

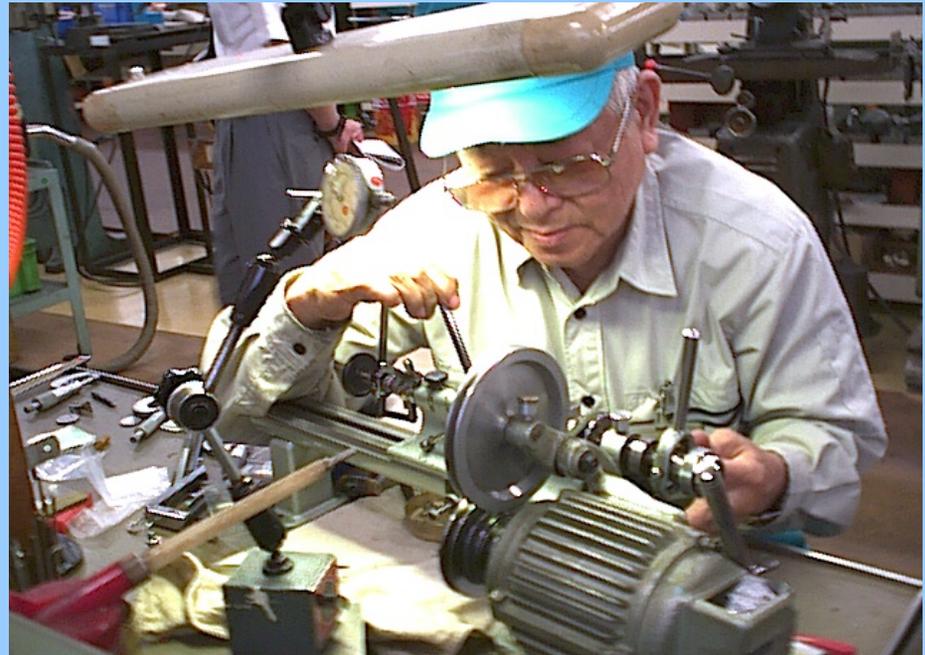
The Ageing Workforce: Implications for the Workplace

