageing, including appropriate working conditions, improved (occupational) health status and adequate incentives to work and discouragement of early retirement;
- modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.

EU Member States are increasingly involved in conceiving and implementing reforms of their employment policies, including changes to tax-benefit policies. However, the success of active ageing largely depends on changes in the dominant patterns of age management in

1. See also Commission of the European Communities (2002): Report requested by Stockholm European Council: “Increasing labour force participation and promoting active ageing”, Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions

work places and the broader labour markets. Only if policies and/or changes in labour market conditions help the stakeholders to become able and willing to implement age-neutral and age-friendly practices will they be developed on a sufficient scale. So far, overall progress towards the realisation of the Stockholm and Barcelona targets has been moderate (European Commission, 2005). But employment rates for older workers and average exit ages vary a lot between Member States and, within these, between sectors, occupations and men and women. Innovative strategies of age management are being successfully pioneered in several companies, sectors and regions across the enlarged Union. The positive experiences on active ageing need to be systematically collected, analysed and presented in order to help Member States and labour market actors to become better at achieving the necessary changes.

1.2 Objectives of the Study

The core of the study is about identifying good practice to increase job opportunities and maintain older workers in employment. The study aims at informing the European Employment Strategy where the aim of lengthening working lives and increasing employment rates of older workers has been formulated.

According to the terms of reference:

“The study should identify and analyse examples of good practices of age management at work place level in areas such as job design, working arrangements, remuneration, hiring, training, awareness raising, motivation, gender gaps, supporting environment, retirement and firing. The objective of the study is to gain a better understanding of what works in practice and what conditions need to be in place for employers and workers to develop new practices of age management which extend working lives and postpone effective labour market exit. It is important that this study also looks for good practices, which by impacting on younger age spans in a life cycle context create the conditions for working till the retirement age in statutory schemes.In several Member States there are likely to be pronounced differences between past, present and future cohorts of older workers in a number of areas, not least in the level of educational achievement, but possibly also in overall health, ‘work ability’ and attitudes. It is important therefore that the study reflects on how this may affect the possibilities for extending working lives, including how gender gaps within cohorts may impact on these.... since it is in situations of downsizing and restructuring that private and public sector employers have tended to shed older workers it is important to look for strategies and practises, which break the age bias in these adjustments.”

The focus of the study is to identify good practice of age management that “works in practice...” Good practice examples are therefore mainly workplace-oriented and show under what conditions age management aiming at lengthening working lives and enhancing the employment rates of present and future cohorts can be successful.

1.3 Structure of the Study

The following chapter outlines the methodological framework of the study. In Chapter 3 an overview of the empirical material gathered is given. Chapter 4 provides a comparative overview of the economic and labour market conditions of older workers at an aggregate level. This includes also demographic projections.

We then turn our attention to consider institutional and political conditions in Chapter 5. These include the role of the State as norm-setter and as an employer. Furthermore, the chapter provides a comparative analysis of pensions systems, labour market policies and other

policy initiatives which affect incentives for both employers and older worker. Following these more general chapters which analyse the economic and institutional conditions in which companies and workers operate and make their decisions, the study concentrates on situations more related to the level of the workplace.

In Chapter 6, the relationship between productivity and wages is investigated, incorporating at the same time some key results from the case studies with regard to wage-setting mechanisms. In Chapter 7, 'work ability' and working conditions, which are both major determinants of productivity, are the focus of interest and good practice approaches to improving them at company level are drawn from the case study material. A further set of factors affecting productivity is the subject of Chapter 8, namely, how issues relating to skills, training, and lifelong learning are handled and the light shed by the experience of some of the case study organisations on good practice approaches for age management through training.

Further fields of intervention for the implementation of age management strategies in companies are investigated in Chapter 9 which covers work organisation, recruitment and retention, as well as working-time management and includes, as for previous chapters, case study evidence. As the social partners represent key actors engaged on 'good' and 'bad' age management approaches, Chapter 10 looks at their role and shows how they can contribute to furthering the adoption of good practice.

In Chapter 11, we ask how good practice can be mapped out and how we can learn from it. This chapter deals with the transfer of good practice and the development of learning networks, as well as questions relating to dissemination and mainstreaming strategies. Finally, Chapter 12 summarises the main conclusions drawn from the case studies and the other evidence reviewed, reflects on the notion of good practice in age management and the factors promoting or inhibiting its successful implementation, and makes some recommendations for action by the different actors.

There are two annexes to this main report:

Annex I - the 11 country reports and

Annex II - 41 company case studies and 10 institutional case studies.

2. METHODOLOGICAL FRAMEWORK

2.1 Analytical Framework

The methodology adopted starts from a micro-level analysis of the behaviour of companies and workers as well as the analysis of the policy and institutional framework and its impact on the behaviour of employers and employees. This provides a basis for elaborating selection criteria for identifying good practices. The exercise is carried out in the context of the country reports (see Annex I) and the discussion of the social science literature review contained in the chapters of this synthesis report.

For the company, the relationship between wages and productivity is decisive. The employer's behaviour is also influenced by expectations about productivity and thus about unit labour costs. On the demand side, the basic problem for employing older workers is that, on average, wages tend to go up with age, while there is a risk that productivity increase is reduced or stops at a certain age. Most importantly, the risk of illness or de-motivation rises from the employers' viewpoint and affects their assessment of future returns from employment and training of older workers. Although surveys among employers sometimes suggest a moderate view on the performance of older workers, in practice, employers clearly prefer younger workers in many cases.

Most importantly, prejudices against older workers are still predominant amongst employers. These prejudices are based on the vision of a lower productivity coupled with high wages and a lower innovativeness. The strengths of older workers based on their experience are not adequately perceived in a situation where certain myths about the advantages of youth in the workplace combine with social priorities in their favour. Together these tendencies produce a preference for pre-retirement schemes. The prejudices against older workers become evident during the recruitment process. In this case, following Becker's (1975) approach which was actually applied to racial discrimination, we may speak of the 'taste for discrimination', transferring it to the context of age discrimination. In addition, older workers on the external labour market also have to face the problem of unequal chances as long as their skills level are lower or outdated compared to those of younger workers and in cases where their health status lowers their productivity. Within internal labour markets, older workers are generally well protected, though often treated inequitably as regards access to training and career development.

Employees' motivation to remain in employment is influenced by the relationship between income on the one hand and job satisfaction, workload and their state of health on the other. The financial attractiveness of retirement schemes, unemployment benefits, and disability schemes in comparison with wage levels play a part in the decision to leave the labour market. Finally, societal values impact on the behaviour of older workers. In a number of Member States, many workers strive for early retirement in itself.

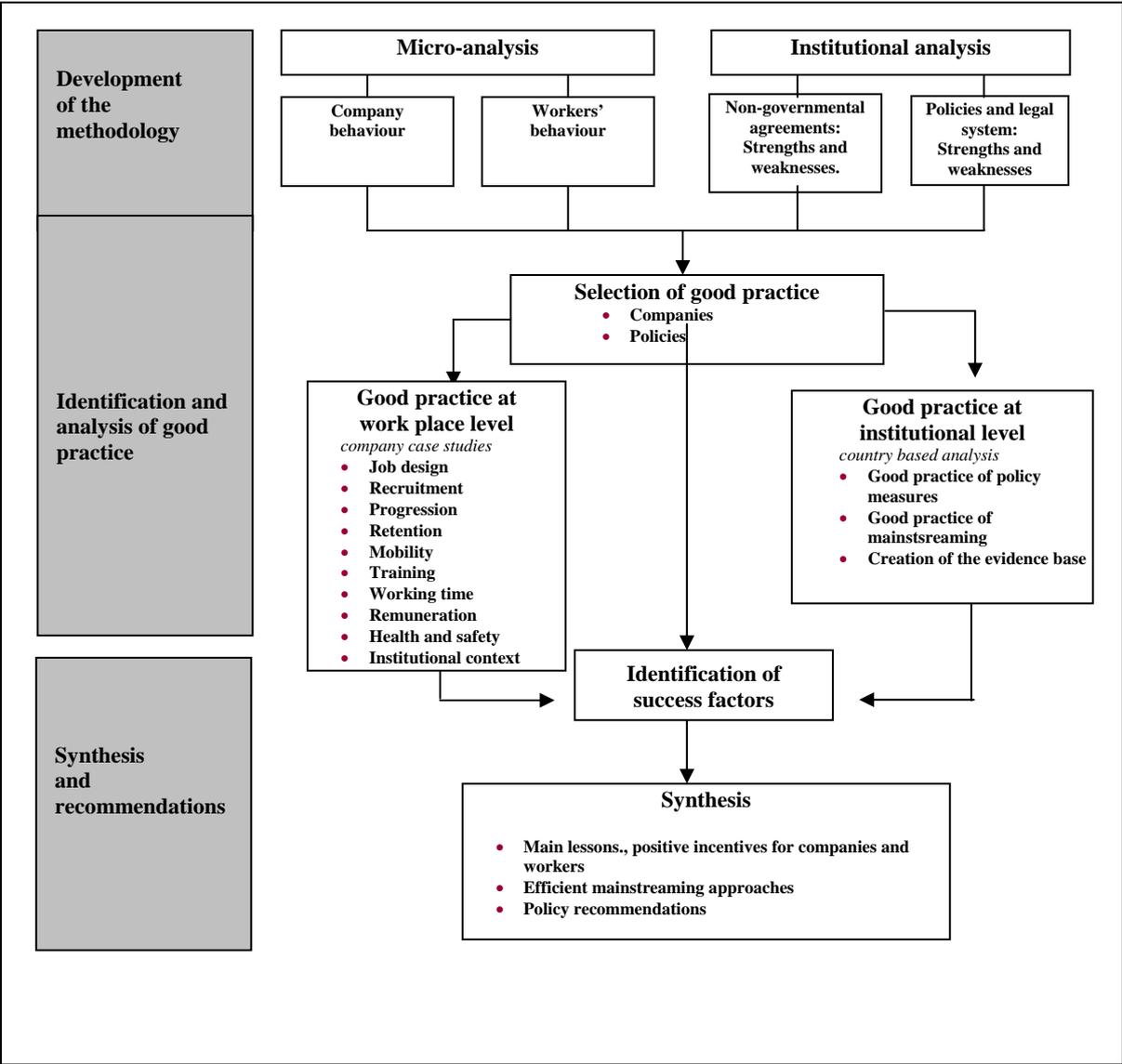
The institutional framework affects incentives considerably: in particular, the pension system and retirement rules, the continuing training system and collective agreements. Pension systems and retirement rules primarily influence costs and incomes, making it attractive for employers to implement industrial restructuring by using early retirement schemes. These solutions have also been reinforced by company-level collective agreements. Policy reforms and changes in strategies of collective actors, however, do not only impact on the employment probability of (future) older worker, but also affect labour market risks of other age groups. The analysis of the institutional framework and, in particular, the development of reactive measures tackling present cohorts of older workers therefore not only has to show its strengths and weaknesses with regard to eventually lengthening working lives, but has also to

take the present potential intergenerational conflict in the labour market into consideration. Labour market participation of (future) older women needs to be paid particular attention, and further factors like the organisation of day care (for children and for the elderly) play a crucial role.

The implementation of actual reforms of the pension system (e.g. gradual retirement schemes) at company level depends on the design of the reforms and the incentives they set, but also on other factors such as the perception of the productivity of older workers. Thus, strategies aimed at enhancing the productivity of older workers or future older workers are equally important. These strategies primarily focus on work organisation, working conditions and training.

Finally, the company culture and societal values impact on the behaviour of employers and employees. These values are strongly linked to the welfare model as well as to (past) strategies of overcoming industrial restructuring by early retirement.

Figure 2.1 Analytical framework



From the company's perspective¹ the study analyses:

- age-related changes of the wage/productivity relations and their impact on recruitment and employment decisions of companies;
- the rationale of training investment by age;
- employers' attitudes towards older workers;
- the economic and labour market conditions under which companies can profit from an age-related policy framework;
- the implementation of age-related legislation (mandatory pension age, anti-discrimination legislation, redundancy rules) and pension reforms and its impact on companies' strategies with regard to the employment of older workers;
- the implementation of active labour market policies (ALMP) for different groups of workers including women, women returners and older workers;
- implementation of collective agreements on seniority wages, working time arrangements and redundancy rules;
- the impact of non-governmental initiatives to promote employment of older workers.

From the workers' perspective the theoretical analysis concentrates on

- measurements of work ability by age (Ilmarinen, 1999);
- the rationale of training involvement by age;
- job orientation by age and age cohorts;
- age-related changes of the labour income/transfer income relation and its impact on job orientation and thus the impact of age-related social welfare systems (age-related unemployment benefits, social assistance system, public pension system but also child care and elderly care facilities) on the acceptance of taking up jobs.

These factors need not only to be analysed with regard to present cohorts of older workers but also in a life cycle approach. Thus, the empirical work and the conclusions from this study also address the question of whether future older workers might be better prepared to work longer.

The present study also investigates the rationale of the actors in prolonging or shortening working lives. This has been done through:

- an international literature review in the area of wage and productivity, 'work ability' and training;
- country reports which analyse these issues in the national context. The country reports also offer the background for the company case studies;
- company case studies allowing an exploration of the rationale of the different actors.

The empirical work of this study focuses on analysing age management strategies developed by employers - in some cases with the involvement of employees' representatives. The approaches, their results and the conditions for success and limits are all investigated. Furthermore, the institutional case studies will throw light on some promising approaches but also on limitations for actors at the institutional level (and thus actors others than employers and companies).

¹ See also recent work of Robert Lindley: Lindley (1999) "Population Ageing and the Labour Market in Europe." *Rivista Italiana di Economia, Demografia e Statistica*, LIII, no.1, 167-92., 1999 and Lindley (2001) 'Arbeitsmarktstrategien zur erfolgreichen Unterstützung der Alterung der Bevölkerung'. *Altern und Arbeit: Herausforderung für Wirtschaft und Gesellschaft*. Ed. C. von Rothkirch. Berlin: Edition Sigma, 135-42., 2001

2.2 Country Selection

The country selection was based on a range of criteria. These included (a) the scale and the scope of the problems related to an ageing workforce, (b) labour market contexts (activity rates, unemployment and skills structures), and (c) the type of policy responses developed. For further details see Table 2.1. The statistics relating to (a) and (b) are presented in Table 2.2

Table 2.1 Labour market and policy framework

Extent of the problem	Labour market context	Type of policy responses and implementation at workplace
<ul style="list-style-type: none"> • Reaching Stockholm and Barcelona targets easily or being far away from the target • Change in employment rates of older workers and age management practice • Quality of the job of older workers • Extent and nature of barriers to active ageing 	<ul style="list-style-type: none"> • Generally high / low activity rates over all age groups, gender gap in activity rates • Gap in activity rates between age groups • High unemployment rates (all age groups), low prospects for job creation v. labour shortage 	<ul style="list-style-type: none"> • Enhancing productivity (training) • Job creation • Anti-discrimination • Wage subsidies • Management of working-time raising employment opportunities for women • Improving working conditions • Increasing mobility within the firm • Role of social partners

In addition, the country selection needed to be:

- geographically balanced,
- include a mix of large and small countries, and
- include new Member States

in order to meet the requirements of the terms of reference. Based on these criteria, the final selection of countries included the Czech Republic, Finland, France, Germany, Hungary, Italy, Lithuania, the Netherlands, Poland, Portugal and the UK.

This selection represents:

- large and small Member States (5 large countries, 6 small countries);
- new and established Members States (7 established Member States, 4 new Member States);
- northern and southern countries;
- high and low participation rates of older workers (Finland, Portugal and UK with rates between 50 and 60 per cent v. Poland and Hungary with participation rates below 30 per cent, with the other countries ranging in between), and also differing labour market dynamics within original Member States (increasing employment rates in Finland, Netherlands and UK and decreasing rates in, e.g., Germany);
- gender segregation among older workers (wide variation in the sample including countries with a high level of segregation by age groups and gender, e.g. Italy);
- countries with particularly low differences in employment rates by age and gender, e.g. Finland;
- different labour market developments and economic restructuring processes;
- different labour market participation rates and gender gap of younger cohorts;

- different welfare systems with regard to the generosity of unemployment benefits and level of pensions;
- different skills' structures of the workforce within the group of established Member States and within the group of new Member States.

Table 2.2 Selection indicators

Indicator	Values	Country groups
Average exit age (Barcelona target)	62+	IE, SE, UK, PT
	60-61.9	ES, NL, FI, DK, DE
	58-59.9	FR, IT, EL, AT
	56-57.9	BE, LU
	59.9	EU 15 average
Employment rate 55-64 (Stockholm target)	68% - 50%	SE (68%), DK, UK, EE, PT (50%) have employment rates at or above the 50% threshold
	40% and below 50%.	IE, NL, FI, CZ, LT, LV
	30% and below 40%	FR, DE, ES, EL
	30% and below	BE, LU, IT, HU, PL, SL, SK
	EU 25: 38.7%, EU15: 40.1%	The EU average
Employment rate of women 55-64	above 50%	SE, DK
	40% and below 50%	FI, UK, PT, EE
	30% and below 40%	FR, IE, CY, LT, LV
	below 30%	BE, IT, LU, ES, EL, AT, DE, HU, PL, SL, SK
Growth of employment rates 55-64 (1997 - 2001) (In particular, did part-time work increase)	increased significantly	FI, NL, DK, IE, ES, SE, UK
	only small improvements, despite their low levels	FR, BE
	no improvement at all despite their low levels	IT, LU, AT
	showed a decline in employment rates	DE, EL
Activity rates 55-64	above 60%	SE, DK
	50% - 60%	UK, PT, FI, EE
	40% - 50%	IE, NL, DE, ES, EL, LT, LV, CZ
	30% - 40%	FR, AT, IT
	below 30%	BE, LU, SK, SL, HU, PL
Difference between the activity rates by gender and by age groups	particularly high	EL, IT, SP, LU
	approximately at EU15 average	NL, AT, BE
	are particularly low	FI, SE
Labour market flexibility	Transition rates by age groups, retention rates	
Context of age management – main approaches	Common human resource management strategy in relation to age; selection has to cover a variety of age management fields aiming at promoting active ageing of present or future cohorts of older workers	
Main orientation of policies and initiatives of social partners	A variety of dominant policy responses at the institutional level to the ageing workforce as well as a panoply of different types of incentives or disincentives set by the institutional level on the behaviour of companies and workers	

Source: Employment rates and activity rates: Employment in Europe 2003, average exit age: Commission Staff Working Paper SEC (2003) 429; The Stockholm and Barcelona targets: increasing employment of older workers and delaying the exit from the labour market: Inactivity by gender (all age groups): Employment in Europe 2001

Finally, the countries selected have adopted a wide range of policy approaches. The following table provides an overview of age-related policy measures in the 'original Member States'.

Table 2.3 Overview of the policy approaches targeting older workers in the EU15²

Strategic policy approach to the employment and retirement of older workers	FN, UK, AT
Programmes of research and development on the issue of age and employment	FN, DE, UK
Pension and social security reforms aimed at removing incentives to early retirement and encouraging later retirement	FN, FR, DE, NL, AT, BE, DK, ES
Gradual retirement schemes	FN, FR, DE, NL, AT, BE, DK, ES
Age discrimination legislation, protection against dismissal, proscription of age bars in recruitment and advertisements, abolition of mandatory retirement	FN, FR, IT, UK, AT, BE, IE, ES
Awareness raising campaigns among business and the general public	FN, DE, UK, NL, DK
Employment and training programmes targeting older workers	FN, FR, DE, NL, UK, IE, EL, AT, BE, DK
Support to employers, e.g. advice and guidance, training, employment placements	FN, UK, DK
Wage subsidy and other employment incentive schemes	FN, FR, DE, IT, NL, UK, AT, BE, DK, ES, EL, IE

2.3 Methodological Approach: Tools for the Identification of Good Practice

2.3.1 Contextualisation of good practice: country report and international literature review

The country reports (Annex I) are intended to deepen the understanding of the conditions for the successful implementation of age management as well as the barriers that still exist. Their results are therefore included alongside the literature surveys in the relevant chapters. They represent a starting point for the analysis of the case study evidence. Furthermore, the country reports helped to identify good practice. Finally, they serve to contextualise the company case studies. A common framework for the country reports was elaborated. Country reports were discussed at a workshop held in Munich in March 2005.

2.3.2 Company case studies

At the core of the study are the company case studies. Potentially good practice companies were identified by various means: the literature, interviews with employers' federations at sector level and further relevant actors, contacts with experts and public employment services, and by approaching companies which are known for innovative human resource management approaches. As a first stage, a larger number of case studies were proposed out of which the final sample of 41 case studies was selected.

The selection of company case studies had to fulfil two requirements: (a) it should be a potential good practice case and (b) the overall case study sample itself should cover a variety of sectors, occupations and qualification levels.

(a) Definition of good practice - basic requirements for good practice examples

At the beginning of the project the following good practice criteria were fixed. Good practice examples at *the company level* can be considered as such if they bring about the following basic results:

- good practices of age management which effectively extends working lives and postpones labour market exit for current older workers and/or future cohorts;
- cost-effectiveness of the measures;
- good practice refers to the national context;

2 Taylor, P. (2002): Improving employment opportunities for older workers: developing a policy framework.

- good practice is transferable to other companies at national level and to other Member States.

(b) Balanced structure of the sample

The selected company case studies had to encompass a wide range of reactive and preventive measures and cover different sectors and types of occupations. Therefore, selection criteria that would apply to the set of good practice examples as a whole included:

Type of organisations and work covered

- mix of public sector and private sector organisations;
- mix of companies operating in the manufacturing industries and the service industries, allowing for a range of economic environments and sectoral situations from those with growth opportunities to those experiencing major structural difficulties yet still seeking to develop effective age management of the workforce;
- occupational mix - blue-collar workers and white collar workers;
- mix of type of tasks to be performed in particular with regard to physically demanding work - measures should tackle different issues like postures, stress and time pressures, complexity of the task and learning requirements;
- size of the organisation.

Type of measure:

- Measures should include:
 - Wage subsidies (the impact of wage subsidies on older workers and other age groups and length of stay of the older workers within the company);
 - Implementation of gradual retirement schemes, implementation of other elements of pension reforms: e.g. company pensions that do not limit labour market flexibility; implementation of anti age-discrimination legislation;
 - Policies and initiatives facilitating the labour market re-entry of women aged 45 and over.
- Mix of human resource policies and organisational design:
 - Recruitment policies with respect to age;
 - Reducing the gender gap in the employment rates of older workers;
 - Working time arrangements (life-time working arrangements), organisation of part-time work;
 - Remuneration (e.g. pay differentials introduced by flexible pay elements over time);
 - Further training and life-long learning - in particular, further training of part-time workers and training of workers aged 50 and above;
 - Health and safety at work;
 - Work organisation, increasing mobility;
 - Job design with regard to age.
 - Firing policies, retention policies;
 - Placement policies;
 - Pro-active gender policies;
 - Design of career paths and measures to motivate both older workers and younger workers in cases where active ageing is promoted;
 - Adapting further training schemes to learning phases related to age.

Type of outcomes

- Mix of different possible outcomes:
 - increasing employment rate of older workers;
 - lengthening working lives of older workers;
 - reducing labour market risks of older workers;
 - reducing age discrimination;
 - increasing ‘work ability’ of older workers;
 - ‘work ability’ of future older workers.
- The set of good practice examples also includes examples of industrial restructuring where dismissal of older workers was avoided;
- Examples include approaches that tackle the present intergenerational distribution conflict (e.g. sharing work between younger and older workers, know-how transfer between younger and older workers);
- Good practice examples should relate to general policy objectives.

In summary, the final selection of case studies reflects a broad mixture of sectors, occupations, qualifications’ levels, types of measures, human resources management strategies and expected outcomes.

The full reports on the company case studies and the institutional case studies can be found in Annex II.

2.3.3 Institutional case studies

In addition to the company case studies, good practice examples of initiatives of social partners, NGOs and policy makers were identified on the basis of the analysis of the strengths and weaknesses of the institutional framework. The analysis of institutional approaches revealed severe limitations in some cases. Furthermore, in some countries, like Portugal and Italy good practice examples could not be identified. Therefore, we have selected more than one example in countries where there was more choice. The country reports provided the contextual framework for the institutional as well as the company case studies.

2.3.4 International literature review

The international literature review allows us to place the company case studies in a wider context and to refer to evidence from countries other than those covered in this project. Furthermore, the methodology of identifying good practice case studies has its limitations with regard to identifying which incentives can be formulated for workers and employers in order to prolong working lives. In particular, comparative studies, such as those prepared by the OECD and the European Foundation for the Improvement of the Living and Working Conditions, help to include evidence that was not collected systematically during our own case studies. Finally, the international literature review allows us to broaden the empirical evidence base and to include results from other European projects.

3. OVERVIEW OF CASE STUDIES

3.1 Company Case Studies

3.1.1 Company case study sample by countries, company size and sectors

Company case studies by country

The following table provides an overview of the distribution of case studies by countries. As a general rule, 5 case studies were carried out in large countries and 3 in small countries. In order to ensure a reasonable mix with regard to sectors, skill levels and gender and to allow for cases turning out to be less useful exemplars than had been expected, a higher number of potential case studies were initially presented.

Table 3.1 Overview of the case study sample

Country	Pre-Selection Sample	Final Sample
DE	8	5
FR	8	5
IT	8	5
UK	8	5
CZ	5	3
FI	5	3
HU	5	3
LT	5	3
NL	5	3
PL	5	3
PT	5	3
Total	67	41

Structure of the case study sample: size and type of organisation

- public companies represent roughly one-fifth of the sample
- 10 companies are SMEs
- 1 company belongs to the **co-operative sector**

Sectors/branches of activity:

- 15 cases: manufacturing: car (2 cases), locks, food industry, electronics (5 cases), pharmaceuticals, textiles, printing, thermoplastic material processing, aerospace, medical technology)
- 5 cases: banking;
- 5 cases: public administration;
- 4 cases: retail trade;
- 3 cases: construction;
- 2 cases: utility;
- 2 cases: health care;
- 2 cases: telecommunication and postal services;
- 1 case: hotels;
- 1 case: security and surveillance;

- 1 case: sheltered employment (services and light industry).

The company case studies cover a wide range of areas of economic activity. At the same time there were five branches for which cases were investigated in several countries: financial services, retail trade, public administration, electronics industry and the construction industry.

These clearly do not provide for generalisation about sectoral effects but they offer a basis for drawing attention to especially interesting contexts and for formulating hypotheses.

3.1.2 Driving forces and fields of intervention

The rationales, driving forces and contexts for implementing age management strategies

The selected companies have implemented age management strategies in a variety of contexts, including:

- industrial restructuring;
- growing markets and dynamic developments;
- organisational change and technological development;
- demographic change in the company which might result in a loss of valuable skills;
- labour shortages;
- trade union policies.

Moreover, in some cases, these contexts have acted directly as driving forces for the development of age management. In more generic terms, they may derive from:

- cost pressures;
- the requirements of consumers;
- flexibility requirements in production;
- the need to compete for skilled labour;
- changing social values within companies
- recruitment and retention problems.

In many cases, we might find a combination of different contexts and driving forces for change. The age management strategies developed are in some ways influenced by the different rationales of the actors. This will be investigated further in the following chapters.

Fields of intervention

With regard to the variety of age management strategies revealed in the case studies, the measures implemented are mainly in the areas of work organisation, mobility management, career development, design of tasks, recruitment, working time arrangements, continuing training including knowledge transfer, health-related measures and outplacement. If found together in one organisation, they would represent an extensively holistic approach. Training measures accompany mobility management which in turn also takes into account health-related aspects of decisions of job assignment, and the development of career management approaches for all age groups would be a prototype example for such an integrated strategy. A broad mixture of fields of interventions represents the reality in most companies. Note, that companies may recruit younger worker in order to realise a balanced age structure, and still implement early retirement, whilst at the same time organising knowledge transfer and developing an age-related arrangement of internal mobility.

British organisations, in particular, among our case study sample (but also a German and a Hungarian company) have embedded age management in wider approaches to diversity management.

Some of the companies have consciously developed age management programmes, but this is not the case for all. Many pursue interesting approaches to what amounts to age management without having explicitly formulated an age management strategy.

In reality, whilst most of the case study organisations do not pursue such extensive strategies, they nevertheless operate on several fronts of age management at the same time, as shown in Table 3.2 which provides an overview of the case study sample by fields of intervention.

Table 3.2 Overview of company case studies by fields of intervention

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocation	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
CZ-1	Czech Post - Branch West Bohemia Telecommunications Large	- Low attractiveness of the sector for YW (low wages) - Lack of YW - Company philosophy of retaining OW	- Wage above average only for the 60+ - Special awards for work anniversaries	-Retraining in the context of technological change or internal mobility. -Training in the context of retention	Internal mobility in the context of restructuring	Part-time offered	- High shares of retirees, therefore aim to recruit YW (e.g. in managerial positions)		Improved due to technological change		- Retaining older workers - No lay-offs 5 years before retirement age.
CZ-2	Czech Insurance company Financial services Large	- Organisa-tional and technological change and restructuring -Recruitment of YW in call centres but co. aims to maintain balanced age structure (firing costly, loyalty, stable, experience)	Context: performance related wages	Not age-specific	Important with regard to organisational changes	Flexible working time in general					(1)Mixed age-teams + assistance of a psychologist, (2) pensions supplement schemes (3) senior clubs
CZ-3	Irisa, Vsetin Thermoplastic material processing SME	-Social responsibility. -50% are disabled, among them many OW	- Context: Not related to age, partly performance-related - Lower wages	- As accom-panying measure - in co-operation with PES establishment of training centres	-Importance of task allocation -Rotation within the co. to identify suitable jobs		Hiring of LTU (OW over-represented)				(1) Cooperative (2) Gets State support for employment of disabled (3) Task allocation-assisted by physician

Table 3.2 Overview of company case studies by fields of intervention - continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
DE-1	Deutsche Bank Financial services Large	(a) Meeting customer requirements (b) Negative impacts of earlier youth oriented HR policies (c) General diversity approach (d) shortage of skilled employees in certain areas	Context: performance related	Knowledge transfer: know-how tandems	Job rotation as a way to open up perspectives also for YW	Work-life balance concepts	X As part of the diversity management approach: regular monitoring of the age structure within the co. and the intake of new staff	X as part of the diversity management approach			(a) Awareness building measures within the company (b) Strengthen intergenerational team work
DE-2	BMW Leipzig Car industry Large	Target: age balanced staff structure to correct negative impacts of earlier HR strategies -Balanced age structure offers flexibility, - OW are well trained, dutiful and reliable	- Context: partly performance-based wages - Wage grid is regarded as sufficiently flexible	- Training for all age groups at other plants. Afterwards, no age-differences in tests among the employees			- Newly built plant. -Recruitment strategy driven by diversity management. -Together with PES special seminars for unemployed (OW) on how to apply		X -Occupational health programmes developed decades ago - Preventive measures		

Table 3.2 Overview of company case studies by fields of intervention - continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
DE-3	MicroTec Micro-sensory in the area of biotechnology	(a) trustful relations to customers (b) internal know-how (c) Experience and extensive know-how (d) Diversity approach	Context: performance related	-Learning and training is self-organised (required by dynamic technological dvpt in the market sector) - Mixed age teams (knowledge transfer)							
DE-4	Metro Retail trade Large	(a) Raising share of older customers (b) Improve image as an equal opportunities employer (c) strengths of OW: loyalty, reliability, confidentiality, efficiency (d) objective: raise share of OW from 10% to 25%	Seniority rules seen as an obstacle by management	- Life-long learning culture needs to be developed - mixed age teams to improve knowledge transfer	See career planning			Planned: development of improved methods for career planning and different career paths. Change of tasks as an element in career paths (instead of climbing the career ladder)		-Stopped participation in early retirement programmes	Awareness raising and education strategies
DE-5	EADS Aerospace industries Large	Ageing workforce due to past recruitment phases. Future loss of know-how	Extension of performance-related pay as a strategy	Knowledge transfer	Job rotation (see career management)			Job rotation between managerial and professional roles			

Table 3.2 Overview of company case studies by fields of intervention - continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
FI-1	City of Helsinki, Public Works Department Local Government	(a) high average age of staff (b) sick leave above average (c) many OW chose part-time pension - costly (d) Rejuvenation strategies are difficult (e) Targets: extending working lives, enhance work ability, maintain competitiveness	-Wage system changed 10 years ago -Based on professional skills and job demands -Age programme linked to some wage flexibility	(a) Organising know-how transfer through group meetings (b) Training of management, foreman, shop stewards and adult educators in 'managing people and social systems' (c) Workplace training	Work rotation	Working time arrangement		- Job rotation - New management and foremen activities: drawing-up individual work development plans for all 45+	Health check ups		- Supported by the Finnish Workplace Dvpt Programme - Partly financed by the Finnish Work Environment Fund - Senior clubs - Mentoring
FI-2	Assa-Abloy Locks industry Large	- Ageing workforce - Objective: extend working lives, reduce sick leave, increase transfer of tacit knowledge		Continuing training as a continuing issue (rapid technological developments)		Age Masters leave: from 58+ . Age Masters are entitled to extra leave			- Important role of company's occupational health physician and nurse		- Age Programme - fitness measures - awareness raising - Age Master Club

Table 3.2 Overview of company case studies by fields of intervention - continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
FI-3	Saarioinen Food industry Large	-Ageing staff -sick leave - costly early retirement - Initiator: occupational health doctor	Wage group guarantee for participants in the programme (basic pay not reduced but job-specific pay supplements can make a difference)	Training and coaching for a possible new task are provided according to the needs of OW		-Avoid 3 shift system for seniors if possible - OW can work part-time (part-time pensions and part-time disability pensions)		OW are rotated as little as possible (as a privilege)	- health check-ups -fewer ergonomic problems due to automation -Task allocation takes health into account -Work place health promotion - co. pays occupational therapy prescribed by co. doctor		- Specific programme was implemented (drawing on individual plans). Other measures followed - Costs are not exceeding pre-retirement costs -Participation of OW on a voluntary basis
FR-1	La blanche porte (groupe Les Trois Suisses) Mail order sales Large	Hard working conditions but ageing workforce		Wide-spread training scheme to promote internal mobility	Increasing internal mobility is key: match age / health and tasks	- part-time work possible - No long working hours for OW during peak times			Ergonomic study		External expert involved

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
FR-2	Construction company and Federation du bâtiment Construction industries SMEs	- expected workforce shortages - retaining OW difficult due to bad working conditions - Objective: retain OW with specific knowledge		-Develop age specific training - Develop knowledge transfer							- EQUAL project - Involvement of external consultant by the company
FR-3	Credit Lyonnais Financial Services Large	- ageing workforce - sector with very high tenures - importance of internal LM		Internal mobility management is key for all age groups				-Make careers more dynamic before workers get older, career meetings --Establishing a competence profile to promote internal and external mobility			- Individual action plans - Special missions for OW
FR-4	THALES Electronics industry Large	-CSR -Co. used to engage in new approaches -Ageing of workforce, imminent retirement wage - less costly restructuring			- Internal mobility is key. - External mobility promoted but more difficult to achieve			-Management of career paths Age management for all age groups			- Own programme, internal expertise supplemented by external one - but still early retirements

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
FR-5	Oxford Automotive supplier to automotive industry SME	- Ageing workforce and physically demanding jobs - Objective: no early - retirement		In addition to normal training plan, development of multi-skills (facilitates flexible organisation of work)					Improved working conditions through automation		-No explicit strategy but action plans - External occupational health doctor involved - Creation of new jobs for OW (cleaning no longer outsourced)
HU-1	Europrint Manufacturing of printing circuits SME	-High share of OW - advantage of OW: less fluctuation, accept wages and working conditions - Higher amortization of training, of OW, as there is less fluctuation	Seniority based + performance based wage elements for foremen and managers				- Preference for hiring OW - Employment of pensioners formerly employed by the co. (external LM flexibility)				Positive action
HU-2	AGRIA HUMÁN Szolgáltató -Sheltered employment -Light industry and service industry -Large	Sheltered workshops	- Degree of work capability determines wages (just above min. wage but clearly above disability pensions)	Retraining		Part-time work for disability pensioners	Recruitment of disabled (among them many OW)				

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
HU-3	PSZAF Public authority	- Context: progressive HR strategy (new public institution) - Interest in retaining workers above retirement age as experts (note: high skills level in this organisation)	Context: seniority wages + performance related pay elements	Higher participation of OW in language training and computer course (to catch up)				Individual record for each employee to identify individual career options, details include qualifications and experience			- Equal opportunities approach includes age management - Equal Opportunity Plan
IT-1	Banca IMI-San Paolo Financial Services Large	- CSR - customer related	- Context: seniority wage is regarded as a burden	- training programmes for OW (technological change)	- internal mobility: OW are transferred to less tiring 'back-office' activities - OW offer specific products, e.g. pension funds and client groups	- working time can be reduced gradually					- note: flexibility is difficult for OW (tend to stick to their status)
IT-2	Alfa Wassermann Pharmaceuticals Large	- specific value of OW, they are a 'forum of knowledge of the historic past'		Knowledge transfer						Pension reform to retain OW used (the Superbonus), only partly successful	- Positive selection, - Only 'good' OW are to be retained

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
IT-3	INPS Public administration	- problem of motivating staff in the public sector		Training project to motivate public sector employees of all age groups (mainly in their 40s) - Training in the context of project for job mobility	- Project for job task mobility - Internal mobility within public administration regarded as a burden for the employer						- Measures to lengthen working lives despite rejuvenation strategy - Consultancy jobs for managers and motivated OW with intermediate and low skills level
IT-4	FAAC Electronics industry Large	- OW have difficulties in adapting to change, resistance to training - Objective: better predisposition to change of future OW	- context: seniority pay as a problem								
IT-5	Gefran Manufacturing of electric and optical machines	- customer relations, - level of expertise key (independent of age) - valuing life-time employment, long tenures		Knowledge transfer							Motivate workers

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
LT-1	Prienu hospital Health care (public) SME	- Lack of doctors in rural areas - Experience important, OW more productive - Patients trust OW more	- More doctors could be retained if better paid				Retention of retired doctors				
LT-2	Audejas Textile industries SME	- Lack of technologists, chemists and plumbers	- Context: wage curve decreases from 54 onwards (prior to this seniority wages) - extras for very long stay with co.	- Context: on the job-training - training important for all employees in the context of technological change	- Mobility of OW who have reached retirement age according to abilities - Allocation of tasks where specialisation advantage - Allocation of tasks YW don't want	Additional leave					
LT-3	Lietuvos Telekomas Telecommunication Large	- aim to retain workers to keep fluctuation low	- Context: seniority wages until 40. - wages depend on position	- Training of OW - Retraining in case of redundancy - Employment depends on acquiring IT skills	- Context: frequent restructuring, flexibility required - Promoting internal and structural mobility - making use of external mobility		Vacancies filled with former employees who had to be laid-off				

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
NL-2	City of Groningen, environmental services Local government	- High share of OW - physically demanding work - sickness absence - inflow into disability arrangements - Cost pressures	- multi-skilling financially rewarded - seniority rules for wage increases have been reduced	- Training important (multi-skilling)	- Prevent sickness absence through more flexibility - Mobility days for career planning - Task allocation linked to required experience - ‘Small jobs’ board for temporary job changes				- Technical solutions, driven by experienced workers (OW) - physiotherapy (preventative and curative (sports school))	t	- No age management programme, but development of a strategy - The service has won an award for good practice in age management
NL-3	Sodexo Catering Large	- physically demanding work - high level of sickness leave - high inflow into disability arrangements - cost pressures		- Training for all age groups (certificates) - Attention to health-related issues in training (postures)	Internal mobility promoted	- sector level agreement: 45 days off - Part-time arrangement for LM returners. - Working time flexibility w.r.t different life phase		Career development (all age groups)	- co. organises sport activities (prevention)		- Case manager

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
PL-1	Wojdyła Construction industry Large	- high quality reputation - loyal, skilled, versatile workforce needed - labour shortages for operations in Poland	Wage dependent of productivity	- Training of all age groups is key - age balanced work groups to ensure knowledge transfer	- Rotation: OW in jobs demanding higher precision and less physical effort - Allocation of workers to the 'right' task		Recruitment of OW, but screening for health problems		Every 6 months medical check- up (twice as often as required by law)		Promoting life-time employment
PL-2	Tesco Retail Trade Large	- High staff turnover among YW - Clients prefer OW in some areas - OW more stable - labour shortages - Reputation as 'good' employer	Seniority wages	Training of local HR manager covers anti-age-discrimination			Recruitment of more mature employees in local HR management positions				- UK based large company
PL-3	Public utility provider	- need to retain OW due to collective agreements: few voluntary terminations due to high wages/empl. security	Wage above average, considerable seniority rewards (special awards for work anniversaries)	Retraining to prepare for the end of the co.'s monopoly position in the mail and small parcel markets	In the context of restructuring and technological change				Improved due to technological change		

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
PT 1	Plaza Hotels	Small hotel chain Business case: OW fit in the image of a 'family-style' hotel for guests coming repeatedly Otel manager is an OW	Performance related	All workers receive training independently of age	Task allocation in accordance with capabilities of the workers is key	Working time arrangements / reduction of working time that suits the preferences of OW				Possibility to work after reaching retirement age	
PT-2	Securitas Security and surveillance company Large	- growth sector, - high staff turnover among YW -OW are more responsible and reliable: - PES placement activities- typically OW - CSR	- tenure and job related pay system (Note: aim is to enhance tenure!)	Updating skills for all age groups in context of electronic surveillance	Internal mobility in context of 'third career'		- Recruitment on the basis of abilities, not age (some jobs are more suitable for OW, others for YW)				Sub-contracting less skilled and raw labour activities
PT-3	Somague Engenharia Construction industry Large	- experience of OW valued - at sector level: high staff turnover -problem: physically demanding working conditions	No seniority wages, but internal promotion favours tenure	- Training important to promote age positive attitudes - Knowledge transfer important - Training in context of internal mobility	- X as consequence of performance evaluation - Note external flexibility allows employing higher shares of OW						- HR director is an OW - Performance evaluation key - Note: approach has a high impact on quality of work, productivity increased

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
UK - 1	UK-LOGOV Local government Large	Context: --reduction in number of government funded early retirements -Equality and diversity - Company culture that values its staff, including OW		- Training for managers on age-neutral recruitment -training not age specific	Redeployment according to individual needs irrespective of age	- Provision of work placements (- mid-career courses)	- Recruitment criteria: experience instead of qualifications - aim to recruit more YW (succession planning, reflection of the local population)	working time flexibility to help achieve work-life balance of all age groups	- already employs large share of OW	-Flexible retirement (on the discretion of the manager) - Pre-retirement courses	-Focus groups on Age - Age diversity policy (including age)
UK- 2	UK-HEL CARE Health care sector Large	Context: -Flexible retirement policy: retaining staff against background of staff shortages, ensuring continuity of care		diversity training for recruiting managers	- mentoring and shadowing policy	facilitation of work-life balance (e.g. caring obligations)	Recruitment of YW		- already employs large share of OW	Flexible retirement policy allows staff to work past 65, has led to a small increase in this group	- Awareness raising campaigns were helpful - Equal Opportunities policy includes age
UK- 3	UK-FINCO Financial services Large	- to increase diversity of the workforce - business benefits if workforce reflects customer base - to improve engagement with staff	Performance related wages	Comprehensive web-based vacancy list, facilitates redeployment, co. keen on retaining people, can offer other jobs because of its size	Age should not come into play, training needs are identified in performance review and personal development plans	Range of flexible working options available	Adverts may be targeted at different age groups, but they cover a range of age groups	Aim to achieve good working conditions for everyone	-Employee survey will allow age-break –down from next year onwards - pilot programme on well-being (not age specific)	flexible retirement past the age of 60 has led to an increase in over 60s, - pension qualifying years increased from 40 to 45	- internal age audit identified good practice and necessary improvements - Diversity policy, including age (want to be at the forefront)

Table 3.2 Overview of company case studies by fields of intervention – continued

Country	Name of company, sector, size	Rationale/context	Wage policy	Training	Internal mobility, task allocat.	Working time	Recruitment / external flexibility	Career planning	Working conditions	Flexible retirement	Other features
UK-4	UK-ENSEC Energy sector Large			- Diversity training for interviewers and managers	- Encouraging candidates for senior management positions to be mobile within and across locations		Recruited more apprentices aged 40 and above			- Staff have the right to work past normal retirement age - plans to offer alternative job roles for (older) staff in physically demanding jobs	- Large share of OW and low turnover - Equal opportunities policies, including age
UK-5	UK-RETOR Retail Trade Large	Context: - changing UK demographics - Business case for employing OW as first demonstrated in a pilot store (lower turnover rate, better customer service, more flexible workforce) - widen the skills base		Diversity training for managers	Allocation of staff to tasks according to abilities and needs - adaptation of equipment where reasonable	Flexible working options across age groups	- Recruitment targets for OW (25 %), - monitoring targets through HR, - innovative ways of recruiting staff	No, but career enhancing development opportunities for OW	-	- Leave schemes, with one specifically designed for OW, - Flexible retirement	- Areas for improvement to satisfy age legislation requirements - addressing attitudinal issues of staff was key to the success - ran several initiatives to attract a more diverse workforce - Equal opportunities policy includes age - Flexible retirement

Legend: Co. Company, CSR: corporate social responsibility, LM: Labour market, OW: older workers, YW :younger workers,

3.2 Overview of Institutional Case Studies

The institutional case studies carried out in the context of this study cover the following fields of intervention and approaches.

Table 3.3 Overview of institutional case studies

Country	Type of organisation	Type of approach
CZ	Government	National Age Programme (2003). Inter-ministerial approach
DE	Training organisation, belonging to an Employers' Federation	AQUA (EQUAL Project): Designing training adapted older workers' needs and new ways of learning and training
FI	<i>Veto Programme</i> ; Ageing Programme of the Government	Under the leadership of the Ministry of Health and Social Affairs, several ministries and institutions join efforts in promoting longer working careers, quality of work and 'work ability'
FI	Project of the Finnish Occupational Health Institute on networking	Promoting good practice in age management in SMEs and establishing a network of 'knowers and doers'. Intermediate-micro level SME companies, occupational health experts, trainers and consultants join efforts in promoting 'age-management', particularly in SMEs.
FR	OPCAREG Haute Normandie, Association of employers for training purposes active in all sectors, mainly industry	Training mainly for SMEs in a specific region EQUAL-Project Seniors
HU	<i>50+ Programme</i> Ministry of Labour	Active Employment Policy
NL	Social partners, building industry	In 2003, social partners within the building industry launched a large scale project in certain regions. The project aim was to better prepare employees for new career opportunities. Project activities include counselling, validation of prior learning, training and promotion of inter-sectoral mobility.
PL	<i>50+ Programme</i> Ministry of Labour	Active Employment Policy
UK	<i>Experience works</i> East Midlands Region	Experience works aims to help the over 45s through awareness raising campaigns and networking with relevant agencies.
UK	Third Age Employment Network (TAEN)	TAEN campaigns for better employment and learning opportunities for mature persons through networking with all relevant stakeholders and dissemination of information in a variety of forms, TAEN has a membership of 250 organisations

The results of these approaches are presented in the different chapters, mainly chapters 5, 8, 9, 10 and 11.

4 ECONOMIC AND LABOUR MARKET CONDITIONS OF OLDER INDIVIDUALS: INTERNATIONAL COMPARISONS

4.1 Introduction

This chapter provides a comparative international background for understanding the economic and labour market conditions for older workers. Wherever possible, it explores statistics for all eleven countries, as well as for the European Union as a whole.

One caveat is that there may be some minor differences between the data presented here and the data in the individual country reports. The data used in the present chapter are drawn from international sources, such as Eurostat, the ILO, OECD, etc., rather than from national sources. There may also be some differences in the definitions and time periods. However, the major features and trends highlighted in the individual country reports are also to be found in the statistics presented in the present chapter. In addition, there are a number of other statistical reviews of the issue of ageing, such as OECD's Ageing and Employment Policies, which can be found on their website, as well as Employment in Europe, 2003, and the European Employment Observatory, 2003. The present study focuses on the eleven countries covered by the country studies that appear in this report.

Section 2 begins with a discussion of the life expectancies across the eleven countries, including a discussion of the dependency ratios and how these are likely to change over time. Section 3 examines the sectoral differences between countries and how these have changed in the recent past, as well as the implications of these changes for the age structure of employment. The discussion in Section 4, which covers the national labour market contexts, includes evidence about unemployment, inactivity rates by gender, long-term unemployment and share of part-time employment. Section 5 deals with the various risks, including labour market risks among age groups and specific labour market risks of workers aged 55 and over.

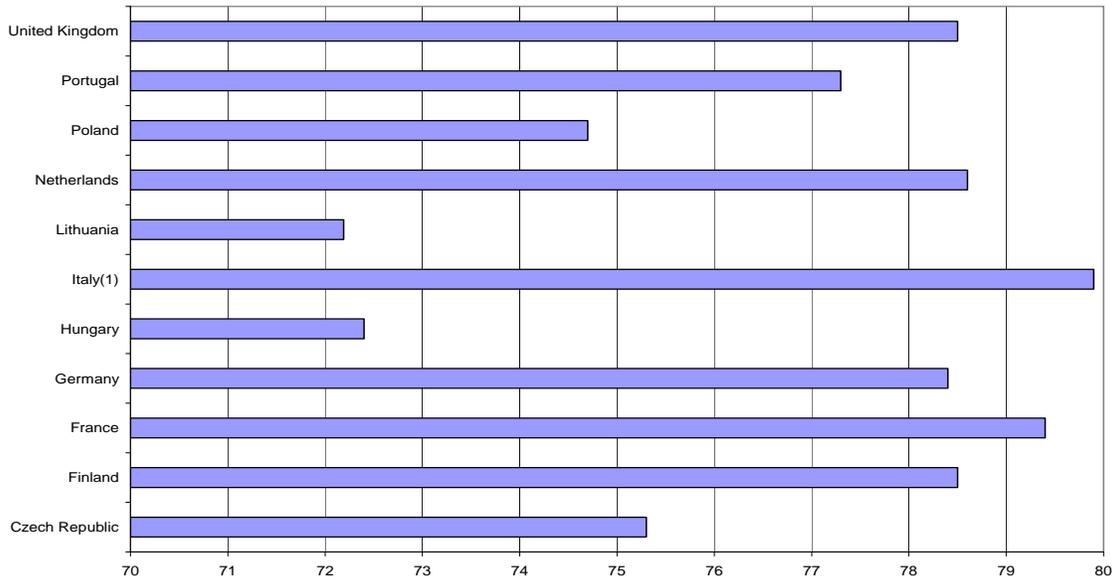
4.2 Life Expectancy and Dependency Ratios

The life expectancy from birth of all individuals (males and females) is shown in Figure 4.1. This ranges from just over 72 years in Lithuania to nearly 80 years in Italy. The overall averages conceal important differences between males and females. On average, females outlive males in every country, with a difference that ranges from 4.5 years in the UK to 11.4 years in Lithuania.

It is also clear from Figure 4.2 that life expectancy from birth has increased significantly over the recent past. In addition, these changes have differed significantly across countries, ranging from an additional four years or so in the Czech Republic, Hungary and Lithuania, to over 13 years in Portugal. The increases in life expectancy have generally been greater amongst countries starting from a low base. For example, Korea and Turkey have both had increases of over 20 years in the last four decades (OECD, 2004c). These improvements

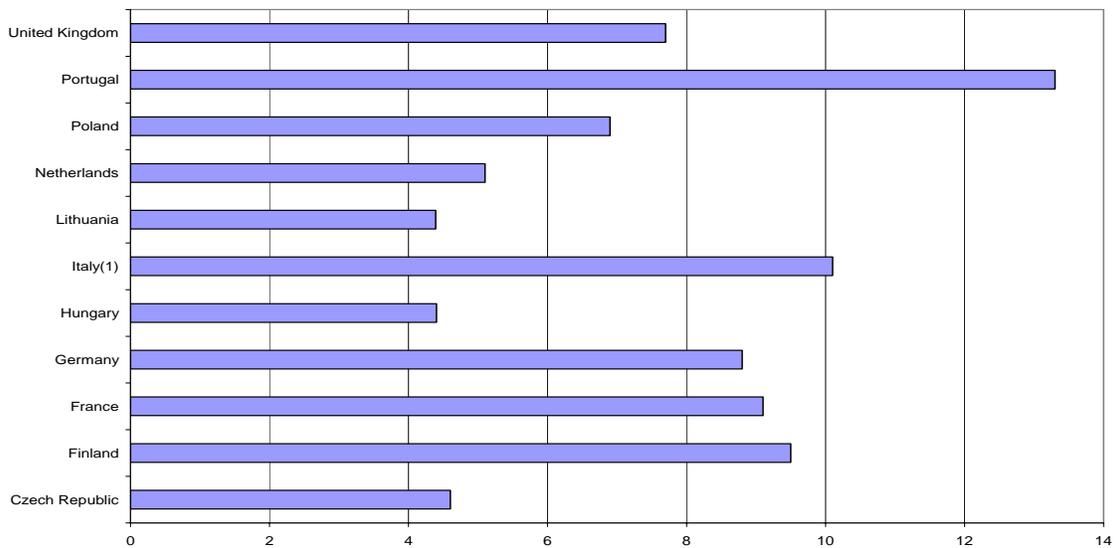
have often been driven by reductions in infant mortality rates and falling death rates from circulatory diseases, amongst other things.

Figure 4.1 Life expectancy, all individuals, 2003 (years)



Source: OECD – Statistics Portal (<http://www.oecd.org/statsportal/>).

Figure 4.2 Increases in Life Expectancy, 1960 to 2003 (additional years)



Source: OECD – Statistics Portal (<http://www.oecd.org/statsportal/>).

An alternative way of calculating life expectancies is the average number of years remaining at age 60. This obviously gives higher estimates of life expectancy, as these are conditional on the individuals reaching age 60 and, therefore, omits the deaths of all individuals prior to age 60. The results are shown in Table 4.1. In 2002, remaining male life expectancy ranged from 16.1 in Hungary and Lithuania to 20.8 in France, whilst remaining female life expectancy was 20.6 in Lithuania to 25.7 in France. All of the countries where sufficient data were available showed an improvement in the remaining

Table 4.1 Life Expectancy at age 60 (and percentage point changes)

Males	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Change 1996 - 2002
Czech Republic	15.2	15.6	15.9	15.9	16.3	16.4	:	16.9	17.0	17.3	17.3	17.3	1.0
Finland	17.4	17.6	18.1	18.1	18.3	18.7	18.6	18.8	19.2	19.4	19.5	:	1.2
France	19.4	19.4	19.7	19.7	19.7	20.0	20.0	20.2	20.4	20.6	20.8	:	1.1
Germany	17.9	17.9	18.2	18.2	18.4	18.8	19.0	19.2	19.4	19.8	:	19.9	1.1 ^a
Hungary	:	:	:	:	14.9	15.0	15.0	14.9	15.5	15.9	16.1	15.9	1.2
Italy	19.0	19.1	19.3	19.5	19.7	19.9	19.8	20.0	20.4	:	:	:	-
Lithuania	16.0	15.2	15.2	15.5	15.8	16.0	16.3	16.2	16.5	16.3	16.1	16.2	0.3
Netherlands	18.3	18.1	18.5	18.5	18.5	18.8	18.9	19.0	19.1	19.4	19.5	19.7	1.0
Poland	:	:	:	:	15.9	16.1	:	16.2	16.7	17.0	17.1	17.1	1.2
Portugal	17.9	17.6	18.2	18.2	18.1	18.4	18.5	18.7	19.0	19.3	19.4	19.4	1.3
United Kingdom	17.9	17.8	18.3	18.3	18.5	18.8	18.9	19.1	19.4	:	19.9	:	1.4
Euro-zone	18.7	18.7	18.9	19.0	19.1	19.4	19.4	19.6	19.9	20.1	20.2	:	1.1
EU (15 countries)	18.6	18.5	18.9	18.9	19.0	19.3	19.3	19.4	19.7	20.1	20.1	:	1.1
EU (25 countries)	18.1	18.0	18.3	18.3	18.5	18.7	18.7	18.9	19.3	19.6	19.6	:	1.1

Females	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Change 1996 - 2002
Czech Republic	19.8	19.9	20.0	20.0	20.4	20.7	:	21.0	21.2	21.4	21.5	21.4	1.1
Finland	22.3	22.2	22.8	22.9	23.1	23.2	23.4	23.5	23.6	23.9	24.0	:	0.9
France	24.6	24.6	24.9	24.9	25.0	25.2	25.2	25.3	25.5	25.7	25.7	:	0.7
Germany	22.3	22.3	22.5	22.7	22.8	23.1	23.3	23.4	23.6	23.9	:	23.9	0.8 ^a
Hungary	:	:	:	:	19.4	19.7	19.8	19.7	20.3	20.6	20.9	20.8	1.5
Italy	23.4	23.6	23.7	24.0	24.1	24.2	24.2	24.5	24.8	:	:	:	-
Lithuania	21.0	20.4	20.5	20.6	20.9	21.2	21.2	21.4	21.8	21.8	21.7	21.9	0.8
Netherlands	23.2	22.9	23.2	23.2	23.2	23.4	23.4	23.3	23.4	23.5	23.5	23.7	0.3
Poland	:	:	:	:	20.5	20.8	:	21.0	21.4	21.7	22.0	22.0	1.5
Portugal	21.7	21.5	22.1	22.0	22.1	22.4	22.5	22.6	23.0	23.2	23.3	23.3	1.2
United Kingdom	22.0	21.9	22.3	22.2	22.4	22.5	22.6	22.6	23.0	:	23.2	:	0.8
Euro-zone	23.2	23.2	23.5	23.6	23.7	23.9	23.9	24.0	24.3	24.4	24.4	:	0.7
EU (15 countries)	23.0	22.9	23.3	23.3	23.5	23.7	23.7	23.8	24.1	24.2	24.2	:	0.7
EU (25 countries)	22.5	22.4	22.8	22.8	23.0	23.2	23.2	23.3	23.6	23.8	23.8	:	0.8

Source: Eurostat – Queen tree (<http://epp.eurostat.cec.eu.int/>), as of December 2005. Note: a Germany 1997 – 2003.

number of years of life over the period 1996 to 2002. Males showed a greater improvement than females, but started from a lower base.

The UN on-line database reports dependency ratios for all eleven of the countries in the present study. The trends shown in Figure 4.3 are the ratio of the population above working age divided by the population of working age, with forecasts through to 2050. It can be seen that the dependency ratios are very different across countries and, based upon past trends, continue to diverge through the forecast period. The UK's ratio levels off by the end of the period at below 40 per cent, while that for Italy continues to rise, at least until the very end of the period, reaching to just below 70 per cent.³

As Stroetmann and Stroetmann (2002, p. 32) point out, an ageing population requires significantly more informal carers if health and care systems are to be sustainable. This is particularly the case as the fastest growth is amongst the population that is 80 years and older and which is the segment most in need of supportive care either at home or in institutions.

