



Workers wanted

How the 50+ age group can help tackle
the looming labour shortage

2019

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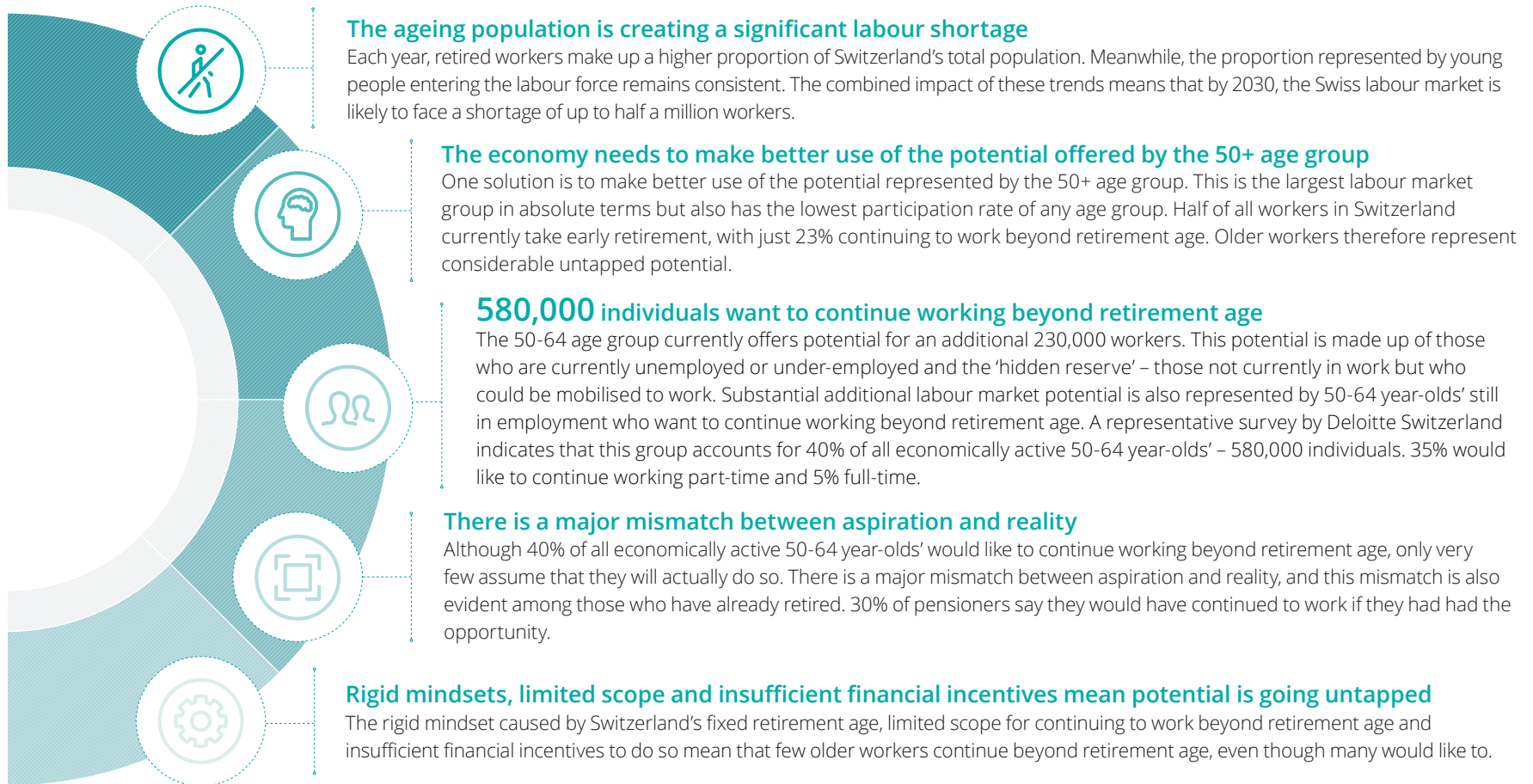
About the study

The findings of this study are based primarily on a representative survey of 1,000 individuals aged between 50 and 70 living in Switzerland. The survey was carried out online in June 2019.

More than 20 face-to-face interviews were also conducted with executives from large Swiss companies and experts from cantonal and national agencies and associations. Deloitte would like to thank all those interviewed for the study for their valuable input.



Key findings



How can Switzerland make better use of the potential represented by older workers?



What can companies do?

It is crucial that companies approach the challenges of the ageing workforce strategically, achieve genuine cultural change and put targeted measures in place. Therefore, they need to take specific practical steps.



- Adapt employment models
- Adapt job rules
- Adapt working conditions
- Set up cross-generational teams
- Maintain employability
- Invest in health management



What can government do?

Improve the statutory framework:

- Make the retirement age flexible to counteract rigid mind-sets about retirement age
- Adapt retirement ages to life expectancy
- Improve incentives for continuing to work beyond retirement age
- Standardise contributions to the occupational pension scheme (BVG/PP), which are currently age-related.

The demographic challenge and its impact on companies

The Swiss population is ageing. Each year, those in retirement account for a higher proportion of the total population, while too few younger workers enter the labour force to replace them. The ratio of over-65s to under-20s is currently almost 1:1, but the Swiss Federal Statistical Office (BFS) forecasts indicate that it will rise to 1.3 by 2030 and to 1.6 by 2050. This means that in around 30 years' time, there will be 1.6 over-65s for every person under 20 (see Chart 1).

Untapped labour potential

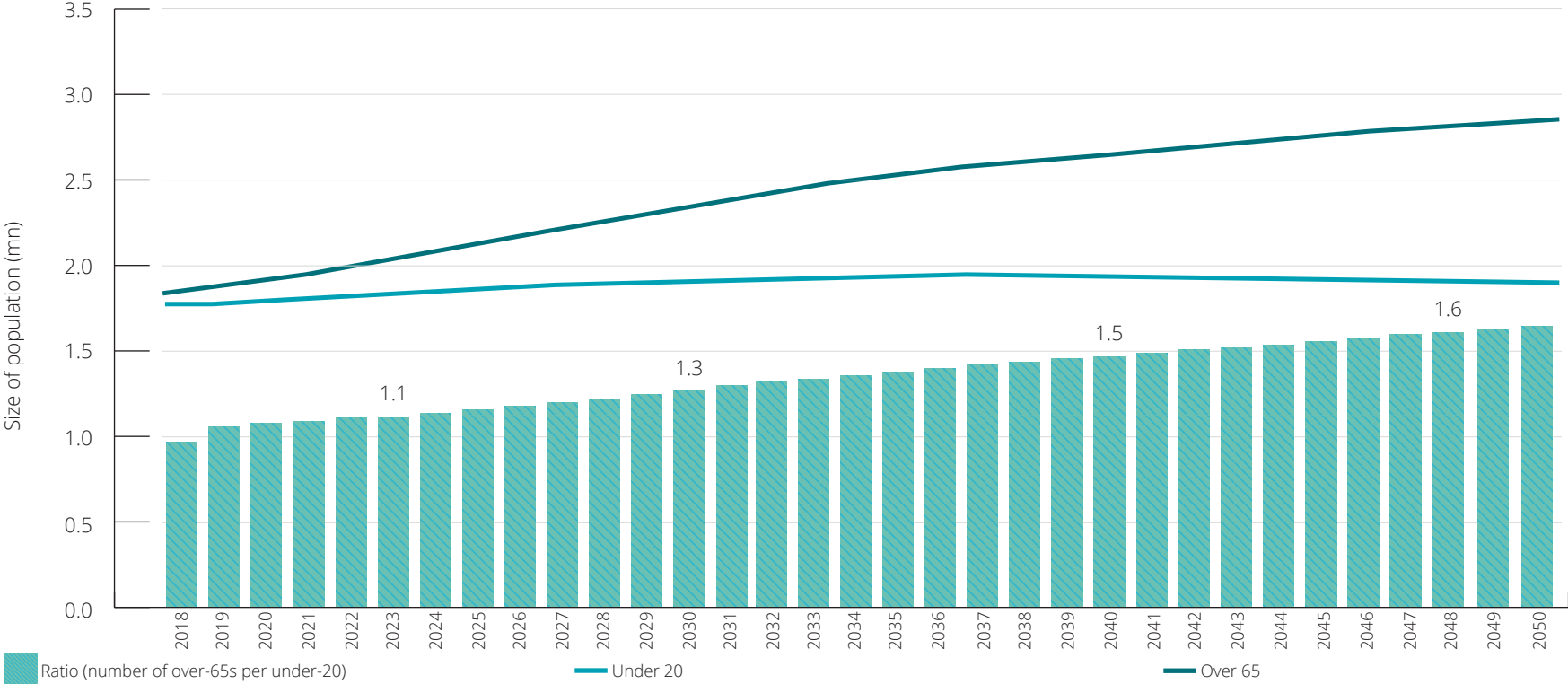
This not only puts pressure on social security expenses but also reduces the pool of available labour. According to UBS calculations, by 2030 the Swiss labour market will face a shortfall of between 230,000 and 500,000 workers.¹ This shortfall will represent major challenges for companies. Increasing automation and migration may help to offset demographic change, but neither will be anywhere near enough to tackle the looming labour shortage.²

