



**Anglo-German Foundation for the  
Study of Industrial Society/  
*Deutsch-Britische Stiftung für das  
Studium der Industriegesellschaft***

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

**Frerich Frerichs and Philip Taylor**

**2005**

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

**Frerich Frerichs  
Research Society of Gerontology  
Institute of Gerontology at the University of Dortmund**

**Philip Taylor  
Faculty of Social and Political Sciences  
University of Cambridge**

**September 2005**

**Anglo-German Foundation  
for the Study of Industrial Society**

## THE GREYING OF THE LABOUR MARKET

Through its work in Germany and in the United Kingdom, the Anglo-German Foundation seeks to foster dialogue and co-operation between the two countries. It supports research projects, seminars and conferences promoting the exchange of experience and ideas in the social, political and economic areas.

*Die Deutsch-Britische Stiftung möchte mittels ihrer Tätigkeit in Deutschland und Grossbritannien den Dialog und die Zusammenarbeit der beiden Staaten fördern. Sie unterstützt gemeinsame Forschungsprojekte, Seminare und Konferenzen und setzt sich dabei besonders für den Erfahrungs- und Ideenaustausch im sozialen, politischen und wirtschaftlichen Bereich ein.*

© 2005 Anglo-German Foundation

**Anglo-German Foundation for the Study of Industrial Society/  
Deutsch-Britische Stiftung für das Studium der Industriegesellschaft  
34 Belgrave Square, London SW1X 8DZ  
Tel: +44 (0)20 7823 1123 Fax: + 44 (0)20 7823 2324  
Website: [www.agf.org.uk](http://www.agf.org.uk)**

# Contents

<b>List of tables</b>	<b>ii</b>
<b>Executive summary</b>	<b>iii</b>
<b>1 Introduction</b>	<b>1</b>
<b>2 Older workers and the labour market in Germany and the UK – a comparison of central indicators</b>	<b>3</b>
<b>3 Labour market policies for older workers in the UK</b>	<b>7</b>
Development of policy approaches and demographic change	7
Active labour market measures for older workers	12
Further vocational training and lifelong learning	18
Wage subsidies and promotion of self-employment	21
Partial retirement	22
Combating age discrimination and prejudices	22
<b>4 Labour market policies for older workers in Germany</b>	<b>26</b>
Development of policy approaches and demographic change	26
Active labour market measures for older workers	29
Further vocational training and lifelong learning	32
Wage subsidies and promotion of self-employment	35
Job-creation measures	37
Partial retirement	38
Combating age discrimination and prejudices	40
<b>5 Conclusions and policy recommendations</b>	<b>43</b>
Conclusions	43
Final statement	47
<b>References</b>	<b>48</b>

**List of tables**

<b>Table 1</b>	<b>Labour force participation rates among workers aged 55–64, UK and Germany 1990–2002 (%)</b>	<b>3</b>
<b>Table 2</b>	<b>Employment rates of older people aged 55–64, UK and Germany 1990–2002 (%)</b>	<b>3</b>
<b>Table 3</b>	<b>Employment-population rates of persons aged 50–64 before and after adjustment for hours worked, Germany and the UK, 2000 (%)</b>	<b>4</b>
<b>Table 4</b>	<b>Unemployment rates among workers aged 55–64, UK and Germany 1990–2002 (%)</b>	<b>4</b>
<b>Table 5</b>	<b>Reasons for being inactive, persons aged 50–64, UK and Germany 2000 (%)</b>	<b>5</b>
<b>Table 6</b>	<b>Public expenditure in labour market programmes as a percentage of GDP, Germany and the UK, 2002</b>	<b>6</b>
<b>Table 7</b>	<b>Number of New Deal 50 plus Employment Credit starts at month end, Great Britain</b>	<b>14</b>
<b>Table 8</b>	<b>Employment status of New Deal 50 plus starts</b>	<b>14</b>
<b>Table 9</b>	<b>Take-up of and exits from WBLA by age, 2001–2003</b>	<b>19</b>
<b>Table 10</b>	<b>Selected active labour market programmes and participation rates of older workers</b>	<b>29</b>
<b>Table 11</b>	<b>Labour market programmes and integration ratios, 2002</b>	<b>30</b>
<b>Table 12</b>	<b>Funded partial retirement cases (yearly average)</b>	<b>39</b>

## 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.

# 1 Introduction

This report considers developments in public policies towards older workers in Germany and the UK. Based on extensive literature reviews and interviews with key informants in each country, it considers the background to recent policy developments, their nature and scope and their effects on older workers.

Germany and the UK are facing substantial ageing and shrinking of their labour forces. At the same time, it is important to note that older workers, particularly men, have been regarded by employers and policy makers as a reserve labour army in the past in both countries (Naegele and Walker, 2002). Older workers have been confronted with numerous forms of direct and indirect discrimination in both the workplace and the labour market in general. The result has been long-term unemployment and non-employment among older workers. Employment rates of older workers in both countries have declined dramatically over the past 20 years, although significant differences between the UK and Germany can be observed. Low labour force participation rates are mainly due to early retirement schemes, which have been implemented in past decades (Ebbinghaus, 2001; Walker, 2002). Although a majority of these programmes have now been terminated, negative effects of early retirement still exist.

Demographic change and age barriers in the labour market require active and integrated strategies to cope successfully with the challenges for both the economy and society on the one hand, and for the ageing individual on the other. It is now widely accepted that extending working life may not only reduce pension, health and social welfare costs for the state but will also provide the opportunity for a happier and more productive old age for many individuals. However, to achieve this goal, public policy has a role at both micro-level (within companies) and at a macro-level (in the labour market).

For some time, governments in Germany and the UK have been directing more attention to employment opportunities for older workers and have begun to implement policies aimed at increasing labour force participation rates among this group (Naegele, 2002; Walker, 2002). A new policy consensus seems to be emerging around the notion of active ageing. Both countries are implementing policies aimed at reducing age discrimination in the labour market, encouraging the recruitment of older workers, delaying early exit, encouraging the sharing of best practice among employers, or helping older workers who are seeking guidance or training.

Ultimately, the challenges both countries face against this backdrop of social change lie in increasing the employment prospects of future cohorts of older people. At the same time, working life will have to be prolonged. Government initiatives are focusing on working with social partners in the development of policies that aim to increase the employment of older workers.

This report analyses the developments as well as the similarities and differences in policy approaches in each country. Since both face similar challenges concerning the employment of older workers (although with different policy approaches, welfare systems and business cycles), the overarching question is whether they can and will

## THE GREYING OF THE LABOUR MARKET

develop successful measures to integrate older workers. In this context, the focus is on active labour market policies (ALMP), which refer to direct government intervention in the labour market to prevent or alleviate unemployment. Their main components include job- placement, job-training and job-creation policies. However, to assess the real impact of active measures, passive measures like unemployment benefits and early retirement provisions should also be taken into account.

The research on which this report is based was carried out in 2003 and 2004. The project consisted of an extensive literature review and interviews among public officials, representatives of the social partners and groups representing older people.

Our intention was that this international comparison would contribute substantially to promoting this process of policy development and to helping create a framework for policy action. Thus, this report provides detailed information for governments and social partners in each country on recent developments and successful approaches concerning labour market policies for an ageing society.

## 2 Older workers and the labour market in Germany and the UK – a comparison of central indicators

Before launching into a detailed analysis of policy approaches in the individual countries, this chapter provides a short overview of central indicators concerning the labour market situation of older workers using OECD data.

Table 1 indicates that labour force participation of workers aged 55–64 in the UK is at present approximately 15 percentage points higher than in Germany in the cases of both men and women. There has been a steady and pronounced increase of participation rates in the UK since the year 2000, while in Germany only a slight increase has occurred.

**Table 1**  
**Labour force participation rates among workers aged 55–64, UK and Germany 1990–2002 (%)**

Age	1990		2000		2001		2002		2003	
	UK	D								
55–64 (both sexes)	53.0	39.8	52.8	42.9	54.0	42.9	55.2	43.3	57.5	43.1
55–64 (men)	68.1	55.9	63.3	52.4	64.4	52.2	65.0	52.6	67.9	52.0
55–64 (women)	38.7	24.7	42.6	33.5	44.0	33.6	45.7	34.1	47.3	34.3

Source: OECD, 2003a.

Employment rates – a more precise indicator because unemployment is not included – show similar trends to those observed for labour force participation rates, but the differences between employment levels in the UK and Germany are even more pronounced.

**Table 2**  
**Employment rates of older people aged 55–64, UK and Germany 1990–2002 (%)**

Age	1990		2000		2001		2002		2003	
	UK	D								
55–64 (both sexes)	49.2	36.8	50.5	37.6	52.2	37.9	53.3	38.6	55.5	39.0
55–64 (men)	62.4	52.0	59.8	46.4	61.6	46.4	62.1	47.2	65.0	47.1
55–64 (women)	36.7	22.4	41.4	29.0	43.2	29.4	44.7	30.1	46.4	30.9

Source: OECD, 2003a.

However, newly released OECD data on the incidence of part-time employment among older workers (OECD, 2004) indicate that the UK's apparent advantage in terms of employment rates among older workers is reduced when part-time employment is taken into account. The following table shows that employment-population ratios for men and even more for women decline significantly in the UK when adjusted for part-time employment, whereas in Germany they increase for men and decrease less for women than in the UK. In consequence, the difference in employment rates for older male workers between Germany and the UK is reduced from 10.9 percentage points to 6.6 percentage points, while for women the reduction is even greater, from 13.3 percentage points to 4.5 percentage points.

**Table 3**  
**Employment-population rates of persons aged 50–64 before and after adjustment for hours worked, Germany and the UK, 2000 (%)<sup>1</sup>**

	Men		Women	
	Unadjusted	Adjusted	Unadjusted	Adjusted
Germany	57.7	59.0	39.6	29.0
UK	68.6	65.6	52.9	33.5

Source: OECD, 2004.

At present, unemployment among older workers is significantly higher in Germany than in the UK, but over the last decade this has not always been the case. In 1990, the unemployment rates of workers in the 55–64 age group were similar: 7.2% in the UK and 7.7% in Germany. More recently, since the year 2000, a decrease in the incidence of unemployment among older men and women has occurred in Germany, although rates still far exceed those for the UK.

**Table 4**  
**Unemployment rates among workers aged 55–64, UK and Germany 1990–2002 (%)**

Age	1990		2000		2001		2002		2003	
	UK	D	UK	D	UK	D	UK	D	UK	D
55–64 (both sexes)	7.2	7.7	4.4	12.3	3.3	11.7	3.5	10.8	3.3	9.7
55–64 (men)	8.4	7.0	5.5	11.5	4.3	11.1	4.3	10.3	4.3	9.4
55–64 (women)	5.0	9.1	2.8	13.6	1.8	12.6	2.3	11.7	2.0	10.1

Source: OECD, 2004.

<sup>1</sup> The adjusted employment rate is obtained by multiplying the employment rate by weekly hours worked and dividing by 40.

The complementary side of labour force participation is inactivity, and there are various pathways out of the labour market for older workers (see Table 5). When comparing these pathways for the UK and Germany, it can be seen that, in the latter, by far the largest share of persons in the 50–64 age group describe themselves as ‘retired’, whereas illness or disability is a little used pathway. This contrasts with the UK, where, while ‘retirement’ remains an important pathway to inactivity, older people more often describe themselves as disabled or ill.

**Table 5**  
**Reasons for being inactive, persons aged 50–64, UK and Germany 2000 (%)**

	<b>Germany</b>	<b>UK</b>
No work available	0.4	0.5
Retired	28.7	12.8
Illness or disability	4.1	14.2
Family duties	5.0	5.1
Other	7.1	3.9
Total	45.4	36.6

Source: OECD, 2004.

Dealing with unemployment and inactivity is the main task of active labour market policies. In this regard it can be seen that public expenditure on labour market programmes varies greatly between the two countries. Germany in 2002 spent 3.31% of its gross domestic product (GDP) on labour market programmes, whereas in the UK the respective ratio was 0.75% (OECD, 2004; see Table 6 overleaf)<sup>2</sup>.

Although the unemployment rate in Germany is almost double that in the UK, this does not fully account for the marked difference in expenditure. This becomes clearer when referring to the ratio of active spending per person unemployed relative to GDP per person. This ratio for Germany is more than twice as high as it is for the UK (0.16 versus 0.07) (OECD, 2003b).

Considering programme categories in more detail, differences are even more striking. Expenditure on labour market training in Germany is 10 times higher than it is in the UK. The same is true for subsidised employment and measures for those with disabilities. By contrast, the difference concerning expenditure on public employment services is less pronounced.

**Table 6**  
**Public expenditure in labour market programmes as a percentage of GDP,**  
**Germany and the UK, 2002**

<b>Programme categories and sub-categories</b>	<b>Germany</b>	<b>UK</b>
<b>Active measures</b>		
1. Public employment services and administration	0.23	0.17
2. Labour market training	0.32	0.02
Training for unemployed adults	0.32	0.01
Training for employed adults	–	0.01
3. Youth measures	0.10	0.13
4. Subsidised employment	0.22	0.03
Subsidies to regular employment	0.03	0.02
Subsidies for self-employment	0.05	–
Direct job creation	0.15	0.01
5. Measures for people with disabilities	0.30	0.02
Vocational rehabilitation	0.13	0.01
Work for people with disabilities	0.17	0.01
<b>Passive measures</b>		
6. Unemployment compensation	2.10	0.37
7. Early retirement for labour market reasons	0.03	–
<b>Total</b>		
Total overall	3.31	0.75
Total active measures	1.18	0.37
Total passive measures	2.13	0.37

Source: OECD, 2004.

### **3 Labour market policies for older workers in the UK**

#### **Development of policy approaches and demographic change**

It has been recognised in policy circles for some time that population ageing will have a profound effect on the composition of the British labour market. From the end of the 1980s, the share of younger people in the labour force began to decline. At the same time, 'prime-age' adults began to make up an increasing share of the working-age population. Between 1990 and 2000, the average age of the working-age population increased by 1.3 years from 37.5 to 39.0 years (Dixon, 2003). Population and labour force projections show a further ageing of the labour force. The average age of the working-age population is projected to increase by around 0.7 years in the decade to 2010, and 0.5 years in the following decade, according to the Government Actuary's Department population projections from 2002, cited in Dixon (2003). By 2010, the proportion of working-age people between 50 and 64 years old will be greater than at any time since the mid-1970s. From 2005, the proportion of prime-age adults (30–49) will begin to decline. By contrast, the proportion of older adults (50–64) is predicted to increase from 27% in 2000 to 32% by 2020 (Dixon, 2003). Thus, roughly one-third of the labour force (approximately 10 million people) will be aged 50 or over by the year 2020.