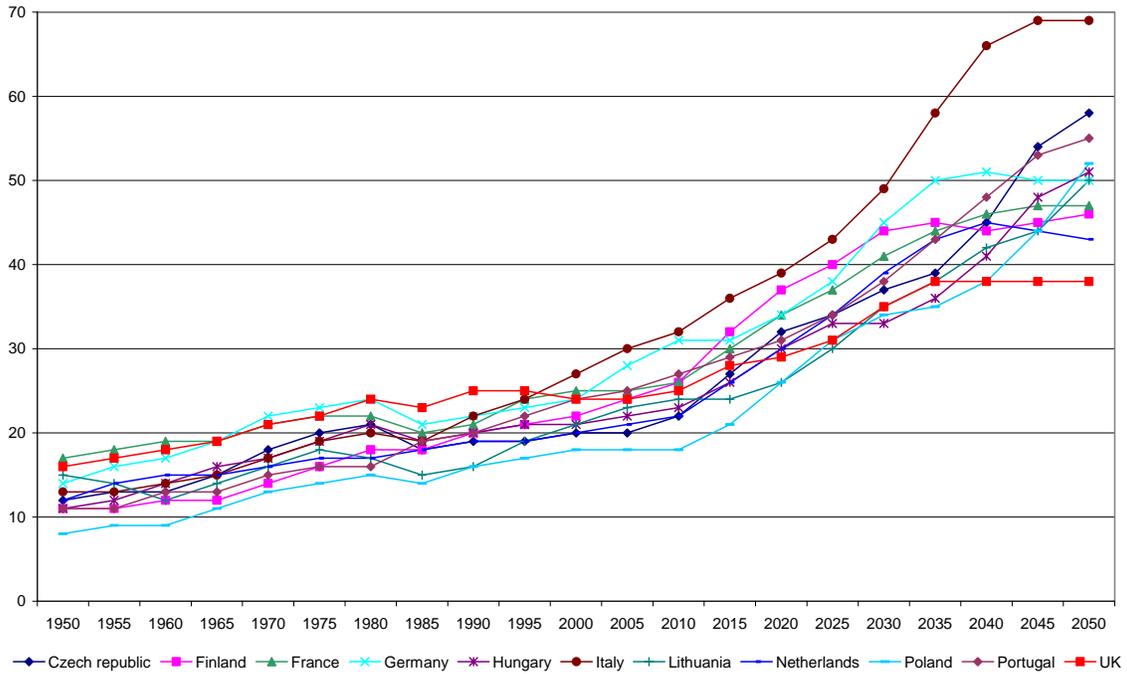
4.3 Structural Change

Differences in the rates of structural change in the various economies will be driven, in part, by the rate of growth in each country. Figure 4.4 shows the average rate of growth in real gross domestic product (GDP) per capita over the period 1998 to 2004. According to this, the new Member States largely perform better than the other countries. The performance of many of the original EU Member States, including Germany, was poor over this period, with growth rates of less than 2 per cent. One exception to this is the UK, although more recent growth in this country has been poorer. This background of different growth rates is likely to impact on the sectoral performances of the different countries.

European countries have been undergoing major structural changes, many of which they have in common, although at somewhat different magnitudes. The addition of generally poorer new Member States has meant that agriculture, forestry and fishing sectors became more important than previously in the European Union. Figure 4.5 shows that, whereas in the UK this sector formed less than 1 per cent of gross value added (GVA), it formed nearly 6 per cent in Lithuania. It can be seen from Figure 4.6 that all countries experienced a decline in agriculture, forestry and fishing. Those with a larger sector at the beginning of the period tended to have greater percentage point declines, as in the case of Lithuania and, to a lesser degree, Hungary and Poland.

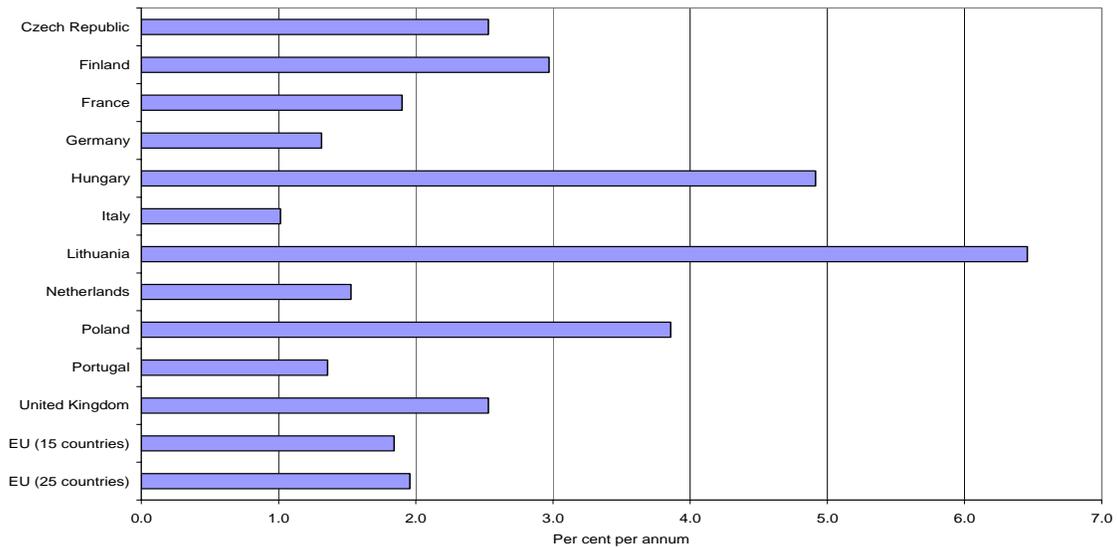
3 This form of the dependency ratio, however, omits children, who also may place a burden on the state. It also can be recalculated as the ratio of the active rather than the whole population.

Figure 4.3 Dependency ratios



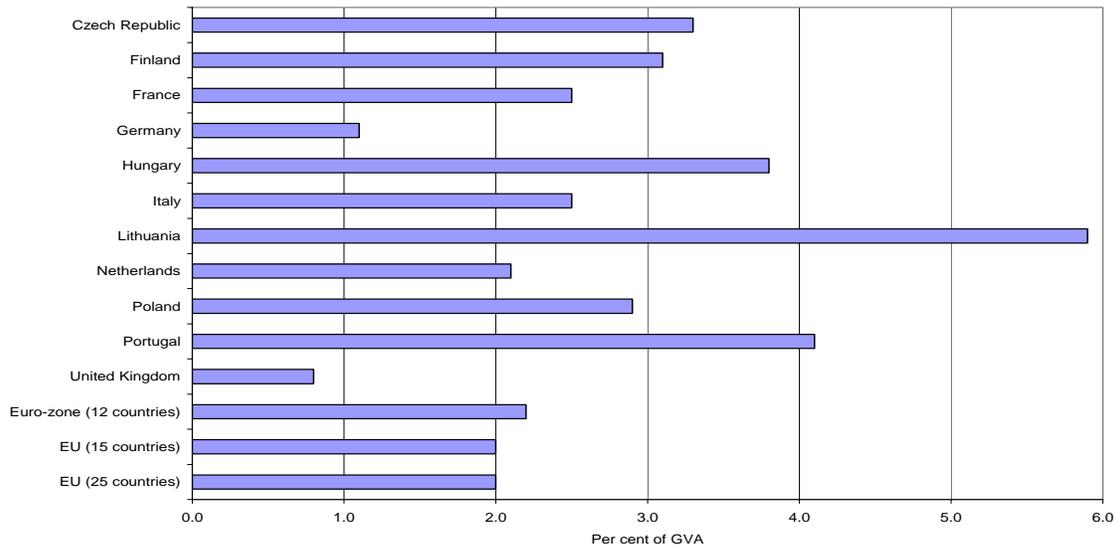
Source: UN on-line database (<http://esa.un.org/unpp/index.asp?panel=2>).

Figure 4.4 Average growth of GDP per capita, 1998-2004



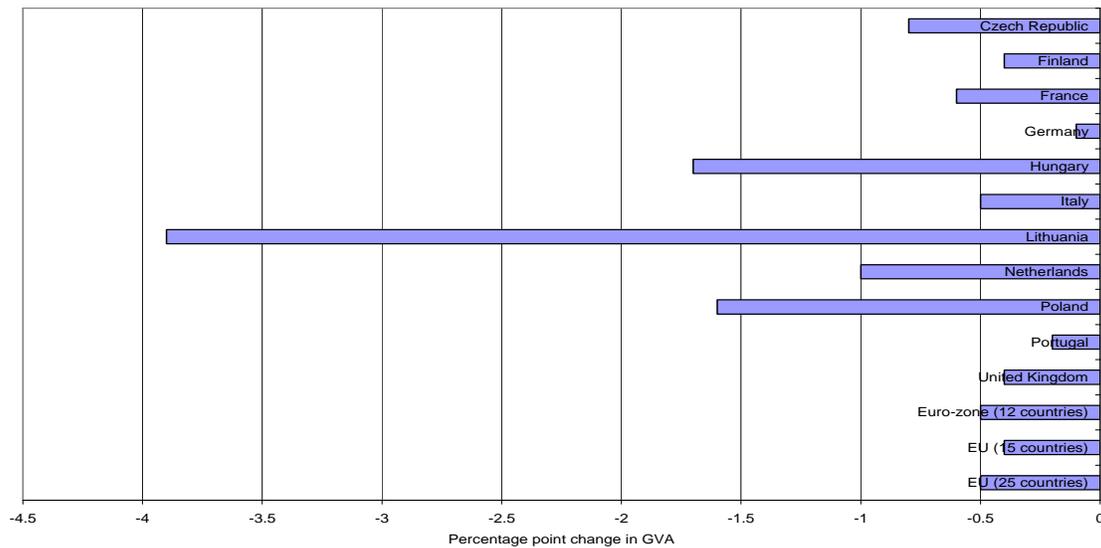
Source: Eurostat – Queen tree (<http://epp.eurostat.cec.eu.int/>), as of December 2005.

Figure 4.5 Percentage of GVA attributable to agriculture, 2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

Figure 4.6 Percentage point changes in GVA attributable to agriculture, 1998-2004

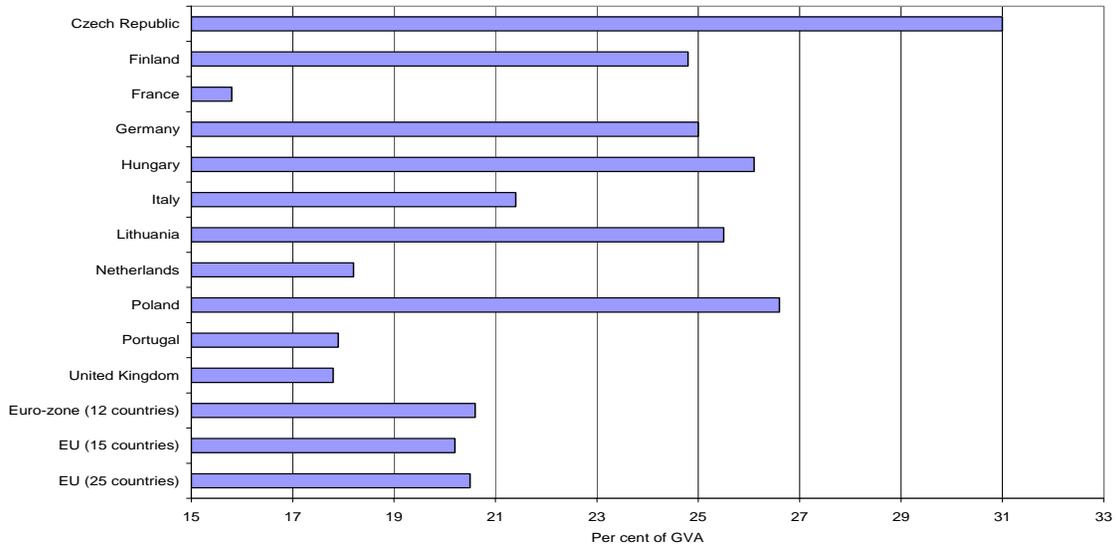


Source: Eurostat – Queen tree (see note to Figure 4.4).

The production industries, including energy, form less than 27 per cent of total GVA in every country other than the Czech Republic (see Figure 4.7). Indeed, in France, the Netherlands, Portugal and the UK, this sector contributes less than 19 per cent to GDP. There has been a relative decline in the production industries in all of the original Member States, as well as in Hungary (see Figure 4.8). In the case of the UK, the decline in this sector was around 5½ percentage points. Even Germany showed a minor decline. Only Lithuania and, to a lesser degree, Poland and the Czech Republic showed relative increases in this sector. Thus, while there has been some migration of production

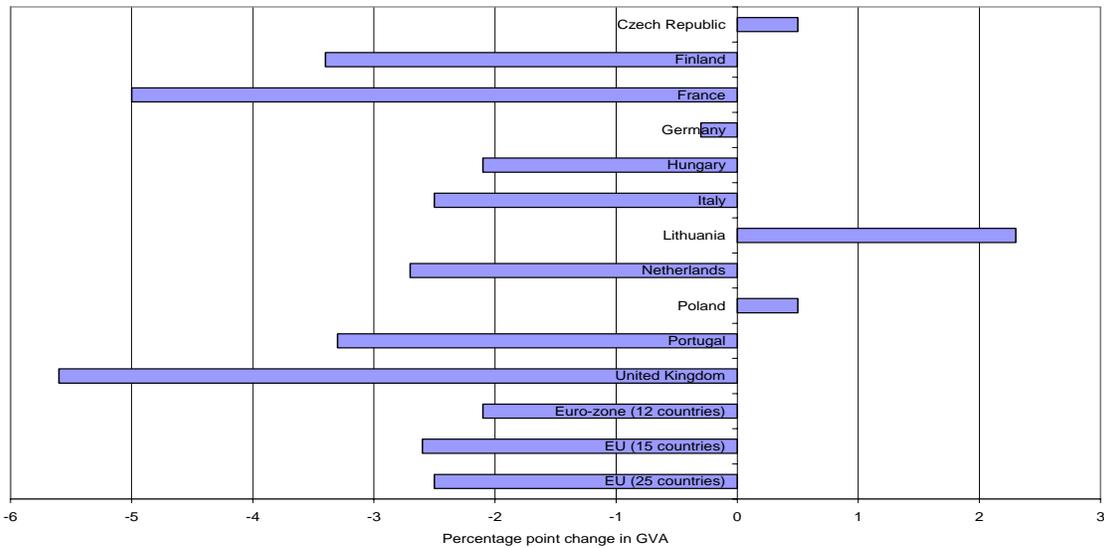
activities within the EU towards (what are now) new Member States, the global migration to the Asia Pacific and, in particular, China, has been more profound.

Figure 4.7 Percentage of GVA attributable to production industries, 2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

Figure 4.8 Percentage point change in GVA attributable to production industries, 1998-2004

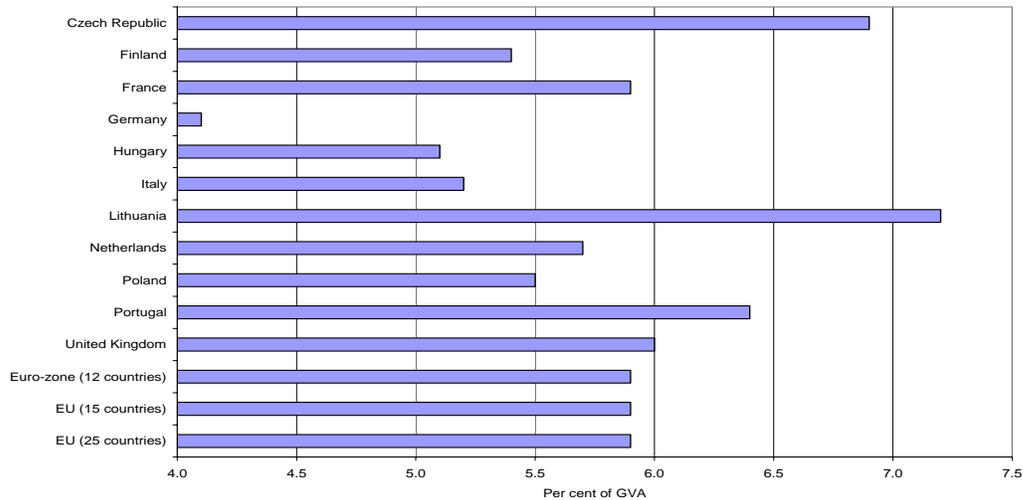


Source: Eurostat – Queen tree (see note to Figure 4.4).

As Figure 4.9 shows, the construction sector is generally quite small as a percentage of overall GVA. The sector forms a larger proportion of GVA than the EU average in the Czech Republic, Lithuania and the UK, with France around the EU average. The recent growth performance of the sector differs significantly across countries, as shown in Figure 4.10. The future distribution of EU funds to assist the development of the infrastructure of the new Member States looks likely to boost the construction sector in

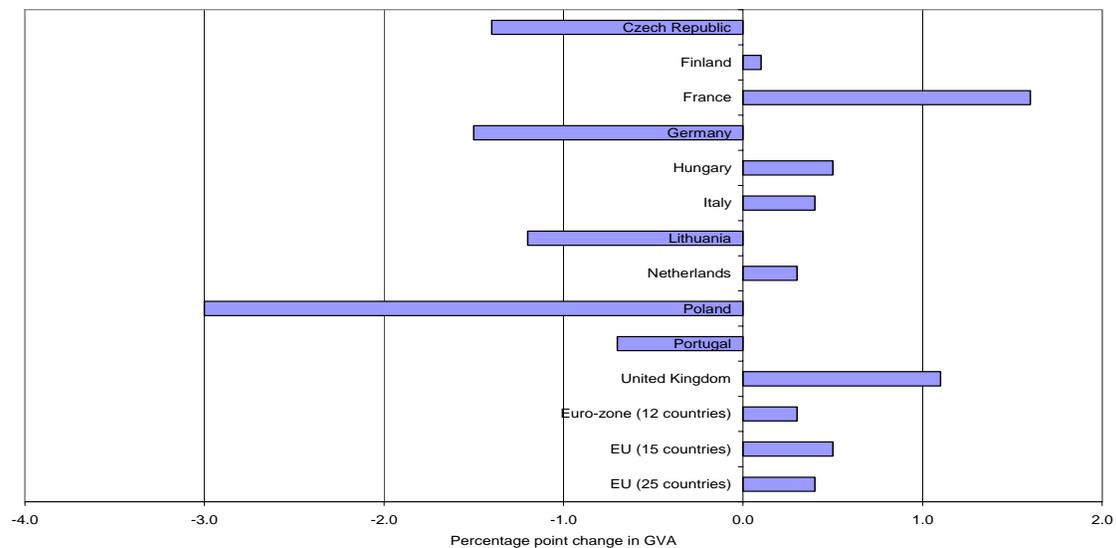
these countries. The UK's success in winning the Olympic Games for 2012 also seems likely to boost this sector.

Figure 4.9 Percentage of GVA attributable to construction, 2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

Figure 4.10 Percentage point change in GVA attributable to construction, 1998-2004

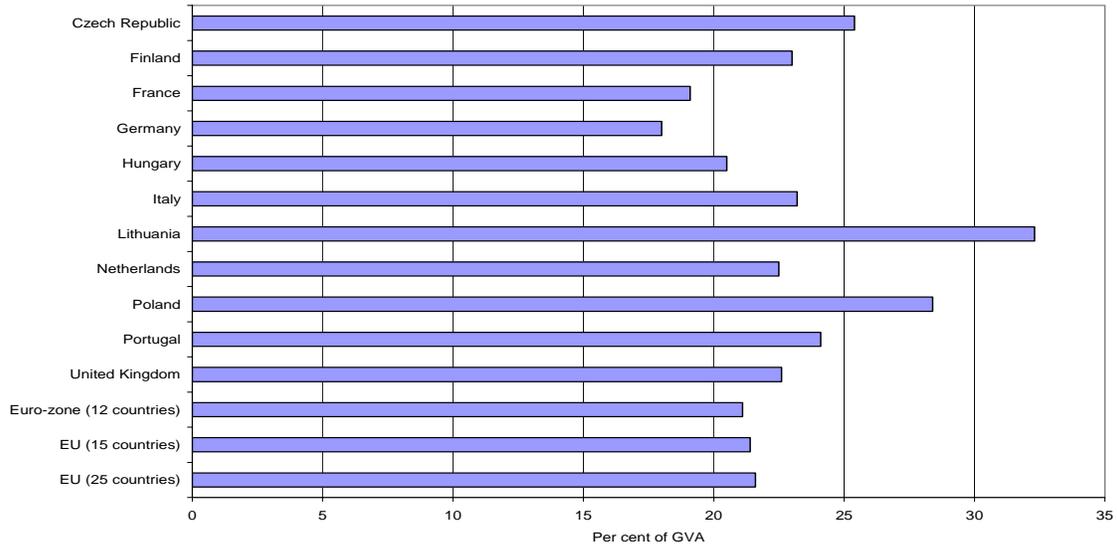


Source: Eurostat – Queen tree (see note to Figure 4.4).

Transport and telecommunication contributes just over 20 per cent across all EU countries (see Figure 4.11). However, this ranges from 18 per cent in Germany to over 32 per cent in Lithuania. It is also high in Poland and the Czech Republic. All three of these countries have shown a growth in transport and telecommunications as a proportion

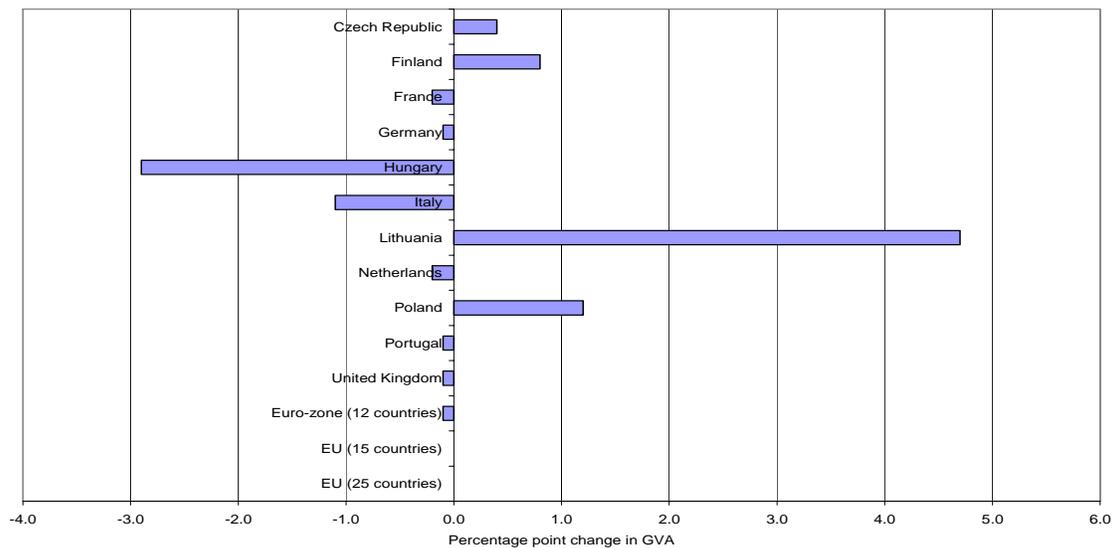
of total GVA over the period 1998 to 2004 (see Figure 4.12). Finland is the only other country to show an increase; all other countries register a fall.

Figure 4.11 Percentage of GVA attributable to transport and telecommunication, 2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

Figure 4.12 Percentage point change in GVA attributable to transport and telecommunication, 1998-2004

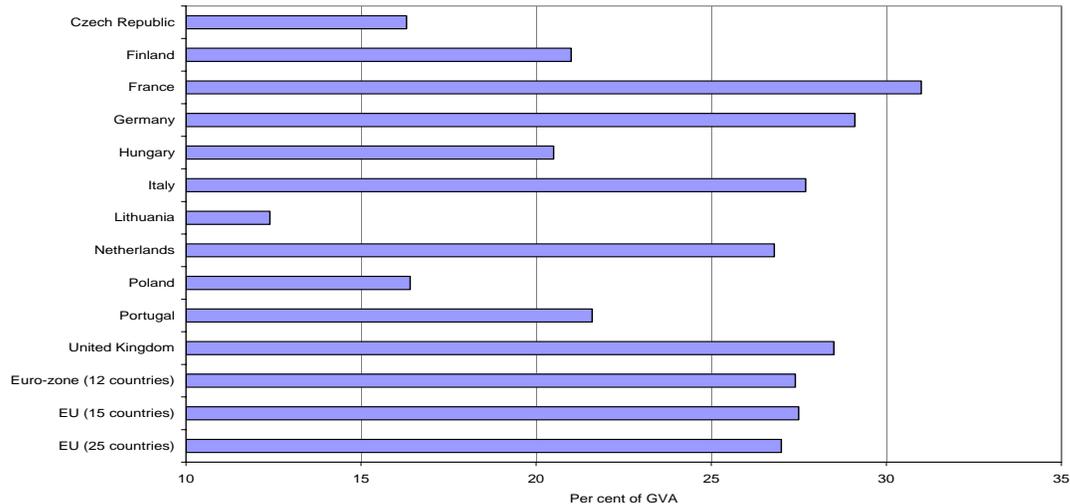


Source: Eurostat – Queen tree (see note to 4. 4).

As Figure 4.13 demonstrates, the relative importance of business and financial services differs between the more and less wealthy economies. In particular, it is an important component of GVA in France, Germany and the UK. On the other hand, it forms only 12½ per cent in Lithuania and approximately 16½ per cent in both Poland and the Czech

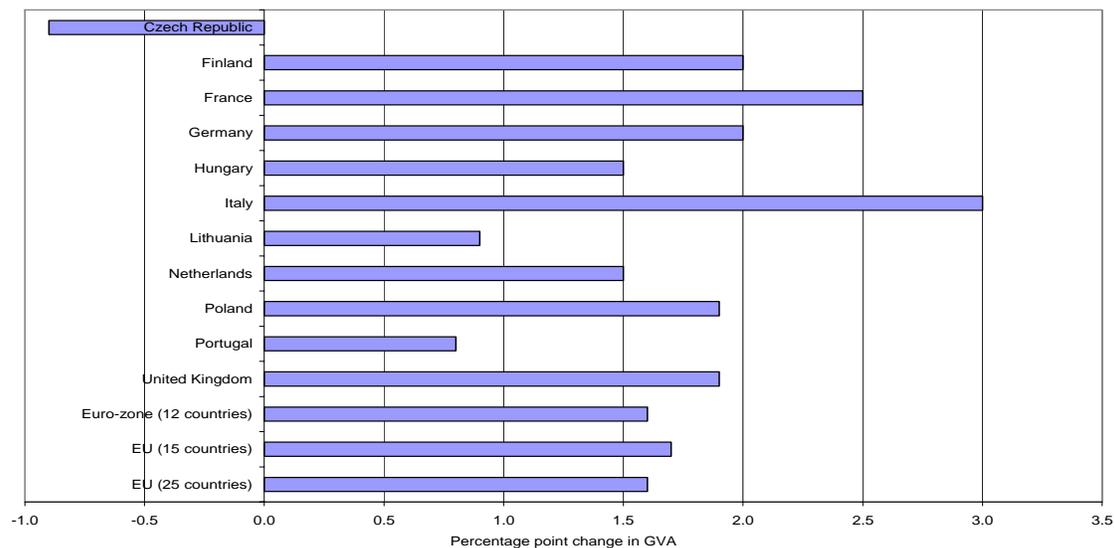
Republic. Figure 4.14 shows that every country, with the exception of the Czech Republic, has experienced a growth in this sector. Italy showed a 3 percentage point change over the period 1998 to 2004, France increased by 2½ percentage points, while Finland and Germany grew by 2 percentage points.

Figure 4.13 Percentage of GVA attributable to business and financial services, 2004



Source: Eurostat – Queen tree (see note to Figure 4. 4).

Figure 4.14 Percentage point change in GVA attributable to business and financial services, 1998-2004

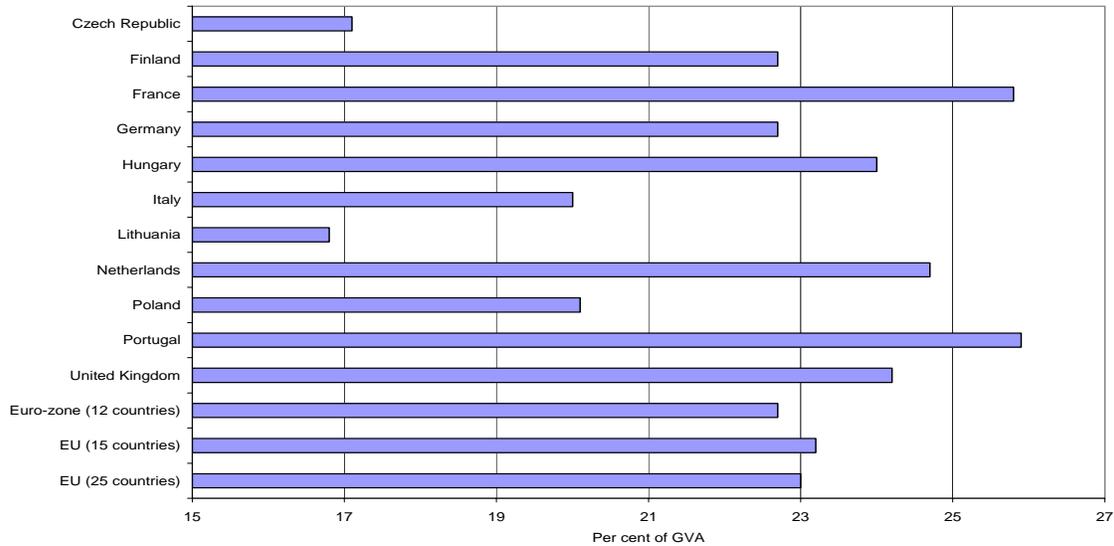


Source: Eurostat – Queen tree (see note to Figure 4.4).

France, Portugal and the Netherlands have the highest contribution of other services to GVA (see Figure 4.15); Lithuania and the Czech Republic have the lowest. Figure 4.16 demonstrates that Lithuania was the only country in which the share of other services fell over the period 1998 to 2004. While all the other countries increased their share of other

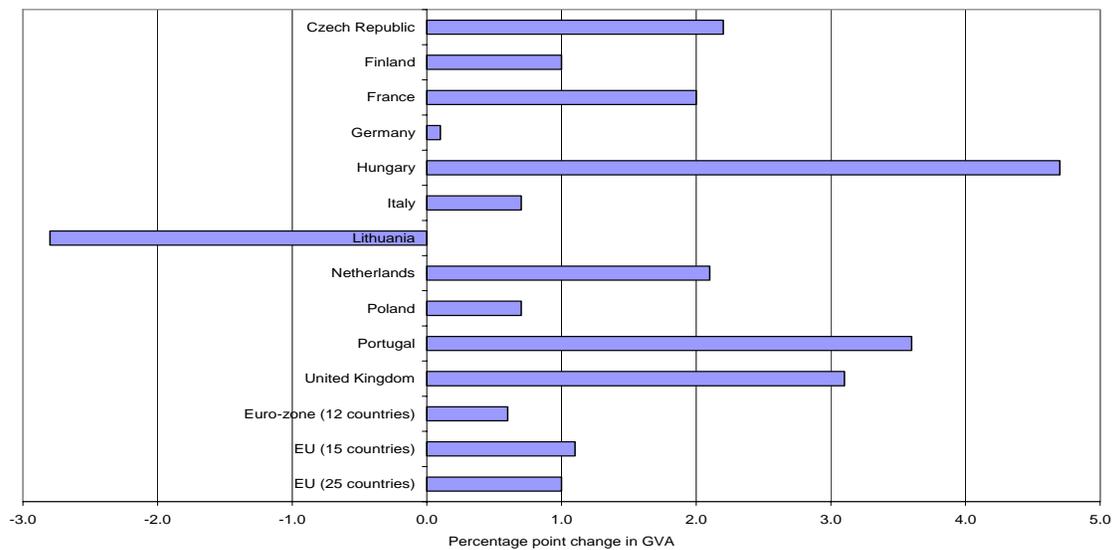
services, Hungary did so by nearly 5 percentage points, while Portugal and the UK both increased their share by over 3 percentage points.

Figure 4.15 Percentage of GVA attributable to other services, 2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

Figure 4.16 Percentage point change in GVA attributable to other services, 1998-2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

In this section, it has only been possible to look at the changes in industrial structure at a fairly aggregate level. Some of the changes, such as the growth in other social services, are, in part, a consequence of the aging population, and may be indirectly influenced by aging insofar as countries increase the incentives to have more young children. The generally lower skills and qualifications of older individuals are coupled with the fact that

a relatively high proportion of them *vis-à-vis* the rest of the population, will have been accumulated whilst working in the production industries which are showing a relative decline in all but the three new Member States, or in agriculture, which shows a relative decline all of the countries. On balance, this makes older individuals less suitable to higher level jobs in the growing sectors, such as finance and services or other services. The fastest growing sectors in many, if not in all of the countries, are those that surround computing and ICTs and, as a relatively high proportion of the older individuals have few, if any computing skills, there is little chance of them getting more than menial work in such sectors.

Pressures for changes in industrial structure have significant implications for the age structure of employment at the same time as age structure can have an impact on the progress of change. The relationships between the two can be mediated considerably by national, sectoral and organisational policies relating to education and training but good age management practices also potentially come into play. Both geographical and occupational mobility tend to be higher at younger ages.

4.4 Labour Market Context

Table 4.2 sets out the inactivity rates by age group for the eleven countries. It can be seen that activity rates are generally high amongst those aged 25 to 54. Activity is significantly lower in the youngest age category and the oldest age category. In four countries a higher proportion of the inactive appear in the oldest than in the youngest age category. Looking at the proportions in the oldest age category across countries, there is a considerable dispersion, ranging from 24 per cent of the inactive (Lithuania) to 40 per cent (Netherlands). There are many things driving these differences, not least the age structure of the population and the skill level (there is a monotonic relationship across skill levels in all 11 countries, with the low skilled more likely to be significantly inactive than the high skilled). There also seems to be some suggestion that the richer nations generally have a higher active proportion than the poorer, although this may also be related to skill levels.

Higher dependency ratios might be sustainable if the economies also experience increased participation in the labour market. Figure 4.17 presents the activity rates reported by the ILO for all individuals (male and females combined) aged 15 and above, with forecasts through to 2020. Again, a diverse picture emerges, but in many cases, the predicted trend over the forecast period is downwards.

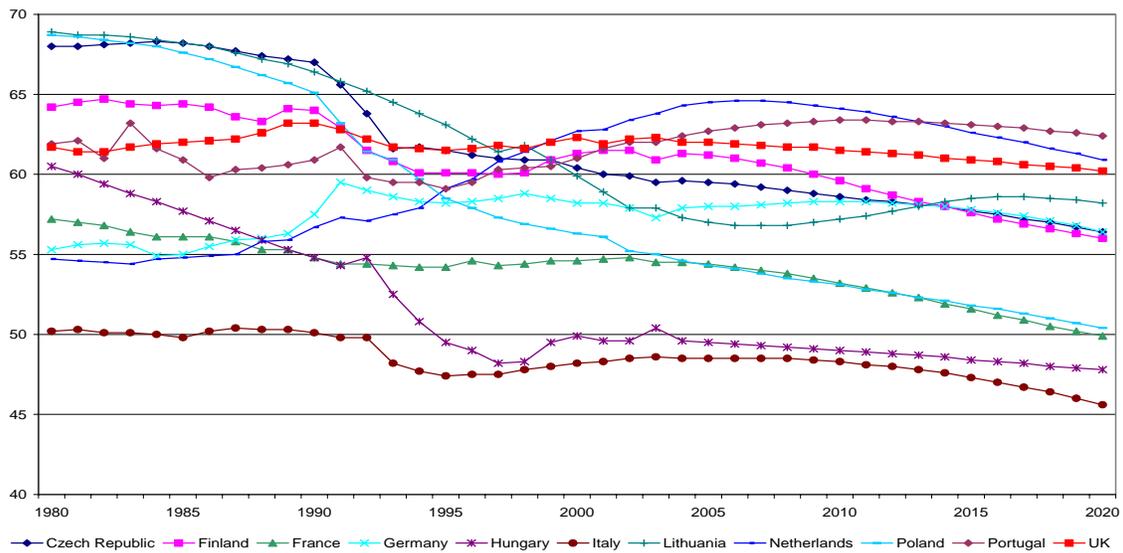
One further way in which the increase in dependency can be counteracted is if those over 65 increase their participation in the labour market. The activity rates of all individuals over age 65 are shown in Figure 4.18. The most important feature of the results is the level and pattern of change for Portugal, which is forecast to have activity rates of over 20 per cent by the end of the forecast period. This is in direct contrast to Poland, where activity rates have fallen throughout the historical period and are forecast to continue to fall during the forecast period. In addition to Portugal, activity rates in the Netherlands amongst the oldest workers are also predicted to rise but from a much lower base. Changes for other countries, both positive and negative, are much more marginal and none of the changes is very large.

Table 4.2 Structure of inactive population by age group in 2004 - % of total inactive population in age group

	15-24	25-34	35-44	45-54	55-64
Czech Republic	41.3	14.0	4.6	6.9	33.2
Finland	30.7	11.1	9.9	12.2	36.0
France	39.5	9.2	8.4	10.8	32.2
Germany	31.9	11.0	10.4	10.9	35.8
Hungary	34.7	13.0	8.2	14.2	29.9
Italy	26.8	13.0	12.2	14.6	33.4
Lithuania	54.0	8.6	6.6	7.2	23.6
Netherlands	21.1	9.8	13.4	16.0	39.7
Poland	41.1	7.9	6.0	17.7	27.3
Portugal	39.5	10.0	8.9	13.9	27.8
UK	29.0	13.5	14.3	13.4	29.9
EU-15	31.8	11.4	11.4	13.2	32.3
EU-25	33.6	11.0	10.4	13.4	31.6

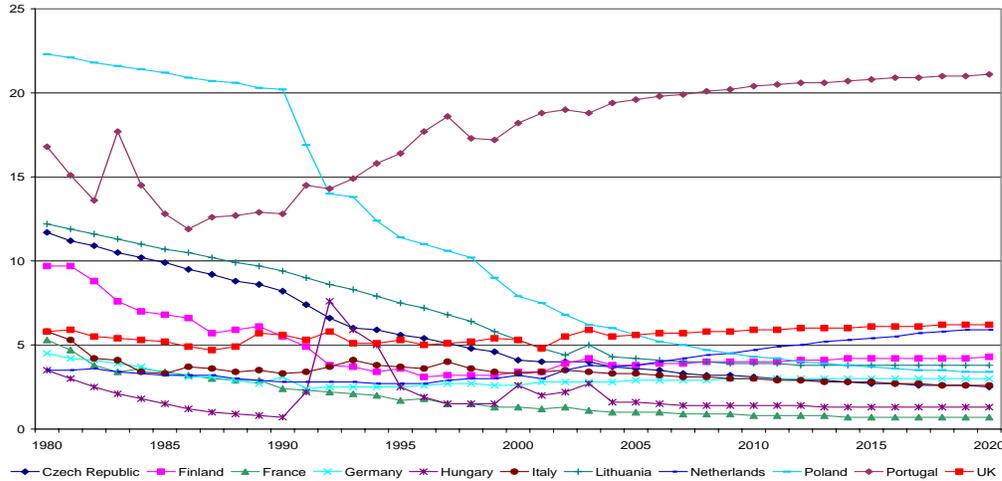
Source: Employment in Europe, 2005, Table 63.

Figure 4.17 Activity rates over time



Source: ILO on-line database (<http://laborsta.ilo.org/>).

Figure 4.18 Activity rates for the over-65's over time



Source: ILO on-line database (<http://laborsta.ilo.org/>).

Annex 1 presents a more detailed description of the changes in activity rates amongst older individuals from 1980, with forecasts to 2020, disaggregated by age, country and gender. One key feature is the low and falling activity rates for the various age categories of both older males and females in Poland. In the light of Poland's increasing life expectancy (see, for example, Figure 4.2) and dependency ratio (see Figure 4.3), these trends in activity look unsustainable. Compare this with the case of Portugal, where the activity rates for males are forecast to increase marginally over the period to 2020 and those of females are forecast to increase very significantly. Increases in the participation rate for females is expected to rise in most of the countries amongst the 50 to 54 and 55 to 60 year-old age categories. There is also forecast growth in participation of the 60 to 64 year-old females in Germany, the Netherlands, Portugal and the UK. Male trends in participation are more often downward, although there are some age categories for some countries which are upward.

Table 4.3 indicates that the rate of unemployment in 2004 varies from just over 4½ per cent in the Netherlands to nearly 19 per cent in Poland. Female unemployment rates are higher than male rates in every country except the UK. The difference between male and female rates ranges from 4.1 percentage points in Italy to -0.8 in the UK. Long-term unemployment (i.e. duration of more than a year) is also a major problem in some countries. The lowest rate is that of the UK, at 1 per cent, compared with 10.2 per cent in Poland. With the exceptions of Hungary and the UK, the incidence of long-term unemployment is again higher for females than for males. These differences run from 2.6 percentage points in Italy to -0.6 percentage points in the UK. A further measure of the depth of the unemployment problem is the ratio of the incidence of long-term to total unemployment. This ranges from 0.21 in the UK to 0.54 in Poland.

Of course, unemployment is cyclical, but comparable data are not available for all the countries over complete cycles. Hence, Figure 4.19 compares the overall rate of unemployment (males and females combined) over the period 1998 to 2004. Just over half of the countries improved their position over this period, while the rest have

Table 4.3 The rate of unemployment by country, 2004

	Rate of unemployment			Rate of long-term unemployment			Ratio long-term to total		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
Czech Republic	7.1	9.9	8.3	3.4	5.3	4.2	0.48	0.54	0.51
Finland	8.7	8.9	8.8	2.3	2.0	2.1	0.26	0.22	0.24
France	8.7	10.5	9.6	3.5	4.3	3.9	0.40	0.41	0.41
Germany	8.7	10.5	9.5	4.8	6.1	5.4	0.55	0.58	0.57
Hungary	5.9	6.1	6.0	2.7	2.6	2.6	0.46	0.43	0.43
Italy	6.4	10.5	8.0	2.9	5.5	4.0	0.45	0.52	0.50
Lithuania	10.5	11.2	10.9	5.3	5.8	5.6	0.50	0.52	0.51
Netherlands	4.3	4.8	4.6	1.5	1.6	1.6	0.35	0.33	0.35
Poland	18.0	19.8	18.8	9.5	11.0	10.2	0.53	0.56	0.54
Portugal	5.9	7.6	6.7	2.6	3.4	3.0	0.44	0.45	0.45
UK	5.0	4.2	4.7	1.2	0.6	1.0	0.24	0.14	0.21
Euro-zone (12 countries)	7.6	10.5	8.9	3.4	4.9	4.0	0.45	0.47	0.45
EU (15 countries)	7.1	9.3	8.1	3.0	4.0	3.4	0.42	0.43	0.42
EU (25 countries)	8.1	10.2	9.0	3.6	4.7	4.1	0.44	0.46	0.46

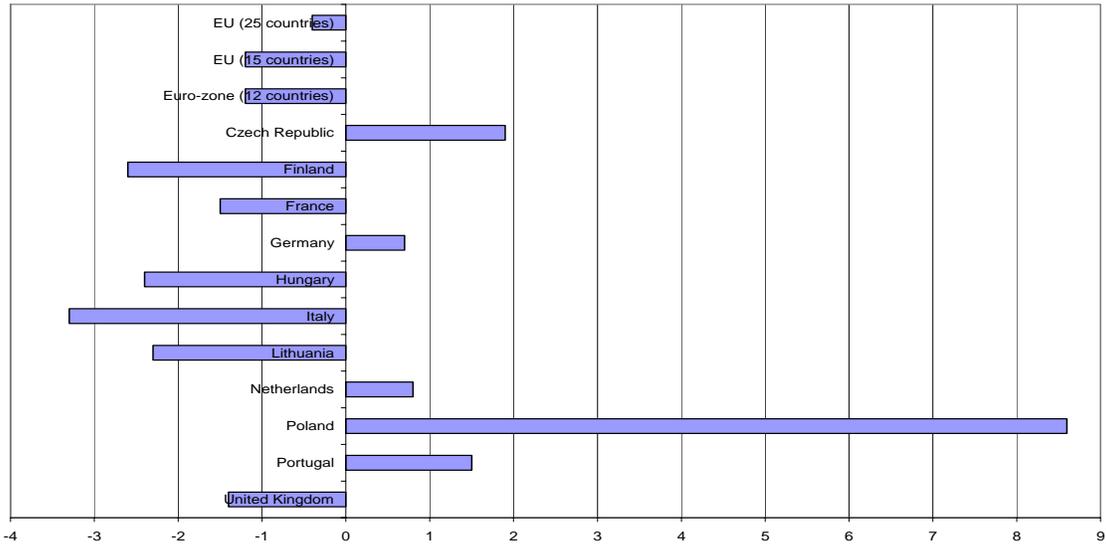
Source: Eurostat – Queen tree (see note to Figure 4.4).

experienced increased unemployment. Germany, still struggling to assimilate the former East Germany at a time when much of manufacturing is moving to the Asia Pacific, is the least affected of the latter group. Poland, historically tied to heavy industries and moving to a market economy, is most affected with around a 8½ percentage point increase in the rate of unemployment over this period.

Figure 4.20 sets out the position amongst younger and older individuals. The most obvious outcome is that, overall, older individuals are less likely to be unemployed but, when they are unemployed, generally larger shares are long-term unemployed. Unemployment rates amongst older individuals are highest for Germany, Poland and France; they are considerably lower in the UK. The share of long-term unemployed appears to be high in Germany and France, and fairly high in most countries other than the UK. It is difficult to be definitive about this, because, in some countries, the older long-term unemployed may be transferred via various schemes to appear as inactive.

Given the tendency for health to decline amongst older workers, some mix of part-time paid employment and government support through social transfers may be appropriate. The extent to which European countries make use of part-time working varies enormously, as shown in Figure 4.21. This ranges from virtually no part-time working in certain non-EU central and eastern European countries, as well as in Spain and Greece, to over 40 per cent of employment in the Netherlands.

Figure 4.19 Change in rate of unemployment (percentage points), 1998 to 2004



Source: Eurostat – Queen tree (see note to Figure 4.4).

Figure 4.20 Unemployment amongst older individuals (Source OED)

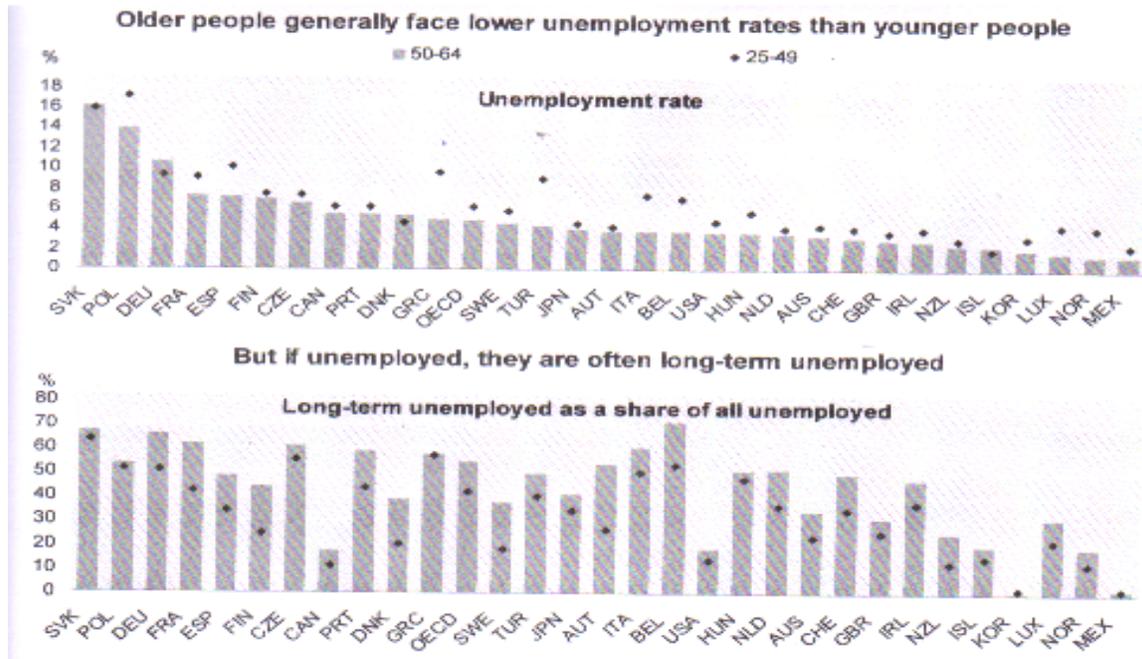
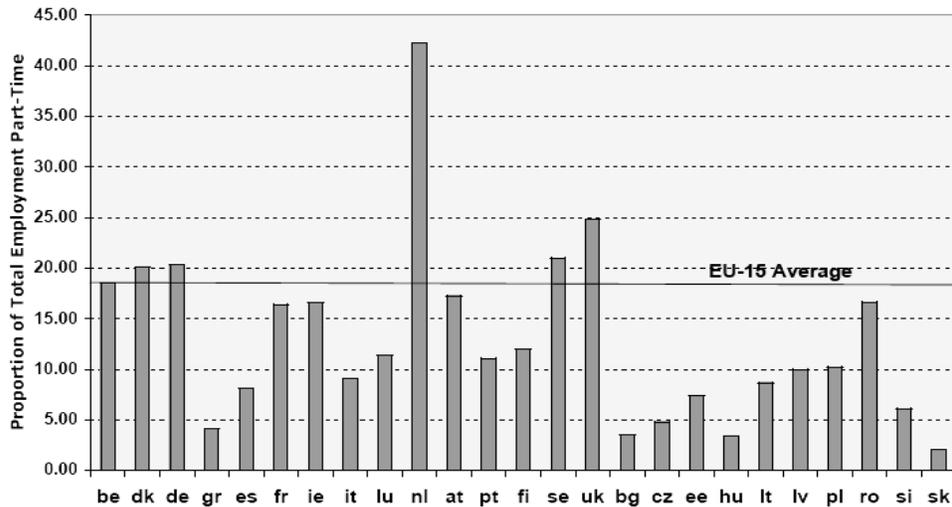


Figure 4.21 The share of part-time in total employment across EU countries (including CEEC accession states), 2001



Source: Gardiner, *et al.* 2004, p. 11.

4.5 Risks for Older Age Groups

The key labour market messages about older individuals from both this Chapter and the country studies are that, while, if anything, they are slightly less likely to be unemployed or to experience long-term unemployment, they are significantly more likely to be inactive than individuals of prime working age. In addition, while the increased life expectancy is generally a benefit for individuals, there are, nevertheless, other problems associated with it. In particular, health tends to deteriorate with age, as Table 4.4 demonstrates (see also the country reports in Annex I).

Table 4.4 Percentage of individuals reporting long-standing health problems, by age, 2002

	Females			Males			Total		
	50-54	55-59	60-64	50-54	55-59	60-64	50-54	55-59	60-64
Czech Republic	35.1	40.0	47.7	30.3	39.2	44.5	32.8	39.6	46.2
Finland	44.5	52.5	66.2	41.1	52.2	65.7	42.8	52.3	65.9
France	36.1	39.9	43.8	34.8	42.3	40.7	35.5	41.1	42.3
Germany	15.4	20.9	21.0	17.0	24.8	27.7	16.2	22.9	24.3
Hungary	26.3	28.6	17.9	24.5	31.4	24.5	25.5	29.9	20.7
Italy	9.8	12.8	16.1	11.0	13.7	17.0	10.4	13.2	16.5
Lithuania	14.4	24.6	17.7	11.5	24.2	20.1	13.0	24.4	18.7
Netherlands	36.1	42.5	40.3	34.3	40.7	45.1	35.2	41.6	42.7
Portugal	33.6	44.9	50.3	27.0	37.5	43.7	30.4	41.4	47.2
UK	39.2	46.4	51.8	36.0	45.6	54.4	37.6	46.0	53.1

Source: Dupré and Karjalainen (2003). Note: data for Poland not available.

There is an important distinction between life expectancy and healthy life expectancy; it may be estimated as the number of years a person can expect to live in poor health.

There is a tendency for the more severe health problems to be concentrated amongst older individuals. Table 4.5 shows, for example, that the proportion of those reporting very severe health problems that lie in the 60-64 age group form over 50 per cent of the European population of working age. Males are slightly less likely to report having long-standing health problems than females, although the differences in the proportions for each severity category are fairly minor.

Table 4.5 Proportion aged 60 to 64 that report a given health severity level

	EU15	EUR12	Acceding countries	Females	Males	All
Very severe	55.7	58.2	59.5	56.0	55.8	55.9
Severe	49.6	53.4	58.6	50.1	52.0	51.0
Moderate	37.5	40.3	46.5	37.6	39.0	38.3
Mild	38.4	40.5	47.4	38.0	40.6	39.3
Without LSHPD	65.6	67.5	67.9	67.1	71.5	66.5

Source: Dupré and Karjalainen (2003).

A further major issue, with important repercussions for the choice of retirement age and design of pensions systems, concerns the differences in life expectancy across occupations and income levels. In the UK, for example, the ‘life expectancy gap’ between professional and unskilled workers is 9.5 years for men and 6.4 years for women.⁴ There are also differences in the types of health problems experienced. Again, to use the UK as an example, over the period from 1986 to 1999 partly skilled and unskilled workers were 5½ times more likely than managerial, technical and professional workers to die from respiratory diseases. Table 4.6 sets out the proportion of actual life expectancy that is healthy for the eleven countries. There are some differences, with Lithuania reporting only 84 per cent for both males and females, compared with, say, France, which reports 88.7 per cent for females and 91.3 per cent for males. This should also be seen against the lower actual life expectancy in Lithuania.

A further issue concerns poverty amongst older individuals. Table 4.7 sets out the share of persons with an equivalised disposable income, after social transfers, that lie below the risk of poverty threshold. The risk of poverty threshold is set at 60 per cent of the national median equivalised disposable income (after social transfers). Pensions are counted as income before transfers and not as social transfers. While the percentages are falling in a number of countries such as France, Portugal and the UK, they have risen in Finland and, in recent years, in Germany.

Clearly, the percentages at risk are even higher prior to social transfers. Figure 4.22 shows the extent to which each country supports individuals in an attempt to bring them out of poverty. The figure shows the ratio of those in poverty before welfare transfers

4 <http://www.studentbmj.com/issues/00/02/editorials/3.php>. National On-line Statistics for the UK report that, “for the period 1997-99, life expectancy at birth in England and Wales for professional males was 7.4 years more than that for those in the unskilled manual groups. The gap between the social classes was smaller for women than for men, at 5.7 years. (www.statistics.gov.uk/cci/nugget.asp?id=1007).

and those in poverty after welfare transfers. It can be seen that Finland does most to ameliorate poverty, while Italy does the least.

Table 4.6 Proportion of life expectancy that is healthy

	Women	Men
Czech Republic	88.2	88.7
Finland	89.3	90.9
France	88.7	91.3
Germany	89.0	90.9
Hungary	86.1	86.2
Italy	88.7	90.8
Lithuania	84.0	84.0
Netherlands	88.1	90.6
Poland	85.3	88.8
Portugal	86.6	88.4
United Kingdom	88.7	91.1

Source: United Nations Economic Commission for Europe <http://www.unece.org/>

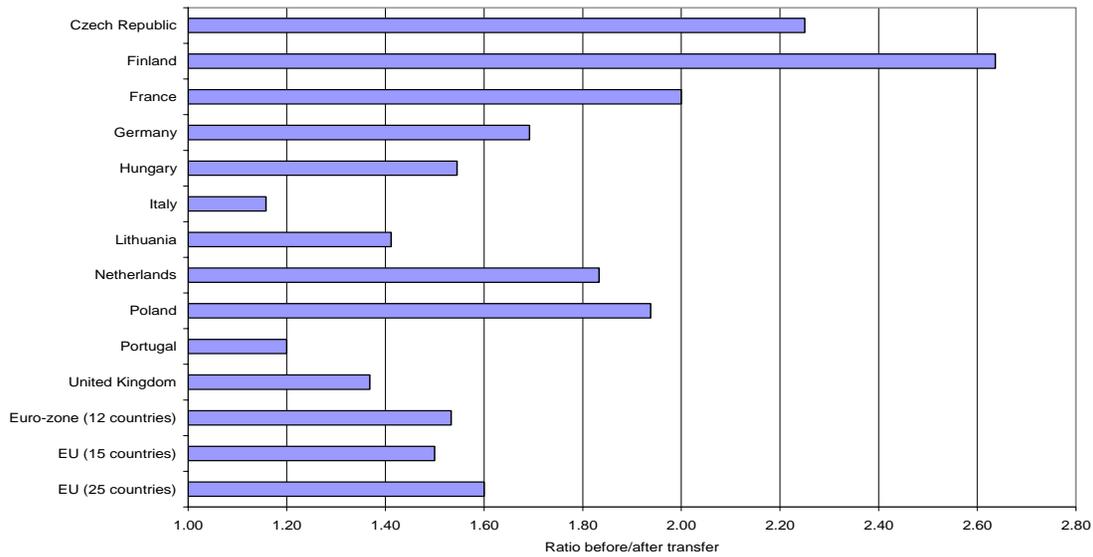
Table 4.7 At risk of poverty rate after social transfers

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Czech Republic	:	:	:	:	:	:	8	:	8
Finland	:	8	8	9	11	11	11	11	11
France	15	15	15	15	15	16	13	12	:
Germany	15	14	12	11	11	10	13	15	15
Hungary	:	:	:	:	:	11	11	10	:
Italy	20	20	19	18	18	18	19	:	:
Lithuania	:	:	:	:	:	17	17	17	:
Netherlands	11	12	10	10	11	11	12	12	:
Poland	:	:	:	:	:	16	16	17	:
Portugal	23	21	22	21	21	21	20	20	19
United Kingdom	20	18	18	19	19	19	19	18	18
Euro-zone (12 countries)	17	16	16	15	15	15	15	:	:
EU (15 countries)	17	16	16	15	15	15	16	:	:
EU (25 countries)	:	:	:	:	:	:	15	:	:

Source Eurostat – Queen tree (see note to Figure 4). Notes: see Eurostat site for detailed notes.

There are clear links between low employment rates, ill-health and the poverty experienced by older individuals. Individuals, particularly those with lower qualifications and skills (or less relevant or redundant skills) are less re-employable and at high risk of long-term unemployment prior to retirement. For most individuals this will mean financial hardship, poorer housing and living conditions, which are all linked to poorer health. This is not a firm platform for moving into retirement and, as argued above, places a large burden on the state and in some countries' charities) in order to keep a reasonable proportion of these individuals out of poverty.

Figure 4.22 Ratio of pre- to post-transfer income



Source Eurostat – Queen tree (see note to Figure 4.4). Notes: see Eurostat site for detailed notes.

Finally, Table 4.8 provides some partial evidence of the risk of poverty by age and gender. The results show that individuals over the age of 65 are, on balance, more at risk of experiencing poverty than most other age groups, with the exception perhaps of those more likely to be in education, aged 16-24. Older women tend to be more at risk than older men, presumably because they live longer and, at the present time, may depend on the conditions of their male partner’s pension rights.

Table 4.8 Risk of poverty rate by age and gender, 2001 (% of age category)

		EU15	Finland	France	Germany	Italy	Netherlands	Portugal	UK
Total	Total	15	11	15	11	19	11	20	17
	Male	14	9	15	10	19	12	20	15
	Fem.	17	14	16	12	20	11	20	19
0-15	Total	19	6	18	14	25	16	27	24
	Male	19	5	17	13	25	17	27	24
	Fem.	19	6	18	14	24	16	28	24
16-24	Total	19	23	21	16	25	22	18	20
	Male	19	19	21	17	25	24	21	18
	Fem.	20	28	21	15	25	21	15	21
25-49	Total	12	7	12	9	18	10	15	12
	Male	11	8	11	7	17	10	15	10
	Fem.	14	7	13	11	19	10	15	14
50-64	Total	12	9	13	10	16	7	16	11
	Male	12	7	12	10	15	6	15	10
	Fem.	13	10	13	9	16	7	16	12
65+	Total	19	23	19	12	17	4	30	24
	Male	16	12	17	9	15	5	28	19
	Fem.	21	31	21	14	19	3	31	28

Source: Dennis and Guio (2004).

