Human Resources Management Working Party

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

Background note for discussion at the HRM working party meeting

October 10-11, 2005
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**Mandate**

1. 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) is undertaking 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.

2. 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 well the larger OECD priority to develop policy responses to ageing societies.

3. This project accompanies a related GOV study on the management and reform of public service pension schemes.

**Background**

4. This note briefly summarises the main conclusions drawn from the preliminary analysis of 8 OECD member country draft case studies received by GOV, and including: Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands and Portugal. GOV expects to receive two additional case studies in the next few weeks, including Australia and Canada.

5. These interim conclusions are provided to the HRMWP for discussion as they raise complex and sensitive questions concerning government planning on this issue, and guidance from the Working Party will be crucial.

6. In the next few months, the Secretariat will analyse the case studies in depth, will write a full concluding report, and will publish a full OECD report with national case studies and the concluding report.

7. The full report will be sent to HRMWP country representatives for their comments before publication.

**Introduction**

8. An ageing population creates pressures for changes in service delivery with implications for human resource management in government. There is a need to reallocate resources across sectors resulting from an increased demand for additional staff in the social sectors. At the same time, the fiscal pressures resulting from the increased demand for services from an ageing population emphasise the need to reduce staff costs and to rethink the organisational modes of service delivery in order to increase efficiency. This will force further consideration of the division of labour between government and the private sector, or an autonomous status for service delivery organisations, and their implications on the employment rules for staff working in those sectors.

9. 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 new skills into 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, as they entail the loss of key capacity with the consequent need to postpone retirement of some key staff. Keeping a balanced demographic profile in the public sector will be particularly difficult in the next decade.

10. The country case studies indicate that while ageing has become a key policy concern for many OECD member countries, and OECD member countries are aware that it will have major consequences on public service delivery, the consequences of ageing on the management of public servants are at best unevenly planned. If service levels are to be maintained, ageing of the population will require major productivity gains in the delivery of public services and significant shifts of resources. In practice, medium term plans to reallocate resources across sectors seem to be limited, and the announced productivity gains are largely the mechanical result of decreased staff numbers – a response which seems unlikely to match the scale of the increased demands on public services required by an ageing society.

11. If this tentative conclusion is confirmed at the end of the project, it raises major questions as to OECD member countries’ public service capacity to respond to the challenges of their ageing societies.

I. Ageing and the delivery of public services: challenges and opportunities

I.1. Ageing population

12. The 2001 UN World Population prospects indicates that the cohort of people aged over 60 is forecasted to increase from 10% to 21.1% of world population in 2050. In OECD member countries, the ratio of older people (65 and above) and the very old (over 80) population will increase rapidly. Currently, people over the age of 80 represent only about a quarter of the older population in most OECD member countries. By 2050, they will constitute 30% and 40% of the older population in most OECD countries.

13. Countries that will be the most affected are likely to be Austria, the Czech Republic, Italy, Japan, Korea, Poland and Spain. Old-age dependency rates are projected to be smaller in Denmark, Norway, Sweden, the United Kingdom and the United States.

14. Among the 8 countries studied, all will be very affected by their ageing population, although the demographic impact of ageing will be delayed in Denmark, Ireland, and the Netherlands.

I.2. Consequential demands on public services

15. The old age dependency rate is projected to slightly more than double over the next half century across the OECD. This implies that the number of the elderly will increase sharply with respect to the age group of the population that normally produces the goods and services to support them. In a large number of countries in Europe and Japan, labour supply will decline in absolute terms.

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1 World Population Prospects, the 2000 revision, Volume III
2 The number of people at least aged 65 relative to the working population (defined as between 20 and 64 years)
4 OECD (2003a) op. cit.
16. Starting from some 21 per cent of GDP in 2000, age-related spending is projected to increase, on average, by about six percentage points of GDP to about 27 per cent of GDP by 2050 in OECD member countries.¹⁶

17. In all countries, the strongest rise in the shares of service delivery is projected for health care. For the 19 countries where this information is available, the projections indicate an average increase in health and long-term care spending of around 3-3½ percentage points of GDP over the 2000-2050 period.⁷

18. These trends mean that in order to maintain current service levels at current or historical economic growth rates, and unless major productivity gains are made in the provision of social services, spending on social services will increase substantially and the number of staff working in those sectors will also have to increase significantly.

