

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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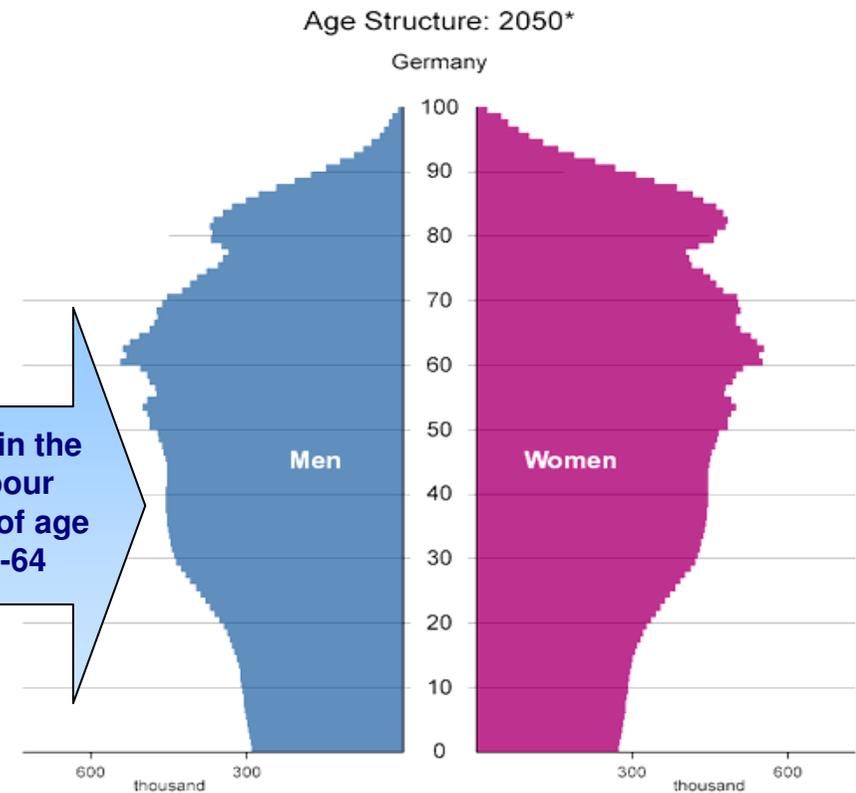
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The Case of Germany

Population Growth - FACTS:

- Rapid ageing of the population
- Decline of birth rates: average of 1.4 children per child-bearing woman
- Increase in life expectancy: up to 2050 85.7 yrs. for girls and 78.9 yrs for boys
- Half of the population will be over 48 years by 2050
- 1/3 will be over 60 years by 2050

