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Employers not Prepared for an Ageing Labour Market

CHANTAL REMERY, KÈNE HENKENS, JOOP SCHIPPERS, PETER EKAMPER

The Dutch labour market is ageing rapidly. Dutch employers who face an ageing workforce tend to associate this primarily with rising labour costs without the benefit of a rise in productivity. Employers are making very little effort to retain older workers, even those who face staff shortages. These are the findings of a recent study carried out by Utrecht University and NIDI among more than 1,000 employers.

The population of Europe is ageing. In 25 years' time, the 65-plus population in the countries of the European Union will have increased by 50 per cent, and in 50 years' time it will even have doubled. The ageing process has implications for the composition of the labour force, which will also age. Whereas about 20 per cent of the labour force in the EU was over 50 in 1995, this will have risen to about 30 per cent between 2020 and 2025. The percentage of older workers in the European labour force is expected to decline after 2025 because the relatively large generation born around 1960 will have left the labour market by then.

The Netherlands

The Netherlands also faces an ageing population (see Figure 1), in terms of both the total population and the labour force. An ageing labour force means both an increase in the average age of the working population and a growing percentage of older workers. Whereas the greater part of the male labour force was 30-34 years old in 1981, most male workers will be 50-54 years in 2020. Measures designed to retain older staff could raise their numbers even further.

The ageing of the labour force has so far been partially offset by the large-scale retirement of men around the age of 60. The trend towards ever earlier retirement appears to have come to a standstill, however. The labour force participation of men aged 55-59 years, for example, rose from 60 per cent in 1995 to 69 per cent in 2000. The same is true for the female labour force. The rising number of older female workers may be explained by the fact that successive cohorts of women are remaining in the labour force for longer periods of time as well as the fact that they are increasingly re-entering the labour market after a career break.

Industries

In the Netherlands the pace of ageing of the labour force differs from company to company and from one industry to the next. Over 60 per cent of all Dutch companies and organisations were established less than ten years ago. Their staff histories are therefore relatively short and they tend to have a young workforce. On the whole, workers who have been in the labour market for a prolonged period of time have established positions and are therefore not very li-



photo: Marcel Minnée

kely to offer their services to young organisations, which still need to 'prove themselves' economically and socially. Newcomers in the labour market, on the other hand, have little to lose and often feel young organisations offer them better career prospects than established organisations, which tend to be rather rigid and where the cards have been played. Even young organisations that actively strive to reflect the age distri-

Table 1. Expected consequences of a substantial rise in the average age of the workforce (%; n=1019)

Consequences	Percentage of employers answering:			Total
	(Highly) unlikely	Neutral	(Very) likely	
Increase in labour costs	7	20	73	100
Greater resistance to change	12	31	57	100
Increased absenteeism	9	35	56	100
Increase in know-how and experience	14	30	55	100
Review of way in which work is organised	17	31	52	100
Need to improve working conditions	14	36	50	100
Less enthusiasm for new technology	16	34	50	100
Fewer conflicts within organisation	30	55	15	100
Negative impact on organisation's image	40	45	15	100
Increase in productivity	52	41	7	100

Figure 1. Population of the Netherlands by age group, 1950-2050 (from 2000 population forecast 1998, medium projection)

