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**Main features of age-oriented policies
in Austria, Belgium, Denmark, Germany
and the Netherlands
(Synthesis report)**

(Leonardo II project Ageing and Qualification:

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Introduction

The Leonardo II project AGEQUAL – “Continuing vocational training for older employees in small and medium-sized enterprises (SMEs) and the development of regional support structures” is being conducted jointly by research institutes from Austria, Belgium, Denmark, Germany as well as the Netherlands.¹ It is specifically devoted to promoting the vocational qualification of older employees in small and medium-sized enterprises with a view to stabilising employment amongst older people. The AGEQUAL project focuses on older employees’ low level of participation in qualification measures, on under-investment in human resources in SMEs in particular, and on the deficits observed in regional support structures due to a lack of experience in the vocational qualification of older employees.

In 20 years’ time, every second European will be over the age of 50. The ageing problem is one of the great challenges the EU has to face up to in future, in order “*to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.*”² The EU heads of state formulated this goal in 2000 at the Lisbon European Council. They also decided on a later meeting in Stockholm in March 2001 to “*set an EU target for increasing the average EU employment rate among older women and men (55-64) to 50% by 2010.*” The Barcelona European Council in 2002 added the goal of “*a progressive increase of about 5 years in the effective average age at which people stop working in the European Union by 2010.*”³ The evaluation of progress achieved with the Lisbon strategy, reported in November 2004 in “Facing the challenge: the Lisbon strategy for growth and employment” (Kok Commission)⁴, reveals, however, that the European economy has failed to deliver the expected

¹ The following partners are involved in the AGEQUAL project: the German co-ordinators - the University of Erfurt and the Federal Institute for Vocational Education and Training (BIBB) - and the project partners 3s Research Laboratory (Vienna, Austria), Studiecentrum voor Ondernemerschap (SVO, Research Centre for Entrepreneurship) at EHSAL K.U. (Brussels, Belgium), Center for Arbejdsmarkedforskning (CARMA Center for Labour Market Research) at the University of Aalborg (Denmark) and Kenniscentrum beroepsonderwijs arbeidsmarkt (KBA, Knowledge Centre for Vocational Education & Labour Market) (Nijmegen, Netherlands).

² http://www.europa.eu.int/comm/employment_social/employment_strategy/index_en.htm (accessed 5 October 2006)

³ http://www.europa.eu.int/comm/employment_social/employment_analysis/age_en.htm (accessed 5 October 2006)

⁴ European Commission (ed.) 2004

performance in terms of growth, productivity and employment. Job creation has slowed and there is still insufficient investment in research and development. The intermediate evaluation in the Kok report shows that in 2003, the employment rate for older employees only exceeded the target rate of 50% in six of the EU member states (Cyprus, Denmark, Estonia, Portugal, Sweden and the United Kingdom). Only two more countries (Finland and Ireland) showed an employment rate close to the target rate (between 45% and 49%).⁵ The Kok Commission recommended a comprehensive ageing strategy by 2006: *“An active ageing strategy requires a radical policy and culture shift away from early retirement, towards three key lines for action: providing the right legal and financial incentives for workers to work longer and for employers to hire and keep older employees; increasing participation in lifelong learning for all ages, especially for low-skilled and older employees; and improving working conditions and quality in work.”*⁶

The European Commission therefore decided to focus attention on the action to be taken rather than targets to be retained. It switched from medium- and long-term emphasis on these targets to making policy recommendations for urgent actions, particularly with regard to employment. In February 2005, the European Commission proposed a new start for the Lisbon strategy, focusing on delivering stronger, lasting growth and more and better jobs. It states in “Common Actions for Growth and Employment: the Community Lisbon Programme”: *“The goal of the Lisbon partnership for growth and employment is to modernize our economy, in order to secure our unique social model in the face of increasingly global markets, technological change, environmental pressures and an ageing population.”*⁷ This goal identifies three strands of priority action:

- Raising the capacity to grow through knowledge, research and innovation,
- Making Europe a more attractive place to invest and work,
- Creating more and better jobs.

The EU-level actions are outlined in the Community Lisbon Programme, and during 2005 the EU member states had to identify their national-level challenges and policy responses in the “National Reform Programmes for 2005-2008.” The European

⁵ European Commission (ed.) 2004, p. 48/50

⁶ European Commission (ed.) 2004, p. 34

⁷ European Commission (ed.) 2005, p. 2

Commission mentions the promotion of a “life-cycle approach to work” as an important policy goal in order to tackle the problems of an ageing society. Three issues are of crucial importance in such an approach: lifelong learning, reconciliation of work and family life, and flexible retirement to extend working life. Such an “active ageing” policy touches many policy fields and involves many societal actors (the state, social partners, enterprises, employment services, etc.).⁸

In 2004, six countries (Sweden, Denmark, United Kingdom, Estonia, Finland and Portugal) achieved the EU target of a 50% employment rate among older women and men (aged 55-64). The average for all 25 EU member states was 41%. As regards the five AGEQUAL countries, Denmark ranked in 2nd place among the 25 EU member states with a rate of 60%, the Netherlands ranked 11th with 45%, Germany came 13th with 42%, Belgium came 21st with 30% and Austria took 23rd place with a rate of 29%.⁹

