

# RETHINKING CAREERS

HOW TO DEAL WITH LONGER WORKING LIVES  
IN HUMAN RESOURCES PROCESSES



## AN ENTERPRISE 2020 INITIATIVE

THE BUSINESS CONTRIBUTION TO ACTIVE AGEING

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## CONTEXT

The demographic change in European society and its consequences are well documented. The population is living longer and the average age of the workforce is increasing. The current economic climate and the austerity measures will increase the need for longer working lives and put additional pressure on household incomes and the social benefit systems.

For companies these evolutions bring a number of new challenges for their human resources, career-development and workforce planning, who must assess:

- How to deal with a shrinking and ageing workforce
- Whether they will face labour shortages in the near future
- The likelihood of a loss of knowledge when baby-boomers leave the company
- How to handle an older workforce in terms of productivity, labour cost
- Whether 40-45 year long careers are really possible and whether they are equipped to turn these into a competitive advantage

Dealing with these challenges will require businesses to rethink the career-paths and opportunities for the entire workforce. Keeping staff for longer in a company will also imply that career development opportunities for the younger generations are altered, that age-diverse teams will become more prevalent, etc. The way companies deal with these challenges will not only affect the employees and society in general but also the management of labour costs. Adequate workplace innovation and a smart enabling policy environment will allow the creation of shared value. This is our common challenge.

This report brings some of the key facts together and analyses the way that the human resources processes can be improved in order to deal with these issues over the mid-term. Ageing of the workforce is indeed a challenge that cannot be tackled with short-term solutions only. Companies need to develop a more comprehensive approach in order to secure and increase competitiveness in a global market.

The report is the outcome of a two-year collaborative project that CSR Europe initiated within the framework of its Enterprise 2020 initiative. With guidance and steering from **GDF Suez, Intel** and **Age Platform Europe**, a series of expert-workshops and webinars were organised to explore the challenges and possible solutions. In addition, an indicative survey with 23 CSR Europe members was carried out to understand the current situation of how companies are dealing with age management. The analysis in this report and the direction described are the result of this collaborative work.

CSR Europe will further engage on this “Rethinking Careers” topic and, in 2013, will initiate a learning network and develop a benchmark tool in order for companies to further improve the way they secure the future of their workforce.

Stefan Crets  
Executive Director  
April 2013

# I. CHANGING DEMOGRAPHICS AND THE IMPACT ON ENTERPRISES

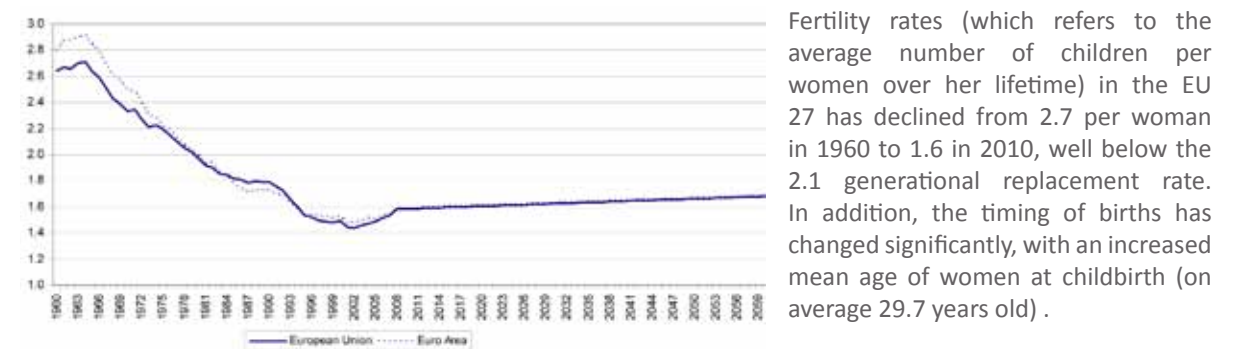
## 1.1 CHANGE OF THE AGE STRUCTURE IN EUROPE

A striking demographic change is taking place worldwide: people are living longer than ever before and fertility rates are falling in many regions.

Before 2020, a historical reversal in the global population pyramid will occur, where the proportion of the people aged 65 and over will exceed the proportion of children aged 0-4. The over 60s demographic will be the only one that expands between now and 2050.

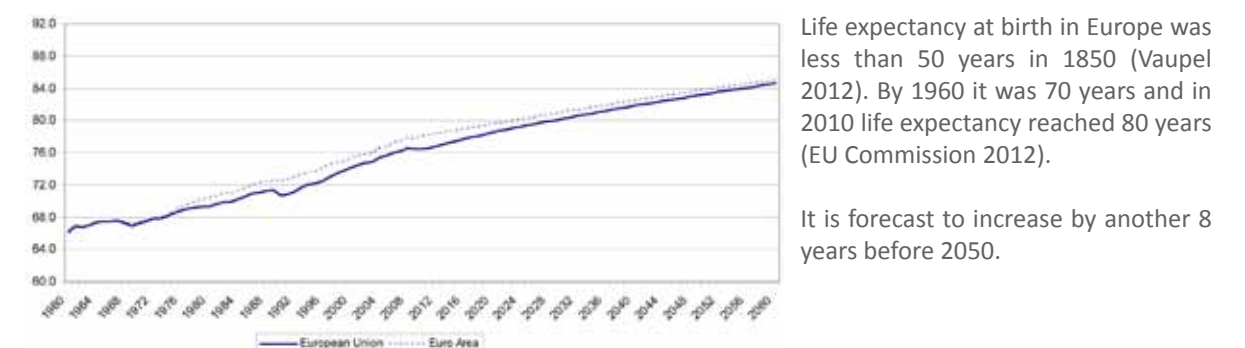
This combination of falling fertility rates (figure 1) and increased longevity rates (figure 2) poses many challenges – for societies and governments dealing with rising pension and healthcare costs, for individuals approaching retirement and consequently for companies too.

FIGURE 1: DECLINING FERTILITY RATE IN THE EU27



Source: Commission services, Eurostat, EUROPOP 2010

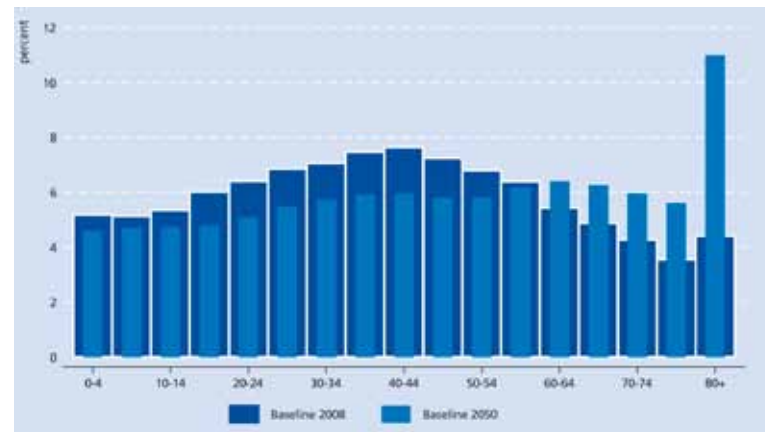
FIGURE 2: LIFE EXPECTANCY AT BIRTH, WOMEN (IN YEARS)



Source: Eurostat (2011). EUROPOP 2010

These two trends are further amplified by the “baby boom cohorts” effect. They are the cohorts born between 1945 and 1960 before the fall in the fertility rate. They started to retire in 2005 and will continue to do so until 2025. Eventually, as they live longer, they will swell the numbers of the huge 80+ cohort.

FIGURE 3 THE EFFECT OF THE BABY BOOM COHORTS



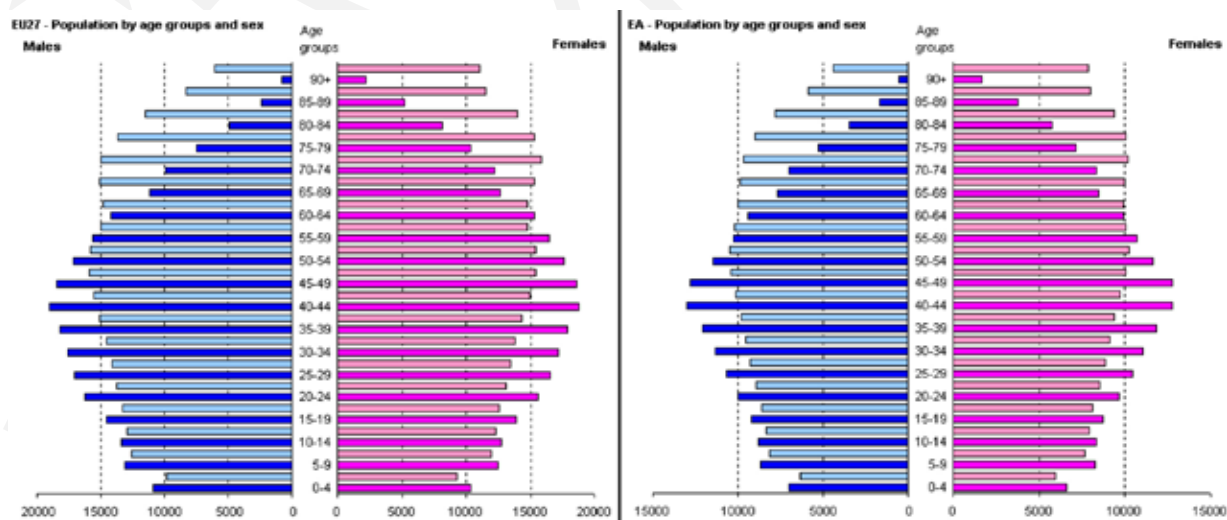
Source: SEO/Randstad (2010) Bridging the gap: international database on employment and adaptable labour

The total EU 27 population will remain relatively stable over the next 50 years: in 2010 it totaled 501 million. It will peak at 526 million in 2040 and then decrease to 517 million in 2060. Its age structure, however, will change dramatically:

- The age group 0-19 will remain relatively stable at about 20% of the total
- The **share of the working population (20-64) will go down from 61% in 2010 to 51% in 2060**
- The share of the 65-79 age group will increase from 12% to 18%
- The share of the 80+ age group will increase from 5% to 12%

As a consequence, the age structure of the population will gradually evolve from a pyramid to a pillar.

FIGURE 4: POPULATION PYRAMIDS (IN THOUSANDS), EU27 AND EA, IN 2010 AND 2060



Source: Eurostat (2011). EUROPOP 2010

## 1.2. THE IMPACT ON SOCIETY: INCREASING COST AND REDUCED SHARE OF WORKING LIFE

The ratio between the inactive elderly (people aged over 65 years) and the overall employed population will progressively increase from about 40% (i.e. 40 retired for 100 active persons) in 2010 to 70% in 2060. This ratio is especially important as it will impact upon the social security and taxation systems heavily. Age related costs are expected to increase from 25.9% of GDP in 2010 to 30.4% in 2060 (pension costs would increase from 11.3% of GDP to 12.8%) (EC, Active ageing report, p. 38)

This evolution is already well-known and states can try to reduce the impact of ageing by reducing the costs related to ageing (i.e. the “numerator”) or by increasing the output (GDP) produced by the active population (the “denominator”) but as Professor Bengtsson pointed out during the Population Conference on 20/11/2012 several options will not yield strong results:

Increase the productive base (denominator)	
Higher immigration?	Too little!
Higher fertility	Too late!
Productivity increase	Too difficult!
Increase working time	Ok
Decrease Costs (numerator)	
Reduce consumption of services given by member states	OK

Looking at the working life, in the period 1960 – 2000, the relative share of an average individual’s working life has been reduced by a combination of three factors:

1. Later entry in the workforce because of longer education (on average 4 to 5 years reduction of work-life)
2. Earlier exit from the workforce because of early retirement practices (4 to 5 year reduction of work-life)
3. Increase in life expectancy (added 6 (8 by 2010) years in retirement)

The combination of longer lives, the shorter share of the working life and increased costs is the major societal challenge for governments at the national and EU levels.