19. On the other hand, with some decline of the population aged between 3 and 24¹⁸, spending on child benefits and education is expected to decrease of around 0.9% of GDP on average over the period 2000-2050 in OECD member countries.⁹

20. In most OECD member countries, a large part of social services are provided through government owned organisations with government employed staff. This raises many questions as to how governments will fund and manage this increase in their staff numbers. In countries where service providers tend to be more privately owned, governments will need to invest in their contract management capacity to minimise additional costs.

1.3. The ageing public service is a one-off opportunity

21. Staff in the public service are also ageing, often before their counterparts in the private sector. The reasons for this situation probably lie in the rapid expansion of public services in the 1970s until the mid 1980s and the massive hiring that took place at this time. As public servants tend to do their full career in government organisations, the recruitment bulge has remained within the public service.

22. In consequence, some countries are facing immediate challenges with some increase in staff retirement rate (especially France, Denmark, Finland, Germany, Portugal). Most of the departures will take place between 2009 and 2015 and until 2020.

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¹⁶ OECD (2003a), op. cit.
⁷ OECD (2003a) op. cit.
¹⁸ the EU Economic Policy Committee expects this population to decline from 100 million in 2000 to around 80 million in 2050 for the EU zone.
⁹ OECD (2003a) op. cit.
Table 1. Indicative table of ageing in the central government public service compared to ageing in the whole economy

<table>
<thead>
<tr>
<th>Forecasted departures due to ageing</th>
<th>France</th>
<th>Italy?</th>
<th>Portugal</th>
<th>Denmark</th>
<th>Finland</th>
<th>Netherlands</th>
<th>Germany</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>high</td>
<td>France</td>
<td>Italy?</td>
<td>Portugal</td>
<td>Denmark</td>
<td>Finland</td>
<td>Netherlands</td>
<td>Germany</td>
<td>Ireland</td>
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<tr>
<td>low</td>
<td>Portugal</td>
<td>France</td>
<td>Portugal</td>
<td>Denmark</td>
<td>Finland</td>
<td>Ireland</td>
<td></td>
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</tr>
</tbody>
</table>

Notes: Countries are underlined when they start facing decrease in labor supply
Source: OECD (GOV) Forecasts

23. The sectors that will be the most affected by the ageing civil service are the education sector in France, Finland, Denmark, Germany and the Netherlands and the health sector in Germany, Portugal, Denmark and France. France notes that central government civil service will be more affected than the rest of the public service while it is the opposite in Germany, Portugal and the Netherlands. Finland notes that it also faces difficulties in Justice, Research, Transport, and Environment.

24. In terms of grade and positions, and as one could expect, the management levels will be disproportionately affected by ageing and staff departures. In Finland, 90% of current managers will have left by 2020. In Italy, 72% of managers will be over 65 years old in ten years’ time.

25. While these departures are a challenge in terms of maintaining capacity to deliver services, they also represent an opportunity to implement a cost saving strategy by not replacing all leaving staff and hiring younger staff, and to change staff numbers across sectors. The outcome of these massive departures in the public service will depend on the policy mix that countries adopt. The key policy choices are between not renewing all staff in all sectors and increasing hiring in other sectors, and between providing incentives for older staff to continue working and hiring younger staff who are cheaper and tend to be more adaptable.
II. Whole of government ageing strategies

26. Most governments are well aware of the ageing challenges and of the need to at least 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 are delivered at subnational government level.

- Finland, Denmark and Germany have relatively more holistic public sector strategies that are linked to whole of government policy reforms.
  - In Denmark, the State personnel Authority is in charge of the ageing policy that is bound by the new political program entitled ‘New goals—Government Platform’ and launched in February 2005. The goal is to promote the hiring of 60,000 more people before 2010. The public service ageing strategy is mainly focused on retaining older workers and on competence development. Also, the ageing policy has been integrated within a new multi-year economic plan for Denmark to be submitted in the spring of 2006, whose goal is to adapt the Danish economic structures to the challenges of the global economy. The future plan will be drawn up in the light of analyses carried out by the welfare commission (focusing on public services organisation, strategy and reshaping) and will plan changes up until 2015.
  - Finland is starting to implement the first ageing program focused on increasing productivity in the public service and entitled ‘Productivity for Public Sector 2005-2015’. This strategy is bound by a whole of economy government ageing strategy that is being discussed by Parliament entitled ‘Finland for people of all ages: Government report on the future: demographic trends, population policy and preparations for changes in the age structure’. This report aims at increasing the coherence of government’s ageing policies and in particular by: measures aimed at reforming unemployment policy, tax policy, increasing productivity and improving competitiveness.
  - In Germany, the public service ageing policy is bound 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.