The economy will, therefore, have to make better use of the pool of potential labour if companies are to remain competitive in the long term and have the right skills in their workforce over the coming decades.

To make better use of the pool of potential labour, companies and the government need to do two things. First, measures are needed to improve the labour market integration of individuals who are currently unemployed or underemployed but who want to work or to work more hours. Second, the statutory framework needs to be adapted to enable older workers to continue working beyond retirement age.

These initiatives need to focus particularly on the 50+ age group. More than one-third of the working age population is now aged between 50 and 64, making this by far the largest age group.

Chart 1. Predicted population trends in Switzerland



Source: BFS, Deloitte Research calculations

The labour market situation of the 50+ age group

The 50+ age group is not just numerically significant but has also been attracted recent press coverage. Stories in the media about older workers in Switzerland often take the well-rehearsed line that they face problems on the labour market. In response, the Swiss Federal Council recently adopted a provision entitling the long-term unemployed over the age of 60 to a bridging pension.³ The country's largest trade union, Unia, would like to go further and is calling for older workers to enjoy greater protection against dismissal.⁴ But is this age group really so disadvantaged on the labour market?

Relatively low unemployment...

In 2018, the unemployment rate among the 50+ age group calculated by the Swiss State Secretariat for Economic Affairs (SECO) was 2.5%, compared with 2.6% across all age groups (see Chart 2).⁵ This means that workers over the age of 50 are a little less likely than younger workers to be registered with regional employment centres (RAVs). However, the figures include only those actually registered with an RAV.

It is, therefore, useful to consider the group defined by the International Labour Organisation (ILO) as 'not in work'. This includes not only those officially registered as unemployed, but also those who are not working but have not registered with an RAV and those forced out of the labour market. Compared with the unemployment rate calculated by SECO, this group represents a snapshot rather than a full survey, so the groups are not strictly comparable. However, in 2018, around 4% of the 50+ age group was in the 'not in work' group estimated by the ILO, compared with an average of 4.7% across all age groups. The overall picture remains the same regardless of the yardstick used: older workers are less likely than younger workers to become unemployed.



Chart 2. Labour market indicators by age group (I)

Unemployment rate (SECO, 2018)									
	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
Switzerland	2.8%	3.1%	3.2%	3.0%	2.5%	2.2%	2.5%	2.6%	2.4%

Unemployment rate (ILO, 2018)									
	20-29	30-39	40-49	50-59	60-64		50-54	55-59	60-64
Switzerland	6.3%	4.6%	4.3%	4.1%	3.9%	Switzerland	4.0%	4.1%	3.9%
						OECD	4.0%	4.0%	3.8%

Long-term unemployment (SECO, 2017)					
	20-29	30-39	40-49	50-59	60-64
Switzerland	6.8%	14.0%	17.4%	23.1%	39.9%

Sources: OECD, SECO, Deloitte Research

...but higher long-term unemployment

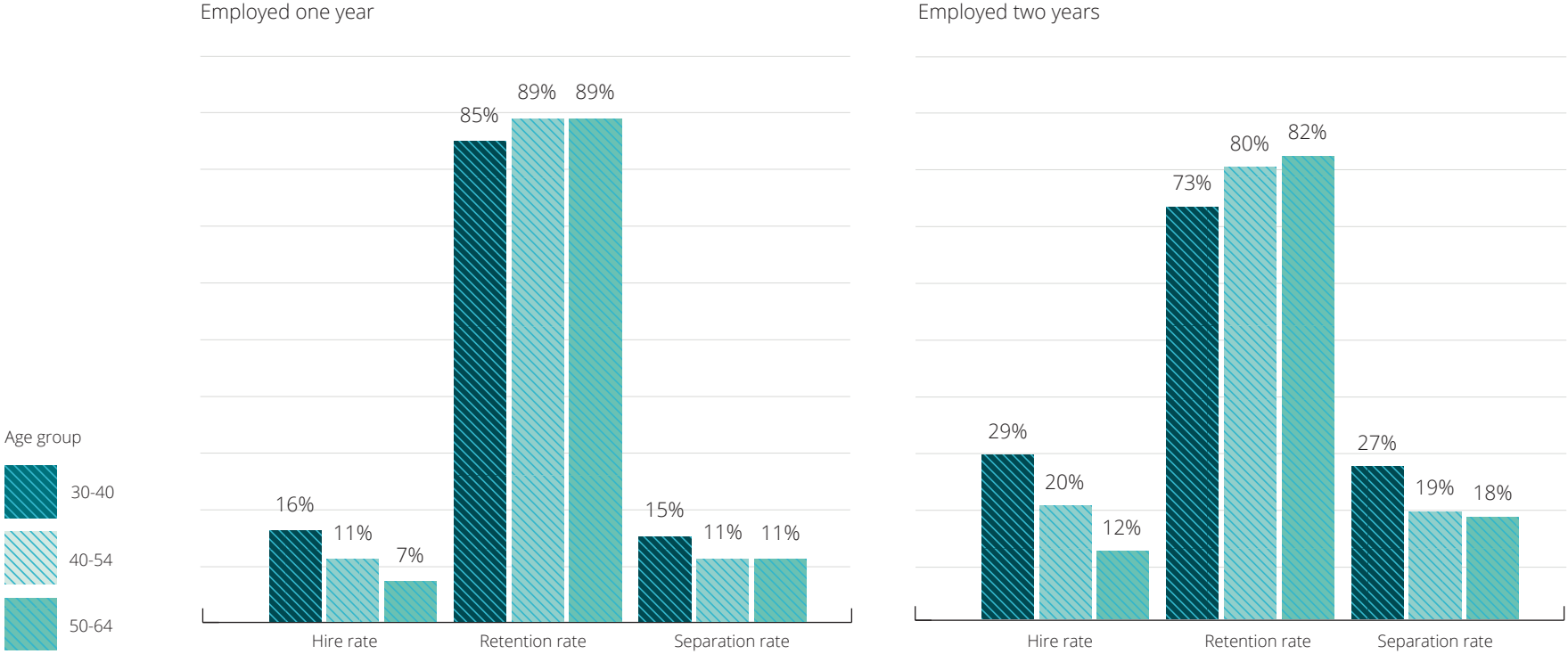
In contrast to the SECO unemployment rate, quantifying the wider 'not in work' group makes it possible to compare Switzerland with other OECD countries. As Chart 2 shows, Switzerland's 50+ cohort is broadly comparable with the OECD average. Over recent years, the Swiss and OECD average unemployment rates have been comparable. However, since the end of the global financial crisis, the Swiss rate has remained relatively stable, whereas the OECD average has fallen sharply. Nevertheless, similarities between the two rates can be observed across all age groups except 15-24 year-olds', so this is not an age-related phenomenon.⁶

The 50+ age group are less likely than younger workers to lose their job but more likely to be unemployed long term if they do. More than one in four unemployed individuals aged over 50 has been out of work for longer than a year,⁷ compared with just one in eight under-50s. Once individuals aged 50 or over become unemployed, they find it considerably more difficult than younger workers to get back into work.

