

Jointly Tackling Demographic Change in Europe



Using the Potential of Female, Older and Future Employees

A collaborative venture among econsense – Forum for Sustainable Development of German Business, and several corporate actors, including BASF, Evonik, Hitachi, Randstad, SAP and Vodafone, has produced this report as part of the Enterprise 2020 initiative by CSR Europe.

Collaborative Venture
Using Potential



We have benefitted enormously from discussions with (in alphabetical order): Sarah Dekkiche, Dr. Jana Heinze, Heino Kantimm, Yukako Kinoshita, Dr. Heidrun Kleefeld, Vedrana Lemor, Renate Lenßen, Sonja van Lieshout, Abi Price, Jutta Rösl, Joel Roxburgh and Dr. Thorsten Trachte as well as from opportunities to present and discuss this work at workshops across Europe. We would like to thank our numerous guest speakers who helped to make the workshop tour throughout Europe a success. We thank Mr. Matthias Czechl for the scientific contribution. Support from CSR Europe is gratefully acknowledged.

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On 25 October 2011, the European Commission adopted a communication on corporate social responsibility which sets out a renewed strategy for 2011–2014. We want to promote stronger dialogue with enterprises and other stakeholders, in particular on issues like employability, demographic change and active ageing. These are major challenges for our societies which cannot be ignored by businesses, especially those who are serious about corporate social responsibility. We need companies with a strong sense of leadership and a strong capacity to innovate who are ready to team up with policy makers and stakeholders. Socially responsible businesses will be key players in tackling the challenge of ageing societies.

The collaborative ventures launched by CSR Europe under Enterprise 2020 already deal with the business contribution to tackling the challenges posed by demographic change. I do hope that the good practice examples which are presented in this publication on the collaborative venture *Using Potential – Jointly Tackling Demographic Change in Europe* will serve as a source of inspiration to other European companies on how to make better use of the potentials of female, young and older employees in their workforce.

At the same time, I am looking forward to the outcomes of the collaborative venture on active ageing which is an important contribution of the business sector to the *European Year for Active Ageing and Solidarity between Generations 2012*. Businesses need to make sure that they can benefit longer from the experience of their older workers by adapting working conditions to their needs. And businesses need to take advantage of the growing ‘silver economy’ by adapting their goods and services to the needs of older people. There is a strong business case for active ageing – and active ageing is also crucial for the success of our Europe 2020 strategy for smart, sustainable and inclusive growth.

László Andor

European Commissioner for Employment,
Social Affairs and Inclusion – European Commission

1. Introduction

Demographic change is a widely debated topic, not just in the political arena but also increasingly within the corporate sector.

The European population is both shrinking and ageing, with the number of people older than 50 years growing steadily, while younger age groups decrease. The ageing European societies face a shrinking workforce but require well-educated personnel who continue to demand a better work–life balance. In the light of these significant demographic and societal changes, the time has come for politicians, companies and civil society to change their entrenched ways of thinking and working.

Previously, corporate personnel planning was mainly driven by the number of employees a company needed, but in the future, companies will experience a shortage of desired human capital. Therefore they will need to consider employing more women, older and younger people whose potential has not yet been fully realised in employment and who represent a huge opportunity for organisations. European businesses recognise the problems posed by an ageing and shrinking workforce and are seeking solutions including leveraging the existing capabilities of women, older employees and young people.

Governments can also encourage higher participation rates among these groups by providing support to enable employment, such as publically funded child care. However, state and private actors both continue to face uncertainty about how to mitigate the negative effects of demographic change in general and of skills shortages in particular. A dialogue between companies and government, for example about policies relating to demographic change and employment, would encourage collaborative decision-making and action.

This publication aims to outline a business approach to address the challenges and realise the opportunities posed by demographic change. In the following chapters we will focus on enhancing participation of young people, older workers and women. However, we will not go into depth on the subject of migration because the state is responsible for the policy and regulatory framework for migration. Therefore, our focus is on the areas in which companies can have an impact.

This report has been produced by a collaborative venture led by econsense – Forum for Sustainable Development of German Business and several corporate actors, including BASF, Evonik, Hitachi, Randstad, SAP and Vodafone, as part of the Enterprise 2020 initiative by CSR Europe.

The goal of the collaborative venture is to raise awareness of demographic change issues and encourage dialogue between stakeholders – businesses, policy makers and influencers, civil society and trade unions. The best practice examples included in this report highlight different approaches that some European companies and governments are already taking to deal with demographic change. This publication also reflects the outcome of a series of multi-stakeholder dialogues and

workshops held across Europe, in Sweden, Germany, Poland, France and the UK.

Following this introduction, chapter 2 sets out the problem by discussing the drivers of population ageing and future demand in European labour markets, as well as basic data about demographic change. In Chapter 3 we outline the political environment and the role of governments. Chapter 4 suggests ways in which the capabilities of the European workforce might be used more effectively. The theoretical explanations are followed by specific real-world practices. In Chapter 5, we compile these company best practices into 17 examples of effective solutions, such as flexible working arrangements, health management and reward systems. Finally, Chapter 6 summarises the overall results and offers an outlook on possible future developments.

2.1 Drivers of population change

The labour market has always been subject to external influences, including economic conditions, market competitiveness and structural changes in the labour market. States and companies continue to deal with the effects of the global recession, but even as recovery occurs, different crisis arise. In particular, a shortage of qualified personnel will increasingly affect the labour market, according to the demographic changes in most European countries. Three key drivers of demographic change are fertility rates, life expectancy and migration. We focus on the first two but do not go into depth on the subject of migration, which is beyond of scope of our project (as described in the introduction). Instead, we aim to

Table 1: Main demographic trends

Fertility is rising slightly. Lowest to low fertility, defined as fewer than 1.3 children per woman, is virtually non-existent in every EU member state, and the average approached 1.6 children in 2008.
Fertility indicators confirm postponement of births to later in women's lifetimes. Adjusting for this effect suggests raising the 2008 fertility rate to just over 1.7 children, though this level is still well below the replacement rate of 2.1 children per woman.
Life expectancy continues to rise. Large discrepancies among and within countries provides a scope for raising the average life-spans of less advantaged groups. Not only are people living longer; they may be living healthier lives. Some evidence indicates that the process of ageing, in which people become progressively disabled until they die, is not slowing but rather is being progressively delayed. However, some data also indicate that healthy life expectancy fell between 2007 and 2009, and there is a need for more information on this topic.
The most recent significant wave of immigration significantly increased foreign-born populations in Mediterranean countries, such as Greece, Italy and Spain, but it abated in 2008.
Immigrants tend to be less-well educated and employed in jobs below their qualifications.
The EU population ages at varying speeds. Projections indicate that populations that are currently the oldest, such as those in Germany and Italy, will age rapidly over the next 20 years, then stabilise. Some populations that are currently younger, mainly in Eastern Europe, will likely undergo ageing at an increasing speed and by 2060 have the oldest populations in the EU.

Source: Own representation based on Demography Report 2010, issued by the European Commission's Directorate-General for Employment, Social Affairs and Inclusion & Eurostat, the Statistical Office of the European Union.

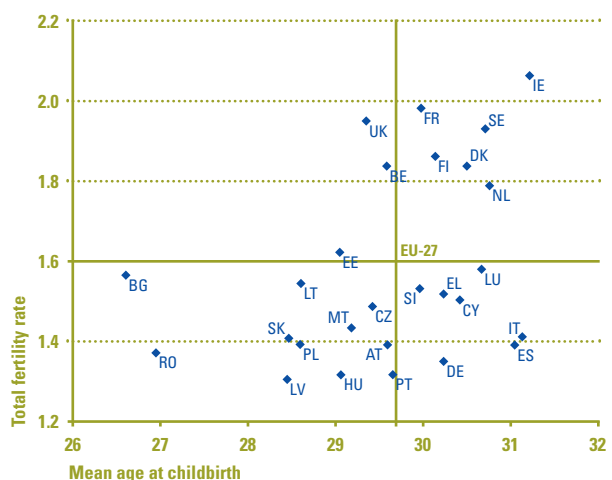
provide recommendations and solutions for how to use the available skills and competencies of women, younger workers and older workers—groups whose potential has not been fully realised and who can help prepare Europe's labour market for further demographic changes.

2.1.1 Fertility rate

The fertility rate of a population refers to the average number of children born to a woman in that population over her lifetime. The current fertility rate in the EU-27 amounts to 1.6 children per woman. To keep the population size constant (in the absence of inward or outward migration), the total fertility rate must reach 2.1 children. That is, an average fertility rate of 1.6 children will result in a slow population decline over the medium and long terms.

In addition, the timing of births has changed significantly; the mean age of women at childbirth is now older. Women in Europe give birth at age 29.7 years, on average, according to 2009 statistics. Regionally, this age varies significantly, which has a profound effect on the total fertility rate. As Figure 1 shows, countries with the highest total fertility rate also display a higher mean age for women giving birth.

Figure 1: Total fertility rate and mean age of women at childbirth, 2009



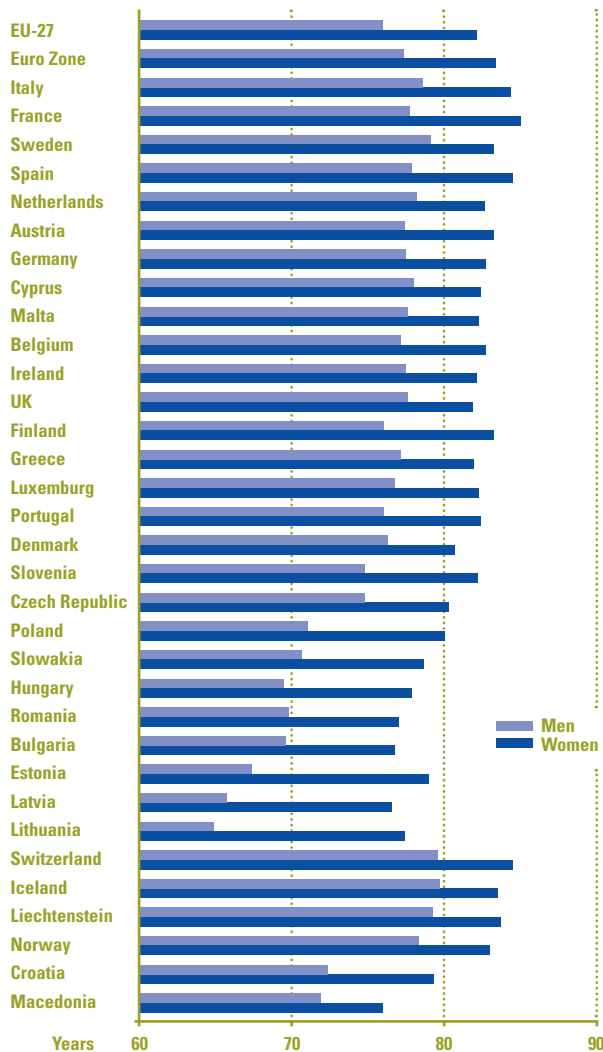
EU-27, IT, UK, 2008 instead of 2009; France: Metropolitan France
Source: Eurostat (online data code demo_find)

2.1.2 Life expectancy

The biggest driver of the changing EU population is the ageing society. The post-World War II baby boomers are entering their 60s and will be retiring soon. The number of people aged 60 years and older is increasing by more than 2 million every year, roughly twice the rate previously observed. In all EU member states, women live longer than men, though these differences vary substantially among countries. For example, in 2008, life expectancy for the EU-27 was 76.4 years for men and 82.4 years for women. However, across the member states, the differences ranges from almost 13.2 years for men

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Figure 2: Life expectancy (women – men) at birth, 2007



EU-27, Euro Zone and Italy, 2006; listed by average age of men and women, Source: Eurostat

to 8.3 years for women. In some Central European countries, socio-economic status (education, employment, income) largely defines life expectancy. Improving the life expectancy of disadvantaged groups should lead to a general increase in overall life expectancy (see Figure 2).

2.2 Supply and demand in the labour market

The present-day labour market is characterised by high unemployment in many countries, most notably among young workers. In the long run though, a tightening labour market likely will prevail. The baby boomer generation is causing a structural ageing of society; their retirement will decrease the potential supply of labour relative to potential demand. This scenario likely will increase the burden on those of working age, who must provide the social expenditures needed

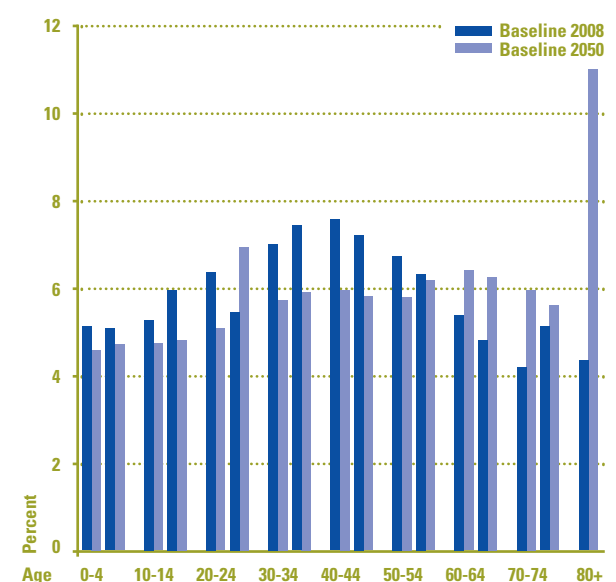
to support this ageing population. The impact of ageing also will be greater in some countries than in others, depending on the institutional design of the welfare state and the national share of elderly people.

The overall population of the EU-27 experienced growth in 2009, but growth varied across member states, as we show in Table 2. Of the 19 countries that experienced population growth in 2009, 14 achieved this growth through both natural increases and net migration. Migration was the primary cause of population growth, except in Spain, France, the Netherlands, Slovakia and the United Kingdom, where natural increases were the main drivers. In Ireland and Poland, natural increases compensated for negative net migration. In three countries—Italy, Austria and Portugal—positive net migration compensated for natural decreases in population.

In addition, Figure 3 displays how the age distribution of the population will skew toward older age groups. That is, the working age population (15–64 years) will decline, the number of the elderly (65 years and older) will increase and the older elderly (80 years and older) will more than double¹. Few elderly people work, so ageing will decrease the potential labour supply.

This lower supply confronts constant demand, leading to a so-called potential employment gap. Some economic parameters must shift to close this potential gap. The concept of a potential employment gap thus serves as a quantitative measure of tension that shows how far the economic parameters must adjust.

Figure 3: Age distribution of the EU-27 population 2008 vs. projection 2050



Source: Bridging the Gap – a Randstad/SEO research study (calculations based on Eurostat)

¹ In 2050, approximately 11% of the population will be 80 years or older. The number of people between 15 and 64 years will have fallen from 67.3% to 57.1% of the population. This calculation is based on Eurostat's EUROPOP2008 projections.

