

Active Ageing in Germany

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The German delegate of the Ministry of Labour and Social Affairs, Mr. Erik Eggert, and the independent expert of the non-governmental organisation gsub mbH, Dr. Reiner Aster, are pleased to present their short "Statements and Comments" to the "Discussion Paper" of Henri Sterdyniak and to the "Parjanne/Hussi Paper" of the Finnish model in the forthcoming "Peer Review on Active Ageing Strategies to Strengthen Social Inclusion" to be held in Helsinki, Finland, on November 22nd and 23rd, 2007.

1. Active Ageing Policies in Germany and the Finnish Model

"The National Programme on Ageing Workers", the main programme for employment reform in Finland, as well as other Finnish government programmes implemented over the last few years, generally try to modify the behaviour of individuals, firms, and society in four steps¹: Health and maintenance of occupational capacities, value of ageing workers, workplace organisation, and well-being at work. We fully agree with the relevance of the above-mentioned issues since they are also relevant for Germany, however, there are at least two other important issues that have not been explicitly addressed in the discussion paper (but to some degree in the Parjanne/Hussi paper). These issues are also linked to the "social inclusion topic" (see 1.4) and include:

- The challenge of re-integration of long-term unemployed older workers (i.e., how to convince companies to hire long-term unemployed older workers, how to motivate, prepare, and train older long-term unemployed persons for regular jobs)
- The question of regional or local approaches in coping with this challenge

The overall policy approach in Germany for older workers addresses the following target groups:

Employers, workers, job-seekers, permanently unemployed persons (50–64 years), trade unions, work councils, human resources managers, and the stakeholders and actors in the regions.

¹ See Discussion paper, page 7

The Active Labour Market Policy in Germany at the current state (2006) provides the following instruments:

- Integration subsidies and wage guarantees for older workers
- Support for integration measures for older long-term unemployed
- Improvement of the qualifications of low-skilled and older workers
- Legislation to improve employment opportunities for older persons
- Legislation on integration management policies in the workplace

1.1 Relevance of the Policy Presented in the Discussion Paper to Germany

The issues raised in the discussion paper are equally relevant to the German situation. The challenge of an ageing society obviously has the same demographic, economic, and social dimensions in Germany as well. Significant reforms have been undertaken over the past few years in Germany that target both the pension system and the active ageing labour market policies. Success has been made in requesting employees to work longer: the average exit age is now at 61.3 years (total EU25: 60.9 years). ²Also, the German government decided to postpone, step by step, the statutory retirement age: between 2012 and 2029 the statutory retirement age will be progressively raised to 67, starting with the age cohort 1947.

The "Initiative 50plus" contains new labour law and employment promotion regulations and other measures to address unemployment and to foster employment of older workers. The so-called "Riester Rente"³ is a statutory programme that provides incentives for private pensions.

We agree with the discussion paper that the most favourable strategy is to increase the employment rate of older workers. However, policies that tend to increase employment rates and policies that prolong the retirement age, from our point of view, are two sides of the same coin, i.e., they do not exclude each other.

In Germany, the employment rate of older workers (those 55 to 64) increased from 37.6% in 2000 to 48.4%⁴ in 2006 and to 52% in the second quarter of 2007. Over the last seven years, the employment rate of older workers has increased by 11 to 15 percentage points, i.e., the development in Germany has been one of the most dynamic in all of Europe. The recent development in Germany is almost as dynamic as that in Finland or the Netherlands, even if the total numbers in terms of employment rates are still lower⁵.

The rapid increase of the employment rate of older workers in Germany (in particular in the last two or three years) is closely connected to the increase of the total employment rate, which is also considerably high. Interestingly enough, in the last two years, the increase of the employment rate for older workers significantly exceeded the total employment increase.

² Eurostat EU LFS 2006

³ Named after a former Minister of Labour

⁴ Eurostat

⁵ The positive development in Germany seems to be widely unknown in Europe, maybe, because this is a quite new movement covering mainly the last three years

There is a broad consensus that the success in Germany is due to the improved economic situation that has occurred since 2006, which is believed due to the modern labour market reforms that were undertaken since 2003 (so-called "Hartz reforms") and to the German government's Active Ageing Strategy and the legislation act that was part of the "Initiative 50plus".

