



Employment and labour market policies for an ageing workforce and initiatives at the workplace

National overview report: Germany

Part I

Part II

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Part I

Key emerging themes from company case studies

The German case study sample consists of a total of 19 cases and comprises large, middle-sized and small enterprises of different sectors. Six of these nineteen enterprises were already reported on in the 1990s within the scope of the project “Combating Age Barriers”; they thus concern “old” cases. Three of these companies can today still be referred to as examples of good practice while the measures for the employment promotion of an ageing work-force were discontinued in the three other enterprises for different reasons. The thirteen other cases are in the majority companies which have already been active in the field of ageing, resp. age management for five years or more. Only two enterprises from this sample do not comply with this long term perspective. Nonetheless these enterprises evince sound and interesting initiatives for the promotion of employment of an ageing workforce which justify their incorporation into the data base.

After having been the object of more scientifically oriented debates for some time, the question of employment promotion of ageing workforces has in the meantime penetrated public awareness and has found its way into companies. Even if not all enterprises are active in this field and moreover more than half of the companies do not hire employees above the age of 50 years, one can nevertheless discern an overall high degree of company interest in this issue, as appears from a row of events, initiatives and (regional) networks regarding the topic “demographic change”.

1. Main characteristics of the development of the employment promotion measures/policies of the studied companies over the last decade (expansion, narrowing, extension, abandonment)

In the German sample, there are both companies that have extended their activities in the field of employment promotion of an ageing staff or have shifted their focus as well as companies that have, partly for already more than 20 years, continued the same successful measure. It is, however, difficult to make general statements about the expansion or continuity of initiatives as the particular operational and organisational specifics have to be taken into account. Nevertheless, one can generally state that an altogether stronger involvement of the companies in age management is discernible since the end of the 1990s.

Only three of the companies studied have discontinued their activities in this area. These three companies all come from the sample of the project “Combating Age Barriers” which was conducted in the 1990s. The reasons for this are that the measures of that time have – bearing in mind all the differences – with hindsight proven to be selective measures that were implemented in the context of rationalisation and reorganisation processes within the companies and that were not continued after this phase. In all three cases, this primarily concerned qualification measures that were intended to facilitate the adjustment to changed work-related conditions. Especially work organisational but also technological change processes played an important role in this respect. In all three large-scale enterprises, massive staff cuts were made in the 1990s which were for the main part carried out by means of the early retirement of older employees.

The sixteen examples of good practice are primarily characterised by the continuity of their activities but no general pattern as to the special focus of the company can be ascertained. One can find measures in the field of training and development, flexible working practices, recruitment, health and well being, ergonomics/job design and in two cases one can also observe a comprehensive approach.

Three of these 16 examples of good practice have extended their activities strategically and conceptionally in the course of the years and pursue an approach that is not restricted to older employees only but generally focuses on ageing at work. The Volkswagen AG, KSB and the Sozialholding Mönchengladbach in particular belong to this group. In these companies, an extension of ageing-related measures was successively achieved in the course of time. While this led to a comprehensive approach in the case of KSB and the Sozialholding, the Volkswagen AG developed its so-called “cascade model” that aims at securing adequate deployment opportunities for all employees according to the principle “integration instead of exclusion”.

2. What are the main impacts of measures/initiatives at the company level (e.g. benefits to older workers and benefits to employers, any unintended consequences?)

One can generally say that the initiatives – also those that no longer exist in this form – benefited both the employees and the organisations and enterprises, whereby the kind of benefit is of course strongly linked to the respective measure. While in most cases the economic benefit comes to the fore for the companies, the employees primarily benefit from the maintenance or development of their employability – also beyond the company. The benefits for the older employees can roughly be divided into the fields motivation, health and qualification, whereby individual measures cannot be clearly assigned to one of the fields. The influence of the measures cannot be evaluated or quantified in all cases though. The motivation of the employees, thus the impression won in the talks with the HRM and the workers' representatives, is boosted by all employment promotion measures. This is especially the case if participatory elements are involved in the development and implementation of action. Thereby it is not so important whether these initiatives come from the area of health promotion or of qualification. What seems more important is the active involvement of the employees in the operational change processes.

A quantifiable factor and thus a more or less reliable indicator for the evaluation of measures is the development of the number of employees on sick leave. Especially measures in the area of health promotion and ergonomic workplace design as well as working time flexibilisation help to improve the health situation. Thus the company Wilkhahn, for instance, could more than halve its sickness rate from formerly ten to then four percent by means of a systematic participation-oriented analysis of the stresses and strains of the workplaces and corresponding comprehensive measures of behaviour prevention as well as the prevention of unsafe workplaces. Continental AG could achieve similar successes through improvements in the field of ergonomics and the VAG Nürnberg through a reduction in working hours for older employees. Nonetheless, this indicator too must be taken with a pinch of salt, as the development of the sickness rate reflects the complex concurrence of different processes at the company and at the macroeconomic level and cannot monocausally be ascribed to the company measure.

