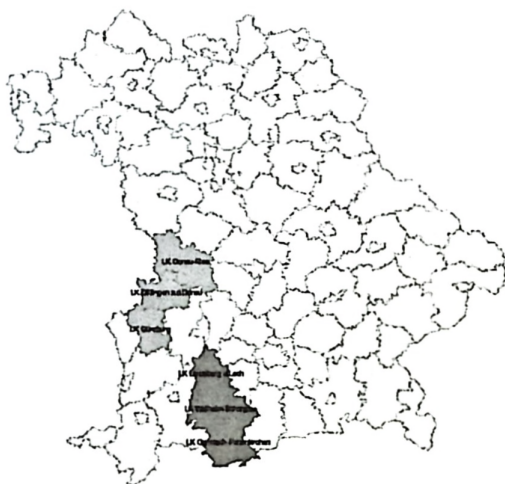


Employability of an ageing workforce in Bavaria/Germany

Ralph Conrads, Andreas Huber, Ernst Kistler¹

INIFES takes part in the Smart Region Project with research and transfer activities in two regions in the south of Bavaria/Germany. In contrary to our colleagues from the SÖSTRA-Institute, Berlin, working in the “New Länder” with high unemployment rates, these two regions were systematically selected among those Bavarian regions with relative better labour market performance. Further criteria for selection were a high heterogeneity within these regions in the dimensions of a) economic structure (importance of production activities) and b) demographic change (age structure of people between 15 and 65). As a result six districts (“Landkreise”) in the south and the west of Bavaria were selected (see figure 1).

Figure 1: The two “Smart Regions” in Bavaria



Source: INIFES 2005

¹ INIFES Institute, Stadtbergen.

At a first glance these are wealthy regions with a sound economy, and ranking high in several existing comparative studies of regional economic performance and also of quality of life. But outward appearances are deceptive. In some of these districts the number of non-precarious jobs is declining; high employment rates and relatively low unemployment rates result from commutation. Average income figures are not very predicative because of a wide spread of income and wealth (Germany/Bavaria and especially some of these districts have a high proportion of working-poor) and, last but not least, pensions are partly very low).²

1. Demographic change

Bavaria altogether and also our Smart Regions are facing a non-linear demographic development in the next decades. According to mean assumptions in respect to migration and life expectancy³ German population figures will still grow for about the next seven years. Then, *ceteris paribus*, number of people will decrease. But it is expected, that it will last till about 2025 that population in Germany as a total is declining to a size lower than it was in 2000, however. Afterwards the population shortage will accelerate. In Bavaria the mean prognoses say that the number of people in 2050 will be about the same as in 2002, however.

A similar, but earlier, development is foreseen with respect to the working age population. This, however will be accompanied by a sever growth of the elderly workforce (50 or 55 to 64 years). This ageing of the workforce, and not at all its quantitative shortage will be the real serious challenge.

