PES and older workers: Qualification counselling and training subsidies

Study visit to the Bundesagentur für Arbeit (PES Germany)

5 September 2012

(Follow up to Peer Review: PES and Older Workers, Nürnberg, 10-11 May 2012)
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1. Introduction

Following a Peer Review on ‘PES and older workers’ in Nürnberg on 10-11 May 2012, several PES expressed an interest in a visit to the German PES, the Bundesagentur für Arbeit, to gain practical insights into their experience with measures to encourage the hiring or retention of older workers.¹ The Bundesagentur für Arbeit has recently piloted various models of qualification counselling for small and medium enterprises (SMEs), and has successfully implemented a wage subsidy programme for employers, which offers a preferential rate of subsidy for up-skilling older workers.

The support for transfer visit focused on the experience of Bundesagentur für Arbeit with qualification counselling, wage subsidies and marketing strategies to encourage the (re)employment of older workers. In addition to German participants, PES representatives from the Netherlands, Hungary, and the UK attended the event.

2. Why and how to use qualification counselling?

Qualification counselling provides support in implementing measures in personnel development. This is particularly relevant in the case of older and low-skilled workers, who typically have fewer formal qualifications. In the mid 2000s, BA observed a decline in employers’ involvement in training while at the same time recognising the challenge of future labour shortages signalled by the increasing demand for skilled workers in SMEs. In response BA decided to develop and pilot three models of qualification counselling in order to identify the best way to facilitate upskilling and further training in SMEs. The reason for specializing in SMEs is that such companies often lack the necessary skills and human resources for systematic personnel development.

The PES can support the implementation of personnel development as well

In all the three models, counsellors use age structure analyses and analyses of the existing qualification and up-skilling needs as tools to raise awareness (see Annex 2 for more detail). As a second step they explain the necessity of strategically foresighted personnel development and motivate SMEs 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. The complete counselling process includes six phases which can be implemented flexibly in terms of sequencing and depth according to the needs of the client (see Annex 2 for a flow chart of the process).

¹ For more detail on effective tools presented at the Peer Review, see the Toolkit and the Comparative paper, which provides a review of current practices in the participating PES.
1. In the *base model*, the counsellors of the employer service provide methodological advice in the sense of "self-help" for long-term, strategic workforce planning and development. The practical implementation of staff development programs is the responsibility of the employer.

2. In the *cooperative model*, the employer is also supported by the staff of BA in the practical implementation of staff development programs. Partners also facilitate regional cooperation and networks from access to the company.

3. In the *funded network model*, private providers were employed to provide individual counselling for the participating SMEs and additionally to implement the training by establishing industry-specific, permanent qualification networks. The networks were set up for firms with similar needs, in order to achieve synergy effects and reduce costs.²

The model tests were started in 2009 and implemented at various locations in Germany. The pilot confirmed that PES provided counselling (in the base and the cooperation models) was well received by employers. The external and internal evaluations have shown that the base model was most likely to meet the expectations of the companies. However, each model has its strengths and weaknesses. In the base model, individual employers have indicated a need for further methodological advice and direct assistance in the implementation of training in companies. In the collaborative model, the computational load for the BA was particularly high because the consultants also provided direct support for the implementation of training in companies. The funded network model was the most successful model in terms of the proportion of older workers in training, but it was very expensive and the networks were not permanent: the networks ended when BA stopped financing them.

The nationwide introduction of the qualification counselling by the PES as part of labour market counselling is currently being developed.³

**BA is an important player in the counselling market for employers**

In Germany, counselling services are provided by a variety of organisations, ranging from chambers of commerce to for profit private firms. A survey conducted by an external institution showed that, given a list of 12 options, 76% of employers (in a random sample) would choose BA as a provider of qualification counselling. This suggests that BA is an important player in this market and has a valuable basis for

² A typical example is nursing homes. In the pilot, a network was set up by about 30 nursing homes that all shared the problem of not having enough well qualified staff. Using the network, they could organise cheaper and better quality costs and could also cooperate in swapping interns during the training.

expanding their contacts with employers. BA also has the advantage of having a nationwide network.