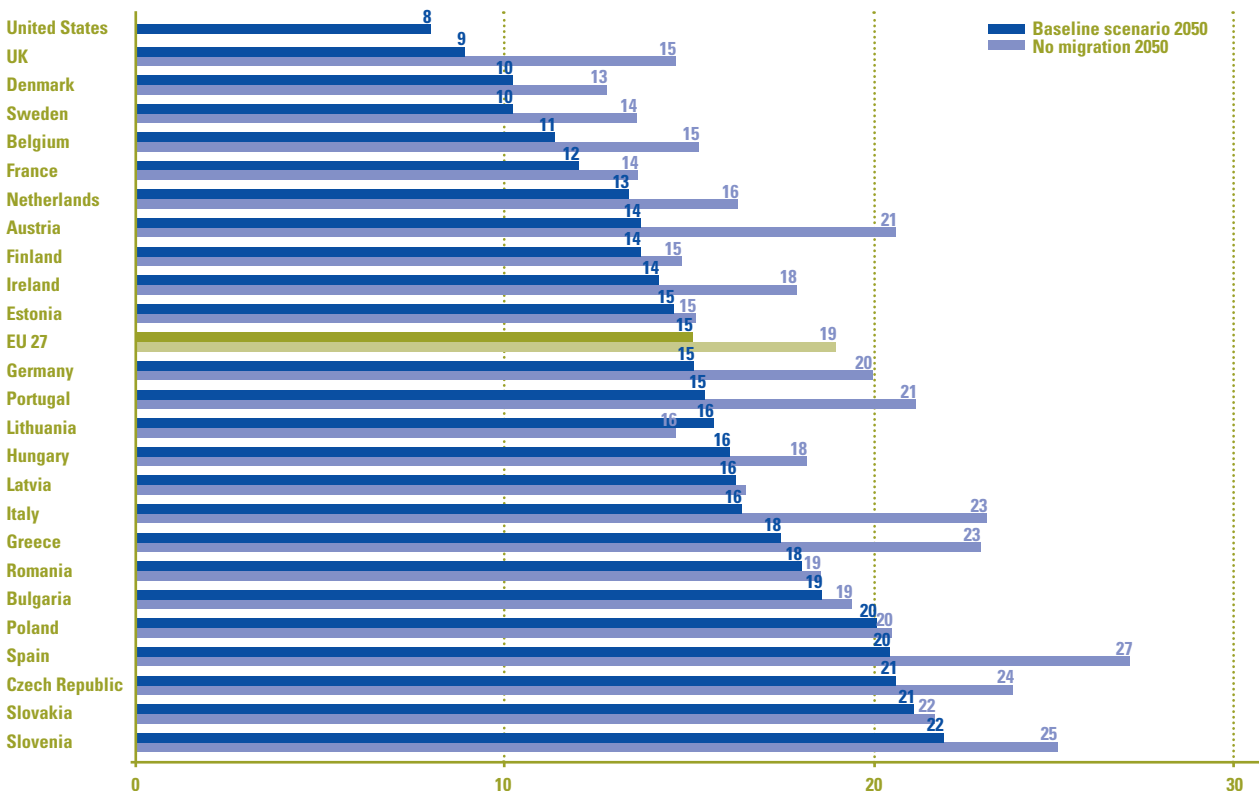
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Table 2: Demographic Balance for EU-27 in 2009

Country	Population 1.1.2009	Live births	Deaths	Natural change	Net migration ⁽¹⁾	Total change	Population 1.1.2010
(Thousand)							
	A	B	C	D = B – C	E = F – D	F = G – A	G
EU-27	499703.3	5371.9	4848.8	523.1	887.1	1400.1	501103.4
BE	10753.1	127.3	104.5	22.8	64.0	86.8	10839.9
BG	7606.6	81.0	108.1	-27.1	-15.7	-42.8	7563.7
CZ	10467.5	118.3	107.4	10.9	28.3	39.3	10506.8
DK	5511.5	62.8	54.9	7.9	15.3	23.3	5534.7
DE	82002.4	665.1	854.5	-189.4	-10.7	-200.1	81802.3
EE	1340.4	15.8	16.1	-0.3	0.0	-0.3	1340.1
IE	4450.0	74.3	28.9	45.4	-27.6	17.8	4467.9
EL	11260.4	117.9	108.3	9.6	35.1	44.7	11305.1
ES	45828.2	494.5	381.9	112.6	48.2	160.8	45989.0
FR	64367.0	825.6	548.7	276.9	70.2	347.1	64714.1
IT	60045.1	568.9	591.7	-22.8	318.1	295.3	60340.3
CY	796.9	9.6	5.2	4.4	1.8	6.3	803.1
LV	2261.3	21.7	29.9	-8.2	-4.7	-12.9	2248.4
LT	3349.9	36.7	42.0	-5.4	-15.5	-20.8	3329.0
LU	493.5	5.6	3.7	2.0	6.6	8.6	502.1
HU	10031.0	96.4	130.4	-34.0	17.3	-16.7	10014.3
MT	413.6	4.1	3.2	0.9	-1.6	-0.6	413.0
NL	16485.8	184.9	134.2	50.7	38.5	89.2	16575.0
AT	8355.3	76.3	77.4	-1.0	21.1	20.0	8375.3
PL	38135.9	417.6	384.9	32.6	-1.2	31.5	38167.3
PT	10627.3	99.5	104.4	-4.9	15.4	10.5	10637.7
RO	21498.6	222.4	257.2	-34.8	-1.6	-36.4	21462.2
SI	2032.4	21.9	18.8	3.1	11.5	14.6	2047.0
SK	5412.3	61.2	52.9	8.3	4.4	12.7	5424.9
FI	5326.3	60.4	49.9	10.5	14.6	25.1	5351.4
SE	9256.3	111.8	90.1	21.7	62.6	84.3	9340.7
UK	61595.1	790.2	559.6	230.6	182.4	413.0	62008.0

⁽¹⁾including statistical adjustments; 123 ... = provisional data; Source: Eurostat (online data code demo_gind)

Figure 4: Relative employment gap, by country, baseline & no migration, 2050



Source: Bridging the Gap – a Randstad/SEO research study (calculations based on Eurostat)

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Table 3: Possible solutions per country: how far beneath reference values?

	Employment Rate (%-points)			Hours per week	Productivity (GDP/hour, 2007, US\$)
	Men	Women	Elderly		
Austria	1	14	19	1	10
Belgium	12	24	27	2	0
Germany	4	15	6	3	2
Denmark	above	6	–	4	12
Spain	6	25	14	equal	13
Finland	5	10	–	1	12
France	10	19	22	1	2
Greece	5	31	17	above	24
Ireland	4	20	6	3	above
Italy	9	33	25	1	16
Netherlands	above	9	7	8	1
Portugal	6	17	9	equal	28
Sweden	3	8	above	2	9
United Kingdom	3	14	–	1	11
Czech Republic	5	22	12	above	31
Estonia	6	14	above	above	–
Hungary	17	30	29	above	31
Lithuania	12	19	–	above	–
Latvia	7	14	–	above	–
Poland	14	28	28	above	35
Slovenia	7	16	26	above	–
Slovakia	11	26	22	above	27
Bulgaria	12	21	14	above	–
Romania	14	27	16	above	–
Reference	80	80	60	38	55

Source: Bridging the Gap – a Randstad/SEO research study (calculations based on Eurostat)

According to the Eurostat baseline projection, labour supply will fall 15% short of demand in the year 2050 (see Figure 4).²

In absolute numbers, it indicates a potential employment gap of 35 million people. A purely hypothetical scenario with no migration underscores the importance of labour migration in bridging this potential gap. If no migration takes place by employees currently outside the EU, the potential gap will be much wider, at 19%.

To overcome this potential employment gap, there are four main options:

- Increase employment participation (beyond the current EU employment target of 75%).
- Increase labour productivity (in real terms, not just nominal productivity).
- Decrease local demand for goods and services (increase imports).
- Allow labour migration, as long as it facilitates a match between labour supply and demand (which then benefits both employees and the host country).

In the baseline projection, the average EU employment rate needed to bridge the potential employment gap of 35 million people in 2050 is 78%—15 percentage points above the 2009 average, and 3 percentage points above the current EU employment target. This challenge might be realistic though,

considering increases in participation of nearly 3 percentage points in the past decade. However, optimal solutions differ by country. In countries with employment rates already well above average, we find the ‘curse of the leaders’: Increasing participation from 70% to 78% is much easier than increasing it up to 90%. Increasing real productivity rates is an inevitable requirement to reduce labour demand though, especially because increasing imports have negative monetary consequences, so it is not a sustainable long-term strategy.

These data show that the shortage of skilled labour is a serious risk to European welfare. Possible strategies to maintain or increase welfare include investing in both productivity per working hour (as many OECD countries have done) and the labour supply (which has been a growth engine in Italy, Spain and France) (Tivig and Waldenberger 2011). This combined approach could be achieved through both migration and leveraging the potential of existing but underused labour forces, such as women and older and younger workers. Focussing on the latter here, we describe several measures companies and governments have taken to exploit existing potential.

² The potential employment gap is greater than it would have been using a previous calculation method, because total demand is higher as the result of the average 4% population growth between 2010 and 2050.

Dipl.-Vw. Matthias Czechl

3. Political Conditions and the Role of Government

In the following chapter, we introduce political measures aimed at activating the potential workforce. Governments play a central role in addressing the consequences of demographic change, whether by creating public awareness or a supportive legislative and regulatory framework. We also discuss existing connections to and interdependencies among other policy measures with regard to demographic change. We proceed in the following order: measures aimed at women, measures aimed at older persons and measures aimed at younger people. Where appropriate, we also provide examples of good policy.

3.1 The workforce potential of women

3.1.1 Reconciliation of work and family through public child care

Public child care enables women to reconcile work and family, for in most families, mothers still take primary responsibility for caring for children. Reconciliation of motherhood and work is a precondition for activating the workforce potential of women. As a by-product, publicly available child care serves two other political goals too: gender equality and equal education opportunities for boys and girls. However, difficulties arise in relation to the high societal costs of public child care. Institutions would need to offer high-quality care for sufficient hours and at a low cost. Child care arrangements and education systems in European countries meet these demands to varying extents. To provide a better understanding of these differences, we describe child care sectors separately for children aged 0–2 years, 3–6 years and children of mandatory schooling age.

In Denmark, a leader in this respect, 73% of all infants aged 0–2 years are in public childcare. At the other extreme, in Poland and the Czech Republic, only 2% of children are (EC 2009a). In Germany the quota is at 23%, with remarkable differences between the former East (48%) and West (17%) Germany (StatBA 2011). Furthermore, approximately 12% of German children aged 0–2 years use child care facilities full time (7 hours a day or more), again with wide differences between East (35%) and West (7%) Germany (StatBA 2011). For full-time care for children younger than 3 years of age, Denmark is at the top of the scale, with 66% attending childcare facilities for 30 hours a week or more. A typical Danish day care unit is open for 50 hours a week, in accordance with traditional working hours in trade and industries, plus travel time (EC 2009a, p.32). Wide differences between the general and full-time usage of child

care for the youngest children also appear in the Netherlands (45% versus 4%) and the United Kingdom (33% versus 5%).

However, these data do not indicate the extent to which demand for childcare is being met. First, they do not control for hours of usage. Second, there is a large informal childcare sector. Informal arrangements refer to 'childcare by a professional child minder at the child's home or at the child minder's home and childcare by grandparents, other household members (outside parents), other relatives, friends or neighbours' (EC 2009a, p. 31). Informal care for very young children (aged 0–2 years) is common in Slovenia, Cyprus, Greece and Hungary (48–60%) but barely used in Denmark, Sweden, Norway or Finland (1–5%). In Germany, the level is 7%. Again, these figures cannot confirm whether demand for childcare is being fully met (EC 2009a, p. 39). From the perspective of female labour force participation though, we might conclude that the supply of formal childcare for the youngest children is adequate in Scandinavian countries but less so in other countries. In some countries, we find a lack of childcare in general; in others, full-time care is not sufficiently available.

For the age group of children 3–6 years, most European levels are much higher, reaching 98% in Belgium, 97% in Iceland, 96% in Denmark, 94% in France and 92% in Germany. These high participation rates can be explained partly by the legal claim parents have to access to kindergartens in Germany or école maternelle in France. Even full-time formal care for children in this age group is high: 80% in Denmark, which remains the European leader in this category, followed by Estonia (78%), Portugal, Italy and Slovenia (66%). However, in Germany, only 32% of all children aged 3–6 years are in full-time care (at least 7 hours per day). The difference between Germany and other EU countries is thus not the amount of usage of formal care but the duration of this daily care. In addition, the large difference between East (68%) and West (25%) Germany mirrors the persistent differences in social norms and self-conceptions of mothers, even more than 20 years after reunification. The lowest European full-time usage of formal care for children aged 3–6 years appear in the Netherlands (7%), Ireland (13%) and Austria (16%). Finally, informal childcare services for children of this age group are common in Slovenia, the Netherlands, Hungary and Cyprus (44–60%) but not in Scandinavia (<5%). In Germany, the quota is 30%. In the Netherlands, Germany and United Kingdom, informal child care is ostensibly a substitute for formal full-time offerings, which are scarce.

Finally, when children go to school, they may continue to need childcare, if schools are not organised as all-day institutions, and generally, school holidays are longer than the vacations working parents may take. In Scandinavian countries and France, full-time primary schooling is common, but it is the exception in (West) Germany (DIHK 2011).

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These differences have direct correspondence with the labour participation rates of women with children. In 2008 in Sweden and Finland, employment rates for women with none, one or two children younger than 17 years were 80%, whereas these rates dropped when women had three or more children of that age, to 78% and 67%, respectively. In Germany, women's employment rates are 83%, 72%, 63% and 42% when they have zero, one, two or three or more children younger than 17 years of age, respectively.³

Furthermore, to reconcile work and parenthood, childcare facilities must be not only available on a full-time basis but also affordable to parents. Childcare is increasingly subsidised in all European countries, though to different extents depending on the age group and daily duration of care. For example, public spending to support childcare services is very high in Sweden, Denmark and France (1.66–1.86% of GDP) and very low in Cyprus, Latvia and Malta (0.09–0.26% of GDP). Germany spends 0.75% of its GDP to support childcare, similar to Italy and Spain.⁴ Subsidies may be combined with income-related fees, leading to free public childcare for very low-income households. However, in Germany, low-income families pay relatively more than medium and high-income groups (EC 2009a, p. 48).

There are several reasons to subsidise institutional childcare. The most obvious is to allow both parents to work. The resulting tax revenues and parents' own contributions to social security systems largely compensate for any subsidies. Furthermore, helping families reconcile work and parenthood can counteract labour shortages in countries experiencing severe demographic changes, such as Germany, Italy or new member states.

Another key reason is educational. High-quality public childcare serves to equalise the educational chances of all children, irrespective of their family background. Accordingly, public childcare facilities define personnel standards regarding their qualifications and educational achievements. In most countries though, the qualification requirements for private childcare givers are lower than for people employed by public childcare facilities. They are relatively higher in Denmark and Hungary (EC 2009b, p. 63) and relatively lower in Belgium and Germany (EC 2009a, p. 45). Although increasing demand for high-quality childcare facilities seemingly should increase the earning potential of childcare givers, unfortunately, this has not been the case, which may explain why childcare jobs hold little interest, especially among men.

³ These data refer to women aged 25–49 years in 2008. Data source: UNECE Statistical Division Database, Latest update: 14.10.2010 03:18:00.

⁴ These data refer to 2007. Data source: OECD Statistics from A to Z, Public spending on family benefits.

3.1.2 Care policies and parental leave

Another widely debated measure in the context of population and family policy is 'Cash for [Child] Care' (CFC), or homecare allowances. Whether this program represents a contribution to freedom of choice or a trap for mothers depends largely on the surrounding ideology (see Sipilä et al. 2010). Cash for childcare policies have been established in Finland, Norway and Sweden; in Germany, the discussion is ongoing. In Finland the CFC allowance supports parents of children aged between 9 months and 3 years, cared for at home. In Norway and Sweden, the allowance is paid to parents of children aged 1 or 2 years, if those children do not attend subsidised public institutions. In Finland the CFC was introduced in 1984, yet few studies relate CFC to the female labour supply (Rønsen 2009). Since the CFC was introduced in Sweden in 2008, no scientific studies have analysed the impact on female labour supply either. Norway's CFC was brought into force in 1998, and there, existing studies indicate a negative effect of CFC on women's labour force participation (Schöne 2004). Rønsen (2009) predicts that in the long term, the negative impact on female employment may increase, because the use of CFC implies human capital depreciation and reduced work experience, which also may lower opportunities for subsequent employment (Sipilä et al. 2010).

Other family policies that may exert influences on the workforce participation of parents in general and mothers in particular are maternity and parental leave. These policies primarily aim to protect mothers' jobs, increase birth rates among active women, and achieve gender equality. However, recent (re-)arrangements of leave programmes, as in Germany, have reduced the time women may remain at home with each newborn. Considering that three years' leave for each child once was regarded as a minimum in West Germany, the 12 months currently subsidised appears revolutionary. Demographic developments and emergent labour shortages have influenced this shift; general acceptance of the new arrangements also offers a visible example of the evolution of social norms.

3.1.3 Taxation

The taxation policies for family incomes also influence the workforce participation of married women. In Germany and Luxembourg, a married couple's income tax burden is split and thus considerably diminished if the partners are economically unequal. Married couples' tax splitting supports a single-breadwinner role model and discourages women from labour participation. Beninger, Laisney and Beblo (2007) use a micro-simulation to show that changing the law to use individual taxation (as in Norway) would substantially raise the labour participation of women. In contrast, a change to family tax splitting (as in France) would barely raise female labour participation (Beninger, Laisney and Beblo 2006). Of course, tax reform that included individual taxation also presupposes

major improvements in formal childcare facilities; otherwise, the increase in female labour force participation could come at the cost of further decreases in birth rates.

3.2 The workforce potential of older employees

3.2.1 Fighting discrimination

The reasons for these large differences between labour force participation by younger and older workers are manifold, including labour supply, labour demand and institutional factors. Workers' job performance tends to decrease as they age, though not for all tasks. The decrease is less notable in occupations that require experience, verbal skills or other abilities that do not decline with age (Skirbekk 2008). Some empirical studies indicate a decrease in productivity by older workers, but there is no consensus about its extent. This situation allows for preconceptions or prejudices by employers about how steep the productivity decline of older workers might be. Many employers are reluctant to hire older workers, because they fear they will have difficulties learning new skills (Hunnell 2007). This fear may result in discrimination against older workers or applicants, even though the loss of job performance is neither inevitable nor general (Skirbekk 2008). Ending discrimination is therefore a first, necessary step to promote the labour participation of older workers. Anti-age discrimination laws (e.g. AGG in Germany, Equality Act in the UK) may be helpful. However, what may be most helpful are further studies on the evolution of productivity over a person's life cycle. In Germany and at the EU level, various ongoing and planned activities aim in this direction. For example, several German federal ministries have financed broad research programmes into the labour participation of the elderly, and the EU has declared 2012 'The European Year for Active Ageing'.

