**Activating Senior Potential in Ageing Europe: an Employers’ Perspective**

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Preface

This report gives an overview of current attitudes and behaviour of European employers towards older workers. Views of employers on an ageing staff, expected consequences of an ageing workforce, sense of urgency regarding demographic developments and norms on retirement are documented as well as organisational and public policies. Also employers’ ‘double standards’ towards on the one hand knowledge on the ageing of the population and on the other hand translation of this knowledge into action in the own organisation are described.

This reports draws on results from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland, Sweden and the UK in 2009. Attention is also paid to country contexts. Presenting a wide variety of up-to-date information on the employers’ perspective on an ageing Europe, this report aims to support the policy debate and provide information for policy makers and other stakeholders who take an interest in or are involved in tackling the manifold challenges of an ageing population and workforce.

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Wieteke Conen, Harry van Dalen, Kène Henkens and Joop Schippers

1. Introduction

## *1.1 Background*

The ageing of society and the shrinking of the workforce is one of the dominant developments in modern European societies. These demographic changes challenge every European country to make more use of their senior potential, both inside and outside the labour market. According to European governments and scientific experts, labour markets are in need of higher participation rates, and raising the participation levels of older workers is one the key objectives of policy makers in most countries. Large baby-boom cohorts will reach retirement age in the coming years, and the question of how to deal with this outflow of workers is of paramount concern, not only for governments but also for individual employers. But even though policy makers at the governmental level may agree on and be convinced of the necessity to stimulate participation of older workers, it depends on (individual) workers’ and especially employers’ behaviour whether this macro level goal can and will be actually achieved. Vickerstaff, Cox and Keen (2003) state that any significant change in retirement behaviour will come primarily from policy modifications initiated and undertaken by employers. This report examines the role played by employers in the process towards higher labour force participation of older workers and extension of working lives.

Earlier research among employers, carried out in the United States and European countries, showed that many employers are biased towards older workers and there is often a lack of corporate focus on older employees, which is reflected in an absence of programmes to retain and retrain them (Barth, et al., 1993; Chiu et al., 2001; Guillemard et al., 1996; Henkens, 2005; Taylor and Walker, 1998). Since a growing share of the workforce will consist of older workers and increasing labour shortages are imminent, the necessity to call upon labour force potential of older workers may increase substantially. The main questions addressed in this report are:

1. What are the views of employers in different countries on older workers, what do they consider to be the major effects of an ageing workforce and how can these views be explained?
2. What kind of policies do employers in different countries have with respect to older workers (stimulating, permissive, special arrangements) and how can these differences be explained?
3. Are organisational policies in line with and adding to governments’ policies?

To answer these questions, results were analysed from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland, Sweden and the UK. In this study, Sweden and Denmark represent Esping-Andersen’s (1990) social-democratic welfare state, the United Kingdom stands for the liberal welfare state, and the Netherlands, Germany and France stand for the continental/conservative welfare state. As several authors (Leibfried, 1992; Ferrara, 1996; Bonoli, 1997) also distinguish a fourth category, the Mediterranean type of welfare state, we also included Italy. Finally, Poland represents a ‘new’ former Eastern-European EU-member State.

Over the last decade, a growing share of older workers has been participating in paid labour and workers have been extending their working lives (Eurostat, 2010). Despite these upward sloping participation trends, in most countries employment rates drop considerably between 55-59 years of age and drop sharply after the age of 60 (see table 1.1). Furthermore, the mean and median age of retirement is often well below the statutory age of retirement. In other words: in most countries early retirement is still rather the rule than the exception. This is also reflected in the average effective retirement as shown in figure 1.1.

Table 1.1 Employment rate and retirement age

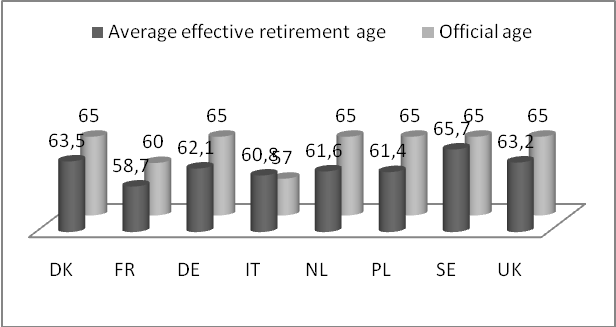
|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | *Denmark* | *France* | *Germany* | *Italy* | *Netherlands* | *Poland* | *Sweden* | *UK* | *EU* |
| Employment rate (2009) | |  |  |  |  |  |  |  |  |  |
|  | 50-54 years | 84.1 | 80.5 | 79.6 | 69.9 | 82.2 | 68.1 | 84.3 | 79.2 | 75.0 |
|  | 55-59 years | 78.5 | 58.5 | 70.2 | 50.7 | 72.4 | 42.6 | 80.3 | 70.6 | 60.0 |
|  | 60-64 years | 36.6 | 17.0 | 38.7 | 20.3 | 37.3 | 18.2 | 60.5 | 44.9 | 30.4 |
| Mean age of retirement (2005) | |  |  |  |  |  |  |  |  |  |
|  | Males | 61.2 | 58.5 | 61.4 | 60.7 | 61.6 | 62.0 | 64.3 | 63.4 | 61.4 |
|  | Females | 60.7 | 59.1 | 61.1 | 58.8 | 61.4 | 57.4 | 63.0 | 61.9 | 60.4 |
| Median age of retirement (2005) | |  |  |  |  |  |  |  |  |  |
|  | Males | 62.2 | 58.8 | 61.6 | 58.4 | 60.5 | 57.0 | 63.9 | 63.8 | 60.7 |
|  | Females | 60.1 | 58.3 | 59.9 | 57.2 | 59.3 | 55.2 | 63.3 | 60.3 | 59.4 |

Source: Eurostat, 2010

The employment situation amongst older workers is by comparison considered successful in Sweden, Denmark and the UK. A lot of variation exists among the continental/ conservative welfare states: the Netherlands is often perceived to be a ‘catch-up’ country, while in France early retirement still is strongly rooted and Germany is performing in between. Employment rates for older workers are relatively low in Italy and Poland (see table 1.1; and e.g. Funk, 2004).

Figure 1.1 Average effective retirement age and official age, males

2002-2007



Source: OECD, 2010

## *1.2 Report outline*

This report is organised into six chapters. After this introductory chapter, Chapter 2 presents the contexts of the countries participating in the study and in Chapter 3 a theoretical framework is presented. Chapter 4 provides the methodological background. In Chapter 5 the results are presented of subsequently employers’ perspectives on extending working lives in the own organisation, organisational policies towards older workers, public policies and employers’ ‘double standards’. The final chapter summarizes our findings and discusses the outcomes. In the final chapter we also discuss the limitations of the study and provide suggestions for future research.

1. European context

## *Demographic context*

To understand the circumstances countries face, figure 3.1 and figure 3.2 present the demographic parameters which underlie the onset of an ageing population and workforce; i.e. the total fertility rate and life expectancy at birth respectively. Figure 3.1 shows that the total fertility rate of the eight countries differed considerably in the twentieth century. Starting in the fifties Poland and the Netherlands had a relatively high fertility rate with more than three children per woman, whereas Germany, the UK and Sweden had a fertility rate which was near replacement level. With the commercial introduction of the pill as contraception method in the sixties fertility rates dropped sharply. The overall impression of fertility levels in the eight countries is that all countries went from a state of high fertility to a state below replacement levels and the communis opinio among UN forecasters seems to be that around 2050 fertility rates converge around the level of 1.90 (UN, 2010).

Figure 2.1 Total fertility rate, 1950-2050



Source: UN, 2011

The development in fertility rates is in marked contrast with the development in life expectancy. In figure 2.2 we portray the development in life expectancy of men in the eight countries. The most important observation to be made is that the differences in life expectancy were rather large in the fifties - up to twelve years - but during the subsequent fifty years life expectancy at birth converged. Life expectancy is expected to increase even further for the next fifty years and around 2050 male life expectancy in Europe is projected to be 79 years.

Figure 2.2 Life expectancy of men at birth, 1950-2050



Source: UN, 2011

As a consequence and with few exceptions, most member states will experience population decline between 2005 and 2050. Among the countries set to avoid population decline are the smaller states, such as Luxemburg, Ireland, Malta and Cyprus. According to the European Green Paper, of the six large member states only the UK and France will experience growth between 2005 and 2050 (8-9 percent), although from around 2040 the size of the British and French populations are expected to contract. These demographic developments have significant consequences for the number of old aged and the (potential) work force over time. Figure 2.3 presents the ratio of the population aged 65 years or over to the population aged 15 to 64 in all relevant countries.

Figure 2.3 Old age dependency ratio, 1950-2050



Source: UN, 2011

In the fifties, Poland had the lowest old-age dependency ratio (7 persons aged 65+ per 100 persons of working age) and France the highest (15 persons per 100). Until 2010 the figure shows a gradual increase in the old-age dependency ratio, but the consequences of the ageing population will be felt particularly in the coming decades as the potential labour force decreases and the number of pensioners increases. In 2010 the number of old aged as a percentage of the potential labour force in Europe is approximately 25 percent, in other words: every pensioner can potentially be supported by four workers. This ratio will increase steeply in the coming decades as in 2050 every pensioner will probably be supported by two workers. This support ratio increases dramatically in Italy and Germany, and to a lesser extent in the UK, Sweden and Denmark.

## *Labour market context*

Labour force participation —having a job or searching for a job on the labour market— is one element which can differ substantially across countries. Even if people decide to work or obtain a job, the number of hours worked will differ. Table 2.1 gives an impression of what the actual position is of the older worker on the labour market and about the flexibility of labour markets across countries.

In Poland the participation of older workers is relatively low; 73 percent of the older men and 63 percent of the older women between 50 and 54 years of age are employed. In Italy, especially women have relatively low employment rates at older ages. In France and Italy, labour force participation of older workers between 50 and 54 years of age is a little above average, but after the age of 55 participation rates drop considerably, resulting in a relatively low mean age of retirement. In the Netherlands, employment rates are relatively high, although part-time work is prevalent in this country – especially among women.

The Netherlands, Germany, Sweden and France have relatively rigid labour markets as compared to the other countries. Hiring rates of older workers are rather low and employment protection relatively high.