## 1.3 POLICY RESPONSES: ADAPTED PENSION SYSTEMS AND MEASURES FOR LONGER WORKING LIVES

The European Commission published a Green paper in 2010, followed by a White Paper in 2012 to outline its overall strategy to restore sustainability in the pension system and to increase the relative share of working life. Five key objectives were identified:

- Link retirement age to increase in life expectancy
- Restrict access to early retirement schemes
- Support longer working lives by developing employment opportunities for older workers
- Support the development of complementary retirement savings
- Equalise the pensionable age between men and women



In parallel, member states have taken action in the past ten years by:

- Penalising early retirement and introducing stricter rules on an early exit
- Decreasing the relative value of legal pensions compared to the last wages received (the so-called net replacement rate)
- Encouraging supplementary pension schemes

In a number of countries, the trend is also to increase the statutory pension age beyond 65 years. Several member states have linked the progression of this age with the increase in life expectancy.

FIGURE 6: POLICY DIRECTION ON RETIREMENT AGE IN SELECTED COUNTRIES

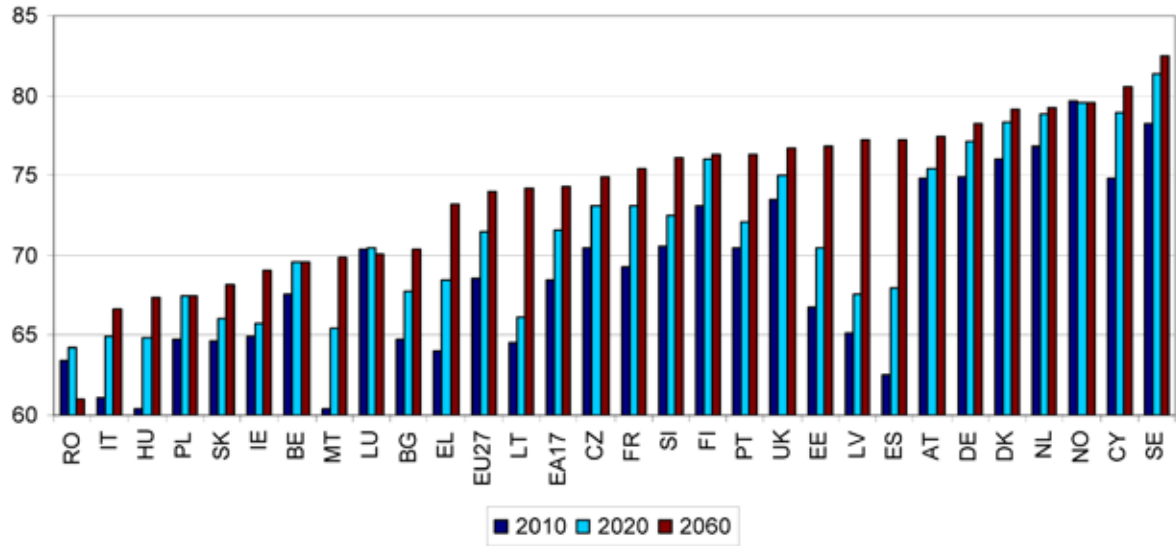
	Pension age 2020	Pension age Post 2020	Link with life Expectancy
DE	65,75	67	
DK	66	67	Yes
ES	66,3	67	
FI	63-68		Yes
FR	62-67		
IT	66,69		Yes
NL	66	67	Yes
UK	66	68	

Source: European Commission (2012). White Paper: An Agenda for Adequate, Safe and Sustainable Pensions (Annex 3

Experts even consider that the normal pension age should increase to 70 years, so as to keep current consumption levels from falling (T.Bengtsson 20-11-2012) (Economist, april 7<sup>th</sup>, 2011 : “Pensions 70 or bust”).

But a major priority of the European Commission is now to activate the 55-65 years age group. Given the overall employment target of 75% by 2020 (EU2020 strategy), public policies will increasingly focus their efforts in this population group. The encouraging fact is that the trend of retiring earlier was reversed ten years ago. The employment rate of 55-65 year olds group has increased by nearly 10 percentage points on average in the past ten years (from 37.7% in 2001 to 46.3 % in 2010). Of course, at 46.7% on average, their employment rate is still low. As there are important variations between member states there is significant room for improvement.

FIGURE 7: EMPLOYMENT RATE OF OLDER POPULATION (55-64), 200 AND 2010



Source: European Commission (2012). White Paper, Annex 3

In France, one of the core initiatives aimed at combating high levels of unemployment proposed by President François Hollande is the creation of a new kind of contract to help the country’s youngest and oldest employees. The generation contract (contrat de génération) took effect on 18 March 2013. The goal is to combine job creation for young people aged between 16 and 25 with a drive to keep older workers aged 57 and over in active employment. Part of the initiative is a scheme to encourage older workers to help train young entrants to the labour market. Recently, the German government initiated several pension reforms. Partial retirement will no longer be subsidised after 2010, and a gradual increase of the legal pension age for the old-age pension to 67 years started in 2012. Also in other countries governments are taking measures to deal with the activation of the older population.

#### 1.4. THE CONSEQUENCES FOR COMPANIES

The changes in the European demography and the ageing of its population do not only heavily impact societies and governments, they also influence the way of doing business. They present specific challenges to the way recruitment, career development, retention and other human resources processes are managed. Those specific challenges will be further developed in the next section.



## 2. THE REAL CHALLENGE FOR AGE MANAGEMENT IN ENTERPRISES

The sometimes polarised debates about public pensions have been relayed by the media. Most Europeans are aware of demographic ageing as illustrated by the 2011 special Euro-barometer on active ageing. When faced with the question: “would you like to continue working after you reach the age when you are entitled to a pension:

- 33% answered yes
- 41% of the 55 + answered yes
- 65% answered yes if they could combine part time work and partial retirement

Many Europeans cite a lack of gradual retirement options as an obstacle to longer careers (Euro-barometer 378 – 2012)

On the other hand, from a survey that CSR Europe carried out in 2012 (see annex 1 and annex 2) it seems that a large majority of enterprises are not overly concerned by the issue of age management. This survey has indicated a number of reasons for the lack of action on behalf of companies in this field:

- The number of retirees relative to the active population is growing, but this is seen as a concern for member states rather than for enterprises.
- Baby boomers are going into retirement in larger numbers than before, but enterprises are not currently experiencing the much publicised “loss of institutional knowledge”.
- The often predicted “war for talent” did not happen in Europe and the supply of workers is not an issue in most member states, except in specific fields of competencies (e.g. engineers). The contrary seems to hold true: a number of sectors are continuing to restructure, shedding jobs in the process, and youth unemployment – including the number of graduates out of work – is historically high.

However, there are a number of questions and doubts for companies:

What is the best way to deal with a shrinking and ageing workforce in Europe?

Will companies face labour shortages in the near future?

Will there be a loss of knowledge when baby-boomers leave the labour market?

How to deal with an older workforce in terms of productivity, labour cost and are longer 40-45 year long careers really possible?

For each of these questions we will bring together some basic facts below.

## 2.1. DECREASED LABOUR SUPPLY COMBINED WITH AN AGEING WORKFORCE

Although the EU working age population peaked in 2012 at 308 million people, it will shrink down to 265 million towards 2060. At the same time, the participation rate is projected to increase from 75% to 79% coupled with a projected decrease of the unemployment rate. The age composition of this workforce will also change in the coming years as displayed below.

FIGURE 8: CHANGES IN POPULATION AND WORKFORCE 2010-2020 BY AGE GROUP



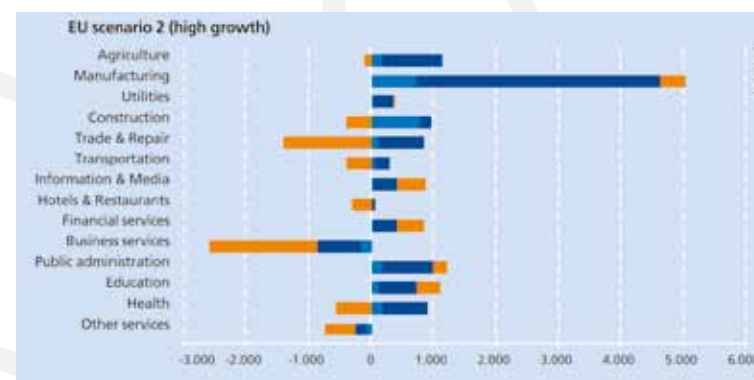
Source: SEO/Randstad (2012). Into the gap

This means that overall the age distribution inside companies will further change. The share of the 55-64 age group in the workforce today lies at 15% and it is projected to increase to 23%. This 8% increase is considered manageable.

## 2.2. COMPANIES WILL NOT FACE LABOUR SHORTAGES BEFORE 2020 BUT COULD THEREAFTER

Given the reduction in labour supply, there could be a fear of labour shortages. However, research conducted by SEO/Randstad showed that in the aftermath of the 2008 crisis, quantitative labour shortages have been postponed until 2020 (at least). Levels of employment have fallen and the pace of employment growth is predicted to be much weaker. By 2020, labour surpluses will still exceed shortages in most sectors, as illustrated in figure 9. (Randstad SEO 2012 Into the gap)

FIGURE 9: EXPECTED WORKER SURPLUSES AND SHORTAGES TOWARDS 2020 FOR DIFFERENT SECTORS



Source: SEO/Randstad (2012). Into the gap

This does not mean the labour market will not show mismatches, as qualitative shortages have already been observed, in the form of horizontal or vertical mismatches:

- There are “horizontal mismatches” when the fields of specialisation of graduates do not meet the requirement of enterprises.
- “Vertical mismatches” appear as the demand for more highly skilled workers will continue to grow in most countries. This demand will not always be met by the available supply.

The underlying shrinkage of the working age population will continue however. When growth picks up again, labour shortages will become visible. Workforce planning in the broadest sense should therefore be on the agenda of all large enterprises.

## 2.3. THE TRANSFER OF KNOWLEDGE FROM EXISTING BABY-BOOMER COHORTS IS MANAGEABLE

The risk of an overall loss of knowledge resulting from the exiting large cohorts of baby-boomers has been put forward<sup>1</sup>:

- People born between 1945 and 1960 have started exiting the workforce since 2005, and will continue to do so until 2020-2025. This leaves a 10-15 year time period to manage the transfer of their “knowledge”.
- People born between 1960 and 1970, after the baby boom generation, still represent a large share of the population, and still the core part of the active population (aged between 40 and 50 years).

