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The Future of the Working World

On the Way to the Year 2030

Summary



Robert Bosch **Stiftung**

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Summary

Foreword

We have long known of the demographic changes that we will face in the coming decades. They are being discussed from every angle and characterized as society's downfall. Questions pertaining to the impact of these changes on the working world and on individuals' working lives are usually viewed one-dimensionally or at most in terms of two different aspects. And concrete measures to reasonably deal with the effects of these changes have only been taken with a similarly modest scope. In this context, "retirement at age 67" was certainly the most important step.

Professor Jutta Rump, director of the Institute for Employment and Employability at the Ludwigshafen University of Applied Sciences, deserves the credit for the Robert Bosch Stiftung appointing the "Future of the Working World" committee to more comprehensively analyze these changes to the working world. To this end, the committee selected a multidimensional approach and included a variety of subdomains that affect the working environment in their examination of the topic, such as the employer, unions and employers' organizations, social security, labor law, the labor market, and education, and particularly looked at how these areas interact with and influence one another. They did not limit their work only to a point of view exclusively from the perspective of demographic changes; they also incorporated into their examination other trends and developments, such as globalization, society's changing values, the position of women in society, how diversity is handled, and the transition to an innovation-based or knowledge-based society. Furthermore, from the outset, the group strived for more than just a purely theoretical consideration of the issue. Instead, the committee's goal was to produce suggestions for practical measures that could be implemented to prevent or at least minimize the negative effects of demographic change.

The issue of demographic change has, in the past, already been cause for the Robert Bosch Stiftung to appoint a committee to look into its effects and possible reactions: in 2005, a committee led by Dr. Kurt Biedenkopf presented its "Strong Family" report. This was followed a few years later by the report "Small Living Environments," the result of the work conducted by a smaller committee.

In addition to Professor Jutta Rump, we would like to particularly thank the other members of the committee: Professor Heinz Fischer, Peter Hausmann, Dr. Hans-Peter Klös, Professor Thomas Lobinger, Professor Bernd Raffelhüschen, Professor Susan Seeber, and Michael Vassiliadis. We would also like to thank all those who were a part of the working groups formed by the individual committee members and who made key contributions to the success of the project in these roles. The members of the working groups are named in chapter 3 of the report “Robert Bosch Stiftung’s ‘Future of the Working World’ Committee” (German version).

Until his unexpected death on August 31, 2012, Professor Norbert Walter headed the committee with significant expertise and great skill. He offered key suggestions and set the direction of the committee’s work. Without him, this report would not have been created in this period of time and at this level of quality. As a result, we have decided to continue listing him as chairman of the committee and coauthor of the report as was originally planned. This is how we would like to show our gratitude for the contributions he made.

With the consent of all other committee members, Dr. Klös has assumed the position of committee speaker; we would like to sincerely thank him for doing so. Finally, we would like to thank Sven Astheimer. The task he completed - which we cannot express enough appreciation for - was to create a report of consistent style and form out of a multitude of different contributions.

In addition to the public, the following report will be presented to decision-makers throughout the worlds of politics, business, unions, and associations. We hope the report will inspire as intense a discussion as possible of its contents and particularly of the suggestions regarding steps that can be taken. It is in all of our interest to do everything that is practical to maintain our level of prosperity and, as a result, social justice and social peace.

Dieter Berg

Chairman of the Board of Management
Robert Bosch Stiftung

Robert Bosch Stiftung

The Future of the Working World

Committee

The steering committee of the “Future of the Working World” was chaired by the late Professor Norbert Walter, former chief economist at Deutsche Bank AG, who passed away in August 2012, and is comprised of the following members:

- :: **Prof. Heinz Fischer**, honorary professor at the Hochschule Pforzheim University, former labor director and general manager of Hewlett-Packard GmbH as well as chief human resources officer of Deutsche Bank AG
- :: **Peter Hausmann**, member of the executive board, VB 5, Pay Scales/Finance at the IG Bergbau, Chemie, Energie union (IG BCE)
- :: **Dr. Hans-Peter Klös**, general manager and head of the Educational Policy and Labor Market Policy scientific division at the Cologne Institute for Economic Research
- :: **Prof. Dr. Thomas Lobinger**, professor of civil law, labor law, and trade law as well as director of the Institute for Civil Law, Labor Law, and Insolvency Law (Department of Civil Law, Labor Law, and Trade Law) at the Ruprecht Karl University of Heidelberg
- :: **Prof. Dr. Bernd Raffelhüschen**, professor of finance and director of the Intergenerational Contracts Research Center at the Albert Ludwigs University of Freiburg
- :: **Prof. Dr. Jutta Rump**, professor of international human resource management and organizational development and director of the Institute for Employment and Employability at the Ludwigshafen University of Applied Sciences
- :: **Prof. Dr. Susan Seeber**, professor of business and economics education and human resource development at the Georg August University of Göttingen
- :: **Michael Vassiliadis**, chairman of the IG Bergbau, Chemie, Energie union (IG BCE)

After the passing of Professor Walter, Dr. Klös kindly assumed the role of committee speaker.

