

Stefanie Wahl

Old-Age Employment

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1. What is the problem?

The working population is the first to be affected by the ageing process.

This has severe consequences for the production and the economy:

- The average age of the work force rises.
Companies will compete against each other, to attract young, qualified labour.
- Because young labour is scarce the acquisition of new knowledge, economic change and innovations will decreasingly take place by hiring young, freshly qualified, motivated labour. Instead this has to be achieved with the existing ageing staff.
- If this strategy is not successful this will hamper innovation and international competitiveness.

Consequently the ageing process of the work force is a risk for innovation, competitiveness and economic growth of a country.

Luckily there are numerous options to cope with the ageing process of the work force. There are ways to be productive despite a growing proportion of old workers. But this implies that companies, employers/trade unions, employees and politicians become aware of the ageing process and act accordingly.

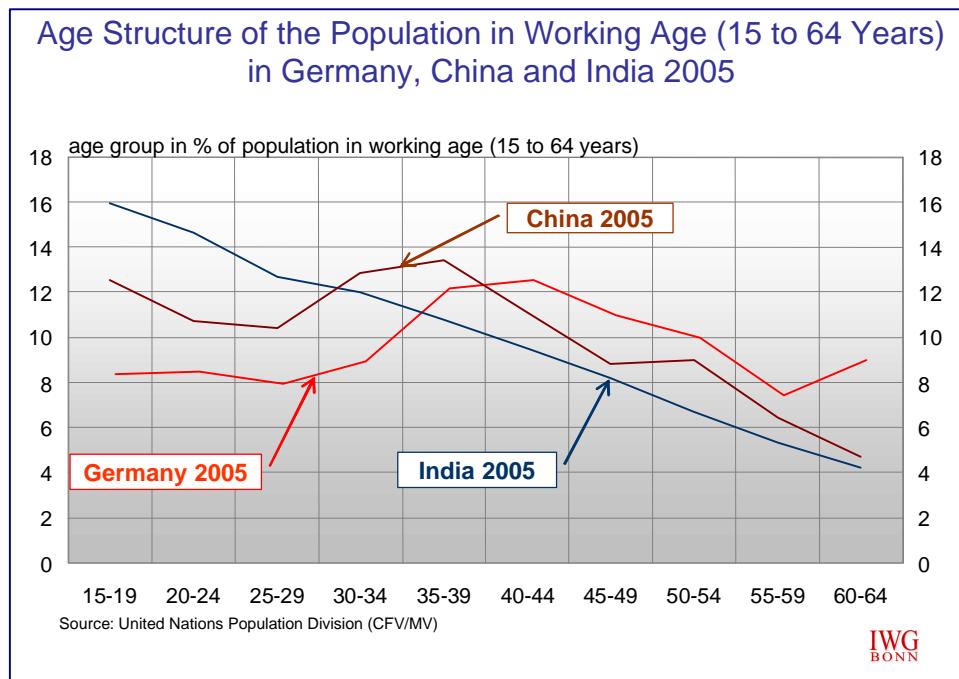
2. The ageing of the population in working age in Germany and China

As to the ageing of the population in working age - defined as the population between 15 and 64 years - Germany and China show remarkable parallels. The comparison of the age structure of the population between 15 and 64 years show that Germany is in the position of a precursor. China follows at a distance of 10 years.

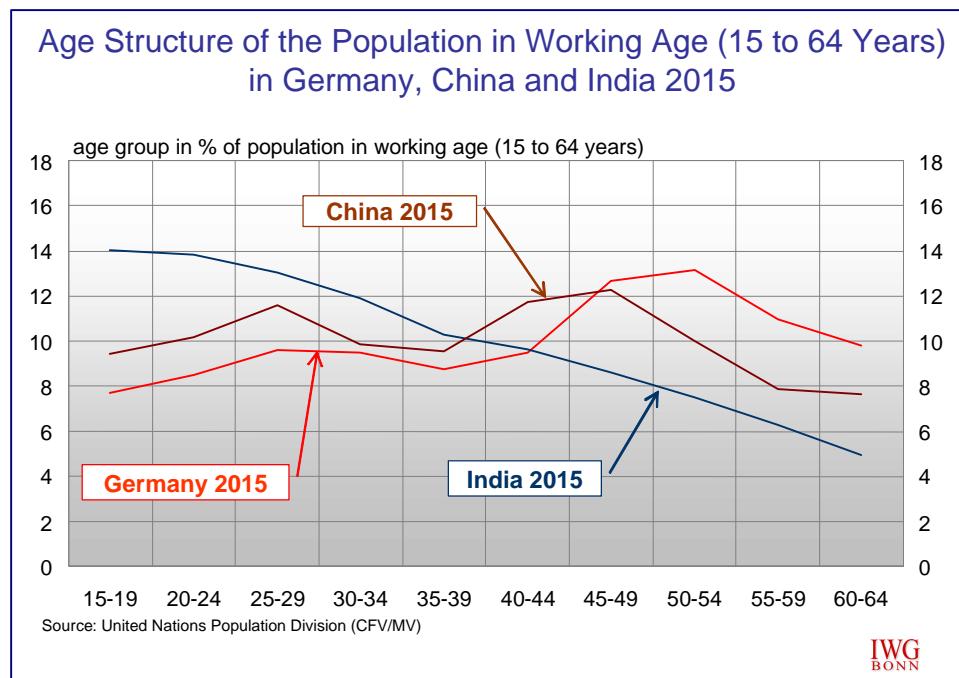
In Germany the development of the population in working age is markedly influenced by the baby boom during the 1960^{ties} on the one hand and the following decline of the birth rate on the other hand.

