



Anglo-German Foundation
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Employment and Social Policies for an Ageing Society Britain and Germany Compared

Conference Report
Academic convenors: Gerhard Naegele and Alan Walker

2005

**Employment and Social Policies
for an Ageing Society**

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

EMPLOYMENT AND SOCIAL POLICIES FOR AN AGEING SOCIETY

Through its work in Germany and in the United Kingdom, the Anglo-German Foundation (*Deutsch-Britische Stiftung*) 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.

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Introduction

Hardly a week passes in Germany or in the UK without a newspaper headline referring to the 'pensions crisis' or the 'pensions timebomb', or without a claim that the cost of providing health and social care for the increasing numbers of older people is becoming too great for governments to fund. Has then the welfare state – the bedrock of German society since Bismarck's pioneering reforms in the 1880s and of British society since the 1940s – passed its sell-by date? Can, and should, governments abdicate from one of the core principles of the welfare state, to ensure that their citizens enjoy a reasonably prosperous and comfortable old age? Can each nation's intergenerational contract – whereby the economically active population funds, through taxation and other contributions, the needs of older generations – be maintained?

It was to consider these issues – and, more importantly, the complex demographic, economic, social and political realities that lie behind the over-simplified media treatments – that the Anglo-German Foundation brought together a wide range of experts from the UK and Germany. Academics joined with policy specialists from government, NGOs and social care agencies for two days of intensive and illuminating exploration of policies for an ageing society. While employment and social care were at the heart of the debate, the discussion ranged widely across other areas, including health and social and political participation, that play an essential role in ensuring that old age is a positive and enjoyable phase of life.

The conference was all the more pertinent because Germany and the UK are confronting similar political and economic challenges. The core problem is demography. In both countries, the post-war 'baby-boom' generations, many of whom have enjoyed a prosperous lifestyle during their working lives, have either retired or are not so far from retirement. Their expectations – of a good pension, continued good health, and an active and stimulating retirement – are high. The cost to the state of fulfilling these expectations, particularly since medical advances now mean that retirement can last for 30 years or more, is higher still. And these costs have to be met from the wealth generated by a proportionately smaller working population. In the UK, for example, 40 per cent of the UK population will be in their 50s or older in 2021, and there will be 3 million people aged 80 or over, an increase of almost 1 million since 2004.

One danger is that younger generations, who are likely to have to work longer to secure a lower pension, will increasingly resent their taxes being used for the benefit of their parents and grandparents. Governments will therefore be tempted to individualise risk – to leave it to individuals to provide for themselves. This may be superficially attractive, but, as the increasing problems associated with private pension provision in the UK demonstrate, it can damage society as a whole and leaves many social groups vulnerable.

Both the British and the German governments are using a combination of carrots and sticks in an attempt to adjust expectations. But, as the conference agreed, largely economic short-term measures may have little impact on long-standing social attitudes and expectations, particularly since the force of the sticks is limited by electoral considerations. For instance, the UK is encouraging people to remain working for longer,

and the German government's Agenda 2010 will pay reduced pensions to those who do not continue work until they reach full pension age. Nevertheless both governments continue to provide escape routes to early retirement, partly in order to keep unemployment statistics low and partly in order to meet the genuine desire of very many people to stop working.

From the rich discussion of these major topics, and of specific policies and practices in the two countries that contribute to the lives of older people, a number of interesting themes arose:

- Labour market policies remain largely inflexible in an age when individuals' life courses require increasing flexibility. Why work very hard and for long hours for an increasingly brief proportion of one's life span? Governments need to promote policies that do not penalise people if, for instance, they want to start work at a later age, or to go on working beyond the conventional pension age, or to work part-time, or to drop out of work for a few years and then resume.
- Age discrimination – at work and beyond – is a serious issue in both countries. In the UK the government's rhetoric about retaining older people in the workforce is not backed up by adequate commitment. Germany lags behind – age is not recognised as a discriminatory factor, a very high proportion of employers do not employ anyone over 50, and very little training is available for older people.
- By contrast, the German occupational health system supports the needs of older workers, while in the UK the issue of their health, and the steps that can be taken to ensure their employability, is ignored.
- In Germany, the system of long term care insurance introduced in 1995 pays the costs of residential and home care. In the UK, services of this kind are the responsibilities of different providers are generally (except in the case of very low income groups) not funded by the state.
- The UK has invested heavily in preventative and rehabilitation services designed to prevent or delay hospitalisation among older people or to get them home as soon as possible after a hospital stay.
- In both countries, geriatrics is seen as a second-class specialism. Financial incentives are needed to encourage more doctors to train as geriatricians, who can take a holistic view of the needs of older people, and doctors in every specialty need to be trained to understand the specific medical and social needs of older people.

Both the UK and Germany are striving to achieving equity and justice between generations. In the difficult and challenging task of translating ideals into policy – and subsequently policy into effective practice in health and social care that will improve the quality of life of older people – they have much to learn from one another through research and exchange.

Perspectives and policies of the German and British governments

Two overviews by senior officials responsible for policy development in Germany and Britain launched the conference.

Achim Wittrock, Head of the Policy Planning Directorate, Federal Ministry of Health and Social Security (Germany), outlined the factors – some common to both countries, some specific to Germany – that are challenging the basis of the social insurance system in Germany and are giving rise to the current round of reforms. These challenges include:

- in the longer term, globalisation and, most important of all, demographic change;
- in the shorter term, the economic situation, especially high unemployment;
- social changes, in particular changing values and the trend towards individualism; and
- the impact of reunification, particularly on the social insurance system.

The Agenda 2010 programme aims to introduce wide-ranging economic and social reforms that will reposition German economic and social policy to meet these challenges.

Herr Wittrock went on to outline policy developments in four principal areas: pensions, health insurance, care insurance, and employment.

Pensions policy

Although the British and German state pension systems are very different, they face a common problem – more people drawing state pensions and fewer younger people paying contributions – made worse, in Germany, by the economic crisis. Each country has four possible solutions:

- reducing benefits
- increasing pension age
- increasing the 'pension pot' – the resources available to pay pensions – through higher contributions or taxation
- developing additional pension income through occupational or private pension schemes.