The counselling market is currently plagued by the lack of transparency. The various providers come from very different backgrounds and there are no universal quality standards that would help employers to find the provider best suited to their needs nor to assess the quality of their services. This may also contribute to the popularity of BA, where staff have proven expertise.

However, the BA will not act as competitors in the market. The current strategy of BA is to collaborate effectively with other providers; this strategy is designed for two reasons. One is that these services are expensive to develop and hard to implement, the other is that the increase in the market share of the BA in the consulting sector can create tensions within their valued partnerships with other labor market actors such as trade unions, chambers of commerce and educational institutions. BA wants their own role to mainly focus on raising awareness and providing limited methodological guidance. For other counselling topics, other competent providers will provide specialised services (e.g., age-appropriate job design, work schedules, health management).

Counselling is targeted at SMEs in industries with a skills shortage

The pilot was specifically targeted at SMEs, as large firms already have enough staff to plan and implement personnel development. In the basic model, local PES approached SMEs in industries with a skills shortage, as the general idea of the project was to “up-skill” workers already employed in these industries but lacking formal training. An efficient way to identify potentially interested employers is to scan vacancies posted at the PES and find those that require skills that cannot be immediately met by the existing pool of job seekers. In such cases, PES counsellors would invite the employer to consider if someone in their existing staff could be trained to fill this vacancy.

In the funded network model, it was the external contractor who identified potential participants and established networks based on branch of industry and training needs. In the cooperation model, the existing regional development networks were the main channels of contacting employers.

The pilot required a large investment in training PES staff

The pilot cost over a million Euros to implement. The cost of the funded network model took a large share of this, but the total cost also included a large investment in training existing staff in counselling. Participating PES could also have higher additional staff during the pilot (a total of 27 additional employees in the model projects).

The pilot was financed from unemployment insurance, as it was regarded as a preventive measure in an insurance system to which employers contribute half of the contributions. External providers were selected in competitive tenders, based on their
professional experience and service fees. Successful bidders comprised of a wide range of providers from multinational to local, for profit and non profit organisations.

**Further evaluation is needed to establish the cost effectiveness of counselling**

The primary aim of the pilot was to raise awareness of the skills shortage and of the potential gains from up-skilling existing employees, especially older workers. This is rather difficult to measure as the PES may not have detailed information on what happens within the firm after the counselling phase and even if so, it is difficult to establish a clear link between their service and the decisions of the employer, since employers are influenced by multiple sources of information. BA collected information on the training courses implemented at employers participating in the project but these cannot be directly interpreted as outcomes of the project.⁴

A suggestion from one of the participating PES was that BA could illustrate the impact of the counselling process by preparing case studies that follow the decisions of a typical employer over 18 months.

**An extended version of the Basic model is introduced nationwide in 2013**

Based on the first results, BA decided to introduce a somewhat extended version of the Basic model nationwide by July 2013.

There are around 5000 placement officers and counsellors working at 156 PES agencies in Germany. Of these at least two staff per agency are fully trained as a training consultant. The remainder have both experience and training to work with employers so it is anticipated that most of them can be trained to provide this new service in a one-week course including communication, promotion and sales skills. There are also plans to integrate this training into the curriculum of the PES university and BA’s training institutions.

Currently, BA is finalising the documentation of the counselling process and training will start in January 2013. Executives at local PES units will also participate in the training. Selection of staff to participate in the course is left to the local offices. In view of the recent recovery of the German economy, it is also anticipated that some staff resources can be shifted away from placement to qualification counselling.

**3. The effectiveness of wage subsidies**

BA introduced a combined wage and training subsidy scheme for specific target groups (WeGebAU) in 2006, after a preceding pilot project in 2002. The scheme received additional funding at the start of the global financial crisis in 2008, which was cut back in 2012 in view of the recovering economy. In 2011, about 5,100 older workers were supported through WeGebAU.

⁴ In the Basic model 75% accepted first counselling and 34 % stayed in the entire counselling process. In the Funded network model nine networks were set up with an average of 25 participating firms and each trained an average of 600 employees.
The scheme is designed to improve the employability of low-skilled and older workers and prevent unemployment by encouraging further training. It contributes towards the cost of the training course and, in the case of unskilled workers, it may also provide a wage subsidy to the employer compensating for the lost working hours (see details in Appendix 3). Although there is no automatic link with qualification counselling, the scheme is often used in combination with such services.

