



Creative Age Management Strategies
for SMEs in the Baltic Sea Region
- **Executive Summary** -

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Demographic Change in the Baltic Sea Region

All European countries face profound changes in the age structure of their populations, although to varying degrees. These changes cannot be reversed in the short term. In this respect it is only possible to mitigate the consequences and to find constructive solutions. In all the European countries, beginning at the end of the 1970s, there have been initiatives, campaigns, programmes and projects to examine the consequences of demographic change and to develop coping strategies.

This comparative study covers the countries involved in the “Best Agers” Project, namely Denmark, Estonia, Germany, Latvia, Lithuania, Poland, Sweden, and the United Kingdom, plus additionally Finland and Norway. (In the following, for simplicity, we abbreviate these countries to “Baltic Sea Region”.)

Empirical Basis: Statistical Overview and Country-Specific Case Studies

For the analysis of the demographic situation in the Baltic Sea Region (BSR) and the projected development the following meaningful data were used:

- Demographic indicators
 - Population (young, working age, elderly)
 - Fertility Rate
 - Life Expectancy
- Demographic indicators referring to work-life
 - Participation Rate (15-64 years, 55+)
 - Old-age Dependency Ratio
 - Current Retirement Age
- Indicators referring to working conditions (estimation of ability to carry out current work at 60, to what extent does work affect health; satisfaction with working conditions, participation in trainings, working hours fit with family or social obligations)
- Conditions for Lifelong Learning.

In addition the authors have carried out country specific case studies to identify good practice examples on various levels (national programmes, intermediate actors, companies).

Current Situation: Polarisation

The Baltic Sea Region (BSR) is challenged by demographic change like nearly all European regions and countries. The starting point shows a similar situation, but at second glance there are big differences among the countries.

The current situation shows a polarisation between the Northwest and the Southeast. Denmark, Finland, Germany, Norway, Sweden and the United Kingdom often have more positive values than the EU-average, whereas the indicators for Estonia, Latvia, Lithuania and Poland are below average. An important exception is the fertility rate in Germany which has been and remains the lowest behind Poland.

Future Trend: Growing Disparity

The expected development (in this comparison we used data up to 2050) shows a growing disparity between the countries. Due to low birth rates the proportion of the younger population will decline mainly in Germany, Latvia, Lithuania and Poland. At the same time the working age population will decrease (most in Estonia, Germany, Latvia, Lithuania and Poland; least in the United Kingdom) and the share of the elderly will grow (most in Germany and Poland; least in Denmark, Norway, Sweden and UK).

This basic structure can be described as simultaneity of heterogeneity. All the countries basically have similar trends but some of them just have bigger problems with demographic change (low birth rates, low participation rates etc.) than others. This is on the one hand due to the current population structure (and the relative size and distribution of age groups), but in particular due to the birth rates. On the other hand, the living and working conditions are more or less conducive to a longer stay in the working world.

It should be added that within the countries considered, a significant and increasing difference between urban agglomerations and rural areas is reported. In metropolises and cities there is a greater variety of training and consulting organisations, the networks between companies and institutions often are more tightly knit, and commonly there is a useful culture of innovation.

Long-Term Irreversibility

Demographic change is irreversible in the short and medium term. The only way to maintain or raise the given amount of population could be significant increases of birth rates. All other possibilities necessarily mean a) to exploit the labour market reserve by increasing the employment rate of the elderly, the younger, the unemployed and the women (internal solution) or b) to integrate a more or less high number of immigrated people.

Hologram of the Demographic Situation

By comparing the country studies we can see, of course, a clear dependence on the social and economic situation. The Nordic countries (especially Finland), the United Kingdom, and Germany are the most economically developed to overcome the challenges of demographic change. For historical

reasons, there are still significant differences between the countries analysed, e.g. in the standard of living, economic strength, health care situation, infrastructure, political stability and/or working conditions.

It turns out, however, that those countries with fewer problems related to demographic change started early to develop integrated policies to address the challenges.

The analysis of the data and the summarised information in the country studies show a hologram: each element of the system reflects the qualities of the entirety. This means in simple terms:

- The countries which have a strong strategy for coping with demographic change generally show more positive values with respect to individual indicators, such as the participation rate of older people and women, higher birth rates, higher job satisfaction, higher education rates.
- On the other hand: those countries which are expected to have a bigger problem with demographic structure change have – among other factors – lower participation in education and more stressful work situations. And they usually have no clear political strategy.

