



Labour market policies for older workers: Great Britain and Germany compared

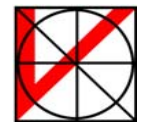
Paper, presented at the conference “European comparative research on ageing – challenges and opportunities”, Vechta, Germany, June 22- 24

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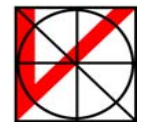
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I. Introduction

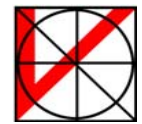
- Paper is based on recent research project carried out for the Anglo-German Foundation on “Labour market policies for older workers and demographic change”
- Focus of this paper is on active labour market policies (ALMP) for older workers over the last five years
- Central questions leading the presentation :
 - How have ALMP’s changed at the background of demographic and labour market challenges?
 - Do policy changes indicate a convergence of employment regimes or does path-dependency prevail?



“Employment regimes” in the UK and Germany

- United Kingdom:
 - liberal regime with minimum employment protection
 - level of unemployment compensation is limited (flat rate)
 - **active labour market policies are weak and intervention in labour market is low**

- Germany:
 - governed by an employment-centred type of regime with strong employment protection
 - level of compensation dependent on employment records (60% respectively 65% of net wage)
 - **active labour market policies are extensive, interventionist approach**



Public expenditure in labour market programmes as a percentage of GDP, Germany and the UK, 2004

	Germany	UK
Total of selected	1.14	0.52
Labour market training	0.36	0.13
Integration of the disabled	0.15	0.02
Job creation	0.13	0.00
Start-up incentives	0.13	0.00
Employment incentives	0.08	0.00
PES and administration	0.29	0.36

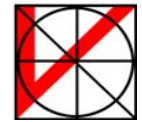


II. Demographic change and labour force participation



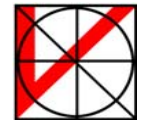
Demographic change

- Both Germany and the United Kingdom are experiencing a substantial ageing of their workforces
- Workforce ageing is no longer slowed down by early exit and a lower retirement age for women
- The lower retirement age for women has already been abolished in Germany and will cease to exist in the UK between 2010 and 2020
- Early exit is currently restricted by statutory measures in Germany and due to changes in the system of occupational pensions in the UK



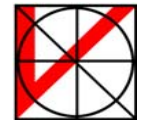
Demographic change in working age population

	UK 2000	UK 2020	Germany 2000	Germany 2020
Average age	39.0	40.2	39.6	41.5
Proportion 50 to 64 years	27.0	32.0	30.3	38.8