However, actual workforce ageing depends on future labour force participation patterns of older workers. Dixon (2003) points out that there are uncertainties concerning the future retirement behaviour of workers aged 50–64. If initiatives, which have been implemented or announced to reduce the incentives that currently encourage early retirement and assist older people who have been displaced from jobs to return to work, succeed in raising the average age of retirement and prolonging the labour force participation of older workers, they will speed up the process of labour force ageing.

The ageing of the labour force is currently high on the agendas of policy makers. In recent years, numerous official reports have considered the economic implications of population ageing and have emphasised the importance of re-activating older workers and tackling age barriers in the labour market (for example, Cabinet Office, 2000; House of Lords, Select Committee on Economic Affairs, 2003). This has been supported by a marked increase in research which has considered the relationship between age and the labour market (for example, Hirsch, 2003). This situation is interesting, given that early retirement as it has been known in Germany and other European nations was never as significant a feature in the UK.

Now, however, and perhaps even despite not having developed the myriad structure of early retirement pathways of some continental European countries, there is an increasing emphasis in policy debates in the UK on extending working life. Policies are in place aimed at promoting the employment of those with disabilities, while the notion of employment as a source of income for those in the Third Age has also gained credence

among policy makers. What accounts for the British government's adoption of a later exit agenda is unclear but may in part be due to the following factors:

- a powerful age lobby which has campaigned for the right of older people to work;
- the government's Welfare to Work agenda; and
- the so-called 'pensions crisis'.

Furthermore, the current Labour government is less opposed to state intervention in the labour market than the previous Conservative government had been, and therefore may play a greater role in reversing the early exit trend and activating or re-activating older workers (Walker, 2002).

Added to this, there may be increasing public pressure for older workers to be given the opportunity to work on. A recent Age Concern/ICM survey ([http://www.ageconcern.org.uk/ageconcern/News\\_869.htm](http://www.ageconcern.org.uk/ageconcern/News_869.htm)) found that 76% of workers were opposed to being forced to retire at a fixed age, and cited more flexible working arrangements as the main incentive to carry on working. There is also evidence that, as a result of the decline in equities, some older workers are postponing their retirement. A recent survey of 4,500 workers aged over 50 ([http://www.management-issues.com/display\\_page.asp?section=research&id=805](http://www.management-issues.com/display_page.asp?section=research&id=805)) found that the majority had seen the value of their savings fall in the last three years. One in four stated that they were planning to retire later than they had planned two years ago. The trend towards the closure of final salary schemes to new members and their replacement with other types of scheme (Age Concern, 2004) may also add to the pressure to abolish retirement ages.

A report commissioned by the government and prepared by the Cabinet Office's Performance and Innovation Unit (Cabinet Office, 2000) set out a number of recommendations for the development of policies towards people in the Third Age. Key recommendations for government were as follows:

- set out its vision of the role and value of older people in society;
- increase contact with and job-search assistance for people on sickness and disability benefits;
- provide careers information and advice to older displaced workers;
- raise the minimum age at which an immediate pension is payable;
- increase the transparency of occupational pension schemes by showing the cost of early retirement in company accounts;
- promote the advantages of diversity and flexibility in working practices through a group of 'champion' employers; and
- each Civil Service department to review the case for increasing its retirement age to 65.

Recognising that age discrimination impacts on many areas of policy, the government has also created a Ministerial Group on Older People to co-ordinate work across departments. The Secretary of State for Work and Pensions is the Government Champion for Older People and the Department for Work and Pensions (DWP) the lead department for older people. The DWP has responsibility for monitoring progress across government by means of updates from other departments, and for liaising with them on the development and expansion of a strategic approach to tackling older people's issues. However, a recent

report concluded that there is an 'outstanding need to provide an overall framework for work across government affecting older people because, despite progress in joining up policy-making, there remains a lack of co-ordination in some areas' (Comptroller and Auditor General, 2003: 8). The report suggested that this might be assisted by publication of the government's strategy for older people, and this has recently occurred.

The re-election of the Labour government in 2001 brought with it a renewed emphasis on productive welfare policy which places employment at the centre of both social and economic policies (Walker, 2002). The election manifesto contained specific commitments in this field: to raise the employment rate from 50% to 70%, to tackle discrimination, to extend New Deal 50 plus (see later) and to examine ways in which occupational pensions can be combined with part-time work so as to encourage flexibility in retirement. These commitments reflect the explicit European Employment Guidelines on Developing a Policy for Active Ageing (European Council, 2001).

The present government's manifest position on older workers is neatly summarised in its recent pension Green Paper where it sets out its proposals for reforming the retirement income system. In this Paper, the government was seeking views on the following issues (DWP, 2002):

- providing additional help for those aged 50 and over and recipients of incapacity benefits to help them return to work;
- treating men and women between 60 and women's State Pension age as active labour market participants when women's State Pension age increases from 2010;
- maintaining the State Pension age at 65, while providing increases for those deferring claiming their pension;
- implementing, by December 2006, age legislation covering employment and vocational training;
- allowing people to continue working for their employer while drawing their occupational pension, raising the earliest age from which a pension may be taken from 50 to 55 by 2010, and consulting on best practice to ensure that occupational pension rules do not discourage flexible retirement; and
- changing public service pension scheme rules, for new members initially, to make an unreduced pension payable from 65 rather than 60.

These proposals are important for several reasons:

- They accept the need for an extension of working life.
- They recognise the need to support disability benefit claimants to return to employment.
- They acknowledge the importance of employment income for older people, in addition to income from a pension.
- They recognise the value of promoting a gradual exit from employment.

The State Pension age has been an area of major debate recently. The government intends to ensure that people who wish to work beyond State Pension age and defer taking their pension are adequately rewarded by the state system. At present, a person who does not draw their pension at State Pension age has their pension increased by around 7.5% for each year it is deferred, up to a maximum of five years. Under existing

legislation this will increase, in 2010, to approximately 10.4% for each year. The government proposes to bring forward this date and is also intending to remove the existing five-year limit on increases. This change will apply to new cases, and is expected to happen by 2006. The government proposes to offer a choice of either an increased regular State Pension or a taxable lump-sum payment of up to £30,000 to people who delay drawing their state pension until age 70.

A number of commentators have gone further, recommending that the government increase the age at which people can start to draw their State Pension. For women this is already set to increase from 60 to 65 between 2010 and 2020 to match that for men. It has been argued – for example, by the National Association of Pension Funds and the Institute for Public Policy Research – that it should be increased to 67 or 70 for both men and women.

The logic of the argument is that an increase could change attitudes and encourage more people to work into later life. But the government points out that there is not a straightforward relationship between the State Pension age and when most people actually stop working. For example, two-thirds of men have stopped working by the age of 65. In its Green Paper, the government states its view that increasing the State Pension age is not necessary to ensure that the goal of extending working life is achieved. It goes further arguing that given its proposals on the deferral of claiming of a state pension, the notion of a single fixed State Pension age might start to seem anachronistic if, as they intend, people will start drawing their State Pension at a range of ages starting at 65.

Moreover, the Green Paper states that while increasing the State Pension age would reduce long-term public expenditure, it would disproportionately affect lower-income people who rely more on state benefits in retirement. Also, the same people tend to have lower life expectancies, and so, with fewer years in retirement, they would see a disproportionate reduction in their income. The effect might be particularly severe on those who have done manual work for long periods in heavy industries, in which there is a record of low life expectancy. While it states that it is not persuaded of the merits of increasing the State Pension age, the government has indicated its willingness to consider proposals for reforms which would mean that when someone could start to draw their State Pension would be worked out on an individual basis – depending on number of years in employment and not only in terms of age. In addition, the government has proposed to extend employment rights regarding dismissal to people who work beyond the age of 65 (DTI, 2005).

In its pension Green Paper, the government stated that it has already begun to address the issues from its perspective as an employer. A recommendation of the report, *Winning the Generation Game* (Cabinet Office, 2000), was that public-sector employers should review their retirement ages and examine the case for allowing those who want to work on to age 65 to do so. According to the government, 75% of civil servants can do this already, and the number able to serve beyond age 60 is expected to increase. But most public service pension schemes still allow a normal pension to be taken at age 60 or under, or allow an earlier pension for those with longer service. The government's Green Paper proposes to change the rules of public service pension schemes to make an unreduced pension payable from age 65 rather than 60 in the case of new members. One person interviewed for this study felt that this did not go far enough, arguing that it would have almost no immediate impact.

## THE GREYING OF THE LABOUR MARKET

It is the government's view that such reforms would free up resources, which could be used to increase flexibility in terms of the transition from work to retirement and to offer improvements to benefits which employers and staff value, and would have a positive impact on staff recruitment and retention. It also considers that an increase in the age from which pensions are payable will help the sustainability of public service pension schemes. Early retirement options would continue to be available but as a departure from a normal pension age of 65 rather than 60.

For current members, accrued pension rights from service before the change would be fully protected enabling them to receive a pension from the age they currently expect, although in its Green Paper the government states that it will consult on meeting any demand from existing public sector employees to work longer.

To oversee much of its work in this area, the government has established an Extending Working Lives Division of the DWP. Its areas of responsibility are to increase employment rates and the opportunity for people aged 50 and over to save for retirement. The Division's aims are to:

- encourage employers to implement policies aimed at the inclusion of older workers;
- increase the employment rate of older workers;
- raise awareness of age discrimination more generally (including that experienced by younger people);
- increase the average age of exit from the labour force;
- develop and articulate an evidence-based strategy for extending working lives;
- evaluate new and existing policies for use in future planning; and
- prepare for the introduction of anti-age discrimination legislation in 2006.

A specific activity of the Division will be to develop detailed guidance on employer best practice which will provide step-by-step guidance for employers in age management. Another initiative will be to pilot innovative approaches to encouraging the economically inactive to seek work and to contact Jobcentre Plus if they want help in finding a job.

The majority of inactive people aged between 50 and State Pension age receive Incapacity Benefit (IB) because of a health problem or disability. It is the government's view that new claimants have expectations of returning to work but fail to make this transition, becoming in effect early retired. It is also their view that a lack of skills currency, low levels of confidence and employer discrimination are as important as health difficulties in reducing employment opportunities. In 2002 the government published *Pathways to Work – Helping People into Employment* (<http://www.dwp.gov.uk/consultations/consult/2002/pathways/pathways.pdf>), a Green Paper on measures to help recipients of incapacity benefits to return to work. It proposed piloting, from around October 2003:

- early active support – ongoing support from a personal adviser in the form of a regime of repeat work-focused interviews, combined with action planning with a strong emphasis on returning to work;
- increasing access to specialist employment programmes – the introduction of better referral arrangements to existing provision such as New Deal for Disabled People and New Deal 50 plus (see later) and new work-focused rehabilitation support. Such support will be offered jointly by Jobcentre Plus (since April 2002) and the National

Health Service to help people manage conditions such as back pain and depression more effectively, with the aim of a move into employment;

- the introduction of a 52-week return-to-work payment of £40 a week to all those moving back from IB to work of more than 16 hours a week, to encourage people to make the transition back to work; and
- more support for those having to come off IB and on to Jobseeker's Allowance (JSA) – mandatory early access to the relevant New Deal to allow this group to get personal support from the outset of their JSA claim.

In his 2004 Budget statement, the Chancellor announced that the government would be introducing pilot measures which aimed to provide additional help for people on incapacity-related benefits who want to move back into work.

### **Active labour market measures for older workers**

In recent years, following a prolonged period during which participation rates among older workers declined, their prospects have changed. Employment rates have been on the increase. However, it is too early to tell whether this represents a major shift in the fortunes of older workers. Certainly, older workers continue to be over-represented among the long-term unemployed, and those on 'inactive' benefits far outnumber those on 'active' benefits. Many of the former have been claiming these benefits for a considerable period of time, and it seems unrealistic to expect that large numbers of such individuals could be persuaded to move off benefits into some form of employment, even if generous financial incentives were made available. There is, however, a sizeable minority who do appear to retain some attachment to the labour market.

Active labour market policies frequently feature older workers as a target group. The most important of these is New Deal 50 plus, which has been utilised by large numbers of older workers, although those on 'inactive' benefits have been less likely to participate. Given that these represent a far greater number of the client group, this points to weaknesses in the government's strategy to date, although this has been recognised and is addressed in recent policy statements. Yet participation rates among older people have been declining for some time, suggesting that the effectiveness of the programme has not been sustained.

#### **Job placement and in-work income support**

New Deal 50 plus is the main flagship employment programme for older workers. It was implemented in April 2000 and targeted at people aged 50 or over. It aimed to provide them with the practical assistance and support needed to compete effectively in the labour market. It can be seen as an integrative measure because it combines support for job-seeking with in-work income support, support for training and work-trials (see later).

In its original form (DfEE, 2000), New Deal 50 plus offered employment advice to non-employed older people who had been claiming benefits for at least six months and who wished to return to work. The programme was voluntary (unlike other elements of the

New Deal programme) and open to people inactive on benefits as well as the registered unemployed. A wide range of practical help from a personal adviser was available: help with job-search skills, costs for travelling to interview, work-based learning for adults and work trials. There was also a range of help specifically for people with disabilities. It paid an Employment Credit – an extra £60 a week, tax free, on top of a person's wage if they took a full-time job – £40 for a part-time job. This top-up money was paid directly to the employee – not the employer. New Deal 50 plus guaranteed a take-home wage of at least £180 a week (over £9,300 a year) for the first year of work in the case of full-time employment. The Employment Credit could also be used to help set up a small business. An in-work Training Grant of up to £750 was also available. The programme has subsequently been revised and now has the following main features:

- personal advice and support to find a job;
- a £1,500 in-work Training Grant; and
- access to financial support when in work, paid as a Working Tax Credit, the amount depending on individual income and circumstances.

The Working Tax Credit was introduced in April 2003. It includes a return-to-work element for people aged 50 and over who have been receiving some out-of-work benefits for at least six months. This aim here is to provide additional help for those facing barriers to returning to work. One interviewee for this study was concerned that the introduction of the Working Tax Credit might have negatively affected take-up of New Deal 50 plus. The previous Employment Credit had been a much more tangible incentive in their view, while the Working Tax Credit must be applied for and there may be a delay in their receiving it, household circumstances will be taken into account in the application and their employer will be aware of their circumstances.

The government claims success for the programme and a representative of an employer body stated that it has had a positive effect without over-burdening business. One representative of an employer body interviewed for this project stated that their organisation was cautious about the use of age-specific policies in that they may send messages which reinforce age barriers. However, clients appear to view a specific emphasis on the needs of those aged 50 and over as a positive of the programme (Moss and Arrowsmith, 2003).