As some of the initiatives show, qualification measures can also open up new opportunities for older staff members. These need by no means only be measures in the form of classic further education and training workshops. At least as important, according to our interview partners, are workplace-related and work-integrated forms of learning of matters that are of direct practical relevance. The administration of justice Bremen, Siemens, Netto, Fahrion and microTec can, inter alia, be cited as examples of companies and institutions with successful qualification and competence development measures. The prejudice that older employees are unable to educate themselves further could not be confirmed by the companies. Quite the contrary, most of the older employees regarded the training and education, which more-over opened up both horizontal and vertical career chances for some of them in their later working lives, as a personal and occupational gain.

Besides the already mentioned fields of motivation, health and qualification, recruitment measures that specifically targeted older employees were seen to effect positive changes in the self-esteem and self-concept of the staff members. After oftentimes long phases of unemployment, which partly involved resignation and declining motivation, employees quasi blossomed after their re-employment and regained self-confidence and energy. This particularly applied in the case of the companies microTec, Netto, Fahrion and Segmüller.

Altogether, this short analysis shows that the different initiatives and measures are able to maintain and to develop the employability also and especially of older employees.

A strong motivation, good health as well as the development of the older staff members' competencies do not only benefit the employees themselves but also represent an economic advantage for the enterprises. From the companies' point of view this relates to both productivity and cost reduction potentials, whose development support the companies'

innovation ability and competitiveness. However, the companies only very seldomly have reliable data with respect to the question of productivity, so that an evaluation of the measures based on key data is very difficult. Nonetheless, most companies assume that the experience and the practice-oriented knowledge of the older employees benefit the companies. In the case studies, the enterprises mostly avail themselves of these potentials by means of measures in the field of qualification and competence development.

Besides the development of productivity potentials by making use of the experience and the practice-oriented knowledge of the older employees, the companies regard the initiatives for the employment promotion of an ageing staff as an useful instrument for tapping cost reduction potentials. This primarily relates to the sickness costs as in most companies these costs rise in the higher age groups due to longer absences from work. By dint of well directed health promoting measures (ergonomic improvements, reductions in working hours), the sickness rate of the higher age brackets and thus also the costs for the enterprise could be lowered. The VAG Nürnberg, a public transport company, can be cited as a successful example. The sickness rate of the drivers over the age of 57 years could be markedly lowered by means of a cut in weekly working hours. Moreover, the retirement of drivers from the driving service because of unfitness for this service could be halved from about 40 to around 20 per year. For the company, the reduction of absence days and unfitness for the driving service primarily entails economic advantages. The drivers of the age group 57 years and above henceforth effectively drive for more hours than before the introduction of the measure.

A further advantage for the company is seen in the fact that it is well prepared for the demographic change expected in the medium term and the ageing of the workforce associated with it due to its experience in working with older employees and an ageing workforce.

3. Driving forces for implementing good practice at the company level (Please make special reference to the influence of public policy, e.g. legislation or financial incentives, and collective agreements – at national, sectoral or company level – if applicable)

Generally one can say that the initiatives for the employment promotion of older employees, resp. of an ageing staff, predominantly came from the management whereas the workers' representation – if existing was involved in the concrete implementation of the respective concept to differing degrees. The reasons for initiating measures and initiatives in the companies are, however, fairly heterogeneous and must on the whole rather be sought in the respective internal operational and organisational conditions than in external factors such as public policy. The following driving forces can be identified for the German sample, the chosen order does not stand for a weighting of their importance. Furthermore it must be observed that the separation of the individual factors is analytical and that in the operational practice these individual factors often coincide:

- A. Rationalisation and reorganisation measures
- B. Cost aspects (especially sickness and early retirement costs)
- C. Corporate culture and social responsibility
- D. Competitive advantages (utilisation and securing of the experience and practical knowledge of older employees)
- E. Lack of skilled labour
- F. Collective agreements (collective agreement to secure employment)
- G. Demographic development processes

Below, some comments/explanations regarding the respective driving forces:

A. Rationalisation and reorganisation measures

This bundle of causes for the implementation of operational measures for the employment promotion of older employees most notably applies to those enterprises that were already examined within the scope of the project “Combating Age Barriers”, thus in the mid-1990s. All measures of these six companies (Stahlwerke Bremen, nkt cables, Continental AG, Hamburger Hafen- und Lagerhaus AG, VAG Nürnberg, Wilkhahn) were conducted in the 1980s, resp. at the beginning of the 1990s, thus at a time in which far-reaching alterations were undertaken in the operational practice by means of technological and organisational change processes. Especially the new forms of work organisation (e.g. group work) and the introduction of flat hierarchies (e.g. lean management) were connected with new and higher demands on the competencies and qualifications of the employees at all levels. The qualification of the staff members for their new tasks was for the most part organised in an age-integrated way, i.e. older employees were also included in the qualification measures and were prepared for new duties in the companies. The qualification measures were not age-specific in all cases, but they were conceived in such a way that the experience and practice-oriented learning style of the older employees was taken into account. Three of the six enterprises of the sample profited from the well-planned and well-funded programme “Humanisation of the Working World” of the Federal Government. The programme’s objective was to contribute to ensuring that rationalisation projects are not exclusively devised according to economic requirements but that they are flanked by humanisation measures. To realise this objective, the large-scale projects that lasted for several years were 50 percent funded and also scientifically monitored. The financial promotion and the scientific support of the reorganisation processes ensured that the enterprises had enough resources at their disposal for a well thought-out planning and conception of the qualification measures.