On the other hand, companies have codified and documented their transactional and operational knowledge. The knowledge inside a company is, more than ever before, stored in their systems, and thus less dependent on the human factor

As the “replacement” markets are likely to become tighter after 2020, the argument for workforce planning and timely transfer of critical and vulnerable core competencies is, however, becoming stronger.

## 2.4. THE CHALLENGES OF AN OLDER WORKFORCE NEEDS TO BE MANAGED NOW AND FOR THE FUTURE

As indicated earlier, most Europeans seem to be willing to work longer; they understand the need for it. Also, age lobbies are stronger and better organised, advocating for more employment opportunities for older employees.

The expected increase in the length of careers (towards 40-45 years) can only be managed if a number of conditions are met:

- **Fight stereotypes and misconceptions:** An older workforce is not less productive but the capabilities change with age (see figure 10).
- **Maintain physical and mental health:** Ageing occurs gradually and employees lose a number of their mental and physical strengths as they age. The working environment has to be adapted to keep older employees in good health and to maintain productivity. Prevention is key in this area.
- **Counter loss of knowledge and expertise:** Many sectors in the current EU economy are characterised by rapid technological changes. Workers can remain employable only if their knowledge and expertise are kept up to date. Yet there is consistent evidence that the age group 55-64 receives less training than the younger ones. (Eurostat 2012)
- **Remove obstacles to inter-enterprise mobility:** Employees already change employers several times in their career. The average job duration in the EU was 10 years in 2010 (SEO 2012 Into the gap p23). The flexibility of labour markets is increasing. Older workers are in need of employment as much as younger ones. Older workers are more vulnerable at the times of restructuring and also recruitment processes tend to favour younger employees.

<sup>1</sup> Global Aging. How companies can adapt to the new reality. The Boston Consulting Group, 2011



FIGURE 10: CHANGES IN THE PERFORMANCE SPECTRUM

Strength of younger workers	Strengths built up over career	Strength of older workers
<ul style="list-style-type: none"> <li>• Muscular strength, sight &amp; hearing</li> <li>• Quickly absorb and process information on complex tasks</li> <li>• Short term memory</li> <li>• Mental agility and adaptability</li> <li>• Willingness to take risks</li> <li>• Resistance to a high level of continuous physical and mental stress</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to absorb &amp; process information</li> <li>• Systematic thinking, ability to concentrate</li> <li>• Long term memory</li> <li>• Target orientation and planned action</li> <li>• Co-operation</li> <li>• Resistance to normal physical &amp; mental stress</li> <li>• Ability to learn (under adapted didactic conditions)</li> </ul>	<ul style="list-style-type: none"> <li>• Quality awareness</li> <li>• Accuracy</li> <li>• Safety awareness</li> <li>• Reliability</li> <li>• Communication skills</li> <li>• Critical thinking &amp; judgment</li> <li>• Independence, awareness of responsibility</li> <li>• Ability to accept leadership functions</li> </ul>

Source: ENWHP (2006). Healthy Work in an Ageing Europe

Another challenge is related to salaries and overall labour costs. In a number of EU countries the current salary formation process is strongly linked to age, seniority increases or career development. As the average age of the workforce increases this will generate mechanical payroll cost increases..

The national health care systems will have to be restructured in the coming years to make them more sustainable and coverage is likely to be reduced. There will be pressure on the part of employees and unions to increase the value of occupational plans in the areas of pension and medical coverage.

## 2.5. CONCLUSION: DEALING WITH AGE MAKES GOOD BUSINESS SENSE

The unfolding demographic changes will usher in a greying workforce. Labour shortages should not appear before 2020. Knowledge transfers will be manageable. We have no reason to believe that the productivity of a larger (+8%) number of healthy 55-65 years old workers will be less than their younger colleagues.

Member States on the other hand are already under financial pressure. Age related costs represented 25% of GDP in 2010 and are likely to grow to 30% by 2060 (EC 2012 ageing report - risk scenario). This is considerable, and as we have noted, the temptation to fund at least a share of these costs through additional payroll taxes will grow.

In coordination with the EC, Member States have addressed - since 2000 onwards - the state pension challenge by:

- Pushing the retirement age up to 65 and beyond;
- Reducing the net value of pensions; and
- Closing down early retirement schemes.

These changes are still unfolding but the “state pension revolution” – which has been painful in a number of countries - is expected to be over before 2020.

As a consequence already now a large number of 50-60 year old European workers are now facing – or will face – a lengthening of their careers and for the future generations this will only grow. Aside from the necessary psychological adjustment, the key issue is whether they will be able to manage 5, and up to 10 extra years of work. Indeed, the average career length in the EU 27 is 34.5 but it was less than 30 in Italy in 2010.

**Longer working lives are the core reason for the development of a sound business approach to this challenge – one that can deal with the risks and costs but also benefits from the opportunities workplace innovation might bring.**

Longer working lives will require significant efforts both from workers and enterprises. Member States, in coordination with the European Commission, should also provide the adequate policy framework.

CSR Europe’s survey and interviews, however, give the image that companies have not fully addressed the issue of age management in a systematic way. Human Resources strategies will need to be revised and processes and systems will require adaptation. But also the ways to think about careers will have to be reviewed, especially the ways companies interact on the career development of employees with other players in the market like SMEs, other companies, NGO etc.

This challenge of “re-thinking careers” will be further elaborated in the following chapter.

### 3. RETHINKING CAREERS

Employees will work longer and they will have several employers during their career path. In Europe only 40% of the jobs last for +10 years and this number is likely to go down. Two aspects are therefore important to take into account in the way companies approach the career of employees:

Put employability and workability at the heart of human resources management

Embed the company within a wider network of companies, institutions, NGOs, suppliers, etc. also from a career development perspective. So far, career management and employee development is viewed by the HR division only as an internal challenge. This way, however, lead companies to miss out on learning and job opportunities for their current employees (skills development, training,...) and for the employees that leave the company (restructuring, early retirements, ...)

**FIGURE 11: RE-THINKING THE CAREERS MODEL: MAKING WORK SUSTAINABLE THROUGH THE LIFE COURSE**



Inside a company, in order to deal with the current and upcoming challenges, it is important to focus on employability and workability throughout the career of an employee. But, as indicated above, a company does not have to do in isolation: it can build up a network of partners who can support in training of employees, which functions as a safety valve in times of temporary labour issues or can help to create employment opportunities. This aspect will not be further elaborated upon in the framework of the current publication – the next paragraphs focus on employability and workability.

By employability, we mean the combination of factors which enable individuals to gain employment and stay in employment. For individuals, employability depends on the knowledge, skills and abilities they possess, the way they present those assets to employers, and the context (e.g. personal circumstances and labour market environment) within which they seek work (Hind and Moss, 2011). Employability is seen as:

- The ability to gain initial employment,
- The ability to maintain employment and make 'transitions' between jobs and roles within the same organisation to meet new job requirements
- The ability to obtain new employment if required, i.e. to be independent in the labour market by being willing and able to manage their own employment transitions between and within organisations.

Workability on the other hand, is an assessment of a person's capacity to continue engaging with work. It can be described as the balance between a worker's resources and the demands of work in a given enterprise.

The two concepts of employability and workability overlap significantly. While workability focuses on the current job and employer, employability has a broader and longer term perspective and is linked to the wider labour market. A high level of Workability is a necessary prerequisite for employability. In our model we make the assumption that the factors which improve or reduce workability will also improve or reduce the overall employability of workers.

#### Focus on an example: The Finnish national program on ageing workers

The concept of workability developed in the early 1980s by the Finnish Institute of Occupational Health was used in a national campaign, which also targeted the private sector. It was accompanied by a broad pension reform. The Finnish program was internationally regarded as a success. The employment rate of 55-64 year olds increased by 12 percentage points (more than in any other EU country) and the retirement age increased by almost 1.5 years to 59.5 (Ilmarinen, 2006, p 64).

Workability is a measure of the inter-relationship between the resources of an individual and the work he/she performs. Occupational stress creates strains for the individual and the individual's resources regulate this strain.

(I, II, III ) Individual Resources	(IV) Demands of Work
<p>I. Health and functional capacity</p> <p>II. Professional competences (knowledge and skills)</p> <p>III. Attitudes and motivation</p>	<ul style="list-style-type: none"> <li>• Mental and physical demands</li> <li>• Work community and management</li> <li>• Work environment</li> <li>• Work organisation</li> </ul>

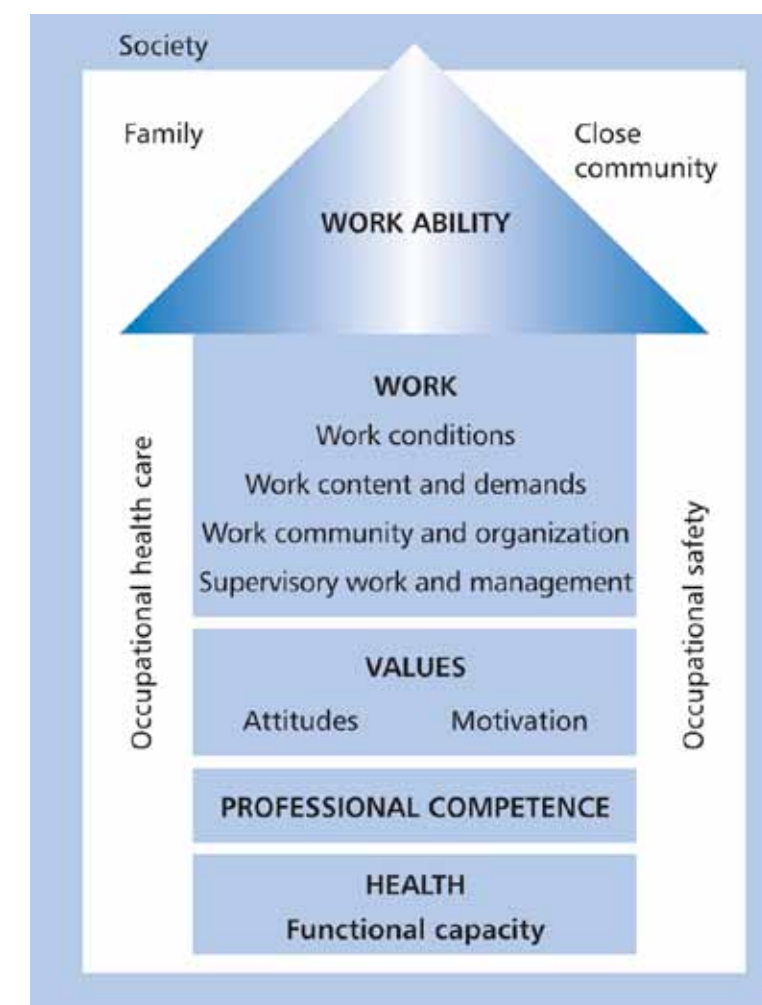
Longitudinal studies have shown that :

- Poor workability is a predictor of early retirement (for disability reasons) and even mortality
- Good workability is a predictor of wellbeing in retirement

Of immediate interest to enterprises, studies have shown that good workability was significantly correlated with higher productivity and higher quality of work (Ilmarinen 2001 international conference p29). For enterprises the practical question then is how to:

- Increase the employees' resources over their career
- Adapt the demands of work if necessary to ensure that workability and employability remain at the highest possible level. In the Health 2000 study (Ilmarin, 2008, p. 116) it was demonstrated that health and functional capacity, followed by the work characteristics had the highest contribution to the level of workability.

