

Long-term planning of staffing requirements falls victim to crisis – European companies pay less attention to ageing workforce

Frankfurt – March 11, 2009. Demographic change is progressing incessantly throughout Europe. As a consequence the European workforce is continuously getting older while at the same time the skills gap is widening. Yet, in the face of economic crisis, companies are cutting measures that would prepare them for demographic change and keep their ageing workforce both motivated and productive. After companies have become more conscious of the challenges posed by demographic change in the past years, there is now a backlash. Long-term planning of personnel needs and skills is being sacrificed for short-term reaction to crisis. That is the result of a survey of 2.500 companies in the biggest countries of the EU (Germany, France, UK, Italy, Spain) conducted by the Adecco Institute for the third time. The study was presented today in Frankfurt by the Chairman of the Institute, Wolfgang Clement.

Among the five countries surveyed there are big differences in how companies rate the importance of demographic change. For 66% of German companies demographic change presents a major challenge, almost equal to globalization (67%). But among British companies only 30% say that the ageing workforce is a major concern; the average of the five countries surveyed is 40%.

The survey shows that primarily industrial companies feel threatened by the current crisis (49%), whereas only 23% of trade companies said (at the beginning of 2009) they consider the crisis a great challenge to cope with.

The survey illustrates that companies use flexible instruments at the beginning of a crisis to adjust staffing needs to a slowing economy. 43% of companies in Europe said they will reduce overtime and 41% said they will postpone new hires; 16% will cut expenses for HR development in response to the crisis, 14% will cancel contracts with temporary workers and 14% will lay off staff. The areas most affected by cuts in HR development are career management and lifelong learning.

Facing the need for lay-offs, unqualified workers are twice as likely to be affected than qualified workers. Yet, when it comes to postponing new hires, highly qualified employees are affected almost to the same degree as unqualified workers.

The long-term planning of staffing requirements and future skills needs – a prerequisite for successfully coping with demographic change – is in particular being neglected in the face of the crisis. The planning horizons for staffing needs reached a new low with an average one-year advance planning for all five countries and across all sectors.

„Unfortunately the crisis leads to long-term HR development being cut in favor of short-term measures. But planning of future personnel and skill needs is the foundation for successfully coping with demographic change. The dwindling efforts to become demographically fit mean that companies are saving at the expense of their own future. But investments in demographic fitness are imperative if a company wants to be prepared and

fully take advantage of the next upturn”, said Wolfgang Clement, Chairman of the Adecco Institute and former German Minister of Economics and Labor.

Based on an annual survey among HR decision makers at 2.500 companies (500 per country) of all sizes and across all sectors, the Adecco Institute calculates the Demographic Fitness Index (DFX). On a scale of 400 points, the DFX measures five factors that influence a firm’s ability to successfully cope with an ageing workforce: career management, lifelong learning, knowledge management, health management, and diversity management. The indices are calculated based on the answers given by the firms interviewed. The aggregate of the company results for each country is the country index.

The Demographic Fitness Index for 2008 for Europe’s five largest countries went down sharply to 172 points compared to 2006, which averaged 183 points. German companies are the most stable in the group of five. Their average result in 2008 was lower than in 2007 but up from 2006 (although German companies were below average in 2006). Particularly steep was the decline in Italy (minus 14 points to 168) and Spain (minus 18 to 162). The bad performance of Spain suggests that the demographic fitness will continue to decline across Europe, since Spain was already deeper into recession than the other four countries at the time of the survey.

The ageing of the European workforce is an irreversible fact: In less than 10 years, people over 40 will be in the majority across Europe for the first time in history. In Germany and Italy, 60% of all inhabitants will be over 40. The number of 50-65 year olds in the five biggest EU economies will rise by 16% and those in their 20s to 40s will decline by nearly 10%. By 2050, the share of people over 65 will have doubled and will make up around 30% of the total population.

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About the Adecco Institute

The Adecco Institute, founded in 2006 and based in London, is a think tank on the future of work; it is committed to facilitating discussions on the topic of work. Through primary and secondary research as well as white papers and forums for discussion, the Adecco Institute provides forward-looking approaches to help companies and economies raise employability, productivity and employee satisfaction at work..

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