THE MANAGEMENT OF AN AGEING WORKFORCE: ORGANISATIONAL POLICIES IN GERMANY AND BRITAIN

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ABSTRACT

Demographic change as well as pressure from the European Union and national government are forcing organisations to change age-discriminatory Human Resource Management (HRM) approaches. Based on a qualitative analysis of eight British and German organisations, we found that commitment, scope, coverage and implementation of age management differ due to country-specific institutions, particularly government, in nudging employers and unions to preferred age practices. This confirms the path-dependency concept suggested by institutional theory. Nevertheless, we also found that industry-specific factors mediate the implementation of age management, leading to some convergence across countries. This indicates that organisations deviate from the institutional path to implement practices that they deem important.

1. INTRODUCTION

In most industrialised societies, demographic change is leading to ageing workforces (OECD, 2006), compelling firms to implement Human Resource Management (HRM) that considers the productivity and inclusion of all employees, regardless of age. In fact, some organisations are already changing potentially age-discriminatory approaches by fostering life phase-oriented HRM (Maltby, 2011), which can help maintain older workers' productivity (Kooij *et al.*, 2013; Boehm *et al.*, 2013). Also, national governments aim to introduce policies that extend individuals´ working lives (Taylor, 2004), and most recent labour market data shows a reversal of early retirement trends in some parts of Europe (Ebbinghaus and Hofäcker, 2013). However, organisational-level HRM is, for the most part, still characterised by discrimination of older employees in recruitment, training and development (Wood *et al.*, 2008; Walker and Maltby, 2012), particularly by line managers who are often unaware or unconcerned with both public policies and their organisations' HR policies concerning age and work (Flynn, 2010). Further, on the national policy-level, some countries still have strong early retirement cultures, pulling or pushing older workers out of employment through financial incentives and/or lay-offs based on performance criteria (Muller-Camen *et al.*, 2011).

Nevertheless, there is increasing pressure for organisations to abandon age-discriminatory HRM. For example, population ageing (OECD, 2006) is a significant convergence factor which is reflected at the policy level in the form of European Union (EU) measures to encourage and require member states to raise employment levels of people aged 55 to 64, and to raise real retirement ages (Kok, 2004). The most significant EU policy, the Employment Equality (Age) Directive 2000/78/EC, prohibits workplace age discrimination and was transposed into UK and German law in 2006.

However, organisations face a "plurality of logics" (Morgan and Kristensen, 2006: 1472) which both constrain and facilitate management in following preferred approaches to HRM, and may hence not necessarily respond to EU pressure to change their approaches to managing older workers. On the one hand, businesses might have a shared interest with the EU in dismantling national-level social institutions which support an early retirement culture. They may share the EU's agenda of reducing pension costs and, in the case of Multinational Companies (MNCs), seek to weaken institutions which represent barriers to market entry (Morgan, 2012). On the other, they may seek to extinguish even limited EU mandates, realised through national initiatives which introduce new regulations. Further, EU action to raise retirement age could create a "chain of equivalence" (Contu *et al.*, 2013: 367) between managers and unions who may have a shared interest in maintaining an early retirement culture.

2. AGE MANAGEMENT AND NATIONAL INSTITUTIONS

National context, as shaped by the degree of coordination (Hall and Soskice, 2001) as well as ownership, non-ownership and employment relations (Whitley, 1999), compel managers to take local path-dependent approaches to management. While Hall and Soskice´s (2001) Variety of Capitalism (VoC) approach did not consider the state as a significant institution in influencing firm behaviour, Whitley´s (1999) National Business Systems (NBS) approach, amongst others, refuted this perspective and regarded the state as one of the main institutions that structure business systems (Wood and Lane, 2012). Nevertheless, Streeck and Thelen (2005) discuss whether the state remains a relevant institution in this respect, while Wood and Lane (2012) argue that changes to the significance of the state, with the effect of, for example, deregulation, has led to greater variety in firm behaviour, and hence to a weakening of the path-dependency notion.

For example, on a micro-political level, in the case of MNCs, the degree of adaptation of headquarter policy to the host country institutional logic might be mediated by the type of management heading international operations: while expatriates may favour implementing home country strategies, thereby following the institutional logic of the firm´s home rather than its host country, local managers are more likely to adapt headquarter policies to the local context (Morgan, 2012). Furthermore, considering macro-political trends, Streeck (2008) proposes that the strict dichotomy between liberal (LME) and coordinated market economies (CME), as discussed in traditional VoC literature (i.e. Hall and Soskice, 2001), cannot be maintained if considering the historical development of (national) institutions. Instead, Streeck suggests that "*convergence and continued divergence of national institutional arrangements may exist side by side, the former, surprisingly, due to political and the latter to economic reasons* (Streeck, 2008: 26)", possibly leading to internationally variegated systems (Peck and Theodore, 2007). This is because CMEs are not just coordinated but also organised, as institutions do not only regulate the efficiency of the market but also allow for its social buffering through, for instance, welfare arrangements (Streeck, 2011). While CMEs might become less organised as their political regimes become more liberalised (hence reducing social provisions), their production regimes remain coordinated (Höpner, 2005). As a consequence, firms´ social obligations in CMEs might decrease.

