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Managing an aging workforce and a tight labor market: views held by Dutch employers

CHANTAL REMERY[1], KÈNE HENKENS[2], JOOP SCHIPPERS[1] & PETER EKAMPER[2]
[1]*Department of Labor Economics and the Economics of Equal Opportunity, Utrecht University, the Netherlands*
[2]*Netherlands Interdisciplinary Demograrphic Institute (NIDI), The Hague, the Netherlands*

Introduction

Despite the strong growth in employment of the past years, the Dutch labor market faces a number of persistent problems. One such problem is the large number of people on disability benefits. Another problem is the low labor force participation of women, not so much in terms of people, but in terms of hours worked (Henkens et al. 2002). And, despite an increase since the mid-1990s, the labor force participation of people over 50 is also much lower than the European average (OECD 1996). These low labor force participation rates should be seen against the backdrop of a strong increase in labor demand in recent years. In many sectors of the Dutch economy, this has led to tightness in the labor market (CPB 2000). Given that the population of the Netherlands is aging, new imbalances are looming on the horizon. Structural changes need to be implemented to pay for the growing number of pensioners. However, before the baby boom cohorts reach the mandatory retirement age of 65, the labor force, too, is aging (Ekamper 1997).

The sizeable cohorts of baby boomers have already reached middle age. This means that they are approaching the age at which many of today's workers are leaving the labor force. Until recently, most organizations do not seem to be too concerned about the prospect of the loss of this large source of labor. Government and the so-called social partners (employers' organizations and trade unions) seem to be more aware of the potential problems that lie ahead. A much-discussed issue is the financing of various public services, in particular in health care and social security. These debates focus on the ratio between the economically active and the non-active population. The growing labor shortages, which so far appear to be linked primarily to the economic cycle, point to the fact that these shortages may become more structural as

a result of current demographic trends (McDonald & Kippen 2001). Given the aging of the labor force and the expected economic growth rates, it now seems inevitable that employers will have to employ more, both in absolute and in relative terms, over-50s and over-55s in the future.

In their capacity as macro-level actors, the government and social partners are aware of the need to raise the labor force participation of older workers (see, among others, SER 1999) but they lack concrete ideas and the instruments needed to flesh out policy in this area. What is more, several studies (e.g., van Dalen & Henkens 2002; Heyma 2001) have shown that a vast majority of the older workers themselves would like to withdraw from the labor force at the earliest possible opportunity. This article looks into the role played by employers, since most decisions on how to deal with an aging workforce will have to be taken within individual organizations, or will, at least, be implemented within these organizations. Earlier research among employers carried out in the US and several European countries shows that many employers tend to be biased against older workers and there is often a lack of corporate focus on older employees, reflected in an absence of programs to retain and retrain them (Barth et al., 1993; Guillemar et al. 1996; Henkens 2000; Taylor & Walker 1998; Wagner 1998). Particularly when economic prospects are weak, older workers find themselves in a vulnerable position, since early retirement is often seen as a less painful way to prune the workforce than large-scale layoffs. The 'Dutch miracle' in the 1990s which has led to a high rate of employment growth stimulated early retirement reforms (van Dalen & Henkens 2002). As labor supply did not keep up with the pace of labor demand Dutch employers were also less inclined to use other exit routes for older workers such as unemployment or disability. Little is known, however, about the way individual organizations alter their policies towards older workers in view of ongoing labor shortages and an aging workforce.

This article will address four questions:

1. To what extent do employers face an aging workforce within their organization?
2. What do employers see as the possible implications of an aging workforce?
3. Which measures are employers taking to recruit or retain older workers?
4. Are employers taking on and/or retaining more older workers in response to the growing labor shortages?

The answers to these questions will shed light on the degree to which employers in the Netherlands are aware of the inescapable aging of the labor force and its implications for the labor market and for individual employers. The research questions will be answered with the aid of data provided by a large-scale survey conducted among more than 1,000 companies and

organizations in the Netherlands. In this article we shall first deal with the theoretical background to the study (section 2), before discussing the design and implementation of the data-gathering activities (section 3). The results of the empirical analyses will be presented in sections 4 to 7.