The steering committee was assisted by several **expert groups** on the individual subdomains of the labor system, whose expertise played a significant role in the committee’s report. The individual results of the expert groups’ work will be presented in more detail in a publication entitled “Working World 2030. Trends. Forecasts. Possibilities.” (edited by Jutta Rump and Norbert Walter), which will be released by the Schäffer-Poeschel publishing company in the summer of 2013.

The Future of the Working World

On the Way to the Year 2030

Summary

1. What it involves

Up until now, Germany has made it through the global economic turmoil comparatively well. It is reaping the fruits of past reforms as well as its strong position as “The World’s Outfitter” in international competition between nations. However, the successes achieved also bring about new challenges that not only lie in the shift in the global division of labor and overcoming the European sovereign debt crisis but also in the dawning of an era of new demographics in Germany.

The objective of this committee report, “The Future of the Working World - on the Way to the Year 2030,” is to holistically analyze the challenges of the demographic transition from an initially aging and subsequently shrinking population and to submit action-oriented recommendations on their management. The aim of the report is a comprehensive demographic agenda for the 2030 labor market to safeguard Germany’s wealth creation through an adequate and highly qualified employment provision, in particular, and the future of our living and working environment in general.

At the same time, the committee is aware that the demographic change is always closely linked with other major economic, technical, and societal trends that influence the German political economy:

- :: The globalization of the division of labor leads to a shift in the world’s economic powerhouses away from Europe and Germany.
- :: The penetration of economic processes by information and communication technologies gives rise to the acceleration, compression, and knowledge intensification of processes, which less-skilled people are in many cases unable to keep up with.
- :: The availability of raw materials and access to energy show themselves to be bottlenecks for industrial production.
- :: The individualization and feminization of society have far-reaching consequences for the balance between work and family life.
- :: A change in societal values is strengthening thinking in the categories of sustainability but is increasingly skeptical regarding conventional growth concepts.

This report creates an overall picture of the working environment in 2030 for the six activity spheres of the labor market, corporate policy, social partnership, educational and qualification systems, labor law, and social security - a working environment that has been successfully modernized with the forward-looking cooperation of businesses and their employees, the bargaining partners, and political and legislative bodies. It becomes apparent that the demographic change embedded within other major

trends is not the inevitable fate of the future labor market: rather, it can be positively shaped by a quick, logical, and consistent approach by societal and government players in the various spheres of activity.

In light of the comprehensive approach and interdisciplinary composition of the committee, it should be expressly acknowledged that the following reform scenarios and recommendations would not have been possible without the willingness of individual committee members to agree on jointly supported positions.

2. The demographic starting position

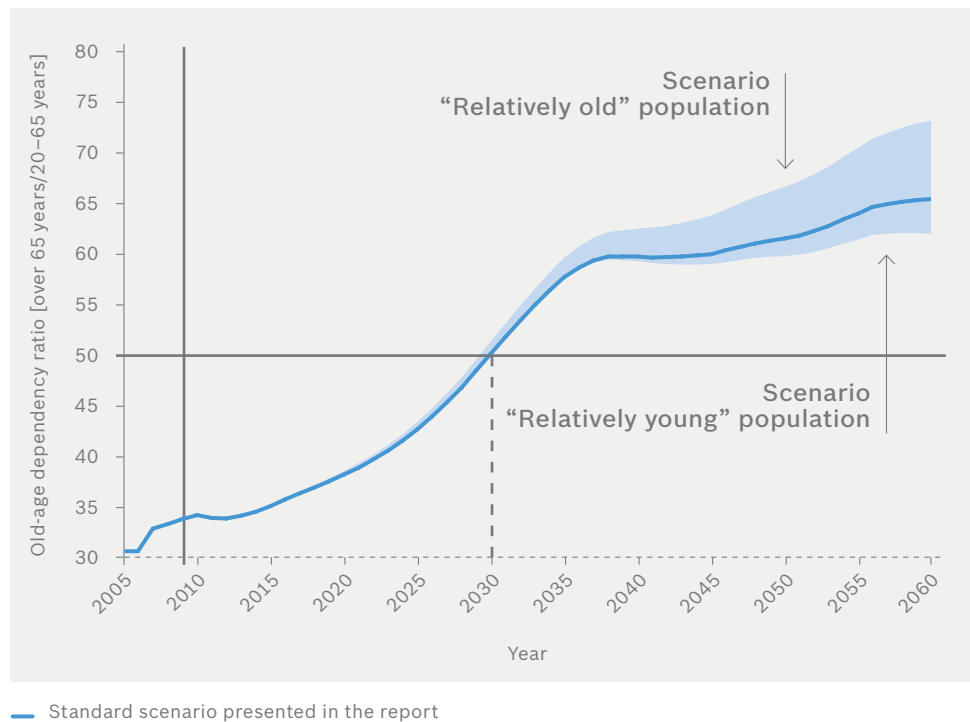
More than any other OECD nation, Germany will see itself confronted with a massively aging population over the coming years that, little by little, will be accompanied by a population decrease. This aging process has come about as a result of constantly declining fertility rates since the 1970s, along with increasing life expectancy. Immigration has as yet been unable to compensate for the aging of the population.