FIGURE 12: DETERMINING FACTORS FOR ENHANCED WORKABILITY



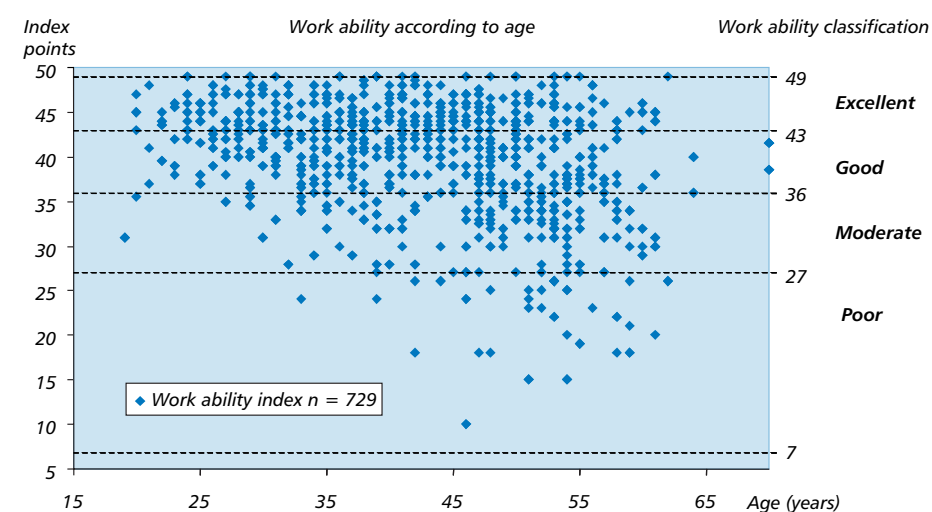
Source: Ilmarinen (2006). Towards a longer work-life, p 136

Furthermore, the Finnish studies show that older employees, generally, maintain a good workability level until age approximately age 58. But ageing has an impact for 30% of employees especially in the age range 51-58. The workability of older employees is more at risk than the one of younger employees. The graph below shows that workability on average decreases with age but the individual workability spread is wide past 55.

The Finnish experience demonstrates that workability can be improved and working lives extended with appropriate and concerted measures.

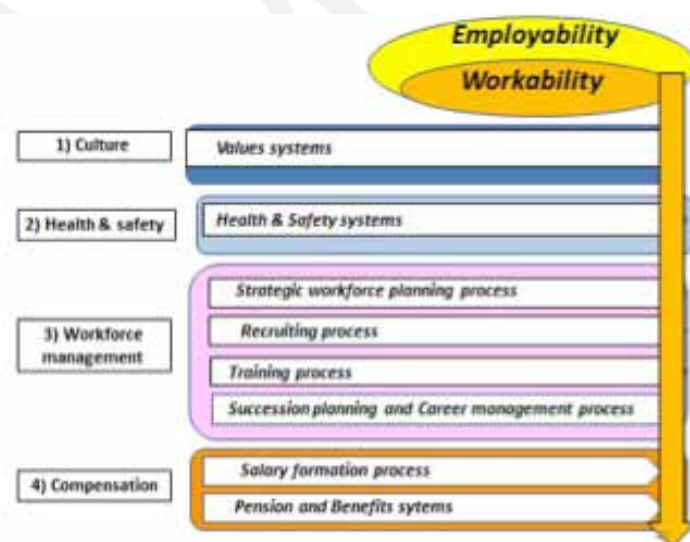
FIGURE 13: AGE AND LEVEL OF WORKABILITY

**Figure 13.** Individual distribution of work ability by age in small and middle-size enterprises in Finland in 2000. The work ability index ranges from 7 to 49 points; the greater number of points, the better the perceived work ability.



If workability and employability are key to dealing with the challenges of an ageing workforce, the issue is how the existing human resources processes can be evaluated in their capability to make significant contributions to this challenge. By embedding these concepts in the HR processes a robust approach to the challenges of the future can be developed.

FIGURE 14: INTEGRATION OF AGE MANAGEMENT PRINCIPLES IN HR PROCESSES



## 4. AGE MANAGEMENT IN HUMAN RESOURCES PROCESSES

### 4.1. ENTERPRISE CULTURE AND VALUE SYSTEMS

Culture is the “invisible framework” within which all processes and systems take place. The right culture can be a powerful enabler. Otherwise it becomes a major obstacle. Culture changes are slow and are driven from top management.

In an “age friendly” culture, diversity must be valued and discrimination eliminated. At the individual level, an effective age management approach will require a more frequent and open dialogue between employees and managers. In an “age friendly” culture, diversity is valued and discrimination eliminated.

#### Focus on some examples:

**Tempo Team** (recruitment agency belonging to Randstad Holding) is dedicated to the recruitment of older employees. It advertises on television while cooperating with public employment services and sharing best practices through social media. **Randstad** is educating its customers (SME's, large and multinational companies, public services) about the values and benefits of hiring older employees, while tackling stereotypes. In 2012, **GDF Suez** has set up an intranet called “Solidarnet” aimed at raising awareness on a number of social issues, and among others the importance of active ageing. The intranet is highly used internally by employees, enabling to create more commitment on the topics treated.

**BASF's Generations@Work** program focuses on raising awareness and incorporating ageing into the company's core values and processes – it is seen as the only way to remain competitive and innovative in the future.

**La Banque Postale** signed a social agreement even before the today's “contrat de generations”, developed by French President François Hollande, to promote diversity, professional equality and employment of older generations for the period 2010-2012.

In 2004, **Adecco** UK launched Adecco Plus, an education program for Adecco clients and colleagues, designed to break down misconceptions about older workers and encourage an age neutral approach as well as spearheading a major recruitment drive for older workers.

At **NovoNordisk**, ‘Senior Seminars’ are organised once a year for employees that have reached the age of 55 (employees over 55 can also participate in these seminars). The scope of those seminars is to deal with “third age issues” (i.e. how to use pension money, insurance options etc.). Mentorship is also part of these seminars.

In the continuity of the program EVE, which has proved effective in terms of women leadership, the program OCTAVE is a unique concept developed by **Danone** in partnership with **L'Oréal** and with the support of **GDF Suez Energy Services**, **Orange** and any company concerned by the topic of age management and intergenerational solidarity. The objective of the program is to alter mindsets through various seminars, allowing a better understanding of the other generations and better communication on the topic. It is an initiative aiming to create wealth with all existing resources and to allow each generation to maximise its potential. The program focuses on two levers, the individual and the organisation. It aims to shape strong and inspiring individuals in sufficient numbers in the company to allow a change in the companies' management processes and work organisation.



## 4.2. HEALTH, WELLBEING AND SAFETY PROCESSES

Physical performance diminishes with age. The impact of ageing on cognitive capabilities is more complex but it is real too. The logical response is to adapt work in the broad sense to age. All dimensions of ergonomics should be covered: physical but also cognitive, organisational and environmental. Most large companies have developed programs that cover health checks, health training courses, wellness activities, training on coping strategies, etc .... Adapting the workplace to the constraints of age can produce spectacular results on the productivity of ageing employees as exemplified by the BMW experience.

### Focus on an example:

Numerous companies promote a healthy working life.

For example, **BNP Paribas Fortis** developed a program on the Health & Life Balance, individually adapted to physical health and needs. It identified that older employees face physical problems such as musculoskeletal troubles.

**Danone** provides an adjustment of work stations to older employees’.

Within **Dow Chemical**, retirees are trained on age-related health issues and introduced to specific tools and resources aimed at improving their wellbeing. They are also invited to participate in Dow’s Global Health Promotion activities and activities via its FAME program .

The German automaker **BMW** was determined to proactively face the challenges of an ageing workforce. In order to identify potential difficulties and devise ways to mitigate them, the company set up a pilot project—staffing a production line in its Dingolfing plant with a group of workers whose average age was 47, which was the forecast average age for the plant’s workers in 2017 (eight years older than the average age in 2007). As part of the project, the company’s ergonomic specialists, human-resources personnel, and physicians collaborated with employees, who had been asked by managers to suggest ways to improve working conditions. Most of the proposed changes were quickly adopted. They included the following:

- New equipment such as special ergonomic chairs, magnifying lenses, and wooden flooring
- Job rotations across workstations to minimise fatigue.
- Development of special stretching exercises to compensate for physical strain during work hours

With only a minimal investment by the company, the results were impressive. The “older” production line maintained the same level of productivity as other lines and achieved even better quality than comparable lines. Absenteeism was not significantly higher. Similar pilot projects have followed under the slogan “Today for Tomorrow.” When setting up a new production facility in the Dingolfing plant in February 2011—a €20 million investment—BMW integrated the findings from the pilot projects. This initiative made the new facility the first in the automotive industry that was designed from the start to address the issue of ageing workforces. BMW’s aim is to facilitate good health and optimal working conditions for all employees, both younger and older.” (Reproduced from BCG – Global Aging – 12/2011 p11)

## 4.3. WORKFORCE MANAGEMENT

### 4.3.1. STRATEGIC WORKFORCE PLANNING (SWP)

A “headcount” is one of the indicators most scrutinised by management. Unfortunately many enterprises still manage their workforce needs in a reactive way. If most large Enterprises have adopted SWP few have yet reached a sufficient degree of maturity in this domain. This weakness is confirmed by BCG. In its 2012 survey with 4,228 executives, SWP was identified as one of the three critical topics for large enterprises (BCG: Creating People advantage 2012):

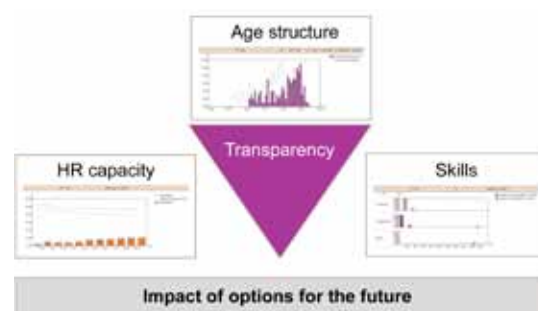
*“Our research shows that SWP along with employer branding are the two topics on which companies need to focus the most. ... A short term approach will become increasingly untenable. Unless SWFP tools are developed and put into action now, organisations will have trouble filling the critical gaps for professionals, technicians and managers in 2020 and beyond”*

SWP includes the identification of the internal labour supply and labour needs (usually on a 3-5-7 year horizon). This identification requires close cooperation between the HR function and the management of Business Units. Managing the “gaps” – excess or shortage - between supply and needs is where action is needed on the part of management.

From the “business continuity” point of view, the SWP focus should be on critical core competencies that are difficult to replace. From the employees’ point of view, the early identification of quantitative and qualitative changes in the workforce composition can make a significant difference. Solutions can be designed in advance and transitions prepared.

