# Chapter 9
# Organizational, Adaptation and Human Resource Needs for an Ageing Population

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Changing demographic profiles create challenges for all sectors of private and public industry, especially in societies where there are projected to be fewer younger relative to mature aged workers. This is the case in the majority of mature and emerging economies, raising the question of how prepared organizations are to adapt. A key component would be to create the best possible circumstances that attract and retain mature-age women and men as a factor in achieving future success. This can also have positive consequences for the workers themselves.

Addressing these challenges would rely on a combination of modifications to the external policy environment, also thought of as macroeconomic change. Modifications would also need to be made to organizations at the mezzo level of individual firms and agencies. The aim would be to promote flexibility within an increasingly age-diverse workplace. Micro or personal changes would then occur as accommodations between these environments and the changing age-based priorities.

Macro adaptation might include promoting employment and pensions conditions that make it desirable to continue working. Mezzo and micro adaptation would rely on the development of age-friendly working environments that allow mature-age workers to participate more effectively. Both require the right balance of continuity and change and a combination of approaches that fit both personal age-based life priorities and wider economic imperatives.

## Macro-Adaptation

To cope with an ageing population then, it is extremely important for us to promote the employment of older people. If older people can be encouraged to adopt the will and ability to continue working beyond the current retirement age, it would directly reduce average per capita expenditure and indirectly lead to a number of benefits such as reduced healthcare needs and greater social engagement. An increase in the number of active workers and consumers in later life would also be a driving force of economic growth in the supply side as well as the demand side of the macro economy. However, people should not be forced to work against their will, and in this respect, the important issue is to motivate older people to continue working.

In general, the labour force participation rate declines as populations get older and public policy has focused on keeping it at as high a level as possible. This policy has been promoted, for example following the Lisbon Agenda (2000) within the European Union. In addition, the labour force participation rate of older people varies widely by country. For example, the labour force participation rates of Japanese and Korean elderly in their 60s is significantly high in comparison to other developed countries, such as the relatively low rates to be found in Europe (Table 1).

To achieve greater participation, the Australian Human Rights Commission (www.hreoc.gov.au/age/info_age.html) and the UK-based Employer's Forum on Ageing (http://www.efa.org.uk/) give some useful examples of steps that can be taken. Attempts to motivate continued working have resulted in an often politically difficult review of social security systems and in employment practices in the major European national economies.

Table 1: Employment rates of older workers by % of population aged 55 to 64 across a range of Organisation for Economic Co-operation and Development countries

| Country | 2000 | 2009 | 2010 | 2010 Country-2010 OECD-Total* |
|---|---|---|---|---|
| Australia | 46.2 | 59.0 | 60.6 | +6.6 |
| Japan | 62.8 | 65.5 | 65.2 | +11.2 |
| France | 29.3 | 38.8 | 39.7 | -14.3 |
| United Kingdom | 50.4 | 57.5 | 56.7 | +2.7 |
| United States | 57.8 | 60.6 | 60.3 | +6.3 |
| Italy | 27.7 | 35.7 | 36.6 | -17.4 |
| Korea | 57.8 | 60.4 | 60.9 | +6.9 |

Country 2010-2010 OECD-Total (54%)
Source: OECD Employment Outlook 2011[1]

## Pension System Reforms to Promote Employment

Where countries have established pensions systems that encourage early pension eligibility, combined with restrictions on earnings while drawing a pension, this has increased early exit from the workforce. Taking Japan as an example, estimated labour supply functions of older people show that obtaining pension eligibility reduces the probability of labour force participation by 13%.[2,3]

Public pension systems in many countries also include a component that encourages pension-eligible workers to retire or reduce working hours. This is the public pension's earnings test, by which a person's pension benefit is reduced based on their earnings from work after they have reached the pension eligible age. In the case of Japan, pension-eligible workers tend to restrict their earnings by reducing working hours, or sometimes retire completely to receive the full pension to avoid the pension benefit reductions. In the US and the UK, the earnings test has already been eliminated to avoid the possible negative impact on labour supply behaviour of pension-eligible workers. Sweden has revised its pension plan to make it more neutral to labour supply.[4] Lifting the pension age has been used as means to motivate older people to work, but is dependent on appropriate jobs being available. If this is undertaken insensitively it can lead to the casualization and marginalization of the older workforce.

