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THE CHALLENGES OF MANAGING GOVERNMENT EMPLOYEES IN THE CONTEXT OF AN AGEING POPULATION IN OECD MEMBER COUNTRIES

Main Report

**34th Session of the Public Governance Committee
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This document is presented to the Committee as background for the discussion during the symposium-style session on the public management challenges posed by ageing populations. The Committee is also requested to approve the document for publication.

Nine country case studies will be published in a separate document

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FOREWORD

As an agreed part of the programme of work and budget for 2005-2007, the Directorate for Public Governance and Territorial Development of the OECD (GOV) has undertaken a two-year programme of studies on public employment and human resources management in government. This program of work includes topical studies on the key human resources management challenges that public services are facing.

Following recommendations made by the Human Resources Management Working Party at its 2004 meeting, in 2005-2006 GOV has developed a project on the challenges of managing the civil service in the context of an ageing population. In addition to addressing an urgent policy concern of OECD member countries, this project fits the larger OECD priority to develop policy responses to ageing societies.

This project has accompanied a separate study on public sector pension schemes in OECD member countries. The two projects have fed into each other.

The project was led by Elsa Pilichowski (OECD Secretariat). The publication was written by Emmanuelle Arnould (Consultant, OECD Secretariat), Elsa Pilichowski, and Edouard Turkisch (Consultant, OECD Secretariat). The authors are grateful to Rolf Alter (OECD Secretariat) and Nick Manning (OECD Secretariat) for their strategic advice. Jennifer Allain provided technical inputs.

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The views expressed in the synthesis report and in the case studies are those of the authors from the OECD Secretariat and do not necessarily reflect those of the OECD or the member countries which have participated in the project.

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EXECUTIVE SUMMARY

An ageing population creates immediate pressures for changes in both service delivery and in human resources management in government. In reviewing strategies to address these pressing issues, this research project had several strands. It entailed a general literature review, preliminary scoping research in all OECD member countries, and an analysis of data from latest OECD Survey on Strategic Human Resources Management (HRM). Most particularly, this research also developed a snapshot of ageing policies and actions in nine OECD countries: Australia, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands and Portugal. The range of countries studied in this report suggests that its conclusions are indicative of broader OECD trends. Overall, this exercise has resulted in a proposal to the Public Governance Committee that the OECD starts a wider project on ageing policies in the public sector.

The research and information in this report are divided into five main parts.

The first part of the report examines immediate issues resulting from an ageing population and ageing workforce. As a result of large increases in the ratio of older economically inactive persons per worker, two main challenges have emerged. First, there is the need to reallocate human resources across sectors, as a result of increased demands for additional staff in the social sectors. The OECD projects that for the 19 countries where information is available, an average increase in health and long-term care spending of 3-3.5 percentage points of GDP is will take place over the period 2000-2050.¹ The second is the need to increase productivity due to the fiscal pressures created by an ageing population. This inevitably leads to some rethinking of the division of labour between government and private sectors in terms of social delivery, especially in the social sectors, and the implications for the status of staff working in those sectors.

The report also identifies specific challenges within the public service, where workforces are ageing even more rapidly than the rest of society and the wider labour market. These issues also present opportunities in the management of public services. On the one hand, an ageing public service increases the fiscal burden while also decreasing the immediate capacity to respond to new ageing challenges. On the other, in the long run it also represents a strategic opportunity to downsize the public sector workforce where needed, to make structural changes to the conditions of employment, including greater flexibility, and reallocate human resources across sectors to face increased needs in social and long-term care services for the elderly. Finally, with a very large proportion of the public service retiring over a relatively short period of time, maintaining the capacity of the public service to deliver the same level and quality of public services remains a complex issue, particularly if the wider labour market is not be adversely affected by massive new hiring in the public sector.

The second part of the report provides a snapshot of the HRM policies of the nine countries examined. A number of policy issues and activities in such areas are considered:

¹. "Projecting OECD Health and Long-Term Care Expenditures: What are the Main Drivers?", *Economic Department Working Paper N° 477*, OECD, 2006.

- First, there is the question of how countries are addressing cost containment and the need for productivity increases in the public service. This is occurring largely through a focus on the financial sustainability of the pension system and, in some cases, through downsizing. OECD members have been largely focused on aligning the rights and benefits of public servants with those of private sector employees through reducing benefits, keeping older workers at work longer and moving from defined benefits to funded defined contribution schemes. Overall, cost containment and downsizing are considered core to static productivity increases in most countries. Some countries are putting a lot of emphasis on making positive productivity increases through better knowledge management, general public sector management reforms, and, of course, investment in new technologies.
- Second, in parallel, countries are addressing the need to maintain capacity within their HRM strategies. The report finds that this needs to be addressed by major new hiring and through the reallocation of staff, as well as through targeted measures to address the particular capacity needs at managerial levels. Some countries are doing this through proactive recruitment strategies, delaying retirement age and providing incentives for staying at work longer. Unfortunately workforce planning across sectors remains a rather weak point for most ageing strategies. Most countries are putting little emphasis on the needs for changes to the workforce in different sectors or at different levels of government.
- The third HRM strategy challenge is how countries are addressing the need to reallocate resources according to new priorities. This is a complex matter, as it requires balancing the strategic vision for policy priorities, financial and staffing constraints, and reallocation of responsibilities across the levels of government. Some countries are planning to increase staffing in the health and long-term care sector while implementing a decrease of the workforce in other sectors.
- The final HRM challenge concerns how countries ensure that departures do not lead to future hiring that tightens the wider labour market. The report finds that in most countries, the consequence of the waves of departures on the wider labour market and thus on the wider economy have not been taken into account in the public service ageing strategy.

The third part of the report is a review of different strategies that can be undertaken by countries in response to these challenges. It notes the significance of a holistic approach, coordinated between government organizations and different levels of government. The review of the nine case studies reveals the necessity for more proactive strategies based on: reviewing the demographic profile of the public services workforce to assess potential capacity gaps and financial difficulties; reviewing the longer term capacity challenges that may emerge as service demands change and fiscal space lessens; and examining the room for manoeuvre implied by changes to the wider workforce.

The fourth part of the report suggests action for governments. A checklist for countries seeking to develop a national ageing strategy for the public sector is set out. It covers:

- Reviewing the ageing facts in the wider financial and labour market contexts.
- Deciding on the most appropriate ways of increasing productivity in the delivery of public services and decrease overall costs, while taking advantage of the unique opportunity to restructure provided by the increased number of public servants leaving on retirement.
- Focusing on maintaining capacity in some sectors and increasing capacity in others.

- Promoting institutional changes to adapt multi-level governance to the ageing challenge.

The final section of the report considers future work that needs to be done in this area. Given the difficulties met by many countries in devising whole-of-government strategies to address issues of an ageing population, as well as the lack of comparative analysis across countries on this issue, in 2007-2008 GOV Directorate proposes to start new cross sectoral work on productivity as a response to ageing, to assist member countries in designing sustainable ageing strategies. This project would build on analysis carried out in a number of OECD directorates, primarily health and education, as well as on conclusions on ageing that can be drawn from existing work in the budgeting, territorial and e-government areas. The project would review data and statistics regarding ageing from a demand and supply point of view, by sector, in the context of ageing in the wider labour market; to review the possibilities for productivity increases in government; to identify particular opportunities for structural change within the public sector; and to review strategies for maintaining and increasing capacity. GOV is also proposing to conduct country peer reviews of public sector ageing strategies and actions to open dialogue and share practical approaches for addressing this important topic.

INTRODUCTION

1. An ageing population creates immediate pressures for changes in service delivery with implications for human resources management in government, including: *i)* the need to reallocate human resources across sectors resulting from an increased demand for additional staff in the social sectors; *ii)* the need to rethink the division of labour between government and the private sector in terms of service delivery, especially in the social sectors, and its implications on the status of staff working in those sectors; and *iii)* pressures to reduce staff costs due to fiscal pressures created by an ageing population.

2. While the public sector must respond to the changing demands made by an ageing society, civil servants are themselves ageing and the exit of a large number of experienced staff through retirement must be managed. Significant staff departures are an opportunity to bring in new profiles in government, decrease staff numbers and staff costs (entry level salaries are lower), and change the allocation of staff across sectors. However, they are also a challenge, with the loss of key capacity and the need to postpone retirement of some key staff.

3. In addition to a general review of the literature, preliminary scoping research in all OECD member countries, and the analysis of interesting data from the latest OECD Survey on Strategic Human Resource Management,² the purpose of this project was to take a snapshot of ageing policies and actions taken in nine OECD member countries. Participating countries were chosen according to criteria of demographics and regional representativeness, according to the interest taken by the country in the ageing challenge, and the established policies to face this challenge. This snapshot exercise has resulted in the proposal to the Public Governance Committee that the OECD starts a wider project on ageing policies in the public sector.

4. The range of countries examined suggests that the conclusions drawn in this report should be representative of broader trends across the OECD.

2. http://www.oecd.org/document/12/0,2340,en_2649_34139_35845324_1_1_1_1,00.html

1. The ageing challenge

1.1. Ageing public sector workforces in the context of ageing populations

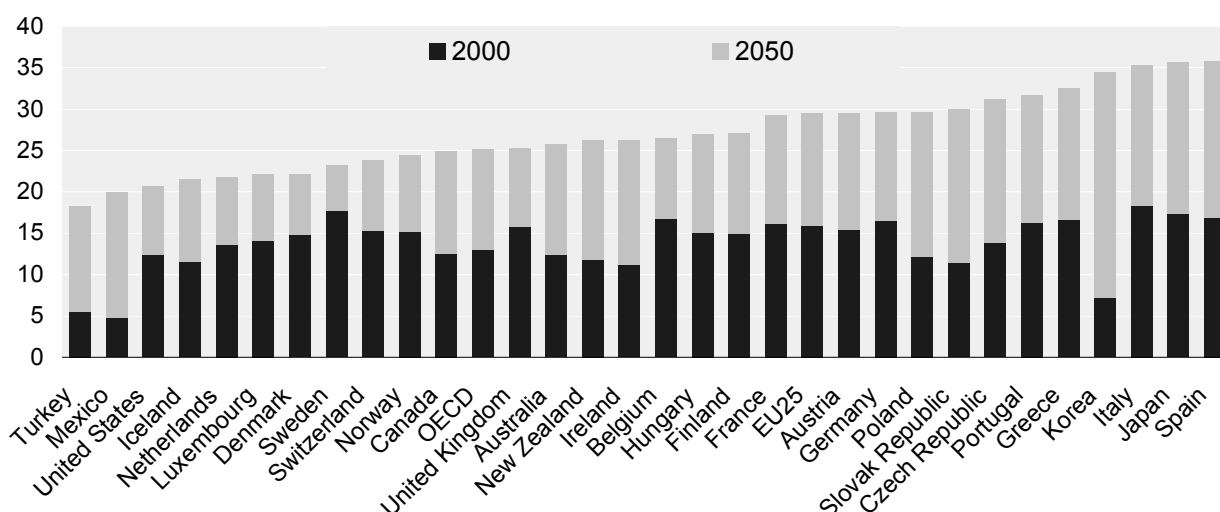
1.1.1. Ageing populations and workforces

5. The dimensions of population ageing are now well documented. All OECD member countries are experiencing population ageing, with some changes occurring at a faster pace in some countries compared to others (see Figure 1). The countries studied in this review vary – with the Netherlands having to face relatively more minor challenges and Italy and Portugal affected more significantly.

6. Graph 1 shows two phenomena – the proportion of the population that is older and the speed with which it is changing. Presently, Turkey, Mexico and Korea have a relatively low older population (with Korea ageing at a remarkably fast pace). The United States, Denmark and Sweden will have a slower ageing pace (with Sweden already having a distinctively high proportion of older people in the population).

7. Without changes in work, retirement and productivity patterns, the ratio of older economically inactive persons per worker will increase from 1:3 in the OECD area in 2000 to just over 2:3 in 2050 (to almost 1:1 in Europe). Associated labour force changes are predicted to lead to a 30% decrease in economic growth in the next three decades than might otherwise have been predicted.³

**Figure 1. Population ageing in OECD member countries
(% of population aged 65 and over)**



Source: *Ageing and Employment Policies, Live Longer, Work Longer*, OECD, 2006.

8. At the more micro-economic level, the large number of workers who are retiring could result in important adjustment costs for employers and labour shortages in other areas, especially in the health and long-term care sectors.⁴

3. *Ageing and Employment Policies, Live Longer, Work Longer*, OECD, 2006.

4. *Ageing and Employment Policies, Live Longer, Work Longer*, OECD, 2006, p. 24.

9. The difficulties in meeting these varying challenges will depend on other factors, including possible productivity gains and immigration in the short term, and in the longer term implications of fertility changes. It will also depend on the room for manoeuvre that countries have in increasing the participation rates of older workers in the labour market (see Table 1). As Table 1 indicates, Japan has motive but little opportunity to bring more workers into the labour market, while Greece and Spain have an equally strong need, but much more room for manoeuvre to make these changes.

Table 1. Changes in old age dependency ratio and participation rates of older workers^a.

Participation rate of 50-64 year olds, 2004	Projected change in the old-age dependency ratio, 2000-2050 ^b		
	Moderate	Large	Very large
High	Denmark, Iceland, Norway, Sweden, Switzerland, United States	Canada, New Zealand	Japan
Average	Netherlands, United Kingdom	Australia, Finland, France, Germany, Mexico, Ireland	Czech Republic, Korea, Portugal
Low	Belgium, Luxembourg, Turkey	Austria, Hungary	Greece, Italy, Poland, Slovak Republic, Spain

a) Countries have been ranked into the three categories for each variable according to whether they are more than one-half of a standard deviation away from the mean for all countries.

b) Ratio of the population aged 65 and over to the population aged 20-64.

Source: OECD estimates based on data on participation rates from OECD Labour Force Statistics and old-age dependency ratios from the OECD Demographic and Labour Force Projections Database. In *Ageing and Employment Policies, Live Longer, Work Longer*, OECD, 2006.