4.6 Conclusions and Main Findings of the Country Reports

All countries are experiencing aging populations and most exhibit declining activity rates amongst the older cohorts. It is clear from the country studies that Italy appears to be in a particularly difficult position and, as shown above, a predicted older individual dependency ratio of almost 70 per cent by 2050. This dependency ratio does not include those under working age, with the implication that policies to increase the birth rate, which some countries have introduced, will accelerate the overall dependency ratio in the short-term, before improving it as the additional young people reach working age. The main exception with regard to activity rates is Finland which has one of the most established labour market policies for aging. Whilst the overall activity rate for the 15+ group is forecast to continue to decline through to 2020, the activity rates for older individuals is forecast to rise in Finland for both males and females. The country study outlines the programmes that Finland has introduced. These seem to be worth reviewing in greater detail.

The structural changes that have taken place in terms of the relative growth and decline of different sectors has only been analysed at a fairly aggregate level in both the country studies and the present chapter. Nevertheless, a number of conclusions are possible. First, the changes for certain sectors are themselves directly influenced by aging – the growth in other services, which includes the hospital and care services, is influenced directly by an aging population, with their health and care problems. They can also be indirectly influenced, for example, by the introduction of policies to increase the birth rate. Second, the generally relatively low qualifications and skills of the older groups, along with their higher probability of working in agriculture or production activities, make them unsuitable for employment in higher level jobs in the main growth sectors, such as business and financial services or other services. As a number of the country case studies pointed out, the highest growth sectors, such as computing and ICT related activities, seem least suited to older and most suited to younger individuals.

The new Member States have experienced the most significant structural changes, and look likely to continue to do so. Lithuania, in particular, has experienced major shifts between sectors. As might be expected, there were reductions in the relative importance of agriculture in all four of the new Member States covered. There was a particularly large reduction in Lithuania, the mirror image of the moderate growth in her production and larger percentage rise in transport and telecommunications. The relative growth in production is quite small in Poland and the Czech Republic and there was a decline in Hungary, more like those of the original Member States. While construction in Hungary had a rising share, the Czech Republic, Lithuania and, more particularly, Poland, had falling shares. This position may well change when EU funding for infrastructure begins to flow into the new Member States. Lithuania posted by far the largest percentage growth in transport and telecommunications, while Poland experienced a reduction. While the Czech Republic had a reduced share of business and financial services, there were small rises in Lithuania and Poland, and a slightly larger increase in Hungary. Other services increased its share in three of the new Member States, particularly in Hungary, but had a reduced share in Lithuania.

If these changes came on the back of low growth in GDP, they would have major implications for retraining to enable individuals to move from one sector to another. In

practice, they have occurred at a time when GDP has been growing significantly and, indeed, GDP per capita has been rising. Lithuania was the fastest growing of the new Member States, with a growth in GDP per capital of more than 6 per cent over the period 1998 to 2004. The corresponding figures for Hungary, Poland and the Czech Republic were nearly 5 per cent, nearly 4 per cent and 2.5 per cent respectively. The latter was slightly lower than Finland and in line with the UK, which were the fastest growing of the original EU Member States over that period. Thus, the relative changes almost certainly mask much smaller changes to the absolute sizes of many of the declining sectors. Nevertheless, there are still education and training issues arising from the very rapid increases in the sectors which are growing in relative terms against a background of rapid growth in the economy.

In the new Member States, there has also been the need to shift from an age-based promotion and wage structure to a more competitive labour market model. The adjustments in the product market have also given rise to restructuring and unemployment, following the former period of artificial full employment. New forms of economic activity and work contract, such as various forms of flexible working, have appeared. However, part-time working and fixed-term contracts are still below the European average, although multiple job holding is more frequent. Older people experience discrimination because of their age in job hunting. While pay systems are increasingly linked to market forces, qualifications and skills, there is still a vestige of seniority payments. But this is not only the case with the new Member States, some of the original EU Member States, such as Italy, exhibit a strong link between earnings and seniority.

What comes through from some of the individual country reports, consistent with the evidence presented above, is older individuals are at risk in a number of respects, unless there is some form of legislative framework or collective agreement to protect them. They are more expensive than younger individuals and, while they may have some advantages, such as experience, younger individuals have advantages of their own, such as greater flexibility. Older individuals are less mobile and, other things being equal, tend to stay in their existing jobs. However, if they lose their job, they have a relatively low probability of finding a new job and, even if they can, this is likely to be at substantially reduced incomes. In a relatively large number of cases, older individuals who lose their jobs tend to experience long duration unemployment, before effectively becoming permanently inactive. Unemployment late in life can have a particularly important impact on future income amongst those whose pensions are linked to their salaries towards the end of their career and amongst the low paid, who have not been able to make sufficient pension contributions. While some country studies, such as Italy, report that a number of individuals undergo more complicated 'career patterns' before retirement, again such patterns do not look as if they produce a strong financial basis for retirement.

While some countries have programmes to retrain older individuals, the older groups remain the least qualified and the rates of return are truncated by the short period of time to retirement. Clearly, raising the retirement age would improve the rate of return where older individuals have been trained. The returns to retraining whilst unemployed or inactive are also affected by the age discrimination experienced by potential employees.

In addition, given that older individuals tend to be the least educated, with little history of formal and possibly even informal learning, such individuals are likely to form a higher proportion of the unemployed or inactive, and the likely success of retraining them is lowered. However, the country study for Italy has pointed to the differences in the incidence of training amongst older individuals across a number of countries. It would be interesting to investigate why Germany and, to a lesser extent, Denmark, outperform the other countries by a long way. Further, it would be interesting to investigate the social rates of return in these countries, vis á vis those that undertake a small fraction of their training.

The issue of pensions is only considered very briefly in the present paragraph, as it forms the central theme of the next chapter. However, a few observations are pertinent. Pensionable age across the different countries have been very different in the recent past. It is difficult to synthesize this because the age of retirement not only differs between men and women and across countries, but also by a number of other factors, such as whether the individual worked in the public or private sectors and whether they were in a private or company pension schemes. All countries have recognised the need to at least examine the case for an increase the age of retirement. Many countries have already introduced increases. Since 1999, for example, Finland has gradually increased the pension age by 2-3 years. However, a number of the country studies argue that is not clear that the pension age can be increased for all sectors and activities. For example, a range of occupations, such as firemen, require physical strength and agility that declines with age. Ideally, there should be some sort of assessment to ensure that the pension age is appropriate to each occupation and activity. As the German study clearly argues, there is also a need to assess how to design the workplace to make certain jobs and activities feasible for older workers, such as different postures and body movements, mixes of physical and mental activities, and mixed-age teams. From a policy perspective, there is a need for a review of the ergonomics literature and perhaps further research to assess best practice in workplace design.

What is also clear from a number of the country reports is that the design of a framework to aid older individuals is complex and can lead to anomalous results. Allowing pensioners to work, but also to be in paid employment may lead to them working at low pay levels, and thus displacing other workers such as those older workers below pension age on higher salaries. There is also a fear that keeping older individuals in paid employment may take jobs away from others, particularly from those entering the labour market. This has been a noted problem amongst some of the new Member States. There is considerable evidence both in the country studies and above, that health declines with age, particularly amongst the less qualified and lower income groups. Thus, many individuals see extending the working life as increasing the mental and physical pressure on them. One of the issues noted in this Chapter is the inequity that an increased pension age can bring amongst men and women, manual and professional workers, unqualified and highly qualified – as, in each case, the former currently have both lower remaining life expectancy and lower remaining healthy life expectancy.

Finally, a crucial policy issue will be the care for older individuals. This issue again arises because health declines with age, and disabilities increase. A number of studies point out that either the over 80s or over 85's, as in the case of Hungary, are the fastest

growing age groups. These groups, which will form a significant proportion of the population, will need both medical, technological and human resources at a time when the dependency ratio is rising significantly. It seems likely that an increase in the capital intensity of care will be needed in order to cope, and appears also to require new medical technologies and innovative forms of treatment. There are clearly other issues to address, such as housing, heating, sheltered accommodation and residential homes. The demands on hospitals and other forms of care may be accentuated in the short-term in those countries introducing policies to increase the birth rate.

5. THE INSTITUTIONAL AND POLITICAL CONDITIONS: STRENGTHS AND WEAKNESSES OF POLICY REFORMS

5.1 Adapting Pension Systems – The Dangers of Ignoring the Demand Side

Discussion about enhancing the employment level of older people almost inevitably results in a focus on pension systems and the incentives these appear to offer for employees to cease working. Providing people with a source of income without requiring they work was, of course, the original objective of pension schemes. These were set up to support those no longer able to work or only able to work with extreme difficulty, and advanced age was taken as one indicator of eligibility for benefit. The concern voiced during much of the past two decades has been with how pension systems and other social protection systems facilitate retirement in the years prior to the ‘normal’ age. More recently, policy makers have started to occupy themselves with a possible need to raise that ‘normal’ age to take account of greater longevity.

The age pension systems of some countries contain provisions enabling earlier than normal retirement for those who have had exceptionally long and/or arduous working conditions. Of the countries included in this study that have pension systems containing such provisions, France and Poland are two examples. Moreover, people who benefit from such provisions are expected to, and often do, experience relatively short retirements. Equally, the rather low ‘normal’ retirement ages to be found in many of the eastern European member states – including all those contained in this study – reflect the shorter life expectancies in older age that prevail there.

On the other hand, many of the incentives to retire before the ‘normal’ pension age are contained not in old-age pension systems themselves but in the various other benefit systems – both public and occupational or employer sponsored – that complement them. What is more, those provisions for early retirement that are contained in public age pension systems tend to have a contingent character to them, whilst almost all of those that are contained in complementary schemes are contingent. By ‘contingent’, we mean that they apply to people who have become unemployed or who are deemed unable to work because of their state of health. Inflows into disability pensions are correlated with high levels of unemployment or high levels of employment reduction in a locality, and other than purely ‘medical’ factors – so called ‘social’ factors – are important in determining eligibility for benefits. That people respond to incentives is scarcely surprising. What should, perhaps, be of greater concern to policy makers are the circumstances under which the provisions offering them were introduced, or the circumstances under which use of them is made.

Many of the reforms to pension systems made in the last decade have been motivated by the wish to stem the influx into early retirement. Thus, the national reports⁵ are replete with examples of the restricting or closing down of opportunities for early retirement because of unemployment. In this respect, the Czech Republic, Finland, France and Germany provide examples. Or there are examples of attempts to tighten access to disability benefits. Examples which stand out are: Finland with respect to a semi-

⁵ Reference is made throughout this chapter to country reports elaborated in the context of this study.

automatic entitlement once a certain age was reached; the Netherlands where stricter screening of applicants has been accompanied with the introduction of experience rating and *bonus-malus* conditions for employers; and the UK where the expressed intentions are to screen applicants more strictly and to require them to engage in job search and related activities. On the other hand, as some of the national reports point out, merely tightening access to one form of early benefit might increase recourse to another. This is a concern of particular relevance to the transition economies of the Czech Republic, Hungary, Lithuania and Poland, where unemployment levels are high and/or where the pace of industrial restructuring is intense. It is an observation repeated in many of the National Strategy Reports on pensions submitted by these countries under the OMC process. However, 'instrument substitution' (Casey, 1987) is also a concern in other countries. Thus, there are fears that, with the closure of certain routes to early pensions because of unemployment, applications for benefits under the general disability system might rise in Finland. Moreover, as other routes to early exit are shut off, employers in Germany, and also in Hungary, have been prepared to finance early retirement themselves as a way of facilitating workforce reductions.

Finally, it has to be recognised that cutting off access to one form of benefit and increasing their reliance upon another might lower the living standards of older people. If the only option for an older person without a job is an early old age pension with an actuarial reduction – such as is available in Germany and Lithuania – the impact on well-being is felt for the remainder of that person's life.

Such observations should not be taken to indicate that the only way to keep unemployment down is to encourage early retirement. Rather, they are recognition that, in the short-term, and despite the recognised costs it implies, early retirement might have to play a part in the raft of measures available to policy makers. More importantly, however, such observations should be taken as underlining the importance of complementing measures to reduce early retirement, or to encourage later retirement with policies that ensure the availability of employment opportunities for older people. These might be micro-economic policies aimed at increasing the quality of the labour that older people supply, or at improving working conditions and the 'work ability' of all people. They might also be macro-economic policies aimed at increasing the overall demand for labour. After all, when the latter is high so too is the demand for older people's labour. However, it is interesting to note that, of the substantive text the recent OECD summary in its project entitled 'Ageing and Employment Policies' (OECD, 2005b), one third is concerned solely with issues of retirement incentives, and the remainder with micro policies to improve older worker supply or employer attitudes towards older people. Beyond the occasional sentence, no part of the study considers overall demand issues.

Given that people are living longer, and that healthy life expectancy seems also to be increasing, there are good arguments for ensuring that people work longer and for adapting pension schemes accordingly. Such an approach can be justified on the basis of intra-generational equity, on public finance grounds and because it benefits older people insofar as an active older age is conducive to both mental and physical well being. Thus, a gradual increase of the retirement age is appropriate and examples of it could constitute 'good practice'. Some of those countries with relatively low 'normal' retirement ages – such as the Czech Republic, Hungary and Lithuania – have taken steps to raise them.

The French government, although it has left the retirement age untouched, has raised the number of years of contribution necessary for a full pension and plans to raise it further. In Italy, the minimum age at which a ‘seniority pension’ – one based upon a achieving a relatively high number of years of contribution – has also been lifted substantially.

More ambitious attempts to link retirement age, pension level and overall expenditure to longevity can be found in those countries that have built ‘notional defined contribution’ (NDC) elements into the public pension scheme – especially Italy and Poland. Other countries have effectively made the same link by introducing a ‘longevity factor’ (Finland), a ‘sustainability factor’ (Germany) or by planning to increase the contribution years necessary to achieve a full pension by a proportion of the increase in life expectancy (France). In each case, as longevity increases, retirement benefits will fall unless years in employment and accordingly, contribution years, also rise. Such reforms add to the financial sustainability of the systems concerned, and NDC schemes in particular have earned commendation from such bodies as the European Commission and the World Bank.

Such reformed systems can, however, be criticised as systems which lack transparency. They can be complemented by projections issued to contributors throughout their working lives, but these projections are based on assumptions on longevity that have proven, in the past, to underestimate actual developments quite substantially, and on assumptions about future employment levels, inflation rates and economic growth rates that are at best speculative. Accordingly, they provide the recipients with no more certainty than the ‘promises’ contained in public PAYGO schemes. Their tendency to to obfuscate benefit cuts or to conceal the requirement that people will have to work longer, has been seen to be a virtue by some commentators: reforming in this fashion allows necessary changes to be made without provoking substantial political opposition. On the other hand, the established systems render decisions about resource transfers and pension adequacy technical and unalterable. These ought to be political decisions around which there should be informed debate.

Within all Member States and, to a greater or lesser extent within all the countries included in this study, opportunities for gradual rather than abrupt retirement are suggested as desirable. Nevertheless, none of the national reports has examples of the promotion of gradual retirement via government programmes as a case of ‘good practice’. In fact, public gradual or partial retirement provisions do exist in a few of the countries – notably Finland and France. What is unclear is whether they extend working life beyond the point at which it would have ended in their absence or whether, instead, they provoke yet earlier exit – albeit partial rather than full. That question has been repeatedly raised in relation to the Finnish scheme, and there is some evaluation evidence that suggests that the consequence of the scheme has indeed been earlier exit – both from Finland (Hakola, 2002) and, although not included in this study, from Sweden (Wadensjö, 1996) where a more extensive partial retirement programme operated in the past. The Finnish gradual retirement scheme is now being wound down, the age of access has been raised and the rate of simultaneous pension accrual decreased.

In France, a form of progressive early retirement whereby a part-time wage was topped up with an allowance financed by the government and employer served primarily as an alternative to full early retirement. It has now been phased out. It was replaced, as of

2005, by a new provision open only to those aged at least 60 (the 'normal' retirement age). A part-pension can be cumulated with earnings, and these earnings will generate pension contributions that will count, if necessary, towards achieving the higher minimum years of contribution required for a full age pension. Drawing a company or occupational pension but continuing to work with the sponsoring employer has been possible for some time in the Netherlands. However, in the UK the tax law which favoured occupational pension saving prohibited this. Changes were announced in 2004, but they will not be applicable until 2006. The French, Dutch and UK provisions for working part-time whilst drawing a pension all merit further consideration. However, the first provision is too new, and the last is not yet operational, whilst with respect to the second, no data on its use are available.

5.2 Longer Working – The State as an Employer and a Source of 'Bad Practice'

As employers themselves, governments could be expected to set an example. Indeed their personnel practices are normally at least as good as, if not better, than those of private sector organisations. This applies with respect to their employment of people with disabilities, to the provision of training opportunities and to their offer of maternity leave and provision of facilities to facilitate the reconciliation of work and family life – to give but a few examples. It also applies with respect to pension systems. In some countries, public servants have completely separate pension schemes that offer a superior replacement rate – examples are Germany, France and Portugal. Other countries, where occupational schemes exist, have schemes which offer favourable accrual rates and/or superior indexation, an example being the UK and, to a lesser extent, the Netherlands.

However, in terms of their ability or willingness to encourage longer working, the public sector seldom provides a good example. One element of the relative generosity of their pension schemes is that these offer opportunities for early retirement, or that they set a lower normal retirement age – age of eligibility for full benefits – than do the relevant public pension systems (Palacios and Whitehouse, forthcoming). Amongst the countries included in this study, those that stand out in this respect are Portugal, France and the UK. Thus, in Portugal, existing public servants can retire on a full pension at 60 rather than 65, and they have the opportunity to take a full pension at 55 subject to their having a minimum of 36 years of service. Benefits are high – higher than for private sector employees covered by the national pension scheme – and incentives to remain in employment are low. Whether all civil servants retire entirely upon drawing their pension is less clear. There is little doubt that some of them, especially the more senior ones, continue in work, perhaps as consultants or on some other independent basis.

In France, the regular civil servant's pension scheme – whilst sharing a minimum pension age of 60 with the general pension system – sets a lower number of contribution years as the requirement for a full pension – 37.5 rather than 40. Certain semi-public institutions – notably the railways (SNCF), the Parisian metropolitan railway service (RATP) and the electricity and gas generators and distributors (Gaz de France and EDF) – have yet lower pension ages – 55 or even lower, if at least 30 years of contribution have been made. These separate retirement systems also offer high levels of pension benefit.

Finally, although UK civil servants are covered by the public pension system, they are also members of occupational schemes. Whereas the occupational pension scheme for central government civil servants permits full benefits to be drawn at 60, the scheme for local government officers permits full benefits to be drawn at age 60 but only if the sum of the officer's age and years of service total 85. Civil servants are, effectively, obliged to cease working at 60, since they are permitted to continue in employment but only if they accept a demotion.

The terms of the occupational pension scheme for civil servants in the Netherlands are only a little more favourable than the terms of schemes for many other employees. Although, like most other employees, civil servants have opportunities for early exit (VUT) under a collective agreement, the VUT plan for civil servants allows retirement at 60 which is lower than for employees in most other sectors for whom most collective agreement set a higher early exit age of 61 or 62.

There have been some attempts to encourage longer working by civil servants. The French government legislated in 2003, to be effective from 2008, for an increase in the number of years that civil servants must contribute to bring them up to the same 40 years that apply to workers in the general pension scheme. In the Netherlands, as part of a more general revision of the PAYGO VUT schemes and their replacement by funded schemes that will finance free time during the working life as well as early retirement, the age of early exit has been raised to between 62 and 62½ years. The new system will take effect from the start of 2006, but those civil servants over 55 will be unaffected. The Portuguese government has now included all newly-hired civil servants in the public pension system, but the impact of that change will not be felt for several decades. A proposal to remove the right to retirement before 60 for existing civil servants, or to permit it only with a reduction in pension entitlement at the rate of 4.5 per cent per annum has met with opposition from the labour unions. Likewise, the UK civil servants' trade unions have blocked attempts to raise the normal retirement age under their occupational pension systems to 65 but they have accepted that this change in pension conditions can apply to newly-employed staff. Finally, pension privileges for employees of semi-state bodies in France remain untouched and continue to be financed by transfers from the public purse.

Age discrimination legislation should protect those UK civil servants who wish to work beyond age 60 and who do not want to incur a demotion as the price for doing so. It is too early to be able to report any impact of a law that is not yet in effect. Those civil servants who are likely to take advantage of anti-discrimination legislation will be those in senior jobs who place a value on the content of their work and those in lower grades with less than full careers who wish to increase the number of contribution years they accrue and thereby enhance their pensions.

Our case studies include five cases from the public sector. The three at local level are the City of Helsinki, Public Works Department (FI 1), the City of Groningen, Environmental Services (NL 2) and UK-LOGOV (UK 1). The other two are at national level: INPS (IT 3) and PSZAF (HU 3). The organisations in all five case studies developed age management strategies for different reasons and focused on different approaches. A common feature in the 5 organisations, however, was an existing disproportionate share of older workers. Both the cities of Groningen and the City of Helsinki have developed

holistic approaches to age management in a physically demanding work environment (public works and environmental services such as garbage collection). The two case studies illustrated problems of motivating older workers and in one case there is, in addition, the need to compete with private sectors companies for highly skilled labour. The results of these approaches are presented in sections 7.5, 9.2 and 9.5. The age management strategy encompassed training measures and the promotion of internal mobility as well as task rotation (see Chapter 9). The UK case study LOGOV (UK 1) focused on flexible retirement, but also embedded age management in its diversity management approach.

Looking beyond local or national authorities, the case studies also included one example of a public health care organisation in the UK. This organisation (UK 2) has only recently introduced a formal flexible retirement policy that gives staff the option to work past the age of 65. Few did so prior to the change and the figures have only gone up slightly within the two year period (see Box 5.1)

Box 5.1 Working beyond the contractual retirement age

UK-HEL CARE (UK 2) seems to be one of a few NHS trusts, if any, that have implemented a flexible retirement policy which has superseded an informal flexible retirement policy that was perceived to be outdated. Since the introduction of the new policy in 2003, a number of staff working past the age of 65 has grown moderately in absolute terms. This may indicate that many staff take the opportunity to retire when they can, but it may also take more time for the policy to become effective.

In terms of transferability of the measure, one might argue that some facilitating factors may be specific, although not unique to the sector (ongoing staff shortages and the moral stance of the organisation), whereas others (top level commitment; making it a right for staff to stay on; allaying management fears of having to deal with more performance issues; an organisational culture that values the experience of older workers and a strong equal opportunities agenda) are general factors. The trade union representative has argued that more could be done to promote the policy among the workforce and to offer more opportunities to those wishing to do so to work reduced hours. Whilst it was recognised that there are limitations for ‘winding down’ due to service demands, trade unions often perceive there to be more leeway than managers.

With an average retirement age of 62 within the NHS, this flexible retirement policy may not have a strong overall quantitative impact in terms of helping to recruit and retain older workers, but it may have a stronger impact in future if current proposals to increase the normal retirement age of the NHS pension scheme from 60 to 65 are adopted. It is also interesting to note that the new flexible retirement policy was one of the key reasons why some newly recruited members of staff joined UK-HEL CARE..

5.3 Regulating Employment by Norm Setting – A European Endeavour

The European Directive 2000/78 requires all member countries to have legislated by autumn 2006 to outlaw discrimination in employment on the basis of age.. Age discrimination is to be treated in the same way as sex discrimination – the first form of

discrimination in employment that the European Economic Community (as it then was) took steps to eradicate. Age discrimination in employment legislation in the United States dates back as far as the 1960s. Legislation in Europe is much more recent. Thus, although age discrimination laws were being proposed in the UK as early as the 1980s, successive UK governments preferred a voluntary approach. A government-sponsored 'Campaign for Older Workers' was initiated early in the 1990s and, following extensive consultation, was complemented by a Code of Practice on Age Diversity in Employment in 1999. In the wake of the Directive 2000/78, age discrimination laws were passed in the Czech Republic and France, and by 2004, three more the countries included in this study had followed suite – Finland, Lithuania and the Netherlands. Only Germany has requested a delay in meeting the 2006 deadline and has sought to postpone legislation by three years.

The effectiveness of age discrimination legislation has been much debated. Many have sought to analyse it in the same way as other protective legislation and have argued that it inhibits recruitment in any one occupational group, even if it also reduces dismissals. Experience from the USA suggests that the principal beneficiaries have been employees in the managerial grades and that age discrimination law has substituted for wider unfair dismissal law (Rutherglen, 1995). Workers in lower grades, if they have any protection from unfair dismissals, tend to gain it from the actions of the labour unions. The American legislation has also been criticised for failing to protect employees from dismissal on the grounds of ability, which might be negatively correlated with age. Moreover, one of the consequences of the introduction and subsequent extension of age discrimination legislation was the growth of monitoring of performance by employers and the growth of consultancies advising on such monitoring. The intention was to provide evidence that could be used to both justify dismissals and to protect employers from being found to have been discriminatory should their actions be challenged (Casey and Bruche, 1983).

The national reports made for the current study tend not to be overoptimistic about what age discrimination legislation alone has achieved. Directive 2000/78 itself, contains a long list of exceptions (Article 6). Moreover, the Directive 'respects' national legislation concerning retirement ages. The national report for Lithuania, in its description of that country's law, presents this as one of its shortcomings. In response to the opinions of employers, the UK government has been clear that it will not legislate to prevent them from enforcing retirement at 65. Some commentators have gone so far as to suggest that legislation will discourage employers from letting anyone stay on beyond that age for fear that they might be open to charges of discriminatory behaviour if they refuse any individual applications to work longer. Here, there is a clear analogy to the American experience.

Both the Czech and the Finnish national reports make reference to the enforceability of legislation at the workplace level. The Czech national report ascribes the reason for the problem to one of a general low level of law enforcement in that country, and it refers to the Czech Republic's relatively low ranking in the index produced by Transparency International. Finland has an extremely high ranking in that index, but according to the Finnish national report, discrimination still occurs in practice in that country. What is more, Finland has a highly developed social partnership system with extensive

representation structures not only in national bodies but also at the workplace. In the new member states, the situation is very different. As the Polish national report points out, albeit with respect to labour agreements in general, these have little value in an economy where workplace representation is non-existent in all but a few 'legacy' industries – industries in the fast-shrinking heavy manufacturing and extractive sectors.

Anti-discrimination legislation, if it is to be successful, is likely to have to be complemented with other measures. Reference has already been made to exhortation on the part of the UK government. The 'Grey is OK' campaign of the Netherlands government also encourages compliance, as did the National Programme on Ageing in Finland. Equally, the German public employment service has run a '50+ They Can do it' campaign. There are also employer initiatives such as the Employers Forum on Age in the UK and the 'Pro Age' project run by the principal employers' association in Germany. The extent to which the 'encouraging' approach has been evaluated is limited. Some work was sponsored by the British labour ministry (Hayward, Taylor, Smith and Davies, 1997; NOP, 2001), and this indicated that awareness of age issues was growing over time. However, because of the increased prominence given to such issues resulting from a wider and more intense discussion of pension costs, this is not surprising. Knowledge of the campaign, and then of the code of good practice, was much lower, although it was seen to have grown. Not unexpectedly, larger firms were more knowledgeable than smaller ones.

Improving the employment chances of older people by setting norms is one approach. Failure to comply can lead to sanctions, although if the norm-setting process has no legal backing, the sanctions are at best moral ones. An alternative approach is to impose a direct penalty for undesirable behaviour. This has been tried in France with the Delalande Law of 1987 and enterprises dismissing older employees for reasons other than their own misconduct were required to make payments to the unemployment insurance authorities. The law was strengthened in 1993 with an amendment which protected employees over the age of 50. However, to prevent it acting as a disincentive to recruit older people, further amendments were subsequently made so that the penalty was not applied if the worker concerned had been 45 or over when first hired. The level of the payment was related to the age of the person concerned, not the duration of any ensuing unemployment benefit claim. With respect to employees in the 55-57-age range, it could effectively double severance costs. Evaluation suggests a positive effect upon older worker retention, but only a marginal one (Behaghel, Crépon and Sédillot, 2004). The Law was eventually repealed in December 2005.

Not directly targeted at older employees, or at older job seekers, but at those who become unfit to work were changes built into the disability pension scheme in the Netherlands in 1998. From that point on, employers' insurance contributions were 'experience-rated'. In addition, employers became liable to pay the benefits received by any employee obliged for health reasons to cease working. The reimbursement period was initially set for the first year but, since 2004, for the first two years. Those employers who exercised the right to take out private insurance instead of using the public scheme were required to meet payments for up to five years. On top of this, employers in the Netherlands are required to meet any costs of any adaptation of job roles which is necessary to prevent employees ceasing work or to assist their reintegration into work after a period of

absence. Employers are obliged to finance adjustments to work stations and work conditions, to compensate for reductions in work time, to arrange and pay for (re)training and for any rehabilitative services needed, and even to help the people concerned to seek another job.

Since 2004, and to reduce the negative consequences of hiring and firing, some of the above penalties have been offset by freeing employers from the requirement to pay a part of their share of the disability benefit contribution with respect to employees aged 55 or over. The amount they are freed from paying is quite substantial – 5.6 percentage points out of an average of some 7.8 per cent of the wage. For employees first hired at the age of 50 or above, the dispensation applies from that date of recruitment onward.

‘Experience rating’ has been evaluated as leading to some reduction in inflows into disability as employers reacted positively to the costs it implied. On the other hand, not only did most firms opt to insure themselves privately for disability, but there is no suggestion that the requirement to reimburse benefits paid out has had any impact upon employer behaviour (Koning, 2004; OECD, 2005a). The newness of the exemption of a part of the disability insurance contribution for older people explains why there have been no attempts to evaluate its outcome. However, the same general considerations concerning the effectiveness of wage subsidies must be assumed to apply here.

5.4 Special Employment Measures – The Importance of an Holistic Approach

A persistent comment of the national reports is that governments have placed little emphasis on developing labour market programmes for older people. This is because they have been concerned with the political ramifications of high levels of unemployment, either overall, or amongst young people in particular. Early retirement opportunities have reduced the immediate pain of unemployment amongst older people. Indeed, they have permitted economic and workplace restructuring to occur in a more social context than might otherwise be possible. Employers have had an interest in the pursuit of such policies, especially when some part of the costs could be shifted to the state. Labour unions have acceded to such programmes and have even initiated them.

Accordingly, it is not surprising to find few special employment measures dedicated to older people. Few examples were given in the national reports and of those that were given, they were of programmes that were small in scale and had little, if any, impact. A special ‘50+’ programme for Poland was described, the inception of which appeared to have been influenced by the ‘New Deal 50+’ that has operated in the UK, as was a not dissimilar programme in Hungary (Institutional Case Studies, Annex II). With respect to the Polish programme, it was clear that very specific activities were considered appropriate for older job seekers – jobs in the social economy and jobs associated with caring, including placements abroad. Take-up of places on the programme seemed to be insignificant. More is known about the UK programme that involves a raft of individually tailored measures including job-search assistance and training as well as work placements in the not-for-profit sector. However, evaluation indicates a relatively high deadweight effect – half the recipients of financial incentives would have returned to work even without support and most of the jobs taken were low paid and low skilled (Atkinson, 2001). A less formal assessment of the Hungarian programme was at best

able to claim that an awareness of its existence stimulated a greater interest in working amongst older people, and that this might have been beneficial to a wider group than the actual participants. Although not explicitly targeted at older people, the national report for France commented that older people were disproportionately represented amongst those supported under the various short-term employment creation programmes.

A summary of special employment programmes carried out by the OECD (OECD, 2005b), which looked at wage subsidies and training measures either directed at older job seekers or in which older job seekers were seen to be participating, came to rather agnostic conclusions. It did so in part because it recognised the dearth of counterfactuals – evaluations did not include counterfactuals in the form of appropriate control groups. Although the national report for the Netherlands included a tabulation of results from evaluations of training programmes that were taken to suggest that ‘training seemed to be more effective for [older workers/job seekers]’, the tabulation included evaluations where there were no control groups, where results were based upon participants’ perceptions and where self-selection for participation could not be excluded.

The OECD report recognised that programmes to improve the quality of labour supplied by older people might well be inadequate if they operated in isolation, and that their success was also determined by the nature and level of employer demand for labour – be it for older worker labour or for all labour. It also suggested that employer perceptions about older people, as well as supply-side factors, were important. Programmes concentrating specifically on older people were unlikely to be fruitful if many of the problems encountered by those targeted were attributable to development and experiences in earlier life. These might include an absence of experience of training throughout time spent in work and to a poor working environment in the sense of being physically demanding or stressful.

In the annals of good practice, Finland and its ‘National Programme on Ageing Workers’ are frequently cited. This programme – which has the distinction of being the only programme subjected, ‘by popular demand’, to investigations under the peer review programme sponsored under the European Employment Strategy (Casey and Gold, 2005) – was clear in its intention to be holistic in its approach. It was concerned with ‘work ability’ (not ‘employability’) and with the physical and mental conditions of work, including changing skill requirements throughout the career (Chapter 7). It emphasised the need for enterprises to develop ‘age conscious personnel policies’, but it pointed out that individuals, as well as employers, had responsibilities, and that complementary government actions were required. In its initial phases, the programme was sponsored by the Ministries of Social Affairs and Health, of Labour and of Education but with the active involvement of the social partners and social scientists – especially from the fields of ergonomics and occupational health.

The Finnish approach has spawned imitation, most particularly in the Netherlands (Task Force, 2003), where, in 2004, a steering group was established in the ministry of social affairs and employment with the title ‘Grey is OK’ (Grijs Werkt). One of this group’s principal tasks is the dissemination of ‘best practice’. Mention might also be made of an, as yet, more preliminary inter-departmental effort in the UK. There the Department of Health and the Department for Employment and Skills, together with the Health and Safety Executive, have recently issued a document with the title *A strategy for the health*

and well-being of working age people. However, this document is concerned primarily with the promotion of health awareness.

According to the Finnish national report, some four out of five workplaces had or have a 'work ability' programme. However, the impact of the National Programme is difficult to assess. There is little doubt that it had a political as much as a practical objective. The government was seeking, for cost if for no other reasons, to cut back extensive opportunities for early retirement. As a *quid pro quo*, and in a country with a strong social partnership system, it had to convince the labour unions that it was not merely cutting benefits but was also ensuring that older people could have jobs and so have wages. Although labour force participation rates of the older age groups have risen quite substantially over the past decade, it is difficult to establish any link between this and the existence of the National Programme. The Finnish economy as a whole has been performing well, whilst the cohort of people now reaching their fifties have had different career patterns, in different industries, and often have superior levels of educational attainment when compared with the cohort which reached its fifties ten years ago.

The National Report for the Netherlands implicitly criticises the approach adopted by the government there for not making the steering group inter-departmental as was the case in Finland. However, as the National Report for Finland points out, the National Programme in its latest phase has been reduced to coming under the Social Affairs and Health Ministry. Moreover, although there has been a development of consultancies and trainers concentrating on 'work ability' issues, there has also been a fragmentation and dispersal of knowledge as the programme has been wound down, working parties have been broken up and participants have switched their attention to other issues. Nevertheless, there might be a legacy: as the Finnish National Report concludes, there is now a greater knowledge of the issues involved. The challenge is to translate that knowledge into practice. The recent policy initiative in the Netherlands will have to be judged in the same light. No doubt, other countries will be wishing to follow in the footsteps of Finland and the Netherlands and will wish to learn more from them. Few have yet progressed far.

Finally, it should be added that the Czech Republic has also made an attempt to draw-up an inter-ministerial programme for age management (2003-2007) (Czech Institutional Case Study; Box 11.1).

As already stated in Section 5.2, both the cities of Groningen (see also Box 6.1) in the Netherlands and the City of Helsinki in Finland have developed holistic approaches for age management in a physically demanding work setting (public works and environmental services such as garbage collection). In both cases, there is a clear link to 'special measures' by the Government. The 'Helsinki case study' is a classic Finnish 'work ability' case as part of its National Programme. Groningen Environmental Services won first prize under a process set up as part of the 'ouderen en arbeid' Task Force. The results and more details of these approaches are presented in Sections 7.5, 9.2. and 9.5.

6. THE RELATIONSHIP OF AGE WITH PRODUCTIVITY AND WAGES

6.1 Introduction

One of the factors which is seen as a major obstacle for improving the labour market position and participation of older workers is the incongruity of (declining) productivity and the (increasing) wages of older workers. The perception is that older workers are too expensive in relation to their productivity which explains why employers have a preference to get rid of older workers when the workforce has to be reduced.

However, to what extent is this incongruity in line with empirical research in this area? In this Chapter, we discuss economic theory around this issue and supply the empirical evidence. In Section 2 we start with the description of economic theories. Section 3 deals with empirical evidence regarding the age–wage relationship. Before we embark on a similar description of the age–productivity relationship (Section 6.5), we discuss the ways in which productivity could be measured (Section 6.4) because this is less straightforward than in the case of wages. When discussing the age–productivity relationship, some of the related empirical studies also directly compare the results of the age–productivity relationship with the age–wage relationship to see if both relationships follow different patterns. We end with the main conclusions (Section 6.6).

6.2 Theories

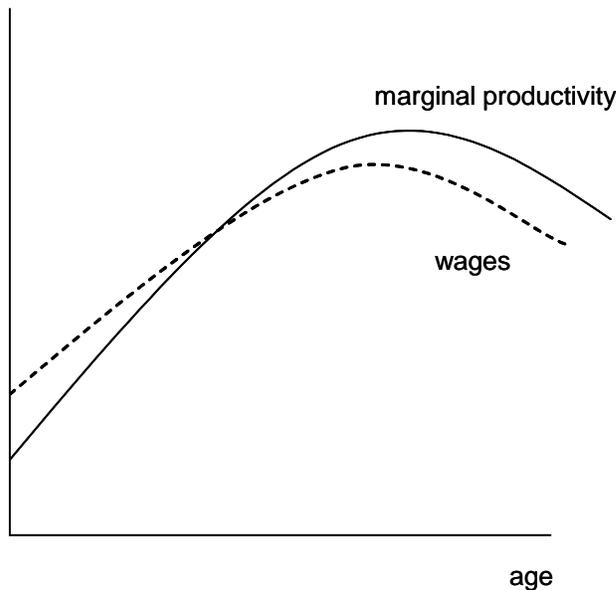
From neoclassical theory we would expect that wages reflect marginal productivity. So in that case no discrepancy between productivity and wages takes place at an older age, because both follow the same pattern. However, modern theories of the labour-market tend to break away from this close connection between productivity and wages. First we discuss human capital theory, from which can be argued that productivity is higher than wages at an older age. Second we discuss other theories which lead to the opposite conclusion.

In a human capital context the age–productivity profile can be determined by making a comparison with physical capital. Most investments in training take place at a younger age. Employees are trained at young age because they lack certain skills having just left school and because at a young age, the pay-off period of training investments is longest. This is definitely not only formal training, but also informal training. This human capital accumulation increases productivity at a younger age. However, in a similar way to physical capital, depreciation occurs. People forget what they have learnt and skills learnt become outdated (economic depreciation). At a certain age, the depreciation can become larger than the new human capital acquired. From that moment on, productivity no longer increases. In fact, it even decreases if depreciation is stronger than the new human capital acquired. The resulting age productivity profile is a strong increase at a younger age, but a diminishing increase at a more mature age and a possibility of decline at older ages.

The pattern for wages is not similar to productivity. According to Becker’s original model (1964), companies pay for firm-specific training, implying that wages will exceed productivity at a young age and that the reverse is true at an older age. In the case of

specific training, the employee is unable to ‘sell’ the skills learnt in another company, so the company takes responsibility for both the benefits and the costs. Wages and marginal productivity will not be equal at a given point in time, but will, on average, be so over the working life. Later contributions made some adjustments to the original model. Firstly, it was shown that in the case of firm-specific training, there were conditions under which companies and workers would share both costs and benefits of training (Ritzen, 1989). Secondly, employers may also bear part of the costs of general training (see for example Bishop, 1988; Feuer *et al.*, 1987). However, this does not alter the basic predictions of the theory concerning the shape of age-productivity and age-wage curves. These curves are shown in Figure 6.1. Because of the discrepancy between wages and productivity in human capital theory, as discussed above, the diminishing profile at an older age is even stronger when looking at wages. Therefore, this theory cannot backup the expulsion of older workers from the labour market.

Figure 6.1 Age-productivity and age-wage curve according to the human capital theory



Human capital theory does not distinguish between potential and actual productivity, but simply assumes that workers attain the highest possible achievement. Recent economic theories concerning the labour market stress the behavioural aspect of productivity and no longer assume that actual productivity automatically equals potential productivity. There is a wide variety of these so-called efficiency wage models or contract theory

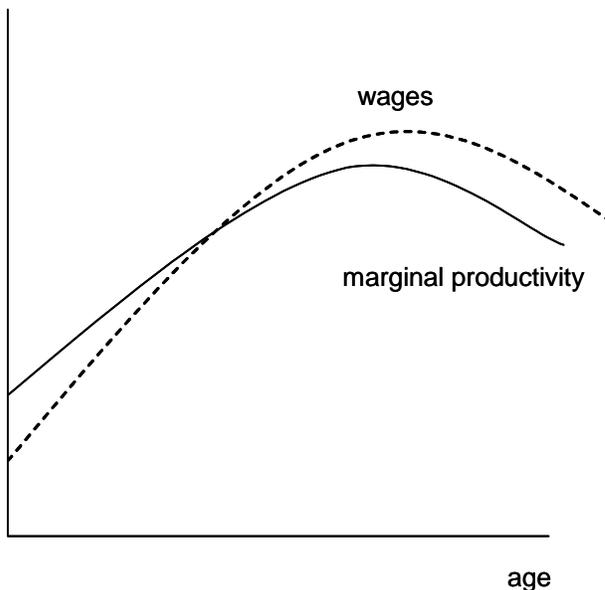
(Kotlikoff and Gokhale, 1992; Loewenstein and Sicherman, 1991; Skirrbekk, 2003). Some aspects covered by these models are:

- The uncertainty about the productivity of newly recruited workers (Harris and Holmstrom, 1982). The firm has to incur costs in order to acquire information about this productivity. Therefore, it will offer relatively low pay to young workers;
- Upward sloping wage profiles strengthen the employees’ work effort by raising their shirking costs (Lazear, 1979). These types of incentive systems are most commonly found for work tasks which are difficult to observe or measure (Hutchens, 1989). Over time, the actual productivity will become clearer and the ‘bonus’ of higher wages will partly depend on this, which is an incentive to avoid shirking. Also the risk of being fired because of apparent bad performance means that the ‘bonus’ is lost.

- Because turnover is costly and workers are risk-averse, contract theory predicts that labour relations tend to be lasting. However, this makes it necessary to keep workers motivated. When older workers receive higher wages as a reward for past productivity, junior workers' loyalty rises.
- Deferred wages may serve as a self-selection device to discourage workers with high 'quit propensities' from joining the firm (Salop and Salop, 1976).

So these types of models predict that wages are below productivity in the early stages of one's career and will exceed productivity at the end of it (see Figure 6.2 for a graphic representation). This is precisely the reverse of the pattern predicted by human-capital theory.

Figure 6.2 Age-productivity and age-wage curve according to the wage-efficiency/contract theories



We should be aware of the fact that contract theory deals with implicit contracts. In practice, companies facing older workers with a relatively low productivity-wage ratio may be inclined to find ways to get rid of these workers in spite of the implicit arrangements made.

Another theory explaining increasing wage profiles is that workers have a strong preference for these types of profiles (Loewenstein and Sicherman, 1991). These profiles 'safeguard' future income and reflect the fact that increasing profiles are important for the self-esteem of workers because they give the suggestion that their performance is growing. This could mean that workers are not fully rational in the sense that rational behaviour would mean that they have a preference for high income in the short term and lower income in the longer term, because future incomes have to be discounted. Loewenstein and Sicherman tested this hypothesis by presenting a number of profiles to

employees who showed a strong preference for increasing wages in spite of the fact that that option was not optimal from present value-maximization viewpoint. Even after exposure to arguments favouring the decreasing payment option, a majority of the respondents ranked increasing payments higher than decreasing payments. Like other theories that imply deferred wages, this theory requires some form of explicit or implicit contract which guarantees long-term employment. Only with such a guarantee would both parties be able to benefit from the mutual gains offered by asymmetric preferences of workers and firms.

Arai (1997) offers an explanation for the steeply-rising wage profiles in Japan which has strong similarities with the idea of preferences discussed above. He shows that the age-expenses profiles follows nearly the same pattern as the age-wage profile by reflecting the preference for life-cycle consumption. At around 50 years of age, for example, the expenses are highest because children follow expensive education. In practice, companies act as institutions which take care of transfers between age groups which fit with this expenditure pattern because other institutions, like financial institutions and governments, do not function effectively for workers.

Psychological and sociological factors can also play a role in another sense. Older people may have a different attitude towards working than younger people. There is also evidence of prejudice against older workers which can work out as a self-fulfilling prophecy. So while potential productivity may still be high at an older age, the rate of utilisation may decline.

6.3 Age and Earnings

In the former section, we have discussed theories about the relationship between age, wages and productivity. But what are the results of empirical work in this area? We start with some patterns between age and earnings. The OECD has published an overview of these patterns for a number of countries in their *Employment Outlook 1998* (Table 6.1). The table clearly shows that those at 45-54 years of age clearly earn more than those 25-29. However, this pattern is different for each country. The differences between age groups is low in the Czech Republic and in the UK. Spain is a country with high differences. The overall ratio of earning between age groups could even be an underestimation of age differences if older workers are less educated. Therefore, the table also shows the ratios for age groups, controlled for by a number of educational levels. For some countries, it is clear that controlling for education leads to even higher ratios, e.g. as in Portugal. Generally speaking, there is also a trend where the differences between age groups are higher the higher the educational level. For those with university education, the ratio between earnings of those 45-54 compared to 25-29 is, in a number of countries, even higher than 2.

In Table 6.1, another ratio between age groups is the one between 55-64 compared to the age group of 45-54. This ratio is, in most cases, somewhat below 1, reflecting that the oldest age group earns somewhat less. This could partly reflect that older workers are less educated. For this ratio, the table does not give controlled figures for educational levels. These results reflect that earnings increase with age, but that after a certain age this increase becomes smaller and can even switch to a limited decrease at the older ages.

Comparing countries, France seems to be without this backward bending and this indicates strong seniority rules.

Table 6.1 Earnings ratio (gross annual earnings before taxes) by age group and level of educational attainment, 1995

Country	45-54 years/25-29 years				55-64 /45-54	
	<Upper secondary	Upper secondary	Tertiary – no university	University	Overall	Overall
Czech Republic	0.99	0.99	-	1.42	1.00	0.90
Denmark	1.21	1.23	1.29	1.60	1.29	0.92
Finland	1.43	1.36	1.69	2.11	1.49	0.90
France	1.18	1.47	1.45	1.95	1.38	1.07
Germany	0.97	1.28	1.10	1.76	1.33	0.97
Ireland	1.24	1.59	1.59	2.25	1.41	-
Italy	1.27	1.64	-	2.60	1.46	0.97
Netherlands	1.19	1.41	-	1.73	1.43	-
Portugal	1.56	1.89	-	1.80	1.46	0.89
Spain	1.75	2.09	-	2.61	1.86	0.94
Sweden	1.38	1.26	1.67	1.70	1.40	0.90
UK	0.93	1.09	1.41	1.50	1.09	0.81
Australia	1.30	1.26	1.35	2.06	1.42	0.85
Japan	1.23	1.44	1.64	1.99	1.42	0.86
United States	1.29	1.28	1.39	1.67	1.48	0.89

Source: OECD (1998)

These figures reflect the situation for 1995. It is possible that the ageing process since then has, and will, have an influence on this profile. In the USA, some research has been carried out regarding the influence of cohorts on the wage level (e.g. Welch, 1979; Berger, 1985; Murphy and Welch, 1992). The size of (young) cohorts has a negative influence on their earnings. However, this research concentrates on younger cohorts and there is no consensus in these studies to what extent this cohort effect lasts when cohorts become older. Gottschalk (2001) confirms that there are no similar studies which concentrate on the cohort size effects for older workers. So it is difficult to say to what extent the ageing process will have a downward influence on the wages of older workers.

Some of the case studies give some support for such a trend, because they show that automatic seniority rules applied to wages have become less important in companies that have policies which explicitly deal with ageing (see Box 6.1).

Box 6.1 Strengthening the link between wage and performance

1) The Czech production company IRISA (**CZ 3**) is a C-operative producing handmade glass Christmas decorations and decorative cardboard wraps and cases, mainly for export. The company aims to provide suitable jobs for the disabled among which older persons are over-represented. But at the same time, the company aims to achieve a balance between running a successful business and creating enough jobs for the disabled. As more than one in two employees (57 per cent) are disabled, the Co-operative is entitled to receive various state benefits. Women represent 68 per cent of employees and the percentage of disabled women among them is 64 per cent. The company employs a high share of employees with elementary education.

Despite all the difficulties, the co-operative creates favorable conditions for employment of older persons, the disabled and the long-term unemployed (they are often one and the same). In co-operation with the District Labour Office, the Company manages to create new jobs, organizes retraining courses and provides opportunities for exploring various jobs in different departments, so that workers can decide which jobs suit them best. In 2004, two sheltered workshops were established and a new training centre is currently planned. The workshops will be comprehensively equipped to give the unemployed ample opportunities to test their abilities. The training centre will also be accessible to the company's current employees to allow them to retrain for another job.

Earnings do not directly correspond to age but are linked to the level of work and responsibility. Manual occupations are rewarded according to task accomplishments - a powerful incentive. In addition, extra rewards (so-called premiums) are used. Norms to be met are lower than in comparison with other production companies, so that everybody can meet them. Accordingly, the basic wage levels are lower as well. The flexible performance component on top of that is relatively large.

Overall, the co-operative is successful in motivating people to return to employment. The company will continue to hire members from disadvantaged groups whilst at the same time aiming to be a competitive player in the international market.

(2) The German company EADS (**DE 5**), Europe's leading air- and space-craft manufacturer, underwent four major recruitment phases during the last 10-15 years. The first two phases in the 1970s and 1980s particularly contributed to the present age structure of the company with more than half of the workforce now aged 40 and over. This means that during the next 10 years the company will lose almost a quarter of its staff. Considering the high qualifications and specialisation amongst the staff, recruitment will be difficult even from international labour markets.

The key challenge for the company is the need to transfer knowledge to younger workers. The process is now organised in a systematic manner through the identification of strategic knowledge and knowledge holders, the development of knowledge management and targeted recruitment. The process was developed in one of EADS companies and will be transferred to other subsidiaries. One of the possible consequences of this programme could be a change in the organisation of production which will be structured by technologies rather than by final products.

Career assessment is undertaken regularly by individual interviews which are institutionalised

at all levels. There are plans to introduce a new culture of change making job rotation more attractive, and thus opening up career paths for middle-aged workers.

Wages in the German EADS companies are regulated by collective agreements negotiated with IG-Metall, one of the biggest German trade unions. Payments to workers below the professional and management level are based on these agreements. Collective agreements include seniority wage rules which guarantee rising wages related to age. In addition, workers receive yearly bonus payments up to the value of one month's wage. Above this level, wages are determined individually and seniority rules were abandoned recently. Bonus payments are higher for this group. They are 15-20 per cent of annual wages for middle management and 30-40 per cent for senior management. From January 2006 onwards, professionals will also receive variable bonuses ranging between 10-15 per cent.

Results of the age management strategy are not yet available.

(3) Two of the Dutch case studies provide examples of linking wage levels to multi-tasking. The first company is the printing company BEK (NL 1) which started as a small family company and has grown, even at a time when other printing companies have had many difficulties.

The company operates in a market in which flexibility and swift delivery have become more important. Therefore, it is crucial that workers are able to perform various tasks, depending on where their input is required most. The extent to which employees can take up a variety of tasks has been assessed and is recorded in individual skill matrices. The wage level depends on those scores achieved in the skill matrices.

The company has succeeded in maintaining a flexible workforce. This flexibility is facilitated through autonomous teams, training and an assessment and reward system which is linked to multi-tasking. The company scores very good on growth and profit, but also in terms of more HR-related indicators like worker satisfaction (high) and sickness and disability rates (low). Older workers profit from the culture of flexibility, because they are less vulnerable. Devices are used to prevent too much physical efforts.

(4) The second example is the Environmental Service (ES) of the City of Groningen (NL 2) which is responsible for a number of tasks like street sweeping, garbage collection and cleaning drains. Increasingly, private providers offer municipalities the opportunity to outsource these types of tasks. Therefore, the ES realized that they had to deliver good quality services and cut costs as much as possible in order to safeguard their position and the security of their workers. A crucial way to achieve this is to prevent health problems and to improve the employability of the workforce. Much of the work has a clear physical component, like lifting which can cause problems, especially for older workers. Therefore functions are re-organised in such a way that there is more variation in the work. People are also encouraged to change jobs within the ES. Mechanisation is used to limit the physical strain. Certain functions are more or less 'reserved' for older workers. This whole concept requires better and broader skills and competences. Therefore, training has become important.

Traditionally wages in such a public service are strongly dominated by fixed seniority rules. However, because the service had to become more market- and performance-oriented to avoid privatisation, seniority rules have been reduced. Multi-skilling is now also an important element of the pay system. As well as facilitating flexibility in services, multitasking also

helps to avoid problems in employability at an older age.

Results of the whole strategy are visible in terms of lower sickness absence, low implementation of disability arrangements and finally, positive and improving satisfaction among employees.

6.4 Age and Productivity: Measurement Problems

Determining age-wage profiles is a relatively easy task compared to age-productivity profiles. Wages are quite straightforward to measure. Of course, adjustments have to be made. For example, the monthly wages of individuals could differ because they do not work the same number of hours. Wages should therefore be standardised regarding the wage per time unit. The measurement of individual productivity is much less straightforward.

One set of research which is interesting in this respect concerns medical, biological and psychological-oriented research in which maximum performance or effort is measured. To do this, representatives of age groups are confronted with a number of specially prepared tests to measure their capabilities. One of the conclusions of these types of tests is that physiological functions such as vision, balance, muscular strength, speed of reaction and the oxygen transport system decrease in older people (Meier and Kerr, 1976; Goedhard, 1992; Winnubst *et al.*, 1995). The optimum age is roughly between 20 and 30. However, the decline in capacities after the age of 30 slows down appreciably until the age of 55/60 although individual variation is quite big. Verhaegen and Salthouse (1997) concluded, on the basis of a meta analysis, that a similar pattern exists for cognitive abilities like reasoning, speed and episodic memory. However, Skirrbekk (2003) cites some studies which show that the differences between age groups are larger in cross-section studies than in longitudinal studies, indicating that cohort effects can also play a role. The younger generations are probably better trained in 'maintaining' these types of abilities, illustrating that these patterns do not have to be fully 'fixed laws'.

These types of experiments are interesting and reveal a lot about the potential and capabilities of age groups, but do not lead automatically to final conclusions about how people actually perform in their work. Firstly, actual performance in a job usually requires much less effort than having to call on maximum capacities all the time. Secondly, most of these tests are targeted towards measuring potential and do not take experience into account. However, in many functions, productivity does not only depend on potential capabilities but also on experience developed during similar work. For example, a network of personal relationships with potential customers can be a crucial element for salespersons which can only be built up by experience. Experience can also mean that strategies are developed to compensate for deteriorating physical ability. Winnubst (1995) cites Salthouse (1987) who found that younger typists have a higher speed at touch typing. However, older typists were as productive as their younger colleagues, because they compensated for their lower speed of touch typing by using strategies such as the ability to read further before typing. Thirdly, most jobs require the combination of various types of capabilities and the end result will not only depend on all of these aspects, but also on the way these various capabilities are combined.

So it is important to look at actual productivity differences for age groups in jobs. But how does one measure productivity in a job? Some original studies on age differences focus on (physical) output, e.g. on the number of shoes produced per hour or the number of letters sorted per hour. However, this is only possible when physical production can easily be monitored on an individual basis. With the shift from manufacturing to services and the increased importance of team work, measuring individual (physical) output has become more and more difficult. Moreover, such a comparison is easier in the case of homogeneous products, which has also become less usual with trends in product differentiation.

Another indicator for productivity is the income of independent workers without employees (Lazear and Moore, 1984). We have seen that in the case of employees' wages, they do not automatically reflect marginal productivity because wage profiles over the life cycle are used by the employer to create incentives. Moreover, in the case of employees, productivity cannot always be monitored, because it is not always clear what the contribution of an individual is to the overall result which is achieved in cooperation with others. However, such 'implicit contracts' underlying wage profiles and the masking of measurable productivity because of team-working are not relevant for independent workers without employees. So their income reflects productivity much more closely.

A procedure often used to make visible the performance of individuals within larger organisations and teams is evaluation by a supervisor or manager. Such an evaluation is made periodically and provides a basis for a decision on wage (**growth**) [pay rises?]. The evaluation is often standardised by giving a score according to a certain scale. However, in practice, supervisors are sometimes reluctant to give low scores because they are afraid to communicate 'bad news', or are afraid that a negative score will undermine motivation. The result is that the variation in scores will be rather limited. Another disadvantage with the use of supervisors' ratings is that managers may wish to reward older employees for their loyalty and past achievements. This can falsely inflate the evaluation of senior employees and bias the results (Skirrbekk, 2003).

Supervisors or higher-level managers can also be directly asked to what extent they think that the performance of various age groups among the employees in their company varies. Such a question gives a quick insight into possible differences in performance. A drawback of such an approach is that these managers' perceptions on age differences could be partly based on prejudice.

Another alternative is to use perceptions on performance by the employees themselves. Employees can award themselves a certain ranking or indicate if their performance has recently improved, stabilised or deteriorated. Another possibility is to ask them if they perceive bottlenecks in their performance. Indicators can be differentiated for various work aspects with the differentiation being all the more useful when the age – productivity profile varies according to several work-aspects. With these types of indicators there can also be a certain upward bias because of optimistic self-perceptions and this would limit the variation in the scores.

One of the main problems in identifying individual productivity is that productivity is determined at company level and that the individual contribution of every employee in

this end result is very difficult to distinguish. Most of the indicators used above try to improve the visibility of individual productivity in such a situation. Another way could be to start with the labour productivity at company level and try to link this with the age composition of the work force. Of course, in that case, the analysis has to control for many other factors which influence company productivity, such as capital intensity. In fact, some sorts of production functions are estimated in which labour is also disaggregated into age groups. Such an approach has also the advantage that the effect of individuals on the productivity of others is incorporated. For example, if older workers are important in the transference of experience or tacit knowledge to younger generations, this will have a result on aggregate production and will therefore also reflect back on their share in the workforce. The advantage of this approach is that these types of studies are less subjective than those based on supervisors' ratings. However, the main challenge of this approach is to isolate the effect of the employees' age from all the other factors that affect the firm's added value. This requires large-scale employer surveys which contain financial information (value added, capital indicators) as well as information on the composition of the workforce. Matched employer-employee data sets are often a very suitable alternative for providing the necessary data.

Advantages and disadvantages of the various indicators are summarised in Table 6.2.