This is also evident in the hire rate for older workers. This figure compares the number of individuals in a particular age group who have been employed for one year or two years with the total number in the same age group in employment. As Chart 3 shows, 50-64 year-olds' have a lower hire rate for both those employed one year and those employed two years. This demonstrates that older workers are less likely than younger workers to be taken on, though this relatively low hire rate may be determined by their high retention rate and low separation rate. In other words, older workers remain with one company for longer (higher retention rate) and are less likely to lose their job (lower separation rate). Switzerland out-performs most EU countries in this respect.⁸

A study by the Office for Economy and Labour of the canton of Zurich also reveals major differences between individual sectors of the Swiss economy.⁹ The financial services and insurance sector is particularly striking: older workers here have a low retention rate and hire rate and a high separation rate. Moreover, the hire rate is markedly lower for older workers than for their younger counterparts. The study concludes that there may be age-specific discrimination in the sector.

Chart 3. Labour market indicators by age group 2018 (II)



Source: BFS, Deloitte Research calculations

Labour market participation high but declining

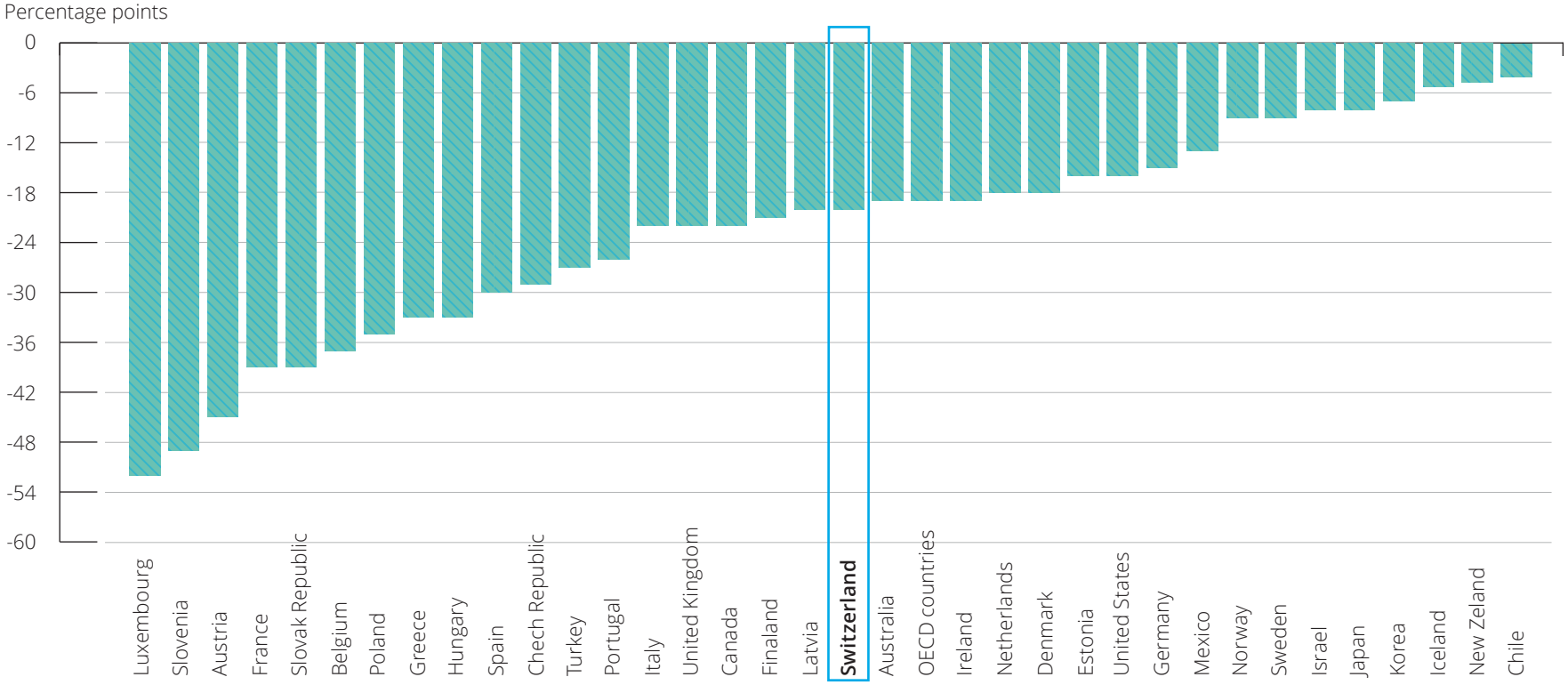
Switzerland performs in the middle ranks of OECD countries in terms of unemployment among the 50+ age group, but this age group has a better than average labour market participation rate. At 90% among 50-54 year-olds, its participation rate is higher only in the Czech Republic, Estonia, Finland and Sweden. Across all OECD countries, the average participation rate is 80%. Switzerland also performs well in terms of labour market participation among 55-59 year-olds, ranking third after the Czech Republic and Sweden. However, the position of 60-64 year-olds is rather different. While Switzerland ranks sixth here, out-performing the average, it lags 16 percentage points behind the best performing economy, Iceland. New Zealand and Sweden, which rank second and third respectively in terms of participation rate, both outperform Switzerland by more than ten percentage points.

Labour market participation among the 60+ age group is therefore considerably lower in Switzerland than in other countries. This is particularly striking when the participation rate of the entire working age population (those aged 15 to 64) is compared with the participation rate of 60-64 year-olds, revealing a gap between these two groups of 20 percentage points (see Chart 4). Put another way, one in every eight Swiss nationals across all age groups participates in the labour market, compared with just one in six of all 60-64 year-olds. This is a wider divergence than in more than half of all OECD countries.

The 65-69 year-old age group in Switzerland performs even worse, with a participation rate of 23% compared with an OECD average of 27%. The main reason appears to be the country's fixed retirement age, which is low by comparison with other European countries.



Chart 4. Gap between participation rates (PRs) for 60-64 year-olds and 15-64 year-olds



Source: OECD, Deloitte Research calculations

Early retirement – a response to prosperity

What then explains the relatively large number of 60-64 year-olds withdrawing from the labour market in Switzerland? There are two possible explanations. First, the decision to retire may be an entirely deliberate choice and, to some extent, linked with prosperity: many people who can afford to retire early do so. Second, however, early retirement may not always be voluntary. When older workers become unemployed, they find it harder than younger workers to get back into work, and more difficult labour market conditions can result in these individuals feeling forced into early retirement.

The rapid decline in labour market participation from age 60 is very likely to be a response to prosperity, as suggested by the high level of early retirement in this age group. Swiss Federal Statistical Office (BFS) data suggests that 12% of employed men aged 60 take early retirement,¹⁰ rising to 29% of 63 year-olds' and more than 40% of 64 year-olds (see Chart 5). The figures for women are broadly similar but with lower levels across all ages.