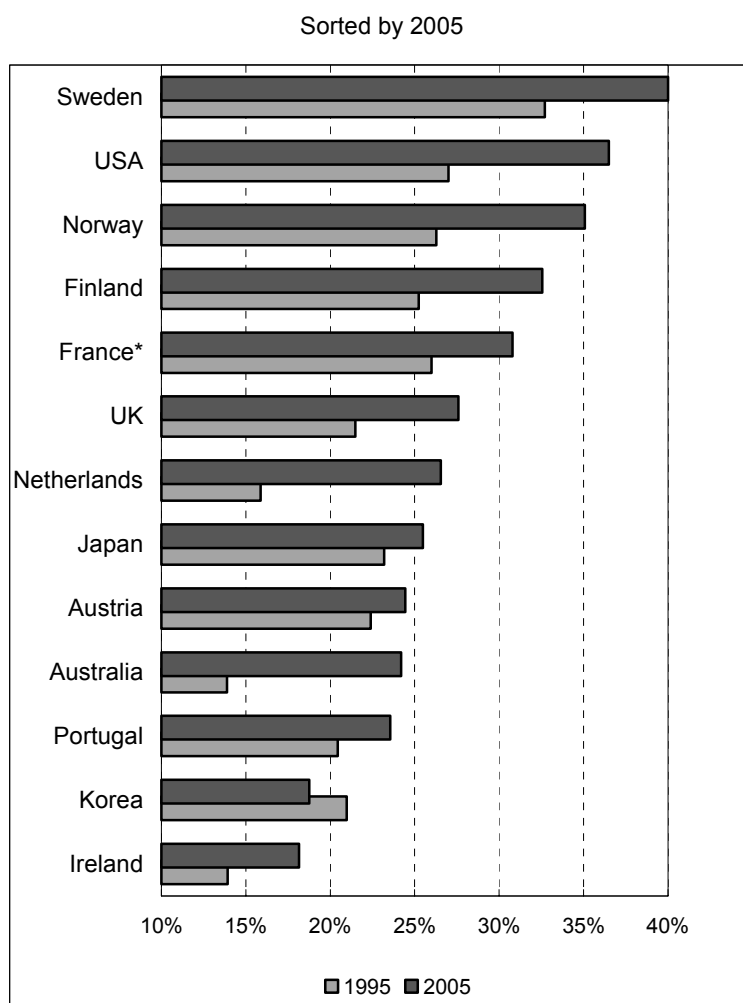
1.1.2. Ageing public services

10. In many OECD member countries, public sector workforces are ageing even more rapidly than the rest of society and the wider labour market.

11. The case studies offer some dramatic headlines:

- Australia – The average age of the public service is increasing by one year every three years.
- France – The average age is increasing by one year every two and half years.
- Ireland – The average age of the public service is increasing by one year every 15 months.

Figure 2. Proportion of workers above 50, at national/federal government level, in 1995 and in 2005

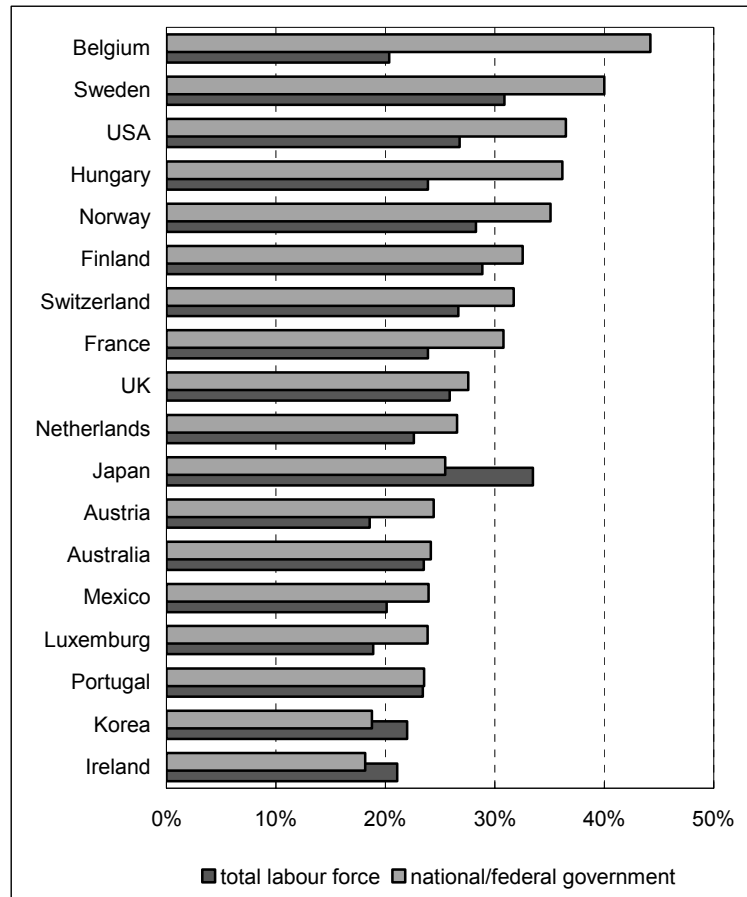


Note: Please see annex 2 for details on data coverage

Source: OECD

Figure 3. Proportion of workers above 50 at the national/federal government, proportion of persons above 50 in the total labour force, 2005

Sorted by national/federal government



Note: Please see annex 2 for details on data coverage

Source: OECD

Figure 4. Proportion of workers above 50 in subnational levels of government, in 1995 and in 2005

Sorted by 2005

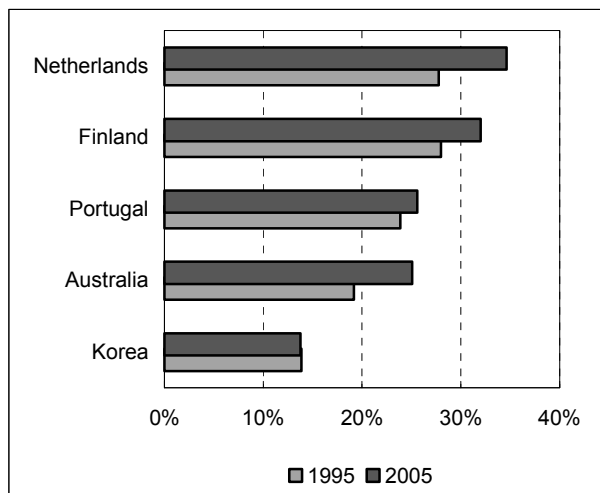
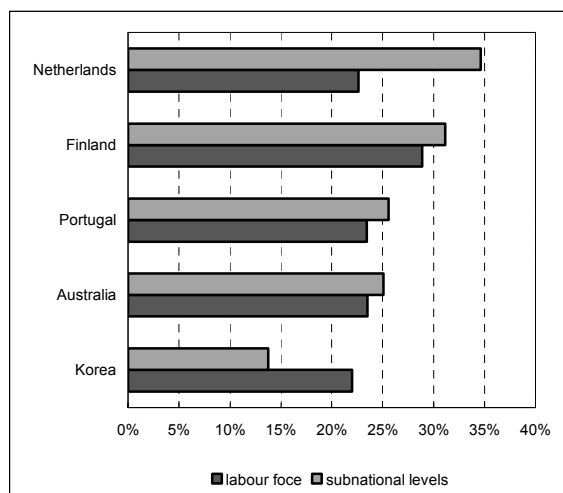


Figure 5. Proportion of workers above 50 in subnational levels of government and in the total labour force, 2005

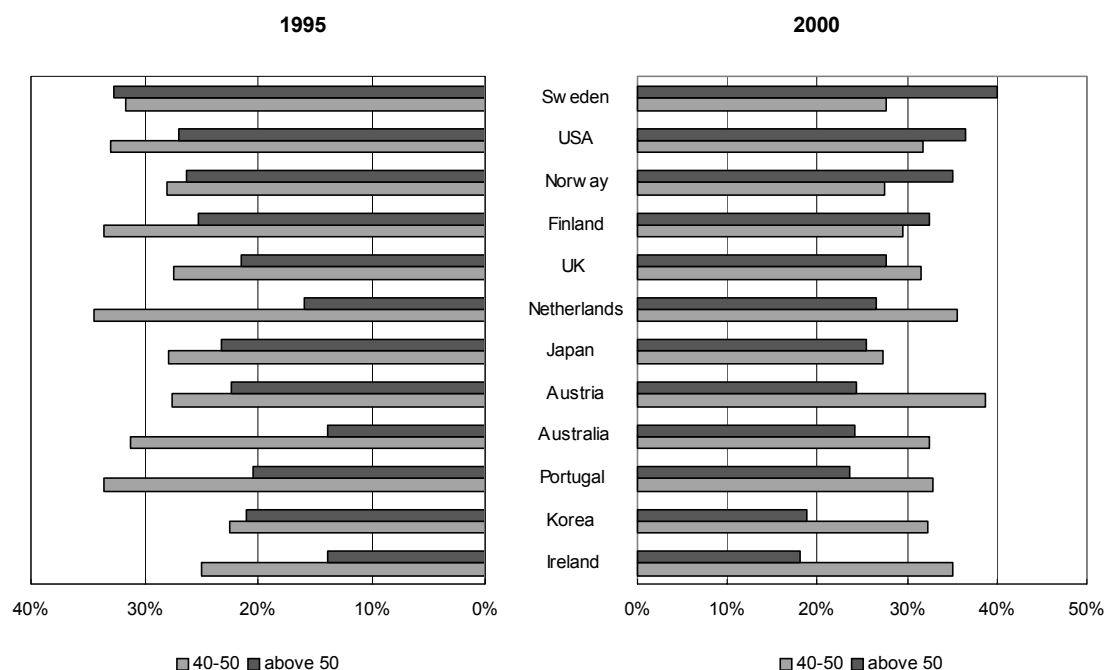
Sorted by subnational levels of government



Note: Please see annex 2 for details on data coverage. Source: OECD

Figure 6. Proportion of workers at the national/federal level between 40 and 50 and above 50 years old

Sorted by above 50 in 2000



Note: Please see annex 2 for details on data coverage. Source: OECD

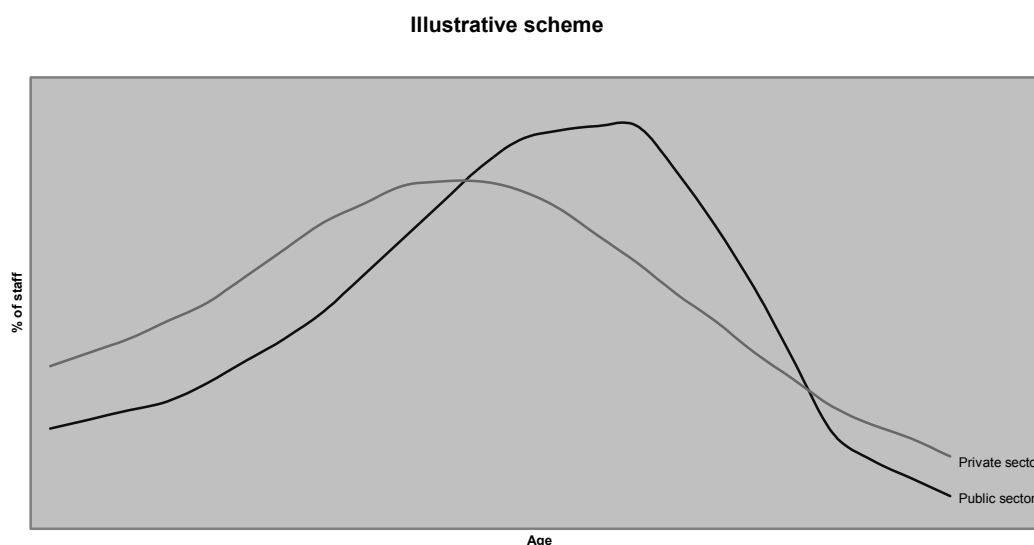
12. Relatively speaking, the demographic situation of the public services of the countries studied in this report show less variation than the demographic situation of the corresponding wider labour market.

Looked at by age group, the largest cohorts in the public services tend to be around 40-49 years old, with an important proportion of employees in the age band 50-54 and 55-59 depending on the retirement age. In sum, the proportion of young employees is far smaller in the public sector than in the private sector.

13. The roots of this demographic profile lie in the rapid expansion of public services from the 1970s until the mid-80s and the massive hiring that took place at this time. This was combined with workforce size stabilisation and hiring freezes that took place in many countries in the 1980s and 1990s. Reinforcing this trend, it seems that the age at entry to the public service has increased. For example, Australia mentions that there is more recruitment at mid-career now than there used to be and a general trend towards higher ages at entry in the federal public service. Today, more than 40% of new recruits in the Australian Public Service are 35 or over, compared to less than 20% two decades ago. Similarly, the average age at entry in the Irish civil service has increased from the 20s to the 30s in the last decade.

14. In addition, employees leave the workforce at a younger age in the public sector than in the general labour market, due to pension incentives and early retirement arrangements in many public services. A number of civil services tend to retire earlier, for legal reasons or because of tradition (Australia for example, or France where the legal retirement age is 60 but where the actual average retirement age is 57.) Denmark is a significant exception.

