

Old-Age Security and *Silver Workers*: An Empirical Survey Identifies Challenges for Companies, Insurers and Society

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As a result of demographic development, pension reforms have been passed to make them more sustainable for the future. More recently, understanding of the importance of the employment of older workers has been increasing but there is still the need for a policy shift. Moreover, the future shortage of qualified staff will noticeably affect the growth of many developed economies in the next decades. This explorative paper focuses on the present empirical situation and expectations of the workforce capacity of older persons in good mental and physical health: paid and unpaid active retirees in Germany (*Silver Workers*). The lifestyles of *Silver Workers* as well as reasons for engagement in post-retirement activities and necessary framework conditions of work during retirement are described. The qualitative and quantitative survey allows us to derive practical recommendations for leadership, human resource management and policies, as well as for the insurance industry. The authors estimate that integrating *Silver Workers* can contribute to macroeconomic growth potential, relieve old-age pension systems (“Fourth Pillar”) and provide new business opportunities.

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Introduction

Demographic change, future shortages of qualified workers as well as doubts on the sustainability of the existing pension schemes in many developed countries can, at least partially, be compensated or solved by the employment of older workers and of retirees. While the efficiency of state pension schemes decreases, life and health expectancy is still growing in Europe and other regions of the world, with seniors maintaining good mental and physical abilities.

The common practice of early retirement, due to socially acceptable schemes and profit-maximising company policies, turns out to be damaging for the competitiveness of organisations in the long run. (Re-)Employment of older employees beyond formal retirement age therefore offers a solution catering for the pension situation in a time of demographic evolution. This flexible employment in retirement can also constitute a

“Fourth Pillar” of pension schemes.¹ At present, competencies are demanded which cannot be covered by the traditional labour market, particularly in highly qualified professions,² and also in specialised areas of the small trade sector.³ At the same time today many companies are lacking the leadership and human resource management experience of employing older workers.

Against this background, this paper draws a first empirical picture of how active retirees experience their personal situation in Germany, the country that first introduced a comprehensive social security system and which is a frontrunner in both economic development and the ageing process. This paper focuses on the present situation and expectations of paid and unpaid active “retirees” in Germany – the so-called “Silver Workers”. It describes the need for a policy shift by putting the issue of longer and different lifetime employment into a larger macroeconomic context. A first explorative survey of the situation in Germany will be presented. It reports and discusses reasons and ideal conditions for working in retirement. The empirical results presented in this paper are based on an extensive survey carried out in cooperation between Leuphana University of Lüneburg⁴ and The Geneva Association. From this individual empirical basis, crucial challenges for companies, insurers and society can be derived.

In the attempt to develop an empirical basis, “work” is understood in a broad sense including both paid as well as unpaid voluntary work. The aim is to contribute to the “knowledge generation” on individual aspects of post-retirement work. This will help us to better understand the viability of introducing a fourth pillar of old-age pension based on a combination of part-time work and partial pension during the transition to full retirement. Besides the statutory, occupational and private pension scheme, such a fourth pillar could contribute to stabilising pension systems and therefore to national budgets, as well as benefitting from human capital.⁵ In this paper, first the socio-economic background for the purpose of the survey will be introduced.

The need for a policy shift

Today, we are living in a time of unprecedented increases in life expectancy.⁶ The population explosion of persons above the age of 60 is something that is projected into the future – and this is not only true for Europe but also for countries in Asia. If we were to draw a conclusion from an analysis of past and future population developments, then we could only conclude that in the year 2040, Asia will be where Europe was in the year 2005. However, a key difference between Asia in 2040 and Europe in 2005 is that the next three decades in Asia will see a much accelerated

¹ Reday-Mulvey (2005).

² Frankfurter Allgemeine Zeitung (2008) see Giersberg (2008).

³ Baumann *et al.* (2003).

⁴ The authors are indebted to Daniela Huch and Stefanie Kern for their contributions.

⁵ Giarini and Liedtke (1996) and Reday-Mulvey (2005).

⁶ For detailed statistics, see the World Health Organisation with national statistics for 50 core indicators on mortality, morbidity, risk factors, service coverage and health systems, data on chronic diseases and their risk factors for all WHO Member States: <http://www.who.int/>.

phenomenon as the older population will increase much faster than it did in Europe; and the younger population will also shrink much faster than it did in Europe. Consequently, we are dealing with a global problem that affects different parts of the world in different decades but which will be a persistent challenge of the 21st century for many regions.⁷

Modern societies are trying to develop concepts that allow them to protect their citizens and at the same time stay competitive in globalised markets. To this end, they try to combine (local) labour markets that find increasingly less room for national solutions due to globalisation, with old-age security systems that have their roots in the 19th century. The approach of the new welfare state is no longer to arrange for full coverage of (ideally) all risks but to replace the existing extraordinarily expensive state systems with more targeted and efficient approaches. They achieve this through requiring people to assume more risks individually and to organise adequate protection for themselves. This is the so-called “risk shift from public to private”, a concept The Geneva Association has been developing for a number of years.⁸

In 1889, Germany became the first nation in the world to adopt an old-age social insurance. It was designed by Germany’s Chancellor at the time, Otto von Bismarck. The idea was first put forward, at Bismarck’s behest, in 1881 by Germany’s Emperor, William the First, in a ground-breaking letter to the German Parliament. William wrote: “... *those who are disabled from work by age and invalidity have a well-grounded claim to care from the state*”.⁹ It is interesting to note that William the First addressed two distinct phenomena, age and invalidity, in the same sentence, both with a reference to disability as the triggering circumstance. When consulting the literature of the 19th century, one realises that at that time, an age of 65 years resulted more often than not in a state of disability, at least if we consider the physical fitness of the person in question to carry out their assigned tasks. It was therefore practical to define an age at which people could generally be considered unfit to continue their labour efforts.

William’s and Bismarck’s aim of the reform was to introduce social insurance in Germany both to promote the well-being of workers in order to keep the German economy operating at maximum efficiency and to stave-off calls for more radical socialist alternatives.¹⁰ The German system provided contributory retirement benefits and disability benefits as well. Participation in the schemes was mandatory and contributions were taken from employer, employee and – through different elaborate mechanisms – from government. Coupled with the workers’ compensation programme established in 1884 and the health insurance laws enacted the year before, this gave

⁷ The analysis is based on the UN 2006 Revision of the population projections (medium variant). For up-to-date figures consult: <http://esa.un.org/unpp/>.