On the other hand, a trade union representative described take-up as lower than had been hoped. Since its launch in April 2000, 110,000 clients have moved into employment via the programme (DWP, 2004), although this represents a minority of those classified as unemployed and only a small fraction of those who are actually eligible. A third of these clients had a disability, and almost a third were women. The following tables provided by the Employment Service report on take-up of New Deal 50 plus employment credits and training grants.

Table 7 shows that there was a steady increase in the take-up of New Deal 50 plus employment credits from April 2000, although recent data demonstrate that participation has gradually tailed off since around the time of the introduction of the Working Tax Credit (Age Concern, 2005). The Table also shows that two-thirds of clients were men.

**Table 7**  
**Number of New Deal 50 plus Employment Credit starts at month end, Great Britain**

<b>Quarter/month</b>	<b>Total</b>	<b>Males</b>	<b>%</b>	<b>Females</b>	<b>%</b>
Apr–Jun 00	7,170	5,230	73	1,930	27
Jul–Sep 00	8,310	5,930	71	2,390	29
Oct–Dec 00	9,350	6,310	67	3,040	33
Jan–Mar 01	8,190	5,670	69	2,520	31
Apr–Jun 01	9,100	6,370	70	2,730	30
Jul–Sep 01	9,100	6,290	69	2,810	31
Oct–Dec 01	8,700	5,760	66	2,940	34
Jan–Mar 02	7,060	4,790	68	2,270	32
Apr 02	2,460	1,710	70	750	30
May 02	3,330	2,300	69	1,040	31
Jun 02	2,540	1,740	69	800	31
Jul 02	2,620	1,810	69	810	31
Aug 02	3,060	2,080	68	980	32
Sep 02	2,480	1,640	66	840	34
Oct 02	2,860	1,910	67	950	33
Nov 02	3,490	2,300	66	1,190	34
Dec 02	1,940	1,280	66	660	34
Jan 03	2,010	1,330	66	680	34
Feb 03	2,000	1,340	67	660	33
Mar 03	2,290	1,530	67	760	33
<b>Total</b>	<b>98,040</b>	<b>67,300</b>	<b>69</b>	<b>30,750</b>	<b>31</b>

Source: New Deal 50 plus evaluation database

The majority of Employment Credit claimants fall into the 50–54 age group (59%), and were previously claiming JSA (72%) while 7% were claiming IB/Severe Disablement Allowance (SDA) previously (Grierson, 2002). Table 8 shows that clients generally move into full-time employment, although a large minority – almost one-third – move into part-time employment. The proportion of those moving into self-employment is around 12%.

**Table 8**  
**Employment status of New Deal 50 plus starts**

	<b>Total</b>	<b>%</b>
Type of employment:		
Full time (1)	68,630	70
Part time (2)	29,420	30
Of which: self-employed	12,190	12

Source: New Deal 50 plus evaluation database

Evaluations of New Deal 50 plus have been undertaken. Early findings from interviews among a small group of clients (38) were that overall impressions were positive (Atkinson, 2001a). The main element of the programme was felt to be the Employment Credit, about which views were favourable. Clients felt that it was an incentive to take low-paid work both in terms of level and reliability of income. That the Credit was not known about by the employer was also viewed as a positive by clients as it was felt this would not affect the wages on offer. This is particularly important given that the new Working Tax Credit is administered via the employer. It also seemed to have a positive effect in terms of reducing reservation wages. While the level of the Credit was considered acceptable, there were concerns that it only lasted for one year. It also tended to be most effective in geographical areas where there were low wages and low living costs. There is evidence that the ending of the Employment Credit caused financial hardship for some, something that has been considered in the design of the Working Tax Credit (Moss and Arrowsmith, 2003). There was a particular issue regarding the sustainability of part-time employment, with those unable to increase their hours once the Employment Credit ended being penalised, although the majority of clients tended to remain in employment once they had found it. Another issue was that, while the majority of clients' work histories involved higher paid and skilled work, the majority moved into low-paid service or manual jobs which were unskilled. Moss and Arrowsmith also suggest that a factor accounting for the low take-up of New Deal 50 plus among IB claimants may have been that the financial gains in moving into paid employment for some would be small, and a few would actually be worse off.

Bearing out the above findings, few had heard of or were interested in the Training Grant element of the programme. Also, support provided by a personal advisor was less likely to be cited than the Employment Credit (Atkinson et al., 2000). A factor contributing to the extremely low uptake of the New Deal 50 plus Training Grant was that clients had no experience of buying training for themselves, and therefore had little knowledge about what they needed or where to access training (Atkinson, 2001a). Other factors appear to be that in-work support in terms of developing a training plan was not available, and a belief that new skills were unnecessary for the kinds of jobs being taken (Moss and Arrowsmith, 2003). A view was that the programme ended too abruptly once the client-centred work and that follow-up support would be beneficial.

A further survey of 1,127 clients carried out in October 2000 (Atkinson and Dewson, 2001) found that they tended to be clustered around the lower end of the age range for eligibility (the average age was 55). Most clients were male. Confirming earlier findings, the Training Grant was hardly used. This research suggested that the value of the Employment Credit was also less clear-cut. Over half those surveyed stated that they would have taken a job anyway, although it had encouraged almost two-thirds (63%) to take a job earlier than they otherwise would, and over two-fifths (43%) to stay in the job for longer than they might otherwise have done. The main factors influencing whether or not a client had entered work were that they were aged 55 or younger, female, without a long spell of previous unemployment, and persuaded by the availability of the Employment Credit to take a job with a lower wage. Regarding what they thought they would do after the credit ended, 40% thought they would probably remain in the job, 11% that they would return to benefits, while the rest had plans to remain in work and increase their earnings. A trade union representative interviewed for the project stated that it appears that many workers do not experience an increase in their earnings in the jobs that have been found, and had tended to stay in the jobs. In their view, this could not be viewed as a positive result.

A further phase of this research (Atkinson, 2001b) consisted of a telephone survey of 503 individuals in February 2001. Half of those surveyed had first been interviewed in Wave 1 while the rest were new clients. Among the new clients, fewer were long-term unemployed than in Wave 1, suggesting that a shift might be taking place to 'flow' entrants. Among those who were re-contacted, survival rates for those entering work were reasonably high, with around two-thirds still in work six months after first interview. However, among those who had not found a job six months previously, only one in five was now in one. Few of the new starts anticipated returning to benefits after finding employment and few whose Employment Credit had expired had done so.

Although the majority of clients were relieved to be back in work, there were some who were more negative about their in-work experiences (Atkinson et al., 2003). However, self-employed New Deal 50 plus clients tended to be fairly positive about their experiences of claiming the Employment Credit, which was helpful in supporting them through the first year of building up their business.

Other research has been undertaken in response to policy interest in finding out what happens to New Deal 50 plus clients once the Employment Credit ends (Grierson, 2002). The New Deal 50 plus evaluation database was used to investigate clients who had completed their claim over 6 and 12 months previously. However, it should be noted that, for the purpose of this analysis, job retention could only be measured by analysing a client's benefit record. If a client is still off benefits, for example, six months or a year after expiry of the Employment Credit, they are said to have retained their job. There is no evidence that the client is still in that job. For the client group for whom there were 12 full months of benefits data after the expiry of their Employment Credit:

- 84% were not claiming benefits at the 52-week stage; and
- 77% had not returned to claim benefits at any stage during the 12 months following the end of their entitlement.

Of those who had returned to claim any benefit at the 52-week stage, following expiry (16%), half of them returned to claim JSA. A client was more likely to have returned to benefit after 6 months if they were male, had previously claimed Income Support or SDA, or had been self-employed or employed on a full-time basis. Finally, there was a substantial difference in job retention rates between Jobcentre Plus clients aged 50 and over in general and Employment Credit claimants six months after their job starts. The latter had a higher retention rate of 84%, compared to 70% for the former.

Thus, if sustainability of employment is considered, New Deal 50 plus has been a success. However, a significant minority of clients feel demeaned by low pay and unskilled work (Moss and Arrowsmith, 2003). Finally, the programme also appears to benefit clients in terms of improved self-confidence (although for many confidence appears to remain low throughout), increased motivation and more effective job-search activities (Moss and Arrowsmith, 2003).

### **Further developments**

In its Green Paper, the government stated that from 2003 it would progressively introduce a new package of more intensive back-to-work help for people aged 50 and over, and guidance to employers on the benefits of recruiting and training older workers. It would extend the support available through New Deal 50 plus so that individually tailored help

for each client could be drawn from a range of possible options. These options would include personal advice, training, work trials, volunteering opportunities and an in-work Training Grant. It would be available to all people aged 50 and over who had been on specified benefits for six months or more, and their dependent partners aged 50 and over.

For people aged 50–59 who had been claiming JSA for 18 months, the government proposed a pilot study to trial mandating their participation in the New Deal 25 plus Intensive Activity Period from 2004. Long-term unemployed jobseekers aged 25–49 are already required to participate in this programme because it offers extensive help back into work and has a mandatory Gateway element for all individuals unemployed for 18 months or more and in receipt of benefits. At present, jobseekers aged 50 and over who have claimed JSA for 18 months can volunteer to take up this extra help and any additional options such as the Working Tax Credit. As of March 2005, the number of clients aged 50 and over who had participated in New Deal 25 plus was 8,700 ([http://www.dwp.gov.uk/asd/asd1/new\\_deal/ndyp\\_mar05/ndyp\\_qtrly\\_table3\\_mar05.pdf](http://www.dwp.gov.uk/asd/asd1/new_deal/ndyp_mar05/ndyp_qtrly_table3_mar05.pdf)).

However, according to the government, they often fail to take up the extra help because many have grown demoralised about the chance of returning to work. The government has proposed pilots with voluntary sector organisations to extend information about back-to-work help and local job and volunteering opportunities to help improve the employment prospects of jobless people aged 50 and over. It also proposes to pilot the use of local agents based in the business community to raise employer awareness of the business benefits of employing older workers. The focus will be sectors experiencing skills and labour shortages.

The government has also implemented Pathways to Work pilots, focusing on IB claimants (DWP, 2004). The main features include:

- specialist personal adviser support;
- a series of work-focused interviews during the first 12 months of a claim, when a return to employment is a more realistic option;
- greater responsibility and power for personal advisers to manage clients via easier access to government programmes, including New Deal for Disabled People and work-focused rehabilitation programmes offered jointly by Jobcentre Plus and the local National Health Service;
- a financial incentive for claimants to return to employment; and
- involvement of other local stakeholders – for example, employers and general practitioners.

The government will be investing almost £100 million to pilot these changes. Evaluation of the initiative includes consideration of whether the approach is as effective for all age groups.

## Further vocational training and lifelong learning

### Work Based Learning for Adults

Work Based Learning for Adults (WBLA) is a training programme aimed principally at those aged 25 years and over who have been claiming JSA for at least six months. In April 2001, the Employment Service assumed responsibility for the delivery of WBLA, and it continues to be managed by Jobcentre Plus. WBLA replaced Training for Work (TFW) in England and Wales, although it is still known as TFW in Scotland. WBLA aims to:

- help unemployed people move into sustained employment;
- enable long-term unemployed people to gain skills in areas where there are recognised skill shortages; and
- help long-term unemployed people make a successful transition to self-employment.

WBLA offers:

- Short Job-Focused Training (SJFT);
- Longer Occupational Training (LOT);
- Basic Employability Training (BET); and
- Self-Employment Provisions (SEP).

Table 9 shows those who have started the programme, those who have left, and those who have exited the programme into jobs by age group. As can be seen, there are fewer people aged 50 and over on the programme, and participation drops off markedly after the age of 60.

Findings of a study which aimed to investigate the use and experience of WBLA by people aged 50 and over and the factors associated with participation, achievement and successful provision were as follows (DfEE, 2001):

- In 1999, people aged 50 and over were under-represented on WBLA compared to their share of all long-term unemployed people.
- WBLA leavers aged 50 plus were almost as likely as those aged 25–49 to achieve a qualification – 37% of the 50 plus compared to 38% of those aged 25–49 in 1999–2000.
- Fewer older leavers found employment – 36% compared to 41% in 1999–2000.

Much of this difference is explained by higher proportions of longer term unemployed and of Basic Employability trainees among those aged 50 and over. Fewer trainees of these types in both age groups get jobs. But trainees aged 50 or more who had been unemployed for three years or more, and non-Basic Employability trainees who had been unemployed for less than six months, were less likely to get jobs than their younger counterparts.

Most older people interviewed were pleased with their training provision and felt it was meeting their needs in terms of quality of teaching, learning style and resources. DfEE's follow-up survey results show that about 8 out of 10 leavers rated WBLA as useful and

**Table 9**  
**Take-up of and exits from WBLA by age, 2001–2003<sup>3</sup>**

	Age group								
	18–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60+
April 01–March 02									
Starts	1323	9471	10,548	10,279	8545	7022	5997	3535	351
Leavers	1008	7485	8319	8049	6649	5449	4771	2851	288
Jobs	393	2929	3112	2855	2265	1833	1621	887	78
April 02–March 03									
Starts	2181	11,933	13,008	12,271	10,552	8389	7210	4660	516
Leavers	2072	11,799	13,026	12,309	10,503	8445	7300	4583	511
Jobs	806	4154	4184	3946	3295	2632	2473	1470	147
April 03–Dec 03									
Starts	4001	7854	8667	8820	7507	5766	4897	3353	427
Leavers	4425	9974	10,878	11,012	9452	7283	6033	4114	495
Jobs	1071	2875	2920	2780	2449	1922	1611	1069	100

Source: DWP evaluation database

helpful in increasing their confidence and improving their skills/learning new skills. Leavers aged 50 plus were slightly more satisfied than those aged 25–49 with these aspects.

However, officials mentioned that they were finding it difficult to use WBLA provision to meet the needs of their older clients (Winterbotham et al., 2002). This tended to be either because these clients needed intermediate/advanced skills training and provision of such courses was limited, or because most appropriate provision was often BET and this was particularly difficult to persuade older customers to access.

A more recent evaluation of WBLA based on survey data shows that SJFT accelerated entry to full-time employment (Anderson et al. 2004). Participation increased the chances of being employed about five months after enrolling. The size of this effect was in the region of five to seven percentage points. However, it was short-lived and no impact was evident by the 10-month mark. However, there did appear to be a sustained effect for clients aged 50 and over.

### **Other training initiatives and lifelong learning**

The government's Skills Strategy, launched in April 2004, sets out policies affecting adult learners, including, potentially, older workers. These include:

- free learning for any adult who does not already have a good foundation of skills necessary for employment;

<sup>3</sup> Jobs are those gained within 13 weeks of leaving WBLA. Jobs data are published six months in arrears, hence data are for the period ending December 2003.