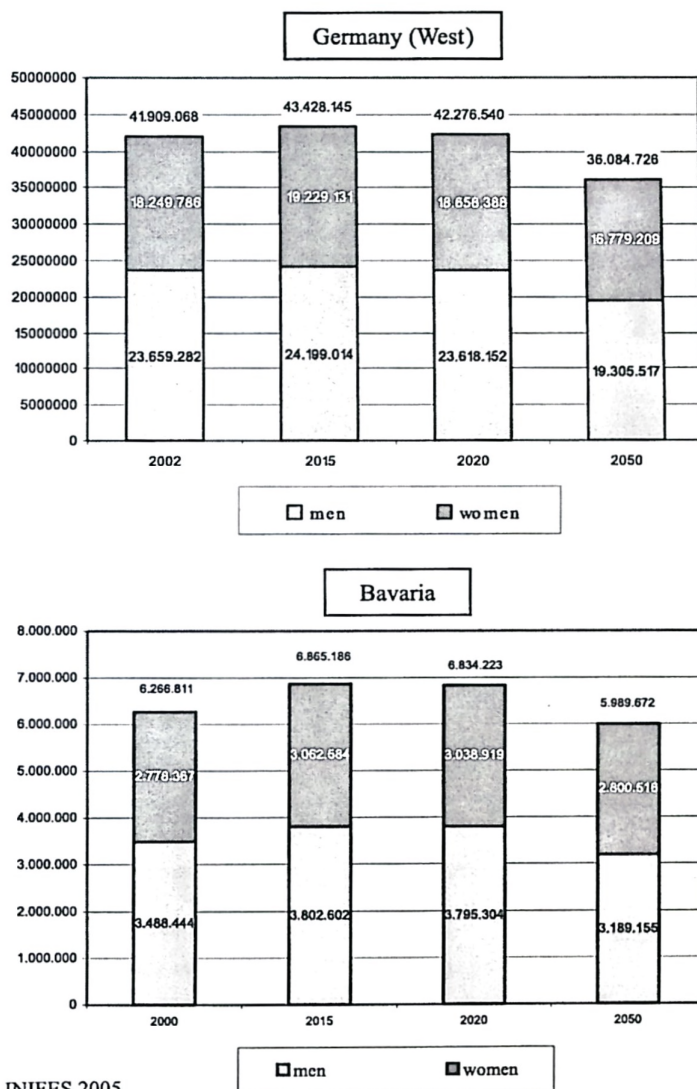
Bringing together the mentioned medium version of the official population forecast and a (moderate) scenario of the future labour force participation rates⁴ we can anticipate the labour force for coming decades. The results are shown in figure 2. It can be seen, that until the year 2020 in Germany, and even more in Bavaria, the supply of labour will be about the same as it was in 2000.

² For more details see Conrads et al, 2005.

³ We are referring to the fifth, medium, scenario of the least population forecast of the Federal Bureau of Statistics (2003).

⁴ See Prognos AG (Eitenmüller, Schüssler 2004). The assumptions in this scenario concerning participation rates of women and the elderly are in the long run a little bit more ambitious as those decided by the Stockholm and Barcelona summits.

Figure 2: The development of labour supply in Germany (West) and in Bavaria until 2050



Source: INIFES 2005

In 2050 there will be a labour shortage – but even this late decrease is only in a quantitative size comparable to the registered number of unemployed people we had in 2005. It becomes evident, that the warning (especially from employers associations) regarding a labour force shortage is a propagandistic myth: They want to have a long lasting unemployment because of their position at the distributional front.⁵

Of course there are some imponderabilities concerning this projections and even greater ones for the most projection of labour demand. On the other side, however, we have to recognize, that most existing projections of the future economic development see unemployment rates between 5 percent (assuming optimistic conditions) and about 10 to 12 percent (assuming pessimistic assumptions) in 2030/2040.⁶

The EC⁷ called it a double challenge to hold/bring a higher proportion of 55 to 64 year old people at work in a time when this age group is increasing. In a regional perspective it is, as our study shows, even a triple one.

To begin with the national level, we can see, that in Germany the number of people between 55 and 64 years old, will increase for more than 30 percent until about 2025.⁸ In the west of the country the predicted growth is somewhat higher, in the “New Länder” it will be lower (about 20%). For Bavaria we face a predicted increase of even 40 per cent (see figure 3). Not enough, in some districts we have to await an increase of sixty and more percent⁹ in the numbers of 55 to 64 years old.

5 See Kistler 2005, 2005a.

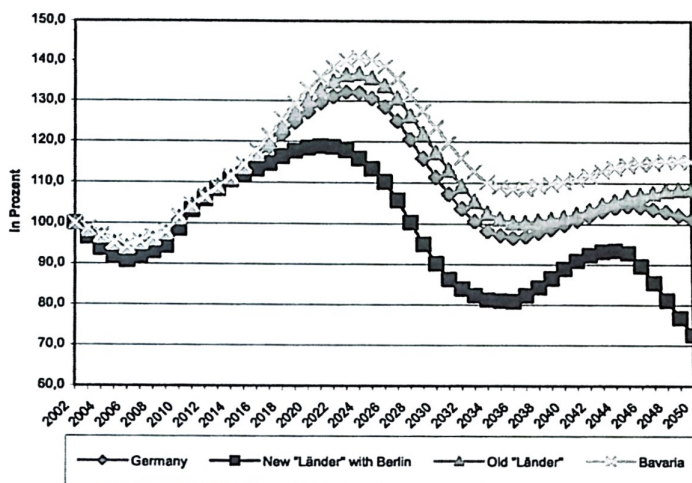
6 See Buck et al 2002.

