

# Participation of older workers on the labour market

*Comparative analysis of the participation rates of older workers in Austria, Germany and the Netherlands*



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Date: November 9th 2011

## Preface

When it became time to start writing this Master thesis, it was immediately clear for me that I wanted to write a thesis connected to the ageing of our societies. Although the ageing of societies is a triumph to our welfare states, at the same time it poses threats to its sustainability. My interest lies with social policy, especially those policies that focus on keeping the balance between welfare and sustainability.

Pension sustainability is at the moment at the heart of social debate. In countries all over the European Union the debate on increasing the pension age has flared up. For me it raised the question how can we keep older workers working longer and how are EU countries dealing with the declining participation of their older workers? Of all these questions I choose one to focus on. Analysing factors affecting the pension decision in Austria, Germany and the Netherlands, directed me through many aspects of social policy, and I enjoyed the ride!

This thesis concludes my Masters in International Public Management and Public Policy.

I would like to thank my supervisor Menno Fenger for his advice and constructive critique. Many thanks also to my family, especially, Wil, Leo and Marianne and Henk and to my friends (you know who you are) for supporting me for years with their patience, advice and humour. Special thanks to my boyfriend, the most patient and funny man of them all;

*(Anywhere I go you go, my dear; and whatever is done by only me is your doing, my darling)*  
e.e. cummings – 95 Poems, 1958

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November 2011

## Summary

The participation rate of older workers (age 55-65) in Austria, Germany and the Netherlands is quite different even though all three countries are Continental Welfare States (CWS). In this research a comparison is made between structural and institutional factors influencing this participation rate.

The structural and institutional factors used in this research to derive indicators influencing participation rates are described by Trommel (1995). He identifies three structural factors; 1) labour market 2) physical and mental wellbeing and 3) how older workers are perceived by society and corporations and three institutional factors; 1) retirement policies 2) alternatives to work and 3) working conditions provided and policies enacted by employers, as factors influencing the participation rate of older workers.

In the Netherlands the participation rate of older workers is historically lower than in Austria and Germany. How older workers exit the labour market differs in all three countries. In the Netherlands (and to a lesser extent in Germany) disability benefits have historically been used as an exit path, while in Austria workers leave the labour market via early retirement. In Germany the participation of older workers is higher than in Austria and the Netherlands, exit through disability, unemployment and early exit are less attractive there. The combination of the mandatory character of activation policy and the lower pension replacement rate in part can account for differences in the participation rate of older workers. In Austria and the Netherlands it also seems part of the working culture to exit the labour market early. Older workers feel that early retirement is not a privilege but a right.

This research shows that structural factors in Germany and the Netherlands are more favourable to older workers than in Austria. The Netherlands performs well when it comes to ALMP policies, a bit better than Germany. Austria performs least well when it comes to the indicators surrounding ALMP programs. When it comes to the physical and mental wellbeing of older workers conditions are most favourable in Germany. They are less favourable in Austria and the Netherlands, although the conditions are a bit better in the Netherlands than in Austria.

Looking at the institutional factors influencing the participation of older workers we see that the benefits in the Netherlands are most attractive for workers to exit the labour market. Both disability and unemployment benefits are financially and in length most attractive in the Netherlands. Working conditions in Germany are better than in Austria and the Netherlands. The combination of stricter social benefits, better working conditions and a low replacement rate can account for the higher participation of older workers. The Netherlands has a high replacement rate combined with more attractive social benefit systems. In Austria social benefit systems are less attractive than in the Netherlands, working conditions are less favourable, as are the structural factors influencing the participation of older workers. These slight differences could be the reason why in Austria the participation of older workers is lower than in the Netherlands.

The participation rate of older workers is mostly influenced by institutional factors; policy changes immediately translate towards an increase in participation. The structural factors seem to have a more subtle, but nevertheless significant, impact; although the institutional factors in Austria are more constructed in a way that should more positively influence the participation of older workers than in the Netherlands, the participation of older workers is lower in Austria. The structural factors are a lot more positively structured towards high participation in the Netherlands than in Austria and that is probably where the difference in participation rate originates.

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# 1 Introduction

## 1.1 Ageing societies and the increasing pressure on public finance

All over the world societies are ageing and although the ageing of populations is one of humanities greatest triumphs, it is also one of our greatest challenges. Ageing populations will increase the economic and social demands on all governments.

In countries of the European Union ageing societies form challenges for policy makers. Due to the dynamics of fertility rates, life expectancy and migration rates, the age structure of the population in the EU will change. By 2060 the total EU population is expected to grow slightly from 495.4 million to 505.7 million, but overall the population will be much older. The population aged 15-64 will drop almost 15% by 2060. The population aged 65 and over will almost double from 85 to 151 million people and the population of people over 80 will almost triple from 22 to 61 million (ECFIN, 2008 The 2009 Ageing Report).

*'Ageing of the population and lowered average age of retirement imply greatly increased public costs for pensions and health care in the western societies. Prolongation of working life is seen as necessary to counteract large budget deficits, and most western countries are now in the process of changing public retirement benefits'* (Guillemard, 2001, p.11).

Guillemard discusses the necessity of prolonging the working life of workers in the EU. Directorate General Economics and Finance (DG ECFIN) of the European Commission has published research with the current and projected numbers on the ageing (working) population of the EU until 2060. The Ageing Report 2009 shows differences in the current and projected numbers of older workers (55-64 years) participating on the labour market in different countries. The countries referred to as the Continental Welfare States (CWS) (Ferrera, Hemerijck, Rhodes, 2000; Hemerijck, 2007; Sapir, 2005) on average have lower participation rates of older workers than other countries within the EU15. In the CWS (Austria, Belgium, France, Germany, Luxembourg and the Netherlands) older workers leave the labour market earlier than in the rest of the EU15 countries. On average only 41.6%<sup>1</sup> of the workers between 55 and 64 years of age are still active on the labour market, with one exception; Germany. In Germany 55.2% of the older workers still participated on the labour market in 2006.

## 1.2 Research objective

The goal of this research is to analyse how the differences in the participation of older workers can be explained. The perspective of Trommel (1995) and the factors he sums up to be of influence on the participation of older workers is used in this research. Can the mix of policies affecting early exit, the physical and mental wellbeing of older workers, the age perception, working condition and the structure of the labour market account for a higher participation rate of older workers? In this research an analysis will be made of above stated factors in Austria, Germany and the Netherlands in a comparative case study, and hopefully it will become clear why the participation rate of older workers in Germany is higher than in these other two CWS.

In this comparative case-study three of the six continental welfare states are examined to answer the question why they have different results when it comes to increasing the number of older workers participating on the labour market. All three countries have the continental welfare model, making this research a 'most similar systems design' (Van Thiel, 2007).

Push and pull factors described by Trommel (1995) were used to create a set of assessment criteria that influence the decision of older workers to participate on the labour market. In short Trommel (1995) describes the following push factors 1) Labour market 2) Physical and mental wellbeing 3) How older workers are perceived by society and corporations. Theories about the influence of these factors on the participation of older workers are used to derive indicators which can measure the situation in Austria, Germany and the Netherlands. The same method is applied to the pull or institutional factors Trommel (1995) mentions; 1) Retirement policies 2) Alternatives to work, social security benefits 3) Working conditions provided and policies enacted by employers. The indicators used in this research provide insight in the structure of the environment older workers reside in when they make the decision to stay or leave the labour market.

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<sup>1</sup> In the year 2006



Below you find a figure of the research framework of this study;

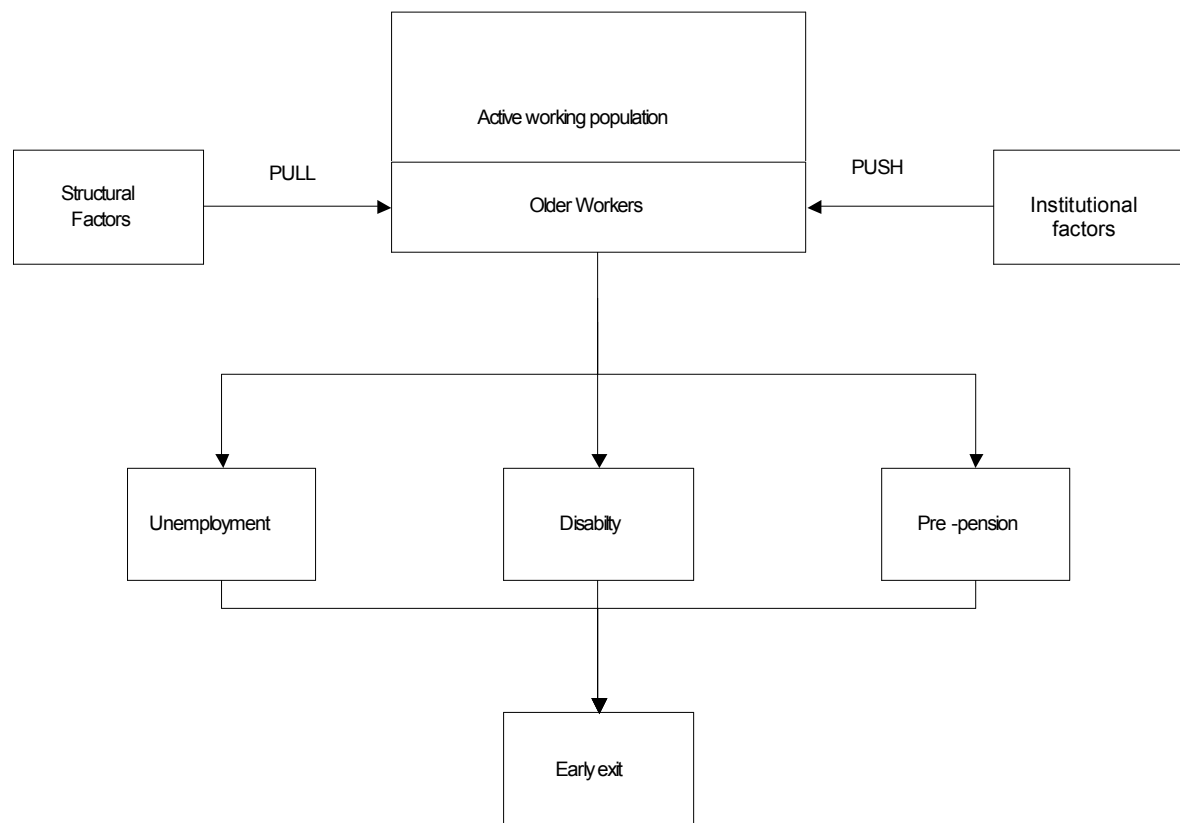


Figure 1. Research framework

### 1.3 Research question

From the research objective derives the following research question;

- How can the difference in the participation rate of older workers in Austria, Germany and the Netherlands be explained?

From this question the following sub-questions arise;

1. How can be accounted for the present participation rate of workers between 55 and 64 years old in Austria, Germany and the Netherlands?
2. Which steps were taken by the countries to increase the participation rate of older workers?
3. What does the part of the population between 55 and 64 years old, not on the labour market, do?
4. How hard is it for older workers to keep/find a job and why?
5. How do the three countries differ and where are their policies affecting the participation rate of older workers the same?

### 1.4 Relevance

The societal relevance of this research lies in the fact that a better understanding will be gained on the reasons why participation rates differ in countries with a similar welfare model. Increasing the participation rate of workers is an important instrument to decrease the financial burden on the pension system, one of the legs our welfare system stands on. The participation rate of older workers is especially low, meaning that there lies a large productive potential, which can be activated. Better insight in how current participation rates of older workers have come into existence can increase our understanding in how these participation rates can be raised.

Many different factors influence the participation of older workers. Trommel (1995) mentions three structural factors and three institutional factors. Most research focuses on the influence of one of these factors, in this research all of these factors are researched and a comparison is made between the different countries. The goal is twofold; getting insight in the differences in the participation rate of older workers in Austria, Germany and the Netherlands. If the theory of Trommel is correct, Germany should score higher on more of the indicators that follow from the independent variables he selected to influence the participation of older workers. Many scholars have formulated theories on factors that influence the participation of (older) workers. In this research all of these theories come together, this research shows what these theories mean when put together; it provides insight into which factors influence the participation of older workers most and that a certain combination of these factors can explain the differences of participation of older workers in different countries, with the same welfare model.

## 1.5 Research methods

This research follows the strategy of the comparative case study, following a most similar systems design. The case study consists of a comparative analysis of three countries within the same welfare model. In this research primary and secondary sources are used to conduct a literary research, datasets offered by national governments and international organisations like the European Commission, Eurostat and the OECD, but also research into factors influencing the participation of (older) workers conducted by scholars and scientists. Sources used will be both qualitative and quantitative in nature. This research will be a meta-analysis of different research focussing on different aspects that influence the participation of (older) workers. A content analysis of different types of sources is conducted in this research; websites of organisations, government websites, government databases, databases of international organisations, scientific journals, scientific books and papers.

## 1.6 Feasibility, reliability, validity

A research should be feasible, meaning that it is likely to achieve the set goal of the research, in this case finding out if the (pension) reforms/policies can account for the different performances of Austria, Germany and the Netherlands in the participation of older workers on the labour market. Because of the importance of the subject a lot of research about adequate and sustainable pension and active ageing is already published. Because a lot of information is already available this research is feasible.

Reliability “concerns the extent to which experiment, test, or any measuring procedure yields the same results on repeated trials. The more consistent the results given by repeated measures, the higher the reliability of the measuring procedure (Johnson & Reynolds, 2008: 94-95).” The outcome of pension reforms in the single countries can be tested on reliability by comparing them to countries with similar pension policies. Because all countries are different and have different pension policies reliability can be low; the reliability of this research will be increased by comparing scientific literature. All three countries compared in this research belong to the same welfare model, increasing their historical

Validity is a measure that measures what it is supposed to measure (Johnson & Reynolds, 2008:97). **Internal validity** occurs when it is shown that there is a causal relationship between the variables being studied. **External validity** means that the causal relationship that is discovered can be generalized to other people, time and context.

Validity in a comparative case study can be difficult to achieve, in this particular research the cases (the different countries) are not completely the same, they may have the same social model, but there are differences in the pension policies. Because this research will make use of multiple scientific documents and detailed quantitative data (gathered by national and EU based statistical centres) the validity of this research will be increased. In this research the independent variables were chosen from the research from Trommel (1995). Other theories are used to explain and prove the influence of these individual independent variables on the dependent variable; the participation rate of older workers. By combining the different theories by different scholars and statistical data provided by the European Commission, Eurostat and the OECD the impact of the variables chosen by Trommel is proved and internal and external validity are increased.

## 1.7 Reading guide

This first chapter introduced the research subject and the methods that were used to collect and analyse the data that can answer the research question. In the next chapter the theoretical framework for this research will be presented. In chapter 3 the theoretical concepts appearing in this research are operationalised. Chapter 4 gives an overview of the different social models occurring in the EU15. In this

chapter becomes clear why three countries with the continental welfare model are chosen for this research. Chapters 5, 6 and 7 are country specific chapters. In these chapters an outline is made of the countries, analysing their labour market, the physical and mental wellbeing of their workers, how older workers are perceived in society, their retirement policies, available social security benefits and the working conditions provided. In chapter 8 a comparison is made between the three countries and conclusions are drawn that can clarify the differences in the participation of older workers.

## 2 Theoretical framework

### 2.1 Dependent and independent variables

A lot of research has been done on factors influencing the participation of older workers. Parsons (1980) for example researched the influence of disability schemes in the US. Boskin (1997) researched the relation between retirement income and the decision to retire, suggesting that not health is a major reason to retire, but that the tax on earnings after retirement is of importance in the decision to retire. Sapir (2005) in his research focuses on demographic changes and the changes in family structures but he fails to include the influence of company policy. The research by Trommel (1995) however is one of the few researches that seems to cover both structural and institutional factors that influence the participation of older workers. The goal of this research is to see if a combination of these factors can account for the differences in participation rate between Austria, Germany and the Netherlands. Therefore the research of Trommel is used in this research as a basis for choosing the independent variables.

As indicated in chapter 1, in this research the factors that influence the participation rate of older workers in Austria, Germany and the Netherlands are examined to find out why the participation of older workers is higher in Germany. The dependent variable in this research therefore is the participation rate of older workers. The independent variables are the three structural and institutional factors mentioned by Trommel (1995). In this chapter the independent variables are summed up and analysed and indicators are derived with which the impact of the independent variables can be measured.

### 2.2 Influential factors

Research on early exit processes often focus either on the structural causes of early exit or on the institutional arrangements that make early exit possible. Trommel (1995) classifies the structural factors, those of economic, technological or demographic nature, as push factors. These structural factors cause tension on the labour market that lead to older people exiting working life. The institutional arrangements are (attractive) alternatives to work, such as early exit schemes, unemployment and disability benefits. These pull factors, entice workers to leave the labour market (Trommel, 1995). During this research the interaction between the structural and the institutional factors within Austria, Germany and the Netherlands will be researched. The conditions, measured by the indicators formulated in chapter three, should be slightly favourable in Germany to account for the higher participation of older workers in Germany.

### 2.3 Hypothesis

According to Trommel (1995) there are three structural and three institutional factors that influence the participation rate of older workers. The underlying hypothesis for this research is;

*The structural and institutional factors as defined by Trommel (1995) will be structured more favourable towards older workers in Germany than in Austria and the Netherlands*

More of these factors will be positive towards the participation of older workers in Germany than in the other two countries. The combination of all indicators specified in chapter three, will be more favourable towards the participation of older workers in Germany.

### 2.4 Push and pull factors

In this research structural (push) factors as well as institutional (pull) factors influencing the participation of older workers will be discussed. The structural factors that will be addressed are: 1) the labour market 2) physical and mental wellbeing of older workers and 3) how older workers are perceived in society and corporations specifically.

Trommel (1995) mentions the following institutional factors as influential on the participation of older workers: 1) retirement policies 2) alternatives to work, social security benefits and 3) working conditions provided and policies enacted by employers. He suggests looking at the link between policies (institutional factors) and the economy (structural factors) and finds the behaviour of companies and their policies towards older workers very insightful. After all, company policy is to a large extent dictated by the economy and policy instruments. Companies will have to find, within the boundaries of national policy and law the most economic way to lead the company (Trommel, 1995).

## 2.5 Structural factors

The next three sub-sections will discuss the push factors or structural factors that influence the participation of older workers on the labour market. The following questions are answered; what can the structure of the labour market tell us about the participation of older workers? How does the physical and mental wellbeing of workers contribute to the participation of these workers? How are older people perceived in society and how does this affect the labour market participation of older workers?

### 2.5.1 Labour market

Unemployment policy plays a role in the number of elderly one finds engaged in the labour market. When there is a surplus of workers trying to find a job we often see an increase of youth unemployment. At such a point the redistribution of labour in favour of younger people becomes more socially acceptable (Trommel, 1995). We have seen evidence of this in the 1970s and 1980s when there was an employment shortage and unemployment figures across Europe rose to 10%. Social security systems were used to facilitate early exit among older workers in order to create room for younger employees to reduce the employment shortage (Guillemard, 2000; Vroom et al, 1991).

Due to the growing elderly society and the increasing dejuvenation, the workforce in a lot of companies is ageing. Within the world of business and industry the fear that this might result in high labour costs, decreasing productivity and the lack of fresh blood in the personnel files, leads to companies facilitating and encouraging early exit (Trommel, 1995).

The percentage of unemployment is an indicator for public and private policy to engage in facilitating early exit therefore the unemployment rates in Austria, German and the Netherlands over the past years are analysed. Low skilled workers are more in danger of loosing their job than high skilled workers, therefore looking at the construction of the skill levels of workers can provide insight into the composition of the unemployment. Furthermore an analysis is made of the policies countries and businesses apply to keep people employable and help the unemployed to regain a position on the labour market, reintegration policies can give an idea on how the different countries try to attain this goal. Three indicators can be derived from this sub-section; 1) unemployment rate 2) reintegration policies and how they are structured 3) skill levels of workers.

### 2.5.2 Physical and mental wellbeing of older workers

The wellbeing of the worker, his motivation, the working conditions provided by the employer and the image of the older worker are closely linked. In a study discussed by Hewitt (2009) employers are reported to have said that older workers are less likely to want to take part in trainings than younger workers. Older workers are stereotyped as having less potential for development, being less able to grasp new ideas, being unwilling to change and less motivated or inclined to engage in trainings (Hewitt, 2009). Many studies focus on the increasing age of personnel files and the negative effects this will have on labour costs, productivity and personnel dynamics (Trommel, 1995). Older workers have a bad image.

The perception older workers have about themselves affects their motivation. Older workers that believe the stereotypes of not being able to develop were more likely to desire retirement and less probable to engage in training activities (Maurer, Barbeite, Weiss & Lippstreu, 2008). Stereotypes older workers have about themselves should be challenged as to get the most out of older workers. Using positive role models can help in achieving this. The self-categorization as an older worker has negative effects on the attitude these older workers have against their work. It increases the desire to retire and heightens the intergenerational competition. Older workers are not only affected by self-categorization. As soon as workers are categorized as older workers they become potential targets for prejudice and age discrimination (Hewitt, 2009).

According to social identity theory there are two fundamental assumptions about the identity of individuals; 1) Individuals need to have a positive image of self, 2) group membership is part of an individuals' self-definition (Tajfel & Turner, 1979). When their group is devalued or stigmatized they suffer from a negative social identity. The social stigmatization of the label 'older worker' devalues their social identity. In order to achieve a more positive identity they can adopt several coping strategies; 1) individual strategies, aimed at improving the status of the individual, for instance by moving to another, more favoured group 2) group strategies aimed at improving the image of the whole group, for instance by collective action (Desmette & Gaillard, 2008).

To cope with this damage to their social identity older workers change their attitude towards work. They distance themselves from it, making it less important in their lives (devalue it), partial and full retirement become interesting alternatives to withdraw from the part of their lives that devalues their social identity. Disengagement by devaluing the workplace reduces the stress older workers feel about potential failure

in the workplace. Another way of coping with stigma related stress is by dealing with the group membership. An individual might try to infiltrate another group, a group with a more positive identity, or try to compensate the bad image by behaving counter-stereotypical, by increasing their commitment to work to counter the image of age-related loss of motivation. Another group mechanism is to engage in activities to uplift the group as a whole, for example by demanding higher wages for older workers, based on their career longitude. Studies show that older workers are more probable to disengage from the workplace when the isolation of their group is stronger. Inter-group relations are an important predictor of the coping strategies an older worker will engage in. If the older workers can establish working relations with younger workers they might feel that they are valued regardless of their age and feel more involved in the organization (Desmette & Gaillard, 2008).

Within social identity theory it is believed that an individual strategy is assumed when the identification with the group is low; an individual might try to leave the devalued group by acting counter-stereotypical or by social mobility. For people who identify strongly with their group it is believed they will use collective strategies to cope with the devaluation of that group (Desmette & Gaillard, 2008).

This paragraph shows a strong link between the image employers have of older workers, the way older workers perceive themselves and how the older workers react to these stereotypes. Desmette and Gaillard (2008) conclude that early retirement can be seen as proto-typical behaviour related to being an older worker. Older workers who are not able to engage in inter-group activity and/or don't identify themselves strongly with their group are probable to retire early. Age should not be used to differentiate between workers; it causes intergenerational conflicts and disengagement from work. If workers feel isolated their motivation can decrease, Hewitt (2008) suggests forums, networks or trainings and development activities to bring older workers together and raise energy to renew their commitment.

The physical and mental wellbeing of workers can be used as an indicator of why older workers leave the labour market. Is their wellbeing low they will be more inclined to leave the labour market early. Therefore the following indicators are used to measure their wellbeing; 1) physical wellbeing 2) absenteeism 3) mental wellbeing, how satisfied are workers with their jobs.

### **2.5.3 How older people are perceived in society and corporations**

There are a lot of prejudices against older workers amongst employers (Hewitt, 2009). Older workers are perceived as inflexible, they get sick a lot, they are expensive and they don't want to work fulltime. In terms of human capital, older workers are perceived as physically less fit and economically their knowledge has decreased in value because it is not up to date; as a result older workers are supposed to be less productive. It is difficult to stimulate employers in offering training courses in the line of lifelong learning when they think that the return of these courses in older workers is not high enough. Why invest in courses for a worker who is at the age of fifty, when you expect him to stop working in five years. Dutch studies have nevertheless shown that investing in human capital of older workers by offering them trainings and courses increases their bond with the company and their productivity and makes them capable of being productive longer. Their motivation increases and it is ultimately that motivation and not necessarily their health, that will make employees want to work longer (Ester, Muffels & Schippers, 2003). Trainings older workers are engaged in can therefore give an indication on how they are perceived by companies.

Internationally some researches have been conducted into the perception of older workers via hypothetical situations laid before students and managers. In a research done by Rosen and Jerdee (1976), students were asked to picture a 30 year old man and a 65 year old man and attribute 65 different characteristics to them on a scale of 1 to 10. The younger man was appreciated as being more productive, efficient, motivated and able to achieve under pressure. Older workers were perceived as risk averse and less employable, especially in highly demanding and challenging positions. When it comes to potential for development the older man was seen as more rigid and dogmatic, whereas the younger man was seen as ambitious, capable, inclined to adept and studious. On the positive side, the older man was seen as more reliable, honest and less inclined to change jobs or stay absent for personal reasons.

Research shows that older employees are discriminated against in adds, promotion and education and that the prejudices people have against older workers lead to discrimination of older workers (Ester et al., 2003). This suggests that perception forming is important in causing discrimination against older workers and that policy makers might need to stimulate positive image forming of older employees. The presence of age discrimination is therefore an indicator on the perception of older workers.

Research in the US amongst managers had different results. A third of the manager's notions of older workers was that they have a more positive attitude and are more loyal to the organisation than younger workers are. 80% stated that older workers are as productive as the younger workers. In 75% of the investigated organisations older workers took part in courses and trainings. The perception of older

workers also influences their ability to develop within the organisation (Ester et al., 2003). The research concluded with the observation that most managers think of older workers as a valuable asset to the organisation, capable of mentoring younger workers and worth investing in (Ester et al., 2003).

Contrary to the trend in Europe, the number of older workers under contract is increasing in the US. Marcie Pitt-Catshoupes and Michael Smyer (2005) identify 4 reasons for these older workers to keep working 1) financial security 2) to keep healthy and active 3) because it is enjoyable and 4) as a strategy to help with family responsibilities.

About 60% of the respondents in Roper's study (2008) indicate that they work to sustain financial independency for the future, next to that people feel that work will keep them healthy and active, they like to work. Subsequently, older workers keep engaging in the labour market to financially assist persons in their care; a partner, a parent, a child in need of nursery or college funds or another person in their surroundings. This is an interesting development, in the US it seems that older workers keep working more and longer to be able to assist with the care of another individual. In the Netherlands 12% (1.5 million) of the working population cares for a person (childcare for healthy children not included) on a regular basis. Most of these informal carers are between 50 and 60 years old (Werk&Mantelzorg, 2008). In 2007 between 8 and 13% of these workers in the Netherlands started to work less, stopped working temporarily or stopped working permanently, against 4% of workers in the US performing informal care (Pitt-Catshoupes et al., 2005). These opposing trends can probably partially be related to the alternatives available for workers to gain income without working.

This paragraph suggests that if managers in companies have a negative perception of older workers, discrimination against older workers increases. It is difficult to measure age discrimination, it would however be interesting to see how many complains have been launched about age discrimination within the three countries. Another indicator on how older workers are perceived in the work place is the trainings they are able to follow.

## **2.6 Institutional factors**

The next three sections explain the influence of institutional factors on the participation of older workers. The effects of (early) retirement policies, disability benefits, unemployment benefits and working conditions on the worker's decision to exit the labour market are discussed.

### **2.6.1 Retirement policies; pre-pension and pension schemes**

Several countries within Europe offer the possibility of pre-pension. Pre-pension was introduced to relieve the pressure on the labour market in times of high unemployment. To decrease unemployment it was thought that pre-pension opportunities would temporarily stimulate older workers to retire early and make room for young, unemployed workers.

Pre-pension schemes quickly developed into a commonly accepted exit form for workers, especially in the public sector, the pre-pension schemes were used as an instrument to annul jobs and bring down labour costs in companies, not only in sectors that were under pressure but also in up and coming sectors like communication and the public sector, it has become a way of economic modernization (Trommel, 1995).

Pension schemes in a lot of countries were very attractive alternatives for work and a lot of older workers grabbed the opportunity to retire early. As discussed earlier, the pension schemes are used by industries to relieve pressure. Pensions are used as a way of externalizing the problems of having to decrease the labour force of companies. A lot of the European countries are struggling with the same phenomena; an increasing number of older workers retiring early. This is a trend that has been steadily developing between 1950 and 1995. The number of worked years declines, in the Netherlands the number of working years has declined by between 7 years for men and almost 11 years for women (Ester et al., 2003). During the years that pressure on the labour market was high, financially attractive early retirement schemes were created so older workers could make place for younger workers thereby decreasing unemployment. Later policymakers and –advisers concluded that early retirement options were used to discard older workers. Research into unused production capacity of older workers led to the conclusion that in the Netherlands for example only 40% of the potential production capacity of older workers is being utilized.

Older workers have been known to calculate the benefits of working over pension and social security benefits. When the income gained from work does not transcend the income gained through pension and social security benefits, workers are inclined to retire (Vanderhart, 2003).

Financial considerations turn out to be important factors in the decision to retire early. In countries where the replacement rate (the pension payment as percentage of the last earned income) is high, more people retire early. The high hazard rate (the percentage of people retiring at the instant they are first entitled to retirement) in countries like the Netherlands suggests that the retirement options in these

countries are very attractive. The replacement rate can be an indicator of the attractiveness to leave the labour market.

A lot of countries have introduced policies to increase the participation of older workers by introducing part-time work, taxing early retirement and increasing the retirement age for example. Increasing the retirement age is a policy with a double effect, the number of working years increases and the number of years people benefit from pension payments reduces. Pension age can be increased or laws that give workers the right to work longer can be introduced. A number of countries within Europe made changes like these in their pension policy, but how effective are these policy changes if people retire long before the official retirement age? It seems obvious that raising the retirement age alone will not be effective.

Part time work was seen as a method to let people who wanted to exit the labour market do so gradually. In a lot of countries the possibility for part time work was introduced. Unfortunately the results were opposite from the expectations; the number of fulltime pensioners has not decreased, the number of part time workers has increased. The idea was that people that wanted to exit the labour market would not do so entirely, but would, when given the chance, work less and stay attached to the labour market. Sadly the effects seem to be that people who had intended to stay working have started to work less.

A number of European countries has changed the possibilities for early retirement and made them more expensive. Early retirement is still possible, but financially it is more attractive to stay in the labour market. Responsibility of individual workers is increased this way. Pension schemes also increasingly change from a 'defined benefit' system to a 'defined contribution' system. So not the payments of the pension benefits are guaranteed, but the pension deposits employees make are guaranteed. Some pension funds introduce bonuses for employees that stay working until the full retirement age.

A lot of companies do not maintain active strategies to maintain age balance under employees. Older workers are not hired or offered schooling. In Germany the government has experimented with wage subsidies and decreasing social security premiums for employers who hire older workers. The effects of these policies are questionable; most companies prefer getting rid of older workers first when they have to reorganise.

Decreasing age discrimination and improving the image of older workers is seen as a way to better the position of older workers on the labour market. Through campaigns and information activities governments try to improve the image of older workers. Some countries establish law to prohibit age discrimination, like the Age Discrimination and Employment Act in the US. The ADEA however has not proven very effective; companies still have financial incentives for older workers to exit the company.

Ester et al. conclude that the financial stimuli to increase the participation of older workers are effective. Financial incentives can clarify partly the timing of retirement, but on the long run we still have to conclude that there has been a developing trend of early retirement. This suggests that workers have become less sensitive to financial incentives over the last century. This can be explained by a number of things, first of all the height of the pension payments which is much higher than the guaranteed minimum income benefit and workers generally have enough means to fulfil their consumption needs. As long as companies use social security schemes as exit strategies for workers and they stimulate early retirement this trend is not declining. The theory of path dependence can explain why the trend of early retirement is so persistent. Early retirement has become a management tool for governments and companies to decrease the unemployment rate and change the their personnel files.

Society is facing a skill shortage amongst young professionals and therefore retaining the talent of the older worker becomes vital for future economic success (Hewitt, 2009). But the labour market is a difficult place for older workers to engage in, once older workers loose their job it is very difficult for them to find new employment and employment mobility amongst older workers is very low. The strictness of EPL contributes to this low job mobility and is therefore an indicator used in this research.

According to Ester et al. it is important to make pension policy reform not only a priority on macro-economic level, but also on a micro-economic level. Employees and employers individually seem not to care enough about the topic to make it a personal priority. A lot of companies don't have age sensitive policies and do not balance the age groups within their workforce.

This paragraph allows us to extract the following indicators that help us understand the effects of (pre-) pension schemes on the participation of older workers 1) (pre-) pension policies as retirement age and bonuses for working longer 2) replacement rate.



## 2.6.2 Alternatives to work

Retirement is not the only way to exit the labour market. Generally there are three ways to exit the labour market; 1) Retirement 2) Unemployment 3) Disability and sickness insurance. These 3 routes should be interpreted by policymakers as alternatives for each other, not as separate routes. Research shows that if the exit of the labour market through one of these paths is blocked, exit through one of the other two paths increases. In a lot of countries exiting the labour market is possible through disability and unemployment benefit schemes.

Disability and unemployment schemes are being used by (troubled) industries to exit workers. Industries use these social security systems to adapt to the economic climate and getting around difficult resignation procedures (Trommel, 1995; Vroom et al., 1991). In a study of the Netherlands Vroom et al. show an increased use of sickness and disability pathways since the mid-seventies. This suggests a decrease of the state of health. In 1985 a disproportionate share of new entries into these pathways consisted of males between 55 and 64 years old. In 1981, when unemployment was rapidly rising, about 35% of new disability benefit awards were assigned because of labour market reasons, not because health in general was deteriorating (Vroom et al., 1991). In this research the usage of unemployment-, disability- and sickness- benefits in relation to the retirement benefits over the last years is analysed. Hopefully these data can give information on the extend to which these social security benefits are being used as alternatives for retirement. Increase or decrease in the number of older workers using these schemes to exit the labour market can be used as an indication as to how attractive these benefits are to workers as alternatives to work.

In the mid-seventies several countries offered extra compensatory payments for long-term unemployed. In 1977 these compensatory payments get a more voluntary character, not only in the case of compulsory redundancies, but also when workers leave the workplace voluntarily, these compensatory payments can be paid out. In countries where unemployment benefits are nearly as high as income received through work, it might be interesting for older workers to enter into unemployment schemes and in this way forward their retirement by the length full unemployment benefits can be enjoyed. In some countries policies were changed to make this exit route less attractive, for example by lowering the unemployment benefits. A lot of private sector companies however supplement unemployment benefits in order to stimulate early retirement amongst their older employees (Trommel, 1995).

