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**BUNDESAGENTUR FÜR ARBEIT: HOST COUNTRY
PES ISSUES PAPER**

Peer Review 'PES and older workers'

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1. PES ORGANISATION AND SERVICE PROFILE

1.1 What is the overall business model of the PES?

The Federal Employment Agency (Bundesagentur für Arbeit, BA) is fully responsible for client registration, processing and payment of unemployment benefits, short-time working allowances and bankruptcy compensation payments. In the field of unemployment insurance (Social Code III, SGB III), the BA provides individual support for labour market re-integration provided by more than 170 local employment agencies. In more than 320 municipalities (out of 440), the BA also provides support and guidance for recipients of means-tested unemployment benefit (Social Code II, SGB II), in joint Jobcentres together with the local authorities.

The BA is managed by an Executive Board (three members appointed for a five-year term) which also develops the agency's operating policy goals and strategic orientation. The Regional Directorates and local employment agencies are also managed by three-member managing boards. In addition, a tripartite 21 member-strong Board of Governors approves the annual budget, business objectives and targets, and the annual report to the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS). Seven members represent the group of employers, seven members the group of employees and 7 members the group of public bodies. Tripartite bodies are also active at the local level, where 'Administration Councils' advise and monitor the work of local employment agencies.

1.2. What range of services does your PES offer?

Services for jobseekers include:

- General information is provided face to face, online or by a call centre;
- Individual support for labour market re-integration;
- Vocational guidance and placement services;
- Recruiting and matching for all unemployed jobseekers online or face to face based on individual integration strategies;
- A range of self-service information tools, such as the online job portal 'JOB-BÖRSE' and a database providing information about the content of different jobs ('BERUFENET');
- Career guidance and vocational counselling services to young people and school-leavers, as well as apprenticeship placement services;
- Assessment on human resource development for employed persons and their employers;
- The BA is also active in helping people with disabilities and rehabilitants into work.

Services for employers

The employers' service (Arbeitgeber-Service, AG-S) offers a range of free services and advice to employers:

- Pre-recruitment services;
- Placement of disabled persons (Reha/SB);
- Placement in apprenticeship/training positions;
- Counselling services in the above-mentioned fields.

2. MAIN CHALLENGES IN RELATION TO THE LABOUR MARKET

2.1 What are the main challenges facing the German labour market with regard to demographic change and emerging skill shortages?

The demographic change between now and 2050 is characterised by two interconnected phenomena: the shrinking and ageing of the population. This has a significant impact on the labour force and hence on the supply of skilled workers. The labour force will significantly decrease over the next few years. According to projections of the Institute for Employment Research (IAB), the labour force is expected to shrink by approximately 6.7 million. The fraction of employees of age 50+ will rise from 26.9 % in 2010 to 34.4 % in 2020 and will not decrease until 2030, when the large age groups born from 1950 to 1971 will have retired.

In its brochure 'Perspektive 2025: Fachkräfte für Deutschland' (Prospect 2025 – Skilled Workers for Germany), the BA has analysed 10 different spheres of activity to explore potential solutions for ensuring an adequate supply of skilled workers for the future. With a view to their disproportionately low rate of employment, older employees are among the most important personnel resources for the future. This becomes more and more important, since the labour force, as well as the overall population is aging. The employment participation of older employees, however, will gain importance in terms of quantity. Due to their good level of qualifications, the older workers of the future (i.e. the middle-aged generation of today) belong to one of the 10 fields of action which constitute an important potential for meeting the demand for skilled workers. Provided that the overall employment rate of older workers can be increased, this potential can be exploited further.

As of today, labour shortages are observed in the fields of engineering (mechanical and electrical as well as vehicle construction), high qualified IT-experts, physicians and medical and elderly care. The labour shortages in these fields are expected to grow over the next year.

2.2 What is the labour market situation of older workers?

Retrospect: development of the participation in working life and unemployment

The willingness of older workers in Germany to take up employment has significantly increased over the last 10 years. In 2010, 7 out of 10 persons among 50 to under-65-year-olds were employed or job-seeking. This increased willingness of older workers to take up employment can solely be attributed to an increase in employed persons; unemployment, however, has decreased. Accordingly, the employment rate of this age bracket has also increased from below 50 % to 66.1 % over the last 10 years. Women in particular showed a significant increase. However, their employment rate is still far below that of 15- to under-65-year-olds (76.5 %).

Also, employment of older workers covered by social insurance has disproportionately increased over the last 10 years. While employment has increased by a total of 2 % in the last 10 years, it has risen by 43 % in the age bracket of 50- to under-65-year-olds.

The number of female employees has increased considerably in the last 10 years (+56 %). However, the employment rate in the age bracket of 50- to under-65-year-olds is still lower than the average across all age brackets.

The unemployment of older workers has decreased in the medium term: in 2011, an annual average of 923 000 persons aged between 50 and below 65 were unemployed, about 20 % less than 10 years ago. The decrease is therefore only slightly weaker than the average across all age brackets, with increasing population strength and employment participation.

In recent years, the unemployment of older workers has developed less than the average across all age brackets. However, as with employment, considerable differences between the individual age brackets among older workers can also be observed with unemployment. Between 2008 and 2011, unemployment among the 'young older workers' – the 50- to under-55-year-olds – decreased by 12 %, among the 55- to under-60-year-olds it declined by 2 %.

The trend in unemployment among the 60- to under-65-year-olds is quite different: it has increased by more than 250 % between 2008 and 2011. This reflects the consequences of statistical special regulations and/or their cancellation along with the difficult labour market situation for older workers¹.

