



Research insight

# The ageing world

## Exploring the response of employers



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# Background to the research and methodology

In 2007 the CIPD was asked by the Ministry of Manpower (MOM) in Singapore to research the issues facing Singapore employers in addressing an ageing population and to deliver a report exploring the issues faced by employers – illustrated with a selection of sector and employment policy-relevant case studies.

This report provides a summary of the global older worker agenda and focuses on the key issues surrounding older workers to fit into the Singapore Government's approach:

- responding to demographic pressure
- combating prejudice about attitudes and skills
- challenging myths and stereotypes, particularly on physical capability
- retaining corporate memory.

The report has been informed by a series of meetings and focus groups held in Singapore with MOM officials, members of the tri-partite alliance of government, unions and employers, and HR directors and senior managers from the following sectors:

- manufacturing (including high-tech)
- healthcare
- food and beverage production
- hotels
- public sector (including education and defence)
- transport
- finance.

The focus groups were designed to:

- scope the issues currently faced by Singapore employers – particularly their key business concerns
- understand the challenges employers anticipated they would face in the future
- explore their perspectives and awareness of ageing workforce issues.

We then carried out an intensive desktop-based search for existing examples of good practice (case studies) and evidence of employer and government responses from around the world. All case study examples included in this report have been derived from existing published sources and in each case we have duly acknowledged this original source and have included a comprehensive reference.

## **Freda Line**

Diversity Adviser

At first sight there might appear to be few similarities between Singapore and the UK.

Singapore/UK differences:

- The UK is nearly 94,000 square miles in area; Singapore is under 270.
- Singapore has a population of 4.6 million, while the UK is 12 times larger.
- Singapore is located just 60 miles north of the equator, while the UK is more than 54 degrees north.

But in fact there are many similarities:

- They are both islands.
- Lots of languages are spoken, but English is the main language of business and communication.
- The proportion of workers aged 50 and over is similar.

The issues of employment and HR management, however, demonstrate just how alike the two countries are. Both countries face a major challenge in tackling an ageing population – an issue affecting much of the world.

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# 1 Introduction

**This report explores a particular aspect of employment – the ageing workforce. This section looks at the challenges facing countries and employers as a result of demographic change and will briefly explore some policy responses from around the world.**

Later sections look at how Singapore employers and their global competitors face similar issues:

- finding the best people
- how to motivate and engage older employees
- making the most of an ageing workforce.

We have sought out case study examples from around the world to illustrate how employers in other countries are tackling these issues. There are many sources of information – referenced at the end of this report. But we would particularly like to acknowledge the European Foundation for the Improvement of Living and Working Conditions, from whom many of the case studies are derived.

Before we look at the good practice evidence, it is useful to consider the broader context.

## Global context

There is an enormous amount of literature from around the world addressing the challenges of demographic change and the ageing population. The evidence is clear that even in the Asia-Pacific region – once thought of as young and developing economies – the issues are the same.

Just a couple of years ago a report from IBM (2004) looked specifically at ‘the graying of Asia Pacific’s workforce’ and identified concerns for four industrialised nations:

- Australia faces a potential workforce crisis.
- Japan is facing a severe demographic crisis.

- China may soon encounter a similar set of demographic challenges.
- Korea will confront an ageing population in the not too distant future.

A major report from the ILO (2006) states, *‘The rapid ageing of Asian societies has very serious implications which, unfortunately, do not seem to have received the attention they warrant. By contrast with already affluent industrialized countries, where the phenomenon of population ageing has been the subject of much policy analysis and concern. An additional worry is that Asian countries will have to cope with ageing populations on income levels far lower than those yet witnessed in any society with comparable degrees of ageing.’*

The share of the working-age group (15–59 years) in Asia is expected to drop from 61% in 2000 to 58% by 2050, which implies that labour supply could shrink in many countries within the next 50 years. In Japan, the share of the most productive age group in the population could fall from 64% in 2000 to around 55% by 2025, and to around 49% by 2050. China, Singapore and Sri Lanka may follow suit, albeit to a lesser extent, during the second quarter of the twenty-first century. On the demand side, there will be a shift towards services and products for older persons, but there may be a shortfall of local workers prepared to enter this market.

Asia’s readiness for an ageing population is decidedly mixed, according to an International Monetary Fund working paper (Heller 2006). Most Asian countries are pursuing policies supportive of rapid income growth that will increase the amount of income available to finance higher living standards while their populations age. But the IMF working paper argues that it is in the sphere of social insurance for pensions and health and the labour market where effort is still needed to create a policy framework that can accommodate the challenges of an ageing population. With the exception

of Singapore, there is little evidence of policies to create incentives for a longer participation in the labour force.

Korea is about to undergo profound changes (Howe et al 2007). Government budgets will come under considerable pressure from rising expenditures on pensions and healthcare. Businesses will have to cope with a deficit of entry-level workers and young consumers, while families will have to cope with a surplus of frail elders. Unless Korea takes adequate and timely steps to prepare, it could face a future of slower economic growth and stagnating living standards.

- legislation to counter age discrimination
- awareness-raising campaigns among employers
- guidance and training programmes targeting older workers
- advice and guidance for employers
- employment placements
- support for labour market intermediaries
- employment incentive schemes.

The JRF report notes that policy-making on age and employment is most developed in Australia, Finland and Japan and least developed in the USA. It found that key

The literature reveals that, worldwide, the issues are similar. These can be summarised as:

- life expectancy is rising fast as mortality rates lower and as living and working conditions improve
- increased pressures on society as the dependency ratio worsens (that is, the number of active employed workers able to support the number of inactive older people)
- the number of available younger workers is reducing mainly due to higher levels of education and an associated decline in birth rates
- anticipated higher living standards in retirement and increasing pressure on pension and health insurance systems
- age discrimination is a misunderstood and often hidden factor in the operation of the labour market, with employers tending to be institutionally prejudiced against not just those nearing retirement age, but also younger workers. CIPD research into age discrimination provides some useful evidence on this (CIPD 2007).

The Malaysian Employers' Federation (Ismail 2008) has confirmed its belief that only by raising the retirement age to 60 can the country become less dependent on foreign labour.

Many countries have in the last decade or so initiated major programmes to tackle retirement provision, pension reform and improving labour market participation of workers over 50. A useful summary of the issues was produced in the UK by the Joseph Rowntree Foundation (JRF) (2002), which investigated how policy-making towards older workers is developing in Australia, Finland, Germany, Japan, the Netherlands and the USA. These countries have policies targeting older workers, including:

- removing previous incentives to early retirement
- encouraging later retirement and flexible retirement

drivers for policy development have been concerns about labour shortages (Finland and Japan) and the funding of public pensions (Japan and the USA) and lastly, the recognition of age as an equality issue (Australia and the Netherlands). However, the report found relatively high unemployment, high levels of work intensity and a culture of early exit from the labour market in some countries has worked against the reintegration of older workers.

HR consultancy Mercer (2006) looked at normal retirement ages across 47 countries and found increasing social security costs and lower mortality rates have driven changes in retirement provision. Austria, Belgium and the UK are raising female retirement age. In the Czech Republic the retirement age has been going up by two months a year for men (and four for women) since 1996. Denmark and Germany propose lifting retirement age beyond 65 to 67.

In the Asia-Pacific region and Colombia retirement ages are also rising. For example, in Australia by 2014, the minimum qualifying age for women will be increased from 60–65 (according to date of birth) to a standard 65, making it the same for men and women. In India, under the mandatory Employees' Provident Fund and Gratuity Scheme the normal retirement age is typically 58 or 60 according to employer's choice but the trend has been towards age 60.

And Japan is gradually increasing the retirement age under Employees' Pension insurance from 60 to 65. For company-sponsored retirement plans in Japan, the normal retirement age is gradually being extended from 60 to 65 between 2006 and 2013. The Singaporean government's long-term objective is to increase the retirement age from 62 to 67 for men and women but it has not yet implemented legislation. In South Korea, the normal retirement age will increase from 60 to 61 in 2013 and then further by one year every 5 years until normal retirement age reaches a standard 65.

While in Colombia the normal retirement age will increase in 2014 from 60 to 62 for men and from 55 to 60 for women.

The UK Government is reviewing the default retirement age of 65 introduced by the age discrimination legislation in 2006 and it may well be removed in 2011, if not before, as the European Court of Justice is expected to rule on this issue in the near future.

Raising awareness with employers has formed a major plank in many national programmes. The UK's Age Positive campaign ([www.agepositive.gov.uk](http://www.agepositive.gov.uk)) is one example where government has chosen the route of employer education as a method of change. However, some would argue the success of this has been limited and that change has been more effectively encouraged by employer-led activity and campaigning. For instance, the UK's Employers Forum on Age ([www.efa.org.uk](http://www.efa.org.uk)) has been seen as a potential template for activity by many countries.

Some states have initiated more interventionist programmes. Finland has sought to drive the employability of older workers through proactive occupational health and job design policies (see section 5). Australia has seen different states, led by New

South Wales, encourage a change in employer attitude through a mixture of public policy programmes and employer education.