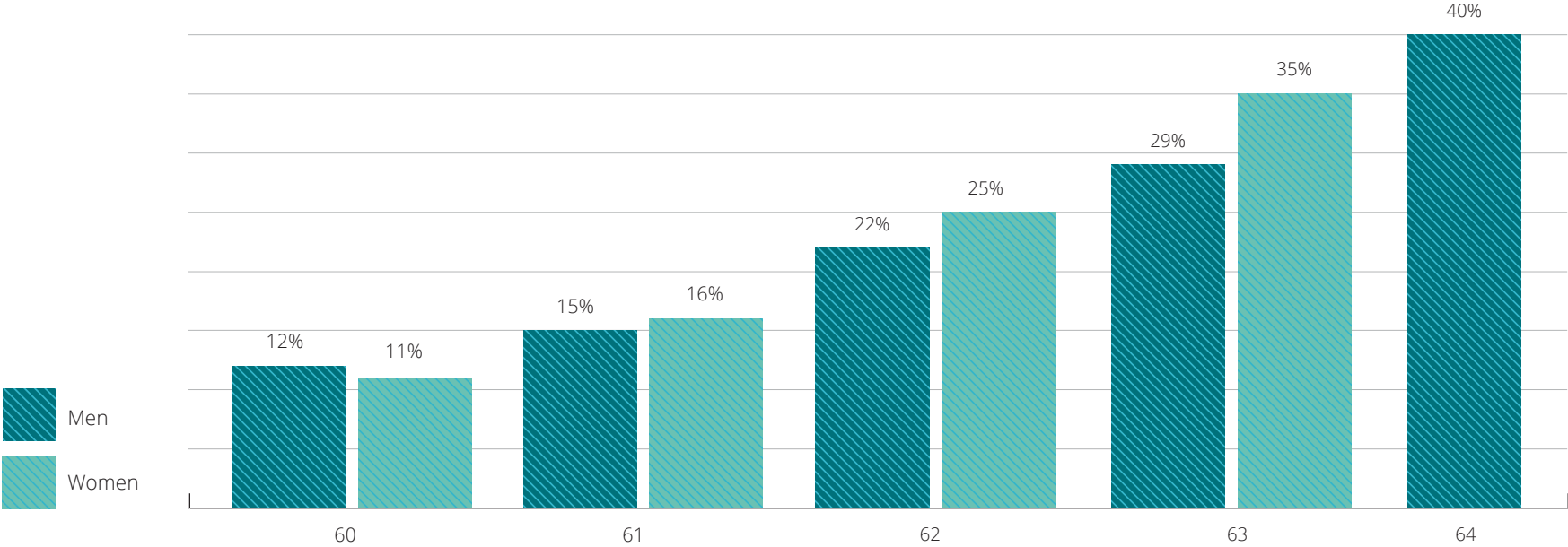
25% of women have actually retired two years before their statutory retirement age, a figure that rises to 35% one year before retirement age. Overall, around half of all employed people in Switzerland take early retirement.¹¹ BFS research also indicates that 75% of those taking early retirement do so voluntarily.¹²

Unemployment rates and the numbers receiving social security benefits also suggest that most people retiring early do so voluntarily. If older workers were being forced into early retirement, this would be reflected in the unemployment figures and social security statistics, but the opposite is true: as already noted, unemployment is actually lower among older workers than among younger ones. The same applies to social security statistics: just 2.9% of 56-64 year-olds' are receiving benefits, the lowest percentage of any age group.¹³

However, even if the vast majority of older workers do retire early voluntarily, some feel forced into early retirement. It is harder for older workers to get back into work once they become unemployed, so some are likely to opt for early retirement after redundancy even though they would have liked to go on working. Overall, 25% of those taking early retirement report that their decision was not entirely voluntary.¹⁴

The statistics for incapacity benefit also suggest that some early retirement is not voluntary. There is a natural link between age and health, so workers aged 50+ are more likely than average to be receiving incapacity benefit.¹⁵

Chart 5. Early retirement rates by age group (average 2015-17)



Source: BFS, Deloitte Research

An untapped pool of labour

The Swiss labour market is a favourable environment for the 50+ age group as a whole, but this group still represents substantial untapped potential for employers. It is the largest age group in the labour market in absolute terms but its participation rate is lower than for younger age groups. Many older workers are leaving the labour market before statutory retirement age, even if a majority are doing so voluntarily.

If this untapped potential could be utilised, it could substantially cushion the impact of demographic change on the labour market. But exactly how big is the untapped potential – and how can it be estimated?

Resources lying dormant with limited potential for mobilisation

The Swiss Labour Force Survey (SLFS) forms the basis for calculating other supplementary indicators alongside unemployment rates. These supplementary indicators include underemployment and the 'hidden reserve', which together make up the current pool of potential additional labour – individuals who could also be mobilised because they want to work, or work more hours than they are currently working (see Chart 6).

This pool comprises a total of 230,000 individuals aged between 50 and 64. This is a relatively high number compared with other age groups because the group is large in numerical terms, but the picture changes if these 230,000 individuals are seen as a proportion of the total population aged 50-64. Compared with other age groups, the 'hidden reserve' remains relatively high, but average underemployment and the unemployment rates are actually lower than for other age groups.

It will probably not be easy to mobilise this potential: unemployment is already low and is unlikely to decrease further. Moreover, in the case of many underemployed workers, there is a mismatch between supply and demand. Finally, many of those within the 'hidden reserve' have caring responsibilities or are already receiving a pension and will, therefore, be difficult to mobilise.¹⁶

Chart 6: Pool of potential additional labour, 50 to 64 year-olds (2018)



Source: BFS, Deloitte Research

High levels of willingness to work longer

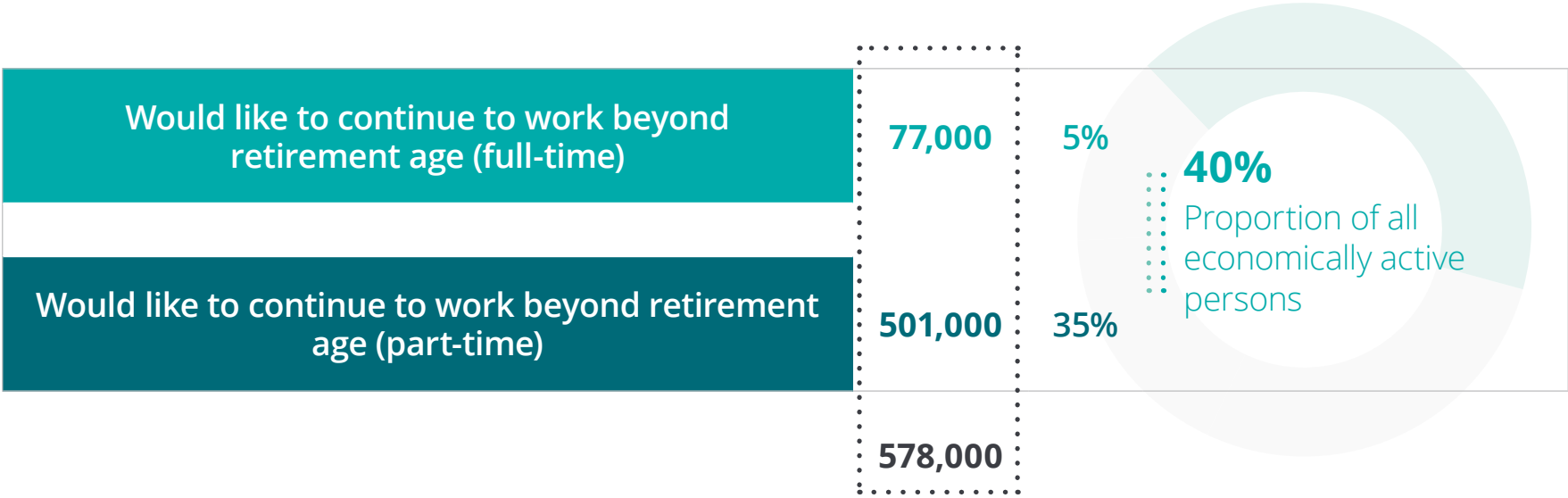
In contrast, individuals already integrated into the labour market who want to continue working beyond retirement age may well represent a more significant additional pool of labour – and one that is easier to mobilise. To quantify the size of this group and the potential they represent, Deloitte Switzerland conducted a representative online survey of 1,000 Swiss residents aged between 50 and 70 as part of this study.

As Chart 7 shows, 5% of those surveyed who have not yet reached retirement age would like to continue working full-time beyond this age. A further 35% would also like to continue working but on a part-time basis. This means that 40% of this group is potentially available to the labour market. Across the entire workforce aged between 50 and 64, this would mean an additional 578,000 workers.