To find out how social security benefits are used as alternatives to work in Austria, Germany and the Netherlands the following indicators are used in this research 1) the number of older workers receiving unemployment-, disability- and sickness benefits and how they relate to retirement of older workers over the past years and 2) the (financial) attractiveness of using social security schemes as alternatives to work.

## 2.6.3 Working conditions

Governments in most European countries want their older workers to work more and longer (European Commission, 2008). The high percentage of older workers leaving the labour market prematurely suggests that the motivation of workers between 50 and 65 is decreasing. TNO, a large research institute in the Netherlands, conducted a research in 2009 on factors influencing the wish and the ability of workers to continue working.

Health was not a factor in the **will** of employees to work, but can be a factor in the **ability** of employees to work<sup>2</sup>. Older workers want to engage in new exciting activities outside of work, but they also experience unpleasant aspects within their work, making early exit an interesting option.

Unwanted behaviour, for example harassment, aggression or violence of colleagues or executives, can lead to the fact that older workers don't want to work longer. Physically demanding tasks and low social support of executives contribute to the fact that older workers cannot work longer in their present post. Of working conditions within organisations, the possibility of flexible work hours contributes most to enhancing the ability of older workers to work longer in present posts. Also interesting to note is that employees working for organisations without collective labour agreements, more often indicate they want to work longer than workers with a collective labour agreement. This might be purely inspired by financial considerations or arrangements that don't make it very attractive to stop working early (TNO, 2009).

Companies handle workers of different ages differently. Older workers sometimes are spared within the tasks they have to perform. They have to do fewer night shifts for example or less physically demanding work. So some companies offer age sensitive staff policy (TNO, 2010). Studies show that workers who are healthy and satisfied with their work will work longer. Key is not to exaggerate the age sensitive staff policy; the work needs to stay challenging to workers. These policies can offer different instruments;

<sup>2</sup> Workers with burnout symptoms indicate that they both can't and don't want to work longer.

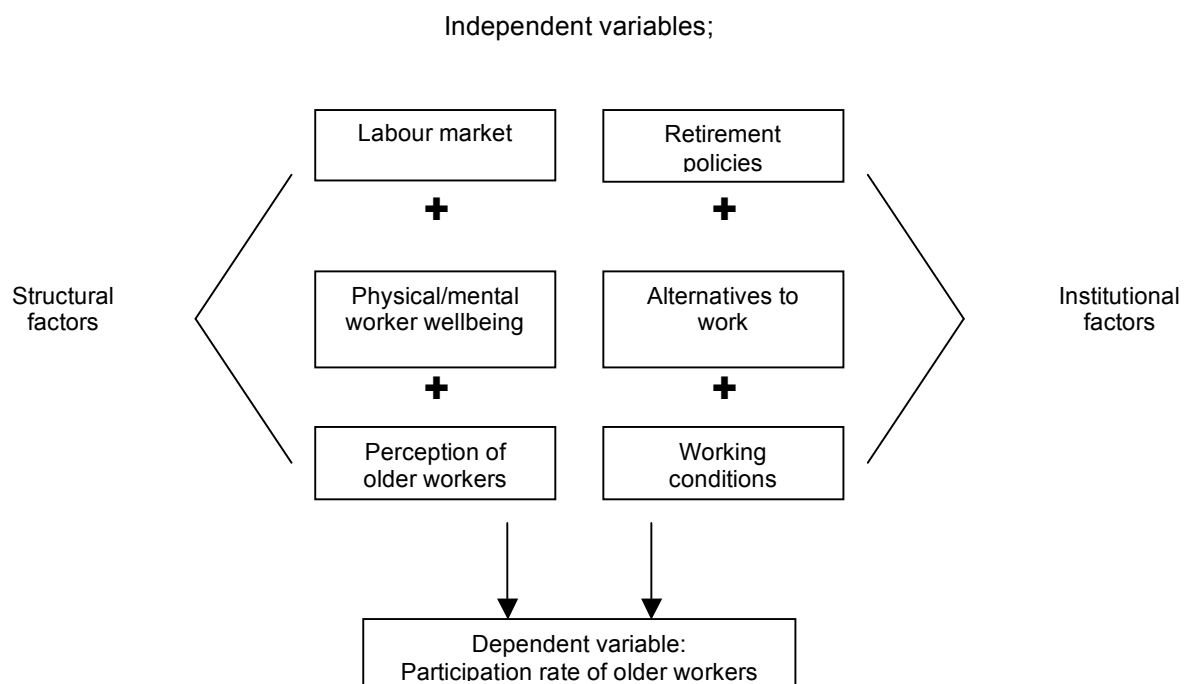
more stable work hours, less overtime, less late shifts, or as happens a lot in the Netherlands for example; less working hours (TNO, 2010). However studies have shown that changing work tasks, adding different sets of tasks and task circulation are the most effective tools to adjust work to the needs of older workers. It is important that the older worker feels that he can contribute to keeping the company running and that his input is of significance. There will probably be differences in the extend to which age sensitive staff policies in Austria, Germany and the Netherlands are established within corporations. A lot of Dutch companies for example, still do not offer age sensitive staff policy (TNO, 2010).

Hewitt (2009) gives some practical recommendations on how to tackle disengagement from the workplace. If workers are happy, employees get more out of them and they will stay in the workforce longer. Collecting data on older workers will give an insight in their personal situation and what might affect their motivation to keep working. Studies show for example, that workers with a spouse that is retired are more probable to want to retire themselves (Desmette and Gaillard, 2008). Knowledge of older workers can help managers to understand the external influences on the motivation of their workers. Pitt-Catshoupes and Smyers' (2005) research shows that work also satisfies the higher needs of individuals, like self-fulfilment, companies should help employees to fulfil those needs. Company policies and procedures should be designed to make the older worker feel wanted. Encouraging inter-group relationships might help to make the worker feel at home and feel that he can contribute to the company (for example by letting older workers mentor younger and less experienced workers). At the same time group identity should grow, networks and forums for older workers can help accomplish that. Companies should encourage a learning and development culture, where trainings are seen to develop the career. Age restrictions on trainings and development activities should be removed. Challenging stereotypes and self-stereotyping by providing positive role models of older workers can help to strengthen the self-identity of workers. All these recommendations enhance the involvement of workers and tackle disengagement, two factors that are important in the keeping older workers motivated to work longer.

The following indicators can help determining the influences of working conditions and company policies on the participation rate of older workers 1) the possibility to work flexible hours 2) policies in use to tackle disengagement from work. Especially the latter might prove difficult though. There is not a lot of research done on the extend to which companies offer age sensitive policies.

The figure below shows the independent variables and how they influence the dependent variable. In this research is examined how the combination of the independent variables influences the participation of older workers in Austria, Germany and the Netherlands.

**Figure 2. Independent and dependent variables**



#### **2.6.4 Conclusion**

Chapter 2 presented the theoretical framework of this research. Chapter 3 contains the operationalisation of the concepts discussed in chapter 2. In this research the independent variables are chosen from the research by Trommel (1995), presenting three structural and three institutional factors that influence the participation of older workers. In this chapter the theories surrounding these independent variables were examined and they provided this research with a number of indicators that can help to measure the impact of the independent variables on the dependent variable; the participation of older workers. In the next chapter the indicators are presented together with the way they will be measured.

### 3 Operationalising the theoretical concepts

#### 3.1 Indicators

In the previous chapter six factors were presented that influence the decision of older workers to retire early. The structural factors: 1) labour market economy 2) physical and mental wellbeing and 3) how older workers are perceived in society and corporations specifically, and the institutional factors: 1) retirement policies 2) alternatives to work and 3) working conditions provided and policies enacted by employers.

In chapter 2 the theories used throughout this research were introduced. Several factors and how they impact the participation of older workers are discussed. In the table below all factors are summed up.

Indicators Structural factors			Indicators Institutional factors		
Labour market	Physical/ mental wellbeing	Perception of older people	Retirement policies	Alternatives to work	Working conditions
Unemployment rates	Physical wellbeing	Perception older workers society	(pre-) pension policies	Number of older workers receiving social benefits	Possibility of working flexible hours
Reintegration policies and policies that help people to stay employable	Absenteeism	Trainings older workers are engaged in	Replacement rate	Attractiveness of alternatives to work	Age sensitive staff policies
Skill level of older workers	Mental wellbeing	Age discrimination		Early retirement possibilities	
				Disability benefits possibilities	
				Unemployment benefits	

Table 1. Indicators

This research contains a document analysis of policy documents provided by the relevant ministries within the countries and research conducted by different scholars. In this chapter most of the documents, theories and research used for this research will be introduced.

#### 3.2 Operationalisation of the structural factors

In this section the concepts introduced in the theoretical framework are operationalised. This section explains which indicators are used to measure the presence of the push and pull factors as described by Trommel (1995). This research focuses mostly on national policies influencing the participation of older workers. Because this research is elaborate, (taking into account structural and institutional factors) the number of indicators used to analyse these factors is comprehensive. The behaviour of companies is also an important factor contributing to the participation rate of older workers. Unfortunately the research into company policies engaging in age sensitive policies is very limited. Most research focuses on the theory of the types of measures that can increase the engagement of older workers, and not on the extend to which companies in different countries provide age sensitive staff policies, therefore the information provided in research on company policies is also limited.

##### 3.2.1 Labour market

The labour market is “the supply of available workers in relation to available work” (Oxford Dictionary, 2011). Unemployment rates seem to be connected to the participation rate of older workers; they have to make room for younger workers when unemployment is high (Guillemard, 2000; De Vroom & Blomsma, 1991). Furthermore the policies Austria, Germany and the Netherlands have to keep people employable and help them, when necessary, to reintegrate into the labour presents us with information about the focus of these countries when it comes to labour market polices. In some countries the focus of reintegration policy lies on benefits supplementing income loss, others focus on activation or reintegration.

Below all indicators used to measure the structural and institutional factors influencing the participation of older workers are operationalised.

### *Unemployment rates*

As discussed above unemployment rates influence the amount of older workers that leave the labour market early. Early exit of older workers is often stimulated to decrease unemployment rates, therefore the unemployment rates since 1980 are used in this research to establish if there is a connection between unemployment figures and the number of older workers exiting the labour market early. Source of these unemployment figures is the website *indexmundi*, a country profile website which provides the historical figures of unemployment in Austria, Germany and the Netherlands. *Indexmundi* defines the unemployment rate as the percentage of the labour force that is without a job (*indexmundi*, 2011)

### *Reintegration policies*

Reintegration policies governments have implemented to help the unemployed (or disabled) to re-enter the labour market will be discussed in this research. What policies has the Austrian, Dutch and German government implemented to help unemployed people to re-enter the labour market? Does the focus lie on job mediation or education and training? Especially the Active Labour Market Policies (ALMP) the three countries apply to combat unemployment will be commented upon. The International Labour Organisation (ILO) defines ALMP as 'purposive selective interventions by the government in the pursuit of efficiency and/or equity objectives, acting directly or indirectly to provide work to, or increase the employability of people with certain disadvantages in the labour market' (ILO, 2010). ALMP is a tool to create incentives for unemployed to find work and an incentive for employers to find workers. ALMP is also a means to correct the little imperfections of the market such as discrimination. It is more difficult for unemployed people who belong to a disadvantaged group, for example minorities, disabled and older workers, to find a job. Kluve (2010) makes a distinction between 6<sup>3</sup> program types 1) (labour market) training 2) private sector incentive programs 3) employment programs in the public sector 4) services and sanctions 5) programs for youth 6) programs for disabled. The last two categories are not only programs but also specific target groups. There is an overlap possible; there could be a labour market training specially designed for youth.

Kluve (2010) explains the content of the different types of programs as follows;

1) The first program type, (labour market) training comprises different types of trainings. For one there are the trainings that focus on more general types of trainings, for example language courses and computer courses. There are also programs offering more specific vocational trainings for example advanced computer courses, manufacturing skills or technical skills. This program type focuses on classroom trainings, enhancing work experience and on the job training with the goal to enhance human capital by increasing the skills of workers and improve the productivity and employability of the participants.

2) The private sector incentive programs are programs designed to alter the behaviour of the worker and the employer regarding employment in the private sector. Most common are wage subsidies that create an incentive for employers to hire new employees. These subsidies come in many forms; direct wage subsidies for employers, financial incentives for workers or self-employment grants for individuals setting up a business. Often these subsidies target disadvantaged groups in society.

3) In the programs focussing on employment in the public sector jobs are created to produce public goods or services. Often these jobs are not very close to the labour market and are typically designed to keep the most disadvantaged groups employed to prevent the loss of human capital especially in periods of growing unemployment.

4) The goal of services and sanction programs is to enhance the efficiency of the job search<sup>4</sup>. Activities offered in this program are job search courses, counselling and monitoring, job clubs, vocational trainings and sanctions in case of non-compliance. All activities in the services and sanctions programs are aimed at efficiently matching companies and jobseekers.

5 & 6) These programs offer activities that can range between all activities mentioned in the first four categories, but they are designed to specifically target youth and disabled people.

The results in Kluves' (2010) study indicate that the 'private sector incentive programs' and the 'services and sanctions programs' generate a significantly higher positive post-program impact than training programs. Private sector incentives create a 30 percent point higher positive post-program impact than training programs do and services and sanctions programs generate a 50 percent point higher impact. Trainings do not generate a significant positive impact, neither do direct employment programs. He also concludes that programs targeting youth are less effective than private sector incentives and programs offering services and sanctions. This study therefore contains a description on the percentages of the

<sup>3</sup> Kluve (2010) adds to this statement that the 5<sup>th</sup> and 6<sup>th</sup> program type is not so much a program type as a target group.

<sup>4</sup> Kluve includes sanctions to this category which is mostly comprised of job search assistance. The sanctions punish behaviour that does not lead to the acquirement of a new job (for example turning down jobs).

ALMP budget that Austria, Germany and the Netherlands spend on the different program types. Ideally most of the ALMP budget should be spend on private sector incentives and programs offering services and sanctions.

In this research the study of Kluve (2010) is used because he is one of the few scholars focussing on long-term effects of ALMP measures, whereas most studies focus on short-term effects. Kluve uses a meta-analytical approach to identify systematic patterns. He uses many different studies that offer a cross-country analysis on the effectiveness of ALMP measures. He derives his conclusions by researching a large data set comprised of 137 program evaluations from 19 different countries. *“The data set was brought together following a so-called “protocol”, i.e., certain requirements that the particular program evaluation had to fulfill in order to be included in the data”* (Kluve, 2010 p. 904).

#### *Skill level of the workers*

The skill level of the workers can tell us if the workers fit the demands of the modern labour market. It is difficult to find information on the skill levels of workers. What can be found is the distribution of the different sectors work is divided in. over the past decades the division between the agricultural, industrial and service sector has changed in many countries. A lot of low and medium skilled workers work in the industry sector, however, a lot of work in that sector has moved to Eastern European countries, leaving a lot of low and medium skilled workers in the West European countries unemployed. As a consequence the skills of workers in West European countries does not fit the demands of the labour market any more and the Job Vacancy Rate (JVR) increases. CIA factbook provides a database with information about the different sectors in Austria, Germany and the Netherlands. West European countries with a big industry sector probably have a lot of workers with skills that do not match the demand of the labour market. The JVR in these countries can support this assumption. Therefore the JVR in all three countries will be compared in chapter 8. In this research data collected by Eurostat is used to provide information on the JVR.

### **3.2.2 Physical and mental wellbeing**

The physical wellbeing of workers contributes to their ability and willingness to stay in work. Physical wellbeing is difficult to measure. In this research results of the European Working Conditions Survey (EWCS) are used, to see for instance which of the three countries has the most reported absenteeism under older workers.

The first European Working Conditions Survey (EWCS) was launched in 1990. The aim of the EWCS is to;

- Assess and quantify working conditions of both employees and the self employed across Europe on a harmonised basis
- Analyse relationships between different aspects of working conditions
- Identify groups at risk and issues of concern as well as of progress
- Monitor trends by providing homogeneous indicators on these issues
- Contribute to European policy development

Some of the questions asked in the survey are useful for this research and are used as a reference. If we look at the question about absence due to health reasons we see that older workers do not perceive themselves to stay at home due to health reasons more than other age groups.

The EWCS is divided into several sections 1) Job context 2) Working time 3) Work intensity 4) Physical factors 5) Cognitive factors 6) Psychosocial factors 7) Health and wellbeing 8) Skills training and career prospects 9) Work organisation 10) Social relationships 11) Job fulfilment 12) Work-life balance and financial security and 13) Violence, harassment and discrimination. Because this survey is a survey directed at employees answers to the questions are subjective to their opinions, therefore their answers on their physical and mental wellbeing can be used for this research as an indicator of their perception of their physical and mental wellbeing. The following questions are asked in the EWCS under the category ‘Health and wellbeing’ that can give an indication of how workers perceive their physical wellbeing:

- Does your work affect your health?
- Do you think you will be able to do your current job when you are 60 years old?

There is also a question in the category ‘Health and wellbeing’ that gives an indication of the motivation of workers.

- Over the last 12 months, did you work when you were sick?

Mental wellbeing is even harder to measure than physical wellbeing. Pitt-Catshoupes and Smyers' (2005) research shows that work also satisfies the higher needs of individuals, like self-fulfilment, companies should help employees to fulfil those needs. Company policies and procedures should be designed to make the older worker feel wanted.

In the EWCS the job fulfilment of the respondents is measured by the following questions;

1. Does your work give you a feeling of job well done?
2. Do you feel you are doing useful work?
3. How satisfied are you with the working conditions in your main paid job?
4. I am well paid for the job I do
5. I have very good friends at work
6. The organisation I work for motivates me to give my best job performance.
7. Do you enjoy being your own boss?

The answers provided by respondents are used in this research to measure the job fulfilment of older workers in Austria, Germany and the Netherlands. Low job fulfilment can be an indicator of a low participation, after all, workers who are not satisfied in their job might be inclined to exit the labour market early. In chapter 2 the use of role models, forums and networks and the stimulation of inter-group relations was mentioned to increase the wellbeing of older workers. Unfortunately not a lot of research is conducted on company policies. This fact alone might be seen as an indication of the fact that there is little to no attention for these types of company policies, not within the research field or within companies.

### 3.2.3 Perception of older people

#### *Perception of society towards older people*

There are only a few studies available on the perception of older people that are prevailing in our contemporary societies (UN Human Rights Office, 2010), research specifically focussing on the perception one has towards older people in Austria, Germany or the Netherlands, cant be found. This makes it impossible for me to make a comparison and find similarities and differences between the perception of older people in the three countries under scrutiny in this research. Historical analysis focussed on ageism in the United States does note a change of the perception towards older people during the evolution of primitive societies into industrialized economies. In primitive societies older men were often viewed as providers of knowledge and experience. When the number of older people grew, especially the number of frail older people, they became seen as a burden on families and societies. This view became widespread when agrarian societies (where older men often owned land) moved towards the industrialized societies, where work was not centred at the home; older people lost their authority (UN Human Rights Office, 2010).

Respondents to a UK study indicate that they perceive people over 70 as placing a heavy burden on the economy. 51% of the respondents agreed that people over fifty are 'written off as old' (UN Human Rights Office, 2010). Because of the lack of research into differences between the perception of older people in different countries this research does not provide an analysis of different perceptions in Austria, Germany and the Netherlands. The same has to be said about the perception of older workers in those countries.

#### *Trainings older workers are engaged in*

As discussed in section 2.3.3, employers perceive older workers as inflexible, expensive, not willing to work fulltime and often absent due to sickness (Ester, Muffels & Schippers, 2003). Studies have shown that investing in the human capital of older workers makes them more productive by increasing their bond with the company (Ester, Muffels & Schippers, 2003), results of the European Company Survey (ECS) are therefore used in this research to see if, and how much, companies offer training opportunities and courses to older workers. The ECS features questions in the categories 1) Working time arrangements 2) Contractual flexibility 3) Variable elements of pay 4) HR practices and work organisation 5) Social dialogue and employee representation 6) Social dialogue practices. Under the category 'HR practices and work organisation' the following data were collected;

- Companies checking training needs regularly
- Companies checking training needs of older employees

Ester et al. (2003) shows that older workers are discriminated against when it comes to offering workers possibilities for trainings and courses to enhance their skills. In this research an analysis is presented of the training opportunities provided to older workers and how this relates to trainings provided to other age groups.

### *Age discrimination*

Discrimination on the grounds of age is not uncommon and negatively influences the participation of older workers on the labour market as a result their wellbeing deteriorates and their work engagement can decrease. 'Age discrimination refers to the less favourable treatment of an individual or group due to conditions or requirements relating to age which cannot be shown to be justifiable' (Eurofound, 2011).

To see if older workers experience age discrimination on the work floor, data provided by the EWCS under the category 'Violence, harassment and discrimination' is collected. Employees were asked to answer the question;

- Were you subjected to age discrimination?

Another indicator on discrimination is the number of complains on age discrimination filed by citizens in different countries. The number of complaints does not necessarily give us a objective view on the extent of age discrimination in these countries, a higher number of complaints can also indicate that the employees in that country more often perceive a situation as age discrimination, or are more inclined to make a formal complaint. Because this indicator is not about hard facts on age discrimination, but on the perception of employees on the way they are treated, this data will give us an idea on the perception older employees have of their own position within the labour market. The websites of the Austrian Federal Equal Treatment Commission (FETC)<sup>5</sup>, the Dutch Commission of Equal Treatment<sup>6</sup> and the German Federal Anti-Discrimination Agency (FADA)<sup>7</sup> provide this research with information on the number of complaints filed on grounds of age discrimination.

## **3.3 Operationalisation of the institutional factors**

In the next sub-sections the indicators used to measure the institutional factors influencing the participation of older workers on the labour market are operationalised. Indicators used in this research to measure the extend to which favourable conditions are created for older workers are listed below. Focus in these sub-sections lies on retirement policies, disability- and unemployment benefits and working conditions, which indicators can be used to measure the conditions in Austria, Germany and the Netherlands in order to analyse which country makes working loner most attractive?

### **3.3.1 Retirement policy**

#### *(Pre-)pension policies*

In this research the possibilities of receiving pre-pension and pension policies on a national level are analysed and a comparison will be made between Austria, Germany and the Netherlands. The analysis consists of data directly focussing on pension policies; pension age, replacement rate (see below), bonuses for working longer and nationally offered pre-pension possibilities. Polices indirectly influencing the participation of older workers, for example alternatives to work, are also included in the analysis.

#### *Replacement rate*

A study by Bütler, Hügeunin and Teppa (2005) concludes that a higher replacement rate will negatively effect the decision of older workers with a middle or high income to stay in the labour market. High pension wealth, they argue, will give a strong incentive to leave the labour market early, even when policies to decrease the financial incentive to retire early are in place. Blöndal and Scarpetta (1997) found a link between below average replacement and a higher-than-average participation rate of older workers in Japan, the United States, Norway, the United Kingdom and Canada. By this theory the replacement rates in Austria and the Netherlands should be higher than the replacement rate in Germany, to partly explain the low participation of older workers in Austria.

The OECD defines the replacement rate as "The ratio of an individual's (or a given population's (average) pension in a given time period and the (average) income in a given time period" (OECD, 2011).

In this research the database of the OECD will provide the data to compare the gross and net replacement rates of the median earner in Austria, Germany and the Netherlands. By using one database (OECD) all replacement rates mentioned are deducted from the same calculation method and the same definition is applied, increasing the reliability and validity for the results of this indicator used in this research.

<sup>5</sup> FETC website: [www.bka.gv.at](http://www.bka.gv.at)

<sup>6</sup> Dutch Commission for Equal treatment website: [www.cbg.nl](http://www.cbg.nl)

<sup>7</sup> FADA website: [www.antidiskriminierungsstelle.de](http://www.antidiskriminierungsstelle.de)



### 3.3.2 Alternatives to work

Social benefits can provide workers with alternative for income gained via work. Unemployment benefits and disability benefits are popular tools used by companies and governments to restructure the personnel files and lower unemployment rates. In this research a couple of indicators are used to measure the extend to which these benefits are attractive exit forms in Austria, Germany and the Netherlands, they are summed up in this section.

#### *Older workers receiving social benefits*

In this research three ways to exit the labour market early are being investigated; 1) Early retirement 2) Disability benefits and 3) Unemployment benefits. Research has shown that (De Vroom & Blomsma, 1991) if one exit route is blocked the other exit routes are used more often. In Austria, Germany and the Netherlands, as is other EU member states, policies are tightened in order to make exit routes less attractive. Policies and policy reforms surrounding early retirement, unemployment- and disability benefits are analysed in this research and compared in chapter 8.

#### *Attractiveness of alternatives to work*

During the following chapters policies surrounding above mentioned exit routes in Austria, Germany and the Netherlands are discussed, to see if a comparison can clarify the differences in participation of older workers. Is it more difficult to leave the labour market in Germany than in Austria for example? A side note should be made here; a comparison may not be clearcut; differences in exit policies might be more complex than for example age differences for eligibility of these benefits.

Official government websites of Austria, Germany and the Netherlands provide information on the national policies concerning early exit, disability and unemployment benefits, these data will be complemented with research provided by different scholars.

### 3.3.3 Working conditions

If the working conditions in a country are good the health and wellbeing of workers is higher and work engagement increases. Achieving a positive work-life balance can help increase work engagement, flexible working conditions can help accomplish this.

#### *Possibility of flexible working hours*

Dutch research of the Dutch organisation for applied scientific research (TNO) concluded that of working conditions, the possibility of flexible working hours is the most important factor in the ability of older workers to stay active in their current position. The term 'flexible working hours' is a broad term which is used in several contexts and several definitions are assigned to it. A distinction can be made for example, between 'company-based flexibility' (for example overtime, temporary employment contracts, part-time work and irregular working hours) and 'individual-oriented flexibility' (for example periodically re-arranged time structures) (Eurofound, 2007). According to the EU Survey on Working Conditions (ESWC) longer and irregular working hours are linked to lower health and wellbeing levels amongst employees.

Low (individual-oriented) flexibility and a high variability in working hours (company-based flexibility) are associated with poor health and wellbeing whereas high autonomy in working time and low variability combined show positive effects on health and wellbeing.

According to Schein, Maurer and Novak (1977), the introduction of flexible working time has no adverse impact on the productivity of the employees. Other research shows that the introduction of flexible working hours has a significant positive impact on the workers satisfaction and a negligible effect on performance.

The ESWC research shows data on several types of flexibility. Because, as earlier stated, low individual-oriented flexibility has negative effects on the health and wellbeing of workers and high individual flexibility has a positive influence on health and wellbeing of workers, in this research data shown under the following categories is used;

- Distribution of company flexibility types across Europe: high working time flexibility, worker oriented (%)
- Distribution of company flexibility types across Europe: high working time flexibility, company oriented (%)

Differences in the percentages of company-oriented and individual-oriented flexible working hours between the three countries could indicate a difference in the health and wellbeing levels of the workers in these countries. Good health and wellbeing can influence the ability of older workers to work longer.

#### *Age sensitive staff policies*

Companies can integrate policies to increase the participation of older workers in their company and thus creating an environment adjusted to the needs of older workers thereby combating disengagement

from work. There are many different policies that can be construed as age sensitive staff policies; policies focussing on changing attitudes towards older workers within organisations, policies focussing on ergonomics and job design<sup>8</sup>, job recruitment policies and training and promotion possibilities<sup>9</sup>. Unfortunately information on age sensitive staff policies provided by companies is very difficult to attain, not many studies focus on this subject. In 1998 the European Foundation for the Improvement of Living and Working Conditions published a report under the framework of combating age barriers in employment. The research offers a good practice guide of 150 companies offering age sensitive staff policies in Belgium, France, Germany, Greece, Italy, the Netherlands and the UK. Two problems present themselves to this report 1) Austria is not included in this case study 2) the publication dates back to 1998 and is therefore not up to date. Other information on age sensitive staff policies are not available at this point in time, therefore in this report these policies are only briefly discussed. The report *Combating Age Barriers in Employment: A European Portfolio of Good Practice* by the European Foundation for the Improvement of Living and Working Conditions is used as a source of information on how much and what kind of best practices were identified in the Germany and the Netherlands in 1998.

Another organisation dealing with older workers is AARP international, this is a international *“nonprofit, nonpartisan organization with a membership that helps people age 50 and over have independence, choice and control in ways that are beneficial and affordable to them and society as a whole, ways that help people 50 and over improve their lives”* (AARP, 2011). This organization issues an award to ‘best employers for workers over 50’, *“to promote innovative human resource and workforce practices around the world”* (AARP, 2011) in 2011 winners were recognized from Australia, Austria, Germany, Japan, Malaysia, the Netherlands, Singapore and the United Kingdom. All three countries in this case study were awarded a price for best employers for workers over 50 in 2011. In the chapters 5, 6 and 7 more information on this award contributed to companies in Austria, Germany and the Netherlands is documented.

### 3.3.4 Current levels of participation

To understand how the current levels of participation came into existence the history of pension-, disability and unemployment policies is depicted in the country specific chapters (Chapter 5, 6 and 7). To understand why the policies developed the way they did the theory of path dependency can be used. Path dependency is a theory originally developed in economics. Pierson (1997) described two versions of path dependency often referred to; a broad definition of path dependence where, simply put, what happened at a previous point in time shapes how things are at the present, and a narrow definition of path dependency where the fact that steps taken in the past will lead to steps taken in the same direction in the future. Every step taken in that direction will then increase the likelihood that the next step is also taken in that direction. The cost of changing direction will rise with every step taken in the same direction. This leads to increasing financial and political costs when one would decide to leave the path and take steps into a different direction. In other words, the longer a certain path is walked upon the higher the costs of changing directions will be. Pierson describes this as the concept of increasing returns (Pierson, 1997). According to Peters (1999) to change this direction of development a major change needs to occur.

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<sup>8</sup> Policies focusing on ergonomics and job design include policies designed to prevent work related illness and policies that compensate for physical decline, for example by eliminating heavy lifting and providing ergonomic chairs.

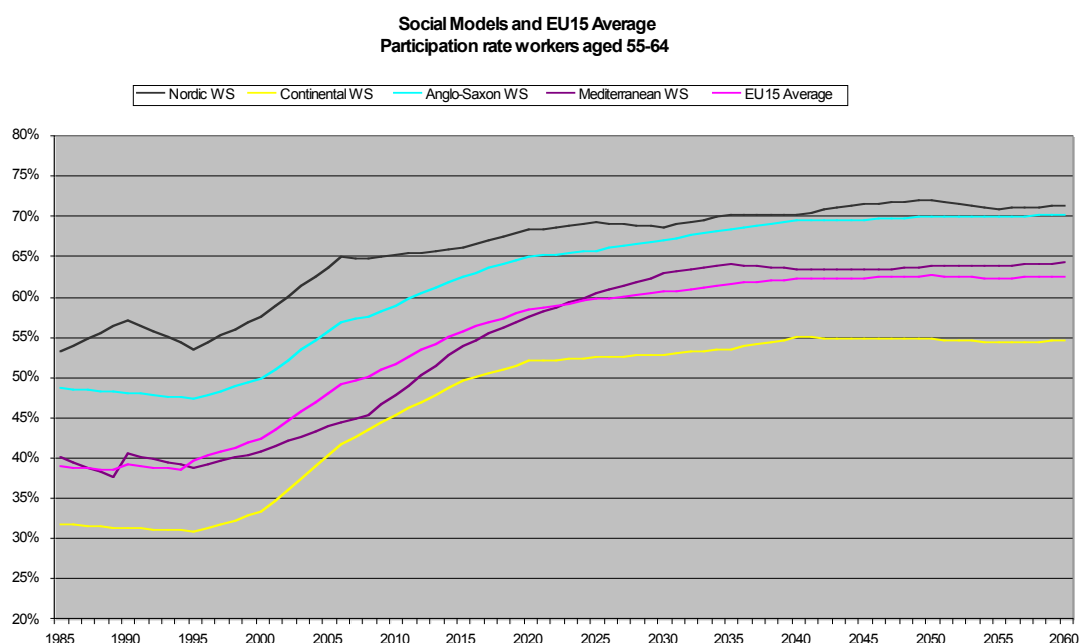
<sup>9</sup> Provision of flexible working hours is also included in age sensitive staff policies, but this subject is already discussed earlier in this research and will therefore not be specifically explored in this section of the research any more. Training possibilities for older workers offered by companies is discussed in section 3.2.3 and will also not be explored in this section.

## 4 Welfare models

The countries selected for this research are all three classified as Continental welfare States (CWS). Scholars such as Esping-Andersen (2002), Hemerijck (2007) and Sapir (2005) categorize the EU15 countries into three or four welfare models. In this chapter these welfare models are introduced and differences between these models are depicted. Per country group the average fertility rate, life expectancy and migration figures will be addressed. Subsequently an overview will be provided of the different characteristics of the four types of welfare states according to Prof. Sapir of the Université Libre de Bruxelles (2005).

There are a lot of cultural, social and political differences between the four welfare models and there are different causes for these differences; 1) economic and demographic developments 2) power yielded by certain political classes, for example labour unions 3) certain political alliances, in the Netherlands for example the national insurance system was created by the Catholic-Socialist alliance 4) institutional traditions (SCP, 2001). It will therefore be very difficult to conduct a comparative research into countries with different welfare models. Therefore this research will follow the form of the most similar system design and three countries within the same welfare model are chosen.

Several scholars divide the EU15 countries in four groups; the Anglo-Saxon welfare states, the Continental welfare states, the Nordic welfare states and the Mediterranean welfare states. According to Sapir the “grouping now used by many economists based on earlier political sociology work by Esping-Anderson (1990) which partitions welfare systems into three regimes: a liberal regime (encompassing Anglo-Saxon countries); a conservative regime (encompassing continental and Mediterranean countries); and a social democratic regime (encompassing Nordic countries)” (Sapir, 2005, p.6). The participation rate of older workers differs substantially among the countries belonging to different welfare models;



**Figure 3. Participation rate of older workers in EU15 welfare state groups, Source: Data collected from The Ageing Report 2009 (European Commission, 2008)**

At the end of this chapter it will be clear which EU15 countries were extricated for this research and why.

### 4.1 The EU15

In this research some of the Continental Welfare States of the EU15 are examined. The reason that countries are chosen from the EU15 countries and not the EU27 countries, is that the countries that

joined the EU in 2004 and 2007<sup>10</sup>, have undergone radical transformations during the last 65 years. They changed from capitalist to socialist political economies in the 1940s and then from socialist political economies to democratic welfare states after the fall of the Berlin wall in 1989. According to Hemerijck (2007) such intense dynamics make it difficult to accurately characterize the set of arrangements that form the social-economic policy in those countries.