Table 6.2 Overview of productivity indicators and related advantages and disadvantages

Indicator	Advantages	Disadvantages/limitations
1 Individual output (piece-rate) indicators	Objective indicator	Can only be applied to certain jobs with a clear product and little team work
2 Income of independent workers without employees	Objective indicator Relatively easy to determine	Applies to limited group
3 Individual judgement by supervisor or manager	Common practice for many workers Differentiation for various work aspects is possible	Subjective Upward biased (little variation) Can partly be based on performance in the past (reward of loyalty) Can reflect prejudice/stereotypes
4 Evaluation by managers regarding productivity of age groups	Relatively easy to carry out	Subjective (for example, possibly biased by prejudice)
5 Self-perception	Relatively easy to carry out Differentiation for various work aspects is possible	Subjective Upward biased (little variation)
6 Company productivity related to workforce	Objective indicator	Demanding data requirements Complex analysis with many control variables to isolate the effect of age groups

Finding a suitable, workable and reliable indicator is not the only problem in determining the relationship of age to productivity. A second problem is the mixing up of age and cohort effects. If older age groups perform less well than younger age groups, this does not necessarily mean that individual performance has deteriorated over time. The current older groups can have started at much lower [skill, educational, grades?] levels when they were young in comparison with those who are now young. Similarly, when the current young groups of people grow older, they may perform differently (better) than those who are currently old. There are higher expectations of these young people if, from the start of their careers they are regularly trained and have greater mobility. The latter point reflects that it is very difficult to distinguish age effects from factors like experience, training and physical fitness pursued in earlier years. Future older cohorts could perform better than the present older cohorts if earlier and current investments in training, mobility and flexibility are higher.

Another problem is that selectivity bias can play a role in the comparison of younger and older workers. In general, participation rates of older generations are relatively low. This means that a greater proportion of these age groups are missing from the labour market. The older people who participate could be a selective group of the relatively good performers among those age groups. If older people in these age groups have

problems with their performance, they could have taken advantage of a number of exit routes to leave the labour market, for example, through disability arrangements. Although these exit routes are increasingly blocked and participation rates of those between 55 and 64, for example, are increasing, these types of selectivity mechanisms still have a part to play.

Another type of selectivity can also play a role in the type of analysis which uses the aggregate productivity of a company with links to the age composition of the workforce.. A firms' success may increase the number of new employees and lead to a younger age structure, rather than a young age structure causing a firms' success (Skirrbekk, 2003).

Regarding the age-productivity relationship, two types of patterns are often repeated in Table 6.3. The first is the rather flat pattern with increasing age. The second is a more parabolic pattern: increasing in younger people but decreasing in older people. Even though these patterns vary, a discrepancy in relation to wages exists in both cases, and this has been predicted by the efficiency-wage types of theory (Section 6.2). Even if productivity is unrelated to age, this is not the case for wages. Because of seniority rules, wages increase with age.

Some of the studies in Table 6.3 directly confront the linking of the pattern of productivity with the pattern for wages (for example Lazear and Moore, 1984; Medoff and Abraham, 1980, 1981; Oliviera, Cohn and Kiker 1989; Remery *et al.*, 2001; Gelderblom and de Koning, 2002). All such studies conclude that the patterns for wages and productivity differ with age, leading to a certain discrepancy at older ages.

However, these patterns of age with productivity should not be seen as inevitable and fixed. Firstly, it is important to note again that those in the 50-65 age group who have left employment are in most cases probably also the ones with the lowest productivity.

Table 6.3 Overview of empirical studies on age and productivity

Study	Group analysed	Type of productivity indicator [*]	Results (Note: in some studies there is also a direct comparison with age-wages profile)
Waldman and Aviolo (1986)	Meta-analysis of 40 studies	1 + 3 + peer ratings	No clear association between age and performance. Results vary and also depend on performance indicator: on averages, a positive correlation in the case of indicator type 1 and peer ratings, and negative in cases of indicator type 3 (supervisors' ratings)
McEvoy and Cascio (1989)	Meta-analysis of 96 studies	Mainly 1 + 3	No clear association between age and performance (results vary in individual studies). This conclusion holds when a separate division of studies is made according to performance and type of work (professional vs. non-professional)
Bureau of Labour Statistics (1957)	Employees in large plants in men's footwear and household furniture industries	1	Decline in output per hour in older people, starting noticeably after about 45 years of age)
Kutscher and Walker (1960)	Office workers, USA	1	Very little differences in output per hour between age groups

Study	Group analysed	Type of productivity indicator [*]	Results (Note: in some studies there is also a direct comparison with age-wages profile)
Walker (1964)	Mail sorters, USA	1	Very little differences in output per hour between age groups
Stephan and Levin (1988)	Researchers within the physics, geology, physiology and biochemistry sectors	1 (publications)	Negative association with age
Oster and Hamermesh (1998)	Researchers in Economics	1 (publications)	Negative association with age
Miller (1999)	Artists, painters, musicians and writers	1 (paintings/albums/books)	The peak ages are in the 30s and 40s
Galenson and Weinberg (2000)	Artists	1 (output 'weighed' by price)	Peak age is 50.6 for those born before 1920 and 29 years for those born after 1920.
Lazear and Moore (1984)	Self-employed and employees	2	Wage profile of employees is much steeper than for self-employed, leading to the conclusion that increasing wages with age for a large part reflect incentive effects
Oliviera, Cohn and Kiker (1989)	Self-employed in the USA (compared with employees)	2	Productivity increases strongly in younger people but declines in older people (parabolic). Earnings tend to stabilize in older people for employees in similar functions
Medoff and Abraham (1980,, 1981)	White collar employees in a number of large American corporations	3	Seniority is either unrelated or negatively associated with performance evaluations. So wage growth with experience cannot be explained by growing productivity.

Study	Group analysed	Type of productivity indicator [*]	Results (Note: in some studies there is also a direct comparison with age-wages profile)
Flabbi and Ichino (2001)	Employees in a large Italian firm	3 + '1' ('1' = absenteeism and misconduct episodes)	Seniority is unrelated to performance evaluations. More senior workers score less good on absenteeism and misconduct.
Van der Heijden (2003)	Employees in middle or higher level functions in Dutch SMEs	3 + 5 (surveys of self perception and judgments of superiors for the same employees)	No relationship with age for self-perceptions, while at the same time superiors are somewhat more negative about the oldest age group
Remery <i>et al.</i> (2001)	Dutch private and public companies/ organizations	4	Companies expect increases in wage costs because of ageing of their workforce, but no increases in productivity
Gelderblom, de Koning and Kroes (2004)	Dutch private and public companies/ organizations	4	A large group of managers and HR managers does not see differences in the average productivity of those 55 and older compared to younger workers.
Gelderblom and de Koning (1996)	Civil servants in the Netherlands	5 (differentiation for various work aspects)	Older workers have more problems with work-pressure, but perform well on social skills
Simoens and Denys (1997)	Employees in Belgium	5 (differentiation for various work aspects)	Older workers have more problems with work-pressure, but perform well on social skills
Haegeland and Klette (1999)	Manufacturing companies in Norway	6	Decline for those with more than 15 years experience (late 30s and over)
Hellerstein <i>et al.</i> (1999)	Manufacturing companies in US	6	Increase/decrease over life cycle according to model specification
Ilmakunnas <i>et al.</i> (1999)	Manufacturing companies in Finland	6	40 years old peak. Declining thereafter
Crépon <i>et al.</i> (2002)	Manufacturing and non-manufacturing companies in France	6	25-34 year peak. Lowest for those over the age of 50.
Gelderblom and de Koning (2002a)	Manufacturing and non-manufacturing in companies in the Netherlands	6	Productivity is rising until somewhere between 40-50 and declining afterwards. Productivity is relatively high compared to wages at middle ages. The young and older have less favorable productivity-wage ratios
Gelderblom, de Koning and Kroes (2004)	Manufacturing and non-manufacturing companies in the Netherlands	6	Productivity is rising until the age of around 50, after which a strong decline occurs

* The numbers correspond with the indicators in Table 6.2.

Sources: partly based on Gelderblom and Vos, 1999 and Skirrbekk, 2003.

This is most likely to be the case for those who became unemployed or disabled, but it will also hold for some who welcomed early retirement. This would mean that an increase in employment rates among those aged 50-65 years could, at the same time, reduce the productivity of this group.

On the other hand, there is evidence that the negative relationship between age and productivity depends at least to some extent on contextual factors and can thus be avoided by changing the conditions under which older workers have to work. Both Gelderblom and de Koning (1996) and Simoens and Denys (1997) suggest that older workers have more difficulty than younger workers regarding some aspects of jobs such as stress, but for other aspects, the differences are small or even to the advantage of older

workers (social skills, management skills). Warr (1994), cited by Skirbekk (2003), suggests categorising professions according to whether age boosts or reduces performance. 'Age enhanced activities' are, for example, knowledge-based judgements with no time pressure.

The relationship between age and performance depends on the type of work and this was often expressed in the company case studies (Annex II). One example cited in a number of the case studies is that older workers forge strong contacts with clients. Clients value the attention and advice given by older workers. The latter is for example expressed in the case of *Tesco Polska*. Customers have great confidence in the advice of older workers. This opinion is also seen in the case study of the *Italian Bank San Paolo IMI*. In the case study of the *Hospital of Prienai* (Lithuania), it is clearly expressed that clients prefer older doctors because they have greater confidence in them. Similar results come from the case study of *Hotel Lisboa Plaza*. Older workers are considered a key asset to making hotels charming and homely. Other strong points which regularly come back regarding older workers are: dependability/reliability, precision and good judgement because of experience⁶. When investigating areas in which older workers perform relatively weakly, two aspects regularly turn up in the case studies: difficulties regarding physically demanding work and adaptability to new technologies (e.g. ICT).

Given the fact that age groups on average have relative strengths and weaknesses, it seems logical that career patterns should reflect this. If career paths could take this more into account, the position of older workers would improve. Box 6.2 gives some examples of case studies which deal with this aspect.

There is evidence that the level of investment in human capital (during both earlier and later stages of life) is a crucial factor for productivity (OECD Employment Outlooks of 1999, 2004b; Ok and Tergeist, 2003). Factors like mobility and training are therefore important policy instruments influencing productivity. There is ample evidence that older workers are under-represented in training and internal mobility. Moreover, training and regular job changes were less common in the days when the present older workers were young. This could mean that the lower productivity rates of older workers partly reflect cohort effects instead of fixed age effects. It is possible that those with a different background in terms of past 'HR-maintenance' behave differently when they grow older. There is also evidence that line manager's attitude is important. Gelderblom and de Koning (2002b) show that immediate supervisors and managers pay less attention to older workers and that this has a direct consequence on their performance.

Finally, it is important to notice that the relationship of age and productivity can also depend on the relative shares of these groups in a company's workforce. It is possible that a certain 'mix' of age groups is the optimal situation, which means that a certain proportion of older workers can be important for overall productivity, for example to transfer [cascade downwards] their experience, but that too many of them is less favorable. However, in the literature, this is rarely tested because many studies focus on the productivity of individuals. In principle, those studies which link overall productivity

⁶ Because the case studies represent examples of good practice in age management, these positive links of older workers to certain work aspects may be less abundant in other companies. However, the idea that the link between performance and age is different over various work aspects is a more general finding in the literature.

Box 6.2 Linking career development and mobility to the relative strengths and weaknesses of various age groups

(1) Task adjustment is the more common way for age management in the Portuguese hotel Lisboa Plaza (**PT 1**). In this hotel (part of a chain of 5 small Lisbon hotels) the proportion of workers aged 45+ is almost 50 per cent above the average normally found in the Portuguese hotel sector, and the proportion of employees with 10 and more years tenure is almost double the sector average. This is mainly achieved because the hotel's top management is owned and run by managers who themselves are elderly and who cannot understand why older workers would ever want to retire.

Task adjustment takes into account the preferences and capabilities of workers as well as the hotel needs. For instance, waiting at tables is a physically demanding job, especially during the rush hour when clients need to be attended efficiently and quickly. But restaurants and bars also have less busy shifts. These are usually 'manned' by older workers. Not only can they perform well in these situations, but they can also take over more specialized jobs, like those of *maitre d'hotel* or *wine-waiter* when these highly qualified workers are absent. Thus, quality can be provided for fewer clients without any additional costs. Younger workers would have difficulties in taking over these job roles, even if they were highly qualified.

A pay system that is neither age- nor tenure-related helps to make the strategy viable even if, in the end, older personnel and those with long service earn more. But they earn more because they receive incentives to try harder and are afforded opportunities to do so. Older workers receive training in the same way as younger workers, experience is valued by co-workers and nobody wishing to stay is retired because of his or her age.

The results are evident: there is a high proportion of workers who are aged 45 and who have long service. Furthermore, 5 of the 86 workers in the Plaza Hotels are still working after their retirement.

(2) The Italian Bank, SanPaolo IMI (**IT 1**), came into being in November 1988 following the merger of two principal private banks. Currently, SanPaolo IMI is the third largest Italian Banking Group according to total assets and the largest domestic asset manager. In general, the number of SanPaolo IMI's employees are growing but there is a relatively high turnover.

The group currently invests quite extensively in young employees. SanPaolo IMI offers standard working contracts to new employees, instead of temporary, flexible 'atypical' contracts often used by other Italian banks. SanPaolo pays regard to in-house training programmes that allow employees to update their knowledge, but the company's policy and approach to older workers is even more well thought out. Workers approaching the age of 50 are usually moved from 'front-office' activities, which are more tiring, to back-office duties. Training is given in new computer software and on the bank's new products. These new products include: investments in new types of loans customized for different types of clients, voluntary pension funds (to supplement social security pensions) and investment and money-management products designed especially for businesses. This definition of new products has created new roles for older workers who are regarded as being similar to specialized consultants. The new products are not sold via the tellers, but in private interview rooms where clients feel safer dealing with older and more experienced consultants. In this way, older employees can continue to utilize their experience by serving clients. Furthermore, the traditional Italian practice of automatically increasing salary based on seniority is perceived as an excessive cost for the company. Being able to transfer older workers to other workplaces and roles is itself regarded as a positive result of the approach.

(3) Another example is the Polish construction company Wojdyła Budownictwo (Wojdyła Construction) (**PL 1**). Established in 1986, Wojdyła Budownictwo (WB), a general building contractor and architectural restoration specialist, is one of Polish business's great success stories. The company has been pursuing a business strategy that is unique by local standards, namely, that of building up a loyal and dependable workforce. Because of this strategy, the company has been able to create a reputation for high quality and reliability and is now able to compete with Europe's best-known construction companies. While most Polish contractors rely heavily on temporary and casual workers, WB has been able to employ people on a full-time and permanent basis, resorting to temporary hiring only when an unusually high number of projects have to be carried out simultaneously. Because nearly all WB workers who joined the company in the early years of its existence have chosen to stay with the company, the firm has inadvertently devised ways of dealing with an ageing workforce.

This construction company pays much attention to allocating workers to suitable tasks. In practice, this can, for example, mean that older workers flow into jobs demanding high precision and less physical effort. A further element of the strategy consists in setting-up age-mixed teams (see Box 9.7).

The strategy of encouraging loyalty has enabled the firm to bid for prestigious construction projects for which local companies relying on temporary and casual workers cannot compete. Unfortunately, the more concrete results of its age management strategy have not yet been assessed by the company.

(4) Older workers' reputation for being reliable and responsible is very important to the Portuguese security company, Securitas (**PT 2**). Securitas is a security and surveillance company and is a major player in this sector. It was established in Portugal in 1966. It has a Swedish-based ownership and is part of a multinational network of sister companies. The security and surveillance sector has been a fast-growing industry in Portugal over the last 20 years with remarkable growth in the recent past. Furthermore, the sector offers the most important placement option for Portugal's Public Employment Services in the context of active labour market policies. The industry is characterised by a very young HR structure and a high labour turnover, with modal age being in the 25-29 age bracket and modal tenures of less than 4 years.

Despite these trends, Securitas has an age-positive attitude based on non-discrimination, and a positive attitude to valuing long service within the company. Its policies compare favourably in terms of average human resources age and average length-of-service structures. The company also recruits older workers. A length-of-service and job-related payment structure and positive actions towards the training and long-term commitment of its workers, associating productivity and excellence in its services, make the employment of older persons viable.

The incentive for the company in pursuing this strategy is because it can take advantage of the sense of responsibility and reliability of older workers. Their social image is seen as an asset instead of a liability, providing market value for services instead of the generally considered added cost.

However, in some jobs, stamina is important, e.g. in mobile surveillance, where long hours of patrolling can be required. But if health problems occur, the older worker can be assigned to more static security positions, e.g. entrance security. (Career management aspects are presented in Box 9.4.)

of companies to the proportions of the age groups can test this but, to do so, less common types of equations have to be used.

The importance of a mix is also stressed in various case-studies. Teams and departments are often composed in such a way that various age groups are represented. A motive often mentioned is that (experience-based) knowledge of older workers is transferred to younger workers (The case study of the Deutsche Bank DE 1 and those discussed in Chapter 8 and 9 are of relevance to this topic.)

6.5 Conclusions

Regarding the relationship of age with productivity, two types of patterns are often recurring in the empirical literature. The first is a rather flat pattern with increasing age whilst the second is a more parabolic pattern which increases for younger ages, but which decreases for older ages. The pattern of age with wages is rather different, namely, rising wages with increasing age. At older ages, wages stabilize more and this leads to a discrepancy between productivity and wages at older wages which is an incentive for some employers to use various types of social security and early retirement arrangements to terminate the employment of older workers. Implicit contracts and wage efficiency theories support a certain rationale for the increasing wage pattern, for example, because this motivates workers to avoid shirking. However, these patterns of age with productivity are not fixed forever, but also depend on past and present HR-investments in (older) workers, such as training and mobility and the attention paid to them by their direct managers. Moreover, the patterns of age with performance also depend on the type of work. For example, in work areas demanding good professional judgment and/or social skills, older workers can perform better than younger workers. Career patterns which have regard to the relative strong points of older workers, could improve their position. Finally, a number of case studies also show that companies grappling with the challenge of ageing employees, reduce the importance of seniority rules in pay systems and put more emphasis on performance-related elements, so that wage increases with age become less 'automatic'.

7. WORKING CONDITIONS AND WORKING ABILITY

7.1 Introduction

A key message coming from the literature review on working conditions and ‘work ability’ from an age perspective is, that in order to combine ageing and work in a successful manner, we need measures which focus on the individual, on enterprises and other organizations, and on society in general and that these measures should be mutually supportive. However, these measures remain fragmented, and no one country has a perfect constellation of these in place. A wealth of good practices has been identified at all levels, but the real challenge is to overcome the barriers to implementing them.

The consequences of ageing are contradictory since it produces changes, both positive and negative. Although both health and functional ability of a person decline with increasing age, mental development nevertheless creates a good basis to succeed and develop in working life. The ability to learn does not depend on age, but learning strategies change with ageing, and they need to be taken into account. The most important requirement by far is attitudinal change towards ageing, followed by a consequent modification of work practices. A good and balanced work life requires the input of all age groups. People of different ages have different qualifications, strengths and skills and collaboration will benefit everyone. This is a challenge also for supervisors. Similar measures have been adopted across Europe to meet these targets in terms of rising pension ages, changing pensions and part-time schemes to make staying at work more attractive (or early retirement less attractive). But there is a broad understanding that higher pension ages, for instance, will not make a lot of difference unless conditions are created under which employers are more willing to employ older workers, and the workers are more motivated to work longer (deKonig, 2005; Costa *et al.*, 2004).

It all comes down to the quality of working life and the ‘work ability’ of workers. There is a wealth of knowledge on working conditions and ‘work ability’ and their promotion, as well as a multitude of networks and projects, in Europe and globally, addressing the issue of ageing and trying to spread good practices. So probably the problem is not so much the lack of knowledge, but the barriers to getting hold of it and implementing it, often referred to as the ‘knowing-doing’ gap (Pfeffer, 2000; O’Dell, 1998).

This review concentrates on identifying the key messages and sources of knowledge on ‘work ability’ and working conditions from an age perspective, with the emphasis on promoting the ‘work ability’ of older workers, since the topic of working conditions is already covered by several institutes and databases, and the concept of ‘work ability’ and its promotion is new and has only gained in interest in recent years.

The review in the Chapter starts with the broader concept of ‘work ability’ followed by a detailed analysis of working conditions before moving on to case study evidence.

7.2. ‘Work Ability’

Understanding and promoting ‘work ability’ of the aged workers is a key issue. There has been a growing interest, particularly in the last decade in the concept, in its

measurement and in its promotion and in the ways it can be measured. A validated questionnaire called the Work Ability Index (WAI), was first introduced in Finland by the Finnish Institute of Occupational Health, in 1992 (Ilmarinen and Tuomi, 2004). The index includes variables on strain, autonomy, physical demands, enthusiasm, activity, education, vocational training, symptoms, etc.

Since its introduction, WAI has been implemented internationally and is has become the methodological benchmark of a comprehensive approach to ‘work ability’. The concept of ‘work ability’ and its measurement is increasingly becoming the basis for workplace intervention design in promoting work ability among workers and for transnational comparison and co-operation in OSH issues.

The research on ‘work ability’ so far indicates that the proportion of poor and moderate ‘work ability’, as well as the declining trend of WAI with age seems to be rather similar in different countries. Although there are differences in WAI within the same occupations between the countries, the need to promote ‘work ability’ is universal. The imbalance between work demands and human resources seems to be a global problem.

7.2.1 The dimensions of ‘work ability’

The changes in work-life suggest needs to clarify and develop the concept of ‘work ability’. Research in the past decade has clarified the dimensions of ‘work ability’. The latest construct to illustrate these dimensions is shown as a ‘house’ of work ability’ (Ilmarinen and Tuomi, 2004) (see Figure 7.1).

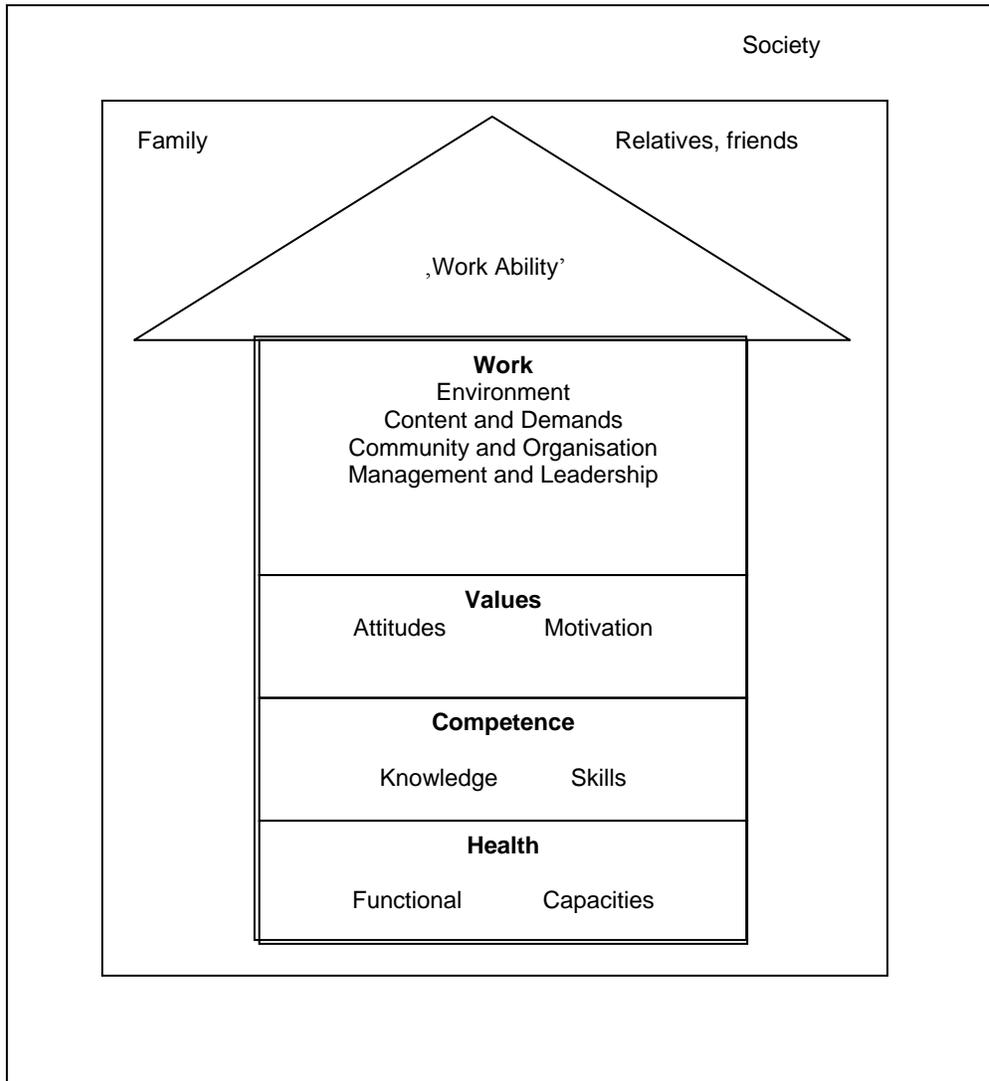
The ‘house of work ability’ has four floors. The three lowest floors depict human resources, and the fourth floor covers all the dimensions of work. It is important to note, that, although ‘work ability’ is assessed as an individual matter, the work itself is an essential part of it. ‘Work ability’ describes the balance between the work and human resources. The micro-environment outside work, such as family, relatives and friends, plays a role in a person’s ‘work ability’. Societal factors including legislation, infrastructure, economics, services, incentives, etc. form a larger frame and background to the determination of human ‘work ability’, but the workplace is the critical environment for ‘work ability’ because it connects people to their work.

The bottom floor of the house comprises health and functional capacity (physical, mental, and social functioning). The second floor covers the dimensions of competence, and the third floor consists of values, attitudes and motivation. In general, knowledge about health and competences, and how they change with age, are well known. The role of values and attitudes, however, is less well known, but experience has shown that the importance of this floor grows when, for example, raising the employment rate of older workers is being considered. The third floor brings together information about changes in one’s own resources, as well the work itself and supervision. A negative flow of information undermines ‘work ability’ and a positive one supports it.

The basic floor (health) and fourth floor (factors of working life) indicate the most significant connections to ‘work ability’. The fourth floor is the largest and heaviest floor of the house. The managers, supervisors and foremen have the power to organize and run the activities on that floor. The increasing work demands, the imperative for speed and

continuous changes in work organization easily create an imbalance between the fourth floor and the other floors. Well-being at work focuses on the quality of the fourth floor, and can therefore be understood as one dimension of ‘work ability’.

Figure 7.1 Dimensions of ‘work ability’



In the past few decades, the reactions and responses to increasing work demands have focused on improving only human resources. The ‘work ability’ concept, however, strongly suggests that the work itself should also be improved for the workers, and not only the people for the work. The role of managers is therefore emphasized in creating a sustainable balance between the work and human resources. The responsibility for maintaining ‘work ability’ is therefore shared by both the managers and employees. A new way of co-operation between the partners is urgently needed, and a modern manager

in the future should also have skills to support and manage the ‘work ability’ of the workers.

7.2.2 International networking and ‘work ability’

Since the first publication of WAI in 1992 in Finland, it has been translated into 19 languages. The projects in different countries have shown it not only to be robust and ‘culture free’, but it also allows international co-operation.

There has been an expanding scientific international network forming around the theme of assessment and promotion of ‘work ability’, health and well-being of workers. The first international symposium was in 2001 in Tampere, Finland (Ilmarinen and Lehtinen, 2004) and the second in Verona, Italy (Costa, *et. al.*, 2005). In Verona, there were participants from 25 countries, and 5 continents, and 100 papers were presented. The basis for this work lies in occupational health and safety (OHS), work and workplace health promotion (WHP), but it has now expanded to psycho-social and economic perspectives, good employment, work satisfaction and productive ageing, with consequent benefits not only for the individual, but for companies and the whole of society. All this work related to the main target of the promotion and maintenance of ‘work ability’, i.e.

... workplace activities aiming at maintaining the ability to work include all measures that the employer and the employees as well as the co-operative organizations in the workplace make in a united effort to promote and support the ability to work and to enhance the functional capacity of all persons active in working life throughout their careers” (*op. cit.*).

Many authors used the WAI as a primary tool for evaluation of ‘work ability’. The symposium proved that it is a reliable and valid method to help assessing ‘work ability’, identifying positive and negative factors affecting it, and monitoring intervention studies for its promotion.

The WAI as an outcome variable for intervention studies is demanding. The mean score of WAI does not easily change because some of the 7 items of the WAI can shift to a positive and some to a negative value depending on the content of the intervention, participation and other processes, such as ageing. The single items of the WAI should therefore be used more often to test which dimensions are most sensitive for the positive changes. Besides the WAI, several other methods can also be applied. There is good experience of the combination of the WAI and the Work Stress Questionnaire: this approach gives good potential for explaining the changes in the WAI.

7.3. Key Messages with Regard to the Promotion of Work Ability from an Age Perspective

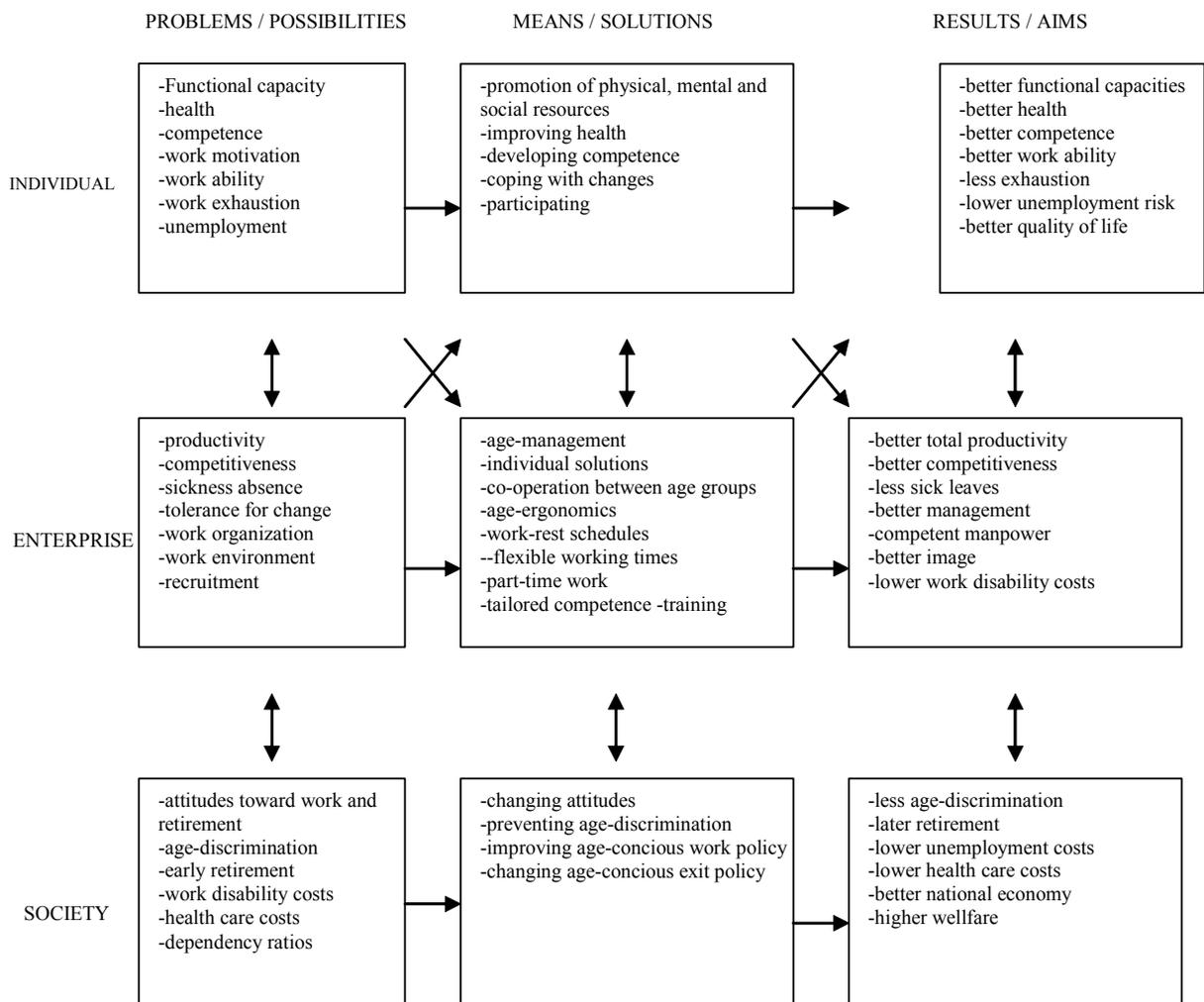
7.3.1. Messages emerging from the work ability debate

The review in this Chapter is based mainly on the findings and debate on work ability of international conferences on work ability held in Tampere and Verona (Costa *et al.*,

2005; Ilmarinen *et. al.*, 2004), publications of the European Foundation (1997, 2004) and the summaries on addressing the age issue on the *Age and Work* web-page of the Finnish Institute of Occupational Health, <http://www.ikatyo.fi/IkaJaTyo/English/Ageing/default.htm>, which offers further topics for discussion.

It is widely understood that the challenges of work ability and ageing combine the interests of individuals, enterprises and society (Figure 7.2). All three are responsible for the sustainable development of work life and consequently, their efforts should be well co-ordinated and integrated. In order to improve welfare, societies need less age discrimination, later retirement, lower unemployment costs, lower health care costs and a more sound national economy. These targets are strongly connected with the concept of work ability.

Figure 7.2 Ageing and the work matrix (Ilmarinen, 1999)



In order to combine ageing and work successfully, we need measures directed at the individual, enterprises and other organizations, and at society as a whole.

Ageing brings about changes, both positive and negative. Although the health status and functional ability of a person decline with increasing age, mental growth nevertheless creates a good basis for us to succeed and develop in our work life. Learning is not restricted by age (see Chapter 8). The vital factor by far is attitude change about aging, and modifying work practices accordingly. A good and balanced work life requires an input from all age groups. People of different ages have different qualifications, strengths and skills, collaboration is seen as benefiting everyone and is a challenge for all supervisors.

Key messages concerning the individual

The capacities of an individual together with work life and ageing change over time. Combining an individual's resources with the demands of work life is a continuous process.

An individual can influence his/her resources greatly in the course of ageing, and his/her work ability at the same time. Improving one's health, functional capacity and professional competence, as well as checking one's attitudes and motivation are challenges for every individual (see Chapter 9.2).

The changes in the demands of work, improvement of the work environment and development of the work organization should aim at supporting and promoting the resources of every individual up until normal retirement age. A person's mental strength and coping mechanisms play a key role, especially when experiencing and overcoming the obstacles caused by illness.

Illness often becomes more common with increasing age, particularly since physical capacity decreases at the same time. Health and functional ability can, however, remain at a good level even to a very great age. Psychological resources enable a person to perform various tasks that require intelligence and mental effort. From the viewpoint of work life, the most important changes caused by ageing are a decline in perceptual ability and reaction speed. However, these changes can be compensated for by ergonomic arrangements, better work organization and personal aides.

Social skills and their development during a person's work career have been studied less than physical and psychological resources. Being a member of a community and having to perform various work tasks requires social skills and emotional intelligence. It is common in work life that many activities are carried out in teams and groups and this emphasizes the need for social skills in all age groups.

Ageing brings about changes in the application to learning. A person's ability to learn new things remains good throughout the work career and even beyond, although some changes occur in the functioning of the brain. The ability to memorize things by heart will decline, but this is compensated for by the contextual memory that connects new things to the store of prior knowledge. The things learnt earlier and the vast store of experiences help in understanding more deeply the new item to be learnt. In addition, older people are especially good at forming a holistic view of events. A good knowledge

base, good cognitive resources and a strong motivation deepen the learning process of an ageing person.

Traditional attitudes are sometimes based on beliefs or out-dated information and these can hinder the learning process of older people. However, older workers also have access to so-called tacit knowledge that is on the one hand technical know-how and cognitive knowledge, and understanding, on the other. Long-term work experience can improve a person's strategic thinking, sharp intelligence, consideration and wisdom. In order to be able to utilize these special skills and attributes, organizations need to develop work practices, leadership skills, collaboration and values that support and contribute to the work ability of ageing workers.

Social skills, judgement, the ability to plan, as well as wisdom and mental maturity grow with age. The regulation of one's own work is one of the most important ways that an older worker can adapt the work in a suitable fashion.

Important issues, especially from the viewpoint of an ageing worker, are work life legislation, the facilities provided by social services, the prevention of age discrimination and pension legislation.

Key messages concerning enterprises

The challenges for enterprises with an ageing workforce are often related to productivity, competitive edge, days off sick and the costs of disability. Also the collaboration between workers of different ages, the organization of work, and leadership are key factors in the development of work life which are conducive to the health and well-being of all working people.

Age management, i.e. recognizing and utilizing the strengths of workers of all ages, modifies the work contents and procedures, and provides both economic benefits and psychosocial well-being for the workers.

In business terms, sick leave is a significant cost factor for an enterprise, and therefore it is important to reduce it. The rate of sick leaves in the workplace is affected by two types of factors:

- those that the workplace cannot control;
- those over which the workplace has influence.

Each workplace needs to focus on the latter category. The worker's well-being is one of the factors which can be influenced by conditions in the workplace. Sick leave is a good indicator in the sense that it reflects leadership skills, ergonomics and functioning of the work organization. The rate of absenteeism is affected by numerous factors, of which health is only one, but which is, nevertheless, a significant factor.

Well planned and implemented health promotion programmes seem to support the healthy life-styles of workers and thus have an effect on their health in the long term. This is confirmed by our case study evidence. It needs to be noted that in the context of

our case studies, health promotion activities were one element of holistic approaches to age management (Chapter 7.4).

Key measures for enterprises

Training and supervision of older workers

The leadership practices of an enterprise should be developed so that the needs of older workers should be taken into account by the supervisor.

Increasing responsibility and opportunities to influence: individual solutions in organizing work

Selecting the time and place of performing the work, or combining one's work and private life, are possible for more and more people, thanks to modern information and communication technology.

Demands of the work as applied to ageing workers

If the demands of the work are in balance with the qualifications of the worker, the work runs smoothly.

Facilitating collaboration and support

Because of the declining physical capacity of older workers, they often reduce their participation and activities. However, positive activity helps promote and maintain work ability, whereas passivity decreases it.

Some key measures on the societal level

Society is faced with problems arising from the rapid ageing of its population. This is a challenge for employers who perceive the need to promote the work ability of ageing workers, and for society which not only needs to provide health care and social services for retired people, but which has to deal with the costs.

There are several ways to improve the position of ageing workers in work life at the societal level. These include the provision of learning opportunities, improving the working conditions and work ability of older workers, and eliminating age discrimination.

The goal of *adult learning* is to consolidate a person's life-long learning. The prerequisites for adult learning must be strengthened. Participation should be made easy and the quality of the training should be ensured. Society should provide more learning events for adults. Adults also need training that leads to exams, and they need complementary training as well as opportunities for taking university-level courses or to study at other centres of learning.

Special attention needs to be paid to the selection of *learning strategies* for the training of older workers and trainers also need specific knowledge about the connection between ageing and application to learning.

Legislation and norms have an effect on explicit age discrimination. These rules nevertheless must be brought to the public's attention more forcibly. Legislation and norms have an effect on explicit age discrimination. The dissemination of honest information about ageing and its positive as well as negative effects on work ability on the workplace and on the general public is crucial. Workplaces need support in creating practical models to prevent age discrimination.

Occupational health and safety services, provided by the public sector, together with their transnational networks play a key role in promoting all the above aims. There is a clear indication that those countries which are proactive at addressing age issues, have well-established OSH-practices and networks.

7.3.2 Messages coming from recent good practice research on work ability from an age perspective

The review in this Section discusses the recent work of an EU-funded research project, RESPECT. The acronym *RESPECT*, stands for *Research action for improving elderly workers' safety, productivity, efficiency and competence towards the new working environment*. (<http://respect.iccs.ntua.gr/index.html>.) Quoting from at length in this report is justified because it not only corroborates what has been dealt with in the preceding chapters, but it comprehensively summarises key aspects of emerging good practice in age management.

RESPECT gave rise to 12? new models concerning corporate culture, leadership, professional competence, qualification, health and work organisation. These were developed and implemented in 5 companies and evaluated with respect to 'work ability' and health of older workers. According to RESPECT, the existing corporate culture and work organisation is generally not adjusted to the needs and competences of older workers.

The overall aim of RESPECT is the promotion of the health, working ability and well-being of ageing workers. The project team will first develop reliable assessment criteria; strategies and tools to evaluate existing and emerging methods which impact on the work-life, health and efficiency of older workers. A number of field pilots as well as desk studies will be undertaken in order to develop new work methods, to improve the productivity, safety and work satisfaction of older workers (over 45) engaged in all types of jobs and to promote their integration into the labour market. Finally RESPECT will propose policies for improving the older worker's position in the labour market based on the relevant legislative framework or on fully validated cost-effective interventions in the workplace.

Overall, RESPECT aims to promote the health, work ability and well-being of ageing employees by a series of cost-effective methods, work models, and work policies. In the first phase of the project, 185 work models on older workers were collected, and the trends in employment, work ability, health, functional capacity, education, and work organisation were reviewed. One part of the review was an aetiological analysis of appropriate work-organisation and work-environment models for older workers. In laboratory and field pilots, the project team started to design and test the effects of the

new work models on the health and well-being of older workers. In 5 companies, new work models were developed and evaluated on-site. The new work models focused on corporate culture, leadership, professional competence, qualification, health, and work organization.

RESPECT has summarized new work models for older workers in the following way (Knauth *et. al.*, 2005; Table 7.1).

Corporate culture - information concept for the top management. The main subject of this concept is the sensitisation on ageing of the top management as an issue and for awareness of the consequences of the demographic changes within the company. Following dialogues, discussions, and workshops with responsible people in top management, the financial, economic and consequences of demographic change of relevance to employees were analyzed.

Table 7.1 RESPECT research focus and new work models

Research focus	New work model
Corporate culture	Information concept for the top management
Leadership	Age awareness workshop for managers
Professional competence, qualification	Experience sharing X% job Intergenerational teams Train the trainer
Health	Healthy, motivated team Conditioning of certain muscle groups and instructions about correct lifting and handling of heavy weights
Work organisation	Age-related workspace design and improvement of the work environment.

Leadership

Age awareness seminar for managers. Several studies have shown that the attitude of managers has an immediate effect on maintaining or improving the work ability of ageing workers (Tuomi, 1997; Ilmarinen, 1999). In the future, management should be more sensitive towards ageing workers, meaning that they should be more aware of the abilities, the attitudes, and the characteristics of older employees. This prompted the development of the 'age awareness workshop', a 1-day event for managers or foremen. It covers the sensitization of managers on ageing issues, and focuses particularly on existing company information on demographic developments and the age structure of the company/department as well as on future trends; information about performance, strengths, and weaknesses of older workers (turning away from the predominant 'deficit model'); the presentation of recommendations to improve the leadership of older

workers; best-practice examples from other companies; and the development and realisation of related activities.

Professional competence and qualification

The results of the research done under this heading are reviewed in Chapter 8.

Health

Healthy motivated team. The pre-eminent goals of this model are to support physical and mental health, to preserve work ability and to prevent workers from burning out, so that healthy, motivated, and satisfied employees come together to form a cohesive and powerful team. The concept at the heart of the model combines the experience of success, enjoyment training, personal responsibility, the meaning of work and problem-solving as well as the use of resources and competences. This implies that a healthy team can be formed by workers who see the usefulness of what they do, who set themselves goals and then pursue them, and who experience success as the result of their work. The model - which is ideally suited to the nursing sector - comprises several days with workshops.

Work organisation

Age-related workplace design and improvement of the work environment. The ergonomic design of workplaces is a preventive measure that is necessary for both older and younger workers to enable them to cope with a longer working life. Before implementing any ergonomic recommendations, each workplace has to be analysed carefully, taking into consideration any planned changes in technology and organisation. A work analysis must cover the entire work system, including leadership, colleagues, dependence on the entire production process, systems of qualification, and so on. If the work or workplace cannot be changed (for example, in the case of an assembly line), job rotation or strengthening the individual's physical capacity may be helpful.

Working time

Physical work ability decreases with age, whereas work demands either do not change or even increase. Partial adaptation to night shifts as well as sleeping after a night shift becomes more difficult. In addition to demands arising in the work place, other non-work situations may also require reduced or more flexible working hours.

For more details of the results of the work carried out by Respect see Chapter 9.5.

7.4 Working Conditions

In terms of analysing the working conditions of older workers in Europe, the European Surveys of Working Conditions, conducted by the European Foundation for the Improvement of Living and Working Conditions (the European Foundation), provide a

set of key sources. Surveys are carried out every five years, the fourth one being in 2005. A report of the third survey is in the public domain (Paoli and Merrié, 2001). The surveys provide a wealth of information on the working conditions in Europe. The picture remains fragmented, however, and the description of working conditions are at a very aggregate level. Probably the most comprehensive overview on ageing and work in the EU to date, using several databases, is provided by Ilmarinen (1999), which was based on the results of the second survey (1995).

According to the summary of the Third European Survey of Working Conditions, 2000, exposure to physical hazards in the workplace, intensification of work and flexible employment practices are still a primary cause of the health problems experienced by workers in the European Union. In 2000, 83 per cent of the EU working population of 159 million persons were employees and 17 per cent were self-employed. The Survey interviewed a total of 21,500 employees and self-employed workers across all Member States about their working conditions. The 2000 survey provides an overview of the state of working conditions in the EU, highlighting trends and identifying major issues and changes in the workplace. The survey reveals that no significant improvement in risk factors or overall conditions in the workplace took place over the ten-year period since the 1990 survey on working conditions.

The most common work-related health problems are backache (reported by 33 per cent of respondents); stress (28 per cent); muscular pains in the neck and shoulders (23 per cent); overall fatigue (23 per cent), and all of these were more prevalent in the older age groups.

There is a direct relationship between adverse working conditions and poor health outcomes which arise, in particular from a high level of work intensity and repetitive work. Exposure to physical risk factors (noise, vibrations, dangerous substances, heat, cold, etc.) and to poor design (carrying heavy loads and adopting painful positions) remains commonplace, and even more so in blue-collar work. Work is getting more and more intensive: over half of workers work at high speed or to tight deadlines for at least a quarter of their working time. Control over work has not increased significantly: one third of workers say they have little or no control over their work while only three out of five workers are able to decide when to take holidays.

There is considerable difference in the degree of autonomy at work. However, autonomy is a key factor linked to job satisfaction and a willingness to extend working careers (Daubas-Letourneux and Thébaud-Mony, 2003; Peulet, 2004). Daubas-Letourneux and Thébaud-Mony identify four types of work: servile, flexible, automated and autonomous. In a seven country analysis (Denmark, Sweden, Netherlands, Finland, France, Germany and Spain), the degree of autonomy experienced by workers differed from between 41 per cent (Spain) to 68 per cent (Denmark), and when plotted against employment rates for 55-64 years-olds, Denmark and Sweden stand out as countries with the highest rates of employment among older people, and the highest level of experienced autonomy at work.

The nature of work is changing, however: it is less dependent on machinery and production targets and more driven by customer demand. The number of people working with computers has increased: from 39 per cent in 1995 to 41 per cent in 2000. Flexibility is widespread in all aspects of work: working time ('round-the-clock' and

part-time work); work organisation (multi-skilling, teamwork and empowerment); and employment status (18 per cent of all employees work under non-permanent contracts). Temporary workers (employees with fixed-term contracts and temporary agency workers) continue to report more exposure to risk factors than permanent employees.

The consequences of changes in working life for older workers are contradictory. Increased speed, for instance, with less resting time is a negative factor, and the digital age puts pressure on educating the older workforce. However, the need for high commitment and motivation, teamwork and low levels of absenteeism, places more experienced workers in a favourable position.

The surveys show a prevalence of gender segregation and gender discrimination – both highly disadvantageous to women. Violence, harassment and intimidation remain a feature of the workplace: from 4 per cent to 15 per cent of workers in different countries reported that they have been subjected to intimidation.

7.5 Case Study Examples

About half our case studies companies have developed integrated approaches with a multitude of measures in different fields of activities. They combine, for example, training measures, career management, occupational health, and work organisation including flexible working times.

Measures directed towards the workers as an element of a more ‘holistic’ approach to age management

Among our case study evidence, there are companies that have integrated measures directed towards the health of workers in their age management approaches.

Allocating tasks and jobs in accordance with the health status of individual workers

A reactive strategy aimed at reducing the impact on the organisation of the deteriorating health status of older workers consists of allocating tasks and jobs by taking health and physical capabilities into account. This strategy involves the promotion of internal mobility (Box 7.2 and Chapter 9).

We can see from these four examples that the allocation of the ‘right task’ to the ‘right worker’ is feasible if working conditions and the health status of the individuals are taken into account. Here again, the accompanying measures are in the area of training and optimisation of work and task allocation can offset falling productivity due to age. Nevertheless, we would argue that this strategy may have negative effects on future cohorts of older workers if the younger workers have increasingly to carry out physically demanding and more stressful work.

Improving work conditions through implementing work organisation models

Working conditions also are influenced by the work organisation (autonomy at work, group work, job rotation, job enrichment etc.). In this respect, see case study evidence provided in Chapter 9.

Box 7.1 Comprehensive approaches to age management - health issues

(1) The Joensuu (Finland) factory, a subsidiary of the world leader, Assa-Abloy, in edge lock technology (**FI 2**), has implemented the successful *Age-Master Programme*, which, in particular, targets staff aged 55 and over. At the Joensuu factory, this programme is unique within the Assa-Abloy group, and is thus a trail-blazer. The goal was to extend working careers and reduce sick leave by valuing older staff and transferring tacit knowledge. Key components in the intervention are fitness promotion measures, general awareness raising, establishment of an 'AgeMaster Club' for those 55 and over, and granting special 'AgeMaster' leave. Workplace Health promotion (WHP) has played an important role. The programme was very well received among the older workers and the results have been very positive. Average pension age has risen by three years, sick leave is declining, a cultural change in attitudes towards ageing has been achieved, and the company has gained a lot of good publicity for its success with the ageing issue.

(2) In the Finnish food industry company, Saarioinen (**FI 3**), comprehensive measures in the field of workplace health and working conditions alongside measures implemented as part of an earlier Senior Programme, were key factors in increasing job satisfaction, extending working careers, and reducing sick leave. The company has consistently addressed the age challenge for over ten years now. The programme targets blue-collar personnel over the age of 55 who have been with the company for more than five years. The programme also encompasses white-collar staff where appropriate. Individual developmental discussions and tailored career plans, rehabilitation, physical therapy and fitness measures, training and coaching are at the heart of the programme. There is no systematic follow-up of the programme but some observations can be made with regard to its results. The company has fared quite well in terms of economic performance indicators. At the same time, the number of personnel has remained stable which also means that productivity has improved. A reasonable balance in terms of age structure has been maintained so that there are both younger and older workers. Early retirement could be reduced significantly, thus saving costs. However, a pilot programme (known as the Senior Programme), had a positive impact on sick leave through new work and leisure arrangements. Finally, in terms of attitudes and age discrimination there have been positive developments. There is more respect for the experience, reliability and adaptability of older workers, and this is further supported by various measures. Ageism has thus been diminished.

Box 7.2 Internal mobility: adapting to health requirements

(1) At Blanche-Porte, a French mail order company (**FR 1**), a 'mobility policy' was developed and implemented in the light of health-related requirements. Older employees working in the logistics department were transferred to another department such as the 'returns' department' which has far less stressful working conditions. The promotion of internal mobility has been supplemented by a training programme open to all age groups. Furthermore, measures in the area of ergonomics were implemented for all age groups. Young workers were hired to replace the transferred older workers and this had the effect of lowering the average age within the company. Flexible working-time arrangements have been negotiated (Box 9.12 on working time and Box 10.1 on collective agreements).

The results of the improvements in working conditions were monitored by the occupational

health doctor and the Regional Agency for Working Life. The results are positive in terms of better health and lower stress levels, as well as in terms of a reduction in the number of disabled employees. Interestingly, employees (predominantly women) are neither taking up part-time work nor retiring early. So we could conclude that the overall solution was effective. A further positive result is that the increased flexibility seems to have been accepted by employees.

(2) A further example of work allocation in relation to health is found in the Czech Co-operative company, Irisa (**CZ 3**). It manufactures and exports hand-made glass and Christmas decorations as well as injection-moulded plastic components. Irisa receives wage subsidies for employing disabled persons, with many older workers among them (Box 6.1). The following measures have been implemented: (a) the company has a pro-active job-seeker programme. It allocates employees to activities that suit their health status after approval by the employee's doctor. This is important for the motivation of the worker. As disabled people have less choice than able-bodied staff, it is important for them to have a job where they can feel equal to others. Work conditions and norms are determined in order to allow for such job satisfaction. (b) The company offers retraining courses and gives workers the opportunity to experience work in different departments so that they can decide which work they would be willing and able to perform. This approach is economically feasible as the company gets state support (50 per cent of the staff are disabled) and although it pays comparatively low wages, there are elements of performance-related pay.

(3) The Dutch catering company Sodexho (**NL 3**) is one of Holland's leading firms in the contract catering industry. The work is often carried out by women working part-time. Like every other firm in this industry, Sodexho has to struggle with the issue of age management. The work is physically demanding and growing competition has increased pressures on management and workers. The consequences were high rates of sickness leave and designation as disabled under the Disability Insurance Act. The ageing of the workforce and the increasing financial responsibility which management had to shoulder due to sick leave and inflow into disability arrangements, prompted the company into action. It realised that longer-term sickness leave of employees did cost large sums of money. Yet, these employees were often 'forgotten' as no clear responsibilities for them were assigned.

In response to these problems, the company appointed a number of case managers who were given the responsibility of actively solving the problems relating to long-term illness, sick leave and incapacity. Solutions to address the root cause of sickness absence included finding a more suitable job within the company. It is even possible that the case manager guided an employee to a position outside the contract catering industry. So far, however, relocation has been minimal, but is nonetheless considered to be an effective strategy.

More generally, internal mobility is a key strategy in the company's approach to age management. Training also covers health-related issues, such as proper posture and the correct use of instruments and machines. To prevent problems, mobility and career development have also received more attention because, in this way, workers become more flexible and get used to change. The strategy includes an 'interest registration system'. At the same time it is acknowledged that these elements are first steps and age management requires further development. That the efforts have had positive results is reflected in reduced disability figures.

(4) The car company, BMW (**DE 2**), was committed to achieving an age-balanced workforce when it opened its new plant in Leipzig in May 2005. 2,100 workers were employed to start

production of the BMW 3 series. From the very beginning, the recruitment strategy was governed by a diversity approach which put particular emphasis on a balanced age structure of the future workforce (Box 9.9 - recruitment strategies). Given the mixed age structure, BMW pursues a strong investment in occupational health measures (OSH) to maintain the work ability of its workforce. This included measures for ergonomic design of working places for blue collar workers, in particular. Particular emphasis was put on preventive measures, e.g. active health care such as back muscle training and the continuous health monitoring of younger workers. There is a systematic assessment of occupational health from two viewpoints:

- ABATECH – the work place assessment regarding working profiles and exposures which is done for every work place.
- ABAMED – the assessment of workers regarding capabilities and exposures at work.

Both results are compared and workers are allocated work according to their physical situation. Mental capabilities and demands are not assessed in the same systematic way. Regular interviews with employees help to identify problems. Solutions are developed in co-operation with HR management, works councils and occupational health services.

The expectation that older workers are productive and efficient has been fulfilled. Older workers make an important contribution to the plant's performance and development. Moreover, a positive change in the attitude towards older workers has taken place far beyond the company itself. The public's interest in BMW's HR policies is immense and can be expected to positively affect other companies.

Improving working conditions – finding technical solutions

Technical development, including automation, improves physical working conditions. This is clearly shown by our empirical evidence. One example is provided in Box 7.3.

Box 7.3 Improving working conditions with technical solutions

The Environmental Services (ES) Department for the City of Groningen (NL 2 - see Box 6.1) formulated the basis for current age-management and a broader HR-policy concept in 1998/1999. In close co-operation with both the workers' council and City authorities, the decision was taken to do the utmost to prevent privatization and to deliver services via competitive conditions instead. This meant cost cutting as much as possible to prevent an increase of municipal levies for this type of service. On the other hand, ES still wanted to uphold the tradition that workers can stay with ES until they retire, if so desired. The comprehensive age-management approach also focused on the type of jobs held by older workers. As a consequence, mechanisation was developed in order to reduce lifting during garbage collection which also resulted in reduced labour input. Another recent trend is that householders can take their garbage to underground dumping places from where the garbage is mechanically collected using special trucks. Both garbage collection plans require little lifting and can reduce labour input. Consequently, driving these trucks can be seen as a type of job which is especially reserved for older workers because of the availability of mechanized lifting

Expertise

In several case studies, the employment of an expert in age management and/or a health experts is included in the design and / or implementation of an age-management strategy - either through an external consultant, an organisation providing the expertise or by internally employed physiotherapists or psychologists. Our case studies show evidence of companies employing or involving physiotherapists and / psychologists, depending on the type of tasks being carried out. In the case of a Czech insurance company (CZ 2), for example, a psychologist was assigned to accompany older workers in cases of internal mobility.

Furthermore, several companies had carried out surveys and studies on the health status of the workers before developing age-management measures (see the epidemiological study, Thalès – FR 4). Box 7.4 gives examples of how companies have integrated measures for improving health and working conditions.

Box 7.4 Using expertise to improve working conditions

The ‘Carrot’ project focused on age management in small and medium-sized companies (SMEs). (Annex II, 3.3 and the Finnish Institutional Case Study). The project ran from 2000 to 2003 and was part of the Finnish National Programme for Ageing Workers (FINPAW) which was evaluated as part of the EU Peer Review. Twenty SMEs from industry, service and culture participated in the ‘Carrot’ project. The involvement of the Finnish Institute for Occupational Health (FIOH)(<http://www.ttl.fi/internet/english>) was key to the project and provided companies with expertise. The project was an intensive and comprehensive intervention in workplace development, health (WHP) and occupational safety (OSH) issues from an age perspective. It aimed at establishing permanent good practice in SMEs and spreading the message to other SMEs via publicity and networking.

The companies were thoroughly analysed in terms of workplace development, health and safety issues and comprehensive feedback was given, new plans to address company needs were drawn up. The companies conducted the projects on their own terms and with expert help. A specialist jury singled out 5 outstanding examples, and wide publicity was given to the whole project, to examples of good practice and to the winners.

The results were very encouraging. Sustainable new practices were established in over half the participating companies and the project was very well received both by managers and staff. A key component in the success, besides the commitment of management and staff of the companies, was the supportive input of FIOH and experts.

8. LIFELONG LEARNING: CONSEQUENCES FOR OLDER WORKERS

8.1 Introduction

Older workers participate in lifelong learning less than do their younger colleagues. Consequently, as we have seen (Chapter 6), there is the danger that the productivity of older workers will decline. One reason for this potential decline might be because of an under-investment in continuing training. There is the danger that the specific competencies of older workers are not developed and that their acquired knowledge is not valued by the company and thus not perceived as being worthy of being updated. The consequence is a devaluation of human capital.

The *curriculum vitae* of employees now typically include more frequent job changes which consequently demand additional new skills. Employees whose skills are not tradable and who do not upgrade their skills to match skill requirements required by technological development, are facing a risk of declining mobility and of becoming unemployed; once unemployed they have little chance of re-entering the labour market. In general terms, lifelong learning protects against the risk of redundancy but older workers are less frequently using these opportunities than their younger colleagues. The employability of older workers is thus decreased and the problem of the under-utilisation of human resources is thus reinforced.

Demographic trends will force companies to fall back on hidden reserves like older employees to meet their labour requirements. The extension of working life, but parallel shortening of product cycles, demand action to be taken. Continuous and systematic training of the staff is going to be a crucial competitive factor if requirements for up-to-date qualifications increasingly need to be met by existing employees. This will increasingly also involve older workers.

The basic question is how the participation of older workers in continuing training can be increased. The aim of this Chapter is to investigate what approaches must be taken in order to enhance participation rates and asks how not only the quantity but also the quality of training has to be enhanced with respect to older workers.