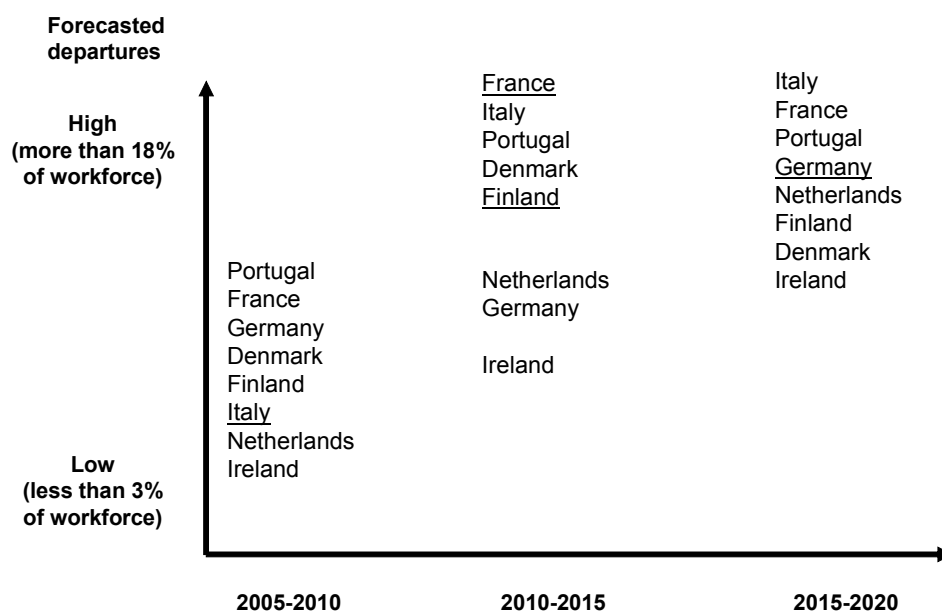
Figure 7. Illustrative scheme of ages in public and private sector labour forces



Source: OECD (GOV).

15. As with the general labour market, it is important to look at trends as well as current age proportions in the public service. Some countries are facing immediate challenges with increased departures (particularly Denmark, Finland, France, Germany and Portugal). However, the largest waves of retirement in those countries will start between 2009 and 2015 and will continue until 2020. See Figure 3.

Figure 8. Forecasted departures due to ageing at central government level



Note: Percentages are percentages of current workforce cumulative over the entire five-year periods.

Countries are underlined when they start to face significant decreases in the proportion of economically active workers in the general labour force.

Source: OECD(GOV) forecasts.

1.2. Challenges and opportunities of ageing on the management of public services

16. Ageing populations and general labour markets exacerbate the capacity problem caused by ageing public service workforces in the relatively short run. The ageing population is creating new demands on the public service and potentially less economic growth (and thus less fiscal room for manoeuvre); the ageing public service increases the fiscal burden while decreasing the immediate capacity to respond to the new ageing challenges. However, in the longer run, the ageing public service can also be an opportunity governments could seize to better organise the public service to face the consequences of the ageing society.

1.2.1. Direct financial and fiscal challenges

17. On the financial and fiscal sides, governments will have to face a considerable increase in the costs allocated to covering pensions for both society as a whole and the public service in particular, as well as increased health costs. Age-related spending will increase substantially, starting from 21% of GDP in 2000 to 27% of GDP by 2050.⁵ Spending on old-age pensions and spending on health and long-term care are each projected to increase on average by more than three percentage points of GDP (spending on child benefits and education could provide a small offset) between 2000 and 2050.⁶

5. "Policies for an Ageing Society: Recent Measures and Areas for Further Reform", *Economics Department Working Papers No. 369*, OECD, 2003.

6. Not including the impact of some reforms. "Policies for an Ageing Society: Recent Measures and Areas for Further Reform", *Economics Department Working Papers No. 369*, OECD, 2003.

18. The ageing civil service is all the more a problem as public service pension schemes have traditionally been more generous and not as well-funded as private sector schemes.⁷ In addition, an ageing public service tends to be more costly as it includes more senior staff on average. In principle increased cumulative experience could help increase labour productivity in the public service, but there is no hard evidence for this.

19. In the longer run, however, the ageing public service represents a strategic opportunity to downsize the public sector workforce where needed and adapt it to the changed needs of an older public, to hire younger (and thus cheaper) employees, and also make structural changes to the conditions of employment of these new employees under different – *i.e.* more flexible and maybe cheaper – conditions of employment where deemed reasonable. Table 2 indicates that the room for manoeuvre is largest where labour costs and the rates of departure are both high. In this sense, France and Portugal benefit from a particularly advantageous situation

Table 2. Compensation costs and scope of departures in government

Compensation costs as a % of GDP (in 2005)	Relatively low < 8% of GDP	Medium 8% - 13% of GDP	Relatively high > 13% of GDP
Relative size of departures due to ageing until 2020			
Relatively low		Ireland	
Medium		Netherlands	Denmark Finland
Relatively high		Germany Italy	Portugal France

Wider room for manoeuvre implied by the departures due to ageing

Source: National accounts, GOV forecasts.

1.2.2. Challenge of contributing to flexibility in the wider labour market

20. As noted above, with an increased number of retirees, the labour market as a whole will be affected by ageing, leading to slower economic growth. In countries with high unemployment levels (France, Germany, Portugal in this study), a tighter labour market might provide some relief and in the end have more positive consequences if the skills of the unemployed match the vacancies. In many countries, however, given the large shares of public employment in OECD member countries, the high replacement needs in the public sector could risk pre-empting the private sector’s access to new labour market entrants, which in the past have been a source of flexibility.⁸ In addition, it is possible that in some countries, a tighter labour market will lead to increased costs in attracting and retaining younger employees, decreased attractiveness of the public sector employees, and the need to hire staff who are less qualified than those public services attract today.

21. A recent OECD study concludes that depending on the replacement scenario, the consequences of an increased number of government employees retiring will be either a significantly increased share of government hiring of new entrants into the labour market – and thus major competition between the public

7. “Public Sector Pensions in OECD Countries”, OECD, 2006, GOV/PGC/PEM(2006)13.

8. “The Labour Market Impact of Rapid Ageing of Government Employees: Some Illustrative Scenarios”, *Economics Department Working papers N 441*, OECD, 2005.

and private sectors in the wider labour market – or the need for an increase in government productivity by 0.5-0.75% per year between 2005 and 2030 (over and above current average productivity increases).⁹

22. Other labour market measures, including supply-side changes ranging from educational reforms to skills-based immigration policies are not covered in this report.

1.2.3. New demands on the public service and consequential need for reorganisation

23. The ageing of society as a whole will put new pressures on the public service. The public service will have to make major readjustments to face the increased needs in the social and long-term care services for the elderly. For the 19 countries where this information is available, the OECD projects an average increase in health and long-term care spending of around 3-3.5 percentage points of GDP over the period from 2000-2050.¹⁰

24. Again, departures of staff retiring from the public service provide a unique opportunity to reallocate staff numbers across sectors. Governments will be in a position to hire new staff in other sectors rather than the somewhat more costly option of having to re-train staff and reallocate them to different sectors. With health services being at least partially provided in many countries at sub-national government levels, it is likely that the reallocation of staff will have to be accompanied with a reform aiming at reallocating resources across levels of government. This reallocation of resources represents a major challenge in OECD member countries.

25. In addition, these changes are also an opportunity to rethink the organisation of the provision of public services in many sectors, and especially in the health and long-term care sectors. With many staff leaving on retirement and major institutional and reallocation changes ahead, it will be easier for governments to reform the way public services are provided, including a devolution of those responsibilities at lower levels of government or a regionalization of services. In addition, and after careful reviews of costs and benefits, governments should be in a relatively good position to privatise some functions, contract out some services or, in some cases, create new public-private partnerships.

1.2.4. Short- and long-term capacity of the public service

26. With a very large proportion of the public service retiring over a relatively short period of time, maintaining the capacity of the public service to deliver the same level and quality of public services for all citizens is a complex task to be managed – and all the more so since this must be achieved in tandem with service delivery changes to meet the new demands from an ageing society. In addition, the costs of maintaining capacity are at odds with the pressure to decrease staff costs because of the needs for new recruitment, for retaining older and hence more expensive workers in the workforce, and for increasing resources devoted to training. It is also important to limit public/private sector competition for new workers within the general labour market through new hiring.

27. These challenges must be faced however, as in all countries measures will have to address the looming capacity crisis. 28. The capacity crisis seems to be particularly acute at the management levels in all countries. Management levels tend to have a much higher average age and are thus nearer to retirement. In addition, countries have also noted that because of the baby boom bulge within the public

9. “The Labour Market Impact of Rapid Ageing of Government Employees: Some Illustrative Scenarios”, *Economics Department Working papers N 441*, OECD, 2005.

10. “Projecting OECD Health and Long-Term Care Expenditures: What are the Main Drivers?”, *Economic Department Working Paper N° 477*, OECD, 2006.

service workforce, managerial positions have been dominated by this age group with little prospect for younger staff to be prepared to assume these positions.

Table 3. Ageing in and departures of staff from management levels and executive functions

Australia	As underlined by the <i>State of the Public Service Report 2004-2005</i> , the ageing of more senior employees is particularly pronounced: since 1996, the proportion of ongoing Senior Executive Service employees aged less than 45 has fallen from 32.8-28.1%, while the proportion aged over 50 has risen from 34.9-43.9%. As the 55 and over age group shows a similar pattern, 44% of current managers and 28% of executives are expected to leave their posts by 2010.
Denmark	The central government has a relatively high number of older managers.
Finland	The occupational group with the highest natural attrition is senior management. The average age of the central government's senior management is 12 years higher, and for middle management eight years higher, than that of central government personnel as a whole. It is estimated that by the year 2020, 90% of current senior management in the central government will have left due to retirement or employment in other sectors. The corresponding figure for middle management and senior officials is 69%.
France	According to surveys and data that focus specifically on the senior civil service, ¹¹ a drastic skills reduction is anticipated, beginning in 2006, as many employees in leadership positions retire.
Germany	The majority of current executives are in the age group of 55-60 year olds, at all three levels of government. The proportion of executives in the younger age groups is very low. In this respect, large-scale departures of managers are forecast between 2010 and 2015.
Portugal	As in all other OECD member countries studied, senior officers are one of the functions most affected by the ageing process. The only exception affects top management positions. In recent years, younger top managers have been appointed, making this group less affected by ageing.
The Netherlands	As in the majority of OECD member countries taking part in the project, management functions will be the most affected by the ageing process. A large proportion of managers will leave the workforce over a short period of time, and will need to be replaced.

Source: Country case studies.

29. In most countries also, it seems that in absolute terms, the social sectors are most affected by the capacity crisis. This is not surprising since these represent the sectors which grew the most during the largest wave of hiring in the public service. Although eventually the education sector will have less demand due to a decrease in the young population, in some countries the projected departures far outweigh the numbers involved in the decreased demand for this service.

11. "Recent Transformations in the Senior Management of the Civil Service in France", DGAFP, Working paper presented in the conference "Profession in Perspective on the Main Senior Civil Service Evolutions", The Hague, November 2005.

Table 4. Ageing and departure challenges in the health and education sectors: France, Ireland and the Netherlands

France	<p>The evolution of the age structure in the hospital civil service shows a considerable ageing process over the past decade: the proportion of workers 50 years old and over was 13.1% in 1992, rose to 16.6% in 1997, and reached 23.9% in 2002.</p> <p>Teachers at the primary and secondary levels benefit from early retirement schemes (average retirement age is around 55). Against this background, large-scale departures have already started and will continue to increase in this sector from 2008 to 2010, while one civil servant in four may have retired between 2005 and 2010. By 2020, more than 60% of current employees in the education sector will have retired.</p>
Ireland	<p>The healthcare sector is expected to be one of the sectors of the public service in Ireland most affected by ageing issues.¹² 2006 data on the health sector (excluding staff from voluntary hospitals¹³) show that around 27% of staff are over 50, and thus expected to leave mainly between 2015 and 2020. National projections for the health care sector conclude that if the demand for medical practitioners rises in line with population growth between 2004 and 2015, the gap between the demand and the domestic supply would be very high (around one-fifth of the whole of practitioners¹⁴); however, if supply from immigration is maintained, then the gap will be quite low (only 329 practitioners). The most preoccupying analysis is provided for nurses, the most important professional occupation of the health sector. The health care survey predicts that current education provisions can not provide the number of nurses needed: if demand for general nurses rises as it has done in the past, 48 000 nurses will be needed in 2015, but the continued immigration of nurses will alleviate nursing shortages in the short term.¹⁵</p>
The Netherlands	<p>The education sector is projected to be one of those most affected by ageing.¹⁶ Half of all education employees are aged over 45: 28% in primary education and 39.6% in secondary education are older workers, who will be retiring in large numbers between 2010 and 2015. The most affected function within the education sector is teaching.</p> <p>As for the health sector, the workforce is younger than in the public service but still has a significant proportion of older workers (22.6%).</p>

Source: Country case studies.

30. The most significant capacity problems take place at varying levels of government depending on the country. Among the countries studied, national governments will be the most affected by an ageing civil service in France, while sub-national governments will be the most affected in Denmark, Germany and the Netherlands.

12. The government, the Minister for Health and Children and the Department of Health and Children are at the head of health service provision in Ireland. On 1 January 2005 the Health Services Executive took responsibility for the delivery of all health and personal social services nationally.

13. The total health public sector gathers 101 000 public employees, among which roughly 23 000 are employed by voluntary hospitals.

14. The number of medical practitioners required in 2015 is forecast to be 10 555. The gap between the demand and the supply will be 2 330. In "Healthcare Skills Monitoring Report", August 2005, *op. cit.*

15. *Op. cit.*

16. Responsibility for the management of the education sector belongs to the local government level, even if more than 80% of the wage bill is centrally determined and then redistributed to local units (corresponding to primary and secondary education). Local governments are responsible for public school management, since decisions are made by school boards that are formed by individual municipalities.

2. Country actions

31. This section gives a snapshot of the government human resource management policies which the study has identified in the nine countries examined, as they begin to face the ageing challenge.

2.1. How are countries addressing cost containment and the need for productivity increases in the public service?

2.1.1. A strong focus on the financial sustainability of pension systems and on downsizing

2.1.1.1. Pension reform¹⁷

32. The financial sustainability of pensions schemes has been the main preoccupation for pension reform in OECD member countries.