The **good news** is: Demographic change can be altered in its effects and designed in its consequences.

Integrated Policies are the Most Important Success Factor

It is evident that various policies have been introduced in EU member states in order to improve the employment opportunities of younger and older people, to increase the participation rate of women and to create a positive environment for stable or even growing birth rates. Strategies and activities of legal organisations usually include Labour Policy, Social Affairs & Health Policy (Retirement Insurance, Health Insurance, Trade Inspection) as well as Education and Vocational Training Policy.

Often the actions were initiated by national strategic development programmes which are supported by multi-year research and development projects. In several countries there are National Development Programmes, established networks of research institutes, social partners and companies, collective bargaining agreements, active supporting institutions and consulting facilitators. In these surroundings we can identify some good practice examples, though very few of them have been established in small and medium sized companies.

The package of measures includes, for example, active labour market policy with integration programmes for the unemployed, intensification of education and training, improving occupational health and safety, programmes to enable the compatibility of work and family life,

enhancement of equal rights and equal opportunities, creation of child care facilities, improving the care of sick and disabled people.

Only few very broad, comprehensive, and strategic approaches have so far been realised in the Baltic States Estonia, Latvia, Lithuania, and in Poland. These countries have made and are still making significant strides through active labour market policies (occupational training), improving workplaces, promotion of health and prophylaxis, and enhancing the organisation of work to strengthen employability. The study from Anita Richert-Kazimierska shows several examples in this regard from Poland and Lithuania¹. But we could not identify any examples which extend those of the above named countries concerning the strategic approach of age management, or the creativity in practical implementation oriented to the design of work.

The following section will describe some approaches and examples from the more advanced northern countries.

Examples of National Approaches

Finland has the longest experience with programmes handling demographic change. After a longer phase of intensive analysis on influencing factors for early retirement, in the year 1990 the national government implemented the “FinnAge” programme. This was followed by the national Programme for Ageing Workers (FINPAW), which led to reform of the pension system. The Health Care Act was passed. The project AgePower was launched in the framework of the Finnish Workplace Development Programme.

Norway currently does not have severe problems with unemployment or early retirement. But nevertheless in 2000 the Norwegian government started a campaign for “Inclusive Working Life” in order to reduce absenteeism, to better involve physically or mentally disabled people into work, to expand the use of skills and professional experience of older employees, and to rise the average retirement age. The Centre for Senior Policy is responsible for this national strengthening programme.

Beginning in 1998 the **Swedish** Government implemented the Parliamentary Commission SENIOR 2005. Examples of further approaches are

- a) the “Professional Transition Management” which has been developed by employer associations and trade unions in the form of collective agreements as a supplement and support of labour market policy measures or
- b) the “Forum 50+”, in which a NGO operates a project for the unemployed over 50 years of age in cooperation with the state employment agencies and institutions of social partnership.

¹ Anita Richert-Kazimierska (ed.) (2011): Analysis of rules, regulations, policies and strategies at national and regional level in the fields of employment, retirement, education and training, career planning. Institute for European Initiatives; Gdansk University of Technology, published within the “Best Agers” project, Gdansk (<http://www.best-agers-project.eu>)

The specific policy of the **United Kingdom** was decisively shaped by the programme “New Deal 50+”, which aims to help people aged 50 and over who are looking for or considering a return to work. It includes income support, disability benefits and severe disability allowance. The Employment Equality (Age) Regulations 2006 have been supported by the "Age Positive Campaign", which promotes the benefits of employing older workers.

Germany is focussing on strengthening networks and voluntary agreements rather than state regulations. The "Initiative New Quality of Work" started in 2002 as an alliance of organisations and institutions. The initiative "50 Plus" encourages retirement by the age of 67 and provides better employment opportunities to older people. Several R&D-Programmes have been launched, e. g. "Working - Learning - Developing Skills".

The policy of **Denmark** is dominated by the approach "Flexicurity". The so-called “golden triangle” combines (1) a flexible labour market (short periods of notice) with (2) strong financial assistance of the unemployed and (3) active labour market programmes (training, support etc.).