- The Netherlands and France do not have ageing strategies that fit wider ageing strategies but their public service ageing strategies are focused on partial 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. Discussions mainly focus on the sectors of health and education.
  - In France, the focus is on further developing an existing tool called GPEEC that aims at helping ministries forecast their future employment and competency needs, the number of staff leaving on retirement etc, and translating these forecasts in terms of overall employment needs to be budgeted.

- The Italian government recognises that until very recently, ‘demographic decline has not been a real priority in the political agenda of past governments.’\(^ \text{10} \) While the government has launched a

The key political program on welfare and new social demand focusing on care for the elderly, the government does not have a specific public service ageing strategy. 
- The Irish government does not have a whole of public service ageing policy either. A broader strategy aims at adapting capacity to continue to fund social welfare and public pensions. 
- The Portuguese Government does not have a specific ageing policy for the public service. The government mentions that a combination of hiring freezes, pensions reforms, and delay in retirement age will be sufficient to address the ageing challenges.

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. Strategies do not appear to seize the opportunity to change structures, rethink public service delivery, and reallocate resources across public service delivery sectors in order to provide a different range of services to the ageing population.

II.1 Three strategies

In the context of increased costs on public expenditure due to the ageing population, cost-saving measures are a crucial component of an ageing strategy for the public service. These cost saving measures, however, should be integrated in a long term strategy to maintain and rethink capacity.

In effect, there are three overlapping strategies that are seemingly available to respond to the dual impact of an ageing society and an ageing civil service:

1. **Reactive** – Providing the same range of services with fewer staff through increased labour productivity, thus reducing costs. However, at constant level of services provided, reactive policies have to be accompanied by:
   a. **Proactive** – Seizing the opportunity to make significant changes to workforce composition and to service delivery structures:
      a. **Proactive recruitment** – Replacing departing staff with others with different profiles and skills, sometimes in different sectors of service delivery
      b. **Proactive structural change** – Introducing new service delivery organisational structures, and very particularly increasing capacity at subnational levels which have primary responsibility for the delivery of social services to older people.

While addressing ageing requires a mixed and balanced strategy, it seems that countries studied have a relatively unbalanced approach to addressing ageing. Reactive changes are strongly evident. Proactive changes are less obvious, calling into question the effectiveness of government responses to increased needs created by an ageing population.

II.2. Many reactive changes, and some proactive recruitment policies.

Among the cost saving measures, downsizing, pension reform and delay of retirement age for public servants are mentioned as core reforms in many countries.11

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11 Pension reforms are fully analysed in another project led by GOV. A preliminary analysis is available (see GOV-PGC-HRM(2005)5).
32. Most countries are using the opportunity of massive departures to decrease public employment by not replacing all staff and are assuming a matching increase in productivity.

33. Some countries have proactive recruitment strategies to face future critical skills shortages. 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 1 to 3 years on average.

- 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 details yet).

  - Finland, which will be one of the most strongly and most quickly affected country by ageing civil service, has delayed the mandatory retirement age for civil servants and decreased pensions rates in case of early retirement. According to our forecasts, however, these measures can at best delay the peak of massive departures by 2 to 3 years. In addition to this policy to retain older workers, Finland puts the emphasis on a renewed workforce planning that aims at replacing only half of those who will have left the public service through natural attrition, i.e. only hire 18000 people in 2005-2011 at central government level (most of health and education staff are not concerned by this policy). It seems that this could help recruiting additional people at local levels in the health sector, but no plans have been made yet.

  - Denmark is the only country that has decreased pension age from 67 to 65 years old in 2004, however, special pension 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. In addition, Denmark forecasts increases in hiring in the health sector, but no specific plans have been made yet. Denmark has decreased seniority-related pay and increased performance related pay.

- France and Ireland, which do not forecast major attractiveness difficulties when they have to hire massively, seem to have adapted their existing human resources management tools to better plan for recruitment in 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 pensions contributions to receive full pension benefits. Again, our forecasts show that these measures will only delay the retirement peak by 2 years or so. At central level, France has not officially announced any measure to curb/increase recruitment, nor any specific staff replacement rate, but is applying a workforce containment policy following a decision that staff would no longer be replaced mechanically when they leave on retirement. Many ministries are in the process of identifying their recruitment needs. Other recent measures that aim at suppressing age limits for entering the civil service, or mobility measures, while they were not necessarily aimed at addressing ageing challenges, will have a positive effect on recruitment.