For its demographic reference scenario, the committee report assumes that the consolidated birth rates will remain at the current level of 1.4 and that the life expectancy of newborns will rise to 85 (male) and about 89 (female) by 2060. The long-term annual net migration gain in Germany amounts to 150,000 in this scenario from 2017.

Based on these assumptions, the result will be a decrease in the resident population from around 82 million today to 78 million by 2030 and 68 million by 2060. The number of young people under 20 years of age will fall by about 2.5 million by 2030. In contrast, the number of people over the age of 65 will increase by around five million. The accompanying changes in population figures and structure will have two far-reaching consequences:

- :: On the one hand, the number of people in the core working group aged 20 to under 65 will decrease by 6.1 million, or around 12 percent. Based on the population in the core working age group, within the space of only about two decades, one in every eight people of working age will be “lost,” while the number of older people above the age of 65 will increase by around 30 percent. Development after 2030 will be still more dramatic, with the speed of the population decline accelerating significantly.
- :: On the other hand, the changing population structure will have a serious effect on the old-age dependency ratio – the number of individuals over the age of 65 per 100 people aged between 20 and 65. This ratio will almost double by 2060, from 34 today to 65. The increase will be much more significant between 2020 and 2035, when the baby boomer generation retires. Even in the best-case scenario of a “relatively young” population, the old-age dependency ratio will almost double compared to today, with a value of 60 in 2060; while in the worst-case scenario, an increase in the old-age dependency ratio to 77 can be anticipated for a “relatively old” population (figure 1).

Figure 1:
Old-age dependency ratio for various demographic scenarios¹



The changes in employment provision and the altered age structure of the population present a great challenge in terms of both revenue and costs for social-security systems in Germany. Over the past 40 years, social-insurance contributions have already risen from a total of 26.5 percent of income subject to such contributions to more than 40 percent today. Germany is now number one in the world when it comes to taxes and social charges on earned income and wages. Bearing in mind the historical path of contribution rates and the close connection between the development of the labor market and social security, a further demographically induced rise in contribution rates should be avoided.

3. Potentials that can be mobilized

In order to be able to adjust to future changes in the working environment and to leverage potential, further reforms are needed that allow for the interplay of the major trends described. The committee thus devoted special empirical attention to two central concerns:

- :: On the one hand, this involves the question of how the employment provision as a central basis for wealth and an impulse generator for future growth can be successfully safeguarded until 2030 and which measures are needed for this.

1 Our own calculations on the basis of the following: Federal Statistical Office (2009): Germany's Population by 2060 – Results of the 12th coordinated population projection, Federal Statistical Office, Wiesbaden, 2009.

- :: On the other, the focus is placed on reforms to fallback systems in order to work toward steady contribution rates and fairly sharing the burden between the generations.

In order to be able to estimate how to safeguard the employment provision until 2030 and using certain reform steps, the committee has developed comprehensive scenario calculations. These were derived from the principle that there are three basic paths to securing a labor supply for the German political economy in 2030 that are quantitatively as well as qualitatively adequate: firstly, the size of the working population or workforce can be increased (“heads”), secondly, the volume of work (“time”) performed by the workforce can be increased; and thirdly, the productivity of the workforce (“productivity”) can be increased. The scenarios can be assigned political measures that can then be quantified through projections regarding the volume of workers and work. Concrete assumptions may therefore be reached as to which political measures promise the greatest effects. The various scenarios are as follows:

- :: **Labor Participation scenario:**

This scenario deals with the question of which effects assume an increasing labor force participation rate for employment provision. The spheres of activity are lengthening the working lifetime, increasing employment rates, improving access to the labor market for resident migrants, increasing immigration, and increasing birth rates.

- :: **Working Hours scenario:**

This scenario calculates the effects of increasing working hours per workforce member. The sphere of activity is increasing the annual working hours.

