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**Employers' Attitudes and Actions
Towards the Extension of
Working Lives in Europe**

Employers' attitudes and actions towards the extension of working lives in Europe

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ABSTRACT (250 words)

Purpose. Although policy makers have put a lot of effort in the promotion of older workers' labour force participation, quantitative empirical knowledge about employers' views towards extension of working lives is limited. The aim of this study is to improve our understanding of employers' attitudes and actions towards extension of working lives, by examining recruitment and retention behaviour towards older workers, employers' views on consequences of an ageing workforce, organisational policies, and what governments can do to extend working lives.

Design/methodology/approach. We analyse surveys administered to employers in Denmark, France, Germany, Italy, The Netherlands, Poland, Sweden and the United Kingdom in 2009.

Findings. A minority of employers have applied measures to recruit or retain older workers and employers rather retain than hire older workers. A considerable share of employers, though in different degrees in different European countries, associate the ageing of their staff with a growing gap between labour costs and productivity. Employers expecting a larger gap do not apply more organisational measures to either increase productivity or adjust the cost-productivity balance. Employers may think the cost-productivity issue is partly an issue for governments to solve; employers expecting a larger cost-productivity gap consider wage subsidies to be an effective measure to extend working lives.

Originality/value. The paper addresses the employers' perspective; a perspective that is often neglected as compared to attitudes and behaviour of older workers themselves and research on institutional arrangements. Furthermore, the paper is among the first to report on employers' policies and practices in a cross-national perspective.

KEYWORDS: *Older workers, extending working life, employers, organisational policies, governmental policies*

1. Introduction

The ageing of society and the workforce is one of the dominant developments in modern European societies. Although in the short run the current economic crisis enlarges labour pools, in many European regions a decrease in effective labour supply is expected in the long run. Moreover, the ageing of society will cause rising welfare state expenditures (European Commission, 2006). Therefore, according to governments and scientific experts, nations and labour markets are in need of higher participation rates of older workers and working lives need to be extended.

Over the last decade, older workers have been gradually working both longer and more (Eurostat, 2010). Despite these upward sloping participation trends, in most countries employment rates still drop considerably between for workers between 55-59 years and drop sharply after the age of 60 (see table 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. A country such as Sweden is an exception, performing relatively well in retaining older workers for the labour market.

[Table 1 about here]

Although early retirement may be the rule, older workers' labour force participation rates differ largely between European countries. There are several explanations for these differences - which are not necessarily mutually exclusive - such as institutional arrangements affecting both supply and demand for older workers and employers' and employees' attitudes and behaviour towards extension of working lives. Vickerstaff *et al.* (2003) state that any significant change in retirement behaviour will come primarily from policy modifications

initiated and undertaken by employers. Therefore, this article examines the role played by employers in the recruitment and retention of older workers.

To what extent are employers active players in the current process away from early exit and towards extension of working lives? Earlier research among employers, carried out in the United States and European countries, showed that many employers tend to be 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).

The main questions we will address in this article are:

- Do employers take action to extend working lives in terms of recruitment and retention of older workers?
- What do employers see as possible consequences of an ageing workforce for their own organisation?
- What organisational policies do employers apply to retain older workers?
- And - according to employers - what can governments do to extend working lives?

This article is among the first to address employers' attitudes and actions with respect to the extension of working lives in a cross-national perspective. We analyse data from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland, Sweden and the UK. These countries cover all types of European welfare state regimes as proposed by Esping-Andersen (1990). Employers from different countries face different labour market and institutional restrictions and policies set out by their governments. This may influence their behaviour on how to deal with the consequences of an ageing workforce. It may also influence their ideas on who is primarily responsible for the consequences of the ageing of the workforce.

This paper is structured as follows. Section 2 discusses the theoretical background from the employers' perspective on dealing with an ageing workforce. Section 3 describes the data and variables used in this article. Our results are presented in section 4 and section 5 presents our main conclusions and discusses the outcomes.

2. Theoretical background

Ageing, productivity and labour costs

According to economic theory employers' considerations on how to value the future with an ageing workforce are 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). The theory states that investments in human capital boost labour productivity and productivity is positively related to remuneration of employees. In principle, people accumulate human capital by training and experience during the whole of their career, which translates into increasing remuneration over time. However, human capital also may depreciate, e.g. because knowledge of older technologies becomes obsolete or because cognitive and physical skills deteriorate. Depreciation of human capital will lead to a decrease in productivity. To balance costs and benefits - from a traditional neo-classical theoretical perspective - remuneration should decline accordingly.