Although the general approach of BA is to personalise all services and focus on the individual needs of job seekers, WeGebAU follows a target group strategy. The subsidy on training is 50% for employees in SMEs, 75% if they are older workers and 100% for unskilled workers, regardless of firm size. The different rates correspond to the risk of becoming unemployed.

**Deadweight loss is reduced by detailed eligibility rules**

As the aim of the scheme is to ensure wider employability and also to avoid the financing of courses that would have been launched without BA support, WeGebAU does not support employer or task specific training. For low-skilled workers, subsidies are only available for accredited courses leading to a certificate. For SMEs, this requirement may be lifted. Courses must last at least four weeks and the employer is obliged to ensure leave of absence. This practically rules out the risk that firms would use WeGebAU for firm-specific practical training needs, as these typically require much shorter courses.

**WeGebAU has produced some unexpected positive results**

General feedback on the scheme from employers has been varied, but a recent study has shown that 85% of participating companies reported positive effects of the training. The scheme has brought some unexpected positive results as well. In particular BA observed several cases where employees participating in a WeGebAU course spread the word at their work place and this has resulted in increased motivation for training among other employees. This is especially important as most often the decision about training is made by the employer while employees tend to be reluctant to participate.

### 4. How to reach employers and encourage them to retain and hire older workers?

A recent study by the Institute of Employment Research (IAB) indicates that half of the targeted enterprises are aware of the WeGebAU scheme and a quarter of them have been engaged. Its impact on small enterprises is limited, while microenterprises tend to fall out of the scope of WeGebAU.5

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Marketing the benefits of qualification counselling and training/wage subsidies presents a challenge to BA, especially in the SME sector. The general approach of BA is to rely on its existing reputation and its partnership with other labour market actors who refer their clients to BA. Once direct contact with BA counsellors and placement managers is established they can use that to market the full range of their services. BA also distributes information sheets and leaflets via their partners.

A recent evaluation of their marketing efforts showed that **70% of employers learnt of BA services directly from PES staff**, while posters and advertisements played minor role. There are no dedicated campaigns for specific target groups, but local BA units may use different channels to reach different employers. For example, for contacting new start-ups, they rely on the information provided by the Tax Authority.

The BA system is built upon convincing counselling by the employers’ services. The main arguments for retaining and training older workers include their long term experience, firm specific knowledge, and reliability. Prejudice against older workers seems to be declining in parallel with the increase in skills shortages. Currently there is no formal collection of arguments that counsellors are encouraged to use when working with employers.6

BA is currently reviewing the new project a so called “talent arena” to enhance the labour market integration of older jobseekers. This provides follow-up support after placement for the employee as well as for the employer including up-skilling if needed to fulfil the requirements of the work place. The project is financed from a combination of public and employer resources, where the employee receives counselling and other services from BA, while the employer can observe their abilities on the job. Aptitude tests are also used to pave the way. Subsidised employment is also used for a limited period of time (continued payment of unemployment benefits for one month) for work introduction.

5. What are the next steps regarding the transfer of good practices?

Participating PES share some features of the German approach. The Netherlands has a similar system of work coaches, and the UK as well, except that it is focused on medium sized firms rather than SMEs. The Hungarian PES does not have a similarly developed counselling service although some local PES offices do have staff specialised on assisting employer’s personnel management. Subsidies similar to the Wegebau are used in the UK and Hungary, but not in the Netherlands.

Dutch participants underlined the importance of motivating PES staff, since the success of counselling to a large extent depends on the quality of the relationship with employers. The UK participants noted that, given that recruitment and introduction of new staff is costly, qualification counselling can potentially save costs

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6 For an example of such a list, see the Dutch arguments map – [http://esfage.isfol.it/pg/file/read/2096/dutch-argument-map-for-employers-about-employing-45](http://esfage.isfol.it/pg/file/read/2096/dutch-argument-map-for-employers-about-employing-45)
for employers, which can be used as an argument by the PES in the encouragement of training for existing staff.