Of course there are several programmes and initiatives in the other countries, too. But mostly they are strategically shortened as they focus on singular aspects, namely awareness rising and active labour market activities.

Different Levels of Preparedness and Range of Integrated Approaches

The different strategies of the Baltic Sea Region countries range from the perception of the problem to challenge demographic change up to integrated policies.

Many of the programmes and projects are comparable, dealing with limited goals (awareness raising), limited target groups (employees 50+, apprentices), and/or narrow approaches (health promotion, or further training in specific technologies).

Most measures of companies are oriented in a somewhat reactive manner. Ageing of the workforce is very often perceived as a (enormous) challenge. The approaches are limited in their effect, as measures like decreasing work demands or enhancing individual resources (skills, individual prevention, and healthy lifestyle) do not really change the working conditions in an age-appropriate and ageing-adjusted way.

There are few but impressive examples of integrated policies and actions, which exceed the threshold level of pro-active solutions. These solutions identify ageing as an opportunity and have a broad life-course approach. Wallin and Hussi² indicate a large variability in age management approaches, varying from organisations without any age awareness to organisations who

² Marjo Wallin / Tomi Hussi (2011): Best Practices in Age Management – Evaluation of Organisation Cases, FIOH, Helsinki

view ageing as a challenge or as an opportunity, to more advanced organisations that provide equal opportunities. The most developed organisations are characterized by proactive measures (Figure 1).

Establishing a Good Balance between Individual's and Social's Needs

From a broad perspective mainly the Nordic states pursue integrated policy approaches with the focus on improving opportunities for employees, employers and society. The life-course approach is characterised by a simultaneous consideration of both individual and social opportunities.

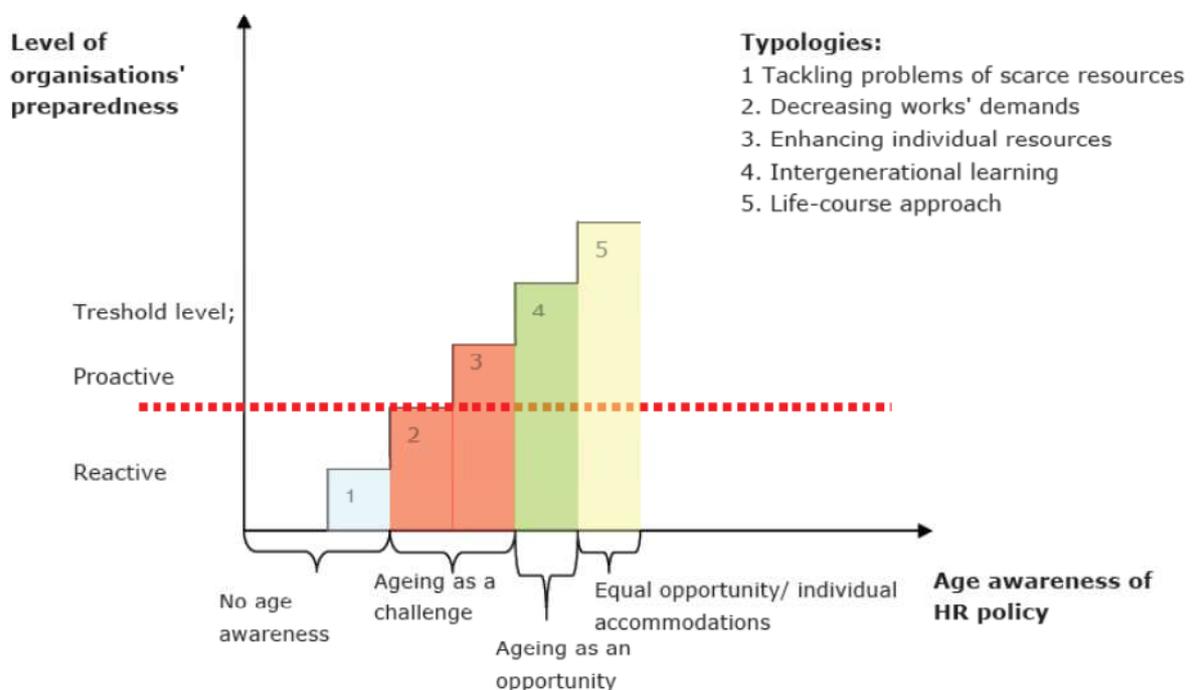


Figure 1: Typology of Age-Management Strategies (Wallin/Hussi op cit. 2011, p. 21)

At the state level, there are coordinated policies to encourage individuals and families. Society's attitude towards the elderly and towards ageing is promoted accordingly. Particularly pronounced in these societies is the offer to remove social burdens on families. In Norway and Finland for example there is a flexible pension system which – instead of reducing pension-income in the case of early employment termination – provides bonuses for the extension of working life. This also applies to the healthcare system which is oriented towards prevention.