During the late 1970s doubts accumulated about the empirical validity of 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 may 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 period. 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, stay longer with the organisation and transfer human capital to younger generations of workers.

Skirbekk (2008) provides an overview of how age impacts the various physical and cognitive skills of workers, and how this translates into changes in productivity potential. Many studies find that productivity tends to reach a peak in mid-career, roughly somewhere between 30 and 45 (e.g. Lehman, 1953; Ilmakunas *et al.*, 2004; Jones, 2005). Productivity depends on both physical and cognitive skills and the impact of age on both types of skills has been studied extensively. Looking at physical skills, the biological process of internal depreciation is irreversible, although inter-individual differences are considerable. In general, a decline sets in from the age of 30 onwards, but because this is a very slow process and because most organs have over capacity, most people only signal problems from the age of 60 onwards. From 45 years onwards, many people notice 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 unskilled jobs (Hidding *et al.*, 2004; Nauta *et al.*, 2004). In modern societies, cognitive skills have gained significance and have become a strong predictor of productivity. Although it is rather straightforward that physical abilities decline with age, cognitive functioning has more ambiguous outcomes. Cognitive functioning is often divided into fluid and crystallised cognitive functioning (Horn and Catell, 1967; Baltes *et al.*, 1999). Fluid cognitive skills refer to the process of acquiring information,

like mental rapidity, mental arithmetic, solving problems and connecting things quickly. The quality is genetic and comes with high inter-individual variation. These skills decrease with age. Crystallised cognitive skills refer to knowledge and experience that is embodied in a person after years of practice, learning, repeating. Crystallised skills are found to increase with age. Besides that, older workers compensate lower fluid cognitive skills often by using adaptation strategies (Baltes *et al.*, 1999). Until recently, crystallised skills have received little attention in age-related cognitive research.

Although the age-productivity profile is hard to observe and generalise, we expect employers to have some idea about the relative productivity of older workers as compared to other age groups. Such ideas may be based for instance on employers' observations of personnel over time and compared to other staff members. Furthermore, employers know the context and to what extent older workers are able to keep up with job requirements when they age. This is related to what Phelps (1972) called 'previous statistical experience': information on how certain categories of employees tend to behave and develop. Many employers use these statistical experiences to formulate expectations regarding the future productivity of employees who belong to a particular category.

Policies to extend working lives

In general, European employers realise that the ageing of the labour market may result in future labour market problems (Van Dalen *et al.*, 2009). Given this awareness and the attempts of European governments to address topics such as raising the retirement age and stimulating older workers' labour force participation, employers may anticipate and thus may apply measures which will facilitate an extension of working lives. Organisational policies towards extension of working lives are based on the profitability of this action; therefore, labour costs and productivity can be considered important determinants. Resulting from this,

the logical thing to do for employers is to take measures aimed at reducing the labour cost-productivity gap, by 1) enhancing productivity, 2) balancing costs and productivity or 3) reduction of labour costs. This means employers may for example take measures aimed at maintaining workers' human capital to prevent an eventual decline in productivity (e.g. training plans for older workers) or measures aimed at bringing back the balance in wage and productivity (e.g. by means of demotion). Training plans and demotion – when applied thoughtfully – are often mentioned as a potential solution to expected negative consequences of an ageing workforce (Hall and Isabella, 1985; European Commission, 2006). In order to reduce labour costs, a possible solution to face negative consequences of an ageing workforce is to let go 'expensive' staff members, such as older workers enjoying relatively high seniority-based wages or older workers with decreased productivity without remuneration adjustments. Therefore, early retirement schemes can be considered a way to reduce labour costs. If employers do not see any options to reduce the gap, they may turn to 4) accommodative measures to prevent a further decline and preserve workers' current productivity. In this category we find policies such as decreasing the workload for older workers, extra leave for older workers, or reduction of working time before retirement.

In general, the state of the economy may affect employers' attitudes and behaviour towards older workers. Employers in countries with low unemployment rates (like the Netherlands (about four to five percent) are more likely to recruit and retain older workers and to apply measures stressing the importance of extending careers than employers in countries with high unemployment rates (like France, Sweden and Poland with unemployment rates between eight and ten percent).

3. Methods

We used data from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland and Sweden. Participating research institutes in the ASPA-project carried out the data collection. 'ASPA' is an acronym for 'Activating Senior Potential in Ageing Europe', a research project funded as part of the EU Seventh Framework programme under the Socio-economic Sciences and Humanities theme. Data collection took place from March to November 2009. The total number of completed questionnaires amounts to 5,822, 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 412 from the UK (see Appendix A). The overall response rate was 23% and ranged from 7 to 53% for the various countries. This is lower than the average response rate for individual surveys but in line with the rate generally found in corporate surveys. In Europe and the United States, response rates have been found to be 20 to 30% at most (see Brewster *et al.*, 1994; Kalleberg *et al.*, 1996).