Theoretical background

The demand for older workers by employers depends on a number of factors. A first relevant factor is total labor demand. In the long term, the demand for labor depends primarily on structural trends in the demand for goods and services and the production technology opted for to meet this demand. Once the total demand for labor at a particular point in time is known, it is a matter of employers selecting suitable employees to meet this demand. The need to select suitable employees stems from the fact that the supply of labor is heterogeneous. Workers' different stocks of human capital reflect this heterogeneity.

Age, human capital and productivity

Human capital theory (for an overview, see Polachek & Siebert 1993) states that life is made up of two main phases: a first phase in which young people develop their human capital, in terms of knowledge and skills, through education, and a second phase in which they earn an income through paid employment. Investments in human capital boost productivity and, according to the theory of human capital, the remuneration of employees is directly related to their productivity. We therefore see that, in principle, people who possess more human capital (e.g., the more highly educated) have a higher income than people with less human capital.

For most people, investments in human capital are largely made during the first two to three decades of their lives. This does not mean, however, that no additional investments are made later in life. Once people have entered the labor market, they acquire new knowledge and skills; they become experienced in the work they do. Having said that, the supply of human capital and thus the productivity of workers depends not only on positive factors, but also on depreciation, resulting from wear and tear and aging. Once productivity starts to decline as employees grow older, we have reached the point on the age-wage profile where a wage decrease could be considered; for example, in return for a lower-level, less stressful or less demanding job (Schippers, 1998). Human capital theory also provides the answer to the question as to how a productivity decline could be prevented, namely by maintaining

workers' human capital. This maintenance could be the result of updating existing human capital by way of retraining older workers.

A host of empirical studies support the hypothesis that more human capital is linked to higher earnings, that the income levels of the better educated continue to rise until a more advanced age, and that if employees fail to invest in human capital later in life, depreciation is bound to occur (for an overview, see Polachek & Siebert 1993 and Mertens 1998).

Earnings and seniority

A number of scholars, including the American economist Thurow (1975), have put forward ideas to explain the empirical observation that the declining (right-hand) side of the age-wage profile predicted by human capital theory rarely occurs. Thurow suggested that whilst income and productivity are related, they are not necessarily related at every single moment in a worker's career. He explained that employers have an understanding, an implicit contract, with their employees regarding the relationships between productivity and earnings during the course of their careers. This understanding, Thurow stated, is based on the seniority principle, such that during the first phase of workers' careers their earnings are *lower* than their productivity and during the second phase their earnings are *higher* than their productivity (see also Lazear 1998). He explained that the prospect of a gradual rise in their income acts as an incentive for employees to continue working for 'their' employer, where their investments yield the highest returns. And finally, when productivity begins to decline later in life, workers are encouraged on the basis of their higher earnings to assist in training their own successors and help them settle into their new jobs.

Age and capital goods

In general we can say that workers' labor productivity does not depend entirely, or even primarily, on the personal qualities of the employee in question, but rather on the combination of labor and capital in the production process. When more modern and more productive capital goods become available as a result of technological developments, the expertise of people with the necessary know-how of modern technological developments is called in. This know-how tends to be found among employees who have recently left the educational system. We can thus say that as a rule, older workers are linked to the oldest stocks (vintages) of capital goods and younger workers to the youngest stocks. And so, whenever an old vintage of capital goods becomes obsolete, older staff is at risk of being put out on the street together with the capital goods (Bartel & Sicherman 1993). It is then up to the employer to

decide whether to take on new personnel or whether to invest in the existing workforce (for example, through additional training) to enable them to work with modern capital goods.

