MANAGING THE CHANGING WORKFORCE DEMOGRAPHIC IN GERMANY
The demographic shift is creating a change in the working environment in Germany and is posing a great challenge for companies. In economics, politics and the media, new forecasts and figures are driving a constant discussion about the ageing workforce and the lack of trained professionals. But are these words followed up with action? What does the reality truly look like in companies? How are companies’ decision makers trying to overcome these challenges, and what changes have been put into place? How is the changing workforce affecting recruitment strategies, and what resources are companies making available in order to successfully manage the effects of these developments?

To find answers to these questions and many others on the topic of demographics management, Mercer and Bertelsmann Stiftung extensively surveyed general managers, HR managers, HR employees, work councils and managers outside the HR function from more than 200 companies in Germany, along with a handful in Austria and Switzerland, at the beginning of 2012. This article summarises the key findings of this study.

CHANGING WORKFORCE LEADS TO GREATER POTENTIAL FOR CONFLICT IN COMPANIES

Those surveyed believe that the greatest effect that the changing workforce demographic has had on companies is a shift in the hopes and expectations of employees, followed by a greater variation in employees’ ages. (See Figure 1.) These figures highlight the trend towards a multi-generational workforce that is forcing companies to respond to the needs of individual age groups.

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**Figure 1**

**What Changes Are You Currently Experiencing in Your Workplace Due to the Changing Workforce Demographic?**

| Change in employees’ hopes and expectations | 74.8% |
| Distribution of employees’ ages | 66.1% |
| Cultural composition | 37.2% |
| Gender composition | 30.3% |
Moreover, those surveyed have also been experiencing a shift in the workforce – more than half have perceived a decline in the standard of applicants’ qualifications, and nearly 40% have perceived a downward trend in the level of experience or ability of applicants.

Approximately half of those surveyed (52.8%) believe that the shift in the workforce demographic had led to a greater potential for conflict in the company, resulting from a change in employees’ hopes and expectations (45.5%), the distribution of ages (37.6%), the changing standard of applicants’ qualifications (23.5%) and applicants’ level of experience and ability (22.6%).

**ATTRACTING EMPLOYEES: ONLY 8% ARE TARGETING AN OLDER DEMOGRAPHIC**

Only just over half of companies in Germany (53.2%) are expecting an increase in the number of people ages 60 or older who will remain in employment. This is surprising, considering that in 2010, the percentage of those ages 60–64 employed in Germany rose to 40.8%, a 2.4% increase from the previous year, and all forecasts suggest that this will increase further in the coming years.

It is downright alarming that only 8% of companies specifically target an older demographic in their recruitment strategy. Although just over half of companies (52.3%) have tailored their recruitment strategies to the changes in the workforce, these efforts mainly target the younger age groups.

More than a third of companies have not yet carried out an analysis of employees’ ages – indeed, more than half of companies with fewer than 250 employees have not done so (though this figure drops to only around 20% for the larger companies with more than 5,000 employees).

**MAINTENANCE OF PERFORMANCE, CAPABILITY AND HEALTH OF EMPLOYEES ARE KEY THEMES**

In the context of the changing workforce demographic, maintaining employees’ performance, capabilities and health is the topic of highest concern to the companies surveyed. Training and succession planning are also topics of great importance. Promoting intergenerational coexistence is a comparatively low priority, although the multitude of generations in one setting is viewed as an issue that has the potential to bring a lot of conflict to the workplace.

The areas in which those surveyed saw the greatest need to act include ensuring better balance between family and career and carving out
more flexibility for employees and management. Although respondents cited awareness of the changing age demographics in the workforce, the development of age-related working hours remains a middling priority.

Figure 2
Where Do You See the Greatest Need for Change in Your Country?

HUMAN AND FINANCIAL RESOURCES ARE LACKING
Companies are relying on outside consultants and learning from other companies to master the challenges that the changing composition of the workforce presents. More than half of the organisations surveyed have not yet assigned a dedicated HR team or given HR professionals fixed responsibilities to examine and address any issues coming up as a result of changing workforce demographics, and nearly 60% have not allocated any of their budgets to tackling this challenge.

Figure 3
What Resources Have You Made Available to Overcome the Challenges of the Changing Workforce Demographic?
That said, 71% of those surveyed believe that future investment is necessary – and this figure rises to nearly 90% in the larger companies (those with more than 5,000 employees), but the percentage drops to just over half of respondents among those representing smaller firms (fewer than 250 employees).