Philip Taylor

**Leading and Managing the Multi-
Generational Workforce**

**20 October 2008,
CEDA, Melbourne**

**Business, Work and
Ageing Centre for
Research**



**SWIN
BUR
NE**
* * *

SWINBURNE
UNIVERSITY OF
TECHNOLOGY

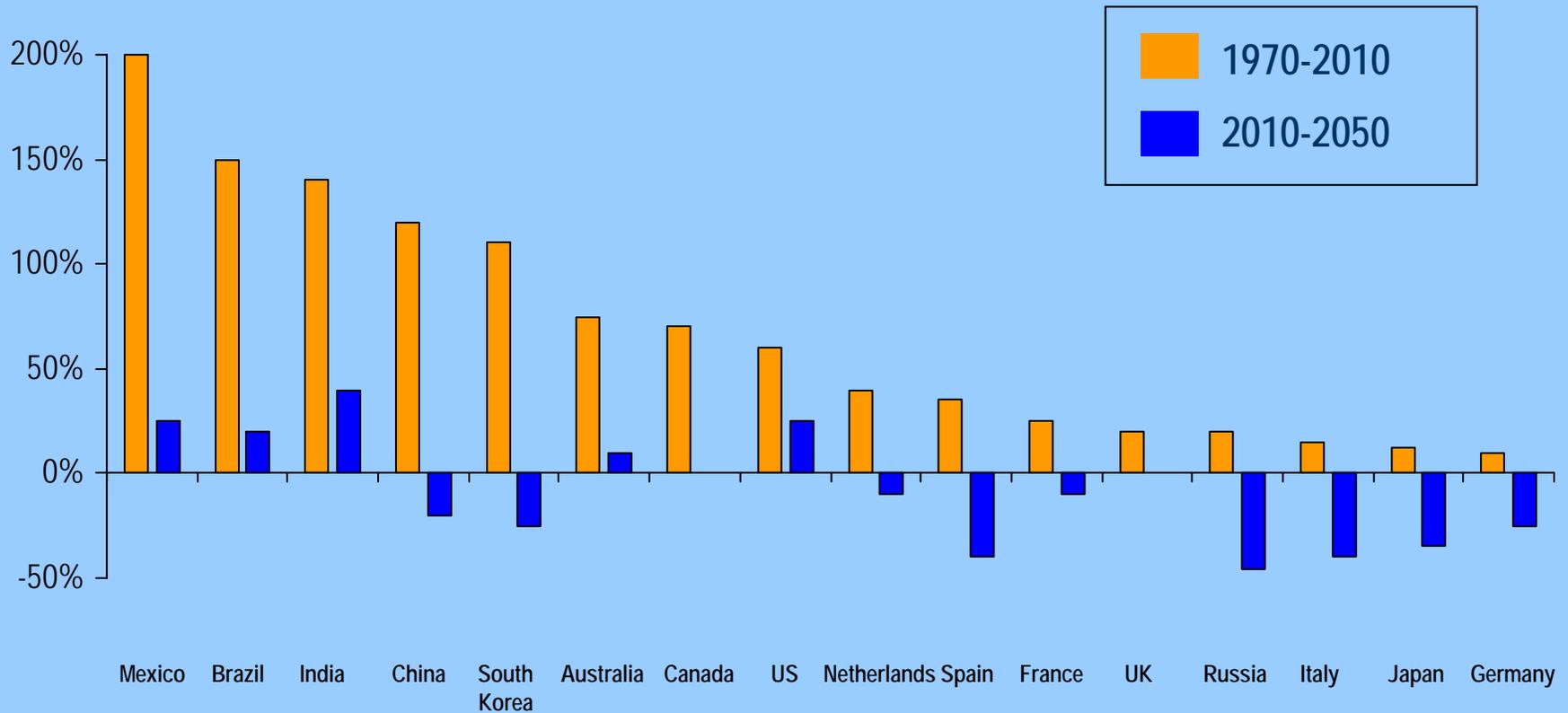
Content

- Introduce the elements of change that now confront individuals, business, government and society.
- Identified as social change, characteristics of the global economy and migration.
- These elements form the basis for discussion of the difficulties faced by older workers, gaps in current practice and the need for innovative policy reform.

Working later and the spectre of uselessness

- After decades of early retirement, a new consensus around 'working later' emerging.
- But there is concern about how demographic trends and globalization are creating labour supply challenges for employers and nations, their responses, and how older workers are being affected.
- Richard Sennet refers to the 'spectre of uselessness' as jobs they could do are moving elsewhere in the world.

Screeching to a Halt: Growth in the Working-Age Population



Source: Deloitte Research/UN Population Division (<http://esa.un.org/unpp/>) It's 2008: Do You Know Where Your Talent Is? Why Acquisition and Retention Strategies Don't Work, p.6

