

report 73

Harry van Dalen
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DEALING WITH AN AGEING LABOUR FORCE:
WHAT DO EUROPEAN EMPLOYERS EXPECT AND DO?

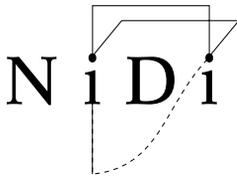
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Dealing with an ageing labour force: What do European employers expect and do?

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1. Introduction

A large part of the debate on ageing in the industrialized world focuses on the sustainability of pension and social security systems. A changing population age structure will however also lead to a decrease in the effective labour supply as large baby-boom cohorts will reach retirement age in the coming years and leave the labour force. Projections for the European Union predict a declining labour force after 2010 (McDonald and Kippen, 2002). Moreover the number of regions within the European Union experiencing a labour force decline will increase sharply in the coming decades. The question of how to deal with this ageing and shrinking workforce is of paramount concern, not only for governments but also for individual employers (EC, 2005).

A variety of measures are being promoted to increase the labour supply in these ageing labour markets. In general one can think of three elements to raise the effective labour supply: (1) increase the labour force *population* by means of immigration in the short run or by means of population policies in the long-run; (2) increase *labour force participation* rate by means of redefining the dates of entry (leaving school) and exit (retirement) from the work force or working more hours or days; or (3) increase the *productivity* of workers.

It is interesting to note that whereas various measures are frequently suggested, or even promoted, by national and international advisory boards, there is much less insight into how employers actually view the challenge of dealing with an ageing workforce and the expected decrease in the labour supply. Most decisions on how to deal with that ageing workforce will have to be taken within individual organisations, or will, at least, be implemented within these organisations. Proposals for extending the work life are unlikely to be met, without the active support and commitment of employers. That is why this report looks particularly into the role played by employers. Earlier research among employers carried out in the United States and several European countries shows that many employers tend to be biased toward older workers and there is often a lack of corporate focus on older employees, reflected in an absence of programs to retain and retrain them (Barth *et al.*, 1993; Chui *et al.*, 2001; Guillemard *et al.*, 1996; Henkens, 2005 and Taylor and Walker, 1998). Particularly when economic prospects are weak, older workers find themselves in a vulnerable position, since early retirement is often seen as a less painful way to prune the workforce than large-scale layoffs. However, due to increasing

labour shortages, the necessity to call upon the labour force potential of older workers may increase substantially.

This report addresses employers' behaviours and attitudes regarding the ageing of the population and its main consequences for the labour market and organisational policies. The report will address four main questions:

- To what extent is there a sense of urgency among employers regarding the ageing of the population and its consequences?
- What do employers see as the possible implications of an ageing workforce for their organisations and what organisational policies are implemented?
- Which policy measures are currently implemented or considered in organisations in response to labour supply shortages?
- Which policies do employers prefer with regard to preventing a shrinking labour force?

The answers to the questions formulated above will shed light on the degree to which employers in Europe are aware of the ageing of the labour force and its implications for the labour market. The research questions will be answered with the aid of data from comparative surveys carried out in four European countries, viz. the United Kingdom, the Netherlands, Greece and Spain. To provide some background for the discussion and perspective on the research findings we will start with a short overview of European policy objectives (Chapter 2) and developments in demography (Chapter 3). We follow with a theoretical background, presented in Chapter 4. The design of the survey is presented in Chapter 5. The results of the survey concerning employers' expectations and opinions with respect to older workers and measures taken in the organisation are the subject of Chapter 6. Chapter 7 discusses employers' views on policy issues. Chapter 8 concludes with the most significant observations of this study.

2. European 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. The 1995 Council Resolution on the Employment of Older Workers called, for the first time, on the European Commission to organize an exchange of information, experience and good practices concerning the employment of older workers. The conclusions of both the Cardiff (June 1998) and the Vienna (December 1998) European Councils emphasized the need to pay special attention to develop a skilled and adaptable workforce. The issue was added to the 2001 Employment Guidelines (European Commission, 2001) and was also a point of discussion of high priority during the Barcelona European Council in spring 2002.

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 percent (from 26 percent 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).

The issue of the improvement of the employment prospects of workers during later stages of their career has recently been tackled again under the headline of *active ageing* by a special report of the Commission on “Increasing labour force participation and promoting active ageing” (European Commission, 2002). Active ageing is regarded as the central concept the EU developed to deal with an increasingly ageing society (European Commission, 2002; Walker, 2002a and OECD, 2000). It encompasses an increase in the labour force participation of older workers as well as the promotion of productive activities in the life phase of retirement such as the involvement of citizens in and commitment to matters of society.

The prolongation of working life is not only regarded as an important instrument to secure pensions in the future but also as a decisive answer to both the expected demographically induced labour shortages as well as the changed age composition of the work force in many EU countries. In this context the key message of the above mentioned report on “Increasing labour force participation and promoting active ageing” is the explicit call for a so-called ‘dynamic life cycle perspective’.

More recently, the EU-Commission has 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). Therefore, the Member States are 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 emphasizes 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 practices 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).

In the four countries involved in our research several initiatives have been taken that fit into the policy discussion reflected in the first part of this chapter. In 2004 the Netherlands introduced a law against age discrimination in the labour market and in the work place. The United Kingdom followed in 2006 (see below). Earlier the Dutch government appointed a high level group of experts from different branches of industry, politics, unions and the media, the so-called Taskforce on Ageing and the Labour Market, to develop a set of measures to be implemented by firms to improve the position of older workers. The Taskforce also spend a lot of effort on developing instruments that can help to combat the image of older workers falling short on productivity demands and resisting change. This taskforce has been succeeded by ‘Grey does it’ (*Grijs*

Werkt), another group of well-known Dutch citizens that is to convince employers that they should facilitate older workers to extend their working lives until the age of 65, and to combat prejudice against older workers. This group should also help disseminating good practices from different companies and sectors to other Dutch employers.

In response to the demographic trends, the Greek Centre-Right (Conservative) government has tried to change the law regarding the pension system increasing the age of retirement for certain occupations. However, the reforms have been limited because of the reaction of the social partners.

Regarding the protection of the employment of older workers the following measures have been taken:

- There is an employment subsidization program operated by the Greek Manpower Organization (OAED) that subsidizes the persons aged over 55 for one year more than the other categories of workers.
- Under the Work Reintegration Program, when firms/companies employ workers who lost their jobs because of mass dismissals due to privatization, restructuring or closing down of firms/companies, there is an increase in the employment subsidy for men aged over 55 and women aged over 50. Under this program, employment subsidies are combined with vocational guidance and training.
- A special program exists for subsidizing the employment of unemployed workers who are close to the retirement age (up to five years).

Additionally, in Greece, it is very difficult to fire someone with many years of work experience because of the huge compensation that an employer has to pay (the sum increases accordingly to the years of working experience of the employee).

The situation in Spain is quite similar to that in Greece. Although early retirement is possible in cases of businesses in crisis or undergoing processes of rationalisation, this has been encouraged less in recent years, having been fairly common previously. Workers, in particular women workers, who are unemployed and over 45 have been a collective targeted for special measures for several years, both in national and regional re-training, up-skilling and job-access programmes. The unemployed over 52 who are no longer receiving regular benefits (unemployment pay) are entitled to government aid until they

reach the official retirement age of 65. Tripartite talks between business associations, unions and the government led to an Agreement for the improvement of growth and employment in May 2006, on which the Government has subsequently passed a series of laws in response to the needs detected. These include reductions in employers' social security contributions for older workers hired and also for older workers retained after the age of 60, providing they have worked for five years at the company. Spain has in the last decade become increasingly a host nation to immigrants, both from the EC and non-EC countries, notably South America, North Africa and sub-Saharan West African nations. There is discussion whether this immigration will be a factor to off-set future population decline (see Chapter 3).