Research and development in these countries provides significant contributions to the active support for companies through targeted promotion programmes. The examples of different programmes built on

each other in Finland show the feasibility and the necessity of longer-term development programmes which create a consistent policy. The concept of work ability, which is defined as the balance between work demands and individual resources, reaches both the corporate and the individual level. Since both the work requirements (technology, organisation, working hours, etc.) as well as the person (age, health, competence) may change over time, it is necessary to preserve the stability of work ability for the duration of the working life. This cannot be done by individuals on their own – people and businesses must work together so that the “House of Work Ability” is built on firm bedrock.

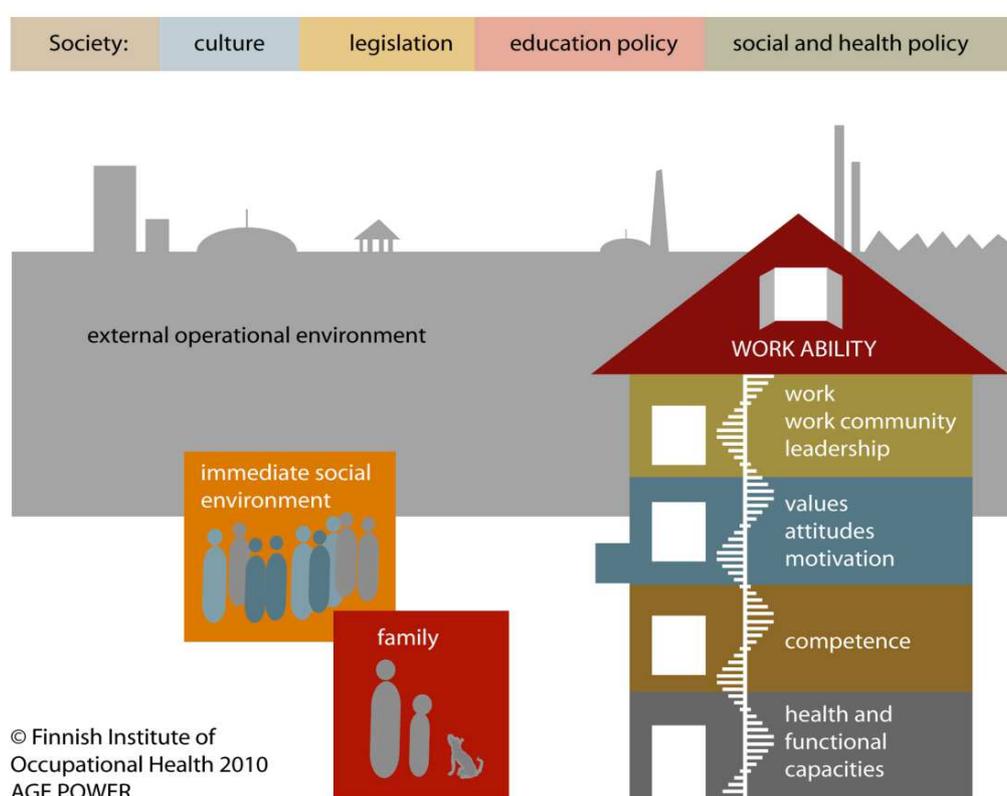


Figure 2: House of Work Ability (FIOH 2010)

In **Finland** the age management training of managers not only increases the awareness of diversity management issues, but also supports the corporate design of the job requirements.

In **Norway**, at the Centre for Senior Policy, there are state-funded advisors to assist with the corporate implementation of the employment extension.

In **Germany** there is an upcoming number of collective agreements handling the demographic change. Best known is the agreement in the Chemical

Industry which among other aspects prescribes the implementation of an age structure analysis and installs a self-financed fund for operational measures.