33. Pension reform has focused on aligning rights and benefits of public servants with those of private sector employees. Reform has aimed at (not all apply to all governments): *i*) reducing benefits; *ii*) keeping older workers longer at work; and *iii*) moving to funded defined contribution schemes through the following revisions to the pension systems:

- extending contribution periods or qualifying period for benefits;
- reducing the reference salary and cutting annuity rates, thus reducing the replacement rate; new schemes that offer lump sum benefits only (e.g; Australia's Public Service Superannuation accumulation plan (SSap))
- raising the retirement age and removing maximum retirement age;
- reducing compensatory entitlements for women;
- changing entitlements for sick and disability benefits in order to limit early retirement;
- financial disincentives for early retirement, for example via investment return on employer contributions;
- financial incentives for deferred retirement, for example by way of increased contributions (due to longer period) in the fund;
- moving from defined benefits to defined contribution schemes;
- development of funded occupational schemes and contributions by civil servants to the financing of their pension schemes.

17. This part is based mainly on "Public Sector Pensions in OECD Countries", OECD, 2006, GOV/PGC/PEM(2006)13.

Box 1. Overview of pension reform in selected OECD member countries

Australia The Australian government introduced the PSSap as a fully funded accumulation scheme for most new Government employees since 1 July 2005. The Public Sector Superannuation Scheme (PSS), which was an unfunded defined benefit scheme established in 1990, was closed to new members from 30 June 2005. Since 1 July 2005, most new Australian Government employees have been able to choose to have employer contributions paid to PSSap or another complying superannuation fund or retirement savings account.

Denmark The current scheme came into effect in 1919. The reforms undertaken have not changed the formula for computing pensions. However, eligibility rules were amended. For example, the normal retirement age was lowered from 67 to 65 years. Buy-back of certain periods of absence is allowed in defined-benefit schemes. Legislation in the pipeline also provides for retirement prior to the statutory age. To encourage people to stay on the job, arrangements have been introduced for gradual retirement. An amendment is being prepared that would make it easier to retain certain categories of employees beyond the normal retirement age. These reforms seek to ensure the financial viability of the schemes and to introduce more flexibility, along with equality between workers. Certain segments of the public sector have in fact been privatised. Since 1 January 2001, appointments of public sector employees have been limited to a series of occupational categories specified in a circular of 11 December 2001. Staff not listed in the circular are considered to be in the private sector.

Finland Alignment between the private and public sectors has been ongoing since 1967. For instance, in 1989, partial pensions were introduced in both sectors. Beginning in 1993, a fundamental reform of public and private sector schemes was carried out with a view to correcting financial imbalances stemming from population ageing and early retirement. Because of the reform, the benefits for workers in the two sectors have become more evenly balanced. The reform, which had been intended to apply only to new entrants to the public sector, was eventually extended in 1995 to all persons under 55. The 1995 measures led to an increase in the normal retirement age (from 63 to 65) and in the contribution period (from 30 to 40 years). The annuity rate was cut to 1.5% per year instead of 2.2%.

In order to keep workers on the job after 55, the annuity rate was increased to 2.5% per year. As from 2005, the rate was set at 1.9% for people aged 53 to 62 and at 4.5% for those aged 63 to 68. Employees can also receive pension increases. The rules for the basic scheme were changed in 2005 but the benefits are the same for all. Periods of illness and parental leave now confer pension entitlement. The reference period for computing pensions was lengthened: the last four years in 1987, the last 10 in 1996, and the average salary over a person's entire working life in 2005.

This pension reform was accompanied by changes in government employment, which was reflected in the privatisation of state-owned enterprises. This shift led to a reduction in the categories of staff covered by the pension system. The number of state employees decreased by nearly 70 000 people between 1988 and 2003 – 90% because of privatisation and 10% because of staff cutbacks. Teachers and other public sector employees will get slightly less favourable pensions as a result of the changes in 1995.

Survivors' pensions are based strictly on the pension of the deceased worker.

Box 1. Overview of pension reform in selected OECD member countries (suite)

France The civilian and military pension scheme has existed in its current form since 1924. It was reformed in 1947, in 1964 and more recently on 21 August 2003. For its part, the scheme applicable to civil servants working for sub-national authorities and public hospitals has been in existence since 1947. The 2003 reform applies to that scheme as well. This latest reform changed the pension calculation rules by gradually extending the mandatory contribution period for a full pension until 2020. It instituted a system of increases and decreases of the reference period to encourage civil servants to work longer. Nevertheless, a public sector employee may not continue to work more than 10 quarters beyond the normal retirement age without incurring a penalty. The rules for drawing a pension and earning income at the same time were relaxed. Non-permanent employees who become civil servants are able to validate the time they served as non-permanent employees. In addition, public sector employees may opt to purchase years spent in higher education, although this entitlement is limited.

French legislation had to become compliant with European law in respect of pension benefits by virtue of the principle of equality between men and women. Provisions were adopted in favour of part-time workers, who are now eligible for the same benefits as those working full time, as long as they pay in the additional contributions. Progress was also made with respect to surviving spouse pensions, with the abolition of restrictions on the widowers or non-remarried divorced husbands of female civil servants.

Netherlands The current pension system dates back to 1922. In 1995, the legislation was amended. In 1996, the Netherlands' largest supplemental pension scheme (ABP) was privatised. The current rules took effect on 1 January 2006.

The formula for calculating old-age pensions was changed. The contribution period was increased, as was the normal retirement age (from 62 to 65). Since 2006, pensions are based on average earnings. Early retirement is still an option, although flexible pensions have been abolished. The "*levensloopregeling*" was introduced, replacing early retirement while keeping some elements of free choice over when to retire. In 2006, the minimum retirement age for public sector employees was raised from 55 to 60.

The scheme applicable to atypical workers was amended so that the entitlements conferred are similar to those of typical workers. Survivors' pension entitlements were cut in half.

Source: "Public Sector Pensions in OECD Countries", OECD, 2006, GOV/PGC/PEM(2006)13.

34. Overall, the OECD/GOV paper concludes that there is little linkage between pension reform and other public sector management reform strategies.

35. In most countries, the linkages between pension reform strictly speaking and the rest of the ageing strategies are unclear. While one of the goals of pension reform is to retain older workers, it is also one of the goals of the ageing strategies in order to maintain capacity. In some countries, pension reform is almost the only really significant reform involved in the ageing strategy. In other countries, it is barely strategically linked to the rest of the ageing strategy and in particular to workforce planning issues.

36. Analysis of the case studies and survey data show that although retaining older workers has an important financial impact on pensions, it only delays the looming capacity crisis in the public services of OECD member countries by a few years. Retaining older workers at work will thus have a minor impact on capacity.

37. The real overall financial impact of delaying retirement is also unclear as older workers tend to earn more than more junior workers. Only a few countries seem to have rethought their pay systems following the increased wage bill due to the ageing workforce (Denmark, Germany, and Italy foresee such reform in the future).

2.1.1.2. Downsizing

38. Some countries have recently been focusing on downsizing their public employment. This is the case in Denmark which has decreased public employment through normalization and privatization of activities, and other countries which have imposed hiring freezes (Italy, the Netherlands, and Portugal).

39. Other countries are using, or planning to use, natural attrition to decrease their public employment, through a replacement of departures rate of less than one to one: Finland and Portugal have decided on a 70% and 50% replacement rate respectively. Other countries have less ambitious goals such as France which has determined it will replace 90% of its civil servants leaving on retirement. But overall, very few are actively using the opportunity of larger departures to proactively manage the size of their workforce.

40. In most countries, the health (because of increased demand in the future) and education (because it is very much affected by ageing and departures) sectors are exempted from the downsizing efforts.

41. Australia is a special case in that it does not seem to face the need to further downsize the workforce.

42. The federal government thus concentrates on maintaining and improving capacity. There is no mandatory retirement age for the federal public service. Its policy aiming at retaining older workers is much more based on improving recruitment and career paths (to be ready for hiring less qualified candidates in a tighter labour market, increased opportunities for lateral entry in the public service at management levels, developing talent pools ready to move to the executive levels) than other OECD member countries.

2.1.2. Wider public sector management reforms for productivity increases

43. In many countries, cost containment and downsizing are core to mechanic productivity increases in the ageing strategies. Most countries, however, have also embarked on wider public sector management reforms that, it is anticipated, will produce dynamic productivity improvements.¹⁸ These include e-government, improved training, knowledge management, performance management. Except in Finland, there is little evidence that countries are linking these wider public sector management reforms to the need to improve productivity due to ageing, apart maybe from training.

44. Reforms are usually introduced it seems more as a way to maintain or improve capacity than to increase productivity.

18. Improvements to productivity in terms of efficiency as a consequence of improved work practices are referred to as “dynamic productivity gains”. Improvements that result from resource reallocation are referred to as static gains.

Box 2. Finland: The Productivity Programme and the Decision on Central Government Spending Limits

Both the Productivity Programme and the Decision on Central Government Spending Limits emphasize the importance of strategic planning and human resources development and management. Otherwise, the intended goals in productivity and efficiency cannot be reached in a sustainable way.

The Productivity Programme for Public Sector 2005-2015

The Ministry of Finance is currently responsible for leading the Productivity Programme for Public Sector 2005-2015. Each administrative domain and individual government agency and institution are responsible for carrying it out. The main objectives are:

- increasing the productivity and efficiency of the public administration and services through structural and functional reforms;
- systematic use of productivity advantages;
- encouraging an increase in productivity, economic efficiency and structural and functional reforms through the finance and guidance systems and government subsidy system;
- using IT and data communications to increase productivity;
- introducing adequate reforms to increase labour force competitiveness and know-how;
- making adequate research and development work about public sector productivity available.

Public services should be produced as productively, economically and effectively as possible using the available personnel. The focus is on leadership and management, operational processes, utilizing IT technology and foremost the know-how, motivation and well-being at work of the personnel.

Decision on Central Government Spending Limits in 2007-2011, productivity actions decided by the government

The government has implemented action packages to improve the productivity of general government, with service structure reform, renewal of structures and operating methods in central government operations and improvement of the use of IT.

With increased productivity, the number of personnel can be adjusted in a controlled manner. The aim is to reduce the number of central government personnel by a total of 9 600 person-work years by 2011, *i.e.* 7.9% of the total central government person-work years. The reduction in the number of personnel covers only a third of the estimated natural attrition.

All targets and measures are based on the productivity programmes drawn up by the ministries in administrative branch in 2004 and 2005 and the further joint preparations by the ministries and the Ministry of Finance together.

Source: Finland case study and *Decision on Central Government Spending Limits in 2007-2011*, Ministry of Finance.

45. In addition, the opportunities of ageing are rarely taken advantage of in order to modernise public services so as to improve productivity. For instance, Portugal mentions an ongoing human resource management reform which provides managerial flexibility in hiring as long as staff are on contracts and not under civil service status.

46. Finally, apart from the Netherlands, countries studied in this review are not placing emphasis on alternative service delivery as a way to respond more efficiently to the ageing challenges. At the whole-of-government level, no country seems to be on its way to reviewing government functions and roles in the delivery of services that will be the most affected by new demands of public services.

2.2. *How are countries addressing the need to maintain capacity?*

47. Unless productivity increases are very significant, governments will have to address the issue of capacity maintenance throughout government by major new hiring and through reallocation of staff. This is particularly the case in the most affected sectors by departures (for example, education in many countries and health) and by increased demands due to the ageing society (health and long-term care). In addition, it is clear that specific measures will have to be taken to address capacity needs at managerial levels.

48. Some countries have proactive recruitment strategies to face future critical skills shortages. In general, the most ambitious proactive strategies concern maintaining older workers at work by delaying retirement age and providing incentives for staying at work longer. This is not necessarily a cheap option compared to hiring younger staff. But these measures will at best delay the critical phase of massive departures by one to three years on average. In addition, in countries with lower levels of unemployment, maintaining the competitiveness of the public employer will be a critical issue for the public sector.

Box 3: Attractiveness Program in Denmark

The State Employers' Authority of the Danish Ministry of Finance has made working on improving the competitiveness of the sector in order to attract new employees to the different state institutions a high priority.

This includes marketing activities which target, for instance, recently educated academics (participating in Career and Education Fairs, etc.). It also includes a change in relation to the pay system (making it more attractive for younger persons to enter the state sector) and a modern and active personnel policy (being a front runner in HRM in relation to the private sector).

Source: Denmark case study.

49. Workforce planning across sectors remains a rather weak point of most ageing strategies. Of the countries studied, apart from France where workforce planning is at the core of the ageing strategy for all levels of government, and Australia (at least at the federal government level), countries are putting little emphasis on the needs for changes to the workforce in the different sectors or at the different levels of government. In the case of countries such as the Netherlands, which has a decentralised approach to competence needs planning, it is difficult to see how a cross-sectoral approach could be taken.

50. In addition, all countries are putting some emphasis on improved training and knowledge management, as well as mobility, with a special emphasis on leadership and management in many countries.

- Compared to other countries, Finland and Denmark, which forecast difficulties in recruitment, seem to have the most proactive recruitment strategies: while not replacing all staff leaving on retirement, they have adopted measures to keep older staff at work, and planned increased hiring in some sectors (although this is only mentioned and not clearly planned in detail yet).
 - Finland, which will be one of the most strongly and most quickly affected country by the ageing civil service, has delayed the mandatory retirement age for civil servants and decreased pension rates in case of early retirement, and improved working conditions for older workers. However, these measures can at best delay the peak of massive departures by two to three years. In addition, as Finland has a clear policy of downsizing at central government level, it might provide room for manoeuvre for hiring staff in the health sector – although the actual trade-off remains unclear. Finally, Finland places emphasis on lifelong training, improved training for managers, and labour market-wide measures to improve attractiveness and workability.