## Employment Practices Reforms

In the workplace, age-related employment practices can be a major obstacle to promoting the employment of older people. The typical case is the practice of mandatory retirement. To draw on the Japanese example, mandatory retirement is still a dominant practice; more than 90% of Japanese firms with 30 or more employees currently have mandatory retirement practices (Table 2). In other countries, such as the United States and some members of the European Union, restrictions based on chronological age have either been abolished or made more flexible.

Because mandatory retirement requires severance simply because of age, it impacts in two ways on the use of an older workforce. One is that it reduces the motivation of older people to continue working. As is widely known, mandatory retirement from primary employers does not necessarily mean complete retirement from the workforce. Many older workers go on to secondary job opportunities. However, as is repeatedly confirmed by empirical analysis, mandatory retirement is also a major determinant of complete retirement from the labour market.

In the case of Japan, researchers (Table 2) have estimated the labour supply functions of older people and found that the experience of mandatory retirement significantly reduces the labour force participation possibilities of these people.[1,2] Roughly speaking, mandatory retirement reduces the probability of labour force participation in men aged 60 to 69 in Japan by about 20% if other conditions are constant. According to the Annual Report on the Labour Force Survey (actually a detailed tabulation version of it) of Japan, in which unemployed persons were asked their reasons for not being able to find a new job, the top reason for those over 45 years old has always been age limits. This means that if people have to change their jobs mid-career or after mandatory retirement, it is very difficult for them to find new jobs simply because of their age.

Table 2: The negative effect of mandatory retirement on labour force participation

| Research Papers | Observation Year Estimation Sample | Coefficients on the Probability of Labour Force Participation |
|---|---|---|
| Seike (1993) | 1983 - men aged 60-69 | -0.18*** |
| Abe (1998) | 1983, 1998, 1992 - men aged 60-69 | -0.23*** |
| Seike and Yamada(2004) | 2000 - man aged 60-69 | -0.18*** |

*** Statistically significant at the respective level of 1%. For details, see Seike (2008).[5]

The second negative impact of mandatory retirement is that it reduces the use of older workers' potential abilities. Japanese workers subjected to mandatory retirement have a lower possibility of working in a workplace where their abilities are fully used. There are many reasons for this, including obstacles associated with is the setting of age limits by employers when hiring for job openings. Particularly for workers seeking new employment, even before the age of mandatory retirement for those who become unemployed in mid-career, such age limits in hiring seriously constrain their job chances. Older workers may also be offered low status and casualized work and not be offered relevant training opportunities.[6]

The Australian Federal Government has implemented a number of schemes, including the certification of experience, re-training, and an anti-discrimination commissioner in an attempt to address these issues and reduce under-employment.[7] To develop age-diverse workplaces, with a mix of age groups that reflect changing demographic circumstances, it may also be necessary to revisit seniority-based wages and promotion systems. Without having a revision of these, an employer will face increasing numbers of high-wage workers and unnecessary numbers of managers and supervisors.

While a trend toward flattened hierarchies and the stripping out of seniority structures has reduced the numbers of mid-level positions, this may not have addressed the question of seniority and may have even exacerbated problems of career progression. The somewhat paradoxical position, whereby Japan has greater participation than some Western countries, yet mandatory practices, indicates the culturally specific effects of macro policies.