In China the development of the population in working age is quite similar to that of Germany. It is also strongly influenced by a baby boom - that between 1965 and 1975. But in contrast to Germany this baby boom had a distinct echo in the cohorts born between 1984 and 1995.

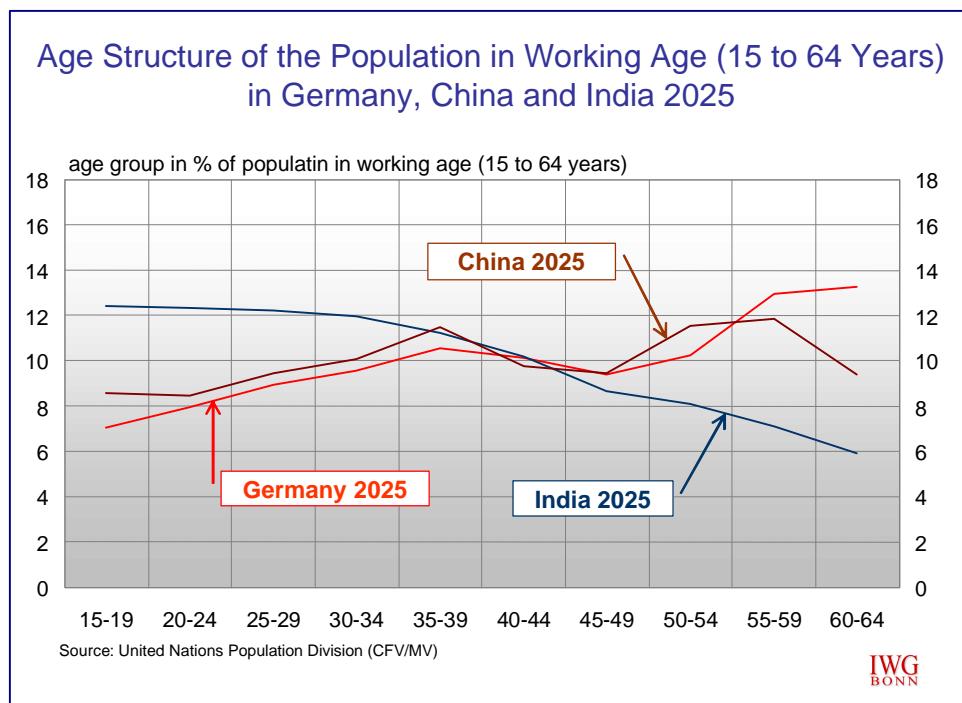
In India the population in working age still has a very regular shape. Its structure resembles that of Germany in 1900.



In 2015 the average age of the population in working age in Germany and China is even higher as the baby boomers move on. However the proportion of young employables in China is still significantly higher than in Germany. Although the proportion of the younger population in India also decreases, its level is still very high compared to that of Germany and China.



In 2025 the age structure of the active population in Germany and China is even more similar. Also in China companies have to adapt to the ageing work force. India still has a very favourable age structure of its population. This only changes after 2040. Consequently the age structure of India is a significant advantage in international competition. This will influence India's position on the world market in a positive way, whereas the German and the Chinese population are affected by the ageing process, Germany earlier than China. Both have to adapt.