The Continental AG furthermore used this reorganisation process, which was primarily technologically oriented, to design the new machine generation for the tyre builders in a more ergonomic way in order to bring down the high absence rates and to raise the early retirement age.

B. Cost aspects (especially sickness and early retirement costs)

Some of the enterprises from the sample are, resp. were, characterised by a multitude of particularly physically straining jobs which, due to accumulating stresses and strains in the course of the working life, lead to a higher sickness rate especially in the higher age brackets as well as to health-related early retirements, respectively to unfitness for work. This entailed partly substantial costs for the companies. By means of health-promoting measures, ergonomically improved job design and reductions of working hours, these companies produced relief that lead to improvements in the above-mentioned areas and thus to cost reductions. This particularly applied to the companies Wilkhahn, Continental AG and VAG Nürnberg.

C. Corporate culture and social responsibility

In addition to cost aspects, the altogether employee-centered orientation of the personnel policies of some of the companies examined by us played an important role for the implementation of the measures for the employment promotion also and especially of the group of older staff members. As reason for the implementation of measures, these companies cite their social responsibility especially towards employees who are exposed to specific employment risks. As part of the corporate culture, a thus defined personnel policy can by all means have different causes. In the case of Wilkhahn, for instance, the corporate culture was strongly shaped by the personality of the founder of the company who from the very beginning represented a co-operative managerial style and regarded social and ecological responsibility as an indispensable basis for entrepreneurial activity. In the case of the supermarket chain Netto, however, the corporate culture concept was adopted from the Danish parent company and adapted to German conditions.

D. Competitive advantages

For some of the companies, the integration of older employees entails competitive advantages as they are able to profit from the practice-oriented and experience-based knowledge of these employees. In our sample, three forms of knowledge and competence use could be distinguished. One option consists in giving older employees the opportunity of more strongly bringing in and using their experience-based knowledge within the scope of career development – thus harnessing the knowledge for the company. This option was, for example, chosen by Efkemann. Older employees who have already worked for the company for a long time, switch to the customer service in their later working lives as experience-based tacit knowledge plays a particularly important role in this department. Fahrion, an engineering company, uses its employees' knowledge in a different way. Here the competencies are not necessarily developed in the course of a long standing occupation within the company but are acquired from the outside. Fahrion systematically recruits older employees with the pertinent experience to close knowledge gaps in the company and to broaden the knowledge base. The innovative company microTec also hires older employees but does not do so exclusively, instead they are recruited within the framework of the company's diversity policy, thus in a mix with other employee groups. With respect to the group of older employees, the company particularly values the know-how that only experienced engineers and skilled workers bring along. This concerns experience in user-oriented development and the ability, accruing from experience of life, to deal productively with difficulties and setbacks, which are likely to crop up in the development of new projects.

E. Lack of skilled labour

The companies in the German sample only sporadically stated the lack of skilled labour as a reason for hiring older employees. This was so in the case of the company Wilkhahn and the company Fahrion. As regards Wilkhahn, the recruitment of older employees proceeded in a rather unsystematic and demand-oriented manner. Thus altogether three people above the age of 50 were hired in the past two years, among them a 60-year-old upholsterer. In this occupation group, there were no younger applicants. In the case of Fahrion, the regional lack of engineers made the company reconsider its human resources policy and strategy and ultimately lead to the systematic recruitment of older engineers as they meet the job specifications particularly well and are available on the labour market.

F. Collective agreements

In only one enterprise collective agreements indirectly lead to an initiative. Thus the Volkswagen AG has a collective labour agreement guaranteeing employee security until the year 2011. The question arose how older employees with reduced work ability could continue to work productively. This situation led to the development of the four-step cascade model in 2002. The four steps of the model are: prevention, integration, integration department (IntegrationsWerk), special assembly. The cascade model bundles the measures which serve to maintain and to restore the employability and the productivity of the employees.

G. Demographic development processes

In addition to the just mentioned concrete and acute reasons for the implementation of initiatives for the employment promotion of an ageing workforce, the demographic development which points to an ageing of the workforce in the medium term also has an influence on the company practice. The expected demographic development is as it were a foil against which the respective operational measures must be seen. Nevertheless, the topic "demographic change" is considered a topic for the future by most companies and does not immediately determine the company practice described in the German case studies. The anchor point for the implementation of measures is mostly a tangible problem in the company that needs solving.

4. Which characteristics of particularly successful measures/policies can you provide? (Please provide short exemplary descriptions of individual cases)

In the German sample, there are both measures that thematically have a narrow focus as well as such with a broader scope. In the following, some of the initiatives that can be regarded as particularly successful or interesting are outlined.