As discussed above there are three factors influencing the ageing of a society; fertility rate, life expectancy and migration. Lets look at those factors within the EU15:

Country		Fertility rate	Life expectancy <sup>11</sup> Male	Life expectancy Female	Migration <sup>12</sup>	Participation rate older workers%
<b>Continental welfare states</b>						
Belgium	2008	1.75	76.7	82.3	0.5	36.2
	2060	1.79	84.4	88.9	0.2	49.1
	Change	+0.04	+7.7	+6.6	-0.3	+12.9
Germany	2008	1.34	77.3	82.6	0.2	57.3
	2060	1.53	84.9	89.1	0.2	73.9
	Change	+0.19	+7.6	+6.5	0	+16.6
France	2008	1.98	77.5	84.3	0.2	41.0
	2060	1.93	85.1	90.1	0.1	49.3
	Change	-0.05	+7.2	+5.8	-0.1	+8.3
Netherlands	2008	1.72	77.9	82.2	0	53.3
	2060	1.77	84.9	88.9	0.1	57.6
	Change	+0.05	+7	+6.7	+0.1	+4.3
Austria	2008	1.41	77.4	82.9	0.4	40
	2060	1.57	84.9	89.2	0.2	55.4
	Change	+0.16	+7.5	+6.3	-0.2	+15.4
Luxembourg	2008	1.65	76.3	81.2	0.9	33
	2060	1.72	84.5	88.5	0.4	41.3
	Change	+0.07	+8.2	+7.3	-0.5	+8.3
<i>Average</i>		<i>+0.08</i>	<i>+7.5</i>	<i>+6</i>	<i>-0.2</i>	
<b>Nordic welfare states</b>						
Denmark	2008	1.85	76.4	81	0.2	61.3
	2060	1.85	84.3	88.4	0.1	69.3
	Change	0	+7.9	+7.4	-0.1	+8
Finland	2008	1.84	76.1	83	0.2	59.4
	2060	1.84	84.3	89.3	0.1	67.7
	Change	0	+8.2	+6.3	-0.1	+8.3
Sweden	2008	1.85	79	83.1	0.5	73.2
	2060	1.85	85.4	89.3	0.1	76.6
	Change	0	+6.4	+6.2	-0.4	+3.4
<i>Average</i>		<i>1.85</i>	<i>+7.5</i>	<i>+6.6</i>	<i>-0.2</i>	
<b>Anglo-Saxon welfare states</b>						
United Kingdom	2008	1.84	77.4	81.5	0.3	59.7
	2060	1.84	85	88.9	0.1	71.1
	Change	0	+7.6	+7.4	-0.2	+11.4
Ireland	2008	1.9	77.5	81.9	1.4	55.1
	2060	1.88	85.2	89.2	0.1	69.1
	Change	-0.02	+7.7	+7.3	-1.3	+14
<i>Average</i>		<i>-0.01</i>	<i>+7.7</i>	<i>+7.4</i>	<i>-0.75</i>	
<b>Mediterranean welfare states</b>						
Greece	2008	1.41	77.4	82.6	0.4	44.3
	2060	1.57	84.9	88.7	0.2	51.7
	Change	+0.17	+7.5	+6.1	-0.2	+7.4

<sup>10</sup> In 2004 the following countries joined the EU; Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia and the Czech Republic. In 2007 Bulgaria and Rumania joined the EU.

<sup>11</sup> Life expectancy here stands for life expectancy at birth.

<sup>12</sup> Net migration as a % of the population

Spain	2008	1.39	77.4	83.9	1.4	47.5
	2060	1.56	84.9	89.6	0.3	74
	Change	+0.17	+7.5	+5.7	-1.1	
Italy	2008	1.38	78.5	84.2	0.4	34.7
	2060	1.55	85.5	90	0.3	63.1
	Change	+0.17	+7	+5.8	-0.1	
Portugal	2008	1.36	75.8	82.4	0.5	54.5
	2060	1.54	84.1	88.8	0.3	67.8
	Change	+0.18	+8.3	+6.4	-0.2	
<i>Average</i>		+0.17	+7.6	+6	-0.4	
<b>Average EU15</b>		<b>+0.06</b>	<b>+7.6</b>	<b>+6.5</b>	<b>-0.4</b>	

**Table 2. Demographic factors, source: The 2009 Ageing report (European Commission, 2008)**

The table above shows us that the fertility rate within the EU15 will slightly increase between 2008 and 2060, with 0.06. The replacement rate<sup>13</sup> is 2.1, but none of the EU15 countries has or will reach this rate. The Nordic and the Anglo-Saxon welfare states have the highest fertility rate. Life expectancy increases throughout the EU15. Migration is assumed to cover 10% of any natural decrease in the working age population (ECFIN, 2009). With a decreasing labour force and increasing population it is important to increase the participation rate of the working population.

## 4.2 Explaining the four social welfare models

Which countries are grouped under the four headings differs under scholars in that sense that some scholars put the Netherlands in the group of Nordic welfare states, whereas for example Hemerijck, groups the Netherlands under the Continental welfare states<sup>14</sup> (Hemerijck, 2007; Ferrera, Hemerijck & Rhodes, 2000).

The national welfare states of the EU15 countries all differ from each other in one way or another. So countries perceived to be part of the same welfare state model have differences among them as well. These differences will be addressed in this research at a later stage. For now the breakdown of the EU15 into four groups can help understand the differences between these groups of countries and later on in the research help us understand the differences between single countries. This chapter will focus on the question how the differences in the participation rate of older workers between the different welfare models can be explained.

### 4.2.1 The Nordic welfare states

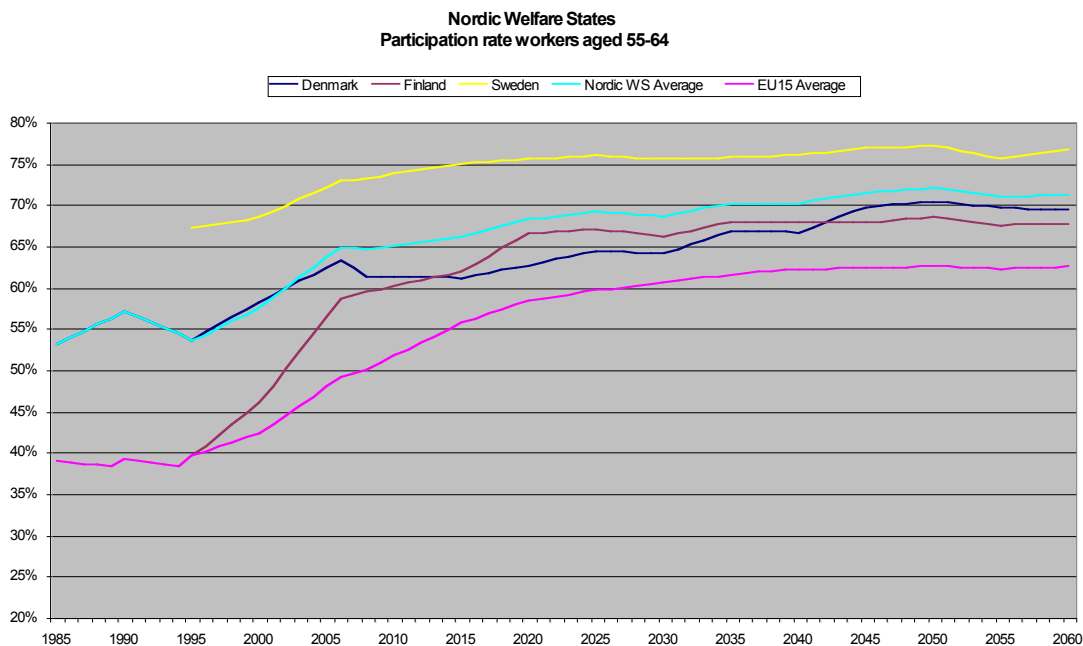
The four mentioned welfare state models group countries together with similar social policy models.

The Nordic welfare model is characterized by having the highest social protection expenditures of all four welfare models. Welfare provisions are universal citizenship based. The different social benefits have high replacement rates, making them very generous. A broad range of social services is offered, going beyond healthcare and education. Gender equality is an important issue in Nordic countries which is addressed with active family policies encouraging the integration of women in the labour market. In the Nordic countries a system of extensive fiscal intervention in the labour market is arisen (Esping-Andersen, 2002). Active policy instruments are implemented to intervene with the market and increase employment. The wage structures in Nordic countries are highly compressed due to a strong involvement of labour unions (Sapir, 2005)<sup>15</sup>. Employment protection levels vary from high (Sweden) to low (Denmark) and policy emphasis lies on activating policies and training programs linked to general education. Historically the Nordic states strongly value macroeconomic policies with the goal to achieve full employment.

<sup>13</sup> The replacement rate is the number of children a woman needs to have to replace herself and her partner in a certain country. Depending on the number of deaths under women before they reach child bearing age, the number will be over 2.

<sup>14</sup> Whether or not the Netherlands is grouped under the continental welfare states does not change the fact that the continental welfare states on average perform worst when it comes to participation of older workers. The average of older workers participating on the labour market in 2006 and in 2060 is the lowest for continental welfare states with and without the Netherlands taken into account.

<sup>15</sup> Sapir is one of the scholars grouping the Netherlands under the Nordic model.



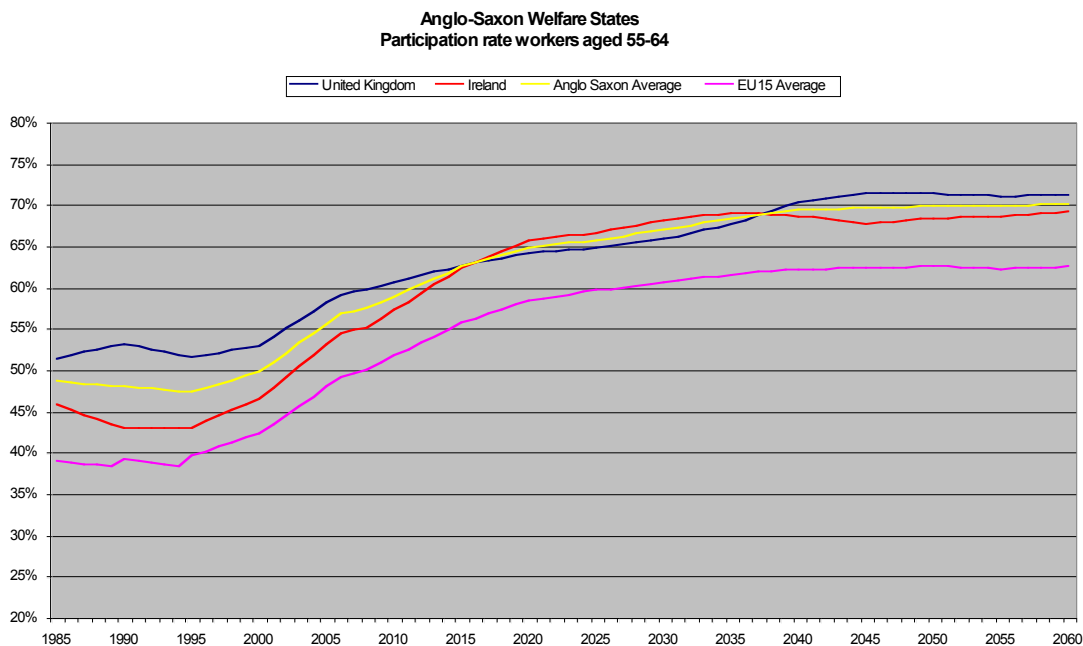
**Figure 4. Participation rate of older workers in the Nordic Welfare States, Source: Data collected from The Ageing Report 2009 (European Commission, 2008)**

All Nordic countries perform above the EU15 average when it comes to the participation of older workers on the labour market. Sweden is of the Nordic countries the best performing country, Finland has undergone a significant increase between 1995 and 2005.

According to Esping-Andersen (2002) the different types of welfare states face different vulnerabilities to the challenges of post-industrial change. When it comes to creating appropriate conditions for expansion of private services the Scandinavian welfare states have a flexibility problem, which is closely linked to fiscal pressures (Esping-Andersen, 2002). Hemerijck argues (in Esping-Andersen, 2002, p. 184,) that of the four models the Scandinavian countries are best adapted to the challenges of post-industrial change, in part because of their women and child friendly policies. Many care functions were de-familialized, clearing the path for near-maximum employment among men and women, less early retirement and relatively high birthrates. This helps reduce financial strains on the pension systems. In the Nordic countries social exclusion due to long-term unemployment and poverty are for the most part avoided in the Nordic countries. Denmark and Sweden used high public employment since the 1960s as a strategy to encourage women and lone parents to enter the labour market.

#### **4.2.2 The Anglo-Saxon welfare states**

The Anglo-Saxon welfare states are characterized by a relatively large social assistance of the last resort. The social protection expenditures in Anglo-Saxon countries are lower than in the Continental welfare states and the Nordic welfare states. Subsidies are primarily directed at the working-age population and to a lesser extent to pensions. Social benefits are often needs based and conditional, often targeting people of working-age. The replacement rates of social benefits are low. Employment protection is low as well often confined to fair contracts, active labour market policy is absent, as is investment in vocational training and education. The unions in these countries are weaker than in the Nordic countries, wage bargaining is decentralized with low levels of collective bargaining coverage (Esping-Andersen, 2002). These countries therefore have comparatively wide (and increasing) income dispersion and a relatively high incidence of low-pay employment (Sapir, 2005). Exclusion of the working and non-working poor could be a consequence of that, even when the labour market is booming (Esping-Andersen, 2002).



**Figure 5. Participation rate of older workers in Anglo-Saxon welfare states, Source: Data collected from The Ageing Report 2009 (European Commission, 2008)**

The vulnerability of the Anglo-Saxon welfare states lies in the increasing social exclusion of the 'working' and the 'non-working' poor, even when the labour market is booming (Esping-Andersen, 2002). Greater equality via redistribution is rejected by New Labour, their goal is to achieve more earnings through employment; wage inequalities and increasing low paid jobs are encouraged. Egalitarianism is sacrificed for jobs and budgetary restraints making long-term financial sustainability a relatively smaller threat to Anglo-Saxon welfare states (Esping-Andersen, 2002).

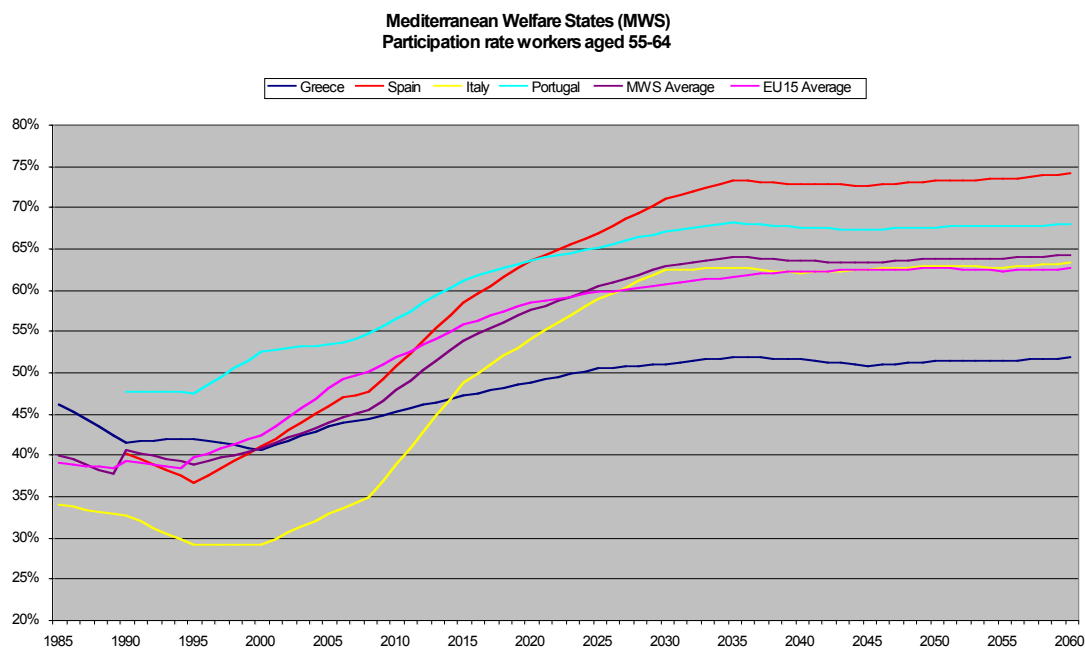
The Anglo-Saxon welfare states also perform above the EU15 average when it comes to the participation rate of older workers. The UK performs well and is projected to be one of the countries with the highest level of older workers participating on the labour market in 2060.

### 4.2.3 The Mediterranean welfare states

In the Mediterranean countries social assistance expenditures are lower than in the other three models and mainly focus on pensions. Social welfare systems in the Mediterranean welfare state countries draw on employment protection and early retirement possibilities to exempt parts of the working age population from participation in the labour market (Sapir, 2005). Collective bargaining has strongly compressed the wage structure in these countries.

In addition to low employment rates (especially amongst women and older men) the Mediterranean welfare states face the difficult task of weakening their traditional 'familialism' (Esping-Andersen, 2002). Employment protection in the Mediterranean countries is higher than in countries belonging to the other three welfare models, but unemployment benefits are less general and a low share of unemployed people receive these benefits.

The following graph indicates that of the Mediterranean welfare states 3 of the 4 countries (respectively Greece, Italy and Spain) currently are under the EU15 average of older workers participating on the labour market. Except for Greece, all of these countries are expected to increase their participation rate between now and 2060 to a level above the EU15 average. At present Greece has early retirement provisions and the legal retirement age is set at 61 but there are plans to increase the retirement age.



**Figure 6. Participation rate older workers in Mediterranean Welfare States, Source: Data collected from The Ageing Report 2009 (European Commission, 2008)**

#### 4.2.4 The Continental welfare states

The Continental model is historically influenced by statist and corporatist influences and familialist traditions. The Continental welfare states are insurance-based systems with non-employment benefits and old-age pension provisions. The Continental model shares similarities with the Nordic countries; Continental countries have high social expenditures and a large part (larger than in the Nordic countries) goes to pension provisions. The welfare system in the Continental countries has an employment related social insurance base, grounded on the principal of security, protecting citizens from social risks like job-loss (Sapir, 2005). This security system is quite reactive, characterized by the readiness to transfer money to families in need as a way of decreasing the unwanted effects of the market without changing the logic of this market. Emphasis lies more on compensation of the breadwinner loss of income than on active labour market policy (Ellison, 2006).

These countries have strict Employment Protection Legislation (only Mediterranean countries have (slightly) higher Employment Protection than Continental countries), mainly designed to protect the male breadwinner.

The labour market is characterized by co-ordinated industrial relations and sectoral wage bargaining, unions are (despite a low number of members) relatively strong (Esping-Andersen, 2002).

##### 4.2.4.1 The male breadwinner model in continental welfare states

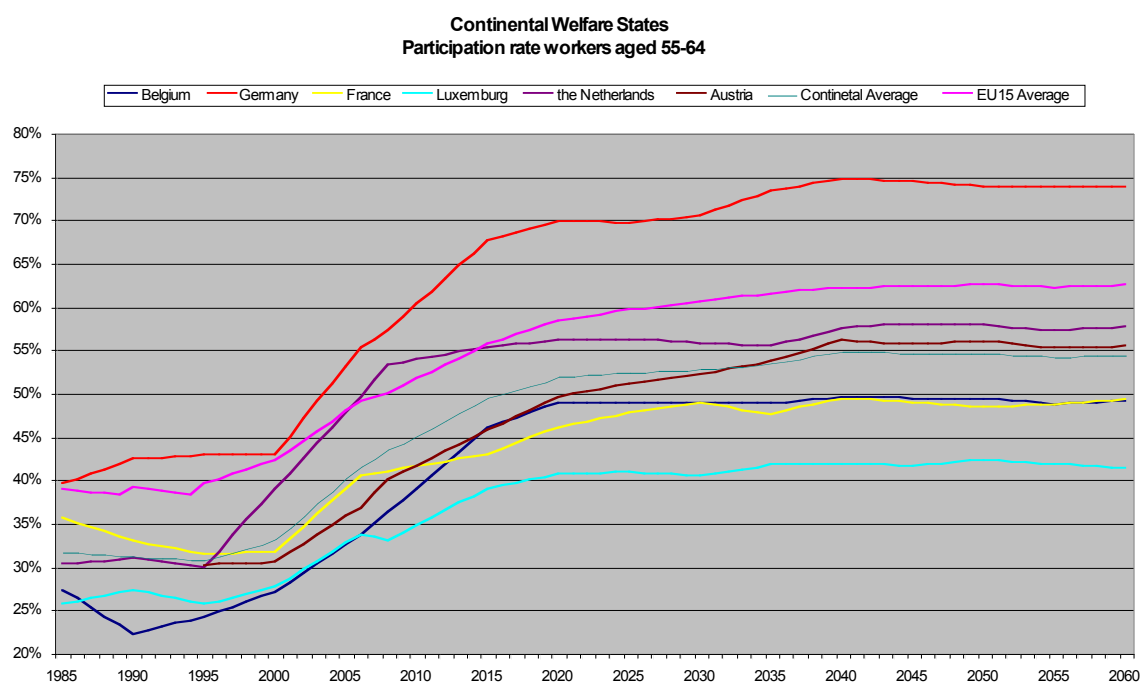
The CWS are often described as conservative, the male breadwinner model, for example, is still reigning. Labour policies and social security policies are designed to coincide to the needs of traditional families. Due to social developments such as increasing divorce numbers, more women on the labour market and a drop in fertility rate, the traditional family composition is changing. Social security is formed around the chief (male) breadwinner. People with a stable, lifelong employment are well protected by the employment linked social insurances, but people with irregular careers or women who leave the labour market for a period to tend after children, are offered inadequate security. Most of the countries where this is the case have therefore introduced strong employment guarantees, contributing to rigidity in the labour market. The familialist welfare model contributes to several problems the welfare state is facing; 1) strong protection of the employees with stable jobs and high barriers for labour market entry enhance the gap between people inside the labour market and those outside of it, leaving the outsiders in a precarious situation 2) people with unstable careers, young workers entering labour market later because of education and women who might leave the labour market for short periods in order to care for children are left vulnerable by the male breadwinner model and are confronted with financial shortfalls in their pensions 3) to cover these shortfalls, the tax on employment is rising, pricing younger, older and less productive employees out of the labour market 4) strong reliance on the family for absorbing social risks has a negative effect on women and their search for economic independence.



Esping-Andersen (2002) sums up 5 conditions that have changed since the post-war family policies were constructed to safeguard male-breadwinner families with a large amount of children;

1. The family structure characteristic for the post-war period is no longer dominant.
2. New caring institutions for children are needed in order for women to enter into the labour market.
3. The ability of young people to form families is inhibited by youth unemployment and entry barriers to the housing market.
4. Families are more and more instable, increasing the danger of poverty.
5. The quality of childhood matters much more for the subsequent life chances.

High fixed labour costs create high wage floors, making the creation of private sector jobs difficult in CWS. Concurrently high fiscal burdens on supporting a large inactive population make growth of public jobs difficult as well (Esping-Andersen, 2002). Inclusion of all people in society is important to increase our labour force and this is necessary to sustain our level of welfare. The participation rate of women is still lower than the participation rate of men, this is the case in all EU15 countries. The biggest difference between the participation of men and women can be found in the Mediterranean countries, where the average of participation rate of women lies 19.5 percent point lower than the average participation rate of men.



**Figure 7: Participation rate older workers in the Continental Welfare States. Source: Data collected from The Ageing Report 2009 (European Commission, 2008)**

#### 4.2.4.2 Performance of the continental welfare states

Besides Germany CWS perform under the EU15 average. The Netherlands show an interesting sharp and big increase between 1995 and 2005, but between 2005 and 2060 the increase of older workers participating on the labour market is projected to be very low.

Austria shows a steep climb between 2000 and 2005 and the climb is expected (albeit less steep) to continue up until 2025. France performs low as well, but they still have an official retirement age of 60,<sup>16</sup> which for a large part explains the low participation rate of workers between 55 and 64. It would be interesting to find out why these six countries perform the way they do. In the interest of keeping this research to a manageable size the research will focus on three countries; Austria, Germany and the Netherlands.

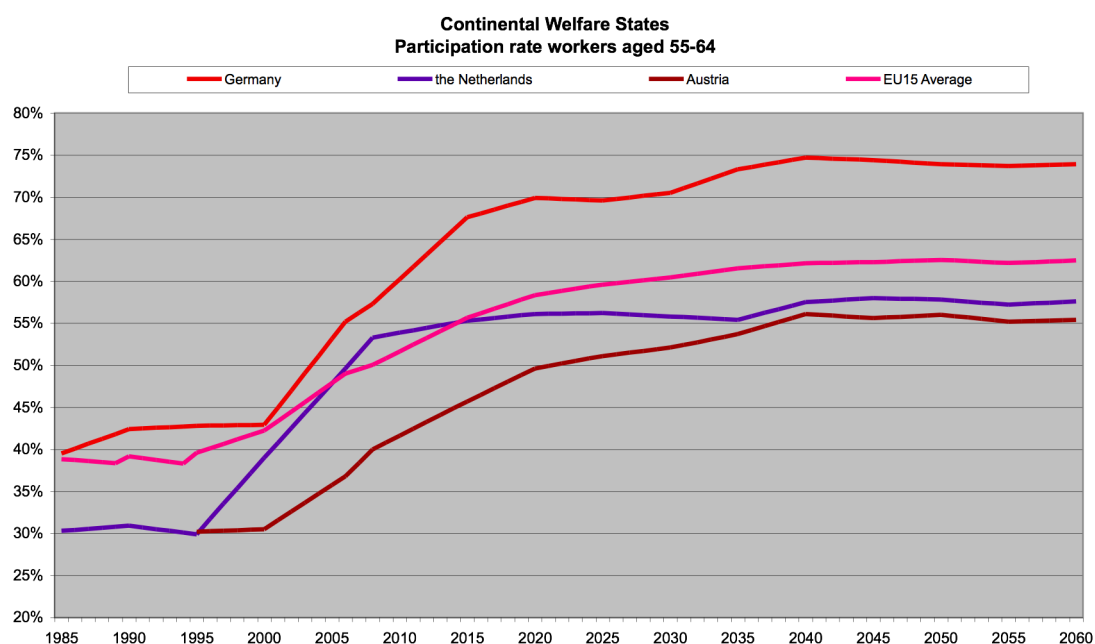
<sup>16</sup> As this research is being conducted in France a lot of discussion is going on about increasing the retirement age to 62.

Countries with extensive social security schemes will have difficulties changing pension developments in the long term. The reason for this is the fact that changing pension policy is not enough to ensure workers from exiting the labour market early. In the continental welfare countries the possibility to exit the labour market is threefold;

- Retirement
- Unemployment
- Disablement and sickness insurance

Research shows that if the exit of the labour market through one of these paths is blocked exit through one of the other two paths increases (Ester, et al., 2003).

Table three shows us that there is little difference in the expected life expectancy, fertility rate and migration rate between Austria, Germany and the Netherlands. The Netherlands has a slightly higher fertility rate than Austria and Germany, which is compensated by a slightly lower migration rate. It seems that these factors cannot account for the differences in the participation rate of older workers in these countries.



**Figure 8. Participation rate older workers in Austria, Germany and the Netherlands. Source: Data collected from The Ageing Report 2009 (European Commission, 2008)**

Within the continental model, exclusion is dealt with by social pensions and social minima systems; non-contributory programs leading to inactivity. This 'welfare without work trap' is unsustainable, but it is difficult for older workers and women to find a job because job growth is made difficult by high wage floors and contribution burdens. The absence of jobs has been accommodated by subsidizing early retirement, an additional burden on social contributions. This severely thwarts expanding employment among women and older workers, something that is absolutely necessary for the long-term sustainability of the welfare state (Esping-Andersen, 2002). This also answers the question why the Continental welfare states perform less well than countries in other models when it comes to the participation of older workers.

### 4.3 Differences between the welfare models and the problems they face

According to Esping-Andersen (2002) the welfare models are facing a trilemma caused by the de-industrialisation of our societies, fiscal constraints deriving from the EMU and the rise of the service sector. The goals that welfare states have, to raise employment, fiscal restraint and income equality can no longer be simultaneously achieved.

The Nordic welfare states have the highest social expenditures and are the most generous, followed by the continental welfare states. The different models do have a different spending bias, the Nordic

countries heavily invest in social services to families and children, whereas in the Mediterranean countries the spending bias leans towards pensions. The Nordic countries are better adapted to post-industrial change than they other EU15 countries, not in the last part because of their women and child friendly social policies. Caring responsibilities were de-familialised and therefore the participation of women could develop. As a result near full employment was achieved for women and men. Early retirement declined and the fertility rate is relatively high resulting in less financial strain on pension systems. The main problem Nordic countries are facing are the rising fiscal and budgetary constraints caused by ageing, the European monetary integration and rising tax resistance caused by high capital mobility making financing of the welfare state more difficult. Because there is a political opposition against raising taxes the public sector is stagnant., therefore to increase employment either the private sector has to liberalize, which causes an increase of wage inequality or keeping firm to their ideals of wage equality, which entails an increase of unemployment (Esping-Andersen, 2002).

The Anglo-Saxon welfare states are less threatened by problems of financial sustainability on the long-term. In the Anglo-Saxon countries income equality is sacrificed for budgetary restraints; low-paid jobs are expanded, increasing income inequalities. Skill shortage, poverty and exclusion are the results of this policy (Esping-Andersen, 2002).

In the Continental and the Mediterranean welfare states wage floors are high. Because of the high wage floors it is difficult to increase private sector jobs. Because of a large inactive population, fiscal burdens are rising and an increase of the public sector, creating public sector jobs, is very difficult. Because raising employment proves difficult a different approach is chosen; increasing the productivity. This increase in productivity goes hand in hand with an increase in wage costs, resulting in the exit of the less productive workers again resulting in the need to increase productivity. The vulnerable groups, amongst which are women and older workers, suffer the most from this vicious circle, therefore the Continental and the Mediterranean welfare states have high unemployment rates, especially under women and older men (Esping-Andersen, 2002). Women are faced with a choice between a career and raising a family, childbearing is postponed and the fertility rate drops. In the Mediterranean countries the social benefits are a lot less generous and less accessible than in the Continental countries, accounting for the higher participation in those countries.

This sub-section again makes clear that there are significant social and institutional differences between the different welfare models. Therefore in this research three countries from the same welfare model are chosen to make a comparative analysis possible. The continental welfare states have the worst performance when it comes to the participation of older workers, with one exception; Germany. Because it would be too time consuming and too voluminous only three of the six welfare states will be researched; Austria, Germany and the Netherlands. This way insight can be acquired as to why Germany performs so much better than other CWS when it comes to the participation of older workers.

Of the three countries compared in this research, both Austria and Germany are federal republics. Both countries are unions of several states that have partially self-governing power. Because in this research the focus lies on national policies concerning pension, unemployment and disability this fact is not taken into consideration. All data used in this research focuses on Austria and Germany as a whole, no distinction is made between different participation rates amongst the different states within these countries and therefore in this research this subject is not examined.

#### **4.4 Conclusion**

This chapter provides an answer to the question why Continental welfare states have lower overall participation rates than countries belonging to the other models; increasing employment is difficult to achieve because of high wage levels and high fiscal burdens. Early retirement is used to lift the strain on unemployment and benefits towards the inactive populations increase the fiscal burden even more, asking for a productivity increase, which translates into the exit of the less productive, which again leads to the need to increase productivity.

In this chapter the different welfare models were discussed, problems they are facing were made clear. Three countries were extracted from the CWS that will be thoroughly analysed during the course of this research. In the next three chapters country profiles will be established for Austria, Germany and the Netherlands. The structural and institutional factors influencing the participation of older workers are described country by country. An analysis is made of favourable and less favourable conditions in each of these countries influencing the participation of older workers on the labour market.

## 5 Austria

### 5.1 Country introduction

This chapter focuses on the structural and institutional factors that influence the labour participation of older workers in Austria. During the course of this chapter a portrait of Austria will appear, showing conditions that are favourable and conditions that are less favourable for the participation rate of older workers.

#### 5.1.1 Austrian economy

The coming into existence of pension systems in the Western European states can for a large part be attributed to Bismarck. Bismarck recognised that more and more people would depend on paid labour within the industrialised society to provide for themselves. He foresaw a legitimacy problem for the state if these new working lives would lead to poverty in old age. Because of Bismarck's tactical insight Austria, Germany, France, England and Sweden had developed pension systems before the First World War. These government pensions solely had the function of a financial remedy (Trommel, 1995).

Within the private sector companies started to introduce small pension benefits to achieve loyalty and long-term working relations with employees; these benefits would be promised to workers in exchange for a long-term working contract. Companies involved in big and long-term projects benefited from stability in their labour force (Trommel, 1995).

These two developments of post-work compensation initially developed separately from each other. How and when these two lines of pension come together differs per country (Trommel, 1995). The Austrian social security system finds its origin back in the end of the 19<sup>th</sup> century. Different occupational groups in different areas would pay into different social security plans. Unification of social insurance policy of all occupational groups was not realised until the 20<sup>th</sup> century (U.S. Library of Congress, 1993). In 1955 the General Social Insurance Act was introduced, this act constitutes the central enactment of social insurance in Austria. It regulates "industrial injuries insurance, health insurance and pension insurance for manual workers and white-collar workers" (Eurofound, 2009). Tax revenues are collected and benefits are dispersed by individual insurance agencies who are linked to specific occupational groups. Within The General Social Insurance Act social security policies are set the decisions are made on the level of payments required, the kind and the extend of the social benefits (U.S. Library of Congress, 1993).

After World War II the Austrian social security benefits increased steadily up until the 1980s. Austria now has one of the most highly developed welfare states in the world. A broad spectrum of benefits is financed by a complicated system of direct taxes on employees and employers and indirect taxes. After the 1980s, as most European welfare states experienced, Austria entered a difficult era characterized by difficulties related to a stagnation in economic growth, growing levels of unemployment, increasing budget deficits, funding of extensive social security programs and an ageing demographic (U.S. Library of Congress, 1993).

### 5.2 Structural factors

In this country specific chapter the structural factors and the institutional factors that affect retirement decisions of older workers in Austria will be discussed. The next sections deal with structural factors in Austria. What does the Austrian labour market look like? What is the unemployment rate in Austria and how is the unemployment structured? How is the physical and mental wellbeing of the Average Austrian worker? All these questions will be addressed in the following sections of this chapter.

#### 5.2.1 Labour market

Austria has a labour force of 3.7 million, which is 44.58% of the total population. Of the total labour force 5.5% works in agriculture, 27.5% in industry and 67% in the service sector. Austria has several factors that define the Austrian labour market. In this sub section these factors will be briefly discussed, as a source 'Active Labour Market Policy in Austria: Practice and Evaluation Results' (Helmut Hofer and Andrea Weber) is used.

Austria has a strong centralized wage bargaining process in place, collective agreements are formulated by employee representatives, employers, unions and government officials. As a consequence real wage flexibility increases, but it is difficult for single firms to cope with unpredictable changes in the economy. As a result the job turn over in Austria is high; a fourth of the unemployment in Austria is due to seasonal fluctuations these levels are comparable to the US and Canada.

Austria differs from its neighbouring countries in the sense that it has high seasonal employment fluctuations. About a third of the jobseekers are accounted for by tourism and construction. The relatively soft industry specific hiring and firing regulations stimulate this seasonal unemployment.