  - Ireland has removed its compulsory retirement age (previously set at 65) and has increased the pension age of public servants for new entrants to 65 (this will not impact the peak of departures). 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. 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 personnel strategies
  - In Italy, pension reform has also focused on retaining older workers at work by changing the pension and legal retirement age. 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 restrict early retirement schemes and increase mandatory contributions for pension entitlements. Federal authorities have decreased employment by 32% since 1998, and only a limited number of new hiring is taking place. In addition, the new pay system that has started to be implemented in 2005 has introduced performance related pay. In October 2005, a new pays system has been introduced that makes pay increases not dependent on age and seniority anymore but on competence (training, aptitudes and experience) and performance.
  - In the Netherlands, the government’s policy to retain older workers has mainly focused on restricting early retirement. It is interesting that in this country where the government has a very clear picture of departures that will take place per sector, a choice has been made to stick to current workforce downsizing trends at central level. A new round of recruitment is planned for 2006 but that will not offset the results of the downsizing policy and will not specifically concern sectors affected by ageing.
  - Portugal intends to continue its policy of downsizing with the replacement of two leavers with one entrant, and stick to hiring freezes at central level (this policy does not apply to the health and education sectors). In addition, Portugal has implemented a pension reform that has increased mandatory contributions and strictly the possibilities of early pensions.
II.3. Few signs of proactive structural change

34. It is striking to note that in the 8 countries studied, and although all are well aware of the ageing challenges in the social sectors, few mention their government plans to reallocate resources across sectors, and none seems to have started implementing or planning this reallocation in a systematic manner taking fully into consideration the ageing factor. These staff reallocations should be made easier by the ageing civil service, by not replacing staff in some sectors in order to hire more staff in others. For example, planned downsizing exercises at central government level would be beneficial if matched by an active policy to increase capacity in social sectors at local level.

35. The institutional division of responsibilities in the provision of social services between national and subnational governments makes reallocating resources more difficult. In many countries, a large part of service delivery in the social sectors is delivered through subnational governments. While this should theoretically allow a more subtle assessment of the different needs across regional areas, it actually makes adapting the delivery of public services to the challenges of ageing more complicated; as it calls into question the present allocation of resources across the different levels of government and regional areas.

36. Some countries have used the ageing opportunity to reshape the institutional division of labour between national and sub-national government. But even in those countries, while the reallocation of resources across levels of government seems at the core of the reforms, it is unclear that these will lead to actual transfers of resources across service delivery sectors.

- Denmark and Finland seem to be the most advanced countries in terms of reallocation of resources across sectoral priorities linked to their ageing strategies. Both mention they are in the process of a major institutional reorganisation and significant shifts of resources across different levels of government. Denmark forecasts an increased recruitment in social services and especially in the health sector, but without yet mentioning numbers or how these new recruitments will be funded. Finland mentions that inter-municipality cooperation will be reshaped through increased regional level responsibilities. The aim is to ensure resources reallocation for the education and care sectors.

- While France mentions a concrete program of career conversion for a good number of civil servants, and in particular in the education sector, the report also mentions the government has made no specific plans to reallocate resources across sectors, or to reallocate resources across levels of government which have different responsibilities in the social sectors. However, the government expects that the new budget framework will allow better allocation of resources following the Gestion Prévisionnelle des Effectifs, des Emplois et des Compétences (GPEEC) recommendations.

- Ireland, which is less immediately affected by ageing, mentions the possibility that it might link ageing to the decentralization program in the long run, and rethink its allocation of staff across levels of government.

- Italy has just implemented a major constitutional reform in 2001 which introduces a new division of labour between Central Government and the Regions, and strengthens regions and municipalities, in particular in the health and education sectors. However, there is no mention of any specific transfer of public expenditure or staff to regions or sectors, nor of any planned additional recruitment in the health sector.
II.4. There are a broader range of managerial tools

37. While proactive strategies might be somewhat weak, and proactive structural changes largely absent, most countries are showing evidence of the more determined use of existing management tools (mobility, knowledge management, career management, flexible working hours) to retain older workers, to make a better use of these older workers, to improve their motivation as well as make them more adaptable, to better attract young professionals to the public service, and to reallocate staff across sectors.

