效率促進組
fficiency Unit

Ageing in the Public Service

April 2010

This brief was researched and authored by the Research Division, Institute of Public Administration, Ireland (www.ipa.ie/research). The Research Division provides applied research services for policy makers in a wide range of public service organisations, drawing on an extensive network of contacts and experience gained over more than thirty years.

Other Efficiency Unit Documents

The Efficiency Unit has produced a number of guides on good practice on a wide range of areas, including outsourcing and contract management. These may be found on the Efficiency Unit website at www.eu.gov.hk.

Foreword

"The art of government consists in not letting men grow old in their jobs", so said Napoleon. He didn't face the demographic map that today confronts many communities and many public services, but some wisdom remains in his words.

The much higher rates of retirement from Hong Kong's public service that will be seen over the next decade, as the great contingent that came into the service in the 1970s and early 80s move on, should not be seen as a problem to be endured but as enabling regeneration of the public service.

Through attention to reforming the way we work; by managing recruitment well with a view to the skills and capacities that tomorrow's public service will need, and with strengthened training, mentoring and development programmes, we can help to sustain a service that attracts talented young people, and through them, to sustain a robust and resilient public service that can help sustain this unique city and society.

I trust that this report, by drawing together ideas and initiatives that have been taken in other public services faced with similar challenges from an ageing workforce, will help you to consider what we are doing here and will help to stimulate discussion and action within individual departments and across the public service as an organization.

Head, Efficiency Unit

April 2010

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Executive Summary

Background and context:

- The population of the developed world is ageing and the trend is accelerating.

- If current trends continue, the old-age dependency ratio (those over 65 relative to the working age population, typically measured as between 20 and 64) will double from 1:3 in the Organisation for Economic Co-operation and Development (OECD) countries in 2000 to 2:3 in 2050 (almost 1:1 in Europe). In Asia, the ageing pattern is more delayed than in Europe but the trends towards lower fertility and higher life expectancy are the same. China is the Asian country that is ageing fastest. The proportion of the population over 65, currently about 7% is forecast to rise to 24% by 2050.

- Perhaps the most immediate concern in respect of ageing populations is a fiscal one. Increasing life expectancy will raise significantly the share of age-related expenditure in Gross Domestic Product (GDP), in particular for public pension programmes and for health care.

- It is critical that governments plan how they will address the challenges posed by increasing proportions of their populations living longer. Timely and appropriate action can transform the challenge of ageing societies into an opportunity. However, the window of opportunity to plan and prepare is quickly closing. By 2030, ageing will have become a major issue.

- In order to progress an ageing agenda there are three key requirements: effective multi-stakeholder collaboration, a transformational change in thinking, and, integrated retirement and healthcare solutions.

- In the short to medium term the most useful way of mitigating the effects of an ageing population is to encourage older people to remain in or return to the labour force. Within OECD countries, less than 60% of those aged 50-64 have a job, compared with 76% for the 24-49 age group.

- Putting in place policies that support and promote employment for older people represents a positive opportunity for the older person while also helping to offset the negative potential effects of population ageing on public budgets and economic growth.

- It is important to dispel a number of myths in relation to older workers as these may be hampering reform efforts and the adoption of age-friendly employment practices. The claim that fewer jobs for older workers results in more jobs for younger workers, though unfounded, is proving especially stubborn. There is also scepticism regarding the ability and willingness of older workers to stay in the labour market. In reality, many studies of employers and older workers show that older and younger workers each have relative strengths and weaknesses.

- The risks of ageing societies are widely apparent: significant increases in age dependency rates and the associated escalation of healthcare and pension costs. However, there are positive sides to ageing as well. With advances in medicine and healthier lifestyles more people are expected to enjoy better health later in life, enabling a greater level of activity in old age that can, in turn, improve the quality of life and social outcomes.

STEP 4
Define staffing plans, supported by defined activities, accountabilities and timeframes.

STEP 3
Develop staffing strategies, such as retention of older workers, succession planning, knowledge management.

STEP 2
Define staffing gaps and surpluses using 'what if' scenarios and contingency plans to deal with uncertainty.

STEP 1
On the basis of a review of the internal and external factors infl uencing workforce capability, defi ne critical staffi ng issues, such as the imminent retirement of a large number of senior managers.

A workforce planning review in response to ageing

Managing an ageing workforce: Concerns of employers, older workers and younger workers			
Employer concerns	Older worker concerns	Younger worker concerns	Possible responses
• Keep those in work at work • Bring older people back into the work force • Encourage workers to stay beyond traditional retirement age.	• Concern in relation to erosion of skills/ experience • Health concerns • Caring responsibilities/ other commitments • Financial concerns.	• Concerns about advancement • Concerns about acquiring experience • Desire for interesting, meaningful work.	• Ensure selection procedures are fair and unbiased • Focus on the development of all staff • Ensure that older workers formally pass on their skills and knowledge • Review work-life balance and employee well-being initiatives.

An ageing public service

- At the same time that the public sector must respond to the changing demands made by an ageing society, civil servants are themselves ageing, in many instances at a more rapid rate than the wider labour market.

- An ageing public sector exacerbates the fiscal challenges faced by governments due to population ageing in general. An ageing public service tends to be costly as it includes more senior and long-serving staff. In addition, public service pension schemes have typically been more generous than private sector ones.

- As a first step in tackling ageing, many countries have set about reforming public sector pensions as a way of reducing their cost. Typical initiatives aimed at bringing public service pensions more in line with those available in the private sector include, reducing benefits, increasing retirement age, and switching from defined benefit to funded defined contribution schemes.

- With a large proportion of the public service retiring over a relatively short period of time, maintaining the capacity of the public service to deliver the same level and quality of public services for all citizens is a complex management task. All the more so since this must be achieved in tandem with service delivery changes to meet the new demands from an ageing society. The challenge for governments is to increase productivity levels even in a situation of declining numbers.

- Large scale employee departures do present governments with an opportunity to rethink the organisation of provision of public services. Possibilities include, reallocating resources across the public service, devolving responsibilities to lower levels of government, regionalisation of services, halting or reducing the delivery of certain services, contracting out of services, public private partnerships and in some cases privatisation.

Managing an ageing workforce

- A growing challenge for many organisations is how to invest more time in how they manage, develop and leverage the skills of employees of all ages.

- A strategic approach to the investigation of the potential impact of changing workforce demographics will ensure that any workforce management decisions are made from an informed base and not a reactive response.

- From an employer's perspective there are a number of key elements in managing an ageing workforce, with strategies required in respect of each element. Areas requiring particular focus include recruitment, workforce planning, succession planning, training and development and knowledge management. In addition, human resource policies and practices need to support the attraction and retention of older employees.

- In the context of an ageing society and possible labour market shortages it is critical that public sector organisations are attractive places to work. All job applicants and recruits need to be treated on the basis of individual merit rather than age.

- In planning for the future, organisations need to examine the age structure of their employees and how demographic trends may affect service delivery. Workforce planning assists organisations in exploring the future, assessing options and defining objectives.

- Ageing workforces, with large numbers of retirements imminent, has led to renewed interest in succession planning. This is now a much broader concept than simply identifying successors for the senior management team. In many organisations a capability approach is used, rather than developing people for current specific job requirements. The emphasis should also be on encouraging the development of all staff.

- Skills deficits are frequently seen as one of the employment risks associated with older employees. What is often overlooked is the self-fulfilling prophecy at work here – such skills deficits emerge primarily because organisations do not invest in their older workers.

- Knowledge management is an important feature of managing an ageing workforce. This ensures that the skills and experience of retiring employees are retained within the organisation.

- Many employees retire before they might otherwise chose to for reasons of health or family responsibilities. For organisations with an ageing workforce it is therefore critical that they develop a range of work-life balance opportunities that help them to manage their wish to remain in employment with other commitments.

- Addressing age discrimination and age stereotyping is an important aspect of managing an ageing workforce. Some organisations are recognising that enterprises with a diverse age base are able to respond best to business objectives.

- Some important pre-requisites of managing an ageing workforce include, age awareness; careful planning and implementation; cooperation; continuous communication; and, ongoing monitoring and assessment.

Six pillars of an integrated approach to managing an ageing workforce	
Workforce planning	**Recruitment and selection**
Identify how demographic trends may affect service delivery	Ensure organisations are attractive places to work for older people
Succession planning	**Training and development**
Identify and develop successors for key positions	Focus on development of all staff including older workers
Knowledge management	**Review work environment**
Ensure that older workers formally pass on their skills and knowledge	Proactively address age discrimination and age stereotyping. Consider work-life balance opportunities

1 Background and Context

The population of the developed world is ageing and the trend is accelerating. The average age of populations in many countries is increasing, because people are living longer and, especially, because birth rates have fallen in the past few decades. This is a significant demographic change that has not been seen before. The change brings both opportunities and challenges. Governments need to start planning for an ageing population to ensure that the risks are minimised and that the opportunities are maximised.

As populations age, so too does the labour force. Many of the so-called 'baby-boom' generation, born in the years of expansion that followed the second world war, are approaching retirement age. This problem is more acutely felt in traditional areas of employment such as the public service. For public service managers this presents wide-ranging Human Resource (HR) challenges. While considering the impact of ageing on society in general, they must also particularly address its impact on their own workforces.

However, there are also positive sides of an ageing workforce. With advances in medicine and healthier lifestyles more people are expected to enjoy better health later in life and to remain full and active participants in the workforce and society for far longer than in previous generations. This enhanced quality of life for older people can generate positive social and economic outcomes.

Ageing – some definitions

Definitions of ageing and old-age vary and certainly it is a relative concept. As noted by the United Kingdom (UK) Audit Commission (2008), older people are not a homogenous group that can easily be categorised, there is no single point at which a person becomes old. Ageing affects people in different ways and different times. Some people live independently in the community into their 80s, whereas others need assistance relatively early in life. In most OECD countries the default retirement age is 65, the age at which employers may compulsorily retire employees and when they become eligible for state pensions.

