Not only will the aging of the work force in OECD countries result in a smaller body of workers with which to finance social welfare and public pensions, but the work force itself as it ages will need to remain efficient and productive if it is not to jeopardise the competitiveness of our economies. Moreover, with the fall in new entrants to the labour market, it may well prove essential to keep older employees longer at work so as to avoid qualitative and quantitative bottlenecks in the provision of personnel.

In this chapter, micro issues and policies relating to gradual retirement are reviewed. An extensive literature exists on most of the areas involved, yet it is not in any way the purpose of this chapter to summarise them. We shall, therefore, indicate only those issues we believe most relevant to gradual retirement, more particularly those which country authors will be examining in their respective chapters. Of relevance, we believe, are: work performance, age discrimination, personnel management, training, the wage-cost profile, part-time and flexible work, employee preferences and the life-cycle of the worker.

2.1 Work performance

The whole notion of capacity for work, i.e. for productive activity, is changing dramatically. To cite but one rather obvious example, today somebody who in traditional industrial society suffered from severe disadvantage through physical
handicap can now become a perfectly competent computer programmer, whereas the athlete, in spite of the traditional advantage of exceptional physical fitness, will remain computer illiterate unless he or she take steps to remedy that deficiency. Education, health status, experience and psychological attitude, then, are combining in new ways to engender new notions of capacity for work.

Scientific research seems to be moving in new directions also, causing long-held prejudices to change. The evidence of biological studies now points to the possibility of regeneration of neurons and brain cells. It is now well established that mental abilities decrease much slower and later than physical ones and can, especially with training, remain viable much after 60 or even 65 years. It is becoming obvious also that work, especially when part-time and in moderation, has a positive effect on the health of people after 60 years.

There exists a great number of studies on this issue and it is here only possible to touch upon one or two examples. According to surveys in the United States (Commonwealth, 1991), and contrary to conventional corporate opinion, the general perception of older workers is positive: lower turnover, more conscientious, possessed of better judgement and more flexible. There is strong evidence that older workers are more flexible in their attitudes to work assignments and conditions than younger ones. Indeed, it is thought that because they possess long experience, they can perform multiple tasks and, as the Japanese experience will show, frequently welcome mobility. Having often benefitted from good material conditions during most of their career and with career prospects behind them, they are more ready to accept conditions which would not be acceptable to younger colleagues who have future promotion in mind. A British survey (Warr, 1994) on the topic shows that the performance of older workers surpasses that of younger ones on six accounts: they are reliable, work hard, are effective in their job, think before they act, possess interpersonal skills and work well in teams. On the other hand they fare less well than younger workers in four areas: the ability to grasp new ideas, adaptability to change, acceptance of new technology and the ability to learn quickly. In France, according to the survey made for the French chapter in this study, it appears that in many firms the greater flexibility of older workers is perceived as something which, in years to come, should favour an extension of working life.

There are many work activities in which age is a definite advantage or, at least, neutral (Warr, 1994). We shall see that American firms which have made wide use of older workers and retirees are, as a rule, entirely satisfied with them (H. Sheppard in his chapter). The same appears to be true of Japanese firms, especially the smaller ones, where the long experience of older workers and their ability to perform multiple tasks are highly appreciated. In the UK, such firms as make use of older workers state that they do so for sound commercial reasons: older employees, it is found, establish contacts with aging customers more easily. In many firms, for instance in Japan, we shall see that
qualified employees are working as part-time consultants in the firm they used to work for or in an affiliate.

2.2 Age discrimination

There is abundant literature in this area also. One of the most complete studies (Eurolink Age, 1993) revealed that there is substantial discrimination, either direct or indirect, at various stages during the end of career and that it takes, among others, the following forms: early exclusion from the work force, for older unemployed re-entry to the market is virtually impossible, lack of training opportunities and discrimination at retirement age. Discrimination against older workers takes the form of differential treatment based upon prejudices or stereotypes. These include the view that older workers are more expensive, less productive and less adaptable than younger ones. Such prejudices may be held by employers, the public, policy-makers and even by older workers themselves. Sometimes these views reflect real facts, which is why it is crucial to modify wage costs and increase adaptation, for example, through training. Gradual retirement, because it involves part-time work in some shape or form, has been viable particularly in firms where the latter is established or common practice. Part-time work seems to have a number of advantages: it often increases productivity, reduces absenteeism, and enables the firm to retain ‘within its walls’ the older worker’s corporate knowledge and experience while allowing for a reduction of costs and promotion of younger employees.

Age discrimination legislation is the focus of much debate currently and doubtless specific and/or general measures will be forthcoming in the not too distant future. For the time being, however, only the USA (with Spain) has adopted significant measures to protect older workers’ rights in employment and reduce blatant forms of discrimination. But, such legislation has not brought about any general improvement in employment opportunities for older workers. This shows to what extent age discrimination is part of the early retirement culture dominant in the USA and in most OECD countries. In countries like Japan and Sweden, by contrast, where different cultures obtain, the authors of the respective chapters will show that there is much less discrimination.