A Towers Perrin report (2007) revealed that G7 countries offer a variety of incentives to encourage older workers to stay on in the labour market or attract them back into employment:

- The US offers a wage subsidy for older workers to accept re-employment at a lower wage, where retraining may not be appropriate.
- Germany provides supplemental pay and social security contributions for unemployed workers who accept a job that gives them a lower income level.
- In Italy, workers over 50 have been included in the definition of 'socially disadvantaged workers', which means that work agencies get incentives to place them and employers receive social security payment reductions.
- Japan pays continued employment benefits to older workers who are rehired after reaching mandatory retirement age.
- The UK encourages older workers to continue working by allowing (state) pension to be deferred in return for higher pension income or a lump sum.
- Similarly Canada is changing its tax rules to allow workers to delay drawing pension benefits until age 71 (previously 69) under both employer-sponsored and personal tax-deferred savings programmes.
- In France, incentives have been recently put in place for increases to the government pension for continued employment.

**A particularly effective financial incentive to keep older workers in employment is to allow them to draw a full or partial pension while also earning a salary. This is known in some quarters as 'double dipping'.**

The UK has recently changed Inland Revenue regulations to allow this. It is too early to measure the impact of this as the introduction of these changes took place at the same time as anti-age discrimination legislation was introduced.

The European Union has agreed to delay the exit rate of workers aged 55–64 from the labour market by 50%. An important part of this is to emphasise lifelong

learning and improving workers' skills. People with low skill levels are twice as likely to be out of work and generally have shorter working lives. As we have seen, many EU states are rethinking their tax and benefit systems to encourage workers to remain in the labour market longer.

In a speech to a summit on 'Europe's looming demographic crunch' in Brussels in January 2008, Commissioner Joaquin Almunia warned that Europe risks becoming a less dynamic society, as potential growth rates are projected to fall significantly by 2050. This is driven by the fall in the size of the working-age population. *'The population drop in numbers of workers will be so dramatic that even if the EU reaches its Lisbon target of 70% employment we will still face reductions in the workforce and productivity will remain the only source of growth,'* said Commissioner Almunia.

### Employers' response

Since the mid-1990s the European Foundation for the Improvement of Living and Working Conditions (2007a) has been researching barriers and opportunities for age management among employers. The European Foundation argues that co-ordinated measures are needed for success, including:

- specific measures to combat age barriers or promote age diversity
- a comprehensive corporate approach, for example, flexible working hours combined with healthcare management

and that initiatives that benefit older workers tend to be relatively low cost.

As we will establish, employers around the world face comparable problems. The Finnish National Programme for Ageing Workers (FINPAW) (Amkil et al 2003) identified some of the following issues:

- early retirement of older workers and attitudes in favour of early retirement
- low employment rate of older workers
- weak re-employment of older workers
- weakening working capacity of older workers
- low education level of older workers
- prejudice and discrimination towards older people.

This is backed up by research from IBM (2004), which states:

*Many industrialised nations, having built their economies upon a workforce fuelled by one of the largest baby booms in recorded history are now finding a significant percentage of their workers approaching traditional retirement age. At the same time, many of these countries are facing flat, if not declining birth rates which reduce the number of new workers entering their labour force. While many countries around the globe are facing this demographic dilemma this problem is particularly acute in many of the major nations in the Asia Pacific region.*

### Singapore context

The Singapore Government's approach to employment policy has been to keep the law simple in order to enhance the country's inward investment potential and competitive advantage. However, the Government has developed the expertise and influence of the Ministry of Manpower (MOM), which over recent years has delivered 'soft sell' interventions married to high levels of support.

In Singapore, unemployment is presently at its lowest rate for almost a decade and labour shortages are putting pressure on employers and government alike. As well as announcing further relaxation of restrictions on the recruitment of foreign workers, particularly in the construction and manufacturing sectors, the Government has announced plans to increase the supply of high-earning skilled professionals (Ministry of Manpower 2007).

Singapore has a rapidly ageing workforce, where the proportion of the over-50s is set to rise from 22% in 2004 to 29% in 2015. This is comparable to the UK, where the proportion of the labour force between 50 and state pension age in the UK (65) is over 25% and set to rise steadily.

Since Singapore became independent in 1965, it has been hugely successful and has outperformed many Western economies. The economic growth in Singapore has been unparalleled. The growth of new knowledge-intensive and service-based industries amply illustrates how successful Singapore has been in leaving behind the historical legacy of the Second World War and post-War period.

Singapore has become a leading player among Asia-Pacific nations and has clearly established itself as a business hub. In particular, it has successfully attracted knowledge-based sectors – such as financial services – and has sought to develop specialist local expertise. The emergent economies of China and India mean that Singapore now has to work hard to maintain its leading position, let alone to grow.

**The attitude of both government and employers is crucial and a successful future is likely to require even greater co-operation to maintain Singapore's position. A May 2008 report from HSBC provides a positive signal, indicating that 44% of those below retirement are now in favour of increasing the retirement age. Thirty-seven per cent of retired people also favour raising the retirement age.**

The sophistication of Singapore employers should not be underestimated. It is clear from meeting over 40 senior managers and HR directors that Singapore employers understand the latest in management practice and are aware of all the major HR trends. While cultural issues such as avoiding loss of face and deference to seniors still exist, they are definitely on the wane as new generations of HR leaders and managers – often highly qualified and educated in the US, UK or Australia – take charge.

Singapore has built much of its success on attracting multinational corporations (MNCs) to operate there. The influence of these foreign-owned organisations has been considerable.

**UK and US organisations operate global strategies and a global approach to employment policies. They expect subsidiaries and business units based in Singapore to conform to standard operational processes and corporate behaviours in order to maximise performance and minimise risk.**

According to Yeung et al (2008):

*As firms become bigger and more global in business operations, they are more receptive to learning or copying international HRM practices or to receiving pressure from foreign partners or parent firms to adopt more systematic or progressive practices in their people management.*

The benefits to employers in this centralised approach are clear – order, clarity and consistency. But the spin-offs may have been less well recognised. Shared knowledge, better practice and different values are all driving changes in HR and management behaviours. Meanwhile, today's generation of employees have higher aspirations than their parents and increased expectations of fairness.

### **Managing an ageing workforce**

**There is a willingness among Singapore employers to hire older workers. Singapore Human Resources Institute (SHRI) research in 2007 showed a very positive response from Singapore employers to employing older workers, with over 50% saying they redeployed or retained workers over 62.**

An IBM guide on 'Addressing the challenges of an aging workforce' (2004) suggests that employers ask themselves the following questions to proactively address age-related issues within their organisation:

- What do you see as your company's key HR requirements in the next five to ten years?
- Does your company have a detailed understanding of its employee demographics and what key positions or job categories may be at risk in the near future?
- Has your company identified potential opportunities for attracting and retaining mature workers using part-time or alternative (flexible) arrangements?
- To what extent is the retraining and acquisition of new skills by mature workers part of your company's overall learning and development strategy?
- Does your company have a strategy in place to reserve critical knowledge before it walks out the door?
- How effectively are age-related issues addressed within your company's overall diversity strategy?

The success of both government and employer initiatives around the world has been mixed. Many interventions have had little impact, others have lost traction as personnel or business circumstances have changed or as the political climate has altered.

The age literature does provide some clear signposts for success for employer action:

- Employers do not tend to tackle just one issue at a time – good HR managers understand that workplace change requires joined-up thinking.
- Where change has been achieved it is most likely linked to a comprehensive, strategic and holistic approach, not a one-off intervention.
- Single-issue initiatives can make a difference, but they are unlikely to be sustainable long term.
- Pilot studies are key to ensuring success.
- Successful initiatives are those that engage employees at a very early stage, so ensuring any change programme is fit for purpose.
- Company-wide learning and understanding of age issues – to combat prejudice and raise awareness – is never a wasted investment.

**However, one other important factor to note is that older workers ‘can be their own worst enemy’ by conforming to and fulfilling stereotypes (see section 2). Despite this, there is evidence that older workers’ attitudes to learning or new circumstances can be changed and that the over-50s can adapt to new work environments.**

A recent Adecco Institute report (2008) provides some excellent guidelines for employers to use as they develop policies in this area of managing an age-diverse workforce. The report explored the issues facing employers in the UK, Germany, France, Italy and Spain and found that European business ranked demographic changes as one of their top three challenges.

The survey revealed that companies (40%) reported progress in analysing their organisation’s age structure in 2007, up by a third compared with 2006. Medium-sized firms have demonstrated the most significant improvement because of a growing realisation that to attract talent, they are competing with larger firms.

Evidence from this survey that more and more European employers are willing to hire and retain older employees has recently been confirmed by data from the UK’s Office for National Statistics, which shows that the number of older workers in UK employment rose by 8.8% from March 2007 to March 2008.