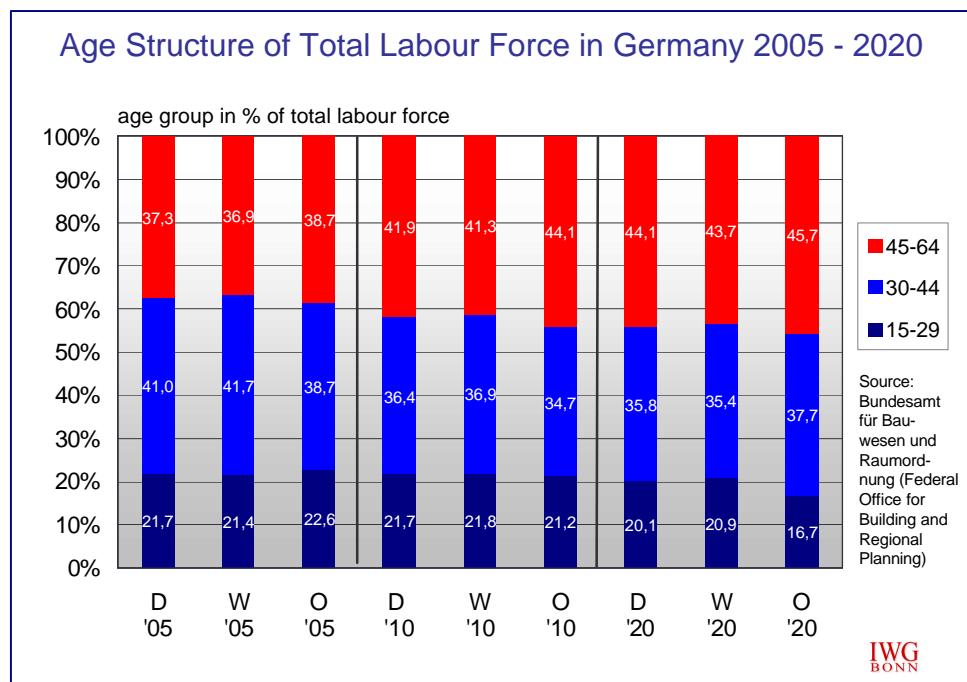
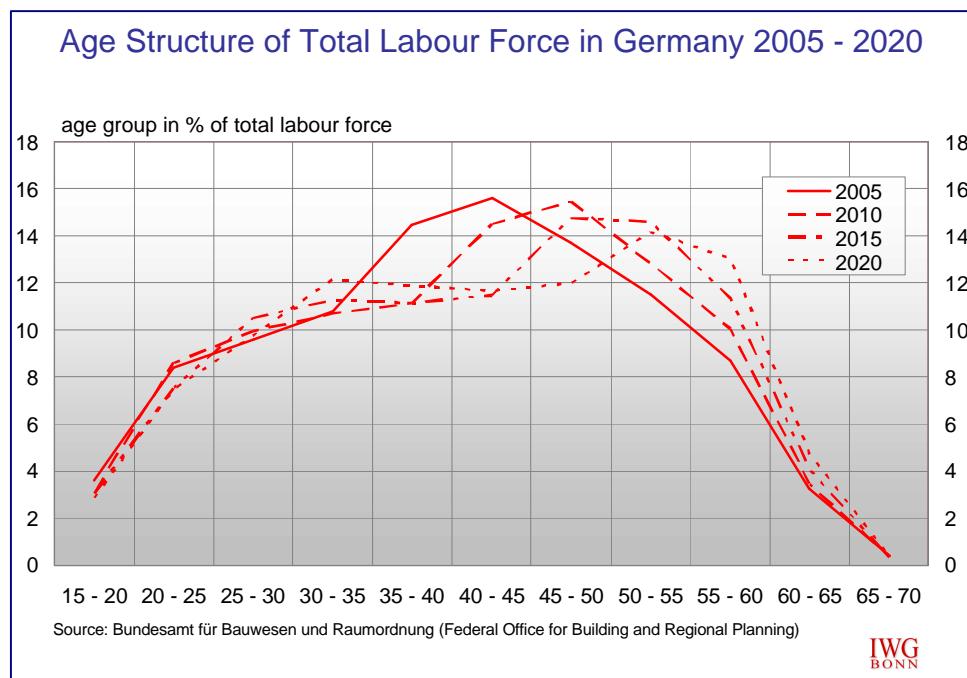
3. The ageing of the working population in Germany

The age structure of the German labour force is dominated by the baby boomers, which roll like a wave through the age groups.

In 2005 the population between 40 and 44 years in absolute and relative terms still is biggest age group. In 2010 the labour force between 45 and 49 years will be the strongest. And in 2020 the 50 to 54 year old will be dominating the working population.

In 2005 63 % of the labour force are younger than 45 and 37 % are older. (According to the Federal Employment Agency a person over 45 years is defined as older worker!) In 2020 only 56 % will be younger but already 44 % will be older than 45 years.

