

An ageing population – a threat or an opportunity for your business?

Health & Benefits EMEA Whitepaper
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Are you ready?

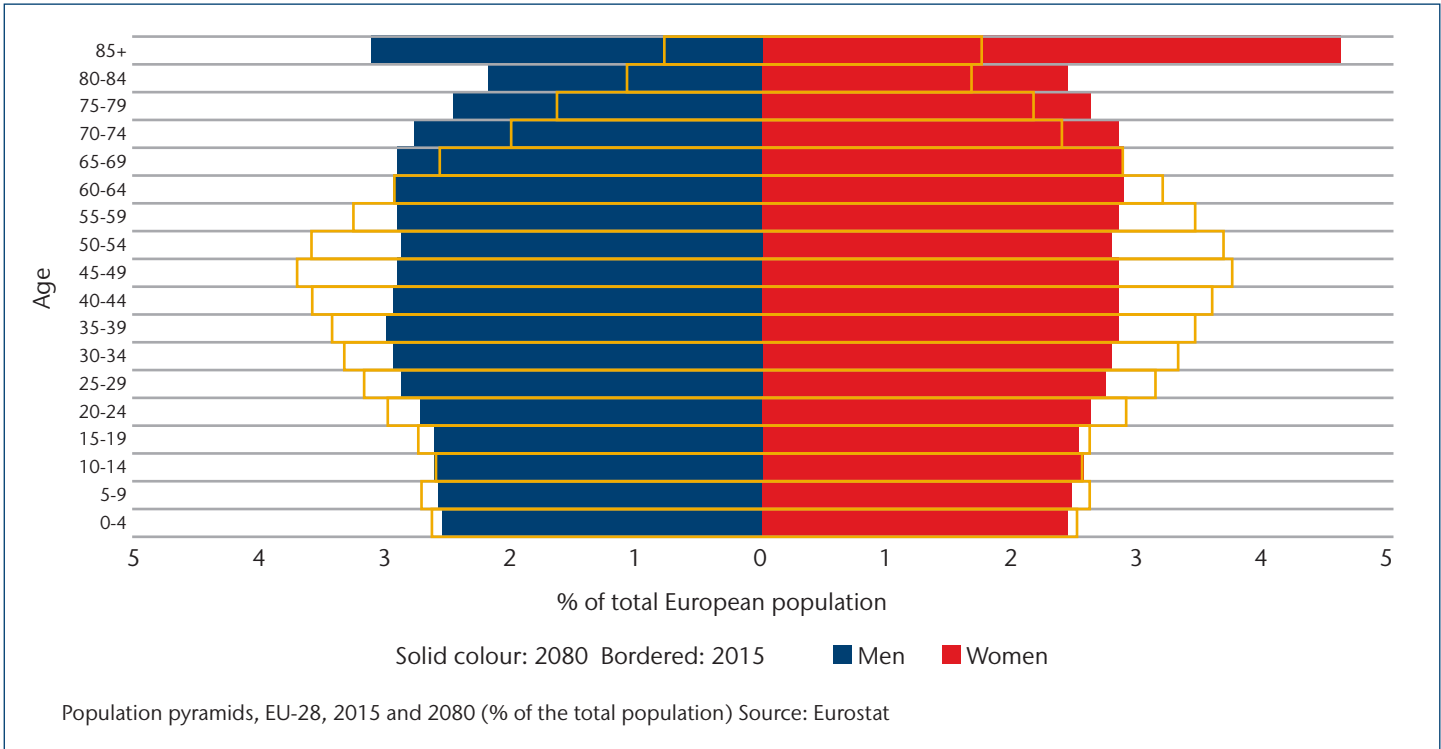
The **ageing of Europe**, also known as the **greying of Europe**, is a demographic phenomenon characterised by a decrease in fertility, a decrease in mortality rate, and a higher life expectancy, albeit not necessarily in good health, among European populations.

Low birth rates and higher life expectancy contribute to the transformation of Europe’s population pyramid shape. The chart below shows how the population pyramid will change between 2015 and 2080. There is an obvious and dramatic increase in the number of people both male and female over 85. Less immediately obvious but clear on examination is the gradual squeeze of the pyramid to the older ages. The most significant change will be the transition towards a much older population structure, especially the increase in the age group over 65 up to 2030.

The science of how long people will be supported to live in the future is far from clear cut. Yet what is clear is that ever increasing longevity is already having a profound impact, and on developed economies and the make-up of workforces.

For the economy as a whole the increase in employment of older workers is important if economic growth is to be achieved, and the tax revenue and the social security systems including the guarantee of reasonable pensions are to be safe-guarded. For individual companies the story might not be so straightforward and the ageing workforce needs to become a business agenda item.

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What does it mean for your business?

There are just a few well-known case studies of companies who have embraced the need to adapt their work place to having an older workforce.