This suggests that institutions, as well as their significance, might change over time (Thelen, 2009) and that path-dependency is therefore dynamic and reflective of pressure from multiple sources (Thelen, 1999). Actors may exploit rather than be constrained by national institutions (Jackson, 2010) and use their social position to initiate organisational change that diverges from existing and acknowledged institutional templates (Battilana, 2011) to pursue their own goals, thereby deconstructing old and establishing new institutions (Oliver, 1992). Furthermore, local managers might engage in micro-politics (Muller-Jentsch, 2004) in which they play off different institutions against one another in the pursuit of autonomy to manage as they see fit. As a result, there might be more diversity within institutional contexts (Wood *et al.*, 2009; Lane and Wood, 2009) than traditionally anticipated in NBS and VoC literature.

Demographic change presents an interesting context in which to consider the dynamics of path-dependency and, hence, internal diversity since there are common pressures (at least within Western Europe) towards convergence of employer practices in different institutional contexts. The EU as an institution has an explicit goal of converging employment practices with regard to extending working life. Article 159 includes demographic change as a social policy goal to be pursued by the European Commission through "improved living and working conditions so as to make possible their harmonization" (EUROFOUND, 2010: 2) so as to realise the "productivist" goal of achieving pension sustainability (Walker and Maltby, 2012: 123).

Such pressure is unlikely to be exerted uniformly, and one might expect, for example, managers in UK firms to have more autonomy than managers in German firms to pursue their own HR approaches. The UK is, after all, a liberal market economy and government explicitly pursued a "light touch" (DTI, 2005: para 6.3.3.) approach to transposing relevant EU policy interventions. German firms, by contrast, traditionally face strong stakeholders in the form of the state (which unlike its UK counterpart controls the majority of pension provision (OECD, 2005a)), trade unions and works councils (Gumbrell-McCormick and Hyman, 2006), and therefore may be constrained by these actors in the choices they can make. On the other hand, micro-politics within the German economy may play out with firms cooperating with other stakeholders to resist EU mandates and preserve established practices. The early retirement culture was embedded in Germany through the collusion between employers and trade unions to pursue shared aims of labour market stability during periods of job attrition (Ebbinghaus, 2001), a policy which was halted not so much because of EU pressure or an abstract threat of ageing societies, but because German reunification rendered early retirement too costly (Eichhorst and Marx, 2011). However, contrary to the two assumptions above and in line with Streeck and Thelen (2005) and Wood and Lane (2012) the German state might be losing its significance in shaping firm behaviour, due to deregulation.

We suggest that a comparative perspective is relevant when investigating the management of older workers (Wood *et al.*, 2008). We therefore employ a comparative multi-level case study analysis (Stake, 2006), and compare organisational-level age management policies and practices in Britain and Germany. These countries were chosen as they are traditionally considered to represent different types of VoC (Hall and Soskice, 2001) and Business Systems (Whitley, 1999). Studies comparing British and German organisations have shown that the distinct national institutional environments (Schröder *et al.*, 2009) resulted in different HR practices (e.g. Gooderham and Nordhaug, 2011). The next section will discuss the method and data used. The third section provides an in-depth description of the case study results. Finally, we discuss the findings in context of the research question and conclude the paper.

3. METHODOLOGY

Most age management research has so far focused on single-country studies, and either considered the national or organisational level. A multi-level analysis, however, leads to a better understanding of behaviour as well as of decision-making and implementation dynamics between levels (Hitt *et al.*, 2007). Furthermore, institutional effects should be taken into consideration when examining the dynamics of organisational strategies (Jackson and Deeg, 2008). This study therefore takes a multi-level perspective to explore the factors that influence age management at the national, industry and organisational levels. We employ a qualitative case study approach to maximise external validity by providing bi-polar examples of cases (Eisenhardt, 1989). Case studies were chosen purposively to identify HR policies and practices, that were country- and/or industry-specific.