7 European Commission 2002.

8 Compared to the year 2002.

9 The rates for our Smart Regions range from increases till 2020 between.

Figure 3: Development of the number of people aged 55 to 64 years old, in Germany and Bavaria



Source: INIFES 2005

It might be not very realistic to believe that in districts (all of them have a specific mixture of lines of business), which are used to produce with a relatively younger workforce, we can bring to work (or even hold at work) so many elderly persons. Anyway it seems very important to have in mind the regionally differing demographic perspectives when looking for an improvement of participation rates of the elderly or a reduction of early retirement.

2. The end of early retirement?

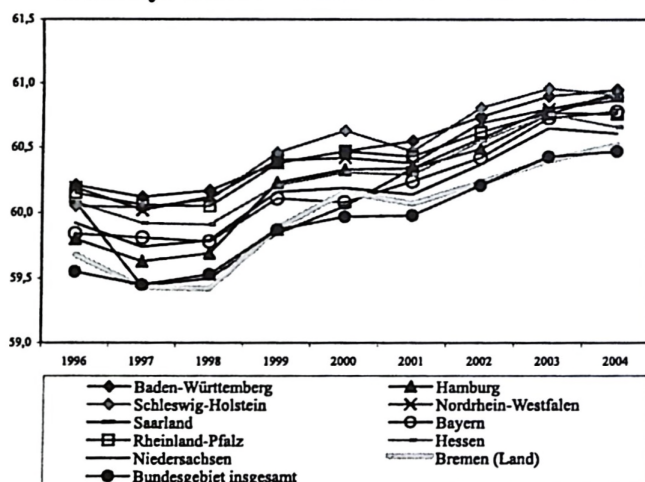
In any case we need to remember, that even if the Stockholm aim of 50 percent participation rate would be attained, there are lots of elderly people who will be excluded from the labour market as well. What about their income situation before and after the pension age? It is important to have in mind too, that a growing pressure on people to work longer makes this problem even more serious and isn't any guarantee, that new workplaces – or even new jobs¹⁰ – are created!

¹⁰ This differentiation seems necessary since the plea by the Kok-Kommission „Jobs, Jobs, Jobs“, might not be the same as the aim of „more and better jobs“ we remember from the Lisbon-strategy.

During the last years in Germany and in other countries as well, labour market and pension reforms aimed to increase exit age. The most important, and – truly spoken – the almost unique instrument implemented¹¹ was to make early retirement more uncomfortable. Early retirement schemes were temporarily limited or stopped, payments for the long term unemployed are more difficult to achieve and they were lowered. Retirement before 65 years is – for most people – only possible when accepting lower payments for the rest of their life. Old age poverty will increase in the future!

On an average we can see, that in all “Bundesländer” in the west of Germany we have an increasing retirement age on the one side and a decreasing average amount of payment of new pensions during the last three years especially (see figures 4 and 5). Especially in Bavaria, and even more in some of our Smart Regions (for example in the district of Garmisch Partenkirchen, a world-wide known place of tourism and skiing arena) we have already very low pensions that obviously will decrease further. The spread of retirement ages, and pensions amounts as well, on a district level (see figures 6 and 7) show, that any investigation and practical measure to find ways for more employability of an ageing workforce must take into account these differences.