Age, productivity and discrimination

Labor supply is heterogeneous and employers can never be sure about the future productivity of an individual employee. This applies to the existing workforce, but even more so to future staff. Employers are cognizant of their employees' track record within their organization and they have information about their current productivity. (It should be noted that complex production processes make it more difficult to establish the productivity of an individual worker.) They do not know, however, how their health will develop as they age, and whether they will be able to keep up with new technological developments. There is even more uncertainty regarding newly recruited employees. Although diplomas, a job interview, references and, in some cases, a psychological test may provide an idea of the abilities of new personnel, it remains to be seen how productive they will be. Employers do have access to what Phelps (1972) called 'previous statistical experience': information on how certain categories of employees tend to behave and develop. Many employers use these statistical experiences to formulate expectations regarding the future productivity of employees who belong to a particular category. Needless to say, the drawback of using averages based on the experiences of *groups* of employees to formulate expectations with regard to *individuals*, is that no two employees are alike. Having said that, gathering information about the potential productivity of an individual employee can be an expensive exercise, whereas 'statistical discrimination' (selecting staff on the basis of an average group characteristic) is an extremely economical selection method, that is, if the employer's preconceptions (in the literal sense, the opinions the employer had formed beforehand) and expectations are confirmed. Whether employers are interested in the expected productivity or, as Thurow (1975) underlined, in the expected training expenses, employers who subscribe to this view of recruitment and selection rank the available candidates in a fictitious order of preference (a job queue), and select the candidates in turn, until their demand for labor has been met. Moreover, research into the selection practices of employers who use candidate profiles, so-called vignettes, has shown that the selection criteria used tend to relate to characteristics of the applicants that can not be changed, such as sex, age and social background (Van Beek et al. 1997). In an earlier study, Becker (1957) pointed out that employers may have "a taste for discrimination" against some groups, and that this may, under certain circumstances, result in these groups not being employed by them at all.

Design of the employers' survey

Based on the theory outlined above, a questionnaire was drawn up and given the title "Staffing in a tight labor market". In May 2000, the questionnaire was sent to over 2,800 companies and organizations with more than nine employees. The names and addresses of these organizations were taken in part from a sample drawn from the trade register of the Chamber of Commerce. Questionnaires were also sent to all Dutch municipalities and general hospitals. The total response rate was 37 percent, which is lower than the average response of individual surveys but substantially higher than the response generally found in corporate surveys. In Europe and the United States response rates have been found to be at most 20 to 30 percent (see, for example, Brewster et al. 1994; Kalleberg et al. 1996). The questionnaires were completed by a board member/managing director (21 percent), the owner (11 percent), office manager/plant manager/town clerk (13 percent), head of personnel (30 percent), or by a personnel officer (23 percent). The questionnaires included a number of general factual questions about the organization and the expected development of the age structure of the workforce, as well as specific questions about the position of older workers and the implications of an aging workforce. Issues such as the productivity of older staff and the advantages and drawbacks of employing older workers were addressed. The questionnaire ended with a number of questions about the degree to which employers faced labor shortages and the alternatives they had come up with to solve this problem.

An aging workforce

Before presenting our survey results, Figure 1 shows the aging process in the Dutch labor market. From the early nineties onward the percentage of workers aged 50-64 increases. With labor force participation levels of 2000 kept constant, the percentage of older workers in the labor force will increase substantially in the following decades. According to the midterm projections of the Netherlands Bureau for Economic Policy Analysis, which assume increasing participation rates of older males and particularly older females, the aging process will be much stronger and rapid.

Returning to our survey results, the percentage of older workers varies by sector (Table 1). In 16 percent of the companies and organizations included in the survey more than 30 percent of the employees were 50 years and older. Five percent of the organizations studied employed no older workers at all. For the sake of comparison, the percentage of adults of 50 years and older in the total labor force in the Netherlands is just under 18 percent (CBS 2000).