We conducted four matched pairs of case studies in comparable large (>1,000 employees) organisations in Germany and Britain. As literature (Duncan and Loretto, 2004; McVittie *et al.*, 2003) indicated that, at the time of the study, only few organisations had abandoned age-discriminatory HRM, we selected organisations in industries that already implemented proactive age management practices. This was deemed necessary to be able to explore the actual implementation processes in light of institutional differences, and will provide information on how, why and under what conditions the organisation chose to do so. We selected organisations in the steel, chemical, retail and public (secondary schools) sectors.

In the four matched pairs of organisations we conducted 63 semi-structured interviews with HR managers, line managers, employee representatives and trade union representatives. In addition, we conducted twelve focus group interviews with workers aged 50plus. Here we achieved a bi-polar mix between lower education manual workers and professionals, focusing on shop floor retail staff (retail), manual workers (steel), secondary school teachers (school) and engineers (chemical). This design allowed us to cover different types of organisational stakeholders (see Table 1). The selection and sampling of interview partners was mostly done by the organisations' HR departments. This explains the differences in interview numbers across case studies, and might have potentially led to a selection bias. However, we also talked with traditionally more critical employee representatives, where available, to triangulate the data.

- Insert Table 1 about here -

The interviews were conducted between January 2008 and May 2009, and lasted on average one hour. Issues covered in the interviews with HR and line managers and employee representatives were the organisational strategy, structure and HR context; workforce demographics; impact of EU and national (age) discrimination legislation; as well as HR policies and practices with regard to workforce planning, recruitment, training, health and safety, performance management, redundancy and retirement. The focus group interviews focused on workers´ job experiences; perceptions of age discrimination; involvement in age management measures; and plans for retirement. All interviews were audio-taped and transcribed. Subsequently, we used the software package NVivo 8 and manual analysis to do a thematic analysis. To avoid an inconsistent application of thematic analysis, we used an on-going reflexive dialogue among the researchers conducting the analysis (Braun and Clarke, 2006). In order to compare the respective policies and practices towards older workers across cases we used the framework by Taylor and Walker (1998). They distinguish four attributes of HR policies and practices affecting older employees: orientation; depth of commitment; scope and coverage; and implementation.

4. FINDINGS

4.1. Chemical Firms: Young-age centered vs. compressed age structures

Industry-level norms have hardly any impact on *UK_Chemical*, as the company neither recognises trade unions nor implements industry-wide collective agreements. The main environmental factor is the United States (US) parent company and its organisational culture. Global policies contain an emphasis on recruiting people in their early 20s as part of a "grow from within" workforce strategy; a global internal labour market; and strong performance management combined with an "up or out" promotion system. *UK_Chemical* furthermore has a defined-benefit company pension scheme (which has been closed to new employees) that provides a full pension at age 60 or, with line manager discretion, 55. Consequently, employees tend to leave at that age. This results in a relatively low average workforce age, both globally and in the UK.

A more recent global policy is a strong emphasis on diversity management which appears to be one of the biggest drivers for *UK_Chemical´s* interest in the topic of age management, as shown by the following quote:

> "Finding the right blend of your team, the age-mix of your team, the balance of new, younger perspective versus the value of continuity and real knowledge experts that is the problem of the team leader (…). As we try to serve golden consumers, more experienced consumers over time, will it not be in our interests to have also a representation of our employee base that mirrors those demographics outside?" (*UK_Chemical*: Line Manager)

Both managers and workers, however, noted that promotion opportunities decline after age 40. Line managers appeared to favour younger employees for career advancement and training, while finding older employees jobs into which they can settle. Management was not concerned about this because the company did not face any immediate skills shortages. Also, management did not normally discourage employees from taking early retirement, thereby, for the time being, maintaining its pension system largely to sustain an early exit culture. Overall, the company did not offer any specific age-related HR practices and it appears as if there is currently little pressure, neither from external stakeholders nor internally, to move away from this youth-centric HRM approach.

Like its UK counterpart, *German_Chemical* is an MNC, although its headquarter is located in Germany. In contrast to *UK_Chemical*, industry-level norms rather than global organisational policies are important for *German_Chemical*. Industrial relations are characterised by a strong social partnership, and employer associations and the trade union both consider demographic change a major issue. As a consequence, an industry-wide collective bargaining agreement on demographic change was concluded in 2008, which outlines age management strategies, and which foresees an age structure analysis and the establishment of a "demography fund". However, its impact on *German_Chemical* is limited, as many of the elements are already implemented.