Slowdown in the active labour population of age group 20-64

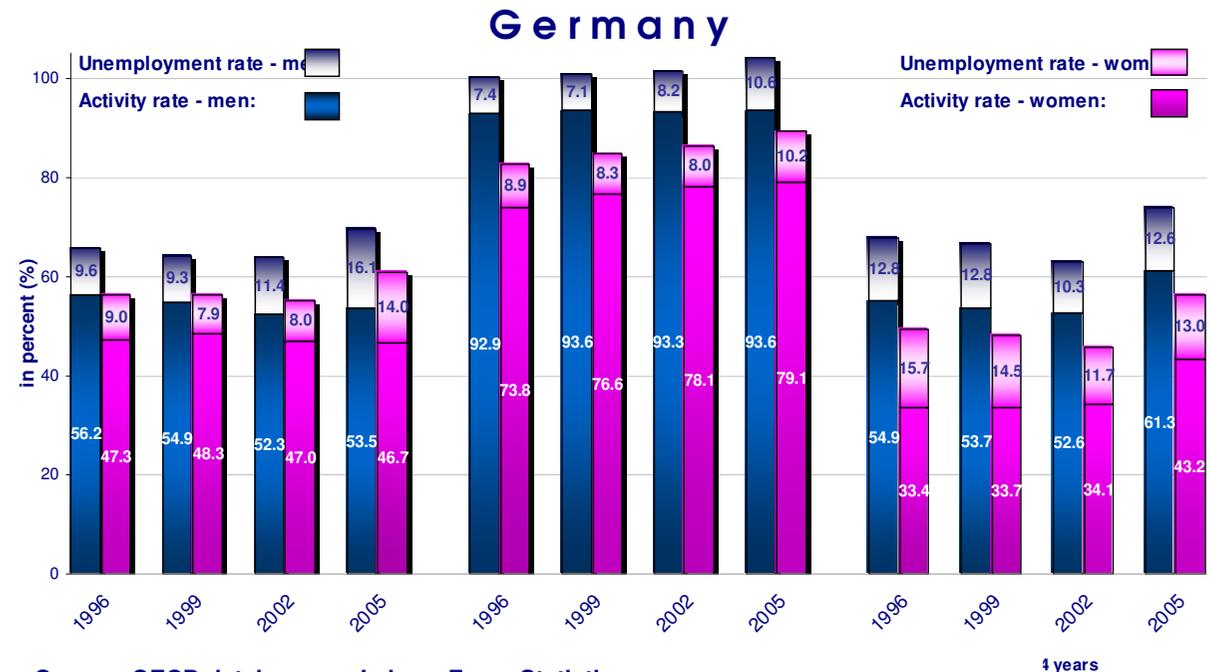


Source: Federal Statistical Office of Germany, 2005 – Results for the period of 2002 to 2050 derived from the medium variant of the 10th coordinated population projection

Labour market participation of older workers aged 55-64 compared to the age groups of 15-24 and 25-54

FACTS:

- Older workers aged 55-64 generally face lower unemployment rate than younger workers 15-24, BUT if unemployed, they are often long-term unemployed.
- The employment rate of older workers aged 55-64 stands at 41.4% in 2004 which is significantly below the Stockholm target of 50% employment rate by 2010.
- The unemployment and hiring rate of older women and less qualified workers is especially higher than other groups on the labour market.
- The highest activity rate of older workers was recorded in 2005 to be 61.3% for men and 43.2% for women.



Source: OECD database on Labour Force Statistics.

National employment policies for older workers:

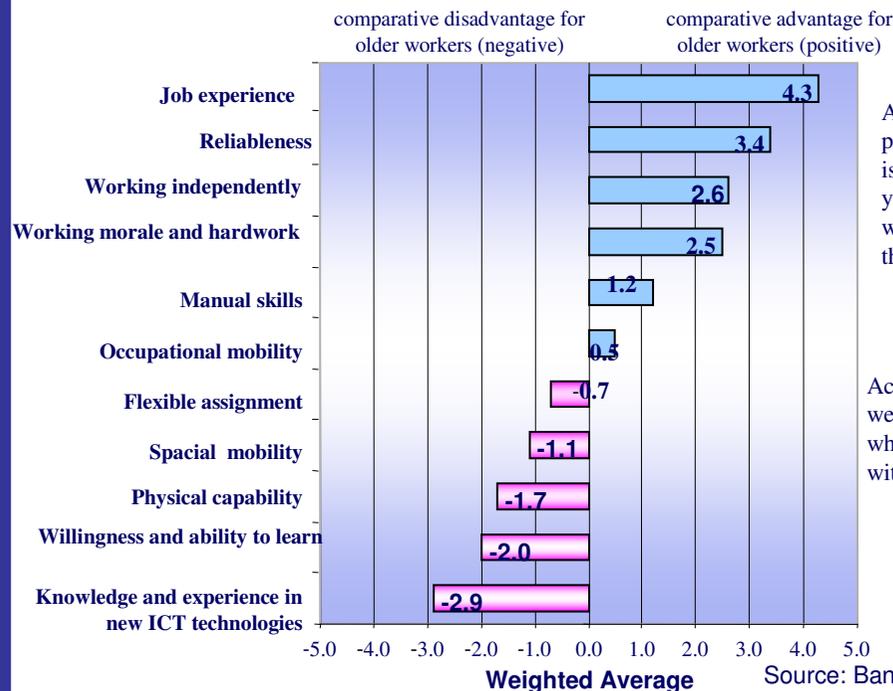
- ✓ Lifelong learning for older workers.
- ✓ Agreement of social partners focusing on the better access to qualification
- ✓ End of the early retirement policies and the increase of the statutory retirement age from 65 to 67 years.
- ✓ Measurements reducing non-wage labour costs.
- ✓ Policies concentrating on the reintegration, employability and adaptability of older long-term unemployed and low-skilled workers on the labour market.