⁸ The Geneva Association (2004).

⁹ Same source.

¹⁰ It is ironic that despite his impeccable right-wing credentials, Bismarck would be called a socialist for introducing these programmes, as would happen to other reformers later like President Roosevelt in the United States. In his own speech to the Reichstag during the 1881 debates, Bismarck would reply: “*Call it socialism or whatever you like. It is the same to me.*”

Germans a comprehensive system of income security based on social insurance principles.¹¹ Since then the German system of social security served as a reference point for reforms the world over and its central elements have stood and still stand the test of time reasonably well, considering that it was originally introduced more than a century ago.

Over time, however, two key points got lost: firstly, Bismarck's idea to protect against disability caused by age and not against age itself. Secondly, the aim of the reform to promote the well-being of workers in order to allow the economy to operate at maximum efficiency. In today's world, with life expectancies that are far superior to those registered in Germany at the end of the 19th century,¹² the same system would have completely different impacts on the economy. The actuarial tables for German 1871/80 register the average male life expectancy at birth as 35.6 years and the female at 38.4 years. Today they stand at (tables 2005/7) 76.9 and 82.3 years, respectively. Even if one were to take the relatively high infant mortality of 100 years ago into consideration and compare the life expectancy of a person in their working age living then to today, the increase is extraordinary. A German in his or her mid-forties had at the end of the 19th century roughly the same remaining life expectancy as a person going into retirement today.¹³

So what should we make of Bismarck's first idea to protect against disability from age rather than age itself? If the German retirement system had added as many years to the retirement age as we added to the overall life expectancy over the past century, the official retirement age would stand at around 95 years rather than 65 years. But even if we had tried only to keep the average duration of pension payments constant over the past four decades, the retirement age for German women would today be 75 years and for men, 70 years.¹⁴ Considering that almost all medical indicators for pensioners – life expectancy, disability rates, morbidity, etc. – are much more positive than they were 100 years ago, it is difficult to understand why the system has not been adapted sooner to the realities of 20th century (or 21st century) life.

In order to achieve more sustainability of the financing of social security systems, Germany adopted a system in 2007 to gradually increase the official retirement age to 67 years – starting in 2012.¹⁵ However, the full increase would thus only be implemented 17 years later, that is, in the year 2029. Is that enough? Probably not. The commission itself stated that by its original target date of 2035, the remaining life expectancy of a German man of 60 years of age will have increased again by more than 3 years. So, while the proposed system to increase retirement ages in the future now has a slightly earlier date for full implementation, it is neither compensating for the

¹¹ Unemployment insurance would be added in 1927, making the social system complete by modern standards.

¹² For complete series of statistics, visit the Statistisches Bundesamt Deutschland: www.destatis.de.

¹³ For more detailed analysis, see Liedtke (2001).

¹⁴ The average duration of pension payments in Germany in 1960 was 10.6 years for women and 9.6 years for men. In 2007, the duration increased to 19.9 years for women and to 15.0 years for men. *Source*: Deutsche Rentenversicherung Bund (2008).

¹⁵ For more background information, see Report of the German Commission for the Sustainability of the Financing of Social Security Systems (2005).

past development nor even catching up with the expected developments of the coming three decades. Nevertheless, it is at least a step in the right direction.

What is still missing are more objective criteria as to what sort of protection people really need from government. In Bismarck's view, disability came first, which means that as long as a person is fit enough to work he or she can in principle arrange for their own protection, regardless of age. This is not to say that they will have to work until they die. It only means that they do not need additional government protection specifically and exclusively because of their old-age. If one considers the current framework and the options available to prepare oneself for old-age, it seems obvious that we need a more fundamental debate on this issue.¹⁶

We also need a different approach as to how people are expected to go about their transition into retirement. Opening up labour markets in order to not only allow potential employees to stay active longer but to provide them with the right incentives to do so voluntarily are key elements. We thus have to broaden our attention from the financial dimension of the old-age security problem that is so often the exclusive focus, to the issue of the labour markets. Future labour markets will have to sustain an ageing workforce and especially a group of older workers that are rapidly increasing in number. Creating a framework that will incentivise the inclusion of an important pool of human capital (back) into the productive system has become a necessity.

While the reasons for post-retirement activities have drawn more research attention in North America during recent years,¹⁷ much still needs to be covered empirically. In addition, in Europe, the region that will experience most age-related challenges to its social security systems and labour markets, little is known of this relatively small yet growing section of the population with regard to the above described problems. The research work of the Silver Workers Institute in Switzerland¹⁸ and this paper are meant to be contributions to the discussion of what we believe to be one of the biggest social and economic challenges of the coming decades.

Theoretical background of the *Silver Workers* survey

Transition into retirement is a critical life event constituting social role changes. It influences individual perceptions of life satisfaction. Continuing work activities can also result in higher life satisfaction.¹⁹

According to the literature, reasons for post-retirement work can be personal, social, financial or generative.²⁰

- *Personal reasons* refer to an increase of well-being and self-esteem. Staying mentally and physically active is also important for seniors. Additionally, the perceived

¹⁶ For further thoughts on the relationship between social security systems and their reforms, see Liedtke (2006).

¹⁷ For example, AARP (2003) in Brown (2003) and Kim and Feldman (2000).

¹⁸ For further information on the institute and its work consult, www.silverworkers.ch.

¹⁹ Aquino *et al.* (1996) and Kim and Feldman (2000).

²⁰ Dendinger *et al.* (2005).

- appreciation and recognition of the contribution accomplished by older workers and the satisfaction in carrying out the activity seem to play an important role.²¹
- *Social reasons*, for example, the wish of seniors to interact with others, can decisively stimulate post-retirement activities.²² Dramatic life changes such as transition into retirement can be managed by sustaining external conditions and contacts.²³ In sustaining external relationships, social support becomes a constant and reliable dimension.
 - To date, there are no systematic empirical findings on *financial reasons* for post-retirement activities in Germany. Yet, working spouses or financial support of children seem to have a critical influence on the decision to engage in post-retirement activities.²⁴
 - Sharing experience and knowledge with younger colleagues and the desire to help others reflect *generative reasons*. The ambition to transfer knowledge and experience to the next generation has been determined as a crucial influence factor on the decision to re-engage in post-retirement work.²⁵

This study aims to find out if these reasons apply to already active retirees in Germany and how important they are from the retirees' point of view.