Women's unemployment has developed more positively than that of men. The same applies to the average across all age brackets.

With 8.0 % in 2011, older workers show a disproportionately high unemployment rate (relating to all persons in the labour force, excluding people in military service, 7.1 %

¹ At the beginning of 2008, the regulation of Section 428 SGB III, which was similar to early retirement, expired. According to this regulation, people aged 58 and above could retire from the labour market. Since this possibility to receive benefits under simplified conditions no longer exists, registered unemployment in this age bracket has been increasing. Persons who in the past would have moved into regulations similar to early retirement now continue to be counted as unemployed persons. At first, the increase affected both legal spheres, since the regulation was also applicable in SGB II. Since the beginning of 2009, however, the increase in unemployment has been softened by the effects of Section 53a SGB II, which has been in effect since the beginning of 2008. According to this section, benefit recipients capable of work are not considered as unemployed if they received basic benefits for at least one year after having reached the age of 58 without being offered employment covered by social insurance.

in total). People aged 55 and over, in particular, are more strongly affected by unemployment than persons working in the civil sector of all age brackets. Thus, almost every fifth unemployed client is older than 55.

2.3 What are the main challenges facing PES in placing older workers and which groups among older workers are the most difficult to place?

Challenges for older workers in the labour market

On the one hand, older workers have a comparatively low risk of losing their job and consequently becoming unemployed. On the other hand, the chances of ending unemployment by taking up employment covered by social insurance are disproportionately low for older workers. In 2011, the chance for persons aged between 50 and below 65 to enter employment was at a monthly average of 3.9 % compared to 7.1 % across all age brackets.

The poor chances of older workers to end unemployment once it exists are also illustrated by the duration of unemployment. Unemployed persons aged between 50 and below 65 were unemployed for an average of 54.1 weeks in 2011. Their unemployment was therefore more than 17 weeks longer than the average across all age brackets. This means that the older the affected person, the more difficult it is to end unemployment.

Besides age, factors such as qualification level, performance capability and level of income reached also significantly affect the chances for re-integration in practice. The lower the qualification level of older workers, the lower their chances of integration. Furthermore, the incentives for clients with a previously high level of income to take up new employment which is usually not as well-paid, are lower. Therefore, it is important to act preventively and avoid unemployment in the first place. If unemployment cannot be avoided, particularly intensive placement efforts are necessary for the integration of this group of persons. These intensive placement efforts also include persuading employers, since they are still reluctant when it comes to the employment of older workers – even if they are already aware of the lack of skilled employees.

3. SERVICES FOR OLDER WORKERS: OVERALL STRATEGY AND APPROACH

3.1 What is the main strategic approach of the PES in dealing with the issue of demographic change and unemployment among older workers?

Reducing integration difficulties solely in relation to an affiliation to a certain 'target group' (e.g. women, disabled persons, people with a migration background, older workers) does not deal with the individual combination of possible obstacles, such as professional, social, linguistic or other obstacles which job-seekers are confronted with. Not all people belonging to one of the above-mentioned groups have integra-

tion difficulties and not all people with integration difficulties are confronted with identical problems. Assistance exclusively on the basis of a target group also involves the danger of undermining the focus on individual needs in individual cases and it could at the same time be a stigmatisation of those people who – despite good chances of integration – could be ascribed a particular need only because they belong to a particular target group. Therefore, the BA is not in favour of strategies for specific target groups, but believes that strategies focused on the individual need for action are the most effective in generating positive labour market outcomes.

3.2 Are there specific counsellors for older workers and/or specific employer counsellors to deal with the challenge of demographic change, and if so, what training do they receive?

As a result of the above approach, the BA does not have counsellors with a special orientation towards particular groups of people such as older workers, people returning into employment or people with a migration background, either in employee-oriented, or in employer-oriented placement. However, placement professionals/guidance counsellors are trained accordingly, so that they can respond to the needs of particular groups of people.

The placement professionals and guidance counsellors receive comprehensive training, which involves developing the counselling know-how ('guidance concept') and also learning about the individual steps of the integration process (four phase model). This systematic process of competence development enables the placement professionals and guidance counsellors to respond to the characteristics of different groups of people.

Therefore, the integration process of all customers starts with a profound profiling exercise in the initial interview, where the strengths and potential (weaknesses) of the individual are analysed. The strength analysis is used to collect the professional and comprehensive competences. In the potential analysis, the areas of potential (which stand in the way of integration into the labour market regarding their target profession and which should systematically be improved as part of the integration work) are identified together with the customer. This approach distinguishes between the placement-relevant needs for action which reside either in the person or in his/her personal environment. Taking into account the age of the person is only one of many aspects, which on its own does not necessarily constitute an obstacle.

Since the precise knowledge of the resources and the consideration of strengths only make the tailored placement and/or targeted support of customers possible, four new services for the assessment of soft skills will be offered by the psychological service as of 2012. They will range from self-evaluation questionnaires of behaviour in professional life and comprehension tests through to assessment centres ([see PES to PES Dialogue Profiling Conference, 2011](#)).

Based on this individual strength and potential analysis of the customer, the placement agent then estimates the resulting integration chances for the respective labour market context and verifies how the individual integration chances of the customer may be increased by targeted 'support' and/or 'demand'. On the basis of this profil-

ing, the placement professional/guidance counsellor and the customer agree upon an achievable goal in the following step (e.g. taking up employment in the local labour market). Subsequently, they agree upon the precise implementation method.