Table 2.1 Labour market indicators, 2009

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | *Denmark* | *France* | *Germany* | *Italy* | *Netherlands* | *Poland* | *Sweden* | *UK* | *Europe* |
| Employment rate, older workers (50-64) | |  |  |  |  |  |  |  |  |  |
|  | Men 50-54 | 86.0 | 85.8 | 84.4 | 85.9 | 90.0 | 73.2 | 85.6 | 82.8 | 82.1 |
|  | Men 55-59 | 82.6 | 61.2 | 77.3 | 63.5 | 83.4 | 57.4 | 82.5 | 76.4 | 69.1 |
|  | Men 60-64 | 45.8 | 19.0 | 47.0 | 29.2 | 47.0 | 25.8 | 64.6 | 56.2 | 38.5 |
|  | Women 50-54 | 82.2 | 75.3 | 74.9 | 54.5 | 74.3 | 63.4 | 83.1 | 75.7 | 68.1 |
|  | Women 55-59 | 74.4 | 55.6 | 63.4 | 38.5 | 61.4 | 29.4 | 78.0 | 64.9 | 51.4 |
|  | Women 60-64 | 27.3 | 15.1 | 30.6 | 11.9 | 27.6 | 11.8 | 56.3 | 34.1 | 22.8 |
| Part-time work | |  |  |  |  |  |  |  |  |  |
|  | Men 25-49 | 7.0 | 4.3 | 7.4 | 4.1 | 13.4 | 2.9 | 8.6 | 5.5 | 5.1 |
|  | Men 50-64 | 10.3 | 7.0 | 8.6 | 4.3 | 22.4 | 8.5 | 12.7 | 12.2 | 8.3 |
|  | Women 25-49 | 28.7 | 28.7 | 46.2 | 29.6 | 71.9 | 8.2 | 36.9 | 38.7 | 29.2 |
|  | Women 50-64 | 37.0 | 31.3 | 49.5 | 20.9 | 80.8 | 16.8 | 39.2 | 46.7 | 33.8 |
| Weekly hours of work, older workers (55-64) | |  |  |  |  |  |  |  |  |  |
|  | Men | 37.2 | 42.3 | 40.7 | 40.7 | 36.0 | 41.3 | 38.7 | 40.3 | - |
|  | Women | 32.7 | 34.2 | 29.6 | 33.0 | 23.0 | 35.0 | 34.4 | 29.2 | - |
| Mean age of retirement (2005)a | |  |  |  |  |  |  |  |  |  |
|  | Men | 61.2 | 58.5 | 61.4 | 60.7 | 61.6 | 62.0 | 64.3 | 63.4 | 61.4 |
|  | Women | 60.7 | 59.1 | 61.1 | 58.8 | 61.4 | 57.4 | 63.0 | 61.9 | 60.4 |
| Hiring intensityb | |  |  |  |  |  |  |  |  |  |
|  | 15-24 age | 4.91 | 4.60 | 3.57 | 3.53 | 3.21 | 4.13 | 5.98 | 3.68 | - |
|  | 25-54 age | 1.12 | 0.71 | 0.76 | 0.71 | 0.80 | 0.77 | 0.88 | 0.94 | - |
|  | 55-59 age | 0.50 | 0.36 | 0.40 | 0.35 | 0.40 | 0.46 | 0.42 | 0.55 | - |
|  | 60-64 age | 0.44 | 0.35 | 0.37 | 0.33 | 0.35 | 0.42 | 0.38 | 0.53 | - |
| Protection of permanent workers against (individual) dismissalc | | 1.53 | 2.60 | 2.85 | 1.69 | 2.73 | 2.01 | 2.72 | 1.17 | - |
| a From Eurostat's 'Statistics in Focus' (2007). More about methodology at http://epp.eurostat.ec.europa.eu/ | | | | | | | | | | |
| b Ratio of hiring rate for employees in each age group to the hiring rate for employees of all ages. The hiring rate is defined as the share of employees with tenure of less than one year in their current job. | | | | | | | | | | |
| c OECD employment protection indicator on individual dismissal of workers with a regular contract. More about methodology at www.oecd.org/employment/protection | | | | | | | | | | |

## 

## *Policy context*

Both the European Union and national governments have set targets with respect to sustainable participation of workers and the knowledge-based society. The 1994 EU Summit was the first to underline the need to improve employment opportunities for older workers. In March 2001 the European Council of Stockholm defined, for the first time, a quantitative and highly ambitious target in this respect - in addition to the overarching strategic goals set at the Lisbon European Council - by determining that by the year 2010 the employment rate of older workers should rise to 50% (from 26.3% in 2000) (European Council, 2001). At the Barcelona European Council it was clearly stated that responsibility for tackling issues arising from an ageing population will need to be shared between the generations: “A progressive increase of about five years in the effective average age at which people stop working in the European Union should be sought by 2010” (European Council, 2002).

Later, the EU-Commission assessed the progress achieved towards the Stockholm and Barcelona targets in its communication on “Increasing employment of older workers and delaying the exit from the labour market” and has judged it to be insufficient (European Commission, 2004). The Member States were asked to take drastic action and develop comprehensive active ageing strategies. This requirement has been endorsed by the report of the Employment Taskforce (Employment Taskforce, 2003) which emphasised that a radical shift in policy measures, away from a culture of early retirement is necessary and that the challenge is not only to ensure that a higher share of those currently aged 55 to 64 stay in work, but also to enhance the employability of those currently aged in their 40s and 50s. The EU commits itself to supporting this development through policy co-ordination, the exchange of experience and of best practice and through financial instruments (European Commission, 2004). The EU Green Paper on demographic change (European Commission, 2005) once again underlines the nature of the challenge Europe is facing and the urgency to take action. It uses expressions like “unprecedented (...) change” (p. 2), sums up that “the structure of society is (...) changing radically” (p. 3) and concludes that we are dealing with “(...) urgent issues of common interest to which all the Member States need to respond” (p. 4).

The *Common actions for growth and employment* report (European Commission, 2005, Common actions for growth and employment: The community Lisbon programme, COM (2005) 330 final, Brussels) describes the ageing population, combined with a falling working-age population, as a challenge that needs to be addressed, affecting as it will Europe’s economic and social future. Furthermore, promoting “active ageing” is seen as contributing to the overall objective of the European Commission of improving people’s living standards. In its communication entitled “The demographic future of Europe – from challenge to opportunity” (European Commission, 2006, The demographic future of Europe – from challenge to opportunity, COM (2006), 571 final, Brussels) the European Commission again highlights the importance of improving work opportunities for older people and increasing potentially productivity and competitiveness by valuing the contributions of both younger and older employees. This initiative does not aim at adopting a new plan, but rather to ask member States to systematically integrate ageing population in all policies, and to reinforce their actions in this direction.

In many individual Member States, early exit is beginning to be rethought. In the majority of (old) Member States, e.g. in Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, the UK and Sweden, there have been pension reforms to curtail or to restrict access to early exit schemes and programmes. The motivation for these changes was cost containment and financial balance in the face of an ageing population (see OECD, 2000). Thus, national policies are promoting increasing the number of working years without necessarily implementing a systematic approach to cope with the consequences for the individuals involved. But it is evident that a prolongation of working life demands a restructuring of the entire individual work biography, e.g. to reconcile work and private life by means of parental leave or leave for caring, and to create resources, such as educational leave, to maintain skills currency (human capital).

Since the end of the 1990s, public policies and workplace practices have begun to change, towards improving employment prospects and participation rates of the ageing labour force (Walker 1999; ETUI, 2002, 2003; OECD, 2003). Several Member States are applying comprehensive ageing strategies and some have set national targets to increase the average exit age (France, Finland and Portugal, cf. European Commission, 2004). This rethinking towards more active strategies reflects an increasing awareness of trends in demography, labour force participation and changing market needs.

Recent research shows that in Europe the vast majority of citizens are pessimistic about the consequences of population ageing. Countries differ in the extent to which as a response the early retirement culture is reversed. While in the Netherlands the exit culture came to a halt, France and Germany are still lagging behind in this respect. In the new member states concerns with regard to population ageing are caused first of all by current problems of the old-age social security as well as health care services and, as a consequence, by low standards of living among elderly.

As the population of Europe ages – in all countries, though at a somewhat different rate – overall labour supply can be expected to fall, unless age and sex specific participation rates will increase. But even though policy makers at the government level may agree on and be convinced of the necessity to stimulate participation, it depends on (individual) workers’ and especially employers’ behaviour whether this macro level goal can and will be actually achieved. Though there are examples showing that the social partners reached agreements promoting the integration of older workers into the labour force, the points of view of the trade unions and the employers’ organisations often still differ widely on how and to what extent this should be achieved. On the one hand, the trade unions are concerned about high levels of unemployment and still favour early exit for certain groups of older workers; while at the same time they advocate improvements in working conditions to make a prolongation of working life feasible (Hutsebaut, 2003). On the other hand, employers are demanding more flexible workforces and flexible working time schedules in order to reduce costs, whilst also increasing competitiveness and extending service provision. Individual employers have used early exit schemes as a strategic tool to reduce the size of workforces, though employers’ associations are concerned about the costs of early exit. Altogether, it is the organisational level that matters. Increasing mandatory retirement ages will be likely to have only limited effects if it is not combined with measures that stimulate employers to employ the aged worker. Most decisions how to deal with ageing workforce will have to be taken within individual organisations, or will, at least, be implemented within these organisations

For specific initiatives taken in the eight countries involved we refer to the integrative final report on government policies (Deliverable 2.4) written within the ASPA project framework.

1. Theoretical background

The last few decades the labour market in most Western countries tended to be a buyers-market. A substantial pool of unemployed formed a buffer that could absorb cyclical fluctuations in labour demand. It is hardly surprising that most studies in this period focused on employees and their job seeking activities rather than the employers’ point of view. But this is gradually changing, since the employers’ perspective becomes more and more relevant in countries where the labour supply is expected to decrease under demographic pressure of an ageing workforce. Although in the short run the economic crisis may put this trend ‘on hold’, in the long run a decrease is expected in the effective labour supply in many European regions. Given this changing labour market, how do we expect employers’ to behave with respect to older employees? In this chapter, we present a theoretical background on employers’ attitudes and behaviour towards an ageing workforce and older workers. In section 3.1 we will discuss theoretical insights on demand for older workers as part of the whole apparatus of possible measures employers can take to face labour market changes. In the second paragraph we discuss the relationship between ageing, productivity and labour costs. Section 3.3 deals with employers’ attitudes and stereotypes with respect to older workers.

## *3.1 Labour supply and demand*

According to economic theory, there are several ways employers can respond to changes in labour supply. In the event of an autonomous decline in the supply of labour, the employer has two options in order to try to restore equilibrium. First, he can try to reduce his dependency on labour. Second, employers can try to expand the supply of suitable labour (Perlman, 1975; Lazear, 1998).

### 3.1.1 Reducing dependence on labour

*Increasing the effort/deployment of existing workers*

An option to reduce the dependence on the external labour market is to make greater use of existing workers, to look for internal solutions. The most straightforward measures amount to letting existing workers work longer hours by increasing the length of the full-time working week, occasionally working overtime or having part-timers work fulltime.

Employers can also try to limit their reliance on the labour market by reducing the number of workers leaving that market. Retirement reforms and personnel policies may stimulate older workers to extend their working career (Van Dalen and Henkens, 2002; Adams and Beehr, 2003; Remery et al, 2003a). Better opportunities to combine work and care for young children by offering different kinds of work-family arrangements reduce the risk that women will withdraw from the labour market (Remery et al, 2003b). Personnel policies aimed at providing balance in participation in the paid labour market and participation in care responsibilities may also play a role in reducing the number of workers leaving the labour market in a broader setting, with people having care responsibilities for older relatives or grandchildren.

Finally, companies can try to improve the employability of their workers. In the event of ‘overcapacity’ among some workers within an organisation, it might be worth investing to increase the range of work they can carry out, and thus their employability. Generally speaking, as the employability of workers increases, the risk of underutilizing those workers decreases (Ester et al, 2001).

*An alternative combination of capital and labour*

If the production factor labour becomes scarce, an employer can opt to replace it by the production factor capital. It may also boost investments in technological development, and in doing so give rise to a restructuring of the economy. Usually, this structural adjustment and the choice for a new configuration of production is an option only in the long term.

### 3.1.2 Expanding the supply of labour

In principle there are two options for a rational employer to expand the supply of labour. First, ensuring additional labour is supplied by groups from which recruitment already traditionally takes place, and secondly by tapping into new groups of potential workers.