2.3 Personnel management

While until a few years ago personnel management had concentrated mostly on employees between the age of entry to the firm and 40 or 45 years, with the aging of the work force there are signs of a new awareness of age-specific problems within firms and this is beginning to influence the design of human
resource management strategies. The sort of end of career problems that tend to crop up around 55 years should in the normal course of events have been foreseen and catered for several years previously. For it is when the employee reaches around 45 that questions about the future role he or she is going to play within the enterprise or outside should begin to be asked. Therefore, the new ‘prospective’ staff age-management techniques are not designed to produce job security *per se* but rather the added human resource value of constantly updated skills buttressed by experience. The Skills and Aptitudes Review and the Training Plan are two of the main instruments employed in ‘prospective’ management (Entreprise et Progrès, 1993). The Skills and Aptitudes Review provides a full description of the employee’s professional capacities and his/her future potential, the overall aim being to draw up a personal end-of-career plan which, while fully meeting the needs of an enterprise, enables the employee to shape his/her professional future and where necessary acquire any additional training he/she may require to suit his/her or the firm’s needs. According to several of the country authors, firms are starting to adopt this approach, and not only the big firms which can more easily afford the costs involved, but also some of the smaller, more dynamic ones.

In some cases it has been found that certain functions are better suited to end-of-career employees and these are being developed in some of the firms surveyed for this study: trainers, tutors, in-house and outside consultants, negotiators. Some firms are starting to adjust structure and practices so as to be able to take full advantage of their older employees. Meanwhile experiments have been conducted on manual workers, for example in France at Renault and Aérospatiale, to introduce modern ergonomic techniques into the workplace and to deploy workers in a differentiated and positive fashion until retirement age.

Personnel age-management also includes managing new kinds of flexibility, reduced time schedules, and working from home part of the week, etc. None of these flexible options is without special problems and yet, once the initial steps have been taken, they often prove to be a source of savings for the employer and of considerable satisfaction for both parties.

### 2.4 Wage costs

Traditionally, older workers have been more expensive because of the seniority rule which has existed in most firms worldwide. Young workers have, in fact, been subsidising the higher wages of older workers. In principle, there is nothing wrong with this rule; it is an incentive for higher productivity and has led to the life-employment we have known for decades in large corporations and in the public sector. However, it causes problems when the average age of the work force increases and when workers approach the end of career. To
the extent that older workers are paid more than their effective productivity, enterprise will have an incentive to get rid of them or, when redundancy occurs, to shed them first. That is the reason why the seniority rule has thus far been, and will remain until abandoned, an obstacle to gradual retirement or to any extension of working life. Moreover, in a few countries, pension rules cause pension contributions to increase with age.

However, as most of our authors will show, there have been profound changes over recent years in adapting pay profiles to performance, first in American and British firms and subsequently, although to a lesser extent, among German, Dutch, French and even Japanese firms. The new performance-based remuneration, especially for professional categories, will promote a different wage profile and should thus make the older employee more competitive.

It is, at all events, now known that productivity per hour in many work functions increases when a worker moves from full- to part-time (see Delsen, 1995). Moreover, experience of part-time work and partial retirement in Swedish firms has shown that part-time work tends to reduce absenteeism which is generally rather high for full-time older workers.

The experience of Japanese and American firms in some sectors has been to retain older workers or re-employ retirees, often on a part-time basis, but performing different tasks, less demanding than the ones they did previously, and, therefore, to pay them considerably less. This practice should not necessarily be encouraged. It is, however, a fact that older workers, especially those drawing a pension or a partial pension, have smaller financial needs. Nevertheless, with continuing training, skilled workers remain productive late in life, especially when working part-time, and could well continue to be active in their field and to be paid according to their performance.

As far as pensions are concerned, rules which make them more expensive for older employees should be modified and should at very least be rendered gradual-retirement or extension-of-working-life neutral.

2.5 Training

The globalisation of the economies will imply that a country’s competitiveness largely depends on the quality of its supply side. Investment in human capital becomes a condition *sine qua non* for future competitiveness. Employment adjustments that are too rapid and rely on the external labour market to a large extent, as in the USA, may not prove as satisfactory in the long run as the lower transaction-cost ‘employment retention’ model prevalent in Japan (Koshiro, 1992). What appears to be increasingly important is the functional flexibility which the new technologies have made necessary. The modern enterprise requires the deployment of higher level skills and performance of a much broader mix of tasks/functions than did the traditional firm.
By extending training opportunities, making employees more effective in their current firms but also more employable in other firms, and by easing thereby the consequences of job loss, the stage can be set for more flexible and hence more productive employment systems. However, what appears to be crucial for gradual retirement is for enterprises to extend training or retraining opportunities until end of career and not to reduce them from the age of 40 or 45 onwards, as has hitherto generally been the case. In the chapters that follow the reader will discern the beginnings of a reverse trend. In many firms early retirement has escalated the demotivation of workers already in their early 50s who see no sense in continuing training since their career prospects are very short. Any form of extension of working life, therefore, has a positive psychological effect on workers who have a reason to invest efforts as well on management which sees training as a longer investment. Greater psychological content will have to be given to training if is to help older workers to remain mobile, motivated and adaptable. Continuing training now has to be adapted to suit the older worker, whose learning and pedagogical needs are known to be different from those of younger cohorts. Training of older workers, then, must be designed to take full advantage of their experience and knowledge in introducing to them new ways of thinking, doing, or being.