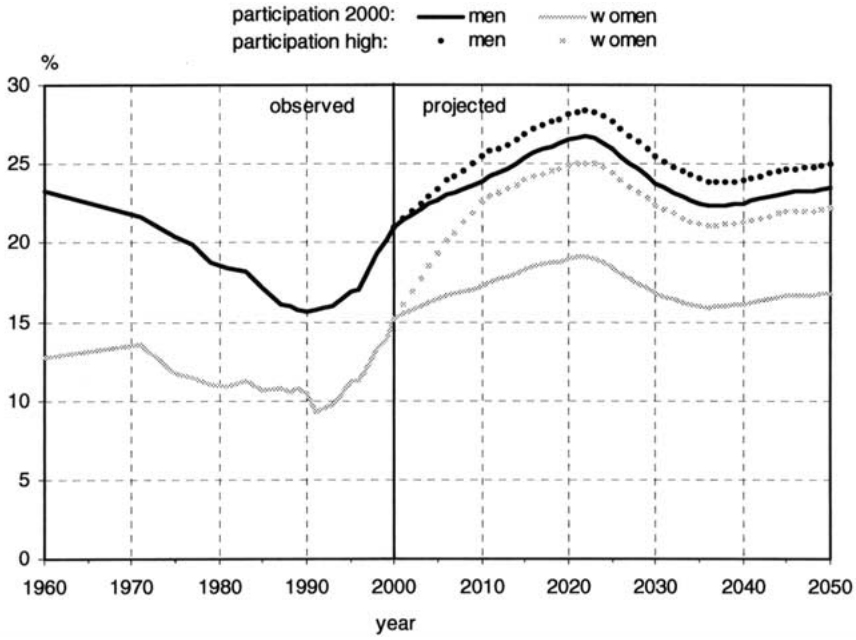

Figure 1. Percentage older workers (aged 50–64) in the labor force by sex, 1960–2050.

Table 1. Organizations decomposed by percentage of older workers and by sector (in %; N = 1,007)

	Percentage of older workers					
Sector	0	1–10	10–20	20–30	>30	Total
Manufacturing/construction	4	35	30	20	11	100
Service sector	11	46	27	9	8	100
Public sector	1	14	25	36	25	100
Total	5	29	27	24	16	100

Distinct differences were found between the sectors. The public sector was found to have the most aged workforce: more than 60 percent of the organizations in this sector had over 20 percent older workers on their payrolls. A more detailed analysis (not included in Table 1) shows that local government employed more old staff than the health and welfare sectors. Age patterns in the service sector were very different. Here, almost 85 percent of employers had less than 20 percent older workers on their payrolls. This sector also had the highest percentage (11 percent) of employers who did not employ any older workers at all. This high percentage may be attributed primarily to the

Table 2. Expectations of employers regarding the development of the percentage of older workers in the coming ten years, by size of the organization (in %; $N = 993$)

	Percentage of organizations that expect that the percentage of older workers will:			
Size (no. of employees)	Decrease	Remain the same	Increase	Total
< 50	18	39	43	100
50–99	15	32	53	100
100–249	16	28	56	100
250–499	12	23	65	100
≥ 500	8	20	72	100
Total	15	30	55	100

hotel and catering business and the business services sector. The manufacturing and construction sector occupied a middle position between the other two. Within this sector, the construction industry was found to employ more older workers than the manufacturing industry.

Table 2 gives an overview of employers' expectations regarding aging patterns within their workforce in the coming ten years. More than half the employers expected an increase in the percentage of older workers in the decade ahead. A small group of no more than 15 percent expected the percentage to decrease, and 30 percent of the employers expected the percentage to remain the same. Marked differences were observed between large and small companies. Employers of large organizations were far more inclined to expect an increase in the number of older workers than employers of a smaller workforce: almost three-quarters of the companies with more than 500 employees compared with 43 percent of companies with less than 50 employees. Almost 40 percent of the small companies (less than 50 employees) expected the percentage of older workers to remain the same. This figure was a mere 20 percent among employers of a large workforce (500+). Employers in the public sector were found to be more likely to expect the percentage of older workers to grow than employers in the private sector. Employers in the service sector were least inclined to expect an increase.

The implications of aging

An overwhelming majority of the respondents (73 percent) tended to associate an increase in the average age of their workforce with higher labor costs (Table 3). A far smaller percentage of employers expected an increase in pro-

Table 3. Expected consequences of an aging workforce (%; n = 1,019)

Consequences	Percentage of employers answering			
	(Highly) unlikely	Neutral	(Highly) likely	Total
• Increase in labor costs	7	20	73	100
• Greater resistance to change	12	31	57	100
• Increase in absenteeism	9	35	56	100
• Increase in know-how and experience	14	30	55	100
• Review of the way in which work is organized	17	31	52	100
• Need to improve working conditions	14	36	50	100
• Less enthusiasm for new technology	16	34	50	100
• Fewer conflicts within the organization	30	55	15	100
• Negative effect on organization's image	40	45	15	100
• Increase in productivity	52	41	7	100

ductivity: a mere seven percent said they found this (very) likely; more than half the respondents found it (highly) unlikely. Employers also tended to look upon older staff as employees with a high level of absenteeism and a resistance to change (56 and 57 percent of the respondents, respectively). Half the respondents also felt that the way in which work was organized would have to be reviewed, that working conditions would have to be improved and that aging would have negative consequences for adaptation to new technology.

