SILVER EMPLOYMENT IN GERMANY: TRENDS AND CONSEQUENCES FOR THE MANAGEMENT OF AN AGEING WORKFORCE

Christiane Hipp and Birgit Verworn

1. Population and Workforce Ageing in Germany

A demographic transition has taken place in many developed nations, including Japan and Germany, and is expected to occur also in developing nations (Alley and Crimmins 2007) as populations are ageing due to declines in fertility and mortality (Fougère and Mérette 1999). In the former West Germany, population ageing is caused by a constant low fertility rate of about 1.4, while in the former East Germany fertility declined after unification in 1990. At the same time, in Germany as a whole, life expectancy at birth has increased. Naturally, these developments will be reflected in the working-age population (Hedge, Borman and Lammlein 2006; Leibold and Voelpel 2006). The share of people aged 50 to 64 years will increase from about 30 per cent of manpower potential in 2005 to about 38 per cent in 2050; at the same time, the number of people aged 20 to 64 years will fall from 50.1 million in 2005 to 39.1 million in 2050 (Statistisches Bundesamt 2006a). Although the government is considering raising the retirement age to 67 or higher, the workforce will continue to age and will fall to 41.1 million people in 2050 (Statistisches Bundesamt 2006a).

In addition to changes in workforce demographics, typical patterns of employment are also changing. Stable employment and typical career paths are no longer the rule (Arthur 1994). Therefore, the traditional psychological contract in which an employee enters a firm, performs well, and thus receives rewards and job security has been replaced by a new form of career based on change, flexibility and lifelong learning (Hall 1994).

All these aspects present a challenge to individuals as well as human resource management within organizations. Ageing employees, a shrinking workforce and knowledge loss due to the retirement wave of the ‘baby boomers’, as well as disruptions in the employment resumes might hamper not only the ability of companies to change, but even of whole nations to remain competitive. Knowledge management,
qualification programmes and increased recruiting efforts are becoming critical for the future success of enterprises in Germany and Japan.

This chapter is organized as follows. Following this introductory section, we present theoretical considerations of an ageing workforce in Section 2. Section 3 briefly summarizes empirical findings, and a short case study is presented in Section 4. Suggestions on how to manage the ageing workforce are made in Section 5, followed by a short summary in Section 6.

2. Theoretical Background

What effects will an ageing workforce have on companies in the future? Leibold and Voelpel (2006) identified several risks for a company’s competitive capabilities, including labour costs, performance, and quality (cf. Figure 1).

This is in line with the ‘depreciation model’ and ‘deficit model’, which suggest that older employees are less innovative than younger employees. The ‘depreciation model’ views older workers as increasingly less valuable and dispensable (cf. Hedge, Borman and Lammllein 2006; Yeatts, Folts and Knapp 1999), while the ‘deficit model’ explains the

![Figure 1](image)


Figure 1 Key competitive challenges of an ageing workforce