*Additional labour supply from ‘traditional’ groups of workers*

According to neoclassical theory of labour supply, the best way to attract additional labour is to increase wages: higher wages ‘seduce’ potential workers for whom wages were hitherto lower that the so-called reservation wage, i.e. the minimum wage for which they were prepared to join the labour market (Killingsworth and Heckman, 1986).

*Tapping into new groups of potential workers*

In the context of his job competition theory, Thurow (1975) and others have explained how employers categorize different individuals or groups. Thurow links employers’ preferences primarily to trainability. Phelps (1972) refers more generally to expected productivity and assumes that an employer’s experience with individuals from a particular category is projected onto all workers in that category. In this context, Becker (1957) has already pointed out in an earlier study that employers might have ‘a taste for discrimination’ against some groups. Job competition theory assumes that employers rank the available candidates in a fictitious order of preference (a job queue) and select the candidates in turn, until their demand for labour has been met. In the so-called job queue the most productive employees are at the front; they are the first choice. If there are no first-choice workers available, or if they have all been selected, the employer has to resort to his second choice.

A number of target groups (women, older workers, ethnic workers, and the disabled) are often identified as alternatives to the indigenous male labour force, which in many organisations traditionally constitutes the core of the workforce. From a job-search theoretical perspective (Phelps, 1970), employers associate each of these groups to a greater or lesser degree with higher labour or training costs – or lower expected benefits in terms of output – compared with the reference group of indigenous male workers.

From a sociological point of view it is interesting to know who will be the winners and losers of these labour market developments. Is it true that increasing tightness in the labour market offers new opportunities for groups that have earlier been discriminated against, like women, older workers and immigrant ethnic minorities? And, if so, do they benefit equally and throughout the economy or do some groups benefit more than others, depending on factors like education and branch of industry?

Finally, firms can expand the pool from which to choose workers by using the international labour market. Multinational firms by definition operate in a global market and attract their workers also from the international labour market. But most firms act locally and for those firms immigration may offer a new supply. Migration can, however, also be interpreted as the migration of employment or part of the firm. Relocating production facilities elsewhere or looking for workers in the international labour market might also be a way to reduce dependence on the local or regional labour market. One can interpret these measures as a way of seeking new personnel in a geographical sense too. Over past decades, for example, a great deal of production has been relocated from Western Europe to Eastern Europe and Asia.

## *3.2 Ageing, productivity and labour costs*

### 3.2.1 Human capital theory

*“Human capital is the sum total of skills embodied within an individual: education, intelligence, charisma, creativity, work experience, entrepreneurial vigour, even the ability to throw a baseball fast. It is what you should be left with if someone stripped away all of your assets -- your job, your money, your home, your possessions -- and left you on a street corner with only clothes on your back.”*

Source: Wheelan (2002), Naked Economics, p.99

From an economists’ perspective, organisational considerations on how to value the future with an ageing workforce are mainly based on the expected relative benefits and costs of employing workers of different age groups. If wages of older workers exceed their productivity, older workers represent a potential loss for firms. Examining the relationship between age, labour productivity and labour costs often starts from human capital theory (Becker, 1962; for an overview, see Polachek and Siebert, 1993).

Human capital theory states that life is made up of two main phases: a first phase in which young people develop their human capital – in terms of knowledge and skills – through education and experience, and a second phase in which they earn income through paid employment. Human capital refers to both formal and informal knowledge obtained, e.g. through pre-school learning, education and job-related training. Investments in human capital boost productivity and remuneration of employees is related to their productivity. We therefore see that, in principle, people who possess more human capital have a higher income than people with less human capital.

For most people, investments in human capital are largely made during the first two to three decades of their lives. This does not mean, however, that no additional investments are made later in life. Once people have entered the labour market, they acquire new knowledge and skills. Having said that, the supply of human capital and thus the productivity of workers depends not only on positive factors, but also on depreciation. Because knowledge of older technologies becomes obsolete and because people forget, human capital is subject to depreciation. By maintaining workers’ human capital a decline in productivity could be prevented. This maintenance could be the result of updating human capital by way of retraining workers. Training workers is therefore of relevance because it is a way to prevent skills obsolescence (Bishop, 1997) and training has been shown to improve the employability of workers (Groot & Maassen van den Brink, 2000).

According to Becker (1962), wage and productivity do not have to be equal at every point in time, but they do have to balance out over the whole work life. At first, marginal productivity is lower than wage; the employers ‘pays’ for the skills an employer has to learn in the company. After a while, productivity is higher than wage. In case human capital *depreciates* at higher age or marginal productivity decreases because older workers are getting less education than younger workers, wages are assumed to decrease as well. However, organisations often have a seniority-based wage system with wages rising on a yearly base regardless of improvement of productivity. When such a system is in place, older workers may become relatively ‘expensive’ as compared to their own productivity.

### 3.2.2 Contract theory

During the late 1970s doubts accumulated about the relationship between age, labour costs and productivity as described by human capital theory (Hutchens, 1989). Lazear (1979) was among the first to address issues such as: why do jobs exist where wages increase with seniority - regardless of improvements in productivity? His delayed payment contract theory illustrates how employers have implicit contracts with their employees regarding the relationship between productivity and income over the lifetime: earnings are lower than productivity during the first phase of workers’ careers and higher than productivity during the second phase. Such contracts function as an incentive for employees to put enough effort into their work to obtain the higher wages at the end of the implicit contract. An employee who shirks runs the risk of being fired before the wage premium is obtained. Therefore, delayed compensation works as an incentive for employees to work harder and stay longer in the organisation.

### 3.2.3 Skills obsolescence and training

Human capital theory is related to the notion of skills obsolescence. When time goes by, knowledge may become outdated and skills obsolete. Workers could be trained or retrained to prevent or solve this. Job obsolescence does not occur in all careers; some workers can do their work perfectly well until old age. When obsolescence does occur, this may be related to either job changes or person changes, or a combination of the two, without the knowledge, skills or abilities to adapt to the new situation (Fossum and Arvey, 1986).

One way to avoid skills obsolescence from happening is by training and educating workers adequately during all stages of life. Participation in training programs usually decreases with age, and workers over 50 hardly participate in such programs (Fouarge and Schills, 2008; Lindley and Duell, 2006; Elias and Davies, 2004; Bassanini et al., 2005; Bishop, 1997). Arulampalam et al (2004) find a negative training-age profile for men, while they find the training-age profile is not significant for women. The differential in training incidence is smaller in countries like Denmark and Finland (Fouarge and Schills, 2008). There may be several reasons for this, but one of them is that Scandinavian countries are renowned for having a long tradition of lifelong learning and for their ‘employability’ practices in organisations (Antikainen, 2001).

In general, skills obsolescence in the economical or psychological literature is often divided into:

* Technical skills obsolescence or internal depreciation of human capital, which refers to a loss of physical ability or mental capability.
* Economic skills obsolescence or external depreciation of human capital, which refers to a lowering of a worker’s value due to changes in the environment.

From a medical point of view, internal depreciation is related to the concept of primary ageing. Primary ageing is a gradually continuing biological process with a mental or physical decline in functioning, whilst secondary ageing occurs due to changes in the environment and lifestyle (Hidding et al., 2004).

The demand for older workers partly depends on whether the person remains able to meet job requirements, both physically and mentally. A progressive decline of physical work capacity has consistently been reported. The loss of physical abilities over the life course is an irreversible process, although inter-individual differences are considerable. Most organs decline in their functioning with about 0,8-1,0% annually from the age of 30 onwards. This is a very slow process and because most organs have overcapacity, most people only notice this decline from the age of 60 onwards. From 45 years onwards, many people find their physical condition is decreasing. Older workers in general have a longer recovery period. Physical skills obsolescence is particularly important in manual jobs and often related to low-skilled jobs (Hidding et al., 2004, Nauta, 2004).

Although it is rather straightforward that physical abilities decline with age, cognitive functioning has more ambiguous outcomes. Mental or cognitive functioning is often divided into fluid and crystallized cognitive intelligence (Horn & Catell, 1967; De Lange and Thijssen, 2007) or mechanics and pragmatics. Fluid cognitive skills or mechanics refer to the basic information processing, like mental rapidity, mental arithmetic, solving problems and connecting things quickly. These processes ask for controlled focus and appeal to the working memory. Speed and processing are essential. The quality is genetically determined and comes with high inter-individual variation. These skills are generally reported to decrease with age (Baltes et al., 1999). Crystallized cognitive skills or pragmatics refer to knowledge and experience that is embodied in a person after years of practice, learning, repeating. This results in an ability to understand and integrate culture-dependent and context dependent factors. These pragmatic skills result into content-rich solutions. Studies on cognitive functioning of older workers often only focus on the fluid skills; these do in general show a decrease in functioning. However, crystallized skills are relatively higher in older age (see figure 3.1; taken from Baltes et al., 1999). Besides this, older workers compensate lower fluid cognitive skills often by using adaptation strategies.

Figure 3.1

Pragmatics (Crystallized)

Performance

Life course

ca. 25

ca. 70

Mechanics (Fluid)

Source: Baltes et al., 1999

## *3.3 Attitudes and stereotypes*

Research shows that attitudes and stereotypes towards older employees are mixed, that is, older staff is perceived to have both positive and negative attributes. Positive characteristics often attributed to older employees include experience, loyalty to the organisation, reliability and interpersonal skills. Qualities such as relatively high productivity levels, the acceptance of new technologies and adjustment to organisational changes are attributed primarily to the younger workforce (Blocklyn, 1987; Chiu et al., 2001; Finkelstein et al., 1995; Finkelstein & Burke, 1998; Hassel & Perrewe, 1995; Henkens, 2000; Lee & Clemons, 1985; Loretto et al., 2000; McGregor & Gray, 2002; Remery, et al., 2003a; Rosen & Jerdee, 1976 a, b; Taylor & Walker, 1994, 1998; Wagner, 1998; Warr & Pennington, 1993).

Prevailing views may affect managers’ discriminatory attitudes and behaviour. Chiu et al. (2001) showed that the more respondents perceive older workers as being able to adapt to change, the more favourable their views are on training and promotion of older workers. One of the more pervasive beliefs in today’s workplace is that older workers should retire somewhere in their mid 50s or early 60s (Joulain & Mullet, 2001; McCann & Giles, 2003; Van Dalen & Henkens, 2005). At this point in life one should reap the rewards of years of hard work and enjoy one’s ‘golden years’. On the one hand these views may be well intended and reflect positive attitudes toward older workers: a well earned retirement at the end of a long career of hard work. On the other hand, as McCann and Giles (2003) indicate, the support of retirement may also reflect underlying attitudes that younger workers have more to offer to an organisation than older workers. Henkens (2005) finds that negative beliefs about older workers stimulate support by managers for their early retirement. Most managers do not seem to have strong support for later retirement, and the support for later retirement is even weaker in organisations in which older staff is associated with negative stereotypes. Managers who are in frequent contact with older workers are more in support of later retirement. Apparently, managers who are not familiar with older workers have difficulty imagining the value of older workers working longer in their organisation.