Conscious of the importance of sharing financial burdens between different generations, the Federal Government is following a mix of these options. Pension increases will no longer be tied to solely to wage increases but will also take account of the ratio of pensioners to contributors. This will lead to a gradual fall in benefits, so making additional pension provision necessary. Although early retirement will be made more difficult, the government has not yet opted for increasing retirement age (from 65 to 67), partly because of high unemployment in Germany. In addition, while state pensions will

remain the primary pillar of pension provision, the importance of the second occupational or private pension – hitherto weak in Germany – will increase: a paradigm shift in pension policy.

These reforms, Herr Wittrock argued, put Germany on the right track to stabilise its pension system – though whether they will be adequate remains to be seen. The demands of demography mean that delaying pension age and making it compulsory to contribute to a second pension will remain on the agenda.

Health insurance

Statutory health insurance is also under pressure because of economic and demographic pressures and the rising costs of healthcare. Against that, however, can be set the potential for efficiency and quality improvements.

Recent legislation has set out to improve efficiency and quality, to introduce greater co-operation within the system (e.g. between GPs, specialist consultants and hospitals), and to increase the proportion of healthcare costs paid by patients. Although this is starting to produce results – for instance, some insurance premiums have fallen – the major problem of how to finance the state healthcare insurance system has not been resolved. The German government is proposing to bring groups currently outside the state system (e.g. higher earners, the self-employed) into it; the opposition argues for higher insurance premiums and payments which the lower paid can recoup through the tax system. The argument will run at least until the next federal elections in autumn 2006.

Care insurance

Although considered a success since its introduction in 1995, the care insurance system needs to be reformed: the number of people entitled to care is increasing, often insurance payments do not cover the full cost of care, and the emphasis needs to shift from hospital-based care to domiciliary care and prevention and rehabilitation. While reform is essential, its specific shape is not yet clear. But the key question remains: how much money is society willing to invest in dignified care?

Employment

Herr Wittrock argued that there are many good reasons for retaining older people in the workforce, and that politicians, businesses, unions and society as a whole need to co-operate to ensure that this happens. Changes needed include better training and better job placement schemes, plus the abolition of early retirement and other false incentives for leaving work. Social barriers need to be overcome as well – the potential of older workers needs to be tapped and the word ‘older’ needs to lose its pejorative overtones. The German government is in dialogue with employers, unions and older people themselves and is looking for new ideas.

Chris Capella, Head of Pension Strategy, Planning and Performance Challenge at the Department of Work and Pensions (UK), apologised on behalf of Malcolm Wicks, Minister of State for Pensions, that he was unable to attend the conference.

Mr Capella started by reiterating Herr Wittrock's concluding comment that governments do not have a monopoly of wisdom, and are very much in the market for ideas. He went on to argue that the age shift in society is the first major challenge of the 21st century. Older people are now at the forefront of policy development. By 2007 there will be more pensioners than children. A century ago, the over-50s formed 15 per cent of the population; by 2021, 40 per cent will be over 50. In the same year there will be 3 million people aged 80 and over, a rise of almost 1 million from 2004.

This increase in life-span deserves to be celebrated. But it also has huge implications for the funding of pensions and for the delivery of the services older people (especially 'older older' people, i.e. those aged 85-plus) need. In the UK, the number of people over current state pension age will rise by almost 50 per cent between 2002 and 2040 – from 10.6 to 15.7 million, giving a dependency ratio (the number of people over pension age as a proportion of the number of people of working age) of 48 per cent; across the EU as a whole the ratio will be 49 per cent.

The traditional view of old age as a time of dependency and poverty is rapidly becoming out of date. Many older people are fit, healthy and financially secure – the occupational pensions boom means that pension income (despite the investment downturn of the past few years) is increasing faster than earnings. Others are not so fortunate either economically (women and people from ethnic minorities are over-represented among pensioners with low incomes) or in health terms (over half people aged 75 to 84, and over 70 per cent of those aged 85 and over, have a long-term illness that limits what they can do).

Older people have clear and definite aspirations: independence in their own home, financial security, good health and a safe environment. Alongside these older people want opportunities and choices (including jobs); in particular they want to contribute to their communities and to feel themselves a real part of wider society.

The strategic challenges, for government and for society as a whole, reflect these aspirations. The challenges are political, financial and social – and complex:

- *income*
generate income for older people from employment as well as pensions
create a sustainable basis for funding pensions
tackle pensioner poverty
- *independence*
promote health pre-emptively – preventative care prevents or delays an individual going into a home
break the care/dependency link
- *fairness*
establish equal opportunities and tackle ageism

- *community engagement*
enable older people to contribute through work, volunteering, participation in local decision-making (e.g. on planning and regeneration issues), and to feel that their opinion matters
- *security*
tackle the real causes of fear.

These challenges can be summed up as the creation of a sustainable 'contract' that balances individual responsibility and public support.

Turning to a more detailed discussion of the income challenge, Mr Capella quoted the conclusion of the 'Turner Report' (the First Report of the Pensions Commission, published in October 2004, under the chairmanship of Adair Turner) that a mix of higher taxes, increased savings and a later average retirement age is required. The UK government will build on the existing mixture of state and private provision and is working, through the Pensions Act (which came into force in November 2004), to restore confidence in the pensions system following the equity downturn. The new legislation simplifies savings taxation and allows for new types of private savings products. The government has had considerable success in tackling pensioner poverty through the means-tested Pension Credit, which offers everyone aged 60 and over a guaranteed minimum income; one million people took up this benefit in its first year. The government will also offer people greater choice about extending their working life by allowing individuals to choose when to take their pension and to continue to work for an employer while also receiving a pension from them.

The Turner analysis has created some consensus on the nature of the issues and on ways of moving forward. The government is striving for a whole-systems approach to manage the adjustment to a society with a growing proportion of older people, a substantial number of whom are relatively wealthy. The vision is of a sustainable, actively ageing society in which central and local government work in partnership to deliver services and in which older people themselves continue to enjoy opportunities and challenges.

There now followed five separate sessions, each of which allowed delegates to focus in detail on policy and practice in Germany and the UK. Each session started with expert briefings; these were followed by workshop discussions among selected delegates and a short plenary.