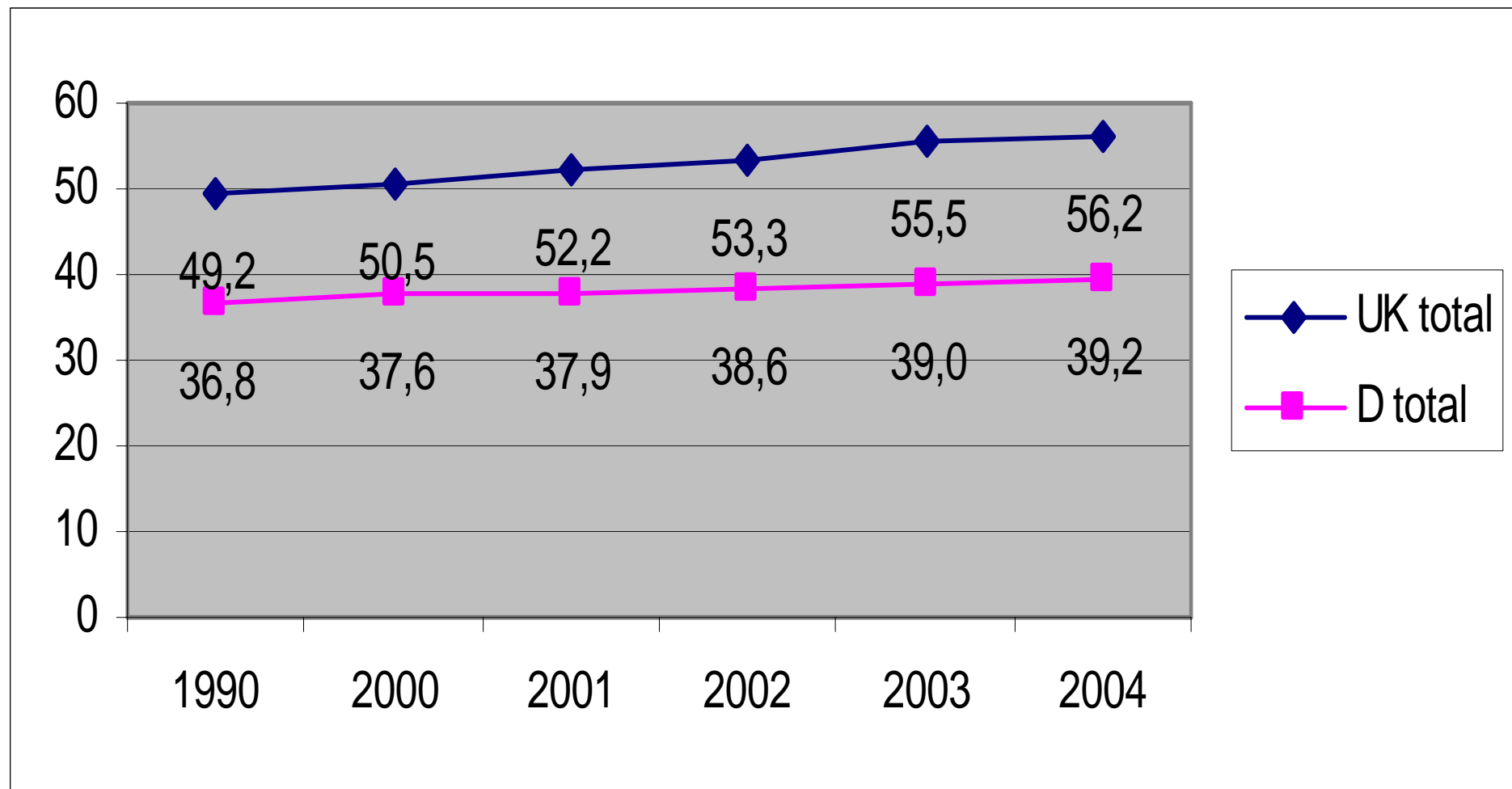


Main trends in labour market participation

- Labour force participation is improving in both countries, though with more dynamic and on a higher level in the UK
- However, differences in employment rates decrease when these rates are adjusted to working time
- Unemployment of older workers is still exceptionally high in Germany and considerably low in the UK
- However, unemployment in the UK has decreased substantially before any ALMP were implemented
- In the UK inactivity is boosted by the receipt of incapacity benefits, inactivity in Germany can be drawn back to partial retirement and others forms of early exit



Employment rates of older persons aged 55 – 64, UK and Germany 1990 - 2004



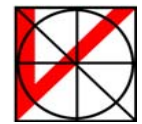


Employment rates of persons aged 50 – 64 before and after adjustment for hours worked, Germany and the UK, 2000 (%)