Moreover, early retirement policies, it should be noted, have had negative consequences for firms because of the loss of experienced workers who have a capacity for training younger employees and who in general have more to contribute to enterprise culture. Many firms in the USA, France and the UK have recognised these facts and, as we shall see, are now beginning to reverse the trend. Older qualified workers have indeed an important role to play in the training of younger employees whether it is in formal teaching courses or simply by working in teams. It is also becoming quite common to see qualified engineers, economists and insurance experts pursue a second career as teachers in their field of knowledge and work experience.

2.6 Part-time and flexible work

The development of part-time employment which has been rapid over the last two decades has, as it were, prepared the ground for gradual retirement and greatly enhanced its potential for the years to come. In countries where rather traditional attitudes to part-time work have for long existed, such as Germany, France and Japan, employers’ attitudes have started to change and the need for flexible work patterns has at least been recognised. Employers’ objections to part-time work, job sharing or gradual retirement are invariably the same: a job cannot be ‘split’, organisational problems, failures to communicate, decreased work commitment, poorer output. However, where part-time work has been developed or job sharing used, supervisors generally welcome it. Where it has
not been experienced, people tend to be sceptical (Delsen, 1995). Practice shows that many more functions could be performed by part-timers than is currently the case, that even jobs hitherto considered to be totally ‘unsplittable’ e.g. management functions can in fact be viably divided.

Experience in Europe with gradual retirement thus far shows that where managers view part-time work positively, reduction of work time has caused few problems, once the initial organisational and adaptation stage is passed. Against the extra administrative, planning and sometimes equipment costs, must be set reduction in absenteeism, higher flexibility, improved morale and raised productivity. The benefits gained from retaining the skills of older workers outweigh their costs, and this will be especially the case when the supply of new entrants to the work force diminishes. Where a job can be shared between a younger and an older worker, not only will the employer be able to retain the human resource capital of the older worker but the system may also provide – as practice in French firms will show – a cost-effective way of imparting a specific skill endowment to young workers.

Both working conditions and pension provision should be sufficiently flexible to enable the transition from work to retirement to take place smoothly. But, in principle, there are structurally no business or economic obstacles to the introduction of gradual retirement (Hart 1984; Delsen 1995). The latter could also be a useful praxis for developing part-time and flexible work patterns in enterprise and could, finally, prove an ideal way of lengthening working life.

2.7 Employee preferences and the life-cycle

The rigid, linear, three-phase life cycle – youth and training, adult life and work, withdrawal from work and retirement – that has predominated throughout the period of the mature industrial revolution is today gradually being replaced by a cycle which is less certain, less predictable and of necessity more creative. Among other things it is characterised by more flexible work patterns, more training throughout professional life, periods of unemployment and sabbatical leave, and more active retirement. Gradual retirement is therefore very much part of this new approach to the life cycle.

Workers who have retired over the last twenty years had usually begun what proved a long and arduous working life at an early age. They have been part of the long pattern of economic growth and, while largely benefitting from exceptional material well-being, they have often had little time to devote to activities outside the work place. Retirement comes, then, as a well-deserved rest, a kind of golden period with time to enjoy the leisure a good pension makes possible. However, many surveys have already revealed that overnight or ‘couperet’ retirement has proved a difficult experience for many retirees
who have not had time to adjust before entering it. Many have switched from a position of social prestige within their company into what has been called ‘social oblivion’ (Guillemard, 1990). If only for this reason, a fair proportion of retirees wish to remain mentally alert and socially integrated.

People retiring in 2000 and beyond will, for the most part, have enjoyed much longer periods of education and training. Their working life will have often been interrupted by unemployment or part-time employment, for a few, by sabbatical leave. On the whole, most of them will have experienced much more flexible work patterns than their parents’ generation. Indeed, new categories of employee nowadays – other than mothers of young children or young people in training – are concerned to organise their work in new ways and frequently quite simply to work less. These new categories include workers in the mid-life period who wish to combine regular work with meeting other requirements (e.g. self employment, a return to training, community service of one sort or another, caring for elderly parents, etc.), and workers at the end of their career who wish gradually to move from a full-time working life into healthy retirement. Since their youth, this generation has had much more leisure time and a majority has had continuing training in service or outside the firm. Often they have had two or three different careers (Gaullier, 1992).

When these workers, the baby-boomers, are questioned about their wishes with regard to retirement, many – particularly if they are qualified and sense that they are making a valid contribution – would wish to keep a foot in the occupational door for some years after the legal retirement age. As was so aptly observed, the relative utility of leisure and retirement to that of work will tend to diminish in the years to come (Kessler, 1990). However, a majority of baby-boomers will wish to alter their work rhythm and will, therefore, be attracted by part-time work as part of a gradual withdrawal from full-time employment. Recent European surveys (Eurobarometer, 1993) confirm that most people are in favour of flexible retirement, and American surveys have shown that, for men, the desire to work part-time increases with age (Sheppard in his chapter).

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