Reasons for the lower participation of older workers in training will be analysed first from a theoretical point of view. We will identify the determinants that lead to an investment in continuing training and where the possibilities for the different actors to increase participation lie. We will then analyse individual, job-related and institutional factors influencing the investment in the continuing training of older workers. In addition, we will investigate the factors which need to be taken into account for the design of learning strategies for older workers. Finally we give an overview of approaches taken at the institutional level aimed at increasing participation of older worker in continuing training in Europe and outside Europe. This Chapter feeds from the international literature, on the evidence of the eleven country reports (Annex I) written as part of this study, as well as on the case study results (Annex II). Section 8.4.3 presents case study evidence.

8.2 Age Differences in Training Investments – A Theoretical Framework

As in Chapter 6 on age and productivity, our point of departure is the human capital theory, as it explores the determinants for investments in human capital. The human capital theory was developed in the sixties, mainly by Becker in 1964, and, since then, an extensive literature has investigated the rates of return on education and training. An overview is given in a recent CEDEFOP report (Descy, 2004).

In short, the human capital theory says that costs of investments in human resources are incurred in expectation of future benefits. With regard to older workers the human capital theory would basically suggest that returns from training investments are expected to decline with age. Training investments (E_t) can be defined as a function of expected income changes (ΔY), the change of unemployment risks (ΔU), and the change in job satisfaction (ΔS). These variables have to be balanced with the costs of training (C_t) which include monetary and non-monetary costs. This equation holds for all workers. The important condition, however, is that the function is an integral over the period from present (t) to the (expected) retirement age or the expected duration of the job (r):

$$E_t = \int_t^r f(\Delta Y, \Delta U, \Delta S) - C_t$$

As this period is continuously shortening during working life, training investments generally shrink with age.

According to this approach, the increase of training participation of older workers during the last 20 years has to be attributed to changes in the variables of the equation: the risk of unemployment increases considerably, and with it the risk of income losses and the risk of being allocated to an unsatisfactory job. The motivation to take part in continuing training also depends on the self-confidence and self-perception of the older worker. These are negatively influenced by youth-centred personnel policy and youth myths. Therefore, an interventionist policy for enhancing the participation of older worker in continuing training is the enhancement of the motivation of the older worker.

A company considering an investment in human capital of its workforce, will make a similar calculation. Basically, training investments depend on the rate of return. These in turn depend on the expected rise in productivity (ΔP) and any decrease achieved in unit labour costs. So, changes in wages in response to higher skill levels must also be taken into account (ΔW). On the other hand, by the same token, the prospect of a possible loss of human capital may *increase* unit labour costs; in a model with fixed wages, this would produce an incentive to invest in the maintenance of human capital. Productivity gains may also result through higher motivation of the workers involved in training. The availability of labour (ΔL) with updated skills via the external labour market also influences the propensity of the employer to invest in further training. The time period for a positive return to the investment depends on technological developments and the length of the stay of the worker in the company (s).

$$R_t = \int_t^s f(\Delta P, \Delta W, \Delta L) - C_t$$

Thus, the propensity of a company to invest in the training of workers rises with the expected productivity gains but declines with increasing wages and the availability of labour in the external market.

Reductions in skilled labour supply relative to demand will encourage companies to develop their human capital reserves, including investing in continuing training for older workers. This is reinforced by the upward pressure of labour shortages on wages. With regard to existing seniority wage schemes, one would suppose that companies are interested in investing in training as wages anyway go up with age. Note, however, that seniority wage systems may have a certain age ceiling (see Chapter 10.1).

There is the current view among employees and employers, that investment in education and training of older workers is partly wasted as the period of return is too short and that it is additionally reduced by higher rates of absenteeism. But the argument could go the other way: the mobility of younger workers is on average greater and in practice younger employees are absent more frequently for short periods of time, while older workers stay off work less often but for longer periods of time.⁷

The concept of the ‘half-life of knowledge’ assumes that in many walks of life, acquired knowledge becomes obsolete after only a few years whereas it was once measured in decades. Information acquisition and implementation has developed exponentially and the “... half of what is known today was not known 10 years ago”. The amount of knowledge in the world has doubled in the past 10 years and is doubling every 18 months according to the American Society of Training and Documentation (ASTD) (Gonzalez, 2004). Especially affected by fast becoming outdated are computer literacy and technology knowledge. That means that the periods of return are increasingly shortened because of the generation of knowledge. An investment in training for older workers is thus becoming more necessary and profitable.

Unreal expectations about productivity increases, unreal perceptions of the learning capacity of older workers and unreal estimates of the length of the pay-off period can lead to an under-investment in training.

Overestimating the capacities of younger workers relative to older workers seems to be particularly pronounced in the context of high youth unemployment; this factor is especially pressing in the case of high youth unemployment rates in Poland, the Czech Republic and Lithuania, where the removal of older workers from the labour market is a favoured solution. Furthermore, a common opinion in transition economies is that older peoples’ skills are insufficient in terms of coping with new technologies and, moreover, they are presumed to be less flexible, less able to learn and less willing to retrain.

We therefore conclude that the human capital theory explains why older workers have participated less in continuing training in the past, but also how incentives might change in a fast-moving labour market context, notably, where there is a shortening of the period over which it is possible to reap the full returns to human capital investments.

⁷ Absenteeism rates differ greatly between sectors of industry and commerce, within organisations, between departments and between types of job.

8.3 Age-related Differences in the Participation of Training – Institutional Workplace-Related and Individual Factors

In the previous section we discussed the contribution of the human capital theory to explain how older employees and employers make their decision to invest in continuing training. The decisions of these two actors are influenced by a number of contextual factors. The influence of labour market conditions has already been addressed. In this section we will look at further factors which act on the participation of older workers in training. In particular, we will focus our analysis on the education system before turning our attention to job-related factors and individual factors.

8.3.1 Participation in education and training and forms of learning

Participation in lifelong learning is difficult to measure, as learning takes different forms - basic, formal, non-formal and informal learning. The different surveys use different approaches to measure participation in lifelong learning and do not treat the diverse forms of learning in the same way. Table 8.1 shows the differences in participation rates from different sources for a number of countries (International Adult Literacy Survey (IALS); European Union Labour Force Survey (EULFS); European Community Household Panel (ECHP). These sources do not provide data for Lithuania.

Table 8.1 Participation rate of adult workers in continuing education and training (age group 25-64)

Survey*	IALS (1994- 1998)	ELFS (2000)	ECHP (1998)	ESWC (2000)	CVTS (1999)	Other Sources
Reference period	1 year	4 weeks	1 year	1 year	1 year	
Czech Republic	32.7	..	..	..	42.0	
Finland	64.8	21.9	50.8	53.7	50.0	
France	..	2.5	10.6	23.3	46.0	
Germany	..	4.7	30.8	30.1	32.0	
Hungary	25.5	3.4	..	..	12.0	
Italy	28.4	4.8	11.9	20.0	10.0	
Lithuania	..	..	..	..	..	3.6% (in 2001) 7.2% in Q1 2004)**
Netherlands	42.9	17.3	10.6	44.5	41.0	
Poland	19.0	..	..	16.0	..	
Portugal	15.7	3.0	7.2	12.1	17.0	
UK	53.7	22.7	42.2	47.6	49.0	
Australia	41.4	..	..	..	..
Sweden	59.2	17.5	64.1	46.0	61.0	
USA	48.1	..	..	..	..

Surveys: IALS = International Adult Literacy Survey, ELFS = European Union Labour Force Survey, ECHP = European Community Household Panel; ESWC = Third European Survey on Working Conditions; CVTS = Continuing Vocational Training Survey

Source: overview given in Ok and Tergeist (2003). ** Source: Rep. of Lithuania, National Action Plan for Employment 2004, p. 50-51

In the ELFS, the UK has the highest rate, followed by Finland, Sweden and the Netherlands. The lowest rates can be found in France, closely followed by Portugal, France, Hungary, Italy and Germany. The ECHP indicates high participation rates for Sweden, Denmark and Finland, while the lowest rates can be found for Portugal, the Netherlands, France and Italy. The ranking differs somewhat according to the ESWC, with Finland, Denmark, UK, Sweden and the Netherlands belonging to the group with the highest participation rates, while Portugal again shows the lowest rate.

In the CVTS, Sweden has the highest participation rate, followed by Denmark, Finland and the UK while Italy, Hungary and Portugal are in the lower end. We can conclude from this analysis, that the Nordic countries, as well as the UK, can be categorised as countries with high participation rates in continuing training and Poland and Hungary as being in the group with the lowest participation rates. However, in the case of the Netherlands, France and Italy, the ranking is unclear when comparing the survey results.

Although, there are differences in participation rates between the different surveys because continuing education and training are defined in different ways, the International Adult Literacy Survey clearly shows an age gap in participation rates by age in all countries, although to a varying extent.

The importance of non-formal and informal learning and thus the availability of a variety of learning sources is also reflected in the report *Learning a Living* (OECD, 2005). Participation rates in any form of informal learning are significantly higher than enrolment in formal training. Thus, in 5 out of 6 countries included in this study, over 90 per cent of the population are engaged in passive or active modes of informal learning.⁸ However, in Italy, just 50 per cent of the population are engaged in any form of informal learning.

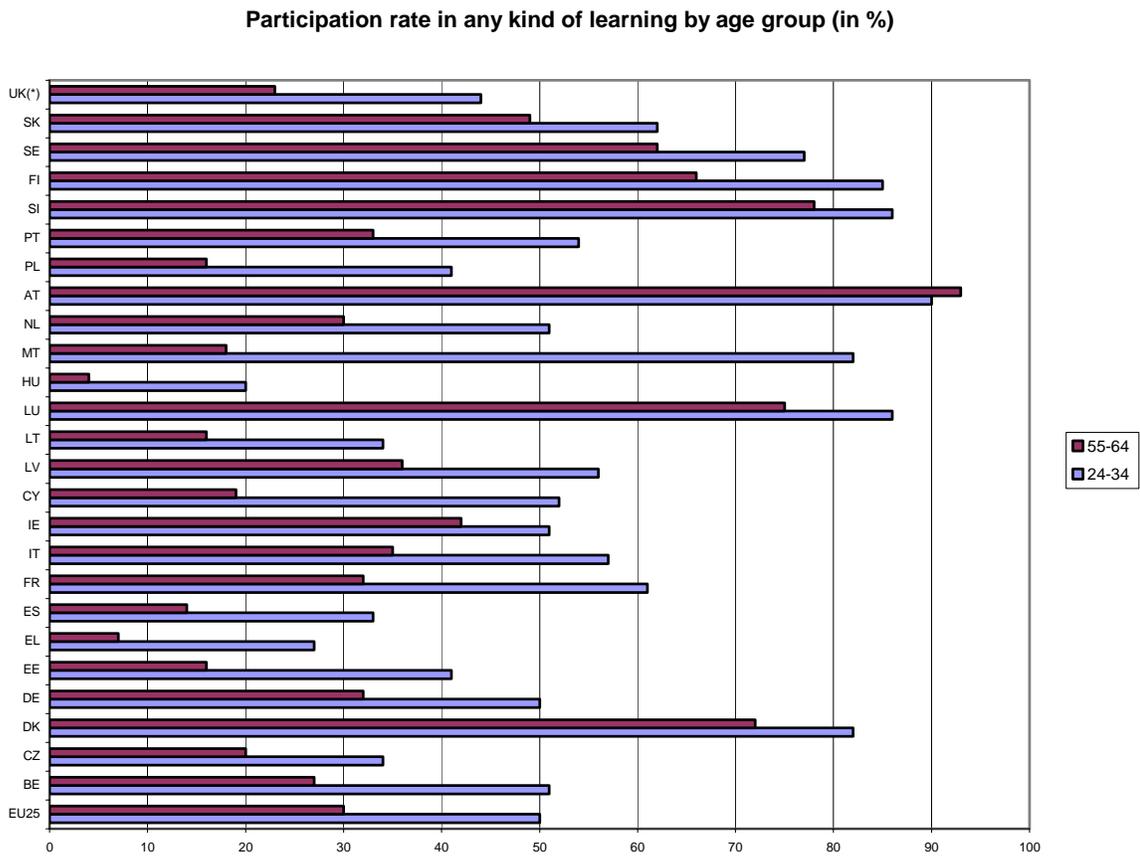
The ELFS, 2003 gathered data on participation in all kinds of training over the twelve months preceding the survey. The data shows that the differences between the countries are significant, with Hungary, Greece, Spain, Lithuania, the Czech Republic and Poland ranged on the lower rungs, and Slovakia, Sweden, Finland, Denmark, Slovenia and Austria at the top of the ladder. Indeed, Austria showed the highest participation rates. Note that the figures for UK are not comparable.

Figure 8.1 shows that differences in participation in learning according to age are important. Where participation rates in any kind of learning are generally low, the age differential is particularly noticeable since more recent education and training policies enable the younger generation to move ahead much more quickly, as is the case in Hungary, Poland, Greece, Malta, Cyprus and Spain. However, it is important to note that the gap in participation rates according to age is also quite significant in France, the Netherlands, Germany, Lithuania and the Czech Republic, while it is less important within the country showing the very highest participation rate.

Furthermore, the data of the *ad hoc* module on lifelong learning of the Eurostat LFS, 2003 shows wide differences in the participation rates as well as in the mean volume of hours in non-formal learning. Participation rates are highest in Sweden, Denmark, Finland and the UK, however with a learning intensity (measured in numbers of hours)

⁸ These countries were Switzerland, Bermuda, Norway, United States, Canada, Italy

Figure 8.1 Participation rate in learning by age group (%)



* Informal training is not included in UK.

Source: Eurostat, Statistics in focus, Population and social conditions, 8/2005

which is below average. In contrast, in Germany, Portugal, Spain and Hungary participation rate is low, but the intensity of learning in non formal education is high (Eurostat, 8/2005). In the Czech Republic, Poland, Lithuania and Italy both participation rates and the intensity of learning is low.

Table 8.2 gives an overview of participation rates in non-formal learning by occupational status. This table clearly shows not only the large differences in participation rates between countries but also across all countries between high-skilled and low-skilled workers on the one hand and white-collar and blue-collar workers on the other hand. Clearly, high-skilled white-collar workers show the highest participation rates in non-formal learning over all countries.

In the ELFS, the UK has the highest rate, followed by Finland, Sweden and the Netherlands. The lowest rates can be found in France, closely followed by Portugal, France, Hungary, Italy and Germany. The ECHP indicates high participation rates for Sweden, Denmark and Finland, while the lowest rates can be found for Portugal, the Netherlands, France and Italy. The ranking differs somewhat according to the ESWC, with Finland, Denmark, UK, Sweden and the Netherlands belonging to the group with the highest participation rates, while Portugal again shows the lowest rate.

In the CVTS, Sweden has the highest participation rate, followed by Denmark, Finland and the UK while Italy, Hungary and Portugal are in the lower end. We can conclude from this analysis, that the Nordic countries, as well as the UK, can be categorised as countries with high participation rates in continuing training and Poland and Hungary as being in the group with the lowest participation rates. However, in the case of the Netherlands, France and Italy, the ranking is unclear when comparing the survey results.

Other ELFS statistics contain data on the participation rates in informal learning.⁹ Again, we can observe a link between educational level and participation rates in informal learning. This difference is extremely high in the case of Poland where over 60 per cent of the high-skilled population took part in informal learning, but only 8 per cent of the low-skilled did so (2003 data). Table 8.3 shows the participation rate in informal learning by age group and educational level. We can conclude from this table, that educational level is a greater determinant than age of the decision to participate in informal learning. The data in Table 8.3 is confined to the eleven countries under study. Note, that these data have to be analysed carefully, as the definition of informal training is not clearly defined.

The literature increasingly points to the significance of informal learning. A comparative empirical study carried out with SMEs in the UK, Finland and Norway (Tikkanen *et al.*, 2002) shows that the age gap in the participation in informal learning at workplace level is of minor importance or even not relevant when compared with participation rates in formal learning, where age differences are important.

⁹ The survey identified four non-exclusive forms of informal learning: Self-studying by making use of printed material; computer-based learning / training; studying by making use of educational broadcasting or offline computer-based material (audio or video tapes); and visiting facilities aimed at transmitting educational content (library, learning centres).

Table 8.2 Participation rate in non-formal learning by occupation status of participants (%)

	High-skilled white collar	Low-skilled white collar	High-skilled blue collar	Low-skilled blue collar
CZ	24	13	10	13
DE	24	13	9	5
FI	62	50	35	31
FR	35	23	15	15
IT	14	6	3	3
LT	25	5	2	3
HU	10	7	3	4
NL	16	12	11	7
PL	29	12	6	8
PT	21	13	4	6
UK	54	41	26	21
EU 25	30	19	12	10

Source: Eurostat, *Ad hoc* module on lifelong learning 2003, Target group 24-64 years old; in: *Statistics in Focus* 8/2003

Table 8.3 Participation rate in informal learning by age and educational level in selected countries (%)

	25-34	45-55	55-64	High educational level	Low educational level
CZ	24	21	16	53	7
DE	42	37	30	60	17
FI	76	68	60	83	54
FR	54	46	31	79	25
IT	54	45	35	76	33
LT	30	23	15	56	5
HU	8	5	4	17	2
NL	35	32	26	56	13
PL	35	23	16	68	8
PT	50	38	32	77	34
EU 25	38	31	25	55	18

Source: Eurostat, *Ad hoc* module on lifelong learning 2003, Target group 24-64 years old; in: *Statistics in Focus* 8/2003

8.3.2 Educational level and participation in lifelong learning and the role of the education and training system

Participation in continuing training is linked to prior educational level reached. This is true for all forms of learning: informal, non-formal and formal learning.¹⁰ In general, older workers are less well educated, although there are important variations across countries (see Figure 8.2).

The proportion of the population aged 55-64 which has attained at least upper secondary education varies from 84 per cent in the United States to 8 per cent in Portugal. In between, the Czech Republic has 80 per cent, Germany 77 per cent, Norway 73 per cent, Sweden 67 per cent. The United Kingdom 56 per cent, the Netherlands 53 per cent, Finland 52 per cent, Hungary 48 per cent and France 48 per cent occupy the middle ground with approx. 50 per cent of the older cohort age bracket having achieved an upper secondary education qualification. Poland at 37 per cent, Italy at 24 per cent, and Portugal at 8 per cent have considerably less.

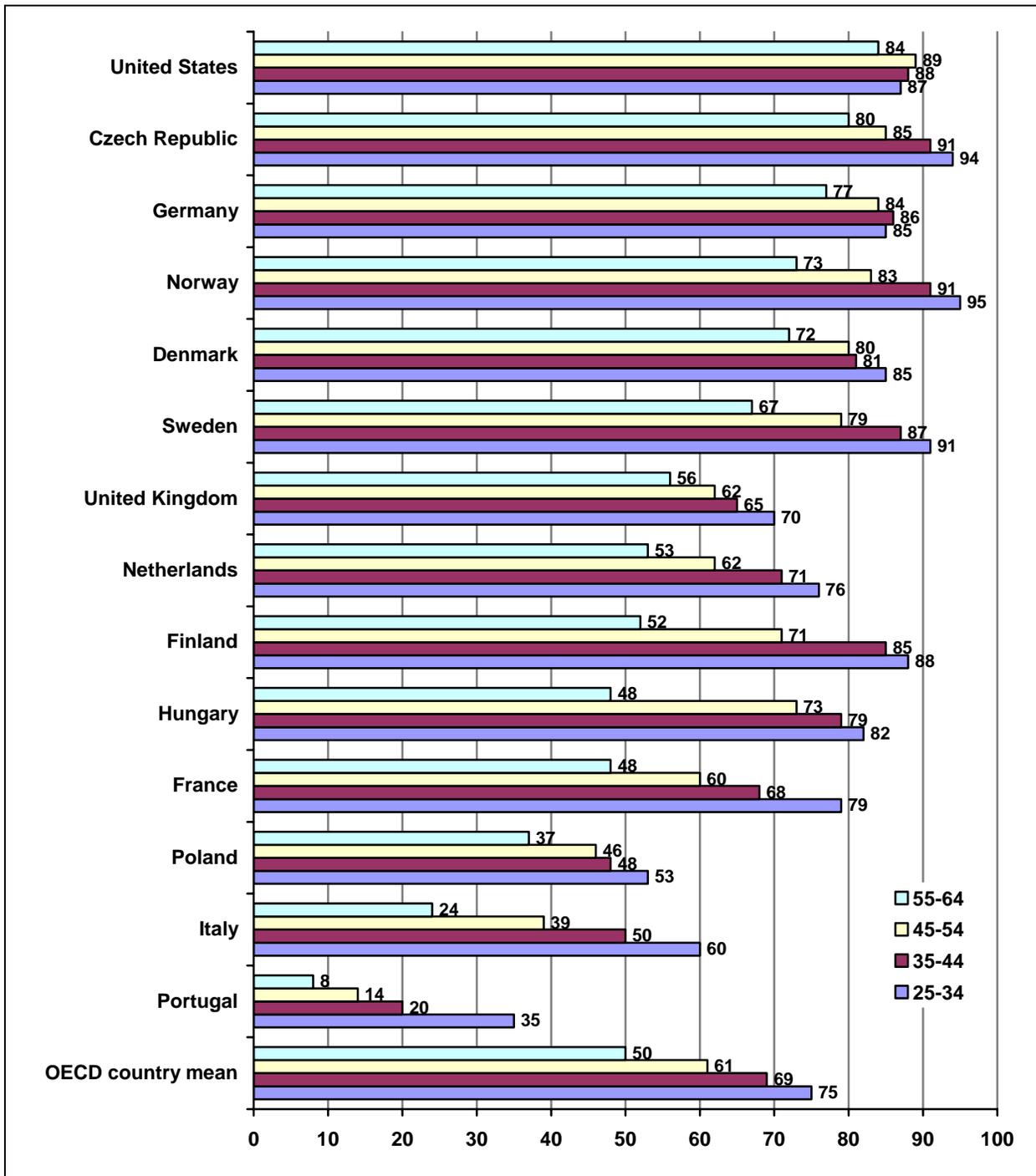
Comparing the educational attainment of the two age groups 55-64 and 25-34 demonstrates that the proportion of individuals who have completed upper secondary education has been growing in the younger generation in all 11 countries included in this study's empirical investigations. A comparatively noticeable 'educational attainment gap' between the younger and the older age groups could be seen, particularly in Hungary, France, Finland, Italy and Portugal. This means that these countries have caught up and have made great efforts to increase the educational level of their population over the last three decades.

Although the ELFS and the IALS data suggest that there is a correlation between educational attainment or skills level and the participation rate in training, the cross-country comparison shows a far weaker relationship (cf. Table 8.3 - and, for those countries not covered by the ELFS data, Table 8.1). We can clearly see that in those countries where participation in continuing training among all age groups and among older workers is comparatively high, the educational level is also at a high level. Note, however, that a high educational level taken on its own is not a guarantee of high participation rates in continuing training.

Different education and training systems vary considerably in the incentives they offer for participating in continuing training. The main differences may be attributed to the roles of initial education and training on the one hand and continuing training on the other hand for human capital formation. Basically we can distinguish four groups of countries: firstly those with a high level of educational attainment for older and younger worker and high participation rates in continuing training; secondly, those which have caught up with both initial and continuing education training; thirdly, countries which increased the level of educational attainment but show low participation rates in continuing training; and fourthly, countries that have a high level of educational attainment of younger and older workers but which show low levels of participation rates in continuing training:

¹⁰ See for example IALS data. This has been also shown in empirical studies, see e.g. Tikkanen, 2002.

Figure 8.2 Population attaining upper secondary education; % by age group



* No data was available for Lithuania

Source: OECD 2004a

- (1) The first group is characterised by a high share of workers including a high share of older workers (above 60 per cent within this age group) having attained at least upper secondary education. Participation rates in further training of all age groups as well as of older workers in these countries are comparatively high. In this group of countries we find Sweden, Denmark and Norway.
- (2) The second group of countries shows high levels of educational attainment for younger age groups, but a much lower share of older workers having attained at least upper secondary education. However this share is above 50 per cent. These countries have invested much effort to raise the educational level of their population. More importantly, catching up with education and training also involved continuing training for older workers. The most prominent country of this group is Finland. Also the Netherlands and the UK could be included in this group. In particular, the UK has focused its strategy on continuing training and continuing training for older workers.
- (3) The third group encompasses countries that have invested major efforts in enhancing the educational attainment of their population, but have disregarded the development of the continuing training system. In particular the participation rate of older workers in continuing training is low. In this group of countries are the latin countries of Portugal, Italy and France. Note that the participation in continuing training has increased tremendously for young people in Portugal, while older workers are nearly left out of the strategy of training and up-skilling the workforce (Centeno, 2005, Portuguese Country Report, Annex I). Hungary fits into this group of countries.
- (4) The last group encompasses countries that show a high share of older workers having at least upper secondary education (above 70 per cent), but where participation in continuing training, in particular of older workers is rather low. Germany, Austria and the Czech Republic are in this group of countries.¹¹ In these countries, the education system focuses on the education of young people and also on initial vocational training, but it has less well-developed continuing training systems.

We would assume from this analysis that the education and training system plays an important role in determining the participation rate of older worker in continuing training. This has to be borne in mind when analysing case-study results at company level.

Financing of training

Recent data collected for a selected number of countries show large differences in the sources of financial support for adult education and learning. Three categories of financial sources are named: self-financed, government-sponsored and employer-sponsored. Firstly, the data show that women are more likely than men to pay for their education and training. Secondly, the data show that employers are the most common source of financial support among men in Canada, Norway, Switzerland and the United

¹¹ According to Labour Force Survey data, in 2002 the participation of older working (55+) in continuing training was about 4.6 per cent and participation rates for other age groups were not much higher.

States and among women in Norway and the United States, while their role in financing adult education is considerably smaller in Italy, especially for women (OECD, 2005). Unfortunately, the data is only available for a limited number of countries, but a positive correlation between the financial support of employers for training and the participation rate in adult education can be established. In-house training is, in most cases, paid by the employer. The structure of the education and training systems is therefore rather decisive and impacts on the participation of older workers in continuing training. We will analyse these factors in the next section.

8.3.3 Workplace-related learning and the impact of the work organisation and type of tasks on the learning capacities

Workplace-related learning has been gaining in significance. One reason for this is the speed of technological change. According to a study prepared for the ILO (2002), a further factor is the growth of high-performance work organisations. In these organisational models, workers have extended opportunities to experience continuous workplace learning. Research by Eraut *et al.* (1998) has shown that for technicians and professionals most learning is informal, taking place through everyday interaction in the workplace. Thus, research reveals that, for this group, the workplace may well be the most important source of learning. This most certainly is the case for craft workers who have traditionally experienced the workplace as a learning space. For other groups of employees, workplace learning has become more relevant in the context of the introduction of high-performance work organisations. It is argued in the above-mentioned ILO study, that the use of ICT has provided the basis for more effective ways of sharing information and introducing devolved management. In addition, practices such as multi-skilling and use of self-managed work groups, have meant that in these organizations the workplace has become a source of continuous learning for all employees. In addition to any technical skills they acquire, workers have to use their intellectual faculties to tackle unexpected problems for which there is no immediate recourse to technical specialists.

Furthermore, a number of studies show that the learning environment in the company is decisive for learning capacity. The learning environment varies with the type of tasks and with the type of work organisation (Hübner *et al.*, 2003 give an overview of the literature in Germany; see also the comparative literature of Tikkanen, 2002 and ILO, 2002). Basically, it is argued that ‘tayloristic’ forms of work organisations diminish the learning capacities of worker and offer little learning opportunities.

The latest research shows that performance improves when it is combined with increasing demands on responsibility and an ability to concentrate (Hörwick, 2003). An important conclusion is that not only demanding too much but also demanding not enough has to be avoided. Monotonous activities can lead to a breaking of the learning habit and diminishes learning competencies, especially if these activities last for a number of years.

Research in the area of industrial sociology and training further shows that workplace-related and experienced-based learning are important (Meil *et al.*, 2004; Bauer *et al.*, 2002). Work needs to be organised in a way that optimises the possibilities for experience-based learning.

The results of the WORKTOW project that encompasses 27 case studies in SMEs show that successful work-based learning and training interventions involving older workers have the potential for improving their motivation for learning, for strengthening their self-confidence and organisational commitment. The project introduced new methods of analysing individual learning-style preferences drawing on research from the USA and demonstrated the value of developing a learning and work history ('biographical') approach (Tikkanen *et al.*, 2002).

8.3.4 Changing competencies with age

In general terms, the simplified view that older workers are less competent and that their skills are dated has to be dismissed as it has been partly disproved by research.

The deficit model was developed after psychological surveys in the 1970s and was based on intelligence tests, where younger people achieved better results than older ones. The interpretation of this data leading to the 'deficit model' however neglected to account for the different levels of education in the subjects and led to the misconception that mental decrease is a consequence of ageing. However, research shows that although skill gaps exist (with regard to ICT - for example, see Hüsing, 2004), the learning capacities of older workers are not necessarily worse than those of younger worker.

Continuing training in general can temper any tendency to becoming less flexible. The importance of learning biographies is widely acknowledged in the literature (for example, see Hübner, 2003). These not only influences the productivity of the worker but also their learning capacity. Therefore, future generations of older workers may be better prepared for continuing training and may show higher learning capacities.

It was actually found, that mature workers bring a wide range of knowledge, experience and positive attitudes to the workplace, complementing those attributes found in less experienced workers. Mature employees are able to handle uncertain work situations more successfully because of their tacit and experience-based knowledge. Furthermore, they are more able to convert their knowledge into strategies (Tikkanen *et al.*, 2002; Krenn & Oehlke, 2001; Hörwick, 2003). This means that having staff with varying ages practising knowledge transfers can be the most effective strategy. Knowledge transfers shouldn't be seen as a one-way transaction. To create win-win-situations for all participants, younger workers could also share their newly-acquired knowledge with older workers.

An opinion poll in Germany (Baigger, 2005) found out that older workers (45 years and older) are respected because of their experience, stability, maturity, willingness to perform, motivation, reliability and constancy. Around 70 per cent of the respondents stated that their older workers fulfilled independent and highly responsible. The analysis of the German enterprise panel produced similar results (Hübner, 2003). Their regard for their own older workers is in contrast, however, to their reluctance to recruit and train older workers from the external labour market. One explanation for this contradiction could be that employers have, in any case, kept their most productive workers whilst others would have left the company. Even if this holds true, it does not explain why employers are not being more careful to invest in the training of their older workers.

When considering continuing training, especially for seniors, it needs to be taken into account that older people and younger people learn in different ways and that although the outcomes are similar, older learners do display a reduced ability to learn with supplied materials, they lack learning methods and they are hindered by the speed at which some course material is offered. They also require more repetitions and their concentration while learning is easier to disrupt. On the other hand, they are equipped with some good learning qualities: they are able to compare new facts with existing knowledge, they have generally already learned to work independently and un-aided, their views are more problem-focused and they can handle complex facts more easily. Ignoring these qualities could cause older workers to become averse to learning (Volkoff, 2000). While the younger generation more often than not already acknowledges the concept of lifelong learning, older employees might have a certain amount of resistance to learning and change that has first to be conquered. Learning is recognised by the older generation as preparation for a profession and a request for them to engage in additional learning after reaching a competent level could be misunderstood as a humiliation (Geldermann, 2005). Often, people who are most in need of education and training are also those least aware of the need to improve (OECD, 2003c).

8.4 Approaches to Support and Adapt the Further Training System to an Ageing Workforce in Knowledge Economies

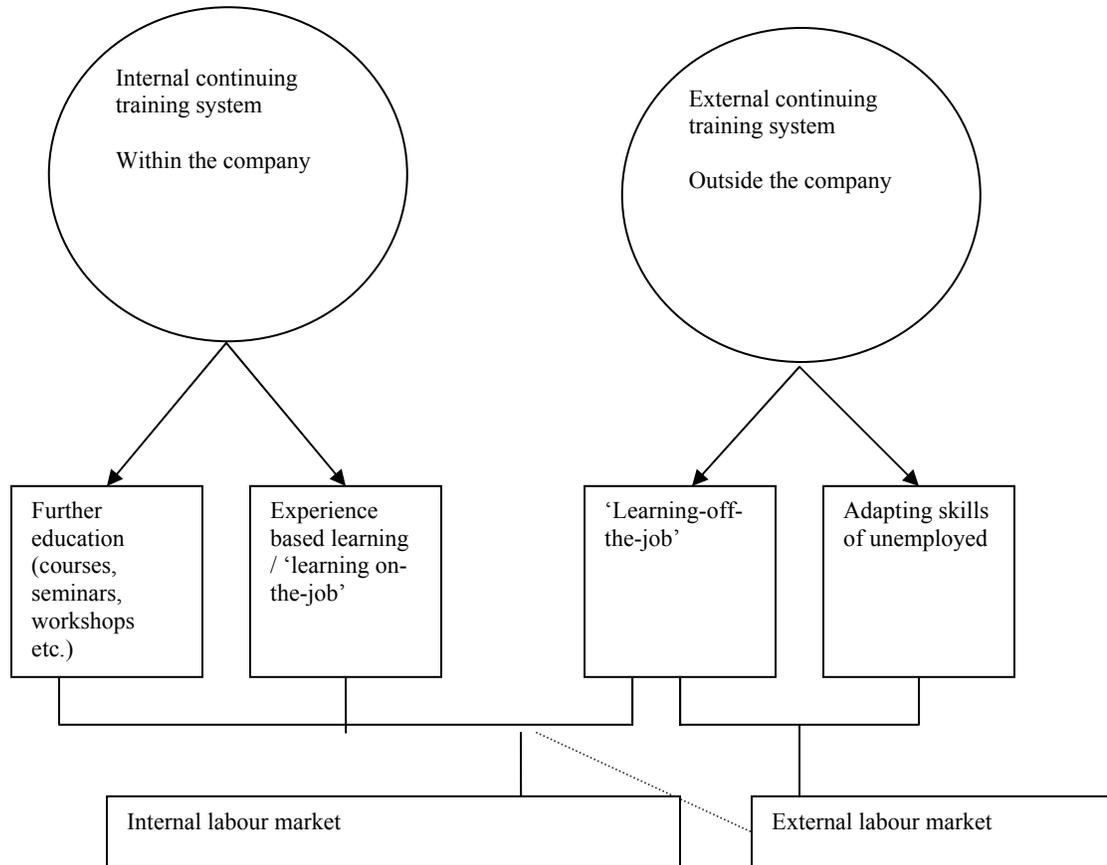
8.4.1 Introduction: the fields of intervention

It is important to distinguish between learning and continuing training that takes place within the company, and continuing training through the external training market which is independent of the company (Figure 8.3). Furthermore, a distinction needs to be made between formal and informal learning within a company: further training courses organised mostly within large companies are not the only way of improving skills. Experience-based learning and the organisation of know-how transfer through an adapted work organisation, are also crucial. The case studies (Annex II) show approaches to good practice in this area.

The further training system as a whole has to provide the right skills via both the internal labour market and external labour market. In particular, SMEs are not likely to have the capacities to organise formal learning in the company and thus, they may be more dependent from the skills and qualifications available through the external labour market. Finally, unemployed older workers are particularly hard to fit into an organisation.

In the following, we map out different strategies and policy approaches at the level of government and social partners which are oriented primarily to the external continuing training system. Approaches developed at the workplace level which have been identified in the good practice case studies will be looked at in the next section.

Figure 8.3 Continuing training system



8.4.2 Policy approaches at the institutional level: improving the quality of the continuing training system

Different approaches have been tested by governments and key stakeholders to promote further training. These approaches include:

- Further training as a part of a holistic approach to age management as promoted by the Governments of, for example, Finland¹² and the Netherlands;

¹² Note that in those countries which already experience a shortage of skilled labour as in Finland and the Netherlands, participation of older workers in continuing training is higher (Table 8.1). Finland is a special case as population ageing is exceptionally rapid and, in 2003, the number of those aged 55-64 exceeded the number of those aged 15-24 for the first time. Therefore comprehensive research and development activity were implemented 15 years ago. In the UK, continuing training has always played an important role.

- Reforming the continuing training system: making informal training achievements more tradable (e.g. Finland, France and the United Kingdom – and current approaches in the Czech Republic and Lithuania);
- Tackling the financing of further training of older workers (e.g. Finland, Hungary);
- Linking further training and activation policies (e.g. United Kingdom, Hungary, Lithuania, Poland);
- Compulsory continuing training (France, Portugal);
- Improving the quality of further training: adapting further training to the needs of different age groups (e.g. Finland, Netherlands, Hungary);
- Continuing training as part of an integrated strategy implemented by social partners

All these approaches use different modes of intervention. Linking continuing training to the objective of improving the ‘work ability’ of (future) older employees is embedded in a long-term strategy noted by Delteil and Redor (2003). In order to boost the volume and quality of training, appropriate financial incentives are required for employees and employers; this includes tackling the basic problem of how to distribute the costs of further training and deal with externalities leading to an under-investment in human capital.

In the following, different strategies and approaches will be looked at in more detail.

(a) Continuing training as part of a holistic approach to age management promoted by a government and/or social partners (e.g. Finland, the Netherlands)

In Finland, there are various strategies at the institutional level which lead to a higher participation of older people in continuing training. An increased investment in human capital can be observed in addition to strategies to optimize the quality of training possibilities in terms of programmes tailored to the needs of older workers and the unemployed (Arnkil 2005 – Finnish country report).

More generally, Finnish national education policy regards the ‘education gap’ as a serious challenge. Accordingly, the target of improving the educational level of the adult population has been converted into targets in several development plans.

There has been comprehensive research and development activity to support work ability of the aged and to influence attitudes to ageing over the last 15 years. A driving force in this has been the Finnish Institute for Occupational Health, FIOH, which devised an action programme *Ikääntyvä arvoonsa* (‘Valuing the aged’) in 1990-1996, which was meant to influence the circumstances of aged workers in the workplaces. Since then, the model of *Work Ability*, developed in the programme, has been used and developed further (Ilmarinen & Tuomi 2004).

Today, in 80 per cent of Finnish workplaces, some kind of Work Ability activity exists. Work ability is assessed against personal resources and work demands. The resources include health and functional capacity, education and skills, values and attitudes, and motivation and job satisfaction.

Another positive example, as a spin-off of the National Age programme besides Work Ability activity, is the development of a training and consulting network of over 100 people from adult education, consultants, entrepreneurs and organisation developers, under the theme of age management.

A cross-sectoral Programme - the National Programme for Ageing Workers – which involves several government ministries, ran from 1998-2002. When the National Programme came to an end, its aims and objectives - continuing work careers, work ability and skills - continued as three new programmes, Veto, TYKES and Noste.

As a direct and indirect result of the National Programme, some significant results were achieved in terms of improved employment of the older worker, the development of ‘work ability’ activities (TYKY-activity, the Finnish acronym for ‘work ability’), age management in workplaces, and also general awareness and dissemination of information on the ageing question (Arnkil 2005 – country report).¹³

The Veto-programme (Veto, ‘Pull’ in Finnish), runs from 2003 to 2007 under the sponsorship of the Ministry of Social Affairs and Health and continues the efforts of the National Programme and other programmes to promote the attractiveness of working life and ‘work ability’. Veto’s aims are to secure full participation in working life, to contribute to longer careers and to improve the relationship between work and family-life. The programme has four themes: (a) quality of working life and safety culture, (b) efficient occupational health and rehabilitation, (c) diversity of working life and equal opportunities, and (d) benefits and working time with positive incentives. The programme is run jointly with other ministries, social partners, business associations, and research, insurance, pension and rehabilitation institutes.

As a result of the different Finnish age programmes, educational attainment, in even the oldest age groups, is intended to rise rapidly and this is linked to a longer working life. During the last two decades, participation in adult education has steadily grown in Finland.

In the Netherlands, the needs of the older worker are included in many collective agreements, including the right to days off for training. In many collective agreements also, certain agreements are made about sectoral levies to finance training activities. Often sectoral training institutes are partly financed out of those funds. Some of these training activities specifically target older workers, such as courses for older workers to cope with the new technologies (ICT). Another programme in the past few years was a construction industry scheme which arranged for the issue of vouchers to older workers up to the value of €700, but which could only be used after a career interview had taken place with a supervisor or manager in order to identify the appropriate type of training.

(b) Reforming the continuing training system by formalising prior learning

Another approach to valuing the knowledge of older people is the formalisation of prior learning. Implementation of reliable evaluation methods can improve occupational mobility. The possibility of verifying non-formal acquired knowledge, skills and

¹³ The National Age Programme has been a subject of two EU Peer Reviews, and all the key material on it can be obtained from: <http://www.peerreview-employment.org/>

qualifications can facilitate job changes and job search. There were early approaches to implement appropriate procedures in Finland, France and the United Kingdom. Current approaches can be seen in the Czech Republic and in Lithuania.

In the Czech Republic Act which deals with Further Education is currently being prepared. This aims at formalising prior learning that was possibly achieved outside the official education system. The goal is to create a system that would be able to measure with a considerable amount of objectivity that a person educated outside the system of formal education has attained similar, or even higher, qualifications as a person educated in an educational institution. It is considered that this could help older people considerably. In a similar fashion, the Lithuanian *Informal Adult Education Law* stipulates that a comprehensive informal education curricula providers' network should be maintained by municipalities, as well as requiring the latter to initiate the establishment of a vocational and adult education providers' network that should meet local needs.

(c) *An education system open to all ages – experiences from outside Europe: the case of Australia*

Australia also faces the problems of an ageing society. Because of this and the rising demands of economy, flexible and modularised apprenticeship programmes focusing on the labour market were implemented. The programmes are concerned with all age groups and at varying educational levels. The Australian vocational education and training sector is a coherent system that visualises many different ways of entering the labour market for the first time, of reintegrating, of retraining or of continuing one's education. Thus, there is no structural or systematic differentiation of vocational training and further training (BiBB 2004).

The traditional vocational education and training system was built upon four-year apprenticeships but since 1985 an increasing number of apprenticeships have a shorter duration. In fact, though initially developed for 15-19 year olds, they were soon implemented for older age groups in all industries. In 1996, the number of contracts for the newly introduced apprenticeships exceeded contracts for the traditional type and the government merged them. Characteristics of the *New Apprenticeship-System* are (OECD 2002):

- There is no age restriction at all. Access is independent of personal status, e.g. it is possible for pupils to graduate to a part-time apprenticeship during school;
- The duration of the apprenticeship can be between ½ a year and 4 years and depends on previous knowledge and level of qualifications;
- There are a few limitations regarding occupational choice: from 1995 to 1999 the number of apprenticeships in the non-trading area increased eightfold;
- Recognition of Prior Learning (RPL) allows an earlier end to the apprenticeship;
- Employers are encouraged to sponsor their staff into apprenticeships. Off-the-job training is offered by public and private Registered Training Organisations. Employers receive incentive payments which are equivalent to 6 or 7 per cent of the minimum apprenticeship wage;

- Government financed New Apprenticeship Centres administer incentive payments, market the programme locally to employers and advise and assist them with all stages in the process of indenturing an apprentice;
- Over 90 per cent of the participants who successfully completed the off-the-job component in 1999 were retained in employment or had found a new job by May 2000. 93 per cent of those who completed a New Apprenticeship in 2000 were in an unsubsidised job three months later.

Even if Australia had no lifelong learning policy as such, it has an open education system that leads to a high participation level in education among older age groups (OECD, 2003; Karmel, 2004). Australia provides an exemplar which demonstrates an open-handed approach in the education and training system and which encourages its workers to participate in continuing training even when they become old.

(d) Setting financial incentives

Financial support to overcome training barriers in terms of time and costs can be directed towards employers or employees. In Finland, the right to education or time off for training is an important incentive (OECD 2003).

Further approaches to increase participation in continuing training through tax concessions can be seen in Hungary and until recently in the Netherlands. In Hungary, tax concessions are directed towards employees. With present tax rates, it is more advantageous for even low-income groups to deduct spending on training from tax rather than deduct the costs from the taxable income base. However, it is conceded that in the case of the neediest this would not represent significant support since they could deduct only a small sum from their taxes.

Tax concessions in the Netherlands were directed towards employers. Where older workers (over 40) were trained, this tax reduction was much higher but evaluations have shown that the measure was not very effective and had large deadweight losses. Therefore, it was abolished by the beginning of 2004.

As a consequence of labour market reforms in 2003, Germany now supports the continuing training of older people working for SME's (where the maximum number of employees is 100 or less) through a full refund of training costs.

In Sweden, a 'learning account' system was introduced in 2003. Employees and employers hold a bank account where they can save up to a maximum amount for education and training and which is exempt from tax (Funk *et al.*, 2003).¹⁴ According to a comparative study carried out by the Bertelsmann Stiftung, different types of individual learning accounts systems have been introduced or planned in the UK, Italy, Canada, the Netherlands, Austria, Switzerland, Spain and the USA¹⁵.

¹⁴ Full tax exemption is accorded to savings to up to 4 240 Euro.

¹⁵ In the USA a Law on the introduction of Individual Development Accounts have been passed in 2003 directed towards working-poor families and are not only tackled towards adult education but also for promoting home owners and entrepreneurship <http://gwweb.wustl.edu/csd/asset/idass>, 11.7.2005

(e) Linking active labour market policy and further training

In 1999 the UK government launched the *New Deal 50plus* which is directed towards people aged 50 and over without work and who have been on benefit for six months or more and who to return to employment. It offers older job-seekers an employment credit, free of tax and national insurance, for up to 12 months, together with specialist advice and help which is provided by the Employment service. The government also announced the introduction of *third-age apprenticeships* to provide various training options for older ones in order to increase the take-up of training within New Deal 50plus and to engage employers more directly (Eiro 2000). Research demonstrates that take up of the training grant was low though many appeared to be interested in training opportunities (Atkinson and Dewson, 2003; Kodz and Eccles, 2000). Age was seen to be the main reason for not taking up training as many felt themselves too old to learn new skills. On the other hand, many Employment Credit recipients thought their employer would provide them with training. In addition, a lack of time and, as far as respondents were concerned, a lack of available training opportunities were identified as individual barriers.

The Polish government has recently initiated a programme aimed at improving employment opportunities for older workers which is dubbed '50+'. In the absence of prior national projects of this type, the Ministry formulated its proposal after studying the provisions of the Danish 1988 Senior Plan and the UK's 2000 New Deal 50 plus. The Programme's basic instrument of action is subsidizing the wages of those hired under the '50+' initiative, by up to 50 per cent of costs of retraining them. Another provision of '50+' are loans to the self-employed up to a maximum of €3000. The cost of this programme is likely to be about 300-350 million ZLP, although one third of this expenditure is likely to be recuperated from the savings realised from there being fewer social security and pre-retirement financial applications. There were criticisms from both major trade union organizations, *Solidarity* and *OPZZ*, of the '50+' programme prior to its implementation. The programme is viewed as costly, ineffective, and is said to represent a lack of sensitivity to the realities of the Polish labour market. Both organisations view targeting specific age groups, rather than addressing broader labour market problems, as counterproductive. As the Programme had only just started when this report was being written, no evaluation evidence is available (Chajewski 2005 – Polish country report).

In Hungary, training of the ageing unemployed has special focus within education and training policy. Between 2000 and 2003, a total of 8 programmes specifically intended for the placement of unemployed people over 45 years were launched in 5 of the 19 Hungarian regions. Six of these programmes aimed to promote women's chances of employment. The complex programmes offered additional services for the unemployed and individual attention over the long-term. It is extremely difficult to mobilise the older unemployed person. For this reason, all the programmes intended for people over 45 years included multiple contacts, motivation through personal conversations, interviews, club activities and provision of information at conferences. Experiences shows that older people require longer or repeated training and closer contact with a mentor than needed by young people and this meant far more work for employment officers. For this reason, co-operation is being developed between labour affairs organisations and civil organisations (Széman 2005 – Hungarian country report).

It should be noted that in countries such as Norway and Sweden, the public employment services operate flexible models of public training programmes based on modules, tailor-made programmes, continuous admission and certification (OECD 2003c).

(f) Tailored approaches: adapting continuing training to specific needs and capacities of older workers – experiences from Finland

In Finland, promising development programmes have been launched in which education and training is tailored according to the needs of adult students. As examples of some of the largest, the AiHe-project and TUKEVA deserve attention.

AiHe is a project comprising 56 training institutes which have extended their study programmes and their learning environment by increasing the guidance and counselling of adult students as well as by using IT technology to create flexible and individualised study programmes. The goal of the project is to ‘personalise’ the students’ study programmes in such a way that the training system affords the adult students more individualised methods of study. One of the goals is to decrease the number of drop-outs and the incidence of interruptions. The AiHe project is funded through the ESF Objective 3 Programme and is managed and directed by the National Board of Education. The project has a steering group consisting of staff from the Ministry of Education and the Ministry of Labour, representatives of the municipalities’ association, the teachers’ trade union, and the employers’ organisations. Participation in the project by the training institutes is voluntary. Training institutes do not get any extra material resources from participating. The added value for the institutes comes through the support structures provided. AiHe has proved very popular and the training institutes and institute teachers regard the increase of counselling and guidance crucial for the further development of the students’ learning capacities as well as for the strategic future of their institutes. The project is developing counselling in the context of the competence-based examination system. As such, the project leaders have gained a new level of co-operation with private companies in certain areas of Finland. The most important achievement so far is that the project has raised the awareness of the need for personalising the traditional curricula by making them individualised and customised to the needs of adult students.

The TUKEVA (Finnish for ‘Supporting’) project deals with similar issues. It is a research and development project for adult education, and aims to promote co-development and relationships between the business community and the adult education institutes. The project runs from 1998 to 2006, and is partially funded through EU structural funds. The project provides for about 1500 teachers, other officials from polytechnics and vocational adult education, and representatives of the business community to be trained in skills which cater for the needs of companies in terms of curriculum and pedagogical design, qualifications, etc. With the support of TUKEVA, project participants can work towards basic and further university and polytechnic degrees which are mainly in pedagogy, economics and technology.

(g) Approaches to improve the quality of an external continuing training systems

In terms of an efficient further training system that supports lifelong learning, the literature provides the following approaches which are interesting from our point of view:

- A modular design of further training is implemented in more and more countries. It offers a higher flexibility for (older) learners and motivation can be increased by more quickly beginning the learning success. Moreover a modular design of further training is adapted to a faster changing work environment including phenomena such as a greater number of job changes and the half-life period of knowledge etc. as is now found in the Netherlands, Australia, Denmark, Switzerland and in Portugal).
- Efforts towards a more flexible continuing training system:
 - Progressive adaptation to the duration on previous knowledge and qualification levels reached. In this context, the recognition of prior learning has to be mentioned. Skills acquired in work or informally are given a credit and participants do not waste time relearning what they already know. There is, for example, a national system for the recognition, validation and certification of school attainment and personal experience in Portugal (OECD 2003c).
 - Flexibility by offering further training options is useful to avoid dead ends after graduation. In this context the implementation of generally accepted certifications is very important (e.g. Switzerland, Australia).
- In considering the fact that older people learn in a different way, pedagogical methods tailored to the needs of adult learners are at least partially implemented in some countries. There is learning that is learner-centred and contextualised to adults' experience as in Finland (OECD 2003c)
- Quality assurance (Netherlands, UK, but also Australia should be mentioned);
- Transparency;
- With regard to employment opportunities, it is vital to involve company needs (e.g. Netherlands, UK. Also Australia is interesting in this respect).

8.4.3 Strategies pursued at sector, regional and company level

Empirical evidence shows that training mainly augments other approaches to age management, and, in particular, in the context of internal mobility. Thus, training is provided either to adapt the worker to technological change at his or her workplace or to prepare the worker to change the workplace through internal and external mobility (see also Chapter 9).

Our case studies show that measures represent in general one element of a wider approach to age management. Basically, there are two approaches: either training is offered to all age groups, and/or age-specific measures are developed and implemented.

It needs to be noted that, in the context of most of our case studies, employers and HR managers tend to emphasise that training is open for all age groups, but did not provide any figures which demonstrate equal participation. The right to continuing training in itself does not guarantee equality of outcomes. Workers might need to be motivated and managers might need to be convinced before investing in continuing training. We conclude that 'good practice' needs to include some positive action in order to include older workers in training.

Our case studies suggest the following approaches:

- (a) Organising knowledge transfer;
- (b) Adapting training to the specific requirements of older workers: identifying training needs in the context of individual development reviews;
- (c) Increasing the sensitivity of the trainer to the circumstances and experience of the learner;
- (d) Developing experience-based and self-determined learning methods that are better adapted to the learning skills of older workers;
- (e) Providing training in the case of dismissals;
- (f) Sector level and regional approaches.

(a) Organising knowledge transfer

Knowledge transfer issues are strongly related to ageing. Companies with a strong concentration of younger or older workers have to address this problem.

The country report for Germany by Vogler-Ludwig (2005) illustrates this with the following company examples:

- A software company with no-one older than 27 needed an older engineer to carry out quality assessment, project management, and to represent the company to ‘serious’ clients. Thus, there was a need to learn from the practices of an experienced older worker.
- An insurance company faced the problem that the majority of sales representatives were over 55. As this sales-force had developed strong customer relations, there was the need to transfer knowledge and customer relations to younger workers. As a consequence, younger workers were matched with older workers.

Knowledge transfer not only depends on the individual willingness of older workers to share their knowledge, but on functional social relations within the company, and on the creation of a win-win-situation for all participants. In particular, the position of older workers should not be undermined. This is particularly the case where younger workers share their newly acquired knowledge with older workers.

Empirical evidence coming from the research project RESPECT (already referred to in Chapter 7), on work ability, indicate that work models for the transfer of experience are developed within companies. There is a greater need to intensify the utilisation of the experience-based knowledge of advanced professionals, who have a wide range of practical knowledge, skills, abilities, and experience at their disposal. For this kind of knowledge management, new work models were created to optimise the integration of experienced employees into the workforce. Close co-operation between generations is common to all these work models. The ‘X % job’ model builds up the experience and knowledge of employees in fields outside their own function within a previously defined time frame (X %). Accordingly, advanced professionals are treated as learners. The ‘intergenerational teams’ model deliberately promotes co-operation between younger and more experienced employees within a project team. This model greatly enhances intergenerational support. Each generation profits from the specific expertise of other

generations. The 'experience sharing' model aims at making available the personal knowledge and experience of employees from other departments to project teams. In this model, experienced professionals play the role of tutors. The common advantage of these models - integrating working and learning - is a fundamental requirement if a business is to remain competitive.

Our own case study evidence provides examples for implementing know-how tandems and 'x job' models (see Box 8.1).

Box 8.1 Knowledge transfer

(1) Triggered by changes in customer behaviour on the one hand, whilst realizing, on the other hand, the negative impacts of the youth-oriented human resource policies of the past, Deutsche Bank (DE 1) started to change its age-related strategy in 2001. A global task force at the Deutsche Bank develops and implements substantial policy changes.

Ageing HR policies are embedded in a general diversity approach aiming at a staff structure that is related to the diversity of markets and customers. Stigmatisation of particular groups, including older workers, is avoided. Moreover, the diversity approach is focused on the performance of teams and individuals using heterogeneity as a productive force. Diversity management is implemented to strengthen personal responsibility, as well as performance and learning capacities. Deutsche Bank understands that age diversity means a holistic approach that explicitly has to include younger age groups.

The market-related part of the ageing (and diversity) strategy was based on the observation that older and more experienced employees are seen as more sensitive to the needs of ageing clients. Private property management was particularly focused in this context (as in the case of the Italian Bank San Paolo presented in Box 6.2). Facing ageing of the work force internally as well as in external labour markets, the company promotes lifelong learning, transfer of experience-based knowledge, the development and implementation of work-life-balance concepts, and the creation of a company culture that values diversity.

Following the logic of individual productivity, pay is strongly performance-related and the 'performance-management system' was implemented to formalise the assessment process.

In the Deutsche Bank's approach, age-mixed teams and the knowledge transfer play a central role in increasing the performance of older employees.

- Know-how-tandems are based on the co-operation of an older, more experienced employee and a junior clerk, particularly in the area of client consultations. It targets optimising customer hand-over through knowledge transfer and is mainly used in the area of 'private wealth management'. Younger and older colleagues get to know and understand their clients and in addition need specific skills and abilities of the 'other generation'. Younger colleagues are able to learn skills relating to customer contact and acquisition, whereas the transfer of IT-related skills takes place in the other direction. This model is also highly appreciated by clients. Experience from personnel managers monitoring these tandems shows that it is an important instrument for transferring firm goals to younger workers and, to achieve a successful final hand-over of customer relations.

- The 'x % job' model: this model focuses on knowledge transfer and individual learning processes. An experienced employee spends a certain part of his working time (x % of the working time, in general two to four hours per week) outside his area of activity in order to collect relevant experiences and to accumulate new knowledge. Deutsche Bank teams are then able to use the acquired insight and knowledge to help optimise its own internal processes. Participants think that this model is ideal for transferring organisational knowledge and strategies between business units and should be implemented on a broader basis. Moreover, it is an instrument for developing individual competencies.

It has to be mentioned that these measures are focused particularly on older employees responsible for important customer relations with private or corporate clients.

A cost-benefit analysis does not exist, but Deutsche Bank is convinced of the concept's profitability due to a more motivated and efficient workforce. Ageing policies of Deutsche Bank are nevertheless limited due current job-cutting programmes which also include early retirement offers. It is focused on important market segments of banking services, in particular on private property management. Deutsche Bank plans to become the market leader in the area of intergenerational personnel development.

(2) Knowledge transfer is crucial to one Italian company. Gefran (**IT 5**) produces systems and components for the automation of industrial processes. It is a classic case of an 'enlightened' company. It has grown from a small workshop to a large international company, thanks to the tenacity of the founder, now president of the company, who leads the organization with the same family attitude that made the original workshop successful. The Human Resource Management Department at Gefran has adopted rules that are, in part, outside the range of the standard Italian management style.

The company has an organisational structure which is strongly oriented towards the needs of the clients. Constant technological innovation is key to the success. The company anticipates the loss of expertise due to retirement. It therefore gradually substitutes expert employees with younger ones over time. Older workers understand the importance of their role in the transfer of knowledge. The prolonged contact with younger workers provides training and a productive use of time. Increased costs due to the lengthening of productive lives is not seen as a major problem.

It should be added that flexibility in hiring (and in the contracts used) is seen as one of the causes of dissatisfaction of the young with work. (A similar argument was presented in the case of the Italian Bank San Paolo, see Box 6.2.) Gefran has been a leader in the industry despite fierce international competition, and as a result, has not been forced to find ways to lower labour costs. Consequently, Gefran does not have a positive predisposition towards part-time work or flexible working hours for employees in their final working years.

The case study examples show that there are basically two models of knowledge transfer: mutual knowledge transfer in mixed age-teams and the taking up of new roles of older workers. Both approaches can be combined. In particular the link between mixed age teams and knowledge transfer has been shown through further case study evidence. See, for example, the German retail trade company Metro (DE 4), the Public Works

Department of the City of Helsinki (FI 1), and the Portuguese construction company Somague (PT 3).

(b) Identifying training needs

In the context of age management strategies which are developing individualised approaches, such as career planning (see Chapter 9), training needs are also to be found which cater for individual needs. The following two examples in Box 8.2 illustrate how training needs can be identified from development talks.

Box 8.2 Identifying training needs

(1) Saaroinen, a Finnish food industry company (**FI 3**), implemented a seniors' programme with the aim of retaining older workers at work and of reducing sick leave (see also Box 7.1 on the company's comprehensive approach to age management and its positive results).

The programme starts with a developmental discussion between employee and line manager, where possible restrictions at work, rehabilitation and training needs and other relevant issues affecting current and prospective new tasks are mapped out. A key principle of the programme is that the training and coaching for a prospective new task takes into account the needs of the older worker.