Like *UK_Chemical*, *German_Chemical* has a strong early retirement culture, but the demographic challenge is bigger for *German_Chemical*: Firstly, *German_Chemical* has very low labour turnover due to a strong internal labour market and high employment security. Secondly, as in the past workforce reductions have mainly been achieved by early retirement and hiring freezes, the age structure is unbalanced with half of the workforce aged 40 to 55. Thirdly, unlike *UK_Chemical* where most of a retired employee's pension still comes from the final-salary company pension scheme, *German_Chemical* pensioners mainly receive a state pension. Recent changes to the German social security system, making early retirement less attractive and increasing the pension age, will therefore increase the average retirement age at *German_Chemical* so that in 2020 the strongest cohorts will be aged 50 to 67. Given that *German_Chemical* will have to replace these cohorts at a time when labour markets will be tight due to demographic change, *German_Chemical* was, at the time of the research, implementing a comprehensive age management scheme, which includes the elements employability, productivity and culture change.

Unlike *UK_Chemical's* engineers, those at *German_Chemical* anticipated that early retirement will no longer be an option and that they will have to work well into their sixties. In the absence of role models (currently there are only few employees aged 60plus), they were uncertain whether this was feasible. In particular they hoped that the firm will offer them options such as part-time, which are not yet considered (socially) acceptable for professional and managerial staff.

> "We currently do not have a culture where it is valued that someone at the age of 60 starts to work part-time. We also do not have the culture where someone wants to

work beyond 67, because he is fit and enjoys the job (...)." (*German_Chemical*: Focus group participant)

Overall, it appears that although both firms are strategically committed to implement age management, depth of commitment, scope and coverage are stronger at *German_Chemical*. The main reason for this seems to be that demographic change is likely to have a higher impact on *German_Chemical* due to (pension system) changes at the national level and its unbalanced age structure.

4.2. Steel firms: company pensions and early retirement

UK_Steel is the only major UK firm left in its industry, and has over the last decades reduced its workforce significantly. It has been a state-owned enterprise; followed by a European enterprise, and is now wholly owned by a multinational manufacturing firm. At the time of the interviews, the foreign parent company took only a limited interest in HR, while the local union staff was regularly consulted on HR issues. The national union was less influential on HRM than workplace representatives, but, with high union density, national officers felt capable of mobilising members in order to protect occupational pension rights.

Similar to steel companies across Europe, demographic change is affecting *UK_Steel*, particularly due to its strong internal labour market. However, *UK_Steel* has a generous final-salary pension scheme that peaks at age 55 for those workers that started as apprentices. Consequently, eligible workers retire at this age. The company pension scheme is strongly protected by the trade union, with the national union official describing it as the one issue on which the union would call a strike.

At the time of research there were no HR schemes targeting demographic change. Instead, it is expected that *UK_Steel* is using its final-salary pension scheme as a means to downsize.

According to a union representative, older workers agree with this strategy, and tend to volunteer to leave early.

> "Yes, we've traditionally had a lot of downsizing within the industry, and voluntary redundancy is actually seen as a golden handshake. It's a gift for people who are about to stop working." (*UK_Steel*: HR Manager)

Similar to the UK, there has been a substantial decline of employment in the German steel industry since the 1970s. As German steel companies have relatively strong internal labour markets and low labour turnover, workforce reductions were mainly achieved by early retirement and recruitment freezes. Consequently, they are faced with a rapidly ageing workforce. This demographic situation, which is exacerbated by the phasing-out of state subsidies for early retirement, explains why in 2006 employers agreed to trade union demands for a collective agreement on demographic change (Muller-Camen *et al.*, 2011). The agreement is voluntary and foresees an age structure analysis. Based on this, employers and works councils are encouraged to negotiate initiatives in the areas of work organisation, qualification, age-mixed teams, and healthy living. In addition, both can contribute to a fund that finances qualification measures for older employees and innovative early retirement models, thereby re-introducing early retirement schemes as state-financed schemes are no longer available. Already in 2005, *German_Steel* started a demography project, which includes comprehensive, life-course-oriented HR measures. Therefore, the collective agreement has not caused a major change of *German_Steel's* age management strategy.

Steel workers were not familiar with this demography project. However, they were aware that, due to pension system changes, they would have to work longer. Because most of them work continuous shifts and as there are only few job change options available, workers questioned whether this will be physically viable. Furthermore, given high job security and salary guarantees, this is also a threat for the employer. One option used by *German_Steel* for a small number of its workforce is to employ former steel workers in low-skill maintenance jobs.

> "There are still the so called welfare departments (...) because we know that some of our jobs cause strain and health problems. However, we cannot move too many people into these welfare departments because they actually don´t do productive, value-added work in the sense of our core business." (*German_Steel*: HR Manager)

Overall, it again appears that the depth of commitment, and the scope and coverage of age management policies is stronger in the German case. The main reason appears to be that, similar to *German_Chemical*, *German_Steel* cannot rely anymore on state-financed early retirement to externalise workers. Also, the stronger collective institutions give German unions a secure role in bargaining on age management practices. The UK union, while strong in its capacity to mobilise members, focused on defending existing workplace rights, particularly in relation to pensions.