Britain and Germany in detail: health and health care

A German perspective

■ *Professor Dr Anita Pfaff, Professor of Economics at the University of Augsburg and Deputy Director of the International Institute for Empirical Socio-Economics*

The future funding of healthcare in Germany will be profoundly affected by the changing age structure of the population. Germany is experiencing the phenomenon of 'double ageing' – life expectancy is increasing and birth rates have been low (about 0.65 to 0.7) for over 30 years. As a result, the overall population is falling, while the proportion of older people is growing – and within that group the proportion of 'very old' (i.e. 80 and over) is also increasing. By 2050, for every 100 adults aged 20 to 59 there will be about 77 people aged 60 or over and about 17 aged 80-plus.

About 85 per cent of the population – and a higher proportion of older people – is insured through the state system; almost all the remainder are covered by private schemes. Public health insurance is financed on a pay-as-you-go basis with equal contributions by employers (or by the state in the case of pensioners and unemployed people) and individuals.

Since average expenditure on health care increases as people get older, demographic changes will have a big impact on the cost of healthcare. In 2005 about 70 million people belong to the public health insurance scheme; about 18 million of these are aged 60 or over, and 2 million 80 or over. By 2050 the number of people in the public scheme will have fallen to approximately 63 million; of these some 22 million will be aged 60-plus and about 5 million 80-plus.

The weaknesses of the healthcare system as it applies to older people are:

- The treatment of chronic conditions is relatively poor – disease management programmes are being introduced to improve this.
- Attempts to reduce the length of hospital stays may leave older people without adequate care. This could be remedied by temporary nursing care, but this is in limited supply.
- Doctors do not spend much time with their patients, preferring to rely on medical technology and on prescribing drugs.
- Co-ordination between specialists (especially outside hospitals) is poor – comprehensive, integrated care is being encouraged.
- The treatment of typical geriatric problems (especially dementia and depression) is inadequate. Physicians specialising in this area are inadequately trained and poorly paid.

Strengths are:

- Capacity is adequate and there are no long waiting times, so until now age-related rationing has not happened. But there is a shortage of nurses, and more recently also of doctors.
- Technical equipment is of a high standard
- Training of healthcare personnel is also good (though not in public health and epidemiology).
- Medication is prescribed almost too generously, though some restrictions have been introduced recently.
- Rehabilitation programmes are fairly good, despite recent restrictions.

Current developments that will impact on older people include:

- Changes to the financing system may increase charges for older people (e.g. exclusion of specific conditions from insurance cover).
- The emphasis on treating chronic conditions should be beneficial.
- The increasing importance of ICT may disadvantage older people, who tend to be less computer-literate.

A British perspective

■ *Professor Christina Victor, Professor of Gerontology, School of Health and Social Care, University of Reading*

Health and mortality trends

Today, at the start of the 21st century, 80 per cent of deaths are of people aged 65 and over, and 19 per cent of people aged 35 to 64. The 1841 equivalents were 15 and 33 per cent; 62 per cent of the people who died in that year were under 35. In the same year, life expectancy at birth was 41; 40 per cent of babies born in that year survived to age 55, 16 per cent to 75. In 2003, life expectancy at birth was 79 (in 2050 it will be 82/83); 96 per cent of babies born that year are expected to survive to age 55 and 72 per cent to age 75.

This amounts to a revolution in length of life. What impact does this have on health and healthcare? There are several contrasting arguments:

- Postponed mortality (i.e. death and the major causes of death, such as heart and circulatory diseases, cancer,) results in postponed morbidity (conditions that disable and significantly impair quality of life but do not directly lead to death, e.g. circulatory and respiratory conditions, muscular-skeletal disorders, dementia, impaired functional ability). Morbidity is concentrated into a short period at the end of life.
- While more people survive into old age, they experience worse health – in earlier periods they would have died younger.
- More people survive longer but experience fewer disabilities because of medical interventions.

These are the main characteristics of mortality patterns:

- 80 per cent of deaths occur in 65-plus age group
- Distinct gender (higher for males) and class differences (lowest for class 1 – the highest social class). These differences remain at different ages.
- Overall mortality rates (i.e. deaths per 1,000 people) are falling, as is 'late age' mortality: the death rate for women aged 85-plus has halved during the past 100 years.
- This decrease is happening in most developed countries. The decline is being maintained in countries where mortality is already low.

The main characteristics of morbidity are:

Acute illness

- Little variation in age and class
- Very similar patterns among people living at home and in residential homes.

Chronic conditions

- Increase with age – 33 per cent among people aged 65 to 69, 53 per cent those aged 85-plus
- More prevalent among lower social classes and minority ethnic groups
- More prevalent among women – the reverse of mortality. Men are less likely to reach old age, but those who do so are in 'better' health than women
- The proportion of people affected has remained roughly level (about 50 per cent) since 1975
- Very high among people in care homes – 80 per cent have chronic illness, compared with 20 per cent living in community.

Depression and dementia are major problems for older people and have a significant impact on their quality of life:

- 30 to 40 per cent of older people have depressive symptoms; 10 to 12 per cent have depressive syndrome; 1 to 2 per cent major depression.
- Dementia affects 5 per cent of older people – but 25 per cent of those aged 85-plus, and so is an age-related condition. Currently there are 500,000 cases of 'significant' dementia, and 280,000 new cases are recorded each year.

Life expectancy is increasing faster than 'healthy life expectancy' (time spent in good health or without disability). Women live 23 per cent of their 80 years with long-standing limiting illness; men 21 per cent of their 76 years. This overall statistic hides variations according to class, gender and ethnicity.

Provision of health and social care for older people

The distinction, which lies in the origins of the welfare state in the 1940s, between the National Health Service (NHS) (concerned with the 'sick' needing medical and nursing care) and social services (concerned with the 'frail' needing general help) continues to

influence service delivery. This leads to significant boundary disputes that affect the quality of care older people receive.

The need for health/social care among older people is high:

- 30 per cent cannot cut their own toenails
- 7 per cent cannot wash all over
- 10 per cent cannot do heavy housework
- 14 per cent cannot shop
- 5 per cent cannot cook.