(2) In the case of BEK (**NL 1**), a Dutch printing company, the training needs of older workers are identified during regular interviews about performance between worker and mentor. These interviews form the basis of a personal development plan for every worker. (For more background information see Box 6.1),

(c) Increased sensitivity to age-related issues through training

The need to increase the sensitivity of HR managers, foremen, supervisors and trainers towards age-related issues has been stressed in the debate about work ability (Chapter 7). Our own case study evidence illustrates that the sensitivity of managers is a decisive factor in the development and the implementation of age management. Mainstreaming the concept of an age-management programmes within the company and employing older HR managers are responses to this problem which target company attitudes - mainly those of managers (see Chapter 9). A further strategy is the provision of training on this issue.

Training can be directed towards:

- the trainers themselves;
- the HR manager;
- unions/works councils.

Introducing age-related issues in training courses for managers was implemented in several of our case studies. As an example, a large public provider of health and social

care services in the UK (**UK 2**) organises recruitment and retention courses that address age discrimination and that all managers are obliged to attend. In particular, it was the discussion among managers about good practice that was felt to be most beneficial in changing manager's attitudes. In the case of a large foreign-owned retail trading company in Poland, the need to prevent discrimination features in their training courses.

Some companies go further and train not only managers but also shop stewards and the trainer. The Public Works Department of the City of Helsinki (**FI 1**) has launched an age programme, which promotes the following age management measures: (a) training top and middle management and foremen, (b) training shop stewards, and (c) training adult educators.

Evidence from the intervention research project RESPECT (see Chapter 7), also includes the approach known as 'train the trainer'. RESPECT seminars explore the following aspects: sensitisation of the trainer; demographic trends; performance strengths and weaknesses of older workers; ways in which learning is achieved; types of older learners; motivation of older learners; good-practice examples from other age-related courses; development of age-related pedagogical styles for their own classes; effectiveness of different methods; and individual requirements. During the 1-day seminar, the trainers are encouraged to learn actively, i.e. not only through educational presentations and brief lectures but also through working in small groups and practical exercises. Video-controlled simulation games, which are then jointly discussed and reviewed are also a possibility.

(d) Age-specific, experience-based and self-determined learning methods

Older workers may lack specific knowledge (e.g. foreign languages, IT-skills) and where this is identified, some of our case study companies have offered specialised courses or have encourage older workers to undertake further training. Workers may also be trained in the context of multi-skilling (Chapter 9).

The review of the literature has shown that older worker may be initially more reluctant to undertake learning. Moreover, since application and approaches to learning change over time, experienced-based and self-directed forms of learning are particularly useful for the older worker.

Box 8.3 provides examples of experience-based and self-directed forms of learning.

Box 8.3 New learning methods

(1) MicroTec (**DE 3**) is a small company offering specific engineering development services and contract manufacturing of components, micro-systems and micro-structures through prototyping, as well as batch production operating in the high tech sector. Age management is embedded in the company's diversity strategy which is seen as crucial in terms of innovation and market orientation. The achievement of the position of a technology leader in the area of micro-systems can be directly traced back to this strategy.

There are no separate measures for different age groups, although self-directed learning and the exchange of knowledge are greatly valued because of the market requirements in

this innovative and interdisciplinary field. New knowledge has to be developed within the company and exchange of knowledge leads to a better orientation towards customer demands. Furthermore, self-directed learning and team-working is assessed as more efficient and cost effective than institutionalised continuing training measures, especially when considering the short half-life period of new knowledge. In order to implement innovations, every team member is engaged daily in extending the variety of their know-how and experience. At the individual level, employees improve their employability through learning from each other.

Although the high-tech sector is seen as a suitable case for new human resource strategies, there is also awareness of potential conflicts and obstacles. These obstacles are mainly linked to the attitude of workers:

- Learning something new is often regarded as a burden, and employees only want to use their acquired knowledge.
- It is seen as the employers' duty to organise and fund continuing training, moreover, often a subsequent pay rise is expected by the workers.
- There is a propensity to hoard knowledge in order to safeguard the job.

(2) AQUA (**Institutional Case Study, Germany**) is a German adult-training institution of an employer organization (Berufliche Fortbildungszentren der bayerischen Wirtschaft, bfz). In the context of the EQUAL project, its ageing work-force has prompted it to develop new approaches to learning. Assuming that older employees are more likely to have deficits in terms of up-to-date know-how and learning competencies AQUA develops and communicates learning methods adapted to the needs of older employees.

It is important to emphasise that AQUA doesn't offer formal training but aims to enable older employees to improve their learning abilities and methods in other ways. It provides an approach to structuring the diffuse learning demands of workers and particularly addresses the learning behaviour of older workers. This is mainly achieved through self-directed learning processes. In a second step it offers tailored continuing training for the individual. It could be described as a preliminary stage that is particularly useful in bringing older employees closer to the identification of their learning needs, the appropriate learning methods, and their responses to different learning offers.

To reduce obstacles of older workers towards learning, Aqua uses learning methods which take into account the learners' experience. Flexible learning methods allowing the learner to progress at their own pace and the use of preferred learning models are more acceptable to the target group.

(e) Providing training in the context of dismissals

Training courses designed to better prepare workers who are due to be made redundant, have been included in the industrial restructuring plans of a Lithuanian telecommunications' company. In the context of a highly youth-centred personnel policy, many older workers were dismissed. However, this falls far short of being good

practice. The company has developed a set of measures which will facilitate the search for a new job by those due for redundancy. This can be regarded as rather innovative in the Lithuanian context (see Box 8.4).

Box 8.4 Training in the context of industrial restructuring

The company Lietuvos Telekomas (**LT 3**) is one of the largest and most successful companies in Lithuania. Having become part of the Lietuvos Telekomas' Group, the company is the largest provider of telecommunication services in Lithuania. Following its privatisation in July 1998 the company went through a technological revolution which has still not come to an end. As the result, just over 2,000 employees are now working in the Company out of an original 10,000. Communication technologies have replaced people who used to work with the equipment. To re-locate such employees to the customer service sector proved to be rather complicated, because people, who had worked for a long time with equipment did not have the requisite communication skills which were needed by potential sales' managers. Moreover, because of tough competition, attitudes toward selling have changed and the sales managers are exclusively younger people.

It was collectively agreed that workers due for redundancy were to be offered retraining. Potential redundant workers attended psychological seminars which focused on self-knowledge as a 1st stage; on adaptability to changes as a 2nd stage; and effective work searching as a 3rd stage. The seminars were organised also for employees who have continued to work for the Company. Threatened redundancies had an influence on the employees and their productivity and loyalty to the Company decreased. Where redundancies are at the employer's initiative or with the agreement of the parties (provided they are not single cases and there is the possibility to form a group), the employees are involved in outplacement or similar programmes. Redundancy consultants provide moral-boosting support for the redundant and they also assist with job searching. The financial support assigned for training, especially psychological training, was determined by the Collective Bargaining Agreement. The trade union was involved during the entire process and, in addition, allocated a sum of money to compensate for the shortfall in training funds. Unfortunately, evidence is not yet available to indicate whether the chances for older workers to find new jobs were enhanced.

(f) Sector level and regional approaches

SMEs, in particular, might be too small to implement own training measures and often don't have their own human resource department. Thus, these companies have to rely more on sector level and regional organisations. Two of our case studies provide examples of the role played by these institutions for providing training to SMEs and their potential role for developing age-management strategies (including the organisation of knowledge transfer and recruitment strategies in the case of OPCAREG). The sector-level case study relates to the French construction industry sector (see Company Case Study FR 2), and the French organisation OPCAREG in Haute Normandie provides an example of a regional organisation (see the French Institutional Case Study).

8.5 Conclusions

In this Chapter we have shown that the learning capacities, the motivation to engage in continuing training and the way of learning depend on the following factors:

- characteristics of the employee, educational attainment and his or her history of learning being both are decisive;
- the specificity of the task carried out allows for learning informally at the workplace and for gaining work experience play an important role;
- perceptions of the learning capacities of older workers as well as expectations about the rate of return in the view of the employer are crucial;
- the labour market conditions and thus the threat of unemployment or conversely, skills scarcity, are pushing older employees and employers to invest more in continuing training;
- the structure of the education and training system itself, and the way initial and continuing education and training are linked in addition to the extent to which continuing training is organized and financed by employers, leads to differing participation rates of older workers in continuing training.

Just like welfare systems, education and training systems have been built up over a long period of time and respond to different cultures and political priorities. Nevertheless, we can observe some common features in recent approaches to their reform and further development..

We have shown that an efficient strategy to increase lifelong learning activities of older workers in the medium term and long term calls for a flexible approach. The specific learning needs and the specific competencies of older workers need to be taken into account. Improving the skills of older workers needs tailor-made approaches. Learning requirements depend to an important degree on the type of tasks carried out, and, most importantly, on educational attainment and individual learning histories. Tailor-made approaches to learning do however not necessarily mean that only target-group oriented actions are called for, but it seems important to further develop the entire continuing training system. Interesting approaches include: the modular design of training, the certification of skills and competences acquired at the workplace, the drawing up of individual training plans by the company, the intergenerational transfer of knowledge in mixed-teams, and mentor-models.

We would further conclude that in-company training is particularly crucial for the participation of older workers in continuing training. Workplace-related and experience-based training proves to be particularly effective in the context of an ageing workforce.

Country evidence also indicates that continuing training strategies are best if embedded in a wider approach to age management. This is confirmed by case-study evidence: indeed, the evidence shows that training mainly supports other approaches of age management, in particular those involving internal mobility.

Reactive measures for older workers and preventive measures for younger workers have to take different educational attainments into account. The reactive measures towards older workers will change over time, as their educational attainment will grow over time

and as they will probably then be better prepared to continue to learn during the last 10 years of their working lives.

From our case study evidence it becomes clear that knowledge transfer is a key issue for companies. Furthermore, training needs may be identified for all age groups, and in particular for older workers which are often left out of the frame when drawing up individual development plans. Thus, training measures are implemented by companies not only to adapt to technological change but also to adjust to more flexibility and mobility within the company. Training measures were implemented by companies not only in the case of internal mobility but in a few cases also in order to ease external mobility (change of employers), e.g. in the context of industrial restructuring. Finally, our case study evidence showed that ways of learning can be adapted to the specific needs of different age groups.

9. HUMAN RESOURCE MANAGEMENT, WORK ORGANISATION AND WORKING TIME: WAYS TO ENHANCE MOBILITY AND FLEXIBILITY

9.1 Introduction

Age management needs to tackle all areas of human-resource management in order to promote the ‘work ability’ of older workers (see Chapter 7), and to also develop an age-management policy directed towards different age groups by taking a life-cycle approach. As has been argued (Chapter 7), the concept of ‘work ability’ implicitly addresses a wide range of human resource management areas. In this Chapter, we go further and do not confine our analysis to enhancing the ‘work ability’ of older workers but we also include approaches aimed at developing a balanced age-management strategy for all age groups. The whole life cycle of an employment relationship is looked at. At the same time, age-management also needs to respond to market demands. This Chapter is mainly based on our case study evidence.

Case studies clearly indicate that mobility and flexibility are key elements of a holistic approach to age management. This is in line with the observed individualisation process in human resources management (as observed, for example, in France; see Kaisergruber, 2005). Indeed, in most case studies, age-management strategies are implemented through individual guidance: this encompasses health check-ups and the search for the optimal task or assignment with regards to health-related issues as well as development interviews with the worker in order to establish individualised career and training plans. These individualised approaches respond to the fact that differences of ‘work ability’ between individuals increases with age; there is no prototype of an ‘older worker’.

In the following, we make a basic distinction between internal mobility -and thus a change of functions within the same company - and external mobility - meaning a change of employer. Furthermore, task flexibility, referring to changes in the content of the job or its relationship to other functions can be distinguished. A lower level of mobility, (including a lower level of task flexibility) of older workers can be expected when compared to younger workers (see e.g. Gelderblom, 2005, for the Netherlands and Contini, 2005, for Italy).

The focus on promoting all forms of mobility reflects, on the one hand, the increasing need for flexibility by employers and, on the other hand, its role in responding to the needs of older workers. Thus ‘mobility management’ can basically be driven by both demand and supply sides of the labour market.

Increasing internal mobility or task flexibility is a particularly important element of a strategy towards active ageing as it combines life-time employment and the retention of older workers, while, at the same time, responding to an employer’s flexibility requirements and the need to make the best use of the capabilities of each worker.

In order to enhance the employment rate of older workers, not only strategies designed to promote the work ability of the older worker and to optimise job and task allocation within the internal labour markets are called for, but also strategies facilitating older

workers to re-enter the labour market. Therefore, we will look also at recruitment strategies and the role of older workers within the external labour market.

Finally, job allocation and recruitment are key policy fields of age management in the companies but so too are the volume and the distribution of working time.

This chapter is organised as follows:

- In subsection 9.2, we look at approaches to increasing internal mobility and, in this context, include career planning. As the contexts and rationales for promoting internal mobility vary, we find a wide spectrum of ways to organise its implementation;
- In subsection 9.3, we focus on work organisation at the workplace. Composing the work groups as well as designing the tasks is central to this section;
- Sub-section 9.4 deals with the borderlines of internal labour markets. Age-related recruitment and non-discriminatory recruitment strategies are explored. Furthermore, approaches to retaining pensioners at work are investigated. Finally we examine measures designed to help older workers who have been made redundant to find a new job;
- In sub-section 9.5, we analyse age-management approaches related to working time.

9.2 Internal Mobility and Career Planning

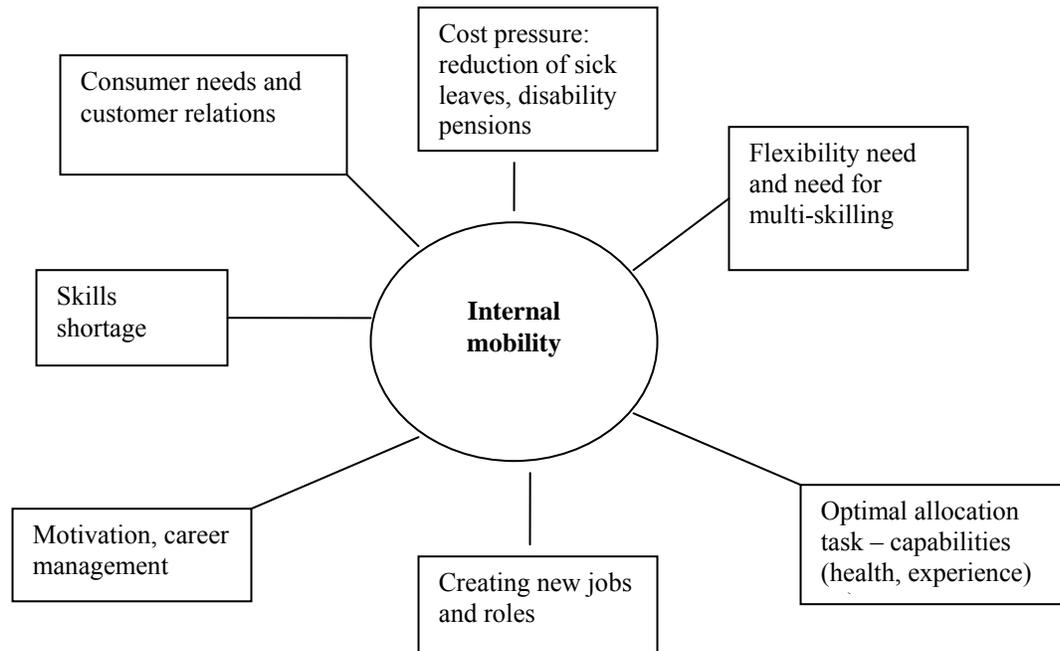
9.2.1 Rationale for increasing internal mobility

First and foremost, increased internal mobility is aimed at enhancing productivity, ‘work ability’, reacting to market demands and increasing efficiency. The driving forces can be both demand-side and supply-side based. Thus, the rationale for increasing internal mobility can be diverse:

- cost pressure and industrial restructuring;
- consumer needs and customer relations;
- requirements attached to a specific task - some tasks need more experience than others;
- health aspects and individual capabilities;
- creation of new jobs (expand the internal labour market) and new roles;
- organisation of knowledge transfer;
- multi-skilling in order to meet flexibility requirements (enhance functional flexibility);
- enhance the motivation of older worker;
- need for career management for all age groups.

Figure 9.1 visualises the different reasons for enhancing internal mobility as a part of a holistic approach to age management.

Figure 9.1 Internal mobility and age management



The literature provides some evidence that occupational mobility proves to be an important factor in preventing problems in the performance of older workers (Gelderblom; 2005; Gelderblom and de Koning, 1992; Thijssen, 1996 for the Netherlands). One of the explanations is that if older workers are not mobile and keep on doing the same type of work, there is a tendency that they increasingly specialize in a narrower field. Thijssen (1996) refers to this as ‘experience concentration’. This narrowing field of experience makes a worker vulnerable. If changes take place in the environment and the worker can no longer continue to work in his ‘specialization’ (for example because of new technological developments or reorganizations) then a shift to something else will become very difficult. Moreover, regular changes will help to promote the adaptability of the older worker.

9.2.2 Approaches to increase internal mobility

(a) *Multi-skilling*

The following case study examples show the importance of multi-tasking and multi-skilling as a strategy developed in order to meet market requirements and enhance competitiveness.

Box 9.1 Multi-skilling to meet flexibility requirements

(1) The family-owned Dutch printing company BEK (**NL 1**) has been successful as it developed a strategy to offer a wide range of services (see also Box 6.1). This could only be achieved by the work-force's greater flexibility. Demands for the company's services come in peaks and timeous delivery is very important. Flexibility is achieved in part by hiring temporary workers from employment agencies or contracting independent workers. However, the main channel for achieving flexibility is through the adaptability of the permanent workforce as well as aiming at achieving 'multi-competencies' amongst many of the employees. This means that employees can do various tasks within the same department or even within other departments. Employees deliberately rotate the various tasks and learn how to work with various machines. This multi-task attitude is combined with quite a large autonomy for the teams at the shop floor who divide the work among themselves. Multi-tasking is an important element for age management. If (older) workers regularly change their ways of working, there are less risks of work-related injuries and health problems. For example, some jobs using printing machines demand consistent handling and doing this for a very long time, give rise to risks. Moreover, worker satisfaction surveys show that, once they are accustomed to such variations in their tasks, workers value the outcome highly.

(2) In the case of the French automotive supplier, Oxford Automotive (**FR 5**), age management is evident, and poly-skilling is a key element. The whole sector is characterised by an ageing workforce (the national average is for workers to be approximately 46 years old) carrying out activities which are physically very demanding. Consequently, ageing represents an important challenge in this sector. During the 1990s, early retirement was widespread in this sector. The company underwent major industrial restructuring resulting in extensive job cut at the beginning of the 21st century. Because the the aim was to avoid early retirements at their Saint- Florent plant, a conscious choice was made to manage all the employees without any age consideration and discrimination, even though it was never explained in so many words. The main changes were realized in order to keep older worker in employment and at work - especially, in physically demanding manufacturing jobs.

Poly-skilling can solve some of the ageing problems: if all workers in the factory are poly-skilled, it is easy to identify an alternative job when somebody is working in an environment that is currently too physically demanding. In addition, an important training scheme was developed and implemented. It must be added that the age management approach was not only confined to training but encompassed the improvement of working conditions (see Box 10.3). In principle, positive results should be recorded in the context of improving working conditions as the number of accidents at work as well as their gravity should be reduced but no specific evaluation has been carried out with regard to the results of the training.

Clearly one condition for effective multi-skilling depends on the type of the tasks and the differences in skill requirements.

(b) Health-related task allocation

The underlying principle of facilitating internal mobility depends on an optimisation of allocating tasks in line with personal abilities. Work abilities change with age, particularly in the context of physically demanding work. We have provided a number of examples in Chapter 6 (FR1, CZ 3, NL 1 and NL 2).

(c) Internal mobility in the context of technological change and industrial restructuring

Internal mobility is often also evident and often necessary during industrial restructuring. We illustrate this with the examples below featuring the restructuring process in both old and new Member States (see Box 9.2).

Box 9.2 Internal mobility in the context of technological change

(1) In the case of the Czech Post (**CZ 1**), the age cohort 50-54 contains the highest number of employees. In the last decade, work conditions improved due to technology changes, particularly regarding automation of counters and mail sorting. All employees were trained for work on PCs. Another change was motorization of postal delivery, particularly in the countryside. A new tracing and tracking is about to be brought on line in order to improve the quality of the service. The organization's structure will soon be simplified although this means the shedding of 500 jobs.

Alongside technological change/automation, no mass dismissals have occurred to date. Instead, some employees shifted to other positions because they lacked the capacity to changes. Thus they took up positions in mail delivery or moved to other post offices which were not yet automated.

Motorization of delivery required driving competencies. As some employees were not interested or could not motivate themselves (older female staff in particular), the changes occurred stepwise. Along with the normal wastage as staff reached retirement age, younger employees were offered different position, provided they had adequate skills and/or were willing to commute. Problems occurred with some middle-aged women who opposed work change (after so many years of a familiar work routine) and retraining; indeed, many preferred to leave the company. In contrast, older women accepted the new work knowing that they had little chance of finding another job elsewhere.

The chances of getting another job within the Czech Post is quite good – about 2000 employees (5 per cent of the work-force) change jobs internally each year. In 2005, it was expected that some of those whose jobs were removed would receive other offers. Since spring 2005, newly created vacancies have been deliberately not filled in order to offer them later to workers whose jobs are being cut, provided they have adequate skills.

Regarding the effectiveness of the scheme, most employees accept the alternative positions. Barriers to keeping to the rule of not laying-off employees five years before retirement are due to insufficient education and greater journeys to work. In spite of the company's good intentions, the scheme is not a hundred percent effective; the financial

implications such as costs of training older employees are not insignificant, though the firm can save substantially on the costs of training new recruits.

(2) Internal mobility necessitating commuting also occurred because of organisational change at a Czech insurance company (**CZ 2**).

A successor to a former state monopoly, the Czech Insurance Company (CP) is still the biggest one in the insurance sector in the Czech Republic. Since its establishment as a private company in 1992, substantial restructuring was effected because of the need to compete. This restructuring included staff reductions by about 40 percent to current level of 6,000 employees. At present, a quarter of all employees are older than 50 years. Since 2003, CP has experienced further substantial changes in organisation and technology that have led to workforce readjustments.

In the context of geographical mobility, the employer covers transport costs and accommodation, and guarantees the same salary. In 2003-2004, 1500 employees were affected by the move from agencies to newly-established client service centres. One third of employees were finally included in the mobility programme of whom approximately one-third were over 50 years old. This was beneficial for CP (despite the higher wages and commuting costs of older workers when compared to the wages of newly recruited staff) as the company would otherwise have lost experts when proposing to open new branches.

There are other measures aimed at retaining older workers: no discrimination is allowed, and older and younger employees are encouraged to cooperate; morale-boosting is provided in order to adopt new working conditions and for the reconciliation of conflicting issues, etc.; mobility programmes are offered and transport/accommodation costs are met; older employees are given long-service benefits; flexible working time arrangements are widespread; training is given to all employees, regardless of age.

As a result, most older members of staff have managed to adapt, although some prefer early retirement. The Trade unions have confirmed that management has shown cooperation and that they appreciate the high quality of the collective agreements.

These examples clearly show that the requirements of regional mobility may represent an obstacle to internal mobility. The case studies also demonstrate the importance of what we would call an individual capability for change. Age-related human resources' policies need to enhance these capabilities.

(d) Preventive approaches: promoting flexibility at work for all age groups

We can also show examples, that in a context of promoting all types of mobility and in the context of a company that employs mainly young staff, there is a strong selection process among older workers: in other words, those who are capable of adapting to change, can stay (e.g. at LT3, Lietuvos Telekomas). At the same time the company is promoting flexibility. We therefore might anticipate that future generations of workers will be better prepared to cope with the need for greater mobility because the company is pursuing a strategy in this direction. As described in the case of an Italian company

producing automated systems for gates and doors (IT 4), age management will be easier for subsequent generations of older workers, as workers may be used to a greater degree of flexibility and mobility. Although, many companies seek to increase internal mobility, it has to be stressed that with regard to ageing, companies seek to enhance stability in the company. This becomes very clear in the case of Italy where insecure employment relationships regarding young people have been widespread.

(e) Increasing mobility and task rotation in order to increase motivation

We have two examples of public sector case studies where training measures have been combined with internal mobility and task rotation measures in order to enhance motivation of the worker.

Box 9.3 Increasing mobility and task rotation in order to increase motivation

(1) INPS (Istituto Nazionale della Previdenza Sociale, **IT 3**), is the largest Italian social security provider. The main challenge for this public sector body is the achievement of better worker motivation and an increase in efficiency. Therefore, an age management strategy has been developed. As well as geographical mobility and internal mobility (transfers from other public sector government departments) a project promoting job task mobility has been developed. Every 5 years there is a programme for the ‘reshuffling’ of job tasks: employees attend training courses to learn new procedures which are aimed at reducing repetitive routines. Whilst reinforcing the sense of belonging and the perception of being given a certain status, this training should reduce the risks of inefficiency in an institution that is witnessing the average age of its employees increasing. Indeed, INPS has found that their 5 year job-rotation plan has increased interest in job tasks whilst motivating staff.

(2) The Hungarian Financial Supervisory Authority (PSZÁF, **HU 3**) has highly qualified staff and has to compete with the banking sector when advertising for, and recruiting workers. Thus, in order to recruit and retain their employees, this public sector body needs to be a ‘good employer’. An Equal Opportunities Plan was drawn up which pays special attention to age and gender issues. The human resource management strategy is based on elaborating individual development plans including the screening of training needs (for all age groups). There is as yet no evidence of the implementation of an equal opportunities strategy, but management is definitely aware of the necessity to combat disadvantages linked to age.

(f) Barriers to mobility

Overall, our case studies show that internal mobility has been beneficial to both employers and employees and although we have to admit that in many cases there are no systematic evaluation results available, our case studies demonstrate that there are limitations to the promotion of internal mobility.

It needs to be noted that internal mobility is not always regarded as a suitable strategy for the management of the ageing workforce. For example, in the case of the Finnish company operating in the food industry sector (FI 3), the age management strategy intends to ‘rotate’ the older worker as little as possible. They have the privilege of their

own tasks. Bearing in mind that changes can become a burden for older workers, it was concluded that a strategy to enhance an individual's capabilities for change should be applied to **all** age groups to better prepare the next generation for more flexibility.

The limitations of internal mobility have been highlighted by the French construction industry (FR 2). These limitations are mainly related to (a) small number of employees in many SMEs (as is the case in the French construction industry), and (b) lack of skills (e.g. moving into administrative functions is not possible). Many companies which specialize, e.g. in roofing, can offer few positions with better working conditions. It can be assumed that these limitations assume an important role in sectors which have generally bad working conditions and a high level of specialization. Conversely, large internal labour markets offer more possibilities for internal mobility.

Further limitations are a low geographical mobility, the resistance of some older workers to changing tasks and work environment, specific skill requirements (that cannot be acquired through a training courses) and transition problems (mainly for work in the sales sector, see e.g. case study LT 3).

9.2.3 Career management

The management of internal mobility is linked to career management. Both vertical and horizontal career management needs to focus on all age groups:

- to motivate older workers;
- for screening work ability with regard to internal mobility, and
- to keep younger age groups motivated by offering them development perspectives otherwise there is the danger of blocked career opportunities.

A common tool for preparing for career management involves personnel meetings with employees. This is highlighted by the compendium of good practice, prepared by the Bertelsmann Foundation (2003). The compendium stresses that personnel meetings with employees about personal development are beneficial to both the employer and the (older) employee. It refers to a number of large German companies like Siemens, Lufthansa and Deutsche Bank which offer employees over 40 an opportunity to participate in special workshops to determine where they stand professionally (in the UK these are called mid-life courses). Intensive reflective practice within the group, together with rounds of colleague feedback, support participants in assessing their own capabilities and in exploring how they might develop them further in their future career. The advantage of this approach is that employees may become aware of options not previously considered. The approach is regarded as being highly effective as it could produce major changes for the individual. However, these measures are offered to a relatively small portion of the staff.

Also in France, some large enterprises (e.g. Thalès, Renault, PSA, Siemens, Cap Gemini, Snecma, Schlumberger) have reflected on age management for workers aged 50 and above (Kaisergruber, 2005). The main approach, which is developed jointly with the

social partners is based on the concept of an age management strategy for **all** age groups which inevitably addresses the question of long-term career paths and the promoting of ‘life-long internal mobility’: Renault has created ‘mobility platforms’ and Thalès, ‘career points’ for employees aged 40, 45 and 50.

Box 9.4 Implementing models for career management

(1) In the case of Thalès (**FR 4**), a very large company in the electronics sector employing a high proportion of highly skilled workers, an internal consultancy centre for mobility management has been made available to all employees (Thalès Mission Conseil). This consultancy could offer the possibility of a second career. In this case workers are assigned to a new role as consultants for a short time. Furthermore, mobility and individual career development (mainly internal, but also external) is promoted for all age-groups and is not just confined to older workers. A platform of mobility (Thalès Forum Opportunité) has been created with specific activities for older workers. Individual guidance as well as internal placement activities are at the core of Thalès’ approach. However, at the same time the company still implements pre-retirement measures. It needs to be added that the human resources management strategy of the Thalès group is shaped to an important degree by the different measures and policies introduced by the French State. Indeed, some of the human resources managers and managers in charge of internal organisation are themselves high-level officials in the public administration. In the past, the group (formerly Thomson CSF) had frequently implemented public policy measures even before they were legally enacted. Furthermore, the implementation of an age management strategy in which career planning is a crucial element, has to be understood in the context of industrial restructuring, the management of which has become more difficult in France, and large Groups such as THALES, attempt to avoid costly social plans by continuously adjusting employment volumes. Where they have to reorganise an activity, they mainly implement three types of measures:

- a certain number of early retirements are still implemented where the age pyramid permits it;
- workers leave the company on a voluntary basis;
- mobility within the Group.

Thus, age management has been developed in the Group mainly as a ‘mobility management’ strategy in the context of demographic change and as a new way of managing industrial restructuring.

(2) The French bank Credit Lyonnais (**FR 3**) faces, like other banks in the sector, the problem of an above-average share of employees aged 50 and over. The sector has high growth rates and levels of competitiveness, and traditionally offers high wages and employment security. Human resource management focuses on the internal labour market and mobility is not well developed. Nowadays, in the context of globalization, many banking companies try to innovate and to set up a genuine human resources policy. The main issue concerns professional mobility for both young people in order to retain them and for ‘seniors’ in order to keep them efficient and motivated.

Confronted with the problem of a high proportion of older workers, Credit Lyonnais has

developed an action plan, which includes:

- careers' meetings for workers aged 45 to 48 years;
- action plans for individuals;
- specific assignments for older workers (just like the Thales Group).

The idea was to be able to open up the possibility of 'a second career' in the Group for some of the older workers. The careers' meetings do not follow the same pattern as the annual professional development meetings with line managers. Instead they follow a very precise methodology:

Every employee receives a booklet in preparation for the meeting. The second career could be envisaged within Lyonnais or in other enterprises, by drawing on a framework composed of 48 skills and 30 abilities. Furthermore, the employee would be encouraged to incorporate other non-professional skills and experiences into the framework.

A meeting lasting 2-3 hours is held with a human resources manager who is not the employee's immediate line manager.

The employee chooses 10 skills' keywords (from the 48 available) to define him/herself and 5 capabilities' keywords (from the 30 available) and explore with the human resources manager .

A personal profile is drawn up with the aid of a computer-based programme. The HR Manager then proposes three pathways to possible careers.

This system of careers meetings was introduced in 2002 and by the time of our interview, 3000 career meetings had taken place. This represents 50 per cent of 6 000 employees aged from 45 to 48. Generally, employees are highly satisfied and 500 had already changed their jobs within the company.

It must, however, be added that the Human Resources Directorate is preparing a new collective agreement on the subject of early retirement and it is expected that the results of this age management policy will be seen in the next five years.

LCL is now working on a similar framework of careers' meetings for young people in order to create corporate identity and to bind them to the company after 3 to 5 years of working experience there.

(3) In the case of the domestic waste collection department of the city of Groningen in the Netherlands (**NL 2**) a holistic approach to age management has been developed encompassing multi-skilling, technical solutions, internal mobility, task allocation, and by employing the expertise of physiotherapists. More details of this approach are given in Box 6.1. One way of informing employees about career possibilities are two mobility training days per year during which employees receive information about career opportunities and when can take part in different career tests. Interested employees have to enrol for these mobility days.

(4) The Portuguese surveillance company Securitas (**PT 2**, see also Box 6.2) recruits both older and younger workers. The company aims at promoting long tenures as this is believed to increase the quality of the service provided by the company. The company's viewpoint is that age can be both an asset and a handicap, depending on the exact nature of

the jobs to be filled. Career management is a key issue of the company's human resources management. At least once a year, a formal individual performance assessment is carried out. Employee and line manager assess, amongst other issues,, job satisfaction and prospects. Flexible HR management allows older workers to develop, not only a second career within the company but also a third career when the physical or technical abilities of older workers no longer match job requirements. For example, a security guard in a mobile job role can be moved to a static surveillance job if he or she is no longer fit to walk for long hours. In surveillance jobs, the requirements for good health and strength can vary widely. For instance, mobile surveillance duties requiring long periods of walking, physical fitness would seem to favour the younger worker. But more 'static' security posts, such as entrance security, are services which are also provided by the company. Matching workers and jobs is done regularly.

These instruments and concepts are embodied in the individualised approach to human resources management, recognising individualised pathways and can be connected to an individual right to continuous training. Note, that staff turnover in the companies described above used to be low, but due to restructuring, pressures promoting external mobility and dismissals has increased and this is implemented through social plans. The new approaches to mobility management are designed to cover both internal and external mobility.

Further, Kaisergruber (2005, country report for France) observes that in France this strategy is typically evolving in large companies since they are governed by internal market rules. From our case study evidence we would argue that this is also the case in other countries. It is interesting to note that the qualification levels of the workforce and the type of work carried out typically influences the scope of potential internal mobility, but not the principle approach towards designing individualised career planning strategies.

As already argued, changes in human resources management approaches and, in particular, those directed towards increasing mobility of the workforce face obstacles in their implementation, as the following example demonstrates.

Box 9.5 Barriers to career management

The European Aeronautic Defence and Space Company EADS (**DE 5**, see Box 6.1), which employs a high proportion of highly-skilled workers, devotes much effort to the development of career paths for older workers. Normally, professionals are promoted into middle management posts by the age of 35-40 and senior management posts at the age of 40-45. Considering the rising pension age of 65 years, this means that a good percentage of managers remain at their level for 20 years. A new culture of change is being planned which makes job rotation more attractive. The change of jobs within the company between management and professional activities, and between different geographical locations is to be promoted. In particular, change of location seems attractive to older workers whose families have left home. Nevertheless, important barriers to age-related HR policies are identified in the minds of workers and management.

Therefore, we have seen in a number of cases, especially in large companies developing an age management programme, that awareness-raising is necessary amongst older workers **and** amongst middle management.

We would further argue, that awareness raising in companies is highly relevant. Despite the positive results of approaches in France and Germany, only a few large companies are developing this type of age-management strategy.

9.2.4 Creating new roles for older workers

Our case study evidence shows in the context of mobility management that new roles might be assigned to older workers. Adapting roles to the capabilities of older workers as an element of age management has already been pointed out by The European Work Organisation Network EWON (Krenn and Oehlke, 2001) as well as by the Good Practice Compendium of the German Bertelsmann Foundation (2003). Krenn and Oehlke (2001) point to new roles and functions for older workers that are evolving from the increasing demand for effective knowledge management combined with new customer-oriented service functions, e.g.:

- transfer and training of experience-based knowledge, e.g., through tandem and mentoring models;
- quality management, e.g., developing and keeping quality standards for project work especially in research and development;
- process and product innovation, e.g., the role as innovation coach in software design companies;
- service functions, e.g., creating new departments or companies for the maintenance of special machines and processes for customers;
- more generally, customer relations (Bertelsmann Foundation, 2003). Our own case study evidence shows the example from the banking sector (IT 1) where dealing with pension products is assigned to older workers;
- specific missions for seniors (see for example Thalès, FR 4, Box 9.4).

In particular, our case studies show the importance of knowledge transfer and the assignment of tasks based on the specific knowledge of older workers. From our case study evidence, we would add to this list the example of internalising outsourced ‘easy tasks’. In contrast to the above-mentioned functions, this strategy is more about creating employment options for older workers which allow them to remain in the company.

The creation of some of these new roles requires a learning process for both employers and workers. The following example shows that newly-created job roles can be tested on a trial basis.

Box 9.6 Creating new roles for older workers

The Dutch printing company BEK (NL 1, see Box 6.1) has adopted an encompassing and integrated approach to age management. One aspect of their strategy is that experienced

workers who have been promoted to more responsible functions (e.g. coaching), do this for a trial period. If they do not like the role or find it too demanding, they can return to their former function and wages. There is no evaluation evidence on the effectiveness of this specific measure, but the whole age-management strategy was successful because the company succeeded in lowering sick absences and leaving through disability.

9.3 Work Organisation: Design of Tasks and Intergenerational Work Groups

9.3.1 Autonomous work organisation and mixed age groups

A typology of work organisation distinguishing servile, flexible, automated and autonomous models has been developed by Doubes Letourneux and Thébaud Mony (2001) (referred to by EFLWC 2004). Interestingly, Denmark and Sweden, which traditionally have high levels of older worker participation, experience a largely autonomous work organisation model. Note, that the Netherlands and Finland, two countries that progressed appreciably in terms of implementing successful ageing policies between 1995 and 2002, also show high levels of autonomy in the workplace.

The research on occupational health in Germany concluded that the decline of working capacities with age is due to encumbering and restricting job conditions rather than biological ageing (Wachtler, 2000; Morschhäuser, 1999; Pack *et al.*, 2000). This is at least valid for the majority of workers until the normal retirement age. In particular, if such job conditions are persistent, negative effects can be discerned. Unilateral conditions affect miners, software engineers or managers and lead to similar effects regarding working capacities. Occupational health considerations therefore, suggest designing workplaces which allow a mix of different exposures. Work should allow:

- different postures and body movements, and
- a change between physical and mental demands.

Mixed teams of different ages are recommended to provide such conditions. In practice, however, there is the danger that teams tend to increase the specialisation of individual team members in order to achieve productivity benchmarks. As an example from car manufacturing shows, younger workers are involved in activities which require physical power, skilfulness, and speed, while older workers are engaged in more complex activities like quality control, reconditioning, etc. This optimises team productivity in the short-term but limits the internal flexibility of the team in the case of illness or vacancies, and – most importantly – results in negative long-term effects on working capacities. Job enrichment as a panacea to help to prevent these effects is difficult to achieve. As the benchmark is at least equal productivity levels within the teams, it requires a high degree of flexibility of older workers and the possibility of balancing their physical disadvantages by job experience. Job rotation helps to preserve these abilities (Buck *et al.*, 2002).

Nevertheless, group work allows those tasks to be performed alternately and allocated to team members in keeping with their individual capabilities. To make full use of the advantages that teamwork offers (the promotion of good health, improved qualification and better utilisation of employees' differing abilities), it must be carefully planned and designed. This includes stipulating the range of tasks, the mix of age groups within the team, rotation, pay and performance, training and staff stability (Bertelsmann Foundation, 2003). This is also confirmed by the outcomes of the research project RESPECT¹⁶ (see Chapter 7.3.2).

Box 9.7 Intergenerational teams

(1) The Deutsche Bank (**DE 1**, see Box 8.1) regards intergenerational teams as one element of an age-management strategy aimed at boosting motivation and organising knowledge transfer. Know-how tandems are a further element of this approach (see Box 8.1). Whereas project teams often only had younger employees where problem solving would often be through trial and error, heterogeneous project teams are now constructed. The team is supported by two experienced members of the bank's corporate HR department with the aim of improving the service given by the department. Executive level workshops are implemented in order to convey that the success of the open and supportive management of these intergenerational teams is critical .

(2) The key age-management policy of a Polish construction company (**PL 1**, see Box 6.2) consists in splitting up the work teams after a certain number of years, when workers become older and thus more productive. An experienced team can outperform a younger team by as much as 100 per cent. To even out the teams' performances, older workers are delegated to lead newly-formed teams of 'rookies'. To compensate for lost earnings (as a result of the lower productivity of the team), these workers receive a pay rise. Additionally, during their careers at WB, workers, regardless of their initial work specializations, are assigned to do jobs requiring greater precision and patience, e.g., laying out decorative bricks. Rotations do not always involve a skills upgrade or greater status. For example, older workers whose health is failing are reassigned to maintenance and site-cleaning jobs.

The idea of balancing out work teams was conceived when the company took over a former state-owned enterprise. All employees of the acquired company were considerably less productive than WB's existing employees. In order to correct this, the management decided to create work teams consisting of equal number of 'post-socialist' and older workers.

Krenn and Oehlke (2001) formulated recommendations for an efficient work organisation in mixed age groups: "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:

¹⁶ Research Action for Improving Elderly Workers Safety, Productivity, Efficiency and Competence. Towards the New Working Environment. EU co-funded research project

- it must be possible to compensate for limitations in physical performance through 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 can even be 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.”

Although a division of labour between younger and older workers can be avoided within a company, the problem of labour-market segmentation that affects younger workers may occur. The case of a Portuguese company in the construction industry sector shows that within a large company operating at the upper segment, the integration of older workers can be achieved without harmful effects for younger workers (PT-3, Somague). However, within the sector a division of labour by age is more likely to occur. In the case of this company, heavy work is outsourced. It can be assumed that younger workers are carrying out these tasks.

9.3.2 Intergenerational teams and the promotion of innovation

As we have already argued, an intergenerational division of labour is risky. As Vogler-Ludwig (2005) shows in the German Country Report (Annex I), innovation is also perceived as being strongly related to age, and, in particular, where workers are separated by different phases of technology. There is the (bad practice) example of a software company which allocated older workers to software adaptation (adjustment of existing systems) and younger workers to the development of new software. Consequently, the specialisation trap of older workers could hardly be escaped. More generally, a case study in Hamburg found that younger development engineers are more frequently engaged in key technologies (e.g. electronics and informatics) whilst older engineers are employed in application technologies (Fröhner *et al.*, 2001). There are a series of principles recommended for an innovative climate:

- the creation of a knowledge-oriented company climate which shows that new perspectives can be developed and a combination of ‘old’ and ‘new’ views is possible;
- a challenging work environment;
- co-operative management structures and participation;
- transparency of work organisation;
- ‘fault-tolerant’ assessment practices;
- a culture of trust and openness.

The innovative capacity of older workers is therefore also related to the work environment rather than to individual capacities. With rising age, workers are reacting more sensitively to negative or positive impacts. This means that companies can keep the innovative capacities of older workers at a high level if their principles of human resource management and organisation support an innovative climate (Jasper, Rohwedder and Schletz, 2001).

Based on the results of HR management research, companies started developing long-term career planning concepts in order to counteract early losses of qualification, health and motivation. This approach promoted continuous change of activities within the company, also without a change of salaries or the hierarchical position with the aim to:

- acquire new knowledge;
- interrupt negative health impacts;
- create new social constellations, and
- improve the ability to cope with new work environments.

9.3.3 Reactive age management strategies and job re-design

Job re-design is a reactive strategy to cope with the those who are ageing within the workforce. Rather than transferring older workers to other workplaces, departments and tasks, the design of the task is adapted to the capabilities of the older worker. This strategy might appeal to HR managers and can be quite an effective measure that is easy to implement, but its success depends on two factors:

- job re-design must be based not only on reducing the physical workload, but also on utilising the specific skills of the older workers, and tasks should ideally take market demands into consideration;
- a job re-design of older workers influences the task design of younger workers. So, the job-re-design should not have negative effects on the (long-term) productivity of younger workers (see above argument about the pitfalls of an age-related specialisation).

The following cases demonstrate how job-re-design and task adjustment can be implemented. The examples show ‘small’ responses in age management.

Box 9.8 Adjusting jobs to the capabilities of older workers

(1) In this small Portuguese hotel chain (**PT 1**, see Box 6.2), task adjustment is the more common way for promoting age management. This is put into effect after consideration of worker preferences and capabilities, and hotel needs. For instance waiting on tables is a physically demanding job, especially at rush hours when clients need efficient and quick service. But restaurants and bars have less busy shifts and it is usually the older workers who run those shifts effectively. Management sees this charge of shifts as an advantage because older workers have enough knowledge to cope with more specialised tasks. Quality can be provided without incurring extra costs.

(2) In a large UK company in the utility sector (**UK 4**), age-related issues linked to the physical nature of certain jobs for engineers and mechanics and coupled with longer working hours have to date been dealt with on an individual basis. At present there are deliberations to develop a flexible retirement strategy that would also help to actively manage the transition of older workers to less physically demanding jobs. These jobs should ideally allow workers to build on their previous experience and could include the mentoring of younger colleagues. However, this strategy has met with resistance from trade unions since such a job transfer could result in employees having to take up lower paid jobs or losing out on substantial pay enhancements. Such job changes also have implications for pension entitlements, particularly if the employee needs to work for more than three years before being able to retire on the occupational pension due to the financial penalties associated with the final salary scheme. Employee representatives would also argue that age should not be a criterion for offering such job transfers as each case should be decided on its merit. Furthermore, UK-ENSEC is facing supply side problems as those staff cannot be replaced easily. There was no recruitment activity in this area for quite some time and training to reach competency level takes four to five years. However, recruitment activity has commenced with the creation of new jobs. A working party, primarily set up to ensure compliance with the impending age legislation, is reviewing a range of employment practices and policies, including those relating to retirement and pensions, and is expected to report by the middle of next year. The future will tell whether a 'good practice solution' will be agreed in the end.

9.4 Recruitment, Dismissals and the Role of the External Labour Market

9.4.1 Introduction

Re-entering the labour market is most difficult for older workers. This is certainly the area where older workers are most discriminated against. Indeed, we can see that older workers tend to be from the external labour market and have fixed-term contracts and also work in uncertain conditions. At the same time, and probably for the same reasons, older workers may be self-employed or create their own businesses. Labour market entry of unemployed older workers through fixed-term contracts is disproportionate in France. This is related to active labour market policies (Kaisergruber 2005). But also in the UK and in Germany, older workers (mainly those who were dismissed from their previous

job) tend to have jobs with fixed-term contracts or are ‘marginally’ employed (i.e. work contracts with low wages and reduced working hours), and without active labour market policy measures. Segmentation of the labour market in the internal and external labour markets is extremely high in a number of countries. Older workers from the external labour market are employed in order to meet the requirements of numerical flexibility.

9.4.2 Recruitment

In countries that are still experiencing high rates of youth unemployment and which are facing major restructuring processes, an emphasis on developing a youthful labour force continues to be the major strategy of companies. This is not only the case in the New Member States studied as part of this project, but is also the case in the Original Member States, e.g. in France.

Consequently, non-discrimination in recruitment is a key issue for enhancing the employment rate of older workers. One set of practices concerns non-discriminatory advertising. Examples of good practice in the UK in this respect can be found in Hounslow Council (Walker, 1999) and in a UK Clearing bank (Walker and Taylor, 1998) which has removed age limits from all its advertisements for jobs.

It is, however, questionable whether merely the avoiding of age limits in advertising increases the recruitment of older workers. Prejudices against older workers still persist in the upper echelons of human resources management and need to be tackled. Case study evidence gathered by Walker and Taylor (1998) describes the example of a UK supermarket chain which actively promotes this non-discriminatory policy by using pictures of older workers in its recruitment material. A UK lift manufacturer and servicing company has included the issue of ageism in its equal opportunities policy. In addition, the company specifically advertises for mature people, because it feels that older workers are more reliable and mature. They also recruit sales staff with ‘a track record’ (Walker and Taylor, 1998).

Our own case study evidence provides examples of the setting-up of specific non-discrimination training courses for (local) human resources managers (see Box 8.1). A further strategy is to employ older local human resources managers, as it has been done in the case of a large multinational supermarket chain in Poland (PL 2 Tesco). In a number of case studies it became evident that older human resources managers (or owners/managers in the case of small companies with no designated human resources manager) are more likely to recruit or retain older workers and tend to perceive the specific values of older workers.

An important factor which complicates the recruitment of older employees is the difficulty of transferring experience-based knowledge (often referred to as tacit knowledge) from one company to another (Piekkola, 2004). Indeed we observe in large companies in countries like France and Germany and in specific sectors in Italy, high tenures and the protection of older workers within the internal labour market whilst at the same time there is a reluctance to employ older workers on a permanent basis. A further contradiction is seen when, on the one hand a high level of protection is given to older

workers in internal labour markets whilst on the other hand, older workers have been used as a buffer for many decades during economic restructuring.

The following example demonstrates the attempt of a German car manufacturer to build a new factory with an age-balanced workforce to avoid significant cohorts exiting the workforce at a future date. The example shows that the recruitment of older workers had no negative effects on the productivity in the long term (after a training period). The second example refers to a large UK retail company whose national recruitment targets have been determined as a result of the positive experience gained in a pilot store. In order to cater for an ageing customer base in a retirement area, the aim was to recruit more than 50 per cent older workers for the opening of a new store. Recruiting more older workers was not only seen as a priority in view of demographic changes, but the pilot store also produced a convincing business case for such a strategy, i.e. a lower labour turnover and a lower absenteeism rate among the older workforce leading to lower recruitment costs and, in addition, an increase in customer satisfaction because customers find it easier to relate to staff when the profile of the workforce reflects that of the local community. Older workers may also bring a different set of skills to the job and can draw on their life experiences. The two cases show how difficulties linked to both managers as well as to older people can be overcome.

Box 9.9 Recruitment strategies for older workers – case study examples

(1) In BMW Leipzig (**DE 2**, see Box 7.2), recruitment strategies were modified in this new plant because management wished to achieve a balanced age structure within the company. The results of the first screening and capability tests showed that there were few older workers and unemployed people who were good enough and that consequently, older worker recruits would have been under-represented. Consequently, the company together with the PES organised special training courses for the unemployed (among them many older workers). In order to compensate for the deficits in knowledge and skills, a training recruitment drive for unemployed people was co-organised with the job centre and other firms in the region.¹⁷ Unemployed workers were trained on filling in application forms and how to present themselves to the company. Recruitment managers of the company were 'sensitised' about the disadvantages experienced by, and the behaviour of unemployed people. The initial response of older workers to the BMW plans was reluctance. In spite of marketing campaigns and the involvement of public employment services there was a marked scepticism about the trustworthiness of the content of the job advertisements. This had to be overcome by expanded marketing efforts as well as involving additional placement services.

Newly recruited workers underwent training at other locations (München, Regensburg, Dingolfing etc.) and were required to relocate temporarily for up to two years thus demanding geographical mobility. Older workers had problems meeting this demand but this was not restricted solely to older workers. In the final training tests which concentrated on the capacity for teamwork, communication skills and motivation, older workers achieved similar results to younger workers. Older workers are now appreciated

¹⁷ In June 2005, Leipzig had an unemployment rate of 21.4 per cent.

as an essential part of the workforce.

(2) A large UK retailer (**UK 5**) has successfully achieved the targeted increase of its older workforce from 15 to 20 per cent and is now preparing to expand that further to 25 per cent as part of its second recruitment initiative for older workers.

Although initially developed from ‘bottom up’, the first recruitment strategy was communicated ‘top down’, with large year-beginning meetings playing a key role in communicating business plans and current strategies. By the time the recruitment strategy was due to be launched, it was said to have gone down well with managers as a result of the prior rounds of internal dissemination. The initiative also went through the due process that ensured top level commitment. Recruiting older workers was not seen as easy: in contrast to younger staff, it was felt that people needed to be encouraged to apply for a job. To meet this challenge, innovative ways of recruiting older people were endorsed. As well as various in-store, and local newspaper advertisements, teams of recruiters went out into the community to distribute flyers to places where older people like to socialise or where they have to go to either draw their pensions, to engage in learning or to get a job. There are also opportunities for older workers to find out first hand what the job is like. The recruitment teams included trained older workers. To facilitate the campaign, human resources provided practical help in the form of toolkits for advertising material such as leaflets and posters, and for helping to communicate internally the benefits to the business of employing an over-50s workforce. Stores receive regular updates on the composition of their workforce in terms of age, ethnicity and gender and the composition of the local population in terms of these characteristics to help them meet the aim to closely match the workforce and the local community profile. Results are monitored by regional HR teams who also help local store managers to understand why certain workforce targets have not been achieved and what action should be taken to address them. Older workers are mainly recruited into a variety of posts on the shop floor, but there are also positions as training co-ordinators, depot team leaders or managers.

To conclude, our case studies indicate that recruiting older workers requires the implementation of several strategies:

- managers at all levels need to be persuaded;
- older people need to be addressed in a different way when advertising a vacancy;
- older people may need specific support to apply for a job;
- specific competencies of older workers need to be taken into account (requiring sensitivity by HR managers).

9.4.3 Industrial restructuring and managing external mobility

Industrial restructuring is one of the major reasons for older workers exiting the labour market. Among our case studies, we have found some examples of companies that developed new ways of responding to the threat of labour market exit and exclusion:

(a) *Protection of older workers*

In the case of the Czech Post (CZ 1), it has been agreed that there are no lay-offs up to five years before retirement. Redeployment within the company will be considered as a first step (see section on internal mobility).

(b) *Managing external mobility*

The example of the French bank, Credit Lyonnais (FR 3), can be cited here. In addition to increasing internal mobility, the bank decided to increase external mobility to bring it into line with other banking sector enterprises. Over the last ten years there have been social plans with employees leaving their jobs on a voluntary basis and a ‘Mobility Space’ was set up which was manned by 30 mobility advisers. A similar approach is pursued by Thalès (FR 4). Whether these approaches succeed in keeping older workers employed very much depends on the quality of these ‘internal outplacement agencies.’¹⁸ Also in the case of the Lithuanian company, Lietuvos telekomas (LT 3), an attempt to facilitate the transition of workers was made via training, placement activities and subcontracting. Unfortunately, we have little evidence of the effectiveness of these measures.

(c) *Promoting intersectoral mobility in sectors with a high proportion of SMEs*

The Netherlands institutional case study (Annex II) discusses an example of a sectoral approach in order to overcome the weaknesses of the construction industry sector with regard to age management, in the light of the predominance of SMEs in this sector.

¹⁸ Düll (2005) shows that these approaches can work as the example of the internal (out)placement agency of the German bank HVB has shown. Key success factors in this case have been that the strategy was based on social consensus, the high quality of management and the fact that the company is operating in a dynamic region.

Box 9.10 Promoting intersectoral and intrasectoral mobility

Institutional case study (Annex II Netherlands): Hard physical work is the norm in the construction industry, and this can cause health problems in the long term, resulting in a relatively large take-up of disability provision which has become financially unattractive for both the (older) workers concerned as well as for their employers. Career development is poorly developed in this sector comprising many small companies, and this negatively influences the attractiveness of the sector. Therefore, the social partners have initiated a project which concerns career guidance facilities at sectoral level. The project was made possible because of a strong sectoral infrastructure which also provided finances from a sectoral training fund. The project has initially been a pilot for certain sub-sectors in the construction industry. Five different phases within the pilot scheme aim at fully assisting the employee in transferring from one position to another. These include testing, assessments, training, building up personal portfolios, personal development plans and guidance. The intentions of the project have been realized and participants are generally satisfied. The project also helped to reduce leaving for reasons of disability. From 1st July 2006, the project will be extended nationally.

The purpose of this project is to reorientate employees towards employment and assist them in finding a suitable working environment. There are two ways for employees to participate in this project: (1) they can apply via their employer or (2) they can contact the project's organisers themselves. The employee will then be assigned to a project counselor who will guide them through all the stages. The counselor will take on the role of advisor, coach, mediator and confidant.

The success of this approach implemented in the Netherlands is based on the fact that the Netherlands has a highly-developed construction sector infrastructure. Nevertheless, we have seen sector-level attempts at least in the area of training in other countries (see the French Institutional Case Study in Annex II and the French Case Study, FR 2, Annex II).

9.4.4 Retention of workers who have reached retirement age

A shortage of specific skills in the external labour market can also prompt the retention of workers who have reached retirement age and the implementation of mobility management in companies. This is the case, for example, at Audejas, a Lithuanian textile company (see Box 9.11). In Lithuania we have also the example of a rural hospital where doctors, after having reached retirement age, are offered the option of continuing working in the hospital (LT-1). Retired workers can opt to work fewer hours. Also, there are Hungarian case studies which discuss the strategy of retaining workers once having reached retirement age, due to the need to hold on to their skilled labour (see Box 9.11).

Box 9.11 Retaining pensioners at work – case study examples

(1) The Lithuanian textile manufacturing company Audejas (**LT 2**) has to cope with a lack of specific skills within the labour market, and therefore seeks to retain its older workers. This is achieved by implementing a mobility strategy. Horizontal mobility is determined by manufacturing requirements. For example, a weaver was horizontally transferred to work as a warper. Those who have reached retirement age and who are willing may remain with the company, e.g. a technician, having reached retirement age was moved to a less demanding position as a sample collector. The exception to this strategy is the employment of sales managers who are young people and who are employed solely from the external labour market because the appropriate sales know-how is lacking amongst older workers who have worked for much of their lives under the communist regime. We conclude that it is important for the Company to retain trained and experienced employees because this means less training costs. Only with the help of older employees is the Company able to preserve the required level of knowledge.

(2) The Hungarian company Europrint (**HU 1**) is a middle-sized company producing printed circuits – an industry which developed very dynamically after privatisation when it was acquired by a Belgian company. One third of the firm's employees are over 45. The company discriminates in favour of older workers who are aged 40-50 years both in recruiting and in the case of those already working for the firm. This is mainly for economic reasons, since those in the younger age groups cause a higher labour turnover (they are more enterprising, find similar or better paid work more easily, etc) and Consequently, investments made to training them are often wasted. In contrast, older workers have fewer opportunities for mobility (due to the discriminatory behaviour generally shown against them by the sector) and the cost of their training is therefore recovered.

Furthermore, because of their specific skills, the firm employs its own pensioners when substitutes or part-time workers are needed.

(3) Since 2004, staff in the large bank (**UK 3**) have the opportunity to continue working past the contractual retirement age of 60 (or 65 in some parts of the business). At the same time they can continue to accrue pension entitlements with the maximum qualifying years having been increased from 40 to 45. As in any other stage of the employee's working life, employees' requests for changing hours or changing roles towards the latter part of their working life will be considered, but requests may be influenced by the impact on pension entitlement. The company operates a final salary scheme for current staff and new joiners, with pensions based on the best salary in the final two years. The company is now considering changes to the pension scheme that would support more flexible working options when approaching retirement. Although it is too soon to assess the impact of the new retirement policy, early indications suggest that the number of staff working past the age of 60 have increased from 315 in 2003 to 656 in 2005, probably as a result of the policy. But little is known about the working patterns or job roles of this group.

The employment of retired workers, which were formerly employed in the same company, is beneficial in these cases as it helps to overcome skills shortages. Furthermore, retired workers may serve as a flexible buffer. In this case, they are preferred by the company as each is known to the other.

9.5 Working Time

9.5.1 Introduction

Working-time arrangements are a key element of an age-management strategy, mainly for two reasons:

- preferences regarding the amount of annual working hours change over the worker's life cycle;
- the distribution of working time, for example, working unsocial hours and long working days, affect health and work ability.