4.3. School Authorities: The Availability of Alternative Employment

UK schools are facing a teacher shortage. In addition, there is high turnover at all ages due to stress (OECD, 2005b). In the past, there were routes for older teachers to retire on ill-health grounds. However, changes to the pension scheme in 2007 created significant financial penalties for both the teacher who took ill-health retirement and his/her employer. Moreover, the occupational pension age increased in line with the State Pension Age in 2013.

The age structure of the local authority (LA) under investigation is U-shaped with a large percentage due to retire by 2020. As a result, retention is a priority for both LA and schools. The national government and the LA have consequently implemented policies to improve recruitment and retention, including a flexible retirement scheme, which allows teachers to decrease working hours and/or level of responsibility as they approach or work past pension age.

Even though HR policies are negotiated mostly on the national and partly on the LA-level, the day-to-day management of staff lies with the individual school. Head teachers can offer job and role changes, and working time flexibility options as long as performance and labour demand criteria are met. Although this was generally seen as a positive opportunity to manage individual demands, there appears to be an engrained level of youth-centrism, which governs the strategic decision-making.

> "There is also the other side that this is a young person's job. (...) To do what I did when I was 25 when I was teaching seven classes and doing seven lots of marking every day and every week, you can't go on doing it forever and ever." (*UK_School*: Line Manager)

Nevertheless, the attitude towards older teachers differs between schools. Older teachers mostly acknowledged their head teachers´ generosity, but mentioned that they wished for more legally-enforceable flexibility that was not dependent on the head teacher's goodwill.

Turning to the German case study, most German teachers are civil servants employed on the federal state-level. Similar to *German_Chemical* and *German_Steel,* the workforce is ageing rapidly due to low turnover and recruitment freezes over the last decades. The German State (LA) discussed here has publicly recognised workforce ageing as a strategic issue as the average age of teachers was 50 in 2005.

For the German LA and its schools, which have less formal autonomy regarding HR than UK schools, this age structure causes two problems. Firstly, a large number of teachers will retire until 2020. However, instead of being concerned about knowledge transfer, HR managers suggested that this generational change will benefit schools. Secondly, similar to UK teachers, German teachers increasingly report high levels of stress, which has led to a high prevalence of (ill-health) early retirement (OECD, 2005b). Similar to the UK, ill-health early retirement pathways have recently been closed in Germany, and teachers can only retire early with financial penalties. Given teachers´ civil service contract, the LA can neither use strong performance management measures, nor offer alternative employment for those who now have to stay but can no longer cope with classroom teaching. Instead, *German_School* offers voluntary health training, though only on a limited scale. In fact, most teachers were not aware of these measures. On the school-level, head teachers try to find individual, though largely unofficial, solutions by re-distributing those tasks that can no longer be performed, due to illness, as long as this did not negatively affect other teachers.

> "If we have a seriously-ill colleague I would assign [easy administrative] tasks such as jobs in the library or coordination tasks [to fill his/her working time]. This is even if another colleague might be better suited for the job. In this case I might have to help out with these tasks, because the person might require my support, but this works somehow." (*German_School*: Line Manager)

The teachers interviewed had never seriously considered changing occupations because of strong financial implications for their pension and the employment security in the civil service. These factors result in a culture that binds teachers to their occupation, as shown by the 2005 turnover rate of 0.1 per cent. As a consequence, teachers cope with stress-related problems by coasting and by decreasing their job involvement. Most teachers who could financially afford to do so were planning to retire early and/or to use institutionalised part-time options to reduce their workload. Given this situation, it is surprising that there is no systematic, centralised age management at the LA-level. Those measures that exist are either individual solutions informally negotiated with the head teacher or offered on a limited scale only.

Overall, although schools are facing serious demographic and labour market challenges, only little is done on the German and British LA-level. Thus, it is mostly left to the individual teacher and/or their schools to find a solution. This is easier in the UK, as head teachers have more formal HR autonomy and as teachers have more employment options outside the education sector.

4.4. Retail: Diversity vs. Health Management

UK_Retail is one of the biggest retailers in Britain. Interviews as well as literature (Foster and Harris, 2005) suggest that, similar to most British retailers, diversity management is taken seriously at the strategic level. According to the trade union and the HR manager, *UK_Retail* aims to match the workforce to the local customer base and to increase diversity at senior levels. So far, this has focused on gender and ethnicity diversity. However, there are pressures to include "age" to reflect an ageing customer base; to reduce labour turnover and to widen the applicant pool, as the industry is not considered a sector of choice. Further, in regeneration communities, the company sets targets for store recruitment of local long-term unemployed people, many of whom are older people. While trade union interviewees mentioned that the company offers job opportunities to workers who would otherwise have difficulty finding work, it was also noted that contingent work arrangements, such as zero hour contracts, are prevalent in the industry and older workers are often under pressure to reduce their working hours when stores need to cut costs.