Table 3: Mandatory retirement practice in Japan

| | Per cent of companies with mandatory retirement | Age of Mandatory retirement (companies with uniform mandatory retirement age = 100) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 59 or less | 60 | 61 | 62 | 63 | 64 | 65 | 66 and over | (repeated data 65 and over) |
| 1994 | 90.5 | 15.9 | 77.1 | 2.0 | 2.0 | 2.0 | 2.0 | 5.0 | 0.0 | - |
| 2004 | 91.5 | 0.7 | 90.5 | 0.6 | 0.9 | 0.9 | 0.0 | 6.1 | 0.4 | 6.5 |
| 2006 | 95.3 | - | 90.5 | 0.5 | 1.7 | 1.7 | 0.0 | 6.2 | 0.2 | 6.3 |
| 2007 | 93.2 | - | 86.6 | 0.2 | 2.5 | 2.5 | 0.0 | 9.0 | 0.0 | 9.1 |
| 2008 | 94.4 | - | 85.2 | 0.2 | 1.1 | 1.1 | 0.1 | 10.7 | 0.1 | 10.9 |
| 2009 | 91.8 | - | 82.4 | 0.3 | 1.3 | 1.3 | 0.2 | 12.7 | 0.7 | 13.5 |
| 2010 | 93.1 | - | 82.7 | 0.5 | 1.1 | 1.1 | 0.5 | 12.3 | 1.0 | 13.3 |

Source: Ministry of Health, Labour and Welfare: up until 2004 the Survey of Employment Management; from 2006 the General Survey on Working Conditions

## The Value of Mature-Age Workers

A point that is often overlooked in this debate is that older workers are adding value to their employers. Organizations that recognize this phenomenon benefit in a range ways. For example, contrary to a common employer assumption, job performance does not decline with age.[8]

Further, certain forms of ability such as crystallized intelligence or accumulative knowledge actually increase with age.[9] Such findings indicate that there may be important forms of participation that mature workers can offer, which hinge on a greater understanding of system relationships and psychosocial aspects of working relationships.[10] To the age-specific skills of a mature workforce can be added greater reliability than younger workers. From a productivity perspective, mature workers are less likely to engage in theft from their companies, be absent or quit their jobs.[11,12] From a diversity perspective, older workers provide a depth of tacit knowledge both to fellow workers as well as to clients and customers.[13]

This capacity to engage in problem solving and critical thinking at work with customers and co-workers also promotes innovation and supportive workplace practices in mature workers. In addition to this relational aspect of their skills, mature workers have diverse social networks and social resources they have accumulated across their lifespans, which organizations can leverage productively.

## Gender and Older Workers

There have been three important gender-based changes in labour force participation in industrialized societies. First, there is an increase in women's participation in the workforce. For example, in the United States between 1986 and 2006, there was a 10% increase in working women in the group aged 55 and over working.[14] Second, while there are more women participating in paid employment proportionally, many are working in part-time or more precarious types of work (Figure 1). Third, women are remaining in paid work longer than men.[15]

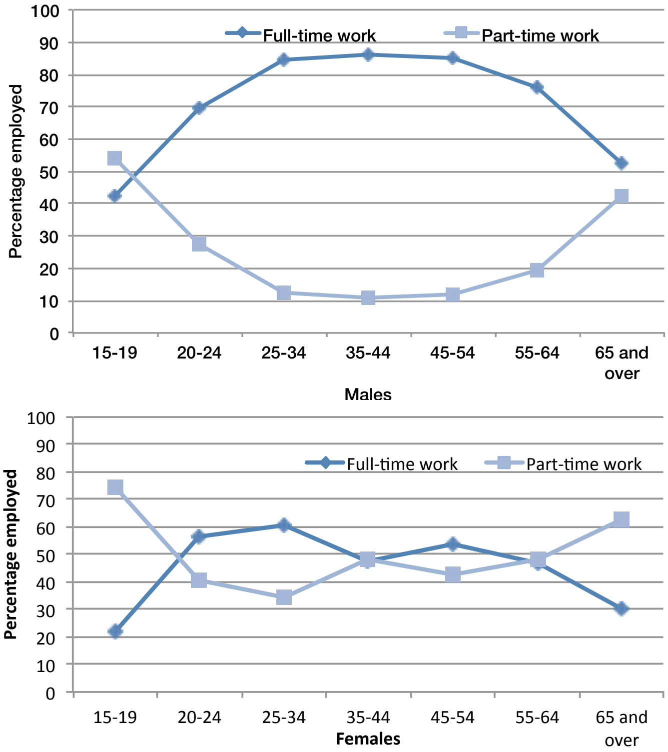
These changes in working patterns have implications for retention and engagement of mature women in the workforce. Historically women have experienced labour market segregation both vertically and horizontally. Even though there is equal pay legislation for women across many nations, the gender wage gap endures and is widest for mature female workers. Mature women can experience discrimination in terms of both age and sex.[16]