### **Conclusion**

**Singapore is not alone; many nations are now facing up to the realities of an ageing world. The problems are complex and require creative solutions that reflect the particular issues each country faces. At the same time, as we see in the next section, the issues employers face cross national boundaries and show remarkable similarity around the world.**

# 2 Age issues in the Singapore employment context

**This section looks specifically at the issues employers face, exploring in detail the question of stereotypes, the business case for older workers and the need to include within that business case arguments about older customers.**

Recent research from the Nielsen Company (2007) provides a good insight into older workers' attitudes and some of the challenges employers face – as well as some of the opportunities that could be maximised. In 2007, 36% of working adults in Singapore said that they would ideally like to retire by the age of 55, while

a minority (5%) wishes to remain in the workforce until they are 65 years old. However, research (HSBC 2008) shows these attitudes are now changing.

## Older workers in Singapore

Singapore employers are aware of age issues and were able to clearly articulate some of the standard labels that are generally attached to older workers. This was evident from the focus groups that the CIPD held in February 2008 with Singapore employers drawn from seven sectors, including manufacturing, healthcare, transport and finance. The groups identified the following:

### Labels attached to older workers

#### Negative labels

- inflexible
- can't learn new things
- not receptive to changes, fixed mindset
- stuck
- lack of skills
- slow, less productive
- not as efficient
- expensive
- incur high medical costs because of health problems
- unable to cope with physical demands and unfit
- difficult to manage
- stubborn
- no long-term vision
- poor IT skills
- poor level of education
- take things for granted
- expect respect
- not interested in doing overtime
- in slow-down mode
- think they know it all

#### Positive labels

- natural authority
- stable and don't job-hop
- good with customers
- patient
- have valuable institutional memory
- they can be a mentor/coach to younger people and be good role models
- lots of experience
- mature, dependable and reliable
- knowledgeable
- committed and loyal
- able to self-manage
- access to good networks
- better and more creative decisions
- resilient
- respect others and are gracious and polite
- disciplined
- good communication skills
- able to work part-time and flexibly
- don't have a 'top gun' attitude
- not overambitious
- accurate and honest

These stereotypical labels may be due in part to cultural drivers and further research to establish realities of attitudes and behaviour of different age groups would be helpful.

The findings of the CIPD focus groups confirmed research carried out by the Singapore Human Resources Institute (SHRI) in 2007. They surveyed 141 organisations from 20 different industries to scope reasons for employing older workers. The survey found that employers in general hold a positive attitude to older workers and, if given the choice between two candidates, more companies preferred to employ the older worker. The reasons given for employing this age group were:

- experience (83%)
- skills (67%)
- job fit (60%)
- maturity (57%)
- steady/disciplined (17%).

More than half of the respondents said they would retain older workers because they are productive and contribute to the business, while more than 80% of them didn't view the lower Central Provident Fund (CPF) contribution and the subsidies from the Government's ADVANTAGE scheme as attractive reasons for hiring older workers.

**When Singapore employers were asked to confirm the age someone becomes an older worker, responses varied greatly, ranging from about 40 to over 70.**

The honesty of some groups in acknowledging that definitions of 'older' are not confined to those near or over retirement age was helpful. It underlines the point that trying to increase labour market participation of older workers is not just an issue of encouraging people to think more positively about those in their 60s. Some employers felt that government training initiatives actually added to prejudice, since they sent a signal that people even in their 40s were 'no longer up to it'.

**An issue that came up repeatedly in the focus groups was ill-health and poor eyesight. It was unclear how much of this was based on**

**perception or in truth. Most groups mentioned eyesight problems.**

These findings were in stark contrast to recent research from the UK's Engineering Employers' Federation (EEF) (2008) which shows that manufacturers believe older workers to be a valuable part of their workforce, are more productive and have the required skills. The physical nature of manufacturing was not seen as a barrier.

More than half of the companies thought there was no difference in productivity between older and younger workers and just over a third said that older workers were more productive than their younger counterparts. Only 9% of employers thought that older workers were more likely to be absent from work.

New research from the USA has brought together information on the myths that surround older workers (Grossman 2008). In summary, the findings are:

- Older workers can cost more – if you take an economic perspective. However, there are arguments that these costs can be balanced by experience.
- According to the US Bureau of Labor Statistics, full-time workers aged 25–54 were absent at a ratio of 3.2 per 100, while workers over 55 were only marginally more absent at 3.6.
- There is some evidence that older workers require more hands-on support in training, but companies such as Borders (see the case study below) argue that if candidates can complete the online application form they are more than capable of mastering other technology.
- It is also a myth that older workers are marking time till they retire, with evidence that older workers are more committed.

#### **The business case**

Singapore does not have discrimination legislation designed to combat prejudice, so it was interesting to find that most organisations we met had an understanding of equal opportunity and diversity. However, they were unfamiliar with the business case for taking action.

When asked to extrapolate business benefits from positive perceptions of older workers, the focus groups required a lot of guidance. There is clearly an opportunity for MOM to develop the existing business benefits arguments further.

The focus groups found it quite hard to think about the business case of employing older workers. Initially, the groups cited positive attributes of older workers such as maturity, stability, responsibility, continuity, baby boomers with high skills and high language skills as well as being good at mentoring with good transferable skills. They acknowledged this could support succession planning and be a good source of labour. When challenged to identify organisational benefits, the focus groups cited lower recruitment costs, reduced training costs, less damage to equipment, lower uniform/ clothing costs. The groups also said the benefits of older workers being more responsible and experienced meant that there would be less down-time, reduced supervision costs, better product control and less wastage of product, improved customer relations and the ability to spot problems before they had occurred.

### The silver economy

A growing number of older people have more disposable income and the time and inclination to spend it – the silver economy (European Foundation 2008). Many businesses are poorly prepared for this clientele, who are looking for varied and tailored services and products that fit their specific circumstances.

**None of the Singapore employers mentioned customers or made the link between the ageing workforce and the ageing consumer. In the UK and elsewhere this link has been one of the most effective in encouraging employers to change policy and practice.**

There are many international examples of retailers, high street banks and others who have recognised that there are business benefits to be gained from reflecting their market. These include not just improving service, but being able to use specific age groups for targeted sales. Organisations have also found that employing older workers – as part of a mixed-age team – has facilitated innovation and creativity in the development of new products and services.

A company that understands the business case and targets older workers to reflect its customer base is the Border Group.

### Conclusion

**To avoid the tensions that can arise between business need and social policy, employers need to be supported in taking the lead on the issues of an ageing workforce. They need to be encouraged to overcome prejudice and develop their understanding of the business case – including the considerable benefits that arise from exploiting the ageing consumer population.**

## Border Group, USA

This bookstore conglomerate developed a business case for change after market analysis found a strong correlation between workforce demographics and the company's financial performance. Stores mirroring the customer base were the most successful. Customers over 45 generate half of all book purchases made in the USA.

Borders realised that by recruiting over-50s they could lower turnover costs – as turnover rate among 50+ workers is now six times less than for younger workers. Biennial surveys suggested that 50+ workers are drawn by flexible work schedules, medical coverage and the opportunity to stay connected to the community. This age group now makes up 18% of the company's workers.

Despite the physical requirements of positions that involve moving heavy cartons of merchandise and stocking shelves, the company has seen no measurable differences in productivity or injury rates between older and younger workers. According to Borders, the 'older workforce tends to be stable, knowledgeable and know the business'.

Source: Towers Perrin (2005)

# 3 Finding the best people

**This section focuses on one of the big questions always posed by employers when discussing older workers: 'Where can I find them?' It seems that employers sometimes have limited ideas about where they can search for talent. This may in part be due to the attitudes of their own recruitment team and agencies they use to identify suitable candidates – recruiters in many organisations tend to be young and may need to acknowledge their own bias.**

The case studies in this section include examples of good employer practice, as well as initiatives aimed at supporting worker employability and government activity targeted at the recruitment industry. A related question to the issue of 'where can I find them' is retention. We have therefore included a number of case studies covering flexible retirement and post-retirement re-employment.

## Finding talent

Attracting top-performing employees is a challenge faced by organisations everywhere but particularly in emerging markets such as the Asia-Pacific, according to the latest research from Watson Wyatt (2007). The report states that Hong Kong, Singapore, Taiwan and Japan have the most difficulty. One of the barriers to finding talent is the prejudice against older workers.

Evidence from the USA confirms that many negative attitudes and assumptions about older workers are false. The American Association of Retired People (AARP) (2008) found many reasons why older workers have appeal for employers, including:

- wanting to work and preferring to stay active and engaged
- they can fill temporary, seasonal or part-time jobs
- they can be flexible regarding work hours and locations

- they have a strong desire to apply their knowledge and skills to benefit society
- they have a strong work ethic and understand employer expectations
- they can serve as role models through their behaviour and values.

May 2008 research from the Department of Work and Pensions in the UK (Capibus Ipsos 2008) analysed the reasons for working on after retirement:

- Sixty-three per cent said they wanted to continue working for financial reasons.
- Fifty-seven per cent wanted to work because they enjoyed their job.
- Thirty-eight per cent said their jobs helped to keep their minds active and 18% said they would be bored if they stopped working.
- Thirty-two per cent said they did not feel old enough to stop working.