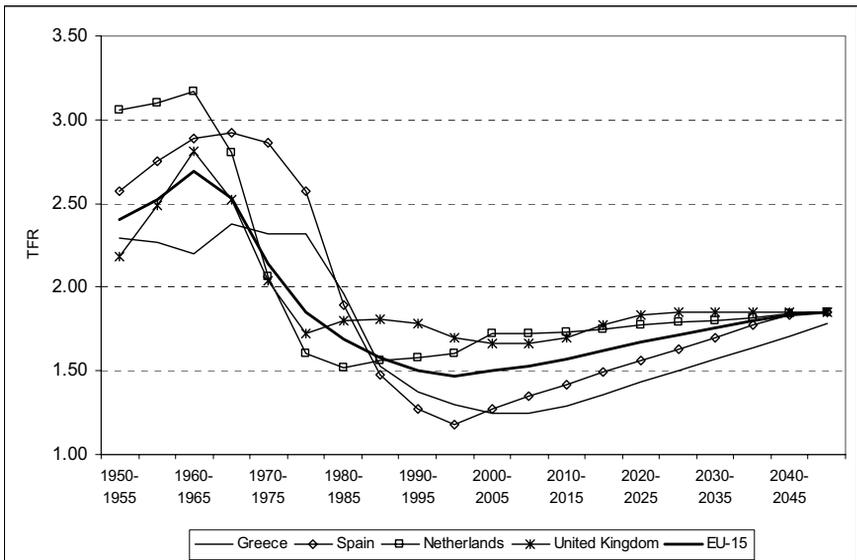
Recent UK Government policy has placed more emphasis on older workers. A target employment rate for people aged between 50 and SPA (State Pension Age) has been set at 80 percent by the Government, against the current employment rate of just over 70 percent. To reach this target the Government has adopted policies in a number of areas to encourage and enable people to stay in work for longer as follows:

- From October 2006, it became unlawful for employers or training providers to discriminate against people on the grounds of age.
- A number of programmes and initiatives have been developed, most notably the New Deal 50 Plus under its 'Welfare to Work' agenda, which aims to get older people who are unemployed or inactive back into work by improving their employability.
- Reform of pensions regulations are implemented making both public and private pensions systems more flexible for those who wish to remain in work for longer and to offer limited financial incentives to work after the current State Pension Age (SPA).
- The Age Positive campaign, based within the Department for Work and Pensions, promotes the benefits of employing a mixed-age workforce that includes older and younger people.

3. Demographic and labour market in context

To understand the exact circumstances which countries under review face *figure 3.1* and *figure 3.2* present the demographic parameters which underlie the onset of an ageing population. Figure 3.1 shows that the total fertility rate of the four countries differed considerably in the twentieth century. Starting in the fifties the Netherlands had a relatively high fertility rate with just three children per woman, whereas the UK had a fertility rate which was near replacement level. With the commercial introduction of the pill in the sixties fertility rates dropped sharply in the Netherlands, dropping below the EU-15 average. Greece and Spain lagged behind the EU developments and in these Mediterranean countries fertility dropped in the 1980s to a rate well below the replacement rate, hitting a low in the nineties. The overall impression of fertility levels in the four countries is that all countries went from a state of high fertility to a state well below replacement levels and the *communis opinio* among UN forecasters seems to be that around 2050 fertility rates converge around the level of 1.85 (UN, 2004).

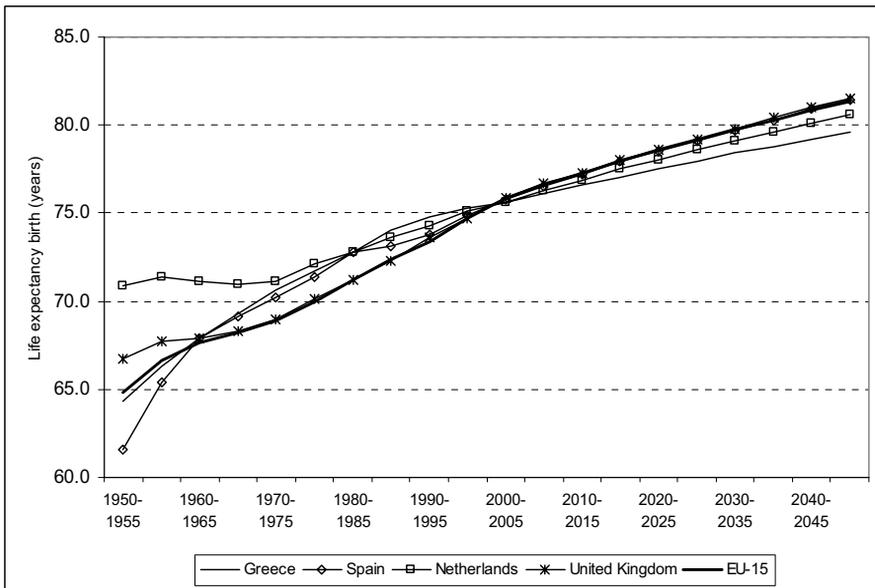
Figure 3.1. Total fertility rate, 1950-2050



Source: UN (2009).

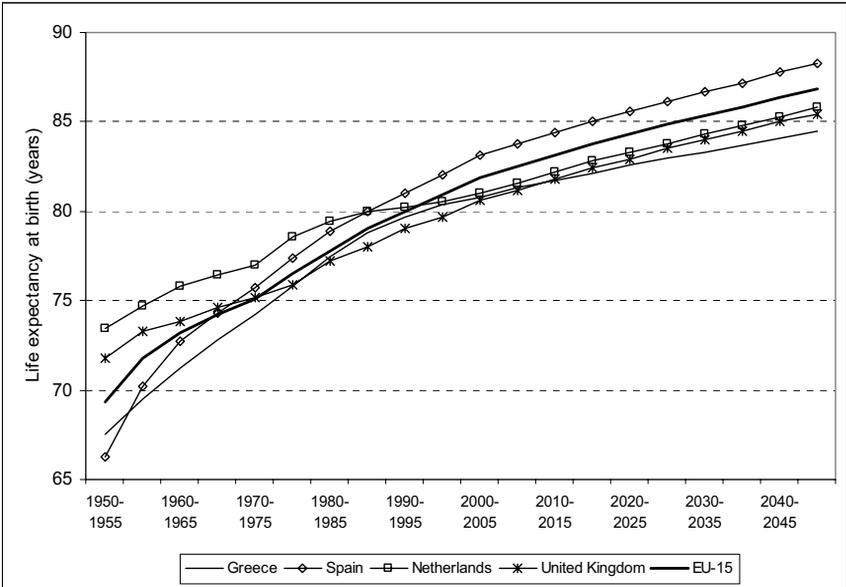
The development in fertility rates is in marked contrast with the development in life expectancy. In figure 3.2 we portray the development in life expectancy of men and women in the four countries and the most important observation to be made is that the differences in life expectancy were large in the fifties, almost in the range of ten years, but during the subsequent fifty years a remarkable convergence established. Life expectancy is expected to increase even further for the next fifty years and around 2050 male life expectancy in the EU-15 is projected to be 81 years. Female life expectancy is expected to amount to 87 years.

Figure 3.2a. Life expectancy of men at birth, 1950-2050



Source: UN (2004).

Figure 3.2b. Life expectancy of women at birth, 1950-2050



Source: UN (2004).

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, Cyprus and Sweden. 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. As for Spain, the Green Paper concludes that the population will *grow* by 5.7 percent between 2005 and 2030, but that it will *decline* by 0.8 percent between 2005 and 2050.¹

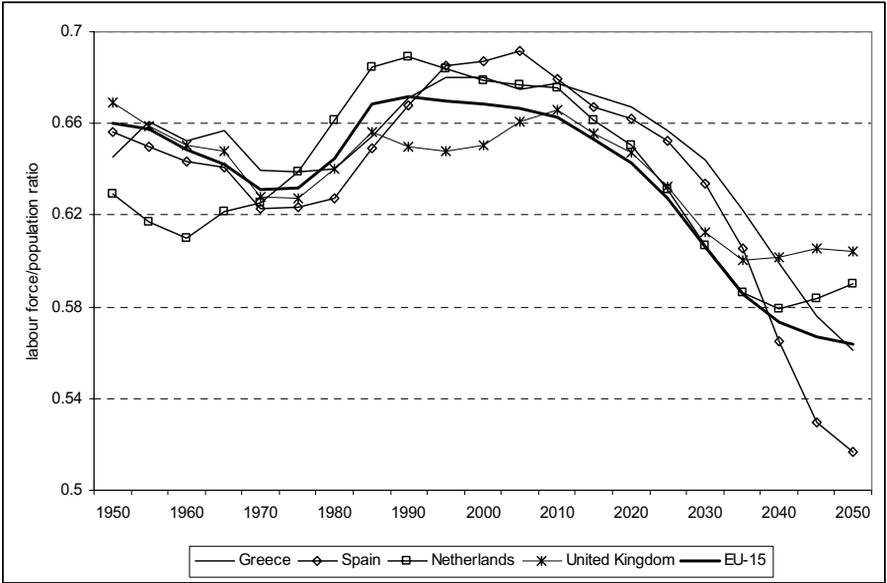
¹ This would imply that Spain's total population should peak at around 46 million in 2030, while it should subsequently start contracting to 43 million by 2050, which is slightly less than its population today. These estimates of Spain's demographic future are based on the EUROSTAT 2004 projections as reported in NewCronos (EUROSTAT's online data base). However, a comparison of the estimates stated in the Commission's Green paper and the latest projections made by Spain's INE adds a great deal of confusion regarding the future course of Spain's population size. The INE's projections indicate that Spain's population should stand at 45.6 million already by 2010. By 2025 Spain's population should be above the 50 million mark, and in 2050 the total population should be somewhere in the range of 53