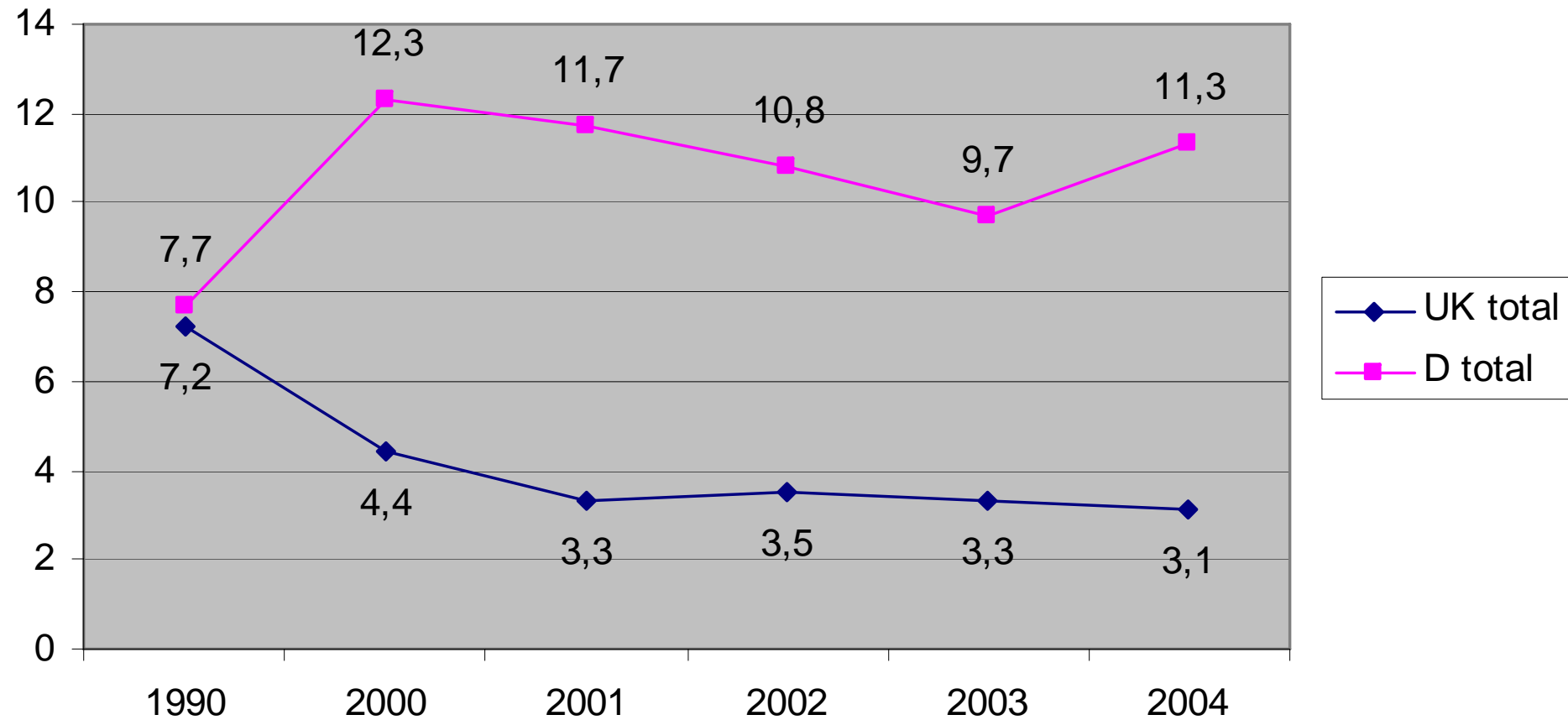
	Men	Men	Women	Women
	Unadjusted	Adjusted	Unadjusted	Adjusted
Germany	57.7	59.0	39.6	29.0
UK	68.6	65.6	52.9	33.5
Differences	10.9	6.6	13.3	4.5

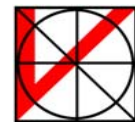
OECD 2004

The adjusted employment rate is obtained by multiplying the employment rates by weekly hours worked and dividing by 40



Unemployment rates among workers aged 55 – 64, UK and Germany 1990 – 2004 (%)



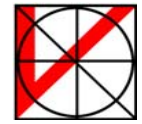


Reasons for being inactive, persons aged 50 - 64 UK and Germany 2000 (%)

	Germany	UK
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



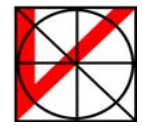
III. Development of ALMP in the UK



Main developments in the UK

- **2000: “Winning the Generation Game – Improving opportunities for People aged 50 to 65 in work”:**
 - Emphasis on re-activating older workers and tackling age barriers in the labour market
 - Build upon the new “New Deal 50plus” and provide job-search assistance for people on sickness and disability benefits

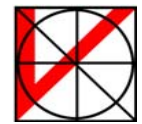
- **2001/2002: Election manifesto and Pension Green paper:**
 - Aim to raise the employment rate from 50 per cent to 70 per cent
 - Implement age discrimination legislation in 2006
 - Extending New Deal 50 plus by introducing a new package of more intensive back-to-work help for people aged 50 plus



Main developments in the UK

- **2002: “*Pathways to work – helping people into employment*”:**
 - pilots on “work-focused” interviews for new IB claimants
 - pilot on a “Return-to-Work-Credits” for IB claimants

- **2005/2006: National strategy for an ageing society and “A new deal for welfare – Empowering people to work”:**
 - extending pilot provisions for IB claimants nationwide
 - Requirement for unemployed 50 to 59 to take up additional job-seeking support through New Deal 25plus
 - piloting obligatory work-focused interview and action-plans in New-Deal 50 plus



UK: New Deal 50 plus - elements and outcomes

- Incremental changes and limited outcome
- UK's New Deal 50 plus scheme is voluntary for those out of work for 6 months or more, who receive practical help from a personal adviser
- 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 part of the Working Tax Credit. The amount depends on the individual's income and circumstances
- Originally, an individual received an Employment Credit on top of their wage if they took a job