Method of the *Silver Workers* survey

Because of the lack of empirical based knowledge in this field, an exploratory design is applied.

Data collection

Data collection took place using a standardised telephone interview guideline. Main topics of this guideline were developed based on the identified literature. Furthermore, practitioners from HR management and compensation and benefits departments of DAX-companies were involved in the development of the interview guideline to ensure that practical and relevant topics were covered adequately.²⁶ Additionally, a classification of relevant aspects of work in working hours, intensity of working, compensation and content of work by Deters *et al.*²⁷ served as a basis.

The interview guideline comprised qualitative and quantitative questions. This study analysed the last full-time position using the Hay Group grading system.²⁸ Twelve complexity levels were applied ("HAY points"). Furthermore, company size, complexity and responsibility in the last full-time position of interviewees were analysed.

²¹ For example, AARP (2003).

²² Aquino *et al.* (1996).

²³ Atchley (1989) and Carstensen *et al.* (1999).

²⁴ Kim and Feldman (2000).

²⁵ Calo (2005).

²⁶ The authors thank Kerstin Boecker, Klaus Klasen, Dieter Nirschl and Konrad Reiher for their cooperation.

²⁷ Deters *et al.* (1989).

²⁸ For more information on the Hay Method of Job Evaluation, see HayGroup (2005).

Quantitative data were analysed by SPSS 14.0 and Excel software programs. All given answers to open questions were transcribed and coded in a subsequent step, then quantified.²⁹ Inter-rater reliabilities were calculated for these content analytical categories, if the complexity of data allowed for this calculation.³⁰ Two independent ratings were used to calculate Krippendorff's α . Semantic validity and construct validity of categories were ensured by using two to six trained individuals to create categories during codebook development. Triangulation as a strategy for the validation of the procedures and results of empirical research³¹ is also applied in this study.

Sample

This study aimed at recruiting participants from “white-collar” industries, which currently employ more than 40 per cent of the German workforce.³² For the acquisition of participants, large organisations were systematically contacted who supposedly maintained contact with their retirees. Some interviewees could be identified this way. However, most interviewees were acquired using personal contacts of the research team or of interviewees with a snowball effect, thus, making the study's sample cumulative. Therefore, all results are valid for this specific sample alone and represent the interviewees' situation only. Study results are not representative of the retired population in Germany as a whole.

Telephone interviews were conducted with an average duration of about 60 minutes. The data collection took place from September to December 2005 and from April to July 2006. The sample of this study consists of 146 retirees ranging in age from 60 to 85 years ($M=67$; $s.d.=4.2$) and consists of 31 per cent female and 69 per cent male individuals, corresponding to the German distribution of employees over 60.³³ Almost 60 per cent of the interviewees hold an academic degree, which differs from the average level of education of this age group. Most participants have retired from the public sector or from senior management positions of the private sector.

Using the Hay grade system we could differentiate management from non-management positions. Table 1 shows the classification of the *Silver Workers* sample based on last full-time positions of interviewees before retirement. A total of 34.4 per cent of the sample had been employed in management, 43.9 per cent in non-management positions, while 21.6 per cent could not be clearly assigned to one of these groups.

Results of the *Silver Workers* survey

The *Silver Workers*' situation concerning activities before and after entering retirement will be illustrated in the following based on results from three central

²⁹ For quantitative content analysis, see Mayring (2007) and Neuendorf (2002).

³⁰ Krippendorff (2004).

³¹ Flick *et al.* (2004).

³² Bundesanstalt für Arbeitsschutz und Arbeitsmedizin (BAuA) (2006).

³³ Statistisches Bundesamt (2001).

Table 1 Levels of complexity of *Silver Workers*' last full-time positions before entering retirement

<i>Complexity levels^a</i>	<i>HAY points</i>	<i>Job examples</i>	<i>Level of position^b</i>	<i>Sample distribution (per cent)</i>
1	5061–8320	Executive Board, Under-Secretary of State	1	0.7
2	3021–5060			1.4
3	1801–3020			0.7
4	1261–1800	Chief Executive Officer Savings Bank, Director, Director of Studies, Division Manager, Federal Armed Forces General, Holder of Department Chair, Pharmacist		7.9
5	880–1260			10.8
6	614–879			12.9
7	439–613	Department Head Medium Scale Business, Director Small Scale Business, Lieutenant Colonel	2	21.6
8	314–438	Administrator, Bank Clerk, Cleaner, Driver, Laboratory Assistant, Master Baker, Pastor, Revenue Officer, Teacher	3	13.7
9	228–313			18.0
10	161–227			10.1
11	114–160			0.7
12	85–113			1.4

^a1 = highest level of complexity, 12 = lowest level of complexity. Job grading by HAY Group.

^b1 = management positions, 2 = not clearly classifiable, 3 = non-management positions.

areas: (1) transition into retirement, (2) reasons and (3) ideal conditions for post-retirement work.

Transition into retirement

When being asked about the reasons for retirement, nearly four out of ten (38.0 per cent) *Silver Workers* expressed it was due to “regulations” referring to retirement. More than one-quarter of the participants (26.8 per cent) retired due to “reasons within the company” such as insolvency, reduction of staff, and so on. Only one in eight (12.7 per cent) mentioned the entry into retirement was caused by health reasons. Reflecting on their situation, the large majority of *Silver Workers* (93.2 per cent) would have made the same decision retiring at the time they did. The majority of *Silver Workers* (52.2 per cent) stated that they were looking forward to retirement. Just one in eight (11.8 per cent) had “negative feelings”. Three in four *Silver Workers* (77.1 per cent) stated having completely achieved their occupational goals or even exceeded them. The mean level of subjective goal achievement was 108.4 (s.d.=27.4; scale: 0 – no goal achieved, 50 – partly achieved, 100 – completely achieved, 150 – exceeded). Overall *Silver Workers* achieved their occupational goals and partly even exceeded them.