Although the 2006 age discrimination law did not lead to many policy changes, it has drawn attention to the age issue. One outcome was the introduction of training that focuses on age diversity and that is compulsory for line managers. Furthermore, the organisation monitors the age structure and offers age management tools such as the option to draw the company pension while still in work; multi-skilling that facilitates job changes; pre-retirement training; and health-related adjustments to the work environment.

The trade union supports the company’s approach to targeting under-represented labour market groups (including older workers) for recruitment. Thus, there were no major policy conflicts in regard to age between the union and *UK_Retail*. Also, the union secretary was not aware of major age discrimination issues.

> "From our perspective we don’t get an awful lot of (...) concerns raised. (...). We don’t tend to get too many negative feedbacks around age and ‘I get treated differently’ or ‘I haven’t got the same opportunities’ or whatever." (*UK_Retail*: Trade union secretary)

However, there is a question of how consistently these policies are implemented in this highly decentralised organisation. While most training is provided to all age groups, opportunities for career progression focus on younger workers. Store managers, who had responsibility for nominating candidates for promotion, felt that older workers did not want career development opportunities, but instead wanted to work for extra money and to maintain social networks. *UK_Retail* had conducted campaigns to make employees aware of career opportunities. However, unlike the company’s recruitment strategy, there was no specific focus on older workers. This is in line with Foster and Harris´ (2005) study of another British retailer, which concluded that diversity management policies are not necessarily implemented by line management. Overall, the company’s age diversity policies seem primarily driven by recruitment demands and business objectives as the company sees the older workforce as an untapped labour resource in a high turnover industry.

German_Retail is one of the largest German retailers. Although it is a for-profit firm, it is a cooperative mainly owned by independent shop owners and is thus not driven by short-term shareholder pressures. There is a collective bargaining agreement for the German retail industry. However, trade union density is low, and both HR managers and the works councilor suggested that trade unions do not have a strong influence on HRM.

Whereas for *UK_Retail* the main driver for age management appears to be diversity management, at *German_Retail* it is the health management department within the HR function. Thus, instead of emphasising the business case for age diversity, *German_Retail* emphasises the absence day costs saved by investing in health management. This argument needs to be made to convince shop owners to take the issue of demographic change seriously.

> "We always go (...) and talk with shop owners and works councillors to introduce this topic and to convince them to participate [in health management measures]. Well, this is the retail business and every Cent counts! We need the best practice examples of the health-related pilot studies to show that the measures actually work." (*German_Retail*: HR Manager)

Consequently, *German_Retail* participated in two research projects that were concerned with health risks and their prevention in order to decrease absence days. Retail workers confirmed that their jobs were still physically-demanding, and therefore welcomed the measures that were introduced as a result of these research projects.

Overall both retail companies seem to take an active interest in dealing with an ageing workforce. However, the change driver (diversity vs. absence) and the approach taken (focus on diversity vs. health) differ. Furthermore, it is unclear whether the scope is large enough and to which extent these measures are implemented in these highly decentralised organisations.

5. DISCUSSION

Given selection criteria for the cases it is not surprising that all organisations recognise the importance of demographic change. Demographic change was mainly expected to influence the hiring pool. Therefore, most organisations felt the need to make better use of the existing workforce to avoid skill shortages. However, the differences in the meso and macro level environment explain at least partly why the attributes of HRM towards older workers differ.

The largest effect was evident in those organisations that already have an old age-centered age structure, have a strong internal labour market and do not have significant occupational pension schemes that allow for early retirement. This was the case in *German_Chemical*, *German_Steel*, *German_School*, *UK_School* and, to some extent, *German_Retail*. Consequently, these organisations have had the greatest pressures to implement age management. Nevertheless, the most substantial strategies have been implemented in *German_Chemical* and *German_Steel*. This is because previous externalisation strategies through state-financed early retirement are no longer viable. Also, since they did not operate substantial company pension schemes, they were not able to mediate the effect from the abolishment of state-financed options. This is even though *German_Steel* was in the process of investing into a demography fund that would possibly allow for limited future firm-financed early retirement. Other externalisation strategies, through redundancies, were similarly not viable due to high dismissals protection in these strongly unionised industries. As a result, these organisations had to devise strategies to maintain older workers´ employability and productivity as these were expected to stay in work longer. Furthermore, social partners had a relatively strong and positive impact upon the design and implementation of age management.