As a follow up of this study visit it was decided by the participating PES to return to the idea of developing qualification counselling and training subsidies when funding becomes available for the expansion of such services. The Dutch PES asked for a more detailed description of the qualification counselling process and BA experts agreed to share these with their Dutch colleagues as soon as they are completed. Participants from the UK would consider implementing some elements of the German practice in their existing range of services for employers, which are typically not targeted at small firms due to lack of funding. As the UK system is in general more market oriented, they would be more open to subcontracting these services to outside providers. The Hungarian participant noted the importance of building a close relationship with employers and providing services beyond placement. This is also likely to increase the effectiveness of training and job creation subsidies.
### Annex 1 – Three models of qualification counselling at BA

<table>
<thead>
<tr>
<th></th>
<th>Basic model</th>
<th>Funded network model</th>
<th>Cooperation model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implemented by</strong></td>
<td>Placement agents/Counsellors AG-S</td>
<td>External institutions</td>
<td>Placement agents/Counsellors AG-S</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Guiding function – instructive counselling, capacity building</td>
<td>Implementing function – Counselling and implementation</td>
<td>Implementing function – Counselling and implementation</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>In-house counselling (professionalization of labour market counselling pursuant to Section 34 SGB III (German Social Code, Book Three))</td>
<td>In-house counselling Creation and coordination of qualification networks</td>
<td>In-house counselling (professionalization of labour market counselling pursuant to Section 34 SGB III (German Social Code, Book Three)) Setup of qualification networks</td>
</tr>
<tr>
<td><strong>Target group</strong></td>
<td>SMEs with up to 250 employees</td>
<td>SMEs with up to 49 employees</td>
<td>SMEs with up to 49 employees</td>
</tr>
<tr>
<td><strong>Competence building</strong></td>
<td>Qualification of the placement agents, team leaders and district managers of the agencies</td>
<td>No competence building within the BA</td>
<td>Qualification of the placement agents and team leaders of the agencies as well as the programme leaders of the Regional Directorates</td>
</tr>
</tbody>
</table>

Source: [Presentation](#) by BA at the Follow-up Study Visit, 5 Sept. 2012
Annex 2 – Standardised process of qualification counselling at BA

Notes:

1. The demographic analysis also takes into account general developments (shrinking, increasing areas) at the firm. It employs tools to identify staff / qualification, competences structure including age development and those anticipated to leave the company.

2. Personnel structure analysis examines the areas where own staff can be used after further training.

3. Planning of training requirements considers which forms of learning, under what conditions will best meet the firm’s needs. For example, a shared training course organised for the employees of several firms is recommended only if participating employers share the same needs, or if provision is not available in the region.

4. The controlling (monitoring) of training courses involves methods to calculate the costs and benefits of training. So far there has been little demand for counselling on this, which suggests there is a need to raise awareness of the importance and benefits of monitoring.
**Annex 3 – Rules of Further Training of Low-Skilled and Elderly Employees at Enterprises (WeGebAU)**

<table>
<thead>
<tr>
<th>Existing qualification</th>
<th>Low-skilled workers (regardless of company size)</th>
<th>SME employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employees aged 45+</td>
<td>Employees under 45</td>
</tr>
<tr>
<td>Objective of the measure</td>
<td>recognized training qualification/certified partial qualification</td>
<td>measures with/without certification (e.g. adjustment qualification)</td>
</tr>
<tr>
<td>Duration of the measure</td>
<td>usually 24 months for retraining and 2-6 months for partial qualification</td>
<td>at least 4 weeks or 160 classroom hours</td>
</tr>
<tr>
<td>Support benefits</td>
<td>• costs for further training</td>
<td>training costs (proportionately), additional transport and childcare costs as well as costs for board and lodging</td>
</tr>
<tr>
<td></td>
<td>• wage subsidies</td>
<td></td>
</tr>
<tr>
<td>Amount of benefits</td>
<td>• training costs 100%</td>
<td>training costs up to 75%</td>
</tr>
<tr>
<td></td>
<td>• additional transport and childcare costs as well as costs for board and lodging</td>
<td>training costs up to 50%</td>
</tr>
<tr>
<td></td>
<td>• wage subsidies up to 100%</td>
<td></td>
</tr>
</tbody>
</table>