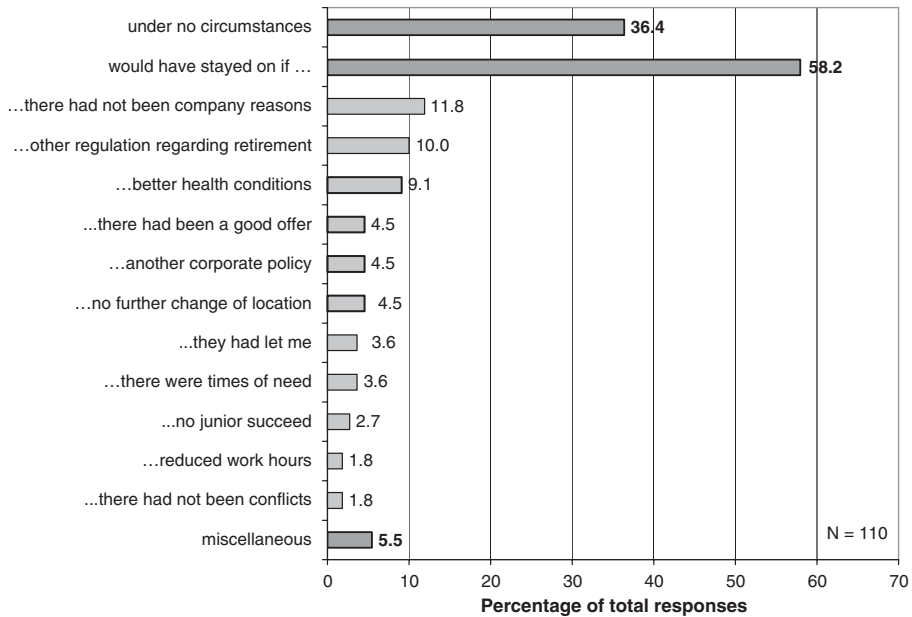


Figure 1. Conceivable circumstances for having stayed on with the company from retiree’s perspective. *Note:* Open-ended question “Under what conditions/circumstances would you have stayed on with your company?” Multiple answers were allowed. Answer categories were clustered by content analysis.

As a rule, *Silver Workers* serve several employers in both project and line functions. On average, one *Silver Worker* works for four employers. Only three out of ten (29.2 per cent) are still working for their last pre-retirement employer. It is these *Silver Workers* who spend on average more than half (56.4 per cent) their work time for their employer.

When being asked under what conditions or circumstances they would have stayed on with their pre-retirement employer, more than one-third (36.4 per cent) could not think of any circumstances motivating them to continue work with their former employer (see Figure 1). This number may include individuals who actually did not have an option but to retire. However, Figure 1 shows that more than half the *Silver Workers* (58.2 per cent) expressed their willingness to stay on if conditions were appropriate, for example, “if there had not been company reasons” (11.8 per cent), if there had been “other regulation regarding retirement” (10.0 per cent) or “better health conditions” (9.1 per cent).

Reasons for post-retirement work

Reasons for post-retirement activities were explored in subsequent qualitative and quantitative steps. Figure 2 shows all content analytically quantified categories of the qualitative part of the survey. More than one-third of the interviewed *Silver Workers* (36.7 per cent) articulated the main reason for their engagement in post-retirement activities being the willingness to be occupied or to have something to do. Several aspects falling under this category, for example, “Doing things I did not have time for in the past”, “I

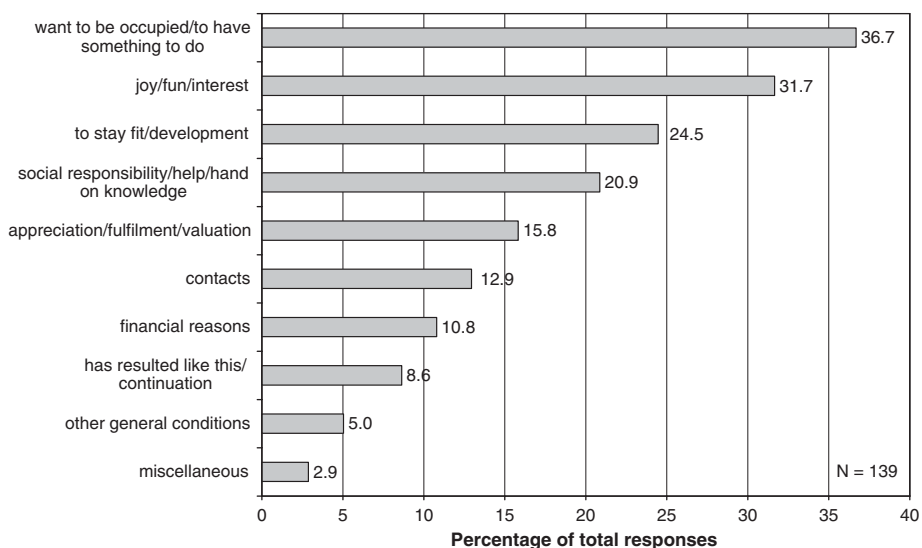


Figure 2. Reasons for post-retirement activities.

Note: Open-ended question. “For what reasons do you engage in activity in retirement?” Multiple answers were allowed. Answer categories were clustered by content analysis. Krippendorff’s $\alpha=0.78$.

don’t want to be put on the scrap heap” or “I want to organise and reflect”. Taking pleasure in the activity itself is another important reason for engagement in post-retirement work. Almost one-third of the sample (31.7 per cent) mention joy, fun and interest as their main drivers for continued involvement. Most of the unbiased statements to open-ended questions mentioned reasons that are associated with personal reasons. When asking for the importance of given reasons for post-retirement work, the essential impact of personal reasons becomes apparent (Figure 3). Contact with others is also important. In the qualitative part of the survey however, only 12.9 per cent of the unbiased statements fell into the category of “contact” as the reason for post-retirement work.

There is an interesting finding regarding financial reasons for an occupation during retirement. They are mentioned in the open-ended survey part only by one in ten (10.8 per cent; Figure 2). However, interestingly, when asked about reasons of others for continuing employment by means of an open-ended question, financial reasons were the most frequent answer (36.4 per cent).