German_School and *UK_School* similarly face challenges from the old age-centered age structure, a high prevalence of health problems among teachers, a closing down of early retirement routes, and skill shortages. However, both *German_School* and *UK_School* focused their efforts on the recruitment, retention and training of mostly young teachers to replace older ones. While *UK_School* did not offer old age-specific programmes, *German_School* provided a limited amount of health-related initiatives. This is because *German_School* has a stronger internal labour market and a higher dismissals protection. Also, German teachers do not have career alternatives, while teachers in Britain find it easier to change occupations also in later life. Hence, *German_School* experiences a greater pressure from the institutional context to preserve teachers´ employability. School-level HR decisions were in both countries partly driven by market forces. Older teachers received support from their head teachers if this made strategic sense. Nevertheless, head teachers´ approaches towards older teachers were in both countries mediated by age stereotypes, and approaches therefore varied between schools.

German_Retail and *UK_Retail* both employ older employees as these are perceived to complement a younger workforce in terms of working time flexibility. Furthermore, *UK_Retail* uses older employees within their diversity management strategy to reflect its customers´ age profile and because it widens the recruitment pool in a sector that is not considered an employer of choice. It thereby attracts applicants who lack other employment options or who need to supplement their (pension) income. *German_Retail*, by contrast, which had lower turnover than its UK equivalent, focused on reducing sickness absence.

UK_Chemical and *UK_Steel* are the organisations that had implemented least measures in support of their older staff. However, they are also the organisations that experience the least pressure from demographic change. Reasons for this differ but are in the end based on liberal market mechanisms. *UK_Chemical* still has a balanced age structure. Contrary to this, *UK_Steel* experiences profound workforce ageing due to its internal labour market. However, since the company has been restructuring substantially, it could do so by externalising older staff through union-supported early retirement schemes. Both *UK_Chemical* and *UK_Steel* therefore followed strategies that were in line with commercial interests. The British liberal market approach facilitated this strategy. Both companies were able to do so because their still generous defined-benefit pension schemes allowed them to externalise staff even though state-financed early retirement schemes were not available. Nevertheless, these companies might have to adapt their externalisation strategies in the future: *UK_Chemical* already has and *UK_Steel* intends to reduce firm-based pension contributions for new employees.

At the individual level, a marked contrast emerges between Britain and Germany across occupations. All German focus group participants faced the prospect of higher average retirement ages, but, in contrast to Britain, saw no employment options outside their current organisation and/or occupation. Whereas it was less accepted by management and employees in the male-dominated occupations of steel and chemical engineering to reduce working hours, such a solution was accepted for retail staff and teachers, probably because female employees already used this option during child rearing phases. However, the main problem for female focus group participants was that their salary was too low and/or their accumulated pension was too small to use this option, at least when they financially depended on this (pension) income.

6. CONCLUSIONS

In sum, it appears that there are a number of contextual factors that mediate organisational reactions to demographic change. We start with the influences of the institutional actors. Our initial assumption was that UK and German employers would be constrained and enabled by other institutional actors differently, and thus, age management policies would be path-dependent. In particular, we predicted that government, and by proxy the EU, would have different levels of success in changing employment practice in UK and German workplaces. What we found was that the presence (and absence) of different national-level stakeholders have a major influence on local workplace practices with regard to age management. The German government did indeed seem to have a larger influence over HR practices than the one in the UK, holding the power of the purse with regard to state pensions, and, as a consequence, compelled employers and unions to abandon their early retirement orientation. Therefore, even though the German state reduced its involvement - i.e. by abolishing early retirement schemes - in line with Streeck (2011) and Höpner (2005), it maintained its level of coordination, thereby maintaining unions´ power to negotiate for example dismissals protection. As a consequence, even though the state became a less active institutional actor, due to de-regulation, it continued to influence firms´ HRM that now has to fill the policy void that the state´s deregulation has left.

Two of the UK employers (Chemical and Steel) maintained early retirement orientations, guided to do so by their global management and local trade unions, respectively. *UK_School* was more strongly influenced by government, which governs teachers' pensions, and we did see how this employer was prevented from using early retirement routes which had been available in the past. However, it was less bound in the retention of older teachers than its German equivalent. *UK_Retail* was largely constrained by the contours of the labour market, as high turnover compelled it to look towards contingent labour groups, including older workers, to fill vacancies. With the exception of *UK_Chemical*, the UK case studies were all unionised. However, none of the unions exerted significant pressure on the employers to change their HR practices in relation to older workers, and in the case of *UK_Steel* largely supported the continuation of the company's early retirement practices.