3.2.2 Promoting life-long learning and health

There may be several reasons for the perceived decline of job performance among older workers. The depreciation of human capital is one. Skills enhancement therefore is in the interest of both employers and employees, even if it has not been promoted by governments or legislation. However, life-long learning is not automatic; major impediments include a lack of financial resources available to invest in human capital, whether by employees themselves or small companies. Educational loans granted by governments or public institutions may improve the situation. But even with enough resources, employers and employees may fear that investments in the human capital of elderly workers will not pay off. For example, an employer might avoid investing in an older employee if there is any indication that this employee may leave the company to take early retirement.

In turn, employees must believe that they have not reached the end of their careers, to make them willing to invest in their own human capital. Job protection laws for older workers in these circumstances may contribute negatively to increasing labour participation by the elderly, if they lower the incentive for life-long learning. However, governments can encourage life-long learning by offering entitlements for educational leave or part-time employment during training periods. When education is presented as a public responsibility, a financial promotion, especially for low-income workers, would seem reasonable.

Features of the educational system also influence the participation of older persons in continued education and training. According to Lindley et al. (2006), Germany and other countries contain a high share of older workers who have at least upper secondary education (>70%) but only minimally participate in continued training. The educational system thus appears focused on the education of young people and initial training, but it is much less developed for ongoing training (Lindley et al. 2006). Other countries' systems accentuate training more; the UK's strategy centres in particular on continuous training, for younger and older workers (Lindley et al. 2006).

The decline of job performance also may be due to health problems among older workers. This issue again is largely the responsibility of both employers and employees. Governments and the European Commission have contributed in various ways to make this topic public, such as through non-smoker protection laws and consumer protection acts for food production. Further efforts to improve the health of ageing populations should pay off by resulting in higher labour participation by older people.

3.2.3 Avoiding incentives for early retirement

Although productivity declines may be minor or even non-existent in some occupations, it is a reality for workers in other settings. A company thus has two solutions: lower wages or reduced employment for the elderly. Until recently, seniority provided the main theoretical rationale for wages. However, with increasing professional mobility, the explanatory power of this theory weakens.

Another problem arises when unemployed workers set reservation (minimum) wages⁵ above their productivity levels. Because reservation wages are influenced by the amount and duration of unemployment benefits, governments can have an impact here. If they manage to reduce periods of unemployment for the elderly, the depreciation of their human capital also would be reduced.

⁵The reservation wage [...] is the lower bound on the set of wages that are acceptable to the worker. Accepting employment at the reservation wage must just compensate for any income forgone by becoming employed, which one can think of an unemployment benefit' (Mortensen 2008).

Many people retire before reaching the legal retirement age. In Germany for example, the effective average retirement age in 2009 was 61.2 years for men and 60.5 years for women, and in many other EU countries, it was even lower.⁶ Early retirement has long been regarded as a strategy to avoid youth unemployment (Lindley et al. 2006) that gained social acceptance. However, the link between youth unemployment and early retirement has been called into question (see Chapter 5.4). Furthermore, the size of generations entering the labour force is shrinking, so baby boomers may not experience the same pressure, if any, to exit the labour force as did preceding generations of older workers (O'Brien 2010). Rather, the pressure has moved to the financial sustainability of retirement systems, leading to pension reforms in many EU countries. Increasing the regular retirement age and decreasing possibilities for early retirement parallel measures to raise labour participation among older persons. However, there are also concerns that a higher retirement age will not translate into longer working careers but rather longer unemployment durations. Evidence provided by Ichino et al. (2007), using data for 1978–1998, suggests that this outcome did not result in Austria. Yet studies in Sweden show that cutting into early retirement may result in increased reliance on disability pensions (Palme and Svensson 1999). Therefore, if governments decide to increase the retirement age, 'it is also essential to ensure that unemployment, disability and other welfare benefits are not used as alternative pathways to early exit from the labour market' (OECD 2007, p. 11).

In summary, the outlook for the labour force participation of older people is rather optimistic, as Skirbekk (2008, p. 9) concludes:

"More training, better work organisation, and more flexible earnings systems could allow the elderly to benefit from their comparative advantages and effectively extend the working life (...). Changes in incentive systems, regulations and habits that lead to less smoking, better nutrition and more exercise could further decrease disability levels and raise cognitive functioning is likely to help increase work performance levels and labour force participation at older ages."

3.3 The workforce potential of younger employees

3.3.1 Education as a long-term employment policy

Highly educated young people are generally less likely to be unemployed. However, there are exceptions in data for 2010; in Greece, Cyprus, Romania, Portugal and Turkey, unemployment among graduates (who finished at least tertiary educa-

tion) increased to 13.5 percentage points higher than that for young people with only a primary education (Eurostat).

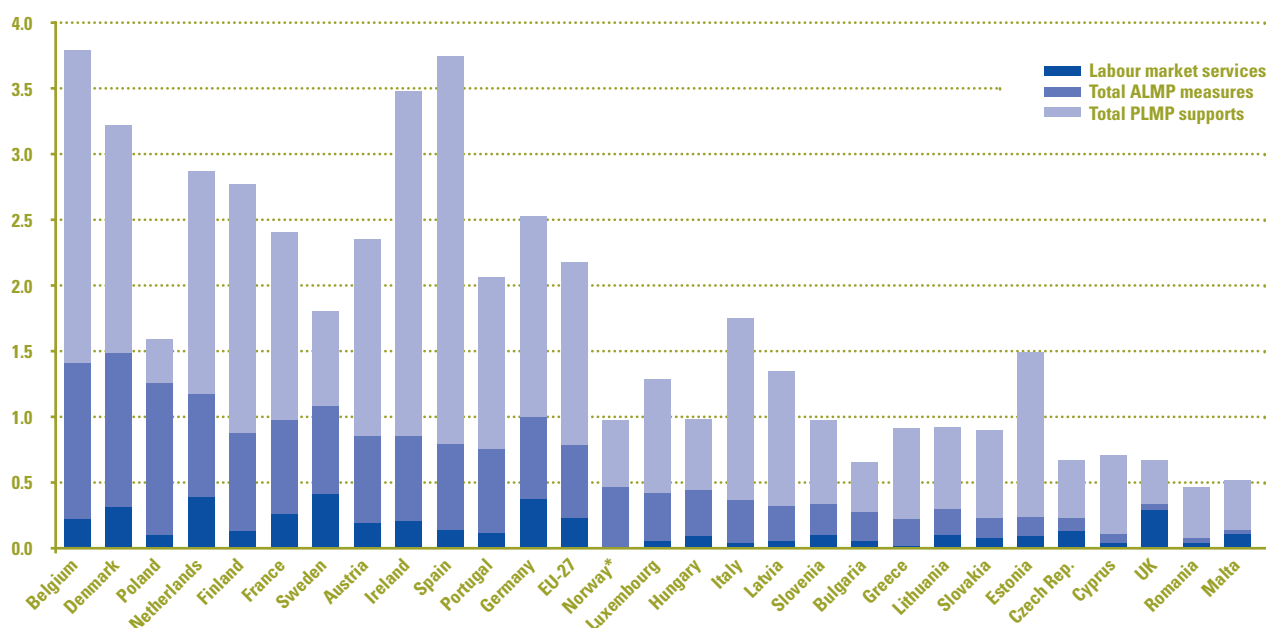
On average, the EU unemployment rate among young people with primary education is 1.5 times greater than that of young people with secondary education and 1.7 times greater than that of graduates. However, the 15–24-year age group may not be optimal for drawing conclusions, because the duration of tertiary education varies widely across the EU. Eurostat also publishes unemployment rates for 15–39-year-olds. Using this classification, Turkey is the only exception to the rule that more educated people are less likely to be unemployed. In Germany, the unemployment rate of 15–39-year-olds is about one-fifth the corresponding rate of low-skilled (primary education), and the rate for people with secondary education is 2.3 times lower, similar to the results from Finland and the United Kingdom. People in their 30s are not considered young, so data for the age group 15–28 years may be more appropriate, but they are not readily available. Nonetheless, in normal circumstances, a good education is an effective strategy for avoiding unemployment, by definition, in that a person pursuing full-time education is not unemployed. Furthermore, it is generally easier for a well-educated applicant to find a job. To reduce youth unemployment, governments might promote education and ensure equal educational opportunities (Gomez-Salvador and Leiner-Killinger 2008), which may require reforming the educational systems and thus poses a serious challenge for some countries. Other measures that could produce outcomes more immediately are reforms of labour market institutions and the aforementioned decrease in incentives for early retirement.

3.3.2 Early retirement incentives and youth unemployment

Several countries have tried to incentivise older persons to leave the labour force, to provide more jobs for the young. The assumption has been that lower labour force participation by older persons would open up more job opportunities for the young (Gruber et al. 2010). If the young and old compete in labour markets, the implications of demographic change would be devastating, in that trying to use the potential of older and younger workers seemingly would be incompatible. However, when Gruber and Wise (2010) analysed the proposition that more work by older persons reduces the job opportunities for the young econometrically in 12 countries, they found no evidence that increasing the labour participation of older persons reduces the job opportunities of young persons. The evidence instead suggests that 'greater labour force participation of older persons is associated with greater youth employment and with reduced youth unemployment' (Gruber and Wise 2010, p. 41). This result is just a correlation; it does not imply causality. Thus there is no guarantee that promoting labour force participation by the elderly will automatically reduce youth unemployment. But it is good news that the opposite is not true.

⁶ These data come from the OECD (average effective age and official age of retirement in OECD countries).

Figure 5: Expenditures for labour market policies by type of action, as a percentage of GDP in 2009, ranked by the share of expenditures for ALMP



Source: Eurostat (* missing value for labour market services)

3.3.3 Labour market institutions

Another proposal to reduce youth unemployment uses a macroeconomic approach to reduce distortions in the labour market. For example, job protection and minimum wages are the main focus of some economists. Neumark and Wascher (2004) find negative employment effects of minimum wages for the young during 1975–2000 across 17 OECD countries. Gomez-Salvador and Leiner-Killinger (2008) confirm this result with a sample of OECD countries for 1985–2004. But scant evidence indicates that increases in unemployment result from the introduction of the UK minimum wage (Bell and Blanchflower 2010), though these authors suggest lowering high minimum wages. Scarpetta et al. (2010) propose sub-minimum wages according to an age-based hierarchy, to facilitate the access of low-skilled youth to employment, following the example of the Netherlands. Another proposal would promote apprenticeship contracts for low-skilled youth, with an apprenticeship wage lower than the minimum wage. Apprenticeships may offer extra advantages for low-skilled youth, because they ensure the acquisition of both skills and work experience (Scarpetta et al. 2010). In the same vein, Bell and Blanchflower (2010) support the approach by the Confederation of British Industry to offer subsidies for firms that offer additional apprenticeships or employ an apprentice for the first time.

However, there is no consensus amongst economists about the effects of employment protection on youth unemployment. Bell and Blanchflower (2010, p. 12) state that ‘The “flexibility” explanation of unemployment is wrong’, whereas Gomez-Sal-

vador and Leiner-Killinger (2008) suggest that high levels of employment protection legislation discourage hiring of young workers and tend to increase youth unemployment. But lowering the employment protection for the young, as they enter the labour market, may lower the incentives for young employees to invest in their own human capital (Estevez-Abe et al. 2001) and make youth unemployment more volatile than unemployment among older age groups. The resulting economic uncertainty conflicts with another important factor of demographic change, namely, the increase in birth rates.

This scenario is especially notable in Spain, where stable employment and good housing seem to be important conditions for forming families (Adsera 2006). It also may be true in other countries with similar socioeconomic conditions (e.g. Italy, Poland). Whether these negative effects offset the possible employment effects cannot be evaluated in general for OECD countries or Europe. Still, in countries with high standards of employment protection, slight deregulation may be reasonable.

3.3.4 Active labour market policies

Active labour market policies (ALMP) ‘comprise labour market interventions that are aimed at reducing unemployment and/or inactivity’ (Bell and Blanchflower 2009, p. 41). Unlike ALMP, passive labour market policies refer to ‘automatic cash payments to the unemployed or early retirement pensions paid for labour market purposes’ (Bell and Blanchflower 2009, p. 41). Figure 5 offers an overview of how EU countries weigh ALMP to reduce unemployment.

The figures do not refer to youth unemployment only, but they reveal the large variance in the use of ALMP in Europe. Not only does the extent of use differ, but its composition varies as well. The measures distinguished by Eurostat include training of the unemployed, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. Some countries rely heavily on training (e.g., Poland, Austria); others rely more on employment incentives (e.g., Sweden, Luxembourg). Direct job creation plays a major role in Hungary and Bulgaria, whereas the Netherlands and Czech Republic put more weight on subsidising employment and rehabilitation. Belgium offers a mix of measures. Incentives for self-employment do not play a major role except in Greece and Slovakia. Bell and Blanchflower (2009) review the effectiveness of ALMP and offer rather pessimistic conclusions. There is no consensus about whether ALMP has positive employment effects, nor is it clear if any newly created jobs constitute net job creation or instead are offset by the displacement of non-participants (Heckman et al. 1999; Bell and Blanchflower 2009).

Ultimately, ‘there is little evidence to support large scale, active labour market programmes to help the young or any other group’ (Bell and Blanchflower 2010, p. 30). Despite such scepticism, these authors propose ALMP as a temporary measure and call for close evaluations of its effectiveness. The only element of ALMP that Bell and Blanchflower (2009, 2010) propose extending is the subsidy of employment and apprenticeships. Regarding employment, this subsidy might take the form of large cuts in income and social security contributions for low-income and young workers. For apprenticeships, a direct subsidy for firms that offer additional apprenticeships or employ an apprentice for the first time have been proposed.

We have briefly discussed the role of governments to improve the workforce participation of women and older and younger workers. We thus conclude that labour participation by women is best promoted by reconciling policies regarding work and parenthood. The employment of older workers may prove responsive to a reduction in early retirement incentives and measures supporting older workers in terms of health and education. Labour market-oriented education would be a good long-term strategy to reduce youth unemployment, accompanied by country-specific measures for the most disadvantaged.

4. Using Potential

Chapter 3 highlighted the varying political conditions in the European Union and outlined the role of the government for responding to demographic change. Government plays an important role in addressing the consequences of demographic change, whether by agenda setting or encouraging demographic shifts, such as by providing assistance with public child care. In contrast, Chapter 4 focuses on the role of companies to activate workforce participation, especially among the previously described groups of employees.

To estimate how companies and governments are addressing the challenge of demographic change already and to encourage an open dialogue with local stakeholders, we conducted a *workshop tour* in five countries, within the framework of the collaborative venture ‘Using Potential: Jointly Tackling Demographic Change in Europe’. The general topic of the workshops was a practical discussion of how business and politics can work together to tackle demographic change and what kind of political setting businesses in general need to approach the topic. These workshops took place in Sweden (Stockholm), Poland (Warsaw), Germany (Essen), France (Paris) and the United Kingdom (London). The main lessons of the workshops appear in the following sections.

4.1 Identification of additional labour sources

Various statistics show that a positive immigration ratio can mitigate a shrinking labour force but is not sufficient alone. Therefore, the recommended approach aims to leverage existing but still unused potential in European labour markets. Because general circumstances and politics have more dominant impacts on migration, we concentrate instead on areas in which companies can take the ‘driver’s seat’. That is, we describe action fields in which business policies and tools exert a significant impact on the availability and productivity of labour.

4.1.1 Women

In highly developed European economies, education and training are key drivers of growth and public welfare. Individual training and education have enormous impacts on employability and employment perspectives. In reality, women in most European countries possess more education than they ever have before, yet their participation rate in the labour market remains lower than that of men. When we observe the participation rate of women at various life stages, we find that workforce participation often declines when women become mothers. Highly qualified labour participants then tend to stop working temporarily or shift to part-time roles. To exploit this potential, business and government must work together to

ensure an infrastructure and working conditions that enable women to combine work and family in a balanced way. For example, flexible working arrangements can leverage the potential of both young and older women; the participation rate of older women is lower than that of men in the same age range (Tivig and Walderberger 2011, p. 80ff.).

4.1.2 Older Workers

Leveraging opportunities for older workers was one of the main targets of the Lisbon Strategy, launched by the European Commission in 2004. Most EU countries achieved the target of 50% employment, though unused potential remains, according to the labour participation rates of this age group in general. The 2009 participation rates of the 55–74 year age cohort in Japan (men 52.8%, women 27.8%) and the United States (men 55.9%, women 45.3%), compared with Germany (men 39.2%, women 27.9%) or France (men 29.3%, women 24.5%), reveal the opportunities in business environments that differ in age, culture, retirement conditions and labour market regulations (Tivig and Walderberger 2011, p. 80ff.). Europe will benefit if it can succeed in utilising the vast experience of people in different life phases, with their diverse perspectives and knowledge inventories.