Volkswagen AG (GER001)

To facilitate the employment of workers until they reach a higher working age, a number of preventive measures in the fields of qualification, health promotion, work organisation and personnel development were instituted at Volkswagen Commercial Vehicles.

Group work constitutes a central moment of the demographically-sensitive fields of action and structuring. It was already introduced company-wide at the beginning of the 1990s and has since been augmented by numerous age-based elements. In this regard, especially the right of being qualified for all functions within the group, which is guaranteed by company agreement, must be mentioned in addition to rotation and the integration and extension of assignments.

Nevertheless, there are still a number of stressful productive activities in the company that can often not be carried out by the employees until they reach retirement age. To safeguard the employment within the company all the same, the four-step cascade model was developed. The four steps of the model are: prevention, integration, integration department, special assembly. The cascade model bundles the measures which serve to maintain and to restore the employability and the productivity of the employees. The model's objective is to secure deployment possibilities for all employees and to reintegrate predominantly older workers with reduced work ability into the production area. If this cannot be achieved by means of transfer or temporary employment in the integration department, then special assembly offers the opportunity of employing the performance-challenged outside of the normal performance requirements. The cascade model can be termed a success because it achieves the productive (re)integration of performance-challenged, primarily older workers into operational processes. For the employees this means that they are offered the prospect of being employed by the company until their socially acceptable exit from gainful employment. However, some employees are critical of the pay cut accompanying the reduction in working hours and the possible downgrading.

For the enterprise, bound by the labour agreement to guarantee employee security, the model has positive effects insofar as a reduction of the residual costs can be achieved by dint of the productive employment of the performance-challenged workers.

VAG Nürnberg (Nuremberg) (GER002)

In the 1980s, the VAG conducted the project "Improvement of the Work Situation of Drivers of Public Transport" within the framework of the programme "Humanisation of Working Life". In particular the disease occurrences as well as the cases of unfitness for the driving service of bus, tram and underground drivers were examined. It appeared that about 85 percent of the drivers prematurely quit the driving service due to unfitness for this work and that the number of days of sick leave of the older drivers (from 56 years onwards) was about five times higher than that of younger drivers.

Following this project, a number of measures were developed by the company, of which the "special driver group" proved to be the most effective. A driver group is a group of drivers that have been scheduled on the same shifts. The provision for the special driver group allowed for a reduction in working hours for drivers over the age of 57, irrespective of their state of health. Older drivers were released from one shift per week (short morning shift) with pay retention.

The measure of the special driver group proved to be absolutely effective. The number of days lost through sickness of the drivers aged above 57 could be brought down distinctly. In addition, the exit of drivers from the driving service due to unfitness for the work could be halved from about 40 per year to about 20.

Fahrion (GER004)

In 2000, the firm Fahrion Engineering started to focus on hiring older, highly qualified engineers and has made good experiences with this approach.

This changed recruitment strategy became necessary because the company found it increasingly difficult to find suitable staff on the general labour market. On the one hand, this was connected with its very specific qualification requirements and, on the other hand, with the competitive situation in the greater Stuttgart area.

Therefore it posted a job advertisement in which the company explicitly approached older engineers, foremen and technicians. The text read: “Too old with 45 – superfluous with 55?” Thereupon the company received more than 700 applications. Fahrion hired 19 engineers (mostly unemployed), of which 15 were older than 50 years, for an unlimited period of time. Even today, as a late effect, the company still gets applications which relate to the advertisement of that time. For since then, the company has not needed to advertise anymore and has not had any recruitment problems either. The respective campaign is regarded as a great success by the management, also for the old and new employees and the company is still profiting from the applicant pool even a few years after the actual search.

Sozial-Holding der Stadt Mönchengladbach GmbH (Social Holding Company of the city of Mönchengladbach)

The Sozial-Holding is a private sector organisation that integrates the municipal help for the elderly and care services under one umbrella. In addition, the organisation is also active in the fields employment promotion and labour exchange as well as training and further education. The Sozial-Holding employs a total of approx. 900 people. The professed guiding principles of the company policy are a supportive and personal interaction with the employees with a strong emphasis on communicative aspects while at the same time a sustainable business management is maintained. The Sozial Holding pursues a comprehensive approach and sets great store on long-term human resources and employee development which, however, does not rule out the recruitment of employees above the age of 50 if their skills and qualification fit the job profile.

Further selected measures which apply for all age groups are:

- all employees take part in training and further education measures (among these also special vocational training relating to fields that are gerontologically relevant),
- there are far-reaching opportunities for working time flexibilisation in nursing and care , which particularly take into account parenting and private nursing needs,
- introduction of an employee suggestion system that especially aims at improving the labour situation,
- development of an annual employee appraisal system, in particular to ensure an information exchange about positive and negative developments of employees, to recognise potentials and to conclude agreements about further training and education,
- enabling both horizontal and vertical careers.

Special measures for older employees:

- enabling employees above the age of 50 to obtain qualifying certificates,
- alternative job offers for nursing personnel with health problems in the housekeeping division,
- simplified allocation of a nursing place for nursing relatives.