Additionally, placement professionals are supported by numerous working tools which are available directly in the BA's placement and information system. For example, action strategies are available describing possible actions by the customer/placement professional/third parties in order to remove obstacles in the way of their integration into the labour market.

Additionally, with the introduction of Inga (Interne ganzheitliche Integrationsberatung im SGB III, internal holistic integration service in SGB III) in 2012 in 53 selected agencies, an intensive and holistic service is offered as part of significantly improved care relationships to customers with complex profiles whose integration is particularly difficult. The caseload of an 'Inga'-counsellor is 1:65, whereas a counsellor employed in a regular placement team is in charge of approximately 140 clients. According to the results of a pilot project in six local employment agencies, the approach is very successful in terms of integration rates: compared to similar clients counselled by regular counselling teams, the 'Inga'-clients' chances of integration rose by 1.8 percentage points.

At the same time, the BA seeks to make employers aware of this subject: all over Germany, more than 5 500 counsellors are responsible for providing competent services for employer clients. Marketing-oriented training has contributed to further professional improvement. As part of their preventive labour market counselling, counsellors point out qualification possibilities for older employees on the one hand, but also indicate the chances arising in particular from the employment of older, more experienced people. At the same time, they provide comprehensive counselling with regards to possible labour market policy products. The qualification counselling, which will soon be available all over Germany, is also designed to increase the awareness of demographically sensitive personnel policy, especially in small and medium-sized enterprises (SMEs).

3.3 What types of special measures does the PES offer to (unemployed and employed) older workers and how effective are they?

Type of measure	Offered? (yes/ no)	Brief operational description of measure	Year introduced	Year abolished	Effectiveness of measure (1 = not very effective, 5 = very effective)	Reasons for effectiveness or ineffectiveness
Legal regulations e.g. exemption from activation	Yes	<p>Social Code III (SGB III):</p> <p>Receipt of unemployment benefits without being available for the placement efforts of the PES. These clients are not counted as unemployed. When claiming benefits, the clients are committed to apply for a pension without any deduction at the earliest possible stage.</p> <p>Social Code II (SGB II):</p> <p>Clients of the basic security (Grundsicherung), who after completing the 58th year of age, received at least for a period of 12 months basic security benefits without being offered an insurable employment, are regarded as non-unemployed upon expiry of this time frame for the duration of the actual benefit receipt.</p> <p>The purpose of this regulation is not to exclude older people from placement.</p>	1986	Expired by end of 2007	1	Even when the clients were not counted as unemployed, they received further unemployment benefit.
			2008		1	Only statistical effect: 86 000 clients come under this regulation (current status: February 2012).
Benefits e.g. longer duration	Yes	The right to unemployment benefit depends on the duration of the insurance contract and the completed year of age: i.e. people at the age of 50 years can obtain unemployment benefits up to 15 months, people at the age of 58 - up to 24 months. Otherwise the maximum duration is 12 months.	2008		?	The long qualifying periods for older people is in contestation. One the one hand, older people need more time to find a job, on the other hand, longer duration periods could diminish the incentives for searching for a job or can be seen as a transition into retirement, respectively.

Subsidies e.g. wage subsidies, social contribution subsidies	Yes	Integration subsidy Employers can under certain requirements receive a subsidy to the remuneration (see also Section 5)	2002		4	The integration subsidy is cost-effective and leads to permanent integration. The open question is, if the clients would have also been hired by the employer without the subsidy. Low take-up (stock November 2011: 24 000 Fälle)
		Wage subsidies for older employees Older employees who terminate or avoid unemployment by taking on lower paid employment liable to insurance deductions receive additional subsidies to their wages and additional contributions to the statutory pension scheme for a limited period.	2003	January 2012 (still open running cases till 31.12.2013)	2	
Other activities or measures	Yes	WeGeBau (Further training of low-skilled and older employees in companies) (see Section 4.1). Perspective 50plus The regional employment pacts should help to increase the employment prospects of older long-term unemployed (see Section 5). Beside these specific promotion measures, older people basically have a wide range of the whole product portfolio (see Section 5).	2006 2005			

4. PREVENTATIVE PES SERVICES AND MEASURES FOR OLDER WORKERS

4.1. Based on your experience (ideally backed up by performance measurement), what works best in relation to preventative measures?

Raising awareness

The BA has increasingly oriented its consultation engagement towards raising awareness of the demographic change and thus of the growing demand for skilled workers over the last few years. As part of events for employers (e.g. trade fairs, job fairs), these topics are addressed on a regular basis. Additionally, they are an integral part of the individual counselling of employers. Thus, especially micro-enterprises and small enterprises which have no human resources department of their own and therefore frequently no human resources development strategy receive the necessary information and, if needed, appropriate support by the Federal Employment Agency.

As an important actor in the labour market, the BA is a partner in regional and supra-regional networks which are concerned with this topic and contributes to these networks through its labour market know-how. The demographic change and the demand for skilled workers is also part of the Federal Employment Agency's public relations work. For example, this topic is regularly placed in the newsletter for employers.

The counselling services given by the BA are received very favourably by employers. However, it has shown that consulting with regards to the skill needs and the possible measures for up skilling employees is required above all in small and medium-sized enterprises. Therefore, in the last few years different approaches for the expansion of qualification counselling for small and medium-sized enterprises were tested.

Qualification counselling for small and medium-sized enterprises

Against the backdrop of the increasing demand for skilled workers in small and medium-sized enterprises, the Federal Employment Agency tested three different models in pilot projects aimed at exploring whether and how qualification counselling can increase on-the-job training activities in small and medium-sized enterprises.