In Austria the employment focus lies heavily on manufacturing industries. In the last two decades however, there is a decline in manufacturing industries because of globalisation and the opening up of Central and Eastern European countries. 25.8% of the workers in Austria is low-skilled and 57% of Austrian workers is concentrated in the medium to upper medium skill segments. But work in the lower and medium skill segments has moved from Western countries to eastern countries, while high skilled labour expanded in the West. Because many Austrian workers work in just those segments many older workers were left without prospects of a job with similar working conditions and pay (Isaac & Biffi, 2005). This could in part explain the tendency of Austrian older workers to leave the labour market early; jobs in their industry are declining, there are no prospects of similar paying jobs, retirement becomes an attractive alternative. Isaac and Biffi (2005) are not optimistic about change in the near future. Although investments are made into trainings, the number of high skilled workers internationally compared, will remain low in Austria. Isaac and Biffi (2005) explain this lack of high skilled workers by underinvestment in higher education and the flow of low skilled immigrants as a result of family reunion and refugee intake. Austria had a generous early retirement system making it possible for people to retire at 58. This results in a low average retirement age in Austria. The early retirement system is often considered to play part in the low unemployment rate in Austria.

The official retirement age in Austria is 65 for men and 60 for women. Effectively though we see that men on average retire at 59 and women at 57. Illness or disability leading to labour market inactivity, for all age groups, is of less significance for Austria than for the average of the OECD countries.

	Mobilisable labour resources	Form of non-employment		Mobilisable labour by age group as a percentage of total mobilisable labour resources		
		Excess inactivity	Excess Unemployment	15-24	25-49	50-64
<b>Austria</b>	12.1	12.1	0	8.3	22.7	69.0

Table 3. Labour force that can be mobilized in percentages, source: Biffi & Isaac, 2005

The table above shows us that of the potential labour force in Austria 12.1% is not working. A large percentage of those people (69%) are between the age of 50 and 64. The proportion of women between 25-49, that leave the labour market because of family responsibilities, is similar to the OECD average (Biffi & Isaac, 2005). The decline of labour force participation with age in Austria is the fourth lowest of the EU 15 countries.

The inactivity rate of women in the 25-49 age group in Austria suggest that policies directed at facilitating the combination of work and family should be on the list of policy objectives. The high inactivity rate of women in this age group will spill over to the next age group: it will be even harder for women between 55 and 65 to find a job if they have been inactive for a period between their 25<sup>th</sup> and 49<sup>th</sup> year of age.

	25-49			50-54			55-59			60-64		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
<b>Active</b>	<b>94.5</b>	<b>78.9</b>	<b>86.7</b>	<b>87.2</b>	<b>65.0</b>	<b>76.1</b>	<b>62.1</b>	<b>27.9</b>	<b>45.0</b>	<b>16.7</b>	<b>8.2</b>	<b>12.5</b>
Employed	91.3	76.0	83.7	84	61.7	72.9	58.5	26.2	42.4	15.7	8.1	11.9
Unemployed	3.2	2.9	3.1	3.2	3.3	3.3	3.6	1.7	2.7	1.0	0.1	0.6
<b>Inactive</b>	<b>5.5</b>	<b>21.1</b>	<b>13.3</b>	<b>12.8</b>	<b>35.0</b>	<b>23.9</b>	<b>37.9</b>	<b>72.1</b>	<b>55.0</b>	<b>83.3</b>	<b>91.8</b>	<b>87.6</b>
Discouraged	0.1	0.4	0.3	0.1	1.5	0.8	0.2	1.4	0.8	0.2	0.4	0.3
Retired	---	---	---	7.9	8.7	8.3	33.6	47.1	40.4	81.6	76.2	78.9
Illness or disability	1.0	1.0	1.0	2.9	2.3	2.6	2.4	1.7	2.1	1.0	1.6	1.3
Family responsibility	0.1	16.0	8.1	0.3	20.9	10.6	0.6	21.0	10.8	0.2	13.2	6.7
Other	4.3	3.7	4.0	1.6	1.6	1.6	1.1	0.9	1.0	0.3	0.4	0.3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 4. Percentages of inactive people of potential labour force, source: Biffi & Isaac, 2005

The table above shows that workers in Austria (especially women) start retirement early. Between the age of 55 and 59 about 40% is already retired. The table furthermore shows that a large percentage of the inactive people are retired or inactive because of family responsibilities. About 99.6% of the people that are inactive on the labour market because of family responsibilities are women, reinforcing the concept that the traditional male-bread-winner model is prevailing in Austria.

### 5.2.1.1 Unemployment rate

In 1980 the unemployment rate started to increase until it declined a little between 1985 and 1989. The economy of Austria is strongly linked to that of Germany (CIA Factbook, 2011), which may partly explain the increase in unemployment in the early 1990s, when East and West Germany unified and the economy took a hit. At the end of the 1990s the unemployment was just decreasing when in 2001 and the 9/11 aftermath pushed unemployment up again slightly. The Austrian unemployment rate is quit stable with an average unemployment rate of 3.7% over the last three decades.

Austria is a small country with a population of only 8.3 million and is the 12<sup>th</sup> richest country in the world. Through a shift towards export, Austria's economy has managed to grow (Economywatch.com). Austrian economy is strongly connected to the other European Union economies, especially Germany's. Because of the high demand for Austrian export products the economy was thriving, employment was rising high. The recession that came in 2008 was sharp but brief. Unemployment has not risen as sharply as in other European countries, partly because the Austrian government subsidized reduced working hour schemes. This way companies could retain employees. Some large banks in Austria needed government support due to the recession in order to prevent insolvency. As in Germany and the Netherlands, Austria's population is ageing and the fertility rate is low (CIA factbook, 2011). It is projected that in 2050 the old-age dependency ratio<sup>17</sup> will increase from 20% in 2003, to 50%.

To fight youth unemployment Austria has an apprentice system as an alternative to secondary schooling. The apprentice receives training in the workplace and part-time vocational training, teaching them the practice and the theory of a specific occupation. Sadly since the 1990s a lot of companies don't offer apprenticeships any more and the pressure has become high to stimulate enterprises to offer apprenticeships again.

As the table below shows, the unemployment rate, although not high, is gradually increasing over the last decades.

Year	Unemployment rate	Percent Change	Year	Unemployment rate	Percent Change
1980	1.6	-	1996	4.333	10.62 %
1981	2.2	37.50 %	1997	4.367	0.78 %
1982	3.1	40.91 %	1998	4.483	2.66 %
1983	3.7	19.35 %	1999	3.933	-12.27 %
1984	3.8	2.70 %	2000	3.6	-8.47 %
1985	3.6	-5.26 %	2001	3.6	0.00 %
1986	3.1	-13.89 %	2002	4.2	16.67 %
1987	3.8	22.58 %	2003	4.3	2.38 %
1988	2.676	-29.58 %	2004	4.9	13.95 %
1989	2.348	-12.26 %	2005	5.2	6.12 %
1990	2.723	15.97 %	2006	4.8	-7.69 %
1991	3.151	15.72 %	2007	4.4	-8.33 %
1992	3.29	4.41 %	2008	3.8	-13.64 %
1993	3.958	20.30 %	2009	4.8	26.32 %
1994	3.85	-2.73 %	2010	4.133	-13.90 %
1995	3.917	1.74 %	2011	n.a	n.a.

Table 5. Unemployment rate in percentages for Austria 1985-2060<sup>18</sup>, source: indexmundi, 2011

The labour market situation in Austria is good, unemployment is traditionally low and at about 68% of the EU15 average.

There are several reasons why unemployment is lower in Austria than in comparable industrialized countries: First of all combating unemployment has been a priority element of economic policy for longer than in other European countries (except the Scandinavian countries). Secondly, pay policy and monetary policy have always been harmonised, it has never been necessary to impose restrictive pay policies as an austerity measure. Pay policy reacts flexible to the labour market situation because pay flexibility is relatively high in Austria. Finally, a dual system of vocational training (apprenticeship) is in place, ensuring that youth unemployment is low and generous provisions of early retirement pensions means that the activity rate of older people, and hence the risk of unemployment in the older age-groups, is low (Eurofound, 2009).

<sup>17</sup> Population ages 65 and over to the population aged 20 to 64.

<sup>18</sup> The source of the numbers in black is Indexmundi (2010), the red number are projections from The 2009 Ageing Report (European Commission, 2008).

Between now and 2020 the unemployment rate in the Euro zone is projected to drop by 1.6 percentage points from 7.5% (2007) to 5.9% (2020). An increase in employment rate is expected to up to 70% by 2060 in the euro area. In Austria we can see that the unemployment rate is decreasing slightly since the crisis and hovers at around 5% (The ageing report, 2009).

In the 2009 Ageing Report the unemployment rate is projected to stay at 4.3% between 2015 and 2060. These projections are based on the 'Non Accelerating Inflation Rate of Unemployment (NAIRU)'.

*"This concept follows from any theory that says that changes in monetary policy, and aggregate demand more generally, push inflation and unemployment in opposite directions in the short run. Once this short-run tradeoff is admitted, there must be some level of unemployment consistent with stable inflation"* (Ball & Mankiw, 2002).

NAIRU is a macro-economic term that undergoes criticism by several economists<sup>19</sup>. As the table shows the unemployment rate for Austria is projected to stay well under the projected EU15 average.

In Austria the activity rate for older workers is low. According to Biffi and Isaac (2005) one of the major reasons is the below average skill level of older workers. There is a direct negative correlation between the skill level of older workers and their participation rate on the labour market.

### 5.2.1.2 Reintegration policies

Since the 1990s Active Labour Market Policies (ALMP) have been regarded as an important instrument to reduce unemployment in Europe. In ALMP, priority lies on activation of the unemployed, instead of benefit provision.

The importance of ALMP has grown in Austria over the past decades. In Austria the focus of ALMP lies heavily on training programs. When it comes to employment programs in the public and private sector as well as the integration of disabled people, spending in Austria lies below the EU average (Hofer & Weber, ?). In Austria policies have been characterized by a shift from purely educational programs to job search assistance programs. Since 2006 a system to subsidize low wage jobs is in place. This way Austria seeks to increase flexibility in the low wage labour market and activate low skilled unemployed to re-enter the labour market. This arrangement is available for persons meeting one of the following requirements; 1) they are 50 years of age or older 2) women who re-enter the labour market 3) disabled people (categorized as disabled by the disability law 'Behinderteneinstellungsgesetz' or the national disability law 'Landesbehindertengesetz'). People belonging to either of these categories can be eligible for the 'Kombilohn' if they are unemployed for more than 182 days (Arbeitsmarktservice Österreich, 2011). The subsidy is paid by the government, directly to the employee. An applicant can request a meeting with the responsible consultant before beginning a new contract. The gross financial contributions can be €150 (for 16 to 34 hours a week) or €300 (35 hours or more) per week for a gross monthly wage up to €1500, or €150 per month for a gross wage over €1500. Employees earning between €650,01 up to €1700 can claim entitlement for this subsidy.

Recent studies conclude that in Austria job search assistance programs are more effective in reducing unemployment than training programs. Training programs can increase the unemployment duration, while job search assistance programs can decrease the duration of unemployment. These studies do however not take into account the long-term effects on job stability and employment outcomes (Kluve, 2006). 0,55% of GDP is invested in ALMP, this is below the OECD average of 0,7% of GDP. One out of five unemployed in Austria is over the age of 50, yet they only represent 12% of the people involved in ALMP (Kluve, 2010).

Looking at the different ALMP programs as described by Kluve (2010) Austria invests most of its ALMP budget on trainings. According to Kluve (2010) 'Services and sanction programs' and 'private sector incentives' are the most effective ALMP program types. Austria could rearrange the ALMP, invest more in services and sanction programs and private sector incentives to make their ALMP programs more effective.

ALMP program type	% of the ALMP budget
Services and sanctions	8.0
Training	15.3
Private sector incentives	2.8
Public sector employment	3.5

Table 6. Austrian ALMP spending per program type, source: Kluve, 2010

<sup>19</sup> The European Commission and DG ECFIN use the NAIRU in The 2009 Ageing Report because they use it in several EU budgetary surveillance procedures, keeping up consistency in all documents.

## 5.2.2 Physical and mental wellbeing of older workers

Chapter three established that the physical and mental wellbeing of older workers is an important factor in their participation on the labour market. In this sub section the physical and mental wellbeing of the workers in Austria is depicted by using data from the European Working Conditions Survey, Eurofound and a study by Biffi and Isaac (2005).

How many days were you absent from work due to health reasons in the past year?									
Age / Days absent	2000			2005			2010		
	None	1-15	> 15	None	1-15	> 15	None	1-15	> 15
Under 30	50.9%	34.1%	15%	82.5%	16.2%	1.3%	40.5%	46.3%	13.2%
30-49	58.3%	27.9%	13.8%	81.8%	12.7%	5.6%	49.8%	40.5%	9.6%
50+	53.3%	26.8%	20%	75.2%	19.6%	5.3%	45.3%	40.3%	14.4%
<b>Total</b>	55.6%	29.2%	15.2%	80.7%	14.8%	4.5%	46.5%	41.8%	11.7%

Table 7. Worker sick days, source: EWCS, 2010

However research of the Austrian Institute for Economic Research concludes that the rate of sick leave differs by age: the youngest age group (15–29 years) has the lowest rate of sick leave (2.7%). The rate of sick leave among employees aged 30–49 years amounts to 2.9%, it is higher among those aged 50–64 years; 4.9%.

The rates of sick leave also decreased between 2001 and 2006 in terms of age. In 2001, the rate among those aged 15–29 years amounted to 3.2%. The rate among the middle age group stood at 3.3%, while the rate among the oldest age group amounted to 6.1% in this year (Eurofound, 2011; WIFO, 2008).

In terms of age, findings in relation to absenteeism levels interestingly show a U-shape: the rate of sick leave is higher among teenagers (at 3.5% for men and 3% for women) and young adults (3.4% for men and 2.5% for women), while it is lowest among employees aged between 25 and 44 years (for example, in the 30–34 age group, 2.75% for men and 2.25% for women). From the age of 45 years onwards, the rate of sick leave increases steadily, peaking at 6.5% for men and 6.6% for women in the 55–59 age group.

The duration of sick leave also increases with age. Younger employees are off work due to illness on average for eight days, while workers in the 60–64 age group are, on average, off on sick leave for up to 26 days. Nonetheless, the incidence of sick leave is higher among young workers, which can be explained by a less pronounced commitment to the company, as well as to a lower income. Thus, compared with older workers, younger workers have less to lose if they are dismissed (WIFO, 2008).

Mental wellbeing is difficult to measure, but there is data available on the job fulfilment of workers, which gives us an idea about how their work affects their mental state. In this research data provided by the European Working Conditions Survey is used to measure the job fulfilment of workers.

In the EWCS (2010) the job fulfilment of the respondents is measured by the following questions;

1. Does your work give you a feeling of job well done?
2. Do you feel you are doing useful work?
3. How satisfied are you with the working conditions in your main paid job?
4. I am well paid for the job I do
5. I have very good friends at work
6. The organisation I work for motivates me to give my best job performance.
7. Do you enjoy being your own boss?

Question;	Austria	Austria workers 50+	EU 15 employees 50+	EU 15 Total employees
Does your work give you a feeling of job well done?	91.9% yes	93.3% yes	83.6% yes	84.9% yes
Do you feel you are doing useful work?	86.1% yes	87.4% yes	86.9% yes	83.5% yes
How satisfied are you with the working conditions in your main paid job?	34.8% very satisfied	34% Very satisfied	27.5% Very Satisfied	27.2% Very satisfied
I am well paid for the job I do	49.7% yes	49.6% yes	44.8% yes	43.3% yes
I have very good friends at work	66.8% yes	71.2% yes	73.7% yes	73.6% yes



The organisation I work for motivates me to give my best job performance.	61.6% yes	54% yes	64.5% yes	63.6% yes
Do you enjoy being your own boss?	91.2% yes	97.2% yes	93.9% yes	94.2% yes

Table 8. Job fulfilment, source: EWCS, 2010

Well over half of the Austrian employees interviewed maintain friendships with colleagues. Job satisfaction seems high in Austria. The satisfaction about the overall working conditions (question 3) seems to have declined. In 1995 of Austrian employees over fifty 39.8% answered the question 'How satisfied are you with the working conditions in your main paid job' with 'Very satisfied', in 2010 only 34% was 'very satisfied' about their working conditions. A steady decline is visible between 1995 and 2010, in the Austria the decline is about 5 percent points, in the EU15 the decline is also about 5 percent points (EWCS, 2010). Overall there is a decline of about 5 percent points in the employees who answer the questions with yes between 2005 and 2010. This decline is not only visible in Austria, it is a trend visible in the EU 15 as well (EWCS, 2010). It is possible that the decline in workers satisfaction is a result of stress caused by the economic crisis.

Physical wellbeing is also hard to measure. The data in the table below shows the amount of sick days Austrian workers take per year per age group. The data is collected by the EWCS.

Question: How many days were you absent from work due to health reasons in the past year?									
Age	2000			2005			2010		
	None	1-15	> 15	None	1-15	> 15	None	1-15	> 15
Under 30	50.9%	34.1%	15.0%	82.5%	16.2%	1.3%	40.5%	46.3%	13.2%
30-49	58.3%	27.9%	13.8%	81.8%	12.7%	5.6%	49.8%	40.5%	9.6%
50+	53.3%	26.8%	20.0%	75.2%	19.6%	5.3%	45.3%	40.3%	14.4%
Total	55.6%	29.2%	15.2%	80.7%	14.8%	4.5%	46.5%	41.8%	11.7%

Table 9. Absenteeism of Austrian workers, source: EWCS, 2010

The EWCS does give interesting information about the willingness to work in correlation with different age groups. When the age of workers goes up so does the willingness/feeling of responsibility to work. Of workers over 50 at least 70.4% point out that they go to work even when they are feeling sick. That is over 10% more than their counterparts under 30. Older workers in Austria are more inclined to work while they are sick than other age groups.

Over the past 12 months did you work while you were sick?		
Age / Sick days	2010	
	Yes	No
Under 30	60.2%	39.8%
30-49	65.5%	34.5%
50+	70.4%	29.6%
<b>Average</b>	<b>65.5%</b>	<b>34.5%</b>

Table 10. Workers working while sick, source: EWCS, 2010

### 5.2.3 Perception of older people

Chapter 3 describes that the perception older people have of their work does influence their exit behaviour. Some questions in the EWCS focus on the perception workers have of themselves. The next table shows the perception of workers in different age groups concerning their ability to continue the job they are currently working until they are 60 years old. The table shows that there is a correlation between the age of the workers and the percentage of them that thinks they can do the same work when they reach the age of 60. The table shows us that the perception of the work changes with age. In all three surveys we see that the number of workers who believe that they will be able to do the job they do when they turn 60 increases as they get closer to the age of 60. Of the workers under 30 only about 50% believes they will be able to do the work they are currently doing when they are 60. In the age group between 30 and 49 this percentage increases with about 10 percent points (interestingly though there is a decline of 10% within the 30-49 age groups and the 50+ age group between 2000 and 2010).

Do you think you will be able to do the same job you are doing now when you are 60 years old?									
Year	2000			2005			2010		
Age / Response	Yes	I would not want to	No	Yes	I would not want to	No	Yes	I would not want to	No
under 30	50.0%	15.0%	35.0%	48.9%	19.6%	31.4%	49.7%	25.4%	25.0%
30 to 49	67.3%	9.8%	22.8%	62.8%	14.1%	23.1%	56.3%	16.2%	27.4%
50+	73.9%	7.1%	19.0%	64.3%	15.6%	20.0%	64.0%	14.4%	21.6%
<b>Average</b>	<b>64.2%</b>	<b>10.6%</b>	<b>25.2%</b>	<b>59.9%</b>	<b>15.6%</b>	<b>24.5%</b>	<b>56.7%</b>	<b>17.8%</b>	<b>25.5%</b>

Table 11. Perception of workers on their ability to work, Source: EWCS, 2010

### 5.2.3.1 Trainings older workers are engaged in

Chapter three also discussed the perception employers have of older workers. There seems to be a preconceived opinion amongst employers that older workers are not as willing or able to participate in trainings to improve their working skills or update their knowledge. Furthermore, employers sometimes don't want to invest in workers that probably will not be working for the company for many more years to come, simply because they are near the (early) retirement age. The next table shows the number of respondents to the EWCS that declare they participated in trainings over the past twelve months.

The number of older workers engaging in training declined between 1995 and 2010 by 25.6% points. The table shows a decline of workers in all age groups who undergo training paid for by their employer or them selves if they are self-employed. The decline is quite steep; in 1995 85.2% of the workers over 50 had undergone some sort of training provided by their employer, against only 59.6% in 2010. The difference between the number of older workers and younger workers undergoing training to improve their working skills is not very big, less than 4%, but the decline of the number of workers undergoing training is steeper in the 50+ age group. These trainings can be important in reducing the early retirement age; older workers can get a feeling of accomplishment through these trainings, they feel relevant and useful in the workplace. A positive self-image is an important factor in the retirement decision of older workers. Increasing the number of trainings for (older) employees might help improving the self-image and therefore the satisfaction people get from their work.

Over the past twelve months have you undergone training to improve your skills? Training paid for or provided by your employer or by yourself if self-employed?									
	1995		2000		2005		2010		
Age	Yes	No	Yes	No	Yes	No	Yes	No	
under 30	68.0%	32.0%	65.5%	34.5%	62.2%	37.8%	63.1%	36.9%	
30 to 49	74.3%	25.7%	66.0%	34.0%	61.8%	38.2%	57.1%	42.9%	
50+	85.2%	14.8%	74.5%	25.5%	66.8%	33.2%	59.6%	40.4%	
Total	74.3%	25.7%	67.4%	32.6%	62.8%	37.2%	59.1%	40.9%	

Table 12. Percentage of workers that have undergone training, Source: EWCS, 2010

To get a picture of how much companies monitor training needs of employees and the training needs of older employees, data from the European Company Survey (ECS) 2009 is used. Two questions are asked in the survey that can provide us with that data;

1. Companies checking training needs regularly
2. Companies checking training needs of older employees

According to the ECS 59.2% of the companies in Austria check the training needs of their employees regularly. 81% of the companies claim to check the training needs of older employees.

### 5.2.3.2 Age discrimination

Age discrimination seems to be an issue in Austria. Older workers in Austria report age discrimination more often than any other country in Europe, 14% of older workers say they have been subjected/been aware of age discrimination over the past year; the EU average lies at 5%. Only Finland and the Netherlands report proportions close to those in Austria in 2000 (European Working Conditions Survey, 2009). This does not necessarily mean that the number of older workers discriminated against is higher in Austria than in other EU countries. There could be other explanations for the high numbers, for example Austrian workers might feel more at ease to report discrimination than workers in other countries. Nevertheless it gives us an indication that is probable that the age discrimination against older workers is higher in Austria than in other EU countries.

Overall it can be said that the perception of workers about their ability to work beyond the age of 60 is positively correlated to their age. Older workers in Austria are not much less involved in trainings, provided by their employers, than younger workers. The number of workers in training is overall declining though. But the height of the age discriminations claims in Austria suggest that there are negative prejudices and bad perceptions of older workers in the eyes of other age groups, be it employees, employers or otherwise. This can have a negative effect on the self-image of older workers and affects their physical wellbeing, affecting their willingness to work.

## 5.3 Institutional factors

The next sections will discuss the institutional factors influencing the participation of older workers on the Austrian labour market. First Austrian retirement policies will be examined, followed by the alternatives to work offered by the Austrian social institutions, and the working conditions Austrian employees are facing.

### 5.3.1 Retirement policy

In the next sub-sections pension policies and recent reforms will be enumerated together with policies and reforms that complement pension policies.

#### 5.3.1.1 Pension policies

The pension system in Austria consists of three pillars; 1) public, mandatory, benefit oriented Pay-As-You-Go scheme (PAYG)<sup>20</sup> 2) occupational pension scheme 3) individual pension provision.

The second and third pillar played only a minor role, albeit increasing. The aim of the first pillar is to ensure a minimum income in old age and therefore covering the risk of poverty in old age. The public pension system covers direct old age pension, invalidity pension and indirect pensions such as orphans- and survivors pensions. Until 2005 the pension system was divided into different occupational categories. In 2004 a harmonization law was introduced, designed to install a uniform pension system for all occupations, with uniform contribution rates and benefit entitlements. Three categories of workers undergo exceptions within this system; farmers and the self-employed, they pay lower contributions; civil servants working for local and regional authorities, they are not in the new system. About 93% of all workers are covered by the new system (Knell, Köhler-Töglhofer & Prammer, 2006).

In 2002 a new severance pay was introduced, employers have to contribute 1.53% of the gross monthly pay for each of their employees. Employees may opt for a lump-sum payment of these contributions or a lifelong pension.

In 2003 the third pillar gained in importance when the Austrian government subsidized the private pensions to stimulate workers to save up for retirement (Knell et al., 2006).

Retirement age in Austria is 65 for men and 60 for women. Following a rule by the Constitutional Court the retirement age for women will be gradually adjusted to mirror that of men. The Constitutional Court ruled the difference in retirement age in contradiction with the equal treatment law. Between 2024 and 2033 the pension age for women will be gradually adjusted to the same retirement age that is set for men.

Austria has had pension reforms in 2000, 2003 and 2004. In 2000 the discussion was opened on the early retirement options Austrians had. Although the retirement age was set on 60 for women and 65 for men, there was an early retirement option in place, allowing women to retire at 55 and men at 60. This

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<sup>20</sup> The PAYGO system is a pension system where today's contributors finance the pension payments made to the retirees of today.

contributed to an effective average retirement age of 57 for women and 59 for men. The EU average is two years above that respectively, making Austria one of the countries with the lowest average retirement age in the EU. The reforms in 2000 had two aims; 1) fiscal consolidation, the pension policy reforms had to contribute to the reduction of government deficit and debt accumulation 2) approving the long-term sustainability of the Austrian pension system (a Pension Reform Committee was created to look at pension policy on a regular basis in order to achieve these goals).

The following measures were introduced during the 2000 reform;

- Termination of early retirement due to reduced capacity to work. Entry conditions to retirement due to invalidity were eased to avoid socially unwarranted hardship. This might lead to higher exit through disability pensions.
- The early retirement age for the remaining early retirement schemes was gradually increased by 18 months in total; from October 2000 onward up to 61.5 years for men and 56.5 years for women.
- Raising early retirement discounts and increasing late retirement credits, actuarial fairness was increased. The early retirement discount amounts to a loss of 15% of pension entitlements. As with the rise in early retirement age, transition periods were introduced to avoid hardships. Working beyond the statutory retirement age was awarded with a credit of 4% of the assessment base per year of later retirement.
- Eligibility criteria for survivors' pensions were tightened. Depending on the survivors own income/pension benefits the survivors pension was cut from 40% to 60% to between 0% and 60% (Knell et al., 2006).

In the 2003 reforms, the parameters of the pension system changed. Knell et al. list the following important changes;

- The assessment period (i.e. the averaging period used for calculating the assessment base) will be increased from the best 15 years to the best 40 years of earnings for which contributions were paid. The averaging period will be fully phased in by 2028 by expanding the averaging period by 12 months every year.
- The maximum replacement rate of 80% of the assessment base will be reached after an insurance history of 45 years instead of 40 years.
- Early retirement on account of unemployment was fully abolished. The minimum age (61.5 for men and 56.5 for women) for early retirement on account of long-term insurance contributions will be increased in steps until 2017 to the statutory retirement age of 65 for men and 60 for women.
- To reduce incentives for early retirement, the bonus/malus was increased. Loss of benefit for early retirement up to a maximum of 15% of the pension entitlement. The bonus for later retirement was increased.

As discussed earlier the pension reforms of 2004 focus on the harmonization of the different occupational schemes in order to create a uniform pension system. The following adjustments were made to accomplish this (Knell et al., 2006 pp. 74-75);

- The assessment period is extended to lifetime earnings (> 40 years).
- The possibility of early retirement has been reintroduced through the establishment of a pension corridor. Retirement between 62 and 68 years is either discouraged by pension discounts in case of early retirement or rewarded by pension credits when retirement is postponed, both amounting to 4.2% of the assessment base per annum (up to a maximum amount of 15% of pension benefits for discounts and 12.6% of pension benefits for credits). Entitlements are restricted to persons with at least 37.5 years of pensionable service.
- Past contributions are transferred into current purchasing power using average gross growth rates of earnings as the revaluation factor.
- Existing pensions are indexed to consumer price inflation, implying that the adjustment factor is now also equal to the inflation rate without using overly complicated adjustment methods.
- The cap on pension losses was further reduced to 5% and will only gradually (by 2024) be increased to 10% and thus partly offsets the cost savings achieved with the reform of 2003.
- Contribution rates were harmonized to 22.8%; for self-employed and farmers, the personal contribution is supported by a co-payment financed out of general tax revenues.
- A sustainability factor was introduced, which will trigger an adjustment process in case central demographic factors deviate from their projections. However, the adjustment of key parameters of the pension system is subject to a political process rather than an automatic trigger.

With these reforms Austria has managed to decrease the public expenditures on pensions drastically in the future. The sustainability of the pension system is increased, but the generosity of the system has decreased.

The OECD reports in 2005 that the new reforms reintroducing early retirement in the form of an early retirement corridor, will partly reverse the reforms that were made in 2003. This reform makes it possible for older workers to receive a reduced pension from the age of 62 instead of 65.

### 5.3.1.2 Complementary pension policies

Several policies have been created to improve labour market conditions for older workers and complement pension policies (source: OECD, 2005);

- In 1996 a bonus-malus was introduced rewarding employers who hire older workers and penalizing those who fire older workers. In 2004 the penalty was increased.
- Since 2000 companies are obliged to report to the Labour Market Service (LMS) if they dismiss 5 or more persons over 50<sup>21</sup>.
- In 2002 the severance pay scheme was overhauled. Objective was to achieve fairness for employers and employees and to increase labour mobility.
- Recently hired older workers have the possibility to appeal against unjustifiable dismissal after they have been re-employed for at least two years<sup>22</sup>.
- A reduction of 12.7% of non-wage labour cost for older workers over 60 was introduced as an incentive to hire and retain older workers. The non-wage labour costs of female workers over 56 and male workers over 58 have been reduced to achieve this reduction.
- Social partners are trying to reduce biannual wage increases for civil servants and white collar workers in order to reduce the wage costs of older workers. seniority wage levels in Austria are amongst the highest in OECD countries.
- LMS intensified the retraining of older unemployed workers and has developed an intervention scheme for the first months older workers are employed. During those months an individual action plan is drawn up.
- Workers over 45 who have repeated unemployment spells are entitled to unemployment benefit based on their earnings levels at the age of 45 if this means the benefits are higher.

Regardless of the changes made in policies it seems that the attitude of regarding work for older workers is still only changing marginally. Workers over 55 expect to retire soon and employers expect their employees to do so as well. Early retirement in the form of blocking is still extensively used (OECD, 2005).

### 5.3.1.3 Replacement rate

As deduced earlier in this research a high replacement rate, and therefore a high pension wealth, can cause incentive to retire early. In this sub-section the gross and net pension replacement rate of a median earner in Austria is discussed. In chapter 8 a comparison will be made between the replacement rates of Austria, Germany and the Netherlands.

In Austria the median earner has a gross replacement rate of 76.6%, which translates to a net pension replacement rate of 89.9% (presented by the OECD according to 2011 data).

## 5.3.2 Alternatives to work

In chapter three several alternatives to work were summed up. In this sub-section the extent to which older workers in Austria make use of these alternatives is discussed.

### 5.3.2.1 Early retirement

Next to the general early retirement option Austria has another form of early exit that has arisen in the form of so-called 'blocking', whereby workers concur to work full-time during the first part of an agreed period and 0 hours during the second part, effectively enabling early exit. This reform under the old age part-time policy increased the number of older workers entering into the part-time scheme extensively. In 2004 this policy was made less attractive by new reforms, which led to some reversal of the part-time working trend and will hopefully continue to do so (OECD, 2005).

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<sup>21</sup> This duty to notify LMS applies to all companies regardless of size.

<sup>22</sup> Previously this was possible after six months.

### 5.3.2.2 Disability benefits

One of the alternatives for work discussed earlier is the disability pension/benefits. According to Börsch-Supan, Brugiavini and Croda (2009) less than 3% of the individuals between 50-64 receive disability benefits.<sup>23</sup> Of the inactive people between 55 and 64 in Austria about 3.4% is inactive because of disease or disability. Disability pension does not seem to be an alternative largely used in Austria.

To qualify for disability benefits individuals must meet the following criteria 1) A disability to work must be likely to last for at least six months 2) if the insured event occurs before the age of 50 at least 60 months of insurance contributions must have been paid over the period of the last 120 calendar months. Between the age 50 and 60 an additional month is required per month of age; a person at the age of 52 would need to have worked 60 months plus 24 months (for the 2 years he is over 50) adding up to 84 months 3) the individual does **not** meet the criteria for old age pension (Swiss Life Network, 2011).

When a person becomes disabled due to a work related incident there is no waiting period. The amount of the benefit is usually the sum earned during the previous working year with a maximum of €57,540 in 2010. When a person becomes disabled before the age of 60 *“the disability pension is equal to the old age pension projected to age 60 with a maximum of 60% of the assessment basis or equal to the assessed old age pension, whichever is higher. In the event of disability after age 60, the disability pension is equal to the old age pension accrued at the time of disability”* (Swiss Life Network, 2011 p.6). Austrian social security does not recognize partial disability, disability exists when the working capacity decreases by more than 50% compared to the abilities of a healthy person with equal knowledge and capacity (Swiss Life Network, 2011).

### 5.3.2.3 Unemployment benefits

Unemployment insurance is compulsory for all except for the self-employed. To qualify for unemployment benefits a worker needs to be employed for a period of 52 weeks over the last two years. Workers under 25 need to have been employed for 26 weeks during the last year and people who are repeatedly unemployed have to be employed for 28 weeks during the past 12 months. The replacement rate of the unemployment benefit is only 55% this becomes substantially higher once the family allowances are taken into account. The duration of the unemployment benefit can be up to 30 weeks, depending on the amount of time the worker was employed previously. If the unemployment benefit becomes exhausted a worker can apply for unemployment assistance, which can be drawn on for a potentially indefinite time. Unemployment assistance is means tested and depends on the presence of a partner (Hofer & Weber, ?). Since 2004 there has been a change in the unemployment policies in order to decrease use of unemployment benefits in order to retire early. The reform has made it more difficult for (older) unemployed workers to refuse a job (OECD, 2005).

## 5.3.3 Working conditions

As discussed in chapter 2, working conditions can provide a climate that impacts the decision of older workers with regard to their labour market participation. If the working conditions are good and provide a work-life balance, older workers may postpone the exit from work. In section 3.3.3 two indicators for measuring working conditions were selected 1) the provision of flexible working hours and 2) age sensitive staff policies. In the next sub-sections these two subjects and how these policies are present in Austria will be discussed.

### 5.3.3.1 Working conditions in Austria

According to the European Company Survey 2009 about 56% of the companies in Europe offer some form of flexible working arrangements. Two-thirds of the surveyed companies offer work on a part-time basis.