A small group of employers felt that an aging workforce would have a negative effect on the company's image. More than half the respondents, however, expected that an increase in the average age of their workforce would result in an increase in know-how and experience. Fifteen percent believed that an aging workforce would lead to fewer conflicts.

An interesting question is whether the implications of an aging workforce for individual organizations can be grouped into different dimensions. In other words, do certain consequences of aging occur in concert, and do companies differ from one another in this respect? For example, whereas certain types of organizations might emphasize the adjustments they need to make to the way work is organized if their workforce ages, other types of organizations may attach greater importance to the implications for their labor costs. The existence of dimensions can best be studied with the aid of factor analysis. Factor analysis studies how the answers with respect to the consequences can be grouped into categories on the basis of the relationship found between the various answers given. The results are given in Table 4,

Table 4. Results of factor analyses (with oblimin rotation) of consequences of an aging workforce for the organization

	Eigenvalue	% Explained variance	Items	Factorloading (rotated)
Factor 1	2,3	23,1	Little enthusiasm for new technology	0.80
			Greater resistance to change	0.80
			Negative effect on organization's image	0.57
Factor 2	1,7	17,1	Increase in know-how and experience	0.70
			Increase in productivity	0.69
			Fewer conflicts within the organization	0.70
Factor 3	1,1	11,5	Increase in labor costs	−0.79
			Increase in absenteeism	−0.79
Factor 4	1,1	10,9	Need to improve working conditions	−0.86
			Review of the way in which work is organized	−0.86

and show that the implications of an aging workforce can be grouped into four dimensions: resistance to change, increase in know-how and experience, costs, and organizational adjustments. These four dimensions will be briefly described below. We have studied which employers score high on each dimension.

In addition to looking into factors such as economic sector and size of the organization, detailed analyses were conducted in which factors such as the age structure of the workforce, the 'average' level of education of the workforce, the degree to which the employees need to keep up with technological changes, and the degree to which they should be able to do physically taxing work were controlled for. Other factors controlled for were age of the respondent and the respondent's job. Earlier research into opinions about older workers has shown that older respondents tend to be more positive about older workers than younger respondents, and that executives tend to have more negative views about older workers than the lower echelons (see Hassel & Perrewe 1995; Henkens 2000).

Resistance to change

The first dimension could be described as resistance. Employers who scored high on this dimension expect that an aging workforce will lead to less enthusiasm for new technologies and greater resistance to change. They also expect that it will have a negative effect on the organization's image. The public sector scored particularly high on this dimension; employers in the manufacturing and service industries had much lower average scores. Employers who attach importance to the ability of their staff to keep up with technological developments also scored high on this dimension. A striking finding was the negative correlation with the percentage of young people in the organization studied. Organizations with a high percentage of employees under the age of 35 had lower scores on this dimension. In other words, the younger the organization's workforce, the less the respondents were found to associate older workers with resistance. Finally, personnel officers expected less resistance than executives, and older respondents scored less high than younger respondents did.

Increase in know-how and experience

The second dimension includes implications that underline the advantages of an aging workforce. Employers who scored high on this dimension expect that an increase in the average age of their employees will result in more know-how and experience, higher productivity, and fewer conflicts. It would appear that experience is built up over a longer period of time in these organizations and has a strong influence on the level of productivity. These high scores were found mainly among employers in the manufacturing industry and were less common in the service and public sectors. Interestingly, closer analysis showed that the organizations that scored high on this dimension tended to employ relatively few older workers. The higher the percentage of older workers, the lower these organizations scored on this dimension, indicating that they are less apt to see the advantages of aging.

Costs

The third dimension includes the costs related to an aging workforce. Here, the factor loadings are negative, which means that a *low* score on this dimension indicates that aging is associated with higher labor costs and a higher level of absenteeism. Employers in the manufacturing industry were less inclined to associate aging with rising costs than employers in the public and service sectors. The survey also showed that employers who expected an increase in costs tended to have a workforce with a relatively low average

level of education. Within the organizations studied in the public and service sectors, wages may have been relatively strongly age-related (laid down in a seniority-based system of wage scales). Costs related to aging may also be the result of inactivity, such as absenteeism, which tends to be substantially higher in organizations with a low average level of education.