Older people are major users of the NHS. They account for 35 per cent of its expenditure and of hospital episodes, and for over 50 per cent of bed days. Every year 15 per cent of older people are admitted to hospital, and 85 per cent consult their GP. Use by older people has increased significantly since the 1970s.

State provision of social care for older people is much less extensive. Spouses and family, friends and neighbours supply a large amount of support. For example, 25 per cent of people needing help with bathing received it from the state; this proportion falls to 4 per cent of those needing help with domestic tasks and 1 per cent of those needing help with cooking.

Issues confronting the health and social care systems include:

- seamless transfer of care between the two systems. In 2002 60 per cent of 'bed blockers' (people remaining in hospital after the end of treatment because care services had not been organised for them) were older people.
- standards and therapeutic effectiveness of long-stay care, which is largely privatised (92 per cent of residential care homes and 87 per cent of places are privately run)
- geriatric medicine as a speciality: does this isolate older people (physically and in policy terms) from the mainstream?
- age discrimination: a Department of Health study identified 41 areas in which there were explicit age-related policies.
- health education: older people form a large proportion of the clients of health workers, but the needs of older people do not form a significant part of health education curricula.

Points from discussion

- In the UK, older people should no longer experience overt discrimination on grounds of age in accessing healthcare. But, especially for chronic conditions, subtle forms of ageism remain, such as delays in waiting for treatment. The National Service Framework for Older People aims to ensure equal access to care and to treatment options. In Germany, the current debate on the rationing of medical care is equivalent to the debate on age discrimination in Britain.

- In recent years, Britain has emphasised preventative and rehabilitation services, and has invested money in services designed to prevent older people going into hospital in the first place or to get them home as soon as possible after a hospital stay. However, this provision remains patchy. Steps are also being taken to develop strategies for active ageing.
- The substantial hierarchical divisions between doctors and other professionals in Germany hinders the integration of health and social care. This is not the case in Britain, where the change agenda in the centralised healthcare system means that work boundaries are becoming increasingly flexible. For example, nurses, whose skills are becoming increasingly sophisticated, are now taking on greater responsibilities, such as running clinics and prescribing medication. However, it was also claimed that, while nurses tend to spend more time with older people and talk more to them, they are not necessarily more cost-effective.
- In both countries, geriatrics is seen as a second-class specialism. Financial incentives are needed to encourage more doctors to train as geriatricians, who can take a holistic view of the needs of older people. Doctors in every speciality need to be trained to understand the specific medical and social needs of older people.
- Although it is the only measure generally available, quality of life is not always an adequate measure for evaluating the effectiveness of treatment or care programmes. Evidence-based evaluation based on functional ability as well as quality of life is needed, but is still in its early stages.

Britain and Germany in detail: work and employment

A German perspective

■ *Frerich Frerichs, Scientific Director, Institute of Gerontology, University of Dortmund*

The central question – in both Germany and Britain – is whether labour market policies designed to prevent or alleviate unemployment among older workers (i.e. those aged 55 and over) are effective. These policies are being developed in the context of an ageing workforce – in Germany, for example, workers aged 55 to 64 will form 16 per cent of the workforce in 2020 (against 12 per cent in 2000); the next generation (age 45 to 54) will form 28 per cent (21 per cent in 2000).

One of the most striking recent changes in the German labour market has been the sharp fall in the number of men aged 60 to 64 in the workforce. Between the mid-1970s and 2000 the participation rate in this age group almost halved, falling from 58 to 31 per cent. By contrast, the proportion of women in the workforce, though much lower, fell only slightly, from 16 per cent in the mid-1970s to 13 per cent in 2000.

In recent years, unemployment has fallen among older workers, i.e. those aged 55 and over. This is largely because of partial retirement and early retirement – unemployed people aged 58 and over do not have to be registered as unemployed if they take early retirement. Until now the pension system encouraged early retirement through a variety of schemes. As a result in (former) West Germany only 26 per cent of men and 45 per cent of women delayed drawing their pension until 65; in (former) East Germany as few as 7 per cent (both men and women) did so.

As a result of pension reforms during the 1990s, from 2004 workers will have to work until they are 65 if they want to take a full pension. An employee who wants to retire early will have their pension cut by 3.6 per cent for each year they retire before 65. The crucial questions are: will enforcing 65 as pension age result in older workers staying in work? Alternatively, will workers experience extended unemployment? Or will the number who opt for a reduced pension increase?

Since 2001, policy has moved from encouraging early retirement towards boosting, by awareness-raising and legislation, the employment prospects of older workers. The approach combines carrot and stick – supporting unemployed people to find work (through job agencies etc) and also requiring them to seek work; financial incentives to employers; restricting unemployment benefits. Campaigns designed to counter age discrimination and to highlight the skills and potential of older workers have also been launched.

These initiatives supplement more general labour market programmes already operating. These have varying success in attracting the participation of older unemployed people –

wage subsidy and job creation are most successful, training and programmes to promote self-employment least. Outcomes also vary considerably, with wage subsidies the most successful; however the 'deadweight effect' must be taken into account (i.e. subsidising the wages of workers who would have been employed anyway).

The evidence from recent reforms is that, within the carrot and stick approach, the stick element predominates:

- In policy terms, a paradigm shift has taken place – early retirement policies have been reversed and the aim now is to integrate older unemployed people into the workforce. But this shift has not yet moved to company level.
- The impact of recent specific measures to integrate older workers is not yet clear.
- Measures to help older workers find jobs – job-placement schemes, obligation to look for jobs etc – may be successful. But economic conditions (i.e. the general level of employment) are the overriding factor.
- Nevertheless, unemployment among older workers is widespread. Ageism and the current unfavourable economic situation are major barriers at company level to the recruitment of older workers.
- Job-placement and training schemes have yet to be developed to cover the specific needs of older workers.
- Reforms to unemployment and other benefits threaten the income of unemployed older workers disproportionately.