4.1.3 Younger Workers

Although young people are the future of Europe, their social and economic inclusion requires more effort. The potential of young people has not been fully realised, and though their employment rates vary across European countries, on the whole, it is lower than the labour participation rates calculated for all countries (ILO 2010). The unemployment rate among young people also exceeds unemployment for everyone aged 25–74 years in all member states. In Spain (41.6%), France (22.3%) and Poland (23.7%), youth unemployment rates were especially high. The Netherlands (8.7%), Austria (8.8%) and Germany (9.9%) were the only countries with youth unemployment figures below 10%. This situation has not just developed recently but has been emerging for the past decade. At a rate of 20.9%, more than one in five younger people in the EU-27, available and looking for work, was not employed in 2010

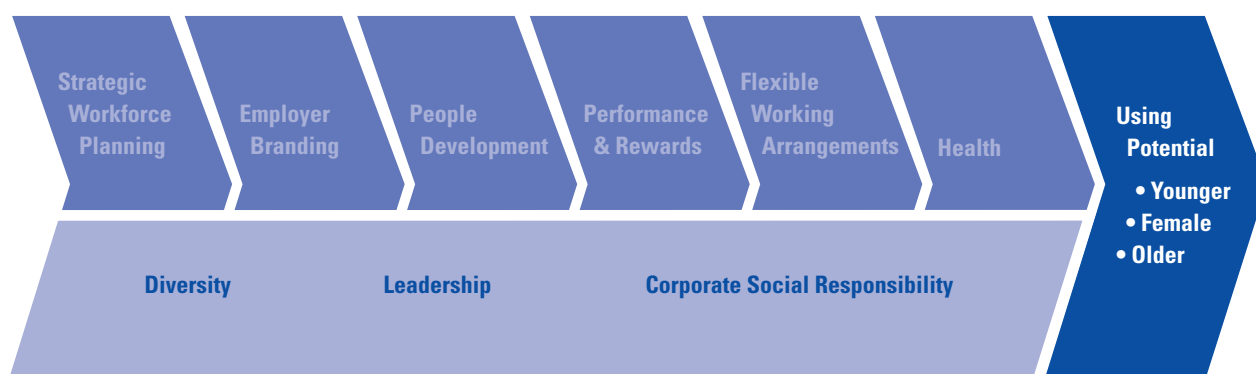
(Eurostat 2009). The extent to which young people are employed depends significantly on their skills and the capacity of school-to-work transitions in the European labour markets. For example, the average unemployment rate in the EU-27 for those who have earned at most a lower secondary education was 14.2%, significantly higher than the rate for those who attained a tertiary education qualification, at 4.9% (OECD 2010). Recent measures at the EU level might help bridge the gap between schooling and the labour market (European Commission 2010).

In addition to reforms of school or vocational training systems, company-based human resource measures, such as ‘buddy systems’, could link young workers with older workers or focus on specific sectors or professions (e.g., teachers in tertiary sectors) to keep education in tune with the latest business developments.

4.2 What can companies do to tap into unused potential?

Ageing populations across Europe are mirrored by the age structures of companies, though not all companies are affected in the same way. Organisational demographics depend on a variety of impacts, such as a firm’s historical development, strategy, skills required, regional availability of labour, ability to attract and retain talent and so forth. A company might implement various strategies and tools to mitigate of demographic change and benefit from the work potential of women and older and younger people. The focus tends to be on certain human resource (HR) processes that can help companies address demographic change. Topics such as diversity, leadership and corporate social responsibility cut across HR processes and offer some guidance.

Any recommended action also should be understood as a pool of ideas. Each company is different. Company size, type (manufacturing or service), market footprint and other characteristics all play important roles in determining which proposed measures are relevant and which are not. Best practice examples tend to come from large, global corporations,



Source: Internal

4. Using Potential

with dedicated teams for these functions. However, the findings and suggested measures might be relevant for smaller companies too, even though they need to adapt the proposed measures to their needs, abilities and situations.

4.2.1 Core HR Functions

Strategic Workforce Planning

The forecasted shortage in the availability of labour and shortfalls in critical skills are already the main motivation for companies to invest in medium- to long-term strategic workforce planning. The loss of an employee with many years of experience cannot be compensated for by hiring someone with only a short time to get up to speed. Therefore, medium-term replacement planning and company-specific career paths are critical to maintain corporate productivity. Strategic workforce planning, tuned to corporate strategy, is a prerequisite for all other HR actions. Measures should assess the dynamic, highly complex interactions between business and HR processes in an integrated model. To avoid any shortage of qualifications in specific regions, strategic workforce planning should be in place to predict aggregate, medium- and long-term needs, in agreement with segment and location planning. It is just as feasible to categorise these aspects according to job classifications or to predict the need for specific qualifications, such as technical training diplomas or university degrees, as well as to consider seniority levels, gender and age.

Strategic workforce planning should coordinate medium- to long-term needs with the status quo and projections across all segments. This important enabling process can build systematic recruiting and develop tools in a fact- and data-driven information base. Gaps can be filled by hiring or developing talent. For example, a proactive recruiting policy to hire more young professionals than actually needed might help the firm tackle an impending shortage. Up-skilling young people who are not yet ready for classical vocational training but who might be ready after additional training might also be an option in strategic workforce planning.

Employer Branding

Employers perceived as attractive find it easier to win the 'war for talent'. Positioning the company as an attractive employer, in both external job markets and internally, constitutes a crucial success factor for recruiting and retaining employees. Companies should be well informed about the preferences and needs of specific target groups. Bringing the company and its commitments in line with these requirements has high priority. Emotional aspects, such as fostering pride and commitment or providing a purpose and sustainable company behaviour, also demand consideration. A company must remain authentic to distinguish itself from its most serious competitors in the job market. By establishing a strong employer brand, the company can attract more potential job candidates. The clear positioning of an employer also makes it possible for applicants to assess whether the employer is the type of company they are

Box 1 Strategic Workforce Planning at Evonik

Evonik has introduced a strategic workforce planning to systematically provide the required number of employees at the right time, the right place, and with the right qualification profile. HR planning is considered to be the most important tool for this task. The HR planning at Evonik consists basically of three dimensions: capacity-, qualification- and age risks management. Particularly challenging is the question of how businesses can determine what capacity-, qualification- and age risks exist that are strategically relevant for the company considering not only short-term planning but also mid and long-term planning. Given the uncertain demographic change implications going forward a scenario-supported HR planning will address human resource challenges in a systematic manner and will therefore add value for the business (for more information on the strategic workforce planning see the Evonik example in the best-practice compilation of the present publication).

looking for, such that the profile of actual applicants matches the needs of the company more closely and simultaneously boosts the efficiency and effectiveness of the overall recruitment process. However, establishing a strong employer brand is a long-term process. It is important to concentrate on key aspects and values, then clearly communicate the benefits for the target groups that the company has identified.

Target groups that have not been adequately integrated into the job market thus far include women with young children, workers from different cultural backgrounds and older workers. To reach out to these groups, dedicated programmes and services, closely matched to their needs, should reflect the employer brand and support its position as an employer of choice. Family-friendly personnel policies should include not only flexible working times and active promotions of part-time opportunities but also programmes for children, such as day care centres, summer holiday programmes or international vacation exchange programmes. Specially designed seminars might facilitate re-entry to the job after parental leave. Fostering an environment of cultural openness also is critical to create an attractive perception among workers with diverse backgrounds. Providing a wide range of further education courses and internal promotions across departments and regions can be valuable approaches if there is strong employee demand for career development, particularly in the later career phases. These examples could all support an authentic positioning of the brand.

In addition, companies should use novel concepts and channels to communicate their brand. Social media is a frequent channel to communicate with applicants; to attract further po-

tential, companies might need to explore personal networks, dedicated job application training or special events for high potential workers.

Performance and Reward Management

Employee performance is a prerequisite for maintaining high company productivity. Maintaining it in light of an ageing workforce, while also ensuring that human resource costs remain competitive, are key challenges for performance management.

The configuration of pay and rewards systems is based mainly on market-oriented wage levels and the employees' preference structures. Equal pay for male and female workers for the same job is required, though in many areas, such equality does not exist. Depending on age and personal situation, employees have certain expectations that the employer must consider in the context of pay and additional benefits. Although higher salary components may be particularly attractive to young, single university graduates, an employee with family obligations may place greater value on flexible working hours and pension options. Whereas some employees prefer monetary benefits, others might value non-monetary benefits, such as free or well-subsidised child care options located in close proximity to the office.

These different needs require different approaches to performance and reward management systems. Systems should be flexible enough to accommodate employees' changing needs, as well as provide adequate flexibility on an individual level. Ideally, employees may pick among different compensation modules and renew their choices on a periodic (e.g., annual) or life event (e.g., marriage) basis. This demand increases the complexity for the company, because such systems must also comply with all legal or ethical requirements. It also requires a total compensation perspective, so the overall cost for the company remains predictable, regardless of the choices employees make.

Careers also are increasingly characterised by 'jumps' (e.g. horizontal career development, giving up managerial responsibilities) and 'gaps' (e.g. interruptions by parental leave). Therefore innovative performance management systems should make adjustments in people's earnings levels, whether up or down. New laws have changed the conditions surrounding pensions as well. People generally can expect smaller state pensions, so employees are becoming more interested in company pensions that can fill the gap. To balance the different interests of employees and companies, variable remuneration components, to top off company pension schemes, should be available in the future.

Time and value accounts can give companies multiple options for managing gradual transitions from full occupation to retirement. They should evaluate their current systems to confirm that those systems are not actually counterproductive. Many companies offer incentives for early retirement through the existing compensation system. If early retirement is no longer

beneficial, compensation systems should be changed accordingly. Time accounts also cannot be addressed only from a perspective of early retirement. They might play an important role in reviving employee motivation. Sabbaticals allow employees to take longer breaks and pursue activities they previously did not have time to do. Their personal batteries thus are recharged, and employees may come back with new ideas or aspirations.

Common practices stemming from employee life cycle theory also should be challenged. According to this theory, the cost-benefit advantage moves from the company to the employee over time. If an employee stays with the same company for an entire career, these advantages reach neutrality. If a company wants to hire older employees though, this principle no longer applies. Companies find it less attractive to pay higher salaries, but employees find it more difficult to find a job, because they are perceived as too expensive.

People Development: Skills Enhancement

Lifelong learning has long been on the public agenda. Companies should continuously promote the mental and intellectual fitness of their employees for their entire career life cycle. The seed for lifelong learning is planted by vocational training and competitive on-boarding programmes. Companies can establish comprehensive change programmes to make the best use of the potential of younger employees, such as by enlarging dual programmes of study or providing flexible offers for he-

Box 2 BASF's Learning Center – a unique concept in Germany

The willingness and ability of employees to take part in lifelong learning is considered a main success factor for companies dealing with an ageing work force. It is therefore BASF's objective to foster its employees' initiatives and openness towards continuous development. As part of the corporate training and development program, BASF's Learning Center (BASF Lernzentrum) supports employees and trainees in developing their knowledge and skills. The Learning Center has a unique concept. It is equipped with up-to-date technologies and provides both an ideal learning environment and an individual learning consultation. The center offers a wide range of different learning media, seminars, learning events, and modern technology – e.g. an extensive e-learning system – and provides attractive learning environment. The goal is to spark employees' interest in their own development and to make it an integral part of the company's culture. In 2010, employees made use of the Learning Center's facilities more than 50,000 times. All age groups are represented equally among the visitors – which demonstrates that interest in learning and development is not related to one's age.

Box 3 People Development at SAP

SAP has introduced a *Global Talent Management Program* to systematically align people development processes and structures for all employees. The program contains elements of talent identification, mentoring, and talent development, as well as preparation for new career opportunities. Employees find a variety of training opportunities to meet their individual demands. For example, SAP provides access to more than 13,000 online-based training courses (e-learning), skill descriptions for certain jobs, e-books, simulations, and other courseware for professional development. In addition, SAP introduced an online-based Career Success Center that encourages employees worldwide to match their individual career plans with the company's objectives. These measures are accompanied by annual performance management reviews, in which individual competences and appropriate development measures are discussed and agreed to between employee and manager. Traditionally, SAP encourages and fosters a corporate culture in which employees take personal responsibility for their professional development from the start of their career at the company. To facilitate lifelong learning, SAP also offers employees the opportunity to take a sabbatical for several months, to pursue an additional degree, for example, by withdrawing time out of a personal "time-for-money account."

terogeneous performance profiles by graduates. To leverage the share of women in technical jobs, companies could offer jobs together with educational opportunities for technical or computer science.

The increasing pension age and associated increase in working lifetimes also makes more diverse and flexible lifelong learning concepts more important, because they can enable employees, even in the latter stages of their working lives, to continue to learn by acquiring additional qualifications or taking part in training courses. Employees' willingness and ability to pursue life-long learning is a major success factor for companies. It should be companies' objective to foster employee initiatives and openness to continuous development. People who have not undertaken any training for years likely find it more difficult to re-enter the learning process than those who have not been 'weaned-off' learning. The development of customised learning strategies therefore should be supported by target group-specific methods. Older employees tend to have different learning patterns than younger people; the development and application of target group-specific didactics and methodologies is recommended as part of the HR development measures, ideally with the integration of empirical knowledge. Finally, companies should offer educational courses,

jobs accompanying courses of study and easy access to university education especially for older employees.

Some people's career paths follow their life phases. A classical career is vertical in direction, but career development also should offer lateral developments and expert career opportunities. Companies must provide employees with greater transparency and global comparability in internal job markets and development requirements (e.g., defined career paths, personal competencies, skills) to retain and develop human capital.

Furthermore, employees should actively shape their personal development for professional development. Managers and HR officers can support the transfer of knowledge across employees, particularly those of different generations. Mutual and unbiased learning from one another should play an important role when determining how to deploy employees. To preserve the know-how of experienced employees, crucial expertise must be transferred from generation to generation, perhaps through teams with mixed age groups or mentoring programmes. Tandem or teamwork in suitable projects is the most effective and efficient way for new staff and long-serving employees to support each other by offering their specific knowledge and skills. These methods also help transfer important empirical knowledge, to ensure that the company can continue to benefit from employees' expertise and knowledge in the long term. Specific job rotation schemes not only promote the development of competence among experienced employees but also facilitate the systematic transfer of knowledge across departments.

Flexible/Alternative Working Arrangements

In their younger years, working people often face the challenge of managing company expectations even as they attempt to start families and build households, with the significant time and financial constraints on both male and female workers. Women may decide to have children near the beginning of their career; men may want to pay more attention to their children while they are young. Older employees might need to take care of their elderly parents. A life stage-oriented organisation can address these needs and ensure the availability of labour, together with the productivity of the existing workforce.

A major opportunity relates to the organisation of the work itself. Flexible working hours are available in many companies already; they are a powerful resource to help employees manage their time effectively. Some companies have completely abandoned time recording and count instead on an environment of mutual trust, focused on productivity versus hours worked. The ability to work part-time is another useful option, despite the negative connotation of part-time work for young professionals as a career dead end. Companies should actively promote part-time work, not only for long-term and older employees, but also for new hires and shift workers.

Job-sharing represents a next step after the introduction of part-time work. In this case, two people share the same job,

Box 4 Flexible working arrangements at Randstad

Modern labour relations, like part-time work, fixed-term contracts, temporary agency work and self-employment are becoming more common. If voluntary chosen, they are a key requisite to drive labour force participation in a modern economy, in which both men and women want to combine work and private life. Social dialogue based countries (Netherlands, Switzerland, Austria, Germany and Scandinavian countries) have many voluntary temp-workers. The higher participation of these countries is, in part, connected to their reformed labour markets providing 'good quality' temporary jobs. Being the world's second largest provider of HR services, providing tailor-made flexible working arrangements on a temporary as well as on a permanent basis is Randstad's core business. Shaping the world of work is Randstad's mission, meaning that we play a key role in shaping a more sustainable future. The flexible employment solutions we provide help to address the growing challenges of structural skill shortages, declining population growth and an ageing workforce. In addition, flexible working arrangements enables people to re-enter the labour market, earn additional income or to adjust work-life balances according to personal circumstances, needs and wishes.

workplace and salary, even at management levels. Not all jobs are suitable for sharing, but for those that are, companies and employees should find this tactic an attractive means to balance various needs. A special form of job sharing is shift work. However, the combination of shift work and part-time work remains uncommon, even though there is no reason one shift might not be shared between two workers. In a group environment, a task for four full-time employees also could be performed by a team of five, all of them working at 80% capacity. Beyond the organisation of work, there is a question of how to create a work environment that fosters a proper balance between business and personal needs. Working from home is not a new model; many companies have telecommuting policies already in place. However, more employees take advantage of this option on a more occasional basis, such as spending one day a week at home or working from home when daily child care gets cancelled on short notice.