Approaches on Company Level

Special Focus on SME

SMEs, which account for 99.8% of all companies in Europe, employ two-thirds of all employees. In other words, a third of all workers are employed in only 0.2% of the enterprises. Small companies - which in Europe number at least 92% of all SMEs - employ less than 10 employees on average.

The specific structural situation is characterised by the fact that the owner frequently works operationally him- or herself. There are no staff positions for the various tasks and small capacities for strategic projects. Although there are many companies realising product innovation there is a lack concerning process innovation. Activities in the fields of Human Resource Development, Occupational Health Management, or systematic training get less attention in terms of time, money and creativity. Indeed, many of these companies feel the growing shortage of young talents, but for individual businesses demographic change seems to be a rare event.

Consequently the described situation leads to the fact that there are very few examples of good practice projects from these types of establishments. In addition, the quality of the description is not always meaningful enough for an instructive and transferable image.

Examples of Companies' Good Practices

Companies' offers to reduce the labour requirements of older employees focus on the reduction of working time. They take changing capacities and skills of ageing individuals into consideration. They are often combined with measures to support healthiness.

Up to now there are only few companies in Europe that have implemented a clearly noticeable increase in the retirement age of their workforce. The most impressive examples are introduced shortly.

AgeMaster by Abloy Oy, Finland

<i>Targets:</i>	Keeping the experienced lock-making workers in the company up to their retirement age and supporting them by various health and job-related training services. Those older than 58 years joined the AgeMaster Club. AgeMasters were given additional free days aiming to recover from the work load and to get time for promotion of their work ability. The additional free days reduced the work load services increase.
<i>Concept:</i>	Additional free days increasing by age (from 6 days/year for 58 years old employees up to 14 d/y for 63 plus) and voluntary health promotion.
<i>Prerequisites:</i>	Permanent contract and annual health and fitness tests by occupational health services.
<i>Agreements:</i>	Max 3 free consecutive days, agreed by the supervisor.
<i>Results:</i>	Retirement ages increased by about 3 years.

Senior Policy in Sandnes Municipality, Norway

<i>Targets:</i>	Comprehensive programme in 3-levels; reduced workload; extra investments for personal and workplace improvements; Focus group: employees aged 62 – 66 years old.
<i>Concept:</i>	Reducing working hours from 90% (62 years old employees) to 80 % (64+) at full pay (100% salary).
<i>Prerequisites:</i>	Reduced workload should normally be organised as fixed weekly reductions in working hours and tasks. When enrolled in the programme, it will last until retirement and cannot be combined with early age pension (AFP). Special regulations have been created for teachers to decrease their workload, starting at age of 55 years.
<i>Agreements:</i>	Annual reporting Work environment survey (degree of satisfaction) every second year.
<i>Results:</i>	Halving sick leave for employees aged 60 years + Changed attitudes towards older workers Retention of Competence, delayed recruitment needs, positive branding for Sandnes Municipality as employer.

The 80-90-100 programme by Vattenfall, Sweden

Targets: Longer work careers with stepwise increase retirement age up to 67 (65-67-70), decreasing work load by reducing the work time for 58+, decreasing sickness absence, transfer of tacit knowledge of experienced technical staff.

Concept: 80-90-100 = working time 80 %, salary 90 %, pension entitlement 100 %.

Prerequisites: Open for everybody – pilot 6 months – employer`s decision whether back to old or wish to continue.

Results: 25% of the workforce aged 58+ used the new schedule; it did not hinder organisational effectiveness because of better arrangements of the tasks, it increased motivation and vitality, and reduced stress. It contributed to an increase in average retirement ages to 63 (+ 3 years). Retirement ages increased by about 3 years.

Collective Agreement on Demographic Change and Intergenerational Fairness – Verkehrsbetriebe Hamburg-Holstein (Public Transport), Germany

Targets: Adaptation of work to individuals
Measures to stabilize the balance of working capacity on all levels of work ability

Concept:

- a) Ergonomics: design of the bus drivers workplaces after secured ergonomics findings: pause control, avoidance of night work
- b) Reduction of working time by release days:
 - b1) individually to 55 years as needed,
 - b2) from 56 years old get 4 days/year, 59: 6, 62: 8, 64+: 10
- c) Appreciative dialogues with each employee:
 - c1) appreciative exchange of experience (about 90% of all employees; annually),
 - c2) attentive work ability dialogue / integration of long-term sick/disabled (10%; if required)
- d) Promoting professional and personal skills
- e) Health promotion (prevention, cure, rehabilitation)
- f) Preparing for post-work life.