**All the evidence points to the fact that it is vital for both governments and HR to understand the personal drivers of individuals and particularly to be clear about what matters to older workers.**

According to recent research from Towers Perrin (2007), older workers want:

- to work flexibly, including opportunities to work from home or take a sabbatical
- training and skill development
- credits to pension benefits for delayed retirement, the ability to collect a partial pension while working or to be able to work as a contractor after retirement.

And employers need to deliver this by:

- aligning retirement programmes with (future) business needs
- providing an inclusive and discrimination-free environment that includes sensitivity to possible generational differences between managers and employees.

Ireland introduced age laws in advance of the UK and the rest of Europe. The negative experience of discrimination claims in Ireland led UK employers to make considerable efforts to ensure that they put policy changes in place to avoid similar risks when age laws were introduced in 2006.

CIPD (2007) research of a small group of good practice employers revealed they had removed age limits from their advertising content and omitted terminology such as 'dynamic' or 'mature', which could be perceived as age-related. Organisations such as HSBC had also replaced the requirement for a particular length of experience by seeking 'demonstrable experience' for the same reason.

A 2007 study from Ireland (Stratton and Lundström 2007) highlights some of the issues that employers face. It revealed that employment/recruitment agencies may themselves be part of the problem facing older workers. The main findings showed:

- Ageism is common to agencies, job-seekers themselves and employers.
- Employers are using agencies to screen out recruits on the grounds of age (and gender).
- Less well-educated male applicants are reluctant to be retrained.
- Employers are generally reluctant to hire executives over 45.

Learning points from this CIPD research provide some useful tips for employers, including:

- Consider whether the date of birth and other indicators of age, such as the dates for qualifications and work experience, are necessary on the application form.
- Remove the dates from CVs before passing them on to assessors.
- Ask for particular types of experience rather than length of experience.
- Discuss your needs with recruitment agencies and monitor their performance.
- Use objective, criteria-based assessment and selection techniques.
- Ensure that those doing initial screening do not know the applicants' ages.
- Consider using electronic or telephone screening techniques.
- Ensure recruiters and assessors are trained not to discriminate.

In response to skill shortages in the UK, many employers have changed their recruitment practices. In 2004, the Employers Forum on Age (EFA) – an independent employer-led initiative aimed at encouraging organisations to address the challenges of an ageing workforce – developed a template and guide to bias-free recruitment: *Avoiding the Age Trap*. The UK Government’s Age Positive campaign also encouraged employers to develop a new approach. Many well-known employers, such as Coca-Cola (see the case study below) took steps to amend policy and improve practice in recruitment.

Other companies in the UK have taken further steps. The financial services group **Nationwide Building Society** introduced telephone shortlisting very successfully as a way of reducing bias in the recruitment process (EFA (no date)). It has also used targeted advertising that excludes age bars.

#### **Innovative recruitment solutions**

One way of addressing skill shortages is to target retired workers. The MetLife Mature Market Institute (2007) report outlines four tactics for getting retired workers back into the workplace. These are:

- Create a network of former employees (alumni).
- Rehire retired workers indirectly when pension restrictions prevent direct re-employment – for instance, ‘leasing back’ former employees from an ‘employer of record’.

- Hire retired workers with special expertise to innovate on critical projects.
- Tap the expanding pool of older people seeking employment – paying particular attention to the working environment as part of the staffing strategy.

Innovative initiatives of recruiting older workers are demonstrated by the work of a number of temporary work agencies in Belgium (European Foundation 2004b). These initiatives were launched in response to the scarcity of older workers, aged 45 and over, engaging in temporary work. In 1995, for example, only 5% of all candidates registered with such agencies were older workers. This minority generally found work in the higher-qualified segments of temporary work, such as book-keeping, HR and engineering.

Specific targeting of older workers can also pay off – Fahrion Engineering provides a good example (see opposite).

### **Coca-Cola Enterprises Ltd, UK**

Changing demographics made Coca-Cola realise it needed to work with an age-balanced team to continue to grow its business. All of its employees already have the right to work beyond retirement age, and they do.

Coca-Cola has age-neutral application forms and an official equal opportunities policy that includes age. During the application process, the company focuses on skills and ability and uses competency-based interviews. When recruiting, it doesn’t specify age restrictions. It also:

- briefed, wrote guidance and set up a regular audit process with recruitment agencies
- eliminated references to years’ experience
- redesigned the application form and developed a CV template for its website.

*Source: Age Positive (no date).*

## Fahrion Engineering, Germany

In 2000, Fahrion, a medium-sized metal and machinery business, began to focus on the recruitment of older, highly qualified engineers. This strategy became necessary because it was hard to find suitable staff, partly because of the company's very specific qualification requirements and due to skills shortages in the area. The company posted a job advertisement explicitly appealing to older engineers, foremen and technicians, reading: 'Too old at 45 – superfluous at 55?' In response, the company received over 700 applications and hired 19 engineers (mostly unemployed), of whom 15 were older than 50. Since then the company has not needed to advertise nor has it had any recruitment problems, as it is still drawing from the applicant pool it generated at that time.

Fahrion offers only permanent contracts, demonstrating the value it places on the work and experience of all employees and that it wants to retain them for as long as possible, regardless of age. The company also has a performance-based pay scale that does not take employee age into account.

*Source: European Foundation (2006)*

Another example of innovative recruitment can also be found in Germany.

## Segmüller, Germany

Segmüller values the qualities and experience of older employees and believes that older members of staff are particularly suited to jobs in furniture sales. Some 21% of the 1,300 sales staff are aged between 40 and 50. Twenty-three per cent are aged over 50, including some over 65. In the Weiterstadt branch alone, more than half (56%) of the workforce is over 50 and a further 18% is between 40 and 50 years of age.

When the company planned to open a new furniture store in Weiterstadt in August 2004, it had difficulty finding suitable staff. An earlier recruitment exercise with unemployed older applicants had been successful and management agreed to focus on this group again.

Segmüller believed that older advisers could draw on their life experience and professional knowledge, and would be able to approach the customer with greater credibility and in a more target-oriented manner.

In co-operation with the federal employment agency the company looked for unemployed people, focusing on skilled older persons, who would agree to train as certified furnishing advisers over six months. After passing an exam, they were offered a job.

Segmüller first briefed the agency about the necessary capabilities of future employees. Interested applicants were invited to attend a company presentation and suitable candidates were shortlisted. Candidates were then sent on a week-long aptitude assessment programme, during which training courses for the next selection of candidates took place. Only those who remained after the last selection could advance to the six-month certification programme.

The agency financed the six-month certification programme with the help of the local institute of further education. Segmüller paid the costs for the three-week practical training course and commuting expenses to the training location. In addition, Segmüller guaranteed jobs for all participants who successfully completed the certification programme.

*Source: European Foundation (2005g)*

## Employability

An OECD report in 2006 stated that tackling weak employability requires action on three fronts: skills, job search and better working conditions. For these policies to be effective, workers of all ages must have a level playing field and extra resources may need to be provided to help the over-50s.

In 2001, industry groups in Australia highlighted the need to identify the generic work-readiness skills required for a high-performance workplace. A group of business organisations and government departments developed a national **Employability Skills Framework** (Jones et al 2004), which set out the skills and attributes that people need to be work-ready. These are:

- communication
- teamwork
- problem-solving
- planning and organising
- initiative and enterprise
- self-management
- learning
- technological capability.

The framework provides a guide for employees to improve their career potential and supports recruiters and HR professionals. It was anticipated that the framework could also provide a tool for use in identifying how disadvantaged older workers can maximise their potential to enter the active workforce.

In New Zealand, research by the **Department of Labour** (2006) into unemployed people aged over 45 revealed that a lack of job-seeking knowledge was a key barrier to entering or re-entering the workforce. Some respondents had sought help from agencies offering career, information and advice guidance (CIAG) services. These included career services, recruitment agencies and employment agencies targeting mature job-seekers. All of these respondents had found the service unsatisfactory because:

- they saw them as being geared towards the needs of younger job-seekers
- the level of service provided was limited because staff appeared to lack CIAG expertise
- the services offered limited job opportunities.

Against this background, respondents were invited to describe their ideal CIAG service. Most imagined a service that was specifically developed to meet the needs of mature non-participants (that is, people aged 45 or more), and would involve at least one face-to-face consultation with the benefit of reducing any anxiety associated with job-seeking and providing a tailored service. Respondents – as in Belgium – wanted a service staffed by consultants aged over 45.