Currently, great disparities can also be observed in the age wedge, i.e. the difference between the employment rate for 55- to 64-year-olds and that of the 25- to 54-year-olds. Whereas in Slovenia – the country with the biggest age wedge – the employment rate for older people in 2004 was 56 percentage points lower than for younger people, in Sweden this age wedge was just 14 percentage points. Austria was the country with the second highest gap – 54 percentage points. In Belgium the gap was also very high, at 47 percentage points. In the Netherlands and Germany, the difference was much lower (37 and 36 percentage points respectively) and was close to the EU25 average (36 percent points). With 23 percent points, Denmark had the second lowest age wedge.¹⁰

Some groups of older persons had an employment rate of less than 50 percent: in almost all countries, this applied to the low- and medium-skilled women (with the exception of Sweden and the United Kingdom) and, in 15 countries, to the less skilled men. In addition, the employment rate was below 50 percent for older women with a medium qualification in 20 countries, and for men with a medium qualification

⁸ http://ec.europa.eu/employment_social/social_model/1_en.html (accessed 11 October 2006). See also http://ec.europa.eu/growthandjobs/key/index_en.htm (accessed 16 October 2006). This site offers an overview of key documents on the Lisbon Strategy.

⁹ Eurostat, Employment rate (55 to 64 years), annual average 2004

¹⁰ Eurostat, Employment rate (25 to 54 years and 55 to 64 years), annual average 2004

in 12 countries. For high-skilled men in all EU member states, and for high-skilled women in all but 7 member states, the employment rate was more than 50 percent.¹¹

In order to achieve the EU policy aims of an “active ageing policy”, the abolition of early exit policies alone will not suffice. The political debate is increasingly focusing on promoting the continuing vocational training of older employees and unemployed persons. Age-oriented policies – aiming to activate older people to stay in work and to activate enterprises to retain and train older employees – are structured by the supply and demand for labour in a given country. It is therefore necessary to analyse conditions in the labour market in order to identify policies which support the matching processes in the labour market. It is important to identify exogenous and endogenous processes – processes that cannot be changed and processes that are open to change – in the labour market in order to identify possible intervention opportunities. Supply-oriented, demand-oriented and matching-oriented interventions have to dock with these intervention options.

This synthesis report focuses on the labour supply and labour demand which influences age-oriented policies in the five AGEQUAL-countries: Austria, Belgium, Denmark, Germany and the Netherlands.

The first part of the report describes approaches to analysing the changing world of work and its consequences for passive and active labour market policies, especially for age-oriented policies. These approaches consist of the OECD policy approach of an activating employment policy, the EU employment guidelines together with the employability concept, the concept of transitional labour markets, and the flexicurity approach.

In the second part, the synthesis report describes early exit policies – based on the project background reports of Austria, Belgium, Denmark, Germany and the Netherlands (prepared by the project partners)¹² – and the gradual abolition of such policies as well as the (growing) need for continuing vocational training for older employees and unemployed older persons.

¹¹ Eurostat, Employment rate by highest level of education attained, annual average 2004

¹² Lambrecht / Arijs 2005; Moraal 2006; Sørensen / Møberg 2005; Meijer 2005; Hefler 2006

Part A: Theoretical framework

A1 Introduction

The countries' national labour markets are currently confronted with a number of far-reaching structural developments, especially the increasing trend towards internationalisation (globalisation, Europeanisation), on the one hand, and emerging social diversity among individuals (changing individual preferences, choices, careers and life cycles). These developments apply to all countries in Europe.

The European Union's Lisbon agenda reacted to these developments with the policy option that Europe in 2010 should be the most competitive economy in the world. However, it has been also agreed that this must be achieved by means of more, better and secure jobs for all; and hence, high employment levels for all societal groups.¹³

The European policy approach to these developments is influenced by four important sources:

- the OECD policy approach of an activating employment policy,
- the EU employment guidelines as well as the employability concept,
- the flexicurity approach and
- the concept of transitional labour markets.

The discussion combines the analysis of several important socio-economic developments with policy options. Key words here are: (future) developments on the labour market, individualisation, flexibility, security, active and passive labour market policies, flexicurity, employability, ageing, and the life-cycle approach.

From as long as the beginning of the 1990s, the **OECD** has been discussing more intensively the **transition from a passive employment policy to more active employment** strategies.¹⁴ The OECD has indicated that countries should pursue a

¹³ http://www.europa.eu.int/comm/employment_social/employment_strategy/index_en.htm (accessed 5 October 2006)

¹⁴ OECD (ed.) 1990; Calmfors 1994

more active policy, which is based on the prevention of unemployment (active labour market policy) as well as the reactivation of the unemployed. This active policy aims to enhance and maximise labour force participation.

The central aim of the Jobs Summit in Luxembourg (1997)¹⁵ was to determine specific **employment guidelines** for the EU member states and to achieve an overview of the employment policies in the EU by comparing the national employment plans. The Jobs Summit had to come up with a more thorough assessment of the following points:

- The political commitment of the EU member states to combat unemployment.
- Comparison of EU member states and identification of "best-practice" examples in the field of employment policy.
- The definition of subsequent measures in the field of employment policy.