These demographic developments have significant consequences for the number of old aged and the (potential) work force over time. *Figure 3.3* presents the number of potential workers (15-64 years of age) as a percentage of the total population size in the relevant countries. The Netherlands initially had the lowest percentage of workers, which was caused by the fact that the post-world war baby boom led to an increasing share of children in the population. During the seventies the growth of the labour force showed a strong increase reaching a labour force size which covered almost 70 percent of the population. This growth was particularly noticeable in the Netherlands but with some lag and with less force it can also be discerned in the other European countries. The force of ageing will be felt particularly in the coming decades as the potential labour force decreases and the number of pensioners increases. The potential labour force (i.e. the population between 15 and 64 years) will shrink from approximately 67 to 56 percent of the population, and in the case of Spain the potential work force will even approach the low level of 52 percent. This is a huge fall, considering the fact that today 69 percent of the Spanish population is between 15 and 64 years. In the United Kingdom in 1971 25 percent of the population were under 16. By 2002 this had fallen to 20 percent and by 2031 is projected to fall further to around 17 percent. Conversely, the proportion of people aged over 65 will rise from around 16 percent in 2003 to more than 22 percent by 2028 and, looking even further ahead, will rise to more than a quarter by 2041. Additionally, the 50-64 age population will also rise, with the proportion of the whole population in this age group increasing from 17.5 percent in 2003 to more than 20 percent by 2020, before falling away again. At the same time, the proportion of the population aged 25-50 will fall from 35 percent to less than 32 percent in 2028 and 30 percent by 2043.

Similar observations can be made with respect to the number of old-aged (65 years and older). This number is not only relevant from the perspective of financing the welfare state, but also from the perspective of the demand for care. Every worker that is involved with care tasks —be it informal or in the labour market— is not available for other economic activities. In 2005 the number of

million. In other words, the INE projects a population growth of more than 20 percentage points between now and 2050.

Figure 3.3. Old age dependency ratio: 65+ as percentage of potential labour force, 1950-2050



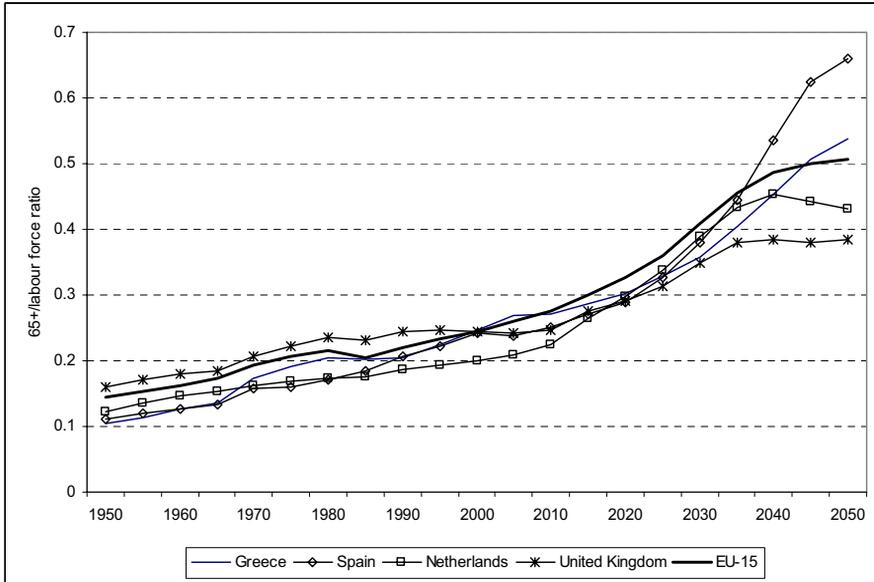
Source: UN (2004).

old aged as a percentage of the potential labour force in the EU-15 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 for the case of Spain and to a lesser extent for Greece (see figure 3.4). In the case of Spain two pensioners are supported potentially by three workers.

For the Netherlands and the UK this development does not seem to unfold with the same force, where support ratios hover around 40 percent, in other words: two pensioners are supported by five workers.

Of course, the potential labour force will probably not coincide with the actual labour force. Schooling decisions make it highly unlikely that the age of 15 is

Figure 3.4. Potential labour force as percentage of total population, 1950-2050



Source: UN (2004).

good approximation of the first age at which people enter the labour force. And by the same force of argument, will the age of 65 not be a suitable cut-off point for calculating the labour force when early retirement before the age of 65 is widespread. Brugiavini and Peracchi (2005) show that both developments—later entry into the labour force and earlier exit from the labour force—have made the actual working lives drop from around 50 years to around 40 years of labour market experience.

Labour force participation—having a job or searching for a job on the labour market—is one element which can differ substantially over time and across countries. Even if people decide to work or obtain a job the number of hours worked will also differ. Last but certainly not the least, workers will differ with respect to their productivity. *Table 3.1* and *table 3.2* give an impression of what the actual position is of the older worker on the labour market and how flexible or rigid the labour markets across countries are.

Table 3.1. Labour market indicators, 2003

Labour market indicators	Greece	Spain	Netherlands	UK	OECD (unweighted) average
Part-time work					
Men 25-49	1.4	2.0	4.5	4.0	4.3
Men 50-64	1.8	1.5	11.7	11.6	7.8
Women 25-49	6.6	15.7	53.7	41.2	26.6
Women 50-64	7.8	17.7	63.7	49.8	31.2
Employment rate older workers (50-64) ^a					
Men	68.9	70.7	62.6	67.0	66.8
Women	30.7	27.1	24.9	38.8	38.9
Weekly hours of work, older workers (50-64)					
Men	40.5	41.4	36.7	37.3	39.1
Women	37.5	36.4	23.1	27.7	32.5
Hiring intensity ^b					
15-24 age	2.80	2.34	3.36	2.47	2.77
25-49 age	0.87	0.92	0.86	0.83	0.86
50-64 age	0.50	0.40	0.28	0.49	0.42
Retirement age (male)					
Early	60	60	60	65	-
Standard	65	65	65	65	-
Labour productivity ^c					
Per hour worked	70.8	87.9	114.2	96.5	100 (EU-15)
Per person employed	100.7 ^d	99.8	106.2	106.6	100 (EU-25)

^a Adjusted for hours worked per week.

^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 GDP in purchasing power standards per hour worked relative to the EU-15 level, respectively GDP in purchasing power standards per person employed relative to EU-25 level.

^d Estimate for 2006.

Source: OECD (2005) and labour productivity figures are based on Eurostat (2005) <http://epp.eurostat.ec.europa.eu>

In the Netherlands the participation of the older worker is relatively weak, where 63 percent of the older men and 25 percent of the older women are employed. To some extent this may be related to the very low hiring rate of older workers in the Netherlands. Whereas in the other countries the older workers stand a chance of 50 percent compared to the average worker in that country, in the Netherlands the older worker has a chance of 28 percent of being hired.

Table 3.2. *The flexibility of labour markets in OECD countries, 2005*

	Difficulty in hiring index ^a	Rigidity of hours index ^b	Difficulty of firing index ^c	Rigidity of employment index ^d	Firing costs (weeks pay) ^e
Greece	78	80	40	66	133
Spain	67	80	60	69	68
Netherlands	28	60	40	43	16
UK	11	40	10	20	25
Austria	0	80	40	40	55
Belgium	11	40	10	20	8
Denmark	0	40	10	17	39
Finland	33	60	40	44	24
France	78	80	40	66	32
Germany	44	80	40	55	80
Ireland	28	40	20	29	52
Italy	61	60	30	50	47
Portugal	33	80	60	58	98
Sweden	28	60	40	43	24
Australia	0	40	10	17	17
Canada	11	0	0	4	28
US	0	0	10	3	8

^a The difficulty in hiring index measures (i) whether term contracts can only be used for temporary task; (ii) the maximum duration of term contracts; and (iii) the ratio mandated minimum wage to the average value added per working population.