5. Which key lessons can be drawn from the implementation of measures and initiatives in these cases (e.g. role of actors, main reasons for success or failure, innovative features)?

According to the interview partners, all of the examples examined in the sample were successful, even if the success could not always be evaluated on the basis of quantifiable figures or the measure was not continued. The following success factors could generally be made out in the examined cases:

- Every initiative and measure in a company entails change and can only be carried out if there is a certain measure of willingness to change within the workforce or if this readiness to change can be established. One possibility of achieving this is by making the initiative participatory, thus by actively involving the staff in the measure in order to increase the motivation.
- Moreover, it is necessary to sensitise the workforce and especially the executives at all levels with regard to the challenges an ageing workforce pose by communicating the initiative and further relevant information within the company.
- Furthermore, good cooperation between the management and the employees' representatives as well as further relevant actors can also contribute to the success of operational change processes. In most of the German case studies, the works council, if existing, was actively involved in the planning, organisation and implementation of the initiative, in some cases a plant agreement regarding the initiative was concluded.
- It has proven to be beneficial if the measure is supported and promoted by the company's top management level.
- Some measures are primarily due to the personal commitment of individuals, without whose initiative and drive the realisation of the operational measures would have been unthinkable. However, it is important to institutionalise the topic in the company so that it is not only bound to individuals.
- For a measure to be successful, enough time must be set aside for its preparation, concrete planning and for its implementation. This means that sufficient personnel and possibly also financial resources have to be available.

The reasons for the success and sustainability of measures are thus primarily rooted in the organisational framework. But it must be added that the influence of structural conditions on the success or failure of measures cannot be exactly determined. Of course, the economically sound position of a company or favourable labour market conditions can have positive effects on the sustainability of the company initiative. However, this does not mean – in a reversal of the conclusion – that the measures are stopped in case of unfavourable labour market conditions and critical economic conditions. Thus the example of KSB shows that the employment promotion of older employees was not discontinued despite the ongoing rationalisation measures which also lead to the early exit of older employees. The same is true for the company Wilkhahn: Despite an order slump (minus 30%), the company's measures in the fields of health promotion and qualification were continued.

6. Which future issues concerning age-management were raised at company level (problems not resolved in individual companies so far, challenges faced etc.)?

Almost all enterprises see the need for more future action that is raised by the demographic change and the therewith expected ageing of their workforces. Their point of focus, however, differs, depending on the respective measures conducted in the enterprises.

- Some companies which have hitherto implemented more isolated measures have the goal of developing a comprehensive strategy at company level to deal with the demographic change processes in future. The Continental AG, for instance, ranks among these. So far, Continental has been active mainly in the field of ergonomics/job design but has recently founded the working group "Demographic Challenges for Factories". Here it is being determined what exactly the demographic change might import and which measures are necessary at company level.

- Further need for action is seen in the area of prevention. This does not only pertain to company health promotion but likewise also to matters of qualification and motivation.
- Another future field of action is the matter of regulating the internal labour market. Here the question comes up how one can best determine who can do which work in which life phase. The objective in this respect is a comprehensive concept oriented on working life biographies to plan the personnel development paths. (VW, VAG)
- The company KSB mainly sees the need for future action in the question of the reconciliation of family and work, resp, in the work–life balance. This involves developing and implementing working time models which explicitly take into account aspects of care (in the broadest sense).
- The composition of the workforce is also a topic of the future for some of the companies. In this respect, however, the exclusive recruitment of older employees is not the predominant issue , the companies rather aim at a stronger age mixture of the workforce and teams within the framework of their diversity concept.
- Finally, some companies will in future aim at further developing previous initiatives and at making them accessible to more employees than before.

I. Perception of demographic/labour market issues in national policy over the last decade and development of national policy concerning an ageing workforce

Early exit and pensions reforms

One of the most striking changes of the German labour market over recent years has been the sharp drop in labour force participation among older workers, especially men. Although the trend towards early exit already started in the early seventies, it became more pronounced in the eighties and early nineties. On the one hand, this is a result of an overall low employment growth. However, on the other hand, the structural changes in East Germany impacted this trend. After the reunion of East and West Germany, early retirement served as the most popular tool for many years to adapt the labour market to the process of economic transformation. At the same time, early retirement was seen as a tool to avoid social conflicts in the labour market.

The decline of labour force participation rates of older workers in Germany in the past not only mirrors strategic personnel policy measures of German enterprises, but is also the result of a long-lasting broad 'social consensus'. Early retirement schemes have been regarded as being the most effective, socially well-balanced and, above all, most inexpensive way to manage staff at the background of economic challenges. Public pension and labour market policies has strongly supported German enterprises in this area. In former public labour market policies, early retirement was seen as a general tool to combat unemployment.