Sabbaticals also offer a tool for employees to take a break, for three to twelve months. During this time, employees can not only feel recharged, as we noted previously, but also might devote their attention to a social project in a developing country or their own community or take care of a family member. After returning from sabbaticals, employees often are highly motivated to work, often using new ideas they have developed in their time away. Sabbaticals can take the form of unpaid

vacation, or employees might save time from previous years or 'buy' time by converting their salary into time savings. The latter options ensure financial stability for employees, who continue to receive their usual salary during the sabbatical, taken from their own time savings account.

Employees who take multi-month or even multi-year absences, whether due to illness, maternity leave, sabbatical or any other reason, should be offered re-integration programmes. In most cases, neither the job nor the work environment is the same, which can become a scary situation for returning employees and even might prompt a decision not to return at all. Re-integration programmes can help reduce such fears and assist in a smoother return.

Health Management

A significant increase in stress and mental illness can be observed in modern society; it is expected to rise further in coming years. Although the frequency of sick leave is virtually the same for young employees as for those over 50 years of age, older employees usually take longer sick leave, compared with younger colleagues, because they suffer more serious illnesses. This trend implies negative effects on productivity and costs. Managers also play a key role in companies' health management, because they represent a particularly high-risk group, are role models within their companies and participate actively in determining working conditions. Several studies demonstrate a strong link between leadership behaviour and the health and wellbeing of employees. The health of work

Box 5 Healthcare Services at SAP

SAP has exemplary internal healthcare services to help employees maintain good health. Thanks to the broad range of sport, fitness, and recreation activities on offer, employees can take responsibility and action for their overall health at their workplace. SAP's medical services provide a number of prevention programs that are highly popular with employees. In addition, healthcare services provides psychological counseling for conflict situations, including acute crisis intervention, mediation, and so on. Externally, employees can use the consultation and services of an Employee Assistance Program, which is also available for family members. Another important aspect is work/life balance of the individual. SAP targets specific employee groups by offering work/life management workshops, in which participants receive guidance on how to improve the balance between work time and home time. In the view of demographic change, SAP supports academic and public research projects e.g. DIWA-IT (www.diwa-it.de) that explore the impact of aging in a young industry and develop innovative approaches to tackle the challenges.

4. Using Potential

forces can be enhanced significantly through more health-oriented leadership, stronger team spirit and the presence of opinion leaders who promote health topics. Leaders and HR management should collaborate to motivate employees to accept responsibility for maintaining their own employability. Yet companies must also contribute to the systematic prevention of illnesses and the promotion of health by making suitable programmes available. Targeted information and support can increase employees' awareness of specific health threats and motivate them to take responsibility for their health. Exercise offers, initiatives to promote healthy eating habits and voluntary medical examinations are all key ways to boost the health motivation and self-initiative of the workforce.

To foster people's own sense of initiative, it also is essential to establish personal concern and interest in health topics. Health checks provide early diagnoses of health risk factors and prevention possibilities. They also can indicate the appropriate measures to include in tailor-made health initiatives. Workplace health inspections and working time checks are centralised means to identify areas for improvement in ergonomic aspects too. Companies should take this possibility into account when designing work stations for older and ageing employees.

Considering these various strategies and instruments, we assert that the process of tackling demographic change must be viewed as a change process that affects corporate culture, leadership and the way the company acts as a corporate citizen.

4.2.2 Support functions: How to supplement HR functions

We have elaborated how specific, core HR functions can mitigate the negative effects of demographic change. However, overarching issues also influence all core HR functions. Diversity management, leadership and embedded CSR activity entail not so much what companies should do but rather how they should embrace demographic change.

Diversity management (culture)

Companies have learned that productivity and innovation increase with a diverse workforce. Productivity depends on more than just objective working conditions and the associated working environment. Teams comprised of employees from different cultures, genders and ages (as well as other characteristics) contribute valuable understanding of complex international markets and deliver better results. Productivity and the ability to innovate are inextricably linked with the knowledge and competence of employees, as well as their willingness to transfer this knowledge. Innovations usually result from an interaction between employees' empirical knowledge and new technological know-how provided by universities or research institutes. Demographic change makes the acquisition of new knowledge and the maintenance of existing

knowledge, especially that possessed by 'pension retirees', a key issue for innovation. The more complex the work processes and interfaces within a company are, the more difficult it is to document the subjective action know-how or empirical knowledge present of a company. Employees' willingness to work together depends significantly on whether employees treat one another with respect and without bias. Companies thus have an opportunity to profit by promoting a culture in which experience provides the sounding board for new ideas, and diversity is regarded as a benefit for the overall system. Against the background of current demographic change, support should focus particularly on a greater understanding of the potential differences in values and experience with respect to work and employers, through the implementation of appropriate communication measures. Corporate culture can progress in this regard by implementing such guidelines in all HR policy. In addition, unlocking and activating support for employee initiatives and networks helps create an environment of mutual understanding and brings the meaning of diversity alive. Management board members and senior officers thus play a key role in defining the corporate culture.

Leadership

Managing demographic change is not an HR task but a business leadership task—whether through planning, hiring, personnel development, performance and rewards management, health management or working conditions. Leaders can take different roles for employees, such as role models, coaches, supporters or promoters who care for the health and wellbeing of their workforce. Often these roles challenge leaders; they are not part of a traditional career experience. However, for some leaders, this option provides an opportunity for their own personal development. Leaders should be empowered to manage demographic change effectively, and HR should support them with appropriate training. Whereas leadership training may have a personnel development focus, it usually fails to include diversity, life-stage-oriented needs of employees, health or other such topics, but they must be included in the future. To attract new potential and retain experts over time, leaders should be open minded and willing to implement unfamiliar tactics. Older staff often have higher levels of emotional stability, reliability, everyday knowledge and empirical knowledge than younger employees. These skills should be harnessed. One of the first steps involves identifying and adjusting the activities and requirements associated with critical age factors in each department; then, leaders should make decisions on an individual basis about which employees can be deployed best in which position.

Leadership in general should focus on motivation and the provision of feedback. Older employees who have largely achieved their financial aspirations might be better motivated by positive recognition. This group often experiences satisfaction from the ability to share knowledge and experience with younger colleagues. Conversely, young colleagues who have just joined the company may expect strong guidance, support

and feedback from leadership as part of their orientation. Living up to company values and culture is a key to retaining new hires and young professionals.

Embedded corporate social responsibility activities

Networking with external stakeholders and co-operation with educational establishments play increasing roles for supporting in-house measures to safeguard access to adequate hu-

man capital. Sponsoring primary and higher education can help strengthen the employer brand and support the education of potential future employees. Today, companies compete worldwide for talent, which might require casting a wider net with a European or even worldwide focus on education sponsorship. If possible, direct dialogue with universities (e.g. visiting lecturers) could help ensure a fresh flow of new knowledge into a company and improve training of future employees.

A more indirect approach would support organisations that share the same broad vision of improving education. Many non-governmental organisations (NGOs) are active in this area, often with a focus on improving education for female students or engaging them in sciences and other fields that are typically dominated by male students but that might provide attractive job opportunities. Companies that lack female management in particular should support such NGOs. When regionally independent job seekers apply for a job, the job and the company are not the only decision criteria. An attractive area to live is part of people's decision-making agenda, especially for dual-career couples who want education opportunities for their family. Investing in cultural and regional development projects is therefore valuable in the context of attracting new labour potential. Maintaining the productivity of employees until they retire also could be a question of granting them meaningful alternatives at the end of their working lives. For example, promoting employee involvement in voluntary work in the local area can meaningfully and productively shape the transition from work to retirement, while also providing important support to non-profit organisations. During demographic changes, companies can contribute through material enrichment of the intergenerational contract and creating a foundation for the positive co-existence of generations.

Box 6 Survey among international companies

There are many approaches in place already to tap currently unused workforce potential, including strategic workforce planning, employer branding, personnel development, performance, reward and health management and flexible working arrangements, as we have reviewed. To evaluate the extent to which companies are already contributing to address the challenge of demographic change, we conducted a survey among 57 international companies from different industries. The main topic of the survey was active ageing and demographic change. These respondents revealed that companies increasingly perceive themselves as independent players that deal with demographic changes by using internal strategies and policies, independent of governmental regimentations or steering models. Of the respondents, 41% of companies regard their demographic change management as a function of their HR department.

However, the survey results also show that companies believe governments should play a role in finding solutions. The majority of the surveyed companies (56%) do not yet have a demographic change management programme in place. Furthermore, almost 68% of the participants reported that they lacked internal strategies and/or practices to deal with active ageing. The results also indicate differences across various groups of employees. Whereas 76% (50%) of the surveyed companies reported strategies and/or practices aimed at attracting women (younger workers), only 4% of respondents had such policies for older employees. Although demographic changes are highly relevant from a societal and business perspective, companies policies have not kept pace, especially with regard to older workers. However, several best practice examples describe measures that companies can take to address the effects of demographic change and translate them into corporate strategy, which can help other companies utilise their unused potential. Therefore, in the next chapter, we outline the best practice tools that underpin companies' strategies to address demographic change.

5. Company Best Practice Compilation

BASF SE

www.basf.com | Industry sector: chemistry
Employees Germany: 50,801 | Employees worldwide 109,140

Generations@Work

Challenges

All around the world, BASF is feeling the impact of demographic changes. Particularly in Germany, the falling population, the continuously increasing life expectancy and the growing proportion of older employees are particularly challenging to the company. At the largest BASF site in Ludwigshafen, a large part of the workforce is in the same age group and as a consequence of this structure, will be leaving the company within short spaces of time for age reasons. In addition to that, the average age will increase. Of today's workforce, in ten years, every second person will be over 50.

Employability

The employees' physical and mental achievement potential should be retained until retirement age - which will increase in the future - by activities offered by BASF and through the employee's own initiative.

Sustainable recruiting

This includes a strong commitment to training over many years and setting up an attractive employer brand worldwide.

Lifelong learning

Process and product innovations change the requirements made of the employees. For this reason, lifelong learning needs to be a fixed component in a working environment oriented towards the future.

Financing of pensions

The employees are to be ensured secure provision in their old age.

Cultural change

An alternative attitude to age(ing) is the basis for successfully making use of the opportunity provided by demographic change.

Goals

To be able to be competitive and innovative in future as well – in other words to remain the Number One in the chemical industry, in 2006 BASF has developed the program Generations@Work. The program has several goals:

Measures to be taken

For every one of these spheres of activity, there is a whole host of measures to be taken. The majority of them are oriented

towards all employees, individual offers are exclusively oriented towards older employees. One example is the "Career review 45+", a seminar for employees in the middle of their careers, who want to reflect on their career path so far and who want to actively help formulate their future professional challenges. The seminar is supplemented by individual coaching.



In the BASF learning center in Ludwigshafen, employees can be given individual and age-specific advice on any questions 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. When experienced employees leave the company for age reasons, quite often valuable know-how gets lost as they go. To prevent this, BASF has developed the knowledge relay: In cooperation with a facilitator, employees identify and document their predecessor's know-how and respond to the successor's questions. The concept has already proved its value and handover times have been significantly reduced. The BASF sports and health program is being further improved and being made "resistant to demographics". Results from a pilot project of the operating division Petrochemicals are used as a basis. There a health initiative is being set up based on several modules: A voluntary health check, subsequent health coaching with individual recommendations for promoting your own health as well as sports and health offers. The degree of participation was more than 85 percent.

In 2010, BASF SE and all German Group companies participating in collective bargaining agreements began to contribute 300 Euro annually per non-exempt employee into a company "demography fund" according to the German chemical industry's collective agreement on working life and demography.

BASF has analyzed the age structure of the workforce worldwide and demographic developments in the host com-

munities to determine site-specific risks. In Italy, for example, BASF uses the results of this analysis to improve knowledge transfer and personnel development. Together with partners, BASF is active in CSR Europe, a business network for corporate social responsibility, and, as part of the initiative Enterprise 2020, carry out dialogue events relating to the opportunities and risks of demographic changes in various European countries.

Vista 2020

BASF offers a motivating working environment for all generations. Employees and management have a positive attitude to age which they value. Despite the increasing lack of skilled workers, BASF continues to be an attractive employer and to a large extent trains its own employees of tomorrow. In 2020 BASF also wants to form the best team in industry.

Bayer AG

www.bayer.com | Industry sector: health care, nutrition and high-tech materials

Employees Germany: 36,200 | Employees worldwide: 111,400

Innovative solutions for a long and active working life

Demographic change is increasing the attention paid to older employees as part of an HR policy aligned to the various phases of life. After all, there is virtually no other area in which the upcoming changes for the corporate sector are so clearly visible: Starting in 2012, the statutory retirement age in Germany will gradually be raised to 67. At the same time, tools such as early retirement and senior part-time working will gradually be scaled back. These tools previously offered many employees an opportunity to leave employment before the statutory retirement age or shape the transition progressively. In view of this situation, Bayer assumes that the average age of the workforce in Germany will increase from 44 at present to 50 by 2020. The proportion of employees aged 60 or over will also increase significantly by then.

So how can HR policy shape this increase in working life and support employees to ensure they remain healthy and productive after the age of 60? In collaboration with representatives of the workforce, Bayer has come up with an innovative and, at present, unique solution to managing demographic change. In 2010, the company introduced a General Works Agreement on lifetime working and demographic change based on the collective agreement for the German chemical industry on the same issues. The General Works Agreement pays special attention to the interests of older workers.

It entitles non-managerial employees working 24/7 or semi-continuous shift rosters to up to 20 additional free shifts a year from the age of 55. These can be spread across the year in agreement with the plant manager. The additional free shifts are compensated via a long-term account financed from a demography fund into which Bayer pays around 4.8 million Euro a year. The aim is to achieve a perceptible reduction in the working hours of employees in physically demanding jobs to help them with the transition to retirement. This method of easing the workload on older employees combines several key aspects of demographic change management: It enables the company to continue to benefit from valuable employees, even if they have physically challenging jobs. Reducing their workload means that they have a realistic chance of remaining in employment until they reach the statutory employment age. At the same time, it creates additional employment opportunities for younger people because the resultant gaps in shift rosters are filled by hiring new employees, generally former trainees. In this way, skilled workers are kept in the company, so they can pass their practical experience on to the next generation.

Other aspects of the General Works Agreement on lifetime working and demographic change include reducing the workload for employees returning to work after a long illness – under a special reintegration management program, they



can claim 80 additional hours of paid leave – and a special medical-check-up program for around 21,000 employees in Germany. Such measures are also designed to maintain the health of employees over the long term as a basis for continued employment as they become older.

However, it is not simply in production-related areas that Bayer wants to retain and utilize the knowledge and potential of older employees. Since the end of 2010, the Bayer Senior Experts Network, known as BaySEN for short, has offered

5. Company Best Practice Compilation

managerial employees an opportunity to continue to work for the company after retirement. Senior Experts can register with a profile in the BaySEN database and are brought on board projects as consultants, subject to requirements and their agreement. A wide range of opportunities are available: There is a demand for general managers, specialists and experienced team leaders and project managers for assignments in virtually all organizational units. Through the General Works Agreement on lifetime working and demographic change, which includes health promotion and other supportive measures, Bayer has already paved the way for a rising number of older employees to continue to remain in active employment for as long as possible in the future.

BMW Group

www.bmwgroup.com | Industry sector: automotive and financial services

Employees Germany: 72,070 | Employees worldwide: 96,000

Today for tomorrow

It is evident to us as a company that even with an ageing workforce, our innovative strength and performance must be kept stable, and indeed constantly increased. For this reason, BMW AG is setting up work systems that allow us to remain competitive as a company while maintaining employees' health and ability to perform over the long term. Our aim is to make our company 'demography-proof'. A number of activities were put together as early as 2004 under the heading 'Today for Tomorrow'. Their objective was to strengthen and maintain the ability to perform, health and skills of employees and to tackle demographic change in a pro-active, integrated and prevention-focused way. It became clear at an early stage that the main fields of action were such concepts as ergonomics, health management and qualifications.

As part of the project, we ran a pilot scheme in our Dingolfing plant from October 2008 to September 2007: in the 'work system of 2017,' we anticipated the future in the rear axle assembly area by assigning a workforce whose age structure roughly corresponded to that predicted for 2017. This involved an increase in the average age from 39 to 47 for this line section. At the same time, we introduced measures that would allow our employees to grow older in good health while continuing to work as productively as possible. We made ergonomic changes to workplaces, engaged in targeted health promotion, tested new working time models and raised executives' awareness for their responsibilities regarding the issue.

BMW's rear axle assembly line is, in fact, a highly productive manufacturing section that works to a cycle of 46

seconds. During each shift, 560 axle drives are produced. When setting up this work area our aim was not to create a 'go easy line' or 'senior citizen workplace' where requirements would have been reduced, but rather to test how the workplace could be adapted to an ageing workforce under realistic conditions. The pilot scheme led to a multitude of individual measures that brought about noticeable improvements for the employees, often requiring surprisingly little investment. Various small, low-key changes proved particularly effective: e.g. joint-friendly wooden floors, special safety shoes, swivelling screens, larger display font sizes, magnifying glasses or ergonomically-shaped chairs to take the strain off workers' musculoskeletal system. Other areas that showed great effect were organisational changes, such as stress-optimised workplace rotations or adjustments to the shift and working time models. All these measures were supported by a comprehensive awareness campaign for employees on the issues of health and ageing; physiotherapeutic support, gymnasium facilities and advice on exercise and nutrition were also made available.