In the self-description, personal reasons (activity, valuation, flexibility, personal development) play an important role. We did not ask for generative reasons in this part of the survey. However, their importance is underlined in the open-ended part of the survey: they were mentioned by one in five (20.9 per cent) interviewees (Figure 2).

Organisational framework for post-retirement work

Personal reasons for post-retirement work influence the description of desired conditions of the framework for employment: personal freedom, once gained through transition into retirement, must not be endangered. This becomes obvious when looking

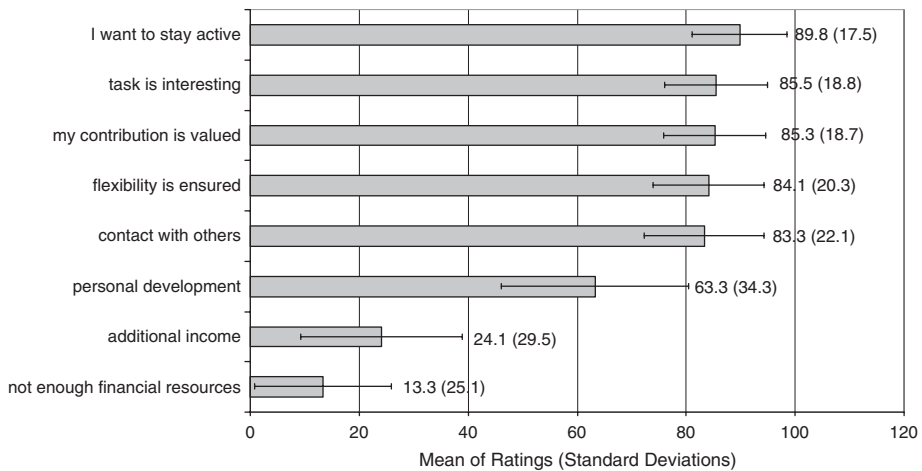


Figure 3. Importance of several reasons for post-retirement work.
Note: The given reasons were assessed on a scale from 0 to 100. Anchors: 0 – not important at all; 50 – important, but not crucial; 100 – essential, very important. Standard deviations in brackets.

at the outstanding role of flexibility. Almost two-thirds of the unbiased statements regarding ideal conditions for work during retirement, shown in Figure 4, refer to providing flexible working hours (63.1 per cent). In addition, consulting or freelance activities (25.5 per cent) and self-determination and freedom of decision at work (21.3 per cent) are mentioned. From the *Silver Workers'* point of view, the design of post-retirement working conditions should consider individually adapted workloads and demands (15.6 per cent). This category comprises both physically reduced work, less responsibility, less stress, less technically challenging tasks and more leisure time.

Besides the importance of flexibility, *Silver Workers* repeatedly express, structural aspects seem to be significant in designing ideal post-retirement work conditions: answering an open-ended question, participants claim that work past retirement shall provide “structure” for their week (12.1 per cent). This contains several aspects, for example, routine in the activity. Additionally, *Silver Workers* would like to be professionally integrated into the organisation (79.3 per cent), whereas they are not interested to be embedded in a disciplinary way (26.5 per cent).

The overwhelming majority of *Silver Workers* (83.5 per cent) require age-based human resources policies (yes/no-question). Proposed by 27.0 per cent of the sample using an open-ended question, these policies shall contain age-based labour conditions and the consideration of needs. *Silver Workers* would like to see comprehensive consideration of seniors in planning personnel policies and an active integration into the organisation. Being asked in the open-ended part of the survey what these particular personnel policies shall consist of, 11.7 per cent of the interviewees suggest “possibilities for a flexible access to retirement or further employment”. As Figure 5 points out, aspects *Silver Workers* identify as important are health care services (31.5 per cent), reduced and flexible working hours (21.3 per cent) as well as adapted demands and workplace design (13.9 per cent). However, nearly a fourth (24.1 per cent) of the respondents do not demand specific service offers.

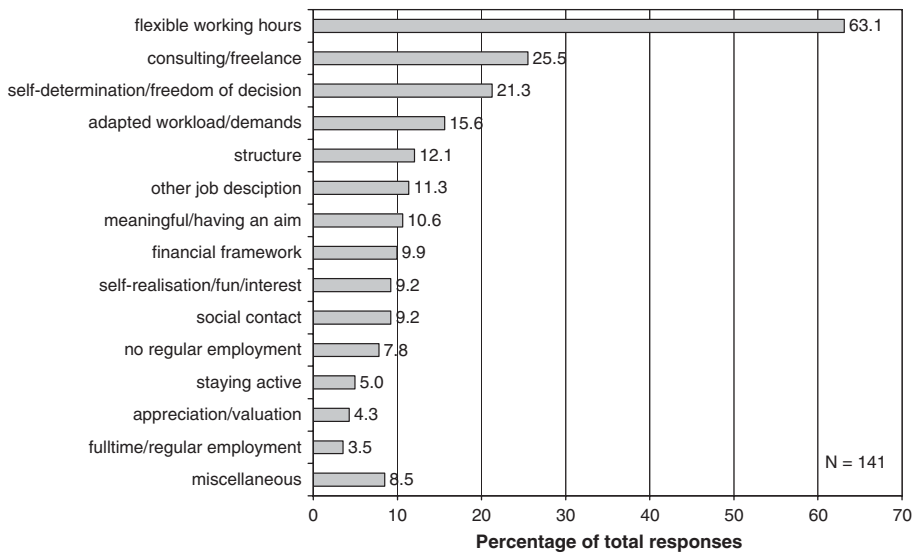


Figure 4. Ideal conditions for an occupation during retirement.
Note: Open-ended question. “What would be the ideal conditions for an occupation during retirement?” Multiple answers were allowed. Answer categories were clustered by content analysis. Despite reduction of categories it was not possible to calculate Krippendorff’s α without risking further aggregation of categories and affiliated damage of data content.