The quality of working life is important for the well being of workers and therefore their health and their participation rate. In chapter three several factors that influence workers satisfaction were discussed. Harassment, aggression and violence, but also low social support of executives, negatively affect the probability that older workers will stay on their post. Age sensitive staff policy, flexible working hours, intergroup- relations, networks/forums for older workers, developmental possibilities (through trainings for example) and positive role models can help to decrease disengagement of older workers on the work floor.

<sup>23</sup> Börsch-Supan et al., base themselves on figures within the SHARE surveys of 2004 and 2006. For more information [www.share-project.nl](http://www.share-project.nl)

It is difficult to get data on all the factors influencing disengagement of older workers, the EWCS and the Austrian Working Climate Survey can supply some insight on the perceptions of older workers when it comes to some of these factors.

The next table shows results of the Austrian Working Climate Survey on the satisfaction of workers towards their jobs. The answers are based on a 5-point satisfaction scale; 1 = very satisfied and 5 = not satisfied at all. Overall the work satisfaction in Austria is really high. Looking at the table more carefully it reveals that in relation to aspects as pay, career opportunities, employee participation and further training opportunities, the workers' satisfaction levels are considerably lower than those regarding relations with colleagues, working time, the management style of line managers and social benefits at company level (Working Climate Survey, 2008). The differences between men and women are marginal. But overall can be concluded the workers satisfaction is high in Austria.

	Men	Women	Average
Relations with colleagues	1.53	1.57	1.55
Working time	1.83	1.71	1.77
Management style of line managers	2.00	1.94	1.97
Social benefits at company level	2.08	2.06	2.07
Opportunities to determine work processes	2.17	2.07	2.12
Workers' rights towards employers	2.21	2.12	2.17
Further training opportunities	2.25	2.19	2.22
Opportunities for workers' involvement in decision- making	2.32	2.25	2.29
Career opportunities	2.36	2.38	2.37
Pay	2.34	2.42	2.38

**Table 13. Job fulfilment of older workers in Austria, Source: Working Climate Survey, 2008**

The Working Climate Survey also reveals that the majority of Austrian workers feel that job security in Austria is reasonable; 6% of the respondents perceive job security in Austria as being very secure, 53% as rather secure, 35% as rather insecure and 3% as very insecure. Meaning that about 38% perceives job to be relatively insecure. In relation to their own job the sense of security is higher; 86% perceive their job as being secure, 27% regards their job as very secure and 59% as rather secure, 11% regard their own job as being rather insecure, while only 1% perceives their job as being very insecure. When it comes to believing that it will be easy to find a new job after job loss, Austrian workers are less optimistic; about half of the workers believes it will be difficult to very difficult to find a new job. Age has a strong influence on these feelings; in the 40– 49 years age group, 62% of workers expect difficulties in finding a new job, 44% predict that it would be rather difficult to do so and 18% anticipate that it would be very difficult. Among workers aged 50 years and over: 77% stated that it would be difficult to find a new job, with 37% indicating that to do so would be rather difficult and 40% reporting that it would be very difficult (Working Climate Survey, 2008).

### 5.3.3.2 Flexible working hours

Flexible working hours can contribute to a work-life balance and therefore make it more attractive for older workers to keep working. According to *Working Time Flexibility in Austria* (Eurofound, 2007), 63% of the all employees still work under arrangements with a fixed start and end to the working day. "Only 7.6% of all employees are able to determine their own work schedule (with no formal restrictions), and 10% have an arrangement where the start and end of the working day varies by individual agreement" (Eurofound, 2007). But there are possibilities for older workers to work less, in the form of earlier discussed 'blocking'. Unfortunately this does not mean that older workers can work less hours a week, it only means they can exit the labour market earlier.

As discussed in chapter 3 in this section the classification Austria falls under in the report 'Working Time Flexibility in European Countries' by the European Foundation for the Improvement of Living and working Conditions (2007) will be discussed. The following categories are examined;

1. Distribution of company flexibility types across Europe: high working time flexibility, worker oriented (%)

## 2. Distribution of company flexibility types across Europe: high working time flexibility, company oriented (%)

Within category 1 the European countries are split in three categories; countries where 2.9% to 10.5%, 10.5% to 17% or 17% to 33% of the companies offer worker oriented working time flexibility. Austria falls in the second category, meaning that 10.5 to 17% of the companies in Austria offer worker oriented working time flexibility.

In category 2 the European countries are also split in three categories; countries where 12.8% to 20.8%, 20.8% to 25.2% or 25.2% to 28.6% of the companies offer company oriented working time flexibility. Austria falls within the first group of lower company oriented flexibility.

Research has shown that for worker wellbeing ideally high worker oriented flexibility is preferable. In the 'Working Time Flexibility in European Countries' report Austria is categorized as a country where a higher percentage of companies use overtime, but has overall low flexibility.

### 5.3.3.3 Age sensitive staff policy

No information was found on age sensitive staff policies in Austria. This does not mean that age sensitive staff policy does not exist in Austria, it does mean however that it is poorly documented. The Austrian ministry for Labour in Austria (Bundesministerium für Arbeit, Soziales und Konsumentenschutz) does not provide information on companies providing age sensitive staff policies and no 'good practice' list can be found. The ministry provides a hallmark for companies offering age sensitive staff policies; Nestor Gold. Since 2010 every two years companies can be considered for the Nestor Gold hallmark. The initiative is very new and does not seem fully developed, not all links of the website for the Nestor Gold initiative are operative, for example. In 2010 three companies received the Nestor Gold seal; a travel agency, a herb distributor and a medical centre focussed on geriatric research (BMASK, 2011). The Nestor Gold initiative proves that there are companies in Austria offering age sensitive staff policies. However, the number of companies seems limited, or at least the visibility of these companies and their attention for this subject is low. Increasing this visibility can contribute to a better image of older workers.

The organization AARP International (introduced in chapter 3) records to have recognized 1 Austrian company as a winner for the '2011 best employer for workers over 50' award. 15 awards were assigned by AARP in 2011, the Austrian winner was Salzburg AG. The company adopted a life-cycle approach to employee management through project GENERA, this initiative aims to accompany employees through different phases in their life at the workplace. Health promotion is an important part of the Salzburg AG's policy, as is feedback from older workers on how to improve the workplace. This award again provides evidence that there are companies in Austria with age sensitive staff policy, however the visibility is still low; the Austrian government does not spread much information on the subject. The AARP award is not mentioned on the government website for example, nor are other campaigns on the subject of older workers.

## 5.4 Conclusion

Austria is one of the EU countries with the lowest participation rate amongst older workers. Biffi and Isaac (2005) claim, that the main reason for the low participation rate is the below average skill level of the older workers. One out of five unemployed is over the age of 50, yet only 12% of the people involved in ALMP are over 50. It would be advisable to stimulate older workers by increasing their employability via training. Now a lot of older unemployed workers go into early retirement and their labour potential gets lost.

Although unemployment in Austria is traditionally low, there is a high job turnover; a fourth of the unemployment is due to seasonal fluctuations. About a third of the jobseekers can be accounted for by tourism and construction, this seasonal unemployment is stimulated by relatively soft hiring and firing regulations.

Austria still has an extensive early retirement scheme. Table 6 has shown that inactivity due to illness or disability is relatively low in Austria, most inactivity is due to family responsibilities and retirement. Policy to alleviate family responsibility can increase the participation of women starting at the child bearing age and spill over into later life. A lot of labour potential is to be won under women.

Austria has also a problem with age discrimination, 14% of older workers in Austria report to have been subjected to age discrimination, the EU average lies at 5%. As concluded earlier, high numbers of age discrimination being reported does not necessarily mean that there is more age discrimination taking place in Austria, but it gives an indication that the perception of older workers is at least that they are being discriminated against.



Over the last decade a lot of pension reforms have taken place. Public expenditures on pensions have been reduced drastically, but the reintroduction of early retirement does not help increase the number of older workers participating on the labour market.

## 6 Germany

In this country specific chapter the structural factors and the institutional factors influencing the retirement decision of older workers in Germany will be discussed.

### 6.1 Country introduction

Germany, like Austria, is a federal republic, consisting of 16 states (Länder). The demographic expectancies for Germany are that by 2030 one of every three Germans is over 60 (Kerschbaumer, Busch, Geschonke, Holwe & Nickel, 2008).

With its 81.8 million inhabitants<sup>24</sup>, Germany has the largest population within the European Union. Germany attracts a lot of immigrants, ranking it 3<sup>rd</sup> in terms of immigration in the European Union.

#### 6.1.1 German economy

Within Europe, Germany is the largest economy and a leading exporter of machinery, vehicles, household equipment and chemicals (CIA factbook, 2011). In the world, Germany is the 4<sup>th</sup> biggest economy in terms of nominal GDP and the 5<sup>th</sup> largest economy in terms of purchasing power (Economywatch, 2011). But as with most European economies low fertility rates and declining net immigration increase the pressure on the social welfare system. Germany is a country that finds itself in a unique position; the integration of the eastern German economy since the fall of the wall in 1989. In some eastern German municipalities the unemployment rate can exceed 20%. Integrating the eastern German economy into the western German economy is a long-term process that resulted in \$12 billion transfer between west and east in 2008 alone (CIA factbook, 2011).

Chancellor Gerhard Schröder (1998-2005) introduced reforms to tackle the high unemployment and the low average growth rate. Many scholars attribute the strong growth in 2006-2007 and the relatively small increase of unemployment in 2008-2009 to these reforms and the government subsidized, working-hour scheme.

### 6.2 Structural factors

In the next sub-paragraphs the structural factors influencing the retirement decision of older workers in Germany will be analysed.

#### 6.2.1 Labour market

In 2010 Germany had a labour force of 43.35 million (CIA factbook, 2011) that is 53% of the total population. Divided by occupation the German labour force (in 2005) consists for 2.4% of agricultural jobs, 29.7% of the jobs are in industry and 67.8% of the labour force worked in the service sector (CIA factbook, 2011). Since the unification of West and East Germany the economy is under pressure. West Germany is struggling with the financial burden of the unification and the unemployment rate was rising. Between 1991 and 2004 the unemployment rate in East Germany increased from 10 to 20 percent. Economic recovery of East Germany has been induced and sustained by huge money injections from West Germany (Wunsch, 2005). The unification and the depression in the world economy in the early 1990s decreased the German export, and with that the German economy and labour market.

Before the unification, East Germany had virtually no unemployment. After the monetary, economic and social unification of East and West Germany, East Germans massively started buying Western products. Because of the monetary unification, prices of East German produce went up significantly, declining the export of these products drastically. The economy collapsed and the labour market followed. The recession in the early 1990s also affected West Germany because of its high reliance on export. With the unemployment rising early retirement grew in Germany (Wunsch, 2005).

By the end of the 1990s the world economy started to recover, as did the German economy. Unemployment in West Germany fell from 11% to about 8% between 1997 and 2000. In East Germany the recovery was short-term.

Germany still has basically two labour markets, East and West. There are differences between these two markets. Looking at women on the labour market we see that Eastern German women are more affected by the rising unemployment than women in West Germany. Wunsch (2005) explains that this

<sup>24</sup> As of January 2010, [www.economywatch.com](http://www.economywatch.com)

difference is due to a traditionally higher participation rate of women in East Germany; 77% in 1991 against 58% in West Germany. There is however conversion taking place in the numbers of participation as well as unemployment of women in the two parts of Germany. The number of older workers in unemployment is about the same in East and West Germany.

Since 2005 the unemployment rate in Germany is declining. This was also due to new Labour Market Policy. Since the 1960s the Employment Promotion Act (Arbeitsförderungsgesetz, AFG) was in place. The AFG measures were introduced in a time of near full employment and were aimed at qualitatively and quantitatively balancing labour demand and supply. In light of rising and persistent unemployment in the early 1990s the policy instruments under the AFG became insufficient and were replaced in 1998 by the Social Code III (Sozialgesetzbuch III, SGB III). Focus shifted under the SGB III to jobseekers who were unemployed or threatened by unemployment. Aim is to reduce unemployment and the payment of unemployment benefits by prioritising job placement over passive payment of income support. The reforms under SGB III however were not sufficiently effective, the unemployment rate only decreased minimally even though the economy was picking up again. Unemployment in East Germany was still around 20%, the expenditures of the Federal Employment Agency for active and passive labour market policy remained, with €25 billion, very high. The Federal government concluded that a total reform of labour market policy was needed to decrease federal expenditures and increase labour market participation. In 2002 the Job-AQTIV legislation came in effect. Wunsch (2005) describes the innovation of this legislation with the following points;

- Intensification of job search monitoring and placement efforts, in particular
- Introduction of qualitative profiling to classify jobseekers by their individual strengths, barriers to employment and need for assistance immediately upon registration with the LEA
- Written agreement (Eingliederungsvereinbarung) between the jobseeker and the local employment agency setting out the placement strategy and the associated obligations of both parties;
- More preemptive and more flexible use of ALMP, introduction of new ALMP measures and simplification of existing ones
- Improvement of the labour market integration of youth and elderly people.

The second part of the total make-over began in 2003 with the Hartz I, II and III reforms. Focus within the Hartz reforms again shifted towards activating policies. To increase (re)integration in to the labour market, policies were implemented to make this labour market more flexible, opening opportunities for small jobs, temporary work, self-employment, employment in private households and subsidized employment. The conditions of unemployment insurance have become stricter and more flexible and the rules governing the acceptability of jobs have become stricter as well. During Hartz III (2004), the Federal Employment Agency was restructured to make it more efficient and less bureaucratic by making policy measures less complicated.

During Hartz IV the main objective was to activate the economic potential of the welfare recipients. By increasing employment prospects and work incentives for welfare recipients the number of individuals depending on social welfare was to be reduced. A common basis was established serving all jobseekers without unemployment benefit claims with respect to payment of income support and the availability as well as eligibility for ALMP measures. During the Hartz reforms Germany changes its course from an enabling activation reform (like prevailing in the Netherlands) to a mandatory activation reforms. According to Boyle and Schünemann (2009) this reform is a path deviant reform. Peters (1999) argues that a major change is needed to change the direction of reform. The unification of East and West Germany could be seen as such a major change. The unification set in motion a changing labour market (especially in the East) resulting in a great increase of unemployment.

	Mobilisable labour resources	Form of non-employment		Mobilisable labour by age group as a percentage of total mobilisable labour resources		
		Excess inactivity	Excess Unemployment	15-24	25-49	50-64
<b>Germany</b>	11.7	10.0	1.7	7.9	27.0	65.1

**Table 14. Labour force that can be mobilized in percentages, source: Biffi & Isaac, 2005**

The table above shows that Germany has a mobilisable labour force of 11.7%. A large percentage of these persons can be found in the 25-49 age group. In this age groups most women decide to start a family. The large inactivity in this age group is an indicator that family and work is not easy to combine and that the German government should invest more in family friendly policies to increase the participation of women in that age group. Inactivity in that age group will spill over in the next age groups, because it will be even more difficult for women who did not work when they were between the

ages 25-49 to find a job when they are between 50 and 64, their lack of experience makes them less employable (Biffi & Isaac, 2005).

### 6.2.1.1 Unemployment rates

As the table shows, unemployment was rising in Germany in the start of the 1980s. It peaked in 1985 at little over 8%. Unemployment started declining in 1986 until the early 1990s when the monetary unification of East and West Germany caused prices to go up and the economy collapsed. In 1998 unemployment decreased moderately until the global economic deterioration in 2001 and the aftermath of 9/11. Between 2001 and 2005 unemployment rose to above 10% but after that started to decline until the global economic crisis in 2008.

The unemployment rate in Germany is higher than in Austria and the Netherlands. According to De Vroom & Blomsma (1991) when unemployment is high, the number of workers going into early retirement will rise, the data recovered in this research however does not indicate a direct link between the unemployment rate and the participation rate of older workers. If anything, the participation rate of older workers has gone up since the year 2000.

Year	Unemployment rate	Percent Change	Year	Unemployment rate	Percent Change
1980	3.359	-	1996	8.667	8.34 %
1981	4.831	43.82 %	1997	9.375	8.17 %
1982	6.734	39.39 %	1998	9.050	- 3.47 %
1983	8.099	20.27 %	1999	8.267	- 8.65 %
1984	8.058	-0.51 %	2000	7.525	-8.98 %
1985	8.124	0.82 %	2001	7.617	1.22 %
1986	7.834	-3.57 %	2002	8.358	9.73 %
1987	7.843	0.11 %	2003	9.308	11.37 %
1988	7.735	-1.38 %	2004	9.775	5.02 %
1989	6.79	-12.22 %	2005	10.617	8.61 %
1990	6.155	-9.35 %	2006	9.833	-7.38 %
1991	5.47	-11.13 %	2007	8.367	-14.91 %
1992	6.342	15.94 %	2008	7.3	-12.75 %
1993	7.617	20.10 %	2009	7.492	2.63 %
1994	8.208	7.76 %	2010	7.053	-5.86 %
1995	8.000	-2.53 %	2011	n.a	n.a

Table 15. Austrian unemployment rates between 1980 and 2011, source: indexmundi, 2011

### 6.2.1.2 Reintegration policies

In 2007 the Initiative 50plus takes off. This initiative consists of already existing policies that are further cultivated and augmented. Existing policies like the 'Kobilohn', (re)integration subsidies and (continuing) vocational training form the basis of the initiative, this 50plus package is augmented by the Initiative Neue Qualität der Arbeit (INQA) and the Labour market Perspective 50plus (Ebbinghaus & Eichhorst, 2006; Sporket, 2011);

'Kombilohn' for older workers; this policy aims to encourage older workers into taking jobs that pay less than their previous job. During the first year 50% of the net difference in wage between the new job and the previous one, will be subsidized by the state, in the second year the state will contribute 30% of the net wage difference.

Subsidies for employers; for workers who are contracted for at least a year, the employer gets at least 30% of the wage costs. The subsidies can increase to 50% over a period of three years.

Subsidies for (continuing) vocational training; the range of employees qualifying for these subsidies is enlarged. Previously, only employees from the age of 50 in companies with less than 100 employees qualified for assistance, now employees from the age of 45 in companies with up to 250 employees can qualify for assistance. Under the WeGebAU<sup>25</sup> Initiative low qualified, older workers can apply for these subsidies, they receive an amount to cover the costs of the education and an additional amount to cover extra costs coming with vocational training. The employer who grants his low educated older worker the possibility to engage in continuing education receives an amount to partly compensate for the time the

<sup>25</sup> Initiative zur Weiterbildung Gerichqualifizierter und beschäftigter älterer Arbeitnehmer

employee is in training instead of working. Aim of this policy is to give low qualified workers the opportunity to increase their employability, without having to quit their job to take part in a training.

Two groups of workers are eligible for the WeGebAU subsidy;

1. Low qualified workers who never successfully finished vocational education or who work for at least 4 years in a different job than they were educated in.
2. Workers from the age of 45, working in a company with up to 250 people. The previous level of education is not important, but the employer is not eligible for wage costs compensation.

A policy to make older workers more attractive to employers is the 'Befristungsregelung', this policy makes it possible for employers to offer workers that are over 52, temporary contracts. For older workers to be eligible to enter such a contract, they have to be unemployed for 4 months prior to entering into the job and have taken part in a programme to help improve their employability.

To increase the quality of workplaces the Initiative Neue Qualität der Arbeit (INQA) is been set up, this initiative connects actors like national government, federal government, social partners and companies and aims at achieving healthier, better working conditions for (older) workers. One of the themes of the initiative is ageing employees in companies and how to create age sensitive policies to ensure that these ageing workers stay healthy, challenged and productive.

And finally a lot of attention goes to 'Perspektive 50plus' initiative under which nation wide, regional networks are build to reintegrate older (long-term) unemployed into the labour market. Via trainings and employment offices focussed on older workers, mediation takes place to find work for the unemployed over 50 (Sporket, 2011).

Looking at the different ALMP programs as described by Kluve (2010) Germany invests most of its ALMP budget on services and sanctions programs. According to Kluve (2010) Services and sanction programs and private sector incentives are most the effective ALMP program types. Germany invests 1.2% of its GDP on ALMP, which is significantly higher than the 0.7% OECD average.

ALMP program type	% of the ALMP budget
Services and sanctions	10.6
Training	7.5
Private sector incentives	4.3
Public sector employment	6.8

Table 16. German ALMP spending per program type, source: Kluve, 2010

## 6.2.2 Physical and mental wellbeing of older workers

Physical and mental wellbeing of workers can influence their decision to retire early. Because it is difficult to measure the wellbeing of workers in this research data collected by the European Working Conditions Survey will be used.

In the EWCS the job fulfilment of the respondents is measured by the following questions;

1. Does your work give you a feeling of job well done?
2. Do you feel you are doing useful work?
3. How satisfied are you with the working conditions in your main paid job?
4. I am well paid for the job I do
5. I have very good friends at work
6. The organisation I work for motivates me to give my best job performance.
7. Do you enjoy being your own boss?

Question;	Germany Total employees	German workers 50+	EU 15 employees 50+	EU 15 Total employees
Does your work give you a feeling of job well done?	85.6% yes	83.3% yes	83.6% yes	84.9% yes
Do you feel you are doing useful work?	83.9% yes	84.6% yes	86.9% yes	83.5% yes
How satisfied are you with the working conditions in your main paid job?	28.5% very satisfied	25.1% Very satisfied	27.5% Very Satisfied	27.2% Very satisfied
I am well paid for the job I do	47.6% yes	52.7% yes	44.8% yes	43.3% yes
I have very good friends at work	65.6% yes	66.1% yes	73.7% yes	73.6% yes
The organisation I work for motivates me to give my best job performance.	61.2% yes	61.8% yes	64.5% yes	63.6% yes
Do you enjoy being your own boss?	94.5% yes	93.4% yes	93.9% yes	94.2% yes

**Table 17. Job fulfilment, source: EWCS, 2010**

Overall the German 50+ workers are a little less satisfied with their job fulfilment than the average worker over 50 in the EU15 countries. The average worker in Germany though is overall just as satisfied as the average EU15 worker, this could indicate a slight difference in the feeling of satisfaction younger German workers feel opposed to the older German workers.

Physical wellbeing is also difficult to measure. For the validity of this research it is important that one source can testify to the health of workers in all three countries. Therefore the data collected by the EWCS (2010) is used. To the question 'Does your work affect your health?' 21.9% of the German workers questioned responded 'Yes, mainly negatively'.

The table below shows the number of employees that indicate they took sick leave over the last 12 months.

Question: How many days were you absent from work due to health reasons in the past year?									
Age	2000			2005			2010		
	None	1-15	> 15	None	1-15	> 15	None	1-15	> 15
Under 30	59.8%	31.5%	8.7%	76.9%	18.4%	4.7%	40.9%	54.5%	4.6%
30-49	49.5%	36.8%	13.7%	72.4%	23.7%	3.9%	36.4%	56.9%	6.7%
50+	52.9%	34.7%	12.4%	67.7%	26.6%	5.6%	38.8%	46.5%	14.7%
Total	52.4%	35.2%	12.4%	72.2%	23.3%	4.5%	38.1%	53.4%	8.6%

**Table 18. Worker sick days, source: EWCS, 2010**

Of the German workers the older workers are responsible for the highest percentage of workers having more than 15 sick days a year (except in 2000, when the 30-49 age group exceeded the number of older workers being sick more than 15 days by 1.3 percent point). Of all age groups the older workers in Germany are sick the most, although the difference with the other age groups is relatively small. There is also not much difference between the age groups when it comes to workers going to work despite being sick;

Over the past 12 months did you work when you were sick?		
Age / Sick days	2010	
	Yes	No
Under 30	62.7%	37.3%
30-29	60.4%	39.6%
50+	61.6%	38.4%
<b>Average</b>	<b>61.2%</b>	<b>38.8%</b>

**Table 19. Workers working while sick, source: EWCS, 2010**

Question: Over the past twelve months have you undergone training to improve your skills? Training paid for or provided by your employer or by yourself if self-employed?

### 6.2.3 Perception of older people

As stated in chapter 3 it is difficult to find data that can provide a comparison between the present perception of older people in Austria, Germany and the Netherlands. In general older people are in part perceived as a burden on families and societies (UN Human Rights Office, 2010).

The EWCS does provide information on the fact if workers see think they are able to do the job they currently work in when they reach the age of 60.

Do you think you will be able to do the same job you are doing now when you are 60 years old?									
	2000			2005			2010		
Age	Yes	I would not want to	No	Yes	I would not want to	No	Yes	I would not want to	No
Under 30	53.5%	12.5%	34.0%	57.3%	19.6%	23.0%	58.7%	20.2%	21.1%
30 to 49	65.4%	9.4%	25.2%	77.8%	6.7%	15.6%	73.1%	8.0%	18.8%
50+	77.8%	7.4%	14.7%	78.1%	4.1%	17.8%	80.6%	5.7%	13.7%
Total	65.4%	9.7%	24.9%	73.6%	8.7%	17.7%	72.0%	10.1%	18.0%

Table 20. Perception of workers on their ability to work, source: EWCS, 2010

The table shows that how older workers more of them believe they will be able to do the job they currently work in. Meaning their perception changes over time<sup>26</sup>. The 50+ age group is also the age groups were the least amount of employees indicate they do not want to work the same job they work now when they are 60, this could indicate that the 50+ age group is most satisfied with their current job.

#### 6.2.3.1 Trainings older workers are engaged in

According to the European Working Conditions Survey (EWCS) German workers in the age group 50+ generally undergo less trainings than workers in other age groups. In general the age group 30 to 49 takes part in most trainings.

	1995		2000		2005		2010	
Age	Yes	No	Yes	No	Yes	No	Yes	No
Under 30	61.7%	38.3%	66.7%	33.3%	78.0%	22.0%	67.2%	32.8%
30 to 49	64.8%	35.2%	66.7%	33.3%	71.5%	28.5%	59.6%	40.4%
50+	76.7%	23.3%	78.7%	21.3%	79.1%	20.9%	66.7%	33.3%
Total	66.8%	33.2%	69.5%	30.5%	74.7%	25.3%	63.2%	36.8%

Table 21. Percentage of workers that have undergone training, source: EWCS, 2010

To get a picture of how much companies monitor training needs of employees and the training needs of older employees in this research data is used of the European Company Survey (ECS) 2009 acquired by asking the questions;

1. Companies checking training needs regularly
2. Companies checking training needs of older employees

<sup>26</sup> This question does not account for the fact that workers when they get older, might move into jobs that are easier to fulfil physically and mentally.

According to the ECS 69.7% of the companies in Germany check the training needs of their employees regularly. 78.2% of the companies claim to check the training needs of older workers. In paragraph 8.2.3.1 a comparison will be made to see in which of the three countries companies are most invested in checking the training needs of their older employees.

### **6.2.3.2 Age discrimination**

It is difficult to find information on the frequency of age discrimination in Germany. There are no detailed statistics. The Federal Anti Discrimination Agency in Germany was contacted by 4.680 persons in the period between August 2006 and March 2010, 18.95% of those claims referred to age discrimination. The Higher Labour Court (Landesarbeitsgericht) in Baden Württemberg published a statistic covering the period August 2006 until April 2007. 109 claims were made in that period, the most common kind (36%) of these claims was on the grounds of age discrimination (Agediscrimination, 2011).

## **6.3 Institutional factors**

The next sub-paragraphs describe the institutional factors that influence the decision of older workers to exit the labour market and how the indicators discussed in chapter 3 shape the participation of older workers in Germany.

### **6.3.1 Retirement policy**

As many other European countries, Germany has reformed policies to directly (pension age for example) and indirectly (reduction of wage labour costs) influence the participation of older workers. The next two sub-paragraphs discuss these German policies.

#### **6.3.1.1 Pension policies**

In 2007 Germany took on a new law concerning pension insurance, as of 2012 the retirement age will increase by a month every year, in 2029 the pension age will have risen to 67. For workers with a vesting period<sup>27</sup> of 35 years it is possible to enter early retirement at the age of 63. The "Rente mit 67" policy can be seen as a follow through of fiscal consolidation of the German pensions; the seeds of this consolidation were planted in the 1992 pension reform, a reform that was already steering in the direction of an increased retirement age.

#### **6.3.1.2 Complementary pension policies**

Besides direct pension policy Germany has a number of policies that have the aim of forming incentives for older workers to keep working longer. Germany has a part-time pension scheme, *Altersteilzeit*, it allows for phased retirement. The Federal Employment Agency compensates employers allowing employees to work part-time<sup>28</sup>. In 2006 about half a million workers made use of the part-time pension scheme. To be eligible for part-time pension a number of conditions must be met. First of all an employee must have reached the age of 55, and during the previous five years before entering the part-time pension, the employee must have been liable to social security payments in employment for at least three years. Finally it must be possible for the employee to enter into (any type of) full retirement directly after the end of the part-time retirement period. Like in Austria it is possible for older workers to use a 'blocking' approach in their part-time retirement, this means that workers can work fulltime for the first period of the engagement and fully retire during the second part. Most employees and employers make use of the blocking model when entering a part-time pension arrangement. This makes the part-time pension scheme a personnel management tool; employers can use the part-time pension arrangement to change the composition of their personnel files (Kerschbaumer et al., 2008).

Since 1992 Germany offers besides part-time retirement Germany also the possibility of partial retirement. Employees can get part of their retirement income and compensate the other part with work. This income is subjected to taxes when it exceeds a certain limit; this limit is lifted when the pensionable age of 65 (and soon 67) is reached. The partial retirement can be complemented by a part-time

<sup>27</sup> The amount of time that an employee must work before retirement or benefit plan contributions made by the employer become the employee's property without penalty

<sup>28</sup> Employers allowing employees to enter into the part-time pension scheme were compensated for employees entering into the scheme before 31/12/2009 and could receive a compensation for the maximum duration of 6 years. Therefore the last of this compensation will be paid by the Federal Employment Office in 2015. The possibility to enter into part-time retirement nevertheless stays available.



retirement arrangement for example, different combinations are possible, all to ensure that the flexibilisation of the transition between work and retirement increases.

German employees have an inalienable right<sup>29</sup> to propose a form of partial retirement to their employer. The employer is obligated to take the proposal into consideration and work out an arrangement with the employee in question.

### **6.3.1.3 Replacement rate**

As deduced earlier in this research a high replacement rate, and therefore a high pension wealth, can cause incentive to retire early. In this sub-section the gross and net pension replacement rate of a median earner in Germany is discussed. In chapter 8 a comparison will be made between the replacement rates of Austria, Germany and the Netherlands.

In Germany the median earner has a gross replacement rate of 42%, which translates to a net pension replacement rate of 58.4% (presented by the OECD according to 2011 data). The average gross pension replacement rate within the OECD countries is 59%, making the German gross replacement rate 17 percent points lower than the OECD average. Sveinbjörn Blöndal and Stefano Scarpetta (1997) found a link between a below average replacement rate and a high participation rate of older workers.

## **6.3.2 Alternatives to work**

In the following sub-paragraphs the alternatives to stay in the labour market are described. Sub-paragraph 6.3.2.1 discusses the opportunity to retire early, 6.3.2.2 comments on disability benefits and 6.3.2.3 deals with the unemployment benefits Germany offers.

### **6.3.2.1 Early retirement**

In Germany there are different possibilities to (partly) stop working early. They are described in 6.3.1.2 Complementary pension policies.

### **6.3.2.2 Disability benefits**

From the beginning of social insurance Germany distinguishes between old age pension and disability pension. To receive old age pension a certain age must be attained, the ability to work is not taken into account. For the disability pension the ability to work is a decisive factor irrespective of age. Certain conditions apply to receiving disability pension in Germany; there needs to be a work history of at least 5 years of contributions, 3 of those years need to be spent working during last 5 years. A company doctor or a general medical practitioner will submit medical records, there is no audit done by a government agency. In the period between 1972 and 2002 there were several different pathways to enter retirement (Boersch-Supan & Juerges, 2011);

1. Standard old age pension starting at the age of 65, a 5 year contribution is needed to attain this pension.
2. Early retirement possible after a long-term insurance, a minimum of 35 years of contributions is needed.
3. Disabled workers with a contribution of 35 years can enter into retirement at the age of 60.
4. Via unemployment; workers who are at least unemployed for 52 weeks and have a contribution of 15 years (of which 8 years are worked in the last 10 years) can enter retirement at the age of 60.
5. Workers at the age of 60 (who paid contributions for 15 years, of which 8 during the last 10 years) can enter part-time retirement.
6. Women are eligible for retirement at the age of 60 after a contribution of 15 years (of which 10 have to take place after the age of 40).

In Germany, disability pensions are an important pathway into early retirement, in 2006 28.1% of workers exiting the labour market before the age of 65 did so via the disability pathway. Until the reforms in 2001 the disability benefits in Germany were very generous. Benefits were divided into occupational and general disability benefits. If the working capacity of an individual was less than four working hours a day in his or her occupation, this individual was eligible for occupational disability benefits. Occupational disability benefits amounted to a total of two-thirds of the full old-age pension.

The general disability benefits were remitted when an individual was not able to perform any type of

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<sup>29</sup> 'Teilzeit- und Befristungsgesetz' Part-time and temporary law enacted 21/12/2000

employment on a continuous basis, or the individual was able to work in a suitable workplace, but the individual did not find such a workplace in a year time. The general disability benefits amounted to full age pension. The in 1998 designed reforms (effective from the 1<sup>st</sup> of January 2001) changed the way the disability pensions was divided; instead of occupational or generally disabled, individuals were categorized as partially- of fully disabled. Individuals who are not able to work for more than six hours a day in any occupation are eligible for partial disability benefits, individuals not able to work more than three hours a day in any occupation, can receive full disability benefits. The following changes are effective in the new disability benefits: 1) the partial disability benefit amount to half of the full old age pension amount instead of the previous two-third of the full old age pension 2) the concept of not finding a suitable workplace to accommodate disabled does not make an individual eligible for full disability benefits anymore 3) if the claim to disability benefits takes place prior to the age of 60, the amount of benefits is reduced by 10.8% (Hanel, 2009).

Hanel (2009) concludes that lower benefit levels do not affect the incidence of people entering disability pension on the long term. The level of benefits in it self does not provide an incentive to delay entering into retirement via disability insurance. She did however find that individuals are to some extent inclined to postpone retirement entrée when the monthly benefits are dependent on the date of retirement entrée according to the benefit formula. In other words, if the monthly benefits increase when instead of with 62, one enters retirement at 63, individuals are to some extent inclined to postpone retirement. Health keeps being the major driving force in the decision to enter in to disability pension.

### 6.3.2.3 Unemployment benefits

Unemployment insurance is compulsory for all employees but civil servants, military, judges, clergymen are exempted from contributions and self-employed individuals are not covered. For certain people, people that do not receive regular salaries but are subject to UI contributions, like women on maternity-leave, prisoners, people in rehabilitation and people who receive sickness benefits, the federal government pays the UI contributions.