- Denmark is the only country that has decreased the pension age from 67 to 65 years old in 2004, however, special pension and work-life balance incentives for people to stay in service after 60 years old have been established. Presently, the Danish State Personnel and Management Policy is working on a broader recruitment strategy that will target older workers for recruitment and improve the image of the public employer with young graduates. In addition, Denmark forecasts increases in hiring in the health sector, but no specific plans have been made yet. Denmark is also putting some emphasis on increased mobility, especially vertical mobility for senior managers, and special training, knowledge management and performance management for older workers.
- France and Ireland, which do not forecast major attractiveness difficulties when they have to scale up their hiring significantly, seem to have adapted their recruitment strategies for the coming years.
 - France has adopted a number of structural measures to remove incentives for people to leave on early retirement, and has increased the number of years of obligatory pension contributions in order to receive full pension benefits. As noted, as part of the GPEEC, many ministries are in the process of identifying their recruitment needs (see Box 4). Other recent measures that aim at abolishing age limits for entering the civil service, or improving mobility across sectors, while they were not necessarily aimed at addressing ageing challenges, will have a positive effect on recruitment. Finally, the government has increased recruitment in the health sector and increased possibilities for lateral entry in the senior management group.
 - Ireland has removed its compulsory retirement age (previously set at 65), increased the pension age of most new-entrant public servants 65 (this will not impact the peak of departures), and increased financial disincentives for early retirement. The government has launched a new recruitment strategy that is not specifically linked to the ageing challenge, that aims at hiring relatively younger people and other people with specialist and technical skills in areas where there are skills shortages. In addition, the government has decided to increase open and lateral entries but with limited implementation so far. Despite current downsizing efforts for the whole civil service, the new hiring policy might be extended in the future when the government faces new capacity challenges. However, Ireland plans to rethink its human resource policy in order to manage the impact of ageing, especially in terms of meeting skills shortages at managerial level.
- Other countries seem to be only focusing on cost savings in their human resource management strategies:
 - In Italy, pension reform has also focused on retaining older workers at work by changing the pension and legal retirement age and increasing the contribution period. In terms of capacity and workforce planning, public expenditure containment remains the overarching goal. Hiring freezes have been ongoing for several years in the health and education sectors, and will continue until at least 2007. No new recruitments are planned to offset massive staff departures.
 - In Germany, through pension reform, the government has adopted measures to retain older workers as well as to restrict early retirement schemes and increase mandatory contributions for pension entitlements. Federal authorities have decreased employment by 32% since 1998, and only a limited amount of new hiring is taking place.

- In the Netherlands, the government's policy to retain older workers has mainly focused on restricting early retirement and increasing the contribution period. Apart from a priority hiring in the health sector, little emphasis has been put on the need to hire new people.
- Portugal intends to continue its policy of downsizing with the replacement of two leavers with one entrant, and stick to hiring freezes at the central level. In addition, Portugal has implemented a pension reform that has increased mandatory contributions and strictly the possibilities of early pensions.

Box 4. Forward-looking management of employment and competencies (GPEEC) in France

Introduced in the early 1990s, the GPEEC is a core element of ageing policy over the medium term in the public service. It is an ambitious government-wide strategy which forecasts adapting staffing needs to public policy objectives. It takes into account the ageing of the population and of public servants. However, the GPEEC is not one single policy for managing ageing policy, it also aims to improve the efficiency of the public service.

Assessment of the GPEEC in the state civil service

The goals are:

- better prepare recruitment in the public service and HRM policy while taking into account the demographic context in order to increase competition with the private sector on the labour market ;
- allow the state to be more precisely accountable to citizens concerning the evolution of the number of staff in the civil service;
- nurture social dialogue by opening a debate with the unions. The framework and rhythm of this dialogue is up to each minister to define.

In the state civil service, each minister is responsible for creating a GPEEC plan. These plans are diverse and reflect the particularity not only of public policies but also of administrative organisations. Ministers can decide, depending on their objectives and constraints, to draw up a GPEEC plan more or less complex. Apart from this necessary diversity, all GPEEC plans use the same methodology, thus assuring consistency.

Concerning the state civil service, the GPEEC has become one of the levers of modernising HRM and one of the ministerial reform strategies. Even if the responsibility for drawing up GPEEC plans remains therefore above all a ministerial procedure, GPEEC are part of a more global strategic axe and for modernising the state. That's the reason why the Minister for Civil Service is responsible for summarizing this issue.

Analysis of GPEEC plans shows that all ministries have made progress aligning staff with missions. They all have also integrated, more or less successfully, HRM strategies in their GPEEC plans.

GPEEC in the other civil services (hospital civil service and territorial civil service)

GPEEC in the hospital civil service has also developed over the last few years. The census of professionals by specialisation and by profession should be supplemented by an analysis of care practices taking into account cooperation between professions.

Finally, in the territorial civil service, the GPEEC mechanisms have also developed. Even if there can not be a "standard model", given the very important number of territorial employers (more than 55 000), different in size as well as by their structure and mission, reflections are carried out today at the regional level, with the implementation of regional conferences for territorial employment and training assembling all actors in the field.

2.3. How are countries addressing the need to reallocate resources according to new priorities?

51. The issue of reallocation of resources according to new priorities is a complex matter. Reallocating resources requires first to have a clear vision of policy priorities, a clear assessment of

sectoral needs, and a clear multi-year resource allocation system. Second, it requires some financial and staffing flexibility – which, theoretically, all countries now have thanks to large staff departures.

52. But most importantly, the reallocation of resources due to ageing is made significantly more difficult by the allocation of responsibilities across levels of government. Most countries recognise the need to save resources at the central government level, and reallocate resources to sub-national levels that are in charge of health and long-term care in most cases.).

53. As we have seen in the previous section, many countries are planning to increase staffing in the health and long-term care sector while implementing a decrease of the workforce in other sectors. However, few countries seem to publicize the consequences of such changes on hiring in other sectors (the link between general hiring freezes or low replacement rate of staff leaving on retirement and increased hiring in the health and long-term care sector is rarely made), and on the need to reallocate resource across levels of government.

54. Countries that mention the need to reallocate resources across levels of government include Denmark, Finland, France, Italy, and Portugal. Denmark and Finland even contemplate institutional change with changes in the division of responsibilities across sectors in order to better address the ageing challenges.

55. No country mentions numbers in terms of changes in resource allocation. In all likelihood, this is due to the fact that this type of reform is institutionally and politically complicated and will probably be implemented on an incremental and *ad hoc* basis rather than following a long-term planning exercise.

2.4. *How are countries managing their public service so that departures do not lead to future hiring that tightens the wider labour market?*

56. Preventing a tightening of the wider labour market following the waves of departures in the public service is not a goal in most countries studied. While high unemployment can justify this situation in some countries such as France, Germany and Portugal, other countries with tighter labour markets (low unemployment and high older worker participation rates) such as Denmark, will be in a more difficult situation. In most countries the consequences of the waves of departures on the wider labour market and thus on the wider economy have not been taken into account in the public service ageing strategy. There is also no indication that countries are working with the actual macro calculations that would allow them to devise policies aiming at maintaining labour market flexibility in the context of large departures from the public service.

57. All countries have policies aiming at keeping older workers at work. These policies, however, will only delay staff departures by a few years, and thus their impact on the labour market will be limited. Other more specific policies include the following:

- In Finland, the public sector ageing strategy aims at increasing the productivity of the whole economy, hoping that it will decrease the pressures on the labour market.
- In the Netherlands, mechanic increases in productivity should limit the impact of departures in on retirement in the public service on the wider labour market.

58. Finally, as the hiring and retention of older workers becomes a labour market-wide priority with the needed implementation of age-friendly employment policies and practices,¹⁹ the public employer could

19. *Ageing and Employment Policies, Live Longer, Work Longer*, OECD, 2006.

set the example and establish state of the art practices in this field. It does not seem, however, that this has been developed as a priority in the reviewed countries.

3. Review of country strategies

3.1. Policy tools

59. The public sector management responses identified in the previous section can be summarised as follows:

i. Capacity maintenance

Ensure staffing needs through adequate planning
Retaining older workers

Workforce planning
Remove legal obstacles to continued working
Legal restraints on age-related discrimination in recruitment and promotion
Provide financial incentives to older workers to remain in work
Encourage flexible working arrangements
Encourage dual careers (post-retirement re-employment in the public sector)
Deter early retirement
Delay retirement age
Special recruitment incentives for key skill gaps
Increased opportunities for lateral entry in key areas
Modernize HRM to attract young graduates
Increase recruitment in some key areas
Fast track promotion to cover key gaps
Other management tools to improve career management
Focused training/skill development schemes
Improve employment structure

Targeted recruitment

Career management

Mobility

ii. Cost containment/ productivity increase

Pension reform

Shifts towards defined contributions
Calculation of benefits
Actuarial adjustments
Increase retirement age and contribution period
Downsizing/computerisation
Pay reform
Organisational and management changes
Privatisation of major functions
Contracting out

Efficiency savings

Functional review

iii. Adaptation of public service to wider ageing challenges

Reallocation (budget and staff) according to new public service priorities
Institutional reform

iv. Contribution to maintaining flexibility in the wider labour market

Pension reform
Incentives to delay retirement

60. As mentioned earlier in the report, the use of a tool to reach a policy goal can have a negative consequence to reach another policy goal. For example, while retaining older workers can have a positive effect on capacity maintenance, its effect on cost containment varies depending on whether keeping older workers on is more expensive than them leaving on retirement. Similarly, downsizing has positive effects on cost containment but can have dramatic effects on capacity maintenance at times when large cohorts of employees will be leaving the public service. The effects of the use of the different policy tools on the different policy goals are summarised in Table 5.

61. Because of the different policy goals that should be achieved and the contradictory effects of the use of some policy tools on the different policy goals, it seems very important that the public service ageing policy should be all encompassing and well thought through. In addition, because there are discrepancies between the levels of government or the bodies that deliver social services and the bodies where ageing will provide some room for manoeuvre in terms of staffing, it is important that the ageing policy be coordinated across government organisations and across the different levels of government.

Table 5. The effects of policy tools on the different policy goals

Policy goals	Cost containment	Capacity maintenance	Adapting the structure of the public service to wider ageing challenges	Contribution to maintaining flexibility in the wider labour market
Workforce planning	Positive, minor	Positive, major	None but can help promote wider changes	Positive, major
Retaining older workers	Positive, major	Some positive in the long run	None	Positive
- Pension reform	Positive, major	Positive	None	Positive
- Other incentives	At best none, but overall can have a negative effect	Positive	None	Positive
Targeted recruitment	Negative	Positive	None	Negative
Career management	Positive, minor	Positive	None	Positive, minor
Mobility	Negative, minor	Positive	None	Positive, minor
Other pension reform	Positive, major	None	None	None
Efficiency savings	Positive	Negative unless very well planned across sectors	Negative unless very well planned across sectors	Positive
- Downsizing	Positive	Negative unless very well planned across sectors	Negative unless very well planned across sectors	Positive
- Pay reform	Positive	Negative, minor	None	Negative, minor
- Organisational and management reforms	Positive	Positive	Positive	None
Functional review and reorganisation of public service delivery	Positive if well managed	Positive if well managed	Positive if well managed	None
Reallocation of staff and resources	None	Positive	Positive	None
Maintain flexibility of the wider labour market	None-but can help better plan and avoid crisis	Positive	None	None-but can help better plan and avoid crisis

Source: OECD (GOV) conclusions from case studies.

3.2. *Country-specific enabling conditions and constraints*

62. From one country to another, the use of the various policy tools and their outcome vary according to country-specific constraints that have to be taken into account when analysing the situation in the various countries. Some classic reform-enabling factors have to be taken into account such as political support for reform, sense of crisis, leadership. But more specifically in terms of the management of the public service, and in addition, obviously to the demographics, the following conditions influence the room

for manoeuvre that countries have in their reform choices, as well as their capacity to make the necessary adjustments:

3.2.1. *Economic context*

1. *Fiscal balance and debt.* Some countries are in a relatively better position regarding present and future fiscal balance and debt. This situation can be due to general macro-economic factors, to good management practices, to past reforms that have had a positive effect or that will have a positive effect such as pension reform and downsizing efforts, as well as to the demographic situation. Countries in this situation are in a better position to address their capacity difficulties than countries which have to focus primarily on cost containment.
2. *The situation in the wider labour market.* In terms of the structure of the labour market, both the actual participation rate of older workers and public servants in the labour market (and participation rates of public servants can be higher or lower than in the rest of the country depending on the country) and the unemployment levels are very important preliminary conditions to take into account. The higher the unemployment rate and the less important the effect of increased public sector hiring on the labour market will be. Lower participation rates of older workers in the labour market provides a possible source of additional skills if incentives can be created to increase their participation.
3. *Productivity increases in the economy as a whole.* The higher the productivity increases, the easier the transition will be. Some of the ageing policies address the need to increase productivity in order to decrease the number of staff and provide the same level of service, through an emphasis on e-government, training and knowledge management for example. However, a large part of productivity increases depends on productivity increases in the wider economy, and productivity gains are difficult to measure. In any case, as noted in a preliminary OECD report mentioned earlier, an increase in government productivity by 0.5-0.75% per year between 2005 and 2030 (in addition to current average productivity increases that can be assumed to be between 0 and 1.5% per year) will be necessary to maintain current service levels.²⁰

3.2.2. *Public sector structure*

1. *Policy co-ordination between different government levels particularly in federal systems and very devolved countries.* The co-ordination of ageing policies is probably made significantly more difficult in most countries that have a highly delegated (for centralised countries) or completely autonomous human resource management systems (for federal countries) in the different government levels. Depending on the level of policy co-ordination in the social sectors and the capacity to co-ordinate human resource practices, the ageing policy for the public service can be made more or less coherent.
2. *Rigidities in public sector HRM.* Flexibility in human resource management varies significantly across countries depending on cultural factors, the scope of past reforms, political support for reforms, and systemic features (position based systems are inherently more flexible in the management of individuals)²¹.

20. "The Labour Market Impact of Rapid Ageing of Government Employees: Some Illustrative Scenarios", *Economics Department Working Papers N 441*, OECD, 2005.

21. See "The OECD Human Resources Management Working Party: A Summary Retrospective and an Agenda for Action", OECD, 2005, GOV/PGC/HRM(2005)3.

3. *Budgeting.* Budget reforms such as the use of multi-year budgeting and accrual accounting should help better plan for reallocation and help better structure the ageing reforms.

3.3. *Do countries have holistic proactive ageing strategies?*

63. The ageing population and the ageing public service require holistic strategies that encompass improved service delivery planning and workforce planning across sectors and levels of government, reallocation of resources, and productivity increases. These strategies also have to be proactive to limit the adjustment costs and to take advantage of the unique opportunity provided by large scale departures in the public service that will take place before large-scale departures in the wider labour market in most cases.