Women face workplace challenges such as harassment and spend more time in elder and grandchild care. The movement of women in and out of the paid labour force to participate in childbirth and rearing reduces their access to superannuation (or related plans) across the life course. This means that women have significantly less accumulated financial resources, which has consequences for health and wellbeing.[17]

These challenges are opportunities for organizations. As social institutions, organizations need to be more proactive and inclusive in attracting older workers. They need to provide flexible scheduling, time banks for eldercare, and a better fit between the employee and the job. The lessons of gender-positive work environments – through diversity training where all workers are equally valued and respected – will have wider application as demographic change takes place. Creating an inclusive and equitable organizational culture makes sound business sense. It serves to assist the increasing numbers of women and older workers in general in the paid workforce, and it helps all workers as it widens acknowledgement of the social and motivational value of work flexibility.

A shift toward more service–based industries in developed countries also contributes to the need for such change. According to the Organisation for Economic Co-operation and Development (OECD), the services sector now accounts for over 70% of total employment and value added in OECD economies. These countries are less dependent on hard physical labour and can harness the knowledge and skills accrued across the lifespan, and thus they are friendlier toward older workforce employment.

### Figure 1: Australia full-time and part-time work, males and females by age, 2006




Source: Census of Population and Housing, Australia online tables. Cat. No. 2068.0 - 2006 Census tables, 2006 Census of Population and Housing, Australia, labour force status by age by sex for time series, count of persons aged 15 years and over, based on place of usual residence.

## Organizational Culture: Mezzo- and Micro-Adaptation

As older workers form a larger proportion of a shrinking workforce, businesses that can keep their existing workers – in whom they have often invested in and who hold detailed understanding of systems and practices – and can attract others will have a competitive advantage. An important factor in increasing the motivation and thus the retention of mature workers will be the working environment itself.

Key to maximizing this process is organizational culture, which in this context includes the social environment within businesses, institutions and service agencies, as well as the ways in which any one organization manages the boundaries between itself and its' social environment. Successful adaptation to demographic change would include examining non-linear career pathways, looking at models of work-life balance and patterns of flexible working, adopting strategies that promote lifelong skills development and facilitating an age-diverse work culture. Indeed, research has shown that even if workers have positive abilities and motivation toward work, a poorly adapted workplace culture will discourage recruitment and retention of mature workers.[18]

### Flexible Working Practices

One area that illustrates adaptation to a changing demographic occurs at the crossover between the internal culture and the external environment. Looking at work-life balance and patterns of flexible working are important indicators for organizations adapting to the new demographic environment. Factors include: policies designed to create greater choice and flexibility about moves in and out of work, such as career breaks and time-credit systems;[19] enhancing the capacity of older workers through training; improvements to the work environment; lifelong learning; and anti-discrimination policies.[20]

Encouraging flexible working practices for mature aged workers would include the promotion of gradual retirement and preparation for part-time working, securing greater control over transitions after the age of 50, and spreading work more evenly across the life course.[21] Norwegian research indicates that an existing culture of flexibility significantly enhances the ability to capitalize on an age-inclusive approach to organizational culture.[22]

Part of creating an adaptive organizational culture involves striking a balance between continuity and change, both for individual workers and for the environments in which they work. This includes identifying the particular contribution that mature-age workers make and ways to facilitate an age-diverse work culture. For mature-age workers, parenting responsibilities may be largely over, while in a growing number of cases these are replaced by care for elderly relatives. These workers either may be at a high level within an organization, or may have realized that they are unlikely, or do not wish, to get there. Their motivation has, in other words, largely stabilized at certain levels of power and responsibility.[23]