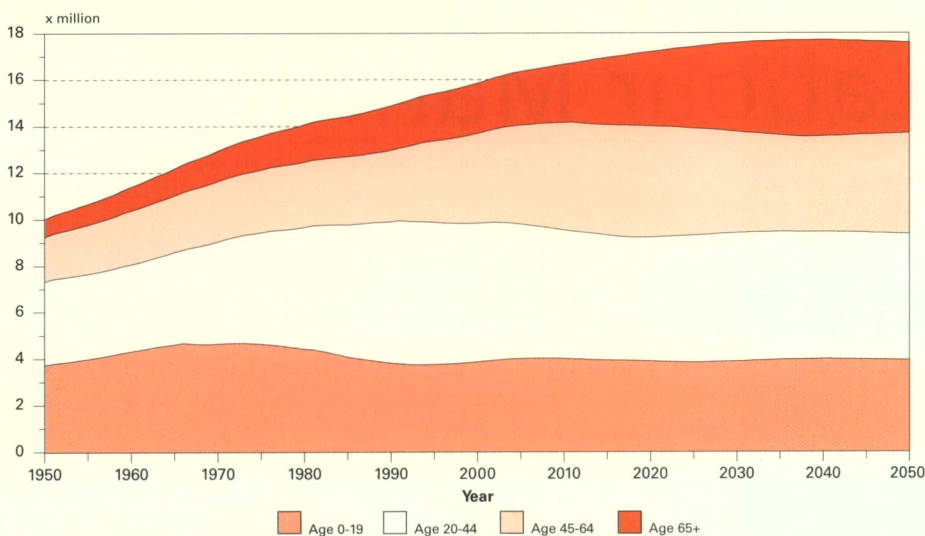


Figure 2. Working population by sex and age in 1981, 2000 and 2020

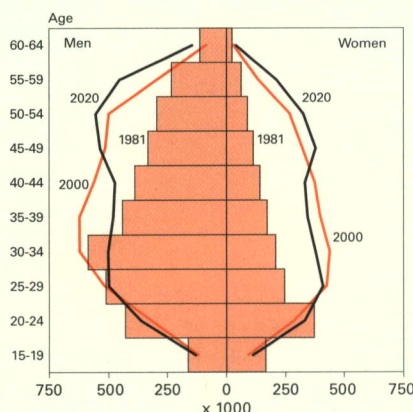
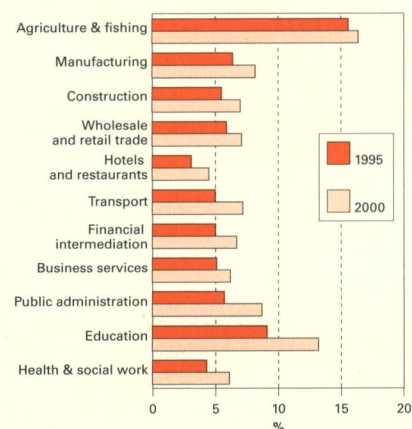


Figure 3. Percentage aged 45-64 by economic sector, 1995 and 2000



Source: Statistics Netherlands.

tribution of the total labour force tend to have a young workforce as a result of the actual labour supply. Companies and organisations that employ relatively large numbers of women are also younger given that the labour force participation of women is still lower than that of men in the older age groups (see Figure 2). Established companies will therefore face a replacement demand earlier than younger companies, when a substantial proportion of their workforce reach the age of 50, or the age of retirement or early retirement.

As shown in Figure 3, agriculture and education tend to be relatively old industries. More than 10 per cent of the workers in these industries are aged between 55 and 64 years. The public sector is also confronted with a rapidly ageing workforce. In 2000, nine per cent of civil servants were 55 years or older, compared with six per cent in 1995, a 50 per cent increase. Industries with relatively young workers are the hotel and catering industry, trade, and, to a slightly lesser extent, business services.

Pressures and dilemmas

The number of over-65s in the Netherlands will not increase until around 2010, when the immediate post-war birth cohorts reach retirement age. Until that time, population ageing will mainly affect the labour market. A strong growth in the demand for health care is not expected until the third decade of the 21st century, when the post-war baby boomers will approach the age of 80.

The labour market implications will have a *quantitative* and a *qualitative* dimension, both at the macro level of the labour market as a whole and at the micro level of individual organisations. The quantitative dimension addresses the question whether there are, and will be sufficient employees to occupy all available jobs, and what the implications of the new labour supply/demand situation (fewer available young workers and more available older workers) will be for wage structures and wage trends. The qualitative dimension addresses the question whether sufficient *suitable* employees can be found to occupy the jobs available, for example in terms of the

know-how and skills required. The management of certain individual companies and organisations face problems because the most coveted jobs are occupied by older workers, thereby blocking the way for younger workers to move up the career ladder. This makes these organisations less attractive for young employees. This may also be explained in part by the relatively unfavourable image of the public sector among many young workers. Universities, too, are suffering from a poor image in this respect. They have, however, recently announced their intention to implement measures designed to improve the professional and career prospects of young scholars. NIDI and Utrecht University have jointly studied how employers are responding to the expected future situation. Are they implementing specific policies in this area, or do employers still see it as a relatively abstract problem?

Implications of an ageing workforce

More than half of all employers studied, in particular those in large-scale companies and organisations, expected an increase in the percentage of older workers in their own organisations in the coming ten years. As shown in Table 1, no less than 73 per cent of all employers tend to associate an increase in the average age of their workforce with higher labour costs. A mere seven per cent of employers found an increase in productivity likely or very likely and more than half the employers found it unlikely or highly unlikely. Employers also tend to look upon older staff as employees with a high level of absenteeism (56 per cent) and a resistance to change (57 per cent). Half the employers studied also felt that the way in which work was organised would have to be reviewed, that working conditions would have to be improved and that older workers showed little enthusiasm for new technology. A small group of employers felt that an ageing workforce would have a negative effect on the company's image. More than half the respondents, however, expected that an increase in the average age of their workforce would result in an increase in know-how and experience. Fifteen per cent believed that an ageing workforce would lead to fewer conflicts.