With the success of the scheme in mind, we made a point of heavily involving employees themselves, who could, after all, be expected to know best about their workplace and working conditions. Being actively involved also helps instil a feeling of responsibility in each employee, and creates an atmosphere that welcomes and embraces change. The results were highly promising. In terms of productivity, the test area did just as well as other, similar lines. The number of absences due to



sick leave was normal. In terms of quality, there was even a slight increase. Meanwhile, ergonomic conditions had improved considerably. Following the success of the 'work system of 2017' scheme, additional pilot projects were carried out at our German plants as well as the engine plant in Steyr, Austria, in 2009 and 2010. From the insights these projects have given us, we have deduced general standards

that are currently being deployed throughout our production network. We also realised, however, that there is no 'miracle cure' when it comes to dealing with demographic change. That is why we allow and indeed encourage our employees to develop and implement section-specific, individually tailored measures in the context of, or complementary to, these standards. The findings from the pilot projects have, in turn, been implemented in the Dingolfing plant: The new axle drive assembly line there, which took up production in February 2011, had been developed from scratch with an ageing workforce in mind. This makes our Dingolfing plant the first factory in the automotive industry to introduce a component manufacturing section specifically designed to meet ageing-related challenges.

Daimler AG

www.daimler.com | Industry sector: automotive engineering
Employees Germany: 164,000 | Employees worldwide: 260,100

Experience for the future: generation management at Daimler AG

As a company's workforce ages, the performance of its employees will change. Although their physical strength and resilience will tend to decrease, their knowledge and experience will grow. Daimler proved the beneficial effects of this knowledge and experience when it conducted an academic study into its truck assembly operations between 2004 and 2007. This study revealed that the older and more experienced workers are, the fewer serious mistakes they make. The key is to exploit the available potential by knowing how to respond to these changes in performance profile and to strengthen employees' sense of responsibility. What's more, as the number of employees retiring increases, it is of crucial strategic importance to secure the necessary young talent and to transfer knowledge gained from experience.

Faced with these challenges, Daimler AG defined generation management as a strategic HR initiative in 2011. It pooled its generation management activities in the following overarching functions to ensure that they are properly processed:

Corporate culture and management processes

Work organisation and staff deployment

Securing young talent and HR resource management

Staff training and development Health management

Workplace design and ergonomics

Old-age pensions and retirement options

The text below describes three examples of generation management activities.

'Kraftwerk Mobil' exercise machine used to improve health in the workplace

'Kraftwerk Mobil' is a mobile exercise machine that employees can use to strengthen their abdominal and back muscles and is set up wherever they work in the production halls. By working out on this equipment at their workplace for just a short time (roughly six minutes per week), members of staff can take the first step towards toning and stabilising their core muscles and, while doing so, receive professional support from fully qualified trainers. The response from the workforce has been totally positive. "It's fantastic that we can exercise where we work. I've suffered from back problems in the past and must say that I feel much better after exercising", enthused an employee from the company's Bremen plant.



HR resource management

HR resource management is a method that Daimler AG has been using successfully for several years now and involves comparing future structures of skills and qualifications with future demands and requirements. Simulations of workforce structures factor in demographic effects such as staff turnover and the numbers of people retiring. By comparing existing resources with the resources needed, the company can flag up surpluses and shortages of specific job profiles over the next ten years.

This approach enables Daimler to initiate specific measures to ensure that the structure of its workforce is consistent with its requirements. These measures may include optimising its vocational training portfolio, training and development programmes, staff relocations and flexibility strategies. Daimler has successfully applied these HR resource management methods at several locations.

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Demographic-based career paths

The demographic-based career paths introduced as part of the HR resource management project at the plant in Bremen included re-training experienced assembly production workers and deploying them as plant maintenance workers in body construction. Project leader Rainer Baeck stresses: "The objective is to assign our employees to tasks and functions that match their skill sets and abilities and are consistent with their age group". This pilot project is being supported by a re-training programme for experienced assembly workers. The considerable number and diversity of measures implemented reflect the wide range of generation management activities. There is no one single measure that Daimler takes to address the issue of demographic change. Rather, it seeks to fine-tune the package of activities that it undertakes to ensure that they meet its specific requirements. In doing so, it aims to achieve lasting improvements in employees' health and performance, strengthen their sense of personal responsibility and boost productivity over the long term against a backdrop of demographic change.

The Dow Chemical Company

Headquarters: Midland, Michigan (USA)

www.dow.com | Industry sector: chemistry

Employees worldwide: 52,000 approx | Europe: 13,400 approx

Dow Regional Dual Vocational and Practical Apprenticeship Program

The demographic change, mainly the ageing population, is one of the current challenges for a competitive manufacturing in Europe. As the European Commission report "Comprehensive Sectoral Analysis of Emerging Competences And Economic Activities In The European Union – Chemicals, Pharmaceuticals, Rubber & Plastic Products in the EU" concludes: "The (chemical) sector's workforce is structurally older than in other sectors, with a lack of younger employees and an older generation ready for retirement, posing a potential skills gap especially where tacit knowledge is concerned in many technical functions (metal, machinery, precision workers). Generally, a trend from lower skilled to medium- and high-skilled employment can be observed. This trend is especially pronounced in the technical occupations, with a strong upgrading to the mid-educated level ... Across all job functions soft skills will become increasingly important, especially for high skilled professional jobs ... Skills to adapt and learn new competences and life-long learning will be put at a premium". Dow has also identified this issue and look for solutions.

The Dow Chemical Iberica in Tarragona (Spain) has launched a twofold initiative, the *Regional Dual Vocational and Practical Apprenticeship Program*, to both tackle the ageing workforce and promote young employment at local level.

Dow Iberica has signed a 5 year agreement with the regional government and the chemical specialized technical vocational centre of reference to partner in this dual education apprenticeship program for "chemical plant operators" (partner: IES Comte Rius – Tarragona, for further information see also: <http://www.comtederius.cat/>). Every year, the 20 most talented students of the "chemical industry" at the technical centre are selected to follow this apprenticeship including both academic and practical training. The best students completing the full program get a contract with the company. This initiative matches local labour market needs with a modern and targeted technical education and a better qualified workforce while also try to promote and influence the STEM vocations and interest amongst the young population.



Solution impact

This program provides a win-win situation for the stakeholders involved:

Dow: Identify, recruit and train talented young people and ensure a smooth workforce and succession planning at the manufacturing site. It also reinforces its reputation as "the best company to work for". Young students learn on the job from older employees, enriching the professional and personal experiences, transmitting expertise, company culture and values and closing intergenerational gaps.

Academia: work with private companies to enhance the curriculum to better match the needs of the labor markets with the education provided.

Young people: provide new opportunities to young people to get a qualified education and a job in an international and respectful company.

Community: get employment opportunities for its young citizens, enhancing and extending the educational and employment opportunities while promoting and influence the STEM vocations and interest amongst the young population.

Challenges/Lessons learned

This is a new program for the company so it is in a learning process to identify the strengths and challenges and keep improving. Some of the lessons/challenges learn so far are:

- Pull effect (tractor) for other companies to pursue similar initiatives.
- Need to have very well trained and motivated internal coaches to assure a proper, timely and smooth integration of the young students in the company. Key success factor.

Dow Retiree Health Empowerment Program

Dow values its relationship with retirees both for their past contributions and their present role as ambassadors for the company and advocates for sustainability. As part of the company Health Strategy, Dow is committed to the health of its retirees, along with its employees, spouses and family members. Because retirees are no longer part of the workplace and even relocate to other communities, it is challenging to maintain regular connectivity and facilitate participation in company health activities.

The Dow Retiree Health Empowerment Program connects retirees to information, activities, and programs that empower them to take charge of their own health. Retirees are educated on age-appropriate health topics and are introduced to tools and resources that they can use to improve their wellbeing. They are invited to participate in Dow's global health promotion activities and programs, and are encouraged to support one another and engage their communities in living healthier lifestyles.

Tips for implementation

- Engage ageing workers while they are still employed and help them see that engaging in their good health will be an important part of their lifestyle through retirement.
- Leverage and support other retiree-centric company outreach (e.g., Public/Government Affairs, Pension/Benefits) and employee wellbeing programs, as well as public health initiatives targeting the wellbeing of ageing adults.
- Create retiree health champions to reinforce the program locally and serve as role models for other retirees. This increases credibility and expands the program's reach.

- Identify specific ways that retirees can engage in community health and sustainability activities. Recognize their contributions and successes.

Solution impact

Benefits for the Company:

- *The Retiree Health Empowerment Program represents an investment in retirees and their health. Continuing this investment post-employment encourages company satisfaction and loyalty and demonstrates our Dow values of "respect" and "integrity." In a 2009 survey, over 70% of retirees agreed that the Retiree Health Empowerment Program helps them feel like a valued member of the Dow family. These retirees, in turn, are more likely to serve as advocates for the company and for health and sustainability in their communities.*
- *The program also sends a positive and motivating message to ageing workers – that Dow will retain its commitment to them post-retirement.*
- *Benefits for Older Employees (+45): The prevalence of chronic illness (e.g., heart disease, cancer, diabetes) nearly doubles every decade for adults aged 45-75; in fact, most older adults are living with at least one chronic condition. The Retiree Health Empowerment program engages them in a proactive approach to address the increased health concerns and financial burden they will likely experience after retirement, and provides an avenue for remaining connected to the company through participation in wellbeing programs.*
- *Benefits for the rest of the Employees: The program provides a connection between generations of Dow employees and retirees. It also reinforces Dow's life-long commitment to their wellbeing.*

Challenges/Lessons learned

Engaging such a geographically dispersed population is a significant challenge. The program relies heavily on electronic communication (e-mail, website), which has limited reach and impact for this age group.

Tips to maximize impact for electronic communications:

- Communicate about topics specifically relevant to the older adult; go beyond the standard health messages to emphasize their unique impact for this age group.
- Maximize opportunities for face-to-face interaction to build relationships and credibility.
- Promote and coordinate with local and national public health resources specific to healthy aging.
- Provide easy access for feedback and questions. Be available and accessible.

DATEV eG

www.datev.de | Industry sector: Software and IT services
Employees Germany: 5,840

Managing the transfer of knowledge – how software company DATEV is planning for the changing generations

Up until 2020, DATEV is facing the task of arranging the transfer of knowledge from many employees who will be retiring. The average age is within normal limits, yet it is nonetheless eight years above the value for the IT sector. The workforce is characterised by long periods of service (on average 15 years) and low levels of fluctuation. A high rate of recruitment in the late 1980s and the early 1990s has led to many employees leaving the company at the same time due to their age. DATEV wants to cushion this looming generation change and actively shape the transition. In doing so, it is especially important to take advantage of the specialist knowledge of the older members of staff. We need our experienced employees in many different areas. It is the expertise of these employees in particular that has helped us to progress and aided our customers in accessing new services and products.

Furthermore, over the course of the years we have built up a relationship with our customers based on trust, which is evident in the fact that the same contact person is available. It is often the case that the company doesn't take enough advantage of these valuable experiences.

The possible reasons for this:

- *Written reports contain just a fraction of the information that is gathered in the course of the work.*
- *The overview of previous and concurrently running work is missing.*
- *Successes and failures are insufficiently communicated.*
- *Optimisation measures are adopted too late.*

The company offers its employees a range of different options: they can take advantage of a voluntary health check, reflect on their personal career plan in meetings or choose between part-time models adapted to various stages of life. In workshops, managers learn how to deal with mixed-aged teams. Knowledge gained from experience over many years is critical to the success of IT companies in particular. That applies to innovations in complex projects just as much as it

does to the safeguarding of operational procedures. When important sources of knowledge leave the company, intellectual capital shouldn't be lost.

To be able to react in a timely manner, DATEV therefore uses a demography tool that it developed itself. This software makes it possible to keep an overview of the need for action in personnel-related matters and carry out detailed analyses of the current situation at team level. Succession planning can be done three years in advance and thus allows a comfortable time buffer for the transition. With the help of 'moderated experience transfer', knowledge is documented and made available to successors. It is a multi-level process: a member of the management team invites the member of staff who is leaving and the successor to a half-day transfer meeting. A guide sent in advance serves as a basis for the meeting, in which subjects are addressed such as the delineation of tasks, network issues, success stories, challenges and future projects. The open atmosphere at the meeting permits the development of a competence matrix or a knowledge map, from which measures can be derived for everybody. These include, for instance, examining documents together or the sorting of tasks in order of importance. The results gathered are then taken by the management team and compared with the medium- and long-term objectives of the department.



Ultimately, a few fundamental success factors can be distilled from it all: tried and-tested measures include longer handover times of up to a year, targeted redeployments and joint projects on specific work content for knowledge transfer. We have had particularly good experience with mixed teams made up of old and young employees: the strengths of both age groups complement each other perfectly – also to the benefit of the company.

Evonik Industries AG

www.evonik.com | Industry sector: Chemistry
Employees Germany: 21,800 | Employees worldwide 33,500

Strategic Workforce Planning at Evonik – From Analysis to Fields of action

Whenever personnel are needed, one of the key tasks of HR management is to provide them at the right time, the right place, and with the right educational or training background. HR planning is the most important tool for this task. This means more than the operation of personnel-deployment planning that accompanies this need. Among other things, it must answer the following questions:

- a) Does the employee portfolio ensure implementation of the company strategy?*
- b) What capacity and age risks exist in the job families that are strategically relevant for the company over the next decade?*
- c) What form must the recruitment policy have against the background of the expected personnel requirements?*
- d) Is the number of young managers sufficient to cover our future needs? Does internal recruitment satisfy our requirements? What are the development paths?*

Basically, there are two categories: capacity and qualification risks that have to be mapped via strategic HR planning. With consideration of the megatrend, demographic change, the age risk can be added as the third dimension. With our strategic HR planning approach, over the last three years we have been dealing with these challenges systematically. When this project was officially completed in late 2010, we've installed our approach of scenario-supported HR planning at our large sites in Germany and in the Greater China and US regions. Based on an analysis of the spheres of activity, with our approach HR policy issues will be processed and addressed in a substantial manner that will add value to our business.

An example from the area of qualification risks:

The lack of high-quality initial training systems in growth markets, such as the newly industrializing country China, creates a major challenge for companies that have recently

built production plants to find suitable, qualified local staff. Another aggravating factor is that there is a much higher rate of turnover than companies are used to in the European environment. This could serve as a cue for companies to optimize their local training and recruitment policies so that labor as a factor of production does not become a success-critical factor for operating the plants continuously and reliably.



An example from the area of age risks:

Expressive job family concepts, such as the forward-looking transfer of employees between two or more similar organizational units, help cushion imminent waves of personnel losses, due, for example, to retirement or age-related part-time employment. This is an intelligent way for the company to prevent the loss of employees' valuable experience and knowledge. Medium-term effects of an age-centered workforce are thus lessened and ensure a more favorable age mix for the company, which can also be supplemented with targeted recruitment of employees in certain age groups. In the long term, these measures can be completed with a working environment that is ergonomically modified to suit the needs of older employees. In addition, continuous workplace rotation in production areas with one-sided physical stress can help prevent impending signs of wear.

An example in the area of capacity consideration:

Needs-oriented apprenticeship plans with foresight ensure the company-internal availability of young employees for the future and help avoid personnel surpluses or shortages. Instead of gut decisions or continuing as in the past, trainees are hired on the basis of a planning model. In practice, planning assumptions were often not consistent between the HR department and the business units. This led to a situation where plants continuously reported only a very small requirement for future trainees and apprentices, so that

5. Company Best Practice Compilation

after the normal 3.5 years training they had few obligations to retain these trainees and also what they considered to be a lower economic risk. With the help of an optimized planning approach, it is now possible to forecast future requirements for skilled employees specifically for the job groups more accurately for a site.

Conclusion:

Based on the positive experiences we've had so far we want to continue dealing with the subject of HR planning at Evonik in a way that will add value for the business. Focuses of our work will be supporting users of the existing models in regular operation and further procedural interlinking of our planning processes. Parallel to this, more models will be developed on different levels. Apart from the established aspects of regions and sites, the consideration of business unit aspects is becoming more important.

Galeria Kaufhof GmbH

www.galeria-kaufhof.de | Industry sector: Retail industry
Employees Germany: 23,000 | Employees worldwide: 24,500

A department store for all generations

German society is currently going through a process of transformation, with a declining population, a growing proportion of single households and a noticeable increase in multiculturalism. Quite soon, by 2025, every third person will be 60 years or over. GALERIA Kaufhof GmbH faces the challenges and opportunities resulting by the demographic change. In 2008 Galeria Kaufhof became the first German retail company to create the position of demography officer, currently held by Andrea Ferger-Heiter. Her role is to make the issue of demography a key element of the Galeria Kaufhof brand by pursuing a comprehensive strategy. Galeria Kaufhof seeks to address the needs of its customers just as much as the needs of its workforce. At the same time it wants to ensure that its product selection matches those needs and that its advertising is appropriate.