In the documents from the European Jobs Summit in Luxembourg, the term "**employability**" is already mentioned as an important constituent of the employment guidelines for the EU member states. *"Employability or enhancing people's capacity to be employed... is, in many ways, the core of the guidelines"*.¹⁶

In Pillar 1 of the employment programme "Creating a New Culture of Employability", the European Commission's definition of the term employability can be found: *"In its labour force, Europe has great potential for economic growth and prosperity. There are about 18 million unemployed and a further 8-9 million people who would like to work. To turn this potential into reality, a new culture of employability has to be developed. Employability means the capacity for people to be employed: it relates not only to the adequacy of their skills but also incentives and opportunities offered to individuals to seek employment"*.¹⁷

¹⁵ See http://ec.europa.eu/employment_social/elm/summit/en/home.htm (accessed 6 October 2006)

¹⁶ See http://ec.europa.eu/employment_social/elm/summit/en/papers/flynn.htm (accessed 6 October 2006), European Commission (ed.) 1998 and European Commission (ed.) 1997

¹⁷ See "Proposal for Guidelines for Member States' Employment Policies 1998" (http://ec.europa.eu/employment_social/elm/summit/en/papers/guide.htm, accessed 6 October 2006) and "What to do? A European employment strategy based on four pillars" (http://ec.europa.eu/employment_social/elm/summit/en/backgr/pilars.htm, accessed 6 October 2006)

This definition contains the two central dimensions of the term employability: on the one hand, the personal competencies (of employees, (partially) disabled employees, unemployed persons and recipients of social assistance), and on the other hand, the policy approaches which have to be implemented by the institutional labour market actors (enterprises, employers' organisations, trade unions, employment services, local authorities, etc.) in order to facilitate the adaptation of the working population's existing competencies to constantly changing labour market conditions.

In the Lisbon Agenda, the European Commission explicitly mentions the need to combine flexibility and security as a policy option for socio-economic development in European countries. An increasing awareness of the need to implement the so-called **flexicurity model** (the combination of flexibility on the labour market and social security for the individual) can be observed.

Combining the policy approaches mentioned above with an analytical approach to societal developments, the concept of **transitional labour markets** has been developed by the Wissenschaftszentrum Berlin für Sozialforschung (WZB, Social Science Research Center Berlin). The concept argues that new socio-economic dynamics on the labour market are emerging. The "transitional labour market" concept assumes that the number of transitions in and out of work will increase in future, and that the labour market functions better if individuals, institutions and policies are able to cope with these transitions. In short, the "transitional labour markets" concept describes the dynamic relationship between paid work (the core labour market) and unemployment and other useful personal and/or societal situations such as arrangements within private households, education and retirement. The concept is first and foremost "heuristic" and should be seen as a framework for research design in order to grasp the relationships between the core labour market and other societal situations. However, it also describes the institutional labour market structures and strategic policy options for passive/active labour market policies.¹⁸

¹⁸ See chapter A3.1 for details.

A2 Societal developments: current situation and future trends

The internal (enterprise) and external (societal) labour markets are changing. At present there are two socio-economic tendencies which mutually complement one other. On the one hand, company tenure¹⁹ is becoming less common for employees (caused by dismissals, re-engineering, outsourcing etc.) while on the other hand, job tenure²⁰ is vanishing. Thus, the guarantee of a lifelong workplace as well as lifelong employment in the same job is becoming increasingly unrealistic.

Many of the traditional workplaces in the “blue collar” sector (declining importance of manufacturing) and even in the “white collar” sector (e.g. banking) have already disappeared and/or are disappearing. Enterprises are increasingly forced to produce goods and services using fewer and fewer employees. There is a tendency in many enterprises towards core employees doing the regular work, whilst the enterprises’ other more discontinuous activities are contracted from the external labour market.

Within a short time, it will become a dominant tendency for enterprises – and especially the large-scale enterprises, of course – to rely only on their core employees, and to buy in any other work from external labour markets. This will dominate employer-employees relations in future. The future working population will probably consist of:

1. The **core employees**: a small group of highly qualified experts, technicians and managers as well as a core group of skilled/unskilled employees.
2. A quantitatively important group of **highly qualified external experts**, who will temporarily work for enterprises on a contract basis. This group will take on many tasks formerly done by middle management.
3. A **temporary labour force** of semi-skilled workers for peak times.
4. The **short-term unemployed**.
5. The **long-term unemployed**.

Such a relationship between employer and employee seems ideal from the viewpoint of enterprise costs. However, the just-in-time production going on in enterprises is

¹⁹ The German expression is “Betriebsbindung”.

²⁰ The German expression is “Berufsbindung”.

consistent with just-in-time work and, in many enterprises, even just-in-time training. This future “employment relations model” may, however, disrupt the continuity of production of goods and services and/or make it impossible. It is, of course, just as much in the enterprises’ interests to maintain the continuity of production of goods and services, and so this implies more or less stable employer-employee relations.