The questionnaires used in the different countries were identical. The questionnaire was translated from English to the national languages. The national questionnaires were checked by the overall co-ordinator on international comparability before the fieldwork started.

The surveys were sent to directors, owners and heads of HR departments. Interview techniques used differed between countries, depending on what was perceived to be the best way to address respondents in the country. Denmark used computer-assisted web interviewing; Germany, the Netherlands and Sweden used paper and pencil interviewing; and France, Italy, Poland and the UK used computer-assisted telephonic interviewing.

In all countries we drew a stratified sample on the characteristics sector and size of the establishments. In the analyses on the *national* level we weighted the data afterwards to account for the sampling design; to ensure the observations are representative for the

population of employers. Weights were 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).

4. Results

Retention and Recruitment Behaviour

The first results we present, show – for all countries – that employers rather retain than recruit older workers (Table 2). At the pooled level, 12-13 percent of European employers recruit older workers or recruit employees who already retired when facing shortages of personnel; 27 percent encourages older workers to continue working until the retirement age. Furthermore, the retirement age seems to be a normative barrier in all countries, because very few employers stimulate working *beyond* the statutory retirement age by either recruiting or retaining older workers. For instance, 27 percent of European employers stimulate working *until* the statutory retirement age, whilst 13 percent stimulate working *beyond* the retirement age. Another more general feature seems to be that none of the measures to recruit or retain older workers have been applied by a majority of employers. On average, only 2 percent of employers apply all four measures we asked for to either recruit or retain older workers and 63 percent of employers indicate neither to recruit nor retain older workers.

The results also show some differences between countries. Polish employers show the most activating behaviour: 5 percent of employers apply all measures asked for and 39 percent does not recruit nor retain older workers. Recruitment of retirees is in general low, but

Poland is an exception in this respect; recruitment of retirees is rather common here. Polish and French employers report most often to stimulate older workers to continue working until the official retirement age. This may find its origin in the fact that French and Polish employees retire relatively early. Italian and Dutch employers exhibit the least activating behaviour with considerably lower levels of recruitment and retention of older workers than in other countries.

Although cross-national differences are clearly present, an important finding is that recruitment and retention levels of older workers all over Europe are rather low in general. This seems to indicate that - on a more aggregated level - employers may be reluctant to actively promote older workers' employment, either by hiring them or by stimulating them to continue working *until* let alone *beyond* the existing retirement age.

Age, productivity and labour costs

Employers' behaviour towards older workers may stem from various underlying reasons, such as the expected consequences of an ageing staff for the own organisation. Table 3 sets out how employers expect an ageing workforce will affect productivity and labour costs. With respect to the relationship between ageing and productivity the results show that in all countries a majority of employers state that productivity as such is not affected by the ageing of the workforce. However, a substantial minority (28 percent) expects productivity to decrease (strongly); this is the highest in Germany where 38 percent of the employers expects a productivity decline and lowest in the UK where 15 percent expects productivity to decrease. On the other hand, on average 10 percent of the employers expect productivity to increase.

A positive effect of the ageing workforce is visible in the second part of the table, presenting employers expectations regarding the knowledge base. Roughly half of the

employers expect an increase in the knowledge-base, and less than 10 percent expect a decline. Combining employers' opinions on the development of productivity and those regarding the knowledge base, one may conclude that from the employers' point of view an increasing knowledge base apparently does not directly translate into higher productivity. Even though human capital increases the additional human capital is not necessarily relevant from the perspective of productivity.

The third part of the table presents the expectations regarding the influence of ageing on labour costs. Lazear's theory on implicit contracts contends that it is a decline in productivity that is behind a lack of support for working longer. It is in the nature of the contract that workers are paid more than they are 'worth' at higher ages, even when productivity remains the same. The table offers some support for this notion. For the pooled sample we established that almost half of employers expect an increase in labour costs¹. There are, however, large differences between countries. In Poland, Denmark and the UK up to one-third of employers expects labour costs to increase. In Sweden, Germany, Italy and France roughly half of employers expect costs to increase. Employers in the Netherlands are at the other end of the spectrum: here 75 percent of employers think labour costs will increase due to an ageing workforce. Only very few employers expect a decline of labour costs; with Poland at the top with 10 percent.