Canada has seen a number of initiatives since 1991 under the banner of its **Older Workers Pilot Project Initiative** (OWPPI) (Delta Partners 2005). The various programmes were designed to test employability approaches for older workers by funding projects aimed at reintegrating older workers into sustainable employment, or maintaining in employment older workers who were threatened with displacement. Their evaluation concluded:

- Projects that combined approaches for assisting had the best success:
  - individual assessment followed by tailored programming was important
  - skills training followed by marketing of workers to employers was successful
  - employment assistance services with some combination of training, work experience and/or marketing also had significant success.
- Approaches that did not include employment assistance or marketing of workers had very low success.
- Work experience projects involving a 100% subsidy (no employer contribution) were almost entirely ineffective in achieving sustained employment for participants.
- Projects that were directed towards retention of 'at risk' employed older workers appeared to have the best success rate, with 88% of targeted workers still employed following the intervention.
- The longer candidates had been out of work, the harder it was to rejoin the workforce. The higher the education level, the higher the likelihood of reobtaining employment. The younger the participant, the easier the return to the workforce.

### Retired and re-employed workers

Retired worker or outplacement pools can provide an excellent source of skilled labour. A number of companies have offered outplacement support for low-skill workers and professionals over 50. **Volkswagen** uses a nationwide outplacement career transitions database to recruit mature workers who have been laid off elsewhere (European Foundation 2005c). Nearly a quarter of VW employees are 50+ with an average employee tenure being 16.5 years. They have also put in place alternative/flexible work arrangements, including compressed hours. In addition, they have a 'retiree relations' manager who stays connected with retired staff and these are also offered flexible working arrangements, such as temporary work assignments and consulting/contract work.

In the Netherlands, delivery company **TNT** has an internal department called JobConsult, which offered support to employees who have become redundant because of downsizing (European Foundation 2005h). JobConsult offers a comprehensive approach, in which employees' capacities and preferences are assessed, additional training is offered, and employees are assisted when applying for other jobs, internally or externally. TNT seeks co-operation with other organisations such as the police, utility companies searching for meter-readers and other potential positions of trust.

A company that has well-developed policies for retaining workers beyond their retirement age to combat skills shortages is the **Hertfordshire Partnership NHS Trust** in the UK (Age Positive (no date)). A third of its staff are aged 50 or over, which means that a significant proportion of the workforce is likely to be making decisions about work or retirement in the relatively near future. The need for the trust to hold on to people with skills and experience is very important.

Hertfordshire Partnership NHS Trust have developed policies on age and put in place the 'Return to Practice' initiative, which aims to appeal to those who have worked for the NHS in the past and are considering returning but have let their registrations lapse. They offer a structured refresher course to update skills and knowledge. There is also support for returners including bursaries and allowances, as well as opportunities to develop and acquire new skills.

In 1982 **Canon** in Japan introduced a system for re-employing retired employees until the age of 63 (Canon 2007). In 2000, it revised its recruitment system for re-employment, and boosted this upper limit to 65 in 2007. Through the aggressive promotion of such strategies, Canon is seeking to build a workplace environment that enables veteran employees to put valuable years of experience and knowledge to work and retain vitality in their later years. In 2006, 73 of the 211 who reached retirement age chose re-employment, and by the end of that year 177 were working under this system.

The Aerospace Corporation in the US illustrates how business can capture specialised skills (see overleaf).

## The Aerospace Corporation

When the US Air Force launches a defence communications satellite, there is a strong likelihood that retirees from The Aerospace Corporation have been involved in the project. Many of the company's software and electrical engineers spend their entire careers at Aerospace. The average age of the workforce is 49 and about one-third of the firm's employees are eligible to retire. While long-tenured workers at Aerospace become eligible for retirement at 55, most stay until their normal retirement age of 62 or 65, depending on their retirement plans.

In the 1980s, management noticed that the firm's employees were routinely retiring and then asking to come back as consultants at higher rates than their final salary. Due to their unique skills and knowledge, the company's retired technical staff could still add tremendous value to the business, but management needed to get consulting costs under control. In response to this, Aerospace created a 'Retiree Casual' programme – which re-employs retirees on a part-time basis – and this programme now has about 300 retired employees.

The Retiree Casual programme is seen as a critical resource to meet the firm's changing needs for highly trained and experienced engineers. When employees at Aerospace reach normal retirement age, they can formally ask to return as a retiree casual. Individuals are then told if their services are needed immediately or if they might be called in the future. Most retiree casuals return to their previous departments, giving them time to transfer knowledge to their successors. Pension regulations limit the amount of time retirees can work to less than 1,000 hours per year without accruing additional pension benefits. This highly skilled retiree workforce is a great asset for Aerospace because of the uncertainties around the funding of its annual government contracts.

*Source: MetLife Mature Market Institute (2007)*

According to the MetLife (2007) research, there are some important lessons drawn from The Aerospace Corporation and other employers that are re-employing workers. These lessons include:

- **Don't expect retirees to stay very long.** Retirees who return to their firm usually don't stay more than a few years. Re-employing retirees is dangerous if it creates a false sense of security that the knowledge retention problem has been solved.
- **Ensure the re-employed share their knowledge.** Management should ensure that re-employees know that an important part of their role is to transfer their critical knowledge. Once older workers see the opportunity to return after retiring, their incentive to hoard knowledge increases because they see it as a meal ticket to future part-time employment.
- **Don't forget other former employees.** Some organisations, including Monsanto and MITRE, have recognised that all former employees, not just retirees, represent an important source of talent for the company. Monsanto, for example, changed the name of its programme from the Retiree Resource Corps to Resource Re-entry Center.

### Conclusion

**The war for talent is ongoing. Employers will have to work harder and harder to compete for skilled workers. The exclusion of older workers – whether new-hires or existing employees – from that talent pool is short-sighted and could limit competitive advantage if not addressed.**

# 4 How best to motivate and engage older employees

**In this section we look at the issues that face employers that already employ older workers. We also look at some of the HR policy that is developing global practice, aimed at refreshing and reinvigorating the psychological contract. Organisations that fail to recognise that they may need to refine their approach will miss out and could be at risk when the new, young talent they want does not appear and skills needs are not fulfilled.** Our examples focus on motivation, flexibility, creativity in reward and benefits, as well as re-employment and redeployment.

## Motivation

Managing the ageing workforce is one of the key challenges facing HR in Europe, according to the Boston Consulting Group (2007). They state that an ageing workforce will have implications on: productivity; the ability of the workforce to work in shift environments; the need to motivate employees in a different way; innovation potential; illness-related absenteeism and labour costs.

*What's Working*, a 2006 study by Mercer HR Consulting, examined which factors drove the engagement of Singapore workers. The findings revealed that fewer than 40% of respondents felt that promotions in their organisations were fair and transparent or that the best people in the organisations were being promoted. Managers across the board lacked development skills, with only a third of respondents saying that their managers took a personal interest in their career development and provided regular feedback and coaching.

**More worryingly for Singapore employers, only 40% of respondents thought they had a long-term future with their organisation. Many felt that they were not provided with adequate support to achieve their goals. The findings also revealed that**

**talent retention is an issue in many organisations, with only a third of respondents believing that the most talented people were staying with their current employers.**

Professor Stephen McNair, in his report for the Centre for Research into the Older Workforce in the UK (McNair et al 2006), argues that motivation doesn't change dramatically with age. He believes that if employers provide older workers with pride in their job, interest, mental stimulation, the ability to maintain skills and a sense of structure to life, then they will want to stay on in the workforce.

Employers therefore need to find ways of ensuring that older workers are satisfied on as many as possible of these drivers, argues McNair. In particular, employers need to address some or all of the following issues:

- flexibility
- stress reduction
- autonomy
- recognition and respect
- challenge and the intrinsic satisfaction of work
- potential to pursue a cause or interest.

## Flexibility

Flexibility appears to be one of the keys to solving issues around older workers. A New Zealand Department of Labour report looked at the barriers and drivers to paid work for people aged over 45 (Research New Zealand 2006). This report, coupled with research carried out by the NZ Equal Opportunities Trust (Hart 2007), showed that flexibility was vital. According to the CEO of the Trust, *'the results showed that older workers were looking for flexibility in work practices that did not just mean working fewer hours each week, but also the flexibility to work fewer weeks a month and fewer months a year.'*

Examples of employers offering flexible working options to mature workers include **ANZ Bank** in Australia and IBM Australia (Australian Government 2003). The bank implemented a 'Career Extension Programme' for phased retirement aimed at retaining older workers considering retiring, by giving them alternatives to full retirement from work. This initiative offers flexibility in a way that benefits both the employee and the business. ANZ has a number of options, including:

- part-time work
- job-sharing
- mentoring/coaching roles
- working from home
- purchased leave
- career breaks
- 'lifestyle' leave.

The business also offers an alumni programme, giving retired employees and those taking a break from work the option of re-entering the workforce. As a result of these initiatives, the business has seen a decrease in the turnover rates for employees over 55 as well as an increase in the average retirement age.

The implementation of flexible employment practices in **IBM Australia** resulted in retention of experienced workers for longer while maintaining high levels of productivity and a positive environment for workers of all ages. The flexible work options are similar to those offered by ANZ Bank, but also include:

- occasional and full-time teleworking from home
- volunteer leave
- emergency services leave
- flexible working week
- individualised work schedules.