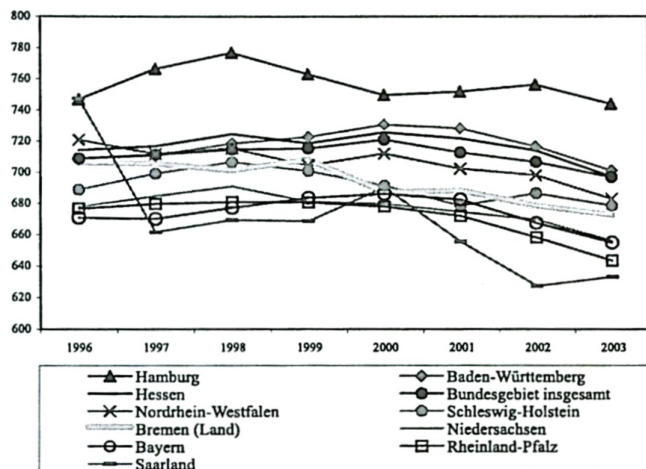
Figure 4: Average age of persons with new pensions in Germany's western “Bundesländer” in 1996 to 2004



Source: INIFES 2005

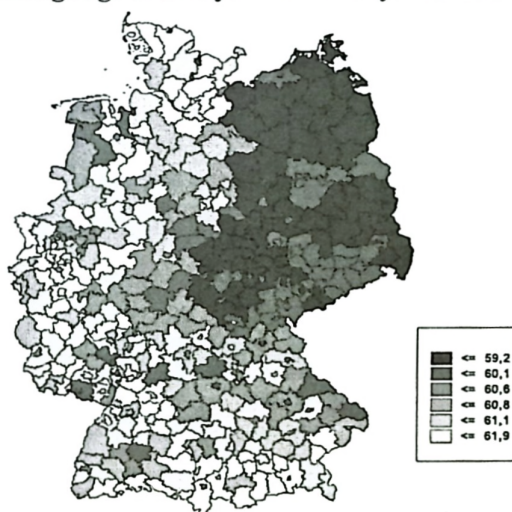
¹¹ For the long term unemployed there is a clear political priority to concentrate on people below an age of 25.

Figure 5: Average monthly amount of new pension's payment in Germany's western "Bundesländer" in 1996 to 2003



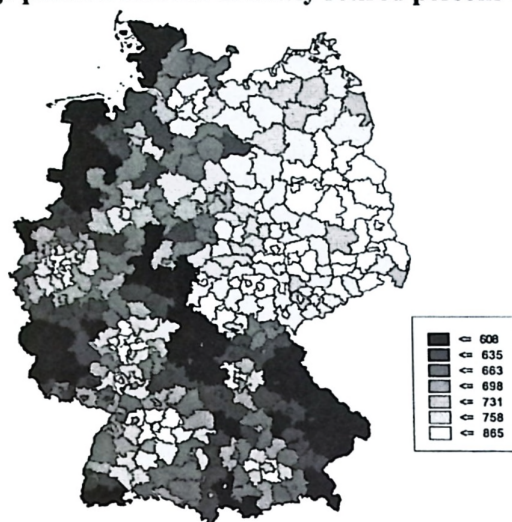
Source: INIFES 2005

Figure 6: Average age of newly retirement by districts 2004



Source: INIFES 2005

Figure 7: Average pension amount of newly retired persons in 2003



Source: INIFES 2005

Besides of all questions arising with this in the perspective of social policy and, for example, of the development of regional consumer demand, there is a further problem: Proceeding from existing studies we can learn that during the past decades there was a specific division of early retirement, i.e.

- about one third of employees were leaving early according to their own will and preferences in line with employers preferences;
- about one third was not able to work further, because of disability and health problems;
- one third had to leave though wanting to work longer, because of employers pressure and lacking chances at the labour market.

At least the first mentioned cases, with a consensual early retirement, will be less probable in the future under the new, restrictive rules for early retirement.