The combination of the expectations on labour costs and productivity translate into expectations on the development of the labour cost-productivity gap² with an ageing

¹ Labour costs may consist of both direct wages and additional labour costs (such as extra leave or sickness absenteeism). Although 'wages' and 'labour costs' are not the same, in the economic literature it is more common to talk about a 'wage-productivity gap' than about a 'labour cost-productivity gap'. Therefore, we use 'wages' and 'labour costs' interchangeably.

² The categories of the expected labour cost-productivity gap were established as follows: "1" – (strong) increase in productivity and (strong) decrease in labour costs; "2" –labour productivity stays the same and (strong) decrease in labour costs OR (strong) increase in labour productivity and labour costs stay the same; "3" – (strong) decrease in both labour productivity and labour costs OR labour productivity and labour costs both stay the same OR both labour productivity and labour costs (strongly) increase; "4" – labour productivity (strongly) decreases and labour costs stay the same OR labour productivity stays the same and labour costs (strongly) increase; "5" labour productivity (strongly) decreases and labour costs (strongly) increase.

workforce. We combined the answers given in table 3 with respect to labour costs and labour productivity to establish whether employers perceive a cost-productivity gap as a result of an ageing workforce. For instance, when an employer expects an increase in labour costs accompanied by a decrease in productivity, this indicates an increasing cost-productivity gap. The same holds for a situation in which productivity is expected to stay the same, but labour costs is expected to increase; this will imply an increase of the cost-productivity gap. Figure 1 shows the results of this categorization.

Over all, about half of employers expect the wage-productivity gap will increase with an ageing workforce (51 percent). The table shows large differences between countries. Dutch employers are most sceptical when it comes to expectations regarding older workers; 75 percent of employers expects the wage-productivity gap will increase as the workforce ages. In Poland and the UK the wage-productivity gap is less of an issue; in those countries about one third of employers think the wage-productivity gap will increase.

Organisational policies

An important question is how these employers' expectations regarding the wage-productivity gap translate into organisational policies. Are policies focused on bringing costs and benefits of older workers into equilibrium? Even if employers' past behaviour towards older workers did not indicate an emphasis on activating behaviour in recruiting and retaining older workers, maybe current policies show a path *towards* activating behaviour and thus towards extension of working lives? To answer such questions, we presented employers with a list of measures and asked them to indicate whether their organisation was currently applying these measures. The list was based on earlier research into age-conscious personnel

policies (e.g. Remery *et al.*, 2003).³ Organisational policies are categorised into four categories, as already mentioned in section 2. The first category aims to enhance productivity (training plans for older workers), the second category can be considered as a way to reduce labour costs (early retirement), the third category of policies focuses on balancing costs and productivity (for instance by reducing both tasks and salary, or demotion), and the fourth category is a group of ‘accommodative measures’ (such as possibilities for extra leave or decreasing workload for older workers). Table 4 presents an overview of the share of employers from different countries that apply different measures.

In general, employers most frequently implemented flexible working hours as a measure aimed to accommodate older workers (35 percent). 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 for extra leave for older workers.

Lifelong learning is often perceived to be the key solution to enhance productivity at older ages (European Commission, 2006; OECD, 2006). The share of organisations offering training programmes for older staff differs highly between countries, but is on average about one quarter. Relatively many UK employers report to have training plans for older workers. French employers also relatively often applied training plans; this may stem from the inter-sectoral agreement on “employee lifelong access to training” adopted in France; this agreement promotes training among experienced workers and was signed in 2003 by the French social partners (OECD, 2006).

Early retirement schemes, which can be considered a way to reduce labour costs for the employer, are applied by 17 percent of European employers. In the Netherlands and Poland about one third of employers apply early retirement schemes. Obviously, higher levels of

³ In earlier studies we allowed employers also to come up with ‘other’ measures, not included in a list with suggested measures. All measures mentioned in addition by employers could easily be classified under the heading of the measures already included in the list.

early retirement schemes do not stimulate the extension of working lives and the higher levels with Dutch and Polish employers do not reflect a focus on career extension.

Measures aimed at reviewing older workers' productivity and remuneration, such as reduction in task and salary (demotion), were found to be almost absent, with the exception of the UK where 22 percent of employers applied this policy.

The results from table 4 thus show that in most countries training plans and demotion – although often suggested by scientists and policy makers to tackle negative consequences of an ageing workforce - are not embraced by employers.

In table 5 we present the results of a multivariate analysis carried out to analyse employers' policies towards older workers in more detail. We looked at four types of policy measures: 1) training plans for older workers (to increase labour productivity); 2) early retirement schemes (to reduce labour costs); 3) reduction of tasks and salary, or demotion (to balance productivity and costs) and 4) reduction of workload (same as 'demotion', but without remuneration adjustments). We tested whether personnel policies taken by employers are related to the expected wage-productivity gap. In the model we included country dummy variables as well as structural characteristics of the organisation, such as sector, age structure, skill level and size of the organisation as control variables. In table 5, the odds ratio represents the ratio of the probability that employers apply a measure to the probability they will not.