There are a number of ways of indicating an ageing society. The OECD (2007a) examines both current and projected numbers of people aged over 65. Other research compares numbers over state pension age with those under 18 (HM Government, 2009). Elsewhere, the OECD (2003) refers to the old-age dependency ratio, those over 65 relative to the working age population (typically measured as between 20 and 64). The converse of this measurement is the 'total support ratio', the ratio of the numbers of workers to the number of both young and old people (Mayhew, 2009). However, regardless of the measure employed, the evidence is now clear, the population of the developed world is ageing and, with fertility rates remaining low, likely to continue so.
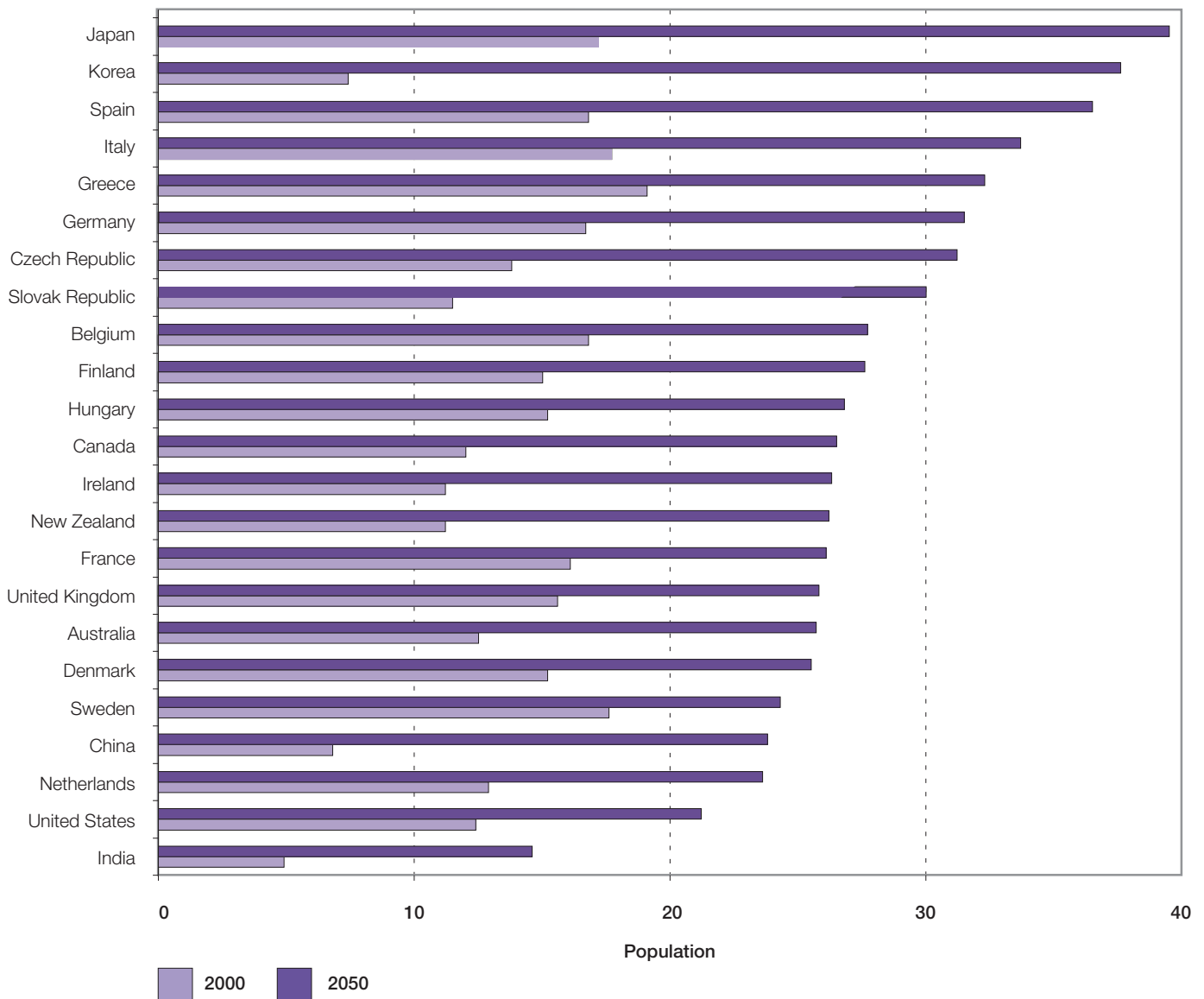
According to the OECD (2007a), without changes, the old-age dependency ratio will double from 1:3 in the OECD area in 2000 to just over 2:3 in 2050 (almost 1:1 in Europe). For countries including, Japan, Korea, Greece, Italy and Spain, the issue is particularly acute. A further dimension of the issue is that the proportion of the very old (80 and above) within the older population (65 and over) will increase from a current figure of about a quarter to up to 40% in some countries.

In Asia, the ageing pattern is more delayed that in Europe but the trends towards lower fertility levels and higher life expectancy are the same. Across the continent the proportion of old people (aged over 65) is about 9%. This figure is expected to rise to 23% by 2050. China is the Asian country that is ageing fastest. The population over 65, currently about 7%, is due to rise to 24% by 2050 (OECD, 2009a; Mohan, 2004).

Population ageing in selected countries: proportion of population over 65 to the total population

Japan
Korea
Spain
Italy
Greece
Germany
Czech Republic
Slovak Republic
Belgium
Finland
Hungary
Canada
Ireland
New Zealand
France
United Kingdom
Australia
Denmark
Sweden
China
Netherlands
United States
India

0   10   20   30   40

Population

■ 2000   ■ 2050

Source:
OECD 2009a

The challenges of an ageing society

Ageing societies pose major challenges for governments. There are a number of angles to addressing these problems. On one level, countries can seek to enhance both the number and productivity levels of those in employment. This can be done through increasing the participation rate of 50-64 year olds, which in many countries is low, or through raising the retirement age.

Immigration may also serve to increase the size of the work-force. In the longer-term, initiatives to improve fertility levels are also worthwhile. However, notwithstanding these actions, it is also critical that governments plan how they will address the challenge posed by increasing proportions of their populations in older age cohorts, who are also living longer.

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Reviewing the default retirement age in the UK

In 2009 the UK government announced that a review of the default retirement age – which allows employers to retire people at 65 - would be carried out during 2010. They further clarified that the default retirement age is not a mandatory retirement age. Employers do not have to retire people at 65 when they become eligible for a state and/or an employment related pension, they are free to continue to employ them as long as both parties wish. In addition, employees have a statutory right to request working longer which the employer has a duty to consider. It is hoped that initiatives like this will encourage employers to adopt more flexible practices around retirement.

Similar initiatives are taking place around the world. Denmark and Germany are considering raising their retirement age from 65 to 67. In Australia and South Korea, the normal retirement age will increase incrementally from 60 to 65.

In 2002 Marks and Spencer removed its company mandatory retirement age, which had been set at 65. The decision came after a review of retirement practices and a drive to retain and attract highly effective sales advisers. Removal of the mandatory age was linked to an extension of flexible working policies to enable older staff to reduce working hours rather than retire. The firm now employs significant numbers of staff aged over 65.

Source:
HM Government (2009) http://www.hmg.gov.uk/media/33830/fullreport.pdf
Chartered Institute of Personnel and Development (CIPD) (2006)
http://www.cipd.co.uk/NR/rdonlyres/00F4F514-7550-45BA-B207-84AD581A57F2/0/manageguide.pdf
CIPD (2008)
http://www.singaporehcsummit.com/fi les/4463_An_Ageing_World_RI_(PROOF).pdf

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Fiscal challenges

For governments perhaps the most immediate concern in respect of an ageing population is a fiscal one. Increasing life expectancy will raise significantly the share of age-related expenditure in GDP, in particular for public pension programmes and for health care. Starting from an average of 21% of GDP in 2000, age related expenditure in OECD countries is projected to increase by about six percentage points of GDP by 2050. Spending on old-age pensions and spending on health and long-term care are each projected to increase by more than three percentage points of GDP on average, with a small offset in some countries from reduced spending on education and child benefit. Ageing on this scale could place substantial pressures on public finances and reduce growth in living standards.

On the pensions side, there are a number of ways by which countries are choosing to address this unsustainable situation. Increased employment rates, due to an increased share of women working, later retirement in men and a fall in unemployment would increase outputs, while also reducing pension costs. However, the principal factor likely to dampen expenditure increases is a reduction in pension benefits. In some countries, particularly where benefits are already low, this may have implications for the adequacy of income in retirement, particularly if there is no increase in private savings.

Within the private sector pension reform is now a matter of urgent debate. According to a survey carried out by PricewaterhouseCoopers (PwC, 2009) 90% of UK companies with a defined benefit scheme are worried about the impact of

their pension scheme on their business. Strategies being considered to reduce the exposure of businesses to pension risk include, an end to defined benefit provision for new employees, a redesign of benefits and increases in the retirement age.

A further aspect of the fiscal challenge facing governments because of ageing populations is the cost of health care. Health care costs as a proportion of GDP have risen rapidly in line with ageing and reform of health care systems is ongoing in many countries. However, spending is expected to increase, because per capita consumption of health care services is three to five times higher by the elderly than by younger groups. However, the OECD (2003), which developed these figures, adds that there is considerable uncertainty about the appropriate method of modelling the impact of ageing on health spending.

CASE STUDY
Review of the fiscal impact of ageing in Australia

In a report on the 'Economic Implications of an Ageing Australia', the Productivity Commission found that ageing pressures are about to accelerate as the baby boomer generation retires. Ageing will reduce economic growth at the same time that it intensifies demands for public services, such as health, aged care and the age pension. With present policy settings, age-related spending will exceed the growth of tax revenue. This will open up a fiscal gap equal to six and a half per-cent of GDP by 2045. With the workforce shrinking as a proportion of the population, per capita GDP growth will fall as low as 1.25 per cent per year in the 2020s, about half the rate in 2004.