1. Methodology

## *4.1 Employers’ survey*

A large-scale comparative survey was developed to get a clear view on employers’ attitudes and behaviour towards older workers in eight European countries: Denmark, France, Germany, Italy, the Netherlands, Poland, Sweden and the UK (see figure 4.1). Different types of welfare state regimes are distinguished. Sweden and Denmark represent Esping-Andersen’s (1990) social-democratic welfare state, the United Kingdom stands for the liberal welfare state, the Netherlands, Germany and France stand for the continental/conservative welfare state. As several authors also distinguish a fourth category, the Mediterranean type of welfare state, we also included Italy. Finally, Poland represents the ‘new’ EU-member States that have accessed the European Union after the break down of the communist regimes from Eastern Europe. Having countries belonging to different types of welfare states is relevant from the point of view that we analyse government policies and the relation between government policies and organisational policies.

Figure 4.1 Participating countries ASPA project

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One of the main objectives underlying the questionnaire was to find out: What are the views of employers in different countries on older workers? What do they consider to be the major effects of an ageing workforce? And how can these views be explained? Information was collected on attitudes, behaviours and policies regarding human capital investment during the life course, retirement and recruitment policies, (other) HRM policies, stereotypes towards older workers and views on the ageing of the workforce. Departing from this fundamental framework, one of the aims of the survey was to get insight in how employers’ behaviour *differs* between countries (e.g. related to the different welfare state concepts) and between branches of industry within countries (e.g. related to the economic structure of the labour market). What kind of policies do employers in different countries have with respect to older workers (stimulating, permissive, special arrangements) and how can these differences be explained?

On a more general level, the survey aims to explain the differences in employers’ views regarding the ageing of the workforce and prolonged working life and learn more about the link between employers and government policies. Are organisational policies in line with and adding to governments’ policies? The objectives of the survey are summarized in Box 1. Based on the objectives of this survey, several ‘blocks of questions’ were developed centred around a specific theoretical or empirical background and aligned with specific objectives.

**Box 1** Objectives of the survey

*Views and consequences*

* What are the views of employers on older workers in different countries?
* What do they consider to be the major consequences of an ageing workforce?
* How can these views be explained?

*Organisational policies*

* What kind of organisational policies? (stimulating, permissive, special arrangements) do employers in different countries have with respect to older workers? And how can differences be explained?

*Government policies*

* How do government policies influence employers’ behaviour?

*Sense of urgency*

* Is there a sense of urgency regarding the ageing of the workforce and do employers differ in their perceptions of the demographic challenges ahead?

*Human capital*

* How important are different ways of development of skills, in particular for older adults, and how can and do organisations facilitate human capital accumulation and the use of these skills?

*Globalisation*

* To what extent is the recruitment of workers abroad or outsourcing to other countries an option for employers?

## *4.2 Sampling design and weighting*

The survey was conducted at the establishment level. We drew a stratified sample on the characteristics sector and size. The stratification regarding size is based on Eurostat’s Structural Business Statistics (SBS) size classification:

* Small organisations: 10-49 persons employed;
* Medium-sized organisations: 50-249 persons employed;
* Large organisations: 250 or more persons employed.

The survey covers the following economic activities or stratification regarding sector according to the NACE Rev.1.1 classification[[1]](#footnote-1):

* Sections C-F for organisations operating in ‘Industries and Construction’;
* Sections G-K for organisations operating in ‘Services and Trade’;
* Sections L-O for organisations operating in ‘Public administration, education, health & social work and other services’ (or: ‘public services’).

We performed random sampling at the country level with respect to geographic area. In sum, a stratified sample was drawn along the dimensions of size and sector and the survey was conducted at the establishment level. This results in the sampling matrix as shown in table 4.1.

Table 4.1 Stratified sample along the dimensions of size and sector (NACE Rev. 1.1)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | NACE: C-F | NACE: G-K | NACE: L-O | Total |
| Small: 10-49 employees | 11% | 11% | 11% | 33% |
| Medium: 50-249 employees | 11% | 11% | 11% | 33% |
| Large: >= 250 employees | 11% | 11% | 11% | 33% |
| Total | 33% | 33% | 33% | 100% |

In the analyses on the *national* level we weighted the data afterwards to account for the sampling design; to ensure that the observations are representative for the population of employers. Weights are constructed according to the population of establishments from national statistics bureaus and correct for sector and size of the establishment. To present results at the *pooled* level, we pooled the data for all eight countries – including the national weighting factors - and constructed a new weighting factor that takes the net sample size of the different countries into account. Otherwise, Dutch and Polish employers (N>1000) would influence results more than French and Swedish employers (N≈500) (see paragraph 4.4 on data characteristics for more information on national samples).

## *4.3 Fieldwork*

The questionnaire was translated from English to national languages; partners from the different countries took care of this for the own country. We used a double translation procedure. After the questionnaire was finalized, all partners started the translation procedure. The questionnaire was sent to two independent translators. After receiving the two translations, the national coordinator compared the resulting questionnaires for consistency and reconciled. This national questionnaire was then checked by the overall coordinator on international comparability before the fieldwork started.

Participating research institutes in the ASPA-project carried out the data collection, which took place from March to November 2009. The base questionnaires used in the different countries were identical. Interview techniques used differ between countries, depending on what was perceived to be the best way to address respondents in the particular country. Denmark used computer-assisted web interviewing (CAWI); Germany, the Netherlands and Sweden used paper and pencil interviewing (PAPI); and France, Italy, Poland and the UK used computer-assisted telephonic interviewing (CATI). The surveys were addressed to directors, owners and heads of HR departments.

## *4.4 Data characteristics*

The total number of completed questionnaires amounts to 6,285, of which 609 are from Denmark, 500 from France, 892 from Germany, 770 from Italy, 1077 from the Netherlands, 1037 from Poland, 525 from Sweden and 875 from the UK (see table 4.2). In France, 500 telephone interviews were undertaken with a reduced questionnaire, because the length of the questionnaire was considered to be too long for telephonic interviewing. In the UK, in total 875 telephone interviews were held. The fieldwork took place in two phases, with a number of questionnaire amendments being made between the two phases. The first phase took place in June 2009, and consisted of 463 interviews with a strongly reduced questionnaire. The second stage took place from late August to mid-September 2009, and involved 412 interviews and was based on an reduced questionnaire – corresponding to the French questionnaire.

Table 4.2 Completed questionnaires and response rate

|  |  |  |
| --- | --- | --- |
|  | *Total N* | *Response rate* |
| Denmark | 609 | 28% |
| France | 500 | 7% |
| Germany | 892 | 11% |
| Italy | 770 | 17% |
| Netherlands | 1,077 | 23% |
| Poland | 1,037 | 23% |
| Sweden | 525 | 53% |
| UK | 875 | 22% |
| Total | 6,285 | ≈ 23% |

Response rates in corporate surveys are lower than the average response rates of individual surveys. In Europe and the United States response rates in corporate surveys have been found to be at most 20 to 30 percent (see Brewster, Hegewisch, Mayne & Tregaskis, 1994; Kalleberg, Knoke, Marsden & Spaeth, 1996). Table 4.2 shows that response rates of our survey are normal as compared to other corporate surveys.

In our sampling design we stratified by sector and size. At the aggregated level, response rates for the different strata show an equal distribution with respect to sector (see table 4.3); 33% for “Industries and Construction”, “Services and Trade” and “Public services”. In quantitative terms this means that all strata have more than 2,000 cases. Strata on size cover a substantial amount of cases, although the distribution is not as ‘perfect’as with sector: 24% large organisations, 33% medium-sized organisations and 42% small organisations. Apparently, response rates decline with size of the organisations. This might e.g. be due to the fact that it is more difficult to reach the ‘right’ person in a larger organisation.

Table 4.3 Response rate strata ‘sector’ and ‘size’

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | *Total* | *Column %* |
| *Sector* | |  |  |
|  | Industries and Construction | 2064 | 33% |
|  | Services and Trade | 2079 | 33% |
|  | Public services | 2080 | 33% |
|  | Other/ Don't know | 62 | 1% |
| *Size* | |  |  |
|  | Small | 2629 | 42% |
|  | Medium | 2077 | 33% |
|  | Large | 1530 | 24% |
|  | Other/ Don't know | 49 | 1% |

Table 4.4 shows characteristics of the respondents. The questionnaires were completed by directors/ CEOs/ CFOs (29 percent), head of departments and general managers (16 percent) and human resource managers (33 percent). This ‘higher management’ sums up to at least 79% and this group of management is likely to be well informed and has good insight in the policies and practices of the organisation. 61 percent of respondents reported an academic degree was required for their job. The average age of respondents is 46 years and about 50 percent of respondents are male.

Table 4.4 Characteristics of the respondent

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | *Total* | *Column %* |
| *Position* | |  |  |
|  | Director/ CEO/ CFO | 1826 | 29% |
|  | Head of a department | 571 | 9% |
|  | General manager | 431 | 7% |
|  | Human resource manager/ HRO | 2102 | 33% |
|  | Administrator | 387 | 6% |
|  | Other | 877 | 14% |
|  | No answer/ Don't know | 91 | 1% |
|  |  |  |  |
| *Academic degree required* | |  | |
|  | Academic degree required | 3850 | 61% |
|  | No academic degree required | 2402 | 38% |
|  | No answer/ Don't know | 33 | 1% |
|  |  |  |  |
| *Age* | |  |  |
|  | Younger than 35 years | 1109 | 18% |
|  | 35 - 50 years | 2872 | 46% |
|  | Older than 50 years | 2192 | 35% |
|  | No answer/ Don't know | 112 | 2% |
|  |  |  |  |
|  | Average age of respondents | 46 years | |
|  |  |  |  |
| *Gender* | |  |  |
|  | Female | 3101 | 49% |
|  | Male | 3159 | 50% |
|  | No answer/ Don't know | 25 | 0% |

Table 4.5 shows characteristics of the organisations which participated in the survey. 5 percent of employers reported to have no older workers in the own organisation. About a quarter of employers report more than 30 percent of all employees is aged 50 and older. On average, employers report that 24 percent of employees is 50 years of age or older[[2]](#footnote-2). Compared to Eurostat’s statistics on Q4 of 2009 this is similar to the EU average. In other words, the data does not contain an overrepresentation of relatively ‘old’ organisations, which might respond more to these kinds of questionnaires, but is a representative reflection. The share of unskilled workers is on average 24 percent and the share of high skilled workers 25 percent.

Table 4.5 Characteristics of organisations

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | *Total* | *Column %* |
| *Share of older workers* | |  |  |
|  | No older workers | 291 | 5% |
|  | 1-10% of all employees | 1446 | 23% |
|  | 11-20% of all employees | 1429 | 23% |
|  | 21-30% of all employees | 1217 | 19% |
|  | 30% or more of all employees | 1676 | 27% |
|  | No answer/ Don't know | 226 | 4% |
|  |  |  |  |
|  | Average % of workers age 50+ | 24% | |
|  |  |  |  |
| *Share of unskilled workers* | |  |  |
|  | No unskilled workers | 1535 | 24% |
|  | 1-10% of all employees | 1824 | 29% |
|  | 11-20% of all employees | 703 | 11% |
|  | 21-30% of all employees | 390 | 6% |
|  | 30% or more of all employees | 1694 | 27% |
|  | No answer/ Don't know | 139 | 2% |
|  |  |  |  |
|  | Average % of unskilled workers | 24% | |
|  |  |  |  |
| *Share of high skilled workers* | |  |  |
|  | No high skilled workers | 1047 | 17% |
|  | 1-10% of all employees | 2075 | 33% |
|  | 11-20% of all employees | 886 | 14% |
|  | 21-30% of all employees | 468 | 7% |
|  | 30% or more of all employees | 1676 | 27% |
|  | No answer/ Don't know | 133 | 2% |
|  |  |  |  |
|  | Average % of high skilled workers | 25% | |

In general, item non response was rather low. For most questions the response was more than 95%. A question that was beforehand marked as a ‘sensitive’ question was a question on political preference. In Denmark, the Netherlands, Sweden and Germany it was not a problem to ask this; 94-99% of respondents answered the question. France (85%), Poland (72%) and Italy (63%) do show lower responses here.