Do employers who expect a larger wage-productivity gap more often take measures to bridge this gap than employers who are less concerned with this gap? Table 5 shows that employers expecting a larger gap thus do not more often try to enhance productivity by training or balance cost and productivity by means of demotion. Employers expecting a larger wage-productivity gap do however more often apply early retirement schemes as well as accommodative measures such as reduction of workload than employers who do not expect a

large wage gap. However, with respect to the reduction of the workload there may be a causality problem: maybe employers who apply measures to reduce the workload may perceive a larger gap.

The results show apparent sector differences. In industries and construction employers apply less training plans and more early retirement schemes than in the public sector. In addition, the services and trade sector is more involved in policies such as demotion and less in the reduction of workload than the public sector is. Furthermore, the results point at the importance of the size of organisations; the existence of a policy for older workers is positively related to size. It may be that larger organisations have more opportunities to pursue policies and benefit more from economies of scale, such as with the implementation of training plans. In high-skilled organizations training plans are more applied. Organisations with a large share of older workers are more inclined to opt for early retirement schemes, but also for training plans and policies aimed at a reduction of workload. This last result suggests that the ageing of the workforce stimulates organisations to develop personnel policies in this field.

Governmental 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). With these earlier initiatives in mind, we presented employers with a list of possible measures governments can take to promote older workers employment. We asked employers whether they considered these measures potentially effective or not effective in improving older workers labour force participation. Their answers are summarised in table 6.

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. If older workers can retire on a part-time base employers will not have to pay any longer for (part of the) non-productive hours or days. In France and Italy the expectations regarding the effectiveness of incentives to combine work and retirement are somewhat lower; 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. The second 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. On the other hand, maybe employers think they cannot or should not be responsible for lifelong learning and therefore think the government has to take responsibility for this. The third most effective measure according to employers are wage subsidies for older workers, which may “compensate” organisations; this measure is especially considered effective in the Netherlands, Germany and Poland. In Italy, employers consider laws preventing age discrimination and the combat against negative stereotypes relatively often to be effective measures. In the Netherlands and the United Kingdom such legislation already exists.

In table 7 we present the results of a multivariate analysis carried out to analyse the perceived effectiveness of governmental policies. We looked at three types of governmental policies that are related to reducing the wage-productivity gap by either reducing costs or increasing productivity: 1) incentives to combine work and retirement (to balance productivity and costs); 2) promotion of lifelong learning (to keep up labour productivity); 3) wage subsidies for older workers (to reduce costs). We tested whether the perceived effectiveness of those

measures is related to the expected wage-productivity gap. In the model, we included country dummy variables as well as structural characteristics of the organisation, such as sector, age structure, skill level and size of the organisation as control variables.

Table 7 shows that the expected wage-productivity gap is positively related to the perceived effectiveness of wage subsidies for older workers. Employers expecting a increasing wage-productivity gap do not more often consider the combination of work and retirement or the promotion of lifelong learning to be an effective governmental policy.

The results show some sector differences. In industries and construction employers consider all three governmental policies less effective than in the public sector; in services and trade the promotion of lifelong learning is considered less effective than in the public sector. With respect to size the results show that large organisations more often than small organisations consider the promotion of lifelong learning to be an effective policy, while wage subsidies are perceived to be an effective measure especially by smaller organisations. The perceived effectiveness of the promotion of lifelong learning is positively related to the share of high-skilled workers in an organisation.

5. Conclusions and discussion

In this paper four main questions have been addressed: do European employers take action to extend working lives in terms of recruitment and retention of older workers? What do employers see as possible consequences of an ageing workforce for their own organisation? What organisational policies do European employers apply to retain older workers? And - according to employers - what can governments do to extend working lives?

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. Our results show important outcomes with respect to perceived changes in costs and benefits as the workforce ages, as a substantial amount of employers foresee an increasing wage-productivity gap with the ageing of the population. This perceived gap may explain employers' reluctance to hire and stimulate older workers to continue working until or even beyond the existing retirement age.

So far, organisational policies do not seem to be aimed at tackling the wage-productivity gap. Although demotion and lifelong learning are suggested by scientists and policy makers as a way to bridge the 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 apply demotion of older workers to balance pay and productivity. Also additional training to prevent or counter a decline in productivity is applied by only a minority of employers. Demotion and training are not applied more often by employers expecting a larger wage-productivity gap. On the contrary, early retirement schemes and reduction of workload *without* remuneration adjustments are more often applied by employers expecting a larger pay-productivity gap.

