

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 the 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, the Netherlands and Portugal. The range of countries studied in this report suggests that its conclusions are indicative of broader OECD trends.

The research and information in this report are divided into four main chapters.

The first chapter of the report examines immediate issues resulting from an ageing population and an 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 and institutions, 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 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 services delivery and the implications for the status of staff working in those sectors, as well as to devising strategies for cost reduction.

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 introducing greater flexibility, and to reallocate human resources across sectors to meet the 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 to be adversely affected by massive new hiring in the public sector.

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

- 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 member countries 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 static² 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. The report finds that this needs to be addressed by major new hiring together with 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 need for changes to the workforce in different sectors or at different levels of government.
- The third challenge for HRM strategy 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 consequences for the wider labour market and thus for the wider economy of the waves of departures, have not been taken into account in the public service ageing strategy.

The third chapter of the report is a review of the different strategies that can be undertaken by countries in response to these challenges. It notes the importance of a holistic approach, with the relevant government organisations and the different levels of government working together to co-ordinate the implementation of the chosen strategies. The review of the nine case studies reveals the necessity for more proactive strategies based on: reviewing the demographic profile of the public service workforce to assess potential capacity gaps and financial difficulties; reviewing the longer term capacity challenges that may emerge as service demands change and fiscal latitude becomes more restricted; and examining the room for manoeuvre created by changes to the wider workforce.

The fourth chapter of the report suggests action which governments could undertake by setting out a checklist for countries seeking to develop a national ageing strategy for the public sector. It covers:

- Reviewing the potential consequences of ageing public sector workforces in the wider financial and labour market contexts.

- Deciding on the most appropriate ways of increasing productivity in the delivery of public services and decreasing overall costs, while taking advantage of the unique opportunity to restructure provided by the increased number of public servants retiring.
- Focusing on maintaining capacity in some sectors and increasing capacity in others.
- Promoting institutional changes to adapt multi-level governance to the ageing challenge.

Notes

1. See “Projecting OECD Health and Long-Term Care Expenditures: What are the Main Drivers?”, *Economic Department Working Paper No. 477*, OECD (2006).
2. See footnote 19.

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