A British perspective

■ *Philip Taylor, Executive Director, Cambridge Interdisciplinary Research Centre on Ageing, University of Cambridge*

There has been a long-term decline in the participation of older people in the UK labour force. Until recently, youth employment was the priority for government, and policies for older people primarily focused on maintaining pathways for early retirement, notably disability benefits. Ageism among employers and labour market intermediaries (e.g. employment agencies) was widespread. Older people tended to accept and internalise such discrimination.

The last few years have seen considerable concern about the impact of the ageing population on the growth of the labour force and on the sustainability of pensions. This has brought about a new focus on flexible retirement; increasing emphasis on the importance of having a mix-aged workforce; and active labour market policies targeting older workers. However, a recent survey found that $\frac{3}{4}$ of people below statutory pension age (65 for men, 60 for women) and not working did not expect to work again, and that $\frac{2}{3}$ were not looking for a job and did not want to work.

Government can be praised for recognising the issues and for attempting to develop a strategic approach. Specific issues and reforms include:

Pensions

Pension ages are being raised, and options for more flexible retirement are being introduced. However, retirement is now riskier because of the closure of defined benefit pension schemes (those that provide a pension related to the employee's earnings), and early retirement as an alternative to compulsory redundancy remains popular in both the public and private sectors.

Employment

New Deal 50 plus is a voluntary scheme that offers practical help and support and some financial incentives to older unemployed people and to older people on benefits. It has had limited success. 110,000 clients (one third women, one third with a disability) have used the scheme, a small minority of those eligible; one third have moved into part-time work. The scheme was most effective in areas of low wages and low living costs. The majority of clients involved had held higher-paid/skilled jobs, but moved into low-paid service or manual jobs. A significant minority felt demeaned by low pay and unskilled work, though they tended to remain in their jobs.

The 2002 Green Paper *Pathways to Work* put forward proposals (a mix of personal support and financial incentives) to help recipients of incapacity benefit return to work. Recent evidence suggests that available resources have not met the high demand from claimants.

Age discrimination

The government has committed itself to implementing age legislation covering employment and vocational training by December 2006. While compulsory retirement will be made unlawful, there is intense debate on this issue. Governments of all parties prefer persuasion to legislation on age discrimination. But the evidence is that persuasion has little impact, especially among small and medium size enterprises.

There is a danger that flexible retirement will be seen as a way of encouraging older workers to stay at work – thereby widening the gulf between poorer older people and the more affluent, who can afford to stop working early. Greater retirement flexibility would allow some workers to move to less demanding jobs. But genuine choice about early retirement is likely to be restricted to a few kinds of jobs unless age discrimination is eliminated. The quality of the jobs created for older workers is as important a measure of equality of opportunity as the quantity.

Workers should not be forced to be economically active when, for whatever reason, this is not possible. Some older workers will struggle to make the transition to employment in the new economy, and should not be penalised as a result. And, very significantly, both workers and employers continue to like early retirement.

Points from discussion

- Both the UK and Germany have experienced the same problem of a large number of unemployed older workers, but have dealt with it in different ways: in the UK to

a large extent through disability benefit, in Germany through early retirement schemes. There is little evidence of the impact of alternative programmes, e.g. for getting older people back to work, on older people themselves. In Germany especially an 'early exit culture' has developed – older people have to be encouraged to want to work, and that depends on the sort of work available.

- Policy makers seem to be stuck in a binary divide whereby people either work or do not work. Policy needs to be more flexible and recognise that people are in different situations at different times. They may enter the workforce late; or wish to work to a later age; or want to work part-time. Given that people are living longer, why work very hard for a relatively small proportion of the increasing life span? One-size-fits-all solutions will no longer work – social policy must take account of the discontinuities of people's life course.
- A recent survey of attitudes to and expectations of retirement among people aged 50 to 70 in the UK found that 93 per cent think that people should be allowed to continue working as long as they want to; and that two thirds think that government should abolish the compulsory pension age. The problem is the way work is currently organised. But, for example, the acute job shortage in the south east of England is forcing employers to change their behaviour; they are, for example, creating more opportunities for part-time, or seasonal, or flexible employment.
- We live in the age of consumer citizens who do what they want to do and tend to ignore what the government wants unless there is a big incentive attached. The nature of ageing is changing – 'old age' nowadays offers many more opportunities, and the generation now retiring wants to do retire, and can generally afford to do so. For younger generations, the prospects are less rosy. They have generally entered the workforce later and will leave it earlier, and as a result will have contributed less to their occupational pension, which is in any case less secure. These generations face a real risk of poverty, and may not be able to retire early.
- Age discrimination at work remains a significant issue. The cost to the UK economy of not employing older workers is £31 billion. Some employers are leading the way, but their enthusiasm about employing older workers needs to spread more widely. Codes of practice are not enough – we need to create attitudinal changes. There is not enough real commitment behind governments' rhetoric about retaining older people in the workforce.
- In Germany, age has not been considered as a discriminatory factor – not even by older workers themselves. There is considerable discrimination and lack of awareness: Germany lags behind in anti-discrimination legislation, a very high proportion of employers do not employ anyone over 50, and very little training is available to older people.
- Britain is not focusing enough attention on the health of older workers and the steps that can be taken to support their employability. By contrast, occupational health is a strength of the German system.

Britain and Germany in detail: income and poverty

A German perspective

■ *Dr Uwe Fachinger, Senior Lecturer, Centre for Social Policy, University of Bremen*

(Dr Fachinger spoke at short notice as a replacement for Professor Dr Winfried Schmähl, who was ill.)

Dr Fachinger started by reviewing the varying systems of compulsory pensions insurance in Germany for different categories of employee and for self-employed workers. The pension paid by the statutory pension scheme represents about 70 per cent of the income of older people in west Germany, about 85 per cent in east Germany; the pension paid to former state officials (which replaces the statutory pension) also represents about 70 per cent of income. These proportions rise slightly with age.

Successive pension reforms since 2001 include

- reducing pension levels – net income from statutory pensions will fall by 12.7 per cent between 2005 and 2030
- improvements for women
- abolition of disability pension for younger people
- increasing pension age for unemployed people
- changes to the taxation regime for company and private pensions designed to encourage take-up.