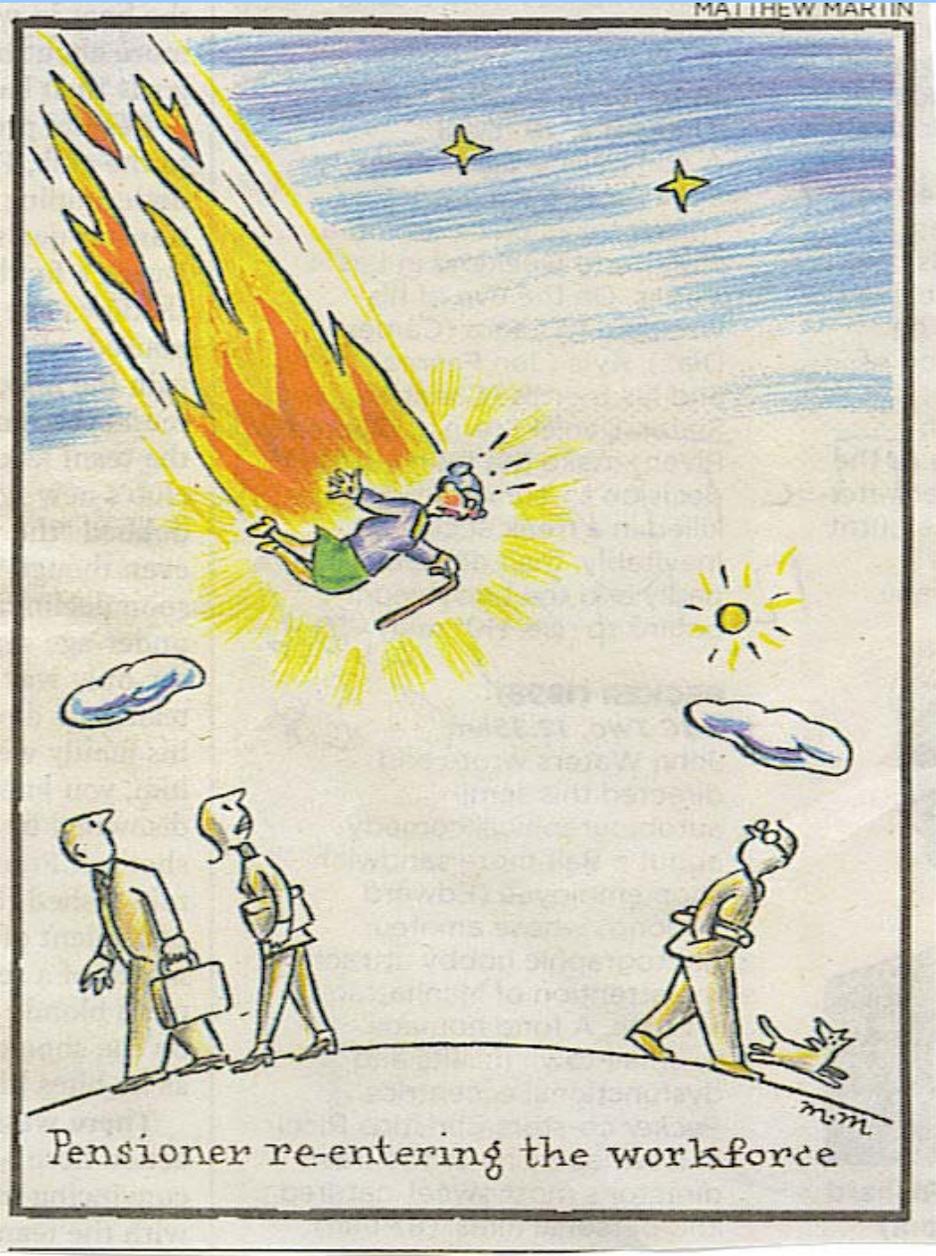
From Tamara Erickson Concourse Group

Working late for a happier old age

Costello urges workers to retire later

Treasurer Peter Costello has warned federal cabinet there is a crucial need to reverse the trend to early retirement and to encourage people to work longer. The Government is looking at offering incentives to encourage workers to delay retirement from age 55 to 65 to lessen the budget pressures caused by an ageing population. In a 45-minute presentation to cabinet yesterday, Mr Costello urged ministers to consider new policies such as rewarding participation in the workforce, incentives for people to get off welfare and stepping up labour market reforms.

Phillip Hudson, Political Correspondent
Canberra, The Age, February 26, 2003



Pensioner re-entering the workforce

A new demography – A new economy

- Demographic change and economic globalisation
 - Demography
 - OECD countries: forecast labour shortages
 - Global: labour supply is expanding
 - Economic
 - integration of production and value delivery
 - decomposition of production processes
 - New
 - global competition for talent, markets, technology and ideas
 - financial and human capital flows
 - skilled work being redistributed internationally.