Agreements: Evaluation with the Work Ability Index and work ability dialogues with the employees (Occupational Health Service)
Annual analysis of the age structure, assessment of workload

Results: The agreement was concluded in June 2012

Recommendations

To become effective, all policies and actions have to be oriented towards the aim to install an excellent (occupational) well-being in productive enterprises. Employees have to be supported so that they are **able, willing and allowed** to work until retirement age (or longer).

Integrated Policies of Actors, Clear Levels of Approaches and Responsibilities, Concerted Actions (Magic-Box)

Successful strategies for coping with demographic change should not be singular approaches. They should involve an ensemble of policies and measures of different groups of actors in different, in different fields of action, with divergent ranges of perception, and with distinct levels of approaches for problem solving.

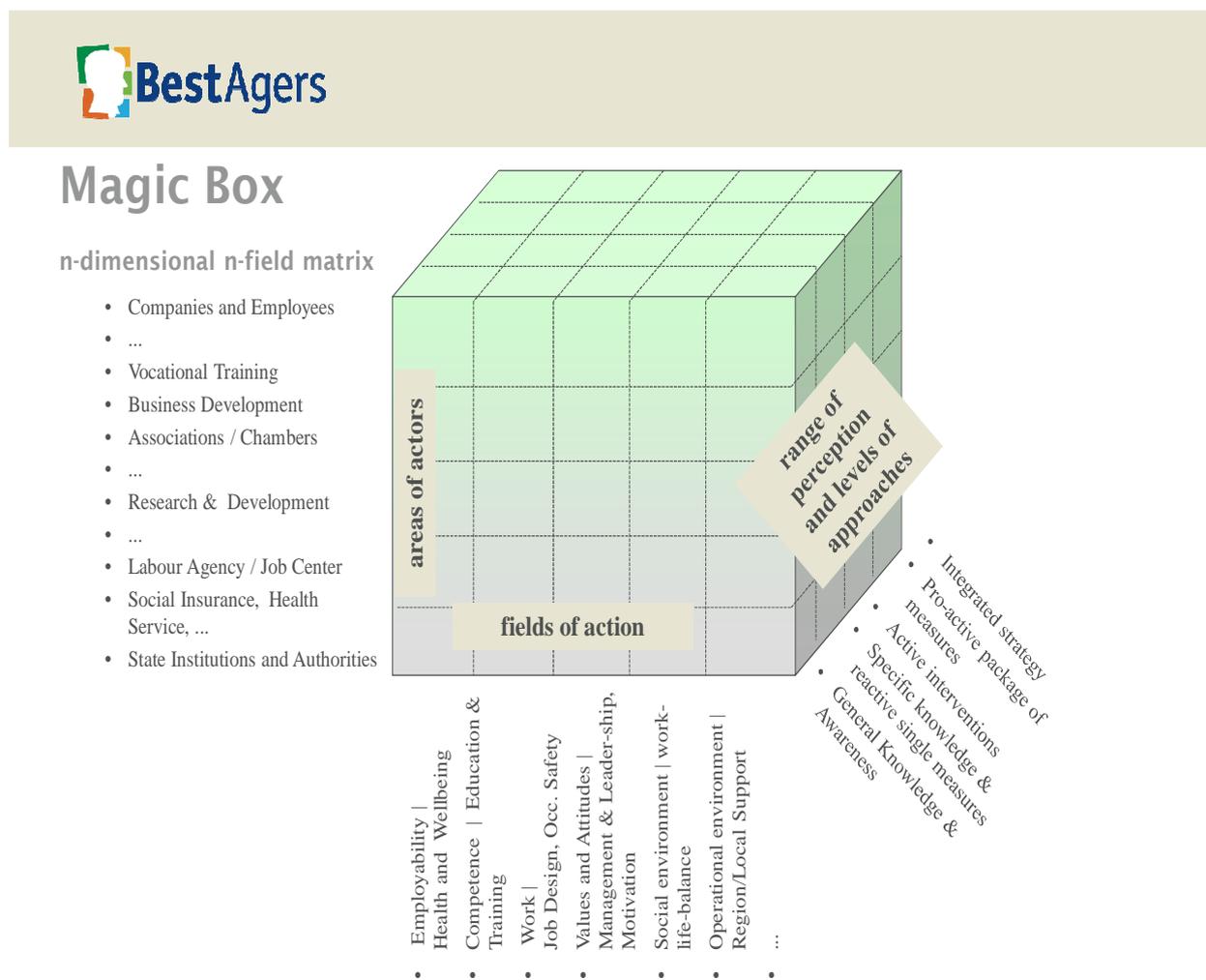


Figure 3: Magic box for integrated policies to cope with the challenges and opportunities of the demographic change

The 3-dimensional matrix of different actors, fields of action, and levels (intensities) of approaches will lead to sufficient solutions of the problems when the approaches, measures and instruments are aligned with each other.

The Magic Box may be a tool to show which actor works launches which actions (e.g. campaigns, promotion measures, active work design, increasing the ability to work) in which action field. The matrix can be used for visualisation, planning and evaluation of policies. It may be a tool to check or to verify the completeness and quality of actions as well as to identify "white spots" of actors and/or of actions, too.

Descriptions of successful approaches could be based on this structure and explain, if possible, to what extent the approaches correspond to the ideal of integrated policies.

The Magic Box could also be used for programme planning at the enterprise, intermediate, regional, national or European level, if the individual categories are clearly identified and differentiated.

It is urgent to establish a **social consensus among all stakeholder groups** with respect to the objectives and means to achieve a coordinated package of measures.

National and regional action programmes have to be adopted to promote employment, for example by specific training and tax breaks for the recruitment of the young and the elderly, particularly long-term unemployed, as well as the reintegration of "hidden reserves" (especially women, unemployed).

A pool of qualified consultants should be established, who are able to support companies and organisations in the strategic direction and the development of measures. Provisions of minimum standards of competence are required; possibly special university departments or courses of studies should be established.