Of course, these changes on the internal labour market within enterprises also affect the external labour markets in sectors, regions and the society as a whole. One important development is that the classic pattern of the working lifespan is gradually losing its dominance in working life: the prototype of the male breadwinner in full-time employment, who works until the age of 65, is gradually diminishing. That does not mean that employees will work less, but that the work is more evenly distributed over a lifetime. However, the changes in working-life patterns will not develop all that rapidly. Thus, regular employment is still the norm for the great majority of employees. So far, job-hopping affects only special groups in the labour market. The traditional working-life pattern is still the most usual working pattern by far for employees. However, there is an increasing mixture of working-life patterns for employees: some men, but especially women, alternate periods of work with periods of leave, education and caring responsibilities. Employees attach more and more importance to a good balance between work and private life. The ongoing debate on “the changing world of work” concludes that the shift from an “*employee-based industrial society*” to an “*entrepreneur-based knowledge society*” will bring about a new situation where the “*single individual has to take over a direct responsibility for his own work and his life*”, and thus “*the single individual will be the entrepreneur of his own working power and his life*”.²¹

²¹ The discussion relating to the concept of the individual employee as the “entrepreneur of his own working power” was in Germany initiated by the “Kommission für Zukunftsfragen der Freistaaten Bayern und Sachsen”, see: Kommission für Zukunftsfragen der Freistaaten Bayern und Sachsen (ed.) 1997, p. 34. For further information see <http://de.wikipedia.org/wiki/Arbeitskraftunternehmer> (accessed 11 October 2006). See for a critique of this concept Moraal 2001.

A3 Policy approaches

A3.1 The concept of “transitional labour markets”

In order to put the discussion relating to the changing world of work in a broader perspective this report will confront these developments with the concept of “transitional labour markets” which was developed in the 1990s by Prof. Günther Schmid and his colleagues at the Social Science Research Center Berlin (WZB).²²

This concept influenced likewise scientific and policy discussions regarding ongoing developments on the internal and external labour markets, because it delivers an interesting – in the first instance, “heuristic” – vision of the new social and economic dynamics in societies. Moreover, the concept stresses the relevance of transitional labour markets for future labour market research and labour market policies.

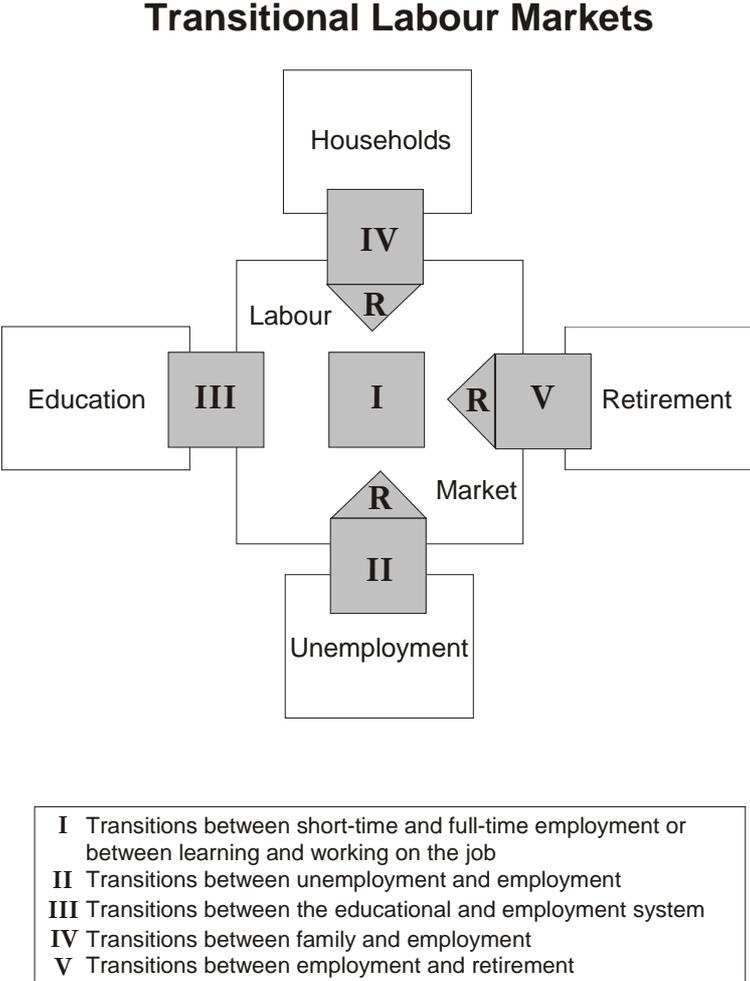
Individualisation of society leads to discontinuous life-cycle and working-life patterns. In the future, transitions in and out of work will increasingly determine individual working life and thus labour markets. As a framework for the changes in individual work patterns and their consequences for passive and active market policies, the analytical concept of the “transitional labour market” is very fruitful. Transitional labour markets are characterised by both continuing transitions of persons within