Using expertise and creativity

GALERIA Kaufhof GmbH has already reached a point where every third employee is over 50. Galeria Kaufhof's HR policy therefore pursues a comprehensive strategy, ensuring a good, sustainable level of motivation among all the generations of its workforce. For instance, each trainee is given an experienced staff member as a personal mentor. Also, teams are often composed of several different age group. To pre-

pare young people for everyday working life, GALERIA Kaufhof GmbH works together with schools – a scheme which has been running for a number of years now: this is done through cooperation with teachers and students, working together in more than 70 study partnerships putting several projects into practise. Galeria Kaufhof is also working towards ongoing improvements to the compatibility of family and career. Over 70 percent of the workforce are now women – a figure which also creates certain obligations. Galeria Kaufhof therefore offers special career development programmes for women.



Staying healthy and productive

Another important aspect in the company's HR strategy is its health management which is geared towards men and women of all ages. Workplace health promotion therefore forms part of all in-house executive training, including training for junior executives. As Galeria Kaufhof believes it is essential to ensure knowledge and an awareness of health issues from an early age onwards. Under the label K.Fit, Galeria Kaufhof offers a range of preventative and active measures to maintain the health of each staff member and to ensure their long-term fitness.

Moreover, Galeria Kaufhof has its own sports club which has existed since 1925 and which invites members to engage in sporting activities. One practical example of the company's endeavours in promoting a healthy workplace is the special design of its cash desks. In this area the furniture is based on ergonomic principles – and so are the cash tills. Regrettably, not all sickness can be prevented. If a person has been ill – and therefore absent – for a longer period of time, then Galeria Kaufhof's company integration management is applied, a scheme which forms part of its general health management system. Galeria Kaufhof is keen to ensure that its company integration management should be treated as an executive issue by all line managers, which also guarantees short ways

to the staff members. To prepare executives in this area, Galeria Kaufhof uses a special training programme. At the same time the workforce is kept posted about developments, so that they can perceive and use company integration management as a positive tool.

It's important that each customer should feel comfortable

By taking a comprehensive approach to demographic change, Galeria Kaufhof seeks to be a department store for all generations. In the stores, it is vital that families with children should feel just as happy as single people or the older generation. Here's an example: The transition points at each escalator have been marked yellow as noticeable signs for the elderly, for children and for the visually impaired.

Another service that is provided for all customer groups are the comfortable changing rooms with fixed benches and additional hand rails. As well as modifying its facilities, Galeria Kaufhof has compiled product ranges that are geared towards the needs of all generations. In fact Galeria Kaufhof has even received an award for its endeavours: 57 out of all its 109 stores (in Feb. 2012) have now received the quality seal Generation-Friendly Shopping. Moreover, even the advertising makes it clear to customers that Galeria Kaufhof seeks to meet the needs of all generations: In the run-up to Mother's Day 2010 Galeria Kaufhof's special product advertising involved as many as three generations.



Hitachi Europe LTD

www.hitachi.eu | Industry sector: Technology / various
Employees Hitachi Europe Ltd: approx. 550; 187 in UK HQ
Employees worldwide: 360,000

Gender Diversity Action Plan

Challenges

Hitachi Europe is a diverse company, with a diverse workforce made up of men and women of many nationalities and ethnic groups working across many countries in Europe. However, Hitachi Europe does not employ as many women as men, especially in management positions. To keep pace with competitors and become more innovative, Hitachi Europe has implemented a diversity action plan to address this issue. (Please note, that while the focus is initially addressing gender diversity, Hitachi Europe places great importance on all aspects of diversity and plans to widen its focus going forward.)

Targets and measures

The Diversity Action Planning team assessed the workforce demographic and came up with a number of appropriate targets and measures:

1. *To increase the number of female managers with various targets relating to gender diversity in future appointments to management roles, including senior management positions*
2. *To increase the number of women in engineering/technical positions*
3. *To increase the number of women in sales positions*
4. *To enforce equal pay for equal work*
5. *To avoid any disadvantages for women because of gender*
6. *To build an appreciative culture on gender diversity with male executives and managers*



Impact

Following the project launch in 2010, actions such as making recruitment more gender friendly, running training workshops for senior managers and elearning for all employees to raise awareness of the importance of diversity have been implemented. The proportion of female staff has increased in the overall workforce and also at management level. The project is still at an early stage and other actions will be put in place in the coming years.

KPMG AG

www.kpmg.de | Industry sector: Auditing, tax advice,
corporate consulting
Employees Germany: 8,000 | Employees worldwide: 138,000

Time for me – to everyone’s advantage:

KPMG program for flexible working hours for senior management

Does career mean a straight line always heading “upwards” that, regardless of how complex the tasks already are, new ones will be added on top? Is it necessary to sacrifice a personal life in favor of one’s career? “As a company, we have to provide answers and solutions to these questions,” argues Prof. Dr. Wolfgang Zieren, Director of Human Resources KPMG. “We will only continue to succeed if we also manage to obtain and keep highly qualified and highly motivated personnel in the future. A high performance culture also means maintaining a balance between stress and regeneration.”

In the last few years KPMG has been intensively – and in some cases quite controversially – discussing the subjects of career and phases of life. As a result, we have decided upon a number of measures for all groups of employees. With the introduction of an employee support concept “Managing for Excellence” or special mentoring programs, we are orienting ourselves on the specific needs of the individual, on his/her career aims, but also on that person’s ideas with regard to an improved work-life balance.

Balance as a component of corporate culture – time out for KPMG’s senior management

At the beginning of the year, KPMG initiated a small cultural revolution in dealing with working life of their management. The holistic concept flexible working hours for management reflects the cycle of a professional life planning. It includes “little time-outs” with seminars for personal reflection and self-analysis (so-called “change of perspective”), temporary leaves (sabbaticals) and part-time offers as transitions to new life phases such as retirement. Two former company executives offer confidential meetings for the purpose of freely exchanging ideas prior to or during such time-out periods. Beyond that, every member of KPMG’s senior management has the opportunity to regularly participate in a health care program.

The core elements of our Time-out Program are:

- *Time-outs can be arranged for a period of one, three, six or up to 12 months, whereby it is also possible to arrange these times flexibly in individual cases.*

- *They are granted upon application by the executive and independent of a concrete reason.*
- *Time-outs are financed by the executive him/herself. The company will continue to pay the base salary (fixed salary) during the leave of absence so as to allow the person to retain their insured status. The remuneration received during the time-out will be deducted from the subsequent variable remuneration paid once a year.*
- *KPMG will pay a portion of the costs for accommodations and travel for a time-out that is taken for a charitable action or that is assessed as being in the mutual interest of KPMG.*

Step-by-step to a new phase of life

The so-called phase-out model takes into account a wish expressed by some members of the senior management allowing for a staged transition from the active working life into the new phase of life – retirement. The executives have more time for family, friends and possibly for personal dreams that have been deferred. But KPMG can profit from this planning as well; together with the member of the senior



management, it is then possible to conduct a phased transfer of the activities and clients to a successor by including up-and-coming junior executives.

KPMG would also like to initiate and promote a role change with the offer; it should serve to encourage an early transfer of major clients and a guided transfer of know-how gained from years of expertise. Beyond that, the company offers a multitude of internal assignments which require excellent support – both from the perspectives of specialized and personnel knowledge. KPMG would like to develop this potential

to an even greater extent in the future and, at the same time, take a pro-active role in personnel planning of the demographic changes.

KPMG currently offers its senior management two sample phase-out models:

- *Reduction of the degree of employment for a period of two years, i.e. the termination of the contract coincides with the retirement.*
- *Phased reduction of the previous degree of employment over a period totaling four years.*
- *These models are also primarily financed by the executives themselves, i.e. the remuneration is adapted to the new degree of employment during the phase-out period.*
- *KPMG supports the availment with a contribution to the corporate pension plan, i.e. contributions to the executive's pension will be calculated as if they had worked full-time until retirement.*

We're on the right path

A change of attitude occurred within months of the introduction of these models. Many feel as if the offer had been designed specifically for them and their needs. "The new offers are viewed extremely positively. They are borne by the faith that a time-out from KPMG does not mean the end of a career. On the contrary, changes of perspective inspire, and pay off for the company, bringing fresh ideas and new energy with them," reports Wolfgang Zieren happily.

Real experiences:

- *Executives from areas in which members of the Board of Directors and senior management have personally demonstrated that time-outs and their compatibility with professional requirements are positive, return to the offers much more frequently.*
- *The flexibility of working time can be clearly demonstrated, both from the administrative perspective and from the organization of the work itself. KPMG expects that executives apply for the time-out with a defined period of time and, together with their superior, consider who might serve as their deputy during their absence or discuss their plans with the clients.*
- *KPMG promises to provide certain entitlements such as an office and intends to arrange all the pre-requisites for the complete return of their executives.*

Summary

KPMG has succeeded in completing the first leg of a long journey. The member of the senior management that follows

this path will have a long-lasting impact on the corporate culture. The offer is the kick-off for demonstrating, especially to younger employees, how to successfully harmonize career planning with personal life planning. Furthermore it is to demonstrate a culture that exemplifies the responsibility one has to one's self and prepares the path for the individual to find the right balance to be a "pillar of strength" for clients – permanently as well as in difficult times.

Randstad Holding n.v.

www.randstad.com | Industry sector: Staffing sector
Headquarter: Netherlands
Average number of staffing employees: 521,300
Average number of corporate employees: 25,680

Bridging the Gap



Challenges:

As a global staffing company, Randstad's mission is to take the lead in shaping the world of work. Sharing knowledge, labour market relationships and stakeholder dialogue lie at the very heart of Randstad's core value 'simultaneous promotion of all interests'. We provide insights into labour market trends and employment issues by investing in regular research initiatives and providing foster thought, business and social leadership in these areas. This is all done to prepare the labour market for tomorrow's challenges such as an shrinking and ageing society combined with new attitudes to work, leading to the need to extending the labour force by facilitating access to the labour market for specific groups.

Research:

“Bridging the Gap”, a 2010 study conducted by SEO Economic Research (University of Amsterdam) and commissioned by Randstad, looks at current and future issues in the employment market and provides recommendations to address them. It is part of a series of labour market research (2007: “Mind the Gap”; outlining the skills shortages, aging demographic and declining population in Europe, 2009: “Drivers of Participation”; focusing on driving up employment participation among certain groups, such as older people, women returning to the labour force and the long-term unemployed). “Bridging the Gap” gives an update on the demographic challenges that especially Europe will face: around 35 million people short due to an aging society in 2050, and provides solutions to drive participation.

By conducting in-depth research, Randstad knows that in many sectors a shortage of qualified talent will become a fact in the near future. As a result of demographic changes, it will become increasingly important to raise labour participation, especially among the youth, women and elderly. As such, modern forms of labour – part-time, temporary agency work, etc. – are becoming more common and are a key element for driving labour force participation in a modern economy, in which both men and women want to balance family life and work.

Initiatives:

Many of our operating companies have special branches or projects dedicated to helping people from the target groups (re)entering the labour market:

- **France:** Randstad Institute partnered with Force Femmes since 2008, a French NGO that fosters business opportunities for women over 45;
- **Germany:** Next to facilitating integration of elderly on the labour market through: selection, training, internship, Randstad Germany offers to mentor eight schools (Hauptschulen). Hauptschulen are public secondary schools and the qualification students receive upon graduation is the lowest in Germany. During 3 years, together with the teachers, a special training is created to prepare students for their individual professional life. Training is conducted by dedicated colleagues from local Randstad branches and students are also taken on visits to client companies;
- **The Netherlands:** Randstad created a special technical division focusing on 50+ unemployed to fulfill specialized vacancies;

- **The Netherlands:** Tempo-Team's dedicated branches specialized in helping elderly (45+) (re)entering on the labour market operating in close cooperation with Private Employment Service. In cooperation with national media a special project was launched to facilitate the (re)integration of women on the labour market, including additional services such as child care, insurances, etc.

RWE AG

www.rwe.com/verantwortung | Industry sector: Energy
Employees Germany: 41,036 | Employees worldwide: 70,856

Holistic Staffing Policy Oriented toward Phases of Life

The birth rate in Germany has been declining for decades – a challenge for society as well as for companies like RWE. In the future, employees will work longer. Qualified skilled employees and executive managers will be in even more demand. Employers must make an effort to win them to their companies and keep them there. This is especially true for energy providers who cannot relocate their power plants and grids to demographically ‘more convenient’ areas of the world.

The view inside: Analysis of the demographic situation in the company

RWE is looking for answers to demographic changes. Since 2005, the group has systematically analyzed its personnel structure with a view to demographic characteristics: The company collects data on the aging structure in the affiliated companies, and on individual positions and departments. The workplace burden is also analyzed. This can affect working capacity – especially in older workers.

The view outside: The working world in the process of change

RWE also specifically looks at the development of the labor market with a view to demographic changes. In 2007, RWE commissioned a study on “surmounting the demographic changes in Germany” together with a consulting firm. This study shed light on how the sub-operations markets for academics, skilled workers and low-skilled workers will develop by 2020 in Germany. The study analyzed various economic development scenarios. They all confirmed a trend: whereas the situation for academics will tend to ease, skilled workers will be in short supply – irrespective of whether Germany remains

on the winning side in the globalization process or cannot keep up with the pressure of international competition.

The “Life cycle” of an employee

Everyone goes through different stages during their lives. Each one of these phases is characterized by certain developments, needs, focal points, strengths and weaknesses. Companies also need to take these phases into account within the scope of their personnel management.

Young people (“Juniors”) are bringing along a high degree of motivation and creativity when entering the company. On the other hand, of course, they still lack professional experience. “Seniors” are very familiar with professional life, are very productive and are looking for new assignments and increased responsibility. “Masters” are well-situated and have the most



professional experience. Their productivity is high but their willingness to accept change is less than in the other groups. The goal of personnel policies oriented to these stages of life is to align them to the needs of these employee groups in the best way possible. These clusters merely provide an orientation framework. Each employee is an individual and their specific professional and living conditions must be accommodated.

From Junior to Master

The main focus of personnel policy for “Juniors” is vocational training and personal development. The RWE Group has always placed great weight on vocational training. The company also trains beyond its own needs. Furthermore, with “Ich pack’ das!” RWE provides a program to youth with poor qualifications to prepare them for apprenticeships in order to make it easier to enter the vocational training market. College graduates gain insight into various departments of the company in trainee programs such as the Internatio-

nal Graduate Program (IGP). Human resources development systematically develops professional qualifications and skills. For “Seniors”, personnel management focuses on staff retention. Attractive working conditions are one criterion. Here, RWE continues to improve the compatibility between professional and private lives. Among other things, the company has a share in various day-care centers and offers flexible work schedule models. This enables young parents to continue working. In contrast to the Juniors, personnel development concentrates more intensively on soft skills. Specific professional topics are examined in more depth and in more detail. The Group’s objective is to maintain the employability of its labor force. It goes without saying that corporate health management supports employees throughout their professional lives. This subject is given more emphasis for “Masters” since this group of employees requires more flexibility in terms of working methods and the Group gladly accommodates them as far as possible.

The RWE Group follows a holistic approach in its staffing policies oriented towards various stages of life. Within the scope of such personnel management it is necessary to look at the needs and expectations of all employees – from Juniors to Masters. In the future, RWE will continue to attentively follow and analyze trends and social developments since the various stages of life and the attendant needs of people and employees are not static but instead change over the course of time.

SAP AG

www.sap.com | Industry sector: Software industry
Employees Germany: 16,000 | Employees worldwide: 55,700

Fit for Lifelong Learning

Challenges

In an innovation-driven sector such as the software industry, a company’s value is determined almost exclusively by its employees. They use their ideas and inventions to create new software products that bring value to customers. As a result, competition for talent is high.

At SAP, it is generally accepted that diversity and particularly a healthy mixture of older and younger employees is a key element in the company’s success. The average age of employees today is 39 and their average length of service at the company is seven years. Since many of today’s 35 to 45-year-olds (about 40% of the workforce) will “grow older with SAP,” the company must carefully manage the shifting age structure of its employees. Moreover, stress disorders, such as burnout, are on the rise across western societies, making the existence of a modern, holistic health management system essential.

5. Company Best Practice Compilation

All these factors place particular requirements on our personnel management system to ensure a working environment that encourages life-long learning for our highly academic workforce and to provide an infrastructure that supports a healthy work-life balance at all stages of careers.



Objectives

SAP wants to be an attractive employer for its existing workforce and for potential job applicants. A key element of SAP's employee strategy focuses on empowerment and providing targeted support to foster and develop employees in all the phases of their lives. Moreover, SAP is committed to doing more to leverage the potential of its female employees, and has set targets to increase their representation in management positions over the next 5 years. The objective of promoting and safeguarding the health of our employees is anchored in our corporate health and sustainability strategy and is supported through a wide range of measures.

