

# Managing ageing workforces: Empirical evidence from Germany



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**Demographic change (ageing populations and falling birth rates) affects all industrialised nations, including Germany. Traditionally, the problems associated with managing numbers of older workers were mitigated by the Altersteilzeitgesetz in Germany. Under this law, firms were offered financial support by the government to offer early retirement (Müller-Camen *et al.* 2009). As these provisions came to an end in 2010, the need to find alternative solutions to displacing older workers, as well as ensuring their better integration into the organisation, should have become a more pressing challenge for German companies. Additionally, studies suggest that the long-term use of early retirement, as a displacement tool, has led to the creation of an early exit culture, whereby older employees expect to be offered early retirement and will be resistant to working after sixty years of age (Teipen and Kohli 2004). Having said all this, studies focusing on demographic change in Germany posit that, despite the fact that German managers are aware of the problem of demographic change, they do not perceive it to be a matter of urgency (Kirpal and Kühl 2006; Müller-Camen *et al.* 2009; Thun *et al.* 2007). Indeed, researchers suggest that firms are not doing enough, or even anything, to prepare themselves for the changes in labour market demographics.**

Whilst the extant literature on managing demographic change in Germany has made a valuable contribution to the understanding of how German organisations perceive the problem, and apply themselves to the associated challenges, it suffers from an important weakness, namely the lack of attention to the analysis of demographic change at the organisational level. There is a dearth of empirical, particularly qualitative, studies on the management of demographic change in Germany, both in English and in German. In addition, the disseminated work on organisational impacts on demographic change tends, on the whole, to be largely prescriptive. Aside from research carried out by Müller-Camen *et al.* (2009), Streb *et al.* (2009) and Thun *et al.* (2007), the majority of articles published on managing the ageing workforce in Germany are also based on secondary source data.

Based on over thirty qualitative interviews with German HR professionals, this research attempted to address the following question: How is demographic change affecting German companies? What emerges is a continuing reliance on early retirement, combined with a continued early exit culture. Moreover, the research establishes the development of a paradoxical situation, where managers struggle to find a balance between creating an older employee-friendly workplace and encouraging new blood into the organisation through the recruitment and training of new workers. Finally, underpinning all this is a perspective on these

demographic challenges, held by many German managers, that simply fail to grasp the depth of the issue.

The first task was to indicate whether or not managers were aware of the problems associated with the demographic shift and whether or not these issues already had implications for their organisations. When asked, every company, except one agreed that their firm had already been affected.

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The extent workforces were ageing became clear as the average age for the three sectors was forty-three years old.<sup>1</sup> On the one hand, forty-three may appear a reasonable figure for the average age of a workforce.<sup>2</sup> If, on average, employees begin their working life as a trainee aged eighteen and continue to work until their early sixties, then the mean age of employees would be around the mid-forties. This is in line with Henseke *et al.* (2009), who argued that the largest group of employees in a firm is neither the oldest nor the youngest workers.<sup>3</sup>

Steel, chemicals and utilities companies had targeted older workers for early retirement during the 1990s and early 2000s and offered generous severance packages. These years were characterised by managers across the three sectors as periods in which their companies underwent widespread reorganisation, accompanied by cuts in staffing numbers. However, in the present period, the steel firms, which had the greatest numbers of the older workers, also had the largest percentage of workers aged fifty-five and above. The most common reason given by managers for a greater number of older workers in the steel sector was linked to good progress in the past, when large numbers of low-skilled workers were taken on during boom times. Evidently, despite the existence of the state-funded early retirement provision, the *Altersteilzeitgesetz* had still not displaced workers quickly enough in line with the incremental ageing of the workforces.

As far as reducing the number of older workers was concerned, the majority of firms were still using early retirement, despite the end to the *Altersteilzeitgesetz* in 2010. In almost all of the steel and chemical firms, older employees were still offered an early retirement route; this was less

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widespread in the utilities sample because firms were smaller and the number of older workers was lower. Continuing with early retirement after 2010 was perceived by many interviewed as a costly solution to the issue of accommodating an ageing workforce; nonetheless, many managers said that their firm had agreed to continue offering it because they had not yet found a suitable alternative. This called into question the extent to which companies, trade unions and the state were tackling the matter of the ageing work force effectively.

In addition, the strong early exit culture had not shown signs of becoming less entrenched. Indeed, the continued existence of a strong early exit culture was frequently cited in the

<sup>1</sup> To put these figures into context, Dixon (2003) estimates the average age of the UK workforce to be thirty-nine years. This variation between Germany and the UK is consistent with Frerich and Taylor (2005), who argued that the German working population will age faster than the working population of the UK.

<sup>2</sup> Workers in the steel sector, with a mean age of 44.4, were the oldest. In the utilities firms, the average age was 43.1 years and, finally, the chemical organisations had the lowest mean age of 41.6 years.

<sup>3</sup> On the other hand, in view of the fact that the German working population should age faster than the working population of the UK (Frerich and Taylor, 2005), it is to be expected that the average age of German employees would continue to rise.

fieldwork interviews as a defence for continuing with the practice of early retirement over the interim period. Managers reported a limited turnaround in the attitude of the older members of the current workforce to embrace a longer career. Workers still wanted to finish early and, amongst those who continued to work into their late fifties and above, managers complained that there were issues of apathy towards up-skilling and a tendency to want to take work at a slower pace.