- At the core of the German strategy on ageing are improved knowledge management, training and further reforms on mobility to increase productivity, but also more flexible working conditions and lifelong training in order to better retain older workers.
- France puts a lot of emphasis on mobility and especially on the possibility for teachers and professors to have a second career in another public service sector, and in particular in the health sector and at local government level. The government is also presently rethinking lifelong training for civil servants. Pension reform has also improved the incentives for older worker to work on a part time basis.
- In Denmark, competence development is the second priority of the ageing policy through better knowledge management implying new training programs, increased mentoring and coaching across generations. Like in France, the pension reform package has included the possibility for older workers to work part time, but also a training policy, better knowledge management and improvement in working conditions. Finally, Denmark also mentions mobility reforms for the future.
- Finland has started to implement many programs aimed at improving work conditions, training, mobility, and knowledge management across generations.
- Italy also focuses on maintaining capacity through increased mobility and better knowledge management.
- Finally, all European Union countries have had to adapt their regulations in order to transpose the EU Employment framework directive 2000/78/EC, which strictly limits the conditions under which age distinctions can be justified by law or regulation.
Conclusion:

38. A comprehensive and effective response to the ageing challenge facing the public service requires countries to draw from three possible strategies:

1. Reactively, they must, where possible, achieve efficiency savings and increases in labour productivity as ageing has an inescapable fiscal impact.
2. Proactively, they must, where possible, seize the opportunity to identify the new skills needed and replace departing staff with others with more appropriate profiles and skills.
3. They must also seize opportunities to introduce new service delivery structures, and to shift resources and capacity to the subnational levels which have primary responsibility for the delivery of social services to older people.

39. In practice, it seems that the reactive agenda dominates. Most countries seem to be implementing measures to downsize their workforce, at least at central government level, have reformed their pensions systems to increase their financial sustainability, and some have started implementing compensation reform to decrease the part of seniority/age related pay. Very few, however, seem to be rethinking the organisation of their service delivery between public and private sectors or in terms of increased autonomy for service delivery bodies in order to increase efficiency.

40. There seem to be few proactive responses. Decreasing costs can only be part of a larger strategy to maintain capacity in some sectors and improve capacity in others. While many efforts are made to face the looming staffing crisis due to the ageing civil service by increasing incentives for older staff to stay at work, it seems that these efforts will only have very limited effects in terms of maintaining capacity. A serious effort needs to be made by countries to make sure their public services will remain attractive and attract the best and the brightest in a context of massive recruitment.

41. Most significantly, proactive structural change seems to be particularly limited. Few countries have started implementing strategies to reallocate resources across sectors, which is going to be a crucial matter for the coming decades. Only a few countries have started reviewing the consequences of ageing on service delivery across levels of government. This is probably one of the core difficulties of the future ageing strategies for the public service.

42. There is some limited comfort to be taken from the observation that while proactive strategies might be somewhat weak, and proactive structural changes largely absent, most countries are showing evidence of the more determined use of existing management tools (mobility, knowledge management, career management, flexible working hours) to retain older workers, to make a better use of these older workers, to improve their motivation as well as make them more adaptable, to better attract young professionals to the public service, and to reallocate staff across sectors.
### Table 2. AGEING CHALLENGES BY COUNTRY DATA

<table>
<thead>
<tr>
<th>Countries</th>
<th>Ageing population(12)</th>
<th>Ageing labour market(13)</th>
<th>Ageing civil service(14)</th>
<th>Evolution of the Health/Education public service delivery and skills needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>DENMARK</td>
<td>Population ageing is occurring less rapidly than in many other OECD countries. Up to 2010, the population in Denmark is projected to remain close to its present size of 5.38 million and thereafter contract slowly to reach 5.15 million by 2050. In 2050, the age group 65 and over could be 43% larger than its present size i.e. an increase in the share</td>
<td>Participation rates of older workers in the labour market are low compared to the OECD average (26% of the labour force). While the number of people aged 65 and over is projected to increase by 50% over the next three decades, the size of the labour force could fall by 10%. After 2025, the number of persons outside the labour force is expected to exceed the number of persons in the labour force.</td>
<td>Roughly one third of civil servants are aged over 50. Largest group of employees in the State sector is the 50-54 age group, whereas the largest one in local government (municipalities and regions) is the 45-54 age group. Proportion of older workers at central government level is higher than that at local government (33% against 30% for Regions and Municipalities). Local government will be less affected than State sector.</td>
<td>Projections on age-related spending in 2050 compared with 2000: -0.1 % of the GDP for education, +2.7% of the GDP for health care and long-term care.</td>
</tr>
</tbody>
</table>

\(12\) **Sources:** Case studies on “The challenges of managing government employees in the context of an aging population”
OECD (2005), Ageing and employment policies, OECD, Paris

\(13\) **Sources:** Case studies on “The challenges of managing government employees in the context of an aging population”
OECD (2005), Ageing and employment policies, OECD, Paris

\(14\) Projections on massive departures timeline have been made by GOV/PSMP, according to retirement age average by country. Forecasts have to be considered as preliminary data.

of this age group in the total population from 15% in 2003 to around 22% in 2050.