It is because of these facts why we believe that a dual strategy is necessary to make work Stockholm and Barcelona targets in an acceptable way:

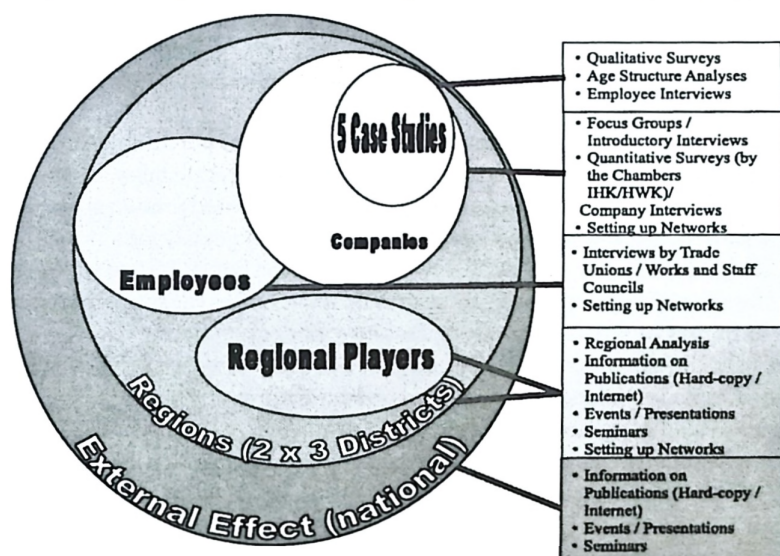
- 1) On the one side we seem to need further – better and more intelligent – ways of early exit and early retirement that avoid future old-age-poverty. A simplistic way of pressure to work longer is not sufficient, we, in contrast, need “more and better jobs” for the elderly.

- 2) On the other side¹², and according to this, we have to convince employees and employers that elderly people in the workforce are not less performing than others. More even we have to show them, that a more careful use of the individual potentials and of the workforce as a whole during the full working life is necessary and the only sustainable solution.

3. What we do – Some first evidence and experiences from our Bavarian Smart Regions

Figure 8 sketches the design of our project. The implementation of practical measures in the two regions is concentrated around an extended cooperation with some companies in each region. The selection was based on the criteria size and line of business – so we decided to include service sector and public administration. Both were treated like a stepchild in most of previous studies.

Figure 8: Design of the Bavarian part of the Smart Region project



Source: INIFES 2005

¹² Of course this is the main field of action during this project. But we try to meet the first mentioned gauntlet, too. Sensibilization of main actors at all levels, mainstreaming in the real sense of the Art. 6 ESF-programme is the reason why we try to give high publicity to this work.

Because one of our most ambitious aims of the study is to create long lasting regional networks (of companies and of members of work councils) that should be supported by local and regional politicians, we also have to sensitize and give these people advice and regionalised information.

On the other hand measures to improve the employability of the elderly or to rise exit age and the employment rate are partly out of the reach of employees and employers as well. So the mainstreaming of empirical data and results has to have in mind the supraregional level too.

Very briefly the following experiences shall be mentioned in this paper:

- At a concrete level the item of demographic change seems to have reached the companies, regional actors and the broad public during the last years,
- Myths and false estimations dominate the “public opinion” however,
- Detailed information is regarded as useful by regional actors.¹³ We made them hungry! There are – for example – not any problems for recruiting companies as case studies in the project,
- On the regional and supraregional level as well there is an enormous demand for results (lectures and papers) already in this early stage. Especially on trade unions side the perception of results is delightful. We hope that our integrated approach will have a great impact on trade unions future policy in this field at the regional and national level as well,
- One surprising problem seems to arise and will take our special attention in the next months: There is some more resistance to cooperate between small and big companies of different branches then we had expected (between managers and also between unions representatives). We had expected that more opposition would be regarding networking within the same line of business. We hope that the moderation and motivating role of local authorities may help create the resources of “trust”, necessary for network cooperation.

Taken all in all we can already see that the innovative method of entering the field from a regional perspective, choosing methods form an integrated approach and selecting case studies systematically, is very promising.

Employees know, that they will have, at an average, to work longer than 60 or 61 years. But they don’t know how that could be done under given circumstances of an explicit non-sustainable personell policy. HR must be more than an catchphrase:

¹³ Informations on a differentiated regional level are always of interest for anybody because of comparisons. This is the case even more regarding regionalised informations on pension payments, age of retirement etc., that are absolutely new in Germany.

Age management is a way to fill it along the aims of EC's Lisbon Strategy – more and better workplaces for all.

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