²² See Schmid 1993; Schmid / O'Reilly / Schömann (ed.) 1996; Schmid 2002, Schmid 1994; European Academy of the Urban Environment (ed.) 1998; Reci / de Bruijn 2006 and de Gier / van den Berg 2005. The transitional labour market approach was first published by Günther Schmid in 1993 in the WZB discussion paper “Übergänge in die Vollbeschäftigung. Formen und Finanzierung einer zukunftsgerechten Arbeitsmarktpolitik“. Intensive international research using the “transitional labour market” (TLM) approach followed in the subsequent years. A comprehensive description of all aspects of transitional labour markets can be found in the “International Handbook of Labour Market Policy and Evaluation” (1996). An important international comparative research project using the “transitional labour market approach” was funded by the fifth framework programme the Socio-Economic Knowledge Base of the European Commission. The project “Managing Social Risks through Transitional Labour Markets” aimed to contribute to the modernisation of the European Social Model and to stimulate the European debate on the right to work. The transitional labour market approach demonstrates the need to change social policies in the European Union with the objective to improve the management of old and new social risks in combination with various employment systems. Research on basic labour market transitions and transitions into other spheres of social life - such as learning, caring, unemployment and retirement - provides evidence of the labour market dynamics and the risks involved in those transitions. The project contributed, adopting a comparative perspective across the EU countries, to the analysis of the European Social Model and the proposals for its reform. On the homepage of the project many articles relating to the TLM approach can be found (<http://www.siswo.uva.nl/tlm/index.htm>, accessed 19 October 2006).

labour market segments (part-time/full-time employment and unemployment) and transitions to other socio-economic segments (e.g. education, care and retirement).

The concept is a “heuristic” concept, first and foremost, and should be seen as a framework for research design in order to grasp the relationships between the core labour market and other societal situations. However, it also describes the institutional labour market structures and strategic policy options for passive/active labour market policies, e.g. the implementation of institutional arrangements. Thus, employment promotion has to take account of these developments with framework regulations put in place by the state. Figure 1 describes the basic assumptions of the “transitional labour market” concept.

Figure 1: Transitional labour markets



Source: Schmid 2002, p. 232

The core of this concept is that individuals will not occupy one fixed position during their working lives, but several. This of course means a substantial break with the traditional approach whereby individuals during their working lifetimes occupy unique positions with unique time-sequences. Moreover, they can occupy several positions at the same time (e.g. combining part-time work with care) – in this case, the important link with the core labour market can continue to exist. Figure 1 shows the characteristics of transitional labour markets and illustrates the transitions within the core labour market and between the core labour market and other societal segments or sub-systems.

This analytical scheme can be interpreted on the level of the individual and the individual's life cycle and working life. It then shows how an individual can have several employment situations in his lifetime career ("patch-work career"). The individual thus "jumps" from one situation into another. This is also the central assumption of the "individual notion" of the employability concept (see chapter A4.3). The individual needs to be able to manage all these situations and thus remain employable all the time.

The causes of transitions vary, however. They may be caused by unemployment, illness, (partial) disability, (semi-) retirement, care leave or (re-)training. A difference exists between transitional situations II (transitions between unemployment and employment), IV (the transitions between households and employment), V (transitions between employment and retirement) and III (transitions between employment and education). In situations II, IV and V, a return to the core labour market is only possible in most cases with training or retraining (**R**). This retraining of the unemployed, of women wishing to work, and even in some cases the activation of older people is an important part of active labour market policy in European countries. Transitional situation III also describes the continuing vocational training of employees as well as training in connection with e.g. educational leave, parental leave or job-rotation (the Danish concept). The AGEQUAL project focuses mainly on transitional situations V and II.

Positional changes are not just flows between situations, but are also determined by permanent societal structures/institutions. The combination of flows and societal

situations, moreover, defines the transitional labour market concept not only as an analytical research concept, but also as a docking point for passive and active labour market policies. Thus, this “heuristic” scheme of transitional labour markets additionally implies the institutional prerequisites to implementing policies which aim to further smooth and steady transitions. It also shows the institutional settings / arrangements for possible interventions: e.g. training interventions by the state, collective agreements regulations, ageing policy etc. In this respect, the concept not only describes the movement of persons from one activity position to another over time. Its other main feature is that it links these flows to the societal institutional structures and acts as a docking point for socio-economic policies, especially passive and active labour market policies.

Thus, the “transitional labour markets” concept not only describes the different stages in the lifetime of individual members in a society, but also implies the individual’s choice on how to cope with the different stages, as well as societal regulation / arrangements (by law, social policy measures etc.) of these institutions. One of the central questions raised by the concept is the form of the political strategies to be used in the different transitional stages to further these transitions. This is the institutional setting of the “transitional bridges” between work and non-work.

The concept assumes that the labour market works better if individuals are able to cope with the transitions in and out of work which occur during their working lifetimes. “Activating employment policy” has to provide and institutionalise “transitional (framework) regulations” between work and non-work and create the possibilities for individuals to react successfully to breaks in the individual life cycle or working life patterns. The degree to which individuals react successfully to critical life events stipulates the quality of their lifetime careers. This also implies a political debate concerning the different transitions. It is necessary to create possibilities for individuals to maintain a continuous link with the labour market throughout their lifetimes. If individuals are (temporarily) outside the core labour market, institutional stimuli should exist which enable individuals to return to work. In this respect, it is important to continuously invest in human capital. It is important for the policy to reduce fixed choices which cannot be changed in future. The enterprise is an important determinant of working-life patterns. Working-life patterns are linked

directly to processes within enterprises. Among other things, enterprises need to adapt to rapidly changing market-conditions, on the one hand, and to ensure a certain stability as well as continuity of production, on the other. A flexible use of the labour force secures an optimal use of production factors. However, a strong emphasis on flexibility also harbours dangers, for example to the continuity of the labour supply. A high rotation of personnel bears high operational costs, on the one hand, e.g. (induction) training, and diminishing staff commitment and enterprise loyalty as well as insufficient investment in human capital, on the other. Participation in working life is a condition for the social inclusion of individuals and societal groups. However, in future more and more individuals are confronted with voluntary and involuntary transitions in and out of work.