At the background of population ageing and workforce shrinking as well as concerns about future sustainability of the pension system, a strong tendency in public policy towards cancelling social consensus has emerged. Respective initiatives to stop early retirement, first launched at the beginning of the 90's, have been reinforced since. 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:

- the age limit for early retirement on grounds of unemployment was raised in annual steps from 60 years to 65 years between 1997 and 2001,
- the general retirement age for women was raised from 60 years to 65 years between 2000 and 2004, and
- in addition, the flexible retirement pension for men over 63 was also raised in stages and from the year 2002 only the customary age limit of 65 is valid.
- Recently, the new coalition agreed to incrementally raise the legal retirement age to 67 by 2029, with the new process beginning from 2012.

Employees who still wish to retire earlier will have to accept a 3.6 per cent reduction from their pension per year that they retire early. This could amount up to 18 per cent pending on circumstance.

In addition, a part-time retirement law was introduced in 1996 which gives older workers the possibility to reduce their working time without substantial loss of income. However, research data reveal that in practice the option of part-time is misused for early retirement: almost 90% of the approximately 235.000 part-time cases in 2003 use the so-called "block-model" which puts older workers on an early full-time leave. Probably, this law will expire in 2009 to avoid a disuse for early retirement.

Labour market policies for older workers

In addition to these pensions reforms, the Federal Government in 1999 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. In March 2001, the partners in this alliance agreed upon a special programme for promoting the employment prospects of older workers. In doing so, a shift in paradigm concerning public policies for older workers was announced. For the first time, the government and the social partners turned away jointly from the early retirement policy. They focussed explicitly on preventing older workers from becoming unemployed and promoted the reintegration of older unemployed. Their joint declaration includes the following proposals (Gemeinsame Erklärung, 2001):

- creating awareness amongst companies and workers of the benefits of life long learning;
- promoting vocational training for older workers in particular, 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 companies;
- lowering the qualifying age for wage subsidies from 55 to 50 years.

Parts of these proposals were incorporated the Job-AQTIV-Law, which came into force in Germany in January 2002. 'AQTIV' stands for a German acronym, which means: "Activate (A), Qualify (Q), Train (T), Invest (I) and Mediate (V)". The law was endorsed by the Federal Government to implement more active and preventive features in the already existing Social Security Code III which traditionally already provides a wide array of labour market programmes in Germany such as wage-subsidies, job-creation programmes and training. The law aims to change current employment policy, which mainly concentrates on those who are already unemployed, and to create an employment policy which prevents unemployment. Its basic approach is to promote employment while increasing requirements for unemployed (i.e. a carrot and stick phenomenon). With respect to older workers, the following measures are of particular importance:

- Promotion of vocational training for older workers aged 50 and over;
- Extension of special wage subsidies for older workers in the secondary labour market for West Germany.

In 2002, a commission called 'Modern Services on the Labour Market' (also called 'Hartz-Commission'¹) was established by the Federal Government which proposed a comprehensive reform of labour market policies in Germany. It intended to substantially strengthen the activating approach outlined in the JOB-AQTIV-Law. This reform proposal were multidimensional and consisted of 13 components, ranging from radical reform of public employment services to rather vague notions on the participation of the nations elite. In particular Hartz I includes a number of elements supporting the promotion of older employees, which intend to improve the labour market prospects for this group, such as:

- Wage insurance: unemployed persons aged 50 and over shall, for a limited period of time, receive a monthly subsidy in the amount of 50 per cent of the difference to their last net numeration.
- Employers: these shall be exempt from contributing to unemployment insurance if they hire an unemployed person aged 55 and over.

¹ Named after Peter Hartz, Human Resource Manager and Member of the Board of the Volkswagen AG, who was chairman of this commission

- Fixed-term employment: facilitated from 2003 onwards (for older workers) in order to improve their chances of re-integration. The age-limit for this fixed-term employment has been lowered from 58 to 52 years. In 2005, this lowering of the age limit for fixed-term contracts was ruled as discriminatory on the grounds of age by the European Court of Justice.² The Federal Labour Court (Bundesarbeitsgericht) followed the European Court of Justice in its decision in April 2006. The new coalition will adapt the rule on fixed-termed contracts to the decision of the European Court of Justice.

Besides these new active measures for older workers, major reforms of the unemployment benefit system are of particular importance to older long-term unemployed workers. This includes the merging of unemployment assistance and social assistance and the creation of the so-called unemployment benefit II. This new benefit, which is granted from 2005 onwards, is a means-tested type of benefit to secure the income of unemployed workers once unemployment benefit I is no longer paid. In contrast with former unemployment assistance, which on average guaranteed an income level of 50 per cent of the last net income, payment has been reduced to a level of social assistance. Furthermore, from 2006 onwards, receipt of unemployment benefit I for older workers will be limited to 18 months (the current duration is 32 months).

Age-discrimination legislation and awareness campaigns

At the background of the EU-guideline prohibiting discrimination in the labour market on the grounds of age the federal government came up with a draft version of a law against discrimination in autumn 2004. Due to reelection in 2005, the law against discrimination did not come into force until August 2006. According to the EU-guideline the German "Equal Treatment Act" prohibits, inter alia, discrimination on the grounds of age.