According to the Commission's Chairman, Gary Banks, 'the ageing of our population is a long-term phenomenon. But its effects will be felt sooner than we can imagine. The actions of governments today will determine how well Australia will cope with ageing pressures in the future'.

The Commission demonstrates that, in the absence of other policy actions to reduce fiscal pressure, taxation levels would need to rise by 21% by 2045, or the debt burden of ageing would become twice as large as Australia's GDP.

According to the Commission report, policy responses will need to be on a broad front and at all levels of government. In particular, co-ordinated reforms will be needed in health and aged care.

Rising labour force participation can partly offset the impact of ageing. However, population policies would have little impact on the overall trend. Increased migration was found not to be a realistic solution, though greater emphasis on skilled migration could play a role. In relation to fertility rates, while a small rise was anticipated, the effects are greatly outweighed by improvements in life expectancy.

The report concludes on a somewhat positive note by stating that the very fact that ageing brings us longer, healthier lives shows why we shouldn't just see it as a problem. That said, the economic and fiscal challenges are real and the earlier governments act, the less risk of crisis measures in the future.

Source:
Australian Government Productivity Commission, 2005
http://www.pc.gov.au/projects/study/ageing/docs/finalreport/mediarelease

Labour force challenges

In the short to medium term the most useful way of mitigating the effects of an ageing population and sustaining economic growth is to encourage older people to remain or return to the labour force. Across the OECD, less than 60% of those aged 50-64 have a job, compared with 76% for the age group 24-49 (OECD, 2006). Furthermore, despite sustained increases in longevity, the effective age at which workers retire has tended to follow a downward trend in most countries. The main pathways for early exit from the labour market differ across countries. In some countries, this occurs mainly through provisions in the pension system or through formal early retirement schemes. In other countries it is through disability and other welfare benefits.

Older workers may also face a number of difficulties keeping their jobs. On the side of employers, these include negative perceptions about the capacity of older workers to adapt to technological and organisational change, and wages and non-wage labour costs that rise more steeply with age. For older workers themselves, they may experience a depreciation of their skills, while not being given opportunities to retrain. Ill-health, caring responsibilities, difficult working conditions and lack of flexibility in work hours may also play a role.

Putting in place policies that support and promote employment for older people represents a positive opportunity for the older person while also helping to offset the negative potential effects of population ageing on public budgets and economic growth. Drawing on lessons learnt from 21 country reviews the OECD (2006) has developed a list of policies that improve the employment prospects of older people.

- *Getting financial incentives right*
  Almost all of the countries in the OECD review have been carrying out reforms to tackle work disincentives and increase flexibility in work-retirement decisions. A number of common elements to these reforms include reductions of pension replacement rates, increasing the official and earliest ages of retirement, and introducing or changing actuarial adjustments in pension benefits for early and late retirement.

- *Changing employment practices*
  Employers are key stakeholders in the new agenda for reform as they play a crucial role in shaping the employment prospects of older workers. To counter negative employer attitudes, countries have introduced age-discrimination legislation or information campaigns promoting the business case for employing older people. In many countries mandatory retirement is increasingly being questioned.

- *Promoting employability of older workers*
  As larger cohorts of workers move into the older age groups, it will become increasingly important to ensure that older workers have up-to-date skills, good access to employment services and better working conditions. This is a challenging task. In many countries it has proved difficult to reduce inequalities in training participation by age and skill and increase investment in lifelong learning. The establishment of dedicated programmes for older people represents a positive initiative by public employment agencies in some countries. Facilitating access to part-time jobs and developing flexible work arrangements are further important means of giving older people greater choice and smoothing work-retirement transitions.

- *Challenging myths in relation to older workers*
  It is important to dispel a number of myths in relation to older workers as these may be hampering reform efforts and the adoption of age-friendly employment practices. The claim that fewer jobs for older workers results in more jobs for younger workers, though unfounded, is proving especially stubborn (OECD, 2006). In a study exploring whether older workers crowd out younger workers in the US, Gruber and Milligan (2008:13) found 'no consistent evidence of an impact of the employment of the elderly on the young'. There is also scepticism regarding the ability and willingness of older workers to stay in the labour market. Thus some argue that working capacity systematically deteriorates with age. However, many studies of employers and older workers show that older and younger workers each have relative strengths which they can contribute to the workforce.

CASE STUDY
Incentives to encourage older workers to stay on in the labour market or attract them back into employment

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

- The UK encourages older workers to continue working by allowing them to defer receipt of the state pension. In return they receive a higher pension income or a lump sum.

- Japan pays continued employment benefit to older workers who are rehired after reaching mandatory retirement age.

- In Italy, workers over 50 have been included in the definitions of 'socially disadvantaged workers', which means that work agencies get incentives to place them and employers receive social security payment reductions.

- Germany provides supplemental pay and social security contributions for unemployed workers that accept a job that gives them a lower income.

Source:
Towers Perrin (2007)

CASE STUDY
Enhancing the employability of the mature workforce

A survey conducted in 2006 of over 28,000 employers in 25 countries found that only 14% of respondents had specific strategies in place aimed at attracting and recruiting older employees. However, the situation in Singapore is markedly different, with approximately half of all employers having a recruitment and retention strategy for older workers.

The high positive response rate from Singapore's employers is due, in part, to the lead role that the Singaporean government is taking to enhance the employability of the mature workforce by offering incentives to business. The Singapore Workforce Development Agency has implemented an incentive programme called Advantage! that encourages companies to employ workers over age 40, or re-employ workers over 62. The programme is comprised of four components – job redesign grants, training grants, job placement services and re-employment support.

Source:
Manpower, 2007
http://fi les.shareholder.com/downloads/MAN/846558807x0x91548/2f7a48b1-1b86-4006-90b7-f6cc2057ccf9/OlderWorkforce_Global_US_Letter.pdf

The opportunities of an ageing society

The risks of ageing societies are widely apparent: significant increases in age dependency rates and associated escalation of healthcare and pension costs. However, there are positive sides to ageing as well. With advances in medicine and healthier lifestyles more people are expected to enjoy better health later in life, enabling a greater level of activity in old age that can, in turn, improve the quality of life and social outcomes. There is also great potential for the prevailing culture of youth to better integrate, learn from and appreciate the skills and experiences of older generations.

A further, somewhat ignored aspect of ageing societies is the fact that a growing number of older people have considerable disposable income and the time and inclination to spend it, the so-called silver economy (CIPD, 2008). Many businesses are poorly prepared for this clientele, who are looking for varied and tailored services and products that fit their specific circumstances.

A report on societal ageing by the World Economic Forum (2009) emphasises that timely and appropriate action can transform the challenge of ageing societies into an opportunity to stimulate economic growth and improve well-being. However, the window of opportunity to plan and prepare is quickly closing. By 2030, ageing will have become a major issue and, by 2050, few countries will be unaffected. According to the World Economic Forum in order to progress an ageing agenda there are three key requirements:

- *Effective multi-stakeholder collaboration*
  Effective collaboration between the key stakeholders – financial institutions, healthcare providers, employers, governments and citizens – is crucial to overcome challenges and seize opportunities. Collaboration may, in various combinations be fostered by aligning interests, enforced through rules and regulation, or stimulated by focusing on shared benefits and long-term objectives and reinforcing a sense of moral responsibility and leadership.

- *Transformational change in thinking*
  The actions of individual stakeholders must be based on a shift in thinking towards incentive structures that reward long-term planning and societies that value and honour old age as a productive life phase. This shift in thinking entails significant changes in the way that work, health and retirement are conceived.

- *Integrated retirement and healthcare solutions*
  Hybrid solutions to address both the healthcare and retirement financing challenges are possible and, in fact, essential to better cater to ageing societies.

The World Economic Forum report sets out eleven high-impact strategic options that countries should consider in implementing a response to ageing. See: http://www.weforum.org/pdf/scenarios/Transforming-Pensions-Healthcare.pdf

| Reorienting from a 'challenge mindset' to an 'opportunity mindset'		
Domain	**Conventional mindset**	**Alternative mindset**
Population Ageing	• The ageing of our societies is a challenge • Older workers are less productive	• The ageing of our societies is both a challenge and an opportunity • Older workers are productive and healthier than ever before
Time Horizon	• There is still time to solve pension and healthcare financing challenges in an ageing world	• The window of opportunity to solve pension and healthcare financing challenges is closing fast
Work	• Work in old age is burdensome • A person's career ends with a hard stop at retirement	• Work in old age can be enjoyed and fulfilling • A person can have multiple careers and flexible working arrangements at an older age • Work, rewards and career progression can be adjusted to life stages
Solutions	• Change must be incremental, and be bound by established concepts of roles and responsibilities • The pension and healthcare financing challenge can be addressed with siloed pension and healthcare solutions • Individual interests, single-stakeholder perspectives and risk shifting will predominate • Healthcare is curative and reactive • Higher-income countries rely on state care systems; lower-income countries rely on informal care	• Change can and should be transformational, with a fundamental re-conception of roles and responsibilities • The pension and healthcare financing challenge can be simultaneously addressed with integrated solutions • Collective interests, multi-stakeholder perspectives and risk sharing will predominate • Healthcare is preventive and proactive • Hybrid models are tailored to stages of economic development and cultural norms

Source:
World Economic Forum, 2009

2 An Ageing Public service

Overview of ageing in the public service
At the same time that the public service must respond to the changing demands made by an ageing society, civil servants are themselves ageing, in many instances at a more rapid rate than the wider labour market and the rest of society. In addition, the age-profile of the public service in many countries shows less variation than the age profile of the corresponding wider labour market.

Looked at by age group, the largest cohorts in the public service tend to be around 40-49 years old, with a significant proportion of employees in the age band 50-54 and 55-59 depending on the retirement age. Overall, the proportion of young employees is far smaller in the public sector than in the private sector (OECD, 2007b).

