

An Anglo-German Foundation Report

# **The Greying of the Labour Market: What can Britain and Germany learn from each other?**

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## **Executive Summary**

In Germany and the UK, the issue of the employment of older workers has moved up the policy agenda in recent years. After decades of early retirement, concerns about the sustainability of public pension systems and future labour shortages have resulted in a new policy consensus around the need to integrate older workers. Policies are now emerging which are aimed at extending the end of working lives, closing of early retirement pathways and making continued employment more attractive, and educating employers and encouraging them to recruit older workers.

Yet the degree of progress should not be overstated. Considering active labour market policies specifically, reviewing the evidence, the report concludes that:

1. While a recent shift towards strategies and measures for older unemployed people has taken place, they remain under-represented in general labour market measures such as the promotion of vocational training, self-employment and job-placement activities.
2. In particular, strategies and measures to facilitate lifelong learning and provide training for all age groups are underdeveloped.
3. Even where measures have been implemented, they have concentrated on more advantaged and easier to place older unemployed people, with risk groups such as those with low skill levels or disabilities under-represented.

The report concludes that the primary deficit concerning active labour market policies for older unemployed in Germany is the lack of specific targeting of this group both in active job placement and training. In the UK, the scope of active measures is rather limited both with regard to the kind of measures – New Deal 50 plus/New Deal 25 plus – and the level and duration of funding. Moreover, participation by those older people most severely disadvantaged (for example, with disabilities) is low. Furthermore, a rather distinct mix of underlying frameworks and structures for policy measures still exists in both countries.

The pressures of labour force and population ageing are tackled on the basis of the respective welfare regimes, economic structures and normative values. In the UK – despite a more socially inclusive stance recently – funding of job creation and a broad application of training measures has not taken place so far, given the low intervention character of labour market policies. In Germany, in the wake of recent labour market reforms, a shift in paradigm towards a more activating approach to job placement has been implemented. This builds upon a wide array of active labour market measures regulated at the federal level.

Despite these deficiencies and differences, mutual policy learning can take place. For this purpose, the following overarching set of policy principles should be considered:

- **Strengthening of an active-integrative approach:** This approach requires investment in the skills and health of older unemployed people to increase or at least maintain their productivity, and to set specific targets for the recruitment of older people on to particular initiatives. Both Germany and the UK need to develop those approaches further.
- **Co-ordinated, joined-up approach:** Close co-ordination of public and workplace policies is warranted as well as better governmental co-ordination. An exchange of experiences between governmental actors in Germany and the UK could be fruitful.
- **Preventive and life-course approach:** Employment policies for older workers should place greater emphasis on preventing unemployment. Because disadvantages that may lead to unemployment arise over the course of a working life, preventive measures such as updating skills and health promotion should be fostered in both countries.

Besides these general recommendations, specific policy areas and measures to improve the employment situation of ageing and older workers must be considered:

### **Job placement and fostering recruitment:**

- Job placement should reflect specific needs of older unemployed people. Policy borrowing could take place for Germany by adopting the UK system of credit points for the hard-to-place, and increased staff resources in job centres. Older people with low skills and health problems should be offered additional training, social support and physical rehabilitation. Both countries could learn from each other concerning individual measures already in place.
- A stronger company orientation in designing and implementing measures should be sought. The UK could learn from Germany in terms of implementing and promoting systems of job trials, aimed at ascertaining whether an individual older worker is willing and able to work, and short-term company-based training measures. Germany could adopt the UK system of placing vacancy managers in official employment agencies.

### **Provision of vocational training and lifelong learning:**

- To prevent the exclusion of older people from training measures, they should have proper access to individual and independent assessment of their skill levels and training needs within the context of the demands of the local economy. Chronic long-term unemployment should be favoured by giving such people a higher ranking for selection.

- Publicly funded job-rotation measures, which allow unemployed persons to temporarily take over the job of persons in training schemes, should be directed to older unemployed people in particular and provide an opportunity to acquire job-related skills.

**Subsidised employment and partial retirement:**

- Employment subsidy schemes should be based on criteria such as skill levels, not only age, and be combined with training provisions or health promotion.
- To maintain or restore labour market attachment of older long-term unemployed people, 'as-if-real-work' company-based job-creation schemes or 'activity-periods' where work-related tasks at near-regular wages are performed should be developed.
- Innovative part-time employment options should be funded more explicitly in Germany to prevent early exit. In the UK, regulations that bind payment of occupational pensions to the level of the last wage/working time should be removed.

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**Notes to the editor:**

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