Risks/Opportunities for business

- Maintaining adequate staffing levels.
- Attracting and retaining human capital.
- Attrition among younger workers pushing up business costs.
- Wage pressures.
- Attrition as the baby boomers retire.
- Loss of hard to replace organisational, technical and management knowledge and skills.



Overarching risk of lost productivity and competitive position.

Individual risk: The prospect of uselessness

- Job creation and destruction
 - manufacturing and service industries
 - vulnerability to job-loss and long-term unemployment
 - trade displaced unemployment
 - long tenured/specialised
 - few or outdated skills
 - declining health
 - work intensification
 - marginalised and insecure employment
- Limits of public policy
 - Agility
 - Adequacy
 - Breadth

The changing context: new economy

- Society experiencing rapid social, economic, and cultural change brought about by a sharp reduction in the cost of transportation and information and communication technologies.
- New global economic structures reward and require new configurations of economic relations, human and social capital and the resources of flexible capacities, agility and creativity.
- Rather than just the physical and material resources of the past.
- Corporations pursue integrated production and value delivery worldwide, economic activity is turning outwards.

The changing context: new labour markets

- Cross-border human and capital flows are enabling the relocation of industry to new centres of global production and opening up new talent markets.
- Countries now compete, not only for markets, technology and investment but for skilled labour.
- Global migration flows, especially among skilled workers, are expected to continue their strong upward trend.
- However, as this is occurring global demographic change is both complicating and precipitating an international search for talent.

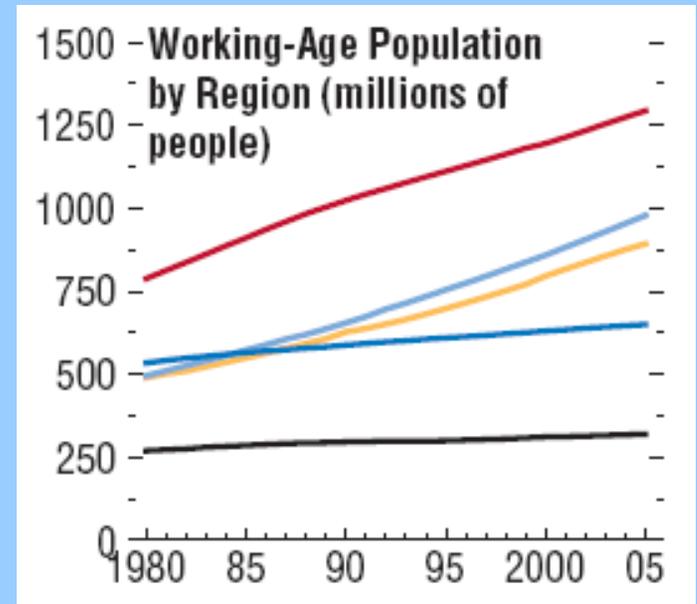


Will older workers plug the labour supply gap?

- Population ageing is bringing pressure to bear on labour markets and social welfare systems.
- Working later is identified as the obvious solution.
- Policymakers view this strategy as the basis of sustaining welfare systems and off-setting declines in numbers of young labour market entrants
- Yet, globalisation and its consequences provides a strong countervailing force.

Competing for global talent

- There is not actually a problem of falling labour supply.
- In 2005 the global labour force was 2.8 billion and will grow at a rate of about 40 million persons per year, the majority in developing nations.
- East Asia has contributed to about half of a quadrupling of the effective global labour supply, while South Asia and the former Eastern bloc have accounted for smaller increases.
- The global labour market presents as a new resource for organisations to utilise.



Will older workers be discarded?

- While globalisation is not a new phenomenon, what is new, is the pace and weight of flows dominating the global economy.
- Labour and capital flows, technology transfers and foreign direct investment are forcing dynamic change for individuals, business and government.
- Resources, on a global scale, are being reshuffled to meet new needs and new ways.
- Economic theory recognises that a reshuffling of resources in accordance with the principles of economic advantage can lead to improved resource utilisation.
- Globalisation however, also leads to job insecurity, older workers becoming 'off-suit' discards as their skills and attributes are no longer valued.