We also saw how micro-politics were played out in German employers' actions. On the one hand, they operationalised the reining in of early retirement welfare benefits which have been costly since reunification. On the other, they have joined with trade unions to petition government for greater flexibility to use phased retirement to deal with job attrition. Arguably, managers in the German firms were able to use collective bargaining to balance and neutralise the constraints of other institutional actors.

Our findings seem to fit more neatly into the Business System paradigm than VoC since the respective governments played significant but different roles in furthering EU goals of raising older people's employment rates through use of not only regulatory instruments but also the welfare state. They also are consistent with the "plurality of logic" paradigm since the relative strength of government, unions and (in the case of the MNC's) headquarters help explain why British and German managers took divergent paths.

Turning to the labour market contexts, we found that employers' approaches to age management are strongly influenced by the relative strength of internal labour markets and the degree of employment security; the locus of management control; the existence of career alternatives; the extent of company and occupational pension schemes; and the impact of collective bargaining and trade unions. As some of these are a result of differences in national institutional frameworks, this makes it necessary to develop country-specific models of age management. In both countries, national governments acted as agents for the EU in implementing the Lisbon protocol on older workers, but UK employers were freer to avoid government direction by maintaining the use of redundancy and early retirement as tools for job attrition. In the case of *UK_Steel*, the employer has been able to garner the support of unions in maintaining such a policy with the tacit promise of maintaining the defined-benefit pension scheme. German firms are more constrained in the disposal of ageing workforces, but have been able to use institutions to affect desired change.

On a more theoretical level we conclude that although demographic change and EU directives exert pressures for convergence (e.g. in legislation and effective retirement ages), the different institutional environments of Britain and Germany lead to overall path-dependent solutions. The examples of the German chemical and steel industries demonstrate the relatively strong capability of institutions to adapt to the needs of key employers (Streeck and Thelen, 2005) and the role of businesses in reshaping business systems (Morgan, 2012).

At the same time we observed path-dependency not only at the macro-level of the industry, but also at the micro-level of organisations, as predicted by Morgan (2005). The dynamics of institutional duality (Kostova and Roth, 2002) can be seen in the difference between the approaches taken by the two foreign-owned MNC's: *UK_Steel* and *UK_Chemical*. The former was more socially-embedded locally and as such local managers shared an early retirement agenda with the union, while those in the latter discussed age management policies within the context of the company's global strategy for bringing in young talent.

Much of the evidence from the case studies suggest that, with regard to age management, business practices are diverging according to national paths owing to the power and influence of government as well as internal structures. However, we did find that the two retail companies are taking consistent approaches towards encouraging older workers to delay retirement in reaction to similar problems with labour shortages. The two firms showed that employers have space to implement policies based on firm-level needs. Here, commercial interests were most important in the implementation of age management in both case studies despite different institutional contexts. This is even though the reasons for the business case differed. This retail industry-specific convergence of HR policies, at least in the two organisations under investigation, indicates that there might be more convergence between national institutional contexts (Croucher *et al.*, 2006) than assumed by institutional theory. Similarly, the differences found between *UK_Retail* (driven by commercial pressures) and *UK_Steel* (reacting to the union's defense of pension rights) indicate that there might also be diversity within institutional contexts (Wood *et al*., 2009; Lane and Wood, 2009).

The multi-level qualitative research approach taken here has proven valuable as it has allowed us to gather in-depth information from multiple sources in each organisation, allowing us to explore intra-firm dynamics and how they might cause intra-country diversity (Wood *et al.*, 2013). We were able to paint a more comprehensive picture of the processes and dynamics involved in the implementation and perception of age management within the two institutional contexts. However, one limitation of the study, inherent to qualitative research, is that it is based on only a few cases and a limited number of interviews. Directly comparable quantitative data is needed to investigate whether the differences and similarities observed apply more generally. Further research should also explore the diffusion process of age management by line managers because there might be a gap between formal policies and implemented practices (Cunningham *et al.*, 2004).

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TABLE 1

Number of Interviews in Case Study Organisations

	HR manager	Line Managers	Shop stewards / Employee representatives	Employer association / trade union	Focus group	Total
German_School	2	8	6	1	3	20
UK_School	1	4	1	0	2	8
German_Chemical	1	1	2	2	1	7
UK_Chemical	3	3	1	1	1	9
German_Steel	2	1	1	1	1	6
UK_Steel	4	0	0	1	0	5
German_Retail	3	4	1	0	2	10
UK_Retail	1	4	1	2	2	10
Total	17	25	13	8	12	75