## *4.5 Data collection per country*

In Denmark, data collection was conducted by Capacent (http://www.capacent.com). The method used was computer-assisted web interviewing (CAWI). A stratified sample of private companies and public institutions was drawn from the KOB-database (<https://www.kob.dk/default.aspx?lang=en>). Fieldwork took place in the period from April-July 2009. A total of 609 respondents took part in the survey and the response rate amounted to 28%. All the private companies and public institutions in the sample received a letter of invitation addressed to a member of senior management. The letter of invitation (paper version) contained a brief orientation on the purpose of the survey and an invitation to participate in the survey. In all the letters a unique username and password were given, which made it possible to log onto [www.epinion.dk/aspa](http://www.epinion.dk/aspa) and participate in the survey. As a follow-up on the letters of invitation the interview persons were contacted by telephone, obviously excluding the persons who had already answered the questionnaire. A letter of invitation (electronic version) including the link to the questionnaire directed to the interview person’s email address was used as a further follow up measure.

In France, data collection was conducted by IFOP (http://www.ifop.com). The method used was computer-assisted telephone interviewing (CATI). From the Nace Rev. 2.0 classification, the French team excluded some sub-categories in order to define the stratum “Public administration, education, wealth and social work” in a consistent way with the questionnaire. These few sub-categories refer to public establishments whose human resources management is ruled at national and central levels. For instance, the headmaster of a public school in France is not a relevant respondent as far as he/she has no direct action on recruitment and careers of staff; rather they are defined and managed by the Ministry of Education (Ministère de l’Education Nationale) and its regional delegations (Rectorats). Fieldwork took place in July 2009. Respondents were contacted by telephone. In total 500 telephone interviews were undertaken for the French fieldwork and the response rate amounted to 7%. A reduced questionnaire was established because the length of the questionnaire was considered too long for telephonic interviewing. Furthermore, eight time consuming questions were split in two blocks of four questions assigned to respondents by random sampling. This means each of the four blocks of questions has been asked to one half of the sample (250 respondents) by a random selection.

In Germany, data collection was conducted by the Research Centre for Ageing and Society (CAS) at the University of Vechta. The method used was paper-and-pencil interviewing (PAPI). Fieldwork took place in the period from April-August 2009. A total of 892 respondents took part in the survey and the response rate amounted to 11%. All the private companies and public institutions in the sample received a letter of invitation and a paper version of the questionnaire. As a follow-up on this first mailing a reminder letter was sent, obviously excluding respondents who had already answered the questionnaire.

In Italy, data collection was conducted by the Italian National Research Centre on Ageing. The method used was computer-assisted telephone interviewing (CATI). Fieldwork took place in the period from April –September 2009. Respondents were contacted by telephone. In total 770 telephone interviews were undertaken for the Italian fieldwork and the response rate amounted to 17%. The Italian team used the whole questionnaire.

In the Netherland, data collection was conducted by Netherlands Interdisciplinary Demographic Institute and Utrecht University. The method used was paper and pencil interviewing (PAPI). A stratified sample of private companies and public institutions was drawn from the Marktselect-database (www.marktselect.nl). Fieldwork took place in the period February-May 2009. A total of 1,077 respondents took part in the survey and the response rate amounted to 23%. All the private companies and public institutions in the sample received a letter of invitation addressed to a member of senior management. The letter of invitation (paper version) explained the purpose and importance of the research but did not explicitly emphasise the focus on older workers in order to reduce bias in responses and socially desirable answers. Attached was a questionnaire and a prepaid envelope. As a follow-up on this first mailing a reminder letter was sent, obviously excluding respondents who had already answered the questionnaire. Two weeks later, a new reminder letter (paper version) including a questionnaire and prepaid envelope was sent as a further follow up measure.

In Poland, data collection was conducted by TNS OBOP (TNS Infratest). The method used was computer-assisted telephone interviewing (CATI). Fieldwork took place in the period April-June 2009. Respondents were contacted by telephone. In total 1,037 telephone interviews were held for the Polish fieldwork and the response rate amounted to 23%. In Poland the whole questionnaire was used.

In Sweden, data collection was conducted by Statistics Sweden. The method used was paper and pencil interviewing (PAPI). Fieldwork took place in the period September-November 2009. A total of 500 respondents took part in the survey and the response rate amounted to 53%.

In the UK, data collection was conducted by IFF Research. The method used was computer-assisted telephone interviewing (CATI). The fieldwork took place in two phases, with a number of questionnaire amendments being made between the two phases. The first phase took place in June 2009, and consisted of 463 interviews with a strongly reduced questionnaire. The second stage took place from late August to mid-September 2009, and involved 412 interviews and was based on an reduced questionnaire – corresponding to the French questionnaire. A total of 875 respondents took part in the survey and the response rate amounted to 22%

1. Results

## *Employers’ perspectives on extending working lives in the own organisation*

Both the European Union and national governments have set targets with respect to sustainable participation of workers and the knowledge-based society (see chapter 2). European and national policy makers have spent a lot of energy on ‘management by speech’ to promote higher labour force participation of older workers and extension of working lives. Such macro-economic targets regarding older workers are unlikely to be met without employers acting in accordance with these public targets. In this paragraph we examine: 1) Whether employers’ have a sense of urgency regarding the issue of the ageing of the workforce; 2) Is employers’ recruitment and retention behaviour geared towards the activation of senior potential?; 3) What do employers see as possible consequences of an ageing workforce for their own organisation?; 4) Do attitudes and stereotypes play a role in employers’ behaviour towards older workers?; 5) Among employers, what are prevailing norms with respect to the retirement age?

### Awareness of the demographic challenge

What do European employers perceive to be the main challenges for the future labour market? We asked employers to what extent they expect problems on the labour market due to different societal developments (see table 5.1). In general, employers perceive the ageing of the population as one of the main labour market challenges for the coming decade. In almost all countries 70 to 85 percent of employers anticipate problems due to ageing. This is not true for Italy, where only 10 percent of the employers expect labour market problems. In Italy, population decline is considered the main cause of labour market problems within the next decade. In Poland and Germany the emigration of high-skilled workers, or brain-drain, is expected to raise problems. The main conclusion based on the figures is that in most countries in our study there seems to be awareness that demographic developments will affect the future labour force.

Table 5.1 Degree to which employers think the following developments will cause labour market problems within next ten years (percentages “likely” and “very likely”)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK | *Pooled* |
| Ageing of the population | 73 | 78 | 83 | 10 | 79 | 68 | 70 | \* | 66 |
| Population decline | 53 | 60 | 69 | 44 | 49 | 62 | 39 | \* | 54 |
| High skilled emigration (brain drain) | 58 | 64 | 73 | 13 | 39 | 79 | 42 | \* | 53 |
| Low skilled immigration | 47 | 52 | 66 | 24 | 38 | 45 | 34 | \* | 44 |

Source: ASPA employer survey, 2009

At the organisational level, we asked whether the share of employees 50 years of age and older will change within the next five years (see figure 5.1). In general, 43 percent of employers expect an increase in the share of older workers. Italian employers score ‘average’ in their expectations about the share of older workers in their own organisation; this may indicate that Italian employers are aware of the ageing of the workforce (figure 5.1), but they do not think the ageing of the population will cause labour market problems (table 5.1). Especially employers in large organisations and in public sector organisations expect an increase in older workers.

1. Share of older workers in organisation, % “will increase”

Source: ASPA employer survey, 2009

Employers' awareness and sense of urgency of the ageing of the workforce is also reflected in the extent to which ageing is an issue in human resource management (see figure 5.2). On average, 39 percent of employers reports ageing is to ‘some’ or ‘high’ extent an issue in the human resource management of the organisation. In the UK this is considerably lower with 14 percent. Ageing is especially an issue in larger firms and less so in organisations in trade and services.

Figure 5.2 Ageing is issue in HRM, percentages “some extent” and “high extent”

Source: ASPA employer survey, 2009

In sum, in all countries there seems to be an awareness that in the near future employers will have to deal with the ageing of their workforce, although Italian employers do not perceive the ageing population to cause labour market problems. Nevertheless, a minority of employers report ageing is at least to ‘some extent’ an issue in their human resource management. Is there a real sense of urgency among employers? Are employers behaving in a way that anticipates the future demographic challenge? In the next paragraph we look in more detail at employers’ recruitment and retention behaviour towards older workers.

### Recruitment and retention of older workers

Does the ageing of the population and consequent labour market problems weight heavy on the minds of European employers? The answer to this question is reflected in the type of measures employers take to increase the workforce in their own organisation. Older workers may constitute an important and rich source of additional labour supply, but employers may prefer other measures to deal with shortages. We asked employers what measures they apply in case of personnel shortages. Table 5.2 shows several measures employers applied to increase labour supply, such as attracting additional labour by an increase of wages, tapping into new groups of potential workers or making use of the international labour market. A number of target groups (women, older workers, non-native workers) are often identified as alternatives to the indigenous male labour force, which in many organisations traditionally constitutes the core of the workforce. Attracting older workers or employees who retired are not the employers’ first-best choice: 12-13 percent of employers reports to hire older workers in case of personnel shortages. Women are on average the most ‘popular’ underrepresented target-group to recruit. Offering higher wages to attract additional workers is also considered an option by more employers than hiring older employees. The idea of expanding the pool from which to choose workers by using the international labour market is the least preferred option to face personnel shortages.

Table 5.2 Measures applied by employers in case of personnel shortages to increase labour supply, percentages

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK | *Pooled* |
| *From traditional groups* | |  |  |  |  |  |  |  |  |  |
|  | Offering higher wages | 16 | 22 | 24 | 8 | 16 | 18 | 16 | \* | 17 |
| *New groups of potential workers* | |  |  |  |  |  |  |  |  |  |
|  | Recruiting women | 19 | \* | 34 | 1 | 19 | 17 | 31 | \* | 20 |
|  | Recruiting older employees | 16 | 11 | 22 | 2 | 10 | 15 | 12 | \* | 12 |
|  | Recruiting employees who already retired | 8 | 10 | 17 | 3 | 5 | 38 | 7 | \* | 13 |
|  | Recruiting non-natives | 22 | \* | 16 | 5 | 13 | 1 | 28 | \* | 14 |
| *International labour market* | |  |  |  |  |  |  |  |  |  |
|  | Recruiting personnel abroad | 16 | 8 | 7 | 3 | 8 | 3 | 4 | \* | 7 |
|  | Relocation of production abroad | 6 | 7 | 2 | 1 | 4 | 2 | 2 | \* | 3 |
|  | Outsourcing work abroad | 9 | \* | 2 | 1 | 4 | 3 | 2 | \* | 4 |
|  |  |  |  |  |  |  |  |  |  |  |

Source: ASPA employer survey, 2009

Besides increasing labour supply, employers can also implement measures to reduce their dependence on labour. Table 5.3 shows several measures employers applied to reduce labour demand, such as looking for internal solutions by making better use of current workers, or to opt for replacement of labour.