^b The rigidity of hours index has five components; (i) whether night work is restricted; (ii) whether weekend work is allowed; (iii) whether the workweek consists of five and a half days or more; (iv) whether the workday can extend to 12 hours or more (including overtime); (v) whether the annual paid vacation days are 21 days or less.

^c The difficulty of firing index has eight components: (i) whether redundancy is no ground for dismissal; (ii) whether the employer needs to notify the labour union or the ministry or labour for firing one redundant worker; (iii) whether the employer needs to notify the labour union or the ministry or labour for group dismissals; (iv) whether the employer needs approval of the labour union or the ministry or labour for firing one redundant worker; (v) whether the employer needs approval of the labour union or the ministry or labour for group dismissals; (vi) whether the law mandates training or replacement prior to dismissal; (vii) whether priority rules apply for dismissals; and (viii) whether priority rules apply for re-employment.

^d The rigidity of employment index is a simple average of the difficulty of hiring index, the rigidity of hours index and the difficulty of firing index.

^e Firing costs are costs of a redundant worker, expressed in weeks of wages.

Source: World Bank, Doing Business, 2005. <http://www.doingbusiness.org/>

4. Theoretical background

To understand how employers will react to an ageing workforce and its consequences we elaborate on the most important theoretical issues regarding employers' behaviour. In Section 4.1 we will discuss theoretical insights in the relationship between ageing, productivity and wage. Section 4.2 deals with the way employers may look at older workers when confronted with labour market shortages.

4.1. Ageing, productivity and wages

Production costs

Standard economic theory predicts that the demand for labour depends crucially on the prices of labour and capital and the technology employed to produce goods and services (Hamermesh, 1993). For matters of brevity we will not discuss the influence of changes in the price of capital. Static neoclassical theory predicts that the price of labour is in line with labour productivity of the individual worker. This spot market view of the labour market is bound to give a false impression because for most jobs or tasks the correlation between pay and performance or productivity is often weak. The declining age-wage profile as predicted by human capital theory rarely occurs. Thurow (1975) was one of the first to suggest that whilst labour income and productivity are related, they are not necessarily related at every single moment in a worker's career. He explained that employers have an understanding, an implicit contract, with their employees regarding the relationships between productivity and earnings during the course of their careers. This understanding, Thurow stated, is based on the seniority principle, such that during the first phase of workers' careers their earnings are *lower* than their productivity and during the second phase their earnings are *higher* than their productivity. He explained that the prospect of a gradual rise in their income acts as an incentive for employees to continue working for 'their' employer, where their investments yield the highest returns. Lazear (1979) presented a more comprehensive model which not only explained the persistence of seniority principles in setting wages over the lifetime, he also explained the presence of mandatory retirement. Employers offer age-wage profiles which equal the value of age-productivity profiles over time and workers receive less than their marginal productivity at the start of their career and at the second half of their career they earn more than their marginal productivity level. This implicit contract is bound to be unsustainable if workers

work beyond the age at which the net present value of wages exceeds that of the productivity profile. Therefore, employers will either opt for mandatory retirement schedules or use pension schemes, which penalize continued employment beyond a certain age. The trouble with these type of implicit contracts is that the contract is under pressure due to the ageing of the population. Seniority wages imply a heavy wage burden for employers. Whereas firms in some countries in the past could thrive because of a relatively young population age structure enjoying 'a demographic dividend' (Bloom and Williamson, 1998), now firms will have to face an ageing population structure and bear the costs of a 'demographic hangover' if nothing changes and labour force ageing takes its course. Additional factors make an ageing population an even more serious liability, especially for employers operating in the international market. First of all, there are taxes, social security premiums and pension premiums which increase the price of labour. This is a relevant factor as an ageing population increases the fiscal burden due to age-related pension and health care costs. An ageing population can increase the gap between net and gross wages, making it either more and more difficult to survive as a firm vis-à-vis firms in other countries that are not so hard hit by ageing populations, or employers could decide to shift the ageing burden towards employees, thereby decreasing the incentive to supply labour.

A second factor which increases production costs for employers are the costs of regulation. Most European countries have some form of labour force protection. The costs can take on a number of forms and generally result from the fact that the employer is no longer free to choose, where choice refers to the setting of wages, the number of hours worked, paid leave, in-firm education, pension finance, deciding who can join the firm and who should leave the firm. Especially the hiring and firing of personnel may well prove difficult if labour laws or rules prohibit flexibility in labour demand.

Age, stereotypes and discrimination

According to human capital theory, productivity depends on initial education and experience acquired over the life course. However, the older workers get, the more divergent experiences they accumulate. Labour supply is heterogeneous and employers can never be sure about the future productivity of an individual employee. This applies to the existing workforce, but even more so to future staff. Employers are cognizant of their employees' track record within their organisation and they have information about their current

productivity.² Employers do not know, however, how workers' health will develop as they age, and whether they will be able to keep up with new technological developments. There is even more uncertainty regarding newly recruited employees. Although diplomas, a job interview, references and in some cases a psychological test may provide an idea of the abilities of new personnel, it remains to be seen how productive they will be. Employers do have access to what Phelps (1972) called 'previous statistical experiences': 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. Needless to say, the drawback of using averages based on the experiences of *groups* of employees to formulate expectations with regard to *individuals*, is that no two employees are alike. Having said that, gathering information about the potential productivity of an individual employee can be an expensive exercise, whereas 'statistical discrimination'—selecting staff on the basis of an average group characteristic—is an extremely economical selection method, that is, if the employer's preconceptions (in the literal sense: the opinions the employer had formed beforehand) and expectations are confirmed. Whether employers are interested in the expected productivity or—as Thurow (1975) underlined—in the expected training expenses, employers who subscribe to this view of recruitment and selection 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. Moreover, research into the selection practices of employers who use candidate profiles, so-called 'vignettes', has shown that the selection criteria used tend to relate to characteristics of the applicants that can not be changed, such as sex, age and social background (Van Beek *et al.*, 1997). In an earlier study, Becker (1957) pointed out that employers may have 'a taste for discrimination' against some groups, and that this may—under certain circumstances—result in these groups not being employed by them at all.

In the psychological literature it is well documented that many stereotypes prevail among employers regarding the productivity of older workers. Stereotypes may partly be accurate representations of reality, or at least of the local reality to which the perceiver is exposed (Judd and Park, 1993). Stereotypes may however also lead to the social exclusion of older workers, not

² It should be noted that complex production processes make it more difficult to establish the productivity of an individual worker.

only because one may judge employees on the basis of average and inaccurate representations of the category, but also because stereotypes may lead to self-fulfilling prophecies, when those who are subject to negative stereotypes behave accordingly (Hilton and Von Hippel, 1996). These stereotypes do not only relate to older workers' productivity, adaptability and loyalty, but also to older workers retirement (Henkens, 2005). 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 and Mullet, 2001; McCann and Giles, 2003 and Van Dalen and 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. A belief among employers that older workers want to retire as soon as possible will hamper efforts to extend the working life.

4.2. Reducing labour shortages

If due to the demographic developments 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. The marginal changes predicted by neoclassical economic theory are usually prevented by the lumpiness of the stock of capital goods, long-term contracts and other types of inflexibility which hamper changes in the combination of capital and labour overnight. In some cases, it might be an option to reorganize the work so as to shift the dependence on various categories of labour. By having more work carried out by workers from a category that is less scarce, the problem of scarcity can be obviated.

Increase labour force participation of existing labour force

In principle this can be effectuated by taking (1) internal measures or (2) by employing outsiders. Both measures warrant some elaboration. To start with the internal measures, 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 full-time. 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 and Remery *et al.*, 2003b). Finally, 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.*, 2003a).

Of course, if firms are hampered in taking these internal measures they may choose to expand the supply of labour, first, by ensuring additional labour is supplied by groups from which recruitment already traditionally takes place, and secondly by tapping into new groups of potential workers. 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.

Increase productivity of existing workers

Of course, employers could make an effort in investing in workers so that with the same set of workers working the same number of hours, production increases. In essence, this option boils down to three types of responses: investing in human capital, in physical capital or by means of internal (re-)organisation. Human capital investments, either by in-firm or extra-firm education is most straightforward, but human capital can of course also increase by on-the-job training and the buzz-word for years has been ‘employability’. In the event of ‘overcapacity’ among some workers within an organisation, it might be worth investing to increase the range of tasks they can carry out, and thus their employability. Generally speaking, as the employability of workers increases, so the risk of underutilizing those workers decreases (Ester *et al.*, 2001). Of course, there are also other routes through which labour productivity may increase, such as making better use of the comparative advantages of workers, make use of (complementary) labour saving technology, improve human resource management and supervision, etcetera.