## THE GREYING OF THE LABOUR MARKET

- opportunities for adults to gain qualifications in technician, higher craft and trade skills;
- a grant of £30 per week for adult learners in priority groups to support them in studying on full time courses in further education;
- removing an age bar on the government's Modern Apprenticeship scheme so that people over the age of 25 can learn skilled trades; and
- reforming adult information, advice and guidance services to help adults into learning, and ensure that individuals can find out what to learn, where to learn and what their entitlements are.

One respondent viewed the latter as a key issue. Alongside opportunities for re-skilling, his view was that, unless such services were made available and publicised effectively, older workers were likely to find themselves on the periphery of the labour market in low-status jobs. In his opinion, there was a need for such services to target those in work, those claiming benefits and those who were economically inactive but not claiming benefits.

The Union Learning Fund (ULF) (<http://www.unionlearningfund.org.uk/index.htm>) was launched in 1998 by the government as a source of funding to help trade unions promote and organise workplace learning opportunities. The fund has been allocated £39.6m by the Department for Education and Skills from 2003–2006 to continue its work. ULF's aims include:

- increasing the capacity of trade unions to promote learning and be learning organisations;
- helping them to engage employers in staff development and more widely in lifelong learning;
- increasing learning opportunities for the whole workforce, and especially those who may be disadvantaged, including those facing discrimination – for example, older workers;
- providing advice, guidance and support for learners; and
- encouraging employers to adopt high quality accredited training, such as Modern Apprenticeships and National Vocational Qualifications (NVQs).

A trade union or a national organisation representing trade unions is eligible to apply for funding. Although projects must be union led, partnerships and involvement of employers is encouraged. The themes of programmes are as follows:

- developing systems to support the training and development of Union Learning representatives;
- basic skills or skills for life;
- working with employers to improve skills and productivity;
- improving access to learning through high quality information, advice and guidance;
- equal opportunity and social inclusion; and
- progression to further and higher education.

## **Wage subsidies and promotion of self-employment**

Wage subsidy programmes as such have not been a major feature of policy making towards older workers in the UK. However, in the early 1990s, a pilot scheme known as 50 plus Job Start Allowance aimed to encourage people aged 50 or over into part-time work with the ultimate goal of translating this into full-time employment. Under this scheme, participants received a top-up of £20 on what they were paid by an employer for a period of up to six months. However, the scheme was abandoned due to low take-up (Taylor and Walker, 1996).

Also, as already noted, New Deal 50 plus in its first incarnation provided an Employment Credit to participants, and its importance was apparent from evaluation studies of the programme.

Additionally, under new proposals outlined above to make provision to jobseekers more flexible and responsive to client and local needs, the government has announced a menu of options available to Jobcentre Plus offices, including wage subsidies to provide incentives to employers to take on those they might not normally consider (DWP, 2004).

### **Promotion of self-employment**

No specific programme of support is provided by government to promote self-employment among older workers. However, the PRIME initiative – sponsored by Age Concern England – has this aim. PRIME is the only national organisation with the specific aim of helping people aged over 50 to establish a business. It is a not-for-profit company which was formally started as a part of the Third Age Challenge Trust (TACT) charity in 1999 on the initiative of HRH The Prince of Wales, although in 2002, it became a wholly owned subsidiary of Age Concern England. PRIME receives a mixture of public and private funding. It aims to encourage the over 50s to:

- consider the possibility of self-employment or starting a business;
- find a local organisation that can give them initial business help and free advice; and
- come to it for a loan if they cannot borrow money elsewhere.

According to its Executive Director, it directly signposts to self-employment opportunities 4,000 people per year, and has made almost 100 loans of last resort to people over 50 who could not raise the money from the traditional financial institutions. The loan fund is financed through Lloyds Bank and is supported by the Phoenix Fund, Age Concern and Help the Aged.

PRIME also lobbies politicians and decision makers to broaden the options for this group and to tackle the barriers they face. Through the 'PRIME partnership', it aims to liaise with agencies working in the field of business support. It encourages them to:

- publicise the message that they provide help for over-50s who are starting out in business;
- continuously review and improve the service they offer; and
- learn about new ideas and practices relevant to the age group.

It also works with Regional Development Agencies, through a network of PRIME regional managers and organisations supporting the over-50s, to improve opportunities across the country. It aims to:

- provide a focus for research into 50 plus self-employment and enterprise;
- assemble knowledge and best practice guidelines to influence decision makers; and
- explore and disseminate new thinking as it evolves.

### **Partial retirement**

The notion of partial or gradual retirement is now extensively debated in the UK. The government stated, in its pension Green Paper, its belief that people would prefer a gradual end to working life. Currently, however, Inland Revenue rules allow people to work and draw an occupational pension, but only if they are no longer employed by the company paying the pension. The government proposes to remove this constraint. As part of its consultation on the simplification of the pensions tax regimes (Inland Revenue, 2002), it is proposing to allow schemes to offer people the opportunity to continue working for the sponsoring employer while drawing their occupational pension. This will come into force in April 2006. Linked to this, the government has announced that it will increase the minimum benefit age from 50 to 55 by 2010. In future, the concept of a normal retirement age will no longer feature in tax regulations, although some pension schemes may choose to continue with it if they find it makes sense to do so. It is the government's view that employers should:

- not penalise employees if they defer drawing their pension;
- allow employees working past normal retirement age to continue to contribute to a pension; and
- ensure that final salary pension schemes treat fairly those who go part time or step down in responsibility when they are close to retiring.

The government is consulting with employer, employee and representative organisations from the pensions industry on how to promote best practice.

Rules governing the drawing of a state pension while working were revised in 1989. A study of the impact of this measure found that it had had a small effect on male participation rates, but no effect on those of females.

### **Combating age discrimination and prejudices**

Governments over the last decade have placed considerable emphasis on awareness-raising among employers in particular. An important element of recent employment policy has been the Code of Practice on Age Diversity. Its impact, however, in terms of changing employer behaviour appears to have been slight. Small- and medium-sized enterprises have been particularly difficult to reach and the government has taken steps

to address their specific needs. Non-government agencies have played a key role in working with employers in terms of tackling age barriers, although significant age-related labour market barriers remain. They have also played an important role in both stimulating the development of public policies and monitoring these policies.

Since the year 2000, the government has run Age Diversity in Recruitment Awards of Excellence and has aimed to raise awareness of the issue in specific sectors via the placement of articles in trade publications and, more broadly, via articles in the general business and regional press (Education and Employment Committee, 2001). A recent initiative is the Age Positive website (<http://www.agepositive.gov.uk/>). This was launched in 2001 and comprises a variety of features including employer case studies, a discussion forum, advice and guidance, updates on the government's Age Positive campaign and progress towards legislation.

Since the publishing of the European Equal Treatment Directive, there has been substantial debate in the UK around the form and content of legislation proscribing age discrimination. One respondent viewed this as important, increasing public awareness of the issue. Linked to this, there has been fierce debate about the place of mandatory retirement. The government is developing proposals to outlaw age discrimination in employment and vocational training by December 2006. As a first step, the government consulted widely about the issues the Directive raised for the UK. It presented initial proposals in 2001 (Cabinet Office, 2000). Then, in the consultation document, *Equality and Diversity: Age Matters*, the Department of Trade and Industry (DTI) set out more detailed proposals. The proposed legislation will cover both direct and indirect discrimination on the basis of age in employment and vocational training. It will aim to protect:

- those who are working, whether they are directly employed, or working under another type of contract, such as agency workers and some self-employed people;
- people who apply for work;
- office holders appointed by the Crown and some other paid office holders (these can include company directors and members of some independent public bodies);
- those undertaking or applying for employment-related training;
- those undertaking or applying for courses in further and higher education institutions, but not in schools;
- in certain circumstances, people who have left work, or work-related training, or further and higher education institutions; and
- members of, or those who apply to join, trade unions or trade or professional bodies.

In the proposals, it is stated that, in exceptional circumstances, treating people differently on the grounds of age will be allowable, although employers must be able to justify doing so and they will be required to produce supporting evidence if necessary. Possible exceptions the government identifies are:

- health, welfare, and safety – for example, the protection of younger workers;
- facilitation of employment planning – for example, where a business has a number of people approaching retirement age at the same time;
- the particular training requirements of the job;

- encouraging and rewarding loyalty; and
- the need for a reasonable period of employment prior to retirement.

The government set out proposals in specific areas of employment:

- age of retirement;
- recruitment, selection and promotion;
- pay and non-pay benefits;
- unfair dismissal;
- redundancy; and
- cross-cutting issues.

A recent survey of employers found that there is still quite a way to go in terms of removing age-related barriers from the labour market. It was found that:

- 67% were aware that the government was introducing anti-age discrimination legislation;
- 57% stated that they avoided using age limits and age-related words in job advertisements;
- 55% stated that they did not use age as a basis for redundancy; and
- 62% of organisations stated that they based training purely on skills needs (<http://www.agepositive.gov.uk/newsdetail.cfm?sectionID=44&newsid=337>).

In July 2005, the DTI produced draft regulations in the light of responses to the consultation. It had initially proposed to consult on them in the first half of 2004, although this deadline slipped considerably. As a consequence, its other proposed action, to put the legislation before Parliament by the end of 2004, has been delayed. The DTI will also develop guidance. The legislation will come into force in October 2006. The intention with the earlier timetable was that this would give employers, training providers and others with new obligations under the Directive two years to complete their preparations, although this is no longer achievable.

There are significant differences between employer and trade union groups and between these groups in terms of their positions on this issue. Currently, the Employers' Forum on Age (EFA) is particularly active in terms of commenting on the government's proposals regarding legislation from a practical business perspective. For example, while it accepts that benefits based on length of service could be viewed as indirect discrimination, practically, there is no better alternative, given that competency and rewards management are inadequate. Likewise, pension schemes contain age criteria, which if challenged might encourage employers to close schemes. The EFA believes that there is a difference between compliance and best practice and that employers should be allowed to decide where to sit on that continuum.

The issue of a default retirement age for companies has caused considerable controversy. The government's advisory body on pensions has argued that there should not be a default age at all, but, if there is, this should be set significantly higher than 65. Others such as the Confederation of British Industry would prefer a default retirement age of 65 (Financial Times, 23 June, 2004).

## THE GREYING OF THE LABOUR MARKET

There is also apparent conflict between the two government departments most involved with age and employment issues: the DTI and the DWP. On the one hand, until recently, the DWP was promoting greater flexibility in retirement and arguing that mandatory retirement ages were not appropriate, while at the same time, the DTI argued that no decision had been made on the future of retirement ages (Financial Times, 24 and 26 April 2004). The DTI, along with business groups such as the Confederation of British Industry and EEF (Engineering Employers' Federation), the manufacturers' organisation, is said to favour a default retirement age of 65, while the DWP and the Trades Union Congress are said to favour having no mandatory retirement ages<sup>4</sup>. The view of a representative of a trade union body was that a default age of retirement might have undesirable effects on pension rights and benefits, as well as being inflexible, although there may be a case for firm specific retirement arrangements. Added to this, they argued that a blanket national default retirement age would not be permissible under the Equal Treatment Directive, as it could not be objectively justified in overall economic terms. However, recently the government finally came down in favour of a default age of 65, although this will be subject to review.

---

<sup>4</sup> The two government departments have recently agreed on a default retirement age of 65.

## 4 Labour market policies for older workers in Germany

### Development of policy approaches and demographic change

According to current demographic forecasts from the Federal Statistical Office's 10th Coordinated Population Forecast (*Statistisches Bundesamt, 2003*), Germany's population will decline substantially over the next few decades, the average age of the population will increase and the age structure of the population will change. Decreasing birth rates and increasing life expectancy are the main reasons for this development.

It should be noted that the population of the working-age group (20–64) will decline substantially only after 2020. This is important from a mid-term perspective for active labour market policy. It means that population development as such will not lead automatically to a decline or shortage of labour supply until 2020, and that, if unemployment remains relatively high as is predicted (see later), older workers will remain a vulnerable group (Bellmann et al., 2003; *Deutscher Bundestag, 1998*).

However, ageing of the working population in Germany will take place much earlier, mainly between 2001 and 2020. In this mid-term perspective, the share of older workers aged 50–64 will increase from 19.8% to 23.5%, whereas the share of workers aged 35–49 will fall from 23% to 19%. In the longer term, up to 2050, the working population will become younger again due to a substantial decline in the number of workers aged 50–64.

Depending on other factors, demographic change could have different effects on the future work prospects of older people. On the one hand, if the current situation in the labour market in Germany were to improve, the ageing of the labour force will prompt companies to enhance recruitment of older workers and improve their employability. On the other hand, if unemployment continues to run high, there will be a persisting risk that older workers will remain a 'problem group' in the labour market, as ageing will not affect all parts of the economy homogeneously and certain industries (especially innovative and expanding ones) are still able to recruit disproportionately high numbers of younger workers.

There is general agreement that labour force shrinking cannot be counterbalanced solely by immigration, an increase in the percentage of women working, or by increases in productivity (cf. Naegele, 2002; *Deutscher Bundestag, 2002*). As a result, experts agree that future cohorts of older workers should work longer in order to maintain labour supply. Furthermore, they will need better skills in order to maintain their employability against growing global competition, rapidly changing technology and changing organisational structures.

Measures have been taken mainly to secure the financial stability of pension insurance funds, but also to increase incentives to remain in working life for a longer period of time (Naegele, 2001). Thus, in the mid-1990s, a substantial change in public retirement policies

was initiated. Not only were legal retirement ages increased, but public incentives for early exit were considerably reduced or even cancelled. With pension reforms in 1992, 1996 and 1999, the German government decided to raise both the general pension age and the age limit for specific types of pensions. Since 2004, only the customary age of 65 is valid. The latest step in reducing early retirement was taken recently, whereby the eligible pension age for unemployed workers was increased to 63. It is no longer possible to retire before the age of 63, even with pension reductions.

Thus far, there is no explicit or integrated public 'older worker policy' in Germany. Challenges linked to the 'greying of the workforce' and issues that older workers face have not been taken up by particular legislation nor by national action plans for employment.

In 1999, the federal government established the so-called 'Alliance for Jobs, Training and Competitiveness', which included representatives from government, trade unions and employers' associations and operated at the federal level. Its aim was to combat long-term unemployment in particular and create new jobs by launching joint endeavours within public labour market policies and social partner initiatives.

In March 2001, the partners in this alliance agreed on a special programme for promoting the employment prospects of older workers. In so doing, a paradigm-shift concerning public policies for older workers occurred. For the first time, government and the social partners turned away jointly from an early retirement policy. They focused explicitly on preventing older workers from becoming unemployed, and on promoting their re-integration. Their joint declaration included the following proposals (*Gemeinsame Erklärung*, 2001):

- raising awareness among business and workers of the benefits of lifelong learning;
- promoting vocational training for older workers, based on both voluntary in-company actions as well as on collective bargaining;
- implementing financial incentives for vocational training of older workers aged 50 and over in small- and medium-sized companies;
- lowering the qualifying age for wage subsidies from 55 to 50 years.