BMW

A new BMW factory was built in Dingolfing, which was designed with older workers in mind. The plant, nicknamed Altstadt (“Old town” in German) is a fifty-something factory worker’s dream: better lighting, mobile tool carts, ergonomic back supports for workers who spend all day turning monkey wrenches, stools to sit on, and a greater variety of robots to perform menial tasks. Perhaps most helpfully, the plant also includes a production line that has been slowed to a third of its normal speed. The 200-person factory was designed by automotive engineers and industrial architects, with a little help from physical therapists and doctors. This isn’t a one-off design for BMW, either. The automaker plans to expand the Old Town model to 4,000 workers in different factory locations.

B&Q

The UK based DIY retailer sees that an age diverse workforce brings a wealth of skills and experience, and aims to provide an age neutral benefits package. B&Q actively recruits from all ages and 28% of its workforce is over 50 and it has many semi-retired employees. B&Q’s oldest employee is 96 and works on the checkouts.

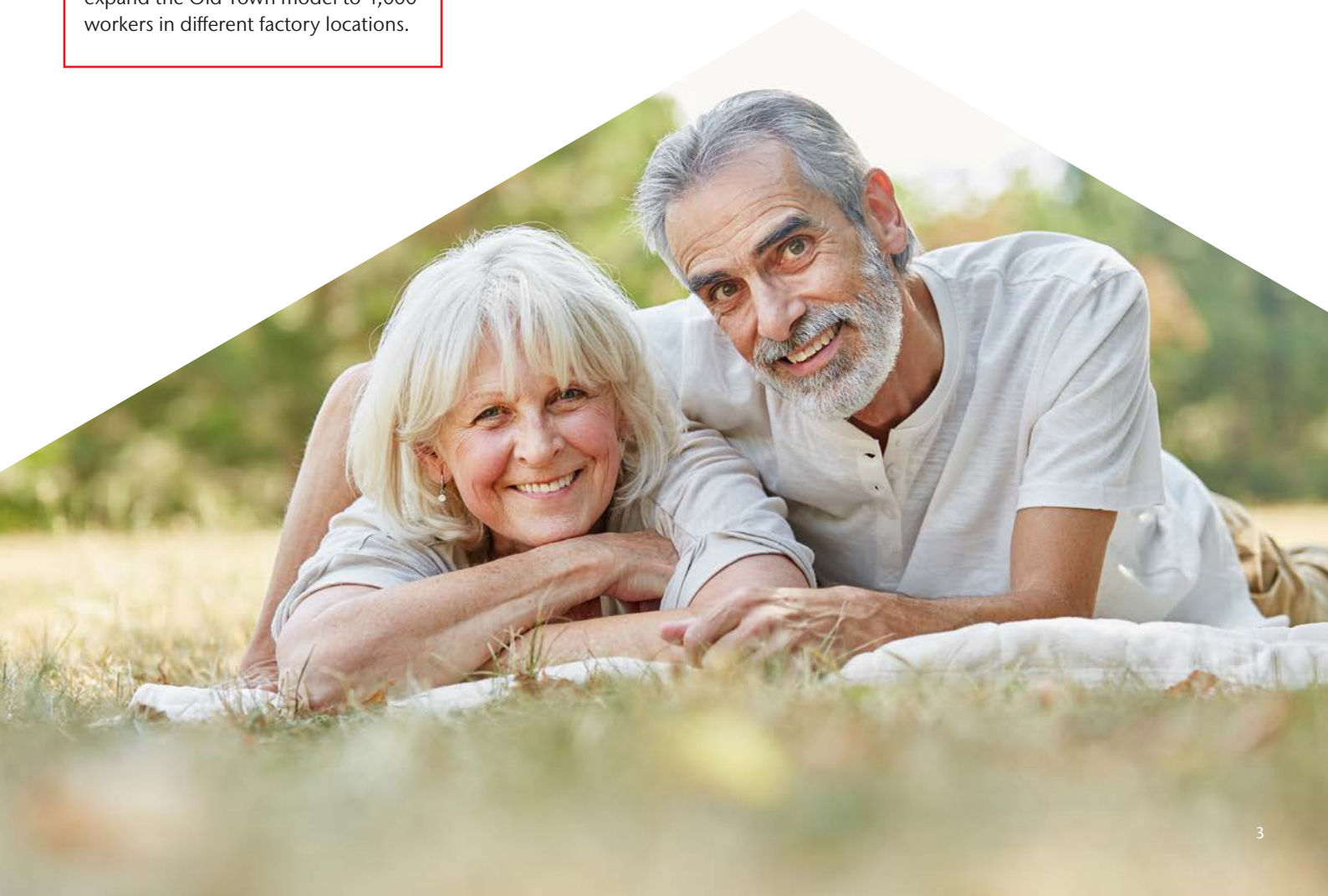
But these companies are unusual and more often the discussion we are having is that whilst firms recognise the issue they have yet to address it.