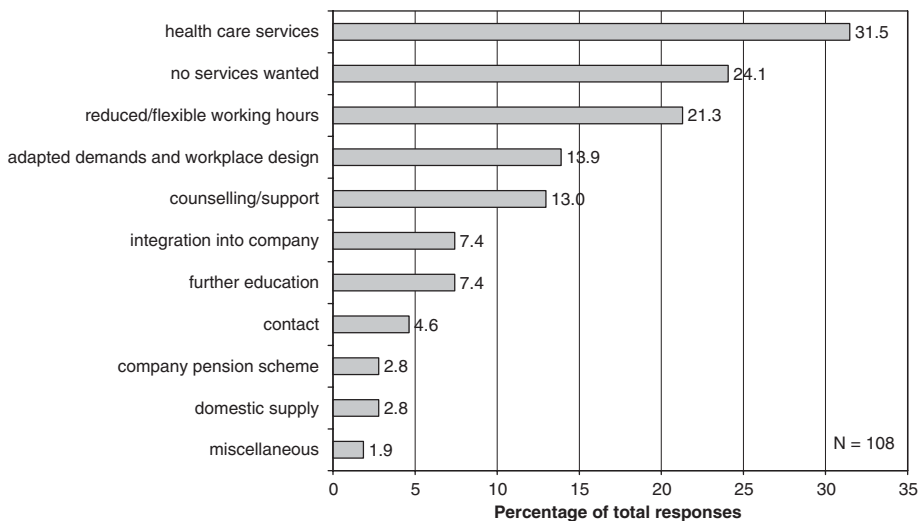


Figure 5. Important services for older employees from *Silver Workers'* perspective.
Note: Open-ended question. “Which services for older employees do you think are especially important?” Multiple answers were allowed. Answer categories were clustered by content analysis. Krippendorff’s $\alpha=0.84$.

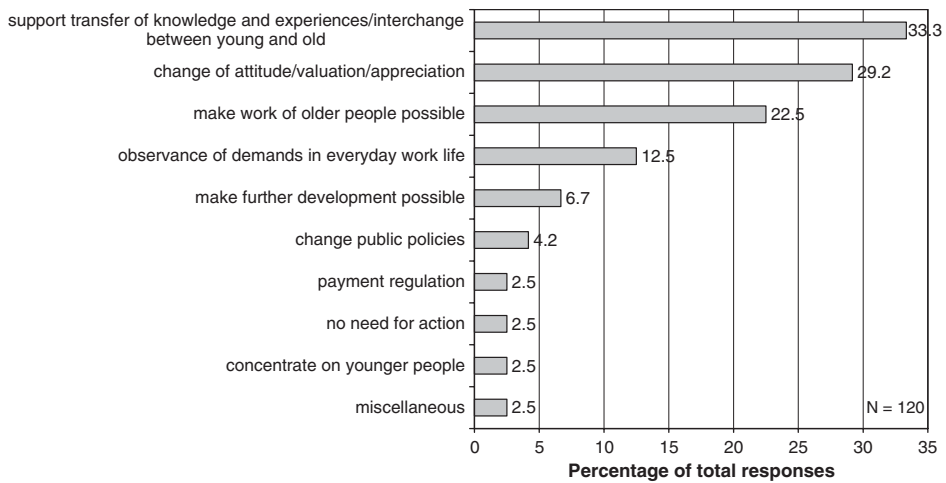


Figure 6. Organisational need for action from *Silver Workers'* perspective.

Note: Open-ended question. “Where do you see the greatest need for action by employers concerning engagement of older employees?” Multiple answers were allowed. Answer categories were clustered by content analysis. Krippendorff’s $\alpha=0.71$.

The greatest need for action, expressed in open-ended statements, is seen in the promotion of interaction between younger and older employees. Figure 6 shows that one-third (33.3 per cent) of the sample mentioned supporting the transfer of knowledge and experience and the exchange between young and old as being crucial challenges for organisations. Here, besides the interest in contact, generative reasons play a prominent role. But also personal reasons are distinctively mentioned: across several parts of the survey, interviewees express their desire for appreciation. Here, three in ten (29.2 per cent) highlight the need for changing attitudes towards senior employees in terms of appreciation. More than one in five (22.5 per cent) thinks an important aspect is that companies actually make work possible for seniors. This for instance involves steps such as employing more seniors, giving them a meaningful task, but also asking for ending early retirement and offering employment opportunities. Some *Silver Workers* suggest meeting fluctuating demand of goods and services with flexible work solutions for experienced former employees.

General discussion

The activities *Silver Workers* pursue, as well as the competencies they possess, are diverse. While some of them follow an activity resembling their final pre-retirement job, there are *Silver Workers* active in completely different areas. Similar findings have also been reported in research on bridge employment in the United States.³⁴ As

³⁴ Weckerle and Shultz (1999).

individual preferences are manifold, a wide variety of activities exists in our sample. This variety of individual preferences is even exponentiated by the freedom of decision *Silver Workers* have gained since retirement. However, what *Silver Workers* do and how they structure their days is manifold and can hardly be generalised. Some take over responsibilities for children, grandchildren or even their own parents or friends in need of active care. Others just do what they have always wanted to do and had not been able to due to the restraints of professional life. However, most of them have experienced freedom since entering retirement and now do not want to relinquish this. The results found by the American Association of Retired Persons (AARP) study³⁵ focusing on work in retirement in the United States largely support these findings.

At the same time, the majority of *Silver Workers* interviewed in this study seem to have access to sufficient financial resources and therefore do not experience a financial imperative to work. This situation allows them to be self-confident and live up to criteria of self-interest following intrinsic motivation in selecting their activities. Consequently, they have the freedom to only accept work conditions meeting their personal demands. This is an essential qualitative difference from the acceptance of conditions in former working life. In that aspect, the sample clearly differs from other studies.³⁶

However, financial reasons for post-retirement work do not seem to be completely unimportant. They turned out to be the most frequently mentioned aspect in answering a projective question focussing on the reasons for other *Silver Workers* to work. What exactly caused this discrepancy will be difficult to answer, possibly an actor–observer bias appeared. In contrast, the AARP study³⁷ reports financial reasons to be an important aspect of post-retirement work in the United States. Also, the differences are likely to be influenced by situational variables, such as different pension systems and levels. This assumption is supported by the Survey of Health, Ageing and Retirement in Europe (SHARE)³⁸ results suggesting coherences between pension system and work in retirement. North American results on “generativity” (e.g., tutoring) as a motivator of post-retirement activities³⁹ are seconded here.