A3.2 Transitional forces on the labour market: the PUSH, PULL, JUMP, STAY, (RE)ENTRY approach

The AGEQUAL project – following the concept of transitional labour markets – focuses on the transitions from the core labour market into retirement and vice versa (transition V) as well as from (long-term) unemployment of older persons to the core labour market and vice versa (transition II). These transitions, however, are not mere supply and demand processes, as the so-called PUSH, PULL, JUMP, STAY, (RE)ENTRY approach stipulates.²³

In this approach, patterns of different combinations of economic and non-economic transitional forces are often described as PUSH, PULL and JUMP processes, steering the supply of labour on the one hand, and STAY and (RE)ENTRY processes, steering the demand for labour on the other hand. The main questions in relation to understanding the transitional forces, e.g. from work into retirement and vice versa, are whether these transitional forces are based on structural constraints or on rational individual choices.

²³ This chapter is based on an internal project paper prepared by the project partner CARMA (see Sørensen / Møberg 2005). See also Bredgard / Larsen 2005 and Gambetta 1987.

The labour supply aspects are:

- PUSH forces – primarily endogenous work-related forces, such as worsening working conditions, increasing workload and work-stress.
- PULL forces – primarily exogenous forces, such as favourable pension arrangements (e.g. early exit options).
- JUMP forces – more based on individual preferences (choices between voluntary work and employment, leisure activities and employment etc.).

The labour demand aspects are:

- STAY forces – primarily endogenous work-related forces, such as favourable continuing vocational training conditions in enterprises.
- (RE)ENTRY forces – primarily exogenous forces, such as abolition of early exit options, extension of the pension age.

Transitional processes are determined by policy interventions on the part of the state. The national regulation of pensions and early retirement schemes is important to the general pattern of the employment rate in groups aged between 55 and 64. However, the crucial actors are the enterprises and their willingness and interest in retaining the older members of their staff in employment and/or increasing recruitment among unemployed older persons who are prepared to work again. But besides policy measures and economic conditions, a decision over staying or leaving the labour market also depends on a wide diversity of non-economic motivations relating to a job's appeal in relation to individual preferences – as compared with the appeal of the freedom to choose how to spend the “free” time following retirement. It is the combination of economic and non-economic motivations, incentives and disincentives, which steers the transition in and out of work respectively.

A3.2.1 Transitional forces influencing labour supply

Dimensions of PUSH forces

The most decisive PUSH-factor is the **dismissal of employees**. Such redundancies could be the result of a general recession – or of reduced employment in some sectors, or in certain enterprises in the sector.

Another important PUSH-factor is the **(partial) disability** of employees.

A less decisive PUSH-factor would be a **worsening of job conditions**. Such a worsening could affect most of the workers in an enterprise – or it could selectively affect only older employees or only relatively low-skilled/unskilled workers.

PUSH could also be exercised if the employer offers a **“golden handshake”**, a lump sum of money as compensation for dismissal. Instead of money, the enterprise might offer paid continuing vocational education and training, giving fair chances of finding a satisfactory new job.

A further possibility is that the enterprise could offer **permanent employment, but on condition of “grading down”** (as opposed to a promotion), implying either a worsening of job conditions or reduced wage and esteem (or both) – which, if rejected, would function as a push-factor.

Summing up, decisive PUSH factors relate to the inability to maintain a satisfactory/acceptable/suitable job. However, in any of these cases, PUSH factors depend to a high degree on the personnel policy strategies pursued in the enterprises.

Dimensions of PULL forces

PULL is seen, in general, as the result of making it **economically possible** to withdraw from the labour market – where “possible” depends upon age, health conditions and income level as compared to the income expected from continued

labour market participation. A reduction of the PULL factor is on the agenda in most European countries, either by raising the age conditions, by sharpening definitions of disability or by reducing the income compensation for those leaving the labour market. Many of the proposals for reforms in many European countries are directed towards making these conditions less favourable in general.

Besides that, PULL might also be reduced if postponing retirement a number of years into the future would result in a lump sum of money and a higher level of **early retirement wage compensation** for the last few years until “normal” retirement age.

PULL could be related to the degree to which job satisfaction, the working environment and job conditions fulfil (and will continue to fulfil) the **preferences of the individual** considering continuing or retiring from work. Of course, these individual preferences are influenced by an individual’s former education and socialisation, including their working-life biography – and are thereby related to socio-economic situations.