They also operate a 'Quarter Century Club' for employees with over 25 years' service and have an ad hoc retirees scheme.

### Rewards

Recent CIPD (2008) research confirms that business needs to respond to the ageing workforce in the way they reward workers. It advises employers to take a holistic approach towards total rewards packages and to identify how their offerings meet the different

needs and preferences of employees of all ages. For example, some older workers may be more interested in flexible working and extended leave arrangements than financial rewards. The CIPD advises employers to examine whether the range of benefits offered is attractive to workers of all ages and consider the use of flexible benefits tailored to individual needs.

**The *What's Working* study by Mercer HR Consulting (2006) suggests that employers in Singapore are not getting the optimal returns on their reward programme investments. In its survey, it notes that 94% of Singapore employees rated fixed base pay as an important factor influencing commitment and motivation at work. This is despite the Government's attempts to encourage industry to move to a variable pay structure. The findings also reveal that Singapore employers have more work to do on their performance and reward strategies, with only about 40% of employees feeling fairly compensated for their performances and contributions to their organisations.**

In Singapore, it's interesting to note that employers have moved away from the seniority wage system and turned to a performance-based wage system. An SHRI (2007) survey revealed that only 14% of Singapore employers use a seniority wage system, while 61% are offering a performance-based wage system.

A United States General Accounting Office (GAO) (2003) report examined the policies of other countries for increasing labour force participation. This research found that promotions and wages are highly related to seniority and length of service in Japanese companies. Typically, the wage of a male employee rises until about age 50–55, after which it falls sharply. For many workers at large companies wages are 30–50% lower at age 65 than at age 55. This reduction makes older workers more attractive to employers by making them cost-competitive with younger workers. Though some would argue this is not good practice and even discriminatory.

In Korea, the rigid seniority pay system could be the single biggest barrier to later retirement ages, according to a Centre for Strategic and International Studies report (Howe et al 2007). The Korean Government's lock-step

pay and promotion schedule makes it expensive to retain older workers and discourages hiring new ones. Although the seniority pay system is deeply embedded in Korea's workplace culture, employers and employees are beginning to question its economic rationale. The report argues that one sensible solution would be to replace it with a 'wage peak' system, in which companies and unions would be allowed to negotiate lower pay for older workers in exchange for job security.

An example of an employer introducing a pay system that is free from age-bias is illustrated by **Canon** in Japan (Canon 2007). In 2001, Canon implemented a position-based pay system for all employees at the managerial level and above. In 2005, the system was expanded to include all employees. In a position-based

pay system, employees are compensated according to what their job entails. Pay scales are based on the ranking of a person's job title, which depends on such factors as the level of difficulty and amount of responsibility. Where employees fall within the pay scale depends on individual performance, not age or seniority. There is also a bonus system linked to individual and company performance. Canon Group companies in North America and Europe have implemented a pay system based on job duties that is compatible with local culture and practices. This is being gradually introduced at Asian operational sites as well.

In the UK, transport company FirstGroup have introduced a 'Flexible Decade' initiative within its bus division in response to a shortage of drivers.

## FirstGroup, UK

FirstGroup UK employs 25,000 people in its bus division. Bus drivers make up the majority of the workforce, but it tends to be difficult to recruit and retain them as they often have to work long shifts to maximise earnings. The other main categories of staff within the company are engineers and maintenance staff, and administrative and clerical staff. In addition to drivers, engineers sometimes report physical health problems when they are in their 50s and 60s. In a relatively small business unit such as engineering, it can be difficult to provide those employees with opportunities for redeployment.

The Flexible Decade initiative is a key part of the group's approach to total rewards, which is designed to enhance the company's ability to attract and retain older employees. Employees between the ages of 60 and 70 can combine flexible working opportunities with pension scheme options. This flexible approach allows workers to:

- switch to part-time work and draw a reduced pension after the age of 60, or
- continue to work full- or part-time beyond 65, while drawing, continuing to accrue, or deferring their pension on favourable terms.

The initiative was designed to create a flexible labour pool, to retain skilled and experienced staff on a full- or part-time basis, to make savings on recruitment and training costs, and to reduce the number of potential recruits for competitor companies.

*Source: European Foundation (2005e)*

## Box Marche, Italy

Italian packaging company Box Marche is an example of a company that has implemented an innovative performance-related bonus structure that is free from age bias.

Box Marche has 56 relatively young employees. Turnover is low and the company aims to foster employee loyalty, so it is aware that it will have older workers in future. Most workers are young because there are few qualified job applicants in the area. However, older workers are respected and promoted in the company and valued for their knowledge.

In 2003, Box Marche introduced the 'skill passport' initiative, which awards a financial bonus to all workers, regardless of age or sex, who meet company requirements. It involves a task analysis intended to increase productivity, reduce inefficiency, qualify, motivate and reward workers.

The criteria for calculating the bonus related to both company and individual performance measurements. The bonus size is determined by the achievement of team productivity objectives, defined by management and workers together. Employees' individual performance is evaluated by department and company managers, using a number of indicators, including:

- attendance
- flexibility
- punctuality
- sharing of company values
- new ideas
- expertise.

If all objectives are achieved, a bonus of 15% of annual gross salary, paid at six-month intervals, is awarded to the employee.

The results of the skill passport initiative are encouraging, especially for older employees, who score particularly well in attendance, punctuality and expertise. The bonus awarded (on average 1,300 a year) does not differ significantly between older and younger workers. In the case of employees who receive a particularly low bonus, management intervenes and analyses the reasons for this, working with the employee to find a solution, including remotivating the employee if necessary.

*Source: European Foundation (2005b)*

In contrast, southern Europe can supply an example of good practice from a much smaller organisation, Box Marche.

### Re-employment and redeployment

As we will also see in section 5, physical issues are of considerable concern to employers worldwide. Here we look at some case studies of re-employment/redeployment that illustrate some of the creative solutions to physical issues employers have put in place. An example of redeployment to less physically demanding roles is an initiative from the international post and logistics company TPG Post/TNT (see opposite).

Another example of good practice can be found in Slovenia (European Foundation 2005f). **Lip Bled** is a medium-sized, privately owned wood-processing company employing nearly 700 workers with an average age of 41. They have put in place a voluntary policy aimed at redeploying older workers to less demanding positions, at the same time allowing them to retain their previous (or higher) salary levels. Those over 50 can make a request for reassignment and back this up with medical evidence. The new position takes into account the employee's age and existing ability to work. About half of employees over 50 have opted for reassignment.

The main reason for introducing this policy was to maintain and improve employees' work efficiency. The initiative has had largely positive effects for both employees and the company. While the business finances the difference in earnings of the redeployed workers, the gross costs per employee are relatively low, amounting to approximately 83 a month. These costs are balanced by the fact that employees' productivity in their new position generally increases, their quality of work is better, they fulfill targeted goals and standards, and the level of sickness absence declines. The company considers they have benefited from increased employee satisfaction and a better working atmosphere supported by greater mutual trust.

Japan's rehiring (re-employment) programmes are another interpretation of continued employment. According to an article on the effects of Japan's ageing population on HR management by Ame Gross and

John Minot (2008), some companies move their senior employees from regular, long-term employment to fixed-term, renewable employment contracts. Their pay can be sharply cut, often by as much as one half; they may also be transferred to subsidiaries or allied companies according to need. However, some may argue that this is not an example of good practice. Companies that have publicised their rehiring programmes include Toyota, Aeon, Mitsubishi Heavy Industries and Sumitoma-Mitsui.

### Conclusion

**As we have seen, employers need to develop a variety of mechanisms to engage effectively with older employees and sustain (or even increase) productivity. Traditional approaches need to be revisited and new motivators identified to reflect the expectations, aspirations and attitudes of an ageing workforce.**

## TNT, Netherlands

TNT is the largest private employer in the Netherlands, employing 60,301 people. A total of 38% of the workforce is over 45 years of age and 67% work part-time. Technological changes are leading to a decreasing workforce.

TNT Post has had an age-aware policy since the early 1990s aimed at eliminating barriers so that ageing employees can continue in employment.

'Organising Differently' was introduced to allow local units to design their own work schedules, using new technology to help manage sickness absence and to support re-employment. A step-by-step framework was developed by management and the works council to enable a practical mix of older, younger, full-time and part-time employees, for example experienced older workers may share a schedule with younger workers with greater physical capacities.

The latest technology means sorters no longer have to manually place parcels in the machine, greatly reducing the risk of back, arm and shoulder complaints.

New rules regulating absenteeism were introduced that set out quicker and more frequent contact between the absent employee and the company, and between the line manager, company doctor, company health service and employee. As a result, the sickness absence level at TNT dropped from 6.3% in 2001 to 5% in 2003. Although sickness absence among older workers is not higher than absence among younger workers, the average duration of sickness is longer.