Work disincentives and barriers to employment

Employer Barriers:

- Age discrimination as one of the major findings of the research study. The results state that **52% of company managers have prejudices against older workers. Firms therefore tend to hire younger workers than older ones.**
- General notion about the negative performance and work ability of older workers: Stereotypes that they are
 - less qualified
 - not motivated
 - less receptive of training measures
 - less innovative and
 - often ill.
- Older workers are not hired or retained due to so called high costs related to their deployment as well as labour protective rules especially for older workers.
- Not all employers have barriers. There are quite a few good practices of employing, retaining and developing the potential of older workers.

Index: weighted advantages and disadvantages for older workers on recruitment decisions of managers



According to this survey the overall performance and potential of older workers is not less relevant for their recruitment, but yet still managers prefer to hire younger workers who are more positively assessed than older workers.

According to the results, older workers were mostly attributed with „traditional“, while younger workers were attributed with „modern“ qualities and abilities.

PUSH-Factors for the early exit of older workers from labour :

- ✓ Lack of skills and know-how required by employers due to low training participation.
- ✓ Age related health impairments and poor working conditions.
- ✓ Unemployment as one of the major factors bridging pension and early retirement.
- ✓ Generous preretirement incentives influence older workers' decision to withdraw from labour force early.

Employers' and Trade Union Projects and Strategies for the Employability of Older Workers

Employers' Strategies:

- **PROAGE** - Facing the challenge of demographic change: An **EU Project** together with the BDA (German Employers' Association) and other Employers' Associations from Ireland, Denmark and the Netherlands.
 - Aims at promoting mutual understanding and exchanging experience in the employment of and labour policies for older workers.
 - Awareness raising campaigns for enterprises and older workers to promote active labour participation, improve training and working conditions.
- **BDA – pro-job.de**
Employers' strategies in highlighting several topics from employer perspective in promoting modern work organisation.
- **Coping with demographic development:** Joint project and strategies of the VDMA (German Engineering Federation) and ZVEI (German Electrical and Electronic Manufacturers' Association) to foster the employment of older workers.

Joint social partner projects

- The Alliance for Job, Training and Competitiveness in 1998-2002 marked first resolution of social partners on a paradigm change regarding older workers.
- Collective agreements need to complement reform efforts of government. As yet no concrete collective agreement on the employability and adaptability of older workers.

Labour market policies for older workers

Wage subsidies up to 50% and up to three years for employers hiring older workers aged 50 and above.

Permanent reductions in non-wage labour costs are added if hired workers are 55 or over.

Workers aged 50 and over in SMEs receive full reimbursement for individual training costs taken place outside company.

Labour administration currently aims at developing government policies to combat the low employment rate for the over 55s.

Reform of pension schemes

- Normal retirement: age limit increased from 65 to 67 years starting from 2012
- Early retirement for older unemployed: 2006-2008 - maximum retirement age increased from 60 to 63 years and will be phasing out in 2016
- Early retirement after old-age-part-time work: 2006-2008 – increased from 60 to 63 years and scheme will end in 2016.

Trade Union Projects and Strategies:

- ✓ Together with its member unions, DGB (Confederation of German Trade Unions) has set up a counselling infrastructure on the transfer and training of personnel (which mainly involves workers at 45 years and older) in case of redundancy.
- ✓ **Demographic Change and Work Organisation in tune with Ageing** – The DGB project has been running since 2003 and aims at:
 - increasing awareness about the consequences of the demographic change,
 - developing new HR policy strategies vis-à-vis early retirement,
 - come up with proposals to promote policies in line with ageing and support work councils.
 - develop guidelines for rethinking and take preventive measures for active labour participation of older workers.