Elements of these proposals were incorporated in the *Job-AQTIV-Law*, which came into force in January 2002. 'AQTIV' stands for: 'Activate (A), Qualify (Q), Train (T), Invest (I) and Mediate (V)'.

The reform aims to transform current employment policy, which mainly concentrates on those who are already unemployed, into one which is preventive. Its basic approach is to promote employment while increasing requirements for the unemployed (in other words, a carrot and stick approach). For example, employment offices are now obliged to work out a job-profile for every unemployed person based on their skills and work experience. Furthermore, a 're-integration contract', which records the necessary steps to be undertaken both by the unemployed person and the employment agency to achieve re-integration into the labour market, is required. By doing this, the government intends to create the basis for a more 'active' strategy.

With respect to older workers, the following measures are of particular importance (cf. Buchheit, 2002):

- Promotion of vocational training for older workers aged 50 and over (*Sozialgesetzbuch III*, Social Security Code III [SGB III], 2002: §417);
- Extension of special wage subsidies for older workers in the secondary labour market for West Germany (SGB III, 2002: §272ff).

Following a major scandal concerning faked, or at least incorrect, job-placement numbers (published by the Federal Employment Agency), and due to forthcoming elections for the German Parliament in autumn 2002, a commission called 'Modern Services on the Labour Market' (also called '*Hartz Commission*')<sup>5</sup> was established by the federal government in spring 2002. In August 2002, it proposed a comprehensive reform of labour market policies in Germany. Its main goal was as follows:

Employment promotion policy will be reshaped into an activating labour market policy with particular emphasis on a personal contribution towards economic integration on the part of the unemployed, a concept which will be both supported and secured by a host of relevant services and support programmes (*Kommission für moderne Dienstleistungen am Arbeitsmarkt*, 2002: 19).

It was intended to substantially strengthen the approach outlined in the *Job-AQTIV-Law*. The proposals were multidimensional, consisting of 13 components, ranging from radical reform of public employment services to rather vague notions concerning the participation of the nation's elite. Up to the summer of 2004, these proposals were translated into statutory provisions by the federal government. Altogether, four 'Laws concerning modern services at the labour market' have been implemented (referred to as *Hartz I, II, III, and IV*).

In particular, *Hartz I* includes a number of elements supporting the promotion of older workers, which intend to improve their labour market prospects (cf. Baur, 2003). These include:

- Unemployed persons aged 50 and over, or employees threatened by unemployment, shall, for a limited period of time, receive a monthly subsidy amounting to 50% of the difference with their last net numeration (SGB III, 2002: §421j).
- Employers shall be exempt from contributing to unemployment insurance (3.25% of the gross wage of the employee) if they hire an unemployed person aged 55 and over (SGB III, 2002: §421k).
- From 2003 onwards, the age limit for fixed-term employment has been lowered from 58 to 52 years, whereby contracts can be terminated without giving reasons for termination and without time limits, in order to improve older workers' prospects of re-integration.

The original intention of the *Hartz* reforms was to strengthen labour market services and to facilitate job-placement activities. Even more important was a shift in general orientation. Although the *Job-AQTIV-Law* stressed that unemployed workers were obliged to take a job, in the wake of the *Hartz* reforms a workfare approach became more dominant. The main focus lay in combating 'welfare dependency' and focusing on recipients' obligations to try to become self-sufficient. The obligation of society towards the 'excluded' (in other words, towards the unemployed who were not able to be placed

---

<sup>5</sup> Named after Peter Hartz, Human Resource Manager and Member of the Board of Volkswagen AG, who was Chairman of this Commission.

into employment within a short time frame) became less important. This was reinforced in March 2003 when the German Chancellor launched a labour market package and social welfare reforms titled 'Agenda 2010', despite rhetoric on the need to balance 'demands and promotion' (*Bundesregierung, 2004*).

## Active labour market measures for older workers

Unemployment among older workers in Germany is still high and increasing in certain age groups. Long-term unemployment is widespread and barriers at the company level to recruiting older workers persist. Both the present unfavourable economic conditions and age prejudices are partly responsible for this. Furthermore, older unemployed people often lack up-to-date skills and suffer from health impairments. According to latest forecasts, unemployment will remain high until 2020, despite declining population numbers.

Table 10 shows the extent of participation of older people in employment programmes. To summarise:

- The most important programme, which funds long-term training, is that in which older unemployed people participate the least. Participation rates are at around 8% (heavily under-represented considering the number of unemployed).

**Table 10**  
**Selected active labour market programmes and participation rates of older workers<sup>6</sup>**

Programme	Average number of participants per year, 2000		Average number of participants per year, 2001		Average number of participants per year, 2002	
	All age groups	Ratio of older unemployed (%)	All age groups	Ratio of older unemployed (%)	All age groups	Ratio of older unemployed (%)
Training (long)	352,000	7.5	345,000	8.0	332,000	8.0
Job creation	204,000	33.5	166,500	36.6	125,000	40.6
SAMs	110,000	24.5	76,500	31.9	67,500	41.4
Wage subsidies	90,500	39.2	100,100	47.3	112,300	53.2
Training (short)	47,500	12.3	51,300	14.0	62,000	13.0
Self-employment	41,300	10.7	43,150	11.1	54,300	11.0
Independent measures	57,800	11.7	66,500	12.0	62,900	11.0

Source: BA 2001, 2002, 2003.

<sup>6</sup> In 2001, older unemployed people represented 30.2% of all unemployed; in 2002 it was 27.9%.

## THE GREYING OF THE LABOUR MARKET

- Job creation and structural adjustment measures (SAMs) are ranked second in terms of participation. Not only do they show increasing participation rates of older unemployed people but they are clearly over-represented in these measures (up to 40% in 2002).
- Wage subsidies also show increasing participation rates of older unemployed people, where they form the majority, with participation rates of over 50% in 2002.
- Short-term training measures show a low participation rate of older unemployed people of around 13%.
- Promotion of self-employment is marked by low participation rates among older unemployed people.

High or low participation rates of older unemployed people within these respective measures do not demonstrate their effectiveness in terms of labour market integration. Using so-called 'integration ratios' to analyse outcomes and effects of specific labour market programmes, the following can be concluded (see Table 11)<sup>7</sup>:

- For almost all cases relating to older unemployed people, the integration ratio is lower than for all unemployed in total. The only exception is structural adjustment measures, although even here the integration ratio is low if further funding ceases.
- At first glance, the most successful programmes for all unemployed people, including those aged 50 and over, are wage subsidies with an integration ratio of 71.1%. However, as will be demonstrated later, high deadweight effects need to be considered.

**Table 11**  
**Labour market programmes and integration ratios, 2002<sup>8</sup>**

Programme	All age groups	50 and over	All age groups (women)	50 and over (women)
Training (long-term) (%)	38.6 (32.2)	27.1	39.4 (32.9)	27.2
Job creation (%)	26.4 (10.9)	25.4	26.1 (11.5)	23.8
Structural adjustment measures (%)	42.6 (18.2)	43	41.5 (19.9)	39.6
Wage subsidies (%)	71.1 (67.3)	62.8	74.3 (71)	63.1
Training (short-term) (%)	36.8 (27.4)	26.5	34.8 (25.6)	25.1
Self-employment (%) <sup>9</sup>	9.9 (9.4)	7.6	11.2 (10.7)	8.8
Free funding (%)	35 (28.7)	24.4	34.7 (28.5)	24

Source: BA, 2003.

<sup>7</sup> However, assessments on account of integration ratios are limited: they only provide data for one single event – employment after six months – and thus are not suitable to measure sustainability accurately. Furthermore, they do not account for deadweight effects, whereby some of the subsidy goes to firms which would have increased their employment anyway.

<sup>8</sup> Integration ratios, where no further funding applies, are in brackets.

<sup>9</sup> Because the integration ratio refers only to employment where social security contribution is required, self-employment as such is not represented in this figure. The actual 'success rate' in achieving and sustaining self-employment requires different measurements.

- Both long-term and short-term training measures show only medium integration ratios (38.6% and 36.8%). Integration ratios for older unemployed people are around 10% lower. Nevertheless, these measures show that medium integration ratios exist even without further funding.
- Job-creation measures and structural adjustment measures, mentioned earlier, show similar integration ratios both for older unemployed and unemployed people in general. However, it should be noted that such measures are only successful because of further support that a client can access. Ultimately, these measures are primarily directed towards sustaining employability or bridging time to retirement rather than for job placement. This is particularly the case in East Germany.
- Integration ratios for women, and especially older women, are higher in terms of long-term training and wage subsidies, but lower in terms of short-term training, job creation and structural adjustment measures.

### **Job placement**

Job placement in Germany has been criticised for a long time for being inflexible, bureaucratic and over-regulated. Local employment offices had little autonomy, self-service systems for the unemployed were underdeveloped and private job-placement offices were forbidden. In 1999, organisational reforms were implemented to reduce bureaucracy, simplify administration and create customer-oriented teams (named 'Employment Office 2000'). This will be reinforced in 2005 by *Hartz IV* and an initiative to implement customer service jobcentres, which should have a stronger focus on job-matching and counselling activities than former public employment services.

The ratio of job-placement agents within the current Federal Employment Agency to clients is low. On average, one job agent deals with 400 unemployed persons. *Hartz IV* intends to lift this to one job agent for every 75 clients. Nevertheless, due to problems in implementing these reforms, this will not be achievable in the near future, and officials from the Federal Employment Agency doubt that a better ratio than 1:150 will be realisable (*Handelsblatt*, 2004).

Helping unemployed workers find jobs means that employment agencies purposely select unemployed people and refer them to employers for recruitment. In 2002, 180,000 out of 1.06 million unemployed people (i.e. 17.3%) who found a job did so with help from the federal employment agencies (BA, 2003). This included 15,700 workers aged 50 or over out of 95,000 (i.e. 16.5%) who found a job. Job-placement ratios for unemployed women were slightly lower at 16.7% for all unemployed women and 16.2% for those aged 50 and over. These figures indicate that the role of the employment agencies for aiding older workers is as important as it is for the unemployed in general. Nevertheless, job placement for the former is rather low (see earlier).

### **Job placement by means of temporary work agencies**

As part of the laws mentioned earlier concerning the modernisation of labour market services (incorporated also in the first reform step of *Hartz I*), so-called Personal Service Agencies (PSAs) were created in spring 2003. These function as a kind of temporary work agency and hire out temporary workers with the goal of finding them a permanent job. Additionally, PSAs offer coaching methods on job placement as well as in-service training measures. The PSAs receive both a monthly flat rate for recruiting clients and a bonus payment when clients are successfully placed into employment. These rates and bonus

payments, decreasing on a monthly basis, are fixed according to the qualification and placement prospects of each client as well as regional circumstances.

Since April 2003, approximately 970 PSAs have been established and 43,000 formerly unemployed people been recruited. However, thus far, only 5,400 have been placed in jobs, compared to the expected number of 50,000. Furthermore, it is unclear whether job placements are stable and whether deadweight effects could occur.

Older workers have only limited prospects of being recruited by PSAs. In 2003, only 11% of all new entries were workers aged 50 and over (Jahn and Windsheimer, 2004). Thus, they are not only under-represented compared to all unemployed (27% in 2002) but also in comparison to the share of older workers in regular temporary work agencies (12% in 2002). This can be traced back to the funding system, described earlier, which makes it unattractive for PSAs to recruit unemployed persons with limited job prospects, such as older workers. An overall assessment of this new measure will not be possible until more data have been gathered and integration ratios are available.

## **Further vocational training and lifelong learning**

### **Long-term training measures**

Further vocational training measures in Germany encompass a broad range of short-, mid- and long-term training schemes via which individuals can obtain occupational knowledge and skills. They can also offer opportunities for career advancement or job changes and provide vocational qualifications. The Federal Employment Service bears directly incurred costs of further training. These include course fees, subsistence allowances, and costs for accommodation and travel. The only pre-condition for this type of funding is that the Employment Service regards these measures as 'necessary' for job placement.

Recent labour market reforms (*Hartz I and II*) have curtailed the length and amount of funding for individual training measures. The maximum length of vocational training has been reduced from three to two years. Between 2000 and 2002, expenditure on training measures totalled on average €6.8 billion and involved about 550,000 workers. In 2003, the Federal Employment Service reduced funding to \$5.0 billion (Dobischat, 2004).

This resulted in a substantial reduction of entries into training measures, which disproportionately affected older workers (Winkel, 2003). In the first six months of 2002, 260,000 new entries were counted. During this same period in 2003, the number had fallen to 122,000 (53.3% fewer). The entry of older workers (i.e. 50 and over) fell from 25,600 to 9,000 (64.9% fewer). This is partly due to the fact that the only training measures that are funded are those that are able to integrate at least 70% of participants into the labour market. This regulation reinforces the above-mentioned indirect discrimination of older workers and leaves them with few opportunities to refresh their vocational skills.

Until recently, older unemployed people were not a specific target group for public training and schemes aimed at retaining workers (mostly funded by the *Social Security Code III*). Participation in training schemes declines with age, starting at the age of 40, and unemployed people aged 55 and over are significantly under-represented. For

example, in 2002, only 9.6% of all new entries in training measures came from workers aged 50 years or older, despite the fact that this age group represented approximately 27% of all unemployed people (Winkel, 2003). This is partly due to the *Employment Promotion Law*. The main precondition for being offered a place on a public training course is that there must be job prospects afterwards. In practice, this precondition has proved to be a disadvantage for older workers. Employment agencies do not actively pursue the integration of older unemployed people into public training programmes, particularly when high unemployment rates among older workers suggest a lack of job prospects. Another reason for the low participation rate is that only a few training programmes are adapted to older people's needs in terms of their learning style, motivational barriers and particular work experiences.

### **Testing and short-term training measures**

Since 1998, so-called 'testing and short-term training measures' have been part of the *Employment Promotion Law*. According to SGB III (2002: §§48–52), these training measures are meant to test the ability and willingness of jobseekers to work and allow for short-term training and probation periods. They are funded for a period of up to eight weeks (in 2002, the average length was 27 days) (Kurtz, 2003). Thus, they are far shorter than vocational training measures and can be conducted in or by a company (approximately 25% participated in 2002) or by a training institute (approximately 75% participated in 2002) (Kurtz, 2003). All registered unemployed people are eligible, even if they do not receive unemployment benefits.