- :: **Productivity scenario:**

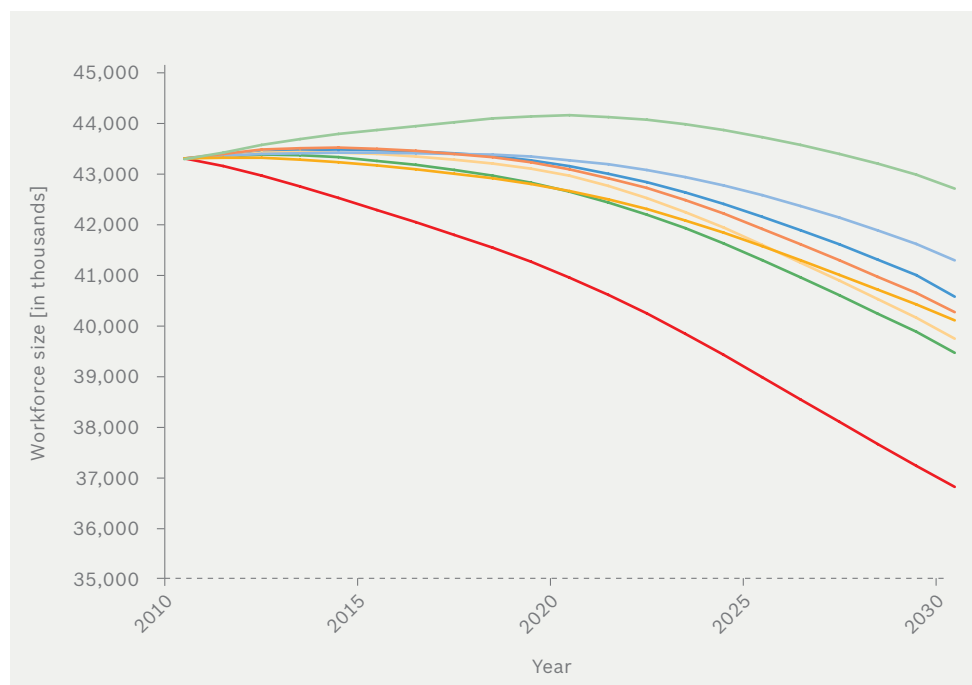
This scenario specifies how the productivity of the workforce needs to develop so that the social product per resident can be stabilized in spite of decreasing labor potential. The spheres of activity are improving qualifications, improving labor organization/lifelong learning, and increase innovation productivity.

The results of the scenarios show that, under realistic assumptions as part of a concentrated reform effort, an approximate stabilization of the size of the workforce is possible by 2030. Through additional measures to raise working hours per head combined with a further reduction in the rate of unemployment, the overall economic work volume can also then be stabilized by 2030 without any measures exceeding today’s pension at 67. Should additional measures to raise labor participation be taken and combined with measures to increase working hours, then the overall economic work volume can still be substantially raised in spite of a shrinking population. The effect on working hours per head seems in this case to be quantitatively more significant than the effect of stabilized labor participation.

In detail:

In the **Labor Participation scenario**, important reform options are simulated to see their effects on the size of the workforce, such as the postponement of the exit age, increased labor participation of older people, women, and people with a foreign background (*Migrationshintergrund*), and earlier entry onto the employment market. In addition, a “combination scenario” is calculated that links together the effects of an earlier entry and later exit by a year, as well as higher labor market participation within the three named population groups. The calculations are, on the one hand, based on an “inactivity scenario” - *What happens if nothing happens?* - and, on the other, a “reference scenario” - *What has already happened and what is actually starting to take effect?* - that considers the current shift in exit age in the wake of the pension reform. In the reference scenario, the one-year postponement of the exit age already in place due to the plan for people to take a pension at 67 by 2030 is used as a basis. The most important results are below (figure 2).

Figure 2:
Workforce size projections: 2010 to 2030



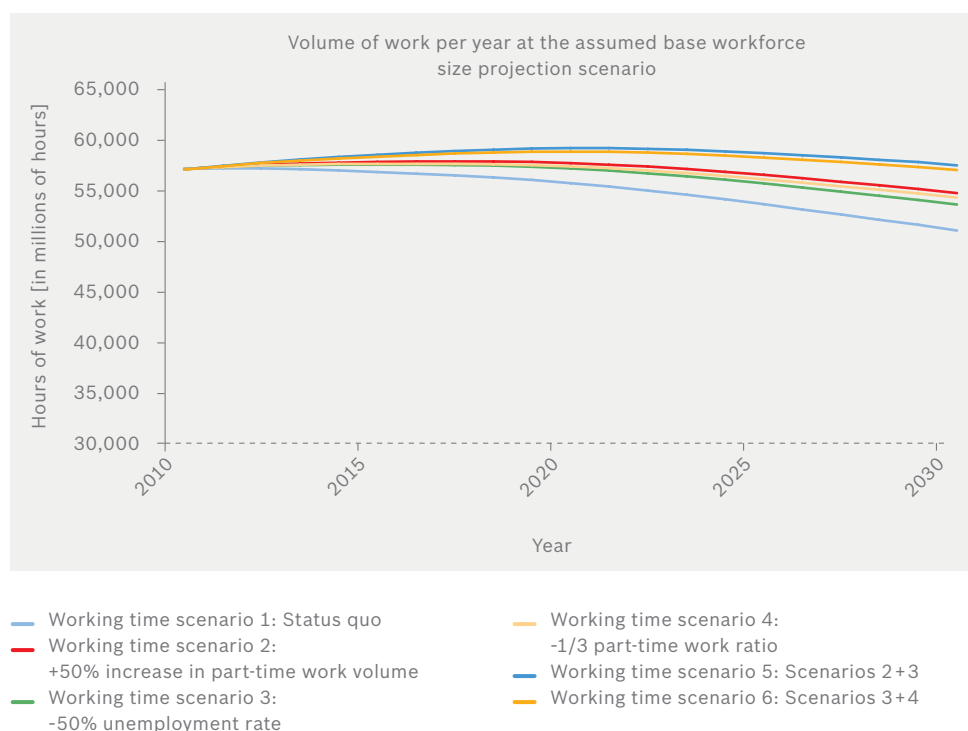
- Scenario 1: Status quo
— Reference scenario 2: Retirement at age 67
— Scenario 3: Later retirement – alternative
— Scenario 4: Earlier entry into the workforce
- Scenario 5: Increased share of older population
— Scenario 6: Increased share of immigrant population
— Scenario 7: Increased share of women
— Scenario 8: Combination of scenarios