Organizational adjustments

The fourth and last dimension may be described as organizational issues, referring to the need to improve working conditions and to review the way in which work is organized. Here, too, the factor loadings are negative, implying that low scores on this factor indicate that an aging workforce is associated with the need to improve working conditions and to review the way in which work is organized. Employers in the public sector were particularly inclined to expect that an aging workforce would require organizational adjustments. This dimension was also found to be related to the size of the organization: the bigger the organization, the stronger the expectation that organizational adjustments would be needed. Further analysis showed that employers with a relatively young workforce and employers with a relatively highly educated workforce were less inclined to associate aging with the need for organizational adjustments. In organizations with a relatively large number of physically taxing jobs, on the other hand, an aging workforce *was* associated with the need for organizational adjustments.

An age-conscious personnel policy

One of the aims of the survey was to study the degree to which employers are taking measures to improve the employability of older workers. The respondents were presented with a list of measures and asked to indicate whether their organization was implementing these measures or was considering doing so. The list was based on an earlier study into age-conscious personnel policies (SZW 1991; Schaeps & Klaassen 1999). Table 5 presents the results.

The most widely implemented measures were found to be measures aimed at accommodating older staff. Ergonomic measures were implemented by no fewer than 65 percent of employers. Additional leave/increased holiday entitlement for older staff was also common (62 percent), as were measures such as part-time early retirement or part-time prepension (51 percent) and flexible working hours (47 percent). Measures such as introducing age limits for irregular work/shift work, exemption from working overtime for older workers, and reducing the workload for older staff were slightly less common, but were nevertheless implemented by between one-third and 40 percent of

Table 5. Degree to which employers implement measures, or consider implementing measures aimed at retaining older staff (%; n = 1,019)

Measure	Is being implemented	Is being/will be considered	Will not be considered
Part-time early retirement/part-time prepension	51	27	22
Additional leave/ increased holiday prepension	62	21	17
Prolonged career interruptions	12	34	54
Age limits for irregular work	35	22	43
Exemption from working overtime for older workers	34	32	34
Flexible working hours	47	32	21
Training programs for older workers	21	46	33
Reducing workload for older workers	41	44	15
Reducing older workers to a lower rank and a loss of salary (demotion)	7	38	55
Ergonomic measures	65	22	13

employers. Prolonged career interruptions and training programs for older workers were less common. Reducing older workers to a lower rank and a loss of salary, commonly known as demotion, was found among no more than seven percent of respondents. Whilst eight percent of the respondents did not implement any of these age-conscious policy measures, employers were found to implement an average of four of the measures mentioned. As for the measures that employers said they were considering, or said they might consider implementing in the near future, training programs topped the list, at 46 percent, followed by a workload reduction for older workers (44 percent). These relatively high percentages indicate that many employers expected that their aging workforce, or the prospect of an aging workforce, would necessitate adjustments to their personnel policies. Demotion may also become a more popular option, with almost 40 percent saying they were considering this possibility. Having said that, it should be noted that demotion is also a measure that a majority of the employers said they did *not* intend to implement. Prolonged career interruptions were not seen as an option by many employers either, 54 percent saying they would not consider implementing this measure.

Note that the measures presented to the respondents are not all geared specifically to the situation of older staff. Some of the measures are of a more general nature. The possibility of interrupting one's career for a prolonged period of time and more flexible working hours, could, for example, be implemented to support people who want to combine a job with taking care for their children. In practice, it is mainly women who wish or have to do so. Research has shown that measures such as prolonged career interruptions and flexible working hours are more common in organizations that employ relatively large numbers of women (Den Dulk 2001).

The general picture that arises from Table 5 is that a relatively large number of employers are already implementing an age-conscious personnel policy. This observation needs to be qualified, however. First of all, we must not forget that popular measures such as part-time early retirement, age limits for irregular work, and flexible working hours tend to be part and parcel of collective labor agreements (CAOs) in the Netherlands. Recent research has shown, for example, that 87 percent of the CAOs offer employees one or more opportunities to retire early (i.e., before the mandatory retirement age of 65), and 68 percent include a provision under which older workers may be exempted from working irregular hours (Schaeps and Klaassen 1999). Although the details of the CAOs were not addressed in the survey, the results do show that companies that had negotiated collective agreements were more apt to implement the measures mentioned than companies that had not committed themselves to a collective agreement.