Percentage of central government workers over 50 years, 1995 and 2005

Legend: 2005 | 1995
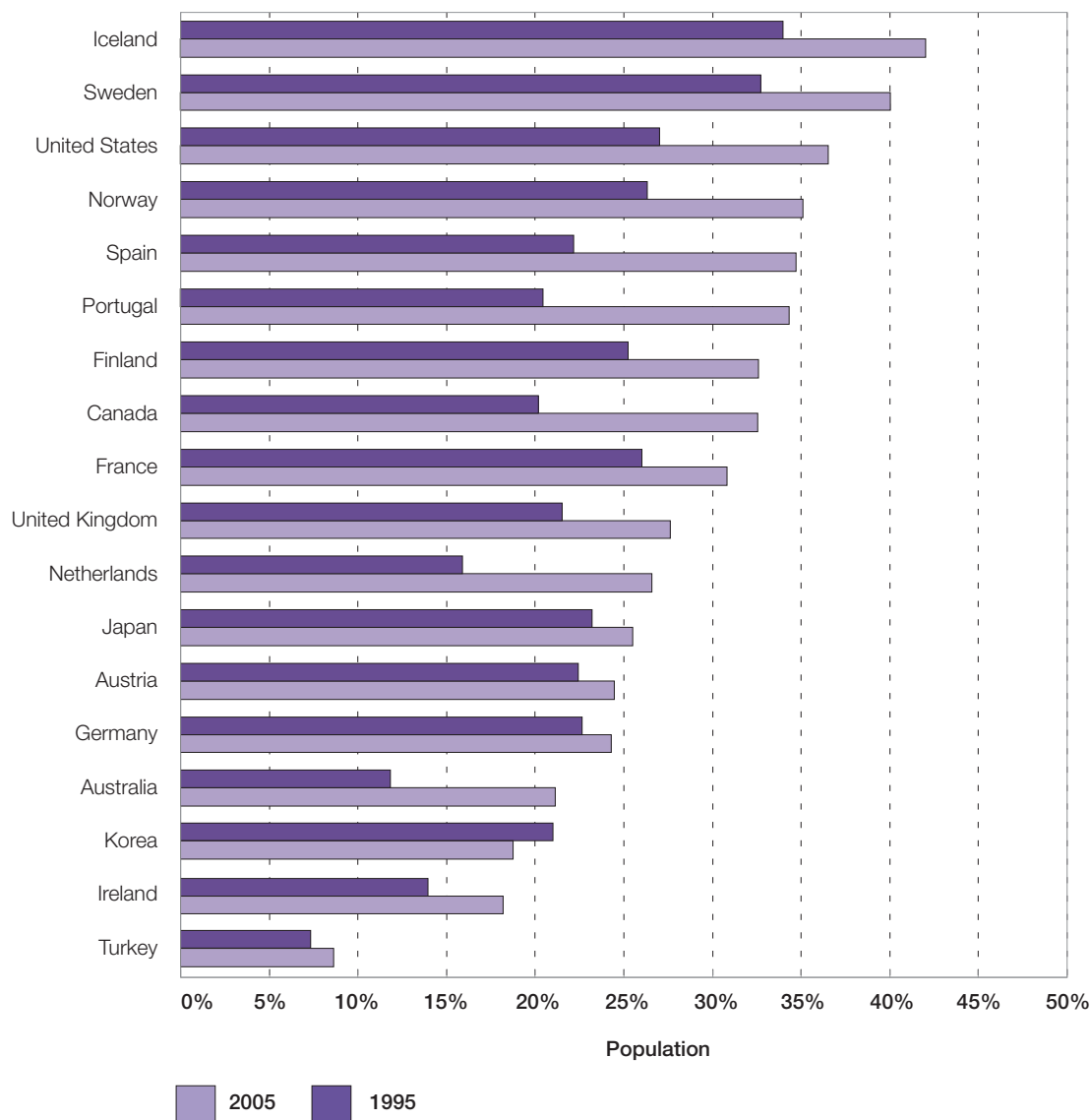
Source:
OECD 2009b

The roots of this demographic profile lie in the rapid expansion of public services from the 1970s until the mid 1980s and the massive hiring that took place at this time. This was followed by a period, in the 1980s and 1990s, when the numbers in the workforce were stabilised and hiring freezes occurred in many countries. Reinforcing this trend, it seems that the age at entry to the public service has increased. Furthermore, public sector employees leave the workforce at a younger age than workers in general, due to pension incentives, early retirement arrangements or tradition (for example, in France, the legal retirement age from the civil service is 60, but the actual average retirement age is 57).

However, an ageing public sector also provides opportunities. In cases of large-scale departures there is an opportunity to rethink the organisation of the provision of public services, to restructure the workforce, introduce new flexibilities and new ways of working. In addition, and where both parties wish it, older workers who remain in the workforce have been shown to provide a stable and committed influence and transfer skills and experience.

Challenges and opportunities of an ageing public service

Fiscal issues

An ageing public sector exacerbates the fiscal challenges faced by governments due to population ageing in general. Firstly, an ageing public service tends to be more costly as, on average, it includes more senior and long-serving staff. In addition, public service pension schemes have typically been more generous than private sector schemes. In many OECD countries, governments have reformed public service pensions as a way of reducing their cost. Typical initiatives aimed at bringing public sector pensions more in line with those available in the private sector include reducing benefits, delaying pension entitlements and switching from defined benefit to funded defined contribution schemes. In countries where reform of public service pensions has occurred, this has somewhat eased the fiscal challenge facing governments due to ageing populations.

However, in the long-term an ageing public service may represent a strategic opportunity to reduce the size and therefore the cost of the public sector. Options include not always replacing employees who retire, and introducing new, more flexible and possibly cheaper, conditions of employment for new recruits. Finland, Portugal and France have all committed to reducing the size of their public employment through not replacing staff departing on a one for one basis. Other countries including Ireland and the Netherlands have put in place hiring freezes. The difficulty with this latter approach is that addressing the implications of ageing among the wider population requires a higher level of service, which may necessitate an increase in personnel by some areas of the public sector, in particular, health and welfare.

Pension reform

> In Australia, the Public Sector Superannuation Scheme, an unfunded defined benefit scheme, was closed to new members from 30 June 2005. To replace it, the government introduced the Public Sector Superannuation Accumulation Plan (PSSAP) for all new employees. This is a defined contribution funded scheme.
>
> In Finland, reform of public sector pensions has been ongoing since the 1990s in order to make the benefits of public pensions more similar to those available in the private sector. The normal retirement age has been increased from 63 to 65 years and the number of years of service required in order to be entitled to a full pension, from 30 to 40 years. Also, rather than based on final salary, pension entitlements are now based on an individual's average salary over their entire working life.
>
> *Source:*
> *OECD (2007b)*

Maintaining capacity and reallocating staff resources

With a large proportion of the public service retiring over a relatively short period of time, maintaining the capacity of the public service to deliver the same level and quality of public services for all citizens is a complex management task. The situation is exacerbated by the fact that staff departures will be particularly acute at management levels, due to the fact that senior management typically encompasses staff who joined the public service during the expansionary years of the 1960s and 1970s.

A reduction in public service staff numbers combined with the need to increase staff resources in certain areas of the public sector to address new priorities, including an ageing population, requires governments to reassess and reallocate staff numbers across the public sector. This represents a significant challenge, in particular where it is perceived necessary to reallocate resources across sectors or levels of government.

However, large scale departures do present governments with an opportunity to rethink the organisation of the provision of public services. Possibilities cited by the OECD (2007a) include, reallocating resources across the public service, devolving responsibility to lower levels of government, regionalisation of services, halting or reducing the delivery of services, contracting out of services, public private partnerships and in some cases privatisation. According to the OECD (2007b) while many countries envisage needing to implement reforms of this nature, they do not, as yet, appear to have put in place formal programmes to achieve these aims. The OECD (2007b:39) suggests that this is due to the fact that this type of reform is institutionally and politically complicated and will probably be implemented on an incremental and ad hoc basis rather than following a long-term planning exercise.

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CASE STUDY
Organisation restructuring as a response to an ageing workforce

The United States (US) Government Accountability Office (GAO) conducts financial and performance audits, programme evaluations, management reviews, investigations and provides legal services to the US civil service. It has a staff of approximately 3,300 employees, the majority working as analysts.

Throughout the 1990s GAO underwent significant budgetary cuts. In response it implemented a virtual hiring freeze which pushed the average age of its workforce upwards. The impact of this was that by the mid-2000s, about 34 per-cent of all employees would be eligible to retire, and 55 per-cent of Senior Executive Service members. In addition to the succession related concerns raised by such a profile, GAO also faced a range of skills gaps. With major policy issues becoming increasingly complex, the need for sophisticated technical skills had grown.

As a first step in addressing these concerns, GAO sought to align its human capital with its overall strategic goals and objectives. This resulted in the elimination of a layer of management and the consolidation of 35 issue areas into 13 teams, and a reduction in field offices from 16 to 11. These changes enabled GAO to become 'less hierarchical, process-oriented, 'siloed' and internally focused and more results-oriented, partner-based, client focused and externally aware'. Other major initiatives included an overall human capital assessment (a profile of their staff and their competencies), a revitalisation of recruitment and college-relations programmes, a workforce planning process, and the establishment of a professional development programme for entry-level analysts.

In addition to these initiatives, GAO's leadership recognised that additional steps to reshape the agency's workforce were necessary. This required further legislation, the GAO Personnel Flexibilities Act (2000), which gave the organisation specially tailored flexibilities to reshape its workforce further and in particular to recruit and retain staff with the necessary technical skills. In particular it was given the opportunity to offer early retirement and separate incentive payments to some employees which facilitated the realignment of the workforce, and to establish senior-level scientific, technical and professional positions with the same pay and benefits applicable to members of the Senior Executive Service. These changes have helped GAO to address succession planning and skill imbalance issues in addition to increasing the number of entry-level staff that can be recruited. Eight senior level positions, including Chief Accountant and Chief Economist have also been filled.