Influences on organisational policy

- **Prevailing market conditions**
 - Business performance and maintaining competitive advantage
 - Cost-containment
 - Maintaining a skilled and competent workforce
 - Knowledge utilisation, retention and capture
 - Maintaining labour supply
 - Changing demography and an ageing labour force.
- **Changing business practices**
 - New management approaches
 - New technologies
 - Modification of seniority wage systems
 - Corporate social responsibility
- **Public policy and support**
 - Ongoing pension and social welfare reforms
 - Ongoing labour market reforms
 - Financial support and external expertise (e.g. European Social Fund)
 - Legislation and regulation concerning age discrimination
 - Awareness raising
- **Social dialogue/collective agreements**
 - Stable platform for workplace policy developments
 - Long-term perspective on labour supply issues
 - Policy developments in specific areas e.g. lifelong learning
 - Sets the tone for workplace dialogue.



Pushed aside for younger model

In a stark announcement this week, Ericsson said it was offering voluntary redundancy to up to 1,000 employees aged 35 to 50 in order to make way for younger workers.

The telecommunications equipment maker said its workforce had become "unbalanced" after big job losses at the start of the decade and it needed to recruit younger staff to ensure competitiveness.

In a stark announcement this week, Ericsson said it was offering voluntary redundancy to up to 1,000 employees aged 35 to 50 in order to make way for younger workers.

The telecommunications equipment maker said its workforce had become "unbalanced" after big job losses at the start of the decade and it needed to recruit younger staff to ensure competitiveness.

Rather than bemoaning the loss of experience and skills, a union official said there would be willing volunteers for the generous severance package, which offers retraining.

Ericsson's move, at a time when age discrimination legislation is due to come into force across the European Union, appears in keeping with the findings of a new study* by Cambridge University.

Decades of early retirement have created attitudes and expectations in the EU that are hard to shift, even where governments are encouraging greater labour participation by older

people, says the study by Philip Taylor of the Faculty of Social and Political Sciences.

"Firms and workers in countries with a long history of early retirement such as Belgium and Germany, seeing the direction public policy is taking, are sometimes endeavouring to use early retirement while the window remains open," he says.

Mr Taylor has examined initiatives in 120 mainly large private sector organisations in 11 EU countries, in part following up a study in the mid-1990s by the European Foundation for the Improvement of Living and Working Conditions.

Well-meaning measures to support mature workers have sometimes foundered through lack of backing from employee representatives, he says. In other cases, companies have introduced initiatives to retain older employees, only to reverse them when economic conditions require cost-cutting.

"It is as yet hard to be

persuaded that we are witnessing a profound shift in the treatment of older workers," says Mr Taylor. "In fact, their changing fortunes may serve as an accurate barometer of the faltering growth of some European economies in recent years."

In spite of the gloomy backdrop, the Cambridge study shows that effective workplace policies to recruit, retain, train and motivate older employees have measurable, and sometimes unexpected, benefits for employers and older workers. These include:

- greater staff commitment, less stress and lower turnover and sickness absence;
- reduced pension costs;
- increased participation in training and development, and better team-working and co-operation between management and unions;
- a better image among customers and prospective employees.

*Developments in Employment Initiatives for an Ageing Workforce

Employment Policies for an Ageing Workforce

- KSB Inc – Germany
 - Evidence of effectiveness of its ‘programme for older employees’. Employees feel appreciated and the measures as well as communication of the company perspective helped reduce the wish for early retirement.
 - However, initial lack of understanding of why the company suddenly set such great store by the older employees and what induced management to change.
 - Concern about whether early retirement possible.
 - Moreover, acceptance of the measures was endangered by a rationalisation and reorganisation programme which led to compulsory early retirements.
 - This use of older employees was viewed as the most socially acceptable measure
 - Led to irritation and criticism from older employees who questioned the credibility of the programme.