As part of the counselling process, small and medium-sized enterprises were made aware of the necessity of strategically foresighted personnel development and motivated to make better use of their employees' potential for systematic on-the-job training, e.g. maintaining employment opportunities in the company for older employees in the long run or improving the professional competences of low-skilled workers. As tools to raise the awareness mainly age structure analyses and analyses of the existing qualification and up skilling needs were used.

The following three models have been tested over the last few years:

- **Basic model**

As part of the basic model, companies were counselled by experts from the regional employer service (AG-S) regarding their questions on on-the-job training. Besides addressing and raising awareness among companies, the experts were responsible for counselling – exclusively in a ‘guiding’ way. The implementation of the specific steps of on-the-job training (e.g. education requirement analysis or selection of an appropriate measure) remained the responsibility of the companies themselves.

- **Cooperation model**

The cooperation model was focused on the collaboration with regional cooperation and network partners like social partners and chambers of trades and handicrafts. These partners were meant to help the AG-S in approaching companies. Qualification counselling itself was then conducted by placement professionals from the AG-S. Unlike the ‘basic model’, companies were supported beyond the ‘guiding counselling’ and received direct support for implementing the specific steps of on-the-job training. In order to meet the similar training requirements of different companies, temporary qualification networks (where specific training courses were organised) were set up to achieve synergy effects (e.g. cost savings or reduced administrative work for purchasing training measures).

- **Funded network model**

As part of the ‘funded network model’, private providers were employed to establish industry-specific, permanent qualification networks. After the establishment of the networks, the institution was responsible for individual counselling in the participating companies and identifying individual qualification needs. Subsequently, the institution combined the individual qualification needs identified to form a network programme and coordinated, where possible, the joint realisation of on-the-job training.

In the three different pilots nearly 800 enterprises participated in the different counselling activities. The duration of the counselling ranged from three months up to two years. The proportion of older workers participating in further training differed from model to model. In the cooperation model, 30 % of the participants were older than 45 years, and in the funded network model the proportion lies at 40 % (for the basic model no age figures are available).

From the test results of the pilot projects, it can be deduced that due to its labour market competences, local infrastructure and statutory duty, the BA is able to approach small and medium-sized enterprises and meet their requirements close to the market. As part of comprehensive evaluations, it was found that the BA generally has a high acceptance level among employers as a counselling partner. Unique characteristics such as the holistic counselling strategy (promotion counselling, personnel recruitment and development), neutrality and regional accessibility play an important role. The majority of the companies that received counselling were willing to make use of the qualification counselling offered by the Federal Employment Agency again in the future. On a descriptive level, they rated the services and characteristics of

BA's AG-S better than comparable characteristics and services of third parties in every respect (*additional results in the annex*).

In 2012, a corresponding professional concept for the nationwide introduction of the qualification counselling by the AG-S as part of labour market counselling will be developed. After two years of practical experience, the effects of the professionalised counselling services on the results in the core business of the AG-S will be reviewed.

Promotion options

- **WeGebAU (Weiterbildung gering Qualifizierter und beschäftigter Älterer in Unternehmen - Further training of low-skilled and older employees in companies)**

A longer working lifetime and thus a growing employment participation of older employees make it necessary, among other things, that the professional qualification of older workers keeps pace with the increasing requirements on the job and requires continuous training – especially at an advanced age. Lifelong learning is still relatively uncommon in Germany, and above all, unequally distributed. Low-skilled and older workers are especially underrepresented in further training. Compared to the rest of Europe, Germany ranks at the bottom of the list.

BA uses the WeGebAU programme for the promotion of further training for older employees in small and medium-sized enterprises. Older workers are underrepresented in in-company further training. Additionally, investing in further training of older workers does not always pay off for companies without support due to their shorter average duration of employment.

The objectives of the WeGebAU programme are:

- increasing the company's interest in the further training of older employees
- intensifying further training of employees
- identifying the skills potentials in a more intensive way
- improving the skill level of employees, and
- supporting the improvement of skills levels through assistance.

The employer receives wage subsidies from BA during the further training measures. In 2011, about 5,100 older workers were supported through WeGebAU.

Analyses by the IAB (Institut für Arbeitsmarkt- und Berufsforschung, Institute for Employment Research) show that almost half of all companies know that BA supports further training of older employees. Almost one quarter of the companies knowing WeGebAU made use of these funds. Progress was made above all in medium- and large-sized enterprises. Also small enterprises are more familiar with the programme by now, but they make less use of it than larger enterprises. Microenterprises are particularly hard to reach with regards to on-the-job training. A lot of companies indicate that there is no additional need for further training of their personnel or that it is covered by their own funds. According to the companies, the promotion of in-company further training has led to new impulses. In particular, previous further train-

ing activities were continued, existing ones partially expanded and new ones started. 85 % of the companies that used WeGebAU rated the results positively.

- **Transfer measures**

Employees affected by operational changes (i.e. shutdowns of parts of the establishment or reorganisation) may be supported by transfer measures. The objective of transfer measures is to facilitate the direct transfer from the old into a new employment relationship while the old employment relationship still exists. Measures eligible for support are, for example, measures for determining performance capability, employment chances and training needs of employees (profiling), application training, outplacement and qualification. Support takes the form of a payment of 50 % of the required and appropriate measure costs, with a maximum of EUR 2 500 per employee.

4.2 What do you see as the main challenges in relation to delivering preventative services for older workers, including the specific PES services offered, as well as aspects of the broader policy framework?