Source:
Government Accountability Offi ce, (2004) 'The Human Capital Strategic Plan:
2004-2006' http://www.gao.gov/new.items/d041063sp.pdf

CASE STUDY
Forward looking management of employment and competencies

Introduced in the early 1990s and amended in 2001, the GPEEC (Gestion Prévisionelle des Effectifs des Emplois et Des Compétences) is a core element of the response to ageing in the public service in France. It's a government wide strategy which plans how to adapt staffing needs to public policy objectives and takes into account the ageing of the population and of public servants. In addition, the initiative aims to increase the efficiency and effectiveness of the public service. According to the Ministére de la Fonction Publique which was responsible for overseeing the initiative, GPEEC was established to address the following challenges:

- Growing demands from citizens for higher quality public services
- Impending retirement of a large number of current civil servants
- Forecast increased competition with the private sector for recruitment
- The need to ensure enhanced competencies among civil servants
- Constrained budgetary environment and consequent need to improve efficiency
- Regional demographic changes leading to the need to re-deploy public services.

Within the civil service, each Minister is responsible for creating a GPEEC plan. These plans are diverse and reflect the distinctive characteristics of each Ministry and their area of work. However, they must precisely assess current and future budgetary and staffing requirements in order to ensure that resources are appropriately targeted towards government priorities.

Source:
OECD (2007a) and Ministére de la Fonction Publique (2006):
http://www.oecd.org/dataoecd/27/2/37904013.ppt

The attractiveness of the public sector

Many countries are already grappling with the challenge of attracting quality employees to replace departing 'baby boomers', especially those operating against the background of a tight labour market.

The importance of these capacity challenges has led to debate in relation to the attractiveness of the public sector and the need to attract quality new recruits.

In a report on behalf of the IBM Centre for the Business of Government, Chetkovich (2001) sets out a number of areas where action is needed if the public sector is to compete more effectively for qualified workers:

- *Enhancing the appeal of public sector work and respect for government*
  In terms of government action, this means ensuring that professional work makes use of candidate skills and policy interests, supports professional development, makes clear advancement opportunities, and is not overly constrained by hierarchy.

- *Addressing financial concerns*
  Government employers should try to narrow the salary gap with the private sector.

• *Address issues around ease of entry*
Government recruiting needs to be more strategic and more proactive; a streamlined, more flexible hiring process is also necessary. While attracting students before they leave college is desirable, as multi-sector careers become increasingly common, more opportunities for lateral entry are also important.

A similar report for the OECD (Aijala, 2002:28) also points out that public organisations require 'a comprehensive investment in building a positive and credible image of public sector work and working conditions'. Initiatives in this regard include, highlighting the advantages of being a public servant compared to private employment; improving human resource management systems; and, developing pay and other incentives.

CASE STUDY
The young and the restless

In an article written for *Governing*, a journal for American public sector leaders, Zach Patton writes that state departments and local authorities are starting to lose experienced workers by the droves. But they aren't finding young people to fill the jobs the way private companies are. Most governments are concerned about this to one extent or another; many are scrambling to draft succession plans to determine their needs down the road. But even the best succession planning efforts face one major dilemma: Boomer retirement leaves an enormous gap to be filled, but will younger people, especially those in Generation Y (generally defined as born in the 1980s and 1990s), even want to fill it? How do governments recruit them? This is the problem that the most sophisticated workforce specialists are currently focused on. And it's a very frustrating problem: A series of talks Patton conducted with a sample of younger workers in both state and local agencies makes clear just how complex the problem is.

Mike Taylor works as a mid-level manager for the state of Tennessee. In his early thirties, Mike already has held a number of different positions, focusing on fiscal analysis. He has liked them all, more or less, but he is thinking of leaving. 'I'd get into a job, learn it and get bored', he says. 'When you're working for the government it's easy to start thinking, 'I know this stuff. It isn't going to change. I need a new challenge.'

In many ways, Mike Taylor sounds like a match for the Generation Y stereotype, widely viewed by their management elders as being impatient, demanding, tech-addicted, narcissistic and needy. Some of that may be true of Taylor. But he's not selfish, lazy or flippant. He's not a slacker. It's not even that he doesn't like government work. 'I feel like I need something new and exciting potentially happening every couple of months,' he says.

Another interviewee of Patton's was Tanisha Briley, 28 and a management analyst for the city of Davenport, Iowa. 'I'm not interested in being Analyst 1, and then an Analyst 2, and then the special assistant to the deputy director, I just want to know that I'm valued and recognised. My generation is excited and committed, but we want to get started now. If you can't do that for us then that's what's going to continue to turn us away from government'.

According to Patton, at the moment, private firms and even nonprofits seem to have a better handle on the desire for feedback among younger employees than government agencies do. Public sector recruiters say this comes up when they compete with the private sector for young talent. Private firms, of course, can usually pay salaries much higher than government wages.

Nonprofits can't do that, but frequently they offer focused work with a specific, well-defined mission – and benchmarks that make it possible for a new recruit to see what he or she is actually accomplishing. Government hasn't done very well at offering similar enticements.

But there may be more to it than that. Cuong Nguyen, a 28 year old scheduling director for the borough of Manhattan, thinks that governments don't even do very well at promoting the advantages they possess. Nguyen who chose to look for work in government after a year out doing voluntary work, said that if he hadn't actively sought a job in local government, he might never have heard about jobs that were available in the field. 'I think that's really an area where governments could improve, government organisations are really lacking in areas like HR and recruiting. A lot of folks don't know how to get connected. And if you're in school, just weighing up your options, you would never even think about government.'

There are some striking examples of governments that seem to be doing it right. Visitors to the Vermont State hiring site first see a banner reading, 'Great jobs – an even greater purpose… When you work for the State of Vermont, you and your work matter…You are contributing to the betterment of the people, places and traditions of Vermont.' The site also emphasises how a public job will help with professional development, with language expressly geared towards Generation Y. The site talks about challenges and personal growth and promises help 'finding your path'.

Beyond recruitment strategies, of course, there's the much larger question of image. 'Local government isn't really seen as an attractive option among people of my generation' says Briley, the Davenport management analyst. 'I can't imagine a 20-year old in college right now saying, 'I can't wait to be a sanitation engineer.'

Fairly or not Generation Y and even Generation X (generally defined as born in the 1960s and 1970s) continue to perceive government as a bureaucracy mired in paperwork, where new employees won't be able to make a difference until they've put in their time and moved up through the ranks. In many cases, the fact is that the states and local authorities offer a better shot at instant impact than the private sector. But they don't communicate that. As Briley says, 'government has not done a good job of explaining what it does.'

Part of the perception that governments aren't a place for social impact is rooted in the notion that governments are by their very nature inefficient, ineffectual and wasteful, according to Sally Selden who teaches management at Lynchburg College in Virginia. This idea has been drilled into Gen Y members for their entire lives. 'The respect for the institution of government is so low,' says Selden. 'You've heard all the negative rhetoric, so why would you ever work there? There has to be a general shift in perspective, to see that government's not bad. You need for government to be perceived as worth your intellectual energy.'

Source:
Patton (2007), 'The Young and the Restless', Governing Journal
http://www.governing.com/print/article/young-and-restless

Attracting new employees in a tight labour market

During 2008-09, despite tight labour market conditions, the Department of Education and Training of the Queensland Government employed more than 1,500 graduates to permanent teaching positions. These graduates helped revitalise the teaching workforce in state schools.

The success of this recruitment drive was as a result of various initiatives the department undertook to attract new employees, including:

- Providing skill enhancement programmes
- Developing an entry level programme, including a mentoring plan, for new teachers
- Introducing a web-enabled register that enables potential staff to express interest in short to medium-term vacancies
- Recruiting a number of HR personnel at department level to develop a performance management and development programme
- Commissioning research to investigate the barriers to and enablers in attracting and retaining suitably qualified professionals. This research gives the department an evidence base for future policy and strategy development in the area.

The Public Sector Commission of the Government of Western Australia regards the identification and development of strategies to attract quality employees as a key responsibility for human resource practitioners across the Western Australian Public Sector.

Rethinking Recruitment is an initiative developed to address the need to have a responsive and flexible recruitment process to compete in a tight labour market. *Rethinking Recruitment* responds to concerns that public sector recruitment processes can be inefficient, placing the sector at a disadvantage when competing to recruit and retain high quality employees.

The initiative has resulted in a series of tools and initiatives to assist agencies to review their recruitment practices and implement change. Some examples include:

- Streamlining your recruitment process
- Tapping into employee networks
- Cross-agency recruitment pools
- Targeting the strongest candidate.

Further information:
http://deta.qld.gov.au/reports/annual/08-09/performance-reports/improving-agility/employees.html
http://www.publicsector.wa.gov.au/Services/EmployingPeople/Recruitment/Pages/RethinkingRecruit-ment.aspx

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Making public employment attractive

Against a background of an ageing workforce and with the prospect of many experienced employees retiring from the public sector over the period up to 2015, the State Employer's Authority at the Danish Ministry of Finance has made attracting the best and most competent employees an important priority. Initiatives put in place concentrate on the following themes:

- Recruitment
- Development of job content and ways of working
- Development of competence
- Leadership development
- Image.

The image of the public sector has been perceived to be particularly critical and a commitment has been made to focus on telling the good stories about the interesting and important jobs, good training opportunities and opportunities to combine work and private life. Marketing activities are particularly targeted at newly qualified graduates.

In Japan, the hiring of private sector workers into the public sector is now actively encouraged. Public sector employees can work for private companies while retaining their status as permanent public sector employees. This two-way mobility is designed to increase the attractiveness of the public sector to highly skilled managerial professionals in the wake of a wave of senior government executive retirements.