Does this demographic change present you with new risks, or new opportunities?

Do you need to retain older workers to meet your future business requirements? Will you need to adapt your business to retain older workers as there will be skills shortages? Or does the ageing nature of your population cause you difficulties perhaps because of the physical nature of their work? If your population is ageing how might this impact your productivity and competitiveness?

What impact will this ageing population have for:

- Your organisational structure
- Your benefits package
- Your wellness strategy
- HR policies and practices
- Health and safety policies



Understanding the risks and opportunities

Do you know how your employee demographic is changing?

The first step is to create an age structure analysis to show the actual age of the workforce and its expected development in the future. This can form the basis of the discussion for future policy changes.

If your age structure analysis reveals that older workers dominate

Is there a threat of staff bottlenecks or a loss of expertise owing to the departure of the older workers? Are there procedures for the early and systematic transfer of knowledge in the company (e.g. succession and mentoring models?) Do health, qualification or staff deployment issues arise with older employees?

If middle-aged workers dominate

Will these workers all remain at the company for a long time and age together? Will they go into retirement at a later date compared to today's generation? How can the work ability and performance of this group be promoted so that reductions in performance can be largely prevented as they grow older?

If you have a workforce that has both middle-aged and older workers

Does the growing proportion of older workers in the company carry risks of increased absenteeism, the rise in the numbers of workers with diminished capabilities, or the flexible deployment of staff? What can be done to maintain and promote efficiency and innovative capabilities of future older workers?

Do your health, safety and wellbeing policies reflect the age profile of your workforce?

Do your office ergonomics support older workers? e.g. The provision of more lighting for employees over 55?

Do your training and recruitment policies support the workforce shape you are trying to create, and support older workers to retrain to more suitable roles?

Does your culture support the diverse nature of your workforce, and do your corporate guidelines promote negative or positive attitudes towards older workers?

What are you doing to stand out from the competition in order to attract younger workers to your organisation?

Taking action

Many of these issues take time to understand and tackle so what practical steps can you take now?

Once you have completed your demographic analysis, aim to understand the new risks that older workers might bring to your business and measure against the benefits their experience might bring.

Audit your benefit and compensation structures

Pension Issues

Does having an older workforce mean that your compensation costs increase as traditionally salaries and benefits increase with age and seniority?

Does your defined contribution (DC) pension plan offer the right support and guidance to employees approaching retirement to ensure that they retire at the right time, for them and the company?

What is the usual age of retirement? Traditionally businesses have supported pension benefit structures that offer financially attractive early retirement, does this continue to be an appropriate strategy if you need to retain expertise?

What level of pension benefits are staff likely to receive? Is this an incentive to retire, or are they likely to want to work longer as they won't have sufficient income, regardless of whether you wish to retain them or not?

Do you monitor the replacement ratio of salary to pension of your staff to ensure inadequate pension income is not the driver for their retirement decision?

Does your pension arrangement support gradual retirement / part time working?

We are seeing firms recognise what a key part of future workforce planning the design and promotion of pension arrangements are. There is also an increasing recognition that the employer has a role to play in helping staff see their pension planning in the wider context of their financial affairs.



Healthcare issues

Do you understand your people risk today and have you modelled what that risk might look like in the future?

Have you reviewed your health care provision (benefits and services) to ensure it is targeted at the right interventions for your workforce demographic? The needs, issues and costs for older workers will be very different to other workforce demographics.

Preventable, long-term diseases represent a significant risk to employers and this will remain the case unless lifestyle risks and behaviours, such as poor diet, smoking, physical inactivity and excessive alcohol consumption are addressed proactively.

Indeed, if we accept that there are eight risks and behaviours that result in 15 chronic medical conditions, and that these account for 80% of the total costs for all chronic illnesses worldwide*, then the business case for improving this position is clear.

Employers are faced with a choice, the first option would be to maintain the status quo, accept their employee health risks for what they are, and use traditional

reactive methods to manage spend, such as broking or rationalising benefit provision. Alternatively, employers have never been more empowered to build on the traditional approach. There is a real opportunity to use the data available to understand what the health risk position is now, what the future might look like, how data can be segmented to target 'at risk' employee demographics, adopt a truly integrated approach with insurers and service providers and achieve better terms from the markets.

We are seeing an increase in employers moving into this proactive space. Shifting the focus away from managing medical conditions, moving towards a more sustainable and preventable approach, helping employees and their families to engage better with their health and improve their lifestyle risks. What is your organisation doing in this area and what metrics are in place to measure the success of any initiatives?

Do you understand your people risk today and have you modelled what that risk might look like in the future?

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