*Source: European Foundation (2005h)*

# 5 Making the most of an ageing workforce

**What employers in the UK and elsewhere are now clearly starting to understand is that employment policies need to be flexible and adaptable to take into account the individual needs, attitudes and aspirations of an increasingly age-mixed workforce.**

Intergenerational issues are now top of the UK diversity agenda, with this interest being driven by US-owned multinationals (the CIPD is currently involved in a number of pieces of research in this area).

Good people management is vital to business success, but it does depend on retaining knowledge, investment in the training and development of employees whatever their age and, of course, on top-quality performance management. This section explores both of these issues and looks at how to tackle some of the real or imagined physical barriers that can affect older workers – an issue of major concern to Singapore employers.

According to the Boston Consulting Group (BCG) (2007), employers must mitigate against two different risks: the loss of capacity and knowledge as workers retire, and the ageing of the workforce. BCG suggests that one of the most effective ways to minimise a company's exposure to demographic risk is by implementing a comprehensive system of job families across the company. This clusters employees whose skills and specific experience create opportunities for job exchanges.

BCG argues that companies should forecast, on a job family basis, how their current workforce will develop over the next short, medium and long term, taking into account expected recruitment, retirement and to simulate different strategic scenarios to determine the number and type of employees the business will need. Having done this, employers should be able to calculate the difference between their expected demand for and actual supply of labour, so anticipating shortfalls and surpluses. Business can then use varying strategies to forestall future difficulties, including: redeploying surplus staff to critical functions that are being drained of talent; boosting internal training so that the current workforce can adapt and shift as needed; or even attracting and retaining retired or semi-retired workers in areas with identified future shortfalls.

### Knowledge retention

A good example of a medium-sized company that shows how knowledge held by older workers can be retained and transferred to younger employers is demonstrated by the US manufacturing company below.

The story of Boston Scientific's Wayne plant is typical of the challenges facing manufacturing and technology-intensive workplaces today. There are some key lessons to be learned when it comes to knowledge transfer:

- **Identify the most critical jobs.** Regular analysis of the workforce in the context of strategic business objectives will support knowledge-intensive organisations to prepare for change.
- **Ensure knowledge-sharing between older mentors and protégés.** Skills can't be transferred unless there is somebody there to learn them. The most important step is to identify apprentices or replacements who can learn critical skills.
- **Reassure older workers that they aren't teaching their way out of a job.** Older workers may be reluctant to share knowledge – especially against a backdrop of downsizing and early retirements. Management needs to be clear that training the next generation is not about cost-cutting.

### Boston Scientific, USA

Boston Scientific's manufacturing plant in Wayne, New Jersey, has been forced to confront the challenges of an experienced and ageing workforce. With 250 highly skilled professional employees, the Wayne plant is a manufacturer of highly engineered surgical products.

A risk analysis of plant operations revealed that fewer than 25% of critical managers and professionals could be replaced by skilled employees at short notice. With some employees in their 60s and 70s, management recognised that the loss of these skills could cost the company millions of dollars in lost production. In 2004, Boston Scientific began a plant-wide succession planning programme. The company launched a knowledge-transfer initiative promoting four apprentices to begin training under their veteran craftsmen. This meant increasing labour and training costs significantly for new employees, who would not be productive for some time. The company recognised this was cost-effective.

Today, the Wayne plant is approaching its goal of 60% replacement readiness. Two-hundred and fifty roles – the 60% deemed most-critical positions – now have identified successors. The management now does an annual assessment of jobs to evaluate the difficulty of filling a particular role with an external hire. When they identify specialised jobs for which replacement would be very difficult, management creates back-up resources by hiring a more junior professional to work with a veteran in the role, sometimes recruiting even though there is no immediate opening.

*Source: MetLife Mature Market Institute (2007)*

## Atheneum InterContinental Hotel, Greece

A privately owned Greek company, the Atheneum InterContinental Hotel, has 495 full-time staff, of whom 37% are between 40 and 50 years.

The company's long-established HR policy aims for low staff turnover. Older workers stay with the company and workforce renewal aims primarily at replacing retirees.

When the Atheneum opened for business in 1982, it developed policies that benefited older workers, specifically in the areas of recruitment, training, flexible working conditions and retention. The company adopted a policy of recruiting workers in their 50s to achieve a wide workforce age profile, benefit from older workers' experience, and fill positions like cleaners and porters that were unattractive to younger, more educated people. The company also hired pensioners and tried to ensure that they did not lose their pension entitlements by earning more than the tax limit. Employees who were physically unable to do a specific job were moved to other, lighter tasks.

The company offered all employees training that was experience- rather than classroom-based as it considered this technique to be suitable for older workers' needs and abilities.

The Atheneum achieved a low staff turnover (7%) and believes that older workers often give a better quality of service, for example in customer relations, than younger ones. There is now a certified task-oriented training centre in the hotel for continuous training of all staff, irrespective of sex and age. Even those within a year of retirement are encouraged to participate. Training is designed according to the needs of the different groups of hotel workers. Topics include new administrative methods, information technology and specialist seminars for cooks, cleaners and reception staff.

*Source: European Foundation (2005a)*

Different sectors face different challenges. The above case study of a hotel that has retained the experience of its older workers and minimised its turnover through a successful training programme provides a good example.

The value of employing mature workers when it comes to knowledge retention is clearly demonstrated by **Mazda Motor Corporation** in Japan (Tsukahara and Ueba).

Mazda builds over 350,000 vehicles a year at its Hiroshima factory, which employs 5,000 regular workers, 27% of whom are aged over 55. They have put in place an intensive training programme to instruct a new generation of workers and ensure the company retains corporate memory. The programme includes training in the production of sand moulds, the heat treatment of metal parts, lathe operation and engine assembly. As part of the programme, trainees

are allowed to leave their production line jobs for two years and during this period a skilled, experienced instructor is assigned to teach two trainees. According to Mazda, it's vital to pass on the firm's intellectual and technical assets from generation to generation.

### Performance management

As all HR managers know, effective performance management is one of the hardest things to achieve. One company that introduced a new performance management system to get the maximum benefit from its older workers is DNB, the central bank of the Netherlands (see opposite).

Age discrimination legislation in 2006 prompted many UK employers to consider managing without a retirement age, and a number of leading employers chose to remove their mandatory retirement age. However, there was considerable concern about the impact that this would have on performance management policies and manager attitudes and behaviour.

## DNB, Netherlands

In 2004, DNB merged with PVK, the supervisory body of the pensions and insurance sector. The organisation employed nearly 2,000 workers. Fifty-six per cent of the workforce was over 40, 38% over 45 and 8% over 55 years old. The merger resulted in an increased focus on implementing career management and training and development initiatives. It became apparent that employability was an issue affecting long-serving staff.

A new performance management policy ensures that employees and line managers review competencies and capacities in relation to job profiles three times a year. Training recommendations are reviewed regularly.

DNB's merger and a more demanding economic environment has helped to change managers' and employees' attitudes, resulting in lower operational and labour costs and greater efficiency.

*Source: European Foundation (2005d)*

The Employers Forum on Age (EFA) carried out a detailed study in 2007 that featured case studies from a number of leading employers. The report identifies several benefits of managing without a retirement age – the biggest benefit cited was the boost to the performance management process. Employers used the age laws as a mechanism for change and, with no retirement age, managers have been forced to take the appraisal process seriously. The simple message that comes from the EFA study is that it is ability, not age, that matters, resulting in a renewed focus on competencies and behaviours.

Two examples of the business benefits of the removal of the retirement age are illustrated by financial services group HBOS and leisure group JD Wetherspoon in the UK.

**HBOS** had operated a right to request to stay on past normal pension age prior to the introduction of age laws. However, the removal of the retirement age in October 2006 led to the following benefits:

- The business believes there is freedom of choice and greater flexibility in how and when individuals leave the business.

- Performance management has become a key focus of organisational development and the appraisal process includes a discussion with all employees on their key aspirations and overall life plans.
- These benefits have supported business objectives to improve overall performance.

**J D Wetherspoon's** decision to operate without a fixed retirement age was largely driven by the need to encourage greater diversity and to support employee stability. In addition, the company already had employees over 65. Since the removal of a fixed retirement age, the business has seen the following benefits:

- Myths about high levels of sickness absence for employees over 65 have been dispelled.
- Despite fears, there have been no succession planning issues.
- Feedback from customers has been positive and customer perception has improved.
- The decision to remove retirement age also delivered great public relations, as few other employers in the leisure sector have taken this step.

### Responding to physical issues

In section 4 we looked at how employers were using re-employment and redeployment policies as one way of tackling the issue of declining physical capability of older workers. Another response is to make ergonomic changes and to ensure the working environment is age-friendly.

Recent evidence (2008) from the UK – a survey of UK manufacturing organisations by the Engineering Employers' Federation (EEF) – found that physically

demanding work is not a barrier to employing older workers. It found that 74% of companies have physically demanding roles, but more than half of companies did not, and finding alternative work was not an issue.

The French car company Renault provides a good example of how a large employer has put in place new ways of working to address the physical issues facing an ageing workforce.