Beside age discrimination legislation, several federal initiatives exist which explicitly draw attention to the competencies and potentials of the ageing workforce and thus try to counteract discriminative behaviour 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 '50plus – they can do it'. This campaign was designed to foster the integration of older skilled unemployed workers through ongoing job-placement initiatives of regional employment agencies and to promote their re-integration into the labour market.
- **Demographic Change – Public Relations and Marketing Strategy:** Between 1999 and 2003 the Federal Ministry for Education and Science launched a transfer project, called 'Demographic Change-Public Relations and Marketing Strategy' with the aim to heighten public awareness of the impact of demographic change on employment and thereby distribute knowledge on how to achieve balanced age-structures and sustain companies' innovative abilities, achieve ageing-appropriate work and personnel policy, and sustain employment and create new fields of occupation for older employees. Since 2002, the Ministry has started an additional initiative called 'Demography-Initiative'. This project is headed by three trade associations and funds 127 companies to implement solutions for ageing-appropriate personnel policies.

² Case C-144/04: Werner Mangold vs Rüdiger Helm. This judgement ruled that the "application of the national legislation at issue in this case lead to a situation in which all workers who had reached the age of 52, without distinction, whether or not they were unemployed before the contract was concluded and whatever the duration of any period of unemployment, might lawfully, until their retirement, be offered fixed-term contracts of employment which might be renewed an infinite number of times" (ECJ press release no. 99/05).

- **Enquete-Commission on Demographic Change:** In March 2002, the Enquete-Commission of the German Parliament on “Demographic Change: Challenge Posed by Our Ageing Society to Citizens and Policy makers” submitted its final report (Deutscher Bundestag, 2002). The Commission has emphasised that in the future it will be essential to preserve the ageing workforce’s ability to work and increase their employability. Removing older workers from the workforce or relegating them to a lower social status is seen as being counterproductive. It also claims that efforts must be invested to overcome age-based discrimination in companies.
- **Perspectives for Germany – A strategy for a sustainable development:** In 2002, the Federal Government presented its overall strategy for sustainable development. Incorporated within it is a sub-theme called: “Potential of older people in the economy and society” (Bundesregierung, 2003). To counterbalance the prevalent discourse that older people are a burden for the social security system, activities supported by this strategy aim to raise awareness of demographic change which could aid the economy, employment systems and societal development alike. Increased health, wealth and qualifications of older people in the workforce build the backbone of this argument. Early exit is seen as in contradiction to this positive attitude. Building upon this strategy an interministerial initiative called “Experience is the future” was started in summer 2005.
- **New Quality of Work:** In 2002, the federal government started the national initiative: ‘New Quality of Work’ (Neue Qualität der Arbeit (INQA)). In 2003, as part of this initiative, a sub-group was formed to promote employment promotion for older workers. It intended to create a network of actors involved in occupational health promotion, including scientists and officials, to foster health promotion for older workers and to raise awareness of good-practice examples.
- **5th Commission for Reporting on the Situation of the Elderly:** In 2003, the Federal Ministry for Family and Senior Affairs set out its 5th Commission for Reporting on the Situation of the Elderly, which focuses on the subject of “promoting the potential of older people in the economy and in society”. The Commission consists of independent scientific experts in the field of labour market policy. In 2005, the Commission produced a report with recommendations on how to retain, promote and use the potential of the elderly, particularly in the labour market and for training.
- **Initiative 50+:** This Initiative was introduced by the Ministry of Labour and agreed upon in the Federal Cabinet. It will integrate existing/modified initiatives and policies aiming at their integration of older workers (combined wages, integration money, promotion of training, initiative “New Quality of Work”, integration into employment).

Apparently, there are broad activities at the federal level which aim to raise awareness. These initiatives and campaigns can be seen as an indication of the increasing attention which is paid to demographic developments in the labour world and can be interpreted as a shift in paradigm: from actively encouraging early exit towards favouring the employment of older workers.

II. Relevant actions of the social partners and other key actors

Employers and employer’s associations

The present official proposals of the Federal Employers’ Association (BDA) unmistakably refer to prolonging working life. In doing so, there is a distinct focus on both the financial consequences of demographic change and the currently expected skill shortage. Consequently, proposals made to increase labour force participation rates of older workers are embedded in a framework which aims to remove one of the most significant ‘disadvantages’ of this phenomenon: the intensely high (direct and indirect) labour costs. It is assumed that due to seniority-based remuneration systems and age-specific employee protection (e.g. protection against dismissal), the employment of older workers is often more expensive and less attractive to employers.

In a recent study the Federal Employers Association undertook empirical investigations and transnational benchmarking seminars to try to reinforce some of the above-mentioned proposals (Bertelsmann Stiftung & BDA, 2003). Furthermore, in 2002, the Federal Confederation of Employers Associations published a guideline for employers in which they develop arguments and proposals for a better integration of older workers into employment (BDA, 2002). In particular, they try to raise awareness of some of the benefits of hiring older workers, such as experience, motivation and reliability. They also try to provide guidelines to increase age awareness amongst human resource management. In this context, they refer to measures such as flexible working-time arrangements, training, health promotion, team-work of both younger and older workers, and job-rotation. They stress that employers should apply a performance-related and not an age-related attitude for recruiting and retaining older workers. In addition to these recommendations, they feature public promotion programmes for older workers, taken from the Social Security Code III.