Dimensions of JUMP forces

An important dimension of JUMP forces is the **individual trade-off between work or leisure time**. If the individual living conditions offer much more interesting and/or satisfactory activities and occupations – be it hobbies, small-scale utility-value production for the household, the neighbourhood or the community, membership of clubs or associations, care for children, grandchildren or other family members – then a “jump” out of the labour force, away from waged work and over towards self-determination of everyday-life, would seem rather tempting. This of course has to be balanced against the economic costs of retirement from the labour market. If the costs in the form of income loss are not too high, the temptation to “jump” is naturally higher.²⁴

²⁴ It might be claimed that PULL forces and JUMP forces describe the same processes. However PULL only relates to a comparison of economic standards inside or outside a job – whereas JUMP depends on an individual comparison of activity options inside or outside waged work, leaving economic standards as only a matter of secondary importance. In the latter case, even a large cutback of early retirement wage compensation would have only limited effect, as maintenance of the earlier level of income for older people often becomes less important when provision for children is not longer a problem, housing costs have diminished, etc.

A3.2.2 Transitional forces influencing labour demand

Dimensions of STAY forces

An important dimension, which supports the STAY forces, is permanent updating of the qualifications of older employees and hence the permanent **continuing vocational training** of older employees.

Another dimension is improving **working and health conditions** for older employees.

Dimensions of (RE)ENTRY forces

In the case of dismissals of (older) employees having very little chance of finding any other job, the **training or re-training** of the unemployed is an important policy option. The crucial question here is what chances the individual might have of returning to employment. This depends on individual characteristics, especially if qualifications have “transfer value” and are in demand elsewhere in the employment structure and – of course – age can be a factor. Even with appropriate qualifications, an enterprise might prefer a younger applicant for whom the financing of continuing vocational training shows a better return on the balance sheet. Unskilled or low-skilled older employees are therefore very vulnerable to (RE)ENTRY measures – and so are some skilled workers, depending upon whether their qualifications are scarce (or unique, which might be the case for some groups of highly educated top-level employees) or are common and eventually in surplus in the labour market.

Older persons with (partial) incapacity, who cannot therefore find a job on “normal” terms, can be integrated into the labour market if they are offered public support for establishing **jobs on some kind of “protected” conditions**.

Employers could also make jobs for older employees more **attractive**, so that waged work could compete better against “non-waged work” activities. Job enrichment and a more attractive working environment might therefore prove effective.

A4 Policy implementation levels

The above discussion of the influences of PUSH, PULL, JUMP, STAY and (RE)ENTRY processes makes it clear that public policy can primarily influence PULL forces and indirectly influence STAY and (RE)ENTRY forces which govern exit and entry mechanisms on the labour market. At present governments especially are reducing the PULL forces in order to increase the size of the active labour force, the supply side. Public policy can influence the PUSH- and JUMP-factors to a limited extent, and this influence would be indirectly, deduced from and connected to PULL-oriented policies. The main power influencing PUSH is, of course, exerted by the employers and the main decision-makers concerning JUMP are the individual employees (even though the latter correlates with the qualities of working life which mainly depend on the employer's economically-based decision-making power).

However, the discussion has also shown that policies influencing enterprises have an important role to play – or, in other words, it is very important to draw attention to the demand side of the labour market. The importance of the demand side is of course most directly related to the STAY and (RE)ENTRY forces, since it is the enterprises that decide over hiring and firing. The ability of the enterprises to avoid involuntary JUMP is limited in the short run, but could be improved over a longer-term perspective if enterprises concentrate their personnel policies more on training as well as retraining of conditions in the enterprises. The STAY and (RE)ENTRY forces are important in relation to the negative aspects of the PULL forces. To attract appropriate staff an enterprise must ensure that the working conditions resulting from a personnel policy are well adjusted to the – divergent – preferences of both existing staff members as well as the types of persons which the enterprise would prefer to recruit.

The gradual disappearance of company tenure and job tenure characterises the “changing world of work” and the influences on the “internal” and “external” labour markets. On the individual level, the concept of “transitional labour markets” pinpoints the different transitions in and out of work with which individuals have to cope during their working lifetime. Additionally, on the societal level, the concept also describes permanent transitional situations. The forces which govern the transitions in and out

of work are described by the PUSH, PULL, JUMP, STAY, (RE)ENTRY processes, especially for the transitions from work into retirement and from (long-term) unemployment into work and vice versa. These transitions in and out of work also imply the institutional prerequisites of implementing policies to further smooth and steady transitions. Thus, it also shows the institutional settings / arrangements for possible interventions: e.g. training interventions by the state, collective agreements regulations, ageing policy etc. In the following, the synthesis report describes more theoretically, based on the foregoing discussion, different policy approaches concerning the implementation of age-oriented policies.

A4.1 Policy implementation: Flexicurity

The transitional situations on labour markets mentioned above also have consequences for the regulation of social security. This is the problem of the trade-off between increasing flexibility on the internal and external labour markets and social security – now often described as flexicurity.²⁵

Flexicurity means the creation of a flexible and mobile labour market by means of deregulation measures, on the one hand, and activating both passive labour market policies (social security policies) and active labour market policies (mainly vocational training), on the other hand.

The general concept behind "flexicurity" is that a combination of flexibility in the core labour market and social security for employees can guarantee both economic competitiveness for enterprises and social security for individuals. Thus, flexicurity means deregulation/de-institutionalisation of labour markets and, at the same time, provision of social security in the form of high unemployment benefits as well as other social benefits for individuals.