Jolivet and Lee (2004) give an overview of surveys and studies carried out on the importance of working-time arrangements for older workers. They refer to a study showing that long working hours affect older workers' attitudes towards work. One main outcome is that long working hours are preventing workers from working longer. Their own analysis of working time using data from the 2000 Survey of the European Foundation (ref?) shows that older workers are relatively satisfied with their work content, but report very low levels of satisfaction on working hours. Taylor (2002) shows that the satisfaction of older workers with working hours decreased considerably between 1991 and 2000 (based on surveys on working conditions) and this reflects a change in priorities and preferences by older workers. Jolivet and Lee refer to a Japanese survey on older workers which confirmed that working time was a very important factor when making retirement plans.¹⁹ An American study also indicates the importance of flexible and shorter working hours for the retention of older workers, especially women (Hirsch *et al.*, 2000).

Although, the literature points to changing preferences with regards to working time over the working life, across all EU countries we can observe that working hours of older workers are more varied than those of younger workers. This is due to a number of reasons:

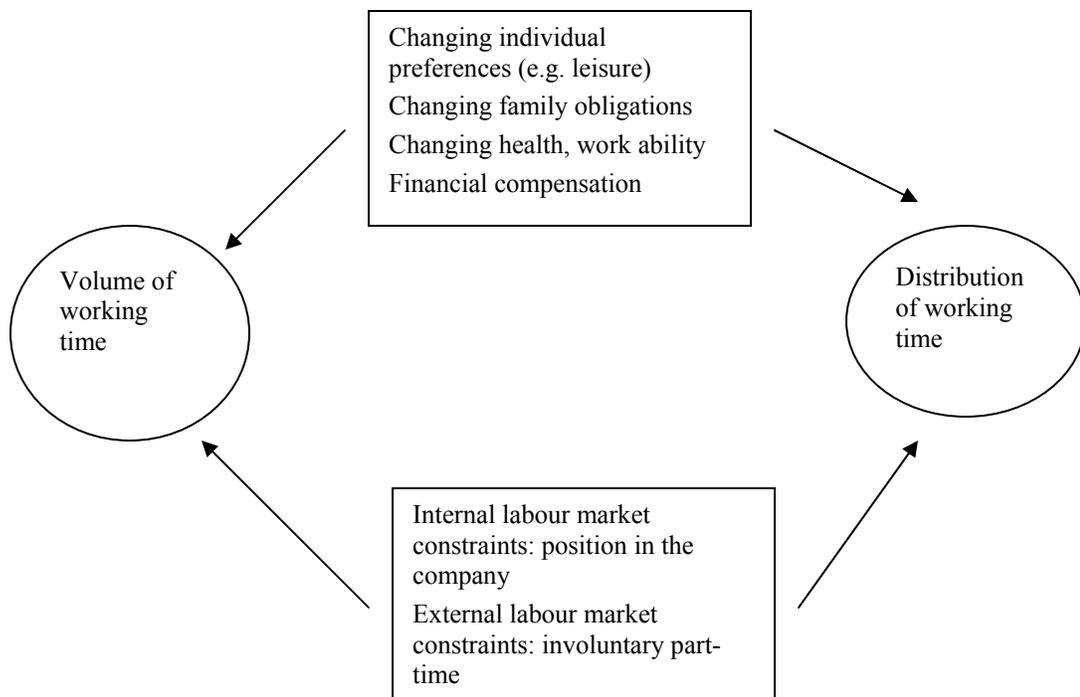
1. According to the analysis of the data of the EFLWC 2000 survey, a common phenomenon in EU countries is that older workers are more likely to work marginal part-time work (see above). However, as we have seen this might not necessarily reflect preferences of older workers, since atypical forms of employment are linked to the difficulties of re-entering the labour market. Marginal part-time work might also be observed amongst older workers, and amongst retirees in particular.
2. As we have already argued, work ability varies more amongst older workers than younger ones because the desire and physical capability to work longer vary considerably. The acquired positions within the firms also vary, older workers being

¹⁹ Fujimura 2000, Employment extension for workers in their early 60s at Japanese firms, in: Japan Institute of Labour Bulletin, Vol. 39, No. 4

more likely to be in managerial positions and carrying higher levels of responsibility which does not facilitate a reduction in working hours.

3. Social and cultural factors influence the desire to reduce one's working hours.
4. The possibilities of gradual retirement impact on both the volume and the distribution of working hours among older workers. This can be quite varied across the countries. As an example, gradual early retirement in Germany has been *de facto* implemented as an early retirement scheme. Under this scheme, workers mainly accumulate working hours during the first half of the part-time retirement and thus effectively work full-time which allows them to retire earlier. One reason why older workers (at least in Germany) are more suspicious about reducing working hours and realising real 'gradual' retirement is apparently the 'bad image' of part-time work: only women who have to care for relatives work part-time (Bertelsmann Stiftung Foundation, 2003). The opposite seems to be the case in the UK: flexible working, allowing older workers to work hours which suit them with phased retirement and discretionary work, often enable older workers to remain in employment (Lindley *et al.*, 2005, UK country report).

Figure 9.2 Factors influencing the changing working time preferences of older workers



It is realised that part-time work is associated with disadvantages in terms of wages, benefits, promotion, training and social protection. When part-time work represents

considerable cost-saving benefits for the company, part-time work combined with partial retirement benefits can be imposed on older workers, especially in the context of corporate restructuring and the resulting job reclassification. In a sense, such part-time arrangements ‘could have the negative effects of legitimating precarious conditions of employment for older workers’ (Latulippe and Turner, 2000).

Another important aspect of part-time work for older workers is diversity and heterogeneity in terms of both the current and preferred types of work (Jolivet and Lee, 2004). First, part-time jobs vary in the timing of taking up part-time work (e.g. before or after the normal retirement age), the way in which working hours are reduced (e.g. fixed or progressively), and the types of income compensation for the wage loss related to shorter working hours (e.g. eligibility for unemployment benefits or pensions, the presence of financial support by the state). Accordingly, the conditions of employment and work may differ among such workers. For example, re-entering the labour market as a part-timer after retirement may involve a considerable wage cut compared to partial retirement that is defined as “a transition period of part-time work between an employee’s career job and retirement which includes payment of either a partial or a full pension” (Latulippe and Turner, 2000), but it may also be the case that no pension cuts occur (see Annex I, Lithuanian Country Report or Annex II Lithuanian Case Studies).

9.5.2 Age management approaches and the volume of working time

In practice, it is not common for older workers to reduce their working hours while maintaining a relationship with their employer. It is more common to reduce working hours by changing the employer. These ‘bridge jobs’ are especially popular in the United States (Latulippe and Turner, 2000) and in Japan.

Although, part-time work is not the solution for allowing longer working for all employees, the offer to reduce the volume of hours can be the right incentive for some workers if they wish to remain at work. In the case of a Portuguese small hotel chain (**PT 1**), individual workers can negotiate a reduction in the number of hours worked, either temporarily or permanently. Part-time arrangements for older workers are also an element of management in a number of other case studies (CZ 1, CZ 2, FI 1, FI 3, FR 1 and Box 9.12, DE 1, HU 2, LT1, NL 3, UK 1, UK 2, UK 3 and UK 5).

In the context of the French mail-order company (FR 1), with a proportion of female workers who used to work full-time, it has been collectively agreed that working time can be reduced by receiving some benefits which partly compensate for losses of income. Furthermore, the company is concerned with the problem of the distribution of working time.

Box 9.12 Part-time work arrangements for older workers

Blanche-Porte, is a French mail-order company (FR 1; see also Box 7.2). In order to improve the chances of older people staying at work until their legal retirement age, which is currently 60 years but which will be increased to 62 years in 2008, Blanche Porte has negotiated an agreement with trade unions on part-time work for ageing employees aged 50 or more. These employees can choose to work shorter hours, earn lower wages but still pay full employer and employee retirement contributions. This agreement is re-negotiated every year by trade unions and the management. But, in general, trade unions in the enterprise are willing to negotiate and reach agreements.

A further agreement allowed for older workers to avoid working for long hours during the 'high weeks' (i.e. of longer working hours) produced by the working-time system.

Some of our case studies, especially those from Finland and the Netherlands, show that extra leave for older workers can be granted in order to cater for the greater fatigue experienced by older workers. We have the example of a Dutch catering company offering more days off to older workers, because this was collectively agreed at sector level. The company encourages its older employees to take these days on a regular basis.

Leave schemes have been highly valued by employees. In the following examples, we provide more detailed information for a time management approach as a 'pillar' of age management.

Box 9.13 Flexible working-time arrangements and age-specific leave schemes

(1) The Public Works Department PWD in the City of Helsinki (FI 1) has developed a holistic approach to age management and can be regarded as a trail-blazer for the municipal sector in Finland for these strategies. Before the PWD Technical Services *Age Programme* had been launched, the structure of the unit was characterized by a high average age of staff, unbalanced age structure and age-related 'well-being at work' problems. The incidence of sick leave was higher than in the private sector. People also frequently left the Department even though they would only receive part-time pensions and this had turned out to be an expensive solution and damaging to the aims of a customer-oriented service. In terms of market competitiveness, the situation was problematic.

Better personnel management, better pensions and maintenance of the older workforce's productivity had turned out to be crucial for the financial success and competitiveness of the unit. That is why measures to address this, were launched in 2002. A central component has been an age programme specific to PWD-Technical Services, with the cooperation of both management and staff. After a pilot phase, the programme was launched in 2004. The programme for ageing personnel is an important component of the entire Unit's management and personnel development policy.

The initiative for the PWD-Technical Services' age programme rose from assessments made by management and implemented mainly as a 'bottom-up' project. At the same time, links have been created to expert and training networks whose themes of the

challenges of the ageing workforce and age management, have aroused interest both at national and European level. The unit also participated in workplace health promotion (WHP) activities, which paved the way for a more comprehensive programme.²⁰

Another programme has been implemented with the support of the *Finnish Workplace Development Programme* (FWPD)²¹ which has increased wider networking and peer-group learning. The programme is managed by the unit's management group on which employees have representation. The initial stages of the programme involve negotiation and agreement between an individual and manager. A group of three people comprising two from the unit and an outside consultant then confer in order to implement the project.

The strategy also contains measures to:

- adjust working time on an individual basis;
- increasing or decreasing earnings according to individual work-time or task arrangements (where more demanding and knowledge transfer tasks increase wages);
- one week of fitness leave for 45+ during vacation season;
- age leave (max. 20 days/ year) for 56+ (according to age, health, workload, etc.);
- preparing for a smooth transfer to pensions, discussions to make work arrangements in time, option to keep in contact with the company after retirement, opportunity to do some work as trainer or in projects after retirement.

There have been no actual conflicts in delivering the programme, but certain frictions have occurred because employees want to hang on to established working hour routines (like 7-16 hours), and because of the double pressures experienced by the foremen, torn between meeting competition pressures and devoting time for personnel development. The investment of planning and negotiation time is required from both workers and managers.

Concrete evaluation results of this age management strategy are not yet available. Nevertheless, we can state that strengths of the programme consist in its comprehensiveness and its integration in to the management of skills and know-how, as well as being a conscious attempt to change workplace attitudes from hoping for early retirement to planning for a continuation of a career. Another strength lies in the links to wider networks via the Finnish Workplace Development Programme.

(2) At the Finish lock factory Assa-Abloy,(**FI 2**, see also Box 7.1) workers aged 58 and

²⁰ The term 'workplace health promotion' (WHP, or TYKY - the Finnish acronym) refers to joint measures taken by employers, employees and workplace organizations in order to promote and support the work ability and functioning capabilities of all workers at every stage of their career. The Finnish Institute of Occupational Health provides research and information support for these activities. In the workplace, the occupational health services play a key role.

²¹ The Finnish Workplace Development Programme (FDWP, or TYKES - the Finnish acronym) has been running since 1996, as part of the National Government Programme. It reports to the Economic Council (with government, labour market partners and working life research representation). In the present Programme period (2004-2009), about 1000 projects will be run, with 250,000 participants (10 per cent of the Finnish workforce). The budget is €87 million which is managed by the Ministry of Labour. The programme finances workplace development projects in the private, public and third sectors, covering expert costs of the projects. Projects have to comply with the criteria of broad participation and promoting quality of working life on a sustainable basis.

over who participate in the *Age-Masters Programme*, which has been developed by the company, are entitled to special leave, starting with 6 days each year at the age of 58, then an additional 2 days each year, up to 20 days at the age of 64. The leave can be taken in batches of three periods.

(3) **UK 5** is an expanding major retailer with outlets throughout the UK. Reflecting sectoral characteristics the company employs mainly women and part-timers. UK-RETORG aims for a workforce that closely mirrors the local community. Underpinned by an equal opportunities policy, the company has started a range of initiatives to attract a more diverse workforce that will also help it meet its future workforce requirements. The percentage of over 50s rose to 20 per cent in recent years as a result of a targeted approach

Flexible working opportunities were seen as vital for recruiting and retaining a diverse workforce, including older staff. There are a range of options, including job-share for shop floor and management, shift swapping schemes and temporarily reduced working hours. Among a variety of unpaid leave schemes are some that are specifically designed for older workers, such as a carer's leave, grandparents' leave and up to three months leave during the January-March quarter (though the last of these does not meet the requirements of the new anti-age discrimination legislation). A seasonal workers' programme for staff wanting to work 2.5 months per year attracts mainly students and retired older workers wanting to work for a limited time during the year. Policies on flexible working and leave schemes have been put in place to encourage uptake of these options and to ensure consistency of this large organisation's management decisions. Having a workforce that works mainly part-time was crucial to being able to offer flexible working patterns. There may be jobs that are not suitable for part-time working hours, but there was said to be a willingness to try out what works in practice.

9.5.3 Working time arrangements

Besides the volume of working hours, the distribution of working hours across the day and the year is also a key aspect of age management. We have already referred to an example where working hours are distributed among the staff in a way that prevents older workers having too many variations in their daily or weekly working hours (FR 1).

The age-related organisation of shift work is a further important field for age management. Among our own case studies, the Finish food company Saaronen (FI 3) aims at avoiding three shifts for older workers as part of its age management strategy.

Two interventionist studies within the project RESPECT (Chapter 7) showed that a change from a slower 'backward rotating' shift schedule to a quicker 'forward rotating' schedule has profound and positive effects on sleep patterns, on psychomotor performance and on the general well-being of shift workers. The first study, conducted amongst maintenance workers with a very quick 'forward rotating' shift schedule (MEN-), showed that many positive changes were observed among workers aged 45 and over. In particular, recovery after a single night shift was easier compared to recovery after 3 consecutive night shifts under the old shift system.

In the second project, removing some quick switchbacks (backward shift rotation) and increasing the number of free weekends had positive effects on the perceived well-being

of female shift-workers. The results of these two RESPECT projects corroborate recent findings suggesting that a change from a slower backward rotating shift system to a faster forward rotating system (MMEENN-) improves the general well-being and sleep patterns of older steel workers in particular.

A case study published by the EMCC for the European Foundation of the Working and Living in April 2004 shows further evidence on shift work. With regard to the company, SSAB Tunnpålat's initiative, in Sweden, attention was drawn to understanding the different attitudes by older and younger employees towards shift work. Older workers often prefer few successive night shifts, while younger workers generally have no difficulty with working night shifts. The initiative showed that it is important to create an understanding between the age groups by making younger workers understand the biological differences between young and old.

As a result of the interventionist RESPECT research projects, it is recommended that older workers should be offered a chance to take micro-pauses after strenuous work tasks. Short breaks can: help to avoid excessive fatigue; increase performance; maintain an adequate level of vigilance; avoid mistakes and accidents; provide time for eating, for compensatory physical exercise and for private communication. A group of workers in the motor-vehicle industry, earning a piece rate wage, worked very hard, normally reaching their daily production target after 7,5 h. Being generally very tired after this, they would do nothing during the last half hour of their shift. The research team convinced them to try having three extra short breaks of 10 min each earlier in the shift (instead of 30 min at the end). After a pilot period, they voted to extend the new system because they had experienced less fatigue at the end of the shift.

10. THE ROLE OF THE SOCIAL PARTNERS

10.1 Introduction

The role of the social partners and, in particular, of trade unions with regard to ageing is rather ambiguous. This translates in many countries into a mix of opposing strategies at the different levels of intervention. Thus, trade unions may oppose the lengthening of working life at national level, whilst bargaining on the best way to enhance the ‘work ability’ of older workers at company or workplace level. Furthermore, for many years social partners have pursued two strategies: (a) they followed a seniority-based approach which became apparent in seniority wage systems and redundancy rules protecting older workers and at the same time (b) encouraged the early exit of older workers from the labour market. This strategy mix is now discouraged as the possibilities for early retirement have been restricted and retirement age increased in a number of countries.

Basically, the role of the social partners for age management is determined by the level for accessible intervention, namely the macro-level (tripartite negotiations, influences on policy making, being represented on the Board of ‘welfare state’ institutions) as well as at the sectoral and company-level (sector-level, company-level and workplace-level collective bargaining). Strategies pursued at these different bargaining levels may be contradictory because the interests are formulated in different ways (external effects tend to be internalised at the macro level; and short-term *versus* long-term strategies).

A number of factors influence the strategy of the social partners. These are, in particular, the economic context, the labour market context, the industrial relations system and the role of the State as well as the role of the welfare system.

In the first place, the social partners defend the interests of their members. By doing so, trade unions, in particular, might also pursue other political objectives, such as influencing distributional policies of the company or of society as a whole. At the same time, organisations seek to remain attractive for their members. In this respect, trade unions, in particular, are confronted by the free-rider problem. They struggle to find the right balance between engaging in equal rights objectives for all workers and influencing macro policies and offering benefits exclusively for their members. A further tension for trade unions consists of defending the interests of actual members (e.g. older workers) and potential new members (e.g. younger workers). Thus, membership structure and the interests of the members also shape trade unions’ strategies. Finally, trade unions generally push for early exit but seek at the same time to improve the ‘work ability’ for those remaining in the company.

Likewise, the position of employers is ambivalent: early retirement represents a welcome approach to managing and financing industrial restructuring. As the possibilities for early retirement are being reduced, early exit becomes a more expensive tool. A further tension for employers consists of the requirement to balance short-term and long-term strategies.

In the following, we examine how these factors impact on the strategies of social partners with regard to negotiating age management-related issues. We first look at the factors determining the strategy of the social partners. The strategies of trade unions and

employers are embedded in the economic and labour market contexts. They operate within the national industrial relation systems and are influenced by the strategies of the third actor in this system, which is the State. Furthermore, bargaining strategies are determined by the bargaining position and the structure of the collective actors themselves. After having analysed these factors we turn our attention to the strategies of the collective actors which have been developed with regard to different bargaining fields at the macro, sectoral and company level.

10.2 Factors Influencing on the Strategy of the Social Partners

(a) Economic context

Early exit models have been extensively used during economic restructuring over the last three decades. These models are still an element in restructuring strategies as will be shown in the next section, although to a lesser extent than in the previous decades. It seems, however, that strategies aiming at increasing employability of older workers have been developed in parallel.

(b) Labour market context: skills shortages and demographic development

We can observe that in countries that encounter skill shortages and which face rapid ageing of the workforce and where a social partnership model prevails, as in Finland and in the Netherlands, age-related aspects of working conditions, further training, and work organisation are in the bargaining agenda of the social partners. Enhancing the 'work ability' is in the interest of both parties.

(c) Industrial relation system and the role of the State

Age-related issues can be principally bargained at the national, the sectoral or at the company-level. Indeed, we have observed both:

- Calmfors *et al.* (2001, p. 78) refer to bipartite or tripartite social pacts in the 1990s which have been concluded in a large number of European countries. The authors argue that those social pacts differed significantly from those in the 1970s. In the latter, wage moderation could be obtained by concessions from the government on taxes and welfare state provisions favouring employees (a 'social wage'). Due to a weaker bargaining position in the 1990s in a context of high unemployment, the bargaining aims of trade unions in many countries seem to have been the defensive ones of limiting labour market flexibility of the economy, instead of obtaining new concessions (referring to Crouch, 2000). Pension reforms have been part of these pacts in many countries.

Bipartite and tripartite negotiations at national level are also taking place in some countries at the initiative of the State with the objective of launching a discussion and of increasing the awareness of the social partners as regards age management. In the following, a range of examples will be given:

- In the UK, social partners have been invited to discuss age discrimination in the context of the governments' consultation process. It is however uncertain, what the success of this initiative will be;
- In France, there is long tradition of the role of the State as initiator and promoter of collective bargaining. This can also be observed in the context of bargaining on age-management related issues, as will be shown in the next section;
- In the case of the Netherlands and of Finland, State initiatives have been successful in promoting collective bargaining on age-related issues. Several factors may have supported this success: skills shortages, the advancement of the ageing process and a social partnership culture;
- More particularly, in Finland, a number of important issues are agreed upon in tripartite agreements (government and social partners). In the workplaces, there are agreements between the different staff groups on measures promoting work ability and skills, either with support from government programmes, or independently. Locally, one can also, within the framework of national agreements, make wage and working-time arrangements. Age-specific wage or working-time solutions are rather rare. A typical feature for the Finnish approach to the age challenge is to run Programmes based on broad cooperation between ministries, expert organisations and social partners (Arnkil, 2005, Finish Country Report, Annex I);
- Also in the Czech Republic, the Government tries to push the social dialogue on active ageing. As a development of the *National Programme of Preparation for Ageing for 2003-2007*, active ageing is again emphasised in the *National Action Plan on Employment 2004-2006* and the *National Action Plan on Social Inclusion 2004-2006 (NAPSI)*. The role of social partners is emphasised as they aim, in the framework of collective bargaining, to elaborate Social Programmes for older employees to avoid lay-offs and to enable them to undertake part-time work. Consulting and retraining should be preferred before higher severance pay.

These different approaches show that the role of the State with regard to age management consists of:

- a. being a promoter of a wider dialogue on age-related issues;
- b. being an initiator of collective bargaining;
- c. being a promoter of the social dialogue by taking up collective agreement results in law and thus increasing the value of the social dialogue, or
- d. developing its strategy and concepts with the social partners supporting the initiatives of the State.

As social partners are more likely to pursue short-term strategies, the role of the State consists of being an initiator and promoter of social dialogue on age-management. In this case, the State is pursuing medium-term and long-term strategies in the face of demographic development. In more general terms, it has been argued that the State is complementary to the actions of social partners (Ilmarinen, 2002). Most important, however, age-management is being implemented at company and at workplace-level though, as will be shown, collective bargaining strategies are also being developed at higher levels as well.

(d) Welfare state system

The welfare system and the generosity of social benefits impact on the collective bargaining strategy of the social actors. In particular, wage bargaining is influenced by the level of compensation paid out (unemployment benefits, early retirement provisions, pensions).

Collective bargaining is further influenced by employment protection rules. Note, that employment protection can have opposite effects when considering older workers: either older workers stay in employment or they exit the labour market by getting high severance pays and generous pre-retirement pensions. Unions will agree to early exit in cases where there is a pre-retirement procedure or system to make severance payment (Section 10.3). It is interesting to note that in France the so-called tax Delalande, which penalises the dismissal of older workers by levying an extra tax, was abolished in December 2005 as this tax had negative effects on the recruitment of older workers (see Chapter 5).

The level of pensions influences decisions to exit or re-enter the labour market. Where pensions are low, there is an incentive for retirees to stay in employment or to re-enter the labour market. The employment of retirees has an important role to play in countries such as Lithuania and Hungary, as well as in Italy.

Older workers in countries with generous welfare systems and regulated labour markets, tend to be either in a secure position within the internal labour market or in early retirement or other labour market exit models such as disability pensions or special unemployment schemes. The situation is quite different, however, in countries with a liberal welfare system and a deregulated labour market. The UK has adopted this latter model and we can observe that the labour market position of older workers is much more uncertain and that older workers in the UK tend to serve as a labour-force buffer.

(e) Interests of trade union members

Calmfors *et al.* (2001) argue that trade unions may be 'seniority biased' in their actions since older workers may be over-represented at membership and leadership levels. This seniority bias has arisen because of problems of declining membership and the failure of the Trade Unions to recruit younger workers.

Early retirement is regarded by union members in a number of countries as an acquired right. Therefore workers would be against a lengthening of working life. This stance is due to a number of reasons. The attitude of workers is influenced by past social consensus on early retirement which attached a positive value to early exit. Any proposal to lengthen working lives is intended to lengthen the pay-in period and shorten the pay-off period, and consequently a worker is better off if working life is shortened. Workers may not take into consideration that future pension levels could be reduced. At the same time, workers have a strong interest in ameliorating their working conditions as well as their employability if an early exit proves to be impossible. However, these attitudes could reduce the employability of older workers. Trade unions, caught in this ambiguous position, need to take into account the differing interests of workers.

Indeed, trade unions traditionally perceive pensions as being a highly relevant political issue. This is particularly true in countries with a high seniority bias in membership as is the case in Italy where nearly half of union members are retirees (EIRO, 2000). Furthermore, the Italian trade-union movement is highly politicised and welfare state reforms rate highly on their agendas. In 2003 and 2004, industrial action and mass protests opposing pension reforms took place in Italy. Also in France and in Austria, pension reforms led to strikes in the same years.

We have already shown that social partners at company level have generally favoured early exit as a means of overcoming industrial restructuring over previous decades. Although for the possibility of retiring early has been restrained, early retirement still remains on the agenda and is still a preferred option in a number of countries (e.g. in Germany and France). While potential early retirees benefit from the offer of generous treatment which is provided by bridging pensions, early retirement pensions or, as in Germany, partial retirement pensions, employees remaining at work in the same company incur little or none of the cost of the policy because costs are spread over the entire working population. Moreover, the availability of bridging pensions clearly strengthens the bargaining position of those currently working for the company.

In a number of countries, trade-unions are still in favour of shortening working lives, especially in the context of high youth unemployment. For example, French trade unions are opposed to pensions reforms which foster a lengthening of working lives.

In Portugal, the left wing CGTP union confederation is strongly against postponing retirement age, whilst the more moderate UGT adopts a mixed viewpoint which supports the principle against but which also acknowledges that something must be done.

These examples clearly illustrate the political discourse of trade unions which, having benefited from early retirement provisions in the past, now oppose a lengthening of working lives. Nevertheless, it needs also to be stated that in the Nordic countries of Finland, Sweden and Denmark, trade-unions have been proactively engaged in negotiating the implementation of age management and, in particular, of better working conditions. In the case of these countries, it could be argued that the social partners are aware of the problem of demographic change and that this awareness is a driving force which has prompted their reaction to do something about it.

It should also be mentioned that in France, collective bargaining on age management issues (e.g. the collective agreement signed by the French employer organisation MEDEF and all trade unions, except the CGT, signed in October 2005), is developed in parallel with arrangements for early retirement.

The situation is different in the UK where voluntarism and liberalism have a long tradition. Government proposals that mandatory retirement should be suppressed is supported by most trade unions, though not all on grounds of fairness and choice. In contrast, employers' associations oppose this mainly on grounds that it would bring a considerable and costly amount of litigation along with complicating their human resource planning. Nevertheless, trade unions have expressed particular concerns regarding the need to preserve early exit opportunities for people in physically demanding jobs and for people with responsibilities as carers.

Trade-unions also have to cope with defending the conflicting interests of their members whilst pursuing the more general objectives of equity and fairness. The position of trade unions with regard to the issue of age discrimination seems not to be directly linked to improving employment conditions for older workers. This reflects the fact that age discrimination refers to all age groups and not particularly to older workers. Promoting inactivity of older workers was not considered as being discriminatory in past decades. In contrast, as already frequently mentioned, early retirement schemes in European countries were, for many decades, extensively used in the context of economic restructuring and this was based on social consensus, largely relating to the overriding concern with high youth unemployment.

A comparative study on the role of trade unions in France and in the UK showed that the social partners in both these countries did not recognise age discrimination as a major issue for some time and had difficulties in addressing the notion of age management. The issue of age discrimination has gained more momentum generally in the UK than in France (Collin, 2005). The British debate about age management is more employer-led as a matter for HR management, though trade unions also claim to address age management questions (EIRO, 2000). One explanation for this might be that trade unions in the UK are more interested in negotiating on age-management related issues than trade unions in the various continental European countries because the labour market position of older workers is more uncertain in the UK.

(f) Trade union power

Trade unions' membership levels and the unions' involvement in the political discourse both influence their effectiveness, although, it has to be noted that powerful trade unions may press for change on two opposing aims - promotion of early retirement and increase the the 'work ability' of older workers.

Thus, it is interesting to note, that the Nordic countries, where union density is very high, particularly in Denmark, Finland and Sweden where union density rates reach 80 per cent or more (EuroFound, 2002) are particularly successful at age management and promoting the employment of older workers.

In contrast, the power of trade unions in some countries has declined substantially to a relatively low level. In particular, the power of Polish trade unions fell dramatically during the transition process with the unionisation rate now being approximately 15 per cent. In Poland, few collective agreements contain wage provisions or reflect trade unions' traditional demands to reward seniority. Trade union density is also particularly low in Hungary (20 per cent) and Lithuania (15 per cent).²²

However, the level of union density taken, on its own, does not necessarily indicate that trade unions are or are not concerned with ageing issues. Thus, in the case of Lithuania, for example, national tripartite institutions (Tripartite Council, Social Insurance Council, Tripartite Commission Under the Labour Exchange) have been established, but their role has not been influential and the trade unions are weak. Nevertheless, we could find some examples of union action in the fields of further training and recruitment as well as

²² Note however, that low union density rates are not a common feature of all transition economies.

working conditions for retirees that are employed on a seasonal basis. For instance, the communication workers' trade union is involved in the selection and recruitment of new employees in companies and vets possible cases of discrimination shown against older employees. We would presume that the rationale for orienting union actions towards older workers in that country is linked to the higher employment rates of older workers as compared to Poland and Hungary.

To conclude, we would argue that union power is a pre-condition for bargaining on age-related issues, but it is not evident, *per se*, in which way the interests of trade union members will be defended. Other factors, particularly the labour market context, are decisive for the shaping of a trade union's strategy. Thus, in the past, early retirement policies have been widely utilised, especially in countries with powerful trade unions (e.g. Austria, Germany), because the policies could be based on a social consensus. The objective was to avoid youth unemployment.

(g) The interest of employers: short-term and long-term strategies and the problem of externalities

As for trade-unions, the position of employers is ambivalent and the problem of externalities might emerge. Employers have extensively used early retirement schemes in the past. The financing of early labour market exit (special unemployment benefits, early retirement schemes) is beneficial in the view of the single employer who is transferring the costs of company restructuring to society. However, low employment rates of older workers affect labour costs for employers in countries with 'pay-as-you-go' pension schemes as contributions to the pension system must go up in order to meet future liabilities. Thus, to give an example, the French employers' association, MEDEF, and the German employers' association, BDA, are in favour of lengthening the pension system's contribution periods (Bremermann, 2002), while both French and German employers still utilise early retirement schemes. To give a further example, Portuguese employers' associations accept (or even defend) the need for a longer working life, but actual practice at enterprise level is strongly oriented towards early retirement (Centeno, 2005, Portuguese Country Report, annex I). Similarly, we have the example of the Italian firms who oppose programmes which aim to lengthen working lives after eligible retirement age has been reached since these systems make dismissals of older workers more difficult. The Maroni pension reform (the super-bonus) offers a tax-free salary bonus to anyone who is eligible for retirement and who has worked for more than 35 years but chooses to stay at work. Firms have largely been opposed to the super-bonus programme because they cannot refuse the request of an employee who wants to continue working (Contini, 2005, Italian Country Report, Annex I).

A further problem in clarifying the position of employers' organisations and the position of individual employers consists in the different time spans envisaged. Employers' organisations calling for increasing the employment rates of older workers not only anticipate rising contribution rates to the social security system but also intend to minimise costs of adapting HR management to an ageing workforce in the long term. At the same time single employers may in many cases follow more short-term strategies (see Section 10.3.5

10.3 The Strategies of Social Partners at Sector and Company Level by Collective Bargaining Fields – Recent Evidence from European Countries

In the previous section, we have shown which factors determine the strategy of trade unions. As we have already mentioned, social partners may primarily act at the political, the sectoral or company levels. We have further argued that social partners may be in conflict between offering specific services to their members and engaging in a wider political discourse, since they need to defend actual and future interests as well as to attract new members.

Following the classification of the strategies of trade unions as proposed by Calmfors *et al.* (2001, p. 132) in the authors' discussion of the future prospects of trade unions, we can distinguish between the union's role as a provider of a service, a bargaining agent in wage-setting in the individual company (and to a lesser extent, in industries), a partner to the company in local 'productivity coalitions' and a social and political movement. For our purposes, we have adjusted this classification slightly by looking first at the role of trade unions in protecting older workers, their role in wage bargaining, trade-unions as partners in 'productivity coalitions' and finally, the social partner's role as service providers. The formulation of the social partners' position in the political field have already been addressed.

10.3.1 Positive and negative discrimination: protection of older workers and early exit

We still observe strategies of early exit in the context of economic restructuring in a number of European countries. While looking at the strategies of social partners, we can, in many cases, observe the double strategy of protecting older workers from dismissals and encouraging early exit:

- In the case of the Netherlands and in the UK, there are systems in place where severance pay depends on age and seniority, making it more costly to dismiss the oldest workers. Thus, these provisions can be regarded as a protection of older workers. However, it seems that the employment effect eventually goes in the opposite direction, as higher severance pay makes it more acceptable to employers and unions to dismiss older workers (Deltail and Redor, 2004 citing Taylor, 2004 and Walker, 2001).
- Germany and Sweden, but also other countries, follow the seniority rule in cases of dismissals ('last in, first out'). In Sweden, this rule is fixed by law and in Germany it is a matter for collective bargaining. The seniority rule protects 'insiders', while 'outsiders' (older workers from the external labour market) encounter serious difficulties in finding stable employment.
- In Germany, provisions against age discrimination are enshrined in the collective labour law. Thus, the *German Works Constitution Act* contains the following regulations concerning older workers (Eurofound, 2000):
 - (a) employers and works councils are to ensure that older workers are not discriminated against;

- (b) works council are to promote the employment of older employee within the company, and
- (c) employers and works councils are to consider the interests of older workers in training.

Indeed, the review of German collective agreements concerning older workers carries out by the Archive of Collective Agreements (Tarifarchiv) of the German Trade Unions, found that the continuation of labour contracts is the area where older workers are most strongly protected by collective agreements. Job tenure and age determines lay-off periods in most of the branches and the protection of salaries where job rotation or relocation occur is strongly related to age and job tenure. The same is true for redundancy payments (Bispinck, 2002). At the same time, early retirement schemes and partial retirement (which are implemented in Germany in the logistics of early retirement) were widely used in Germany.

- In Italy, age discrimination issues are indirectly addressed through collective bargaining at the inter-confederal level on worker protection in collective redundancies and training. ‘Social shock absorbers’ are used to ensure that redundancies occur with the lowest possible social costs, and provide some protection for older workers since they might find it more difficult to find another job. They are closely related to the pension system. Early retirement provisions have been agreed in other sectors. However, at company level, an important agreement was signed in March 2000 at Telecom Italia in the context of mass redundancies, and these provided for relocation and training of older workers (EIRO, 2000).
- In transition economies, where major economic restructuring has taken place in the last few years, the issue of protecting older workers is far less evident. Nevertheless, a few attempts in some of the transition economies have been made: To give an example, in the Czech Republic an important role in employment protection is played by collective agreements which cover about 35 per cent of employees.²³ About 80 per cent of these agreements contain strengthened protection for different groups of employees, one of these groups being employees in the 5-year period before retirement. In the case of redundancies, employers are obliged to have a regard for employees working in the firm for 20 years or more, or those working 10 and more years in a shift arrangement. The obligation to re-employ previously redundant employers is often established and executed – e.g. of 364 employees of the company Czech Post made redundant in 2002, 246 were re-employed in newly-created jobs. Nevertheless, in the Czech case it has to be remembered that the economic restructuring process is far from over, and this makes the elaboration and implementation of long-term strategies for age-management more difficult.
- The re-employment of older workers plays a role also in other transition economies. In the case of Lithuania, we have seen that the employment conditions of retirees are on the bargaining agenda: For seasonal work, the Danisco sugar company recruits additional workers, including mainly older people who were previously employed in

23 Note that union density is double as high in the Czech Republic as compared to Poland

the company and who took retirement. The company finds these to be acceptable arrangements since experienced workers are taken on for temporary work. However, seasonal workers in Danisco do not enjoy certain rights written into the collective agreement, namely the right to have additional holidays, the thirteenth salary, etc. Currently, the trade union is negotiating to have these provisions included regardless of the seasonal character of their work.

We have seen that the effect of employment protection on the stay of older workers in the labour market is far from being evident. Most importantly, however, employment protection has in most cases not been connected to an increase in the 'work ability' of workers.

Finally, it needs to be mentioned, that a new tendency can be observed in Nordic countries – a tendency which avoids all kinds of positive action. Approaches are developed that are directed at all age groups rather than focusing on older workers. One rationale for this is to avoid any effect of stigmatisation of older workers (Deltail and Redor, 2004).

10.3.2 Wage bargaining

The wages of senior staff have, to a varying extent, shaped the wage structure in European countries (see Chapter 6.3). In theory, wages "at the top of the scale" have a negative impact on the retention of older workers if their wages do not reflect a rise in productivity. Age-management aiming at increasing employment rates of older people would need to ensure a better match between wages and productivity. Introducing performance-based pay elements clearly meet this requirement.

In the following the example it will be shown that in a country like the Netherlands, where seniority pay has played an important role, a smooth change in strategies is taking place, although seniority-based pay systems are still very important in this country (Van Opstal *et al.*, 1997). Stegeman (2000) also finds that collective bargaining arrangements in general include remuneration systems that are mostly related to seniority whilst performance-based pay systems are still of minor importance. However, in recent years, employers have been aiming at moving away from seniority-based pay towards basing wage increases more on performance. This has been reflected in collective labour agreements which increasingly provide for the introduction of flexible pay (CPB, 2001, p.69). De Koning *et al.* (2003) describe some changes in the fashion industry as an illustration of this trend towards more performance-based pay systems. The fashion branch is introducing a new system of job classification with corresponding rewards. In this system, age no longer plays a major role. Instead, experience and expertise are far more important. This system makes it possible to offer higher wages to an employee of 23 with experience and expertise compared to someone of 45 with less experience. In the collective agreement, it is stipulated that the adoption of the new system must be linked to discussing and evaluating the performance and functioning of employees at company level. If an employer uses the performance-oriented system then he has also to use such an evaluation system. Twice a year there must be an interview about the functioning of the employee. Further case study examples which illustrate the importance of

performance-related pay elements and referring to our own empirical evidence are given in Chapter 6, Box 6.1.

10.3.3 Non-monetary bargaining fields and local ‘productivity coalitions’

Collective bargaining is not limited to wage-bargaining. In reality, there is a trade-off between different bargaining issues, e.g. lower wage claims may be compensated by better working conditions or shorter working time. A trade-off between monetary and non-monetary benefits is taking place.

As we have seen, collective bargaining that is concerned with improving the ‘work ability’ of older workers represents, to some extent, a shared interest in cases where employers are obliged to employ older workers and recognise distortions about the performance of older relative to younger workers.

In a range of countries, we find examples where the social partners have signed collective agreement addressing age-management issues such as:

- working time;
- further training;
- working conditions;
- work organisation;
- career development.

In the following we will provide some examples from the Netherlands and Finland where introducing aspects of ‘work ability’ in collective bargaining has already been pursued by the social partners.

- Collective bargaining on age-management related issues is particularly important in the Netherlands. Within many ‘sector-level’ collective agreements, attention is paid to older workers. An inventory of collective agreements in 2001 (Spijkerman and Klaassen, 2001) showed that about 40 per cent of the agreements expressed intentions to investigate the position of older workers and the *potential* role of HRM-policies for older workers. Many agreements also offer specific facilities and tools to older workers, like opportunities for extra holidays or days off for training. About a quarter of the collective agreements have certain tools or obligations with regard to the careers of older workers. Take, for example, the case of the printing industry in which every older worker has a right to a free consultation with an external expert about future career opportunities and options. The career elements in the collective agreement can also be somewhat limited to simply stating that there is an obligation that career interviews will be held internally with the direct line-manager. About a quarter of the agreements contain a section dealing with the possibilities for demotion and which, for example, have a guarantee that working in a lower function will have either none or limited wage consequences.

In many collective agreements, agreements are made about sectoral levies which are intended to finance training activities. Often sectoral training institutes are partly

financed out of these funds. Some training activities can specifically target older workers, for example, specific courses for older workers to deal with new technologies (ICT). Another example was a project in the construction sector consisting of vouchers for older workers with individual rights for training up to 700 euro (conditional on proviso that before using them, a career interview with a manager was held to determine the type of training).

In telephone interviews, employers were asked if they were familiar with specific agreements in collective agreements concerning older workers (de Koning *et al.*, 2003). These conversations revealed that employers are often not familiar with specific agreements concerning older workers. Consequently at company level some provisions have limited application. This is for example the case for the right to career guidance for employees aged 40 and over in the printing industry. Employer organisations and unions in a number of sectors also stress that time is needed before employers and employees are willing to exploit these tools which enable an appreciation of the increasing importance of 'employability'. Individual employers are sometimes afraid that these actions lead to *career* expectations which are difficult to fulfill and employees do not want to lose achieved rights - for example the 'right' to slow down progressively the older one gets. Employers' organisation and unions do not want to push too hard in this situation so that the available tools are not fully exploited (Gelderblom, 2005, Dutch Country Report, Annex I).

- Also, in Finland we find examples of collective agreements addressing the specific needs and requirements of older workers, although in this country, age discrimination issues tend to be addressed by law and not by collective agreement (EIRO, 2000). The concept of 'work ability' which combines aspects of individual abilities and the work environment, leads to the understanding in Finland that the promotion of work ability is a joint task of employers and employees (Ilmarinen, 2002). In the 1990's, the social partners in Finland agreed that the promotion of work ability should be a common objective. Since then, about 60-70 per cent of enterprises and work organisations in Finland have been involved in these kind of activities. It is interesting to note that according to survey results (n=134), social partners perceive the best way to lengthen working life is the redesign of work.

Agreements and negotiations about working time are regulated at company level. In large manufacturing industries, there are often agreements on an individual basis. Employees and employers regard these individual regulations as very sensible because they make for increased productivity, higher profitability, more work motivation and a better atmosphere. National collective agreements at sector level will apply if consensus cannot be reached at company level (Frölich *et al.*, Work Age project).

Despite these positive examples, it has to be stressed that in most European countries, collective bargaining on age-related issues still are an exception. Note, however, that in a number of countries the collective bargaining system offers a framework for this kind of social dialogue.

In Germany, age issues are most commonly addressed through collective bargaining (EIRO, 2000). The main fields of negotiation in a number of collective agreements are pay, working time, partial retirement and the limitations on the dismissal of older workers. Nevertheless, a review of collective agreements in Germany indicates that only a few branches have negotiated shorter working hours or additional holidays for older workers (Bispinck, 2001). Most of the branches however introduced age-related part-time work with working time covering long periods (for example, total job tenure), but agreements on age-related work organisation or qualification are rare exceptions.

It needs to be added that the German trade union, IG-Metall (2004), suggested a catalogue of measures for jobs of older workers which contains:

- shortening of daily working hours or longer breaks;
- switch to age-related activities or regular change of exposures through change of activity;
- flexible retirement ages;
- balanced distribution of work loads in shiftwork;
- training measures;
- medical provision and reduction of stress.

For a systematic approach IG-Metall recommended four steps:

- scrutinising and forecasting the age structure of the company;
- assessment of ageing problems at working places;
- creation of a catalogue of short-term measures (ergonomics, working hours, shift work, etc.);
- creation of a catalogue of long-term measures (identification of risky working places, career planning, training, change of jobs, wage guarantees).

Also, collective bargaining in France on age-related issues is still at an embryonic stage. However, age-related collective bargaining is slowly evolving, as in some sectors, like the construction industries, local initiatives for age management are in evidence. Despite some local initiatives in a limited number of sectors and in large companies, it is the State which is pushing age-related issues for inclusion in the collective bargaining agenda. Thus, at the initiative of the French Government at inter-sectoral level, two collective bargaining processes have commenced and this has led to the signing of these collective agreements in October 2005 by the French employers' confederation MEDEF and all other unions except the CGT (Kaisergruber, 2005, French Country Report, Annex I). The first one tackles working conditions and may result in new forms of gradual retirement for workers who currently experience difficult working conditions, while the second one focuses on age-related human resource policies; the motivation of older workers; further training (claimable right to annual further training for employees aged 50 and over); career development (second career development talks at 45 years of age);

widened possibilities of employing older workers on fixed-term contracts after the age of 57.

Our own case study evidence shows that collective agreements have been signed on the topics of working time, careers management, employment protection for those reaching retirement age (see Box 10.1) as well as on wages (see Chapter 6). *Note:* in one case a collective agreement was signed on career management with the aim of facilitating older workers to remain in work while at the same time a collective agreement on early retirement remains in force (see example 2 in Box 10.1).

Continuous training represents a further important bargaining field with regard to an ageing labour force, although these collective bargaining agreements generally do not refer specifically to older workers. Thus, in France, a collective agreement which was signed in 2003 and then enacted in 2004 has enshrined an individual right for further training for all age groups. However, no evaluation results about the effect of this law on the participation of older workers in further training are currently available.

Box 10.1 Collective bargaining agreements tackling age management issues

(1) In the case of the French mail-order company, Blanche Porte (**FR 1**), which is a medium-sized enterprise (see also Box 7.2 and Box 9.12), a collective agreement has been signed with the trade unions on part-time working for workers aged 50 years and over. These employees could choose to work part-time by earning lower wages, while the company continues to pay the full retirement contribution. This agreement is renegotiated every year by trade unions and the management. In general, trade unions in the enterprise are prepared to negotiate these issues and seek to find solutions.

(2) A second French case amongst our own empirical evidence is the case of the French bank Credit Lyonnais (**FR 3**: see Box 9.4 for background information and implementation of career management). In December 2001, a collective agreement was concluded with all the trade unions (with the exception of one) about careers management. It was negotiated soon after a collective agreement about early retirement (CATS) was signed and which will last from August 2001 to April 2005. In the framework of this collective agreement, the

back-office technicians can leave at the age of 56 years and other employees at the age of 57. Some discussions took place between the enterprise and the trade unions about the issue of sales employees who wanted to benefit from early retirement. But finally it was not possible for them.

(3) In the case of the Czech Post (**CZ 1**: see Box 9.2), the age management approach is based on the collective agreement for the period 2000-2005 which stipulates “the regard of the employer to competencies, reliability and work performance of individual employees, skills and experience reached, and work stage within the organisation and age (in particular amongst those with less than 5 years before retirement), health status and social situation”. Indeed, as we have seen in Chapter 9, the age management strategy is based on both promoting internal mobility and employment protection for those reaching retirement age. The approach is applied to all age groups and is supported by trade unions, including the fact that it is repeatedly included in collective agreements. It is not perceived as discriminatory against younger employees since they are supported in other ways. However, trade unions consider the rising weight of packets, boxes leaflets, etc. to be a problem causing an increasing pressure on performance.

(4) The sector level collective agreement in the Dutch construction industries needs to be cited here, which aims at promoting career management and intersectoral mobility. The case has been presented in Chapter 9 (Box 9.10).

A common interest of the social partners in training can also be observed in countries with low education and skills levels as in Portugal. Here, a social partnership agreement on training was signed in 2001, including all social partners for the first time and this has created a compulsory obligation to provide 20 hours of training for each worker per year. So far, not much has come of this agreement, although it could have important effects in the upgrade of the qualifications and skills of the Portuguese labour force.

Continuing training and lifelong learning have also attracted the interests of social partners in other countries. We will provide here one example from the transition economies. Thus, in Lithuania some attempts by trade unions to advocate continuing training in collective bargaining have been made. The trade union which represents the

food manufacturing industry organises legal and financial advice for its employees. The provision on life-long learning has been written into the collective agreement. In the course of their bargaining over the drafting of the collective agreements, the trade union secured certain undertakings concerning the enlightening of employers on issues relating to older employees. As an example, a trade union organisation at the company, Svyturys, organises employee training at week-ends which are part funded by the employer. There is a further examples which exemplifies employee training organised by a trade union in the case study on Lietuvos Telekomas (LT 3 and Box 10.2).

Box 10. 2 Training in the context industrial restructuring – a trade union’s claim, case study example

As already mentioned, Lietuvos Telekomas, a Lithuanian company in the telecommunications sector (LT 3: see Box 8.4) dismissed a large number of workers in the context of privatisation and industrial restructuring. The trade union observed the company’s redundancy process very closely. The trade union consulted with the Government, ensured that the laws governing redundancy procedures were observed by the employer and also engaged in advocacy to increase commitment to the need for further training. The financial support assigned for training, and in particular, support for psychological training were stipulated in the Collective Bargaining Agreement. The trade union gave a lot of advice to employees. The collaboration committee was established so that the trade union could express its concern about problems to the company’s administration. Trusted people in the trade union solved the problems in the districts by working individually with different people. The trade union was concerned that redundant people should get 500 LTL for retraining. Any shortfall in the training costs is assigned from the trade union’s fund.

To conclude, we could observe that only in a very few countries is there a culture of negotiating a wide range of age-related issues at the workplace level. Specific policies such as continuous training, have attracted more attention mainly at a centralised bargaining level, although workplace level examples can be found.

10.3.4 The role of employees’ representative in the design of age-management programmes and in their implementation

Beyond signing collective agreements on specific issues such as working time, career management and wages (see above), our case study sample contains examples of the involvement of employees’ representatives in the design of age-management strategy

In other cases, shop stewards and works councils did not play an active role but welcomed age-management programme initiatives, as was the case, for example, in the environmental services of the City of Groningen in the Netherlands (NL 2), at a Finish lock factory (FI 2) and at the Czech Insurance company (CZ 2). In the case of a UK health care provider, trade unions backed the approach and argued that more could be done to implement it effectively. In this case, management was more difficult to be convinced than unions.

In only one instance could we find evidence in our case studies, where shop stewards were the target of ‘sensitivity strategies’ (Chapter 8.4.3). And there was only one case - a German large retail trade company (DE 4), where it was stressed by management that trade unions and collective agreements are perceived as obstructing the promotion of internal ability. Furthermore, trade-unions were opposed to the phasing out of early retirement.

Box 10.3 Involving employees’ representatives in the design of age-management strategies

The Public Works Department Technical Services is a unit run by City of Helsinki (FI 1, Box 9.13) but is supposed to work on a normal commercial basis. The unit operates in the ‘grey zone’ between public authority and market-based entrepreneurship where all the rules are not yet quite clear. An overriding goal for the age-management programme is the maintenance of the organization’s competitiveness. Understanding this goal and the means of achieving it are the concerns of both management and employees. Devising the programme has meant more investment in personnel management. The programme was launched on the initiative of management, but the planning was a joint effort and working groups involved in planning contained equal representation from the employer, employees and shop stewards. In the preparatory phase, a special work conference was arranged for employees who were 45 years and over. In the implementation phase a joint seminar was arranged, which discussed possibilities offered by the age programme from an employee perspective.

In the case of the French automotive supplier, Oxford Automotive (FR 5 - see Box 9.1), social dialogue on issues such as working conditions became a regular occurrence during the implementation of an age management strategy. Every year, a collective agreement about working time and wages is negotiated between the top management and the trade unions. The challenge is now to develop this dialogue between every line manager or supervisor and his team.

10.3.5 Services provided by social partners with regard to age management

Basically, employers’ associations and trade unions can provide counselling and guidance for age-management-related issues to the company and to workers’ representatives at company level. As an example, in 2003 the German employers’ association, BDA (2003), published a guide on age management at company level. A further example in the context of the Community Initiative is *Equal: The National Flexi-work Partnership*. This Irish development partnership has produced an employers’ *Guide to the Employment of Older Workers* (IBEC, 2003).

In addition, in 1999 the UK launched a Code of Practice on Age Diversity for employers, but evaluation evidence shows that it had little effect (Frölich *et al.*, WorkAge Project).

A second field of action can be seen in the organisation or joint governance of training funds for continuing training. Note, however, that training institutions run by social partners provide services to groups other than their members.

10.4. Conclusions

Coming back to the starting point on the role of social partners, we conclude that in most countries the strategies developed by the social partners are ambivalent. Furthermore, contradictions between strategies formulated at the macro-level may oppose strategies pursued at the micro-level. The general discourse and collective bargaining display a tension between protecting older workers, but not necessarily protecting their work ability and the promotion of early exit. Nevertheless, collective bargaining on ‘work ability’ is emerging in a number of countries in pioneering companies or at the initiative of the State. In those countries, where the labour market conditions have a lack of skilled labour, the collective actors are more advanced in developing age-management strategies. In contrast, high unemployment figures and ongoing major industrial restructuring processes render strategies aimed at enhancing employment rates of older workers more difficult. In this context also, the position of the State is ambiguous: the extension of working lives contradicts the aim of reducing unemployment and strategies based on reducing labour supply.

Possible fields of negotiation encompass working time, further training (e.g. with regard to cost sharing), work organisation, wage system, working conditions and social plans. The sparsity of collective bargaining on age-management related issues in a number of countries has to be considered in the context of high unemployment and industrial restructuring. Our comparative analysis has also shown that in a few countries the social dialogue on ‘work ability’ of older workers, or, more generally, of all workers is quite advanced. Deltail and Redor (2003) argue that the responsibility of the social actors and the social partnership model can be regarded as a success factor for the integration of older workers. Indeed, we see interesting examples in the Netherlands in particular, but also in Finland and France.

11. MAPPING OUT GOOD PRACTICE – AND HOW CAN WE LEARN FROM IT?

11.1 Introduction

Identifying good practices and disseminating them through networks constitute a key part of EU strategies, policies, programmes and knowledge management. It has been recognised as an integral part of the Open Method of Coordination (OMC), now widely practiced in the EU. The rationale is that by exposing different countries, programmes and projects to validated good practice, the overall performance can be enhanced through mutual learning.

This is also the rationale behind the AEGIP-project. First you identify validated good practices of age management in the private and public sectors in different countries, build a case bank of good practices and then disseminate them to enhance the overall performance in age management in Europe.

This Chapter explores this debate, and makes some tentative suggestions about improving the learning network for good practice dissemination.

11.2 What is Good Practice?

Good practice dissemination is much debated around the world today. It has been singled out as an important method to enhance the impact of policies, programmes, projects and work practice. At the same time, it seems to be a rather elusive subject, with many contradictions, tensions and open questions. In the ongoing period of transition from an Industrial Society to a Knowledge Society, old ways of governing, managing, and promoting change have been profoundly challenged. In the EU debate, since the Lisbon Summit, this is reflected in the development of the ‘Open Method of Coordination’ where the aim is to reach voluntary coordination and adaptation of member state policy in line with commonly agreed objectives, and to stimulate learning from the experiences of others. This means a shift, or a growing emphasis on discursive regulatory mechanisms, or a ‘soft system of governance’, which emphasises learning, knowledge and the creation of meaning.

What then, is good practice, or indeed, best practice? There seems to be general agreement that at the end of the day, practice is always local and contextual and locally ‘embedded’. The essence of good practice is not in separate findings, tools, methods or concepts (although these certainly are aspects of good practice), but rather in the work culture and in the local ‘community of practice’ that uses the tools and innovations (Wenger, 1998). A good idea needs to be ‘fitted’ into the local circumstances, and it can only be done by a ‘community of practice’. What is good or, indeed, best, is relative. Even the most experienced ‘clearinghouses of best practice’(O’Dell, 1998) would prefer to talk of ‘better’, ‘exemplary’ or ‘successfully demonstrated’ practice. We also have different ‘degrees’ of good practice, depending also on the ‘evidence base’.

The experiences of different programmes, projects and policies seem to point to the fact that transferring good practice does not happen effortlessly and in order to enhance the ‘travel’ or ‘transferability’ of good practice, some factors need to be in place. It is quite a different thing consider good or best practices to be ‘open cases’ (meaning that they are open to modification, for transformation) instead of considering them as ‘closed cases’, like commodities to be transferred.

The key argument, stemming particularly from the knowledge management debate, is that in order to learn from good practice, we need to understand knowledge as both tacit and explicit knowledge, we need good ‘learning spaces’ and particular processes and tools to enhance the learning process (Takeuchi and Nonaka 2004; Denning, 2001). Tacit knowledge refers to ‘experiential’ knowledge, something that is ‘ingrained’ in the person’s work practice, and cannot be readily expressed in words. It is constituted from both ‘know-how’ and ingrained beliefs, perceptions, intuitions, ‘hunches’ and mental models of the individual. This type of knowledge is difficult to share, and articulating it requires special methods, like using metaphors, pictures, symbols and stories.

Explicit knowledge, on the other hand, exists as words, sounds, audiotapes, documents, codes, algorithms, product specifications and manuals, and can be shared and disseminated effectively. The message coming from the knowledge management debate is that first there is the challenge of ‘articulating’ the practice (from tacit, embedded to explicit), and this is usually underestimated and oversimplified. Secondly, it is important to have a good transformation process of ‘learning by doing’.

11.3 Good Practice Transfer and Learning Networks

11.3.1 Experiences of good practice dissemination in the EU: open method of coordination and peer review (Mutual Learning Programme)

Since the Lisbon Summit good practice dissemination in the EU has been boosted as a key element of the ‘Open Methods of Coordination’ (OMC). The aim is to reach voluntary coordination and adaptation of Member State policy, and to stimulate learning from the experiences of others. This means a shift, or a growing emphasis on discursive regulatory mechanisms, or ‘soft system of governance’, which emphasises knowledge and the creation of meaning.

These OMCs are all based on discursive mechanisms requiring (1) joint language use (key concepts and discourse, like employability, lifelong learning, entrepreneurship, active welfare, quality of work); (2) development of common classifications and operationalisations (like indicators); (3) building a common knowledge base (including collection and standardisation of statistics/Eurostat); (4) the strategic use of comparisons and evaluations (benchmarking, good/best practice cases, peer reviews), and (5) diffusion of knowledge and results (like good practice dissemination) (Jacobson, 2004). Moreover, the EES is a treaty-based process with

its own reporting system and other OMC processes have adopted targets (e.g., in education).

The first three of these reflect the need to establish clarity, codification, comparability and ability to generalise across a complexity of contexts and the two others (comparison and dissemination) the need to enhance learning that helps the 'fit' into different contexts.

Within the EU's OMC, peer reviews are used as one of the methods to enhance good practice dissemination. The idea is that a Member State presents a policy reform ('a good practice') for others to study, constructively criticize and learn from. The procedure in the European Employment Strategy peer review is as follows:

- Good practice examples are suggested by Member States or identified by the European Commission. Ideally, it is a requirement that these practices have been recently evaluated in order to create an evidence-based learning process.
- The European Commission is assisted in the coordination of the peer review process by a contractor, a third party and an experienced research and consultation company (through a tender process for a fixed period). The core of the Peer Review is a two-day workshop arranged in the Member State presenting the good practice (host country), accompanied by site visits if this will help to explain the policy practice. The workshop is facilitated by the contractor, and all participating countries are each represented by one governmental official and one independent labour market expert.
- Preceding the workshop, an exchange of key papers occurs, where both official and critical independent assessments of the good practice are circulated.
- Afterwards, a summary of key findings and papers is provided on the website.

In a nutshell, this procedure can be understood to represent the core ideas of the good practice dissemination strategy.

The Peer Review learning process on employment is under current evaluation (Price Waterhouse-Coopers) and the conclusions are broadly positive. The evolution of the Peer Review programme helps to operationalise the exchange of good practices and ensures better dissemination and awareness-raising of good practices in employment policy. The case studies presented in the workshops focused on extracting key success factors and transferable good practices. The impact of the process and the transfer of good practices across different contexts remain difficult to prove (Casey *et al.*, 2005).