The clear willingness of employees to continue to work is good news for the Swiss economy. If this potential were fully tapped, it could substantially correct the worsening imbalance between those entering and leaving the labour market and relieve pressure on the social security system. The scale of the effect would, of course, depend on how long these individuals continued working beyond retirement age and whether they worked full-time or part-time. On the assumption that they work for a further three years and on a 60% part-time basis, mobilising this group could fill between one-third and one-sixth of the gap forecast by UBS for 2030 (the lowest and highest employment scenarios respectively).



Chart 7. Potential future additional labour in the 50-64 age group



Source: Deloitte Research

Aspiration versus reality

Comparing the willingness of 50-64 year-olds' to continue working beyond retirement age with the actual labour market participation of those already over retirement age reveals a significant mismatch. In 2018, just 23% of 65-69 year-olds were still actively employed. Does this mean, then, that 65-69 year-olds are much less willing than 50-64 year-olds' to continue working?

It may well be that the latter age group is, in fact, more willing to continue working. Over recent years, the labour market participation rate among 65-69 year-olds has risen steadily, though not dramatically, suggesting that increasing numbers in this age group would like to go on working longer. The desire to continue working is likely to be age-dependent, with younger workers more likely to want to continue than slightly older ones.

So can we assume that labour market participation among 65-69 year-olds' will rise to 40% as soon as the current 50-64 age group reaches the age of 65? That is unlikely: aspiration and reality are not the same thing and, as Chart 8 shows, only a minority of survey respondents who said they would like to continue in employment believed that they will actually do so. The specific figures are 43% of those who would like to continue working part-time and 28% of those who would like to continue full-time. All other workers surveyed assume they will not continue to work beyond retirement age, even though they would like to.



A lack of opportunity

At first glance, this marked discrepancy between aspiration and (assumed) reality is very surprising. A closer look suggests, however, that it can be attributed mainly to employees' mindset. The existence of a statutory retirement age suggests strongly to many employees that they will automatically retire when they reach that age (currently 64 for women and 65 for men). Although many would like to continue working beyond this age, they assume that they will not be able to.

Individuals' experience of day-to-day-working life is a further contributory factor. Those with few, if any, colleagues who continue working beyond pension age are unlikely to assume that they themselves will do so. And many companies still have few, if any, employees beyond retirement age. This is reflected not only in the low labour market participation rates of older workers but also in the findings of the representative survey. As Chart 9 shows, 30% of respondents who had already retired said that they had had the opportunity to continue working beyond retirement age but did not wish to do so. In a further 29% of cases, however, their employer was unwilling or unable to keep them as staff, while 37% reported that this has never been up for discussion.

Overall, then, 66% of the survey respondents who had already retired were unable to continue working. Of this group, 46% would have liked to continue working, equivalent to 30% of all individuals already receiving their pension.

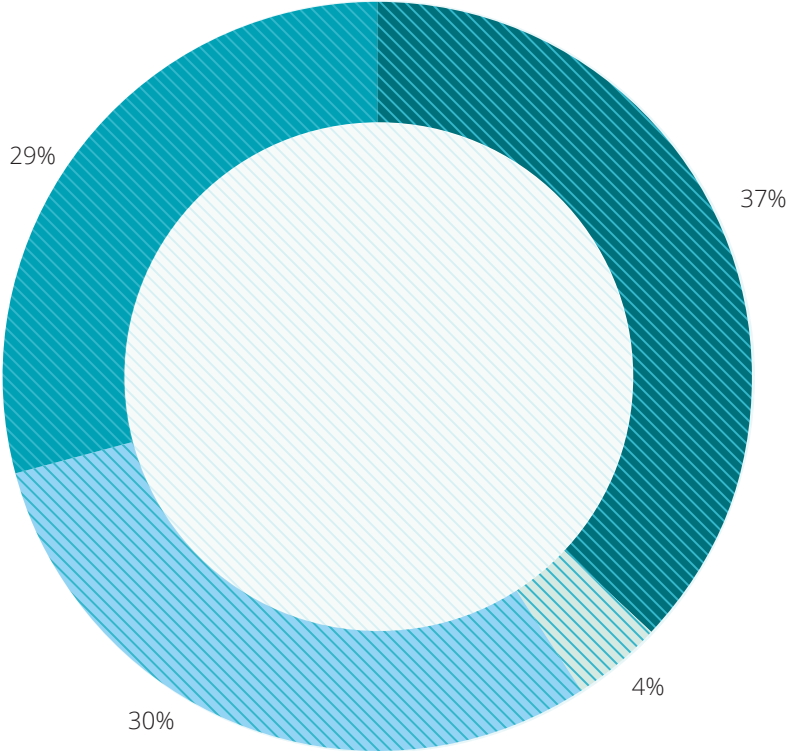
There are a number of reasons why companies do not employ workers beyond retirement age. Some regard older workers as disadvantageous to the company, in particular in terms of wage costs, while others are deterred by contributions to the occupational pension scheme (BVG/PP), which increase with age. Yet others may simply be unaware of the potential that older workers represent, not least because Switzerland has a fixed retirement age and companies expect their employees to retire automatically when they reach that age. This mindset is therefore as embedded in employers' thinking as in employees'. Finally, some employers believe that older workers no longer have the right skills to meet the demands of the job.

Nevertheless, the discrepancy between aspiration and (assumed) reality cannot be attributed solely to mindset and a lack of opportunity. It may also be that incentives are often lacking. If it is not financially advantageous to continue working beyond pension age, many employees will not do so, even if they would actually like to continue working.

Chart 9: Scope for continuing to work among those taking early retirement and retirement aged between 50 and 70

Did you have the option to continue working beyond official retirement age?*

- Yes, but I did not want to continue working
- No, my employer did not want to continue employing me
- This has never been up for discussion
- Don't know



*Only individuals aged between 50 and 70 already receiving their pension were asked this question
Source: Deloitte Research

Mobilising the additional pool of labour

As this study shows, the Swiss population is ageing, and the proportion of the working population represented by retirees is increasing year by year. By 2030, the labour market is therefore likely to face a shortfall of around half a million workers. The country, and companies in particular, urgently need to consider ways of making up this shortfall.

Making better use of the potential of older workers can represent a significant contribution, particularly keeping individuals working beyond retirement age or dissuading them from taking early retirement. However, many companies are unable to provide such opportunities or lack the awareness and the will to act. Many of our discussions with experts show that this issue is not seen as a priority. Moreover, the policy framework has not been adapted to reflect longer life expectancy, better health and an ageing society.

What companies can do: 5 steps to success

Companies need to take action. If they create appropriate opportunities to dissuade employees from taking early retirement or to continue working beyond retirement age, they will be in a better position to make use of the potential pool of labour represented by older workers.

It is crucial to approach the issue strategically to create genuine cultural change and to put targeted measures in place. Chart 10 provides an overview of the specific steps that need to be taken.



Chart 10. What companies can do to tap into the potential of older workers

What can companies do?



Source: Deloitte Research

1. Embed the issue in corporate strategy

The first step is to prioritise the issue. Only companies that focus on older workers as a key part of their overall strategy will be able to fully utilise the existing untapped potential. It is crucial that senior management recognises and strategically embeds the issue at the highest level as a way of integrating it throughout the company's policies and processes.

This strategic embedding of better integration and continued employment of older workers must be accompanied by clear indicators. Companies should set specific targets, for example indicating the proportion of older workers they intend to employ beyond retirement age. Incentives should also be used as a means of demonstrating success. This would be similar to the approach currently taken to protect and increase diversity in company workforces.

2. Make changes to corporate culture by raising managers' awareness

As well as embedding this issue in their strategy, companies also need to change fundamentally their corporate culture and managers' mindsets. The attitude that older workers are more expensive and perform less well than younger workers, and that employing them has more disadvantages than advantages is still common. In companies where prejudices of this kind are widespread among both managers and HR departments, older workers are given little encouragement to continue working. Such companies are also less likely to recruit older workers because of the prejudices of those making recruitment decisions. As another Deloitte study has shown, one-third of Swiss managers and HR officers surveyed perceive older workers as disadvantaging the company in terms of competitiveness.¹⁷ However, there is no research data indicating that different age groups actually perform differently. Thus it appears that there might be a factual basis for widespread age discrimination in Switzerland.