Measures designed to hold onto older staff

Employers were found to implement a number of measures as part of an age-conscious personnel policy (see Table 2). The most widely implemented measures were measures aimed at accommodating older staff, such as ergonomic measures, additional leave/increased holiday entitlement for older staff, early retirement or part-time prepension, flexible working hours and the introduction of age limits for irregular work and working overtime. Reducing older workers to a lower rank and a loss of salary, commonly known as demotion, was hardly implemented. The most widely implemented measures tend to be the ones that 'spare' older workers – fewer obligations and more privileges – such as exemption from irregular work or shift work and workload reduction. These measures are often costly and reduce the employability of older staff. As a result, employers are

little inclined to implement expensive measures for all their older workers; they tend to reserve this privilege for employees that are of particular value to the organisation. Our analyses have shown that organisations with relatively large numbers of highly educated staff tend to be most likely to have a comprehensive age-conscious personnel policy. Apart from the measures aimed at this particular category of employees, most incentives are designed to encourage older workers to stop working rather than giving them the feeling that the organisation is trying to keep them on the staff.

Are employers investing in retaining older workers and in increasing their resilience and flexibility? To what extent do they find training programmes for older staff relevant and useful? One fifth of the employers in the survey said they were already investing in measures of this kind, and almost half said training programmes topped the list of measures they would consider implementing in the near future. This could indicate that the concept of sustainability, in this case the sustainability of human capital, is gaining ground. Having said that, actual policies in this area are slow in materialising.

Staff shortages

It is clear that in general the issue of retaining older staff has not been placed high on the list of priorities by companies and organisations, even in the face of possible labour shortages. At the time of the survey many organisations were having problems recruiting and retaining staff, not only in jobs that require a high level of education and specialist skills. More than a third of the employers faced staff shortages at various job levels. Do employers believe that older workers could provide a solution to their staff shortages? The survey results show that this is hardly the case. They tend to resort to other solutions to solve their staffing problems, such as recruiting women and the introduction of flexible working hours. Employers' opinions about older workers were less favourable in organisations that employed a relatively large number of older staff, and organisations with a small percentage of older staff held more positive views. This suggests that the group who are – in principle – best informed have the least favourable opinions, and that these views are the result of a real lack of productivity among older staff. And this means that if the productivity of older workers is not improved, employers will opt to recruit employees from other age categories.

In conclusion

Older workers are not really considered a force to be reckoned with. This is reflected in the fact that whilst an ageing workforce is expected to result in additional labour costs and the need to make certain organisational adjustments, it is not expected to raise productivity. The relatively unfavourable status of older staff is reflected in the way in which organisations plan to deal with the growing problem of labour shortages. Older workers tend to be left until last. Moreover, the lack of coherent and systematic attention to the situation of older staff within most personnel

Table 2. Degree to which employers are implementing measures, or are considering implementing measures aimed at retaining older staff (%; n=1019)

Measure	Is being implemented	Is being/will be considered	Will not be considered
Part-time early retirement/part-time prepension	51	27	22
Additional leave/ increased holiday entitlement	62	21	17
Prolonged career interruptions	12	34	54
Age limits for irregular work	35	22	43
Exemption from working overtime for older workers	34	32	34
Flexible working hours	47	32	21
Training programmes for older workers	21	46	33
Reducing workload for older workers	41	44	15
Reducing older workers to a lower rank and a loss of salary (demotion)	7	38	55
Ergonomic measures	65	22	13

policies shows that older workers are not an issue. Despite the 'grey wave' that is about to inundate the labour market, individual employers do not seem to have a sense of urgency that they need to anticipate and act on this development. There appears to be little awareness of the phenomenon that a whole host of organisations are ageing rapidly and will at some point – some earlier than others – face the problem of meeting the replacement demand. Nor are most employers aware of the fact that in the years to come they will depend more strongly on older workers to meet their labour demand, and most of them are ill-prepared for this change.

- Remery, C., K. Henskens, J. Schippers, A. van Doorne-Huiskes, P. Ekamper (2001), *Organisaties, Veroudering en Management: een onderzoek onder werkgevers* [Organisations, ageing and management: a survey among employers; in Dutch], The Hague: NIDI. NIDI report 61.

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