Challenges

With respect to the preventative measures offered by the BA, the main challenge can be seen in establishing sustainability in the skill development process for older employees. The latest developments show that companies, as well as employees were willing to invest in further training during the economic crisis in 2009, whereas the willingness on both sides seems to be declining with the economic recovery filling the order books again and lowering the unemployment risks of employees. A study by the BIBB (Bundesinstitut für Berufsbildung, Federal Institute for Vocational Training) from 2008 shows, that only 21 % of the employees above the age of 55 in a company participate in further training. Thus, Germany occupies only a lower middle rank compared to the rest of Europe.

The counselling and promotion efforts undertaken by the BA on both sides of the labour market are not enough to convince employees themselves, as well as companies how important preventative activities are to overcome the consequences of demographic change. With respect to these challenges, it is reasonable to invest more in the promotion of employability and in the objective of a longer working life instead of supporting early retirement. To support this development, the BA has – as mentioned above – intensified the qualification counselling for employers and will in 2012 implement it as part of its continuous services. Qualification counselling activities for employees are already part of the BA service profile. It has been professionalised with the new ‘guidance concept’ mentioned above. On the other hand, the promotion measures are not meant to substitute activities undertaken by firms or employees. On the contrary, the BA tries to trigger private activities by showing the effectiveness of investment in training and stands in if markets fail. Finally, the BA acts as an experienced partner in networks dealing with the consequences of demographic change.

As described, employers are still quite reluctant when it comes to the employment of older workers. However, the changing age structure will present companies and personnel with new challenges which can only be met by appropriate adaption of the company culture and operating procedures, on the one hand, and up skilling and employment of personnel, on the other hand.

In addition, many companies have not yet implemented a consistent personnel policy. However, there will be a trend towards life-cycle-oriented personnel policy as a holistic strategy for recruiting loyalty to the company – this also means keeping older workers in the company for as long as possible by creating age-appropriate working conditions.

Politics, society and the economic system need to brace themselves for the increasing importance of older workers in the labour market. To promote this re-thinking, the following additional changes in framework conditions could be addressed:

- **Turning away from seniority wages²**

Every third industrial enterprise in Germany still pays wages according to the seniority principle: long-term and/or older employees receive more money than younger ones. This may be an obstacle in the future, when companies increasingly need to fill vacancies with older applicants due to the demographic change, because junior employees are not available. Turning away from the seniority principle of the collective bargaining law and increasing performance-orientated components would significantly facilitate the opportunities of older employees to remain in employment.

- **Leveraging the entrepreneurial potential of older workers**

Compared to their share of the population, older workers are still significantly under-represented when it comes to founding new businesses. The demographic change will also affect the founding of new businesses in the long run: if the tendency to start-up businesses remains the same, the number of self-employed persons will decline by more than half a million by 2050. Therefore, also on a macroeconomic level, it is important to identify the founding potential of older people.

- **Further establishing regulations in terms of labour market policy and pension policy oriented towards a longer working life**

The employment situation of older employees is strongly affected by regulations in terms of labour market policy and pension policy. In both policy fields, the course has been set for longer employment participation of older employees over the last few years. Examples include the retirement age of 67, the adjustment of the retirement age of women and men, the discontinuation of the so-called rule for people over 58, the shortened duration of entitlement to unemployment benefit for older workers and the merging of unemployment assistance and social benefits to form Unemployment Benefit II. The changes in transfer benefits for unemployed persons contribute to an increased readiness of older workers for concessions with regards to the wage level.

² Source: Institut der deutschen Wirtschaft Köln (Cologne Institute for Economic Research)

Another positive contribution is the planned combined pension. With this combined pension, drawing a partial pension instead of a full pension and continuing to work part-time becomes more attractive for older employees retiring early.

5. PES SERVICES AND MEASURES FOR UNEMPLOYED OLDER WORKERS

5.1 In the context of the overall approach of PES services for unemployed older workers (individualised or targeted), what specific supports are available to this target group that have proved successful regarding outcomes?

As described above, following the individual approach in counselling, there are no specialised counselling activities for older unemployed. In general, this is also true for labour market policy instruments. It seems favourable not to link labour market policy instruments to the age of employees, but to the individual integration obstacles that occur regardless of age. In this way, as a general rule older workers can access the entire product range. Promotion measures, as part of labour market policy related to age brackets, walk a fine line because they may have stigmatising effects.

However, special forms of promotion instruments for older workers with specific needs are reasonable:

- **Integration subsidy**

If the placement of customers is complicated due to circumstances related to their person, the caseworker may offer a subsidy to the prospective employer in addition to the remuneration in the form of an integration subsidy. The integration subsidy may be up to 50 % of the remuneration and is paid for a maximum of 36 months. In this way, possible preconceptions of employers regarding a particularly limited performance capability of older workers can be addressed by the counsellor. If an employer receives an integration subsidy, s/he is obliged to keep the employee in employment even after the expiration of the subsidy. The duration of this employment corresponds to the support period, but is 12 months at the longest. Thus, a permanent integration of older workers is supported through the integration subsidy. In 2011, the integration subsidy for older workers was used in more than 43 000 cases. *For further information on the effects of integration subsidies, see Section 7.*

- **Perspective 50plus**

'Perspektive 50plus – Beschäftigungspakte für Ältere in den Regionen' (Perspective 50plus – Employment Pacts for Older Persons in the Regions) is a programme by the BMAS for the improved employment chances of older long-term unemployed persons. The first phase of the programme began in November 2005. In addition to tapping into the potential of the economy and the Federal States, the constructiveness and creativity of the regions are also to be used more intensively than before for the professional integration of older long-term unemployed persons. *For further information, see Section 6.*

Older workers particularly benefit from the utilisation of certain labour market instruments. With a proportion around one third of the persons supported by integration subsidies (65 500 older workers) and two fifths in activation and professional integration measures (90 000), older people were overrepresented in 2010 (with a proportion of one third of the unemployed). However, older workers are underrepresented in the promotion measures of further training (only 71 000 out of 490 000 participants in total).