It is therefore crucial that all managers and HR officers undergo awareness-raising training and that emphasis is placed on the advantages older workers offer (including their expertise).

This change in corporate culture needs to be encouraged proactively. Simply informing managers is not enough; wide-ranging change management is needed. Managers must be supported and receive appropriate training if the necessary change in corporate culture is to be achieved.

3. Implement strategic HR planning

Once the issue of older workers is embedded in corporate strategy and steps are under way to make changes in corporate culture, the next stage is strategic HR planning. If companies are to make optimal use of the potential older workers represent, all the available data must be clearly presented, so the company needs to be familiar with the age and skills profile of its workforce. It needs to identify the departments and functions that are facing a future labour shortage and that represent additional potential of older workers as well as quantify the extent of the potential represented by older workers who would like to continue working.

The same is true of skills: companies need a clear idea of the skills their workforce will need in future and what continuing training measures are necessary to develop them. A systematic skills analysis is recommended.

It is important that individual line managers are involved in strategic HR planning, as they are often in a better position to assess future skills and labour requirements. Implementing this strategy must feed into ongoing local discussions between line managers and senior management teams.

4. Put specific measures in place

Once the strategic foundation has been put in place and the process of change in corporate culture is under way, companies need to take the fourth step – specific individual measures that will help to keep older employees working for longer. A range of key/important measures are set out/examined below.

Adapt employment models

Employment models are crucial. As the survey underpinning this study shows, 35% of the 50-64 year-olds surveyed want to carry on working part-time beyond retirement age, with just 5% wanting to carry on working full-time. The attractiveness of part-time working or shorter hours is also underlined by the responses of those who have already retired. As Chart 11 shows, 40% of survey respondents already in retirement say they would have continued working if they could have worked fewer hours. A gradual reduction in working hours, responsibilities and salaries ('rainbow career model') therefore seems a promising way of mobilising additional labour.

A study by St. Gallen University of Applied Sciences comes to a similar conclusion.¹⁸ It estimates that 36% of employees would continue working beyond retirement age if they could work part-time. Moreover, making part-time working available from a younger age would also have an impact on early retirement, with fewer workers then taking that option.

Box 1



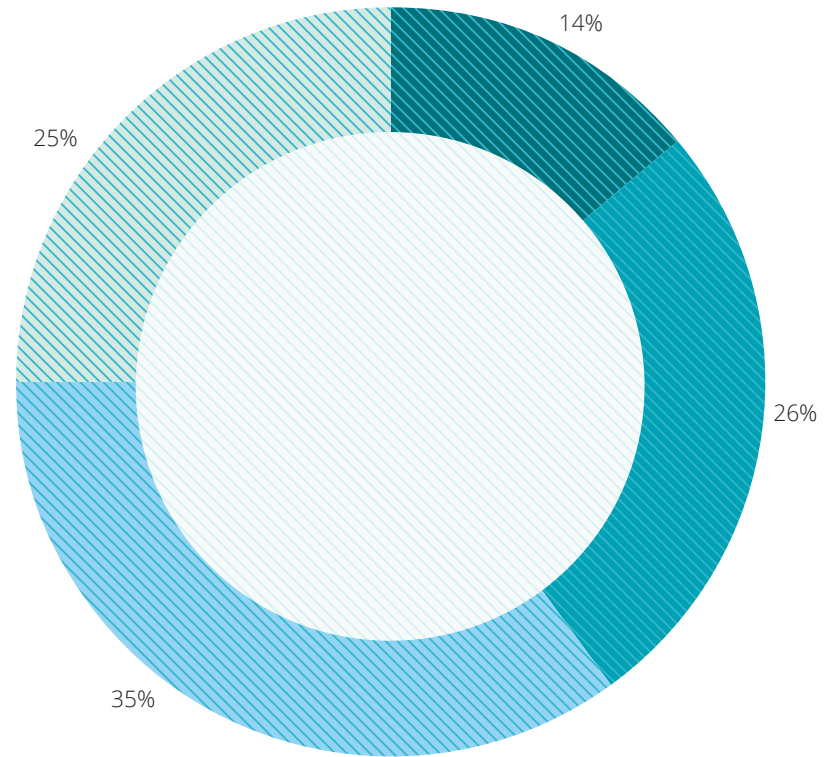
New employment models for the 50+ age group

Since 2018, older employees at Ricola have been able to reduce their hours by 20% two years before they reach statutory retirement age without loss of income. The company hopes that this will create additional incentives for older workers to continue working beyond retirement age.

Swiss Life offers older workers the 58+ model, which is designed to promote 'rainbow careers'. Employees' level of employment and responsibility and their salary are reduced, but both employee and employer continue to pay pension contributions on the individual's former salary. This eliminates the negative effect that 'bow careers' traditionally have on pension entitlement, making the model significantly more attractive.

Chart 11. Adapting hours of work

Would you have continued working if you could have reduced your hours?



*Only those already in retirement and aged between 50 and 70 were surveyed
Source: Deloitte Research

Adapt job roles

The content of jobs and roles – and the responsibility they involve – could be adapted for older workers. Older workers could shift their focus by increasingly taking on the role of expert or adviser, while leadership and management roles could be scaled down.

As research conducted by St. Gallen University of Applied Sciences shows, the 50+ age group is particularly keen to pass on knowledge and expertise: 81% of those surveyed in this age group would welcome having responsibility for knowledge transfer as a major part of their work.

It is important to note, however, that not all older workers can become experts or coaches. There is limited demand, and day-to-day activities in the company often take priority. Nevertheless, there should be potential here to develop advisory and coaching roles, enabling older workers to pass on their accumulated knowledge to colleagues at an early stage.

Adapt working conditions

Working conditions could be adapted. The survey conducted for this study indicates that just 40% of employees want to continue working on a permanent contract. They find arrangements such as freelance working or the role of an external project team member more attractive. Such arrangements offer older workers considerably more flexibility over when, and how long, they wish to work. As research from the US shows, this group – often referred to as 'gig workers' – makes up a considerably larger proportion of the 55+ age group than younger age groups.¹⁹

It may be sensible in this context to create a pool of experts from among former employees who are already retired or are no longer on a permanent contract but who would like to work on a casual basis. Companies can then make flexible use of this pool and deploy former employees when and where the need arises.

Box 2



Providing flexibility

Switzerland's fixed pension age means that many workers believe they can follow their own interests and pursue their own goals only once they have taken retirement. Swiss Life is seeking to counter this belief by offering older workers greater flexibility either in terms of hours or contractual arrangements. The company believes that employees should not have to wait to pursue their dreams until they reach pension age at 64 or 65, and that greater flexibility gives them an incentive to continue to work longer.

Set up cross-generational teams

Knowledge transfer is crucial to the management of older workers. It is essential for companies not to lose the knowledge and expertise they represent as soon as older workers retire. Knowledge transfer must, therefore, be a priority. It is helpful to set up cross-generational teams, enabling older workers to pass on their knowledge to younger colleagues at an earlier point.²⁰

Research also shows that teams with a mixed age profile are more innovative and happier.²¹ Indeed, they may help to retain older workers in the company for longer.

Maintain employability

A company can make better use of the potential of older workers by ensuring that its workforce regularly undergoes training and adapts its skills to the future requirements of the world of work. This includes appropriate continuing training and professional development programmes. Line managers need to be more aware of the issues and to encourage their staff to undergo continuing training but also promote such training, in particular where employees express wishes for specific skills development.

Maintaining employability also requires effort on the part of the employee. Employees who are not willing to invest time in their own continuing training, will not take up even excellent training programmes offered by the company. Ultimately, employees have to take responsibility.