- If an excess is identified which will lead to restructuring, then employees should be prepared in advance. Special attention should be given to older employees as their employability is reduced. Anticipation will be key to identify and prepare alternative solutions, internally (functional mobility, acquisition of new skills) or externally (outplacement, entrepreneurship). This refers back to figure 11 earlier in this report where it was emphasised that a company should also look beyond its company borders to develop solutions for the employability and workforce planning issue. Furthermore, the quality of the social dialogue is critical to support the search for alternative solutions.
- If a shortage is identified, internal transfers and/or external recruiting will be needed.

### Focus on an example:



**Strategic Workforce Planning at Evonik Industries AG:** Using the model in a systematic way allowed Evonik to decide on a traineeship programme for local vocational schools in China and also to set up a senior part-time work programme for specific functions as part of the general work agreement in Germany.

**Deutsche Post DHL** decided to use the strategic-workforce-planning (SWP) concept to identify how workforce risks will develop in light of demographic risk and as market demand changes. The results show

that although all areas of a company are affected by demographic shifts, the effects can differ strongly depending on site, segment, and qualification group. Deutsche Post DHL carried out a differentiated risk assessment in different steps. To begin with, employees were divided into job functions, which allowed different tasks and requirements to be grouped on the basis of how interchangeable those groups of workers were. Second, IT-based simulation models helped in analysing and forecasting the development of workforce supply and workforce age structures, taking into account parameters such as retirement age, attrition and sickness rates among defined job functions. Other computer simulations enabled Deutsche Post DHL to forecast workforce demand. Fourth, a risk analysis step gauged the alignment of workforce demand and supply, allowing staff surpluses and shortages to be analysed by regional (site) and functional (job functions) perspectives. Last, the company identified and prioritised key HR measures on the basis of their complexity and effectiveness.

The SWP approach enabled Deutsche Post DHL to better understand and plan for tomorrow's HR challenges. With 30 percent of its internal finance and HR operations service provider's workforce due to retire or leave the company over the next ten years, the provider found that it was exposed to severe shortages of certain highly critical expert and management functions in several departments, despite the projected decline in demand. Its two-pronged response involved: promoting individual career development for existing talent and selectively hiring staff with different skill sets. Further, those new hires would be trained for critical functions that could not be filled by retraining current staff or by recruiting via conventional labour markets. (*Reproduced from BCG perspectives – August 11, 2011*)

### Focus on an example (continued):

**RWE (Germany)** initiated a method for predicting future staff shortages through an IT programme that simulates the ageing process both for the workforce as a whole and for each professional group and location. It works as an analytical tool to collect detailed, skills-specific data, and it also acts as an early warning system that enables the company to identify trends as they emerge and take action in response to them. The possibility to carry out long-term forecasts of skills and labour shortages and surpluses has been a very positive development for the company.

RWE has developed a method for assessing the potential of employees on the basis that many employees have "multi-level potential" can make more than just one vertical career move within a manageable timeframe. A comprehensive potential analysis is the tool used throughout the Group to validate an employee's multi-level status. The process involves outside consultants, executives and human resources specialists from several RWE Group companies, who work as observers and appraisers. The objective is to promote talent by identifying individual strengths and weaknesses. This analysis of potential is then used as a basis from which development measures are organised. Participants with confirmed multi-level status are accepted into the RWE *Corporate Talent Programme* where they are promoted further. The company's qualification management system is a tool that enables the company to record and control this data. Employees enter their qualifications into the system themselves, based on a group wide, uniform catalogue that includes all of the qualifications that are of relevance to the Group. In the future, a list of requirements will be drawn up for every position. By comparing employee skills with the job requirements, the company is able to identify necessary action and initiate special personnel development measures early on. At the same time, this tool puts the company in a position to identify personnel-related risks and take countermeasures where necessary.

Source: <http://www.eurelectric.org/Demographic/2008DemographicChange11.htm>

## 4.3.2 RECRUITMENT PROCESSES

The 2009 Eurobarometer survey on discrimination shows that 48% of the respondents consider age to be the primary factor for discrimination in enterprises' recruitment processes (before ethnic origin (38%), disability (37%) or gender (19%)). This was illustrated by the CSR Europe survey as 62% of the respondents admitted that their recruitment practice was targeted primarily towards young graduates or employees with a few years of experience. This is all the more challenging in the context of today's financial and economic crisis. However, as far as possible, recruiting should function regardless of seniority, based on qualifications and expertise only.

This practice also reflects the European paradigm of life careers made in the same enterprise. Yet this paradigm does not reflect the reality of labour markets. Following years of restructuring, mergers and acquisitions, a number of older candidates are available on the market. For these people it is harder to compete on the labour market, despite their skills, expertise and level of competence. Flexible job markets will not work if recruiting is biased in favor of young employees.

### Focus on an example:

Founded in 1975 and based near Stuttgart, **Fahrion Engineering GmbH & Co KG** is a medium-sized engineering company. It operates worldwide. Its clients consist mainly of companies that build vehicles, ships aircraft and machines.

In the past 20 years, the company's total number of employees has risen to 101 employees. The educational level of these employees is above average. In the past five years, the proportion of employees aged over 50 years has risen considerably and today it stands at 42% of all employees. Older employees are systematically recruited because of their experience, flexibility and sound, practical project experience.

In 2000, Fahrion began to focus on the recruitment of older, highly qualified engineers – an approach which has proved largely successful for the company. This recruitment strategy became necessary because it was hard to find suitable staff, partly because of the company's very specific qualification requirements and partly because of competition for labour in the greater Stuttgart area. The company posted a job advertisement explicitly appealing to older engineers, foremen and technicians, reading: **'Too old at 45 – superfluous at 55?'**

In response, the company received over 700 applications. Fahrion hired 19 engineers (mostly unemployed), of whom 15 were older than 50 years, for an unlimited period.

Source: Eurofound website, document created 29-10-2009

### 4.3.3. TRAINING

#### Life- long learning

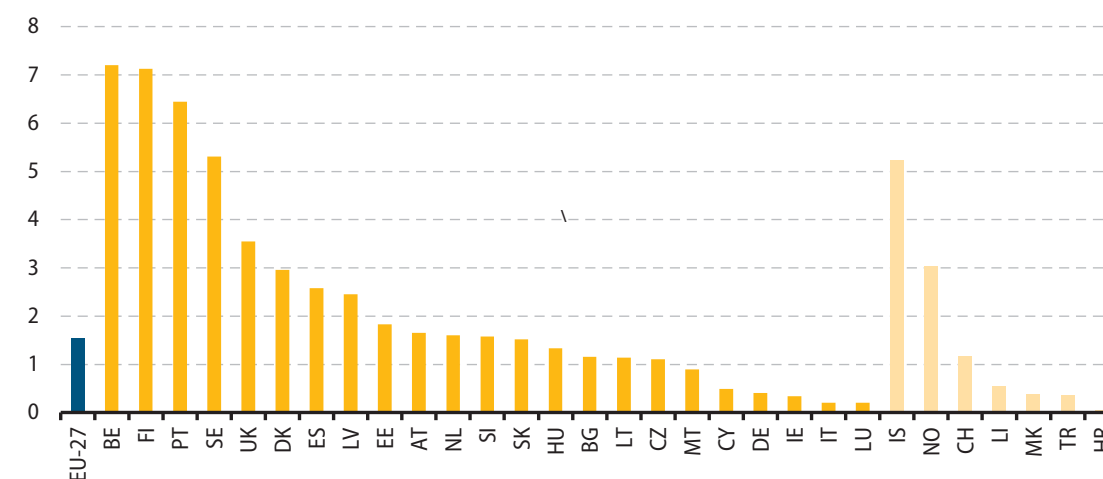
Up to now, the short term or medium term objectives of an enterprise have defined the content of training given to employees. In a long term employability perspective, employees should also be allowed to propose and receive training which bears no direct relation with the immediate needs of the enterprise (e.g. language training) but which can increase their prospects on the job market. Life- long learning will be increasingly critical for the long term employability of all employees in a context of rapid (market and technological) changes and the prospect of careers with several employers.

#### Age adapted learning

Surveys indicate that older employees receive less training on average than younger employees. This should be corrected as one could argue that older employees are those who are the most in need of training.

Figure 15: Training gap between age groups in Europe

FIGURE 15: TRAINING GAP BETWEEN AGE GROUPS IN EUROPE



Source: Eurostat online database

Further, most enterprises do not differentiate training by age (as indicated by the CSR Europe survey). However, a tailored approach to training might be implemented for sound knowledge and skills development for all ages: In the CSR Europe survey and company interviews it was clear that companies are reluctant to differentiate training by age yet different age- and seniority groups might have different training- and development needs.

### Focus on an example:

**IBM** Identified areas where a massive attrition of older employees is likely to happen. One of the responses of the company was to create "mentoring pools" for a six month relationship (reverse mentoring can also be included), carrying out mid-term assessments (after 3 months) and a final assessment. How it works: The mentor in a reverse-mentor relationship is younger than his or her mentee with substantially less seniority in the organisation. Knowledge sharing between the mentor and the mentee is usually done using the latest technology developments (e.g. Web 2.0 technologies, Facebook, LinkedIn, Twitter, etc). Overall, this type of approach increases the level of expertise and productivity by providing assistance, guidance and informal skills to the mentees, in return reducing turn-over and increasing loyalty.

### Learning in age diverse work teams:

In large enterprises, work is usually organised along four main processes (production, supply chain, sales & marketing and product development) alongside a number of support processes (HR, Finance etc.). In parallel to these processes, projects are organised for capacity building or efficiency improvement. Learning, including the transfer of implicit knowledge, occurs best inside an age diverse teams.

#### Focus on an example:

At **France Telecom Orange**, tutoring is seen as a good method to integrate young people in the workforce and to keep experienced workers motivated, taking into account the motivational factors of senior people (personal growth oriented and contribution) and of “millennial” young people (eager to develop themselves and to learn). The company puts a lot of emphasis on recognising experience and encouraging the link between generations to transfer the informal know-how - not only focusing on current skills but also taking into account that experienced people have cumulated a lot of skills during their working life

In the **BASF learning center** in Ludwigshafen, employees can be given individual and age-specific advice on any question relating to qualifications. Training consultation of this kind allows employees to identify not only what they want to learn, but also the best way to go about it. In addition, to prevent the knowledge loss that a move to retirement can represent, BASF has developed the knowledge relay: In cooperation with a facilitator, employees identify and document their predecessor’s know-how and respond to the successors’ questions.

**AXA Talent Tandem** is a job shadowing program for female talent development and knowledge transfer. It addresses two major concerns in various business units – the ageing workforce and the lack of female senior leaders. The AXA Talent Tandem pairs up a male senior leader with a high potential female talent in order to ensure that his knowledge and experience are passed onto the next generation and from one gender to the other. If the senior leader is close to retirement the female talent will replace him.

#### 4.3.4. SUCCESSION PLANNING AND CAREER MANAGEMENT

Succession planning is the identification of suitable candidates for a given function. Career management entails the consideration of the best career moves to develop an employees’ potential. In practice both processes are often intertwined. Several aspects need to be taken into account, such as functional mobility as well as life-courses.

#### Functional mobility

Our society is characterised by a rapid loss of current knowledge and know-how. In a fast changing and evolving society, employees are required to continuously update their own set of competencies to maintain their employability. As the largest part of learning is acquired “on the job”, functional mobility increases medium and long term employability.