Unemployment insurance is compulsory for all workers (who have an income above the insignificance threshold) including trainees. Certain groups are exempted from unemployment insurance; civil servants, people who reached the official retirement age and soldiers. Besides financial benefits the German government offers other types of support to help unemployed reintegrate into the labour market;

- Counselling and placement support (job application costs, travel costs, placement certificate),
- Measures for improving integration prospects,
- Support for those taking on a new position, mobility assistance (transitional allowance; assistance with expenses for clothing and equipment, travel, commuting, setting up separate household near workplace, relocation),
- Support for those taking up self-employment,
- Vocational training support,
- Advanced vocational training support,
- Vocational integration of disabled persons (vocational rehabilitation), (transitional allowance; training allowance; other benefits),
- Wage compensation benefits (maintenance benefits), (unemployment benefit; unemployment benefit at having training, partial unemployment benefit; transitional allowance; insolvency benefit),
- Promotion of year-round employment in the construction industry, (allowance for additional costs in winter; winter allowance subsidy; winter lost work allowance),
- Payment recovery for older workers
- Short-time worker benefit
- Transfer payments benefit.

Source: Deutsche Sozialversicherung, 2011

At present policy changes are made to decrease the incentives to early retirement. The retirement age has been raised to 67, the retirement age for women has been phased out and the old age limit for old age pensions for disabled was shifted to 65 years. Unfortunately there is risk of reform backlash; the subject of retirement age is politically highly sensitive. The left party now in coalition already reverted the decision made earlier to shorten the duration of unemployment insurance benefits for older workers, part of the Hartz IV reforms and blocking is back on the agenda as well (Boersch-Supan & Juerges, 2011).

In Germany the amount and duration of the unemployment benefits depends on previous employment. A claimant without children receives up to 60% of previous net earnings. If a claimant has children under the age of 18 this can rise to up to 67%. Depending on the duration the claimant was employed before

his unemployment the duration of the unemployment benefits can vary between 90 and 360 days. If a person worked for two years or more a year of unemployment benefits can be received. For people over the age of 55 this needs to be 18 months. Unemployed over 50 can receive up to 15 months of unemployment benefits, workers of 55 up to 18 months and workers over 58 up to 24 months of unemployment benefits (Bundesministerium für Arbeit und Soziales, 2009).

### 6.3.3 Working conditions

As discussed in chapter 2, working conditions can provide a climate that impacts the decision of older workers with regard to their labour market participation. Good working conditions contribute to a longer participation on the labour market. Healthy working conditions and a positive working environment are contributing factors to the choice and the capabilities of older workers to stay in the work force. If the working conditions are good and provide a work-life balance, older workers may postpone the exit from work. In section 3.3.3 two indicators for measuring working conditions were selected 1) the provision of flexible working hours and 2) age sensitive staff policies. In the next sub-sections these two subjects and how these policies are present in Germany will be discussed.

#### 6.3.3.1 Flexible working hours

As discussed in chapter 3 in this research the classification Germany falls under in the report 'Working Time Flexibility in European Countries' by the European Foundation for the Improvement of Living and working Conditions (2007) is examined;

1. Distribution of company flexibility types across Europe: high working time flexibility, worker oriented (%)
2. Distribution of company flexibility types across Europe: high working time flexibility, company oriented (%)

Within category 1 the European countries are split in three categories; countries where 2.9% to 10.5%, 10.5% to 17% or 17% to 33% of the companies offer worker oriented working time flexibility. Germany falls in the third category, meaning that 17% to 33% of the companies in Germany offer worker oriented working time flexibility.

In category 2 the European countries are also split in three categories; countries where 12.8% to 20.8%, 20.8% to 25.2% or 25.2% to 28.6% of the companies offer company oriented working time flexibility. Germany falls within the first group of lower company oriented flexibility.

Research has shown that for worker wellbeing ideally high worker oriented flexibility is preferable. Germany has a high incidence of worker-oriented flexibility and a lower company oriented flexibility.

#### 6.3.3.2 Age sensitive staff policy

The research on *Combating Age Barriers in Employment: A European Portfolio of Good Practice* reports 24 good practices in Germany of companies offering age sensitive staff policy. The company sizes range from large to medium size. Only 5 of these companies successfully implemented reintegration schemes for older workers, the rest of the companies focussed mainly on trainings for older workers to deal with organisational change and changes in the age structure of the company. Focus lied on integrating older workers in the general staff. As indicated in chapter 3 the report used for this research dates back to 1998 and is not up to date. The visibility of the projects is good though, since the report can base its results on information not only provided by authorities, but also by publicity in several media.

AARP International has awarded five companies with a price in 2011, which is a third of all prices awarded in that year. One of the awards went to BMW, this company has an extensive age sensitive staff policy, they offer innovative initiatives in the areas of health promotion, training and knowledge management, work environment, and personalized retirement models. They also recruit older workers to ensure a well-balanced age structure in their personnel files. In 2011 BMW opened a new assembly hall specifically designed to support healthy ageing of their personnel (AARP, 2011). This project has good visibility, it is published in several newspapers and on several websites (CBS news, 2011; Havard Business Review, 2011). BMW reports to have made 70 small changes to the workplace, from special shoes and chairs, to larger print on computer screens. They report to have invested \$50.000 including lost time and gained a 7% productivity increase together with a decline of absenteeism (CBS news, 2011).

The age sensitive staff policies introduced by German companies are very diverse, they range from training opportunities and reintegration for older workers to health promotion programs, work-life

balance and flexible hours and mixed age teams promotion. The fact that, of the fifteen prizes awarded, five have gone to German companies indicates that German companies are invested in the subject of increasing participation and productivity of older workers.

## 6.4 Conclusion

In Germany the participation of older workers is higher than in other CWS. Overall labour participation is a little higher in Germany than in Austria and the Netherlands.

Germany has the highest unemployment rate of the three countries. This can partly be explained by the fact that Germany has virtually two labour markets, one in East and one in West Germany. Since the reunification of East and West, West Germany is investing heavily into the Eastern labour market and the welfare state in general. Germany had a path deviant labour policy reform that contributed to rising employment figures. According to De Vroom and Blomsma (1991) when unemployment is high, participation of older workers is low. In the comparison between Austria, Germany and the Netherlands, Germany has the highest unemployment rate but also the highest participation rate amongst older workers. This could partly be explained by the pension replacement rate, which is below the OECD average, making it more likely, according to Blöndal and Scarpetta (1997), that the participation rate of older workers is higher than in countries where the replacement rate is above average.

Of the three countries the number of age discrimination related claims is the lowest. This could indicate that the image of older workers in Germany is slightly better than the image of older workers in Austria and the Netherlands.

Germany has several reintegration policies that focus specifically on older workers. Of their ALMP budget the largest part goes to 'services and sanction' programs, which have proven to yield the biggest positive outcome (Kluve, 2010). Their second largest investment is into training programs, which, according to Kluve (2010) has much less positive results than 'services and sanction' programs and 'private sector incentive' programs. In Germany the industry sector is relatively large though, workers in the industry sector are often low to medium skilled. Work in the industry sector is more and more moving towards Eastern European countries and the new economies. Therefore the job possibilities for a lot of low and medium skilled workers are declining. Especially older workers are more inclined to leave the labour market when they lose their job and the sector in which they work does not offer job possibilities. It is therefore sensible to invest in trainings to direct people into new directions on the labour market.

In Germany disability was used to exit the labour market early. Reforms in 2001 lowered the (financial) attractiveness of disability. Unemployment benefit schemes were altered as well. The Hartz reforms changed social benefits to a more mandatory system, treating unemployment as anti-social behaviour. Since around 2000 the participation of older workers in Germany has increased, suggesting that the policy changes are effective.

## 7 The Netherlands

In this country specific chapter the structural factors and the institutional factors influencing the retirement decision of older workers in the Netherlands will be discussed.

### 7.1 Country introduction

The Netherlands is a constitutional monarchy, contrary to Austria and Germany, both federal republics. The Netherlands have a population of 16.8 million of which 15.6% is over 65 (CIA Factbook, 2011).

#### 7.1.1 Dutch economy

The Dutch economy is the 16th largest economy of the world (Economywatch, 2011). Unemployment and inflation are moderate and industrial relations are stable. The Netherlands plays an important role as one of the most important transportation hubs of Europe. The Dutch witnessed a strong economic growth over a period of 26 years before it suffered under the global economic crisis. The economy is open and dependent on foreign trade and financial services, due to the global crisis exports declined by 25%. The financial sector also took a hit and the Dutch government nationalized 2 banks and injected billions into a third Dutch bank to avoid further financial turmoil (CIA Factbook, 2011).

### 7.2 Structural factors

In the next sub-paragraphs the structural factors influencing the retirement decision of older workers in the Netherlands will be analysed.

#### 7.2.1 Labour market

The Netherlands has a labour force of 7.8 million<sup>30</sup>, which is 46.42% of the population (CIA Factbook, 2011), which is a relatively low participation rate (Eurofound, 2011). About 2% of the labour force is active in agriculture, 18% in industry and 80% in services. In the 1980 the Dutch labour market had a strong influx of women entering the labour market, mainly through flexible contracts and part-time work. The last 20 years the Dutch labour market has seen a lot of displacement, mostly by high skilled (higher secondary education, university) workers crowding out low skilled workers. The sectors where low-skilled workers used to be active have declined, not only in percentage terms, but also in absolute terms. Less work is available for low-skilled workers, consequently most long-term unemployed are low-skilled workers. The other side of this medallion is over-skilling; high skilled workers working lower level jobs (Eurofound, 2011).

Job mobility in the Netherlands is higher than in Austria and Germany (Eurostat, 2011). Despite this the chances of finding a new job are not high, especially amongst school-leavers. Most mobility takes places from one job directly into another. Although the chances of losing ones job are slim in the Netherlands, finding permanent employment is difficult. Finding work is easier for men than for women; men are four times more successful as women in their search for permanent employment (Eurofound, 2011).

To increase the participation of older workers the Dutch government focuses on decreasing the attractiveness of exit routes for employees as well as employers, increasing the attractiveness to stay on the labour market and sharpening the eligibility of for example unemployment and disability benefits (STECR, 2004).

	Mobilisable labour resources	Form of non-employment		Mobilisable labour by age group as a percentage of total mobilisable labour resources		
		Excess inactivity	Excess Unemployment	15-24	25-49	50-64
<b>Netherlands</b>	9.8	9.8	0	2.4	32.3	65.4

Table 22. Labour force that can be mobilized in percentages

<sup>30</sup> Number is based on the year 2010 (CIA Factbook, 2011)

The table above shows that the Netherlands has a mobilisable labour force of 9.8%. A large percentage of these persons can be found in the 25-49 age group. In this age groups most women decide to start a family. The large inactivity in this age group is an indicator that family and work is not easy to combine and that the Dutch government should invest more in family friendly policies to increase the participation of women in that age group. Inactivity in that age group will spill over in the next age groups, because it will be even more difficult for women who did not work when they were between the

Physical and mental wellbeing of workers can influence their decision to retire early. Because it is difficult to measure the wellbeing of workers in this research data collected by the European Working Conditions Survey is used (Biffi & Isaac, 2005).

### 7.2.1.1 Unemployment rates

The Netherlands underwent economic and technological changes in the 1970s, which created an increase in the unemployment in certain sector (De Vroom & Blomsma, 1991). In the early 1980s the unemployment rate in the Netherlands started to rise until it almost reached 10% in 1984 (Eurofound, 2011). This may be partly explained by the fact that women started to enter the labour market (Eurofound, 2011). 1984 was a peak year though and the unemployment dropped and continued dropping until it increased again slightly in 1993 and 1994. Social security policies were used to exit older workers in order to create job opportunities for younger unemployed workers (De Vroom & Blomsma, 1991). In 1995 the unemployment rate started to drop again to about 2% in 2001. Economic growth in Europe was slow in the period following 2001 and the unemployment went up again. In 2005 the unemployment rate started to decline again until the global economic crisis started in 2008.

Year	Unemployment rate	Percent Change	Year	Unemployment rate	Percent Change
1980	3.711	-	1996	5.958	-9.27%
1981	5.36	44.44%	1997	4.933	-17.2%
1982	7.838	46.23%	1998	3.825	-22.46%
1983	10.111	29%	1999	3.233	-15.48%
1984	9.718	-3.89%	2000	2.833	-12.37%
1985	8.376	-13.81%	2001	2.242	-20.86%
1986	7.651	-8.66%	2002	2.758	23.02%
1987	7.254	-5.19%	2003	3.692	33.87%
1988	7.071	-2.52%	2004	4.575	23.92%
1989	6.248	-11.64%	2005	4.7	2.73%
1990	5.858	-6.24%	2006	3.917	-16.66%
1991	5.475	-6.54%	2007	3.192	-18.51%
1992	5.325	-2.74%	2008	2.75	-13.85%
1993	6.233	17.05%	2009	3.404	23.78%
1994	6.775	8.70%	2010	4.467	31.23%
1995	6.567	-3.07%	2011	n.a.	n.a.

Table 23. German unemployment rates between 1980 and 2011, source: indexmundi, 2011

### 7.2.1.2 Reintegration policies

The Netherlands spend more than one percent of their GDP, about 6.5 billion euros, on activating labour market policy (Van der Klaauw, 2010). In the 1980s and 1990s the focus was directed to developing sustainable labour costs, because of constant consultations with the social partners this goal was achieved. Because unemployment more and more hit low educated workers the Dutch government focussed on creating fiscal encouragements to decrease labour costs for employers in order to create more employment for low educated workers. Employers' contributions were lowered for minimum wage workers and labour costs were further reduced to increase the financial incentive go from welfare into work.

Between 1994 and 2000 Dutch efforts for reintegration focussed on policies to combat long-term unemployment, policies to prevent long-term unemployment and policies that focus on helping workers to stay devoted to work (Ministerie Sociale Zaken en Werkgelegenheid, 2000).

The ALMP in the Netherlands have undergone continues change since the 1980s. Reintegration services in the Netherlands are highly individualized and job-matching activities provided by public employment offices are not considered as reintegration activities (De Koning, 2009).

In the 1970s and 1980s Dutch Employers and employers organizations were not satisfied with the results of the reintegration activities provided by the Public Employment Service; calls for change grew. Until 1991 the implementation of reintegration activities was highly centralized; 64 regional employment offices were in charge of the implementation of reintegration measures directed by the central government. Since 1991 five major changes have taken place in the Dutch ALMP. First of all the reintegration of disadvantaged jobseekers was taken over by the social benefit provider UWV (for social insurance based benefits) and municipalities (for social assistance benefits), reducing the task of the employment offices to job matching activities. A second big change was the role allocated to the private sector. Private reintegration companies were allocated with the task to create reintegration pathways for (disadvantaged) groups of unemployed. Another important change was the financial incentives created by the national government to stimulate municipalities to decrease the number of recipients. These measures led to greater decentralization of ALMP; UWV and municipalities could, within the boundaries of the level of benefits and the eligibility criteria, create their own policies, creating regionalization of ALMP (De Koning, 2009).

Individual policies were created to interfere with the labour market and create working opportunities for groups of unemployed that were difficult to reintegrate. Examples of such policies are the Melkert Jobs, the Job Pool (Banenpool) the Youth Employment Guarantee Plan (Jeugdwerkgarantieplan) and the so-called Inflow and Straight flow Jobs (Instroom-Doorstroom Banen) established in the 1990s. The Melkert Jobs were subsidized jobs, providing a slightly above minimum wage income. To make sure these jobs would not compete with lower segment jobs, new jobs were created. Examples of such jobs are jobs that became redundant because of labour market or technological changes, for example city wardens (WRR, 2007). Most of these policies were based on subsidised jobs, and measures to help certain groups, for example youth, with job finding (De Koning, 2009).

In 1991 the Public Employment Services Act was implemented. The Public Employment Service became a tripartite organisation run by the minister and the social partners, but separated from the ministry of social affairs. 28 regional tripartite bodies were enacted with a considerable degree of freedom. More centralisation took place when the job mediation was outsourced to private agencies. Goal was to enhance the commitment of the employers to achieve the goals of the Public Employment Service and create a balance between the needs of jobseekers and employers. Furthermore they hoped that the privatisation would help increase the performance of the Public Employment Service because of the competition with private companies. The effects seem to be twofold; on the one hand a power struggle between the partners arose. Although the power should be equally divided, in reality the ministry was still the driving force and main financial contributor. On the other hand the decentralisation seemed to counter some of the inertia that had come into existence on the central level. Because the regional offices had a certain amount of freedom they could create services that met specific local needs (De Koning, 2009).

In 1997 two major changes were implemented; a new Employment Services Act came into effect, abolishing the tripartite system and transforming the Public Employment Service into an Independent Administrative Organ (Zelfstandig BestuursOrgaan (ZBO)). In this system the government works as a principal instructing an agent; detailed instructions are given by the government concerning budget and the tasks that need to be completed within this budget. The second big change made was the fact that the institutions responsible for the provision of unemployment benefits were also made responsible for the placement of difficult to place clients. The goal of this policy change was to make the bodies more effective; the same body in charge of providing unemployment benefits was in charge of mediating the receivers of these benefits to a new job (De Koning, 2009).

In the Netherlands unemployment benefits are provided by two types of bodies; Social Insurance bodies, later merging into one organisation (UWV) dealing with unemployment insurance benefits and municipalities that deal with social assistance benefits meant for those people who are (no longer) entitled to unemployment insurance benefits. The Public Employment Service, rechristened Centre for Work and Income (CWI) now played a limited role and is only concerned with job mediation (De Koning, 2009).

Before 2004 the national government paid 90% of the social assistance benefits municipalities paid out. Municipalities received an individual budget, from which they have to finance social assistance benefits, in 2004 when the Social Assistance Act was implemented. Goal of this policy change was to stimulate municipalities to decrease the number of beneficiaries. If the budget was exceeded the municipalities had to pay the extra cost from the own budget, if the budget was not used up entirely the municipality could use this excess for other expenses. It was also no longer necessary to outsource reintegration policy to the private sector. In-house implementation, often in collaboration with the local CWI, became more common (De Koning, 2009).

In 2009 the UWV and the CWI merged, for the first time in Dutch history the job placement and payment of social insurance benefits is in the hands of the same organisation (De Koning, 2009).

The UWV increased the involvement of clients by giving them the opportunity to design an individual reintegration agreement. The motivation of the client is increased by the possibility to create a reintegration pathway that helps them find a new job (De Koning, 2009).

Boyle and Schünemann (2009) describe the Dutch ALMP as path dependent with an enabling activation reform, instead of a mandatory activation reform as seen in Germany; *“The ‘mandatory’ paradigm holds that the long-term unemployed are engaged in anti-social behaviour, their unemployment is voluntary and sanctions need to be used to correct this. ‘Enabling’ activation focuses only on making the inactive employable, not on curbing anti-social behaviour”* (Boyle & Schünemann, 2009 p. 3).

The study of Kluve (2010) shows that the Netherlands spend 14.6% of their ALMP expenditures on services and sanctions, 4.3% on training, 5.2% on private sector incentives, 15.9% on public sector employment and 60.1% on out of work income support. Kluve (2010) concluded that the trainings only have a modest likelihood of generating a significant positive impact, whereas private sector incentives and services and sanctions have a significantly higher positive effect on the post-program employment rates. The comparative analysis in chapter 8 will conclude which of the countries spend the highest percentage of ALMP expenditures on these two program types.

Looking at the different ALMP programs as described by Kluve (2010) the Netherlands invests most of its ALMP budget on services and sanctions programs. According to Kluve (2010) Services and sanction programs and private sector incentives are most the effective ALMP program types. The Netherlands invests 1.85% of its GDP on ALMP, which is significantly higher than the 0.7% OECD average.

ALMP program type	% of the ALMP budget
Services and sanctions	14.6
Training	4.3
Private sector incentives	5.2
Public sector employment	15.9

Table 23. Dutch ALMP spending per program type, source: Kluve, 2010

## 7.2.2 Physical and mental wellbeing of older workers

In the EWCS (2010) the job fulfilment of the respondents is measured by the following questions;

1. Does your work give you a feeling of job well done?
2. Do you feel you are doing useful work?
3. How satisfied are you with the working conditions in your main paid job?
4. I am well paid for the job I do
5. I have very good friends at work
6. The organisation I work for motivates me to give my best job performance.
7. Do you enjoy being your own boss?

The table below shows the responses workers in the Netherlands gave to the question used by the EWCS to measure job fulfilment.

Question;	Netherlands	Netherlands workers 50+	EU 15 employees 50+	EU 15 Total employees
Does your work give you a feeling of job well done?	90% yes	94.2% yes	83.6% yes	84.9% yes
Do you feel you are doing useful work?	93.1% yes	96.7% yes	86.9% yes	83.5% yes
How satisfied are you with the working conditions in your main paid job?	28.2% Very satisfied	30.1% Very satisfied	27.5% Very Satisfied	27.2% Very satisfied
I am well paid for the job I do	59.8% yes	59.4% yes	44.8% yes	43.3% yes
I have very good friends at work	59.3% yes	59.8% yes	73.7% yes	73.6% yes
The organisation I work for motivates me to give my best job performance.	73.3% yes	75.8% yes	64.5% yes	63.6% yes
Do you enjoy being your own boss?	97.6% yes	97.5% yes	93.9% yes	94.2% yes

Table 25. Job fulfilment



Well over half of the Dutch employees interviewed maintains friendships with colleagues and feels they are paid well for the job they do. The first two questions are answered positively in more than 90%. Job satisfaction seems high in the Netherlands. The satisfaction about the overall working conditions (question 3) seems to have declined. In 1995 of Dutch employees over fifty 44.9% answered the question 'How satisfied are you with the working conditions in your main paid job' with 'Very satisfied', in 2010 only 30.1% was 'very satisfied' about their working conditions. A steady decline is visible between 1995 and 2010, in the Netherlands the decline is about 15 percent points, but in the EU15 the decline is only about 5 percent points (EWCS, 2010). Overall there is a decline of about 5 percent points in the employees who answer the questions with yes between 2005 and 2010. This decline is not only visible in the Netherlands, it is a trend visible in the EU 15 as well (EWCS, 2010). It is possible that the decline in workers satisfaction is a result of stress caused by the economic crisis.

In chapter 8 a comparison will be made between the Austria, Germany and the Netherlands.

Physical wellbeing is also very difficult to measure, what we can measure is the number of days that people are on sick leave per year. The numbers depicted in the table below are derived from the EWCS. Dutch employees were asked the question 'How many days were you absent from work due to health reasons in the past year?'

Age	2000			2005			2010		
	None	1-15	> 15	None	1-15	> 15	None	1-15	> 15
Under 30	51.0%	40.9%	8.1%	63.5%	30.0%	6.5%	50.9%	44.6%	4.5%
30-49	44.4%	39.7%	15.9%	66.6%	21.2%	12.2%	50.6%	40.5%	8.8%
50+	54.4%	28.6%	17.0%	69.7%	18.4%	11.9%	52.9%	36.3%	10.7%
Total	48.2%	37.9%	13.9%	66.5%	22.9%	10.7%	51.4%	40.3%	8.3%

**Table 26. Worker sick days, source: EWCS, 2010**

The Netherlands has (together with Sweden) the highest sick leave in the EU15 (WIFO). The table above does however show that older workers indicate to be less often on sick leave than workers in other age groups. When it comes to being sick more than 15 days a year older workers are the most affected. The age group under 30 is least often more than 15 days a year absent due to sickness, followed by the 30-49 age group, the 50+ age group is at the lead with 8.3% in 2010. It could be that people entering into the disability scheme are part of the employees indicating to be absent due to sickness more than 15 days a year. How older people get how higher the risk of getting a sickness or disability that forces them into the disability scheme. The numbers of older workers being ill for a longer period of time are declining between 2000 and 2010 by about 7 percent points. This could be a result of stricter disability benefit policies (see paragraph 7.3.2.2).

A question following the question about the number of sick days taken is the question 'Over the past 12 months did you work when you were sick?' the table below indicated that the Dutch workers work less when they are sick as they get older.

Age	2010	
	Yes	No
Under 30	45.0%	55.0%
30-29	42.9%	57.1%
50+	34.7%	65.3%
Total	41.1%	58.9%

**Table 27. Workers working while sick, source: EWCS, 2010**

### 7.2.3 Perception of older people

As stated in chapter 3 it is difficult to find data that can provide a comparison between the present perception of older people in Austria, Germany and the Netherlands. In general older people are in part perceived as a burden on families and societies (UN Human Rights Office, 2010). In the next subparagraph the indicators operationalized in chapter 3 will be discussed.

There is an indication however provided by the EWCS on how workers perceive their ability to do the work they are currently in when they reach the age of 60. Interestingly how older workers get how more workers believe they will be able to do the work they are currently doing. Their perception changes over time<sup>31</sup>. The number of workers that does not want to continue doing the work declines when workers get older, this could be an indication that Dutch older workers are generally more satisfied with the job they have than Dutch younger workers.

<sup>31</sup> This question does not account for the fact that workers when they get older, might move into jobs that are easier to fulfil physically and mentally.

Question: Do you think you will be able to do the same job you are doing now when you are 60 years old?									
	2000			2005			2010		
Age	Yes	I would not want to	No	Yes	I would not want to	No	Yes	I would not want to	No
	Under 30	44.4%	10.0%	45.6%	59.7%	6.6%	33.7%	61.9%	8.7%
30 to 49	66.9%	4.7%	28.4%	72.8%	2.7%	24.5%	76.0%	2.8%	21.1%
50+	82.0%	2.1%	15.9%	87.8%	3.3%	8.9%	88.5%	0.8%	10.7%
Total	63.0%	5.8%	31.2%	72.1%	3.9%	24.1%	75.4%	3.9%	20.8%

**Table 28. Perception of workers on their ability to work, source: EWCS, 2010**

### 7.2.3.1 Trainings older workers are engaged in

The EWCS asks employees questions about trainings they are involved in. It is believed that employees entering in training and education programs increase their employability. In this subchapter the results to the questions relevant to training opportunities being taken are shown. This can give us an indication on how many older workers are engaged into trainings and in which proportion relative to younger workers.

Over the past twelve months have you undergone training to improve your skills? Training paid for or provided by your employer or by yourself in self-employed?				
	1995	2000	2005	2010
Age	Yes	Yes	Yes	Yes
Under 30	42.3	38.7	25.9	51.5
30 to 49	45.5	52.7	35.2	50.6
50+	35.2	41.1	29.8	43.6
Total	42.9	46.4	31.6	48.8

**Table 29. Percentage of workers that have undergone training, source: EWCS, 2010**

According to the European Working Conditions Survey (EWCS) Dutch workers in the age group 50+ in 1995 and 2010 have undergone less trainings than other age groups. In 2000 and 2005 this age group has undergone marginally more trainings than the age group under 30. In general the age group 30 to 49 takes part in most trainings.

To get a picture of how much companies monitor training needs of employees and the training needs of older employees data provided by the European Company Survey (ECS) 2009 acquired by asking the following questions is used;

1. Companies checking training needs regularly
2. Companies checking training needs of older employees

According to the ECS 71.1% of the companies in the Netherlands check the training needs of their employees regularly. 46% of the companies claim to check the training needs of older workers that is less than half the companies. Asking older workers for their training needs indicates that they are still important assets to the company and they are taken seriously.

### 7.2.3.2 Age discrimination

In the Netherlands the Equal Treatment Commission receives a lot of complaints concerning age discrimination. The ETC is a commission that handles complaints about discrimination on the grounds of gender, race, nationality, religion or belief, sexual orientation, marital status, political opinion, working hours, a permanent or temporary employment contract, disability or chronic illness, or age. Of the cases the ETC handled in 2008, 45 of the 155 opinions they gave concerned age discrimination and 23 of the 117 opinions are related to age discrimination in recruitment (ETC, 2009).

Year / Source	2004		2005		2006		2007		2008	
	Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%
Gender/Sex	89	21	108	17	83	12	86	17	54	13
Race	45	11	78	13	105	15	96	19	72	17
Nationality	12	3	20	3	20	3	17	3	26	6
Religion	39	9	29	5	56	8	40	8	33	8
Sexual orientation	10	2	15	2	4	1	10	2	7	2
Civil status	13	3	20	3	14	2	6	1	9	2
Political conviction	1	0	0	0	2	0	3	1	5	1
Belief	2	0	1	0	3	0	0	0	0	0
Fulltime/part-time employment	22	5	12	2	22	3	17	3	10	2
Permanent/temporary contract	11	3	14	2	16	2	6	1	8	2
Disability/Chronic illness	56	13	65	10	89	13	69	13	50	12
Age	105	25	208	33	219	32	134	26	106	25
No ETC ground/unknown	23	5	51	8	61	9	31	6	52	12
<b>Total</b>	<b>428</b>	<b>100</b>	<b>621</b>	<b>100</b>	<b>694</b>	<b>100</b>	<b>515</b>	<b>100</b>	<b>432</b>	<b>100</b>

Table 30. Discrimination complaints, source: The implementation of the International Covenant on Economic, Social and Cultural Rights, Dutch Equal Treatment Commission (ETC), November 2009

## 7.3 Institutional factors

The next sub-paragraphs describe the institutional factors that influence the decision of older workers to exit the labour market and how the indicators discussed in chapter 3 shape the participation of older workers in the Netherlands.

### 7.3.1 Retirement policy

The Netherlands has a historically low participation rate characterized by a low participation of women entering the labour market after WWII and a high exit of workers over 55 (De Vroom & Blomsma, 1991).

The after war period was characterized in the Netherlands by the construction of a social welfare system. In the 1950s and 1960s regulations were shaped to fulfil demands of social justice and compensation. The regulations were designed to create a workers society, however in the 1970s these regulations were more and more used as labour market tools instead of social policy tools. They were used as ways to exit older workers from the labour market. Because of the high level of protection against unemployment the disability scheme became a very important exit strategy to older workers in the Netherlands. This phenomenon was reinforced by the strong corporatist structure in the Netherlands. Bargaining between employers and trade unions led to wage demands being traded off against pre-retirement schemes. Early retirement changed into a social right and even an obligation for older workers; by leaving the labour market early they were after all creating places on the labour market that could be filled by younger, unemployed workers (De Vroom & Blomsma, 1991).

As many other European countries, the Netherlands has reformed policies to directly (pension age for example) and indirectly (reduction of wage labour costs) influence the participation of older workers. The next two sub-paragraphs discuss these Dutch policies.

#### 7.3.1.1 Pension policies

The Dutch pension system consists of three tiers. The first tier is the general old age pension (AOW) provided by the government. Every resident of the Netherlands has the right to this benefit. The second tier consists of pensions provided in the employer/employee relationship (Schols-vanOpper & Winter, 2006). There is no statutory obligation for employers to offer their employees a pension scheme, however 95% of employees are covered by their employers (Rijksoverheid, 2008). The second tier insurances provide pension to supplement the first tier pension. Under the third tier we find the

possibilities offered to individual workers to build up a supplementary pension themselves, most common is an insurance providing annuity. Provided that an employee has a full tenure (of often 40 years) the gross replacement rate should be around 70%. Because most people do not have full tenure the 70% norm is not always obtained (Schols-van Oppen & Winter, 2006). Second pillar pension insurance is mandatory; every worker contributes about 2% of his or her salary, regardless of their sex, age or income. If people are not entitled to full old age pension benefits, because they lived outside the Netherlands for some time for example, they may be entitled to supplementary national assistance (Rijksoverheid, 2008).

The Dutch pension system is a mix of private and public provisions. Public provisions are provisions regulated by law, private provisions are provisions regulated by the employer or workers buying annuity insurance. The official retirement age is set at 65, from the year 2020 the retirement age will gradually increased to 66 and probably to 67 starting 2025 (Rijksoverheid, 2008).

The Dutch pensions are funded under the so-called Pay-As-You-Go (PAYG) system, meaning that today's contributors pay the pension payments made to today's retirees. In the Netherlands basic pension agreements are made on the base of Defined Benefit (DB), Defined Contribution (DC) or a mix thereof Collective Defined Contribution (CDC) (Rijksoverheid, 2008). "In defined contribution plans, the benefit to which the employee is entitled is based on the accumulated contributions made on the employee's behalf together with the investment income earned on these contributions. In defined benefit plans, the benefit to which the employee is entitled is determined by a formula, which typically links the annual pension due the employee to the employee's years of service and earnings history. For example, an employee may be entitled to an annual pension equal to 2 per cent of the employee's earnings during the last 5 years of work, for each year of service" (Pesado, 2000 p. 2). In the CDC plans the agreement is partly a promised benefit and there are agreements made on parts of the contribution (Schols-vanOppen & Winter, 2006). Pesado (2000) sees the difference in the bearing of the investment risk as an important distinction between the two. In the DC system risks are worn by the employees, whereas in the DB stem the employer bears the investment risk. In a DC system if investment returns are lower than expected the accumulated amount of pension is lower and therefore the paid out annual pension is lower to. In a DB system if the investment returns are lower than expected the pension fund may be inadequate and the employer has to make additional contributions to fill the gap. In the Netherlands most employees are part of a DB system (Rijksoverheid, 2008; Schols-vanOppen & Winter, 2006).

### **7.3.1.2 Complementary pension policies**

Besides direct pension policy the Netherlands has a number of policies that have the aim of forming incentives for older workers to keep working longer. In July of 2011 the Dutch minister of Social Affairs Kamp announced a policy package to encourage older workers to stay active on the labour market longer. The Vitality Package (Vitaliteitspakket) includes measures that will make working longer, also in heavy occupations, possible in a healthy way. The package includes different measures, first of all there is the mobility bonus (Mobiliteitsbonus); employers receive a bonus when hiring a worker over 55. The height of the bonus is increased when the older worker previously received social security benefits. Present tax credits for older workers are combined into one work bonus for workers over 62, to target this particular group of older workers and increase their activity on the labour market. Furthermore it will be made easier for workers to get a tax deduction on educational expenses and sectoral education grants will be made more broadly available. It will also be made possible for social partners and sectoral funds to get grants through the European Social Fund allocated to governments by the European Commission. The social partners and funds can use these grants to increase the sustainability of workers employability. The life-course savings scheme will be renewed. At present this scheme is mostly used to save up for early retirement. The new scheme will focus more on the possibility for workers to create a financial buffer, for example to make the transition to another job easier. There will be transitional arrangements made for people already using the life-course savings scheme. Finally the Vitality Package will offer a work-to-work-budget for employees. The Dutch government wants to create agreements with the social partners to arrange for trainings and educational provisions made available for workers who are threatened to lose their job ([www.rijksoverheid.nl](http://www.rijksoverheid.nl), 2011).

### **7.3.1.3 Replacement rate**

As deduced earlier in this research a high replacement rate, and therefore a high pension wealth, can cause incentive to retire early. In this sub-section the gross and net pension replacement rate of a median earner in the Netherlands is discussed. In chapter 8 a comparison will be made between the replacement rates of Austria, Germany and the Netherlands.

In the Netherlands the median earner has a gross replacement rate of 89.1%, which translates to a net pension replacement rate of 103.3% (presented by the OECD according to 2011 data).

### 7.3.2 Alternatives to work

In the following sub-paragraphs the alternatives to stay in the labour market are described. Sub-paragraph 7.3.2.1 discusses the opportunity to retire early, 7.3.2.2 comments on disability benefits and 7.3.2.3 deals with the unemployment benefits the Netherlands offers.

