

**Policy Approach and the Role of Employers' Organisations and Trade Unions on Demographic Change and the Ageing Workforce: A Case of Germany, Austria and Switzerland**  
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**Introduction**

One of the major issues facing European and other industrialised countries is the ageing of the population and the low birth rates, which according to experts, will have economic and social impacts on the society and its actors. The research paper embarks on identifying the policy approach of the neighbouring countries Germany, Austria and Switzerland and the role of the industrial partners on the issue of demographic change and the ageing workforce. Within this framework, the paper will give a short review on defined policy paths in encouraging the active labour participation of older workers and the actual implementation of these policies, thereby identifying the role of the employers' associations and the trade unions.

**The Case of Germany:**

Germany like many other industrialised countries is confronted with the aspect of the demographic transition. Due to low fertility rate and the high life expectancy, the present population of 82.5 million inhabitants is expected to shrink by the year 2050. In this context, the demographic change is bound to influence the structure of the working population as well as the social security system. Based on figures from the Federal Statistical Office, the size and structure of the potential working force will decrease from 56 million in 2001 to 39 million in 2050. Irrespective of these forecasts, the unemployment rate of the 50-65 age groups has remarkably risen amidst the mass unemployment presently facing the country. An authentic explanation for the low employment rate of older age groups can be found in the practice of early retirement. This practice has been widespread among companies since the 70s, 80s, 90s and even now, as a method of restructuring and reorganising as well as among workers and their representatives as a social benefit for long working life and as a way of providing jobs for younger workers. The average exit age from the labour force in Germany is 4 years below the normal pension age of 65 years. The exit age in 2001 was 60.4; 2002 60.3; 2003 61.4 and 2004 61.1 years. The Semi Retirement Act (Altersteilzeitgesetz), an old age part time employment, which does not only allow employees over 55 to reduce their working time to 50 percent but also to divide the reduced working time into two separate phases of full-time work and free time ("block model"), has extensively been used since 1996. The model which will be effective until 2009, is suppose to give employers the chance to hire younger workers, if older workers according to this agreement, decide to take part-time employment. Unfortunately, this Act has not been put into practice as originally intended, because most older workers do prefer to take the free time ("block model"), and thereby exit into early pension with 59 or 60 years. The "block model" and several other factors are presently putting financial pressure on the sustainability of the social security system.

Another factor contributing to the low employment rate of older workers in Germany is the behaviour of companies and their managers towards the ability and performance of older workers in general. According to our research survey in companies in 2003 in the State of Baden-Wuerttemberg on the "employability of older skilled workers and their qualification needs", the results proved with 52% that older workers are confronted with prejudices from company managers. These perceptions state that older

workers have lower productivity, flexibility, innovativeness, learning capability – the so-called “deficit model”- and their employment is related with high wages and protection against dismissal. Influenced by these, employers selectively lay-off older workers in order to avoid labour market regulations which protect them. With the same qualification, employers preferred hiring younger workers to older ones.

Due to the high unemployed rate - of especially younger and older age groups - as well as the pending demand for the reform of the social security system, Germany's former government together with the Confederation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverband - BDA) and the Federation of German Trade Unions (Deutscher Gewerkschaftsbund - DGB), embarked upon the so called tripartite venture “Alliance for Jobs” in December 1998. Relevant topics regarding this joint venture were: reform of pension schemes, initial and continuing education and training, flexible working time, reduction of overtime in order to create jobs, reform of health care and insurance as well as early and semi-retirement schemes through differentiated company and sectoral arrangements. The employers' organisation further advocated for the lowering of labour costs as well as the disposition of seniority-based remuneration systems and age specific employee protection. Within this joint venture, the issue about the employability of older workers was not really a major focus of relevance, while the front lines were more or less insistence on their various positions. In the light of this, the negotiations were broken off in 2003 as a result of insurmountable differences between trade unions and employers' associations.

According to our research results and several others on the employability of older workers in Germany, companies are still not really keen on employing and retaining older workers, so that there is a contradiction of what employers' associations declare officially and what the companies actually implement. There are still widespread practices of mass lay-offs and semi-retirement offers to older workers in especially large companies. Until very recently, there had actually been no concrete proposals of agreements from trade unions regarding the employability of older workers.

### **The case of Austria:**

Austria is among the EU countries with the lowest employment rate for older workers. Despite the demographic factor, companies in Austria mainly focus on further training on workers aged 20 to 40 years. The employment rate of older workers between 55 and 64 comes up to 30% which is 20% lower than the EU employment target of this age group, while the retirement age of Austrians continue to decrease during the last decades, reaching an average retirement age of 58.2 in 2003.