### Renault Group, France

In 2006, the Renault Group was the fourth-largest car manufacturer and employed 130,000 people. Health and safety, ergonomics and working conditions are considered strategic challenges for the Renault group. The Renault Production System is a management initiative for continuous progress common to all plants worldwide. Working conditions are expected to be:

- a motivation tool, making it possible to achieve performance
- an attractive factor against workforce reductions
- a key element of the social aspect of sustainable development.

Since 2000, ergonomists have been hired on every site, establishing a network of 'ergonomics correspondents' together with occupational physicians, some managers and method technicians. A specific ergonomic analysis method has been developed that enables Renault to list all workstations according to five levels of difficulty and four criteria – position, effort, regulation and complexity.

Every position undergoes an annual risk assessment. If any modification occurs during the year, the role must be re-assessed. Satisfactory positions are marked in green, those that may involve one or several constraints are marked in yellow, while positions with a high level of constraints and requiring improvement or a new assessment as soon as possible are marked in red.

Similarly, Renault sites regularly review 15–18% of staff with capacity limitations to return workers to adjusted positions. Criteria for systematic audits include:

- commitment (health, safety and ergonomics organisation and structure)
- implementation co-ordination (for example follow-up, indicators, incident management)
- associated communication and information system
- efforts to develop skills and train staff
- results (in particular, accident rate, frequency and seriousness).

Between 2002 and 2005, this approach has led to a decline in both frequency rate and seriousness of accidents. This non-discriminatory policy prevents early 'burn out' or premature retirement.

*Source: European Foundation (2007b)*

## Zylotech, Australia

This small business (16 or so employees) is a technology and hardware equipment company. Their product manager, Grant, is aged 62 and has had a chronic low back condition for over 25 years. He used a drill press but found that it was too low for him. The company made a number of low-cost adjustments to prevent excess bending and to facilitate the moving of heavy equipment.

*Source: NSW Department of Ageing (2006)*

Small companies can provide solutions regarding ageing workers. Zylotech, a small high-tech business in Australia, redesigned the workplace to help employees with physical impairments.

The Work Ability Index developed in Finland in the 1990s has greatly influenced thinking on age issues in a number of European countries and in Australia as the evidence has mounted that it can deliver a return on investment of between 3 and 20 times. Promotion of work ability:

- reduces the incidence of work disability and the likelihood of premature retirement and absenteeism
- improves the quality of life and well-being of workers, with the effects appearing to carry over into retirement
- increases productivity and competencies among the workforce
- improves the company image.

The Work Ability Index measures both positive and negative variables, including strain, autonomy of working, physical demands, enthusiasm, education, vocational training and so on (TAEN 2007). Using the index can provide evidence of an individual's employability and productivity. The strength of the Work Ability Index is that it targets interventions at improving health and well-being and continuing participation in work, over time. It also measures the impact and cost-benefit of any interventions.

An example of an organisation that has followed this approach is Nanso in Finland.

## Nanso, Finland

Nanso is a medium-sized textile company with an ageing workforce that faced pressure for continuous productivity caused by international competition.

In 1994, it introduced a scheme called 'Happiness from good physical and mental condition' and conducted individual health and capacity check-ups for workers aged over 50. In 1998, this was extended to the 40+. There were two aims: to reduce time lost through sick leave and to enhance well-being and maintain the employability of ageing workers, postponing retirement.

The company initiated a workplace health promotion programme (including rehabilitation, sports events, parties and so on) as well as preventative measures in ergonomics and mental occupational health. Actions to maintain and renew skills include inventories, training needs analysis and a variety of training provisions – such as empowerment/assertiveness training. The average retirement age rose by 5.4 years between 1991 and 2001.

*Source: Social Development Company (2003)*

Another example of a company improving the physical working environment for its older workers is illustrated by Swedish steel manufacturer, **SSAB Tunnplat** (European Foundation 2004a). The company realised some years ago that early retirees had much better mental and physical health than workers who remained. They took a number of initiatives, which resulted in many older employees being able to work up to the normal retirement age. For instance:

- Workplace lighting was improved.
- Site examinations were provided and employees were given special spectacles for specialised work.
- Conference rooms were equipped with hearing loops and ergonomically unsuitable working places were rebuilt.
- Specially devised overhead cranes for packaging steel coils and sheets were introduced.
- Staff were rotated to different workstations to avoid overstraining of muscles and so on.

In addition, the company looked at different attitudes towards shift work between older and younger workers and realised that older workers preferred fewer night shifts in succession, while younger workers had no problems working successive night shifts. They developed new shift schedules after consulting with employees and having trial runs.

In the US, **Pitney Bowes** (2004) introduced a range of initiatives to improve the physical environment for older workers. The company uses a technology called JES (Job Evaluation Suite) to support risk identification and injury prevention. This focuses on problems associated with computer workstations, lifting and upper extremity stress, using a questionnaire from individual employees to assess their difficulties. The JES then provides individual self-service ergonomics training, including suggestions for hand movement or frequency of breaks. The tool also provides trend information for the Pitney Bowes safety group so that they can review the need for potential additional interventions.

In Asia, the Japanese Kaizen-based approach to continuous improvement has also delivered some creative solutions to the physical issues faced

by ageing workers (Towers Perrin 2007). Kaizen involves compensating for reduced visual, hearing or balancing abilities – as well as decreasing on-the-job strain – by adapting tasks.

Mitsuo Nagamachi, President of the Kure National Institute of Technology (KNIT) in Hiroshima, has conducted extensive research on job redesign systems for ageing employees (American Society on Ageing). He found that companies are often reluctant to hire older workers.

However, Nagamachi's research found that a worker's performance capability on the job is dependent not on age but on functional ability, although physiological ageing does tend to reduce optimal task performance year by year, resulting in limitations in vision, hearing, dexterity or strength. Examples of a Kaizen-based approach to restructuring the workplace to retain older workers can range from providing a magnifying glass or on-screen magnifier to compensate for weak eyesight or installing a mechanical or semi-automated system to reduce duties requiring heavy handling.

Nagamachi developed an index of working posture for the Japanese Ministry of Labour to help employers prevent injuries. He established an assessment score for various postures ranging from sitting to deep bending based on laboratory tests involving students and older workers. The squatting posture is the hardest for older workers, because knee and back are completely bent; standing up from this position requires a lot of energy. This knowledge is helping Japanese industry anticipate and minimise injury and lost productivity.

KNIT has also developed a computer-aided system to diagnose ergonomic problems in the workplace. After the assessment, the Ministry of Labour sends a job redesign adviser to the factory. Acting on the expert's advice, the work sites are adapted for older employees. The process receives government funding. Hundreds of factories have taken advantage of the scheme so far, and many more have made inquiries, the researchers said.

The biggest such job-redesign project to date carried out by KNIT was at the **Fuji Heavy Industry Company**, where the assembly system was changed so that one worker can assemble an entire vehicle – a process that involves handling 637 parts. This redesign resulted in improved quality assurance and doubled productivity (American Society on Ageing).

### **Conclusion**

**Evidence from around the world shows that employers need to consider the broad issues of an ageing workforce and not just concentrate on one aspect. Where employers have made changes to the physical environment – to accommodate older workers – these have benefited all age groups. The same has been found when performance management systems have been refreshed.**

# Conclusion

**Governments may encourage, advise and seek to influence employer behaviour, but in the end it is down to employers and managers to resolve the issues of an ageing workforce. Employers need to grasp that tackling older worker issues is not a tactical short-term response, but requires strategic commitment and creative solutions.**

Ensuring that business understands the potential impact of demographic change and the rapid ageing of many populations is not an end in itself. Many employers – in the UK, USA and Europe – are now finding that they employ not just older and younger workers. They have realised that in some instances they may employ at least four generations, including Baby Boomers, Generation X and Generation Y. As yet, the complexities of managing these different groups are not well understood. We noted in section 5 that intergenerational issues form a core element of CIPD research going forward, and this research is likely to highlight both the similarities and the differences in attitudes, expectations and behaviours of the generations.

While it is important that employers recognise the different skills and attributes that different ages can bring to the workplace, it is critical that easily applied labels are not used as a substitute for a thorough understanding of capability, skills and potential contribution to business success.

Business needs talent at all times, perhaps even more so in any economic downturn. The evidence from around the world is that talent is not confined to those under 50, and that employers that fail to grasp this will in the end lose competitive advantage.

In this report we have examined evidence from around the world on the impact ageing populations are having on both society and employment. We have illustrated the report with many case studies developed by the European Foundation (2007a). The vast array of evidence this organisation has drawn together is impressive, with more than 150 case studies of good practice in companies, from many countries and sectors. Their findings provide a fitting conclusion for this report. To successfully manage older workers, employers need to:

- include workers to ensure successful change
- use mixed-age teams to maximise access to skills
- promote the health and skills of older workers rather than using redundancies or early retirement
- gain the commitment of top management and invest in training managers and supervisors.

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