Increase labour supply and productivity by exploiting the possibilities of globalization (migration, outsourcing)

Migration is here the keyword. First of all, 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, which have an enormous reservoir of 'cheap labour' available.

5. Design of the employers' survey

Based on the theory outlined above, a questionnaire entitled 'Fair Play for Older Workers' was drawn up. The four countries included in the project have used a mixed strategy of approaching organisations. Questionnaires were sent by post mail and email to organisations. In Spain also face-to-face and telephone interviews were carried out and respondents contacted could also respond to the questionnaire online. Data collection took place from March 2005 to October 2005. The total number of completed questionnaires amounts to 1855, of which in 332 are from Spain, 597 from the Netherlands, 354 from Greece and 572 from the United Kingdom. The data collection was carried out by the participating research institutes of the FAIR PLAY program. The Fair Play for Older Workers project is co-financed by the European Union through a special measure called Article 6 under the budget heading 'Innovative approaches to the management of change'.³

Initial questionnaire design was undertaken at Utrecht University in the Netherlands, the Fair Play partner primarily responsible for the research workpackage. The questionnaires used in all countries needed to be as comparable as possible and, as such, were not designed from the outset to investigate country-specific issues. However, for the United Kingdom and for the Netherlands a large amount of the data produced has direct relevance for these specific countries too and is included in separate national reports (Nunn *et al*, 2006).

In the Netherlands and the United Kingdom similar procedures were followed. Where possible, the questionnaire was addressed to a named Human Resources contact in each of the sampled organisations. Where this was not available, the questionnaire was addressed to 'The HR Manager'. A covering letter 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.

In the United Kingdom the sample was obtained from Experian Data Services. The sample profile was based on a size and sector breakdown, excluding

³ See <http://www.fairplay.bdf.es/> for more information.

employers with less than ten employees in the UK as a whole. The sectoral and size composition of the sample was checked against Annual Business Inquiry data to ensure representativeness. In previous employer surveys, specific sectors and sizes of employer have demonstrated low response rates. As a result, these were over-represented in the sample mail out. The total number of organisations sampled was 9,800, and a return of six percent or 590 employers was achieved after follow-up activities. For ease of analysis and presentation alongside the need to maintain the statistical significance of the results, industrial sector bandings have been used. Respondents were, in the first instance, asked to place their organisation in one of the 15 major industrial sector categories taken from the Standard Industrial Classification (SIC). Although the mail out sample was representative, inevitably the final response sample differed slightly from the ideal profile. As such, response data was also weighted back to the initial sample profile in relation to both these industrial sector groupings (banding) and to size bands.⁴ The survey research was undertaken between September and November 2005. All returns were received prior to the publication of the Turner Commission's report into the future financing of pension systems in the UK and so results should not have been influenced by the media and public debate after the publication of the report.

In the Netherlands a random sample of companies has been drawn from the trade register of the Chamber of Commerce. To include enough large organisations the sample has been stratified to size band: companies with 100 or more employees were over sampled. The sample of private companies existed of 3,377 companies with at least ten employees. The sector-breakdown of the trade register follows the so-called NACE, the classification of economic activities developed by the European Union. Because only few public organisations and organisations in the health sector have been included in the Chamber of Commerce register these organisations were selected from different sources. All 462 Dutch municipalities (registration May 2005) have been included in the sample, together with 78 general hospitals registered in the digital version of Pyttersen's Almanak (registration May 2005). In addition all 13 departments of the National Government in the Hague have been included. The total sample consisted of 3,930 organisations with at least ten employees. The questionnaires have been sent in June 2005. At the end of June a reminder was sent to those organisations who did not respond yet. After a second

⁴ The following size bands were used: 11-19 employees, 20-49 employees, 50-99 employees and 100+ employees.

reminder a total of 597 organisations, i.e. 15.2 percent, returned a questionnaire that contained enough information for the analyses.

In Spain in September and October 2005, both from businesses and other types of organisations, 11,418 HRM-managers and 12,194 general managers were addressed by e-mail and invited to go to the Fair Play-website to participate in the research and fill in the questionnaire. Of the managers addressed 37 percent opened the e-mail message, while 525 persons then proceeded to the website through a direct link in order to fill in the questionnaire. During the same period 200 heads of Human Resources Departments were interviewed. Finally, this resulted in 332 questionnaires containing enough information for our analyses.

In Greece, the questionnaire has been sent to firms/companies that employ more than seven employees. The sample was drawn from a large number of companies from different sectors of production from Athens and Heraklion Crete in cooperation with OEVENH (Federation of Manufactures & Traders) which is an employers' organization in Heraklion Crete. The questionnaires were sent by e-mail or distributed by the students of the Technological Educational Institute (TEI) of Heraklion. With this method, questionnaires containing enough information for our analyses became available for 354 organizations.

6. Results

6.1. Challenges on the future labour market

What do European employers actually perceive as 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 6.1*). Employers perceive shortages of labour as one of the main labour market challenges for the coming decades. In each of the four countries included in our survey labour shortages were mentioned among the top three. Moreover, in all countries it was mentioned a problem more often than unemployment. The ageing of the population ranked high in Spain and the Netherlands, but was ranked considerably lower in Greece and the United Kingdom. Both these findings generate surprise as judging from forecasts the ageing labour force will be clearly felt in Greece, yet the employers do not perceive this as a problem. The main conclusion based on the figures is that in all countries in our study there seems to be an awareness that demographic developments will affect the future labour force. There is a remarkable difference with respect to the appreciation of external developments between the United Kingdom, representing —following the classification by Esping Andersen (1990)— the liberal type of welfare state, and the other three countries participating in the project, from the continental-conservative family of welfare states (the Netherlands) and the Mediterranean type of welfare states (Spain and Greece). In the United Kingdom the inflow of foreign workers nor growing international competition are considered aggravating factors for recruiting problems, while employers in the other three countries are much more worried about these external developments. This may be due to a more flexible labour market with more absorptive power in the United Kingdom. It may also have to do with different experiences concerning the type of immigrants between the four countries and the traditional orientation on the world market of the British economy.

Table 6.1. Degree to which employers think the following developments will affect recruiting problems on the labour market for the own organisation (percentages “likely and very likely”)

Developments	Greece	Spain	Netherlands	United Kingdom
Ageing population	49	67	77	38
Labour market shortages	62	64	62	72
International competition	62	49	71	22
Increasing work place stress	60	45	52	44
Unemployment	57	54	45	9
Declining birth rates	51	46	44	36
Inflow of foreign workers	53	34	43	11
Poverty	51	51	21	56

Source: FAIR PLAY Employer survey, 2005.

6.2. Ageing workforce within organisations: Expectations, consequences and policies

Whereas table 6.1 suggests that there may be a sense of urgency among employers regarding demographic challenges on the labour market, expectations, perceptions and policies regarding their own organisation may be quite different. What do European employers actually expect and do in the face of an ageing work force in their organisation? The employers’ survey offers some observations on how employers will deal with this question.

Looking at the consequences of an ageing personnel structure, a divide among employers becomes visible (see *table 6.2*): British employers are far more positive on the economic consequences of ageing employees, whereas the Greek, Spanish and Dutch employers see an increase in labour costs and a greater resistance to change as dominant consequences. As can be seen from *table 6.2* employers in the four countries differ with respect to which effect they think most likely. In the United Kingdom and Spain it is an increase in know-how and experience. In Greece it is an increase in absenteeism, followed immediately by an increase in know-how and experience. In the Netherlands employers expect predominantly an increase in labour costs. About half of all employers (in all four countries) expects increasing resistance to change. Similar shares of employers expect less enthusiasm for new technology, except for British employers who seem somewhat more confident in older workers

Table 6.2. Expected consequences^a of an ageing personnel structure, 2005 (percentages)

Consequences	Greece	Spain	Netherlands	United Kingdom
<i>Costs</i>				
Increase in labour costs	62	52	77	42
Greater resistance to change	56	55	56	45
Increase in absenteeism/sick leave	69	54	53	40
Less enthusiasm for new technology	59	46	44	39
Deterioration of the organisation's image	37	22	16	13
<i>Benefits</i>				
Increase in know-how and experience	68	67	61	78
Fewer conflicts within the organisation	34	37	13	24
Increase in productivity	33	37	7	25
<i>Organisational changes</i>				
More need to review the way in which work is organized	59	50	46	43
More need to improve working conditions	51	49	46	25

^a Based on the question "If the average age of the employees in your organisation increases, how likely or unlikely is it that the following outcomes will occur in your organisation?"