Table 5.3 Measures applied by employers in case of personnel shortages to reduce labour demand, percentages

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK | *Pooled* |
| *Increasing effort/deployment of current workers* | |  |  |  |  |  |  |  |  |  |
|  | Extending the working week/ work more hours | 12 | 23 | 33 | 9 | 7 | 13 | 7 | \* | 14 |
|  | Encouraging employees to continue working till the statutory age of retirement | 34 | 40 | 25 | 11 | 17 | 40 | 28 | \* | 27 |
|  | Encouraging employees to continue working beyond the statutory age of retirement | 18 | 8 | 7 | 5 | 8 | 26 | 16 | \* | 13 |
| *Alternative combination of capital and labour* | |  |  |  |  |  |  |  |  |  |
|  | Investing in labour-saving technology | 31 | 23 | 27 | 11 | 15 | 43 | 27 | \* | 25 |

Source: ASPA employer survey, 2009

One option to reduce the dependence on the external labour market is to make greater use of existing workers. The most straightforward measures amount to letting existing workers work longer hours by increasing the length of the full-time working week, occasionally working overtime or having part-timers work fulltime. This measure is relatively often applied by German employers (33 percent). Employers can also try to limit their reliance on the labour market by reducing the number of workers leaving that market, for instance by stimulating older workers to extend their working career. This measure is applied by almost a quarter of employers. Encouraging employees to continue working until the retirement age is highest among Polish and French employers, which may find its origin in the fact that French and Polish employees retire relatively early. The retirement age may function as a normative barrier, as fewer employers encourage their employees to continue working beyond than until the statutory age of retirement (see also the paragraph on ‘current norms’ later in this chapter). Figure 5.3 shows that 17 percent of employers ‘occasionally’ or ‘often’ asked older workers to delay their date of retirement by one or more years in the last two years; this is highest in Denmark (29 percent).

In case the production factor labour becomes scarce, an employer can also opt to replace it by the production factor capital. About one quarter of employers invests in labour-saving technology.

Figure 5.3 Ask for delay of retirement, by country

F.l.t.r.: % “Never”, % “Occasionally”, % “Often”



\* Data unavailable

Source: ASPA employer survey, 2009

### Expected consequences of an ageing workforce

Employers’ behaviour towards older workers may stem from various underlying reasons, such as the expected consequences of an ageing personnel structure for the own organisation. We asked employers for ten items what they think will be the effect if the average age of the personnel increases by 5 years. Figure 5.4 presents the ten items.

Figure 5.4 Expected consequences of an ageing personnel structure for the own organisation, f.l.t.r.: % (strong) increase, % the same, % (strong) decrease



Source: ASPA employer survey, 2009

Labour costs, knowledge base, sick leave and resistance to organisational changes are most often expected to increase with the ageing of the workforce, whereas labour productivity, conflicts in the organisation and enthusiasm for new technologies are least expected to increase. Many European employers acknowledge an increase in know-how which firms will enjoy when their personnel ages. However, the increase in know-how apparently does not translate into higher productivity as most employers do not associate an ageing personnel structure with a higher productivity level.

In figure 5.5 we turn to expectations on labour costs and labour productivity in more depth, because this seems to be one of the dominant consequences as perceived by employers.

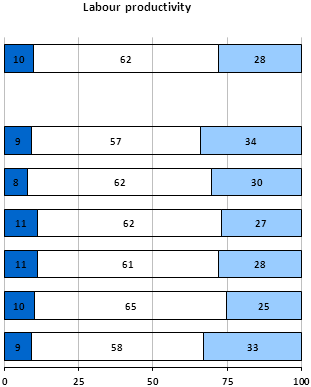
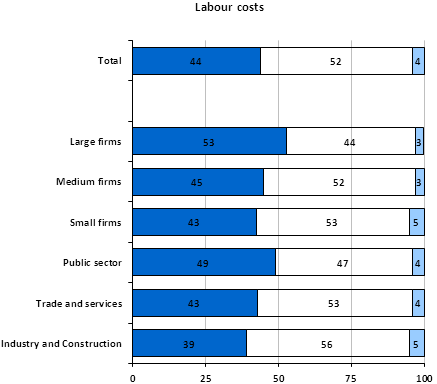
Figure 5.5 Expected consequences of an ageing personnel structure on labour costs and labour productivity, by country, f.l.t.r.: % (strong) increase, % the same, % (strong) decrease

Source: ASPA employer survey, 2009

The results on labour productivity (in the right graph) show that in all countries a majority of employers expect labour productivity will stay the same as the personnel ages. About one quarter of employers expects labour productivity will decrease with the ageing of the workforce and 10 percent expects an increase in productivity. The results on labour costs (in the left graph) show high cross-national variation; country differences seem to be much larger than in perceptions on productivity. In Denmark, Poland and the UK up to 1/3rd of employers expects labour costs to increase, whereas in the Netherlands 75 percent of employers expects labour costs will increase as a consequence of an ageing personnel structure. In all countries potential increases in productivity do not outpace expected increases in labour costs. Imbalance between expected consequences on labour costs and productivity is especially an issue in the Netherlands and much less in Poland. The results in figure 5.6 show that an increase in labour costs due to the ageing of the workforce is expected more often by large firms and organisations in the public sector, and a decrease in productivity is expected more frequently by large firms and organisations in industry and construction.

Figure 5.6 Expected consequences of an ageing personnel structure on labour costs and labour productivity, total, size and sector, f.l.t.r.: % (strong) increase, % the same, % (strong) decrease



Source: ASPA employer survey, 2009

### Attitudes and stereotypes

Employers’ behaviour may also influenced by attitudes and stereotypes towards older workers and what characteristics are valuable to the own organisation. People’s perceptions enable them to process and order information as effectively as possible. In order to do so, they engage in categorization and stereotyping. That is why we asked the employers in our survey separate questions to evaluate characteristics of workers of age 50 and over and workers 35 years and younger. Each employer was asked to assess to what extent they found certain characteristics applicable for workers in a particular age bracket. The list of characteristics was based on an earlier study on employers’ attitudes towards younger and older workers (Dalen, Henkens and Schippers, 2010). In figure 5.7 we present aggregated results of the differences between the scores of the ‘young’ and the ‘older’ age category.

Figure 5.7 Employers’ assessments of characteristics of older workers (50 years and older) and young workers (younger than 35 years), percentages, total



Source: ASPA employer survey, 2009

Older workers are considered to be more loyal, more reliable and are supposed to have better social skills. Older workers are rated most negatively with respect to the capacity to deal with new technology and to their willingness to learn.

Table 5.4 presents for each country the differences between the scores of the ‘young’ and the ‘older’ age category. Positive scores in the table indicate that older workers are considered to perform better than younger workers. Negative scores in the table indicate that younger workers are considered to perform better than older workers. The results for each country paint to a certain extent a similar picture.

With regard to the ability to cope with stress the results are mixed. Employers from Denmark and France judged older workers’ ability to cope with stress higher than that of young workers. Most negatively with regard to the stress-handling abilities of older worker were employers in Germany.

Table 5.4 Differences in employers’ assessments of characteristics of older workers (50+) and young workers (35-), by country

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK\* | Pooled |
|  |  |  |  |  |  |  |  |  |  |
| Loyalty | 73 | 39 | 76 | 33 | 51 | 40 | 56 | \* | 54 |
| Reliability | 63 | 40 | 53 | 37 | 51 | 35 | 49 | \* | 48 |
| Social skills | 39 | 30 | 58 | 18 | 38 | 0 | 27 | \* | 30 |
| Management skills | 24 | 47 | 48 | 18 | 16 | 16 | 32 | \* | 27 |
| Ability to cope with stress | 12 | 27 | -28 | -2 | -1 | -9 | -9 | \* | -3 |
| Productivity | -13 | -3 | -20 | -15 | -27 | -35 | -27 | \* | -21 |
| Flexibility | 2 | -4 | -44 | -31 | -30 | -52 | -44 | \* | -31 |
| Creativity | -50 | -25 | -44 | -45 | -38 | -53 | -47 | \* | -45 |
| Physical health and stamina | -47 | -21 | -58 | -51 | -67 | -60 | -46 | \* | -52 |
| Willingness to learn | -65 | -26 | -55 | -49 | -59 | -60 | -68 | \* | -57 |
| New technology skills | -73 | -65 | -69 | -68 | -70 | -67 | -72 | \* | -70 |
|  |  |  |  |  |  |  |  |  |  |

\* Data unavailable

Based on two questions: “To what extent do you think the following characteristics apply to workers aged 50 years and older/ less than 35 years? (answer categories 1‘not/ low extent’, 2 ‘some extent’, 3 ‘high extent’, 4 ‘very high extent’. Percentages in the table indicate the difference between the percentages ‘high extent’ and ‘very high extent’ for employees below age 35 and employees older than 50 years. Positive values indicate that older employees are better judged than younger employees. Negative values indicate the younger employees are better judged than older employees.

Source: ASPA employer survey, 2009

### Current age norms

Employers’ behaviour towards older workers will also be partly based on prevailing norms on the retirement age. According to Settersten and Mayer (1997) norms are proscriptions about behaviour expressed in the form of ‘should’ or ‘should not’. Age norms on retirement are expectations about the appropriate age or age range within which retirement should occur and are expressed by lower and upper age limits. The assumption of norm-guided behaviour is an alternative to the assumption of rational behaviour ((Liefbroer and Billari, 2010; Dosi, 1999).

Figure 5.8 presents at what age employers indicate a person is generally too young to retire permanently (lower age limit for retirement) and too old to work more than 20 hours a week (upper age limit for retirement). Among respondents who said an upper age limit existed for retirement, the average age limit mentioned was between 66 and 67 years of age, with a standard deviation of about 5 years. Between age 57 and 58 a worker was considered to be too young to retire, also with a standard deviation of about 5 years.

In figure 5.8 we see that in all countries the upper age limit is well above the average retirement age and even above the statutory retirement age in all countries. In the light of current debates in European countries about raising the retirement age to 67 this result might indicate there is room to actually raise retirement ages as far as employers are concerned, although this may be rather on a part-time (20+hours) than on a fulltime basis.

Figure 5.8 Norms on the retirement age (employers), by country



□ Too Young to retire permanently

□ Too old to work 20+ hours

Source: ASPA employer survey, 2009

## *Organisational policies towards older workers*

What kind of policies do employers apply with respect to older workers in different European countries? Can policies be considered stimulating or permissive in nature? Vickerstaff, Cox and Keen (2003) state that any significant change in retirement behaviour will come primarily from policy modifications initiated and undertaken by employers. In this paragraph we examine 1) what policies employers apply to accommodate or retain older workers; 2) how employers look at older workers’ needs in terms of training and lifelong learning; 3) and to what extent organisational policies are aimed at a gradual transition into retirement.

### Policies to accommodate or retain older workers

What policies have employers taken to accommodate or retain older personnel? The questionnaire included several categories of measures employers applied regarding older workers: personnel policies aimed at development, maintenance, utilization and accommodative measures (1 *currently applied*, 0 *not applied*). The list of measures was based on an earlier study into age-conscious personnel policies in organisations (Remery et al., 2003). Measures aimed at development contain practices related to advancement and growth (e.g. training). Maintenance measures include practices related to protection, safety and helping to maintain current levels of functioning (e.g. ergonomics). Utilization practices are aimed at changing job demands (e.g. sideways job movement). Accommodative practices lower work demands on older workers (e.g. additional leave and demotion). Table 5.5 lists the measures which employers have taken to retain older personnel.