Our study is among the first to address employers' views on governmental policies concerning older workers and extending working life. The most effective governmental measure to increase labour force participation of older workers – according to employers – are incentives to combine work and retirement. A preference for such a combination suggests there is room for older workers to extend working lives inside organisations, although probably in an adjusted form. Phased retirement is one way to combine work and retirement time may also include – in the wording of the TLM-approach (Klosse and Schippers, 2008) preventive transitions. Preventive transitions are a form of career mobility that prevent older workers from getting stuck in a job where they gradually lose their productivity. Another

possibilities include bridge employment. Bridge employment means that older workers work in any form between their career jobs and full retirement, for instance by taking a part-time job or other temporary employment prior to definite retirement, within the same occupation, same position, or in a completely different job. In the literature bridge employment is described as becoming more common and its occurrence is expected to further increase (Cahill *et al.*, 2006; Johnson *et al.*, 2009).

The second and third most effective governmental measures to increase labour force participation of older workers are the promotion of lifelong learning and wage subsidies for older workers. The larger the labour cost-productivity gap employers expect, the more often they consider wage subsidies to be an effective measure to increase labour force participation of older workers. This suggests employers expect governments to partly facilitate the process of bridging the gap between pay and productivity. Interestingly, the effectiveness of wage subsidies is rated high by employers in small organizations. Small organizations are much less involved in policy initiatives to improve the productivity of older workers (see table 5) and may be more dependent of governmental support.

Our study shows that although policy makers have put a lot of effort in the promotion of older workers' labour participation, relatively few employers are behaving in a way that actively supports a trend towards working longer. The international comparison shows that the lack of employers' action to activate senior potential is not a matter of just one specific country. However, the previous does not intend to imply that European employers 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

and French employers (both 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 necessarily viable. The results are not distinguishable by economic climate either. In earlier research, Conen *et al.* (2011) showed for The Netherlands that changes in the demand for workers affect employers’ recruitment and retention behaviour towards older workers. Although 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.

There are several noteworthy contributions of this study to the existing literature. First, the paper addresses the employers’ perspective on the extension of working lives; a perspective that is often neglected as compared to research on attitudes and behaviour of older workers themselves and research on institutional arrangements affecting both supply and demand for older workers. Another contribution of the paper is that it is among the first to report on employers’ policies and practices from countries spread all over Europe and from all types of European welfare states. The cross-national dimension is important, for it provides information on whether employers’ attitudes and actions towards older workers are either a national phenomena, or more widely found among European employers.

The study, nevertheless, has a number of limitations. One limitation is that, although the dataset is sizeable, it is difficult to assess to what extent the national samples are representative of the population of interest due to the varying response rates. A low response rate can give rise to sampling bias if the non-response is unequally distributed. However, there is no minimum for an ‘acceptable’ response rate: research suggests that in many cases

surveys with varying response rates yield results that are statistically indistinguishable (Keeter *et al.*, 2006).

Another limitation of this study is its reliance on self-reported behaviour. It is possible that respondents report to recruit or retain older workers or apply policies in accordance with a dominant organizational or national policy although not really complying. Future studies may combine self-reported behaviour with direct measures of hiring and retention behaviour.

In this survey study we found European employers to be little involved in extending older workers' careers and the dominant consequence of the ageing of the workforce is perceived to be a growing gap between labour costs and productivity. A logical next question is whether these perceived consequences are accurate, or whether employers underestimate or overestimate the development of labour costs and productivity as the workforce ages. Future research may want to combine employers' perceptions on developments in labour costs and productivity and actual measures within organisations.

