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Older workers in Germany – no paradigm shift so far

Do other European countries perform better?

**European Comparative research on
Ageing – Challenges and Opportunities**

Sektion Alter(n) und Gesellschaft

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Overview

- 1. Introduction**
- 2. Present labour market situation of older workers**
- 3. Labour market measures: effectiveness and impact**
- 4. Different regulations for an early exit**
- 5. Importance of additional factors**
- 6. Conclusion**

I. Introduction

Challenge (Problem):

- **Insufficient labour market situation of older workers in Germany**
- **Still divergence between activating instruments and measures encouraging early withdrawals**

Opportunities (Improvement):

- **Performance of other “pre-retirement countries” better compared to Germany**

Do other countries perform better?



II. Present Labour Market Situation

Insufficient situation from a national view:

➤ **Employment: Too low**

→ 2004: 41.2 p.c. (55-64) vs. 77.3 p.c. (25-44)

→ Still massive employment deficit

➤ **Unemployment: Low risk of becoming unemployed, but high risk of staying in (long-term) unemployment**

→ 2004: 11.0 p.c. (55-64) vs. 10.5 p.c. (15-64)

→ 2004: 17.8 p.c. (12 months); 31.5 p.c. (24+ months)

II. Labour Market Situation

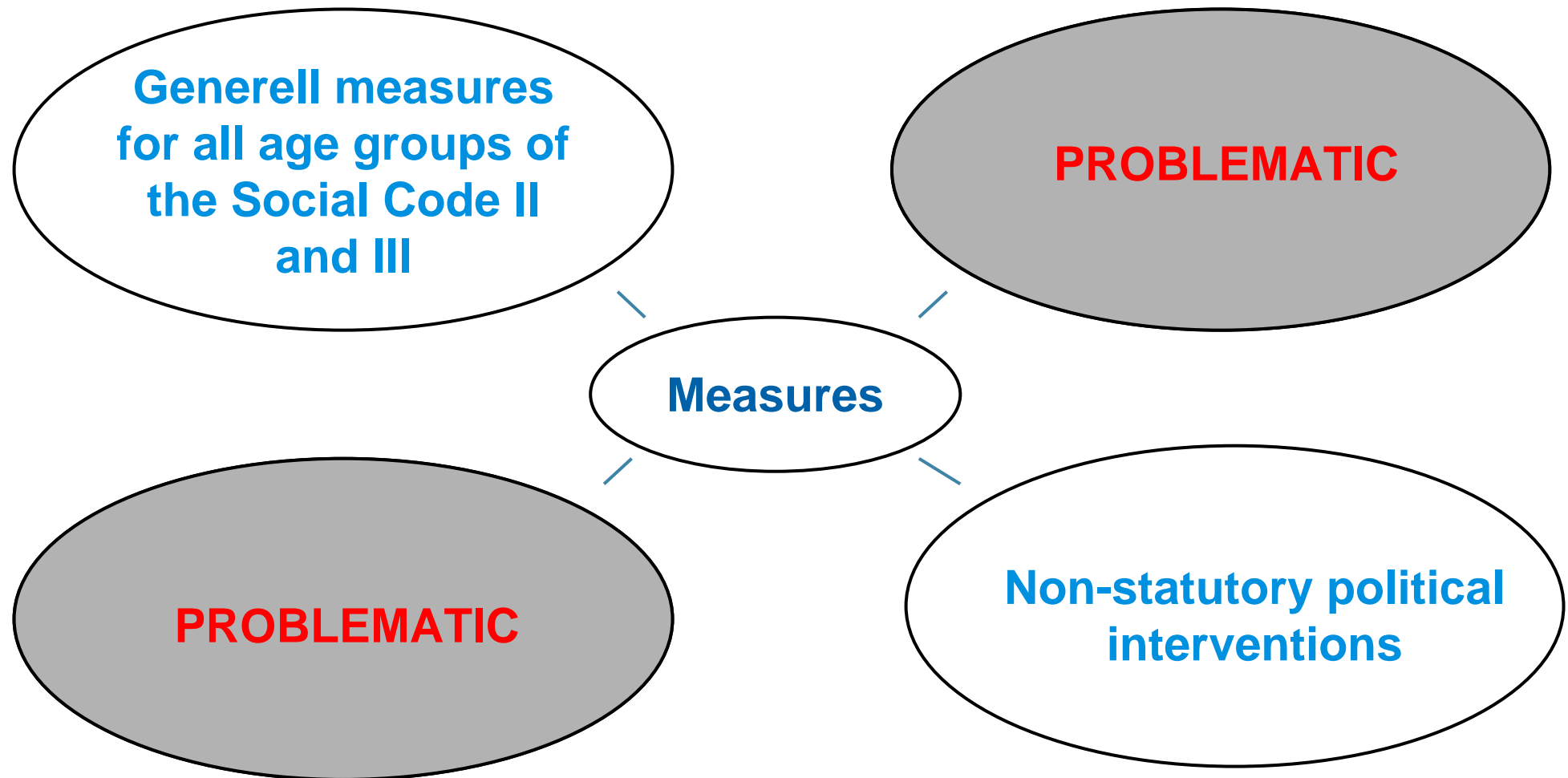
Also insufficient from an international perspective:

- Performance: Germany is lagging behind other countries
- Still no fulfilment of the EES Goal (Employment Rate of 50 per cent by 2010)

Employment and Unemployment Rates 55-64 (2004):

	AUT	GER	NL	FIN	UK	DK	SW
ER	28,8	39,2	44,8	51,0	56,2	61,8	69,5
UR	3,8	11,3	4,0	7,3	3,1	5,6	4,9

III. Labour Market Measures



III. Labour Market Measures

Effectiveness:

- **Intensive use of passive instruments compared to active measures**
- **Different meaning among the active measures**
 - High use of general measures
 - Less importance of the special instruments in the area of activation
- **Growing importance of part-time pension and 58-regulation**

III. Labour Market Measures

Reasons:

- **Low state of knowledge of the new instruments**
- **Difficult administrative handling of the specific instruments**
- **Discrimination (windfall gains by employers)**

III. Labour Market Measures

Impact:

- **Ambivalent balance of the labour market instruments**
 - Reduction of the strong incentives for an early withdrawal, but still options for an early leave from the labour market
- **I.e.: Certain measures repress the consequent activation of older workers**
- *NO PARADIGM SHIFT*

IV. Different regulations for an early exit

- Improvements in previous “pre-retirement countries”, but still other exit options available for older workers

Exit options:

1. Early retirement

- Early retirement (in the narrow sense) financed by the pension scheme
- Losing its relevance more and more due to the various pension reforms in the certain countries

IV. Different regulations for an early exit

2. Unemployment benefits

- Early withdrawal through unemployment insurance by means of longer durations of receiving unemployment benefits and/or the exception of elderly from activation policies

3. Disability Benefits

- Early withdrawal through inability to work, reduction in earning capacity and long-term illness
- Indications that disability pension *de facto* took over the function of an early retirement measure

IV. Different regulations for an early exit

- **Change in trend in all countries:**
 - Political reforms/ regulations for restricting the incentives for an early withdrawal

But:

- **Despite all reforms still possibilities and special regulations favouring the early leave of elderly**
- **Receiving disability benefits still plays a bigger role in those countries than in Germany**
- **Substitution effect: Decrease of number of unemployed, but increase of disability recipients**

V. Additional factors

Result:

- **Restrictions of pre-retirement options not stronger in other countries compared to Germany**

But:

- **Importance of additional factors besides political reforms and interventions**
- **Employment upswing of older workers more influenced by**
 1. Demographic development
 2. Higher employment rates of women
 3. Economic conditions

V. Additional factors

- **Further aspects to take into consideration:**
 - Promotion of employability
 - Inactivity rate

At the end:

Do other countries really perform better in terms of employing or reintegrating older workers?

VI. Conclusion

Taking all factors into account:

- **Germany's performance compared to other countries remarkable**
- **But importance of other factors like economic conditions or female employment, not only political regulations**
- **Different meaning of activation among the countries**
- **Cautious optimism for Germany, but need for actions**

VI. Conclusion

- **Germany: Transition period with small but insufficient improvements**

Aim:

- **Higher promotion of and integration into employment also in later working life**
 - Considerable role of an active (better: *activating*) labour market policy
 - Reaching the goal not only task of labour market policy, but of all actors (firms, individuals ...)

Thank you