In most firms, managers stated that effective instruments to fight against the apathy and slow work pace of older workers were not available to them. In the majority of steel and chemical firms, training for older workers was not offered, but during the interviews at both firms, managers spoke at length about a lack of motivation being heavily entrenched in workers over sixty. White-collar staff aged fifty-five and above, in contrast, continued to receive training. In the first instance, nonetheless, they received less training than their younger counterparts and, in the second instance, this training was often informal and ad hoc. White-collar employees were trained in computer-related tasks, for example, new operating systems or finding data on company servers. In many cases, these kinds of training needs were self-reported and enquiries for training by-passed the HR department because, especially in administration, older employees simply asked younger staff for assistance.

The empirical findings did not indicate a sectoral difference between the attitudes of older workers, towards upskilling. Managers in all sectors recognised a lack of motivation and apathy to working past the age of sixty in their elderly employees. What was interesting, however, was that it was agreed by most HR managers that decreased motivation amongst older workers was not a problem that was likely to persist and, despite the academic literature, managers posited that in the future much of this apathy would disappear. Managers saw these barriers to working after fifty-five as being a generational issue which would come to an end with this final generation of older workers. This issue of an anticipated shift towards more self-reported (demand-led) training needs assessments and a greater acceptance of training repeatedly came up in interviews in all three sectors. Managers stated that the focus of their company was on creating new organisational norms which reflected longer working lives.

Across the three sectors, a common problem seemed to be that many employees in their fifties and sixties did not have the skills to work effectively elsewhere in the company. This finding was not surprising because training for older workers was not being offered. Managers reported that the problem of a lack of skills was one area which would require the most attention in the future. Managers argued that offering early retirement to older workers had meant that firms could focus their attention on up-skilling for workers in their thirties and forties. With early retirement no longer being a viable option for companies, most managers thought that targeting the skill levels of the over-fifties and making them understand and accept the importance of life-long learning was to increase in importance. Nevertheless, none of the managers were able to outline tangible organisational plans to introduce more training for employees aged fifty-five and above. Here an explicit tension between the views of German managers and their actions can be highlighted; although recounting that older workers present a variety of motivational and skill-based problems, organisations had no dedicated programmes for understanding the problems or dealing with them. Hence, the findings, so far, seemed to concur with the literature.

A further pertinent issue for organisations was related to the previous widespread practice of early retirement. With increasingly fewer cost-effective measures for displacing older workers, firms realised that this meant that workers had to be accommodated for longer working lives, resulting in an incremental decline in the number of vacancies for new workers entering the firm. As vacated positions in the firm disappeared, and no new jobs were created in their place, there would be increasingly limited vacancies for newly qualified apprentices. HR managers reported that they were finding themselves already in a position where they had to consider accommodating older employees over recruiting new workers because it was more difficult and expensive to dismiss workers who had been with the firm for a long time. When job cuts would have to be made, they would find themselves forced into the situation where they would have to choose to save the jobs of the older employees over recruiting new, younger staff or offering more trainees a permanent job.

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Hence, perhaps the most serious aspect of managing demographic change within the firms in the sample consisted of the inherent paradox surrounding the older and the younger members of the workforce. It is important to indicate that the management of demographic shifts does not only include the consideration of older employees, but also the preparation for a decline in the number of young people to enter the labour market. Evidently, German managers are aware of this, but yet again, empirical evidence indicated that there was little active response.

The important implications for young persons in German organisations become further underlined when the implications for apprenticeships are considered. The apprenticeship system is highly regarded as a contributory factor to the success of the German Model, and in the majority of cases, despite economic downturn, firms had continued to train apprentices despite the fact that they were already no longer in a position to retain them all. Even though German firms received some financial incentives from the government if they agreed to offer apprenticeship training, managers denied that this drove their company to continue to train beyond their needs. Instead, training continued to be presented as a matter of having a responsibility to the stakeholder. This might be understood as a cultural or institutional causal mechanism deeply woven into the German stakeholder system, and remaining causally efficacious despite the slow decline of this system.

If the paradox continued, which, as many HR managers argued, was likely to become more and more the case as the firms stopped offering early retirement completely, then the apprenticeship system could disintegrate as less and less opportunities for offering vacancies to the newly trained were available or, even, there apprenticeships themselves became severely limited.

### *Conclusion*

As the empirical findings indicate, the fact that changes in German law now mean that older workers can no longer be pensioned-off by the age of sixty five, has created rather disquieting tensions within German business. On the one hand, and consistent with the literature on demographic change, German companies face relatively urgent problems associated with a rise in the average age of workers, such as health issues, apathy amongst older workers, a loss of skills and know-how when people retire and a decline in the supply of new skilled workers as

the birth rate drops. On the other hand few managers, especially in the steel and chemicals sectors, felt confident that they had designed relevant instruments do deal with these problems. Given the continuing reliance on early retirement, and the emergent issue surrounding the paradox between choosing old over young, it would seem that German firms have a long way to go to be fully prepared for the growing problem of managing demographic change.

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