A number of large enterprises already practice variations of the “five year” rule: the first two years in a given job are considered a learning phase and the next three a consolidation phase where the “return” for the enterprise is optimal. After five years in the same function, the employee’s engagement diminishes and it is time to give him/her a new challenge. This is a good practice but all too often limited to management or high level professionals. Functional mobility can also be applied to clerical positions; even if the job content remains the same, changing the job context is good for employability. Some companies have broadened their perspective on functional mobility by including secondments to other companies and organisations.

#### Life course and life cycles:

With the advent of longer working lives, greater awareness of life cycles becomes important. Career management should take these life cycles into consideration. Each life cycle comes with different constraints. They can be external (e.g. child care, parent care) or related to physical or mental changes (e.g. the need for longer recuperation periods, a reduced capacity to absorb stress). Over the life course, the drivers of motivation change too. Even though one can broadly categorise these life cycles, every individual’s life course is unique.

As such, it is important to implement a regular dialogue between management and each employee so as to review the impact of life events on the employee’s capacity to meet the demands the required work. This implies awareness, not only from management, but also from employees.

### Focus on an example:

In November 2009 (re-adjusted in 2011), **France Telecom Orange** signed a three year agreement for senior employees. Some of the activities it envisages are “part-time mechanisms” for seniors with which to adjust their work schedule, the organisation of the transfer of know-how through trained instructors or apprenticeship supervisors as well as senior employment and second career action plans. A new agreement was signed in December 2012, focusing on six priority areas:

1. Recruitment and retention
2. Anticipation of career evolutions
3. Enhancement of working conditions
4. Development of competencies and qualifications to access specific trainings
5. End career management and transition to retirement
6. Transfer of know-how and competencies, tutorship development

In this framework, the company engages to develop among others:

- Mid-career interviews (“entretiens cap carrière”): for employees aged 45+. The Group regularly proposes to employees that have reached their 45<sup>th</sup> anniversary, then every 5 years, to conduct these kind of interviews so as to discuss their professional objectives. These meetings are conducted with an Orange Avenirs consultant.
- Career interviews for senior employees (“cap seniors”) for employees aged 55+. The Group engages in helping this type of employee in their choices, on the conditions of their end career and/or possible re-adjustments of these end careers. These discussions are also held between the employee and an Orange Avenirs consultant.
- Support to the employee in case of a return from long sickness leaves or long holidays, among others in therapeutical part-time; including sensitising other colleagues on the issue.

**GDF Suez** signed in December 2009 an agreement on senior workers with the French public policies and social partners. This agreement includes an action plan and related objectives, including the implementation of “second career interviews” for employees aged between 45 and 55 years old. The Brussels based office of the Group, although not bound to the French legislation, has voluntarily chosen to be associated to this same process. The plan was presented to the employees on May 2011.

At **NovoNordisk**, employees who reach the age of 55 undergo personal interviews with their managers so as to identify individual solutions in terms of their future career plans (i.e. which types of career paths they would like to pursue or if they wish to be engaged in other functions or transferred in other sectors within the company)

**SAP** implemented a research group in Germany involving sociologists, in partnership with the Institute European Social Founding and funded by the European Union. Interviews are being conducted with senior employees to discuss and plan, if necessary, how to readjust their career paths.

### Focus on an example (continued):

**Endesa** (Spain) has a new talent strategy that has been developed for all employees and forms that basis of performance management and development. The talent model includes a **life-cycle evaluation** that identifies the different needs of different groups of workers. The company has developed a tracking system and a pilot project has been put in place to track high potential employees and technical experts, which has helped to put in place a knowledge management strategy. Data is broken down by age, gender and function. A single information system has been developed for human resources and this has helped the company to develop a strategy and a basis for identifying skills needs for the development of high potential staff and technical experts for the future. The competency model that has been developed works on the basis of identifying and tracking where people are working and what roles they are performing in order to develop generic, technical or leadership competences. The key objective is to match skills with future workforce needs. The company collects data on age and gender and they do so to ensure that the processes of recruitment, development and training are open to everyone. The data has helped to show how different groups of people working in the company, including older workers, are taking up opportunities for development.

As part of the development of the case study with Endesa, a meeting was held with four older workers, all of whom occupied senior positions within the company. They identified areas in which the company could develop and retain older workers. The workers stated that the company does not treat younger and older people differently, however, they recognised that retaining older workers is a key challenge for the future.

Source: <http://www.eurelectric.org/Demographic/2008DemographicChange11.htm>

### Retirement as a “process” and not as an “event”

It is usually agreed that a “cliff edge” departure into retirement is damaging and that employees should transition progressively into retirement. Some companies develop a real strategy of part time work for the 55 + employees. Indeed, part time work at the end of a career should not be compulsory, but should be viewed as a “normal opportunity”. This implies a change of attitude, both from management and employees, with regards to work organisation.



### Focus on an example:

**Volkswagen** has an extensive volunteering program in place especially targeted at pre-retirees and retired employees. Their **Pro Ehrenamt** program is first and foremost about donating time. Equally, it is about honouring voluntary work and recognising its value. A website has been set up as a basic resource for all existing volunteers at the Volkswagen sites as well as those who are interested in getting involved. The site includes a database and is designed to serve as an information platform for voluntary activities. They hope that it will motivate and strengthen the resolve of all current and would-be volunteers at the Volkswagen sites to get active and stay active. Around 7,000 employees at Volkswagen in Germany have been, and are currently, affected by the changes to the basic conditions for the phased retirement scheme and the gradual introduction of the new retirement age (67) for German employees. It is therefore an additional task of “Volkswagen pro Ehrenamt” to support retiring employees and to make them aware of the sense of meaning and purpose that volunteering can bring.

**Telecom Italia** has several programs targeted at senior persons, focusing more specifically on training, flexible working conditions, and leave. Older employees are encouraged to teach in technical schools, or even to go back to university. In addition, the company has also developed an association for its retired workforce, regularly invited to come back to the company at specific opportunities so as to maintain a close relationship to it.

**Axpo (Switzerland)** organises and runs seminars for workers over the age of 50 in order to provide them with new challenges and possibilities in their working lives. The seminars tend to focus on brainstorming regarding possibilities and opportunities as well as the different options that could be discussed with managers. The seminars are a valuable opportunity for older workers and managers to exchange ideas. Since this programme was introduced three years ago, there has been a great deal of success in changing people’s mindsets and providing them with opportunities to change positions and the way that they are working.

Also, a job rotation scheme has been introduced for people over the age of 50 years. This scheme allows people who want new challenges in the future to have access to new jobs and training in the company in order to keep and revive their interest in working. Taking on a new job or challenge has been important in giving older workers a new ‘lease of life’. One way that the job rotation programme has been developed is through an internal policy change that requires all job openings to be publicised internally for fourteen days before they are go to external recruitment. This enables everyone in the company to get information and the opportunity to change their job if this is needed. Although the uptake of this scheme is relatively low it is hoped that in the future this can be used more extensively as a form of job enrichment.

There are also opportunities for older night and weekend workers in these jobs to take a different job in the company if this is available, to avail themselves of education programmes, and to act as consultants to special projects. For night and weekend workers, many of whom work in stressful and heavy work, the company provides the opportunity to take early retirement. The company offers financial incentives to enable people to retire early on the basis that the company understands that work in heavy and hard jobs merits people having access to a better life and early retirement.

**L’Oréal France** allows its employees aged 55+ that want to benefit from a training on “retirement: towards a new life project”. Indeed, employees that are close to retirement (at least 2 years before) have the chance to be prepared for this transition. The aim of the training is fourfold:

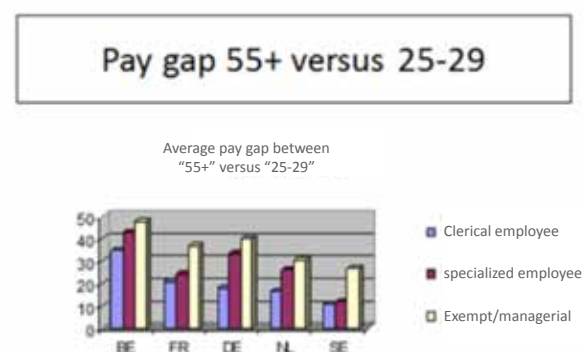
1. Support the employee in getting ready to retirement and to his new identity, by raising awareness on what it implies
2. Discuss about the employees’ transition towards new life projects
3. Discuss administrative and social issues related to retirement
4. Support in managing one’s health capital and property

## 4.4. COMPENSATION

### 4.4.1. SALARY FORMATION SYSTEMS

It is a reality that older employees are paid more – and in some countries significantly more – than younger employees for the same function. This has been researched by the Hay group (and was confirmed by HR managers during the CSR Europe survey). As illustrated in the graph below (2011 data – private sector) a salary differential between 55+ and 25-29 year old employees exists in the four countries studied (BE, DE, FR, NL and SE) with significant variations between countries: Companies will be reluctant to extend the career of older employees, if – everything else being equal – these employees cost more than younger ones. The graph below shows that – in the same function – the differential in favour of older managers can be as high as 45% in Belgium while it remains under 25% in Sweden. This makes older employees especially vulnerable as companies will be more reluctant to extend their careers.

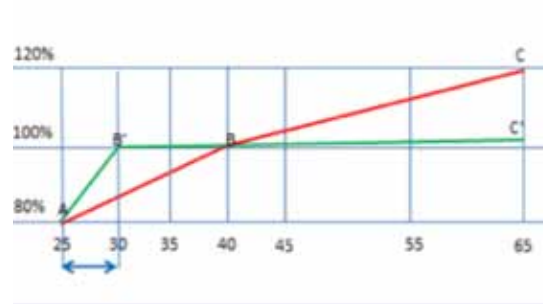
FIGURE 16: PAY GAP - YOUNG VERSUS OLDER FOR SAME FUNCTION LEVEL



Source: Hay Group Reward Information (2011). Statistics

It is argued that older employees are paid more because they have more experience and are more productive. It is true that experience (which translates into more expertise and competencies) should be rewarded. In practice, in many European countries (if not all), above inflation salary increases are still given to employees well past the point at which the adequate level of competencies has been reached. For employees covered by collective agreements, “seniority” based salary grids are often used. The current salary formation practice also discriminates against younger employees, as they are often paid below the market rate, even after they reached the required level of expertise in a given function.

FIGURE 17: SALARY FORMATION PROCESS OPTIONS



The current practice (ABC profile in red) underpays younger employees past when competencies are gained and overpays older employees. There is an alternative: a steeper salary progression until the required level of competencies has been reached (at age 30 in the example). This is the level obtained once the market rate (100%) for the function has been reached (AB'C' profile in green).

The Boston Consulting Group has noted that “today salaries generally increase with age (seniority) potentially making older workers less attractive for employers. In the future, performance based compensation, independent of age will become more common”. (BCG, Global aging, 2011, p9)

It is also argued that annual salary increases (above inflation) are necessary to keep employees motivated and maintain performance. But research conducted by the Hay group points to the contrary:

*“A fair and equitable pay has more impact on engagement than the salary itself” (Hay Group Autumn conference Belgium 2012).*

If salary progression levels for everyone are based upon when the required competencies have been mastered then the fairness requirement will be met. Above “normal” performance should be certainly rewarded and enterprises could use non-recurring bonuses more often to reach that objective.