Source:
Finance Ministry, Denmark, 2007
http://www.4qconference.org/liitetiedostot/agora_presentations/Agora2.1_Krarup.pdf
http://arkiv.perst.dk/db/fi larkiv/5274/Country_report.pdf
Deloitte, 2007
http://www.deloitte.com/assets/Dcom-Shared%20Assets/Documents/dtt_publicsector_snapshot_greygovt_113007.pdf

Developing a sustainable ageing strategy

Based on their research of ageing strategies across OECD countries, the OECD secretariat (2007a) has developed a checklist for countries seeking to develop a sustainable ageing strategy for the public sector:

- Review the consequences of ageing public sector workforces in the wider financial and labour market contexts
- Decide on the most appropriate ways of increasing productivity in the delivery of public services and of decreasing overall costs, while taking advantage of the unique opportunity provided by the increased number of public servants retiring
- Focus on maintaining capacity in some sectors and increasing capacity in others
- Promote institutional changes that aim to adapt multi-level governance to the ageing challenge.

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3 Managing an Ageing Workforce

A growing challenge for many organisations is how to invest more time in how they manage, develop and leverage the skills of employees of all ages. Many organisations will face a unique set of challenges and opportunities as their workforce ages. These include succession planning, keeping and leveraging the knowledge and expertise of mature-age workers by giving them alternative work schedules and retirement options and providing access to training and development opportunities.

A strategic approach to the investigation of the potential impact of changing workforce demographics will ensure that any workforce management decisions are made from an informed base and not as a reactive response. It is possible that an organisation's ageing workforce will affect particular areas of service delivery, occupational groups or skill sets rather than the whole organisation. A strategic approach will ensure that resources are directed where they are most needed.

Employers and employees must both recognise that meeting these needs does not constitute a liability. Instead, the retention of mature-age employees adds value and encourages further employment interest from other mature-age employees. Age-friendly workplaces are innovative, flexible, able to draw upon past experience and a deep wealth of knowledge and are able to adapt better to changes in the population in general (Public Service Commission, Queensland Government, 2008).

From an employer's perspective there are a number of key elements in managing an ageing workforce, with strategies required under each element (Public Service Commission, Queensland Government, 2008). These are:

- *Develop an integrated approach to workforce management*

  This includes workforce planning, recruitment, career and succession planning, training and development and knowledge management.

- *Review the work environment and proactively address age discrimination*

Create a work environment where older employees are able to make informed choices about their workforce participation and are encouraged to use work and life balance and flexible work practices to develop individual approaches to continued participation and or flexible retirement from the workforce. Ensure all HR policies, procedures and interventions are free of any semblance of age discrimination or age stereotyping.

An integrated approach to workforce management

In organisations with an ageing workforce, Human Resource Management (HRM) policies and procedures need to support the attraction and retention of older employees. In response to large scale departures, organisations also need to consider how departing employees will be replaced and the impact on the organisation of lost knowledge. For many organisations a key starting point is workforce planning. This should encompass activities such as analysing the demographics of the workforce, reviewing retirement projections and turnover statistics; and developing appropriate strategies to meet current and future staffing needs (Malatest and Associates, 2003). Other related interventions include effective selection, succession planning and knowledge management.

Workforce planning

Workforce planning underpins and supports service delivery improvement. It helps an organisation to:

- Explore the future, assess options and define its objectives
- Identify the best-fit future workforce to meet these objectives
- Put in place an efficient programme of action to develop its future workforce.

See: Improvement and Development Agency for Local Government

http://www.idea.gov.uk/idk/core/page.do?pageId=5448611

In the context of a generally ageing labour force, it is particularly important that organisations examine the age structure of their employees and how demographic trends may affect service delivery requirements. The abolition of compulsory retirement in some organisations means that some of the certainties once associated with workforce planning and turnover management no longer exist. Given the difficulties of making accurate retirement forecasts, the temptation for organisations is to apply a very short-term approach to workforce planning. While this might be acceptable when labour supply is plentiful, it is unlikely to be effective when labour and or particular skills are in short supply. In this situation, Bechet (2002, p.107) advises that organisations typically will know more than they think they do about their staffing requirements and, in most cases, there will be plenty of data available to create useful staffing plans. He concludes, 'a complete solution to part of a problem is better than no solution at all'.

Reviewing an organisation's workforce

Step 1. Define critical staffing issues/areas of focus

The first step in the process is to identify and prioritise your most critical staffing issue(s), for example, an ageing workforce and the departure of a large number of experienced staff. This needs to be considered within the context of overall business strategy.

Step 2. Define staffing gaps and surpluses

The next step is to develop a staffing model that defines staffing requirements, forecasts staff availability, compares demand to supply, and calculates staffing gaps and surpluses for each job category for each period in your planned horizon.

The challenge in developing the model is that information may be incomplete (you may not know employees' retirement plans) or events will occur over the course of your planning horizon that affect your model (people may change jobs, be promoted or redeployed). This may require doing the best you can with imperfect data, fully solving part of the problem, engaging in 'what if' scenarios, preparing contingency plans or testing possible solutions.

Step 3: Develop staffing strategies

The next step is to review the preliminary staffing gaps and surpluses, as calculated in your model, across all the periods in your planning horizon (probably three to five years). Create a series of long term, directional plans of action that describe what your organisation should do to address those issues most effectively.

Examples of strategies are:

• Develop a succession planning programme. Some older workers can be successfully deployed as mentors and trainers for younger employees. This shows that their skills and experience is valued by the organisation and also ensures that their valuable knowledge is transferred to younger workers

• Develop policies that will enhance the retention of older workers.

Step 4: Define staffing plans

After you have developed staffing strategies that span your complete planning horizon, examine the specific staffing needs for each period (possibly a year). Using the staffing strategies developed in the previous step as a long-term context, define staffing needs for each period. Staffing plans should be supported by defined actions, accountabilities and time frames.

Source: Adapted from Bechet, 2002

Implementing workforce planning

Like many Australian public sector agencies, the Department of Natural Resources and Water (NRW) has recognised that an ageing workforce presents a significant risk to the delivery of services. With this in mind the department developed the 'Experienced Workforce Project' which emphasises the importance of understanding the workforce environment to inform necessary workforce planning for the future.

The starting point for NRW was to develop a better understanding of their workforce. They found that with 30% of staff over 50 years old, a high proportion would be due to retire over the next five years. It was further found that a high proportion of those retirees were critical senior, executive and technically-skilled staff. In some cases, over 80% of employees in a particular group belonged to this ageing category, presenting significant risks to the organisation. From this initial review of the organisation it was clear there were a number of key pressure points. However, more information was required in order to strategically position NRW to address the challenges associated with an ageing workforce.

To enable the department to better understand its ageing workforce profile, NRW undertook a project, seeking to collate and critically analyse ageing workforce data and the work and retirement intentions of staff aged 45 and over. To gain broad input from experienced workers an anonymous 'Workforce Intentions Survey' was administered to all staff aged over 50. The survey, together with other human resource information, proved a rich source of knowledge. The project team then engaged with key NRW stakeholders to develop strategies to enhance the retention of experienced workers and retain corporate knowledge. Some of the specific actions recommended include:

• Putting in place mentoring, coaching and other systems of knowledge capture

• Focussing retention strategies on areas identified by staff in the survey under 'key influences to stay'

• Undertaking awareness campaigns to inform staff of existing flexible working options

• Undertaking information sessions with management teams to discuss group-specific results and possible strategies.

Overall the project has led to improved linkages between human resource data and workforce planning, with developmental strategies better supported by 'hard' evidence to measure progress and achievements.

Source:
Public Service Commission, University of Queensland, 2008
http://www.psc.qld.gov.au/library/document/catalogue/mature-age/experienced-workforce-case-study-one-nrw.pdf

Recruitment and selection

Ensuring that you have the right people to meet your business needs is a central part of workforce planning. Developing current staff is one way of achieving this: finding and attracting new talent is also important to safeguard against an organisation's processes and staff starting to stagnate. A well-designed recruitment process is necessary to ensure that the organisation has the people it needs. In a competitive labour market, this can be critical in attracting talented individuals.

Recruitment is a strategic opportunity where clear purpose is required. Yet, for many organisations it is tactical, short-term and principally about replacement. Holbeche (2003) notes that recruitment should not simply be a question of filling gaps but be focused on bringing into the organisation the kind of skills and experience that cannot easily be built from within. Recruitment needs to be part of an overall human capital management strategy which is driven by the business strategy.

In the context of an ageing society and work force it is critical that public sector organisations are attractive places to work for older people. All employees and job applicants need to be treated on the basis of individual merit, the skills, experience, abilities, aptitude and qualifications to do the job. According to the Public Service Commission of the Queensland Government (2008), organisations will need to review their selection procedures in order to ensure that all applicants are given a fair and unbiased opportunity to demonstrate their individual merit. They suggest that employers may need to place greater reliance on cognitive testing and multiple interviews to avoid allegations of age discrimination in selection decisions.

CASE STUDY
Benefiting from the skills and experience of mature new recruits

Llew Beaton, now 63, was employed by Cairns Council in 2003 at the age of 59 as a Technical Officer with City Development and Town Planning. Llew was unemployed for several years beforehand and experienced a great deal of age discrimination when applying for work. 'At that time I found anyone who was over 45 or 50 was rejected in the workforce – a lot of older people could not get a job' said Llew.

Llew moved to Cairns in 2001 with many years of town planning experience in South Africa and Western Australia. However, having been out of the labour force for a number of years had left a gap in his skills base: 'I didn't have any computer skills and couldn't get work for a number of years, it was very humiliating'. However, he completed a course in computer skills which boosted his confidence and helped him secure the position with the council, who had recently reviewed their recruitment procedures to ensure they were free of any possible age bias. Llew has since proven his worth in a demanding position that includes assessing development applications, considering environmental issues, research work, report writing and working to tight deadlines. He hopes to continue in the role for at least another five years.