Trade unions

Up until March 2001, before accepting the shift in labour market policies for older workers (see above), German trade unions did not have a concurrent view concerning early exit. Strong German unions like IG-Metall, which represents the steel and iron industry, and Ver.di, which represents the Public Sector, explicitly demanded the maintenance of early exit options under financially and socially acceptable conditions. In this context, primarily two points can be emphasised:

- Labour market principals in accordance with the concept of ‘intergenerational solidarity’;
- Early exit as a tool for ‘humanising’ the labour world for older workers.

Trade unions have recently become more focussed on policies to keep older workers employed and to improve their employability. This approach has partly been accepted due to ambivalence and inconsistencies of early exit. Early exit might negatively affect the working conditions of future cohorts of workers (i.e. it increases the workload for younger workers), which could lead to a vicious cycle. Furthermore, the insight of trade unions on population and workforce ageing and persistent high unemployment of older workers has grown. They realize that there is a need to strengthen age-integrative policies and to focus on flexible working arrangements, health promotion and lifelong learning (Adamy, 2003).

The Federal Trade Union Congress (FTUC) as well as the Trade Union for the Metal Industry (TUMI) – the largest single trade union in the world – deal with the issue of older workers more explicitly. The FTUC has recently published a strategic paper on major issues concerning the integration of older workers into the labour market and guidelines for older unemployed and older workers to increase their employability (DGB 2004). The TUMI has published working papers that are directed towards a sustainable approach to improve working conditions over the life course and for older workers in particular.

Thus, older workers are increasingly seen as a target group by most trade unions for developing both policy-concepts for fighting unemployment and for improving working conditions. The following measures for older workers are examples of subjects which can be found in employment agreements and collective bargaining (Adamy, 2003; Verdi, 2003):

- adjusting work time according to the needs of older workers (e.g. for older shift-workers);
- developing further vocational training, which is explicitly aimed at so-called ‘disadvantaged’ groups;
- supporting health promotion and in-company health management, supported by statutory measures, regulations, and financial incentives, and;
- promoting group work for older workers.

Recently (September 2006), the Iron and Steel Industry in Northrhine-Westphalia, Lower Saxony and Bremen agreed on the “Collective Agreement on Managing Demographic Change”. This agreement will come into force in 2007 and comprises the following elements:

- obligatory analysis of age structure;
- implementation of measures (e.g. training, health promotion) according to the analysis;
- options for early retirement;
- fund “Demographic Change”;
- scientific evaluation of the implementation of the agreement.

III. Status of the issue of older workers in current policy and public debates

Information and awareness campaigns, special labour market policies for older workers (such as wage subsidies and funds for vocational training), raising age limits for a number of different pension types, and other initiatives as such seem to form a comprehensive approach on behalf of the Federal Government to increase labour market participation of older workers. In fact, the Federal Government stresses that it works on different levels to fulfil the demands of the subsequent European Employment Guidelines with respect to older workers.

However, thus far there is no explicit or integrated public ‘older worker’s 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. A critical assessment of existing initiatives depicts the following:

- Initiatives and legal measures from the different Ministries involved are not centrally co-ordinated and even contradict each other on certain points. An example of this is that older workers are still pushed or promoted to leave the labour market, whereas companies are being convinced to recruit older workers. It would be unfair to say that there is no connection at all between curtailing early exit provisions and promoting labour market integration. However, this connection is not at the forefront of current policies and is not dealt with in a systematic and comprehensive way.
- Though the overall labour market situation does not allow for fundamental improvements for older workers and early exit policies can not be reversed in the short run due to the extensive time that they have been in practice, there is lacking effort to improve measures. In particular, this refers to the integration of older workers into short-term and long-term training measures.

Despite the pension reform in the 1990’s, it is doubtful whether all older workers will have a chance to stay in employment until the statutory retirement age of 65. If unemployment stays high they may face a prolonged period of unemployment before retiring. And if working conditions are not changed significantly, the ratio of workers who have to take up an reduced-earning pension may increase. Under both circumstances, income levels will be significantly lower than they have been in the past.

At first glance actions of social partners provide a similar picture of a pro-active approach. It is true that the resolution of the ‘Alliance for Work’, which was jointly agreed upon by trade-unions, employers’ associations and the Federal

Government, can be seen as a shift of paradigm towards integrating older workers into the labour market. However, objections towards these seemingly positive activities can be made:

- There is still a contradiction between official statements and beliefs of employers associations and the actual treatment of older worker by individual companies.
- Employers associations favour a 'deregulation approach' to facilitate employment of older workers. However, it is doubtful if this approach would lead to an actual increase in employment of this target group.
- Trade-unions have not succeeded in negotiating internal company measures to retain older workers, such as increasing training provisions for them, nor have they come up with proposals on how to overcome this problem.

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