Silver Workers have a strong sense of responsibility that manifests in various forms. They feel responsible for their relatives and immediate social environment or, beyond the personal sphere, for political developments. As long as self-determination and flexibility are fulfilled, they are willing to contribute to the community by providing their knowledge and experience, helping others in welfare activities and spending time in their family life. As a future forecast, the predominantly articulated freedom of decision is likely to diminish when greater monetary needs exist. Nevertheless, as *Silver Workers* obviously decided to pursue one or more post-retirement activities, several reasons apart from additional income seem to exist for staying active.

³⁵ Brown (2003).

³⁶ Weckerle and Shultz (1999).

³⁷ Brown (2003).

³⁸ Börsch-Supan *et al.* (2005).

³⁹ Calo (2005) and Dendinger *et al.* (2005).

Limitations and future research

All results presented reflect basic social environmental parameters of the situation of *Silver Workers* today. Should this situation change, individual evaluation of variables might change as well. It should also be noted that attitudes, routines and lifestyles of individuals can be diverse; therefore, implications may differ from what these average results suggest. We argue that there is no single best solution; solutions have to take the individual situation of *Silver Workers* into account.

The *Silver Workers* study has attempted to identify a first empirical basis of lifestyles and circumstances of a relatively new, yet growing population group in Germany. This study mainly draws from North American theories on bridge employment. Therefore, a necessary next step will be to review these theories in detail in respect to German situational circumstances. As social systems differ, transferability has to be verified. Furthermore, since exclusively paid and unpaid active individuals were interviewed, results can only be discussed with regard to these specific and still active groups. Generalisations across the respective age groups cannot be made due to various specific parameters of our sample, for example, high formal education, complex job and high hierarchical level in former professional lives. Neither can any statements be made about individuals who are not working or being active, nor does this study provide data for a comparison between working and non-working retirees.

Indeed, the comparison between working and non-working retirees is a necessary next step to better understand differences and similarities between active and non-active individuals. For conclusions concerning all *Silver Workers* in Germany, a representative sample is necessary in which, for example, the proportion of blue-collar workers has to be scaled up. Additionally, international comparative studies are also necessary to identify different factors of the political, economic and social systems of the situation of *Silver Workers*.

Furthering this research, motivational structures underlining the reported reasons for post-retirement work should be researched and established motivational theories should be applied. At the same time, further psychological and economic variables possibly influence the willingness of *Silver Workers* to provide their competencies. Among others, these may include health status, income level, differences in family status, reactions of spouses and children and of course available opportunities to work. In terms of an all-embracing coverage of determining factors for an occupation during retirement, an interdisciplinary approach consisting of psychology, human resource management, law, economics and political science seems appropriate.

Practical considerations

The *Silver Workers* study provides an informative basis for companies regarding the design of tomorrow's workforce. We think this design will result in one of the most important business leadership challenges. The willingness to continue work in retirement or start another activity in Germany exists. However, companies have to provide adequate general conditions in order to benefit from the experience, expertise and competences of active retirees: once they have gained freedom of choice, *Silver Workers* do not want to live without it. This can be interpreted as a need to adapt and adjust work conditions.

Work in retirement has to be varied in shape and form and provide meaning to a *Silver Worker's* life. Given our results, work conditions need to be adapted to a retiree's individual needs, for example, part-time work and work on projects. Furthermore, projects and tasks have to be structured so they can accommodate the *Silver Workers'* desire for independence and performance in their task. Moreover, companies will have to train new skills and apply appropriate policies in order to efficiently employ older workers even after they have retired. Active retirees interviewed mentioned these elements and underlined that they are prepared and actually calling for this challenge. Interviewees also point out their need to be appreciated. The importance of an additional income in some cases seems to serve as evidence for this desired appreciation. Our results repeatedly accentuate the need for a culture of appreciation as prerequisite for an organisational integration of active retirees. However, this seems to be true not only for Silver Workers, but also for younger parts of the workforce. We anticipate that inter-generational procedural fairness and diversity will become a necessity for successful organisations.

Retirees experience a critical break between work and retirement. At the same time, the social security system has an impact on how retirees go through the delicate transition to retirement. Still, the issue of part-time jobs for the over 60s or gradual retirement as a complement to the existing three pillars of the retirement security, as already discussed by Reday-Mulvey⁴⁰ and by Giarini and Liedtke,⁴¹ is of great importance and continues to be one of the burning issues of our time.

German companies have to face up to demographic change, irrespective of their size. This could also be true for companies in many other European countries and other parts of the world where similar trends of low fertility and advanced economic development merge. Those companies that set the course today for adequate employment of senior qualified staff will gain a key advantage in national and international competition tomorrow. The impact of a strong fourth pillar of old-age pension (income from flexible part-time work during a few years of retirement) goes far beyond relieving old-age pension systems and covering macro-economic growth potential. Companies will benefit in the short term in view of a prevalent lack of specialised staff due to the situation in Germany.

Silver Workers and insurance

Insurance fulfils a major role in the contemporary economy. It has the tools and the mechanisms to find, observe, assess, mitigate and prevent all sorts of risks, industrial and financial, real and potential. The insurance world reflects the enormous potential for developing the productive activities required to enhance the well-being of people and their nations. It regularly accompanies important projects – often making them possible in the first place – and has become a private-market pillar stone of our old-age security systems. The pension and savings mechanisms as well as many other

⁴⁰ Reday-Mulvey (2005).

⁴¹ Giarini and Liedtke (1996).

insurance solutions are key for individuals to keep an adequate lifestyle in older age and to nation states to protect a potentially vulnerable group of its citizens.

For insurance the challenges lie in three different areas: first, the design and delivery of products and services; second, the employment of *Silver Workers* in the insurance sector itself; and third, the changes of the socio-economic structure and its impact on risk-taking and managing. All three areas provide special business opportunities that the most creative and innovative companies will use to their advantage and to the advantage of their customers and employees.