- :: Based on demographics alone, there is a reduction in the population aged 15 to under 65 of more than 6.5 million people. Even expanding the age boundary to ages 15 to under 75 still amounts to a decline of 5.5 million people by 2030.
- :: The results of the reference scenario illustrate the large effect of past behavior changes, which have an impact on the future, alongside the increase in exit age introduced with the pension at 67. Compared to a situation of nonaction, this results in an additional workforce of approximately 2.7 million by 2030.
- :: Seen individually, a pension at 67 is far from sufficient: compared to the initial situation in 2010, even the reference scenario leads to a decline in the size of the workforce of more than 3.8 million people by 2030. This demonstrates to what extent the demographic trend spills over into the workforce.
- :: The most effective individual measure is the increase in labor participation of older people. This offers the mobilization potential of around 1.8 million additional workers by 2030 compared to the reference scenario.
- :: A middling effect is demonstrated by postponing the exit age by one year (1.1 million), increasing labor participation of those with a foreign background (0.8 million), and increasing the female employment rate (0.6 million). The potential effect of bringing the entry age forward by a year is comparatively low (<0.3 million). Here the lower birth rates of the younger population are already reflected.
- :: A combination scenario of two additional working years due to quicker entry into and later exit from of the labor market, coupled with an increase in labor participation by older people, women, and those with a foreign background, leads to a mobilization of an additional 3.25 million workers in total compared to the reference scenario.
- :: Combined with the effect of around 2.7 million workers taking a pension at 67, the overall decline in the size of the workforce compared to today's level can thereby be restricted to 570,000 by means of coordinated reforms.

In the **Working Hours scenario**, various measures are calculated with the aim of achieving an increased number of annual working hours per worker and/or a declining unemployment rate based on the reference scenario that involves people receiving a pension at 67. As a reference, a scenario with a constant unemployment and part-time ratio, as well as constant working hours per head, will be used as a basis. Increasing the working hours of part-time workers by 50 percent, halving the unemployment rate and decreasing the ratio of part-time workers by a third as well as combinations of these measures are calculated. All in all, this points to a large leverage effect of measures regarding working-hours policy (figure 3):

- :: Compared to 2010, the result of the reference scenario, with no changes to working hours per head, would be a decline in working hours per worker of around two percent, or approximately 28 hours, by 2030. This effect can be ascribed solely to the changing age structure of the working population because, with increasing age, both a higher part-time ratio and a much reduced number of working hours performed during part-time work can be seen.
- :: This decline can be more than offset just with a reduction in the ratio of part-time workers or an increase in the number of working hours per part-time worker. The rise in working hours per part-time worker is the single biggest lever for increasing the average number of working hours per worker and by 2030 brings with it approximately 72 additional working hours per worker. Using this measure, the average number of working hours per worker can be increased by around five percent.

Figure 3:
Volume of work projections: 2010 to 2030



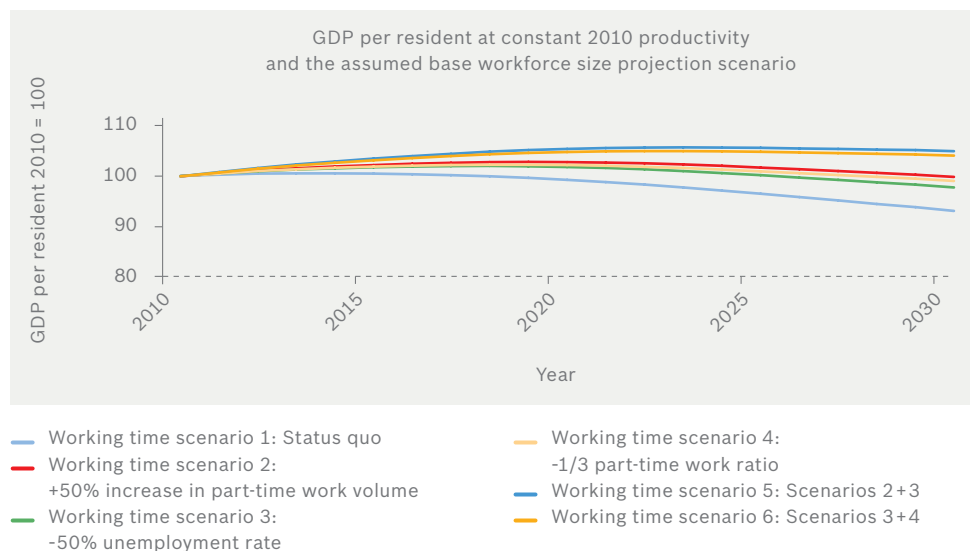
- :: Overall economic work volume can thereby be stabilized even in the reference scenario of workforce development. In the case of “doing nothing,” the overall economic working hours would decrease by around 10.5 percent between 2010 and 2030; halving the unemployment rate, in conjunction with an increase in the working hours of part-time workers or a reduction in the ratio of part-time work by a third, succeeds in stabilizing work volume at the initial level of 2010 in spite of the decline in population and workforce numbers.
- :: The decline in the rate of part-time work by a third and its conversion to full-time employment in itself results in an additional 3.25 billion working hours a year, or around six percent of current work volume as compared to the status quo.
- :: However no single effect of working-hours policy is sufficient to stabilize the overall economic work volume at today’s level. If the working-hours measures are tied into the combination scenario for labor participation, however, then, for each individual measure taken from the working-hours scenarios up to 2030, the result would be at least a stabilization, if not an increase, in work volume compared to 2010.
- :: Through the combined effect of a reduction in the unemployment rate and a higher number of working hours per worker, the overall economic work volume could even be increased by around eight percent by 2030.