The result of these changes will be to:

- lower public expenditure on pensions and to relieve the contributions burden on companies
- introduce partial privatisation
- extend the contribution period (i.e. the years people work and contribute to their pension) by increasing pension age to 65 for women (as for men), making it more difficult for pensions to be accessed before age 65, and supplementing pensions delayed beyond age 65
- provide lower pensions paid at a higher age
- reduce pensions for those who have paid contributions for a shorter period
- reduce the ability to save for old age in other ways.

Likely beneficiaries will include the very well paid, the very poorly paid, well paid single people and especially couples with two incomes and no children.

In the longer term, Dr Fachinger argued, the outcome of pension reform will be to increase income inequality in old age.

A British perspective

■ *Dr Jay Ginn, Co-director of the Centre for Research on Ageing and Gender, University of Surrey*

The main trend, and also the main issue, in Britain is the gradual privatisation of pension provision. Reforms since the 1980 carried out by Conservative and Labour governments have hidden behind demographic pretexts to cut the value of the state pension and deliberately to promote private pensions. But there is no crisis of sustainability, and the National Insurance fund has a £24bn surplus. Spending on British state pensions is among the lowest in the developed world. On the assumption that current policy continues:

- The basic pension, currently worth 15 per cent of average wages, will be worth 7 per cent in 2050.
- The value of the second state pension (which remains voluntary) will fall from 37 per cent of average wage in 2000 to 20 per cent in 2050
- Spending on state pensions will fall from 4.4 per cent of GDP to 3.4 per cent, despite increasing numbers of older people.
- Spending on means-tested income support will rise from 1 per cent of GDP to 2.6 per cent.

The 1974–79 Labour government improved state pensions, especially for women. Since then, the ideology of both parties has been public bad, private good, accompanied by a rhetoric of individual responsibility that has promoted saving through private-sector financial institutions. At the same time support for public welfare, especially for state pensions, has grown. State pensions are the most widely supported social security benefit; 80 per cent think that the basic state pension is inadequate and 78 per cent want more spent on state pensions.

Why was resistance to cuts in the state pension notably less successful in Britain than in other countries such as Germany and Italy? Cuts were done by stealth – the changes were complex, obscure and gradual. Important groups had a major stake in private pensions: organised labour thought that its occupational pensions were safe; and the upper-middle classes could look forward to secure incomes in retirement. In addition, financial penalties for leaving private plans for the state second pension gave members of the new personal pension plans created from 1988 onwards (up to 5 million people) a vested interest in private-sector pensions.

Pension privatisation has led to increasing poverty among pensioners and a widening inequality of pensioner incomes. In 1981 16 per cent of people aged 65 and over had an income of less than 60 per cent of the median income of the population as a whole; in 2001 the proportion was 21 per cent. Pensioner poverty (measured by those receiving income support) is highest among the very old (85-plus), manual workers, and divorced people. By 2028, 75 per cent of pensioners will receive means-tested benefits. Income from private pensions goes disproportionately to people who had professional and managerial jobs and to men. Women do badly out of private pension schemes because, unlike state provision, these ignore time spent caring (e.g. for children, parents). Between 1979 and 1996 the real income (before housing costs) of pensioner couples in the bottom

income quintile grew by 34 per cent; those in the top quintile saw their real income grow by 80 per cent.

Public subsidies to private pensions (in the form of tax relief on contributions) now represent 2.5 per cent of GDP. This spending largely benefits high-paid, male workers – the low-paid gain little from tax relief. Personal pensions are also very expensive in comparison with the state system – charges can represent over 20 per cent of what the investment earns.

The individualisation of risk has had severe consequences. Personal pensions have fallen in value by 30 per cent since 2000. And well over half final salary occupational pension schemes are being closed, either completely or to new members.

In the state system, Pension Credit (paid to the poorest pensioners) undermines incentives to save by withholding benefits from older people with small amounts of savings. Pension Credit also fails to reach many of the poorest pensioners – between one third and half do not claim. Many women gain little or nothing from Pension Credit.

There is general agreement that the UK's pension system needs a change of direction. The exception is the government, which fails to make the case for private pension provision. The question facing Germany and the rest of the EU is: can privatisation achieve a fairer result, and avoid the dramatic impact on pensioner inequality it has had in Britain?

Points from discussion

- What can Germany learn from Britain as it increases the importance of the private element in pension provision? While individual older people who draw a private or occupational pension may be better off, the collective support for private pensions undermines the commitment to the more comprehensive public pension. Privatisation is less redistributive and less effective and so harms society as a whole. Private pensions depend on the stockmarket, which is risky for everyone, especially for workers with low incomes. In Germany state pensions are paid at a decent level, which means that everyone is more secure.
- Private pensions are not bad as such – the issue is to establish intelligent regulation. The advantage of private pensions lies in the opportunity for capital growth.
- A state pension system can protect low income groups and give credits for time spent caring. While in principle a private system can do this as well, no existing private pension system allows credits for caring, and means-testing alone is not enough to give women credit for time spent caring. In addition, heavy tax subsidies are necessary for private pensions to work – workers who cannot afford a private pension lose out because they do not benefit from the tax subsidies.
- The younger generations in Germany are increasingly objecting to a system that requires them to pay high contributions but seems to offer them little in return. To qualify for social assistance they will have to work for 30 to 35 years, but changing work patterns mean that many will not work for so long.

Britain and Germany in detail: long-term care

German and British perspectives

- *Joint paper by Professor Caroline Glendinning, Assistant Director, Social Policy Research Unit, University of York, and Professor Gerhard Igl, Director, Institute for Social Security and Social Policy in Europe, University of Kiel – presented by Professor Igl*

Both Germany and the UK have similar proportions of older people in their population now, and projections for growth until 2030 are comparable. But, while each country will experience common demand, the similarities end there, for the two countries provide and fund long-term care in very different ways.

The historical background in the two countries is also very different. In Germany the emphasis is on institutional care, which continues to grow. Domiciliary and day care services were fragmented, though the introduction of insurance benefits in kind in 1994 has stimulated their growth. The UK, by contrast, has a long tradition of formal community-based health and social care services, provided by the National Health Service (NHS) or, in the case of social care services, by local authorities.