The number of participants has increased continuously over the past five years, from 20,000 in 1998, to 62,000 by 2002. A further increase was initiated in 2002 by the implementation of the *Job-AQTIV-Law*. Since then, profiling has become obligatory and can be funded as a training measure. Participation rates of people aged 50 and over have also risen, from 4.9% in 1998 to 14% in 2001. However, 2002 saw a decline. As demonstrated earlier, while older unemployed people are less likely to participate, the integration ratio of those who do is not significantly lower.

### **Promotion of vocational training for older workers aged 50 and over (SGB III, 2002: §417)**

Since 2002, employment agencies have been able to fund vocational training for workers aged 50 and over if they are employed in a company with less than 100 employees, and if the company pays their salary during participation in training. Training has to take place outside the company and has to extend beyond limited workplace refresher-training. Additionally, employment agencies can pay wage subsidies for those workers taking part in these training measures who would otherwise be in danger of dismissal. Both measures terminate in December 2005.

Thus far, take-up has been weak. In 2003, only a few hundred workers were funded. Reasons include the following:

- Small- and medium-sized companies (enterprises) (SMEs) lack knowledge about this measure. Awareness raising is judged to be insufficient;
- Employment agencies are not able to be active enough to provide counselling for employers on how to use these measures;

- SMEs generally do not have structured training policies and cultures that can offer support;
- SMEs may have difficulties in replacing older workers in training.

To overcome these barriers and support preventive courses of action, the Federal Trades Union Congress has demanded an extension of these measures to companies with up to 200 employees, and the lowering of the age limit for workers to 45.

### **Lifelong learning**

In 2004, the Federal State Commission on Education Planning and Research Promotion (*Bund-Länder-Kommission für Bildungsplanung und Forschungsförderung, 2004*) developed a strategy for lifelong learning in Germany. This strategy is based on the fact that Germany's education and training system is regulated by the federal states and that a common approach to lifelong learning has to be agreed upon by all these actors. The strategy sets out principles for lifelong learning, such as combining different forms of learning, networking of institutions, creating new learning cultures and the like. Implementation of the strategy is the responsibility of the federal states. It is not foreseeable to what extent it will contribute to the better integration of older workers in training.

Concerning public policies for lifelong learning, there is one main initiative that recently began to foster the development of more concrete approaches. In 2001, the Federal Ministry for Education and Research started an action programme called 'Lifelong learning for all' (BMBF, 2001). It aims to both increase the amount and scope of vocational training and to strengthen cooperation between training institutions at all levels and for all life stages. It makes explicit reference to the 'Memorandum for lifelong learning' and the Lisbon Strategy, adopted by the European Commission in the year 2000. It is not an initiative to create new laws but rather to provide (financial) incentives. Aims include:

- increasing quality of training;
- developing standards for training certificates; and
- promoting counselling for potential users of training and creating opportunities that encourage learning for disadvantaged groups, such as low-skilled young people, people with family obligations, and older workers.

Two main promotion programmes have been established to achieve these aims. The first one aims to create so-called 'learning regions', and the second to establish so-called 'learning cultures and competence development programmes'. The intention with the former was to create or improve regional networks in all learning areas, and it was allocated €118 million between 2001 and 2004. The latter focuses on fostering the development of continuous on-the-job learning. It was allocated €100 million between 2001 and 2007.

Thus far, no systematic approach to measure the thematic scope and impact of these programmes is available. However, the impression given is that older workers or ageing of the workforce are not central issues. Either young employees are favoured or regional and sectoral deficits in training and education are improved, while discussion of the situation of older workers remains at the margins.

## Wage subsidies and promotion of self-employment

### Wage subsidies

According to the *Social Security Code III* (SGB III, 2002: §§217–224), age-dependent wage subsidies are paid as 'integration' subsidies (*Eingliederungszuschüsse*) to companies that recruit jobseekers aged 55 or older. As a temporary measure, this age limit was lowered to 50, which will be in effect until 2006 (SGB III, 2002: §421f). It includes the following conditions:

- As a rule, subsidies are paid for a period of 24 months and amount to 50% of all paid wages.
- Employment agencies, which pay these subsidies, could increase them up to 70% if they judged that these payments were not sufficient (although this element was ended on 1 January 2004).
- Until the end of 2003, in well-founded cases, the payment period could be extended up to 60 months. After two years of payment, the payment had to be reduced by 10%. For the last year of payment, this meant a wage subsidy of 30% at most. From 2004, this subsidy was limited to 36 months.

Since 2002, the age limit has been lowered from 55 to 50 and long-term unemployment (i.e. one year or longer) is no longer a prerequisite for accessing these subsidies. These changes were made to be preventative and avoid long-term unemployment altogether.

Between 2000 and 2002, participation of older workers in wage subsidy programmes increased both in absolute and relative terms. Integration ratios were high as well. However, this integrative effect was mainly restricted to East Germany. Furthermore, it is not clear if these integrative effects remain stable over time. Because the financial incentives provision is not embedded in a more general concept aimed at fighting age barriers within companies, other severe employment barriers, such as skill deficits and health problems, are neglected and may lead to a higher risk of dismissal in the long run.

Since 2002, an additional programme for combating long-term unemployment was added to the *Social Security Code III* (SGB III, 2002: §421c) (originally introduced in 1989 and financed from tax revenues). This programme provides subsidies to companies for one year if they recruit long-term unemployed persons. The amount provided depends on the duration of unemployment. If a company recruits individuals who have been unemployed for longer than three years, the subsidy amounts to 80% of their wage in the first half of the year and 60% in the second. For each year that these individuals remain in employment, the subsidy is reduced by 10%. In this programme, prominence is given to older workers, although no specific conditions apply to them. The average share of unemployed persons aged 50 and over supported by this programme was only 13.3%, which was significantly below the share of all unemployed at that time (Bogai, 2001).

### Wage insurance for older workers (SGB III, 2002: §421j)

Wage insurance, in contrast to wage subsidies, is paid directly to those recruited. Unemployed persons aged 50 and over, or employees threatened by unemployment commencing a less well-paid job, can, for a limited period, receive a monthly subsidy that amounts to 50% of the difference between their new wage and their last net

remuneration. These benefits may be cumulated with wage cost subsidies for the employer. The subsidy is paid during the period for which unemployment benefits were granted (18 months at most). The measure is intended to facilitate the transfer to lower paid jobs of unemployed older workers, who are used to working in high paid sectors like the steel industry or companies with a seniority wage system (and are thus receiving high unemployment benefits). It remains to be seen whether the amount and duration of funding will be sufficient to achieve this goal. Trade unions and labour market experts conclude that this may lead to lower wage levels for older workers in general (IAB, 2002).

Since the implementation of this measure at the beginning of 2003, 5,100 older workers have been funded. Labour market experts explain that this low take-up rate may partly be explained by the fact that there are few low-paid jobs available and that many of these, often physically strenuous, jobs are taken by younger workers.

In early 2003, 4,000 job-entries of older workers were reported (ON, 2004) due to a newly implemented provision that employers were to be exempt from contributing to unemployment insurance (3.25% of the gross wage of each employee) if they hire an unemployed person aged 55 and over (SGB III, 2002: §421k). It is not clear to what extent deadweight effects have played a role here.

### **Promotion of self-employment**

Until recently, the only funding that was available for unemployed people intending to become self-employed was a so-called 'bridging allowance' (SGB III, 2002: §§57, 58), implemented in 1986. It is an allowance paid voluntarily by the Federal Employment Agency and is equivalent to unemployment benefit rates, which could be obtained instead. Since January 2004, there is a legal right to this kind of funding, although it does not cover any investment costs. It is paid for six months during the establishment period of a business and requires an approved business plan from the beneficiary.

Due to tight approval procedures, this measure has been successful. Three years after starting a business under this provision, an average of 70% of all funded persons were still self-employed and only 11% became unemployed again (Wießner, 2001). In the last five years, new entries per year ranged from 100,000 to 160,000 persons, with a significant increase in the last two years. The 50 plus age group is significantly under-represented in these numbers (Kurtz, 2003; Wießner, 2001). However, workers up to the age of 55 who do partake in this measure are as successful as younger workers. Above this age range the survival rate declines again, which is mostly due to the fact that transition to retirement leads workers to give up businesses.

A new instrument for promoting self-employment was created in 2003, known as the 'me-incorporated' provisions (*Hartz II*; SGB III, 2002: §421). These were a consequence of the reform proposals introduced by the Hartz Commission. The 'official' reasoning behind this was a desire to reduce participation in the 'hidden' economy and increase the provision of low-paid services. However, labour market experts argue that this measure is mainly intended to reduce unemployment levels (IAB, 2002; Wagner and Schuldt, 2003). Unemployed persons who register a 'me-inc.' receive a subsidy from jobcentres as an incentive for a three-year period. This subsidy funds the cost of living but not capital investment. It is graded (i.e. reduced) according to the period of time it is paid (i.e. €600 for the first year, €360 for the second year, and €240 for the third year) and depends on

the income level of the 'me-inc'. The upper earning limit is €25,000 per year. In contrast to measure mentioned earlier, no approved business plans are required.

New entries for this measure totalled 93,000 in 2003. Since it was only implemented recently, as yet no survival rates can be provided. Members of the Hartz Commission predict the unemployment reduction to be between 200,000 and 500,000 persons. Independent labour market experts, who consider deadweight and superseding effects, are more cautious.

### **Job-creation measures**

According to SGB III, 2002: §§260–271, job-creation measures are a special kind of wage subsidy programme, since a subsidy is seldom paid to private enterprises but rather to public agencies and non-profit organisations. Projects that are promoted by the Federal Employment Agency must be in the public interest and could not be carried out without this type of support. The aim of job-creation measures is to provide temporary employment for unemployed people, in particular long-term unemployed persons, for up to one year. Until recently, unemployment for at least one year was a precondition to be eligible for job-creation measures. The subsidy pays up to 80% of the normal wage.

Structural adjustment measures (SAMs) are very closely related to job-creation measures and have, in fact, become integrated with these according to SGB III, 2002: §260. Implemented on 1 January 2004, these follow a somewhat different conceptual scheme and were mainly developed to ease the negative labour market effects of German unification in East Germany. Preconditions to receive these subsidies are less strict and their duration is longer (up to three years), although actual payments are lower. Older unemployed workers aged 55 and over could receive wage subsidies for up to five years until the end of 2003, but since then the duration has been restricted to three years.

Considerable evaluative research has been conducted on the German *Arbeitsbeschaffungsmaßnahme* (ABM) (job creation) programme, but a lack of appropriate control groups in studies makes definitive conclusions impossible (cf. Erhel et al., 1996). Studies find that ABM measures have negative effects or no effects at all because unemployed people cease to try to find a job in the 'first' labour market, thus widening the gap between hard-to-place older workers and the regular labour market by putting them into 'side tracks' and/or creating vicious circles of unemployment (Naegele, 1992). According to the integration ratios provided earlier, job-creation measures belong to those which are least effective in terms of creating lasting employment opportunities for older unemployed people. However, they are often the ones used to create a transition to retirement, especially in East Germany.

Nevertheless, job-creation measures are important for those groups of (older) workers that require special forms of assistance, such as those who are low-skilled and long-term unemployed. Beyond the preservation of qualifications and social competence, they provide this group with the feeling of psycho-social significance.

In the wake of the *Hartz reforms (Hartz III)*, conditions for job-creation measures have been altered and worsened. From 2004 and 2005 onwards, improving job prospects is no

longer a requirement of job-creation measures. The only aim now is to maintain employability. In practice, this means that ABM is no longer connected with training efforts. Furthermore, participation in a job-creation measure does not induce any further eligibility for unemployment benefits on leaving.

### **Partial retirement**

In the current discussion on labour market and pension policy, part-time work for older employees is regarded as an alternative to early retirement and as an instrument for encouraging more to remain in employment. Thus, the official aim of the *Partial Retirement Law (Altersteilzeitgesetz [ATG])*, enacted in 1996, was to ease the transition from work to retirement and provide the opportunity to reduce working time for a certain period. Partial retirement under this provision was intended to serve employment policy objectives. Furthermore, its objective was to promote compensatory recruitment, particularly of unemployed workers or trainees, and thus replace older workers with both younger and unemployed workers in a type of job-sharing. Even without direct public funding, this scheme is attractive to employers because of tax deductions, but in the majority of cases it is not used for this purpose but rather for staff reductions.

The funding costs for the take-up of this law are divided between the Federal Employment Agency, employers and employees. The main features of this *Partial Retirement Law* are as follows:

- Working time reduction from full-time to half-time employment is possible from the age of 55 onwards for a period of up to five years (10 years since 1998).
- Working time can be reduced on a daily, weekly, monthly or yearly basis if an average work time of no less than 18 hours per week is ensured.
- The reduction in employee income, due to part-time work, is compensated out of unemployment insurance funds for a period of up to five years (six years since 2000), which gives employees a financial incentive.
- To ensure at least 70% of the last net salary and 90% of pension insurance contributions, subsidies are provided by the Federal Labour Office.
- Preconditions for this compensation are that available part-time jobs must then be filled with unemployed persons or trainees.
- Partial retirement agreements at firm level or among the social partners must last for more than three years.
- If the block option (see later) is used, employers' associations and trade unions must negotiate a collective agreement.

In 2000, a major reform of the *Partial Retirement Law* took place. The consequence was that it was extended from 2004 to 2009. Furthermore, as mentioned earlier, the period for which state subsidies could be provided was extended from five to six years and part-time workers became eligible. This is particularly important for women, many of whom work part time in Germany. Under the regulations of the *Partial Retirement Law*, the only precondition for part-time workers reducing their working time is that they have to contribute to social security (pension, care, health and unemployment security schemes).

After a slow take-up between 1996 and 1998, numbers have risen significantly in the past few years. Federal statistical data show that in the five-year period from 1998 to 2003, the number of yearly funded cases has risen from about 13,000 to more than 75,000 (see Table 12) Up to 2001, only one-quarter of all funded cases were women, but their share has risen significantly, amounting to more than one-third in 2003.

**Table 12**  
**Funded partial retirement cases (yearly average)<sup>10</sup>**

<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
1998	12,954	9,388	3,566
1999	24,871	18,094	6,777
2000	43,293	32,341	10,952
2001	58,449	41,786	17,611
2002	67,420	44,345	23,075
2003	75,725	47,297	28,428

Source: Federal Employment Agency, partial retirement statistics.

However, the number of funded cases does not represent the actual adoption of partial retirement in Germany. Since no state subsidies are given in the first two-and-a-half years of this block model, these cases are not fully registered in the statistics shown in Table 12 and have to be estimated. Additionally, as mentioned earlier, companies use partial retirement without claiming state subsidies or replacing part-time workers with unemployed workers or trainees. Data available from the social security agencies show that, at the end of 2003, approximately 235,000 older workers aged 55–65 were using partial retirement in some form or other.