The strategy to ensure that postponing the retirement age will not increase unemployment among older workers has been implemented successfully in Germany: the average pension age increased and simultaneously the employment rate of older workers as well (see above).

The discussion paper raises the questions of how to induce companies to retain older workers in their current jobs as well as how to hire older workers.

The German response to this question is two-fold: the "Initiative 50plus" program provides on the one side incentives for companies to retain older employees, for instance, through fostering in-company training for older workers (subsidies for companies for in-company training of employees at the age 45 plus in companies up to 250 employees) and, on the other side, tends to improve the situation of long-term unemployed older workers by eliminating the barriers that hinder the unemployed from accessing the employment system.

1.2 Assessment of the Potential Transferability

The Finnish model offers a wide range of experiences and successful approaches that seem to be applicable for Germany as well. This includes the different Finnish governmental programmes and approaches as outlined in the discussion paper and in the paper of Parjanne/Hussi.

Special attention from our side in terms of transferability will be paid to the following questions:

- How can comprehensive social protection and broad welfare services that stimulate employment be combined, while at the same time providing incentives for job-searching activities?
- How can the access to regular jobs on the labour market be improved, in particular for the older long-term unemployed?
- How can the mentality of both the companies and the older workers be changed (including successful campaigns) to foster employment?
- Which factors attract people to working life and how can the quality of working life be improved?
- How to achieve a wide social consensus and acceptance of retirement age postponing and social integration of older workers?

Notice: There is an important difference between the Finnish and the German situations: The specificity and the success of the Finnish experience⁶ as outlined in the "Discussion Paper" and the Paper of Parjanne/Hussi is based on a broad consensus in the society⁷. This is not the case in Germany, because labour market issues in general and those concerning older workers specifically are discussed very controversially by the political parties, social partners, and the public. We assume that only a part (perhaps the minority) of German people currently understand that extending working life is a necessity.

1.3 Important Questions in Germany

Early retirement schemes in Germany were very popular in the 1990s, particularly in East Germany. A range of laws and programmes supported early retirement schemes, which caused long-term problems like the social exclusion of older workers from the labour market and severe financing problems in the social system, but even today, many employers and employees favour early retirement or at least keep this strategy in mind.

In the last few years, however, a process has begun that may fundamentally change these attitudes in the future. The reasons are the shortage of skilled workers, new regulations, and German governmental programmes like the "Initiative 50plus", including the "Perspective 50plus" programme, or the raising of the statutory retirement age to 67 until 2020 (see above).

Thus, to improve the activation and integration of long-term unemployed (combating structural unemployment) and to change the mentality towards an active ageing system are the most challenging issues in the field of active ageing strategies in Germany.

The main questions in Germany are:

- How can long-term unemployed older workers be placed and (re-)integrated into jobs?
- How can companies be made aware of and be encouraged to hire older workers?
- What should the duration of payment of unemployment benefits for older workers 50plus be, one year, as now, or generally two years?
- More generally, how can the employment rate of older workers be increased to 55% in 2010? (this is the new target of the Federal Ministry of Labour and Social Affairs, Minister Franz Müntefering)
- Regarding regional employment pacts for older workers, how can regional approaches support the re-integration of older workers into the labour market? (The question of a regional approach as a strategy to foster active ageing by using the assets or the "social capital" of the regions)

Regarding the last item, in the following section we provide some additional information for all "Peer Review partners" of the model programme "Perspective 50plus". Maybe this special programme can serve as a contribution from the German side in terms of "good practice":

⁶ see under: "Description of the main elements of the Policy"

⁷ One success factor according to Prjanne/ Hussi of the Finish System is, "that legislative reforms have been carried out without any extensive demonstrations or resistance" (P. 15).