#### 7.3.2.1 Early retirement

In 1974 the minister of Social Security and Employment, to counter fast growing unemployment percentages, created the opportunity for pre-pension. Although an expert committee warned the minister that those types of arrangements can become structural in nature and that it might only be used to increase the number of exits and not necessarily increase the number of younger workers finding a job, they also came to the conclusion that for workers in certain, physically demanding jobs, early retirement might be desirable. The minister uses that last comment to his advantage and sets as objectives to 1) increase employment possibilities of younger workers and 2) increase the wellbeing of older workers (Trommel, 1995).

What the committee feared happened, the pre-pension schemes were used as an instrument to annul jobs and bring down labour costs in companies, not only in sectors that were under pressure but also in up and coming sectors like communication and the public sector, it has become a way of economic modernization (Trommel, 1995).

At the end of the 1990s the Dutch social partners agreed to change the GAYG system into a capital funded system, making it less generous, but more actuarially fair. By increasing implicit taxes and reducing the early retirement wealth it seems that the new early retirement policies achieved its goal; postpone early retirement.

In the beginning 2006 the Early-Exit-Scheme (VUT) has been retrenched and reformed to a new pre-pension policy. This new policy does not apply to workers who used the Early-Exit scheme before the 1<sup>st</sup> of January 2006 or turned 55 before the 1<sup>st</sup> of January 2005. Until the 1<sup>st</sup> of January 2011 pre-pension contributions made by the employee were 50% deductible and employer's contributions were taxed 26%. Now employee contributions are no longer deductible and employer's contributions are taxed 52%. The financial savings that employees build by paying pre-pension contributions are taxed, what is saved up after the 1<sup>st</sup> of January 2006 is not taxed. When the employee enters pre-pension the financial savings are paid out (Rijksoverheid, 2011).

Another form of early retirement is the life-course savings scheme (Levensloopregeling), where employees can save up (tax free) for a leave. Employees pay a maximum of 12% of their monthly gross salary. It takes about 9 years of saving to take up a year of leave. The leave can be taken up at the end of a career to exit labour early. The leave period can be complemented by a salary savings scheme (Sparloonregeling). Employees can save up to €613 of their gross monthly salary, tax-free. The savings are blocked for use for a minimum of 4 years. Employers are not obliged to offer the possibility of a salary savings scheme (Rijksoverheid, 2011).

#### 7.3.2.2 Disability benefits

The Dutch Work-Disability Insurance (WAO) was implemented in 1967. People who were not able to work or could only work partly could receive a benefit of 80% of the wage loss (De Walque, 2003). In the 1970s disability benefits were the most used pathway in the Netherlands to exit the labour market. Because of high unemployment protection disability insurance was used to leave the labour market before the official retirement age of 65 (De Vroom & Blomsma, 1991). In 1985 the level of disability benefit was decreased to 70.5% of the wage loss. In 1991 the system undergoes another change; the benefits are linked to the age of entry into the system. In 1994 and 1993 this linkage to age is reinforced. It becomes financially less attractive for persons under the age of 50 to enter into the disability system. In 1994 and 1998 335,000 cases of people receiving disability benefits were revised which led to a 52% reduction or withdrawal of benefits in 1995 and 35% in 1999. Changes were also made to the type of jobs partially disabled were expected to do; before the change, partially disabled employees were expected to do lay in their line of experience, after 1993 the jobs partially disabled were expected to be able to fulfil were described more general and did not depend on the previous experience of the employee (De Walque, 2003).

Workers receiving disability benefits as a percentage of the labour force is in the Netherlands generally twice as high as in neighbouring countries. In 1995 8% of the Dutch labour force was receiving disability benefits, in Germany only 3.1% of the labour force received disability benefits (De Walque, 2003).

Since 1998 the Dutch system comprises of three disability benefits. Employees who are not fit for work for a period longer than 1 year can be eligible to receive disability benefits under the Work-Disability Insurance Act (WAO). Disabled young people who turn 18 can receive a Work-Disability Provision for Young Disabled (Wajong). In 1998 a mandatory insurance for self-employed was introduced under the Work-Disability Insurance for Self-Employed Act (WAZ) (De Walque, 2003).

The WAO is the most used form of disability provision. Employees who are for at least 15% work unfit can receive a disability benefit. A workers needs to be sick for 52 weeks before a review is made to determine the benefit that is paid. After the first year of the original review another review is made. After that the benefits are granted for a period of 5 years, after 5 years a new review takes place. The Dutch systems allows for several degrees of disability, the height of the benefits one receives depend on the level of disability. The law does not prevent workers who receive a disability benefit from working or claiming unemployment benefits. Only people who are 100% unable to work are excluded from receiving unemployment benefits (De Walque, 2003).

De Walque (2003) finds in his research that the replacement rate of disability benefits is higher in certain cases than the replacement rate of unemployment benefits.

In 2005 the WIA replaced the WAO. Employees who are at least 35% disabled can, after being sick for 2 years, claim WIA benefits. These benefits are divided into benefits for partially disabled (WGA) or employees who are fully disabled, but are likely to (partially) recover. Employees who are less than 20% able to earn the wage they previously earned and are not going to recover get income protection. They receive benefits consisting of 75% of their last earned wages with a maximum of €186,65 per day. Workers who are less than 35% disabled stay in paid employment were possible, for example in an adjusted workplace. If staying in work proves to difficult the employer can ask for permission to terminate employment. The employee then can claim unemployment benefits (www.Rijksoverheid, 2011).

Since the early existence of the disability benefits relatively many Dutch employees have entered into disability. Already in the seventies disability was a much used pathway to exit the labour market. And early on it was used as a labour market tool by government and employers to regulate the workforce and create jobs for younger workers.

### **7.3.2.3 Unemployment benefits**

In the Netherlands of the 1970s there were different pathways to enter into unemployment. The most used unemployment exit was constructed out of two insurances; the Unemployment Insurance Act (WW) and the Unemployment Provisions Act (WWV). By entering into these two schemes it was possible to exit the labour market at 62,5. In 1975 another provision was added that enabled workers to tied over the period from being 57,5 years old until retirement at 65 (De Vroom & Blomsma, 1991).

To be eligible for unemployment benefits (WW) a person must be younger than 65 and there must be a labour agreement, the person must be a worker in other words, self-employed people are not eligible to receive unemployment benefits. Only official citizens of the Netherlands can receive unemployment benefits. A person losing his job can a right to a minimum of 3 and a maximum of 38 months of unemployment benefits, depending on the work history. The height of the benefit is linked to the last earned wage. After the regular unemployment payment unemployed workers can be eligible for Work and Social Assistance (WWB), depending on the income of a possible partner. The WWB benefit is usually lower than the WW payment. If the WW payments are not enough to support the person who became unemployed (and his or her possible family) an extra allowance will be provided, replenishing the welfare payment up to the guaranteed minimum income. The height if this extra allowance depends on the age of the person claiming the extra allowance and the living situation. The height of the extra allowance varies from 70% up to 100% of the minimum wage. The height of unemployment benefits will not exceed the minimum wage, this in order to create an incentive to work (Rijksoverheid, 2011).

### **7.3.3 Working conditions**

Good working conditions contribute to a longer participation on the labour market. Healthy working conditions and a positive working environment are contributing factors to the choice and the capabilities of older workers to stay in the work force. In the next sub-sections the indicators derived from Trommels (1995) theory that company policies contribute to the participation of older workers 1) flexible wrking hours and 2) age sensitive staff polices, are discussed.

### 7.3.3.1 Flexible working hours

As discussed in chapter 3 the classification the Netherlands fall under in the report 'Working Time Flexibility in European Countries' by the European Foundation for the Improvement of Living and working Conditions (2007) will be examined;

1. Distribution of company flexibility types across Europe: high working time flexibility, worker oriented (%)
2. Distribution of company flexibility types across Europe: high working time flexibility, company oriented (%)

Within category 1 the European countries are split in three categories; countries where 2.9% to 10.5%, 10.5% to 17% or 17% to 33% of the companies offer worker oriented working time flexibility. The Netherlands fall in the second category, meaning that 10.5 to 17% of the companies in the Netherlands offer worker oriented working time flexibility.

In category 2 the European countries are also split in three categories; countries where 12.8% to 20.8%, 20.8% to 25.2% or 25.2% to 28.6% of the companies offer company oriented working time flexibility. The Netherlands fall within the second group of lower company oriented flexibility.

Research has shown that for worker wellbeing ideally high worker oriented flexibility is preferable, the Netherlands do not offer a high level of worker oriented flexibility.

### 7.3.3.2 Age sensitive staff policy

To get information on age sensitive staff policy introduced by companies the report on the Combating Age Barriers in Employment (European Foundation for the Improvement of Living and Working Conditions, 1998) is used. This report identifies 24 companies as examples of good practice. Information on these companies was gathered through existing survey reports and publications in the daily and weekly press, which means that the visibility of these programs is good. High visibility can influence the image of older workers and inform the public on the positive characteristics of older workers.

The Dutch companies identified as good practice examples focus their age sensitive staff policy on recruitment of and trainings for older workers. Some companies did not choose a certain age related theme, but made training and recruitment policy part of a more integrated approach towards personnel policy.

In 2011 one Dutch company received the AARP 'Best employer of the year for workers over 50 award'. The Dutch winner of the award is the Elkerliek Hospital. This hospital's approach to workforce management is based on extensive Work Ability Index (WAI) analysis. *"Measures to enhance the work ability of its workforce include job carving, a practice of separating tasks from several existing positions to create a new position fitting the needs of an employee with a disability. Elkerliek also establishes individual risk profiles for each employee as part of efforts to manage physical and psychological stress"* (AARP, 2011). This programs seems to focus on general inclusion of disadvantaged groups on the workforce.

In conclusion can be said that there are examples of Dutch companies implementing age sensitive staff policy and that the visibility of these policies is good.

## 7.4 Conclusion

Although the Dutch unemployment rate seems low, there is a mismatch between the qualifications of jobseekers and the qualifications employees look for. There is also a history of high labour market exit through disability schemes. The overall labour market participation is a relatively low and always has been (Eurofound, 2011; De Vroom & Blomsma, 1991).

The Netherlands has since the implementation of disability benefits a high labour market exit through these benefits. Exiting through disability schemes is financially more attractive than to exit through unemployment. Since the 1970s and 1980s the disability- unemployment benefits and early retirement schemes have been applied as labour market tools, by the government and by companies. Early exit, as early as the age of 55 sometimes, has become normal in the Netherlands. Now it has evolved to an idea of right to early exit, even a responsibility; leaving the labour market early makes room for younger workers just entering the labour market.

In the 1990s reforms were introduced to reduce the attractiveness of disability and unemployment benefits. The replacement rates of these benefits were lowered and so was the time these benefits can be awarded. The replacement rate of older workers has increased since 1995 (as the graph in section 4.4 shows), suggesting that the reforms are effective in increasing the participation of older workers.

The Dutch government is trying to increase the participation by decreasing the (financial) attractiveness of entering disability and unemployment schemes. For older workers there are also policies in place to increase the attractiveness to stay on the labour market, for example the Vitaliteitspakket and the Mobiliteitsbonus. Participation of older workers is however still lower in the Netherlands than in most other EU 15 countries.

The pension replacement rate in the Netherlands is really high and can amount to up to 103.3% net wages. So going into retirement is still very much financially attractive. The financial attractiveness for early retirement is decreased, but the possibilities are still there and the feeling workers have, that early retirement is a right not a privilege, remains.

Unemployment and disability benefits and early retirement schemes are used historically in the Netherlands as a management tool by companies and by the government to decrease unemployment rates. This historical use of social benefits has created a policy path from which it is politically difficult to deviate (Pierson, 2000). It has also created a culture under Dutch workers to retire early. Early retirement has become seen as a right not as a privilege in the Netherlands.



## 8 Comparative analysis

### 8.1 Country comparison

In this chapter a comparison will be made between the indicators chosen and specified in chapter 3, to explain the difference in the level of participation of older workers in Austria, Germany and the Netherlands. According to my hypothesis (chapter 2), the measures of the indicators combined should be more favourable in Germany than in Austria and the Netherlands.

In this research several indicators were selected to measure the effect of the independent variables (the structural and institutional factors) on the participation rate of older workers. In this chapter a comparison is made of how these independent variables present themselves in Austria, Germany and the Netherlands. Goal of this chapter is to see in which country the individual indicators present themselves most favourable to positively influence the dependent variable: the participation rate of older workers, and to explain the differences in performance between the three countries. The results of the comparison will be scored per indicator (if possible). If the situation caused by the measured indicator has a positive effect on the participation of older workers, this indicator will be scored with a +. If the situation caused by the indicator has a negative effect on the dependent variable, the indicator will be scored with a -. If the independent variable can have a positive effect on the dependent variable in two countries, the country where the independent variable is expected to have the biggest positive effect will be scored ++. If the independent variable seems in all countries to be equally developed all three countries are scored with a 0. In brief; 4 different scores a possible;

- + → the indicator can have a positive effect on the dependent variable
- - → the indicator can have a negative effect on the dependent variable
- 0 → the indicator seems to have equal influence on the dependent variable in all three countries
- ++ → in this country the indicator might have the biggest effect on the dependent variable.

#### 8.1.1 Economy

The Austrian economy is strongly tied to the German economy. Employee representatives, employers and unions are entangled in a strong centralized wage bargaining system. Real wage is flexible, but it is difficult for firms to handle changes in the economy. Job turnover is high in Austria. The German economy took a big hit after the reunification of East and West Germany in the early 1990s. It was just starting to get better when the crisis hit in 2008. The Netherlands has had decades of growth before the crisis hit in 2008. The Dutch economy is open and dependent on trade and financial services.

### 8.2 Structural factors

In the following sub-sections the structural factors that affect retirement decisions of older workers in Austria, Germany and the Netherlands will be compared. What can the structure of the labour market, the physical and mental wellbeing and the perception older workers have in Austria, Germany and the Netherlands tell us about their differences in the participation of older workers?

#### 8.2.1 Labour market

All three countries have a very different sized population. Germany is obviously the biggest country of the three with a labour force of 43.45 million, whereas the Netherlands has a labour force of 7.8 and Austria 3.7 million. If we look at the overall participation rate we see that of the total labour force in Germany 76.2% is active on the labour market, in the Netherlands 78.7% and in Austria 74.8<sup>32</sup>% is active (European Commission, 2008). There is not a lot of difference in the participation rates between Austria, Germany and the Netherlands. The participation in Austria is the lowest of the three although the unemployment rate in Austria is the lowest as well, suggesting that there might be a little bit of hidden unemployment which in Austria probably translates into older workers going into early retirement.

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<sup>32</sup> These participation rates are participation rates for the age group 15 to 64 in the Year 2007.

Labour sector	Austria	Germany	Netherlands
Agriculture	5.5%	2.4%	2%
Industry	27.5%	29.7%	18%
Service	67%	67.8%	80%

**Table 31. Labour market sectors as percentage of the total, source: CIA factbook, 2011**

The table above shows that Austria has the largest agricultural sector of the three countries and the Netherlands has the largest service sector. In Austria the employment focus lies heavily on manufacturing industries. In the last two decades however, there is a decline in manufacturing industries because of globalisation and the opening up of Central and Eastern European countries. 25.8% of the workers in Austria is low-skilled and 57% of Austrian workers is concentrated in the medium to upper medium skill segments. But work in the lower and medium skill segments has moved from Western countries to eastern countries, while high skilled labour expanded in the West. Because many Austrian workers work in just those segments many older workers were left without prospects of a job with similar working conditions and pay (Isaac & Biffi, 2005). This could in part explain the tendency of Austrian older workers to leave the labour market early; jobs in their industry are declining, there are no prospects of similar paying jobs, retirement becomes an attractive alternative. Isaac and Biffi (2005) are not optimistic about change in the near future. Although investments are made into trainings, the number of high skilled workers internationally compared, will remain low in Austria. Isaac and Biffi (2005) explain this lack of high skilled workers by underinvestment in higher education and the flow of low skilled immigrants as a result of family reunion and refugee intake. In Germany the industry sector is even slightly bigger than in Austria, but the pension replacement rate is much lower making early exit less interesting. In the Netherlands the service sector is the largest of all three countries, many highly educated people need to work in jobs of a lower level than their education permits; overskilling is a problem in the Netherlands.

	Mobilisable labour resources	Form of non-employment		Mobilisable labour by age group as a percentage of total mobilisable labour resources		
		Excess inactivity	Excess Unemployment	15-24	25-49	50-64
<b>Austria</b>	12.1	12.1	0	8.3	22.7	69.0
<b>Germany</b>	11.7	10.0	1.7	7.9	27.0	65.1
<b>Netherlands</b>	9.8	9.8	0	2.4	32.3	65.4

**Table 32. Labour force that can be mobilized in percentages, source: Biffi & Isaac, 2005**

The table above shows that Austria has the largest mobilisable labour resource of the three countries. In all three countries the mobilisable labour resources of persons within the 25-49 age group is large. Biffi and Isaac (2005) believe this has to do with the fact that women in that age group decide to have children. The participation of women in this age group is low because work and family are difficult to combine. They suggest that governments should invest more in family friendly/women friendly policies to increase their participation on the labour market. The inactivity of this age group spills over into the next age group because the lack of experience during the ages 25-49 decreases their employability between the ages 50 to 64.

### 8.2.1.1 Unemployment rates

Austria seems to have the lowest unemployment rate of the three countries between 1980 and 2010. Austria has high seasonal unemployment and youth unemployment. They offer a generous early retirement system; early retirement is possible from the age of 58. In Austria the number of people receiving disability benefits is low (see 5.2.2) and unemployment figures are low, but the number of older workers that retire early is high. This could indicate hidden unemployment and the fact that retirement schemes are used to create jobs for younger workers, retirement schemes are then used by companies and the government as a labour market tool. The same happened on a large scale in the Netherlands in the 1970s and 1980s. Because exit schemes were used on a large scale to exit older workers and create jobs for younger workers, early retirement became seen as a right instead of a privilege. It became normal to retire between the age of 55 and 65 and even a sense of duty emerged; by going into retirement early one created a job for a younger worker. The same seems to have happened in Austria. In Germany the status quo was shaken up in 1989 when the wall fell. The reunification of East and West Germany caused the economy to drop and unemployment to rise. Between 1991 and 2004 the unemployment in East Germany rose from 10 to 20%. Because the unemployment was so high the road was open for reform. The Hartz reforms, starting in 2003, focussed on activation. With the Hartz reforms a mandatory system arose; the conditions for unemployment insurance and job acceptance became stricter. According to Boyle & Schünemann (2009) Germany has a mandatory system of welfare-to-work, whereas the system in the Netherlands is enabling.

Studies have shown that unemployment negatively affects the participation of older workers (Guillemard, 2000; De Vroom & Blomsma, 1991). Therefore the country with the lowest amount of unemployment yields better conditions for the participation of older workers. It should be noted though that in Austria and the Netherlands hidden unemployment might be present<sup>33</sup>; in Austria in the form of high early exit and in the Netherlands in relatively high number of people receiving disability benefits.

In chapter three (3.2.1) was announced that the Job Vacancy Rate (JVR) of Austria, Germany and the Netherlands would be compared, to give an indication about the number of vacancies not fulfilled. The JVR is an indication that the skills of workers do not fit labour market demands.

JVR rate in %	2009	2010	2011
Austria	1.5	1.9	2.2
Germany	2.4	2.15	2.6
Netherlands	1.7	1.6	1.8
EU27 <sup>34</sup>	1.3	1.4	1.6

**Table 33. JVR in Austria, Germany and the Netherlands, source: Eurostat, 2011**

The table above shows that Germany has the highest JVR for three years running. These three years are the only years that data is provided for by Eurostat, so a comparison over the last decades will not be possible. The JVR rate fluctuates in Germany and the Netherlands, only in Austria it has risen steadily over the last three years. In all three countries the JVR is higher than the EU27 average, investing in training and education seems needed. The Eurostat data is not complete enough to give an indication of the sector where the JVR is highest, therefore no reference can be made as to which sector needs investment the most. Austria already spends most of its ALMP budget on trainings, but investment in the educational system is needed as well. Apparently certain needed skills are not acquired any more and promotion of education that provides these skills might help to increase the number of people who will want to invest in that type of education.

Indicator score	Austria	Germany	The Netherlands
Unemployment %	++	-	+

### 8.2.1.2 Reintegration policies

Germany introduced the Hartz reforms, which constituted a large activation reform. By changing benefit structures from an enabling system to a mandatory system Germany chose a path deviant reform. Long-term unemployment is seen as anti-social behaviour and is dealt with by sanctions to correct this behaviour (Boyle & Schünemann, 2009). Kluge (2010) concluded in his research that of the ALMP programs services and sanctions (particularly the combination of those two) have a significant positive post-program effect. Austria and the Netherlands both focus their activating policies on enabling the unemployed to find work. In the Netherlands this has led in the past to high numbers of people receiving disability benefits and the Dutch government is trying to decrease the number of people in disability schemes since 1985.

ALMP program type	% of the ALMP budget Austria	Germany	Netherlands
Services and sanctions	8.0	10.6	14.6
Training	15.3	7.5	4.3
Private sector incentives	2.8	4.3	5.2
Public sector employment	3.5	6.8	15.9

**Table 34. Compared ALMP spending per program type, source: Kluge, 2010**

The more a country spends on ALMP measures (as part of their GDP) the more of these measures can benefit older workers. Therefore the percentage of the GDP spent on ALMP measures is treated as an indicator of measures to increase the participation of older workers on the labour market. Looking at the different ALMP programs as described by Kluge (2010) Germany and the Netherlands invest most of their ALMP budget on services and sanctions programs. According to Kluge (2010) Services and sanction programs and private sector incentives are the most effective ALMP program types. Germany and the Netherlands also spend a larger part of their ALMP budget on private sector incentives. The

<sup>33</sup> Although the unemployment rate is very low in Austria, the labour participation is also lower than in Germany and the Netherlands.

<sup>34</sup> There is no data available of the EU15 average and therefore the EU27 average is used as a reference.

Netherlands seems to have the most optimal distribution of their ALMP budget, closely followed by Germany. The Netherlands also spend a larger percentage of their GDP on ALMP measures, about 1.85%, Germany invests 1.2% of its GDP on ALMP, which is significantly higher than the 0.7% OECD average. Austria spends 0.55% on ALMP measures, which is below the OECD average. Because ALMP measures can have positive effects on the reintegration of people into the labour market it can also help increase the participation of older workers.

Indicator score	Austria	Germany	The Netherlands
ALMP as % of GDP	-	+	++
ALMP program type	-	+	++

## 8.2.2 Physical and mental wellbeing of older workers

To the question 'Does your work affect your health?' 30% of the Austrian, 19.8% of the Dutch and 24.9% of the German older workers questioned, responded 'Yes, mainly negatively'. This of course does not mean that in Austria a higher number of older workers are sick. It can however indicate that in Austria people feel more negatively about the way their job influences their health. This does contribute to their overall wellbeing and the perception they have of their own health and wellbeing. In Austria this perception is a little more negative than in Germany and the Netherlands.

Indicator score	Austria	Germany	The Netherlands
Perception of health	-	+	++

In the EWCS the job fulfilment of the respondents is measured by the following questions;

1. Does your work give you a feeling of job well done?
2. Do you feel you are doing useful work?
3. How satisfied are you with the working conditions in your main paid job?
4. I am well paid for the job I do
5. I have very good friends at work
6. The organisation I work for motivates me to give my best job performance.
7. Do you enjoy being your own boss?

In the table below you see the answers of the Austrian, Dutch and German respondents.

Question;	Austria	Austrian workers 50+	Germany	German workers 50+	Netherlands	Dutch workers 50+	EU 15 employees 50+	EU 15 Total employees
Does your work give you a feeling of job well done?	91.9% yes	93.3% yes	85.6% yes	83.3% yes	90% yes	94.2% yes	83.6% yes	84.9% yes
Do you feel you are doing useful work?	86.1% yes	87.4% yes	83.9% yes	84.6% yes	93.1% yes	96.7% yes	86.9% yes	83.5% yes
How satisfied are you with the working conditions in your main paid job?	34.8% Very satisfied	34% Very satisfied	28.5% Very satisfied	25.1% Very satisfied	28.2% Very satisfied	30.1% Very satisfied	27.5% Very Satisfied	27.2% Very satisfied
I am well paid for the job I do	49.7% yes	49.6% yes	47.6% yes	52.7% yes	59.8% yes	59.4% yes	44.8% yes	43.3% yes
I have very good friends at work	66.8% yes	71.2% yes	65.6% yes	66.1% yes	59.3% yes	59.8% yes	73.7% yes	73.6% yes
The organisation I work for motivates me to give my best job performance.	61.6% yes	54% yes	61.2% yes	61.8% yes	73.3% yes	75.8% yes	64.5% yes	63.6% yes
Do you enjoy being your own boss?	91.2% yes	97.2% yes	94.5% yes	93.4% yes	97.6% yes	97.5% yes	93.9% yes	94.2% yes

Table 35. Comparison job fulfilment Austria, Germany and the Netherlands, source: EWCS, 2010

In all three countries the job satisfaction lies around, and mostly slightly above, the EU15 average. The Dutch workers feel slightly better about their salary. Job satisfaction has slightly (by about 5 percent

points) decreased of the last years, but this is a trend that appears in the whole EU15. These job satisfaction responses do not indicate that they contribute to the differences in the participation of older workers in Austria, Germany and the Netherlands. The number of workers satisfied with their jobs does not differ greatly between the three countries.

Indicator score	Austria	Germany	The Netherlands
Job fulfilment	0	0	0

As the table below shows the Dutch are the workers that least work when they are feeling sick. This could indicate that the sick leave in the Netherlands is arranged in the most optimal way for employees. It could also indicate that workers in the Netherlands are less motivated to work or less loyal to the company. In Austria older workers will go to worker more often when they feel sick than workers of other age groups.

Over the past 12 months did you work while you were sick?			
Age	2010		
	Austria	Germany	Netherlands
Under 30	60.2%	62.7%	45.0%
30-49	65.5%	60.4%	42.9%
50+	70.4%	61.6%	34.7%
<b>Average</b>	<b>65.5%</b>	<b>61.2%</b>	<b>41.1%</b>

Table 36. Comparison of workers working while sick, source: EWCS, 2010

Indicator score	Austria	Germany	The Netherlands
Going to work while sick	+	+	0

### 8.2.3 Perception of older people

To measure the perception workers have on their ability to do the job they are now doing, one of the questions in the EWCS is 'Do you think you will be able to do the same job you are doing now when you are 60 years old?' In all three countries we can see that the number of people answering this question with 'yes' increases when they get older. It seems that when the age of 60 approaches people feel more comfortable about their abilities. It could also be an indication that older workers have already moved to a job that is mentally and physically at an attainable level. Some other trends can be identified. Between 2000 and 2010 the number of older workers in Austria that feels they can perform their current job at 60 is declining a little. In Germany the opposite is unfolding, the number of older worker that feel they can do the same job at 60 is slightly increasing slightly, the same is true for older workers in the Netherlands. The number of older workers who respond they would not want to work the same job when they are 60 is higher in Austria than in Germany and the Netherlands. This is very interesting, it is not so much that the Austrian workers don't think they **can't** work their job until they are 60; it is that they don't **want** to. This could signify a feeling in Austrian workers that going into retirement before they reach the age of 60, is more present than in Germany and the Netherlands.

The number of workers that believe they will be able to work their current job until they are 60 years old, is a less in Austria than in Germany and in Germany it is less than in the Netherlands. Austria is the only one of the three countries where the number of older workers that believe they will be able to work their current job until they are 60, is declining, therefore Austria is scored -. Declining believe in capacity can lead to disengagement from work. In Germany and the Netherlands the number of older workers believing they can work their current job is increasing slightly between 2000 and 2010. In the Netherlands the number of older workers saying they will be able to work their current job when they are 60 is higher than in Germany and therefore the Netherlands is scored ++.

The number of older workers that do not want to work their current job until they are 60 is highest in Austria and is also increasing. This negatively affects work engagement, not wanting to do their current job points to dissatisfaction that can negatively affect participation.

Indicator score	Austria	Germany	The Netherlands
Able to work until 60	-	+	++
Wanting to work until 60	-	+	+

### 8.2.3.1 Trainings older workers are engaged in

To get a picture of how much companies monitor training needs of employees and the training needs of older employees data is used in the European Company Survey (ECS) 2009, acquired by asking the questions;

1. Companies checking training needs regularly
2. Companies checking training needs of older employees

A comparison between Austria, Germany and the Netherlands results in the following table;

	Austria	Germany	The Netherlands
Companies checking training needs	59.2%	69.7%	59.2%
Companies checking training needs older workers	81%	78.2%	46%

Table 37. Percentages of companies checking training needs, source: ECS, 2009

Although training programs have a less significant impact on unemployed it might help workers move from job to job and therefore increase job mobility. Workers increase their employability. There are also psychological effects to offering older workers trainings; they feel part of the organisation and an appreciated member of a group. Investing in human capital of older workers makes them more productive and increases their company engagement (Ester et al., 2003). German companies check the training needs of their employees most. Of the companies that check the training needs of their employees, the training needs of older workers are checked most in Austria. However Austria and the Netherlands share a second place when it comes to the number of companies regularly checking the educational needs of their employees. It can be concluded that Germany is a front runner when it comes to checking training needs of employees and older employees, this might contribute to the overall wellbeing of older workers in the workplace and partially account for the higher participation of older workers in Germany. Especially the Netherlands differentiates between workers and older workers when it comes to checking training needs. Less than half of the companies consult their older workers on their needs for education. This gives the impression that companies in the Netherlands think older workers are not interested or not interesting enough to invest in.

In the EU27<sup>35</sup> on average 72.5% of the companies check the training needs of their employees regularly and 70.3% checks the training needs of older workers regularly. In all three countries the number of companies that check the training needs of employees is below the EU27 average, therefore all three countries are scored - . Of the companies that check the training needs of older workers specifically, only the Dutch companies are below the EU27 average and is therefore scored with a - .

Indicator score	Austria	Germany	The Netherlands
Checking training needs	-	-	-
Checking training needs older workers	+	+	-

### 8.2.3.2 Age discrimination

Specific numbers on age discrimination are difficult to come by. Age discrimination can be difficult to identify and especially difficult to prove. All three countries in this research have problems with age discrimination, however Austria seems to have the highest incidence of age related discrimination of the EU, far above the EU average. With 14% of Austrian employees participating in the EWCS that say they have been subjected or been aware of age discrimination (against a 5% EU average), Austria has the highest number of age discrimination in Europe, followed by the Netherlands and Finland (EWCS, 2009). These numbers do not specifically mean that the age discrimination in Austria and the Netherlands is higher than in Germany, it does however indicate that Austrian and Dutch workers feel the need to make a claim against age discrimination more often.

Indicator	Austria	Germany	The Netherlands
Age discrimination	-	++	+

<sup>35</sup> Here the EU27 average is used because the EU15 average is not available.

### 8.3 Institutional factors

The following sub-sections give a comparison between the institutional factors that influence the participation of older workers in Austria, Germany and the Netherlands. The retirement policies, the alternatives to work and the working conditions in the three countries will be compared.

#### 8.3.1 Retirement policy

In the next section a comparison will be made between the pension policies and policies that complement pension policies in Austria, Germany and the Netherlands.

##### 8.3.1.1 Pension policies

All three countries have a PAYG pension system and in all three countries the pension system consists of three pillars 1) a mandatory public scheme 2) occupational pension scheme and 3) individual pension provision. In Austria and Germany the third tier is relatively small. Until 2005 Austria had different occupational pension categories, but in 2004 a law to harmonize the pensions was introduced. Now pensions are uniform for all occupational categories; contribution rates and entitlements are the same for every occupation. Austria still has different retirement ages for men and women. The official retirement age for men is 65 and for women 60. Between 2024 and 2033 the retirement age of women will gradually increase to match the retirement age of men. Of the three countries Austria is the only country with different retirement ages for men and women. Which contributes to a lower participation of older workers in Austria. In Germany a law was passed in 2007 increasing the retirement age by a month every year starting in 2012. The pension age will be increased to 67. In the Netherlands the retirement age will be increased to 66 in 2020 and to 67 in 2025 (Rijksoverheid, 2011), at least that are the present plans. There is still a lot of critique on the plans to increase the retirement age in the Netherlands. Germany can be seen as a forerunner when it comes to retirement age.

Austria introduced retirement policy reforms in 2000, 2003 and 2004. The reforms in 2000 had as a main goal to decrease the governments' deficit and debt accumulation and increase the sustainability of the Austrian pension system. The 2003 reforms changed the parameters of the pension system. Early exit was made less attractive for example. The 2004 reforms were focussed on harmonisation of the different occupational pension schemes. The Austrian reforms managed to decrease the public expenditure on pensions drastically for the future thereby increasing the sustainability of the pensions, but decreasing the generosity of the pensions.

##### 8.3.1.2 Complementary pension policies

All three countries introduced policies to increase the participation of older workers. Austria offers bonus-malus for employers who hire or fire older workers. A reduction of non-wage labour costs was also achieved to increase the incentive to hire and retain older workers. Focus seems to lie on increasing the incentives for employers to hire older workers, but it seems that the attitude of and towards older workers has changed only marginally. Workers at the age of 55 still expect to retire soon and employers expect their older workers to retire as well. Dutch policies seem to focus on increasing the incentive for older workers to stay in the labour market. In Germany a combination of both types of policies are introduced.

##### 8.3.1.3 Replacement rate

A high pension replacement rate can negatively effect the decision of older workers to stay in the labour market. High pension wealth forms an incentive to retire. In the table below the gross and net pension replacement rate of a median earner in Austria, Germany and the Netherlands is depicted.

Replacement rate	Austria	Germany	Netherlands
Gross r.r. in %	76.6	42	89.1
Net r.r. in %	89.9	58.4	103.3

Table 38. Replacement rates, source: Blöndal & Scarpetta, 1997

The average gross pension replacement rate within the OECD countries is 59%, as the table shows this corresponds with the theory of Blöndal and Scarpetta (1997), who found a link between below average replacement rates and a higher than average participation rate of older workers. In Germany the

replacement rate is below average and the participation of older workers is higher in Germany than in Austria and the Netherlands. This is a great financial incentive for workers to retire early.

Indicator score	Austria	Germany	The Netherlands
Replacement rate	-	++	-

### 8.3.2 Alternatives to work

In the following sub-sections a comparison is made of the alternatives to stay in the labour market in Austria, Germany and the Netherlands. Sub-section 8.3.2.1 compares the opportunities to retire early, 8.3.2.2 comments on disability benefits and 8.3.2.3 deals with the unemployment benefits these three countries offers.