Judging by these figures, it seems that the *Partial Retirement Law* has been a success so far. However, this does not mean that a gradual transition from work to retirement for a substantial number of older workers has been accomplished, nor that their integration into the labour market has been achieved. The 'block-model' requires older employees not to change to part-time jobs but to work full time for 2.5 years and then leave for a pre-retirement sabbatical of another 2.5 years. The block model, in combination with pension insurance opportunities, which offer workers the chance to retire at the age of 60 if they adopt a partial retirement measure, could perhaps be more accurately described as a modified instrument for early retirement than a step towards gradual exit. Germany is thus in the situation whereby legislative measures concerning partial retirement are in line with the European Employment Strategy, although their practical application depends on employers and employees (RWI and ISG, 2002).

Federal statistical data show that the block model is the dominant measure adopted by employers and employees. In 2002, only 11% of all new entries for funded partial

<sup>10</sup> Qualifying date: 31 December each year.

retirement cases were for non-block models. Thus, on the whole, the *Partial Retirement Law* is not actually used to enhance part-time work options for older workers.

In 2003, the age limit for receiving a partial retirement pension without reductions was increased to 65. Companies now have to provide compensation for pension reductions if they want their older employees to retire before age 65. Reductions of up to 3.6% apply for each year that an employee retires before the age of 65 (up to 18%).

Nevertheless, in the near future as the pension age increases, the importance of partial retirement will increase. Reducing working hours means that work constraints and difficulties can be managed without changing the nature of working conditions. Consequently, partial retirement may enable and encourage employees to remain in the labour market for longer. Reform proposals have been made to increase the use of partial retirement for this purpose. Nevertheless, reducing working time only at the end of working life, may both discriminate against younger workers and stigmatise older workers (Jolivet, 2003). For this reason, partial retirement should be embedded in the context of promoting everyone's right to reduced working time.

### **Combating age discrimination and prejudices**

Despite the existence of EU actions regarding the prohibition of discrimination in the labour market on grounds of age (i.e. the European Equal Treatment Directive), Germany only came up with a draft version of a law against discrimination in autumn 2004. This belated development is partly due to the fact that the term 'age discrimination' has not found much recognition among politicians or scientists working in the field of old age policy (Frerichs and Naegele, 1997). Furthermore, it may also be caused by the strong opposition of employers' associations to statutory measures, which are viewed as bureaucratic and ineffective and at the same time limit an employer's freedom of choice. By contrast, trade unions favour enacting legislation against discrimination in the labour market, although views on this are split because early retirement is still seen by many as a socially acceptable means of facilitating exit from the labour market.

However, there are already several legal provisions against age discrimination in the labour market. According to SGB III (2002: §36), federal employment agencies may only accept age limits in job advertisements from employers if these are justified by the type of job that is offered. The *Law on Labour Relations at the Workplace (Betriebsverfassungsgesetz [BVG])* stipulates that neither employers nor works councils may discriminate against workers on grounds of age, and that the latter have the right to initiate measures to promote employment of older workers (BVG, §§75, 80 and 96). However, in practice, these provisions do not prevent these actors from negotiating 'positive' age discrimination through early exit.

Besides age discrimination legislation, some federal initiatives exist which explicitly draw attention to the competencies and potential of the ageing workforce, and thus try to counteract discriminative behaviours and prejudices based on beliefs that older workers are less productive.

### **Campaign '50plus – they can do it'**

In the year 2000, the Federal Employment Agency launched a long-term campaign called '50 plus – they can do it'. This campaign was designed to foster the integration of older skilled unemployed workers through the ongoing job-placement initiatives of regional employment agencies and to promote their re-integration into the labour market. This campaign was launched for two main reasons. First, despite mass unemployment, Germany faces shortages of skilled workers in certain economic sectors, such as IT and engineering. Like other measures, such as the federal government's Green Card initiative, the campaign '50 plus' was meant to remedy these. Second, the Federal Employment Agency became more aware of the fact that the labour force is ageing and that thus far, the potential of older workers has not been adequately recognised (for example, at the beginning of the campaign, nearly 35,000 engineers aged 50 and over were unemployed).

For these reasons, the administrative order of the Federal Employment Agency (BA, 2000) set out the following aims:

- to change attitudes of employers towards older workers and to combat age stereotypes;
- to increase the motivation and ability of older unemployed people to apply for new jobs; and
- to improve the job-placement initiatives of regional employment agencies.

The target group of this campaign can be described as follows:

- older unemployed people aged 50–55;
- workers who have no severe skill deficits but are skilled workers from selected occupations;
- unemployed workers with a motivation to become re-integrated in the labour market; and
- people who are preferably short-term unemployed.

The Federal Employment Agency explained this orientation towards a more privileged group of older unemployed as follows: starting with older unemployed workers who were easier to place in jobs was viewed as the most appropriate way to deal with the problem, especially when considering the existing issues and barriers to re-integrate older unemployed into the labour market in general. Its aim was also to achieve a general change of attitudes among employers in order to enhance job placements. Furthermore, it has to be remembered that the campaign was launched to remedy skill shortages in specific industrial sectors.

The initiative is based on existing instruments in the *Social Security Code III*, which are concerned with job placement, wage subsidies and training. No additional funding for specific measures has been provided, but regional employment agencies have been encouraged to use so-called 'independent measures' already available to individually target older unemployed people and to strengthen contacts with employers.

Since a systematic evaluation of this campaign has not been undertaken by the Federal Employment Agency, its success cannot be assessed at this point in time. However, preliminary evaluations from the Federal State Employment Agency of Northrhine

Westfalia (LAA, 2001) indicate no general improvement concerning a reluctant attitude among regional employment agencies towards the job placement of older unemployed. In terms of participation rates of older workers there has been no real progress. There is still a contradiction between promoting early retirement through measures like the *Partial Retirement Law* (administered by the regional employment offices) while at the same time promoting re-integration of older workers into the labour market.

### **'Team work for Germany'**

In 2003, the Federal Ministry for Economy and Labour started a public awareness and network campaign called 'Team Work for Germany'. This included co-operation with relevant actors such as employer associations, chambers of commerce, trade unions, foundations and engaged citizens, and it was supported by celebrities. The campaign aimed to strengthen joint societal efforts to create jobs and combat unemployment. Until 2005, 50 regional action days will be held and will serve as a platform for networking and featuring positive initiatives. The objective is to attract companies and institutions and develop forms of corporate citizenship. The issue of older workers is part of the campaign, whereby a public relations bureau provides information on role model companies which employ and recruit older workers. Furthermore, this year a prize was awarded to two companies demonstrating best practice in recruiting and retaining older workers (Gülker, 2004)

### **New quality of work**

In 2002, the federal government started the national initiative, 'New Quality of Work' (*Neue Qualität der Arbeit* [INQA]). This initiative is part of Europe-wide activities for more and better jobs. In this initiative, social needs, based on employment protection, and business requirements for modern labour organisation are intended to be combined. The aim is to create a new level of co-operation between different national partners. In 2003, as part of this initiative, a sub-group was formed to promote employment promotion for older workers. It is intended to create a network of actors involved in occupational health promotion, including scientists and officials, to foster action for older workers and promote awareness of good practice examples.

## 5 Conclusions and policy recommendations

### Conclusions

A strengthening of policies towards the re-integration of older workers and a reversal of early retirement has taken place in both the UK and Germany. This is embedded in a general trend of fostering active and activating strategies, which emerges against a background of labour force ageing and concerns about the future funding of pension systems and is partly influenced by the 'moral pressure' of the open method of co-ordination at the EU-level. In Germany, with the *Job-AQTIV-Law* and *Hartz* reforms, profiling measures for the unemployed in general and specific support for older unemployed people have been implemented. In the wake of implementing the principle of 'support and demand', requirements for the unemployed to be active in job search and more willing to accept jobs, have been intensified. In the UK, an even more rigid placement regime has been in force for longer, whereas active policies have been implemented only recently since the Labour government came to power in 1997. In this regard, New Deal 50 plus – and in particular the Employment Credit component – New Deal 25 plus and Work Based Learning for Adults (WBLA) are measures of note.

The preceding descriptions and analysis of labour market policies for older unemployed people in the UK and Germany show, however, that neither the 'active' side nor the 'passive-activating' side of the labour market policy of each country can be seen as 'future-proof'. Concerning active policies, it can be argued that:

1. Labour market policies for this target group are not advanced enough to cover the need to re-integrate older claimants and, in particular, older long-term unemployed people and those on disability- and sickness-related benefits. While, compared to the situation at the end of the 1990s, a clear 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. In particular, strategies and concrete measures for improving lifelong learning and providing training for all age groups are underdeveloped.
2. Even if measures are taken, they tend to benefit more advantaged and easier to place older unemployed people. Risk groups such as low-skilled or disabled people are not strongly represented. Even though profiling measures have been implemented to assess needs, creaming and deadweight effects are still widespread.

The main deficit concerning active labour market policies for older unemployed people in Germany is the lack of specific targeting of them both in active job placement and training. Current programmatic and financial restrictions concerning vocational training further increase this deficit. Employment agencies – against a background of a lack of resources and the demand to be effective – concentrate on the easier to place. Older unemployed people are often omitted or even encouraged to utilise early exit provisions.

More passive measures such as job-creation and wage subsidy programmes dominate. Furthermore, measures offered to facilitate a transition to retirement are still in force, although not differentiated between those actually in need and those older workers who are relatively well off. This is especially the case concerning partial retirement and structural adjustment measures. It can be argued that Germany still has to develop a comprehensive strategy for active ageing to ensure that people stay in work longer, particularly after the age of 60, and to increase access to training for older workers in the context of lifelong learning.

In the UK, the 'joined-up' approach seems stronger, at least regarding co-ordination structures. However, the scope of active measures seems rather limited both with regard to the types of measures – employment credits and intensified job placement in New Deal 50 plus/New Deal 25 plus – and the level and duration of funding. Age awareness campaigns and age discrimination legislation currently dominate debates. However it remains to be seen whether they will have a significant impact on the labour market situation of older workers, given the severe barriers they face in the labour market.

Even though the rhetoric in terms of active labour market policies is quite similar, and in recent years labour market policies concerning older workers in Germany and the UK have converged somewhat as a result of the election of social-democratic governments in both states, the systems behind these reforms remain quite different. Analysis of public expenditure on labour market programmes in Germany and the UK has shown that the ratio of active spending per unemployed person relative to GDP per person is twice as high in the former as it is in the latter (0.16 versus 0.07).

These differences can be traced back to differences in the welfare state regimes of the countries. The UK has no great tradition of active labour market policy. Furthermore, policy reversal in the UK as a liberal-residual welfare state is largely driven by long-term concerns about demographic trends and welfare state disincentives to work, since early retirement is a less pressing structural problem and public pensions play a far less significant role. Nevertheless, the current Labour government is less opposed to state intervention than previous Conservative governments, emphasising a productive welfare policy with respect to older workers and increasing employment rates in this age group.

By contrast, Germany starts from a quite different position. Concern about sustainability of the pension system is widespread, and thus attempts to limit early retirement and re-activate older workers are current policies. In the wake of the recent labour market reforms, additional measures to integrate older workers in the labour market have been implemented, such as wage insurance, special training grants and a shift in paradigm towards a more activating approach to job placement. This builds upon a wide array of active labour market measures which have been in place for almost 35 years, regulated at the federal level by the *Social Security Code*.

Therefore, the main conclusion of this comparative study is that despite similar challenges and, at first glance, similar answers in Germany and the UK – more activation on the one hand, more curtailing of early exit on the other – a rather distinct mix of underlying bases for policy measures exists. The pressures of labour force and population ageing do not induce the same answers to the same problem, but are dealt with on the basis of the respective welfare regimes, economic structures and normative values in each country.

## Policy recommendations

The following recommendations on the one hand cover a set of principles worth considering when applying a 'strategy for active ageing' (Walker, 2002). These principles will be referred to here briefly as an overarching framework for policy making. However, the main emphasis in this chapter lies on more concrete recommendations that are geared to the individual measures presented so far, and to the comparative perspective which has been provided in this study and is often neglected in more general papers. Recommendations are focused on active labour market policies – and mainly those on the supply side – and not on employment policies in general. The set of principles for active labour market policies for older workers can be described as follows:

- **Active-integrative approach:** The main challenge is to follow a path of active policies seriously – both in terms of conceptualising and financing. This requires investment in the skills and health of older unemployed people to increase and maintain their productivity, and to aim for their integration into the primary labour market and full-time employment – often for a remaining period of 10–15 years of work. Furthermore, specific targets for the recruitment of older workers on to particular initiatives should be set, rather than developing age-specific measures. Both Germany and the UK need to develop these approaches further.
- **Co-ordinated, joined-up approach:** Better co-ordination is required both horizontally (i.e. across different parts of government) – and vertically (i.e. a close co-ordination of public and workplace policies). In respect of governmental co-ordination, an exchange of experiences between governmental actors in Germany and the UK could be fruitful. Furthermore, the systematic co-ordination of measures at the individual level (for example, placement initiatives, training and financial incentives), which are tailored to the specific needs of the individual – and if possible – to the demands of the employer, are required.
- **Preventive and life-course approach:** First, and at the government level, employment policies for older workers should place greater emphasis on preventing unemployment and long-term unemployment. For this reason, employment programmes should be linked more closely to companies than has been the case in the past. In particular, consideration should be given to employment sectors that are likely to experience major changes in the age structure of their workers in the future, or that will probably face redundancies. Second, as disadvantages that may lead to unemployment or its persistence arise over the course of a working life, preventive measures such as updating skills and taking precautions against early disability should be promoted.

Besides these general recommendations, specific policy areas and measures to improve the employment situation of ageing and older workers must be considered. In the following, specific policy areas are referred to and more detailed recommendations will be given.

## Job placement and fostering recruitment

- Given the severe unemployment risks facing older workers, it is essential that they have access to sufficient job-placement activities. Employment services should open job-search activities to older unemployed people. Public programmes should not exclude older workers from the beginning by setting too high targets. Policy borrowing could take place in this regard for Germany by adopting the UK system

of extra credit points for the hard-to-place and increased staff resources in jobcentres.