Research results and statistic datas show that the participation in further training very much correlates with the age of the person. According to a survey of the Chamber of Labour (Arbeiterkammer, AK) around 35 percent of workers aged 45 to 59 who were not engaged in further training justify this because of their age. Another survey on Working Conditions carried out by the European Foundation for the Improvement of Living and Working Conditions found out, that Austrian workers feel especially discriminated against because of age reasons. In 2002 the Austrian government consulted the industrial partners in Austria – Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB), the Chamber of the Economy (Wirtschaftskammer Österreichs, WKÖ), the Chamber of Labour and the Federation of Austrian Industry (Österreichische Industriellenvereinigung, IV) on the preparation of the National Action Plan (NAP) on employment. Regarding the issue of “active ageing” Austria introduced statutory provisions for semi retirement based on part-time work for older workers (Altersteilzeit) in combination with the complementary collective agreements which have attracted both older workers and their employers.

The social partners have further embarked on several measures like the protection of older workers over 50 against dismissal, inhibiting fines for the dismissal of older workers aged over 50 in order to combat unemployment among older workers and thereby relieving the social insurance system. The case of Austria is quite similar to Germany, where the negative attitudes of companies towards older workers need to change and employers' associations and trade union need to pull their efforts together for the employability of older workers.

### **The case of Switzerland**

Switzerland is also experiencing a considerable increase in aged population segment, which is not accompanied by the required high participation of workers on the labor market. Although Switzerland has a relatively high labour market participation of older workers (over 60%), with the retirement of the baby-boom generation in the next few decades, the Swiss labor force growth is expected to decline at a more faster rate than now. Contributing factors towards this are the low fertility rate, the high life expectancy as well as the large proportion of the population in age groups that have lower prospects to work. According to population forecasts, by the year 2020 and 2030 Switzerland's labor force is expected to shrink at an annual rate of over 1.0 percent. OECD reports however point out, that older workers are much more active in Switzerland than any other OECD country apart from Iceland, Sweden and Norway. Approximately 65.1 per cent of Swiss between the age of 55 and 64 were still employed in 2004. This percentage is above the OECD average of 50.7 percent and well above Germany, where the employment figure of older workers hover around 39.2 percent and Austria with 30.1 percent. In contrast to Germany and Austria, Switzerland has not immensely promoted early retirement as a public policy. The social security system does not include financial incentives for an early retirement. The design of other social insurances (such as the invalidity or unemployment insurance) do not also facilitate an early exit from the labour force. As a result, Switzerland has maintained a high participation rate among individuals aged 55 to 64.

Although the labour participation of older workers is relatively high in Switzerland, she is still faced with the problem of sustaining the labour force by the mid of this century. In the light of this, while there are policy debates to raise the pension age to 67 years or to set a flexible retirement age possibility between 60 and 70 years, the Swiss Federation of Trade Unions is campaigning instead for flexible retirement from the age of 62 and is collecting signatures to force a referendum on the issue, while some large Swiss companies in the contrary are trying to keep older employees on the payroll till well over 65. The demographic change appears to be forcing firms to rethink their personnel policy. The Swiss Employers' Association and the Swiss organisation for the elderly, Pro Senectute, are currently working on guidelines for firms on the employability of older workers. Employers' have grown more aware of the fact that certain strengths of older employees, such as experience, social skills, and loyalty, are not available in equal measure among younger employees. They have also come to realise that a well-balanced mix of older and younger workers at the workplace as well as flexible working conditions are advantageous for firms. To conclude, Switzerland finds herself in a more convenient situation on the issue of active participation of older workers on the labour market compared to Germany and Austria. Nevertheless, at the background of the demographic change, there is still need for active cooperation among employers' associations and trade unions for the employability of older workers.

## Conclusion

One of the main problems identified while reviewing the role of the industrial and social partners in policy approach in combatting the challenges of the demographic change is, that all countries – especially Germany and Austria – have extensively walked the path of early retirement and up till now have no clearly defined agreements and policies to reverse this practice. Structures and concrete measures are still not available in order to enhance the employability of older workers as there remains to be a contradiction between the policy patterns of **externalisation** and **integration**. Although there is gradual awareness on this issue, the actual implementation of measures at company level still remain scarce. This short review of all three countries underline the fact, that the employability of older workers remains a major contradictory issue of ageing societies amidst the various interests of the state and the social partners. Which concludes with the question, how best employers' associations, trade unions and the state should work towards a common goal, to better integrate older workers into the labour market? In this context, long-term personnel development, life-long training, health care and age-related workplace design should play an important role.

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