The **Productivity scenario** simulates the effects on Germany’s prosperity that would result from the development of the workforce and work volume if measures are not taken against demographic change. It shows that annual productivity growth of around a third of a percentage point is required in order to simply maintain current prosperity until 2030 if further measures exceeding the pension-at-67 system that aim to increase labor participation and working hours are not taken. In contrast, the GDP per resident could be almost stabilized at current levels with the implementation of just one of the goals of the working-hours scenarios. The combined working-hours scenarios could actually result in an increase in prosperity even disregarding any productivity gain. Above all, with the combination scenario for the workforce projection, an increase in GDP per resident is possible even without additional increases to productivity (figure 4).

All in all, the model calculations illustrate that the adjustment methods of higher labor participation and increasing working hours per head, when combined, could lead to a stabilization of the overall economic work volume performed and subsequent achievable real income if they are pursued quickly and decisively. Failing this, the result of nonaction will be high costs in the form of reduced real income.

The quicker and more comprehensively the activity spheres of labor participation and time are dealt with, the lower the pressure to increase productivity. In addition, these model calculations show which measures can help reduce demographically related income losses in social-security systems. This does not, however, hide the fact that, due to future increases in expenditures related to demographics, further reforms are necessary in order to shape social-security systems in a sustainable fashion.

Figure 4:
Productivity projections: 2010 to 2030



4. What needs to be done now

Successfully adjusting to the given demographic and structural trends in the working environment requires the interdependent and coordinated contribution of political and legislative bodies at various federal levels, the parties to the employment and collective-bargaining agreements, and the companies and their employees.

a. What political and legislative bodies should do

Defining “work in 2030” is a classic cross-sectional task for various political fields and authorities. In the activity spheres of labor market, education/qualification, labor law, and social security, the committee makes concrete recommendations that permit:

- :: an increase in labor participation by women, older people, people with a foreign background, and also qualified immigrants,
- :: a rise in work volume, primarily of part-time female workers, and
- :: an increase in productivity at a macroeconomic level.

Labor market activity sphere

Particular attention should be given to the qualitative and quantitative upgrading of the care infrastructure for young children, particularly for those under three, as well as the support infrastructure for early childhood and a further increase in the offer of all-day schools with a view to raising labor participation and work volume. At the same time, the evolution of child day care centers into family centers, particularly in problem regions, is something to aspire to so as to be able to bundle and coordinate all offers and services locally for families with small children. The following starting points in particular are highly relevant in the medium term but have been given rather less attention thus far:

- :: Matrimonial income tax splitting should be extended to include children in order to increase tax incentives for parenthood. Alongside securing the generative foundation of a society, raising children also has a high fiscal benefit and deserves its own tax-related recognition.
- :: Family support services should be developed due to the current divergence of supply and demand. Purchasing services makes it considerably easier to balance the requirements of family and work as well as making the desire of mothers to return to near-full-time work possible.
- :: In spite of measures already taken to improve legislation regarding immigration and recognition of qualifications, Germany needs to develop a nonbureaucratic and transparent points system over the medium term to promote qualifications-oriented immigration, as employed by other countries for many years.
- :: The rigid pension-at-67 system and early retirement with deductions cannot be the solution for all employee groups. Additional possibilities must be developed and implemented. To do this, social partners require additional help and support such as improved possibilities for partial retirement, additional scope for organizing reduced pensions, and better administration of working-time accounts at least for a transition period until the establishment of long-term systems.