Changing the existing paradigm of pay for seniority will be difficult because management, unions and employees themselves are used to these practices. Changes can only be introduced if a high level of trust is maintained between all parties.

Focus on an example:

In 2009, the **city of Helsinki** launched a multifaceted age management program. This program covered a number of classic “age” related initiatives for its employees: ergonomics, fitness, flexible work time, shift planning etc... More unusual however was the initiative to address the salary dimension of age management: “The local government intends to move from rewarding long experience to rewarding tasks. This means that the starting wages of younger employees will be higher at the beginning of their careers”

Source: EY 2012 awards – workplaces for all ages - Finalist

4.4.2. PENSIONS AND BENEFITS SYSTEMS

Company Pensions:

The design of company pensions systems should support multiple career changes. Without going into the technical details, occupational pension plans should be portable and transparent. Savings should accrue in proportion to the wages earned during a career. The current drive towards occupational savings plans (called “defined contribution schemes”) certainly goes in the right direction. Financial education of the employees is a key component.

Other benefits:

Large enterprises often provide additional benefits to their employees such as supplemental hospital, dental and vision insurance, life insurance, additional vacation days (sometimes based on length of tenure etc.), contribution to transportation costs. These benefits are offered to all employees regardless of individual needs. Yet the value an employee places on these benefits depends on his/her current life cycle. For example a young single employee may value additional vacation days but have no use for a life insurance. An employee with young children will probably value medical benefits more. Under a cafeteria plan, employees are given a budget from which they can buy the benefits they value the most. Employees can modify their choices once a year. Such cafeteria plans have been available in the USA since the nineteen eighties. These plans are also becoming more popular in Europe. Hay Group for example states that in Belgium an increasing number of companies have a ‘benefit cafeteria scheme’ in place (increase from 24% in 2008 to 34% 2012)

Focus on an example:

Since 2000, **Adecco** in the US has run the Renaissance Program aimed at encouraging older workers to return to work – offering benefit packages tailored to older persons’ needs and assignments which fit into their lifestyle aspirations. Also in the US, the Adecco Dimensions Program launched in 2003 educates employees about diversity in recruitment. The American Association of Retired Persons (AARP) recognised Adecco’s achievements by granting the company a ‘Best Companies’ for workers over 50 award in 2002, 2003 and 2004

source: Adecco Briefing Paper, The Future of Work: Productive Ageing.

4.5. CONCLUSIONS

Many enterprises have already implemented a number of tools which are important for the maintenance of employability and workability of all employees. Indeed values already include non-discrimination, workforce planning processes already exist (but are not mature yet), occupational health programs exist, training programs are in place, functional mobility is already practiced, functions are already weighed and their market value regularly assessed, the number of defined contribution pension plans is on the increase etc...

More should be done however to improve the workability and employability of ageing employees specifically and to make work sustainable through the life course in general.

Changes to most of the traditional HR processes and systems will be needed to operationalise such an approach. By and large however the HR processes themselves remain intact and already have the capacity to deal with the challenges.

The table below gives an overview of the possible levers for each of the key HR processes:

FIGURE 18: SOME LEVERS FOR AN AGE MANAGEMENT APPROACH

Culture	Reinforce age diversity in the value system Provide systematic age-diverse collaboration opportunities
Health & Safety	Introduction of a workability methodology Age based ergonomics Stress reduction, health literacy, on site wellness activities Enhanced measurement and transparency
Workforce management	Mature workforce planning processes Anticipation of restructuring to individual level Training of recruiters/managers on age discrimination risks Transparency on age in recruitment & training statistics Lifelong learning as a core to training policies Adapt training methodologies to age if needed Age-diverse teams on projects Proactive functional mobility at fixed periods Increase life-stage attention Design progressive transitions into retirement
Compensation	Review salary formation process with all stakeholders Balance between competency increase related wage increases and performance based (bonus) increases

The implementation of an effective age management approach will require cultural changes. Cultural changes take several years to take root and are driven by top management. The amount of resources needed to implement them should not be underestimated (for example a new salary formation practice can only be implemented progressively – shifting from a defined benefit scheme to a defined contribution is a complex undertaking).

Three measures in particular are particularly important for leveraging the whole approach:

***Recruiting: recruit on the basis of competencies and expertise regardless of age***

This measure is technically simple to implement but it requires an attitude change for recruiters and management. The necessary accompanying awareness training will support the entire age management effort.

***Introduce systematic part-time work opportunities throughout careers – specifically for older employees***

Promoting part-time work for older employees is probably the most important enabler of longer working lives, particularly for those employees with a reduced workability score. It is technically easy to implement but it will require changes in the organisation of work (and possibly to the occupational pension systems in order to avoid too negative consequences for older employees)

***Modify the salary formation system to reduce “overpay” for older employees and “underpay” for younger employees***

Promoting a change in the salary formation system will require extensive social dialogue. It will take many years to unfold. But the positive impact can be large and this measure should increase intergenerational solidarity.

## 5. CREATING THE ENABLING (POLICY) ENVIRONMENT

Public policies should support the global objective of increasing the employment rate of the 55+ population and to make rethinking the career model possible. Policy changes could make a difference by:

- Reinforcing the legal framework on Age Discrimination
- Removing the mandatory retirement age
- Facilitating progressive retirement
- Supporting employment transitions

### *Reinforce the EU legal framework on age discrimination*

The European framework is provided by directive 2000/78/EC of November 2000 establishing a general framework for equal treatment in employment and occupation. It sets forth the “principle of equal treatment”, meaning that there shall be no “direct” or “indirect” discrimination on the grounds of religion, belief, age or sexual orientation as regards employment and occupation (Article 1 and 2). Article 6 however provides that differences of treatment on the grounds of age may however be justified by Member States. Article 6.1 provides an open-ended list of examples where exceptions to equal treatment are justified. This mechanism has weakened the general interdiction to discriminate on the basis of age as most Member States have in their turn adopted or confirmed their own open-ended list of exceptions (Age & Employment – EC, DG Justice July 2011). It might be explored if a stricter EU legal framework on age discrimination (a clear and limited close-ended list of exceptions) could be a solution.

### *Remove mandatory retirement ages*

A mandatory retirement age is a specific age at which the employee must retire. A closely related situation is when the employer can, by law, terminate the employment relationship at a particular age without the employee’s consent.

Although very few States have a universal mandatory retirement age, most have mandatory retirement ages for particular sectors or professions. Furthermore, a significant number of states permit employers to dismiss a nationally-set age and/or withdraw unfair dismissal protection at such an age.

Enterprises generally do not favour open retirement ages as they bring uncertainty and make succession planning more difficult (as was confirmed during the CSR Europe survey).

On the one hand, broader societal interests ask for a higher employment rate of the 55-65-70 age group. On the other hand we have seen earlier that, past the ages 58-60, individual workability varies significantly between individuals. The main cause for this variability is related to different individual health statuses.

Therefore one size cannot fit all. Those who are willing and capable of extending their working life should be able to do so. This means that the age at which retirement becomes effective becomes an agreement between employer and employees.

### *Facilitate progressive retirement*

As discussed before, retirement should become a process, not an event. Flexible working arrangements and especially part-time work is instrumental for that purpose. Part-time would be facilitated by the following policy changes

- Employees should be able to request part-time
- Employees should be able to work part-time and claim (part of) their occupational pensions
- Employees should be able to work part-time and claim (part of) their state pension

### *Support employment transitions for older employees*

It is (much) more difficult for older employees who have lost their job to find new employment.

We believe that providing adequate resources to help this group finding new jobs is a must. These should include outplacement services and retraining, without neglecting entrepreneurship.

“Second career platforms” should receive public support. They are probably more effective if they can operate with a large degree of autonomy with the additional support of the private sector.

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In 2012, 23 companies were interviewed on (I) their age management approaches and initiatives; (II) their perception of the enabling policy framework. Below is an overview of answers received per question.

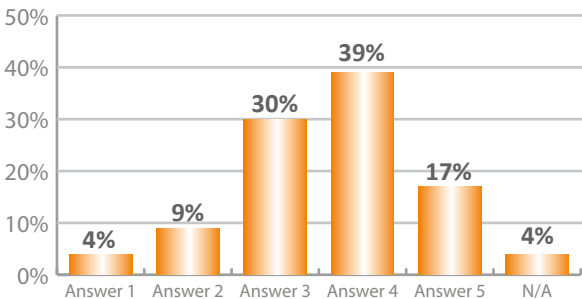
PART I: HOW DO COMPANIES ADDRESS THE CONSTRAINTS OF AN AGEING WORKFORCE AND ACCELERATED ATTRITION?

A. GENERAL APPROACH TOWARDS DEMOGRAPHIC CHANGE

1. Are demographic changes and ageing measured in your Group?

- 4% Answered 1: We do not follow demographic trends;
- 9% Answered 2: Following demographic trends is a local site responsibility and there is no consolidation at the group level;
- 30% Answered 3: Yes, we follow this trend and there is little or no demographic imbalance in our Group in general;
- 39% Answered 4: Yes, we follow this trend and there is a moderate demographic imbalance in our Group;
- 17% Answered 5: Yes, we follow this trend and there is a serious demographic imbalance in our Group;
- 4% Did not answer.

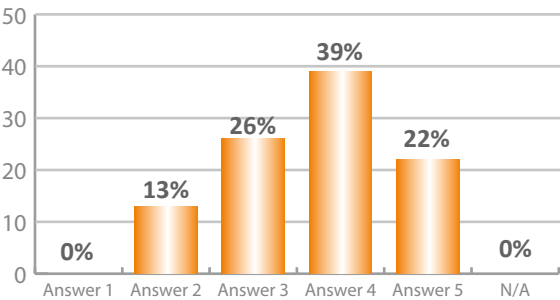
MEASUREMENT OF DEMOGRAPHIC CHANGES



2. Is the “ageing workforce” trend considered an important issue in your Group?

- 0% Answered 1: No, the ageing trend is not considered an important topic and is not yet discussed;
- 13% Answered 2: Yes, the ageing trend is starting to be recognised as an issue and there are occasional discussions about it;
- 26% Answered 3: Yes, the ageing trend is considered an important issue followed by HR management only;
- 39% Answered 4: Yes, the ageing trend is considered an important issue and the topic is currently reviewed by HR management and Executive management;
- 21% Answered 5: Yes, all management in general (Executive, HR and Line management) have been made aware of the ageing employee issue with a view to addressing its consequences.

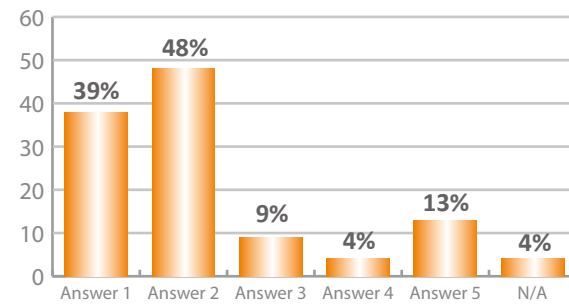
IMPOTANCE OF THE AGING TREND IN A COMPANY



### 3. Is your Group facing difficulties in staffing open positions?

- **39%** Answered 1: Our group has not experienced important difficulties in staffing open positions;
- **48%** Answered 2: We are experiencing some staffing difficulties with our “core business” functions ( e.g. engineering if you are a manufacturing group);
- **9%** Answered 3: We are experiencing some staffing difficulties with support functions (e.g. HR, Finance, IS, Legal, Communication);
- **4%** Answered 4: We are experiencing staffing difficulties with upper middle and senior management level functions (e.g. business unit management);
- **13%** Answered 5: We expect staffing difficulties to worsen across the board in the coming years;
- **4%** Did not answer.