A very decisive change in the German age structure will occur already until 2010. Especially in West Germany (W) the proportion of the 30 to 44 year old and the proportion of the 45 to 64 year old will be in reverse.



Germany has no experience with an old work force. Its labour participation rate and employment rate of the population between 55 and 64 are little below European average, whereas the unemployment rate of the same age group is significantly above European average. Germany does not tap the full potential of older cohorts in working age. Countries like Switzerland, Norway and Sweden do much better!

If Germany uses this potential to a higher degree, it can reduce the coming shortage of skilled labour caused by the decline in the birth rate. But this requires a change of mind:

Labour Participation of Population aged 55 to 64 in Selected European Countries (2004)

Country	LP-Rate (Labour Participation)	E-Rate (Employment)	UE-Rate (Unemployment)
Sweden	73,1	69,5	4,9
Norway	68,8	68,0	1,1
Switzerland	67,3	65,1	3,2
Denmark	65,5	61,8	5,6
UK	58,0	56,2	3,1
Finland	55,0	51,0	7,3
Portugal	53,2	50,3	5,6
Ireland	50,7	49,5	2,4
Netherlands	46,3	44,6	3,6
Czech Republic	45,1	42,6	5,4
Spain	44,4	41,3	7,1
Germany	44,2	39,2	11,3
Greece	41,2	39,4	4,3
France	39,6	37,1	6,3
Italy	31,8	30,5	4,1
Poland	31,7	28,0	11,6
Luxemburg	31,3	30,8	1,6
Belgium	31,3	30,1	3,6
Austria	28,7	27,4	4,5
reporting: EU 15	44,6	41,8	6,3

Source: OECD Employment Outlook 2005

Actually 40 % of the German companies do not employ any person over 50! The majority gets rid of them, by using one of the numerous early retirement programs. Thus the burden of the ageing work force is carried by the whole society (tax payer/employed).

4. What can be done to adapt to the ageing labour force?

There are many options and many actors involved. The most important measure is a change of mentality towards age and towards older employees: The criteria of all actions have to be competence and not age respectively the number of years!

4.1 Measures to be undertaken by politicians

- Early retirement programs should be abolished and instead flexible retirement age elements should be introduced. This is not only important to fight the coming shortage of skilled labour but also to limit the costs of the pension system.
- The same is true for any measure, that protects the old employees vis-à-vis the young ones (for instance via dismissal protection), because this increases the costs of older workers and therefore it is counterproductive.
- The education and qualification system should be improved, especially the duration of education should be reduced.

- The number of institutions for public care of children should be increased.
- Criteria for labour immigration should be introduced.

4.2 Measures to be undertaken by companies

They have a very large influence on the quantity and quality of the employment of older employees.

- Companies should start by regular analyses of the age structure of their staff and make projections for the future. Further they should combine these analyses with the qualification structure to identify the need of action.
- Although for instance in Germany the level of health has improved, old workers fall ill more often and for a longer period.
 - = therefore companies should introduce regular health checks and
 - = reduce heavy physical work and offer ergonomically designed work places.
- Beyond the age of 45 the number of workers, that take part in further qualification programs, declines sharply.
 - = therefore companies should combine learning with practical experience: learning has to be an integrated part of work and
 - = they should teach how to learn.
- Further companies should introduce suitable working conditions for old workers. This means, to take into account the special characteristics of the old: for instance reduced capacity of regeneration etc.

Normally older workers are not less productive than their younger colleagues. Their qualities and competences are just different. Old workers are often more disciplined and motivated, they have a high work ethic and feeling for quality. Their know-how and routine is precious to companies.

- The principle of seniority should be abolished.

The criteria have to be: "Achievement instead of age"! Normally the older the worker, the higher its income. In Germany the principle of seniority is especially pronounced, although it is a barrier to the employment of older employees.

- Personal management has to be adjusted to the ageing work force, for instance through
 - = individual carrier planning
 - = strategies to tie employees to the company
 - = age-based leadership
 - = reemployment of former older employees that left the company.
- Finally companies have to increase family friendly working conditions as Kindergardens etc. and integrate migrant workers for instance by creating mix teams of different cultures and backgrounds etc.

4.3 Measures to be undertaken by employees

Also the workers themselves have to react to their increasing age.

- They have to take responsibility for their own biography and employability and
- increase the readiness for further qualification etc.

5. Conclusion

The Ageing of the work force is a great challenge.

However, there are many ways to adapt to this challenge.

The most important measure is to react quickly enough. The quicker a country adapts, the higher the comparative advantage. Because in all countries - including China - the work force grows old, the first country that is able to be innovative and productive with its own old work force owns an important blue print.