Education and qualification activity sphere

Evolution into a knowledge- and innovation-based society, combined with the demographic change, places a great deal of emphasis on the education system. Alongside the immediate, labor-market-relevant expansion of access to education and support for young children, particular importance is attached to the reduction of at-risk groups leaving the education system with insufficient basic qualifications and no upper-secondary education as well as transition management between school and employment. The recommendations in this respect are as follows:

- :: An initial, compulsory language proficiency assessment should be introduced across Germany for all children aged three years. The parents of children with language difficulties will be required to let their children participate in language development programs during early education and support at day care centers so as to promote integrated day-to-day language acquisition. An additional language proficiency assessment is recommended for all children at age five before commencing school.

- :: Regional and social disparities should be reduced by means of a regionally balanced network of educational offers as well as expanding time- and place-independent learning options for all education levels (e.g. virtual training offers, e-learning, etc.). Social disparities should be confronted by means of a differentiated approach in schools and an increase in the quality of academic (all-day) offers.
- :: Early career guidance and improved transition management are the prerequisites for integrating low-achieving young people into the education system. Vocational and support measures should be developed for young people with low basic education levels with a view to achieving specific basic qualifications that support a successful education and reduce dropout rates.
- :: The committee is a strong supporter of strengthening the dual-education system. For this purpose, a core education program should be introduced within the dual-education system to ensure a broad base for related occupational profiles and supplemented with specialized modular learning components. Furthermore, the dual-education system should be integrated with high school education through the development of dual-study programs as well as measures to improve permeability between vocational training and high school education.
- :: For those without a vocational qualification, more transparent methods should be created regarding vocational training as well as the development of attractive and feasible options. Particularly in terms of vocational training, the share of older and less-qualified people, as well as those with a foreign background, should be greatly increased.

Labor law activity sphere

In the activity sphere of labor law, recommendations are made as to how the legal framework can be adapted for nonindependent employment in the face of predicted demographic, social, economic, and technical developments. Unsurprisingly, the aspects dealt with in this chapter do not have the unconditional support of all committee members in all respects. Even bearing in mind disputes, it is generally accepted that the following will be able to offer continuous added impetus.

Concrete proposals can be found for reconciling the needs of work and private life, working into old age, the balance between asset security and flexibility, pay equity, new and altered protection functions (protection against discrimination, employee data protection, health protection), employee training, and questions surrounding collective agreements. Here the following recommendations should be noted in particular:

- :: To achieve the legal prerequisites for an improvement in the balance of work and family life, the introduction of statutory paternity leave is recommended. Furthermore, a revision to the calculation of family allowance is encouraged whereby salary gaps between partners are evened out. In association with this, the current “twelve-plus-two model” could be refined into a “seven-plus-seven model.”
- :: The regulations on insolvency insurance and the approach to working-hours credit under social-security law, which present constraints against further expansion for SMEs in particular, should be reviewed. It may also be sensible

in terms of family policy to make returning to original working hours easier for employees who, for the purpose of caring for their children or dependents, have to fall back on the general terms of § 8 of the German *Gesetz über Teilzeitarbeit und befristete Arbeitsverträge* (Act on part-time and fixed-term employment).

- :: With a view to raising the employment ratio of older people, the committee recommends a review of age considerations and tenure when notice is given by those who have acquired a pension as well as a general broadening of the possibility for such employees to work to potentially rolling fixed-term contracts without substantive grounds.
- :: Regarding hiring and professional advancement, a legal framework for a compulsory gender report is recommended for companies above a certain size in order to promote equality. Gender ratios would be published for all hiring processes and promotion activities for the year.
- :: The committee sees a need for legislative action in terms of the growing religious diversity in the working environment given that the right to public holidays in Germany seems increasingly discriminatory in terms of religion. Leave entitlement should be considered for two explicitly stated major holidays for the non-Christian religions, which require legal definition. In order to balance the associated loss of revenue, employees should be granted the right to vote for the introduction of holidays.
- :: The committee recommends developing new forms of health protection in order to counter the threatening erosion of classic health protection, based notably on working hours, for modern forms of labor organization that are largely free of constraints in terms of time or location. An important first step should be putting the problem on the agenda at the National Occupational Safety and Health Conference for a *Gemeinsame Deutsche Arbeitsschutzstrategie (GDA)* - a joint German occupational health and safety strategy.

Social security activity sphere

While the sustainability gap in statut pension insurance was significantly reduced by large pension reform projects during the last legislative period, it is still considerable in statutory health insurance and social long-term care insurance. Reforms are, however, essential in all three branches of social security:

- :: In light of greater life expectancy, an increase to working life should be discussed. This is justifiable by means of the *Halbteilungsgrundsatz* (half-division principle) - only half of each additional day gained in life expectancy can be spent in retirement.
- :: Furthermore, exemptions for those with particularly lengthy insurance periods of 45 years should be abolished if they break with the principle of participatory equivalence. Even the 2009 expansion of the protective clause does not fit with a fiscally sustainable pension policy.
- :: The civil service pension system should eventually be made “demography-resistant” through the transfer of similar pension policy reforms to the civil service system while bearing in mind the alimentation principle.