The first challenge resides in the fact that the insurance industry has to provide adequate solutions to cover future demands of their customers, who might have bought life-insurance policies or annuities. Adapting the products to the needs of a new generation of *Silver Workers* who will require more flexibility is not going to be business as usual. Post-retirement workers have not yet become a special target group for most insurance companies, but they will. Just as the insurance industry has discovered new risks and created new solutions in other fields, the realisation that an older active population requires different treatment is gaining ground. This concerns as much the design of new products and solutions as their administration, delivery and customer relations. *Silver Workers* are different from other customer groups and will make those differences felt.

At the same time, and this is the second important area, the insurance industry is a very large direct and indirect employers of persons in advanced economies. According to the European Insurance Trade Association (CEA), the European insurance industry comprises more than 5,000 companies employing directly over one million people in quality employment. In addition to their own staff, insurers also employ indirectly approximately one million agents, brokers, financial intermediaries and other professionals.⁴² This large industry will progressively change its own working arrangements, opening up to the ideas of employing more senior people in flexible arrangements – in other words, opening up to *Silver Workers*.

The third challenge stems from the fact that the insurance industry will have to cover new classes of risks related to a much more flexible working environment in the economy at large. Worker's compensation or liability issues are just two fields that will see an increase in complexity when *Silver Workers* penetrate more institutions. In addition, it will be the lifestyles change that accompany a different understanding of old-age. Just as the automobile not only transformed the way in which we carried goods and people from A to B but also sparked a new mobile society, the new work flexibility that *Silver Workers* will bring with them will deeply impact the organisation of our society. Confronted with a new set of choices, people will no longer adhere to former traditions. Insurance and risk management should be aware of these trends at an early stage when formulating their policies, especially in long tail lines of business.

⁴² CEA (2006).

Recommended actions for the economy, politics and society

The following four key recommendations can be derived, which possibly are equally valid for many other countries besides Germany that face similar challenges:

- (1) *Repositioning of strategic HR management in order to systematically mobilise and integrate Silver Workers*: Flexible structures regarding working time and work design, supplemented by appropriate advanced training in order to provide an attractive organisational environment, seem to be helpful to attract *Silver Workers* and to ensure the availability of their competencies for business needs.
- (2) *Promotion of a culture of appreciation for seniors throughout organisations*: The still prevalent “mania for youth” seems to be reaching its limits – and not only because of the forecasted changes in population structure. We expect a return to the recognition of the senior’s long-time experience, substantial expertise and superior social competencies. Positioning these values in the culture of an organisation will be a prerequisite for attracting not only *Silver Workers* but also younger parts of the workforce.
- (3) *Establishment of an attractive legal framework for Silver Workers*: The present unsupportive regulatory system needs to be replaced by definite terms that put post-retirement work on a legal foundation and make it attractive. Because of the aforementioned reasons, policymakers should create efficient incentive structures that will promote the development of a labour market for post-retirement work allowing for a strong fourth pillar of old-age pension.
- (4) *Incentivise market mechanisms that have to flank Silver Workers in their activities*: At this time, and since *Silver Workers* are still a rather small group, not much attention has been given to other systems and services that need to accompany *Silver Workers* in their endeavours. Everything, from accident insurance to pension products, from health insurance to long-term care solutions, from saving mechanisms to annuity products will have to be rethought as to how to best satisfy the needs of the active elderly. Incentivising market solutions in these areas will accelerate the appearance of new solutions and their availability.

Future prospects

In Germany, *Silver Workers* seem to be few in number, not only in comparison to what we would expect given the situation of the future economic and social demands, but also compared with other countries. One important reason for this might be the comprehensive and generous social security system with its long tradition of state reliance and good track record in providing a decent standard of living for old age. It seems that so far for most German retirees an additional income is not necessary as the pension is (still) sufficient. The economic trade-off between additional income through work in a system that does not exactly favour it for persons beyond retirement age and additional free time is skewed towards the latter.

However, demographic and political developments indicate that a different trend is needed for the future and will most likely be adopted at some point in time. At the

moment, most of the interviewees are working simply because they like it. Their individual preferences do not form part of a larger plan to increase the overall production capacity of the economic system. Given the expected shrinkage of the future labour force, this will change.

In the foreseeable future the general framework of old-age pension will change in such a way that additional income to old-age pension will be necessary for an increasing number of individuals. At the same time, Germany will recognise that it cannot keep its competitive position in relation to other countries without making use of more available human capital. This will require more flexibility concerning the position of post-retirement workers. It will be essential to facilitate their integration into the economy, probably in many cases requiring continuing training and part-time work of “retirees”, especially lower-skilled staff.

An additional reason for the still low impact of *Silver Workers* in Germany (as well as in other low-fertility developed countries as far as we can tell from cursory analysis) is the existing political framework. An extended working life so far has not yet been in the focus of legal regulations in Germany. As a consequence, this extension has not yet been supported for certain groups critical to its success, for example, civil servants. Employers and post-retirement employees still have to pay social security provisions, which do not have a positive effect on the annuity rates but rather have a negative effect on the employee’s salary only.

And finally, cultural and social aspects are having an important impact. The view that any addition to the remaining life expectancy of a person is to be understood as a prolongation of his or her economically inactive period at the end of the life cycle is deeply ingrained in the population. This is a fairly new phenomenon when compared with working generations before the mid-20th century that could generally not expect to retire in great numbers for an expanded period of time, that is, live a considerable portion of their lives without being gainfully employed. Nevertheless, it still is projected as an aspiration and ideal to be attained by as many people as soon as possible. This will have to change, too, in order to convince people that retirement is not the multiplication of Sundays by seven per week but that their lives can combine work and free time in more than the current standard ways and so that they find it desirable.

There is still a lack of social acceptance for the main reasons of *Silver Workers* to keep working, namely the desire to be accepted and to continue to play an active role in the economy and in society. Integrating *Silver Workers* will advance to a socio-political challenge for Germany, as it will for many other countries in a similar position. Addressing this early will pay off in the long run in the stability of both the economy and society.

In conclusion, the transition of working conditions for *Silver Workers* in Germany is still constrained by many aspects, not least the current legal framework. They all need to be extensively reformed in order to support post-retirement work. Work in retirement turns out to be an added value factor for all stakeholders, including *Silver Workers* and the organisations they work for, as well as for society as a whole.

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