Note also that the most widely implemented measures tend to be the ones that 'spare' older workers (i.e., fewer obligations and more privileges) such as additional leave, increased holiday entitlement, a workload reduction, age limits for irregular work, or exemption from working overtime. These measures are often costly and reduce the employability of older staff. Employees who make use of schemes enabling them to take part-time early retirement partially withdraw from the labor force, whereas most of them would have remained full time employed otherwise (cf., Ghent et al. 2002). This tends to incur additional costs for employers without providing anything in return. A measure that does generate returns is the option of offering older staff training programs. This measure tends to improve employability and keep older workers on the staff, whether part-time or full-time, whilst at the same time generating income for the employer. Only one-fifth of the companies studied had adopted this measure, however. Almost half the employers said they were considering implementing this measure or expected they would in the future. About one- third of the employers were not enthusiastic, and said they would not consider this possibility.

Another qualification we need to make is that these measures are generally not implemented as part of a comprehensive package of measures designed to retain older workers. The employers in the survey were asked whether the measures formed part of an explicit age-conscious personnel policy/policy for older workers. No more than a quarter of the employers said this was the case (23 percent). Many employers did not think much of such a policy.

A tight labor market and the status of older workers

The foregoing sections have shown that whilst employers are increasingly confronted with an aging workforce, measures designed specifically to retain older staff have been given relatively little attention, at least for the time being. A common assumption, both in the national and in the international arena, is that growing labor shortages are the best assurance that the labor force participation of the elderly will be stimulated. In a tight labor market, the urge to lay off large numbers of older staff tends to disappear. In support of this, Van Dalen and Henkens (2002) show that the labor force participation of the over-50s is inching up. Does this, however, also mean that employers are increasingly targeting older workers when recruiting new staff? Or do they, perhaps, prefer to recruit other categories of employees? These questions will be addressed in this section.

At the time of the interviews, no less than 37 percent of the employers said they often had problems recruiting new staff, and only 12 percent said they never had problems in this area. Labor shortages were felt to be most acute in the manufacturing and construction industries, where as many as half the employers said they were having trouble recruiting personnel. The problem was less serious in the public sector, although in this sector, too, very few employers said they were having no difficulty at all finding new staff. When asked whether they were having difficulty retaining workers, no less than three-quarters of the employers said they did. Whilst the manufacturing and construction industries were having a hard time finding new personnel, they said it was relatively easy to hold onto staff. So, whilst recruiting new people was posing problems, they were relatively successful in keeping personnel on the staff. This could be related to the firm-specific investments that employees in this sector make. In the public sector the opposite was found to be true. The sector barely faced recruitment problems, but staff retention was posing problems. This could be explained by the fact that the public sector offers good training opportunities, which employees can also capitalize on once they work for other employers.

Women and the disabled

With respect to the measures employers had taken to combat and solve the problem of staff shortages, the answers given most frequently were recruiting more women and the introduction of flexible working hours. Measures such as improving the employability of staff (46 percent) and reintegrating the partially disabled (41 percent) were also widely implemented. This latter option was, moreover, being considered by another 44 percent of employers. Among the measures being considered by employers, offering employees higher pay and/or better employment conditions scored highest, followed closely by encouraging staff to continue working until the age of 65. This latter measure is currently being implemented by no more than 13 percent of all employers. Offering staff better employment conditions in an effort to retain or recruit personnel is already being implemented by 35 percent of employers. Moving production abroad was not seen as an option for most employers and recruiting personnel abroad to alleviate staff shortages was not being considered by almost three-quarters of the employers. Replacing employees by labor-saving technology was not considered a viable option by most respondents: one-quarter had already done so, one-third was considering doing so, but almost half the employers did not place much faith in this solution. This result is surprising given recent wage trends. It appears that a majority of the employers interviewed do not see the pay raises agreed in various collective wage agreements and the labor shortages in the market as an incentive to go in search of new laborsaving and productivity-enhancing technology. Here we should add, however, that for a large group of our respondents the possibilities for introducing new technology are rather limited (e.g., for municipalities, employers in the care sector). The same holds for moving production abroad.

Older workers as a pool of labor?