Source: FAIR PLAY Employer survey, 2005.

enthusiasm for new technology. Half of the employers (again with an exception of UK-employers) expects a need to improve working conditions. Also about half of the employers expects the need to review the way in which the work is organised. Of course, such changes might not be without costs.

It is not all doom and gloom when it comes to evaluating the consequences of ageing and most employers acknowledge the increase in know-how and experience which firms will enjoy when personnel gets older. However, the increase in know-how apparently does not translate directly into higher productivity as most employers do not associate an ageing personnel structure with a higher productivity level. The discrepancy between know-how and productivity is largest for the Dutch employers: only seven percent of them expect an increase in productivity. From a cost/benefit perspective this finding is probably the most worrisome: labour costs increase, costly organisational changes may be necessary, but productivity cannot hold pace with these expected developments. Looking from this perspective—and if employers are right—it can be easily understood why many organisations rather see the back of older workers. Especially Dutch employers expect very negative

consequences of an ageing workforce. In the meantime it should be noted that only few employers associate the ageing of the workforce with a deterioration of the external image of the organisation. Only in Greece one out of three employers expects such a deterioration.

Employers may not only judge older workers on their own merits. For their calculations and decisions who to hire and who to reject or stimulate to end their career it may be even more important to compare their views on older and young workers, respectively. 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. Full tables are presented in the appendix to this paper. In *table 6.3* we present for each country the differences between the scores of the 'young' and the 'older' age category.

Table 6.3. Differences in the judgments by employers of functioning of older (50 years and older) and young (35 years or younger) workers.

(Strongly) applicable	Greece	Spain	Netherlands	United Kingdom
Social skills	11	29	50	34
Reliability	17	32	47	42
Commitment to the organisation	25	43	44	48
Accuracy	7	11	43	23
Customer-oriented skills	-6	15	26	25
Mental capacity	-13	-12	-22	-1
Productivity	-33	-9	-37	9
Creativity	-44	-37	-41	-9
Flexibility	-29	-22	-49	0
Willingness to be trained	-48	-58	-77	-36
Physical capacity	-57	-61	-78	-36
New technology skills	-65	-63	-84	-52

^a Based on two questions 1. "To what extent are the following characteristics applicable to employees aged 50 years and older? 2. To what extent are the following characteristics applicable to employees younger than 35 years? (answers categories 1 'not applicable, 2 'little applicable, 3 'applicable', 4 'strongly applicable'. Percentages in the table indicate the difference between the percentages applicable and strongly applicable 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: FAIR PLAY Employer survey, 2005.

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. Older workers are considered to be more reliable, more committed and are supposed to have better social skills. Older workers are rated most negatively with respect to their willingness to be trained and the capacity to deal with new technology. With regard to the overall productivity the results are mixed. Employers from the United Kingdom judged older workers' productivity higher than that of young workers. Most negatively with regard to the productivity of the older worker were employers in the Netherlands.

In addition to these judgements we presented some items to employers on workers over State Pension Age. It is interesting to note that more than 96 percent of British employers agree that workers over State Pension Age "can still make a valuable contribution". Also a majority of employers in the Netherlands (74 percent), Spain (92 percent) and Greece (67 percent) are positive about the potential contribution of pensioners.

The lagging of labour productivity can induce employers to take a number of steps. *Table 6.4* lists the measures which employers have taken to retain older personnel. A first observation to be made is that Spanish and Greek employers have implemented very few measures, whereas these countries are likely to be heavily affected by an ageing population structure. Based on the *number* of actions taken one would expect the older worker to be in the best position in the Netherlands. However, on closer inspection of the measures taken it appears that the Dutch employer only takes the politically correct measures, like extra leave, part-time retirement, and ergonomic measures, and avoids the harder measures (like demotion, which would raise conflict with employees and unions). Also the part-time retirement schemes are just one example of costly measures that tend to 'spare' older workers. Fewer obligations and more privileges are generally proposed and negotiated. Privileges such as additional leave, age related holiday entitlements, workload reduction, age limits for irregular work, or exemption from working overtime are quite normal in the Netherlands. Given all prior policy discussions—both at the national level and at the European level—on issues like 'employability', life long learning and the need to turn Europe into a knowledge based society, it is remarkable that so few employers report offering

Table 6.4. Degree to which employers implemented measures or were considering implementing measures aimed at retaining older personnel (percentages)

Measures	Greece	Spain	Netherlands	United Kingdom
<i>Easing leisure/work trade-off</i>				
Part-time early retirement	12	9	47	33
Additional leave from work/extra days off for older workers	7	4	57	10
Prolonged career interruptions	7	8	10	12
<i>Reducing stress at work</i>				
Age limits for irregular work	7	4	31	3
Exemption from working overtime for older workers	7	6	29	5
Flexible working hours	12	16	21	32
Reducing workload for older workers	18	11	33	15
<i>Adjusting tasks/capabilities</i>				
Training programs for older workers	10	10	13	18
Demoting older workers to a lower rank and pay package	6	3	6	16
<i>Adjusting working conditions</i>				
Ergonomic measures	8	13	50	14

Source: FAIR PLAY Employer survey, 2005.

training programs for older workers. In Greece and Spain it is only one out of ten, in the Netherlands one out of eight and in the United Kingdom, that shows the best performance in this field, it is still no more than one out of five to six.

6.3. Older workers as a remedy for labour shortages

Questions whether there are, and will be enough workers to fill all jobs weight heavy on the minds of the European employers in our study. Therefore one may assume that employers have strong opinions on ways to increase the future labour force. Moreover they might even have implemented measures aimed at increasing 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 they have done and what they are considering to counteract the shortages of personnel (see *table 6.5*). To start with the actions already taken by employers the revealed preferences of employers show that retaining or attracting older workers is obviously not their first-best choice. It sheds a

Table 6.5. Measures taken or being considered by organisations in response to personnel shortages in 2005 (percentages)

Solving the problem by	Greece		Spain		Netherlands		United Kingdom	
	Taken	Considered	Taken	Considered	Taken	Considered	Taken	Considered
Internal organisation of work:								
Increasing the employability of workers	35	49	47	42	42	42	81	16
Introducing labour saving technology	36	46	14	38	18	34	69	22
Using overtime	15	49	17	29	21	42	35	19
Extending the working week	9	37	9	25	3	31	30	25
Reintegrating (partially) disabled workers	12	41	12	49	26	42	21	47
Recruiting more female workers	28	34	38	37	21	23	45	33
<i>Offering higher wages</i>	22	50	14	58	9	43	56	26
Outsourcing	18	39	23	37	32	40	28	17
Make use of intermediaries in selection/recruitment and temporary work agencies	17	50	28	43	47	33	54	21
Lowering job requirements	11	28	8	27	1	17	10	13
Production potential of older workers								
Encouraging workers to continue working until the age of 65	10	34	14	49	12	51	60	28
Recruiting more older workers	8	38	7	46	8	40	42	39
Recruiting ex employees who have already taken early retirement	4	31	3	33	3	13	23	43
Exploiting possibilities of globalization								
Recruiting more ethnic minorities	13	36	11	50	21	41	42	47
Relocating production internationally	5	13	4	12	4	7	6	7
Recruiting personnel abroad	15	28	15	38	7	17	23	33

Source: FAIR PLAY Employer survey, 2005.

different light on the rhetoric of Dutch policy makers who want to promote the position of older employees. Compared to Greece and Spain where very little has been done to retain the older worker the preference of the Dutch employers for older workers as a means of compensating the prospective staff shortages is almost identical. The British employers are far more set on using the capabilities of older workers as 40 percent would recruit more older workers and 37 percent would encourage workers to continue working until the statutory retirement age of 65. In the United Kingdom female workers, older workers and workers from ethnic minorities are equally popular among employers. Only (partially) disabled workers fall behind as a potential solution for labour market shortages. The picture in the Netherlands is quite different. Here (partially) disabled workers are the most attractive group to supply additional labour. Women and immigrant workers share the second place, while older workers come far behind. Greece and Spain show a joint picture: women are still considered to be the main source of additional labour supply. (Partially) disabled and immigrant workers share the second place. Here too, older workers are at the very end of the queue. These different pictures partially reflect existing labour market situations. If female workers are already highly integrated in the labour market it may not be realistic to expect them to supply much additional labour. Something similar holds for disabled workers.