The German Federal Government Programme "Perspective 50plus"

In 2005, the German Ministry of Labour launched a "call for proposals" as an idea competition addressing all 444 local job centres across Germany (i.e., a special kind of Public Employment Services for the long-term unemployed and the unemployed with no legal right for the unemployment benefit I, founded in 2005 after the modern Labour Market Reform "Hartz IV". Since then, these new institutions have been in charge of the majority of the unemployed in Germany). Sixty-two employment pacts were chosen for promotion, involving 93 joint agencies and licensed local authority agencies nationwide. The successful projects received a total of €250 million in grants to implement their ideas and schemes. At the same time, in order to further develop the idea competition, the activities of all employment pacts were consolidated in the new federal program entitled, "Perspektive 50plus Beschäftigungspakte für Ältere in den Regionen" (employment pacts for older workers in the regions). The aim of the program is to increase the chances for employment for those over 50. Another aim was to find regional solutions by addressing and convincing the regional or local companies, the workers themselves, and the public, for the advantages of older workers and to eliminate the barriers for their access to the labour market. The program was delivered by the Ministry of Labour (supported by the gsub mbH Berlin as a service provider) with a duration of two years (2005–2007). A formative evaluation was implemented by contracting the IAQ Institute in Gelsenkirchen (now Duisburg). Up to September 2007, more than 20,000 former long-term unemployed over the age 50 have been integrated into regular jobs. Because of the tremendous success of this program, the German parliament and the ministry recently decided to extend the program until 2010. For the next three years, a similar budget is expected as for the first two years. "The pacts show what's needed for success: that industry, trade unions, joint agencies, local authority agencies, and the actors in the regions pull on the same rope with all their strength and in the same direction to create more jobs for older people," said Federal Labour Minister Franz Müntefering at an annual meeting of the federal programme "Perspektive 50plus".

1.4 Contribution of Social Protection and Social Inclusion

We agree with the statement of Parjanne/Hussi⁸ that "the best way to strengthen social cohesion is to increase the employment rate and maintain a high level of education and social activation" (P. 1). We suppose that this is also the broad consensus in Germany⁹.

As in Finland, the social security and pension reforms already implemented in Germany are encouraging. Traditionally, German social protection standards are rather high. Until 2004, older long-term unemployed received unemployment benefits up to 32 months, and afterwards unemployment assistance (another kind of grant) until the retirement age. However, this system reduced the incentives for job-searching activities and caused high costs in the social system.

With the modern reforms in the labour market (initiated with the so-called "Hartz IV" law starting in 2005) this situation changed. Since this time, unemployment benefits have been paid for only 12 months, and afterwards, unemployed (and their family members) can only file a claim for the minimum income to secure their existence on the level of former social assistance benefits (now called "Unemployment benefit II").

However, the advantage and the really strong side of the new regulation is that all registered unemployed persons (including 95% of former social welfare recipients) are now located in one system and that they can take advantage of active labour market measures.

⁸ Marja-Liisa Parjanne/Tomi Hussi: Finish Policies to Reinforce Employment Rate and the Employability of Older Workers

⁹ Besides, this argument is very close to the European Employment Strategy and the "Integrated Guidelines" of the European Council and the Commission from July 2005.

Due to this re-organisation of the labour market and the corresponding institutional re-organisation of the system, more people are able to find jobs, and the threshold of job creation in times of strong economic growth decreased. But these reforms are still in debate. The left social democratic side and the unions, for instance, vehemently criticise the decline of benefits and the reduction of the duration of those receiving benefits. They fear the process of impoverishment, the increase of the "working poor" and of the "older poor".

1.5 Key Issues of the Review Meeting

- We are very interested in receiving more information about the Finnish strategic approach of promoting health and functional capacity, making work more attractive, reducing poverty, and social exclusion, providing efficient services, and reasonable income security.
- We are interested in further developing the success factors in Finland in comparison to the success factors and/or the challenges of other countries. Especially how it was possible to achieve the new social consensus and the acceptance of retirement age postponing and longer carriers?
- We are prepared to address the situation and the new approaches for Germany, in particular concerning the programme "Perspective 50plus".

1.6 How to Measure Success in Germany

The success in Germany is predominantly measured by the increase in the employment rate according to the Lisbon objectives of the European Union (the target employment rate of 50% by 2010 has already been met in the year 2007 in Germany). The federal programme "Perspektive 50plus" is evaluated by an independent institute. The report of the evaluation stated among other things, that the programme constitutes a substantial contribution to the objectives of the "Initiative 50plus".

Further benchmarking or success factors are:

- Enhancing employability via promoting qualification and training, strengthening the social security system, reducing pre-retirements, improving re-integration of older unemployed persons, combating ageism, as well as developing analysing and intervention tools for companies.
- Support from the federal government of the social partners within the framework of collective agreements.