Measures

SAP offers its employees a wide range of "on-the-job" and "on-demand" opportunities to take responsibility for shaping their professional development throughout their working lives. The company places a premium on "lifelong learning." Every year, managers conduct development discussions with all their employees, regardless of age or experience level. A Career Success Center shows employees exactly which career steps they can follow from their existing role – be it following a manager track or an expert track which allows employees to advance based on expertise without people responsibilities.

Moreover, in order to gain an even better understanding of its employees' professional development needs at the different stages of their life, SAP is taking part in a research project, focusing on exploring these needs and developing appropriate measures. As part of its comprehensive health manage-

ment concept, SAP offers a wide range of sport and relaxation activities at or close to the workplace to encourage employees to take positive action to safeguard their physical and mental health. Numerous preventive health programs are also available from SAP's internal medical service, for example in-house psychological counseling. In Germany SAP offers an external employee assistance program, which is available day and night to provide employees and their families with confidential telephone counseling for everyday problems.

SAP also offers work-life management workshops at which employees can learn about and implement measures to improve the balance between their private and working lives. Thanks to a set of flexible working models that includes trust-based working hours, part-time employment, and the option to work from home, SAP helps its employees balance their professional and private needs. For example, to assist with the challenge of combining family and career, parent-child offices have been set up at SAP headquarters in Walldorf and at various SAP branch offices so that employees with last-minute childcare problems can supervise their children on site while they work. SAP also helps employees who need to arrange nursing care for family members by putting them in touch with professional home care providers.

Future prospects

SAP gets involved with initiatives that promote a sustainable global economy, based on transparency and integrity. SAP encourages and creates for their employees an environment, where the diversity of the employees is respected and valued. Thus, a driving force for the future of SAP's innovations and productivity is the valuation of competences and input of all generations within the company.

ThyssenKrupp Steel Europe AG

www.thyssenkrupp.com | Industry sector: Steel industry
Employees: 18,904 (ThyssenKrupp Steel Europe AG)

ProFuture – a Human Resources programme for adapting to demographic change

Our society is undergoing demographic changes: these are also reflected in the organisational demographic structures of the company. Our population is getting older while the birth rate remains constantly low. This severely affects companies that, for many decades, engaged in redundancy programmes to curb the social effects of staff reductions necessary to maintain competitiveness and protect jobs.

The average age of a ThyssenKrupp Steel Europe AG employee is far above 40. If we change nothing and carry on as before, the estimated average age in 2020 will reach 55. In order to avoid a situation in which our company suddenly finds itself with an employee structure that is too old and a shortage of suitable younger talent, we established a programme in 2006 designed to actively tackle the challenges of demographic change: that programme is ProFuture. This comprehensive Human Resources programme was jointly developed by ThyssenKrupp Steel Europe AG, its works council and the IG Metall metalworkers' trade union and serves as a toolbox for employees and executives. Based on regular age structure analyses, the toolbox provides us with a set of instruments to make ThyssenKrupp Steel Europe AG „fit for tomorrow“. Courses that deal with a wide range of topics are being developed by employees for employees of the company, irrespective of which department they work in. One of our long-term goals is to involve older employees into the work process.



ProFuture offers a wide variety of opportunities to keep healthy and retain one's ability to perform. The company's health management section offers a wide range of sport and stress-reduction courses, memory training sessions and more to keep employees fit according to the Salutogenesis approach. The topic of preventing illness is also given more attention as people grow older. The health management section of ThyssenKrupp Steel Europe AG offers its employees various health checks for early detection or as a prophylactic measure. Beyond that, a risk and stress assessment is carried out that also reviews measures to make working conditions more ageing-friendly. Systematic workplace evaluations from employees, executives, health and safety experts and employee representatives help us to establish the preconditions for ageing-friendly workplaces.

However, ProFuture is not only for the older employees. Some measures aimed at younger members of the company's workforce have had a particularly positive effect. Taking on trainees as full-time staff has allowed us to slow down the rate at which the company's overall workforce ages. In 2006, the company, the works council and the parties in the collective agreement reached an agreement to secure jobs and the company's future which involves taking on a total of 1,000 trainees in full-time positions until the agreement runs out in 2013. We reached this aim in 2010. But naturally we continue to offer full salaried positions to the young adults who have completed our trainee programme.

ProFuture is also targeted at another group: we have much to offer members of the company's employees with a family, as a third group next to the new generation and older employees. We help mothers- and fathers-to-be reconcile their professional and family obligations, e.g. by offering them part-time work and/or the option of telecommuting; we help them find suitable childcare services and arrange childcare services during the summer holidays, when many childcare services are closed. Furthermore, ThyssenKrupp offers the children of its employees and their friends technology-oriented holiday activities and lends support to employees with family members in need of care: a special hotline of specialists is ready to dispense individual advice seven days a week. For all employees – and those who wish to join us – ThyssenKrupp Steel AG runs a wide-ranging talent management scheme. ProFuture addresses a wide range of topics, including recruitment of young talent, giving the right job to the right people, lifelong learning, as well as development and career paths that are adapted to the individual. We start looking for the best talents at schools and universities; all employees – irrespective of age or contract type – regularly undergo evaluations and are given the personal development and postings that are in line with their potential.

We use ProFuture to manage our future. It is increasingly used by employees and executives – and has more to offer every week.

Vodafone Group Plc

www.vodafone.com | United Kingdom

Industry sector: Telecommunications

Employees worldwide: 83,900

Transforming organizational culture and getting the best out of “Generation Y” employees at Vodafone UK

“I don’t believe in offices,” declares Vodafone’s UK chief executive, Guy Laurence. “They’re a thing of the past. Offices produce things like a conventional company.” At Vodafone UK’s campus in Newbury, Berkshire, executives don’t have offices. The 3,500 employees do not have their own desks or landline telephones. Instead, they each have one filing cabinet drawer and take their mobile phones and laptops with them as they hot-desk within “home zones” and conduct meetings in the company coffee shop. There are very few rules but they’re enforced 100%, explains Laurence. So the clean desk policy means everything left on desks overnight gets incinerated, even if it’s a treasured picture of a wedding or new baby. There’s no formal dress code, with staff simply instructed to wear the same as customers, while the paper-reduction policy means there is only one printer per floor, with Laurence, 49, receiving a list of Vodafone’s top 25 paper users each month. It’s not a good idea, he says, to be on that list twice in a year.

“We decided to rewrite the way we worked,” he says. “A lot of the Western way of working is broken and old-fashioned. It’s the tyranny of the office. We said we were going to break every rule we felt was no longer relevant to Generation Y. That’s how it started. Now it’s become a way of life for us.” Conventional offices are all about command and control management, political wrangling, clocking in, diaries full of formal meetings and staff performance judged on attendance, not output, argues Laurence. “This is what I believe in,” he says. “You’re talking about my soul here. This is not a little project. It’s a fundamentally different way of working.”

It sounds draconian but in the past year it has allowed Vodafone to outpace the growth rates of UK rivals O2 and Everything Everywhere. Meanwhile, Vodafone’s workforce has shrunk from 9,500 to 7,150 since Laurence’s appointment. Meanwhile revenues, which were falling when he arrived, increased by nearly 5% to £5.27bn (6.27bn Euro) in the year to the end of March 2011, whilst adjusted operating profits climbed from £155m (185m Euro) to £348m (414m Euro) over the same period.

“When you remove the barriers of offices, meetings and all the rest of it, people can spend more time doing what they’re supposed to do,” he says. “As a consequence, people start to perform better. It used to take us 90 days to do a pricing change. We do that in four days now. We used to be very slow

because we had a standard meetings and approval structure. Now we have much more empowerment with decision-making pushed way down into the organisation.” A revolution was needed, he maintains, because consumers are increasingly demanding, the moribund UK economy is putting pressure on margins and the internet economy is threatening old-style bricks and mortar companies.

Most importantly, he argues that it gets the best out of “Generation Y” younger staff who believe in challenging structures rather than obeying hierarchy, a career plan rather than a job for life, a work-life balance rather than 9-to-5 job and genuine opportunities for advancement, rather than promotion by tenure.

“The question is: how do you create an environment where people like that want to come and work and thrive and not be throttled?” he says. “So you design the company around them and then they deliver for you.”

Through the culture change and business transformation programme enabled through flexible working, customer complaints have fallen by 57% in the past two years, while the business has added over 1m net customers in the UK last year. Laurence’s obsession with office management and company culture has also permeated Vodafone UK’s commercial approach. “We want to change the way that Britain works,” he says. “We think it is time and we have a formula.”

Other organizations are increasingly moving to flexible working arrangements such as Vodafone’s. In 2010, a Vodafone survey of UK Chief Information Officers estimated that 35% of all work output is now carried out away from the office/place of work. The research also revealed the top three benefits that CIOs attributed to their flexible working programmes: improved workflow (44% of cases), enhanced workforce management (43%) and improved staff retention (36%).

Demographically sound staffing policy

A pilot project from Vodafone Germany in cooperation with Jacobs University Bremen

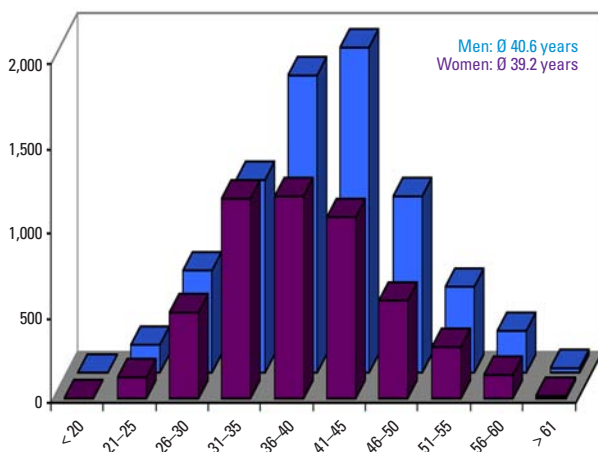
In the course of the demographic change in German society, the demand for an effective and performance-boosting staffing policy is changing in large and medium enterprises. The average age of employees is expected to increase in the telecommunications company Vodafone Germany too.

“We need a workforce with a stable future in order to maintain the efficiency and marketing power of our company for the next 20 to 30 years”, says Dirk Banard, HR Manager for Vodafone Germany. This initial situation is the cornerstone for a partnership with the Jacobs Center on Lifelong Learning and Institutional Development (JCLL) at Jacobs University Bremen, which was laid in summer 2011.

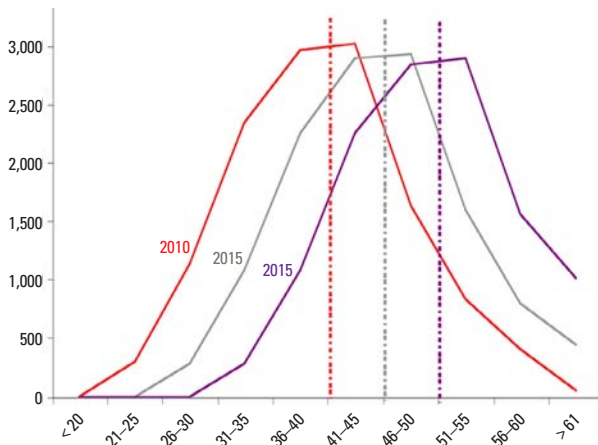
“We’re facing the demographical challenge by adapting the support available for health and further training to suit the age distribution of Vodafone employees. This is the key to making our company’s staffing policy more effective and more demographically sound”, says Banard.

The cooperation with Jacobs University Bremen ensures that the implementation and evaluation of this adjustment is scientifically valid.

**Age distribution at Vodafone Germany 2011
(current situation)**



**Age distribution at Vodafone Germany in 2015 and 2020
(predicted)**



The project

Under the supervision of Prof. Christian Stamov-Roßnagel, the aim is to achieve the following key goals within the framework of a doctorate project (2011-2014):

- Achieve innovation and learning competence, support it, and thereby
- ensure employability

Exemplary training modules developed and validated for the areas of Customer Operations and Technology will be used

to achieve these goals. The training modules are based on a long-term implementation strategy. They will give Vodafone the tools it needs to be able to expand health and further training support for different age groups to include other company divisions.

The approach

The project is divided into three levels. The baseline study at the first level will be determined by analysing the existing data (e.g. age distribution) for specific company needs as corner points of the implementation strategy. This will be accompanied by an employee survey to ensure a reliable, comprehensive data set. At the second level, specific training sessions are planned as an intervention to form the skills to manage job requirements independently. These will enable employees to optimally hone their professional competence by learning to identify the areas in which they need to improve and develop, taking advantage of training courses effectively, and learning to clarify areas for development with managers in a targeted manner. The training sessions focus specifically on dealing with stress and learning competence (Customer Operations) and the ability to innovate and employability (Technology), based on the specific needs emerging in the baseline study and collection of data. The training sessions will undergo formative and summative evaluation in a control group. The third level aims to integrate the project results in the company. For one thing, the first-level employee survey will be repeated after the training sessions have been held in order to see the effect of the entire project beyond training evaluation. For another, internal multipliers will be trained to develop the training sessions independently in future and adapt them for other divisions.

6. Summary / Conclusion

Europe's population is ageing. The size of all age groups below 50 years old is diminishing due to low fertility rates and increasing life expectancy. The region's workforce is shrinking which entails an impending labour gap, even when considering net immigration. To meet future labour demand, the potential residing with women, older people and younger people must be incorporated into the workforce and fully realised. Governments, policy and companies must implement adequate changes and cooperate with each other to ensure these groups can participate in the workplace and bridge the labour gap.

Policy

To support companies in tackling demographic change Governments and policy makers can implement policies and commit resources in various areas. Full participation of women in the workforce can be encouraged by ensuring accessible public childcare and adequate parental leave.

Legislation that promotes equality in the workplace will support the positive inclusion of older workers, as well as women and others, who may face discrimination relating to their capabilities at work. Older workers can go on learning new skills, therefore policies promoting life-long learning will help make employers more aware and engaged in implementing such learning. Early retirement also curtails ongoing learning and should be disincentivised.

Furthermore, encouraging intergenerational solidarity in the workplace may spur companies to invest in mentoring and companionship programmes whereby older workers share knowledge and experience with younger workers, ensuring their expertise is retained when they finally fully retire. Many young people face unemployment or job insecurity and are one of the major groups affected by the economic situation in Europe. To address youth unemployment and facilitate more young people entering and staying in work, policies which encourage education and equal access to education will be beneficial as generally higher educated people are more likely to find employment. Schemes encouraging and providing subsidies for on the job training such as apprenticeships can also help bring lower educated people into work. Ensuring that employment protection is not too strong can also encourage firms to hire younger people.

Business

There are several ways employers can better use the potential of women, older and younger people in the workforce. On the Human Resources side strategic workforce planning can help anticipate workforce changes and needs and to plan recruitment and promotions accordingly. Effective employer branding will help target, recruit and retain the best employees. Additional HR activities include, performance and reward management, people development and skills

enhancement, and ensuring effective flexible and alternate working arrangements are available to all and encouraging active health management.

Critical for businesses to realise the potential of underrepresented groups is corporate culture change. Companies must become inclusive of all people to do this effectively. This is best led from the top. Where leaders are seen to be inclusive of different groups of people, employees throughout the workforce can be motivated to act the same way. When backed up by linking senior and even middle management performance to diversity and inclusion progress this can be impactful. Measuring age and gender diversity will also highlight target areas, which can be further addressed by the HR measures previously outlined.

Opportunities for business

Demographic change, while posing great challenges to business, also provide many significant opportunities. Older people (aged 65+) possess a huge amount of wealth and increasingly have significant purchasing power, representing huge markets for many industries. Companies whose workforce reflects their target markets enjoy greater understanding of market wants and needs and will be able to operate more effectively. To truly use the potential of women, older and younger workers business will have to embed a culture which values diversity and is inclusive of all groups. A diverse workforce enables innovation and creative solutions, helps increase retention and reduce absenteeism through better employee motivation and loyalty. Young people often look for companies which value diversity, therefore companies will be in a better position to attract and retain the best people, and through being inclusive of all generations companies can help transfer knowledge of older workers to younger workers maintaining it in the company.

Future work

2012 has been designated the European Year of Active Ageing and Solidarity between Generations. It provides an opportunity to consider the opportunities posed by the longer, healthier lives that the European population is enjoying and to realise these opportunities in a tangible way. Through areas including employment, health care, social services, adult learning, volunteering, housing, IT services or transport, politicians and other stakeholders are able to improve the ability of older people to remain in the workforce longer and share their experience with younger colleagues, to maintain an active role in society and to continue to live healthy, independent and fulfilling lives for as long as possible. The Year is also an opportunity to promote unity and cooperation among generations to cultivate a society beneficial for all. For further information on the Year and how to get involved visit – <http://europa.eu/ey2012/>

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