The different objectives of the various measures of active labour market policy are often associated with significant differences in the integration chances between the groups of measures. Regardless of the objective, the most successful measures for older workers – as well as for all other clients – are in-company measures ('Maßnahmen bei einem Arbeitgeber', according to §45 SGB III), in which clients can participate e.g. in order to determine their aptitude for a certain job. Six months after an in-company measure, 18 % are still in employment and liable for insurance deductions. As part of this measure, clients have the chance to personally persuade the employer and show their potential over a longer period of time (up to six weeks). In 2010, 62 205 older unemployed were promoted by this measure (12.7 % of all participants).

Another successful instrument – even more successful than with the remaining clients – is the integration subsidy already mentioned. If an integration subsidy is granted, 38 % of clients are still employed in jobs covered by social security six months after they entered employment.

5.2. What do you see as the main challenges in relation to delivering services and measures for unemployed older workers, including the specific PES services offered, as well as aspects of the broader policy framework?

Challenges

It is necessary to maintain and promote the employability of older workers through labour market policy. To achieve this, it is required that persons are included in ongoing further training measures as early as possible in order to prevent skill deficits and/or ensure that no professional processes of change are missed. On the other hand, the measures must also increasingly support persons during their final years of working life especially with the objective that they remain in employment or take up new employment, where in the past the transition into retirement was a common alternative.

6. PARTNERSHIP WORKING TO SUPPORT OLDER WORKERS

6.1 Which partnerships are in place and have proved to be effective with external organisations a) to provide preventative measures and b) services or measures for unemployed older workers?

Labour market monitor

The labour market monitor is an internet platform of the BA which can be used to illustrate and track current and long-term developments on the labour market in an easy way. Using this monitor, nationwide as well as regional structures can be displayed and interpreted by different criteria (e.g. the relation of young and old people in the context of employment developments in Munich). Moreover, it can be used to cooperate interactively with external network partners and exchange experiences. Since employment problems can be solved particularly effectively in cooperation with the responsible local institutions, the labour market monitor assists the local actors in jointly analysing and discussing the fields of action, reaching joint conclusions and directing the results into targeted regional actions of the relevant partners. Additionally, various tools for professional exchange and support of project work are available in order to support networking. Regional networks, for example, may be integrated in the labour market monitor so that they can be accessed by others. The labour market monitor comprises numerous success stories on the subject of older workers.

Perspective 50plus

Supporting older long-term unemployed persons is part of the perspective 50plus federal programme funded by the Federal Ministry of Labour and Social Affairs. The federal programme started in October 2005 as part of Initiative 50plus (50plus initiative) to increase the employability and employment chances of older workers. The target group includes persons between 50 and 65 who are unemployed within the legal sphere of SGB II. In the meantime, the federal programme has entered its third programme phase. By its continuation into the years 2011 to 2015, the employment chances of older long-term unemployed persons are to be further improved.

The objectives of the perspective 50plus federal programme are above all the:

- integration of older unemployed persons in the labour market;
- development and implementation of innovative strategies and approaches in the regional context: local responsibilities – model projects – testing – sustainability;
- initiation and establishment of binding network structures in the regions;
- raising enterprises' awareness about the demographic change: employment of older workers in enterprises.

Not only are the Jobcentres, who have the main responsibility, involved in the implementation of the programme, but they are also the partners of the regional networks. The important partners include enterprises, chambers and associations, municipal

and educational institutions, politicians, trade unions, churches and social associations.

As part of the employment pact, regional networks are to be expanded and developed into binding pact structures: practical examples are to be identified, tailored approaches and strategies for the respective region developed and implemented and a change in awareness in the society generated. Companies are to be sensitised for the recruitment, employment and qualification of older workers more intensively than in the past.

'Perspective 50plus' has become the umbrella for a total of 78 regional employment pacts for professional re-integration of older long-term unemployed persons.

In 2011, just over 200 000 persons could be supported by numerous individual and qualification measures as part of 'Perspective 50plus'. More than 70 000 older long-term unemployed women (43 %) and men (57 %) have taken up employment again since the beginning of 2011. A positive surprise is that only 34 % of the new employment relationships in 2011 were supported by an integration subsidy. According to the results of the evaluation (see below), the most successful measure in 'Perspective 50plus' was the individual job-search coaching of the older unemployed. Together with the change of awareness generated in the regional networks, the coaching (which in most cases includes direct contacts between the caseworker and the potential employer) might also be one reason for the comparatively low uptake of integration subsidies: the caseworkers may have convinced the employers to rely on the achievement potential of the client rather than place a subsidy.

6.2 What works best in relation to such partnerships?

As the evaluation results from the first programme phase suggest, there are three main factors for the success of 'Perspective 50plus': first, in the participating regions, for the older unemployed participants, a counsellor-client relation is realised which is better than in the Jobcentres. Second, there is no need to develop new targeted ALMP measures for the participants, but the existing measures were combined following a common integration strategy, including not only ALMPs, but also measures for which the other regional partners were responsible (e.g. health promotion). Thirdly, the pact regions have the opportunity to learn from each other's best practice via workshops and an internet platform for knowledge exchange.