The survey carried out by Deloitte indicates that the largest training need among the 50+ age group is in foreign language skills and IT skills, although these are self-assessments. All those surveyed with low employability were asked which skills they would need to develop the most to improve their chances on the labour market. As Chart 12 shows, 25% say they would need to improve their foreign language skills and a further 26% say they would need to improve their IT skills.

Box 3



Careers Centre

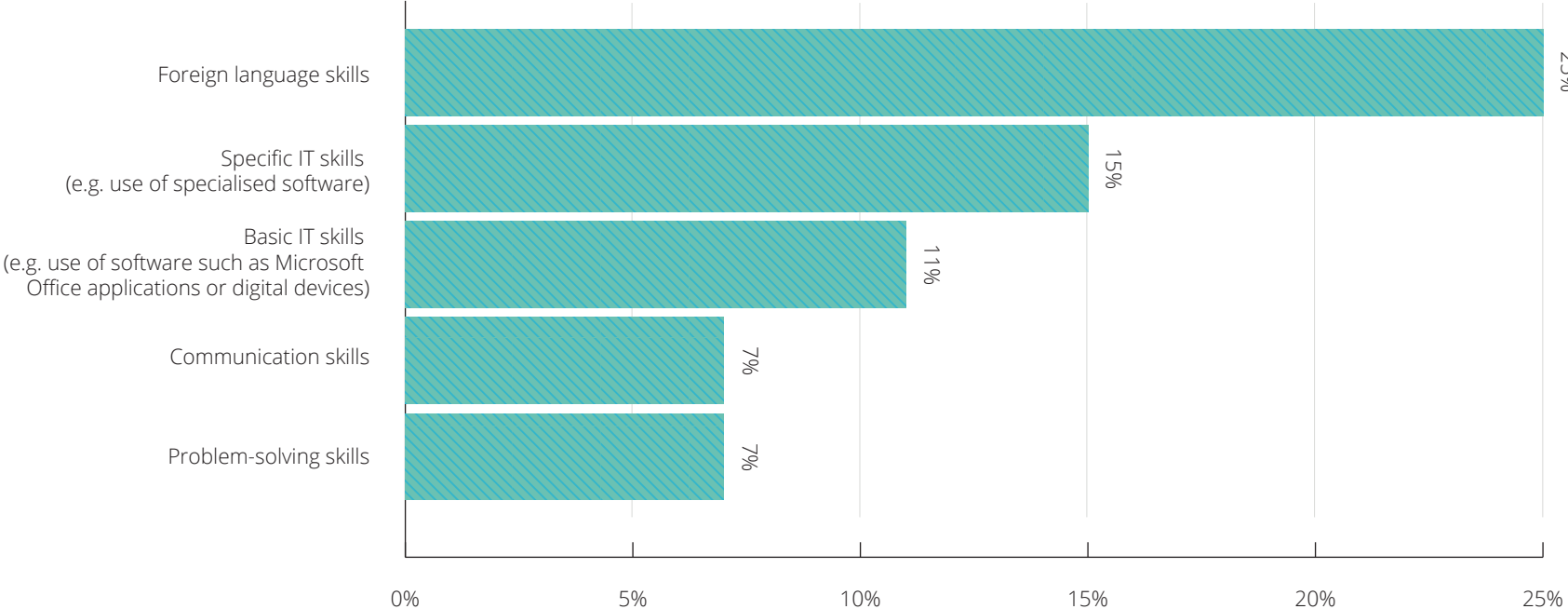
To maintain and promote the employability of its staff, the Swiss postal service has set up its own careers centre which serves as a competency centre for career advice and coaching.

At the request of a team leader, or at their own request, any employee can be assessed as part of a location survey and measures put in place to provide internal or external training measures or a change of role.

The role of the careers centre is to enable employees to adapt to changing requirements and improve their skills and to enable the company to retain these employees as long as possible.

Chart 12. Top 5 skills workers feel they need to improve

Which skills would you have to improve most to enable you to find another job quickly?



*Survey of all individuals aged between 50 and 70 with low employability
Source: Deloitte Research

Invest in health management

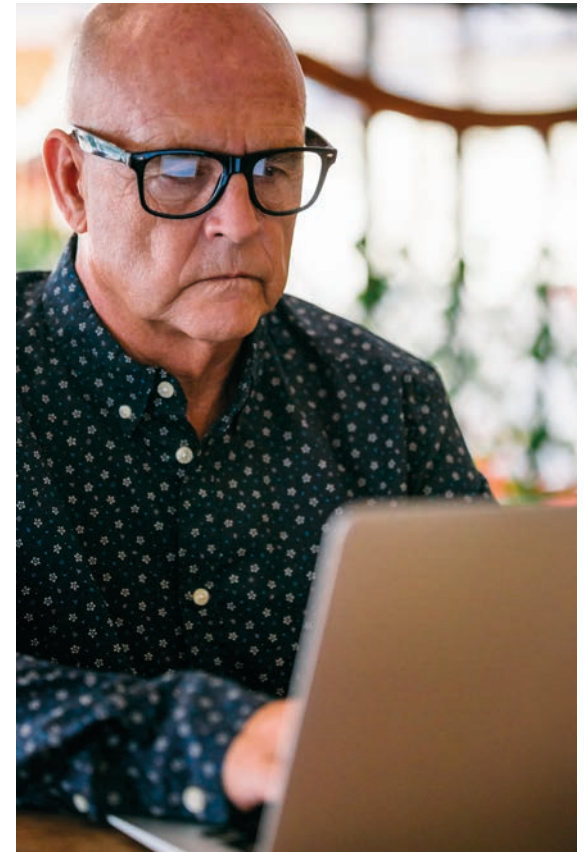
Companies wishing to retain their employees for as long as possible must not only maintain their employability and adapt employment models to their needs, but also promote their health, both physical and mental. Older workers will not be willing to continue working unless they feel fit and healthy enough to do so.

A comprehensive health management programme should comprise two main parts: situational prevention and behavioural prevention.²²

Situational prevention may include ergonomic optimisation of the working environment or age-related employment models, such as part-time working. Behavioural prevention, in contrast, aims to improve workers' health directly, for example through stress management training or fitness programmes.

Taking part in continuing training is also an important way of maintaining the health of older workers. Excluding older workers from such training programmes on the basis that the company is no longer willing to invest in them is likely to make these individuals feel undervalued, increasing their risk of ill-health. Maintaining employability is essential from a health perspective as well as for other reasons.

Research has also shown that managers' behaviour can have a substantial influence on workers' health. The social skills of team leaders are crucial here,²³ so a comprehensive health management programme also needs to include awareness training for managers.



5. Dialogue with employees

Once the issue has been addressed strategically and specific measures put in place, the fifth step is to engage in dialogue with individual employees. Regular workplace discussions make it possible to identify the intentions and aspirations both of employees and of the company. A frequent issue raised here surrounds hours of work and pension aspirations. Ideally, the two sides can work together to identify preferred ways of keeping employees working for longer. These discussions need to focus on employees' plans for the future and the ongoing skills development they need if they are to achieve their goals.

It is important that these discussions take place before employees reach the age of 60. Including spouses and partners, for example through briefings, is also helpful as employees often agree their retirement plans with spouses and partners.

Early discussion of employment options can directly mobilise additional potential. The Deloitte survey indicates that almost 50% of those who are already retired would have been willing to work longer if their employer had approached them in good time and had discussed the opportunities with them (see Chart 13).

Conclusion: Ensure competitiveness with proactive measures

Companies that are inadequately prepared for the labour market impact of demographic change will pay a price, not only in financial terms but also in terms of their human resources. However, those that make arrangements at an early stage, following the specific steps and measures outlined in this study, are likely to save money in the long term.

Companies that do not pay sufficient attention to the impact of demographic change will not only end up paying more to recruit workers, they will also face a long-term risk of becoming uncompetitive.