In three of the four countries under investigation increasing the employability of workers is the most popular measure to combat personnel shortages. As we saw earlier this—in general—does not go together with training programs for older workers. Of course, older workers may participate in training programs developed for the entire staff. From the international literature it is well-known that participation in ‘general’ training programs usually decreases with age and that workers over fifty hardly participate in such programs (Booth, 1991; Elias and Davies, 2004 and Bassanini *et al.*, 2005). In Greece and especially in the United Kingdom introducing labour saving technologies is a much preferred option, contrary to Spain and the Netherlands. Intermediaries and temporary work agencies seem particularly popular in the United Kingdom and the Netherlands. These institutions still have to conquer the labour market in the Mediterranean countries. International relocation of production is a remedy to combat staff shortages that is preferred by hardly any organisation. This implies that also in the future most employers will be oriented towards the national, local or regional labour market. A general conclusion to be derived from these considerations is that employers in the United Kingdom are most active in tackling the problem of labour market shortages. Employers in Greece and

Spain have not taken many measures yet. This fits with our earlier conclusion that they are the ones that at this moment do not feel the pressure of labour market shortages due to ageing as much as their colleagues from the north-west part of Europe.

The results suggest that few employers rely on older workers as the primary remedy for staffing shortages. *Table 6.6* shows the attitudes of employers towards delaying retirement of their workers.

With regard to working after sixty, many employers are relatively positive. However, when it comes to working after 65 years, there is much more hesitance. Whereas, in the United Kingdom—which is most positive about extending working lives— 60 percent of the organisations considers it (very) desirable for the organisation that workers continue working after their 60th birthday only 31 percent is favouring work after 65. The option that workers should keep on working after the age of 65 is considered desirable for their own organisations by less than nine percent of Dutch employers, by ten percent of Greek employers, by one quarter of Spanish employers.

Our conclusion that older workers are at the end of the line is also visible when we look at the recruitment of new staff. We asked the direct question to employers which worker they would prefer to fill a vacancy: a newcomer to the

Table 6.6. Attitudes of employers towards retirement of their employees

	Greece	Spain	Netherlands	United Kingdom
<i>Evaluation of the prospect that the majority of personnel keeps working after the age of 60</i>				
Desirable	28	44	41	60
Neutral	27	27	39	33
Not desirable	45	30	20	7
<i>Evaluation of the prospect that the majority of personnel keeps working after the age of 65</i>				
Desirable	10	23	11	31
Neutral	22	27	34	43
Not desirable	68	49	57	27

Source: FAIR PLAY Employer survey, 2005.

labour market, a worker with six years experience or a very experienced (and consequently somewhat older) worker with 25 years experience. A large majority chooses the worker with six years experience (Spain: 63 percent; Greece: 58 percent; Netherlands: 75 percent).⁵ Only a slight minority prefers the very experienced candidate (Spain: 10 percent; Greece: 20 percent; Netherlands: 3 percent).

Later retirement is something that is expected by employers, however, mainly in other organisations, not in their own organisation. Of all organisations in the United Kingdom in the survey 73 percent expect the average age at which workers leave the labour market to increase during the next ten years (see *table 6.7*). However, for their own organisation only 45 percent of the employers expect such an increase. In the Netherlands 72 percent, so almost the same share as in the United Kingdom, expect the overall actual retirement age to increase, only 50 percent expects the same for their own organisation. Half of all employers in Greece and only 28 percent of Spanish employers expect the average age at which people leave the work force to increase during the next ten years. In Greece 22 percent expects the same for their own organisation. In Spain this is no more than 17 percent.

So, the conclusion from this section can be that even though employers, especially in the United Kingdom and the Netherlands and to a lesser extent in Spain and Greece, experience and/or expect labour market shortages they do not turn massively to older workers as a solution. And maybe we should add ‘yet’.

Table 6.7. What will happen to the actual retirement age? At national level and the level of own organisation

Retirement age will:	Greece		Spain		Netherlands		United Kingdom	
	Nat.	Org.	Nat.	Org.	Nat.	Org.	Nat.	Org.
Increase	50	22	28	17	72	49	73	45
Remain the same	38	71	55	74	23	45	20	52
Decrease	13	7	17	9	5	7	7	2

^a “Over the next ten years (in society = Nat, in your organisation = Org.) do you anticipate that the average age at which employees fully retire will increase, remain the same, decrease?”

Source: FAIR PLAY Employer survey, 2005.

⁵ This question was not included in the UK-questionnaire.

Of course, this picture only paints the current state of affairs. And when in the (nearby) future employers will actually experience the turn of the tide they may trim their sails to the wind.

To get a better view on how employers see their own position and look upon their responsibilities for the integration of older workers in the labour market we also presented them with a series of questions on policy issues. The results of these analyses will be presented in Chapter 7.

7. Employer's view on policy issues

7.1. Effectiveness of current government policies

As discussed already in Chapter 2 the European Union and national governments have been worrying about the ageing of the labour force for several years now. In several countries different measures have been taken to improve the position of older workers in the labour market in general and in organisations in particular. In Chapter 6 we presented information on measures taken by employers *themselves* to deal with the ageing of their staff. In this chapter we discuss employers views on government policies.

First, we have asked them about the effectiveness of existing government policy to encourage older employees to remain at work. The answers show that employers are very critical about the effectiveness of government policies. *Table 7.1* provides an overview of how employers evaluate the effectiveness of government policy in retaining older employees. It shows clearly that in all countries a large majority of the employers find their governments policies rather ineffective. A remarkable illustration regarding this point is the fact that even though 85 percent of employers in the United Kingdom is aware of the new law against age discrimination two thirds of employers do not think this law will have any influence for their own organisation.

Given employers' views on the effectiveness of government policies it is somewhat puzzling that employers *do* still think that outside their organisation retirement will be delayed, but not within their organisation. One interpretation may be that employers anticipate that new cohorts of workers possibly want to retire later, but not the workers in their own organisation.

7.2. Preferred policy measures

Next, we asked employers how society should deal with the future shortages as a consequence of an ageing population. The results can be found in *table 7.2*. British employers are again more set on using the capabilities of older workers by encouraging them to carry on working and retire later, whereas the employers in the other three countries do not see this option as a preferable one. A

Table 7.1. Effectiveness of government policy to encourage older employees to remain at work, as perceived by employers

Effectiveness of government policy with respect to older employees	Greece	Spain	Netherlands	United Kingdom
Very effective	14.8	14.1	11.8	15.5
Not very effective	55.4	59.2	70.2	65.8
Not at all effective	29.9	26.7	18.0	18.7

^a “How effective do you think the government policy is of encouraging older employees to remain at work?”

Source: FAIR PLAY Employer survey, 2005.

Table 7.2. Preferred policy measures^a to increase labour supply as a consequence of ageing

MOST EFFECTIVE POLICY MEASURES	Greece	Spain	Netherlands	United Kingdom
Encourageing older workers to carrying on working longer	10	20	13	24
Encourageing part-timers to work full-time	24	11	28	24
Extending working week	3	5	24	4
Encourageing more women to work	14	20	23	16
Encourageing couples to have more children	30	24	4	7
Attracting workers from abroad	20	20	7	25
<i>Total</i>	100	100	100	100
LEAST EFFECTIVE POLICY MEASURES				
Encourageing older workers to carrying on working longer	41	24	21	14
Encourageing part-timers to work full-time	8	7	2	5
Extending working week	21	37	8	21
Encourageing more women to work	5	2	2	5
Encourageing couples to have more children	15	18	43	49
Attracting workers from abroad	9	12	24	7
<i>Total</i>	100	100	100	100

^a The question was: “In the future, if there was an employee shortage because of the ageing population, which of the following measures do you think would be the most (respectively least) effective to take to address the problem?”

Source: FAIR PLAY Employer survey, 2005.

remarkable finding is that the Mediterranean employers (Greece and Spain) are more in favour of pro-natalistic policies than the British and Dutch employers, who generally find this to be the least effective way to increase future labour

supply.⁶ In the Netherlands where part-time work is a widespread phenomenon, promoting full time work is the most preferred policy measure among employers.