- In addition to these general improvements, it is necessary to target the more disadvantaged groups of older unemployed people with low skills, low income and health problems. Integrative measures which provide training, social support, physical rehabilitation and job-placement consulting by case managers can be seen as an effective way to place such people and prevent social exclusion. The UK could learn from such initiatives in Germany, but the latter needs to do more itself to involve older workers in these programmes.
- In general, measures within firms or closely connected to them (work trials, probation periods) increase the employment prospects of participants. This is partly due to the so-called 'adhesive effect' because companies tend to recruit people whom they know better, and partly to the fact that stigmatisation effects of measures outside firms (job-creation measures) can be avoided. Therefore, a stronger company orientation in designing and implementing measures should be sought. The UK could learn from Germany in terms of implementing and promoting a system of low-key testing and training measures.
- Employment agencies in general have not yet developed sufficient means to inform, consult and assist employers in recruiting unemployed people. For older unemployed people, this is of particular importance due to the prevalent barriers they face. Therefore, personal resources and infrastructure to strengthen this component of successful job placement should be funded. Here again, policy borrowing in Germany from the UK system of vacancy managers could take place.

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

- Older unemployed people 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. This could help to overcome reluctance both on the part of employment agencies and older jobseekers themselves to invest in training, and on the part of employers to recruit older workers.
- To prevent further exclusion of older unemployed people from training measures, either legal rights for those facing chronic long-term unemployment to participate in further training could be created, or at least training for this target group could be favoured by giving them a higher ranking for selection.
- Working-time arrangements should be combined with on-the-job training for the unemployed. Both paid and unpaid educational leave for enrolment on job-related courses should be introduced. Publicly funded job rotation measures, which allow unemployed people to temporarily take over the jobs of those on training schemes, should be directed to older unemployed people in particular and provide an opportunity to acquire job-related skills.
- Furthermore, public support and incentives for vocational training of older workers could be given through targeted aid and counselling for companies – in particular small- and medium-sized ones – and innovative and exemplary solutions could be disseminated for employers.

### **Subsidised employment and partial retirement**

- To prevent large deadweight effects and improve long-term effects, employment subsidy schemes such as employment credits and wage subsidies should not be based on age alone but on additional criteria such as skill and wage levels. Whenever feasible, they should be combined with training provisions or health promotion.
- Provisions to maintain or restore labour market attachment of older long-term unemployed people, and at the same time to prevent dependency on benefits, should be developed further. In this context, 'as-if-real-work' company-based job-creation schemes, or 'activity periods' where work-related tasks at near-regular wages – for example, in a municipality – are performed, should be developed.
- Concerning partial retirement, incentive structures should be altered and either innovative part-time options funded more explicitly – in Germany – or regulations that bind payment of occupational pensions to the level of the last wage/working time – as in the UK – removed. This could be combined with funding or obligations for training and career development to reduce deadweight loss – for example, to prevent those who would otherwise have been able and willing to work full time from taking partial retirement.
- Working time must not be reduced or made flexible only shortly before the end of a person's working life: it must be made flexible and reduced over the whole working life. Working-time models should be combined with offers of vocational training. The state must develop appropriate tax regulations and income security or funding models.

### **Final statement**

An increase in labour force participation rates among older workers does not necessarily mean that quality of life for this group will improve. 'Active ageing' that is manifested as periods of precarious employment in a narrow range of jobs with low wages or considerable employment insecurity, or, even worse, a long period of fruitless job search, may be more disadvantageous than early exit. Welfare-to-work policies may increase poverty risks for those older unemployed who cannot easily find a job and at the same time cannot take refuge in early retirement measures. Therefore, European employment targets for older workers should be amended by additional targets that guarantee productive and sustainable integration of older workers in employment, or at least to monitor how employment conditions for older workers develop in a qualitative way.

## References

- Age Concern (2004) *Who is 'under-saving' for retirement?* Labour Research Department, Age Concern, [http://www.ageconcern.org.uk/AgeConcern/media/Who\\_is\\_under\\_saving\\_for\\_retirement.pdf](http://www.ageconcern.org.uk/AgeConcern/media/Who_is_under_saving_for_retirement.pdf)
- Age Concern (2005) 'Health and Older Workers' seminar. London: Canonbury Academy. July.
- Anderson, T., Dorsett, R., Hales, J., Lissenburgh, S., Pires, C. and Smeaton, D. (2004) *Work-Based Learning for Adults: An Evaluation of Labour Market Effects*. Department for Work and Pensions research report no. 187.
- Atkinson, J. (2001a) *Evaluation of the New Deal 50 plus: Summary report, ESR 103*. Sheffield: Employment Service.
- Atkinson, J. (2001b) *Evaluation of the New Deal 50 plus: Research with Individuals (Wave 2)* Sheffield: Employment Service.
- Atkinson, J. and Dewson, S. (2001) *Evaluation of the New Deal 50 Plus: Research with Individuals (Wave 1)* Sheffield: Employment Service.
- Atkinson, J., Kodz, J., Dewson, S. and Eccles, J. (2000) *Evaluation of New Deal 50 plus. Qualitative Evidence from Clients. First Phase*. Sheffield: Employment Service.
- Atkinson, J., Evans, C., Willison, R., Lain, D. and Van Gent, M. (2003) *New Deal 50 plus: Sustainability of employment. WAE142*. Sheffield: Department for Work and Pensions.
- BA (Bundesanstalt für Arbeit) (2000) *Vermittlungsaktion '50plus – die können es'*. Runderlass vom 31 Juli. (*Job-placement campaign '50plus – they can do it'*. Administrative order of the Federal Employment Agency. 31 July).
- BA (2001) *Eingliederungsbilanz 2000*. Nürnberg: Bundesergebnisse.
- BA (2002) *Eingliederungsbilanz 2001*. Nürnberg. Bundesergebnisse.
- BA (2003) *Eingliederungsbilanz 2002*. Nürnberg. Bundesergebnisse.
- Baur, U. (2003) 'Erster Schritt zur Umsetzung des Hartz-Konzeptes'. *Bundesarbeitsblatt* 2: 4–9.
- Bellmann, L., Hilpert, M., Kistler, E. and Wahse, J. (2003) 'Herausforderungen des demografischen Wandels für den Arbeitsmarkt und die Betriebe'. *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 2: 133–149.
- BMBF (Bundesministerium für Bildung und Forschung) (2001) *Aktionsprogramm: „Lebenslanges Lernen für alle“*. Bonn: BMBF.

Bogai, D. (2001) 'Arbeitsmarktpolitik für ältere Erwerbspersonen in den neunziger Jahren' (Labour market policies for older employees in the 1990's). In: Barkholdt, C. (Hrsg.) *Prekärer Übergang in den Ruhestand (Precarious Transition into Retirement)*. Opladen: Westdeutscher Verlag. 39–73.

Buchheit, B. (2002) 'Neue Impulse für die Arbeitsmarktpolitik' ('New impulses for labour market policy'). *Bundesarbeitsblatt 2*: 5–10.

Bund-Länder-Kommission für Bildungsplanung und Forschungsförderung (2004) *Strategie für lebenslanges Lernen*. Bonn: Bund-Länder-Kommission für Bildungsplanung und Forschungsförderung.

Bundesregierung (2004) *Agenda 2010. Deutschland bewegt sich*. Berlin.

Cabinet Office (2000) *Winning the Generation Game – Improving Opportunities for People Aged 50–65 in Work and Community Activity*. London: Cabinet Office.

Comptroller and Auditor General (2003) *Developing Effective Services for Older People*. HC 518 Session 2002–2003. London: The Stationery Office.

Deutscher Bundestag (1998) *Zweiter Zwischenbericht der Enquete-Kommission Demografischer Wandel*. Berlin: Deutscher Bundestag.

Deutscher Bundestag (2002) *Final report of the Enquete Commission on 'Demographic Change: Challenges Posed by Our Ageing Society to Citizens and Policy-makers'*. Berlin: Deutscher Bundestag.

DfEE (Department for Education and Employment) (2000) *Design of New Deal 50 Plus*. London: DfEE.

Dixon, S. (2003) 'Implications of population ageing for the labour market'. *Labour Market Trends*, February: 67–76.

Dobischat, R. (2004) 'Förderung der beruflichen Weiterbildung – Konsequenzen aus der Hartz-Reform'. *WSI-Mitteilungen 4*: 199–205.

DTI (Department of Trade and Industry) (2005) *Quality and Diversity: Coming of Age. Consultation on the Draft Employment Equality (age) Regulations 2006*. London: DTI.

DWP (Department for Work and Pensions) (2002) *Simplicity, Security and Choice: Working and Saving for Retirement*. London: DWP.

DWP (2004) *Building on New Deal: Local Solutions Meeting Individual Needs*. London: DWP.

Ebbinghaus, B. (2001) 'The political economy of early retirement'. In: Ebbinghaus, B. and Manow, P. *Comparing Welfare Capitalism. Social Policy and Political Economy in Europe, Japan and the USA*. London: Routledge. 76–101.

Education and Employment Committee (2001) *Government's Response to the Seventh Report from the Committee Session 2000–01. Age Discrimination in Employment*. Norwich: The Stationery Office.

Erhel, C., Gautie, J., Gazier, B. and Morel, S. (1996) 'Job opportunities for the hard-to-place'. In: Schmid, G., O'Reilly, J. and Schöman, K. (eds) *International Handbook of Labour Market Policy*. Cheltenham: Edgar Elder. 277–308.

European Council (2001) 'Presidency Conclusions. Stockholm 23 and 24 March'. Communication of the European Council. Brussels: European Council.

Frerichs, F. and Naegele, G. (1997) *Public Policy Options to Assist Older Workers. The German Situation*. London: EurolinkAge.

Gemeinsame Erklärung (2001) Gemeinsame Erklärung des Bündnisses für Arbeit, Ausbildung und Wettbewerbsfähigkeit zu den Ergebnissen des 7. Spitzengespräches am 4. März. Berlin: Vervielfältigung.

Grierson, K. (2002) *New Deal 50 plus. Quantitative Analysis of Job Retention*. London: Information and Analysis Directorate Information Centre, DWP.

Gülker, S. (2004) 'Der Wettbewerb "Beschäftigung gestalten – Unternehmen zeigen Verantwortung"'. *Bundesarbeitsblatt* 6: 4–17.

*Handelsblatt* (2004) 95: 3, 2 May.

Hirsch, D. (2003) *Crossroads After 50: Improving Choices in Work and Retirement*. York: Joseph Rowntree Foundation.

House of Lords, Select Committee on Economic Affairs (2003) *Aspects of the Economics of an Ageing Population*. Norwich: The Stationery Office.

IAB (2002) *Stellungnahme des IAB zum Bericht der Kommission 'Moderne Dienstleistungen am Arbeitsmarkt'*. Nürnberg: IAB-Werkstattbericht.

Inland Revenue (2002) *Simplifying the Taxation of Pensions*. Norwich: HMSO.

Jahn, E. and Windsheimer, A. (2004) 'Personal Service Agenturen – Teil II: Erste Erfolge zeichnen sich ab'. *IAB-Kurzbericht* 2: 1–6.

Jolivet, A. (2003) 'Issues of working time, work organisation and job design'. In: M. Jepsen, M., Foden, D, and Hutsebaut, M. (eds), *A Lifelong Strategy for Active Ageing*. Brussels: The European Trade Institute. 123–156.

Kommission für moderne Dienstleistungen am Arbeitsmarkt (2002) *Moderne Dienstleistungen am Arbeitsmarkt: Vorschläge zum Abbau der Arbeitslosigkeit und zur Umstrukturierung der Bundesanstalt für Arbeit*. Berlin: Bundesministerium für Arbeit und Sozialordnung (BAS).

Kurtz, B. (2003) 'Trainingsmaßnahmen – Was verbirgt sich dahinter?' *IAB-Werkstattbericht* 8: 1–8.

LAA (Landesarbeitsamt NRW) (2001) *50plus – Die können es*. Düsseldorf: LAA.

Melis, A. (2002) 'Public expenditure on labour market policies in 1999 varied greatly among Member States'. *Statistics in focus, population and social conditions*, Theme 3: 1–6.

Moss, N. and Arrowsmith, J. (2003) *A Review of 'What Works' for Clients Aged Over 50*. London: DWP.

Naegele, G. (2001) 'Millennium Project – Towards Active Ageing in the 21st Century. Final report for Germany'. In: JIL (Japan Institute of Labour) workshop 2001: *Toward Active Ageing in the 21st Century*. Japan/U.S./E.U. Joint Programme. Tokyo: JIL.

Naegele, G. (2002) 'Active strategies for older workers in Germany'. In: European Trade Union Institute (ETUI) (ed.) *Active Strategies for Older Workers*. Brussels: ETUI. 207–245.

Naegele, G. and Walker, A. (2002) *Ageing and Social Policy: Britain and Germany Compared*. London: Anglo-German Foundation.

OECD (Organisation for Economic Co-operation and Development) (2003a) *Labour Force Statistics*. Paris: OECD.

OECD (2003) *Employment Outlook 2003b. Towards More and Better Jobs*. Paris: OECD.

OECD (2004) *Ageing and Employment Policies*. Finland and Paris: OECD.

ON (Ohne Namen) (2004) 'Die Wirkungen von Hartz I und Hartz II'. *Bundesarbeitsblatt* 4: 7–9.

RWI and ISG (Rheinisch-Westfälisches Institut für Wirtschaftsforschung; Institut für Sozialforschung und Gesellschaftspolitik) (2002) *Assessment of the Impact of National Policies in Connection with European Employment Strategy. Summary*. Köln: Essen.

Sozialgesetzbuch (SGB) III (2002) München: Deutscher Taschenbuch Verlag.

Statistisches Bundesamt (2003) *Bevölkerung Deutschlands bis 2050*. 10. Koordinierte Bevölkerungsvorausberechnung. Wiesbaden: Statistisches Bundesamt.

Taylor, P. and Walker, A. (1996) 'Intergenerational relations in employment'. In: Walker, A. (ed.) *The New Generational Contract*. London: UCL Press.

Wagner, A. and Schuldt, K. (2003) *Arbeitsmarktpolitische Reformen im Kontext der Vorschläge der Hartz-Kommission – Chancen und Risiken für den ostdeutschen Arbeitsmarkt*. Berlin: Arbeitsheft Nr. 34 der Otto-Brenner-Stiftung.

Walker, A. (2002) 'Active strategies for older workers in the UK'. In: ETUI (ed.) *Active Strategies for Older Workers*. Brussels: ETUI. 403–435.

Wießner, F. (2001) *Arbeitslose werden Unternehmer. Beiträge zur Arbeitsmarkt- und Berufsforschung, Nr. 241*. Nürnberg.

Winkel, R. (2003) 'Verheerende Halbjahresbilanz bei beruflicher Weiterbildung'. *Soziale Sicherheit* 7: 226–229.

Winterbotham, M., Adams, L. and Kuechel, A. (2002) *Evaluation of the Work Based Learning for Adults – Action Research Qualitative Interviews with Employment Service Staff, Providers and Employers*. WAE128. London: DWP.