Funding care

Germany

Mandatory long-term care insurance (LTCI) was introduced in 1994; most people pay into the state system, some to private schemes. This produces an entitlement to funding based on standardised 'substantial need' criteria applied consistently nationwide. Benefits are not means-tested, and there are no age limitations; both home and institutional care are funded.

UK

Resources are targeted at those most 'at risk'. Long-term care funding forms part of mainstream budgets for health, social services and social security; social care generally is underfunded in comparison with the NHS. Central government targets additional investment in specific areas to create improvement. Apart from cash benefits for older people with disabilities and carers, there is no automatic entitlement to care. Individualised assessments are used to determine eligibility for different services, and access can depend on the extent of family care available. Eligibility criteria for care vary according to country (England, Scotland, Wales, Northern Ireland), sector (health, social care, social security benefits) and care location (home/institutional care). An assets test (including the value of property) determines access to publicly funded residential care.

Choice

Germany

People can choose to receive LTCl benefits in cash or in kind (or a combination of both); and can choose between service providers, including between formal and family care.

UK

Little real choice is available. Individual service 'packages' are closely specified by care managers, and choice only exists between providers who have a contract with the local authority concerned. A small number of older people receive direct payments (benefits in cash) which they can use to purchase their own support or care.

Informal/family care

Germany

Informal carers carry out a high share of domiciliary care – the system would break down without them. Informal carers are not paid, but if the person being cared for receives long-term care insurance the carer is entitled to social protection and respite care.

UK

Here too family carers play a significant role; assessments of older people for services also tend to discriminate against family carers. However, carers have the right to be assessed for their own needs and are entitled to an income replacement benefit; 'soft' support – groups, information, advice – is also available.

Service provision

Germany

The *Länder* and municipalities are responsible for planning to ensure adequate provision. Planning may not affect competition – providers have to be treated equally. There is a strong division between health care (funded by sickness insurance) and long-term care (funded by LTCl). Sickness insurance also funds nursing care at home and (from 2005) in institutional settings.

UK

Local authorities play a major role in planning and commissioning local services, and purchase most institutional care and home care from independent organisations. Central government has recently invested heavily in intermediate care services to prevent emergency hospital admissions and encourage early discharge and rehabilitation. Front-line social care and community health services are increasingly integrated.

Both countries struggle to provide adequate services for people with dementia.

Quality

Germany

Quality issues began to be taken seriously after the introduction of LTCl. Quality is improving nationwide, but uniform, measurable standards are still lacking. Quality regulation is being introduced for institutional care.

UK

Quality inspection is well developed, with national standards for older people's health and social services. Since 2002, a single agency has inspected all provider organisations, both local authority and private; and common quality standards apply to all sectors.

Staff issues

Germany

There is a major debate about the regulations requiring a minimum percentage of qualified staff in institutional settings, which are not always respected.

UK

Major staff shortages (partly because of near-full employment nationally) are affecting service quality (especially continuity of care). National government initiatives are designed to help recruitment and retention and establish career pathways.

The political context

Germany

The principle of long-term care insurance is broadly accepted, but considerable funding problems remain. There is strong federal legislative control over LTCl.

UK

Public support for state funding of long-term care is high, and asset tests for access to public funding for institutional care cause considerable resentment, exacerbated by the difference between Scotland (where there is public funding for personal as well as social care) and the rest of the UK. Responsibility for care provision is devolved to the NHS and local authorities, but central government retains strong regulatory and financial control.

Points from discussion

- In the UK, the importance of designing and delivering culturally appropriate services for an increasingly diverse older population is generally accepted – though practice lags a considerable way behind theory and there are considerable variations around the country. In Germany, cultural appropriateness has not yet reached the agenda, and there is little understanding of what it signifies and the reasons for its importance.

- While Germany has enough qualified care staff, there are major issues around training future staff and ensuring that volunteer carers (which, in this context, means family members) receive adequate training. In Germany, being a carer of older people is a profession. In the UK, by contrast, caring work is not regarded in this way, and there is no generic professional qualification, although NVQs are beginning to fill this gap; by 2005 half the staff of a care home must have a minimum qualification. But the NVQ focuses on functional care, and does not offer specialist training in caring for people with, for example, stroke or dementia. Moreover, little is known about the impact of improved training on the quality of care given in residential homes or in individuals' homes.
- Intermediate care (i.e. care designed to prevent hospitalisation or to support people after hospitalisation) is vitally important in both countries for social and demographic reasons. Population growth over the next 20 to 30 years means that more older people will need more complex and longer-term care – who will look after them? In Germany, delaying entry into the care system for six months will solve staff shortages. In the UK, intermediate care is a government priority receiving additional funding.
- In the UK, the community care reforms of 1993 introduced care management on a universal basis. Care managers commission and co-ordinate complex or multiple 'packages' of social care services for older people; in some localities the co-ordination of health care services is included in care management arrangements. Within the NHS, there is growing interest in proactive approaches to helping older people with complex health problems (also sometimes termed case management). The aim of these initiatives is to improve the self-management and professional management of chronic or complex conditions and reduce the incidence of medical crises and unplanned hospital admission. Both these co-ordinating arrangements are rare in Germany.
- Older people are themselves increasingly acting as carers for their partners and other same-generation relatives, as well as for their own very elderly parents or parents-in-law. Britain offers carers significant local support in the form of information and advice chiefly through the voluntary sector. Grants for carers are being introduced, and the statutory services are obliged to assess the needs of carers.
- The importance of housing in social care is often neglected. A move to a different form of accommodation – e.g. assisted living, extra care housing – may resolve social care problems. Housing and social care services should work in partnership.

Britain and Germany in detail: social and political participation

A German perspective

■ *Professor Dr Christiane Rohleder, Professor of Sociology, Catholic University for Applied Sciences Nord-Rhein Westfalen, Münster*

Since the early 1990s most commentators have accepted that the social and civic participation of older people needs to be strengthened. This participation expresses itself through access to educational opportunities and social networks as well as through participation in associations and clubs. While these have a long history, Germany does not have a significant tradition of citizen involvement – more than in the USA and many other European nations and the USA, it is left to the state to provide services. However, the establishment in 1999 of a Parliamentary commission to investigate the topic of citizen engagement has led to increased interest in this form of co-operative, communal activity.