7. MONITORING AND EVALUATION

7.1 What systems are in place for performance measurement and evaluation for older workers / unemployed?

7.2 What are the main indicators used in evaluating the effectiveness and efficiency of services and measures for older workers?

7.3 What have been the main evaluation results in recent years?

The Federal Employment Agency uses different approaches to monitor and evaluate its services and measures systematically. The main continuous monitoring and evaluation systems run by the BA are the integration summary (Eingliederungsbilanz) and TrEffeR (Treatment Effects and Prediction). Additionally, the BA is legally bound to perform effects research in the field of active employment measures. Analyses in this field are conducted by the Institute for Employment Research (Institut für Arbeitsmarkt- und Berufsforschung, IAB). Finally, there are many projects on the effects of active labour market policy for older unemployed conducted by external research institutions, partly financed by the Federal Ministry of Labour and Social Affairs (as for Perspective 50plus).

Integration Summary

The integration summary, which is generated once a year by the Federal Employment Agency, shows, among other things, the utilisation and gross effects of measures of labour market policy in a transparent way.

The integration rates calculated as part of the integration summary are to give some indication of how the measures contributed to ending existing unemployment and therefore reaching the main objective of the support benefits. It allows for statements on the absolute chances for a person leaving a measure to be employed in a job covered by social security six months later. The allocation of this chance across different groups of people very much varied in 2010. Only about every fifth person within a group that was particularly eligible for assistance was employed in a job covered by social security six months after leaving the measure. The integration chance of a participant was thus in total 31 % higher than that of an older worker at the age of 50 or above.

The integration summary also shows the activation rate³. This rate was 27.2 % in 2010 – with regards to older customers, however, it was 20.8 %.

Another component of the integration summary is the placement rate, which indicates what percentage of the persons leaving unsubsidised employment entered this employment directly as a result of a placement recommendation. The placement rate of older clients was almost 12 % and thus 2 % lower than that of all clients. Beyond the traditional placement by selection and recommendation, promotion by the active labour market policy instrument, the self-information facilities of BA, counselling ser-

³ The term activation rate generally refers to the relation between the number of participants in measures and the total number of persons to be activated.

vices, the Jobbörse information platform and various financial aids during job-seeking, contribute to people taking up employment.

TrEffeR

In collaboration with the IAB and the Harvard University, the TrEffeR project was developed to give information on the effectiveness of labour market measures for management matters in a timely manner. To evaluate the net effects on the integration prospects of the participants compared to similar non-participants, TrEffeR compares the gross effect in terms of the integration rate six months after the end of the measure to the result of a control group.

The results are supplied in a regional differentiated way and support the local employment agencies in identifying strengths and weaknesses in the allocation of labour market policy.

TrEffeR results for 2010 show that integration subsidies for older workers are a successful instrument in terms of raising the integration prospects for all age groups of participants. The net effect ranges from 30 percentage points for unemployed under 25 up to 38 percentage points for the older unemployed over 50 years. Bearing in mind that the employment rate of the control group is only 35 %, the integration subsidy more than doubles the employment prospects of this age group.

Vocational trainings financed by the BA can also count as successful measures. In 2010, they raised the employment rate of participants compared to similar non-participants by 9 percentage points.

More results from TrEffeR are listed under Section 5.

Evaluations by IAB and external research institutions

Research projects carried out by the IAB or external institutions can be seen as complementary to the monitoring and evaluation efforts undertaken by the BA. Whereas the integration summary and TrEffeR focus on contemporary information and therefore evaluate only up to six months after the end of measures, the research projects can analyse much longer periods, go much more into details and address special questions.

For example, for integration subsidies many evaluation results show that the employment effect found by TrEffeR is not transitional, but lasts for at least three years after the end of the subsidy. In addition, one objection against integration subsidies is the presumed existence of deadweight effects. They would arise if employers would have hired a certain number of unemployed even without the subsidy. New research shows: even if the positive employment effect of integration subsidies would result 100 % from deadweight, it would have been effective anyhow. This is because subsidised newly hired workers gain higher wages and the employment is more stable compared to unsubsidised newly hired.

At last, there are some evaluation results of the first phase of Perspective 50plus (2005 – 2007). They suggest that the program has reached its goals, at least partly: in the participants' perceptions their participation increased their employment prospects. According to employers' information, they recruited older workers to a greater extent than without the program. Multivariate analyses show coaching modules (for participants searching for dependent employment) as especially successful.

7.4 Have these results led to any changes or are changes being considered in the organisation and delivery of services to improve the labour market situation of older workers?

As pointed out above, the results from the integration summary and TrEffeR are used continuously for the improvement of the design and mixture of the ALMP measures used for the different groups of customers. It is the responsibility of the local employment agencies and Jobcentres to use the information properly.

The evaluation results from the IAB and external research institutions in general are considered as one piece of information when (re)designing ALMP measures, services and programmes. As an example, the implementation of 'Inga', the internal holistic integration service, refers very much to the evaluation results of the pilot conducted two years before. The evaluators' recommendation regarding the optimal caseload, the target group of the service and the range of services conducted in the 'Inga'-teams were applied to the overall implementation of the service.