- :: For **statutory health insurance**, the committee recommends reforms to expenditures in order to intensify competition on the supply side of health care services, such as selective contracts between health insurance companies and hospitals, as well as increased transparency regarding costs incurred by the patient and amendments to the service catalog.
- :: On the revenue side, the committee supports a “citizens’ premium” as a combination of citizens’ insurance and health premiums that allows for the financing of statutory health insurance through a non-income-related, solidarity-based health premium alongside the expansion of compulsory insurance for the whole population.
- :: For **social long-term care insurance**, just as with statutory health insurance, the conversion of financing for long-term care insurance to a solidarity-based citizens’ premium is recommended for the medium term. In addition, a waiting-period model – which is associated with a claim-free period between the actual time a claim arises and the effective commencement of the insurance payment as well as with an additional private security obligation for care services during the waiting period hitherto guaranteed by long-term care insurance – should be introduced.

b. What the social partners should do

The recommendations for the social-partner stakeholders primarily address the main principle of “cooperation not confrontation.” In view of successful models used to date, the committee’s recommendations are primarily aimed at organizing working hours against the backdrop of a life-phase-oriented and demography-resistant working environment:

- :: Experiences from the “Working life and demography” collective agreement (TV demo) and the collective agreement regarding life-phase-compatible organization of working hours, with which a framework for the demography-resistant organization of working hours was developed by the chemical industry, should be systematically evaluated, with individual elements also being tested for their transferability to other sectors.
- :: Of particular significance to the design of an aging-appropriate wage policy are the establishment of an age- and aging-appropriate organization of working hours and work, the promotion of age-appropriate flexible working hours, a company health management system, the promotion of continuous professional qualification and guarantee of experience and knowledge transfer, the securing of junior talent, and the implementation of staff policy regarding the balance between work and life situations (expanded family-conscious staff policy).
- :: When organizing how to deal with a longer working life, particular groups of employees should be considered in order to avoid hardship.
- :: The allocation of working hours is a decisive factor in structuring payment. It is therefore necessary to consider the increased use of annual working time models that open up leeway for economic fluctuations for businesses as well as the possibility for employees to control their own hours. Here, longer distribution periods should be employed in order to enable life-phase-compatible working that combines, for example, phases of increased work and phases of reduced working hours.

- :: Collectively agreed partial financing models should be tested as part of a reduction in working hours, for example, through an expansion of the measures anchored in collective bargaining agreements relating to life-phase-compatible organization of working hours for changing weekly working hours.

c. What companies and employees should do

In terms of the interaction between individual and corporate responsibility, the recommendations are aimed both at companies and their employees. Alongside concepts and measures being discussed at present such as the promotion and retention of lifelong employability, aging-appropriate staff development and work organization, strengthening education, health management, the approach to diversity (gender, generations, cultures, ability/disability), and the creation of employer branding to support recruitment and staff retention, the committee offers the following additional recommendations:

- :: The basic principle of “flexicurity” should guide operational approaches: the employees’ need for security and stability should not be overlooked when considering the requisite flexibility that the challenges of 2030 bring with them.
- :: The challenges faced by companies are only partially compatible with rigid organizational structures and hierarchical and centralized management systems. In addition, it is imperative that the strategy also be linked to the structures and processes in the future. Organizational categories such as hierarchical, matrix, and network organizations will be of equal importance in the future – even within a company. Furthermore, consideration of the project economy, open innovation, and virtual teams and structures will be required.
- :: In order to be armed for the future of the working environment from the standpoint of staff policy, strengths-oriented staff planning and strengths-oriented staff deployment will be essential. Only when the strengths and talents of individual employees are discovered and developed within the context of staff development and leadership is a working life of 45 years possible and motivation maintained over the long term. Strengths-orientation means individualized staff management.
- :: As such, career trajectories should be aligned to take into account the entire time spent at the company. In addition, the compatibility of career and working phases should be simultaneously considered on the one hand and life phases and situations on the other.
- :: Employment models for employees over the age of 60 then come into focus, for example,
 - :: through employee-oriented flexible-working-hours models that have a positive effect on both physical and psychological well-being and thereby enable a later exit from of the labor market;
 - :: through partial retirement as part of a step-by-step exit that safeguards knowledge and allows the gradual preparation for a transition between working and private life.
- :: Last but not least, the redevelopment of compensation and benefits systems is required, particularly with regard to the transferability of long-term-oriented services, such as pension benefit plans or lifetime work time accounts, against a backdrop of multiple employer changes during the course of a person’s working life that are increasingly becoming a matter of course.

Published by
Robert Bosch Stiftung GmbH
Heidehofstrasse 31
70184 Stuttgart

www.bosch-stiftung.de

This document is the executive summary of the “Future of the Working World” committee’s report. The complete report is only available in German, while the executive summary is available in both German and English.

This report was produced with the support of the Institut für Beschäftigung und Employability (IBE - German institute for employment and employability).

Cover design
Tanja Frey, Robert Bosch Stiftung

Layout
siegel konzeption | gestaltung, Stuttgart

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