The old-age dependency ratio\textsuperscript{16} is expected to increase from 22% in 2000 to around 42% in 2050. OECD/DELSA source forecasts 39% in 2050.

In comparison, the OECD average is forecasted to increase from 23.8% in 2000 to 49.9% in 2050

<table>
<thead>
<tr>
<th>FINLAND</th>
<th>Finland will face the fastest rise in the OECD area. The number of people aged over 65 is projected to increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>During the period 2020-2050, the Finnish labour force is projected to decline by</td>
</tr>
<tr>
<td></td>
<td>The ageing shift of the civil service has already started.</td>
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<tr>
<td></td>
<td>With 32% of older workers at present at the government, workers are older than the average and will be highly affected by ageing.</td>
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<tr>
<td></td>
<td>Education sector will be the most concerned by massive departures before 2015. It is a main challenge for local government employers.</td>
</tr>
<tr>
<td></td>
<td>Projections on age-related spending in 2050 compared with 2000:</td>
</tr>
</tbody>
</table>

\textsuperscript{16} Old-age dependency ratio is equal to population aged 65 and over as a percentage of population aged 20-64.


OECD (2005), Ageing and employment policy, OECD, Paris

\textsuperscript{17} Projections on massive departures timeline have been made by GOV/PSMP, according to retirement age average by country. Forecasts have to be considered as preliminary data.
by 57% by 2020 and 80% by 2050 compared with its 2000 level. In a few years, proportion of people over 65 will be higher than proportion of people under 20. Population will start to decline in 2029.

The old-age dependency ratio is projected to rise from 25.9% in 2000 to about 37% by 2020 and 50.6% in 2050. OECD/DELSA source forecasts 48.1% in 2050.

-0.40% annually. Labour population will start to decrease massively from 2010\(^7\).

central government level, Finland has one of the highest proportions of older workers in the civil service across OECD countries taking part in the project.

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Timeline
Massive departures will happen from 2010. The first peak is forecasted between 2010 and 2015: 13% of the current civil servants will leave during this period of time.

A second wave of massive departures- higher than the first one- will occur between 2015 and 2020. The ageing process will last at least 15 years.

By 2020, 90% of senior managers currently in office will have left.

0.6 % of the GDP for education, +3.8% of the GDP for health care and long-term care.

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Capacity needs
No specific data, since education and health care are decentralized to local government.

FRANCE

The old-age dependency ratio is very high compared to the OECD average: it will increase from 27.2% in 2000 to 50.8% in 2050. OECD/DELSA source forecasts 58% in 2050.

France’s labour force will begin to shrink and age significantly from 2010.

One person in four of working age will be over 50 in 2010, compared to one in five at the present time. Older workers’ proportion will increase from 24 % in 2002 to 30 % in 2012

Massive departure projections of the labour market show that sectors affected the most by ageing belong to the private sector.

In the civil service, the ageing phenomenon has already started, not in terms of massive departures but related to proportion of older workers: 31% for the State civil service (central government), 23,9% for health civil service and 28,9% of older workers for the territorial civil service.

-0.9 % of the GDP for education, +2.5% of GDP for health care and long-term care.

Projections on age-related spending in 2050 compared with 2000:

-0.6 % of the GDP for education, +3.8% of the GDP for health care and long-term care.

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Timeline

Massive departures in the civil service are forecast to become critical from **2009. More than** 30% of civil servants will leave between 2010 and 2020. A paroxysm will be reached during the 2010-2015 period, with a peak forecast for 2010.

Between 2010 and 2015 managers/high civil servants of the central level will leave. For intermediate and lower categories, the massive departures' peak is forecast for the 2015-2020 period, even though the phenomenon will start from 2010.

Capacity needs

Massive departures will occur between 2008 and 2015 in the education sector. Older workers’ proportion reaches 22%. One in four civil civil servants from the education sector is leaving the civil service between now and 2010.