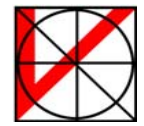


UK: New Deal 50 plus - elements and outcomes

- Since its launch in 2000 150,000 clients have moved into employment via the programme.
- However, this represents only a minority of those classified as unemployed and only a third of those who are actually eligible.
- The employment credit was the scheme's most attractive feature, although there was evidence of deadweight effects
- After introducing tax-credits, take-up of New Deal 50 plus has decreased
- Take-up of training-grant is negligible (2.000 in 2002)



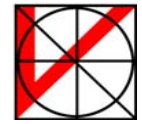
IV. Development of ALMP in Germany



Main policy developments in Germany

- **2001: Joint declaration of ‘Alliance for Jobs, Training and Competitiveness’:**
 - Shift in paradigm: Focus on integration of older workers
 - raising awareness among business and workers of the benefits of lifelong learning;
 - promoting vocational training for older workers

- **2002: Job-AQTIV-Law**
 - Introducing an activating approach: Job profiling and re-integration contracts
 - Additional measures for older workers: Funding of vocational training for workers aged 50 and over SME’S
 - However, training measures in general were reduced and stricter success criteria apply



Main developments in Germany

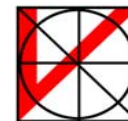
- **2003/2004: ‘Modern Services on the Labour Market’:**
 - Reduction of traditional ALMP (long-term training, job-creation) and emphasis on job search assistance
 - Temporary wage guarantee for unemployed aged 50 and over to stimulate take up of lower paid jobs
 - Exemptions for employers from contributing to unemployment insurance when employing older workers

- **2005/2006: Coalition agreement and “Using the power of experience – perspectives for an ageing society”:**
 - Mainly summarizes recently introduced measures
 - New: 62 regional pilots for the integration of older long-term unemployed
 - Job-creation for long-term unemployed aged 58 plus on the basis of social assistance payment and as a bridge to retirement (3 years)



Selected policies in Germany

- Structural shift in the system of ALMP, however the overall intervention degree has remained quite stable
- Substantial reduction of training measures and tightened eligibility criteria that discriminate against older unemployed
- New subsidies for older workers are not effective so far due to flaws in implementation
- In particular, wage-subsidies and short-term training and job-testing measures are favoured



Participants by selected measures, 2000 - 2003

	2000	2003	increase/ decrease
Long-term training	26.400	13.800	- 48%
Job-creation scheme	68.000	36.500	- 46%
Job-creation structural	27.000	25.100	- 7%
Free measures	6.800	3.700	- 46%
Short-term training	5.800	10.400	+ 79%
Wage-subsidies	36.000	77.000	+ 86%
Start-ups	4.400	8.200	+ 86%
New measures	----	5.000	added
Total	174.800	179.700	+ 3%



V. Conclusions



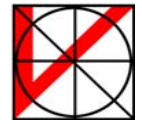
Conclusions

- A shift in paradigm has been achieved in both countries concerning the integration of older workers and a reversal of early exit policies
- Several concrete measures have been implemented, which aim to promote the labour market integration of older workers
- Policy approaches have shifted towards a more activating approach
- However, significant differences prevail



Convergence or path-dependency?

- The shift in paradigm in the UK only leads from a non-interventionist to a low-interventionist approach
- Strong dominance of a job-placement and workfare approach, measures for improving employability (training, health promotion) remain negligible
- Nationwide measures for job-creation, employment incentives and funding of start-ups for older unemployed are not existent



Convergence or path-dependency?

- Endangered interventionist approach in Germany: There is a shift towards activating approaches that discriminate against older workers
- Employability and health promotion is not improved further
- However, there is still a wide array of active labour market measures regulated at the federal level
- Additional measures to integrate older workers in the labour market such as wage insurance and special training grants have been implemented



Conclusions

- The pressure of labour force and population ageing is clearly dealt with on the basis of the respective employment regime
- The policy approach of activation represents a rather distinct mix of policy measures between the UK and Germany
- The differences in the employment regime of the UK and Germany restrict transferability of policy approaches and measures
- Policy learning can only be achieved when principles are adjusted to the respective regime



Recommendations

- Strengthening active-integrative measures, both conceptually and through additional funding
- Fostering a co-ordinated, joined-up approach, both at the level of the government and at the individual level
- Introducing a preventive and life course perspective through closer linkages between public employment policies and human resource policies of companies
- Providing measures for the social integration of older unemployed and socially acceptable pathways for early exit of special risk groups of older workers