64. In the countries studied in this review, most governments seem to be well aware of the ageing challenges and of the need at least to maintain public service capacity in the face of the large scale staff departures. Many have whole-of-government strategies coordinated by a central ministry, even when they have highly devolved public services with most social services being delivered at sub-national government level.

- Australia, Finland, Denmark and Germany have relatively more holistic public sector strategies that are linked to whole-of-government policy reforms.
 - In Australia, the Australian Public Service Commission takes an active role in sharing experiences across government agencies with workforce planning and other ageing related issues. The ageing policies, very much focused on maintaining capacity, are broad but concerns remain as to the co-ordination of the ageing policies across the different levels of government and thus the ability to manage the reallocation of staff and resources.
 - In Denmark, the State Personnel Authority is in charge of the ageing policy that is bound by the new political programme entitled “New Goals – Government Platform’ and launched in February 2005. The ageing policy addresses both workforce adjustments and reallocation of resources as well as a more global policy to retain older workers and a productivity policy. In terms of implementation, however, workforce planning and the balance between downsizing and maintaining capacity are of concern, as well as the actual steps taken to improve productivity.
 - Finland is starting to implement the first ageing programme, “Productivity for Public Sector 2005-2015”, focused on increasing productivity in the public service. This programme is part of an economy-wide government ageing strategy which was approved by the government.²² This proposed strategy seeks to increase the coherence of government’s ageing policies by reforming unemployment policy, tax policy, increasing productivity and improving competitiveness.
 - In Germany, the public service ageing policy is tied to the strategy endorsed by the federal government that combines a sustainable family policy (financial assistance and expansion of childcare) with a policy of active ageing (promoting the use of experience-based knowledge). Within this framework, the federal government has developed a whole-of-government strategy for the civil service that focuses on pensions and developing potential for older people. While the ageing strategy fits a wider ageing strategy for the whole economy, its focus remains particularly limited, and concerns remain regarding workforce planning and resource

22. “Finland for People of All Ages: Government Report on the Future: Demographic Trends, Population Policy and Preparations for Changes in the Age Structure”.

reallocation, the co-ordination of the ageing policies across the different levels of government, retaining older workers and the sustainability of the pension system.

- The Netherlands and France do not have explicit economy-wide ageing strategies but their public service ageing strategies are focused on some structural issues:
 - In the Netherlands, the cornerstone of the project called “Different Government” is to redefine the relationships with the private sector in service delivery and maintain wider labour market flexibility. Discussions mainly focus on the health and education sectors. While cost containment and capacity in the health sector seem well addressed, concerns remain as to the lack of focus on maintaining public sector capacity.
 - In France, the focus is on further developing an existing programme called *Gestion Prévisionnelle des Effectifs, des Emplois et des Compétences* (GPEEC) that helps ministries forecast their future employment and competency needs, the number of staff leaving on retirement, etc., and translating these forecasts into budget estimates for future employment needs. While the government seems to have put a lot of emphasis on workforce planning and maintaining capacity, concerns remain as to the overall financial sustainability of the system, and the pressures on the wider labour market.
- The Italian Government recognises that until very recently, “demographic decline has not been a real priority in the political agenda of past governments.”²³ While the government has launched a key political programme on welfare and new social demand focusing on care for the elderly, the government does not have a specific public service ageing strategy. While some pension reform measures have aimed at containing costs, the rest of the ageing policy remains limited.
- The Irish government, which will meet ageing difficulties in the much longer term than the rest of the countries studied, does not have a whole of public service ageing policy either. Apart from some elements of pension reform, much of the strategy remains to be developed.
- The Portuguese government does not have a specific ageing policy for the public service. The government is presently implementing a combination of hiring freezes, pension reforms, and a delay in retirement age reform. Concerns remain as to the capacity to improve workforce planning, the sustainability of the pension scheme, the coherence of the public service ageing strategy with the new challenges presented by an ageing society, as well as the maintenance of capacity.

65. Overall, only Finland, Denmark, and Germany have ageing policies that are part of a wider labour market strategy to address the ageing challenges for society as a whole. Some policies are relatively more holistic (Denmark, Finland), while others are more tightly focused on some aspects (cost containment in most countries, with workforce planning and reallocation in France, and productivity and maintenance of wider labour market flexibility in the Netherlands).

66. With some exceptions, these whole-of-government strategies for the public service, however, seem to be relatively more focused on reducing costs and the better use of managerial tools to increase productivity with the implicit aim of retaining the *status quo* in terms of their capacity. Little in the strategies appears to seize the opportunity to change structures, rethink public service delivery, and

23. “White Paper on Welfare State. Proposals for a Dynamic and Solidary Society”, Italian Ministry of Labour and Social Affairs, February 2003. Mentioned in the Italian case study.

reallocate resources across public service delivery sectors in order to provide a different range of services to the ageing population.

67. The policy linkages between the ageing labour market and ageing civil service, or even more importantly, between the new demands placed on the public service by an ageing society and the public service ageing strategy, are rarely made.

68. Overall, apart from Ireland and the Netherlands, which face limited demographic challenges in the short run, there seems to be little linkage between the ageing situation and the constraining factors on the one side and the nature of the ageing policy on the other side.

Table 6. Comparison of public service ageing policies

Country	Ageing challenge and timing	Stated country priorities	Actions/implementation	Areas of concern
Australia (federal government only)	High Imminent	Proactive Limited scope ---- Mainly capacity maintenance (costs seem to be under control)	- Emphasis on enhancing attractiveness and retention of workers through management tools and staff development - Cost containment through the move towards fully funded defined contribution superannuation plan	- Co-ordination of ageing policies across levels of government - Reallocation across sectors and governments - Few disincentives for older workers not to leave the public service - Focus on increased productivity limited - Labour market-wide considerations limited -Workforce planning limited
Denmark	Moderate Imminent	Proactive Encompassing many aspects Well balanced ---- Capacity maintenance Costs containment Institutional changes and reallocation	- Mix of positive incentives and disincentives that aim at keeping older workers at work - Emphasis on enhancing attractiveness of public employer - Mobility, staff development and knowledge management at the core of ageing strategy - Cost containment but little linkage with ageing - Major institutional change and reallocation of resources across levels of government in process	- Financial sustainability of pension system - Balance between downsizing and capacity maintenance unclear - Little focus on increased productivity - Labour market-wide considerations limited - Workforce planning limited
Finland	Very high Immediate	Proactive Ambitious Labour market-wide ---- Strong focus on increased productivity The only country with a public sector program that is fully part of a wider labour market programme aimed at improving	- Cost containment though emphasis on pension reform and downsizing - Improved productivity through efficiency measures - Labour market-wide measures to improve productivity and workability of older workers - Strong focus on institutional devolution and reorganisation of some service delivery as well as on reallocation of resources	Sustainability of pension system

Country	Ageing challenge and timing	Stated country priorities	Actions/implementation	Areas of concern
		workability and productivity		
France	Major Immediate	Reactive Limited scope ---- - Cost containment - Maintaining capacity	- Strong emphasis on workforce planning - Cost containment through pension reform - Capacity: Emphasis on ICT, training, mobility	- Cost containment: pension and replacement rate - Lack of room for manoeuvre in workforce planning due to high replacement rate - Retention of older workers - Pressure on the wider labour market might be considerable - Wider changes to increase productivity
Germany (federal government only)	Major Immediate	Reactive Limited scope ---- - Reactive on cost containment - Proactive on older worker management	- Cost containment mainly through pension reform - Training of older workers	- Co-ordination of ageing policies across levels of government - Staff reallocation and workforce planning - Further pension reform needed - Retention of older workers
Ireland	Major Longer term (2020+) Civil service comparatively less affected than in other countries	Proactive Limited scope ---- - Cost containment (pension reform) - Current thinking about development of more proactive ageing strategy on capacity maintaining and resource reallocation	- Pension reform	- Most of the ageing policy remains to be developed

Italy	Major Imminent	Reactive Very limited scope ---- - Cost containment	- Pension reform and some downsizing - Other major managerial changes but with little linkage with ageing	- Workforce reallocation - Workforce planning - Capacity maintenance - Reallocation across levels of government and sectors - Wider management changes to increase productivity
Netherlands	Moderate Imminent	Reactive Limited scope ---- - Cost containment - Maintain wider labour market flexibility - Maintain capacity in the health and education sectors	- In-depth pension reform and downsizing - Capacity in health sector	- Coherence of tools for the retention of older workers - Coherence of downsizing with overall ageing strategy and capacity issues to come
Portugal	Major Imminent	Reactive Very limited scope ---- - Some cost containment - Some capacity maintenance	Pension reform Some training and knowledge improvement Passive downsizing	- Workforce planning - Sustainability of pension scheme - Capacity maintenance and renewal - Productivity strategy - Coherence of ageing policy with other management changes

Source: Country case studies.

3.4. *Gaps in country assessment of the challenges and opportunities that they face*

69. The review of the nine case studies suggest that there is an urgent need for more proactive and holistic strategies and actions focused on:

3.4.1. *Understanding the inevitable*

70. Review the demographic profile of the public service workforce, and assess the capacity gaps and financial difficulties which will emerge in the short term regardless of corrective action.

3.4.2. *Analysing the probable*

71. Review the longer term capacity challenges which could emerge as service demands change and as fiscal space lessens because of the ageing population, and as the current public sector workforce profile continues to play out. This will entail a realistic review of sectors that are either affected by large-scale departures – which present a specific opportunity for changes – or by new demands (health and long-term care sectors).

3.4.3. *Reviewing the possible*

72. Examine the room for manoeuvre implied by changes to the wider labour market which allow new recruitment without tightening the labour market and large-scale departures creating opportunities for a new workforce profile (see Table 7 for a summary of possible policy emphases). Reassess the scope for

more efficient public services, taking advantage of the political and management opportunity created by large staff departures. This will require, in addition to management and reallocation changes, functional reviews of key sectors, and decisions about the best ways of providing public services. Finally, the management of older workers will require the use of a myriad of tools to ensure their productivity, their contribution as mentors, their commitment to changing organisations.

Table 7. Lessons from the case studies: Policy emphasis, preconditions risks and possible best outcome

Policy goal	Main policy focus	Best context and pre-conditions	Risks	Possible best outcome
Capacity maintenance	Workforce planning	Good co-ordination mechanisms across government sectors and levels Good analysis of the competitiveness of the public employer	Overcentralisation of staff management and rigidities in the capacity to adapt quickly to changing needs on the ground	Efficient and effective staff allocation across sectors and levels of government
	Retention of older workers	Poorly funded pension schemes in the public service Tight labour market Good management of older workers and attractiveness of work environment for older workers Low participation rates of older workers in the labour market	Expensive pay bill Aged public service that is difficult to manage Distract from structural reform that should aim at maintaining capacity	Decreased pension costs > increased pay bill Delayed peaks of departures and thus avoiding too much tension on the wider labour market Increased time for training future workers especially at management levels More time for government to adjust to the ageing challenge Possible better mentoring of younger staff
	Targeted recruitment	Good workforce planning and skills needs analysis Not too tight labour market Attractive public employer	Tightening labour market Long term expensive liability	Avoid skills gaps in key areas
	Career management/ training	Identification of skills needs and competence needs	Distract from structural issues	Improved image of the public employer Mitigate capacity gaps at

Policy goal	Main policy focus	Best context and pre-conditions	Risks	Possible best outcome
				management levels Some improvement in productivity
	Mobility		Distract from structural issues	Mitigate capacity gaps Help implementation of workforce planning
Cost containment	Pension reform	Pension costs not under control Large and overstaffed public service	Increased pay bill (older workers on pay bill rather than on pension) May distract from other proactive measures	Major cost saving in the long run
	Efficiency savings	Large and overstaffed public service Good workforce planning Other policy emphasis on capacity Limited ageing/capacity problem	Undermine public sector capacity Increased pay bill May distract from more dynamic productivity increases and cost containment strategies	Cost containment Increased financial room for manoeuvre
	Functional review/privatization and contracting out	Large and oversized public service Large ageing/capacity problem Excellent cost/benefit analysis of contracting out and privatization Excellent capacity of public sector as contractor/regulator	May distract from larger reforms and improved management of the public sector	Some cost containment Some capacity maintenance
Reallocation	Reallocation	Good coordination of workforce planning and HRM policies across sectors and across government levels, linked to the financial analysis of needs assessment	Time consuming and politically difficult	Significant cost saving and capacity maintenance in the long run
Prevent tightening of	Contributing to maintaining wider	Good analysis of wider labour market	Distract from capacity	Significant influence on long-

Policy goal	Main policy focus	Best context and pre-conditions	Risks	Possible best outcome
wider labour market	labour market flexibility	Tight labour market and major ageing in the public service	maintenance and cost containment goals	term economic balance

3.4.4. *Identifying the desirable*

73. Countries should identify how the benefits of each of the tools set out above could be maximised and the costs reduced. For example, assessments of possible pay reforms could note how the overall costs of maintaining older workers at work allowing for reduced pension costs could be reduced, without losing the ability to attract much-needed capacity. Similarly, serious efforts in workforce planning across the different sectors and levels of government can identify the best use of the opportunity created by large departures from the public service to change staff levels, reallocate staff numbers across the different sectors and levels of government, and change skills mixes.

3.4.5. *Planning for the feasible*

74. Develop a strategy which:

- balances cost containment and capacity maintenance;
- seizes opportunities to develop a different staff profile allocation across sectors and levels of government;
- harnesses productivity increases to decrease present and future financial liabilities and to mitigate the effects of future large hiring for the public service on the wider labour market;
- reorganises service delivery modes, and improves the management of public sector staff.

75. In order for holistic ageing strategies and actions to be sustainable, a special emphasis will have to be placed on policy planning and implementation capacity.

- Improved policy coordination across sectors and across levels of government, especially in federal and highly devolved or decentralised countries.
- Improved planning capacity: this calls into question the strategic role of the central human resource management body, its capacity to suggest coordinated policies and help implement them, as well as the relationships between the different government bodies and levels.
- Focus on innovative solutions.