Source:
Experience Pays: Employer Guide to Recruiting, Retraining and Retaining Mature-Age Employees, Queensland Government, 2009
http://www.experiencepays.qld.gov.au/pdf/eii/epas_employers_guide.pdf

Using workforce planning to enhance recruitment approaches

Dacorum Borough Council in Hertfordshire, UK has traditionally struggled to compete with the pull of London and the higher salaries that go with working there. The Council also faces tough competition from neighbouring local authorities for staff.

The Council's recruitment and retention strategy highlighted the recruitment challenges and the ageing workforce. Almost 20 per cent of the workforce were aged over 55 and half of the sixteen heads of service were within ten years of retirement.

In order to assess the extent of the problem in different areas of the organisation, each department was asked to fill out a simple form detailing workforce issues including, staff numbers, turnover, gaps in skills, vacancies and training requirements. The returns were analysed and departments categorised as high, medium or low priority. Each of the high ranking departments were asked to produce action plans to address the situation. In addition, the Council took a number of measures to address issues in the high priority areas. For example, one service identified a particular problem with recruitment – one post had been vacant for a year. It became clear that the service in question was losing out to neighbouring authorities and the solution was to pay more for several key posts to compete with market forces.

Source:
Improvement and Development Agency for Local Government, 2007
http://www.idea.gov.uk/idk/core/page.do?pageId=6315613

Succession planning

Succession planning can be broadly defined as identifying future potential leaders to fill key positions (CIPD, 2009). Hirsh (2000) provides a more comprehensive definition referring to it as a process by which one or more successors are identified for key posts, and career moves and or development activities are planned for these successors. Successors may be fairly ready to do the job (short-term successors) or seen as having longer-term potential (long-term successors).

All organisations need to be able to find people with the right skills to fill key and top leadership jobs. In the past, large blue-chip companies and public sector organisations ran highly structured, mechanistic, secretive and top-down schemes aimed at identifying internal successors for key posts and planning their career paths to provide the necessary range of experience. These schemes worked reasonably well in a stable environment where structures were fixed and careers were

long-term. But with growing uncertainty, increasing speed of change in the business environment and flatter structures, succession planning of this sort declined. How could one plan ahead, it was argued, to give jobs that might not exist next year, to people who may no longer be with the organisation.

However, against a background in many organisations of ageing workforces, with large numbers of retirements imminent, economic downturn and lack of confidence in the existing leadership potential, there has been renewed interest in succession planning. It has been recognised that during uncertain times it is more important than ever to know where key talent sits within an organisation and how to develop people to meet short and long-term critical business issues. However, succession planning now is a much broader concept than simply identifying a successor to the chief executive. According to Hirsch (2000), it sits with a very

much wider set of resourcing and development processes called 'succession management'. In many organisations a capability based approach will be used, rather than developing people for current specific job requirements. It is also helpful when succession planning is placed within a strong development culture where all staff are encouraged and supported in self development, thereby reducing negative perceptions of it as an elitist activity.

The most obvious advantages of succession planning are that the process of job filling is enhanced through broader candidate search and faster decisions. In a review of succession planning for the Institute of Employment Studies in the UK, a senior manager from Unilever is quoted as saying 'a formal succession management process is designed to avoid 'being in the right place at the right time' being the principal appointment mechanism'.

Other less obvious benefits of succession planning include the advantage of having precise data in relation to key posts, key people and the competencies available within the organisation. An organisation is also more likely to attract and retain the best employees if they are offered tailored and varied career and development experiences. Furthermore, succession planning ensures that valued employees are aware of how the organisation regards them. This adds significantly to the positive aspects of an employee's psychological contract. Finally, succession planning can help foster a positive corporate culture as the process can lead to a sharing of values and modes of behaviour. As Hirsh concludes (2000, p.25), major employers have come to realise that the quality of their management is perhaps the most fundamental and least replicable aspect of business excellence, any activity which supports it is therefore worth supporting.

CASE STUDY
Succession planning as a response to large scale departures

The Commonwealth of Pennsylvania provides services to over 12 million citizens and has a governmental workforce of approximately 82,000 permanent staff. While government departments have been involved in workforce planning since the mid-1990s, the topic has received increased attention in recent years due to changing demographics. In 2007, 13% of employees became eligible to retire, with this figure due to rise to 28% by 2011.

To address the needs identified through workforce projections, Pennsylvania developed a succession planning model, encompassing six primary steps:
- Identify functions where positions are expected to be available
- Identify initial competencies for each position
- Conduct a competency gap analysis
- Design developmental competencies for each set of competencies
- Develop and maintain a talent pool
- Reassess and track overall progress and maintain a skills inventory.

In addition to the succession planning model, a retirement projection tool and an enhanced employee mobility programme were developed to assist the state with its workforce and succession planning efforts.

Source:
Helton and Jackson (2007)

Developing future leaders

Like many of the departments and agencies of federal government, the Department of Health and Human Services (HHS) in the United States consists of a rapidly ageing workforce. According to some estimates over half of employees would become eligible for retirement between 2000 and 2010. Following a comprehensive workforce analysis to identify areas of concern, the department identified the departure of senior experienced personnel and the consequent need to recruit quality new recruits with the potential to become leaders in the future as an area of priority.

The Emerging Leaders Programme (ELP) was created as part of an effort to 'recruit the highest calibre people to the federal government, develop their professional abilities, and retain them in federal departments and agencies, to improve the internal management of the executive branch'.

The ELP is a two-year programme geared towards recent graduates. Participants are selected through a competitive process and are hired by one of HHS's eleven divisions. However, during the first year of the programme participants 'belong' to the entire organisation and spend their time completing a variety of activities, job rotations and training programmes geared towards introducing them to the overall department and training them with vital skills.

The programme has had a high profile nationally with a degree of media interest and also promotion on college campuses. As a result, applications are high. A further positive benefit is that exposure to high-level management and a range of work areas over the course of the internship breeds loyalty and encourages interns to consider long-term careers with HHS.

Source:
Partnership for Public Service (2006), 'HHS: Emerging Leaders Programme'
http://www.ourpublicservice.org/OPS/publications/viewcontentdetails.php?id=83

Training and development

Talent management is often seen by employers as a young person's domain, with training and development reserved for up-and-coming employees at the expense of more experienced staff. Unfortunately, a trap into which some employers can fall is believing an employee somehow becomes less talented as they progress through their career. A further misguided common notion is that a person cannot be both experienced and talented. These are not mutually exclusive and just because someone is experienced does not mean that they do not have further untapped potential. Many organisations are subject to constant change and experienced staff often act as a 'steady hand on the tiller' bringing stability and guidance to companies in transition. However, this capacity to deliver 'business as usual' is often undervalued.

As a result of these misconceptions, some organisations fail to assess the talents and development needs of long-serving workers assuming they already know everything a particular employee has to offer. In fact, in many cases, skills deficits are frequently considered to be one of the employment risks associated with older employees. What is often over-looked is the self fulfilling prophecy at work here – such skills deficits develop primarily because organisations do not invest in their older workers.

However, in the context of ageing workforces, it is increasingly important that organisations develop and retain all employees. According to the CIPD (2007) a starting point in ensuring

development opportunities for all is to conduct an objective assessment of skills and capabilities. Other important initiatives include (CIPD, 2004 and EuroFound, 2006):

- The absence of age limits in determining access to learning and training opportunities

- Initiatives to address the low take up on training opportunities by older people which is reported in many organisations, for example, opportunities for on the job learning or coaching which may suit an older employee more than a classroom setting

- Organising work so that it is conducive to learning, development and mentoring

- Job rotation ensures that employees skills don't erode by becoming 'stuck in a rut'.

CASE STUDY

Implementing development opportunities for all employees

Siemens AG is one of Germany's leading technology companies. As a company of long-standing tradition, Siemens has always endeavoured to retain its staff. It relies on an excellent workforce and offers a wide range of training programmes to enable all employees to continue to develop professionally.

In the mid 1990s, staff members in the Research and Development department were asked to look for research projects within the company on their own initiative. Special support courses with a focus on business economics and personality development for employees aged between 30 and 40 years were available to facilitate their efforts. However, it soon became apparent that older staff members were annoyed that they had not been made a comparable offer by management. They often felt trapped in a career dead-end despite the fact that many of them were highly qualified. Indeed there was a widespread perception that the company's overall personal development processes were primarily focussed on younger employees.

A survey of 2,000 employees in one of the main technology centres substantiated this, indicating that employees over 40 were dissatisfied with the limited development opportunities and insufficient regard for their individual capabilities. This situation represented a problem in financial terms for the company due to employees' lack of motivation and the less than optimal development of older workers.

In response the company developed a specific development initiative for older workers. The overall objectives are to make the employee the driver of his/her own development, to establish an individual competence profile and concrete decision and actions to address any gaps. The process is supported by workshops and 360 degree feedback. On an organisation level, the company's human resource strategy will concentrate more on facilitating horizontal career moves. It is hoped that measures such as job rotation and systematic job changes will keep employees motivated.

Source:
http://www.eurofound.europa.eu/areas/populationandsociety/cases/de010.htm

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Knowledge management

In the context of ageing workforces, succession management strategies should also include a focus on ensuring that older workers formally pass on to others in the organisation the skills and knowledge that they have gained before they withdraw from the workforce. Simply briefing the next person in the job about the status of the work underway will no longer be sufficient and, in the context, of large scale retirements, organisations need to consider more organised programmes to ensure effective knowledge transfer.

Some options include:

- Require retiring employees to become involved in mentoring, coaching and work shadowing
- Introduce specific knowledge management tools (for example, communities of practice, knowledge databases and knowledge exchanges/exit interviews).

Issues related to knowledge management are discussed in detail in the Efficiency Unit report on 'Making Informed Decisions' (January 2010).