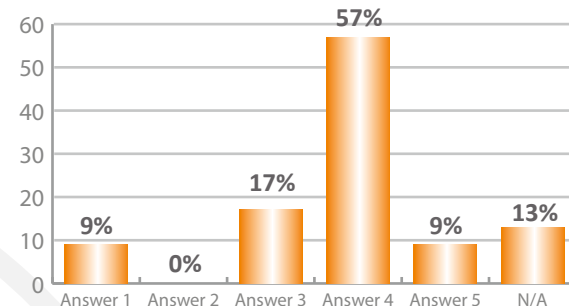
STAFFING OPEN POSITIONS



### 4. Is your Group using workforce planning to manage workforce attrition?

- **9%** Answered 1: No, sites recruit on case by case basis when employees retire;
- **0%** Answered 2: Yes, we ask our sites to project their recruitment needs but no specific tools are in place;
- **17%** Answered 3: Yes, our sites use a dedicated workforce planning tool but there is no consolidation at the Group's level;
- **57%** Answered 4: Yes, we are currently implementing a centrally consolidated workforce planning process with the support of dedicated software;
- **9%** Answered 5: Yes, we have been using a centrally consolidated workforce planning tool with dedicated software for several years and this process is mature in our Group;
- **13%** Did not answer.

WORKFORCE PLANNING TOOL

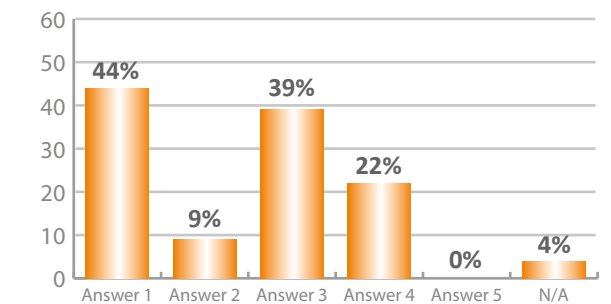


### B. WORK MODELS FOR 50+ EMPLOYEES

#### 5. Which is your Group's policy regarding the employment of 50+ employees.

- **44%** Answered 1: There is no central “differentiated” policy regarding 50+ employees;
- **9%** Answered 2: There is no Group policy but individual sites may adopt specific programs for the 50+ tailored to their constraints (e.g. restructuring or expansion);
- **39%** Answered 3: The Group occasionally launches early retirement campaigns but only when the business environment deteriorates;
- **22%** Answered 4: The Group's culture is to maintain 50+ employees at work but there is no formal policy and no specific incentives in place to encourage employees to stay until retirement age;
- **0%** Answered 5: The Group's official policy is to actively discourage early retirement and incentives are in place to encourage the 55 + employees to remain at work.
- **4%** Did not answer.

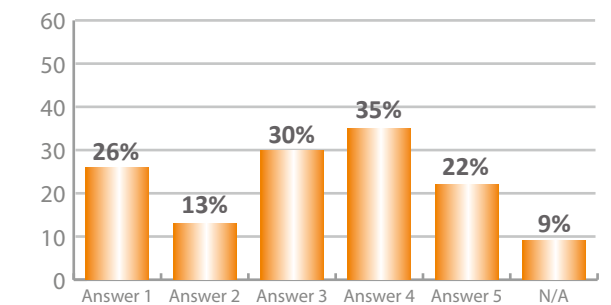
GROUP POLICY ON AGE MANAGEMENT



#### 6. Which is your Group's recruitment policy towards 50+ employees?

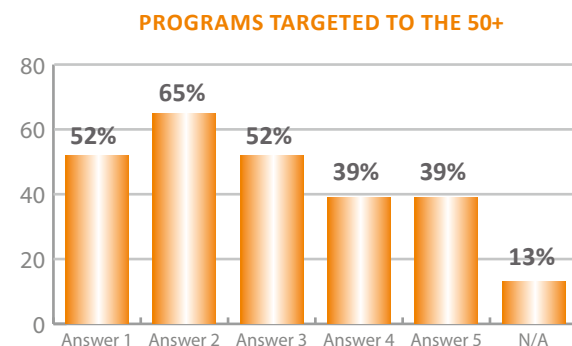
- **26%** Answered 1: There is no central policy and sites recruit autonomously for open positions;
- **13%** Answered 2: There is no central policy but the group's culture is to recruit young employees immediately after graduation of after they have gained a few years of experience;
- **30%** Answered 3: The Group's general policy is to recruit young employees but 50+ employees are occasionally recruited for highly specialised positions or senior/ executive positions;
- **35%** Answered 4: The Groups general policy is to recruit employees of all ages on the basis of competences, skills and experience. As a result 50+ employees are regularly recruited;
- **22%** Answered 5: The group has set specific targets (e.g. % of all recruitments) to recruit 50+ employees;
- **9%** Did not answer.

GROUP RECRUITMENT POLICY



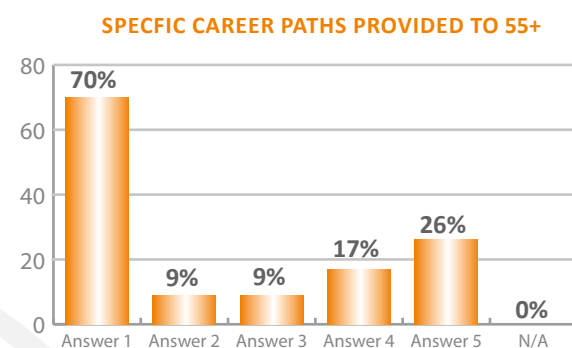
7. Which of the following programs targeted towards the 50+ employees are in place in your Group.

- **52%** Implemented A: Training/coaching tailored to the 50+ (e.g. ICT training);
- **65%** Implemented B: Flexible working conditions for the 50+ (e.g. progressive part time, tele-working);
- **52%** Implemented C: “Healthy ageing” programmes for the 50+ (e.g. medicals, fitness);
- **39%** Implemented D: Adapted ergonomics for the 50+ (e.g. equipment, working stations);
- **39%** Implemented E: Leave for 55+ “carers” (e.g. care given to elderly parents, grandchildren);
- **13%** Has none of the mentioned initiatives.



8. Does your company provide adapted “career paths” for 55+ employees?

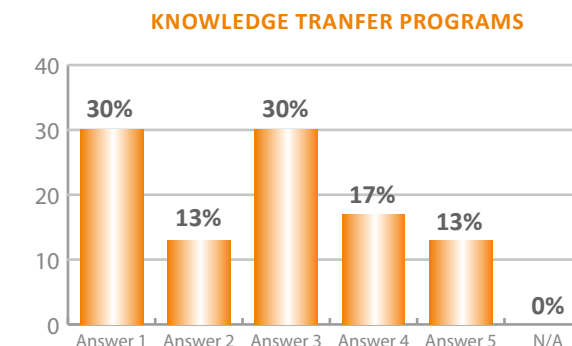
- **70%** Answered 1: The Group has no specific policy for the 55+ employees;
- **9%** Answered 2: The group’s policy is to move 55+ manual workers to physically less demanding positions;
- **9%** Answered 3: The Group’s policy is to move 55+ intellectual employees to less stressful positions (e.g. staff position as opposed to line);
- **17%** Answered 4: The Group has created a number of “mentoring” or “coaching” positions assigned to 55+ employees;
- **26%** Answered 5: The group allows a number of its 55+ professionals to be seconded to NGOs or even SMEs.



## C. TRANSFER OF SKILLS AND COMPETENCIES

1. Has your company put in place a “knowledge transfer” program when employees reach their retirement age?

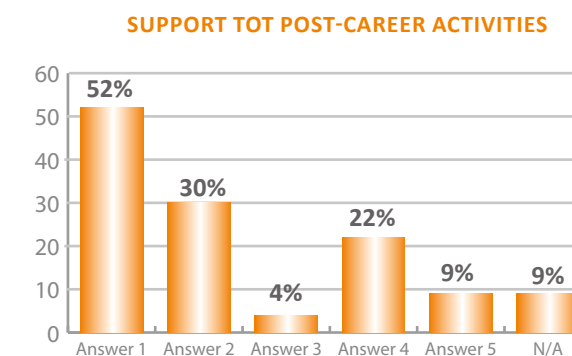
- **30%** Answered 1: There is no Group policy or program for knowledge transfer;
- **13%** Answered 2: There is no central policy but knowledge transfer occurs in sites on an informal basis with local tools;
- **30%** Answered 3: There is no central policy but methodologies are available and management is encouraged to use them;
- **17%** Answered 4: There is a central policy + available methodologies but they are used only for specific categories of employees (e.g. highly specialized knowledge workers);
- **13%** Answered 5: There is a policy and a knowledge transfer process must be followed for all employees going into retirement.



## D. SUPPORT TO (PRE-) RETIRED EMPLOYEES

A number of employees wish to remain active after retirement. Does your Group provide support for those employees?

- **52%** Answered 1: There is no policy or program for retired employees;
- **30%** Answered 2: There are local (site related) associations of retired employees which receive some material/financial support from the group;
- **4%** Answered 3: The Groups locally or centrally support independent NGOs/foundations and provide incentives for its retired employees to volunteer in these NGOs/foundations;
- **22%** Answered 4: Retired employees are encouraged to continue working part-time in the company (on a paid or voluntary basis);
- **9%** Answered 5: The Group encourages and provides some financial support to retired employees who want to start their own businesses (entrepreneurship).
- **9%** Did not answer.



**PART II: PROPOSED POLICY RECOMMENDATIONS FOR THE EU****1. Should the EU Commission allow part-time work when requested by employees aged 55 and above?**

Yes: 74%  
No: 17%  
N/A: 9%

**2. Should the EU Commission remove the mandatory retirement age altogether (as it is the case in the USA or the UK)?**

Yes: 30%  
No: 65%  
N/A: 5%

**3. Should the EU Commission remove all state incentives which support early retirement schemes?**

Yes: 39%  
No: 52%  
N/A: 9%

**4. Should the EU Commission provide “neutral” social and tax treatment for retirees coming back into the workforce part-time or full-time (e.g. the state pension should not be interrupted or reduced and the tax treatment should be neutral)?**

Yes: 78%  
No: 17%  
N/A: 5%

**5. Should the EU Commission provide incentives (e.g. reduced social security contribution) for companies recruiting 50+ employees?**

Yes: 83%  
No: 13%  
N/A: 5%

**6. Should the EU Commission fix some recruitment “target” of 50+ employees by companies?**

Yes: 9%  
No: 83%  
N/A: 9%

**7. Should the EU Commission require that companies adapt workstations (ergonomics) for older employees?**

Yes: 74%  
No: 17%  
N/A: 5%

**8. Should the EU Commission require that older employees receive a minimum number of training days per year?**

Yes: 48%