7.3. Responsibility for some welfare state arrangements

To get a better idea on what kind of initiatives we can expect from employers in the future and to understand the (current) inactivity in retaining older workers we examined how employers view the *responsibilities* for various arrangements which shape and finance the life course, like education, child care, retirement and unemployment. The question put before employers was normative in tone and asked them who *should* have the main responsibility for financing the life course services: employers, the employee or the government. All employers agree that government should take the lead in financing unemployment insurance. For the other services the role of government and other market participants is less clear-cut. According to *table 7.3* there is a clear divide in opinions: Western European employers (Dutch and British) see employees primarily responsible for pensions, child care, life long learning and early retirement decisions. The only exception concerns education for the young and the working population, this should remain a service for which the government is primarily responsible.

The opinion of Southern European employers (Greek and Spanish) differs markedly as they see a dominant role for the government and only Spanish employers see it as their primary responsibility to finance lifelong learning and early retirement. The small share of employers in Greece, the United Kingdom and —to a lesser extent— the Netherlands that holds employers primarily responsible for financing early retirement may explain why many employers choose for a rather passive or reactive attitude towards older workers.

⁶ Similar attitudes can be discerned in Eastern Europe (vis-à-vis Western Europe), where citizens are more in favour of pro-natalistic policies than Western European citizens (Velladics *et al.*, 2006).

Table 7.3. *Who should have main responsibility in financing the life course?**The view of employers*

	Pensions	Education of the young	Child care	Lifelong learning	Unemployment insurance	Early retirement
Greece						
Employer	14	3	6	35	5	10
Employee	7	28	29	34	7	12
Government	79	68	66	31	89	78
Spain						
Employer	3	7	15	64	2	55
Employee	9	22	37	11	4	7
Government	88	72	48	25	94	39
Netherlands						
Employer	27	4	9	47	5	29
Employee	49	34	55	51	6	44
Government	24	62	36	2	89	27
UK						
Employer	13	0	2	12	0	19
Employee	44	15	69	43	9	71
Government	44	85	29	46	91	10

^a The question asked was: “In your opinion, who should have the main responsibility for financing each of the following services?”

Source: FAIR PLAY Employer survey, 2005.

8. Conclusion and discussion

In Greece and Spain the ageing of society and the work force is far less an issue than in the United Kingdom and the Netherlands. This picture emerges from the analysis of employers' views. This may explain why in Greece and Spain employers' views on older workers are less outspoken and why only limited policy initiatives have been taken so far. In the Netherlands and in the United Kingdom ageing and older workers are an issue indeed. However, employers' views on older workers in these two countries are poles apart. Dutch employers do not consider older workers much of an asset. They show little faith in a future with an ageing work force. Primarily they expect a growing discrepancy between rising wage costs and declining or—at best—stable productivity. As a consequence Dutch employers' measures with respect to older workers boil down to granting them an easy and relaxed way out of the labour market. To a large extent this can be considered a heritage from the past when (government) policy initiatives were very much focused on the outflow of older workers to make room for young(er) workers. Those were times when high unemployment figures of young people were high on the policy agenda. Moreover, many Dutch employers share the opinion—and they are no exception to the large majority of the Dutch—that many older workers have paid their contribution to society, economic growth and prosperity and are entitled by now to a well-deserved period of rest and retirement.

British employers who are not influenced by such a heritage to help older workers to leave the labour market as smoothly as possible seem more convinced from the fact that they will become more dependent on older workers in the near future. Their attitude can be characterised in one line: “older workers are a fact of life — and you had better get used to that!” As a matter of fact questions related to early retirement seem to be the only policy item for which British employers feel still any responsibility left. This results in British employers taking more measures to retain older workers for their organisation and for the labour market than employers in the other countries participating in this research. It might be that the more flexible and liberal nature of the British labour market contributes to a larger capacity to absorb new developments, in this case on the supply side of the labour market. Yet, even in the United Kingdom it is still only a minority of employers taking such measures.

If we compare the views and policies by employers in the four countries under investigation with their perception of the future labour market, one can conclude that there is a huge gap between what are perceived as general challenges ahead and actual policies within their own organisation. The results underscore that there is a difference between rationality at the macro level—as stressed by European policy makers—where society has to prepare for the consequences of demographic changes, and the rationality at the micro level of employers—as illustrated by the answer to the questions of our questionnaire—where little effort is made to structurally improve the position of older workers in the labour market. Unless policy makers will succeed in bridging this gap between macro and micro rationality all kind and lofty words on the role of older workers and the necessity to use their talents run the risk of remaining empty rhetoric, good ideas without hardly any practical follow up.

EU-policies are build on the idea that the prospects of future older workers will depend on the capacity of governments and social partners to make a success of lifelong learning. Investments in the human capital and the employability of workers who are currently in their forties or fifties may (at least partly) prevent future problems with older workers' productivity and the need for (expensive) repairs of productivity shortages at later age. Unfortunately, in the United Kingdom where employers can be considered to be relatively 'friendly' for older workers, only a very small minority of employers holds themselves primary responsible for lifelong learning. However, in the other countries under investigation employers do see a task for themselves when it comes to lifelong learning. This looks encouraging and may present a starting point for a successful common approach. Nevertheless, European employers and their organisations are by far not ready yet to accommodate the ageing workforce.

Appendix 1.

Percentage of employers that consider characteristics applicable or strongly applicable to workers younger than 35 and workers 50 years and older^a

The Netherlands

(Strongly) applicable	Workers 35 years and younger	Workers aged 50 years and over	Difference
Social skills	26	76	50
Reliability	41	88	47
Commitment to the organisation	39	83	44
Accuracy	34	77	43
Customer-oriented skills	47	73	26
Mental capacity	62	40	-22
Productivity	77	40	-37
Creativity	66	25	-41
Flexibility	73	24	-49
Willingness to be trained	86	9	-77
Physical capacity	87	9	-78
New technology skills	92	8	-84

The United Kingdom

(Strongly) applicable	Workers 35 years and younger	Workers aged 50 years and over	Difference
Social skills	55	89	34
Reliability	54	96	42
Commitment to the organisation	44	92	48
Accuracy	65	88	23
Customer-oriented skills	62	87	25
Mental capacity	80	79	-1
Productivity	73	82	9
Creativity	70	61	-9
Flexibility	70	70	0
Willingness to be trained	90	54	-36
Physical capacity	91	55	-36
New technology skills	90	38	-52

Greece

(Strongly) applicable	Workers 35 years and younger	Workers aged 50 years and over	Difference
Social skills	68	79	11
Reliability	66	83	17
Commitment to the organisation	58	83	25
Accuracy	64	71	7
Customer-oriented skills	75	69	-6
Mental capacity	88	75	-13
Productivity	86	53	-33
Creativity	84	40	-44
Flexibility	74	45	-29
Willingness to be trained	90	42	-48
Physical capacity	92	35	-57
New technology skills	88	23	-65

Spain

(Strongly) applicable	Workers 35 years and younger	Workers aged 50 years and over	Difference
Social skills	53	82	29
Reliability	51	83	32
Commitment to the organisation	37	80	43
Accuracy	62	73	11
Customer-oriented skills	61	76	15
Mental capacity	85	73	-12
Productivity	78	69	-9
Creativity	82	45	-37
Flexibility	70	48	-22
Willingness to be trained	88	30	-58
Physical capacity	93	32	-61
New technology skills	90	27	-63

^a Based on two questions 1. "To what extent are the following characteristics applicable to employees aged 50 years and older? 2. To what extent are the following characteristics applicable to employees younger than 35 years? (answers categories 1 'not applicable, 2 'little applicable, 3 'applicable', 4 'strongly applicable'. Percentages in the table indicate the difference between the percentages applicable and strongly applicable 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: FAIR PLAY Employer survey, 2005.

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The study on employers' attitudes and behaviour with respect to older workers presented in this volume is part of the ESF-funded project Fair Play for Older Workers. This project aims at improving the position of older workers in European labour markets. Partly, by analyzing the causes for their disadvantaged position, but also by developing programmes helping employers to recognize and overcome their prejudices. But employers are not the only target group of the project. Part of the project's initiatives involves training older workers for a 'second career' in the labour market.

Four countries of the European Union participate in Fair Play for Older Workers: the United Kingdom, Spain, Greece and the Netherlands. From each of these four countries employers were selected to participate in the research part of Fair Play. They were asked questions about the ageing of their staff, the consequences of an ageing staff, personnel policies with respect to older workers, about future labour market shortages and how to handle these and about the effectiveness of government policies to deal with an ageing labour force. The results show large differences between the four countries, not only with respect to the degree of ageing, but also with respect to employers' responses. Only the United Kingdom seems more or less fit to face the challenge of an ageing labour force.