Massive departures will happen from 2010 also for health civil service and local government staff (territorial civil service): from 2010. But it will be less challenging in terms of staff replacement than for the State civil service.

A specific capacity issue concerns the health civil service, first because 23% of staff will leave between 2010 and 2020, and because an important proportion of current staff is used to retire earlier (around 55) due to early retirement schemes.

Projections on age-related spending in 2050 compared with 2000:

| GERMANY | After 2020, the population will decline, to some 40 million in 2050. 24.7% of people were aged over 60 | The size of the working-age population is projected to decline from 50 to 40 million | The average age in the private sector tends to be younger than in the civil service. | Projections on age-related spending in 2050 compared with 2000: |
in 2003. By 2035, one-third of the population will be over the age of 65, and 36.7% in 2050.

The old-age dependency ratio will increase from 26.6% in 2000 to 40% in 2025 and further to 53.2% in 2050. OECD/DELSA source forecasts 55% in 2050.

| people in 2050. | The ageing of the working-age population will be most pronounced between 2007 and 2020, when the share of potential workers over the age of 50 will increase from 30% to 39%.

According to preliminary GOV forecasts, labour population will start to decrease between 2013 and 2015.

Proportion of older workers for the whole civil workforce is 31.2%. This proportion is higher at local government levels than at federal government level: 34.7% for Länder (largest cohort of workers), 28.7% for the Communes and 23.2% for federal level.

The majority of civil service managers are currently aged from 55 to 60 years.

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**Timeline**

Departures have already started. 15% of the civil servants are more than 58 years old (both federal and local levels), departing from now to 2015. 16% will leave in a very concentrated period of time beginning in 2015 (both for federal and local level).

Massive departures (31% of the current civil service workforce) will continue during the period 2020-2030. Then another peak is forecasted between 2030 and 2040, as 30.4% of the workforce belongs to the age group 40-49.

Massive departures will affect local

| 0.0 % (no variation) of the GDP for education, +3.1% of GDP for health care and long-term care. |

**Capacity needs**

No specific data on education or health care workforce are available.

But it can be said that health and education are forecasted to be specifically affected by the ageing local government staff, since these sectors are managed by local government units which will be more affected by ageing.
government staff more than the Federal level. More than one-third will be leaving between now and 2020.

Massive departures of managers are forecast between 2010 and 2015.

Differences among employees’ categories have to be noticed. Angestellte and Arbeiter (public employees under labour law contracts) will be more affected than civil servants (Beamter). The two first categories will mainly leave between 2010 and 2020. Roughly 40% of public employees are aged from 50 to 64 years at the federal level and 60% at the local level, unlike only 27.4% of the civil servants (Beamter) at the federal level and 36.5% at local level. As a consequence, massive departures will impact more substantially upon the two first categories described.

<table>
<thead>
<tr>
<th>IRELAND</th>
<th>The proportion of persons over 65 will only reach the current EU average of 17% by around 2025 but will remain around the same level for the next 10 years. In 2050, this proportion will reach 29.2% of the population.</th>
<th>The labour force rate will age slowly. But in the long run, Ireland appears likely to face the same challenges from ageing as are already being faced by many European countries.</th>
<th>Current civil workforce is younger than the OECD average. The proportion of older workers in the civil service (education and health excluded) reaches 24% in 2004. It is expected to increase to around 45% in 10 years time (2015).</th>
</tr>
</thead>
</table>

Projections on age-related spending in 2050 compared with 2000:
- 1.5% of the GDP for education, no data for health care and long-term care.
<table>
<thead>
<tr>
<th>ITALY</th>
<th>Old-age dependency ratio is currently 19.7%. It is forecasted to reach 45.7% in 2050.</th>
<th>Timeline</th>
<th>Capacity needs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>According to national Statistics, population will grow until 2012 and then will slowly and progressively decline from 57.8 million in 2001 to 51.9 million in 2050. By 2050, more than one in three Italians will be over the age of 65. Italy has the highest old-age dependency ratio among OECD countries after Sweden currently, that</td>
<td>In the civil service, departures are forecasted to be critical and massive from 2015. But the size of the phenomenon is less significant than in other countries described. Proportion of older workers will also start to increase substantially around 2015. There is a critical period. Massive departures will be consequent between 2015 and 2020, and will continue until 2025. Around 27-30% of the civil servants will leave during this period of time, which ranks Ireland below the average of countries taking part to the project.</td>
<td>No precise data. Education and health care are managed at regional level.</td>
</tr>
</tbody>
</table>

Labour population has already started to decrease. Over the period 2000-2050, the rate of decline in the Italian labour force could be particularly steep. Italy is the country which will be the most affected by the ageing phenomenon - compared to other OECD countries taking part in the project. Specific data related to civil service age structure is missing. But the proportion of older workers is very high. 