Strategic Programmes need essentially:

- Clear focus
e.g. transition from a "culture (values and attitude) of early retirement" to a "culture of prolonging working life"
- Cooperation of all relevant actors
- Coordinated programmes, campaigns and actions
- Functioning networks
- Continuous improvement.

Reform of the Pension System will not Work without a Reform of Working Conditions

These arguments do not mean that the pension reforms must be withdrawn – they are obviously necessary to the economy. But qualitative improvements are to be examined in two directions:

- People are being penalised for leaving their working life early. This system needs to be dismantled. A bonus system should be created that enhances the pension benefits to support an extension of a person's working life.
- Those occupations where employees are often forced into early retirement should retain full benefits upon reaching the age of retirement. It should apply to professions which are characterised by a disproportionately high physical and/or psychological strain, e.g. in the fields of education, senior and nursing care, some crafts professions (e.g. roofers, plaster and screed workers, masons), or professions with regular night shifts (e.g. steel, chemistry, fire fighters).

Change the Paradigm: Qualitative Instead of Quantitative Policies

The prescribed prolongation of an employee's working life does not necessarily lead to an improvement in the health situation of employees or a humane design of working conditions. And the design of individual health promotion which aims at well-being (in terms of "behavioural prevention" has only limited positive effects when strain and stress at work are not at least free of injuries. Work should be reasonable, feasible and tolerable for employees.

The Finnish and Norwegian examples show that there are alternatives. The beneficial aspects are most important and should be done first before in the next step further demands are expressed.

- **First improve working life** in such a way that people can, want to and are allowed to work longer.
Promoting work ability and occupational well-being according to evidence-based concepts – integrated activities in the dimensions of work ability.
- **Later** it is possible to **increase the retirement age**. When the working and living conditions are improved the need for early retirement is reduced.

Working up to the age of 65 and beyond will be realised at the workplace, not at a political level. No one can create and enable a longer working life alone – this requires the cooperation of all actors: individuals, enterprises, organisations and government agencies.

Finally, the funding of research and development should pay more attention to the implementation of existing knowledge instead of continually creating new and innovative approaches.