For older people, civic engagement is increasingly viewed as a means of developing a new role for older people and so fostering social integration. This is also linked with the economic crisis – older people are regarded as having the potential to take over work previously done by the state, and civic activity is also seen as an alternative to paid work for the long-term unemployed. A good deal is known about civic activity among older people:

- ‘Younger older’ people are most involved: 40 per cent participate, in comparison with 36 per cent of everyone aged over 14 and only 18 per cent of people aged over 75.
- The proportion of ‘younger older’ participants is growing fast – up more than 5 per cent between 1999 and 2004, compared with a 2 per cent rise among the 14-plus population as a whole.
- Participation levels reflect social inequality. The proportion of women, single people, migrants, senior citizens from east Germany, and people with low educational attainment and/or low income who participate is below average.
- Most older people participate in activities (e.g. sporting, religious, social) that are not age-based, and do not get involved in age-related political and civic initiatives.

Various programmes designed to increase civic participation by older people have been introduced during the last few years at local (i.e. commune), *Land* and national levels. Most activity – e.g. establishing local associations and specific initiatives – has happened at local level; pilot projects and support structures have been developed regionally and nationally.

Seniorenbüros (senior citizens’ offices) are the first example of a local infrastructure to promote volunteering in old age. About 160 have been opened following a nationwide

government initiative. The offices provide information, act as networking organisations, and support civic engagement by older people. Limited financial support from central government meant that funding varies according to the extent of local support; some offices have paid staff, others are run entirely by volunteers.

A second initiative launched in 2002 – *Erfahrungswissen für Initiativen* (Know-how for Civic Initiatives) – trains older people to help others develop civic participation initiatives, so developing and fostering skills through a multiplier effect. Ten *Länder* and 35 communes are participating in the pilot programme, which will train 1,000 trainers. Initial participants are mostly well-educated and from higher income groups. This initiative represents a shift in emphasis towards programmes designed to have a multiplying impact.

Since the 1970s, older people have been involved politically through senior citizens' advisory councils; there are now more than 1,000 of these at local level, feeding into *Land* and national advisory councils. Because the advisory councils have no official legal standing, their influence varies widely and is generally limited; communal and local councils are not required to consult them or take note of their views. The advisory councils are criticised as middle-class bodies often dominated by party functionaries; they have few members from minority ethnic groups and their targets are often limited and local. Generally speaking, advisory councils are only as effective as the political context allows them to be – only one *Land* (Nordrhein-Westfalen) provides any funding for their work.

Changes that would support the civic engagement of older people include:

- higher and permanent funding of a central support structure
- access to funding for initiatives at local level and over a wider area
- extension of senior citizens' advisory councils nationwide and creation of a legal right to make representations to local councils
- extension of civic engagement programmes beyond 'younger older' people in order to foster the involvement of different sectors of society.

A British perspective

■ *Dr Tony Maltby, Senior Lecturer in Social Policy, Institute of Applied Social Studies, University of Birmingham*

Europe's ageing population is creating considerable potential for a new politics of old age. In Britain this is expressing itself through gradual moves to involve service users in formulating and implementing policy. However, while policy-makers may listen to older people, all too often they neither understand what older people are saying nor wish to take action.

The election of the Labour government in 1997 brought a major change in the nature of public involvement: service users, especially older people, were to be at the centre of policy-making. A second aim was to create closer links between service users and service

delivery. This led to increased political activity around old age – organisations such as Age Concern, Help the Aged and the National Pensioners Convention started campaigning activity, and the government's Better Government for Older People (BGOP) initiative has had considerable influence at local level.

Data on the involvement of older people are relatively scarce. A 1997 survey showed that volunteering increased overall during the 1990s; more people aged 65-plus volunteered, but fewer people aged 55 to 64 did so. Another survey, in 2000, showed that civic engagement was lowest among people aged 16 to 29; the 50 to 59-year-olds and people aged 70-plus were the most engaged (20 per cent in each category), those aged 60 to 69 only slightly less so.

BGOP aims to make a difference to the lives of older people as citizens and to engage them in decision-making. Based on the experience of 28 pilot projects, BGOP made recommendations for action in areas such as combating age discrimination, engaging with older people, and meeting older people's needs. The government responded positively, setting up the National Partnership Group, which has direct representation of older people, to advise government. BGOP is also active at local level and has supported initiatives such as the Elders Council of Newcastle. This strategic alliance of local organisations published *The Way Ahead* manifesto outlining the case for older people having more say and an active role in how the city is run.

Older people are clear about the principles that are important to them. These centre on being valued, being seen as a resource, having choices and control, and receiving 'joined up' and accessible services and information. The issues important to older people range from lifelong learning through health and social care, housing, transport and finance to the environment, community regeneration, and equality and diversity.

Ageist social and political structures have hindered active ageing. The challenge now is to overcome ageism and to challenge stereotypes and negative perceptions. 'Years have been added to life, now we must add life to years' (World Health Organisation). The basis for support for older people should take the form of a preventative community strategy engagement undertaken by agencies in partnership and by citizens.

Points from discussion

- In both countries, older people want to participate. The question is: how can this be achieved? The senior citizens' advisory councils in Germany are symbolic, and have no legal basis; in the UK, there is no direct representation of older people and their interests.
- Do older people need direct representation? In Germany and especially in Britain, older people are active in political parties, and thereby influence policy and represent the interests of older people.
- There are enormous inequalities in participation. Broadly speaking, the more educated you are and the greater your income, the more likely you are to engage in some form of civic activity. It is also unusual for older people to start volunteering

if they have not done so before when they were younger. The question for politicians who want to increase participation and volunteering is: how can people be supported to do so, and not experience discrimination on social or economic grounds?

- It is important to nuance definitions of volunteering. In Britain, while middle-class people dominate formal voluntary organisations, less advantaged people participate to a greater extent in informal care networks, community organisations, tenants' associations etc. And they are also more willing to care for family members.
- What will happen when the baby-boomer generations grow older? Will their expectations differ from those of today's older people? The likelihood is that they will be more willing to participate more actively, and will also expect their participation to achieve results in the form of higher-quality services.