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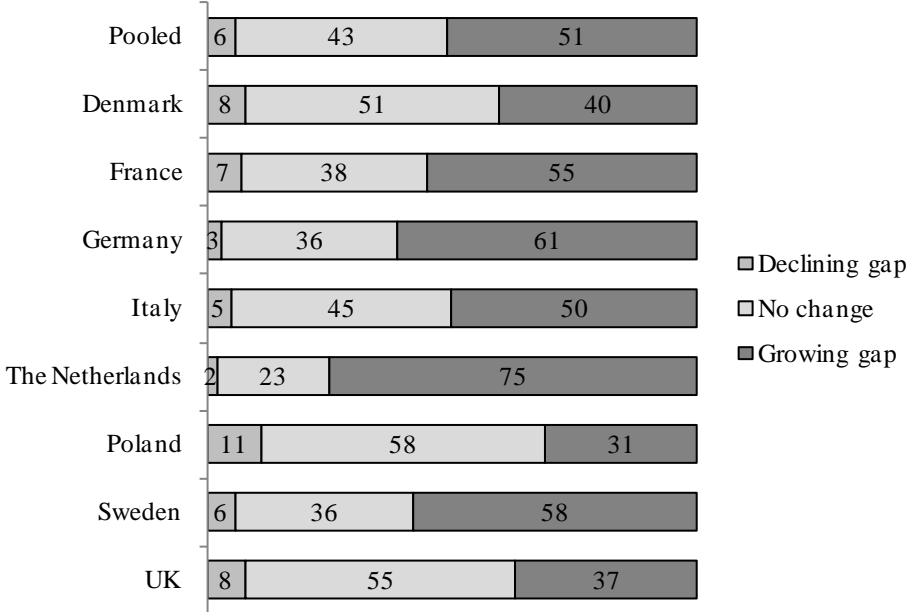
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Appendix A

<i>Country</i>	<i>N</i>	<i>Response rate</i>	<i>Method</i>
Denmark	609	28%	CAWI
France	500	7%	CATI
Germany	892	11%	PAPI
Italy	770	17%	CATI
Netherlands	1077	23%	PAPI
Poland	1037	23%	CATI
Sweden	525	53%	PAPI
UK	412	22%	CATI

Figure 1 – Employers’ expectations with respect to the labour cost-productivity gap in case of an ageing staff (in %).



Source: ASPA employers survey (2009)

Table 1 – Employment rate, life expectancy and retirement age

	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Italy</i>	<i>Netherlands</i>	<i>Poland</i>	<i>Sweden</i>	<i>UK</i>	<i>EU</i>
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
Part-time employment 50-64 years (2009)	22.6	18.8	27.2	10.6	47.3	12.1	25.4	27.9	19.6
Life expectancy at age 65 (2007)									
Males	16.5	18.4	17.4	18.0	17.1	14.6	17.9	17.5	17.0
Females	19.2	23.0	20.7	21.8	20.7	18.9	20.8	20.2	20.5
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

Table 2 – Recruitment and retention behaviour towards older workers, percentage

	<i>Pooled</i>	Denmark	France	Germany	Italy	Netherlands	Poland	Sweden	UK
Stimulate working till retirement age	27	34	40	26	11	17	40	27	-
Stimulate working beyond retirement age	13	18	8	7	5	8	26	15	-
Recruit older workers	12	16	11	22	2	10	15	12	-
Recruit employees who already retired	13	8	10	17	3	4	38	7	-
All of above recruitment/ retention measures	2	2	1	3	0	0	5	2	-
None of above recruitment/ retention measures	63	57	54	56	82	75	39	66	-

Source: ASPA employers survey (2009)

Table 3 – Expected consequences^a of an ageing personnel structure for own organisation, percentage

<i>Consequences</i>	<i>Pooled</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Italy</i>	<i>Netherlands</i>	<i>Poland</i>	<i>Sweden</i>	<i>UK</i>
Labour productivity									
(strong) increase	10	10	7	10	14	8	10	8	11
same	62	71	64	54	62	58	61	55	74
(strong) decline	28	19	28	36	25	34	29	37	15
Knowledge base									
(strong) increase	42	47	53	46	38	45	26	46	42
same	49	44	42	43	52	49	65	42	52
(strong) decline	9	9	5	11	10	7	9	12	6
Labour costs									
(strong) increase	44	33	51	48	49	75	16	44	34
same	52	61	43	51	48	24	74	50	62
(strong) decline	4	6	6	1	3	1	10	6	3

Note: ^a Based on the question: "If the average age of your personnel increases by 5 years, what will be the effect on..."

Source: ASPA employers survey (2009)

Table 4 – Policies applied by employers in order to retain older personnel, percentage

	<i>Pooled</i>	Denmark	France	Germany	Italy	Netherlands	Poland	Sweden	UK
<i>Productivity</i>									
Training plans for older workers	23	7	46	18	2	8	37	7	49
<i>Costs</i>									
Early retirement schemes	17	6	18	16	6	32	33	11	1
<i>Balance costs - productivity</i>									
Reduction in task and salary (demotion)	7	10	3	4	1	3	4	2	22
<i>Accommodative measures</i>									
Extra leave	15	26	9	10	1	31	3	8	14
Decreasing workload	18	24	9	8	6	25	11	12	23
Reduction of working time	23	34	8	22	2	20	4	21	48
Ergonomic measures	29	28	28	20	5	28	38	32	30
Flexible working hours	35	NA	28	45	12	32	29	42	NA