Surprisingly, even today very few employers see older staff as a potential pool of labor. No more than 13 percent of all organizations encouraged their employees to continue working until they are 65, although a substantial number (46 percent) said they were considering, or would consider doing so. Although no more than one in five employers were found to actively recruit older workers, over 40 percent saw this as a possible option aimed at preventing staff shortages. Having said that, an equally large percentage said they would not even be prepared to recruit older workers if they actually suffered staff shortages. Calling back retired employees or staff who have taken early retirement appears to be even less of an option. A mere ten percent

of employers were already doing so, and less than a quarter said they would consider doing so.

Summary and conclusions

As in most other Western countries the population of the Netherlands is aging, and this is having major implications for the labor market. The consequences have a quantitative and a qualitative dimension and are felt both at macro level and within individual organizations. The quantitative dimension addresses issues such as whether there are, and will be enough employees to fill all jobs (McDonald & Kippen 2001), and what the consequences of the new labor market conditions (fewer young people and more older workers) will be, for wage structures and wage trends. The qualitative dimension deals with the question whether *suitable* candidates can be found for the available jobs, for example, in terms of the know-how and skills required. This issue affects the labor force as a whole, but should in principle also be addressed by each individual employer. This article has presented the results of a large-scale survey among employers, setting forth how they look upon the trend of an aging workforce and its implications and how, if at all, they are responding to and anticipating these trends.

The results show that older workers are not really considered a force to be reckoned with, neither in absolute nor in relative terms. This is reflected in the fact that whilst an aging workforce is expected to result in additional labor costs and the need to make certain organizational adjustments, it is not expected to raise productivity. The emphasis placed on the increase in labor costs by Dutch employers is in stark contrast to the results of an identical survey conducted in the United Kingdom, where no more than 35 percent of the employers interviewed said they expected higher labor costs (Guillemar et al. 1996). Our results confirm the strong correlation between age and pay in the Netherlands (van Imhoff & Henkens 1998). In principle, wage systems may adapt to changing demographic patterns: the increase in the relative supply of older workers may depress their earnings levels. However, as yet there are only very few signs of such flattening of age-earnings profiles in the Netherlands, as well as in other OECD countries (OECD 1996).

A striking outcome was that employers' opinions about older workers were less favorable in organizations that employed a relatively large number of older staff (and that organizations with a small percentage of older staff held more positive views). The group who is, in principle, best informed is found to have the least favorable opinions. This would suggest that these views are not the result of statistical discrimination, but of a real lack of productivity among older staff. And this means that if the productivity of older

workers is not improved, employers will opt to recruit employees from other age categories. As long as recruitment from these other categories produces the desired results, there will be no incentive for individual employers to take up the gauntlet and seriously try to improve the productivity of older workers or, to put it more elegantly, to pursue a policy aimed at enhancing the employability of older workers. The relatively unfavorable status of older staff is reflected in the way in which organizations plan to deal with the (growing) problem of labor shortages. Older workers tend to be left until last. Moreover, the lack of coherent and systematic attention to the situation of older staff within most personnel policies shows that older workers are not an issue. Despite the 'grey wave' that is about to inundate the labor market, individual employers do not seem to have a sense of urgency that *they* need to anticipate and act on this development. The demographic figures show however that organizations are not dealing with a temporary, short-term problem, but with a major change that will affect the labor market for at least two decades. To date, there appears to be little awareness of the phenomenon that organizations are aging rapidly and will at some point – some earlier than others – face the problem of meeting the replacement demand. The research presented here shows first and foremost that individual and collective rationality are in conflict with one another. The Dutch government and organizations of employers and of employees (SER 1999) are aware of the challenges they will face in the future as the labor market continues to age and "dejuvenate". Whilst many organizations, as well as the labor market in a macro- economic perspective, will need older workers in the years ahead to keep the substantial replacement demand for employees within bounds, very little efforts are being made to stem the current mass outflow of staff and to structurally improve the position of older workers in the labor market. And whereas a whole host of financial measures are being implemented to encourage workers to withdraw from the labor force, there are only few incentives that contribute to keeping older workers on the staff. The lack of such measures may be attributed to the fact that employers tend to associate older workers primarily with low productivity, in particular given their higher, age-related wage costs.

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