76. Although no overall data are available, some countries acknowledge that even with the best thought through and best implemented policies, they doubt that they will be able to maintain the same service levels in the future. This means that a lot of efforts have to be put not only in the improved human resource management but also in innovative solutions to improve the overall management of public services and the delivery of services to the public.

4. Towards sustainable ageing strategies and actions for government

77. The review of the ageing policies in the nine OECD member countries covered in this report suggest the following checklist for countries seeking to develop a sustainable ageing strategy for the public sector:

4. Review the ageing facts in the wider financial and labour market contexts:

- The ageing public service at all levels of government and in particular in sectors that will be affected by increased demand such as the health and long-term care sector and by decreased demand such as the education sector.
- The numbers of planned departures from the public service, their timing, and the future skills needed taking into account changes in the demand for public services and how services are produced.
- The room for manoeuvre in terms of:
 1. the financial consequences of ageing and the wider financial situation;
 2. the state of the labour market and forecasts regarding its flexibility, timing of increased departures on retirement both in the private and the public sector;
 3. required capacity to deliver the expected level of public services in the future especially in the delivery of services affected by ageing – education, health and long-term care sectors.

2. Decide on the most appropriate ways of increasing productivity in the delivery of public services and decrease overall costs, while taking advantage of the unique opportunity provided by the increased numbers of public servants leaving on retirement:

- Review all cost savings possibilities, especially regarding staff costs (downsizing, pay reform in the context of an older public service) and pensions (move from defined benefits to defined contribution schemes and move to funded occupational schemes and contributions by civil servants, extension of contribution periods, reductions in the reference salary and cuts in annuity rates, increased retirement age, reductions of compensatory entitlements for women, financial incentives for delayed retirement and financial disincentives for early retirement).
- Decide on the most appropriate organisational form for service delivery – delivery by core departments, government agencies, arm's-length bodies, contracted out organisations, public private partnership – especially in sectors that will be the most affected by increased demand. This will require a functional review of government, with a cost-benefit long-term analysis of the new forms of public service delivery.
- Promote all initiatives that aim at increasing productivity, and in particular e-government.
- Take advantage of large departures from the public service to promote management changes in public organisations.
- Put innovation at the core of public management modernisation policies especially in sectors that are the most affected by ageing.

- Promote the use of management tools that will help plan resources across the years and across management fields (financial and staff essentially), such as multi-year budgeting and accrual accounting.

3. Focus on maintaining capacity in some sectors and increasing capacity in other sectors

- Promote a forward looking capacity maintenance strategy to avoid too many tensions in the labour market at certain periods. In particular, this means smoothing out the hiring waves over the long term in countries with tighter labour markets.
- Plan medium and long-term reallocation of staff numbers across sectors.
- Capacity maintenance strategy should focus on:
 - ❖ planning new hiring per sector and improving the attractiveness of the public employer;
 - ❖ focusing on entry training and mentoring for the numerous public servants that will be hired at the same period;
 - ❖ favour mobility in careers as a crucial career enhancement and promotion device;
 - ❖ the senior civil service: fast track promotions, training and skills development for promising middle management;
 - ❖ retaining older workers (as long as the costs of keeping them on the payroll is not higher than pension savings) through the removal of all legal restraints to continued working, pension reform, special HR policies (flexible working arrangements, special training) and the revision of older workers tasks and competencies towards mentoring and transferring knowledge and experience. The retention of older workers should also establish example practices for the wider labour market.

4. Promote institutional changes that aim at adapting multi-level governance to the ageing challenge

- Review the institutional changes required to increase the efficiency of services in an ageing society and in particular in the health and education sectors.
- Develop a strategy that aims at better coordinating the delivery of those services across levels of government.
- Make the necessary institutional changes required to deliver services efficiently within the framework of a changing demand.
- Reallocate financial and staff resources in favour of the levels of government that will be the most solicited by the new demands.

5. **Future work**

78. This project originally aimed at looking closely at the management of public servants in the context of an ageing population. However, in order to address this topic, GOV has had to broaden the scope of the analysis to include some consideration of the wider ageing policy from a public management point of view.

79. The project has revealed the difficulties met by many countries in devising such whole-of-government strategies as well as the lack of comparative analysis across countries on this issue.

80. Following the framework described in Part 4 of this paper, in 2007-2008 GOV is proposing to start some **new cross sectoral work on productivity as a response to ageing** that will assist member countries devise sustainable ageing strategies. The project would build on analysis carried out in the health and education sectors by other OECD directorates, as well as on conclusions for ageing that can be drawn from GOV's work in the budgeting, territorial development and e-government areas. The aim of the project would be:

5. to review data and statistics regarding ageing both from a demand and supply side points of view, and by sector, and in the context of ageing in the wider labour market;
6. to review the possibilities for productivity increases in government ;
7. to identify particular opportunities for structural change within the public sector, taking advantage of the opportunities created by an ageing public service;
8. to review strategies for maintaining and increasing capacity.

81. The project would have a whole-of-government perspective and would aim, together with member countries, at improving governments capacity to respond to the ageing challenge. In parallel, and with voluntary contributions from member countries, GOV is proposing to conduct **country reviews of public sector ageing strategies and actions**. These country reviews would have a whole-of-government perspective and a holistic view of ageing policies. They would aim at comparing country strategies and actions with other countries, identifying strengths but also gaps, inconsistencies and missed opportunities. They would include an in-depth country level review of data and statistics regarding ageing both from a demand and supply side points of view, and by sector, and in the context of ageing in the wider labour market. The country reviews would aim at giving concrete advice on possible strategies and actions taking into account the specific ageing situation in the countries reviewed, characteristics of the labour market and economic situation, as well as the specific government management features.

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ANNEX
1. COUNTRY FACT SHEETS: STRATEGY COMPONENTS

AUSTRALIA (only for federal government employees)

Ageing trends

Ageing population: Typical of OECD member countries

Old-age dependency ratio expected to increase from 20% to 50% in 2050

Ageing overall workforce:

Expected decline of the labour force over the next 40 years

Ageing public sector workforce:

40% of current workforce will have retired by 2015

Less participation in the labour force of APS employees

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Unknown by sector

Management level: 44% of current managers and 28% of executives will have retired by 2010

Country specific enabling conditions and constraints
Considerable autonomy of agencies in staffing levels and type of staff employed
Unemployment: 4.9%
Low labour force participation ratio for older workers

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy focus	Policy tool	Country implementation	
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>	Within a very decentralised system, APS Commission takes an active role in sharing agencies' experiences	
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>		Retirement age between 55 and 75
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>		
		<i>Provide financial incentives to older workers to remain in work</i>		
		<i>Encourage flexible working arrangements</i>		Strong emphasis (part-time and non-permanent) for older workers and retirees
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>		Strong emphasis
		<i>Deter early retirement</i>		No financial incentives to leave before 55.
		<i>Delay retirement age</i>		Incentives are in place to encourage employment to at least, the age of 60.
	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>		Emphasis on attraction and retention of young graduates and specialised skills (ICT, economists and scientists). Agencies are encouraged to be ready to hire less qualified employees in case of tighter labour market
		<i>Increased opportunities for lateral entry in key areas</i>		Management levels
		<i>Modernise HRM to attract young graduates</i>		
		<i>Increased recruitment in some key areas</i>		

<i>Capacity maintenance, continued</i>	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	Talent pool ready to move up into executive levels
		<i>Other management tools to improve career management</i>	Broad banding Diversified career paths
		<i>Focused training/skill development schemes/mentoring</i>	Mentoring Development of future leaders KM
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	Emphasis on public/private mobility
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	2005: fully funded defined contribution superannuation plan Creation of a Future Fund
		<i>Other parametric reforms</i>	See above on retaining older workers
	<i>Efficiency savings</i>	<i>Downsizing</i>	No downsizing: Slight increase of government employees
		<i>Pay reform</i>	
		<i>Organisational and management changes</i>	
<i>Functional review</i>	<i>Privatisation/ contracting out of major functions</i>		
<i>Reallocation</i>	<i>Reallocation</i>		
<i>Maintain flexibility of wider labour market</i>			

DENMARK

Ageing trends

Ageing population:

Old-age dependency ratio expected to increase from less than 25% to less than 40% in 2050

But less increase of the economic dependency ratio than elsewhere

Ageing overall workforce:

Relatively minor decrease of labour force at worse

Ageing public sector workforce:

From 2010 to 2020, 30% of civil servants will exit the workforce

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Local governments (regions and municipalities) most affected

Health and education most affected sectors

Management levels

Country specific enabling conditions and constraints
High overall participation rate in labour market and especially high participation rates of older public service workers in the labour market
Limited increase in public health and long-term care spending planned for the future

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy goal	Policy tool	Country implementation	
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>		
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>		
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>		
		<i>Provide financial incentives to older workers to remain in work</i>		Supplementary pension benefits and more seniority in the civil service pension scheme or retirement bonus for older workers
		<i>Encourage flexible working arrangements</i>		Reduction of working hours for employees over 60
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>		
		<i>Deter early retirement</i>		Reduced pension benefits
	<i>Delay retirement age</i>		Upper limit is 70 and 65 is the normal retirement age	
	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>		Use of options in the pay system to attract young graduates Effort at improving image of the employer
		<i>Increased opportunities for lateral entry in key areas</i>		Management levels
		<i>Modernise HRM to attract young graduates</i>		
		<i>Increased recruitment in some key areas</i>		

<i>Capacity maintenance, continued</i>	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	Special performance management interviews for older workers
		<i>Focused training/skill development schemes/mentoring</i>	Training and coaching for older workers Emphasis on KM and training programmes
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	Improve transportability of pensions across government levels
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	
		<i>Other parametric reforms</i>	2001: Decreased number of staff covered by public pension schemes
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Downsizing but not through low replacement rate but through normalisation and privatisation of activities
		<i>Pay reform</i>	New pay system that has decreased the importance of seniority in the pay scale
		<i>Organisational and management changes</i>	
		<i>Privatisation/contracting out of major functions</i>	
<i>Functional review</i>	<i>June 2005: Major institutional changes and division of responsibilities across government sectors Plans to reshape current resource reallocation include staff in favour of sub-national governments in charge of social services and in particular healthcare</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>		
<i>Maintain flexibility of wider labour market</i>			

FINLAND (central government only)

Ageing trends

Ageing population:

By 2050, the old-age dependency ratio will be a bit less than 50%, but the increase will be the strongest in the first period (second highest ratio by 2025).

Ageing overall workforce:

Large reduction of labour force if participation rates to the labour market do not increase

Ageing public sector workforce:

Within state personnel, natural attrition will be 29% for the period 2005-2011 and 66% from 2005-2020 (40% on retirement)

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

By 2020, 90% of current senior management and 69% of middle management in government will have left due to retirement or other reasons

Education is of particular concern

Health not available

Country specific enabling conditions and constraints
Low participation of older workers in the labour market

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy focus	Policy tool	Country implementation	
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>	Assessment of competency needs	
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>		
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>		
		<i>Provide financial incentives to older workers to remain in work</i>		2005: Pension benefits (may exceed 60%) + life expectancy coefficient to calculate pension
		<i>Encourage flexible working arrangements</i>		Yes
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>		
		<i>Deter early retirement</i>		Early retirement schemes eliminated
		<i>Delay retirement age</i>		Rise in normal retirement age from 63 to 65 and cut in annuity rate
	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>		Competency needs assessed
		<i>Increased opportunities for lateral entry in key areas</i>		
		<i>Modernise HRM to attract young graduates</i>		Several labour market-wide measures launched to improve attractiveness and workability
		<i>Increased recruitment in some key areas</i>		

<i>Capacity maintenance, continued</i>	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	
		<i>Focused training/skill development schemes/mentoring</i>	Focus on life long education and training for older workers Strong focus on knowledge and personnel development
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	No
		<i>Other parametric reforms</i>	Changes in the modes of pension calculations (average salary over a person's entire working life) Creation of reserve fund
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Staff cuts through natural attrition and non replacement of retirees (70% replacement rate) Increased use of IT
		<i>Pay reform</i>	
	<i>Organisational and management reforms</i>	Unification of procedures, tools and processes, organisational changes. Better focus of ministries Improved leadership Improved motivation Regionalization measures (also as plan to improve attractiveness of policies)	
<i>Functional review</i>	<i>Privatisation of major functions</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>	<i>Plans to transfer budget and management capabilities for devolution of healthcare provision to inter-municipal and sub-regional entities</i> <i>Reallocation from central to local government resources and sectoral reallocation</i>	
<i>Maintain flexibility of labour market</i>			Whole strategy aimed at increasing productivity in the whole economy

FRANCE

Ageing trends

Ageing population:

Old-age dependency ratio will increase to 58% in 2050 and very high economic dependency ratio

Ageing overall workforce:

Foreseen decrease in labour force totals

Ageing public sector workforce:

Average age in the public sector six years higher than in the private sector

Critical large scale departures imminent. More than 30% of the civil service will retire between 2010 and 2020.

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

State civil service particularly affected

More even age distribution in local government and health civil services. But because of early retirement, hospital services will be strongly affected by departures.