A first observation to be made is that Italian employers have implemented very few measures, whereas this country is likely to be affected by an ageing population structure relatively soon. Second, given all policy discussions over the last decade on issues like ‘employability’, lifelong learning and the need to turn Europe into a knowledge based society, it is remarkable that in many countries so few employers offer training programs for older workers. In Denmark, Italy, the Netherlands and Sweden this is even less than one out of ten. In France and the UK, showing the best performance in this field, it is almost half of employers. The high share of French employers reporting training plans may stem from the inter-sectoral agreement on “employee lifelong access to training” which was adopted in France in 2003; this agreement promotes training among experienced workers and was signed by the French social partners (OECD, 2006).

In general, employers most frequently implemented flexible working hours as a measure aimed to accommodate older workers (30 percent) and reduction in task and salary, or demotion, is least applied by employers (7 percent). Accommodative measures are relatively often applied in organisations in the Netherlands and Denmark; here employers do take various measures to accommodate the needs of their older workers, for instance by reducing the workload or offering possibilities of extra leave for older workers. Accommodative measures are less often applied by Italian and French employers.

Table 5.5 Implemented organisational measures aimed at older workers, %,

by country

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK | Pooled |
|  |  |  |  |  |  |  |  |  |  |
| *Development* |  |  |  |  |  |  |  |  |  |
| Continuous career development | 27 | 36 | 35 | 9 | 25 | 22 | 23 | 8 | 21 |
| Training plans for older workers | 7 | 46 | 18 | 2 | 8 | 37 | 7 | 44 | 20 |
|  |  |  |  |  |  |  |  |  |  |
| *Utilization* |  |  |  |  |  |  |  |  |  |
| Promoting internal job mobility | 20 | 38 | 13 | 13 | 16 | 27 | 29 | 27 | 21 |
|  |  |  |  |  |  |  |  |  |  |
| *Maintenance* |  |  |  |  |  |  |  |  |  |
| Flexible working hours | \* | 25 | 45 | 12 | 32 | 29 | 42 | \* | 30 |
| Ergonomic measures | 28 | 28 | 20 | 5 | 28 | 38 | 32 | 31 | 26 |
|  |  |  |  |  |  |  |  |  |  |
| *Accommodation* |  |  |  |  |  |  |  |  |  |
| Early retirement schemes | 6 | 18 | 16 | 6 | 32 | 33 | 11 | 2 | 17 |
| Reduction of working time before retirement | 34 | 8 | 22 | 2 | 20 | 4 | 21 | 46 | 20 |
| Part-time retirement | 9 | 8 | 13 | 3 | 29 | 25 | 16 | 40 | 21 |
| Decreasing the workload for older workers | 24 | 8 | 8 | 6 | 25 | 11 | 12 | 23 | 16 |
| Possibilities of extra leave for older workers | 26 | 7 | 10 | 1 | 31 | 3 | 8 | 14 | 14 |
| Reduction in task and salary (demotion) | 10 | 3 | 4 | 1 | 3 | 4 | 2 | 24 | 7 |

Source: ASPA employer survey, 2009

Overall, employers in Denmark and the Netherlands relatively often apply accommodative and maintenance measures. Swedish employers aim at retaining older workers mainly by maintaining and utilizing skills. German employers relatively often apply measures striving to develop and maintain skills of older workers. Polish employers implement organisational measures in a quite evenly distributed way. In Italy, employers do not take many measures to accommodate or retain older workers.

### Training and life-long-learning

Training and lifelong learning is often perceived to be the key solution to enhance productivity at older ages (European Commission, 2006; OECD, 2006). As we saw in the previous subparagraph, the share of organisations offering training programmes for older staff differs highly between countries, but is on average 20 percent. As figure 5.9 shows, a much higher share of employers reports to train employees continuously during their career (60 percent) and a majority of employers does not agree with the statement that it is better to invest in younger than in older workers when it comes to training (67 percent on average). This also means that - on the other hand - about a third of employers think it is better to invest in younger than older workers, which is an attitude that is likely to impede lifelong learning.

Figure 5.9 Statements on life-long-learning, % (completely) agree, by country



(Completely) agree – No opinion – (completely) disagree

(Completely) agree

\* Data unavailable

Source: ASPA employer survey, 2009

So, although on average only 20 percent of employers offers training plans to older workers, employers do report to continuously train their employees and in most cases it is not perceived to be ‘better’ to invest in younger workers. It seems lifelong learning is perceived to be a ‘just’ thing to do. Maybe employers see training and productivity enhancement as developments that gradually grow along the way, and for which no formal education or courses are needed. Table 5.6 presents to what extent employers think the various ways of learning are important to their organisation. Learning by doing is considered to be an important way of learning by almost all employers (93 percent on average). Older workers are embodying important knowledge to employers, as mentoring by older workers is considered an important way of learning by 88 percent of employers. Furthermore, 80 percent of employers think education and (formal) courses are important. These shares are much higher than the share of employers applying training plans for older workers, so apparently education and (formal) courses are more important to younger than older workers. It seems that although employers do acknowledge the importance of lifelong learning, actual implementation of training plans for older workers is lagging behind.

Table 5.6 Important ways of learning, % “some” or “high extent”, by country

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK | Pooled |
| Learning by doing | 85 | 88 | 99 | 97 | 95 | 92 | 83 | 98 | 93 |
| Mentoring by older workers | 89 | 83 | 74 | 86 | 91 | 95 | 89 | 94 | 88 |
| Education and courses | 72 | 75 | 81 | 88 | 78 | 86 | 74 | - | 80 |
| Learning through newcomers | 40 | 72 | 56 | 43 | 60 | 54 | 47 | 71 | 56 |

Source: ASPA employer survey, 2009

### Transitional retirement

Retirement is no longer regarded a one-way, abrupt exit from the labour market, but has become to be seen as a dynamic and gradual process from paid to non-paid activities. The transition of individuals into full retirement can take multiple pathways of bridge employment. Bridge employment means that older workers bridge between their career jobs and full retirement in any form, for instance by taking a part-time job or other temporary employment prior to retirement, within the same occupation, same position, or a completely different job. Bridge employment offers the opportunity to ease into retirement (Cahill, Giandrea & Quinn, 2006; Johnson, Kawachi & Lewis, 2009). Organisations can also retain older workers through offering the opportunity to pursue bridge employment in their current job. Table 5.5 shows that on average 1/5th of employers offer the opportunity to retire part-time. This is highest in the UK (40 %), and the Netherlands (29 %). Figure 5.10 shows that in 78 percent of organisations employees usually retire fully and 22 percent reduce their working hours before they fully retire. Retirement as a gradual transition is most common in the Netherlands (41%), Denmark (36%) and Sweden (30%) and rather uncommon in Italy (4%), Poland (6%) and France (8%).

Figure 5.10 Transitional retirement, by country

F.l.t.r.: % ‘no, usually workers retire fully’, % ‘Yes, a gradual transition of about 1-2 years’, % ‘Yes, a gradual transition of more than 3 years’



Source: ASPA employer survey, 2009

## *Public policies*

In the past, European institutions and national governments have been main drivers in creating awareness about the necessity of extending working lives and setting targets on labour force participation of elderly (European Commission, 2002, 2006). Employers may consider further government action desirable in the process of extension of working lives. In this paragraph we discuss employers’ views on public policies and what – according to employers - governments can do to increase labour force participation of older workers. In this paragraph we examine: 1) what policies employers consider to be effective in order to increase labour force participation of older workers; 2) what policies employers consider appropriate to deal with labour market developments; 3) to what extent employers consider labour mobility from other countries a viable option to deal with the ageing of the workforce.

### Employers’ views on government policies

First, we presented employers with a list of possible measures governments can take to promote older workers employment. We asked employers whether they considered these public policies potentially effective or not effective in improving older workers labour force participation; the results are shown in table 5.7.

The governmental policy that is considered effective by most employers is to give workers incentives to combine work and retirement. Almost three quarters of employers - up to 92 percent in Denmark - is in favour of measures that allow for some kind of part-time retirement or bridge employment. Such measures may help older workers to carry on, even though they may no longer be as healthy or productive as they used to be. In France and Italy incentives to combine work and retirement are lowest; this probably has to do with the fact that in those countries the combination of work and retirement is regulated by law and was forbidden in France until 2003.

Table 5.7 Governmental measures to retain older workers, % (very) effective, by country

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK\* | Pooled |
| Incentives for workers to combine work and retirement | 92 | 55 | 80 | 63 | 78 | 69 | 68 | - | 74 |
| Promoting best practices in personnel policy | 63 | 52 | 79 | 87 | 40 | 57 | 65 | - | 63 |
| Promoting lifelong learning | 62 | 74 | 79 | 83 | 34 | 51 | 58 | - | 60 |
| Wage subsidies for older workers | 64 | 45 | 58 | 36 | 72 | 67 | 59 | - | 60 |
| Lowering early retirement benefits | 62 | 39 | 37 | 58 | 38 | 35 | 28 | - | 42 |
| Laws preventing age discrimination | 36 | 34 | 17 | 61 | 32 | 48 | 28 | - | 37 |
| Media campaigns combating negative stereotypes | 36 | 28 | 32 | 62 | 27 | 28 | 29 | - | 34 |
| \* Data not available |  |  |  |  |  |  |  |  |  |

Based on the question: “How effective are the following policies in your view to increase the labour force participation of older workers?” (1‘not effective’ - 4 ‘very effective’).

Source: ASPA employer survey, 2009

The second most effective measure is to promote best practices in personnel policies. The promotion of such measures can help employers to implement sound employment policies and procedures. Such ‘guidance’ is considered effective mainly by Italian and German employers. The third measure is the promotion of lifelong learning, which may enhance productivity; this measure is considered most effective in Italy. This is remarkable, since Italian employers hardly indicated to have some kind of training plan for older workers (see paragraph 5.2.1). On the other hand, maybe employers think they cannot or should not be responsible for lifelong learning and therefore they think the government has to take care of this. In general, Italian employers consider many governmental policies effective; also laws preventing age discrimination and the combat against negative stereotypes are relatively often considered to be effective measures. This may indicate that Italian employers in a more general sense think the government should ‘step up’ more. The fourth most effective measure according to employers is wage subsidies for older workers, which may “compensate” organisations; this measure is especially considered effective in the Netherlands.

### Preferred policies

Next, we asked employers how a country should deal with the prospect of a shrinking labour force (due to the ageing population) (see table 5.8).

Table 5.8 Preferences for governmental policies, % (strongly) in favour, by country

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK\* | *Pooled* |
| Encouraging part-time workers to change to full-time work | 69 | 81 | 64 | 33 | 64 | 73 | 67 | - | 63 |
| Encouraging people to have more children | 42 | 79 | 77 | 29 | 17 | 60 | 33 | - | 46 |
| Attracting foreign workers | 59 | 56 | 31 | 43 | 34 | 33 | 54 | - | 43 |
| Increasing the number of legal weekly working hours | 22 | 59 | 33 | 77 | 45 | 9 | 9 | - | 35 |
| Cutting back early retirement programs | 24 | 42 | 31 | 43 | 43 | 41 | 15 | - | 34 |
| Raising the legal retirement age | 36 | 47 | 15 | 59 | 37 | 22 | 16 | - | 32 |
| \* UK data unavailable | | | | | | | | | |

Source: ASPA employer survey, 2009

In all countries but Italy a large majority is in favour of encouraging part-time workers to change to full-time work. Especially in France, Germany and Poland, employers are in favour of a more demographic response to this matter by encouraging people to have more children and especially in the Nordic countries employers are in favour of attracting foreign workers.