Example of practice

- **Barco - Belgium**

- In 1999, Barco participated in a project called 'Life Time Employability'. The organisation considered it important to foster 'replenishment' periods of training during the careers of their employees.
- The workforce is ageing and some older workers find it hard to keep up, despite intense training programmes, and the company has promoted cases known as 'beacons', as examples for other workers (e.g. flexible working hours, part time work, demotion, outplacement).
- In 2004, Barco restructured some of its divisions. Blue-collar workers aged 50 and over could choose a 'Canada Dry-arrangement', and most did. Consists of unemployment benefits and a lump sum paid by the employer.

Example of practice

- **British Telecom - UK**

- Introduced five flexible working options in 2001 to give employees more choice about the nature and timing of retirement.
 - Wind Down. Opportunity to go part-time or job share;
 - Step Down. Reduce work commitments by taking a position with a lower level of responsibility.
 - Time Out. Full- or part-time sabbaticals.
 - Helping Hands. Take up volunteering or community work.
 - Ease Down. Gradually reduce working hours and/or responsibilities
- Take-up not as strong as had been expected, with view that concern about pensions had made people cautious, and more had opted to continue to work full-time, rather than consider other opportunities.

Measures taken by Dutch organisations in response to current or near-term staff shortages (%)

Source : Henkens, K. & Schippers, J. in Taylor, P. (2008) Ageing Labour Forces Promises and Prospects, Edward Elgar

Measures	2000		2005	
	Is being implemented	Is being or will be considered	Is being implemented	Is being or will be considered
Increasing the employability of workers	44	40	41	49
Substituting technology for labour	21	29	18	34
Encouraging workers to continue working until the age of 65	12	44	12	52
Relocating production capacity abroad	4	5	3	7
Reintegrating the disabled	38	42	26	42
Recruiting more women workers	51	18	21	23
Offering higher wages	34	48	9	43
Recruiting more older workers	19	39	8	39
Recruiting staff from abroad	10	17	6	17
Calling back retired employees or staff who have taken early retirement	10	21	3	13

The email eunuch?

- While according to economic theory inter-sectoral mobility will absorb the negative effects of sectoral change or contraction, older workers face job search frictions and labour mobility barriers.
- Those facing these risks must either shoulder the cost of adjustment through re-training or unemployment or remain trapped in shrinking sectors.
- Older job losers in industries facing intense international competition are slower to be re-employed and face larger wage losses once re-employed than others.
- These and other complicating factors position many at the margins.
- Indicates the need to assist them to negotiate change in an increasingly complex and dynamic environment.

New policies for older workers

- Active labour market policies are a modern approach designed to improve labour market efficiency, to ease loads and share burdens.
- But for many, the policy language of individual responsibility offers little to challenge social circumstances, culturally embedded roles and limited fields of opportunity.
- Evidence suggests that after-the-fact interventions will do little to salvage trade displaced older workers.
- Job destruction and creation no longer takes place according to orderly and foreseeable patterns.
- Some argue that the employment challenges that now confront modern society may evade the scope of traditional policy responses.

Summary

- Integration of the world economy has facilitated the movement of industrial production to new centres and with this, new sources of international demand for skilled labour.
- Foreign direct investment in developing economies along with industry restructuring and the emergence of global production networks have also radically reshaped human capital and financial flows.
- There is potential for adverse complications for at-risk older workers.
- A deep understanding of the current relationship between age and the labour market requires that demographic ageing is considered alongside other factors.
- The popular premise, that ageing populations go hand-in-hand with ageing workforces, appears to be contradicted by much evidence.
- Current efforts to prolong working lives, to attract skilled migrants and investment, and to reverse the flow of skilled professionals into a globalising labour market may remain little more than rhetoric.
- In the absence of reliable alternatives business is exploring the viability of models involving trans-national activities, leaving in its wake a new crop of older dislocated workers.

Thank you

*[www.swin.edu.au/business
/businessworkageing](http://www.swin.edu.au/business/businessworkageing)*

ptaylor@swin.edu.au