At the same time, work can offer a number of advantages beyond financial reward, such as social engagement, physical and mental health gains. Mature-age adults also bring particular skills to work activity, such as being able to see the bigger picture, the interaction of activities with wider systems and negotiation skills.[24] Achieving balance between workers from different age groups creates an opportunity to get the skill mix right in adapting to a changing jobs market.[25]

### Promoting Health and Wellbeing in Mature-Age Workers

Encouraging occupational health and wellbeing is a valuable ongoing effort for organizations. Promotion of health through a range of interventions (primary, secondary and tertiary) is commonplace where health benefits are linked to work employment such as in the United States and some Nordic countries. These include supervised fitness programmes, smoking cessation, nutritional and improved dietary intake, and return to work programmes.[26]

There are calls for organizations to place greater emphasis on interventions and adjustments that adopt a life course perspective in addressing the health, wellbeing and workability of mature workers.[27] This may include work adjustments that account for visual and hearing changes such as improved lighting, larger signage and volume-adjusted communication technologies.[28] Ergonomic assessments may also be important as they relate to heavy lifting. Wellness programmes that account for unique needs of mature women are also important, for example, osteoporosis prevention.

All these interventions have the capacity to create an organizational culture that promotes the retention, engagement and generativity of mature workers. Organizations that initiate these types of health and wellbeing initiatives exemplify an active ageing approach.

### Training and Continuing Development

Developing and maintaining skills for jobs and other activities are indispensable requirements for people to be active in their older years. Tertiary-level attainment has risen sharply and is now at 35% for 25- to 34-year-olds, as compared to 20% for 55- to 64-year-olds.[29] So, future generations are much more educated and will also value sustaining their knowledge and learning. It is vital that efforts be made to promote a lifetime of employability and encourage mature workers to continue to have up-to-date skills. Companies may consider ways to incentivize up-skilling or re-skilling in older workers. This also creates new opportunities to develop human-resource development practices that account for their needs as well as recognize prior learning.

### Strategies for Retaining and Engaging Mature Workers

| Retention & Engagement Strategies | Description |
|---|---|
| Job design | Design jobs that create a quality person-job fit that accounts for changes across the life course. For example, older workers value autonomy and skill variety. Offer complex and mentally challenging work, which is important for mature workers' satisfaction and wellbeing. |
| Flexibility | Create policies and practices flexible scheduling to address eldercare, grandchild care, part-time or project working, flexi-place working. |
| Training and development | Promote the development and training of mature workers to encourage generativity. Implement training that encourages an inclusive work environment that embraces age-diversity. Use language that creates positive images of older workers and fosters interpersonal and intergenerational relationships. |
| Health and wellbeing promotion | Target health promotion for mature workers; focus on relevant issues in terms of gender and occupational demands such as balance, flexibility and sensory requirements. |
| Accommodations | Design procedures for accommodation requests in order to proactively manage an age-diverse workforce. These may include lighting, ergonomic, grip rails, and other sensory and lift policy changes. |
| Relational management | Create systems and practices that maintain social connections with workers such as alumni activities, websites and social media tools. |
| Age-diverse organizational culture | Implement each of the aforementioned strategies to facilitate an organizational culture that encourages inclusiveness and engagement of older workers. |

## Conclusion

Organizational adaptation will be a key element in achieving the human resource needs for a world with fewer younger workers and greater numbers of older workers. Where older people continue working, it can create a virtuous circle for public policy, whereby individuals continue to pay taxes while not drawing down on benefits systems. However these policies are often perceived to be politically difficult and resulting in forced work or work-continuation under insecure conditions.

The advantages of actively attracting mature-age workers are quickly becoming apparent to individual enterprises. Polices that emphasize the "carrot" of age-friendly working environments mean they are better placed to both retain and attract mature workers and achieve wider age diversity. This can be done by focusing on mechanisms that proactively engage with an age-diverse workforce from wellbeing promotion, continuous learning and flexible work practices. Such mezzo-level initiatives are often overshadowed by macro attempts to engineer participation by removing incentives not to work, but may be equally if not a more effective cultural adaptation to an ageing society.

## Endnotes

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