#### 8.3.2.1 Early retirement

Austria offered early retirement possibilities allowing men to retire at 60 and women at 55. In 2003 reforms reduced the attractiveness of early retirement; early retirement based on long-term insurance contributions was to be increased until 2017 to the statutory retirement age of 60 for women and 65 for men. In 2005 the OECD reported that new reforms reintroduced early retirement and partly reversed the reforms made in 2003. The new reform makes it possible for workers to receive a reduced pension from the age of 60 (OECD, 2005). Besides the possibility of early retirement Austria offers the possibility of 'blocking', workers can come to an agreement with their employer to work full time in the first half of an agreed period and 0 hours during the second part of that time period. This reform increased the number of workers entering the part-time scheme extensively. The 2004 reforms made blocking less attractive and the part-time working trend reduced (OECD, 2005). Germany also offers the possibility of blocking. Blocking is used by companies as a management tool, a tool to change their personnel files. Germany offers a part-time pension scheme that allows for phased retirement; employers are compensated by the Federal Employment Agency, so workers can work part-time. Germany focuses on increasing the flexibilisation of the transition from work to retirement. Early retirement is made less financially attractive, the flexibilisation is supposed to lengthen the active period of workers. Workers who want to work less can do so instead of heaving to leave the labour market entirely. In the Netherlands early retirement has been used as a management tool since the early 1980s. In 2006 the Early-Exit-Scheme (VUT) was retrenched and made less financially attractive for employers and employees.

It seems that in Austria and the Netherlands early retirement is perceived as a right and not a privilege. In Germany less people make use of the possibilities of early exit, but this could probably partly be explained by the fact that the replacement rate in Germany is a lot lower than in Austria and the Netherlands making early exit financially less attractive in Germany.

#### 8.3.2.2 Disability benefits

Disability benefits are not largely used in Austria. In the Netherlands they formed an attractive form of exit for a long period. In Germany and the Netherlands disability schemes were an important pathway to early exit. In Germany 28.1% of the workers exiting the labour market in 2006 before reaching the age of 65 did so via the disability pathway. Until the reforms in 2001 the disability schemes in Germany were very generous. Since 2001 the disability pensions are far less financially attractive. Before 2001 the disability payments could be two-third to full the old age pension amount. Now it is only 50% of the full old age pension amount. When German workers enter into disability pension before reaching the age of 60 the amount of the disability payments is reduced by almost 11% (Hanel, 2009).

In the Netherlands disability is the most used exit form. In 1995 3.1% of the German labour force received disability benefits in the Netherlands this was 8%. Because the Netherlands has a high protection against unemployment, disability is an attractive alternative to exit the labour market. Disability benefits were generous as well. Before 1985 the benefits would compensate 80% of the wage loss. After 1985 disability benefits were retrenched and compensated only 70.5% of the wage loss. In 1991 the benefits are linked to age of entry. In 1994 and 1995 this linkage is reinforced. Entering into disability becomes less financially attractive before the age of 50.

Hanel (2009) concludes in her research that the amount of disability pension paid out does not affect the decision to enter into the disability scheme in the long-term. However, when the monthly payments are dependent on the date of entry, 'retirement' may be postponed. In the German case for example this means that someone who is 58 might postpone entering into the disability scheme until he is 60 in order to receiving higher monthly pay. In Germany and the Netherlands this fact was exploited by making entering into disability benefits before a certain age less financially attractive. However that age differs between the two countries. In Germany it becomes less attractive to enter into disability before the age



of 60, in the Netherlands this happens before the age of 50, making it more attractive in the Netherlands than in Germany to enter into disability schemes earlier.

Indicator score	Austria	Germany	The Netherlands
Disability benefits most favouring participation older workers	++	+	-

### 8.3.2.3 Unemployment benefits

In Austria the replacement rate of the unemployment benefits (UI) is only 55% but is complemented by family allowances. The duration of the unemployment benefit can be up to 30 weeks. When the UI becomes exhausted one can apply for unemployment assistance, which is means tested and depends on the presents of a partner. Unemployment assistance can be drawn for a potentially indefinite time. Since 2004 it is made more difficult for (older) unemployed workers to refuse a job in order to make it more difficult to use unemployment benefits as a means to exit the labour market early.

In Germany the amount and duration of the unemployment benefits depends on previous employment. A claimant without children receives up to 60% of previous net earnings. If a claimant has children under the age of 18 this can rise to up to 67%. Depending on the duration the claimant was employed before his unemployment the duration of the unemployment benefits can vary between 90 and 360 days. If a person worked for two years or more a year of unemployment benefits can be received. For people over the age of 55 this needs to be 18 months. Unemployed over 50 can receive up to 15 months of unemployment benefits, workers of 55 up to 18 months and workers over 58 up to 24 months of unemployment benefits (Bundesministerium für Arbeit und Soziales, 2009).

In the Netherlands a person loosing his job can receive unemployment from 3 to up to 38 months. The height of the benefit is linked to previously earned wages and depends on the wages of a potential partner. Benefits amount to about the level of minimum wage.

It seems to be the case that in Austria unemployment benefits are financially least attractive, although the difference in replacement rate with Germany is only about 5%. Austria does offer unemployment benefits for the least amount of time, up to 30 weeks, whereas in Germany it can be up to a year and longer for older workers. In the Netherlands the possibilities are higher to receive unemployment for a longer period of time.

Indicator score	Austria	Germany	The Netherlands
Unemployment benefits most favouring participation older workers	+	+	-
Length of unemployment benefits most favouring participation of older workers	++	+	-

### 8.3.3 Working conditions

In chapter 5, 6 and 7 two indicators were discussed influencing the working conditions in Austria, Germany and the Netherlands 1) flexible working hours and 2) age sensitive staff policy introduced by companies to increase the productivity and the work engagement of older workers. In the next sub-sections a comparison will be made between the presence of these measures in Austria, Germany and the Netherlands.

#### 8.3.3.1 Flexible working hours

In chapter 5, 6 and 7 is discussed how many companies in Austria, Germany and the Netherlands offer worker oriented and company oriented working time flexibility.

In the report 'Working Time Flexibility in European Countries' by the European Foundation for the Improvement of Living and working Conditions (2007) several categories of working time flexibility are mentioned. For this research the following categories were examined;

1. Distribution of company flexibility types across Europe: high working time flexibility, worker oriented (%)
2. Distribution of company flexibility types across Europe: high working time flexibility, company oriented (%)

Within category 1 the European countries are split in three categories; countries where 2.9% to 10.5%, 10.5% to 17% or 17% to 33% of the companies offer worker oriented working time flexibility.

	2.9% - 10.5%	10.5% - 17%	17% - 33%
Category 1		AT <sup>36</sup> , NL	DE

**Table 39. Worker oriented working time flexibility, source: European Foundation for the Improvement of Living and working Conditions, 2007**

In category 2 the European countries are also split in three categories; countries where 12.8% to 20.8%, 20.8% to 25.2% or 25.2% to 28.6% of the companies offer company oriented working time flexibility.

	12.8% - 20.8%	20.8% - 25.2%	25.2% - 28.6%
Category 2	AT, DE	NL	

**Table 40. Company oriented working time flexibility, source: European Foundation for the Improvement of Living and working Conditions, 2007**

Research has shown that for worker wellbeing ideally high worker oriented flexibility is preferable. In the 'Working Time Flexibility in European Countries' report Austria is categorized as a country where a higher percentage of companies use overtime, but has overall low flexibility.

The two tables show us that in Austria and the Netherlands less companies offer worker oriented flexible working hours than in Germany. In the Netherlands more companies apply company-oriented flexibility than in Austria and Germany, making the Netherlands the least attractive country for workers wellbeing, followed by Austria. Germany scores best when it comes to workers wellness based on flexible working hours.

Indicator score	Austria	Germany	The Netherlands
Availability of flexible working hours	+	++	-

### 8.3.3.2 Age sensitive staff policy

In this research the age sensitive staff policies provided by companies in Austria, Germany and the Netherlands was assessed by an analysis of two documents 1) the report *Combating Age Barriers in Employment* by the European Foundation for the improvement of Living and Working Conditions and 2) information provided by the AARP International organisation on the 2011 award for 'Best Employer for Workers over 50'. Unfortunately the first report used is not very up to date, but it does provide some information about the number of Dutch and German organisations providing age sensitive staff policies and the type of policies they implemented.

The report concluded that both countries provided 24 examples of good practice; together they made up about one third of the 150 good practice examples provided by the report<sup>37</sup>. The Dutch companies focussed their attention on training programs. Some of the German companies implemented reintegration schemes for older workers, the rest of the companies focussed mainly on trainings for older workers to deal with organisational change and changes in the age structure of the company. Focus lied on integrating older workers in the general staff. In both countries the visibility of the policies implemented by the companies is good, this can be derived from the fact that researchers working on the report could rely on daily and weekly newspaper publications as a secondary source of information.

The AARP award provides us with interesting information about employers providing age sensitive staff policies. Of the 15 awards distributed in 2011, five went to German companies, one went to a Austrian company and one to a Dutch company. This is not the first year that German companies are rewarded the most awards, in 2010 of the ten awards seven were awarded to German companies and one to an Austrian company, in 2009 and 2008 three out of ten awards were awarded to German companies and no Austrian or Dutch companies were awarded with prizes in those years. The visibility of Austrian companies implementing age sensitive staff policies is poor. Visibility can contribute to image forming

<sup>36</sup> The abbreviations AT, DE and NL subsequently stand for Austria, Germany and the Netherlands

<sup>37</sup> The foundation chose 30 UK, 21 Greek, 17 Italian examples of good practice.

and snowballing; companies might learn from each other. The visibility in Germany is good; recently the new age sensitive policy of BMW was reviewed in several newspapers and on television (CBS news, 2011; Havard Business Review, 2011).

Indicator	Austria	Germany	The Netherlands
Age sensitive staff policies	+	++	+
Visibility of age sensitive staff policies	-	+	+

#### 8.4 Conclusion

In this thesis the question “How can the difference in the participation rate of older workers in Austria, Germany and the Netherlands be explained?” was examined through indicators derived from 3 structural and 3 institutional factors, the independent variables identified by Trommel (1995) as factors that influence the participation rate of older workers on the labour market (the dependent variable). The hypothesis of this research is that more of the chosen indicators will be favourably structured towards the participation of older workers in Germany than in Austria and the Netherlands. In other words the independent variables in Germany will, according to the theories described in chapter 2 and 3, be structured in such a way that they have a more positive effect on the dependent variable than in Austria and Germany.

The table below shows that in Austria the indicators used in this research to measure the structural factors are less favourable than in Germany and the Netherlands. The Netherlands scores even slightly higher on the structural indicators than Germany. For the institutional factors the opposite is the case. Austria scores better on the institutional factors than the Netherlands, but not as good as Germany.

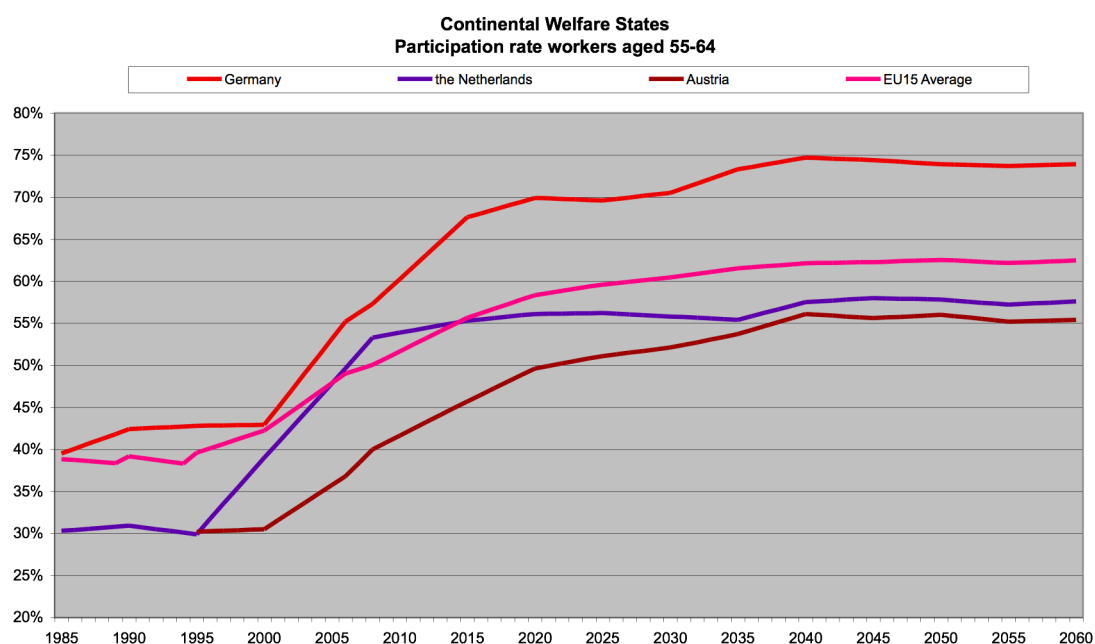
Indicator structural factors	Austria	Germany	The Netherlands
Unemployment %	++	-	+
ALMP as % of GDP	-	+	++
ALMP program type	-	+	++
Perception of health	-	+	++
Job fulfilment	0	0	0
Going to work while being sick	+	+	0
Able to work current job at 60	-	+	++
Wanting to work current job at 60	-	+	+
Checking training needs	-	-	-
Checking training needs of older workers	+	+	-
Age discrimination	-	++	+
Indicator institutional factors	Austria	Germany	The Netherlands
Replacement rate	-	++	-
Disability benefits most favouring participation older workers	++	+	-
Unemployment benefits most favouring participation older workers	+	+	-
Length of unemployment benefits most favouring participation of older workers	++	+	-
Availability of flexible working hours	+	++	-
Age sensitive staff policies	+	++	+
Visibility of age	-	+	+

## sensitive staff policies

The table above shows that the structural factors in Germany and the Netherlands are more favourable to older workers than in Austria. The Netherlands performs well when it comes to ALMP policies, a bit better than Germany. Austria performs least well when it comes to the indicators surrounding ALMP programs. When it comes to the physical and mental wellbeing of older workers conditions are most favourable in Germany. They are less favourable in Austria and the Netherlands, although the conditions are a bit better in the Netherlands than in Austria.

Looking at the institutional factors influencing the participation of older workers we see that the benefits in the Netherlands are most attractive for workers to exit the labour market. Both disability and unemployment benefits are financial and in length most attractive in the Netherlands. In Germany and Austria disability and unemployment benefits are less attractive than in the Netherlands. Working conditions in Germany are better than in Austria and the Netherlands. The combination of stricter social benefits, better working conditions and a low replacement rate can account for the higher participation of older workers. The Netherlands has a high replacement rate combined with more attractive social benefit systems. In Austria social benefit systems are less attractive than in the Netherlands, working conditions are less favourable, as are the structural factors influencing the participation of older workers. These slight differences could be the reason why in Austria the participation of older workers is lower than in the Netherlands.

As the figure below shows, the institutional factors seem to have more influence on the participation rate than structural factors, after all, policy changes distinctly show up in the figure below. The pension reforms Austria implemented in 2000, 2003 and 2004 are clearly reflected in the graph. In the year 2000 the participation rate of older workers starts to increase. German policy reforms in 2001 are clearly represented in the graph as well, as that is the year that in Germany the participation rate of older workers starts to increase. In the Netherlands reforms took place in the 1990s to decrease the number of people exiting the labour market through disability pensions, the graph clearly indicates that the participation rate of older workers started to increase in the same period.



**Figure 9. Participation rate older workers in Austria, Germany and the Netherlands. Source: Data collected from The Ageing Report 2009 (European Commission, 2008)<sup>38</sup>**

From the table and the graph presented in this chapter can be concluded that the participation rate of older workers is mostly influenced by institutional factors; policy changes immediately translate towards an increase in participation. The structural factors seem to have a more subtle, but nevertheless significant, impact; although the institutional factors in Austria are more constructed in a way that should more positively influence the participation of older workers than in the Netherlands, the participation of

<sup>38</sup> Figure 9 is a replica of figure 8 in chapter 4.

older workers is lower in Austria. The structural factors are a lot more positively structured towards high participation in the Netherlands than in Austria and that is probably where the difference in participation rate originates.

## 9 Conclusions and recommendations

### 9.1 Contents of this chapter

In chapter 1 the research question and sub-questions were formulated. In this chapter the answers to these questions will be provided, recommendations will be made and a brief reflection on the theoretical value of this research will be given.

From the research objective derives the following research question;

- How can the difference in the participation rate of older workers in Austria, Germany and the Netherlands be explained?

From this question the following sub-questions arise:

1. How can be accounted for the present participation rate of workers between 55 and 64 years old in Austria, Germany and the Netherlands?
2. Which steps were taken by the countries to increase the participation rate of older workers?
3. What does the part of the population between 55 and 64 years old, not on the labour market, do?
4. How hard is it for older workers to keep/find a job and why?
5. How do the three countries differ and where are their policies affecting the participation rate of older workers the same?

### 9.2 Sub-questions of this research

The following sub-sections will focus on answering the sub-questions.

#### 9.2.1 How can be accounted for the present participation rate of workers between 55 and 64 years old in Austria, Germany and the Netherlands?

The first sub-question in this research focuses on how can be accounted for the present participation rate of older workers in Austria, Germany and the Netherlands.

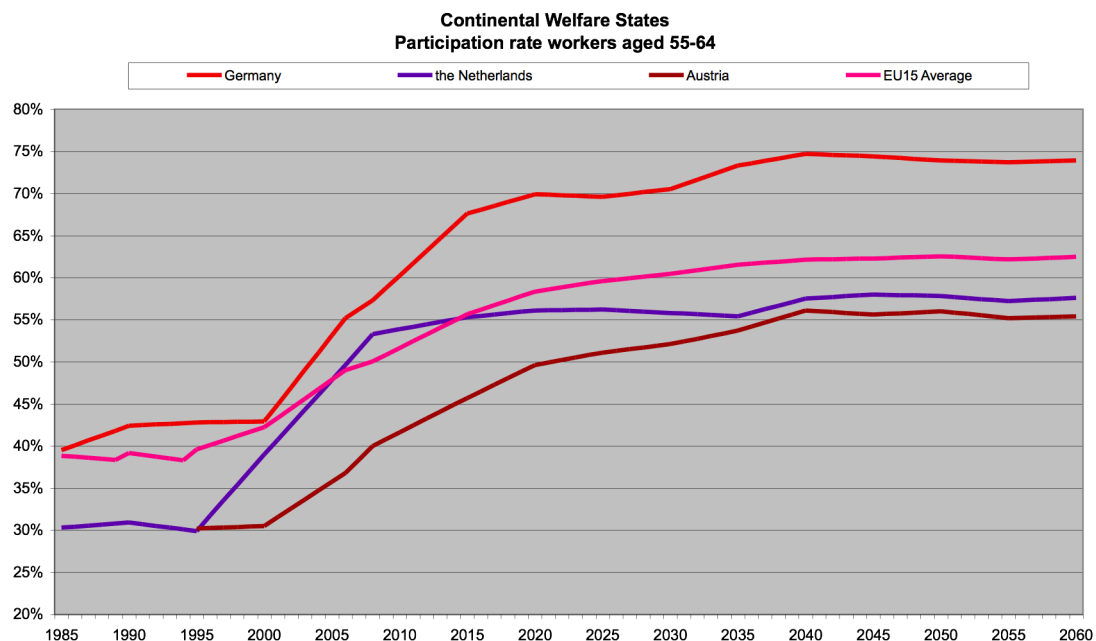


Figure 10. Participation rate of older workers in Austria, Germany and the Netherlands<sup>39</sup>

<sup>39</sup> Figure 10 is a replica of figure 8 in chapter 4 and figure 9 in chapter 8.

Austria is one of the European countries with the lowest participation rate among older workers. Unemployment is traditionally low in Austria, however the early retirement rate is very high. This could suggest hidden unemployment. In Austria (early) retirement schemes were very attractive, it was possible to enter into early retirement when workers were receiving unemployment or disability pensions for a certain amount of time. During the reforms in 2000 and 2003 these possibilities for early retirement were abolished and the age for early retirement was raised. During the 2004 reforms early retirement was reintroduced again. The inactivity rate of women in the 25-49 age group suggests that Austria should focus more on policies that facilitate a work-life balance. Inactivity in the age group 25-49 will spill over to the 50-65 age group. The pension reforms focussed on reducing the government deficit and debt accumulation and increasing pension sustainability. The sustainability of the Austrian pension system is increased but the generosity is decreased. The reform seems to have positive effects on the participation of older workers though; since 2000 the participation of older workers started to increase. New reforms in 2004 reintroduced early retirement and the OECD (2005) warned for declining participation rates. Around 2008 the graph shows that participation started to increase less steep than it did from the year 2000. This decline probably is connected to the global economic crisis, when unemployment increases the participation decreases. In Austria the unemployment did not increase, but the participation rate started to increase less quick, indicating that more people could have retired early than in the period between 2005 and 2009.

In Germany disability pensions were an important pathway into early retirement. In 2001 reforms designed in 1998 came into force, disability pensions became less attractive. Figure 10 shows that the participation rate of older workers started to increase after the reforms took effect.

In the Netherlands disability was the most important pathway for early exit. In the 1990s policies were reformed to decrease the (financial) attractiveness of the disability pensions. Figure 10 shows that the participation rate of older workers started to increase midway through the 90s. The reforms seem to be effective.

### **9.2.2 Which steps were taken by the countries to increase the participation rate of older workers?**

All three countries took steps to increase the participation rate of older workers. In Austria reforms reduced the possibilities for early retirement but some of these reforms were overwritten by new reforms making their impact decrease. ALMP policies have shifted from purely educational programs to job search assistance programs, but the largest part of the budget still goes to educational programs. Since 2006 subsidized low wage jobs are created to increase flexibility in the low wage labour market and make it easier for low skilled unemployed to re-enter the labour market. One of the targeted groups for these jobs are workers over 50. In Austria the retirement age for men is set at 65, but for women it was still set at 60. After a ruling of the constitutional court, finding the difference in retirement age in contradiction with the equal treatment law, the retirement age for women will be gradually increased to 65 between 2024 and 2033. In Austria early retirement was possible due to reduced capacity to work or unemployment, this has been abolished during the 2000 and 2003 reforms. Conditions to enter into disability were eased though, to avoid socially unwarranted hardship. The early retirement age was increased as well and a loss of benefits was introduced for workers who retire early. In the 2004 reforms the possibilities of early retirement were eased again though. Austrian pension reforms focussed on the financial sustainability of the pensions and decreasing the budget deficit; sustainability was increased, but the generosity of the pensions decreased.

Austria implemented policies that make it more attractive for companies to hire older workers, for example by introducing a reduction of non-wage labour costs of older workers and introducing a bonus-malus for companies who hire or fire older workers.

In 2004 a reform was made in the unemployment policies; it was made more difficult to refuse a job, the aim was that older workers do not use unemployment to retire early.

In Germany the unemployment rate increased after the unification of East and West Germany. Employment policies were changed drastically to accommodate the new labour market conditions. Reforms, starting in 1998, focussed attention to job seekers and the objective of the Hartz reforms was to activate the economic potential of the welfare recipients. The Hartz reforms changed the employment policy from an enabling activation system to a mandatory activation system, changing the course drastically and choosing a path deviant reform. Under the Hartz reforms employment increase was achieved. Germany also introduced reintegration policies specifically aimed at older workers (INQA and Initiative 50plus). The pension age will increase from the year 2012 onwards to 67 and part-time retirement is made possible, to accommodate a better work-life balance. Entering into disability pension before the age of 60, is discouraged by decreasing the benefits by 10.8%. As Hanel (2009) concludes; decreasing benefits levels does not discourage labour market exit long-term, but when monthly payments rely on the date of entry workers are more inclined to postpone retirement.

In the Netherlands reintegration policies have changes continues change since the 1980s. Between 1994 and 2000 focussed on the long-term unemployed, policies to prevent long-term unemployment and keep workers devoted to work. Policies were created to interfere with the labour market to create employment for disadvantaged groups; Melkert Jobs, the Job Pool, the Youth Employment Guarantee Plan and Straight Flow Jobs. In July 2011 the Dutch government announced the Vitality Package, a policy package designed to encourage older workers to stay in work longer. Early exit possibilities were decreased and made less attractive, disability pensions were retrenched, as were unemployment benefits. The replacement rate of disability and unemployment benefits was decreased making these exit paths less financially attractive. The durations of receiving the benefits declined as well. The policies seem to have effect, the participation rate of older workers has increased since the mid 1990s.

### **9.2.3 What does the part of the population between 55 and 64 years old, not on the labour market, do?**

In Austria early retirement and family care responsibilities are the biggest reasons for early exit. For older unemployed workers it is difficult to find work, unemployment benefit schemes and early retirement become possible alternatives. Unemployment benefits are not very attractive financially; the replacement rate is only 55%, but increases when family allowances are taken into account. Disability schemes are not a much used pathway in Austria, however, in 2000 retirement due to diminished capacity to work has been abolished and the entry into disability has been eased, this could result in higher exit through disability schemes.

In Germany disability was often used as an exit from the labour market, but reforms in 2000 have decreased the financial attractiveness of disability benefits. Unemployment benefits were changed as well. The social benefit system in Germany has changed under the Hartz reforms to a mandatory system treating unemployment as anti-social behaviour, making unemployment benefits schemes harder to enter and turning down jobs more difficult.

In the Netherlands disability benefits were the most used form of exit as well. In 1985 reforms decreased the replacement rate from 80% to 70.5%, this did not raise the participation of older workers much though (as figure 10 shows). In 1991 the benefits are linked to age and in 1993 and 1994 it becomes less financially attractive for persons under the age of 50 to enter into disability schemes. As figure 10 shows the participation starts to rise (reinforcing the Hanel's (2009) theory, that declining benefits does not increase participation on the long-term, but linking benefits to a certain age might postpone exit behaviour).

In all three countries early retirement is still possible and is being used, mostly in Austria. All three countries have implemented policies to discourage early exit, but in Austria and the Netherlands it is still perceived as normal to retire early.

### **9.2.4 How hard is it for older workers to keep/find a job and why?**

Older workers are still perceived as being expensive and not flexible. All three countries have problems with age discrimination, especially Austria, which has a high incidence of age related discrimination claims.

Because the image of older workers is negative companies are reluctant to hire older workers. They are perceived as workers with high labour costs, who get sick more often and longer, who are less ambitious and less flexible. Companies are reluctant to hire older workers who they believe will want to retire soon. In Austria and the Netherlands where the average retirement age is below EU15 average older workers themselves also expect to retire at an early age.

### **9.2.5 How do the three countries differ and where are their policies affecting the participation rate of older workers the same?**

In Germany the pension age will increase gradually to 67 starting 2012. In Austria the pension age is still different for men and women. The pension age for women is set 5 years earlier than for men, at 60. This will be corrected in the future, but only starting 2024, which is a considerable time away. In the Netherlands the pension age will be increased to 66 in 2020. Germany is a frontrunner when it comes to increasing the retirement age.

All three countries made unemployment and disability benefits less attractive in the course of time. Early retirement schemes have been retrenched as well, although Austria seems to still have the most attractive early retirement scheme.



Policy reforms in Austria seem to focus on the financial sustainability of pensions; decreasing government deficit and debt accumulation. Public expenditures have decreased, but the pension scheme is less generous.

In Germany the pension replacement rate is already lower than in Austria and Germany and also lower than the EU average. This probably makes it less politically attractive to implement reforms that focus on financial policies that will decrease the replacement rate. The lower replacement rate also partially explains the higher participation of older workers. Policies in Germany focus more on activation of older workers. Several policies are implemented to make working more attractive for older workers, but also to make older workers more attractive to employers. Work-life balance seems to get more attention in Germany than in Austria and the Netherlands; working time flexibility is higher and age sensitive staff policy seems to be more common.

In the Netherlands policies to stimulate older workers to stay in work are mostly of a financial nature, releasing tax burdens on older workers who stay in the labour market and making early retirement less financially attractive by increasing tax burdens.

Another difference between the three countries seems to be the attitude older workers have. In Austria workers seem to believe less often that they will be able to do their current job when they reach the age of 60 than their counterparts in Germany and the Netherlands. In Austria less workers want to work their current job when they are 60. The health perception in Austria is also lower than in Germany and the Netherlands. Furthermore, workers in Austria and the Netherlands expect to retire early; they seem to view it as a right not a privilege.

### 9.3 Main research question

The main research question in this thesis will be answered in this section. From the research objective the following research question was derived;

- How can the difference in the participation rate of older workers in Austria, Germany and the Netherlands be explained?

In Germany there seems to be greater attention for age sensitive staff policies and these policies are promoted more. Flexible working hour arrangements are also most favourable in Germany, making a work-life balance easier to attain. This in combination with less favourable social benefits than in the Netherlands and a more positive attitude towards work and a smarter distribution of the ALMP budget than in Austria probably explains the difference between the participation rate of older workers in Germany and in Austria and the Netherlands.

In Austria the structural factors seem to be less favourable towards a higher participation of older workers. Reintegration policies could focus more on services and sanctions, the perception older workers have about their health is a little less than in Germany and the Netherlands, as is their willingness to work when they become 60. Companies invest less and less in trainings of older workers over time, decreasing their employability and their engagement to the workplace. In the Netherlands the number of older workers receiving trainings is even lower than in Austria.

The institutional factors influencing the participation of older workers are more favourable in Germany than in the Netherlands. And although the attractiveness of disability and unemployment benefits is lower in Austria than in Germany, it is easier in Austria to enter into early retirement and the working conditions are better in Germany. Germany does not perform best on all indicators, but on all indicators Germany scores either higher than Austria or than the Netherlands, making the combination of indicators most favourably structured in Germany. This fact combined with the feeling Austrian and Dutch workers have that early retirement is a right can explain partly why the participation rate of older workers is higher in Germany than in Austria and the Netherlands.

### 9.4 Recommendations

In all three countries the number of companies checking the training needs of their employees regularly is lower than in the EU27 (although Germany is only about 3% behind the average). Checking the training needs of the employees and investing in human capital increases productivity of older workers by increasing their bond with the company. In Austria companies should spend more time on checking the training needs of their employees. In Austria the number of workers engaged in trainings has declined steadily since 1995 in all age groups, starting at an average of 74.3% in 1995 to 59.1% in 2010. Especially the number of older workers engaged in trainings has decreased, from 85.2% of the older workers taking trainings in 1995 to only 59.6% in 2010. This is worrisome development; the investment in human capital is declining in Austria and especially the investment in the human capital of

older workers, although this group needs to work on its employability the most. The Austrian government would do well to make companies commit to investments into human capital, this lack of investment will create a loss of productivity and disengagement from work will increase. This will have a negative effect on the participation of older workers, but also on the employability of all workers, which could have a negative effect on employment and the duration of employment for workers of all ages.

All three countries need to invest more in family friendly/women friendly policies to make it possible for women in the ages 25-49 to combine having children with working. The participation of women in this age group lacks behind that of men with over 10% (European Commission, 2008).

In Germany the number of workers engaged in training was increasing slowly but steadily across all age groups between 1995 and 2005. The EWCS survey of 2010 shows a decline of workers engaged in trainings for all age groups, this could be caused by the crisis causing uncertainties for companies, making them more reluctant to invest in human capital.

In the Netherlands companies invest less in trainings than in Austria and Germany. The number of employees engaged in training changes over time. Between 1995 and 2000 the number increases, to decrease again between 2000 and 2005, only to increase again between 2005 and 2010. But less than 50% of the employees receive trainings between 1995 and 2010. In general less older workers receive trainings than workers of other age groups. The Dutch government should stimulate companies to invest in trainings of their employees, especially trainings for their older workers.

Age discrimination also is a problem, especially in Austria. Awareness for this problem needs to be created and the image of older workers needs to be improved. Governments can contribute to this by investing into positive image forming programs. There is a range of actions possible, from ad campaigns, to stimulating companies to lose age restrictions on job adverts and creating for a for older workers within companies and outside of companies.

Austria has reformed a lot of policies in order to stimulate older workers to work longer. The attitude of employees and workers has to dramatically change though for these policies and reforms to take effect. The policies and their motivations should be made more visible to the public. The public needs to be educated on the potential of older workers and their worth to the community and the welfare state. The image of the older worker needs to be modified. Furthermore, some of the reforms are ambiguous, the part-time working scheme that evolved in 'blocking' for example; this scheme undermines policies to stimulate older people to keep working because it provides employers and employees with a de facto early retirement option.

In Austria and the Netherlands the possibility for flexible working hours is less common than in Germany and the structure of the flexible working hours is less favourable to the employees. Both these issues should be addressed in these countries. The option of flexible working hours makes it easier to attain a work-life balance for workers. If (older) workers can combine their work with caring activities or other personal activities they feel they need to explore they will be more inclined to stay in work.

All three countries have examples of age sensitive staff policies, however the incidence of these policies seems to be a lot higher in Germany than in Austria and the Netherlands. As the BMW example shows (CBS news, 2011; Harvard Business Review, 2011), age sensitive staff policy can increase productivity and decrease absenteeism. A lot can be gained by introducing age sensitive staff policies; older workers can physically and mentally cope better with their workplace and disengagement from work can be avoided making it more probable that older workers will postpone retirement.

It is important for all countries to increasing the attention paid to the image of older workers. A lot of studies conclude that older workers have a lot of positive characteristics that can contribute to the productivity of companies. Examples already exist of companies who have introduced age sensitive staff policies and have seen an increase of productivity and a decrease in absenteeism. Information campaigns should be started to inform companies on how age sensitive staff policies can be introduced. It is also important that companies who have introduced these policies get attention through the media and through the government. Awards like the AARP award could be introduced locally or nationally; visibility is also important, websites and campaigns for these awards create awareness and snowball effects might occur.

As chapter 8 concludes, policy changes directly affect the participation of older workers. Increasing the retirement age, combined with less attractive early retirement possibilities, where replacement rates are linked to the age of entry have to most significant positive effect on the participation rate of older workers.

## 9.5 Reflection on this research

The combination of factors suggested by Trommel (1995) to influence the participation of older workers is very comprehensive. It offers a broad perspective of factors that influence the participation of older workers. His research seems to be one of the few studies that offers such a comprehensive understanding of the complex interaction between factors that influence the participation of older workers. It is however not easy to attain information on for example the skill levels of older workers or their mental wellbeing. It would also be interesting to do more research into the perception populations have on older workers and older people in general. Are there cultural differences in how these older people are perceived between Western European countries like Austria, Germany and the Netherlands?

Each of the six factors mentioned by Trommel can be researched in length. For a more accurate research result this probably should be done, this however does not fit in the financial space and timeline available for this master thesis.

In this research the difference in participation between men and women is only discussed briefly. More research should be done in the factors that influence the participation of women in childbearing age and the consequences this has for their participation when they are between the ages 55-64. In this research these factors were not included because of time restraints and the volume that this inquiry would produce.

This research has been a case study with a comparative analysis of many different indicators. The structural and institutional factors mentioned by Trommel leave a lot of room for interpretation, how do you measure the mental wellbeing of older workers or the perception of older people or working conditions. In this research a certain set of indicators is used to measure the impact of all these factors as precisely as possible, but a lot of other indicators might have been chosen as well, creating different results. In this case study the combination of favourable conditions of structural and institutional factors coincides with a higher participation of older workers. But different indicators might result in a contradiction with the Trommels theory.

This research does provide insight in the interplay of the indicators formulated in chapter 3 in the three countries chosen for this research. This research creates a picture of the conditions under which older workers participate on the labour market and what influences their decision to stay active.

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