8 CONCLUSIONS AND QUESTIONS

8.1 What lessons have you drawn from your experience and what are your actions for the future?

Efforts not only to ensure that older workers remain in employment but also to help unemployed workers to get a new job should be increased. This includes eliminating stereotypes with regards to old age, as well as changes in awareness; otherwise political measures would come to nothing. In the course of high unemployment rates over decades, the early transition into retirement developed as a publicly funded model which stretched to its limit due to financial reasons, but also for reasons in terms of labour market policy. Despite numerous reforms, the tendency towards early retirement is still latently rooted in society. This may be an explanation for the fact that companies very much appreciate the qualities of older workers, such as know-how, reliability and loyalty, but rarely employ them. According to IAB, it is also often the case that older people do not apply for jobs, which indicates an at least partial retreat from the labour market. For a longer working lifetime it is therefore required that companies make use of the generally positively rated qualities of older workers and that older people do not give up during their search for employment.

Demography puts the German economy under enormous pressure. If there is a lack of young skilled workers, only those enterprises that create jobs suitable for older

workers will survive. Whether this adaption is successful will depend on the creativity of personnel management.

In order to achieve the permanent integration of older workers, the BA has two simultaneous strategies:

1. Increased integration efforts for older unemployed persons result in a declining unemployment rate of older workers. Therefore, stocktaking and the evaluation of integration strategies are necessary. The experience in the recent years shows that placement activities and measures work best if they are individualised and tailor-made. This includes, in particular, an adequate caseload and qualified counsellors. In both fields the BA has intensified its effort recently. In the future, apart from further professionalising the counselling, one field of action will be to intensify the placement activities. Suitable clients are to be discussed in a regular exchange with the employer service and, if applicable, proactively recommended to companies for recruiting (combined with support benefits, if applicable).
2. Stabilising employment relationships and therefore avoiding displacements (e.g. by qualification) very much contribute to this. The experience with the active end intensive employer counselling shows that the BA can create an added value especially for small and medium enterprises. Therefore, this field of action will be continued and intensified.

8.2 What would you most like to learn from PES in other countries?

Questions

- What innovative and special products are provided for older workers? – How successful are they?
- How do older workers as a whole benefit from the support products? – Are there differences compared to the other unemployed clients?
- What are the benefits and disadvantages of target group orientation (the experiences so far – e.g. with special placement professionals for older workers)?

ANNEX 1: Results regarding the qualification of older workers in the BA's qualification counselling project

1. Study on the added value of qualification counselling to the society

As part of a study commissioned by the BA during the life span of the qualification counselling project on the 'added value of qualification counselling to the society', 865 small and medium-sized enterprises and 150 labour market partners were questioned (among others) about the 'target groups for securing the supply of skilled workers in small and medium-sized enterprises'. The result shows that an increase in the employment participation of older employees is increasingly regarded as important. According to the study, this group of people is an important labour resource for small and medium-sized enterprises for internal and external strategies for recruiting skilled workers, since in the future, training itself will not be enough to keep a sufficient number of qualified employees in reserve. Older workers are a relevant group of people for securing the supply of skilled workers especially in the health and social sector and the services and manufacturing industries. According to the study, the operational focus is on keeping older workers in employment for a longer period of time.

2. Evaluation of the model projects

The sub goal of the model projects for qualification counselling of small and medium-sized enterprises was to increase the proportion of in-company further training in small and medium-sized enterprises and win older employees over to participate in qualification measures in order to extend their employability in the long run. In the cooperation model about 30 % of the participants were over 45 years old; in the funded network model almost 40 % of the participants had an age of 46 or above. The participants were mostly people with a good professional qualification (i.e. skilled workers and executives) and who had an affinity towards advanced and further training. On the part of the participants (who were not differentiated by age), the most important reason for participating in further training was the development of their individual professional qualification, i.e. the improvement of their own (professional) knowledge and skills.

ANNEX 2: Description of effective/proven practice

Title
Perspektive 50plus – Beschäftigungspakte für Ältere in den Regionen (Perspective 50plus – Employment pacts for older workers in the regions)
Introduction
<p>The federal programme started in October 2005 as part of Initiative 50plus (50plus initiative) to increase the employability and employment chances of older workers. The objectives of the perspective 50plus federal programme are above all the:</p> <ul style="list-style-type: none">• integration of older unemployed persons in the labour market;• development and implementation of innovative strategies and approaches in the regional context: local responsibilities – model projects – testing – sustainability;• initiation and establishment of binding network structures in the regions;• raising enterprises' awareness for the demographic change: employment of older workers in enterprises.
Main description
<p>The involved Jobcentres work together with partners of the regional networks, e.g., enterprises, chambers and associations, municipal and educational institutions, politicians, trade unions, churches and social associations, on the integration of older long-term unemployed. The Jobcentres are mainly responsible for the development and implementation of the programme.</p> <p>As part of the employment pact, regional networks are to be expanded and developed into binding pact structures, practical examples are to be identified, tailored approaches and strategies for the respective region developed and implemented and a change in awareness in the society generated. Companies are to be sensitised for the recruitment, employment and qualification of older workers more intensively than in the past.</p> <p>'Perspective 50plus' has become the umbrella for a total of 78 regional employment pacts for the professional re-integration of older long-term unemployed persons.</p>
Main results and success factors
<p>Through 'Perspective 50plus' more than 70 000 older long-term unemployed women (43 %) and men (57 %) have taken up employment again since the beginning of 2011. Only 34 % of the new employment relationships in 2011 were supported by an integration subsidy.</p> <p>The main success factors of the programme are the individual job search coaching, the linked networking of relevant regional actors and their measures as well as the</p>

application of coaching measures including follow-up after the start of an employment relationship.