Responding to the knowledge and skills gaps through exploiting the knowledge of federal retirees

In 2004, the Director of the Office of Personnel Management in the US directed federal agencies to identify and reduce current and future skills gaps in mission-critical occupations and to assure continuity of leadership and knowledge through succession planning and professional development. To help identify these knowledge and skills gaps, a new position has been created throughout the federal government, the Chief Human Capital Officer. A key component of their job is to develop ways to bridge knowledge and skills gaps throughout the federal government.

According to a paper prepared for the IBM Centre for Government (2004), a critical yet overlooked source for filling the gaps is a relatively untapped pool of talent: federal retirees. Knowledge held by federal retirees could be shared and leveraged in a number of key ways to help the federal government address its human capital concerns. Knowledge retention programmes, mentoring activities and knowledge sharing forums with retirees and current government employees are examples of activities that could help the government deal with the anticipated knowledge drain. According to the report, the potential of this idea is supported by survey evidence which shows that many retirees would like to continue working in some capacity.

The report cites a number of international examples where similar initiatives have been adopted:

- In Canada, retirees are being re-employed on a part-time basis, with individuals allowed to work up to one-third of normal working hours. There is a particular focus on retirees returning to their former workplace to support the retention of corporate memory.

- The Emeritus programme at the NASA Goddard Space Centre allows retired employees to contribute as valued contributors to Goddard's activities who typically volunteer their services. Typically an agreement will last three years, though it may be extended. The retiree will be given office space and facilities and will contribute to projects that in particular will involve a transfer of knowledge and experience to other employees.

Source: IBM Centre for the Business of Government (2004a)
http://www.businessofgovernment.org/pdfs/LiebowitzReport.pdf

Knowledge transfer and retention

The value of employing mature workers when it comes to knowledge retention is clearly demonstrated by Mazda Motor Corporation in Japan. 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. The company has put in place an intensive training programme to instruct a new generation of workers and ensure the company retains corporate memory. 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 is vital to pass on the firm's intellectual and technical assets from generation to generation.

Source:
CIPD, 2008
http://www.singaporehcsummit.com/files/4463_An_Ageing_World_RI_(PROOF).pdf

Reviewing the work environment

Understanding 'what is good about working here' provides an organisation with the opportunity to protect and promote its strengths (what we are really good at) and isolate its weaknesses (what we could do better) which may affect the engagement and retention of current staff.

In the current environment of ageing workforces, global recession and labour shortages for some specialist skills it can be difficult for organisations to step back and review the way they do things. However, according to the Public Service Commission of the Queensland Government (2008), it is important to look not only at processes and practices, but also the culture being created in our organisations. Adopting good workplace practices creates loyalty among employees, improves morale and increases the productivity of the organisation. It is also one of the key factors that significantly influences whether mature employees are keen to remain working.

Work-life balance

Many employees for reasons of health or family responsibilities retire before they might otherwise chose to. For organisations with an ageing workforce it is therefore critical that they develop a range of work-life balance opportunities that help them to balance their wish to remain in employment with their other commitments. Examples include:

- Phased retirement
- Part time employment or job sharing
- Compressed work weeks
- Flexi-time
- Unpaid leave
- Telecommuting or other working from home arrangements.

Post retirement employment

The Ministry of Education in Singapore provides flexibility in the working arrangements for teachers who may require a less demanding pace due to family or personal commitments. Former/retired teachers are also given opportunities to return to teaching on either flexible hours or contracts of short duration. Retired teachers are also engaged to interview and mentor new recruits.

The Aerospace Company is an American defence contractor. It developed a Retiree Casual Programme, where retirees can work on a project consulting basis for up to 1,000 hours per year and earn roughly the same pro-rata base salary as they did prior to retirement. Most individuals in the programme work two days per week, but some work full-time for six months. Most of the workers in the programme are in their mid-sixties, but some continue into their eighties. The programme has proven not only beneficial for the participants but also for the company as a whole. According to a retired executive vice president and programme participant: 'the Retiree Casual Programme' keeps expertise around and helps transfer it to others. People often remark that we don't have many consultants around here. Actually we do, but they are called retirees and they already know the business inside out.

Source:
Government of Singapore, 2007
*http://www.mom.gov.sg/publish/etc/medialib/mom_library/Workplace_Standards/fi les2.Par.86545.File.
tmp/Final%20Report%20of%20Tricom%20on%20Older%20Workers%20(Executive%20Summary).pdf*
IBM Centre for the Business of Government (2004b)
http://www-935.ibm.com/services/us/imc/pdf/g510-3970-aging-workforce-asia.pdf

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Proactively addressing age discrimination and age stereotyping

Some commentators refer to age discrimination as the last unrecognised discrimination. Certainly it is bad for business. Not only is it unfair, it also wastes talent, experience and knowledge (CIPD, 2004). While in many countries it is now illegal in the workplace to discriminate on the grounds of age, it remains the case that older workers are experiencing more long-term unemployment and get less training and development opportunities than younger people.

At the same time there is an increasing body of evidence to show that older workers are no less effective than younger ones. Some employers have even begun to articulate a business case in favour of older workers as, for example, set out in a report by the European Foundation for the Improvement of Working and Living Conditions (1998):

- The ageing of the workforce implies that future competitiveness will rest partly on the performance and productivity of ageing workforces, and, therefore, on the efficient utilisation of older workers.

- At organisation level, employers are reassessing the consequences of early exit. It is being seen as a waste of experience and the investment made in employees. Some employers see roles for older workers in training younger employees to prevent skill shortages.

- There is a growing awareness among employers that, by artificially limiting the field of candidates, age barriers prevent an organisation from maximising its recruitment potential.

- Some organisations are recognising that enterprises with a diverse age base – a mixture of youth and maturity – is likely to be able to respond best to rapidly changing circumstances. In the service sector there are distinct advantages for organisations when the age profile of their employees better reflects their customer base.

Employing older people makes business sense

UK home-improvement retailer B&Q is well known for welcoming older workers into its workforce. This policy started in the 1990s when it opened its Macclesfield store staffed entirely with workers over the age of 50. Research confirms this approach has had a direct and positive impact on customer service. A quarter of employees across the whole organisation are aged over 50. More than 60% of B&Q employees work flexible or part-time hours. The company has operated without a retirement age for many years and offers the same benefits and training and promotion opportunities to everyone. For example, term time contracts, where employees don't work during school holidays, are available not only to parents but also to grandparents in recognition of the caring role that many of them have.

Sydney Prior is a 93-year old customer advisor at B&Q's Wimbledon store who has worked at the company for more than 16 years. 'Working at B&Q gives me the chance to put my knowledge and experience to good use, advising customers on their gardening projects. Working with people of all ages gives youngsters the chance to learn a little from an old-timer like myself, and they help to keep me young at heart!'
According to HR Director Martyn Phillips, 'Realising that motivated, focused and engaged employees are crucial to business success has been a huge driver for change at B&Q'.

Source:
Human Resource Management International Digest, Vol. 16 No.7, 2008
http://www.emeraldinsight.com/Insight/viewPDF.jsp?contentType=Article&Filename=html/Output/Pub-lished/EmeraldFullTextArticle/Pdf/0440160704.pdf (on subscription)

Managing an ageing workforce

There are many examples of good practice in age management to be found in organisations. However, increasingly there is a need for a comprehensive approach. Some of the preconditions for sustainable good practice in the area of age management are set out below (EuroFound, 2006):

• *Age awareness*
Age awareness must be developed, particularly among HR managers and staff representatives at all levels, if organisations are to develop a corporate environment sensitive to demographic change and with a positive attitude to ageing. Age awareness training is an important aspect of this process. It increases sensitivity towards the necessity and advantages of an age positive approach; it undermines traditional, mostly negative stereotypes and misconceptions in relation to ageing; and it allows ageing in employment to be seen in a more modern and realistic manner

• *Careful planning and implementation*
All age management initiatives should be carefully considered and planned. One way of achieving this is through phased introduction or piloting of new initiatives to ensure that they achieve their stated objective

• *Cooperation of all parties concerned*
All relevant parties, in particular older employees, should be consulted, for example by survey, and involved from the start

• *Continuous communication*
Ongoing communication is vital for building confidence in any process of change. In respect of ageing, it is very important that the business case for introducing policies aimed particularly at older employees is identified

• *Monitoring and assessment*
Creating age-aware policies requires a systematic analysis of organisation data. However, organisations should also review local and regional labour market developments as these will impact on the choices made by their own employees.

4 Conclusions

Ageing employees is an emerging problem for many workforces. Many of the so-called 'baby-boom' generation born in the years of expansion that followed the second world war are approaching retirement age. The problem is most acutely felt in traditional areas of employment such as the public service. For public service managers this presents wide-ranging challenges. While considering the impact of ageing on society in general, they must also address its impact on their own organisations.

The challenges of an ageing public service have been well documented. From a government perspective, the cost of funding pension schemes that have typically been more generous than private schemes, has come under scrutiny in many countries. On an organisation level, the impact on capacity caused by the departure of large numbers of experienced staff needs to be recognised.

However, in the long-term an ageing public service may represent a strategic opportunity to reduce the size and therefore the cost of the public sector. Options include, not always replacing employees who retire, and, introducing new, more flexible and possibly cheaper, conditions of employment for new recruits. More strategically, large scale departures also present governments with an opportunity to rethink the organisation of the provision of public services. But, before initiatives of this kind can be put in place countries need to have a clear vision of policy priorities, a clear assessment of sectoral needs and a clear multi-year resource allocation system.

In practical terms, the public sector also needs to become better at managing an ageing workforce. As workforces age and organisations seek to actively retain older workers for longer, they will need to invest more time in how they manage, develop and leverage the skills of employees of all ages. Furthermore, it is important that recognise that meeting these needs does not constitute a liability; instead, the retention of mature employees adds value to the organisation.

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EFFICIENCY UNIT
13/F., West Wing
Central Government Offices
11 Ice House Street
Central
Hong Kong

Email: euwm@eu.gov.hk
Tel: 2165 7255
Fax: 2524 7267
Website: www.eu.gov.hk

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