Source: ASPA employers survey (2009)

Table 5 – Organisational human resource policies (logistic regression analysis)

	Training plans for older workers		Early retirement schemes		Reduction of tasks and salary		Reduction of workload	
	Odds ratio	z-value	Odds ratio	z-value	Odds ratio	z-value	Odds ratio	z-value
Expected wage-productivity gap	0.96	-0.81	1.17**	3.16	1.03	0.36	1.12*	2.10
Sector of industry (public sector = reference category)								
* Industries and construction	0.78*	-2.44	1.52**	4.33	1.01	0.07	0.81*	-2.16
* Services and trade	0.90	-1.00	1.13	1.16	1.32	1.86	0.69**	-3.42
Size of the organisation (logarithm)	1.30**	9.49	1.59**	16.99	1.36**	8.83	1.28**	9.55
Skill level of workers								
Share of employees in high-skilled jobs	1.50**	2.67	1.18	1.15	0.91	-0.39	1.14	0.85
Share of employees in unskilled jobs	0.74	-1.90	0.67*	-2.55	0.68	-1.61	1.19	1.11
Share of older workers	1.95**	2.81	5.32**	7.36	1.44	1.01	1.38	1.35
Countries (Sweden = reference category)								
Denmark	1.03	0.17	0.76	-1.52	7.08**	7.27	4.06**	8.26
France	11.30**	11.75	1.75*	2.44	0.78	-0.47	0.91	-0.37
Germany	3.45**	7.06	1.54**	2.71	1.26	0.77	0.70	-1.83
Italy	0.20**	-5.53	0.57**	-3.21	0.23**	-3.10	0.58**	-2.75
Netherlands	1.45*	2.09	6.60**	12.62	2.09**	2.70	4.04**	8.66
Poland	6.06**	10.90	4.41**	10.02	0.89	-0.35	0.92	-0.43
UK	11.73**	12.97	0.06**	-4.85	9.56**	8.05	3.20**	6.08
Pseudo R2	0.18		0.24		0.16		0.12	
N=	5039		5039		5039		5039	

* Significant at $p \leq 0.05$; ** significant at $p \leq 0.01$.

Source: ASPA employers survey (2009)

Table 6 - Governmental measures to retain older workers, percentage (very) effective

	<i>Pooled</i>	Denmark	France	Germany	Italy	Netherlands	Poland	Sweden	UK
Incentives to combine work-retirement	74	92	55	80	63	78	69	68	-
Promoting lifelong learning	62	62	74	79	83	34	51	59	-
Wage subsidies for older workers	58	64	45	68	36	71	67	58	-
Lowering early retirement benefits	43	62	39	37	58	39	35	28	-
Laws preventing age discrimination	36	36	34	17	61	32	48	27	-
Media campaigns combating negative stereotypes	35	36	28	32	62	27	28	29	-

Source: ASPA employers survey (2009)

Table 7 – Perceived effectiveness governmental policies (ordered logistic regression analysis)

	Combine work-retirement		Promote lifelong learning		Wage subsidies older workers	
	Odds ratio	z-value	Odds ratio	z-value	Odds ratio	z-value
Expected wage-productivity gap	1.06	1.60	0.95	-1.30	1.10**	2.58
Sector of industry (public sector = reference category)						
* Industries and construction	0.83*	-2.46	0.72**	-4.35	0.86*	-2.09
* Services and trade	0.91	-1.19	0.81**	-2.75	0.94	-0.86
Size of the organisation (logarithm)	1.02	0.92	1.19**	8.98	0.91**	-5.12
Skill level of workers						
Share of employees in high-skilled jobs	1.03	0.30	1.51**	3.69	0.85	-1.44
Share of employees in unskilled jobs	0.97	-0.27	0.67**	-3.50	1.03	0.25
Share of older workers	1.02	0.11	0.87	-0.83	0.75	-1.67
Countries (Sweden = reference category)						
Denmark	3.40**	9.62	1.51**	3.35	1.49**	3.31
Germany	1.41**	2.89	3.02**	9.26	1.23	1.80
Italy	0.53**	-5.31	3.26**	9.86	0.32**	-9.78
Netherlands	1.73**	4.69	0.63**	-4.08	2.00**	6.20
Poland	0.91	-0.86	0.80*	-1.97	1.81**	5.37
Pseudo R2	0.04		0.06		0.04	
N=	4525		4525		4525	

* Significant at $p \leq 0.05$; ** significant at $p \leq 0.01$.

Source: ASPA employers survey (2009)