In fact, we presented employers with three options to deal with the prospect of a shrinking labour force due to the ageing of the population: 1) to make more use of existing staff; 2) to ‘produce’ more workers or to increase the labour pool; 3) to extend working lives. The results show that responses aimed at extending working lives are the least preferred options by employers.

### International labour market

Free movement of labour is a key objective of the European Union. The treaty of Rome entitled the free movement of persons as one of ‘the four freedoms’ guaranteed in the single market. Still, international labour mobility of the old EU15 members is low (European Commission 2006; OECD 2007), certainly when it is compared to the geographic mobility in the United States or Australia. European leaders have reiterated the importance of geographic labour mobility as one of the goals of the Lisbon Strategy. In the previous paragraph we saw that 43 percent of employers are in favour of attracting foreign workers to face the shrinking of the labour force. In case of personnel shortages, on average 7 percent of employers recruit personnel abroad, as we say in paragraph 5.1.2; this is with 16 percent highest among Danish employers. From which countries do employers intend to recruit their personnel?

Table 5.9 shows that if an organisation would decide to recruit personnel internationally they would mainly recruit from border countries or Poland.

Table 5.9 Recruit personnel internationally, top 3, by country

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Denmark | Germany | Netherlands | Poland | Sweden |
| Germany (23%) | Austria (9%) | Germany (21%) | Ukraine (10%) | Norway (14%) |
| Sweden (22%) | Poland (7%) | Belgium (15%) | Germany (5%) | Denmark (11%) |
| Poland (12%) | Netherlands/ Switzerland (5%) | Poland (12%) | Belarus (4%) | Finland (9%) |

Source: ASPA employer survey, 2009

## *Employers’ ‘double standards’*

### The own organisation in a bigger world

Do employers think working lives will be extended in the next 10 years? In figure 5.11 employers’ answers to the questions “Do you expect the average retirement age in your establishment/ country to change over the next ten years?” These questions were not asked together, but with blocks of questions in between. The lower bars shows that on average 63 percent of employers think the average retirement age will increase in the country, whilst only 40 percent (upper bar) think the average retirement age will increase in the own country. This pattern is visible in all countries. Apparently, employers think working longer may well become necessary in the future, but not in their organisation.

Figure 5.11 Expectations of the average retirement age, organisational and national level, % expecting an increase, by country



Source: ASPA employer survey, 2009

### Future of the retirement age: present challenges and future objectives

Employers seem to think extension of working lives may become necessary, but what do they do in a severe financial crisis? What are employers’ opinions on how the organisation should act in case it has to reduce staff levels due to the current crisis? Table 5.9 shows short time working is considered to be a suitable measure to deal with the current crisis; about one half to three quarter of European employers are ‘in favour’ or ‘strongly in favour’ of this measure.

Besides short time working, in most countries 56 to 70 percent of employers would be ‘in favour’ or ‘strongly in favour’ of achieving a reduction of staff levels by early retirement of older workers; only Danish employers do not rank this measure among the most preferred. Country-to-country differences may for example be related to the protection from layoffs older workers enjoy, but also on their norms on age and the prevailing ‘age culture’ (see Guillemard, 2010).

A lot of variation can be found in the possible measure of financial incentives for voluntary departures. In France, this is the measure most preferred by employers; about ¾ of employers is positive about this. In Denmark, financial incentives for voluntary departures are not that popular as a way to reduce staff levels; a little more than a ¼ of employers is in favour or strongly in favour of applying this measure.

In 2009, several employers asked their employees for a sacrifice in wages; this reduction of wages for all employees has more opponents than proponents amongst European employers. Especially in France, Sweden and Italy employers do not believe this to be an appropriate option.

Table 5.9 Preference of options to reduce staff level in response to current crisis, % (strongly) in favour, by country

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Denmark | France | Germany | Italy | Netherlands | Poland | Sweden | UK | *Pooled* |
| Short time working | 64 | 71 | 63 | 74 | 68 | 48 | 51 | - | 62 |
| Early retirement of older workers | 27 | 69 | 65 | 69 | 68 | 58 | 56 | - | 58 |
| Financial incentives for voluntary departures | 29 | 75 | 39 | 62 | 53 | 40 | 45 | - | 47 |
| Unpaid leave for staff | 32 | 23 | 42 | 37 | 51 | 40 | 27 | - | 37 |
| Reducing wage levels for all employees | 33 | 18 | 39 | 18 | 40 | 29 | 20 | - | 29 |
| Last-in-first-out | 9 | 49 | 30 | 39 | 24 | 20 | 30 | - | 27 |
| Laying off workers reflecting the organisational age distribution | 13 | 26 | 30 | 14 | 34 | 10 | 17 | - | 20 |

Source: ASPA employer survey, 2009

When employers are faced with downsizing, the preference for early retirement of older workers is remarkable; in all countries but Denmark this option is among the most preferred. Apparently, in the countries under study early retirement is in general a socially accepted way of reducing staff levels. Especially in continental Europe re-entry of older workers to the labour market often is a lengthy and difficult process - this holds not so much true for the Scandinavian countries. When chances of re-entry are low early retirement of older workers often means a definite end of the working career. In several countries, older workers will be difficult to mobilize to return to the labour market after the recession has come to an end and demand for labour picks up. Given the results of this survey, it is not unlikely that - when employers find themselves faced with downsizing - ‘early retirement’ will return as a measure to reduce staff levels.

1. Conclusions and discussion

Many workers in Europe still retire well before the statutory age of retirement and participation rates among especially 60-65 year olds are rather low. To understand developments in older workers’ labour force participation it is important to have thorough knowledge about employers’ attitudes and actions towards older workers: macro-economic targets are unlikely to be met without employers acting in accordance with these public targets. In this report we analyzed data from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland and Sweden.

In all countries there seems to be an awareness that in the near future employers will have to deal with the ageing of their workforce, although Italian employers do not perceive the ageing population to cause labour market problems. Nevertheless, only a minority of employers report ageing is at least to ‘some extent’ an issue in their human resource management. Besides this,

in all of the countries included in this study, both recruitment and retention levels of older workers are rather low and employers’ actions to extend working lives have a stronger focus on retention than on recruitment of older workers. There also seems to be a normative barrier in employers’ behaviour: recruitment and retention beyond the statutory age of retirement is not applied by many employers. So, in sum, employers seem to be aware of the future challenges, but have not yet developed a real ‘sense of urgency’ in the sense that this awareness has been translated into actual behaviour aimed at recruitment and retention of older workers.

Norms on the retirement age may play an important role in employers’ disinclination to hire and stimulate older workers to continue working until or even beyond the existing retirement age. According to employers, at age 58 a worker is considered to be too young to retire, while at 67 years of age a person is considered too be too old to work more than 20 hours a week. The upper age limit is well above the average age of retirement and even above the statutory retirement age in all countries. This result seems to indicate there is room to raise retirement ages as far as employers are concerned, although this may be rather on a part-time than on a full-time basis.

One of the forces causing employers’ reluctance to hire and stimulate older workers to continue working until or even beyond the existing retirement age may come from the perceived changes in costs and benefits as the workforce ages. The majority of employers associate an ageing staff with a higher knowledge base, but also with higher costs and lower productivity levels. Apparently, an expected increase in know-how does not translate into higher productivity. Moreover, potential increases in productivity do not outpace expected increases in labour costs in any of the countries.

Although demotion and lifelong learning are suggested by scientists and policy makers as a way to bridge a gap between labour costs and productivity, the enthusiasm for actual implementation of these measures is not shared by employers. Except for the UK, employers do not often apply demotion of older workers to balance pay and productivity. Also additional training to prevent a decline in productivity is applied by only a minority of employers. Lifelong learning is often perceived to be the key solution to enhance productivity at older ages (European Commission, 2006; OECD, 2006). The number of organisations offering training programmes for older staff differs highly between countries, but is on average about one fifth. In general, employers most frequently implemented flexible working hours as a measure aimed to accommodate older workers. Organisations in several countries, such as the Netherlands and Denmark, do take various measures to accommodate the needs of their older workers, for instance by reducing the workload or offering possibilities of extra leave for older workers. Early retirement schemes are applied by 17 percent of European employers. In the Netherlands and Poland about a third of employers apply early retirement schemes. Obviously, higher levels of early retirement schemes do not stimulate the extension of working lives.

In the past, European institutions and national governments have been main drivers in creating awareness about the necessity of extending working lives and setting targets on labour force participation of elderly (European Commission, 2002, 2006). Being such an important player in the field, it may very well be possible that employers consider further government action desirable in the process of extension of working lives. The three most effective measures to increase labour force participation of older workers – according to employers – are incentives to combine work and retirement, the promotion of lifelong learning and wage subsidies for older workers.

Van Dalen et al. (2010) found employers are reluctant to support later retirement and there is a discrepancy between aims formulated at the level of the European Union and member state countries with respect to stimulating the labour force participation of older workers and the attitudes of individual employers. In our study, we find that although employers expect an increase of the average retirement age at the *country* level, a much lower share of employers expects the average retirement age will increase in the *own* organisation. These results seem to indicate that employers think extending working lives will become necessary and employees will extend their working lives in some ‘macro-world’, but this will not happen in their own organisation. This could be seen as a form of NIMBY, which is an acronym for ‘not in my backyard’. Employers do see the necessity of extension, but do not want to have any ‘hindrance’ of it themselves.

European employers do not show a uniform pattern in their attitudes and behaviour towards older workers; national contexts turn out to be highly relevant. Outcomes do not follow a ‘European way’ and are not distinguishable by type of welfare state. Attitudes and behaviour of Swedish employers e.g. differ considerably from their Danish colleagues (both belonging to Esping-Andersen’s (1990) social-democratic welfare state) and equally large variation exists between German, French and Dutch employers (all belonging to the continental/conservative welfare state type). Any solutions along the line of ‘one European way’ of stimulating extension of working lives and increasing labour force participation of older workers therefore seems to be – at least at this point in time – not viable. The results are not distinguishable by economic climate either. In earlier research, Conen et al. (2011) showed that changes in the external labour market affect employers’ recruitment and retention behaviour towards older workers. Although e.g. unemployment rates differ highly between the countries under study, we do not find a divide between employers showing more activating behaviour towards their older workers in countries with low unemployment rates than in countries with high unemployment rates.

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1. In 2008 NACE Rev. 2 was introduced, but since a lot of data of the population at the time of survey was still based on the classification according to NACE Rev. 1.1 and many institutes still use the former classification 1.1, this classification is used in this report. A correspondence table between NACE Rev. 1.1 and Rev. 2 can be found on the Eurostat web-address, e.g.: <http://circa.europa.eu/irc/dsis/nacecpacon/info/data/en/nace%20correspondance%20table.htm>. [↑](#footnote-ref-1)
2. The share of older workers employed by the organisation was measured on a ratio scale. [↑](#footnote-ref-2)