Participation in the programme has been widened since 2004. The Peer Review meetings have been put into the broader context of the Mutual Learning Programme (MLP), which is intended to be a stronger tool for the effective exchange of good practices and their transferability. They have been supplemented by seminars with broader stakeholder participation, and the good practices presented are gathered around key priorities in order to create a cumulative learning process and better feed

into the policy discussions of the Member States (see <http://www.mutual-learning-employment.net/>).

In all, the experience of the Peer Reviews, and the recent developments of the MLP point to the need to look at concepts of good practice and its transfer in a comprehensive way, with a strong emphasis on the intermediary learning mechanisms.

11.3.2 Messages from the knowledge management debate

A paradigmatic example and a benchmark for arranging the learning process and knowledge dissemination, is the model presented by Nonaka *et.al.* (2001) as the SECI-process and ‘Ba’ (‘Learning Space’). (Takeuchi and Nonaka, 2004) The separation of explicit and tacit knowledge and their transformation to each other are essential components of the model. Explicit knowledge is rational, theoretical, conscious and digital and can be spread as information data. Tacit knowledge is practical, experiential knowledge, here-and now, mainly bodily and intuitive (‘hunches’, ‘gut feeling’).

In order to utilize the possibilities of the transformation of knowledge, Nonaka suggests we arrange it into a SECI-process (Socialization-Externalization-Combination-Internalization). The following is a brief description of the approach.

The starting point of the process is *socialization*: individuals meet face-to-face. This is ‘everyday work communication’ in natural settings, where tacit knowledge is transferred in action, by ‘walking around’ coffee tables, observing, feeling, coming to know ‘from within’.

The next phase is *externalization*: here one’s tacit knowledge is articulated through dialogue and reflective conversation to others. The main ‘unit’ here is a group, typically a workplace team in face-to-face settings, but also sharing knowledge via other means, like virtual communication. Here the use of metaphors, analogies, multiple channels of communication including pictures, drawing, symbols, play and stories play their part.

The third phase is *combination*: the knowledge has been transformed in the group into explicit form - into words, concepts, models, sound, images, formulas, algorithms, specifications and a handbook. It has become digital and can now be readily generalized and transported widely and connected to the larger ‘knowledge bank’ of mankind. It can be both combined and recombined with other explicit knowledge, and also broken down to sub-concepts and more precise meanings in a logical and analytical process. The basic unit here is an organization and/or a *network of organizations* and a powerful tool here are the possibilities made available by ICT.

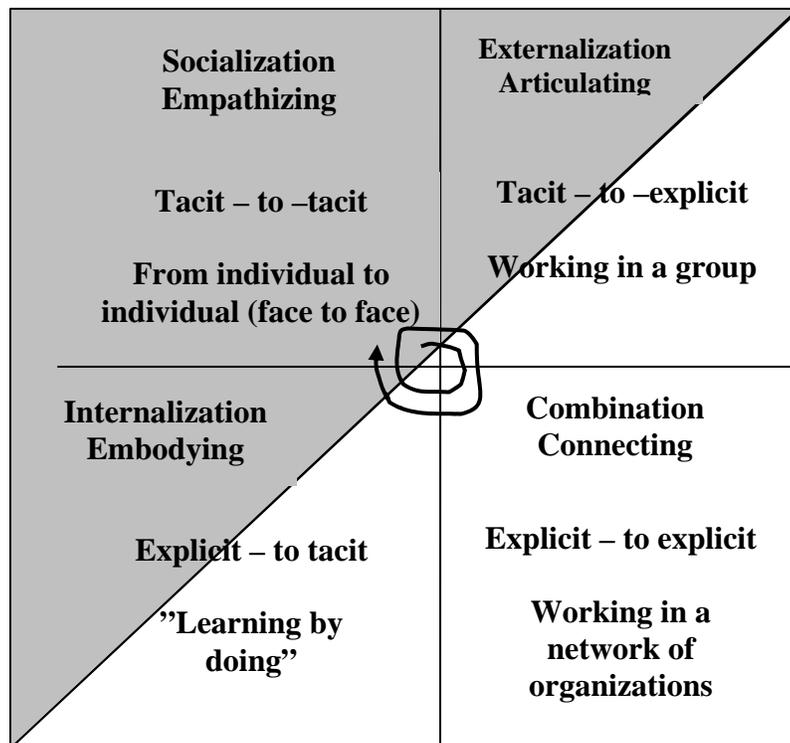
The fourth phase is *internalization*: the knowledge, now enriched and new as it has passed through the earlier phases, has to be internalized at the individual level. One has to ‘try out’ the new methods and inventions in one’s own work process, often under the facilitation and guidance offered by someone already experienced in the method. A typical arrangement is for a master-apprentice or mentor-actor setup. Gradually, the performance becomes routine and internalized, and becomes new tacit knowledge. In the everyday work, in the face-to-face communication and work activity, the tacit knowledge is enriched, and the ‘knowledge spiral’, the SECI-process, starts all over again.

The SECI-process is depicted in Figure 11.1. The coloured areas depict knowledge, which is mainly in the tacit form, and the white areas the explicit form. The spiral in the middle depicts the phases moving from socialization to externalization etc. and starting over again, not from the same level of knowledge, but from a new, enriched level.

Another key concept in Nonaka's model is 'learning space', or 'ba', in Japanese. This space is at the same time physical and mental, but can also be virtual. It is a 'platform of knowledge', a shared context, where knowledge is shared, created and utilized. A typical example would be a team with a task which shares certain face-to-face meeting places backed up by virtual communication, and inserting into their task 'a stream of meaning' (Bohm, 1996). In other words, the 'ba' provides the energy, time and space to perform the knowledge conversions, and the task for knowledge management is to enable the emergence of such 'ba's'.

Good learning requires good 'learning spaces', i.e. in the SECI process we have different kinds of 'ba's' with different qualitative requirements in order to function properly.

Figure 11.1: The SECI-process



After Takeuchi and Nonaka, 2004

‘Ba’ – learning space

11.3.3 Messages from workplace development and innovation networks

Over the years, there has also been a lively debate over workplace development concepts. Here a paradigmatic example is the experience of a set of comprehensive workplace development programmes in the Nordic countries:

- The LOM-programme in Sweden (Naschold, 1993);
- Enterprise Development 2000 and its successor Value Creation 2010 (Gustavsen, 2002);
- Workplace Development Programme, Finalnd (Arnkil, 2003)

A couple of decades ago, the mainstream understanding of workplace development was based on a notion of *ex ante* design, a kind of scientifically designed ‘optimal production’ (like ‘the Lean Organization’), a kind of good practice, which would be transported to the workplaces by experts.

In recent decades, however, we have seen an overall decline in the belief in highly general design criteria and a drift towards the contextual and experience based. The role of ‘local theory’ and tacit knowledge has been on the rise, and the role of ‘general theory’ on the decline. In a key position is the *capability of the organization to learn from its own experience*. So the decisive ‘platform’ is the learning process of the organization itself. This process can then be enriched and facilitated by the researcher’s wider experiences. It is not enough for researchers or experts to provide the building materials of ‘good practice’; they have to be present at the building sites.

Another important message coming from the workplace development experience is the theme of *sustainability of development*. In order to have more sustainability of workplace development, the Norwegian programme, for instance, has developed a concept of regional ‘modules’ of cooperation between research institutes, regional public sector players and networks of enterprises. This ‘module’ develops into a kind of ‘agora’ also advocated by Nowotny *et. al.*, 2001) as being a meeting place, or in Nonaka’s terms, a ‘ba’ to sustain the engagement of different players and secure accumulation of learning over time.

11.3.4 Messages from the strategic management debate

Important messages for good practice can be drawn from the strategic management debate. There are different paradigms and schools of thought relating to these, and they can be identified and described in many different ways (Minzberg, 1994). For the sake of a brief overview, I describe some of the key messages by identifying three basic strategic management concepts: (a) rational choice concept, (b) learning organisation concept, and (c) everyday complex response concept.

(a) At the core of the ‘rational choice concept’ is rational, conscious *ex ante* planning and choice of action. The emphasis is on the side of (top) management, specialists, expert knowledge and theory. In Nonaka’s terms, a strong focus on explicit knowledge is present. The rational choice concept has been around for a long time, and is still, arguably, the mainstream concept, with well-established methodologies and power. The

environment, albeit turbulent, is seen as controllable, manageable in principal. The challenges are met by good, intended *ex ante* strategies, with well spelt out and top-down cascading missions, visions, will, uniform culture and execution.

What does good practice look like through the lens of the rational choice model? Clearly, good practice is something which *realizes* the strategy, is in accord with the strategy, and diversions or contraindications would be seen as disturbances.

(b) In the ‘learning organization concept’ the emphasis is on the quality of learning of individuals, in and between groups in the organization and between organizations. A change or a strategy can never be planned completely beforehand: rather, on all levels, there is modification and adjustment of the strategy to accommodate circumstances and emerging creative possibilities. Whereas in the rational choice model the emphasis is on top management, specialists and forming a uniform culture, in the learning organisation model the emphasis is on distribution and diversity. Particular attention is paid to the quality of learning, work culture and dialogue.

What does good practice look like through the lens of the learning organization? Clearly, good practice is *learning practice*, something that not only *realizes* a strategy, like a remote terminal, but which contributes to the modification and evolution of the strategy.

(c) The emphasis shifts to ordinary everyday communication and engagement in the ‘everyday complex response model’.²⁴ The focus is not only in consciously arranged learning processes, ‘SECI-processes’ and ‘ba’s’, but in the quality of *everyday engagement and communication*, in ‘local theory’ and experiential knowledge. There is a strong emphasis on bottom-up in the concept. The emphasis is very much on the *here and now*, and flexibly improvising ‘ba’s’ and connections as they emerge. A strategy is not strongly and clearly spelt out in the beginning, but rather, a loose framework of themes for conversation might be presented, with a particular eye on promoting change by every now and then skirting at the edge of chaos, or ‘bounded instability’. A strategy *emerges*, through the complex processes of complicated everyday self-organizing processes, and what turns out to be strategic is for the most part, realized only *afterwards, ex post*.

There is no ‘final’ good practice, but only temporal good practices in time and in those circumstances. ‘Good’ is *neither* centralizing *nor* decentralizing, *neither* efficient control *nor* independence, *neither* efficiency *nor* creativity, *neither* global *nor* local, *neither* planning *nor* improvising, *neither* short term *nor* long term, *neither* expertise *nor* real life validity, but **both** centralizing and decentralizing at the same time (*transcending* former solutions).

What does good practice look like through the lens of the everyday complex response concept? Good practice is *self-organizing everyday activity* which *generates new good practice*. It is *generative practice*. It gives a creative contribution to emerging themes and problem solving.

²⁴ The originator of this concept, Ralph Stacey uses the concept ‘Complex Response Process’ (CRP). I have taken the liberty here to add the word ‘everyday’, because I think it captures the essence of the idea, and is more intuitively and more readily understood.

11.3.5 Messages from the infrastructure for transferring good practice

The Internet offers, of course, a multitude of possibilities for good practice dissemination. The learning lesson from all around the world, from the EU, to the OECD, the World Bank and working-life development programmes, etc. seems to be that ‘good practice case-banks’ or information alone, stored on the Internet, is not a powerful tool for good practice dissemination, but can be if coupled with some other components. The example of coupling Internet with a peer review process was described above. Coupling Internet sites with Help Desks, or Problem-Solving teams seems to be very important (Denning, 2001). This means that someone with a problem, let’s say, of ethnic strife, could consult a team on the problem, and the team would be in a position to provide the enquirer with relevant examples of solving ethnic problems, and to rapidly rake in topical examples and ideas through its network of experts.

We can have;

- *Transferring good practices via structured document repositories* (good practice databases);
- *Transferring via discussion databases* (discussion groups – e-mail list-serves, news groups, Lotus Notes, communities of practice, project work teams, marketing teams);
- *Transferring via pointers to expertise* (‘yellow pages’ and hotlinks to experts and other interested parties, human resource listings, profiles of employees);
- *Transferring via document exchange*, where e-mail is particularly effective (O’Dell *et al.*, 1998).

The solution can be:

Self directed: meaning storage, codification, repository, database, retrieval, navigation, pointers, yellow pages, dissemination, intranets, Internet.

Knowledge service and networks: meaning information services, help desk, networks, discussion databases, communities of practice, knowledge managers, knowledge integrators, knowledge packagers.

Facilitated transfer: facilitators, change agents, implementers, projects, technical assistance, consultants, guidance counsellors, brokers, coaches, shepherds.

Effectiveness of good practice transfer increases as we move from self-directed to facilitated transfer. But at the same time, the costs also increase as the most effective solution - facilitated transfer - requires the highest input of resources.

11.3.6 Sustainability: time, impact and sustainability of good practice

Sustainability starts with learning from what already has been done, to avoid reinventing the wheel again. But there is ample evidence all around that even learning from one’s own organizational experience breaks down. This is further aggravated by the fact that more and more of developmental work occurs in projects, which are a temporary mode of activity (or should we say, paradoxically, a form of permanently temporary activity), and transferring the good practice developed in projects into the mainstream more often than

not, breaks down. This means that there is weak accumulation of good practice. In Nonaka's terms, one could ask where are the 'ba's' to transfer earlier learning lessons, or transfer findings from projects to regular services, and what is their quality?

Societal change processes take time. In order for an employment, social inclusion or environmental intervention to produce real results and real impact, can take several years. The paradox is aggravated by the fact that the different players having a stake in the intervention have different timetables. Politicians think in terms of election terms and are typically quite impatient about getting results. Scientists, often, on the other hand, can think in terms of decades. Different stakeholders have different time-perspectives. Typically, the result is a multitude of intervening factors, and gleaning out the particular role of a particular 'good practice' is often difficult.

A better distinction is needed between a short term or *real-time dimension* of activity, where the weak signals of evidence and observations are discussed and interpreted in multi-actor settings (ba's, fora, agoras) and between a long-term dimension which looks for evidence of sustainable results, and 'meta-reads' evidence across a multitude of long-term findings. So the former would be geared very much to a dialogue and learning network mode, and the latter into an 'evidence-based' mode. The present evaluation and identification of good practices seems to lie uncomfortably somewhere in between, neither addressing the real-time learning challenge, nor the evidence challenge properly (Pawson, 2002; Arnkil, 2003).

11.4 Closing the 'Knowing-Doing' Gap

11.4.1 The 'knowing-doing' gap issue

Some important learning lessons can be drawn from the review on the debate of good practice and its dissemination. The core message seems to be that in order to benefit from the experience of one context or another, one needs to have a good, many-sided learning process possessing a supportive framework.

One of the paradoxes of this 'Knowledge Age', is that there seems to be a widening 'knowing-doing' gap opening up (Pfeffer and Sutton, 2000; Figure 11.2).

The pile of *knowing* is growing rapidly. We know more and more about good age management, healthy workplaces, good ways of dealing with the education of the underprivileged, enhancing employment, promoting entrepreneurship, revitalizing urban areas, etc. But the pile of actual *doing* remains distant from the mountain of knowing, and the mountain seems to become more and more unapproachable because of an overload of information. The gap is widening. The pile of knowing also grows at a more rapid rate than doing, so doing is increasingly lagging behind.

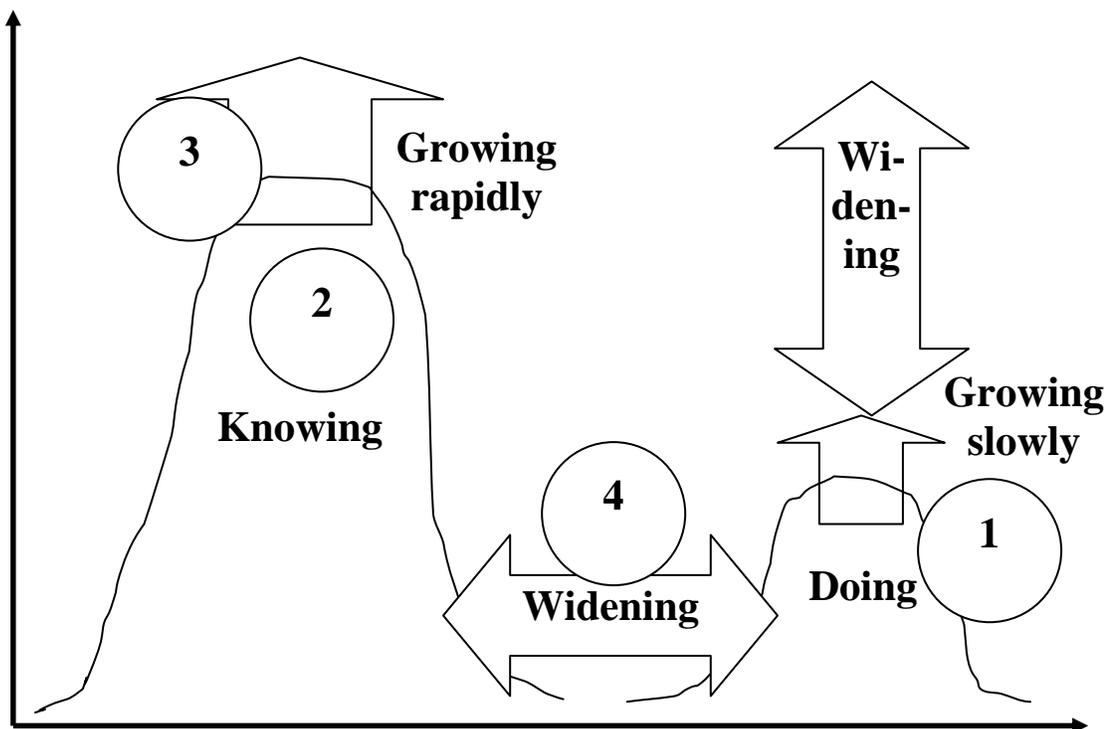
What can we do?

- (1) Educate the 'doers' (for example, enterprises) to utilize the 'case bank' of knowledge. This is the prevailing strategy. The message from working life seems to be that this does not really work (Gustavsen, 2002; Denning, 2001). Case banks are not effectively used.

- (2) Another strategy is to get the researchers and experts to *tell*, to explain to the doers what to do. This does not seem to work either.
- (3) A third alternative is to engage in co-creation, co-problem solving of new knowledge on ‘good practices’ between researchers, workplace ‘doers’, managers, consultants, as has occurred in the workplace development programmes in Norway. This seems to work ‘somewhat’, but is a ‘slow train coming’.
- (4) A fourth option is to create a network of multipliers, interlocutors, facilitators and helpers, consisting of researchers, doers, managers, consultants etc. to close the gap. They would know both worlds ‘from within’ and could provide a ‘clearing house of knowledge’ (O’Dell, 1998; Takeuchi *et. al.*, 2004; Pfeffer and Sutton, 2000), working both ways. This would be backed up by a well functioning set of transfer mechanisms (repositories, discussion databases, and pointers) and thus would enable the ‘generation of good practices via generation of good practices’.

So the review would point to a need to develop a network of multipliers and facilitators, backed up by a ‘clearinghouse of practice’, a kind of active help desk linked to communities of practice.

Figure 11.2 The ‘knowing-doing’ gap



11.4.2 Examples of good practice dissemination on age issues

European networks

There are several European networks dealing with identifying and disseminating good practice on improving ‘work ability’ and working conditions that are relevant to the age-management issue. There is probably room for improvement in the mutual linking of these efforts, platforms and databases. A key imperative is to make passive platforms and case banks active, to provide learning opportunities at different levels in terms of cross-cutting workshops, facilitated transfer and to provide mentoring, coaching and consultation. This kind of work is already done in many programmes, networks and institutes of the EU, but the efforts often remain weakly resourced, short term, and unaware of other good practices. The Mutual Learning Programme, Peer Review, Cross-cutting activities of the URBAN-URBACT-programme (http://www.urbact.org/en/home/cross_cutting_activities/) and the in-built thematic and dissemination work in the EQUAL-programme are examples of this.

The European Foundation for the Improvement of Living and Working Conditions, <http://www.eurofound.eu.int>, conducts surveys on working conditions and has several publications, articles and links addressing and pioneering the age issue, including good practices in age management.

The European Agency for Safety and Health at Work (EU-OSHA), <http://agency.osha.eu.int/OSHA> is another important network, especially because it links together occupational health and safety professionals, government officials and social partners as well as linking to other OSHA-related networks and sites throughout the world, such as the USA, Australia, Canada, Japan, ILO and the WHO.

Regarding the potential of linking workplace development, health and safety and spreading the concept and practice of ‘work ability’, the ‘work ability’ index (WAI) and related issues can also be explored on EU-OSHA’s site and networks.

The same can be said for the European Network for Workplace Health Promotion (ENWHP), <http://www.enwhp.org/home/index.php>. This is an informal network of national occupational health and safety institutes, public health, health promotion and statutory social insurance institutions. It aims, through the joint efforts of all its members and partners, to contribute to the improvement of workplace health and well-being and reduction of the impact of work-related ill health in the European workforce. The Network was formally established in 1996 and since this time it has been at the leading edge of developments in European workplace health promotion (WHP). By means of various joint initiatives, it has developed good practice criteria for WHP for a variety of types of organisations and established infrastructures in the Member States. Through these national forums and networks, ENWHP facilitates the cross-border exchange of information and the dissemination of good workplace practice.

New strategies will be essential to help integrate employees into the work process for a longer period of time and to make better use of the potential offered by older employees. That is why the ENWHP’s current 5th initiative focuses on strategies which enable

employees to remain in work for longer. During its 18-months duration, the 5th initiative, which began in 2004 under the lead of the Austrian NCO, Oberösterreichische Gebietskrankenkasse, pursues the following objectives:

- To improve workplace health and well-being of the ageing workforce;
- To increase awareness of all stakeholders to recognise the needs of an ageing workforce and to respond to the impacts of an ageing workforce on workplace health and well-being;
- To identify, analyse, document and disseminate models of good practice for workplace health promotion in the context of an ageing workforce;
- To develop a toolbox for promoting workplace health and well-being for ageing workers.

Results will be published and discussed in June 2006 at the 5th European Conference in Linz).

There are several other networks and projects relevant to the age theme, such as the work of RESPECT <http://respect.iccs.ntua.gr/index.html> and the series of International Symposia on 'Work Ability' (Costa *et al.*, 2005) which have been discussed elsewhere.

AEIGP- case study evidence of dissemination and networking

The case material identified during AEIGP shows that there have been awareness-raising campaigns and government policy developments, such as age programmes, better coordination between ministries on the age issue (see Finnish, German and Czech examples below), activities of social partners (see Section 10.3.5), services provided by social partners and the companies themselves with regard to age management), special networking to reach small and middle-sized companies (see Finnish case below), awareness raising and campaigning by an NGO (see UK example) and a regional project providing support for unemployed people of 45 or more (see UK example).

Box 11.1 Case study examples

Awareness raising: The National Age Programme and follow up, Finland

The Finnish National Age Programme (FINPAW) was a National Government programme, running from 1998 to 2002. It was a comprehensive 'wake up call' for Finland on the age issue, consisting of changes in legislation, general information campaigns for the public and companies, research and training, special targeted projects on age management, special measures to activate workplace health and safety (WHP and OSH) and employment officials (PES), and educational institutes and others on the issue.

Four key results emerged. (1) A new level of general awareness of the whole issue due to a major information campaign. (2) A new level of cooperation between different ministries (e.g. the Ministry of Finance, Social Affairs and Health, Labour, Education, Trade and Industry, together with regional players, social partners, etc.) on the age issue.

(3) A new stage in WHP and OSH activities on the age issue. (4) Sustainability of efforts.

All the key results have been further expanded in a set of post-FINPAW programmes from 2003 onwards. The most comprehensive of these is the *Veto (Attractiveness of Working Life)* programme, running from 2003 to 2007, which concentrates on the quality of working life and occupational safety and health at work and aims at lengthening working careers by a further 2-3 years by 2010 (comparison year 2002). Another is *Noste (Lift)* programme which is mainly aimed at upgrading the education of those 30-59 years of age.

The National Programme of Preparation for Ageing, Czech Republic

The National Programme of Preparation for Ageing for 2003-2007 which was established by the Czech government in May 2002 concentrates on equal opportunities in the labour market and the broadest possible support for the employment of older people. In the programme, there are concrete measures for job retention and an increase in the employment of older people. These objectives are to be achieved through the following measures:

- preventing age discrimination in work and pay;
- providing older people with retraining opportunities and to give them higher priority;
- promoting adaptability and innovation in the workplace with the aim of greater efficiency and competitiveness;
- ensuring efficient human resources management;
- during restructuring, cooperation between governmental bodies and social partners should be facilitated with the aim of not reducing manpower to the detriment of older people;
- implementing and developing a system of life-long learning for employees.

Networking with small and medium-sized companies in Finland

The 'Carrot' project - a part of the Finnish National Programme for Ageing Workers (FINPAW) - addressed small and middle-sized companies (SMEs) in age management. The project ran from 2000 to 2003 with the participation of 20 SME's who represented industry and the service and cultural sectors. A key player in the project was the Finnish Institute for Occupational Health (FIOH) which provided the SMEs with expertise. The project was an intensive and comprehensive intervention in workplace development, health (WHP) and occupational safety (OSH) issues, from an age management perspective.

The companies were thoroughly analyzed by WHP experts in terms of workplace development, health and safety issues. In-depth feedback was given, new plans to address the companies' needs were drawn together, and the companies then carried out the projects on their own terms but with expert help. The companies exchanged their experiences of good practices in workshops and through networking. A specialist jury singled out five outstanding examples, and wide publicity was given to the whole project, to the good practices and to the winners.

Sustainable new practices were established in over half of the participating companies and the project was very well received both by managers and staff. A key component in the success, besides the commitment of management and staff of the SMEs, was the strong input of FIOH and experts. The work with SME's continues, good practices are published on websites, and a new training programme for managers via the Internet is currently being

piloted, where one can take a degree in WHP and OSH matters.

German policies for ageing workers

The German government has adopted a two-pronged approach to increase the employment of older workers:

Mandatory agreements are signed with social partners to co-ordinate actions concerning qualification, employability, age-adjusted working time regulations and job promotion for older workers. This is supported by the common initiative *Neue Qualität der Arbeit (INQA)*, 'new quality of work,' which is a dissemination and mainstreaming instrument. The initiative is managed by the Federal Agency for Occupational Safety and Health (Bundesanstalt für Arbeitsschutz und Arbeitsmedizin). The initiative was founded in 2002 by social partners, social insurance organisations, the Federal and Länder governments and private companies. It aims at combining the quality of work with the efficiency of companies

The employers' associations have started their own initiatives. The association of German employers (BDA) published Guidelines for companies which provides explanations on the rationale of employing older workers and the required measures at company level, in combination with information on public programmes for older workers. The Guidelines also contain the results of population and labour market forecasts and research evidence from ageing studies. It particularly addresses how to adjust work tasks to older workers, as well as aspects of HR policies, like continuing training, working time arrangements and age-mixed team building.

Awareness raising and campaigning: the Third Age Employment Network (TAEN) in the UK

Since its establishment in 1998, the Third Age Employment Network (TAEN) has become a leading campaigner for the improvement of employment prospects for people in mid and later life. TAEN is an independent charity with an extensive membership network of over 250 organisations drawn from a range of stakeholders. TAEN engages in public policy debates and discussions with a range of government departments whose remit affects older workers, and is a member of several groups that help to shape public policy on ageing and employment. TAEN also provides information for its member organisations, with some information publicly accessible on its homepage (www.taen.org). An important part of its work is also the information telephone line for older jobseekers and employers seeking to recruit mature staff. Rather than being a job broker, TAEN sees its role in signposting callers to relevant local organisations. The structure of the organisation and its remit is unique in the UK and believed to be unique in Europe.

Key to TAEN's work is the networking across the supply and the demand side of the labour market and with key intermediaries. This has enabled the organisation to get a good overview that is supplemented by first-hand experience on what is happening on the ground. There has been a conscious decision to engage in constructive, evidence-based discussions with those in influential positions. A contributing factor to the organisation's success is also the core funding it has received from an independent charity since its inception and a high level of staff retention that helps to maintain its expertise and

continuity via networking.

Experience works: a regional UK programme for unemployed over-45s

Experience Works was launched in 2000 by the East Midlands Development Agency (EMDA), one of nine Regional Development Agencies (RDAs), as part of its overall *Framework for Employment and Skills Action Plan*. *Experience Works* is a regional programme that aims to help unemployed over-45s back into work and to help those in employment further develop their careers. Support for those who are unemployed consists of help with CV writing, interview preparation, confidence building, fully-funded training for up to three months (IT training in particular), and work placement. Services are provided free of charge without any qualifying period in seven centres across the region.

Key to the programme is also the work with local employers to help raise awareness in terms of the business benefits of employing older workers, the changing UK demographics and impending age-related legislation. Work with employers also enables *Experience Works* to occasionally act as a broker and to offer support and training before people lose their jobs through planned redundancies. Although initially funded entirely by EMDA, centres now have to attract funding from a wider range of sponsors.

Since 2000 the programme has helped more than 4,000 people across the East Midlands region. Focusing on Northamptonshire, this year exceeded its targets for one-to-one support and in-depth interventions. Around 38 per cent of those who have received support were known to have successfully returned to work – a rate that was reported to be higher than those achieved by JobCentre Plus.

Those involved in the management and the delivery of the programme felt that the key factors for its success included key design features (such as the ability to provide immediate support without any qualifying period) and the way it was delivered (measures tailored to individuals, separate locations within further education colleges, a team of staff that could empathise with the clients and awareness-raising amongst employers). Having to raise funds from a range of sources was seen to help extend the lifetime of this programme that relied heavily on a sole source of funding, but at the same time it has introduced a number of other challenges.

12. CONCLUSIONS AND RECOMMENDATIONS

12.1 Summary and conclusions from the case studies

General remarks

- Human resources management strategies tackling an ageing workforce are still at their initial stage in most European countries. It is striking that, in particular, countries which will face the most serious problems related to demographic change are still not sufficiently aware of the challenges ahead. Italy is one example, but a low level of awareness can also be found, for example, in Poland, Lithuania and Hungary. While awareness has risen among national authorities in some countries in the recent past (e.g. in Germany, France and the Czech Republic), the implementation of age management strategies in companies is still rare;
- There is no single path for the right age management approach. This reflects not only differences in labour market contexts, sectoral contexts, welfare systems and attitudes of the actors across countries, but also the considerable heterogeneity of older workers as a group;
- Increased flexibility is certainly a common feature in most fields of intervention. This, in turn, results in highly diverse approaches and strategies towards age management in practice.

Structural features of the selected case studies (size, sectors)

- Most SMEs do not have elaborate age management programmes and explicit strategies unless they take part in specific (national) age management programmes (as in Finland) or in European programmes (such as EQUAL);
- As the size of SMEs constrains internal mobility, institutional approaches at national, sectoral and regional level are called for to help older worker change employers and thus promote external mobility, as well as to help employers to develop internal solutions based on training and modifications to work organisation. The institutional case studies in France and the Netherlands show interesting approaches in the construction industry where sector-level and regional network organisations provide placement, guidance and training for SMEs and their employees;
- Thus, SMEs rely more on external training provision. Yet to manage demographic change internal solutions, like knowledge transfer between older and younger workers, will increasingly need to be adopted;
- In contrast, *large companies* and the public sector are governed by internal labour markets, where employment stability and, in some cases, life-time employment play a crucial role. These internal labour markets provide opportunities for internal mobility. Furthermore, training measures to facilitate internal mobility can partly be provided internally. The case study results show that many large companies aim to increase flexibility and mobility *within* the internal labour market so as to increase retention of current and future older workers;

- Perhaps, not surprisingly, trade unions and works councils play a more important role in age management programmes in large companies than in SMEs;
- Raising awareness of line managers and local HR managers is an important feature in large organisations, where age management strategies and programmes have often been developed at central HR level;
- The literature review revealed that the public sector is particularly badly prepared to cope with demographic change. Indeed, it was difficult to identify good practice among public sector organisations. The examples selected have to be regarded as ‘better’ practice in their national contexts. We have found more promising approaches at local level organisations (e.g. municipalities);
- Regarding other sectors, only very tentative conclusions can be drawn, as the number of organisations within each sector was small. Faced with a high labour turn-over, the retail sector has focused strongly on the recruitment of older workers. Not only has this strategy helped to increase staff retention, and thus reduce costs, but the impact on customer satisfaction has also been positive. The financial services sector is undergoing organisational change. Large organisations within this sector also aim to promote mobility within their internal labour markets and they may also develop career management strategies for all age groups.

Skills and productivity of older workers

- The relationship between *productivity and age* yields mixed results as this relationship depends heavily on the type of work and the skills required. Generally, companies assess the relative strengths and weaknesses of older workers as follows:
 - Strengths:
 - Experience;
 - Reliability;- Precision;
 - Social skills.
 - Weaknesses:
 - Weak performance in physically demanding jobs;
 - Difficulties in adapting to new technologies, and in some cases to mobility and flexibility requirements;
 - Low skills level, lack of specific skills (e.g. ICT, languages).
- Age management strategies often take into account the relative strengths and weaknesses of different age groups. Whilst a long-term age management strategy needs to consider possible future weaknesses of their workers, this is only rarely thought of by many companies. As companies might face internal inter-generational conflicts of interests between younger and older workers due to their different strengths and weaknesses, companies need to be aware of the possibility of this and address those.

Age management and gender

- It is interesting to note that the company case studies did not reveal any gender-related differences in terms of age management strategies. Women, in general, are certainly faced with specific issues, such as returning to the labour market in mid- or later life, caring responsibilities in later life, fewer career development opportunities when bringing up children and perhaps having to work beyond the official retirement age to build up an adequate pension of their own. However, whilst age management strategies appeared to be gender neutral (the company case study sample certainly included a balanced mixture of companies with a predominately female or male workforce and companies with a gender-balanced workforce), there may still be gender specific preferences for the take-up of single measures, e.g. part-time work.

Rationale and context for implementing age management approaches in companies

Employment policies of companies are influenced by company values, labour market contexts, the wider policy framework set by the government and pension scheme regulations. These more general contextual factors translate into more specific circumstances in which companies operate. Drawing on the case study evidence, the main drivers for developing and implementing age management approaches include:

- Market pressures:
 - (a) customer needs / customer relation (adapting to demographic changes that also affect the companies' customer base);
 - (b) flexibility requirements in service delivery / in production; the need to increase functional and numerical flexibility.
- Cost pressures:
 - reduce sickness leave;
 - reduce early retirement;
 - reduce staff turnover;
 - enhance productivity (particularly when this is the only lever for the company and if early retirement and wage flexibility are not possible).
- Labour market conditions:
 - General skills shortages
 - Specific skills shortages as younger workers may not be interested in certain jobs
 - Specific skills shortages as a result of demographic change within the company - this may apply across the board or affect only particular occupational groups
 - Labour market competition for highly skilled labour (e.g. between public and private sectors and between rural and urban areas)

- Social corporate responsibility and social values (in both small and large companies)

Companies operate in a mix of the above mentioned contexts. Therefore, they have different rationales for developing age management strategies and thus the strategies vary.

Type of approaches and implementation

Overview

- Among the company case studies we found both approaches to age management: single measures and integrated measures covering a range of different or related interventions, including e.g. increasing internal mobility and flexibility, career development plans for older workers and measures relating to the health of older workers. The case studies seem to suggest that integrated or holistic approaches have delivered the most promising positive results. Examples include the Finnish case studies and some case studies in other countries, in particular, the Netherlands, France and Germany. The evidence also suggests that age management strategies in some companies are not confined to older workers, but may follow a life cycle approach instead. Examples include career meetings for younger and older age groups in a French bank, and the promotion of internal flexibility among younger workers in two Italian case studies;
- Nevertheless, single measures in themselves can have a positive impact. For example, early indications in a UK bank suggest that the number of staff working past the contractual retirement age has nearly doubled in the last two years (an increase of some 300), most likely as a result of changes in the retirement policy in 2004. Furthermore, a UK health care organisation has seen a small increase in the number of staff aged 65 and over since it officially launched a flexible retirement policy in 2003. However, it is not known, what role opportunities for changes in working hours played;
- However, it seems evident that strategies aimed at enhancing the work ability and productivity of workers need to encompass a range of related measures. For example, a greater internal flexibility will need to go hand in hand with the provision of suitable training measures, and optimising task allocation cannot be achieved without engaging in career development talks (for examples, see Chapters 7, 8 and 9). Promoting flexibility within the company may also need to start at a younger age to facilitate adaptability in later life. It is also evident that preventive health measures will have a positive effect on the work ability of older workers in the long run;
- The strategies adopted by companies may also include single measures that would not be considered good age management practice. For example, ‘pioneering age management’ companies currently facing industrial restructuring have adopted opposing strategies: measures facilitating the retention of older workers on the one

hand and early retirement programmes on the other hand. It is of course easier to prevent early retirement in a dynamic economic context;

- The implementation strategy for age management approaches favours in many cases tailored approaches (e.g. career management, health checks, identification of training needs);
- Most age management strategies strive to achieve more flexibility. This applies mainly to internal mobility and task re-design, working time flexibility and flexible retirement options. Increasing flexibility may also help employees to adapt to technological and organisational changes. Lifelong learning is also asking for a great deal of flexibility of older workers;
- Overall, we found more reactive than preventive approaches among our case studies. This might be linked to two different factors. (1) Some fields of interventions covering all age groups might be under-represented in our (non-representative) company sample. Examples of such interventions include the overall improvement of working conditions, continuing training and lifelong learning of younger workers. (2) Most companies develop short-term or, at best, medium-term strategies.

Allocation of tasks and jobs and job-redesign

- Work organisation and the promotion of internal mobility are key features of age management strategies adopted by the case study companies. There are essentially two different approaches: either the worker moves to the 'right' job or the job is adapted to the ability of the worker. The aim of both approaches is clearly to enhance the productivity of the worker;
- Many companies seek to enhance the flexibility *within* their organisation, but at the same time companies aim to increase employment stability through employing and/or retaining older workers;
- Mixed age-teams and the organisation of the knowledge transfer process are also a key feature of many age management strategies. However, it needs to be stressed that mixed-age teams should not result in a division of labour by age that would negatively affect (future) older workers in the long run;
- Defining new roles and tasks for older workers may occur in the context of knowledge transfer or when re-integrating previously outsourced activities, to name but two examples. Such changes may have implications for younger workers with regard to work organisation, task allocation (if physically demanding jobs are designated to go to younger workers) and in terms of career management. But case study evidence also shows that potential conflicts can be prevented (e.g. by offering horizontal career development opportunities).

Promoting intra- and inter-sectoral mobility

- In the context of industrial change some large companies have taken measures to promote the external mobility of their employees. However, whether this will help

employees to find a new job with another company depends on the general labour market situation, the employees' skills and the quality of outplacement services available;

- Good practice in terms of promoting the mobility between employers was also evident in some institutional case studies.

Workplace re-design

- In a smaller number of cases, workplaces and job tasks were at the heart of the intervention rather than the individual. Automation certainly reduces health risks for older workers and future older workers, but at the same time it diminishes job opportunities in the short term;
- Improving working conditions is clearly both a curative and preventive approach.

Health and working conditions

- In addition to workplace re-design (see above), measures also focused on the health of the employee, for example fitness programmes and regular health check-ups;
- A further approach has been implemented in the context of task allocation, allowing for employee health differences by taking into account physical and psychological constraints on older workers.

Work-life balance

- An important area of human resource management is to respond to the changing needs of employees in terms of working hours. Part-time arrangements may suit some older workers but may not be acceptable for others as part-time work may have a bad image, does not fit in with the working habits of a country or region, or does not provide sufficient income.
- As working time arrangements can also affect people's health, avoiding night shifts and long working days (overtime at seasonal peaks) are important approaches;
- Working time management in the company needs to adopt a long-term view, i.e. look at the health problems younger workers may face in the future;
- New (paid or unpaid) leave schemes for older workers have been implemented in a number of case studies in an attempt to help prolong their working lives or to help retain them;
- Flexible and gradual retirement schemes (before or after the official retirement age) that take into account the capabilities and needs of older workers can help to prolong working lives;
- However, a flexible pension system will also need to make provisions for employees retiring before the official retirement age without, however, setting clear incentives to do so, if health problems have become a serious issue. This applies in particular to people who started work at an early age and took on physically demanding jobs.

Training

- In some companies training needs for all age groups are identified in the context of career management;
- Statements of human resources managers that training is accessible to all age groups may need to be regarded with some caution, as there are no supporting statistical data. However, simply avoiding age-barriers to training is clearly not enough;
- Experience-based and self-directed ways of learning are particularly sensitive approaches for older workers;
- Some companies offer training courses to tackle specific skills which gaps older workers may have (e.g. in ICT, languages);
- In the context of knowledge transfer, older workers might receive specific training to take over a role as a tutor;
- A few case studies show how training and outplacement can help older workers to improve their chances of finding a new job. However, there is little evidence as to whether these approaches were indeed successful;
- Training often accompanies other measures, particularly measures to increase the internal mobility or the multi-skilling of employees.

Age and wage

- Starting from the hypothesis that the relationship between wage and productivity is a key factor in determining whether employees are employed / retained, two different approaches are possible: either create flexible wage systems that respond to a decrease in the productivity of workers (however, not all workers show a declining productivity as they get older) or introduce measures to increase productivity anyway. Throughout our case studies we find a combination of both approaches but with a clear emphasis on increasing productivity. Performance-related wages can be regarded as a precondition for the implementation of age management. On the other hand, employees may resist health-related job changes if they result in lower earnings;
- Where labour shortages have occurred or where companies explicitly wanted to retain older workers, pay supplements have been introduced for people working with the company for longer. This, however, has been rather an exception in the case studies.

Recruitment

- Recruitment strategies of companies show contrasting approaches: (a) strategies aimed at eliminating all strands of discrimination, including age discrimination; (b) strategies aimed at achieving a balanced age structure within the company (e.g. companies with high shares of older workers may seek to employ more younger people, though these companies may eventually face future problems with larger cohorts of older workers) or strategies anticipating future age management

problems and (c) strategies discriminating in favour of older workers, if companies actively seek to recruit them either because of expected business benefits or because their wages are subsidised through active labour market programmes;

- In several case studies awareness has been raised among line and HR managers through training courses on staff recruitment.
- Where older workers have been actively recruited, companies had to develop innovative recruitment strategies. One example has also shown that some older workers may need specific support to apply for jobs (e.g. such as that provided by public employment services).
- Overall, however, recruitment of older workers is less common than other age-management strategies and they face the most severe discrimination when trying to return to employment.

Retention

- In a few cases employment protection for older workers approaching retirement age has been agreed mainly in the context of industrial restructuring;
- Retention of older workers, including those who want to work beyond the official retirement age, has been a declared objective in cases of skills shortages;
- Staff who want to work past the official retirement age can form an effective flexibility buffer for the company, as they are already familiar with the work and the organisation.

Retirement

- Although gradual or flexible retirement can help to extend the working lives, implementation is still limited;
- The UK case study evidence seems to suggest that even if staff can work beyond an abolished contractual retirement age, not that many do so. This may have several reasons: (a) relatively recent policies may need some time to bed down as people close to retirement will not suddenly change their retirement plans; (b) existing policies may not have been promoted; (c) people look forward to retirement, particularly if they can afford to retire and, apparently, if they have been with the current employer for decades; and (d) working reduced hours, if so desired, may not be so easy to negotiate. (e) there are also regulations preventing staff continuing to work with the current employer if they want to draw a pension but exceed a certain level of earnings;
- Occupational pension regulations may facilitate flexible retirement to a greater or lesser extent. A key issue is what role final salaries play in pension calculations.

Awareness-raising

- Awareness-raising strategies targeting HR and line managers as well as trainers (in one case also shop stewards) have been implemented as part of the age management approach;
- The case study evidence suggests that managers at all levels play a crucial role in the implementation of age management approaches;
- In some cases companies either employed an older HR manager or ensured a balanced age structure of management;
- Some companies indicated that the attitudes towards older workers had changed as a result of awareness-raising measures.

Involving experts

- Some companies have involved experts in the design of age management strategies (HR experts, physiotherapists, ergonomists) and its implementation (in particular, physiotherapists and psychologists supporting staff through organisational change).

To whom measures might be directed

Strategies/measures can be directed towards:

- managers / supervisors;
- workers;
- workers' representatives;
- external actors, in particular trainers.

Further reflections

- Clearly holistic approaches, tackling several fields of interventions and encompassing all age groups, were among the good practice examples;
- In most cases, the initiative came from the company / management, and was driven by economic motives (mainly through increasing competitiveness, but also to gain benefits from having an image as a good employer);
- Many good practice examples aim to increase the internal mobility of older workers (or indeed the overall workforce) to help retain them in employment. However, little statistical evidence could be found on the recruitment of older workers. Yet this is an important issue, since job losses in the context of structural or organisational changes are a reoccurring feature of the economies covered. And many SMEs, unlike larger companies, may not be in a position to redeploy staff within their own organisations;
- Attitudes of both employers and employees need to undergo change.

12.2 Conclusions: identifying good practice

At the beginning of the study we set the criteria for the selection of potential good practice examples. However, it needs to be borne in mind that, at the selection stage, many case study organisations reveal their intentions rather than concrete results. Therefore, we defined potential good practice by *expected* results.

Good practice examples at *company level* can be considered to be such if they bring about the following basic results:

- Good practices that effectively extend working lives and thus postpone labour market exit for current older workers and / or future cohorts;
- Good practices with regard to promoting the participation of older workers and / or the future work ability (preventive measures);
- Good practices that are cost-effective;
- Good practices which are conditional on coping well with the national context;
- Good practices that are potentially exemplars, i.e. transferable to other companies at national level and to other Member States.

Good practice examples at *institutional level* .

- These should aim effectively at extending working lives and postponing labour market exits of current older workers and / or future cohorts
- Good practice examples would show some evidence of positive results.
- Good practice is potentially transferable to other governmental and non-governmental organisations in other Member States

As the strategies or approaches adopted by the company case study have been identified above, the focus now turns to the cost-effectiveness, the national context and the transferability of measures.

Cost-effectiveness of the measures

The identification of good practice at both company and institutional level has proved difficult where evaluations were simply not available because companies have adopted age management strategies only recently or because impacts may only be felt in the longer term. Where companies attempted to assess the impact of their age management strategies, indicators employed included sick leave, early retirements, frequency and gravity of accidents at work and, in a few cases, employee satisfaction surveys. However, in most cases, purely qualitative indicators, such as dynamic development of the company or a good climate at work were mentioned.

Drawing on the arguments of the interviewees we would conclude that the adopted measure was cost-effective if:

- either savings in severance payments, through reduction of sick leave or through reduced staff turnover, are higher than the costs of the measure itself
- enhanced motivation and productivity justified the costs (however, this is often very difficult to estimate)

Most of our case studies show positive results with regard to their overall age management approach, as we have shown throughout the report where concrete results were available. However, little can be said about single measures which form part of a holistic approach. It should also be stressed that not all measures need to be expensive.

National context and transferability

Age management strategies developed at company level are dependent on incentives set by the pension system, i.e. the pension level, the level of wages earned a few years prior to the retirement age, opportunities to continue working without pension cuts after retirement, gradual and flexible retirement schemes and early retirement schemes. Labour market contexts also set incentives for retaining employees (in particular, skills shortages).

The comparison of good practice examples at company level reveals that country differences are indeed less important than it appeared from some of the country reports, especially, within some sectors, like retail, construction and financial services. The challenges for companies across countries did not vary to a large extent, nor did the type of main approach to age management. Yet, it needs to be borne in mind that the company case study sample is not representative.

The company case studies have highlighted a range of measures to tackle successfully age management issues. Most of them are generic in nature, e.g awareness-raising programmes, measures designed to help increase the job mobility of older workers, commitment from top management throughout the age management programme, finding innovative ways to recruit older workers and assist in overcoming any skills gaps they may have. However, the best way to achieve such results internally may vary from company to company given specific contextual factors. As such, the case study examples may encourage employers to try something similar or spark new ideas, but they may need to be adapted to suit particular circumstances. A top-down approach of supposedly tried-and-tested age management approaches may also run the risk of being rejected by staff within the company if they have not been engaged in decision-making processes.

We would further argue, that the limited transferability of approaches across countries and companies linked to institutional factors (like pension systems), but also to the economic strategies of the actors (e.g. youth-centred policies in the context of industrial restructuring), the general labour market conditions, societal values, individual attitudes of the workers and prejudices.

Nevertheless, some observations can be made by countries:

- Particularly in Finland (but also in the Netherlands), age management strategies are far more developed than in other EU Members States. In the case of Finland, it can be assumed that this is partly linked to the different (national) age management programmes.
- Interesting approaches were also developed in some large companies in France and Germany.
- Two foreign-owned companies (one in Hungary and one in Poland) were striving to achieve a higher share of older workers to increase ultimately stability within the company and to reduce staff turnover. Italian companies were also aiming to increase stability as highly flexible labour markets for younger workers provide little employment security and lead to very high labour turnover.
- In the two southern European countries (Italy and Portugal), age management strategies were more difficult to identify. The case studies thus clearly are more of an exception within the national context. In the four new Member States, it was equally more difficult to identify good practice.
- Particularly in the new Members States, age management is in conflict with high youth unemployment. Furthermore, in the context of economic transition, older workers were clearly losing out as they have or are thought to have difficulties with adapting to technological change and the rules of the market economy (in particular in the sales sector).
- It should be stressed that in the case of the new Member States or in the context of industrial restructuring, good practice can simply mean that older workers are not automatically disregarded, but instead given the opportunity to remain in employment.
- Employment of pensioners is more important in older than new Member States
- In the UK, Germany, Finland and the Netherlands, institutional approaches towards promoting age management at national, regional and sectoral level could be identified (e.g. awareness-raising campaigns, initiatives directed towards training), whereas promising institutional approaches were lacking in Italy and Portugal.
- Access to companies was difficult in some countries, in particular in the new Member States (but also in the UK, where companies were preparing themselves for the implementation of new age discrimination legislation, and France)

12.3 Success Factors and Barriers

The following success factors and barriers for the implementation of age management strategies could be identified in the context of our company case studies:

Success factors

- Business benefits in private sector organisations

- Performance-related pay
- Commitment of top management
- Commitment of local HR managers and line managers as they have to put policies into practice
- Awareness-raising within the company (in large companies)
- Involvement of works councils / trade union, as this may have a positive impact on the attitude of employees
- Addressing attitudinal issues among staff and managers
- Importance of values in the company

Barriers to implementation / negative effects on impacts of measures

- There is limited scope for internal mobility in small SMEs, when jobs are highly specialised or when external mobility is low so that opportunities for job rotation do not so easily present themselves.
- Internal mobility can be tiring and can generate stress as a result
- Attitudes of line managers (prejudices, difficulties in implementing flexible strategies)
- Initiatives may falter with the departure of the driving force or other key staff
- Attitudes of employees (difficulties in adapting to change, low motivation to participate in training)
- Danger of a new specialisation between younger and older workers, in particular if too much physically demanding work is transferred to younger workers, as they will then face higher health risks in the future.
- Automation has contrasting effects: it improves working conditions but at the same time affects labour demand (thus, older worker might be even more affected by redundancies)
- Bad health of employees in some sectors / professions limits opportunities to extend working lives

12.4 Recommendations

(1) Developing holistic approaches to age management

- In very general terms, those developing age management approaches should recognise the interdependencies between different types of measure.
- Awareness needs to be raised that age management not only needs to address older workers but needs to adopt a long term view and has to take potential

intergenerational conflicts of interest into consideration without at the same time exaggerating the possibility.

- The approaches should offer choice to suit people's lifestyle and work-life balance (flexible working, flexible retirement).
- Individual support (in terms of training needs, adaptations, re-deployment, promoting occupational health) has proven to be successful
- Performance management of all age-groups so as to not discriminate against older workers
- Adapt wage systems to productivity rather than seniority rules. This should, as far as possible, however, not have a detrimental effect on pension levels.
- Organisation of work roles to suit age groups, taking into account work ability
- National programmes should be developed aimed at promoting age management through concerted action. This would help to increase awareness and to implement specific action plans.
- Case study examples highlight important generic issues, but the implementation of concrete measures may need to be adapted to particular circumstances within the company.

(2) Increasing internal and external flexibility

- Promote acceptance of career changes and develop an infrastructure that supports such career changes (e.g. career guidance, mid-career courses, provision of training, funding for training, reconsider existing - informal - age limits for job entry, promotion or acceptance into training programmes)
- Reforms of pension systems could assist in promoting gradual retirement before and after standard retirement age
- Analyse more concrete approaches which can be promoted in different economic sectors
- Develop an approach that helps SMEs to implement age management strategies
- Facilitate the transition from the external to the internal labour market.

(3) Awareness-raising and networking

- Awareness-raising to change attitudes of different actors, including
 - managers;
 - shop stewards, works councils;
 - workers;
 - key actors within agencies that operate at sectoral or regional level;

- trainers.
- At EU level, further work both in developing the concept of age management and promoting co-operation between existing institutes, agencies, networks and projects, is needed. There is duplication of work and lack of awareness of each other's work. The European Agency for Safety and Health at Work (EU-OSHA), the European Foundation for the Improvement of Living and Working Conditions, Workplace Health Promotion (ENWHP), networks on workplace innovation (like EU Work-in-Net), the EU Mutual Learning Programme, and others should be much better connected on this issue. In terms of making good age management practice dissemination more efficient and effective, at all levels of activity, more attention should be paid to building active, instead of passive good practice case banks, to move more towards a *facilitated transfer* of practice. Disseminating good practice calls for establishing good 'learning spaces' for complex learning transfers, supported by good programme and policy frameworks. In practical terms this means making case banks active by providing help desks, coaching and mentoring networks and reference to other networks and teams. It also means paying more attention to the quality of good practice case reports (i.e. inclusion of learning points and obstacles). Good practice dissemination should be further supported by cross-cutting activities, thematic work, conferences and workshops. Good practices in that respect already are already evident in different EU activities, but they remain scattered and fragmented. Perhaps a special cross-cutting and linking project (or a set of projects) building an EU *clearinghouse of age management*, is needed to make the efforts more efficient and effective.
- At national and regional level, promoting the development of key workplace health promotion agencies (WHP), occupational safety and health agencies (OSH), workplace development, innovation and adult learning institutes, networks, and their concept and co-operation on age management probably play a key role. The situation in this differs quite considerably in the EU Member States. Promoting awareness of good age management practices and co-operation of social partners and citizens through programmes, projects and campaigns is also seminal, as the experience of some countries has shown.
- Last, but not least, it should also be stressed that individuals need to take responsibility themselves for maintaining and enhancing their work ability and employability throughout their entire working life, drawing as much as possible on institutional support, particularly in the field of life-long learning and career development.

(4) *Reforming pensions system*

- Reforms to pensions systems at state, sectoral, occupational, or company levels should focus first on removing distortions caused by rigid rules. Pension systems should neither set specific incentives to retire early nor obstruct early exit if so desired by an employee. Pension systems should also discourage the use of gradual

retirement as a *de facto* pre-retirement instrument and only support the extension of working lives through ensuring actuarially-fair provision. This may include changes in pension calculations as final salary pension schemes discourage flexibility, both in terms of wage flexibility (job changes in later life may result in lower earnings) and changes in the number of pension years people can accrue if they work longer. Finally, the retirement age should be flexible and allow those having reached retirement age to continue working.

Drawing on the above, Table 12.2 sets out a number of recommendations directed at various actors.

Table 12.1 Recommendations at European, national, company and individual level

<p>It has to be stressed that, ultimately, strategies for lengthening working lives can only succeed if unemployment is tackled through increasing competitiveness and expanding labour demand.</p>	
<p>European/ transnational level</p>	<p>Recommendations at European level focus on the development of suitable frameworks and support measures on which EU Member States can draw when designing and implementing measures.</p> <ul style="list-style-type: none"> • Promote awareness of the need for age management among national authorities • Encourage Member States to develop national (or regional) age management programmes • Promote the co-operation among key institutes, networks, agencies and projects in the field of WHP, OSH and workplace development, innovation, adult learning, and strengthen the dissemination of good practice (possibly in the form of an EU clearinghouse on age management cases) • Assess other policy measures with regard to their impact on age management on a regular basis • Engage in discussions with partners at European level to overcome potential inter-generational conflicts of interests and other age management issues. Raise awareness that youth unemployment should not be seen automatically as a consequence of good age management approaches
<p>National level</p>	<ul style="list-style-type: none"> • Reform pensions systems to remove distortions that obstruct the potential lengthening of working lives for those who desire it, whilst also taking into account the need for labour market flexibility. A flexible pension system should facilitate retirement over a wider age range according to individual needs. • Act so as to align public sector retirement practices with those being advocated for the private sector • Promote the development of key WHP, OSH, workplace development, innovation and adult learning institutes, networks, and agencies, as well as their concept and co-operation on age management • Promote awareness of good age management practices and co-operation of social partners and citizens through programmes, projects and campaigns

	<ul style="list-style-type: none"> • Adopt a comprehensive approach that adopts a life-cycle perspective rather than focuses largely on employment in later life. • As at the European level, promote a balanced discussion of the notions of inter-generational co-operation and conflict in the labour market • Promote transition between the external and the internal labour market for older workers through awareness-raising
Regional level Sectoral level	<ul style="list-style-type: none"> • Provide expertise to SMEs on all aspects of age management (in contrast to large organisations expertise may not be available in-house) • Provide support (financial or otherwise) for SMEs with regard to life-long learning • Promote intra- and inter-sectoral mobility (mainly in SME sectors) • Build co-operative networks on the aspects mentioned at national level
Company level	<ul style="list-style-type: none"> • Implement holistic approaches, turn originally one-sided measures into comprehensive and sustainable strategies and connect to the experiences of other companies. Promising strategies at company level include: <ul style="list-style-type: none"> ○ improving working conditions ○ promoting health ○ increasing internal mobility and flexibility of all age groups ○ implementing career development for all age groups ○ setting up mixed age groups and organising knowledge transfer ○ offering flexible working time ○ reducing or avoiding physically-demanding working hours (shift work) and considering deployment of older workers in less busy periods ○ implementing gradual flexible retirement schemes in the context of the legal framework ○ ensuring a balanced age structure in the company

	<p>through recruitment</p> <ul style="list-style-type: none"> • Adopt a comprehensive approach that takes into account the life-cycle of employment rather than employment in later life. • Align retirement ages of public and private sector organisations over time
Employers' Federations and Trade Unions	<ul style="list-style-type: none"> • In the formulation their strategies employers' federations trade unions should take a longer-term view. • In collective bargaining, adopt age management and workability perspectives to <ul style="list-style-type: none"> ▪ wage policies ▪ improving working conditions ▪ equal access to training for all age groups ▪ negotiating flexibility (work organisation and career development) ▪ volume and distribution of working time ▪ company pensions • Employers' Federations and Trade Unions can play important roles in raising awareness of age management and provide general guidance to the social partners on how to develop and respond to the implementation of an age management approach
Trade Unions (at all levels)	<p>It has been argued that trade-unions are in an especially difficult position. Nevertheless, our study points to a need for trade unions to develop a clearer strategy in response to demographic change and a need to communicate this to its members.</p> <ul style="list-style-type: none"> • In the formulation of their strategies trade unions should take a longer-term view which balances the interests of those members approaching retirement and wanting to retire early, with the interests of those wanting to work on, and with the interests of those members who are young enough to consider alternative pension arrangements that offer them an appropriate mix of flexibility and security with good benefits in proportion to their costs. • Trade unions should develop a clearer position towards what is in the best long-term interests of their members when dealing with questions of equity in relation to entitlements to company pensions which unduly favour those with longer lengths of service and to removing aspects of pension schemes that discourage mobility and flexibility.

Individual level	<ul style="list-style-type: none">• Individuals need to take responsibility themselves for maintaining and enhancing their work ability and employability throughout their entire working life, drawing as much as possible on institutional support for life-long learning and career development.
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