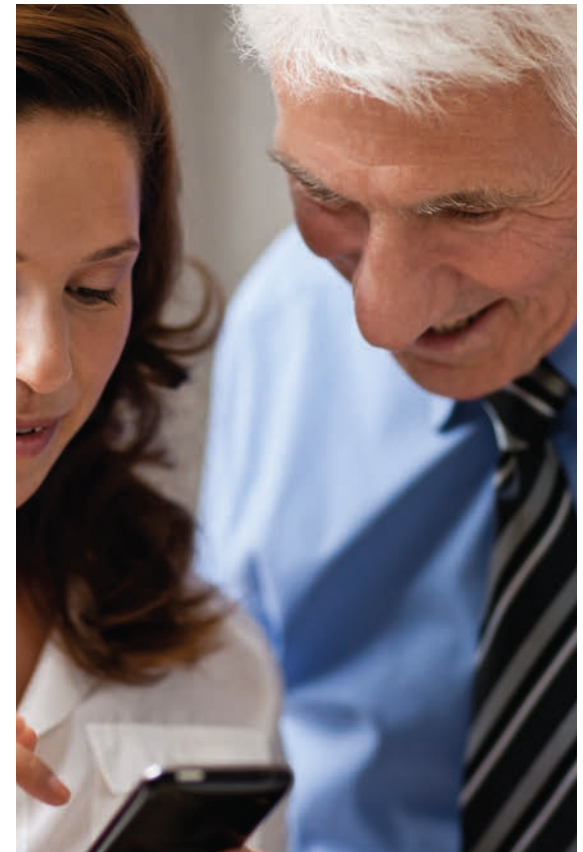
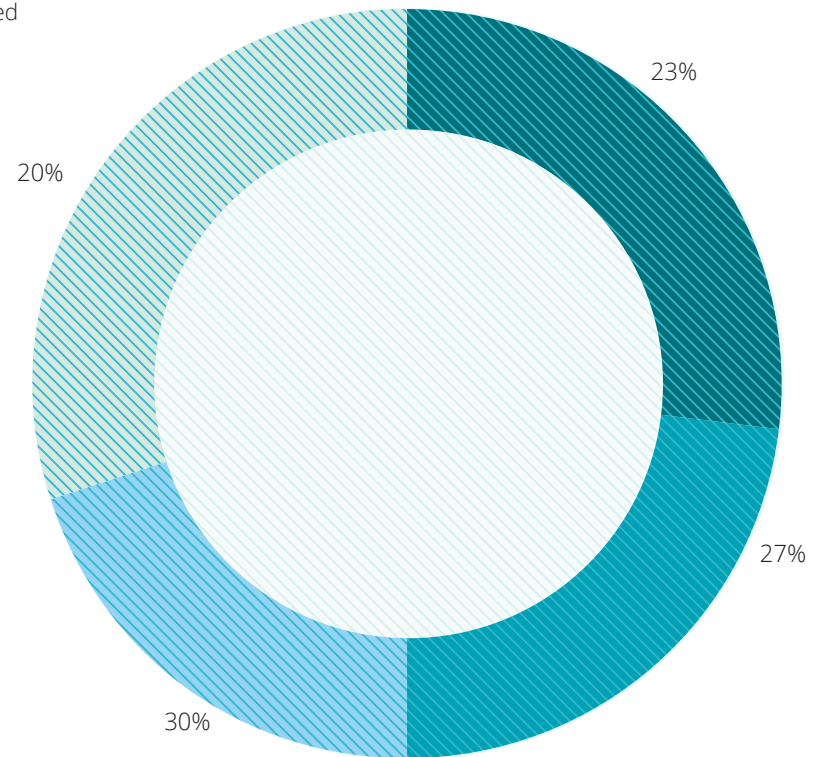


Chart 13: Early consultation

Would you have continued working beyond retirement age if your employer had approached you in good time and asked if you wanted to continue in the same role or another role?*



*Only individuals already in retirement and aged between 50 and 70 were surveyed
Source: Deloitte Research



What the government can do: Improving the statutory framework

Companies are not the only ones who need to act, so too does the government. The current statutory framework is not helping to mobilise the additional labour potential represented by older people. Two areas are particularly important: modifications to the retirement age, and removal of financial disincentives.

Increasing the pension age and making it more flexible

Women in Switzerland currently retire at 64 and men at 65, and these fixed retirement ages create two problems. The first is a rigid mindset, with many people assuming they will work until the age of 64 or 65 and then stop (the 'age guillotine'). Many companies therefore believe that their employees will leave the company when they reach the statutory retirement age. The fixed retirement age also means that companies have few incentives to recruit workers over the age of 61 or 62, believing that these individuals will be retiring over the next few years. This also makes companies less motivated to invest in continuing training. Making the retirement age more flexible would change this and increase incentives to recruit older people. For their part, workers would also have greater incentives to continue working.

There is empirical evidence for this. Research carried out by the University of Fribourg into the impact of reducing the retirement age in the construction industry has concluded that most companies do not find it worthwhile to invest in their workforce in the last few years before retirement age, regardless of where retirement age is set.²⁴ This also has a negative impact on employees' well-being and their willingness to continue working. Making the retirement age more flexible would keep workers in the labour market for longer and would also boost investment in the workforce.

The second problem is the retirement age itself. Compared with most other OECD countries, Switzerland has a low statutory retirement age, and because of demographic change, the pension system will find it difficult to meet the cost in future without an increase in retirement age. However, increasing the retirement age would not merely improve the financial position of the pension insurance scheme, it would also help tackle the impact of looming labour shortages. The experience of other countries has shown that increasing the retirement age boosts employment among older workers. This was also true in Switzerland when the retirement age for women was increased.²⁵

Increasing the retirement age should be carried out in conjunction with measures to make it more flexible. Here Switzerland could follow the lead of countries such as Sweden and Canada which have both linked increases in the statutory retirement age to measures to make retirement more flexible, and neither requires employees to retire at a fixed age.

Swedish workers are able to retire at an age of their choosing between 61 and 67 (rising to 62 to 68 from 2020), and the longer they continue working, the larger the pension they receive, based on average life expectancy.

Canada has gone further, completely abolishing a statutory retirement age. Canadian workers are free to choose when they wish to retire, and they too receive a larger pension the longer they continue working. The age of 65 is now merely a reference point for calculating pension payments.

Improving financial incentives

As well as increasing the retirement age and making it more flexible, Swiss government also needs to improve the financial incentives available if it is to make better use of the potential pool of additional labour.

Older workers are currently more expensive than younger workers because employer and employee contributions to the workplace pension scheme (BVG/PP) increase with age. This creates disincentives for companies to recruit or retain older workers. Parliament has discussed standardising contribution rates, which could help.²⁶ The major problem, however, would be to sustain financing, as younger workers would have to pay more, a move that would create political resistance.

Moreover, employees continuing to work beyond retirement age also continue to pay contributions to the state old-age pension scheme (AHV/AVS) but gain no benefit in terms of a larger pension when they do retire. Deferring pensions would also generate little additional revenue for individuals: the saving on deferred pensions and continued receipts of tax and social security contributions on pay would have to be set against higher pensions.

The Swiss Federal Council's recent proposals for a small cut in the higher value of deferred AHV/AVS pensions would, in fact, exacerbate the position. The opposite is, in fact, required: deferred pensions need to be considerably larger if they are to be an incentive for workers to work longer.²⁷

It may also be helpful to increase the contribution-free allowance, currently CHF 1,400 a month. No AHV/AVS contributions are payable on earnings below this amount. Increasing this allowance would mean contributions starting from a higher amount, bringing down overall AHV/AVS contributions for workers. In addition, would create an opportunity for reducing the income tax and other contributions paid by individuals deferring their retirement.

Conclusion: Change mindsets and strengthen incentives

If older workers are to remain in employment for longer, the government must make the pension age more flexible. Otherwise, the rigid mindset of retirement at a given age will persist. Pension provision needs to be tailored to the average life expectancy or length of an individual's working life for the system to be financially sustainable. Measures to increase flexibility must also involve effective incentives: those working for longer must also earn significantly more, even after tax and social security deductions.

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