REQUIREMENTS FOR HR, WORK COUNCILS AND EXECUTIVES ARE CHANGING

As part of the study, participants were asked how the changes in the composition of the workforce would affect particular demands on their jobs in the next three to five years. All groups surveyed said that the growing need for employees to be prepared for change is a task that will become increasingly significant.

Currently, this topic is considered important by less than a quarter (22%) of HR employees and managers, and 60% believe that it will become important or even very important in the future. Strategic workforce planning is another topic that, according to HR, will become more important. Although less than 15% currently consider this an important or very important task, more than half of those surveyed said that it would become a larger priority in the future.

CONCLUSION AND RECOMMENDATIONS FOR ACTION

The study shows that companies are aware of the changing workforce demographic and the challenges resulting from this, but clearly there is not a great urgency among many organisations to take action. The foundations for successfully meeting these challenges have not yet been laid in many firms.

The changing workforce demographic may be a much-discussed topic these days, but its consequences for companies are not temporarily restricted and need to be addressed sooner rather than later – they can cause lasting damage to a company’s success. For this reason, the

REASONS THAT MEASURES TO MANAGE THE EFFECTS OF THE CHANGING WORKFORCE COMPOSITION ARE NOT IMPLEMENTED

1. Lack of enough HR personnel to take on responsibilities for these topics (50%)
2. Do not see the urgency of the topic (39%)
3. No fixed responsibilities (37.2%)
4. Intimidated by the complexity of the topic (29.8%)
5. Lack of funds (25.2%)
problem should not be restricted to HR to deal with as a recruitment issue. It is necessary to create a company-wide strategy to manage the changing age demographics of the workforce in a way that fosters an internal culture in which the different generations can work together productively and efficiently.

The following practical recommendations can be taken from the results:

• Successfully managing changes in the workforce requires the company to make sufficient funds and HR available and to clearly establish responsibility.
• Since the demands on managers, executives and HR are changing due to the shifting age demographics of the workforce, reflect this in their job descriptions to help embed it in the company’s culture. The company’s and HR’s strategies absolutely must be more closely interlinked.
• In order to mitigate the potential for intergenerational conflict in the workplace, companies should focus on the different hopes, expectations and needs that employees of different ages have. The consideration of different stages of life in personal development and the creation of adequate work-time schemes are only a couple of possible solutions.
• The trend towards multiple generations of employees has led to the need for a deeper understanding of the competences and strengths of different age groups as a basis for successful strategic personnel planning within the company. It is necessary to move away from a “deficit model” of ageing and to move towards a “competence model” in which it is clear that all age groups have strengths that can and should be put to good use. HR professionals involved with talent management should not orientate themselves around a small group of high-potential employees but should strive instead for developing different types of employee groups.
• Those involved with employer branding should focus more strongly on profiles and expectations of different generations for the future.
• In order to spot gaps in personnel early and be able to take the necessary steps to rectify these, implement an integrated recruitment strategy that goes beyond a yearly headcount and budget. Furthermore, it is necessary to get a clear picture of the future needs for particular skills in different departments so that, referring to the company strategy, imminent gaps can be identified and quantified. Only in this way can the necessary risk-management measures be taken early on.
• In order to actively influence the standard of qualifications and competence of potential new employees, companies must target specific schools and universities so curricula can be appropriately influenced.
• In light of the steadily decreasing pool of younger talent, companies should widen their recruitment strategies to include older potential new employees. Further, the female ratio requirement is imminent, studies and practical experience have shown that gender diversity promotes creativity and innovation and therefore contributes to sustainable company success.

• On principle, make a strong commitment to promoting work/life balance in the different stages of employees’ lives. Instruments such as working-time accounts, with which the specific steering of retirement of employees is possible, are available for this purpose, and they can help ensure the preservation of knowledge within the company.

• To promote and maintain the efficiency and ability of older employees to continue working, the introduction of a strategic, professional health management plan is vital. Companies that have already set up measures to promote the health of their workers should critically analyse these measures and use the results to customise them for the changing needs of their workforce, if necessary.

• A consciously set up retirement provision, tailored to the needs of society and the workforce, is one of the strongest tools that can be used to motivate employees, to bind them to the company. A good example is the use of targeted early retirement models such as partial retirement.

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