Education sector very affected

Country specific enabling conditions and constraints
Low participation of older workers in the labour market

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy focus	Policy tool	Country implementation	
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>	Strong emphasis with GPEEC implemented through LOLF (performance budgeting)	
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>		
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>		Age limits on recruitment abolished for a number of recruitment processes within the state civil service
		<i>Provide financial incentives to older workers to remain in work</i>		2003: Yes through part-time work and progressive cessation of activity
		<i>Encourage flexible working arrangements</i>		2003: Allow a progressive cessation of activity with part-time work and financial incentives
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>		
		<i>Deter early retirement</i>		2003: Financial disincentives for early retirement ; Possibilities for early retirement eliminated
		<i>Delay retirement age</i>		2003: Increase contribution period to 42 years by 2020
	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>		
		<i>Increased opportunities for lateral entry in key areas</i>		Increased lateral entries through tertiary competitive examinations At all levels + specifically at managerial levels
		<i>Modernise HRM to attract young graduates</i>		
		<i>Increased recruitment in some key areas</i>		Increased recruitment in health

<i>Capacity maintenance, continued</i>	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	Expansion of possibilities to personal choice in career progression Validation of occupational and practical experience
		<i>Focused training/skill development schemes/mentoring</i>	Emphasis on training and knowledge management
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	Strong emphasis on vertical and horizontal mobility
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	
		<i>Other parametric reforms</i>	Creation of a pension appropriation account Reindexation Linkage between demographic conditions and indexation of pensions See above for other reforms
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	10% non replacement rate announced in the three civil services
		<i>Increased user charges</i>	
		<i>Organisational and management reforms</i>	
<i>Functional review</i>	<i>Privatisation of major functions</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>		In planning. Considerable developments expected with the implementation of GPEEC and LOLF
<i>Maintain flexibility of labour market</i>			

GERMANY (federal government only)

Ageing trends

Ageing population:

Old-age dependency ration will leap from 26% in 2000 to 40% in 2025 and further to 55% in 2050

Ageing overall workforce:

Size of the labour force will decrease rapidly after 2020 from around 50 million to around 40 million.

Ageing public sector workforce:

Between 2004 and 2010, 10% of the current workforce will have retired. Between 2010 and 2015, approximately 15% of the entire public workforce is expected to leave (10% federal and 15% sub-national). Between 2015 and 2020, 12% at federal level and 15% at Länder level and 15% for the communes.

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Sub-national government more affected than federal government (because of national soldiers essentially)

Leadership functions very affected

No data on health and education

Country specific enabling conditions and constraints
Low participation of older workers in the labour market

Strategy components (tools used specifically to address the ageing issue)			
Broad policy goal	Policy focus	Policy tool	Country implementation
Capacity maintenance	Ensure staff needs are met through adequate planning	Workforce planning	
	Retaining older workers	Remove legal and pension obstacles to continued working	
		Legal restraints on age-related discrimination in recruitment and promotion	
		Provide financial incentives to older workers to remain in work	
		Encourage flexible working arrangements	Partial working/retirement schemes
		Encourage dual careers (post-retirement re-employment in the public sector)	
		Deter early retirement	Financial disincentives for early retirement Promotion of health for older workers to prevent disability pensions Delay of age for partial retirement from 60 to 65.
Delay retirement age	Pension contribution period from 35 to 40 years Age threshold increased suppression of training and education time in calculation Mandatory retirement age set at 65 years old (lower for civil servants strictly speaking)		

<i>Capacity maintenance, continued</i>	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>	
		<i>Increased opportunities for lateral entry in key areas</i>	
		<i>Modernise HRM to attract young graduates</i>	
		<i>Increased recruitment in some key areas</i>	
	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	
		<i>Focused training/skill development schemes/mentoring</i>	For older workers
<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>		
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	
		<i>Other parametric reforms</i>	Development of pension reserves funded by reduced pay adjustments for civil servants Decreased benefits
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Past downsizing but no use of natural attrition
		<i>Pay reform</i>	2005: No more age-/seniority-related pay
		<i>Organisational and management reforms</i>	
	<i>Functional review</i>	<i>Privatisation of major functions</i>	
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>		
<i>Maintain flexibility of labour market</i>		New policy (labour market-wide) to promote voluntary participation of retirees in the labour market.	

IRELAND

Ageing trends

Ageing population:

Same challenges as in other countries but delayed. The old-age dependency ratio is expected to grow to 29% in 2025 and over 56% in 2050.

Ageing overall workforce:

Ageing labour force, slowly but steadily with turning point around 2020.

Ageing public sector workforce:

Less significant and less abrupt ageing of the civil service

Average age: 41. Around 27-30% of civil servants will retire between 2015 and 2025

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Health sector particularly affected

Country specific enabling conditions and constraints

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy focus	Policy tool	Country implementation	
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>	In process of development regarding ageing	
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>		Compulsory retirement age of 65 years abolished for new entrant staff joining from 2004 onwards
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>		
		<i>Provide financial incentives to older workers to remain in work</i>		
		<i>Encourage flexible working arrangements</i>		
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>		
		<i>Deter early retirement</i>		Financial disincentives established in 2004
		<i>Delay pension age</i>		Increase of minimum pension age from 60 to 65
		<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>	
	<i>Increased opportunities for lateral entry in key areas</i>			Decision to increase open and lateral recruitment but limited implementation in practice
	<i>Modernise HRM to attract young graduates</i>			
	<i>Increased recruitment in some key areas</i>			
	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>		
		<i>Other management tools to improve career management</i>		

Strategy components (tools used specifically to address the ageing issue)			
<i>Broad policy goal</i>	<i>Policy focus</i>	<i>Policy tool</i>	<i>Country implementation</i>
		<i>Focused training/skill development schemes/mentoring</i>	In process of development for leadership and health In process of development

<i>Capacity maintenance, continued</i>	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	In process of development
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	
		<i>Other parametric reforms</i>	
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Decision to downsize to face pension costs No replacement rate established yet
		<i>Pay reform</i>	
		<i>Organisational and management reforms</i>	
<i>Functional review</i>	<i>Privatisation of major functions</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>		
<i>Maintain flexibility of labour market</i>			

ITALY

Ageing trends

Ageing population:

Old-age dependency ratio expected to reach 43% in 2025 and 67% in 2050. Magnified with a high economic dependency ratio

Ageing overall workforce:

Sharp decline of labour force immediate or after 2015.

Ageing public sector workforce:

Average age should reach 50 in 2012.

45% of the workforce will leave between 2010 and 2025.

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Education significantly affected

Health affected but less than education

Managerial levels

Country specific enabling conditions and constraints

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy focus	Policy tool	Country implementation	
Capacity maintenance	Ensure staff needs are met through adequate planning	Workforce planning		
	Retaining older workers	Remove legal and pension obstacles to continued working		
		Legal restraints on age-related discrimination in recruitment and promotion		
		Provide financial incentives to older workers to remain in work		
		Encourage flexible working arrangements		
		Encourage dual careers (post-retirement re-employment in the public sector)		
		Deter early retirement		
		Delay retirement age		Retirement age postponed to 60 for women and 65 for men. 1997: Introduction of minimum contribution period of 35 years and then 40 years (2004) and minimum retirement age of 60
	Targeted recruitment	Special recruitment incentives for key skill gaps		
		Increased opportunities for lateral entry in key areas		
		Modernise HRM to attract young graduates		
		Increased recruitment in some key areas		

<i>Capacity maintenance, continued</i>	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	
		<i>Focused training/skill development schemes/mentoring</i>	
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	Seen as a priority in the future
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	1992 to 1997: Move towards contribution based regime
		<i>Other parametric reforms</i>	
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Downsizing through recruitment freezes, non renewal of fixed term contracts and noria effect.
		<i>Pay reform</i>	Foreseen in the future
		<i>Organisational and management reforms</i>	General HRM reforms aiming at increased flexibility (contracts)
<i>Functional review</i>	<i>Privatisation of major functions</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>		
<i>Maintain flexibility of labour market</i>			

THE NETHERLANDS

Ageing trends

Ageing population:

Dependency ratio projected to double to 40% in 2050.

Ageing overall workforce:

Small contraction of the labour force projected.

Ageing public sector workforce:

Public sector workforce average age: 42 years old.

Peak of departures in 2015.

Less than in the rest of OECD member countries

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Challenges expected to be greater at local government levels

Education sector most affected

Health affected but less than education

Country specific enabling conditions and constraints
Low participation rates of older workers in the labour market
Low unemployment

Strategy components (tools used specifically to address the ageing issue)				
Broad policy goal	Policy focus	Policy tool	Country implementation	
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>	Recruitment needs identified but no replacement rate defined	
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>		
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>		
		<i>Provide financial incentives to older workers to remain in work</i>		Pension actuarial adjustments
		<i>Encourage flexible working arrangements</i>		Life cycle saving scheme
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>		
		<i>Deter early retirement</i>		Removal of tax facilities possibilities for early retirement
		<i>Delay retirement age</i>		Normal retirement age has not changed but possibility to get pension postponed to between 60 and 70 Full pension only possible after 40 years of contribution and after 65. Reform of conditions for occupational disability
	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>		
		<i>Increased opportunities for lateral entry in key areas</i>		
<i>Modernise HRM to attract young graduates</i>				
<i>Increased recruitment in some key areas</i>			Strong emphasis on recruitment in the health sector	

<i>Capacity maintenance, continued</i>	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	
		<i>Focused training/skill development schemes/mentoring</i>	Lifelong training and learning as part of a labour market-wide strategy
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	Plans to improve mobility and dual career patterns
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	2006: Life cycle funded scheme
		<i>Other parametric reforms</i>	
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Plan to reduce the entire public sector workforce size by 5% to 10% in four years.
		<i>Pay reform</i>	No pay reform <i>per se</i> but decision to provide only moderate salary increases. Further pay reform is expected.
		<i>Organisational and management reforms</i>	
<i>Functional review</i>	<i>Privatisation of major functions</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>		
<i>Maintain flexibility of labour market</i>		Important priority – but does not take into account the different pace and magnitudes of ageing in the private and public sectors	

PORTUGAL

Ageing trends

Ageing population:

Old-age dependency ratio (ratio of people above age 65 in relation to the 20-64 age group) estimated to increase to approximately 50% in 2050

Ageing overall workforce:

From 1991 to 2003, the 15-24 year old age group dropped from being the first most numerous to the fourth position.

Ageing public sector workforce:

Large-scale departures expected to begin at least 10 years earlier in the public sector

Main peak of staff departures between 2010 and 2020: 30% of personnel at both central and sub-national levels are expected to retire. (and around 20% between 2000 and 2010)

Ageing "hot spots" within the public sector – particular sectors/institutions that suggest that there will be distinctive challenges:

Slightly less problems in health and education

Most affected are auxiliary staff, clerical staff and techno-professional staff at central government level.

Management more affected except for top management positions which may be recruited from the outside.

Country specific enabling conditions and constraints
High and growing unemployment Fiscal imbalance

Strategy components (tools used specifically to address the ageing issue)			
Broad policy goal	Policy focus	Policy tool	Country implementation
<i>Capacity maintenance</i>	<i>Ensure staff needs are met through adequate planning</i>	<i>Workforce planning</i>	
	<i>Retaining older workers</i>	<i>Remove legal and pension obstacles to continued working</i>	
		<i>Legal restraints on age-related discrimination in recruitment and promotion</i>	
		<i>Provide financial incentives to older workers to remain in work</i>	
		<i>Encourage flexible working arrangements</i>	Special part-time regimes for older personnel introduced in 1999.
		<i>Encourage dual careers (post-retirement re-employment in the public sector)</i>	
		<i>Deter early retirement</i>	Financial disincentives introduced
		<i>Delay retirement age</i>	2006 (progressive implementation until 2015): contribution period increased to 40 years and minimum pension age: 65

<i>Capacity maintenance, continued</i>	<i>Targeted recruitment</i>	<i>Special recruitment incentives for key skill gaps</i>	
		<i>Increased opportunities for lateral entry in key areas</i>	
		<i>Modernise HRM to attract young graduates</i>	
		<i>Increased recruitment in some key areas</i>	Health and education not submitted to recruitment freeze Recruitment freeze does not apply to contractual staff
	<i>Career management</i>	<i>Fast track promotion to cover key gaps</i>	
		<i>Other management tools to improve career management</i>	
		<i>Focused training/skill development schemes/mentoring</i>	Emphasis on training and retraining for older staff Focused training for senior managers
	<i>Mobility</i>	<i>Improve employment structure to improve mobility</i>	Various measures to increase internal and external mobility
<i>Cost containment</i>	<i>Pension reform (see also pension reforms in retaining older workers)</i>	<i>Shifts towards defined contributions and funding reforms</i>	
		<i>Other parametric reforms</i>	
	<i>Efficiency savings</i>	<i>Downsizing/computerisation</i>	Passive downsizing though hiring freeze and now 50% replacement rate (with large exceptions)
		<i>Pay reform</i>	
		<i>Organisational and management reforms</i>	
<i>Functional review</i>	<i>Privatisation of major functions</i>		
<i>Institutional changes and reallocation</i>	<i>Reallocation</i>	Devolution of responsibilities contemplated (especially in the health and education sectors).	
<i>Maintain flexibility of labour market</i>		Emphasis on mobility between public and private sectors	

ANNEX 2. NOTES FOR FIGURES 2, 3, 4, 5 AND 6

Employees at national/federal government levels include:

Australia: Ongoing employees only – around 123000 persons in 2005

Austria: Federal administration

Belgium: Around 85000 persons of the core federal civil service

Finland: Central government sector

France: State civil service

Hungary: National and sub-national levels

Ireland: Around 30000 employees of the core civil service

Korea: Core ministries. i.e. Ministries, Agencies, Administrations belonging to the central administrative organizations (the Executive).

Norway: The 117000 employees of the federal level (in 2005)

Switzerland: Federal administration (departements, offices)

USA: 1.8 millions employees at the federal level

Employees at the sub-national levels include:

Australia: State, Territory and Local (all employees)

Finland: Total public sector

Hungary: National and sub-national levels

Netherlands: Figures contain the subsectors for which labour conditions are not determined at national Government level. These subsectors are: municipalities and their bodies of cooperation, provinces, waterboards, professional education, adult education, scientific education

Portugal: Local administration, excluding the regional administrations of Madeira and Azores

Exceptions regarding the years taken into account :

Australia: 2000 and not 2005 at the sub-national level

Finland: 2000 and not 2005 at sub-national level, and 1997 and not 1995 for the national level

France: Data are for 1997-2002 for the national level

Ireland: 2000 and not 2005 for the national civil service

Japan: Data for total labour force are for 2002.

Korea: 2004 and not 2005 for the labour force

Portugal: 2000 and not 2005 for the civil service at the national and at the sub-national levels

Sweden: 2000 and not 2005 for the civil service at the national level

USA: 2004 and not 2005 for the civil service at the federal level and for the total labour force