Projections on age-related spending in 2050 compared with 2000:
- 0.6% of the GDP for education, +2.1% of GDP for health care and long-term care.

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Capacity needs
Lack of sector data to measure skills needs.
is to say 28.8% in 2000. It is projected to reach 43% in 2025 and 68.8% in 2050. OECD/DELSA source forecasts 67% in 2050.

**PORTUGAL**

Total population is expected to decrease in the forthcoming 50 years- with a variation rate between 2% and 27%- with the decrease beginning in 2010. Population over 65 was 15.5% in 2005. The number of people older than 75 may represent already in 2010, practically half of all those who are 65 and older. Old-age dependency ratio is projected to almost double.

Age structures of the private sector are different from the civil service one. Population is much younger in the private sector. The larger number of workers may be seen in the age groups ranging from 25 to 29, 30-34, and 35-39 years of age, whereas the largest cohort in the civil service is the age group 40-49 years. Massive departures will happen in the long run in the private sector (after 2020).

Ageing is a specific issue for the public sector. The percentage of older workers over 50 in the central civil service reached roughly 23% in 1999. 40-49 years old cohort is reaching 32% of the total central civil workforce.

In comparison with central administration, local administration has higher proportion of older population: 24%.

Unlike other countries, managers are not specifically concerned, since recruitment of young managers has been implemented.

No data related to projections on age-related spending

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**Capacity needs**

No precise data for education.

Health sector has already started to be affected by skills shortages.

The ageing civil service is forecasted to be an issue until 2050.

Managers and top level civil servants have already started to leave. The current percentage of managers over 65 years- allowed to leave the duty- is 5%. In 10 years, 72% of managers will be over 65.
<table>
<thead>
<tr>
<th><strong>The NETHERLANDS</strong></th>
<th>Population ageing is occurring less rapidly in the Netherlands than in most other OECD countries, partly due to the factor of international migration since the early 1960s. Population will increase until 2035 and then will start to decrease. Population over 65 will grow from 14% in 2004 to 24% in 2040.</th>
<th>Massive departures in the private sector and ageing working population will start to be critical in 2015-2020. But compared to the OECD average, the working population will decrease at a lower level.</th>
<th>The average age in the public sector is 10 years older than in the private sector. In this respect, ageing challenge is specific to the public sector. Proportion of older workers is higher in the whole public sector than in the private one: 29.5 % Forecasts display an increase of the cohort 55-65 from 15% now to 20.8% in 2013 and perhaps 40% in 2020. Proportion of older workers at central government level is 27%, whereas it is 32.2% for local government.</th>
<th>Projections on age-related spending in 2050 compared with 2000: 0 % (no variation) of the GDP for education, +4.8% of GDP for health care and long-term care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>from 26.7% in 2000 to 50.9% in 2050.</td>
<td>Ratio of the population aged 65 over to the labour force was 30.9% in 2000. It is forecasted to increase to 28.2% in 2020.</td>
<td>Timeline</td>
<td>Relative massive departures have already started. 23% of civil servants from central government and 17% of local government staff are expected to leave between 2000 and 2010. Massive departures will happen between 2010 and 2020 (32% for central government and 31% of local government staffs). Effects of the 2005 reform delaying mandatory retirement age until 65 may soften massive departures size after 2015 and spread it until 2025.</td>
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<tr>
<td><strong>Capacity needs</strong></td>
<td>The ageing process is tremendous in the education sector (part of the central government). Half of education employees are aged over 45; 28% of primary education and</td>
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<td>The old-age dependency ratio is projected to almost double, from 21.9% in 2000 (in average within OECD countries) to 44.9% in 2050. OECD/DELSA source forecasts 40% in 2050.</td>
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</tbody>
</table>
| **Timeline**  
Critical period for the public sector will happen earlier than in the private sector, from **2010**. The peak period is forecast for the period from 2015 to 2020 (both at central and local levels).  
39.6% for secondary education are older workers, leaving massively between 2010 and 2015.  
Health care sector population is younger but still have a consequent proportion of older workers (22.6% of older workers). Nevertheless, data on health care staff evolution are missing, as it is not part of the public sector per se. |