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Managing the aging workforce: Status quo and implications for the advancement of theory and practice

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Summary This paper synthesizes and translates secondary and empirical research findings on the aging workforce for the non-specialist reader, adopting a business management perspective that has to date been neglected. We chose two different approaches to review the status quo of this particular topic: First, a literature review of the Financial Times Top 40 publications, and second, a number of selected case examples that we based on our own empirical research, thereby shedding light onto the issue of aging workforce management from a practical and experiential perspective.

As a result, the paper presents findings on and conclusions about the most important future implications of the aging workforce for management.

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Introduction

The considerable increase in the world population's average age during the past 25 years is a scientifically acknowledged fact that is supported by a variety of statistical studies (World Bank, 1994; Government of Japan, 1999; United Nations Secretariat, 2000; European Foundation for the Improvement of Living and Working Conditions, 2003; United States General Accounting Office, 2003). These

studies confirm that not only is the aggregate world population growing, but that the overall percentage of older people will increase significantly, especially in developed countries.

This demographic change has a significant impact on various dimensions of society, including the available workforce's age composition (Leibold and Voelpel, 2006). Most notably, the shift towards an older population is mirrored in companies and organizations' age structure. According to the Bureau of Labor Statistics, the civilian labor force aged 45 and above grew by approximately 39 percent during the last decade; the labor force over 65 years by about 25 percent, while the labor force between 25 and 29 declined

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slightly (Bureau of Labor Statistics, 2007). It is projected that by 2010 nearly 50 percent of the United States' workforce will already be composed of 45 year-olds or older (Kanfer and Ackerman, 2004). In 2015 people above 55 will already comprise more than 20 percent of the overall workforce (AARP, 2004). The baby boom generation – a term that usually refers to the generation born between 1946 and 1964 – is now moving well into its fifties and will reach retirement age soon.

While an older workforce does not as such present management with any concerns, there are applicable issues and related costs that could cause companies across industries to engage into what is called aging workforce management. As Burke and Ng (2006) state, the aging of the workforce will affect organizations in various ways. On the one hand, they might lose workers and employees due to early retirement, which is still a common practice in some companies to decrease an average high age and to manage an overall surplus of personnel. This might lead to a loss of important skills and knowledge (DeLong, 2004; Dychtwald, Erickson and Morison, 2006), depending on where people have been deployed.

At the same time, the competition for high performing junior staff is expected to cause a 'war for talent' in some industries (Burke and Ng, 2006). From a corporate perspective, it is exactly this younger workforce shortage that might require older workers to actually stay in employment longer. Moreover, many will have to extend their working life nonetheless because their personal assets and savings are not sufficient for long retirement (AARP, 2004).

For the management of affected companies, this not only means that they have to safeguard their organization against a loss of knowledge if large cohorts of experienced people were to retire, but that they also face new challenges due to increased age diversity at the workplace. This diversity means that older workers are often confronted with age stereotyping: they are regarded as not as healthy as relatively younger workers, not as flexible or as open to change, and unable or slow to learn new skills (Chiu et al., 2001). Such prejudices have already been revealed as being unjustified, especially by research in the field of psychology (e.g. Beier and Ackerman, 2005). However, in industries that rely on arduous physical work, there are justified concerns regarding the older workers' physical performance. There is, for example, evidence from the empirical research that we conducted for this article that older workers do not report sick more often than their relatively younger co-workers, but that they do indeed need more time to recover from illnesses. Moreover, with an increasing average age within organizations, the number of employees who have to be considered as constrained and unable to perform all the tasks required of them is increasing as well. Both these issues are a significant cost burden for organizations, as they have to, for example, hire additional workforce to compensate for workers who are on sick leave. In one of our case studies, the additional annual cost was estimated as approximately USD 21 million.

To summarize, the threat of losing important knowledge through retiring experts as well as the increasing number of older employees within the organization lead to financial and organizational challenges that management has to be prepared to face and cope with. To avoid the possible neg-

ative implications of an aging workforce, organizations are compelled to implement appropriate human resource measures to manage, for example, knowledge transfer between generations, or to arrange for new retirement and retaining policies, flexible work arrangements, suitable training and development, and an appropriate workplace design. It is our assumption that with the right managerial measures, a mature workforce can be as competitive as a relatively younger one.

Adopting a business management perspective, it is the goal of this paper to synthesize and translate secondary and empirical research findings about the aging workforce phenomenon for those readers not as yet acquainted with this topic. In the following sections, we will present the relevant literature from the Financial Times Top 40 journals, as well as a selection of practical case examples of how the aging workforce phenomenon is currently being addressed. Both the literature and examples are grouped according to the five categories of organizational actions fields proposed in Leibold and Voelpel (2006), namely 'managerial mindset', 'knowledge management and learning', 'health management', 'work environment and ergonomics', and 'human resource management'. Subsequently, we conclude with the most prominent future implications of our findings for aging workforce management. The next section briefly illustrates the qualitative research approach that led to the identification of the specified case examples.

Research methodology

In addition to a literature review and in order to advance our understanding of the aging workforce phenomenon in management practice, we decided to apply a research approach that is close to the actual research setting and can help to gain results for a topic that has to date been only marginally researched. Although there has been many studies on the aging of the workforce from various perspectives (e.g. Sonnenfeld, 1978; Batten, 1980; Leonard, 1989; Paul and Townsend, 1993), focusing on just a managerial perspective is new. Grounded theory is very appropriate for this kind of research setting (Eisenhardt, 1989; Miles and Huberman, 1994). Its sound and rigorous standards, as applied in our research, are described in Glaser and Strauss (1967) and Strauss and Corbin's (1994) works.

Our sample consists of 10 different industrial backgrounds: automotive, steel, aviation, food & beverages, waste management, insurance, power, high tech, mail order, and human resource consulting. In total, our sample consists of 19 companies, amongst them, DaimlerChrysler, Masterfoods, Siemens, and Volkswagen. Altogether, we conducted 46 interviews.

In accordance with Yin's (2003) principles, we conducted at least one or two interviews in each of the analyzed companies, preferably with experts in the field of aging from different backgrounds (e.g. management, labor union or shop committee members), using a semi-structured interview guideline (Healey and Rawlinson, 1993). The interviews were audiotaped when possible and recorded for the subsequent coding and analysis. We used cyclic reading and triangulation as the most important means of ensuring

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