Flexibility is hereby usually defined as:

- external flexibility (employment and dismissal),

²⁵ Flexicurity is a combination of the word flexibility and security. It describes the policy mix to employ/dismiss, intensive support for the unemployed and an active labour market policy. Flexicurity was introduced for the first time in Denmark in the 1990s and subsequently Finland, the Netherlands and Sweden also implemented this policy concept. See Bredgaard / Larsen 2005 and Tangian 2004.

- internal numerical flexibility (use of overtime, adaptation of working hours),
- functional flexibility of employees (multi-employment) and
- flexibility of wages (incentive payments).

Increasing flexibility combined with social security regulations, however, should presuppose an active social security policy as well as an active labour market policy: high mobility of the labour force has to go hand in hand with extensive social security interventions, whilst an active labour market policy has to ensure to employability of the labour force.

In order to understand the concept of flexicurity, it should be clear that flexibility on the labour market and social security are not mutually exclusive aspects: e.g. employers are interested in stable work relationships as well as in a motivated labour force. Employers can make use of greater flexibility in the labour force and employees can benefit from more intensive regulation of social security (active social policy) and improved training (active labour market policy). Flexibility without social security means, that the individual employee will be confronted with low job security – he/she may lose his/her job several times during his/her career. In addition, employees will be confronted with responsibilities such as combining work and training or phases of work and care.

Thus, the government and social partners have to facilitate these tendencies with new regulations in the field of social policy and training policy. Such a competitive economy with a high degree of social protection presupposes a constant process of negotiation between the government and the social partners. This leads to a permanent legislative fine-tuning of social security and training measures.²⁶

²⁶ The prime example of a country with extensive flexicurity arrangements is Denmark. In this country a deregulated and very flexible core labour market exists. Based on a more or less implicit societal deal between the main actors in the labour market (the state, employers' organisations and trade unions) the Danish dismissal regulation is very flexible; it is, however, combined with very generous social security arrangements and a very active labour market policy, e.g. training policy.

A4.2 Policy implementation: Passive and active labour market policies

The imbalanced matching of the demand for and the supply of employment highlights the structural deficits on the labour markets in nearly all European countries since the beginning of the 1970s. Countries with high (long-term) unemployment as well as an oversupply of hard-to-place vacancies, e.g. Germany and Belgium, and countries with relatively high employment combined with an oversupply of hard-to-place vacancies, e.g. Austria, Denmark, and the Netherlands, indicate the imbalances in national and regional labour markets in Europe.

After Keynesian employment policy experiments in the 1970s and 1980s, an active labour market policy has been gradually introduced in the 1990s. The dimensions of the newly emerging labour market policy in the 1990s include better allocation of financial resources, a more active labour market policy, the activation of the actors in the labour market, and also the integration of the social partners into the implementation of labour market policies. The respective allocation of societal resources in countries determines the passive or active role of labour market policies. Passive labour market policy finances unemployment primarily out of social benefits whereas active labour market policy includes a more preventive employment policy. Active labour market policy also means the promotion of a more active political role for the respective actors on the labour market, and even for the unemployed themselves. However, active labour market policy can influence the functioning of the labour markets: nevertheless its marginal function has to be stressed. Active labour market policy is, by definition, complementary and selective. Complementary, in the sense that labour market intervention can only compensate the deficits of the market-mechanism; selective, because active labour market policy always targets certain problem groups on the labour market. The active labour market policy should prevent job seekers from becoming jobless and the unemployed from becoming long-term unemployed.

Guaranteeing the continuity (no stop-and-go policy) and planning reliability (no ad-hoc policy) of active labour market policies, on one hand, and the co-ordination/co-operation of the individual interest-groups, on the other hand, is central to labour market policy reforms in most countries.

The institutional and functional conditions of active labour market policy are 1) transparency, 2) the institutional aspects of co-operation/co-ordination, and 3) the two dynamic aspects of continuity and securing planning. These sets of aspects condition each other and determine the success of active labour market policies. Thus, the implementation of a prospective and preventive active labour market policy is immanently dependent upon these factors.

The **deficits in the qualification structure** – qualification and work experience – of the working population are decisive. Also the training and re-training of employees and unemployed persons is central to measures attempting to combat unemployment (long-term unemployment in the EU member states), or at preventing it from rising further (the waning competitiveness of the EU member states in the global market).

Investment in human capital is being discussed in all quarters. Here it is necessary to stress the central role of continuing training for the unemployed and/or employees threatened by unemployment (problem groups on the labour market) in the institutional and functional structure of active labour market policy, as well as the role of continuing vocational training in enterprises. An important approach here is promoting the employability of the labour force.

A4.3 Policy implementation: Employability

In the context of the changing “world of work”, a new catch-all phrase is lurking around the corner, i.e. “employability“. Employability is often defined as the competence of an individual person to act flexible and adaptable on the internal (enterprise) and external (societal) labour markets. The individual person should use her/his competencies (skills, key qualifications) to find employment, to work for a while, and to find new employment again (“changing activity-status over time“).

Bridges, one of the “ideological” forerunners of the debate on “the changing world of work” as well as a promoter of employability, identifies the future labour market as a

“**dejobbed world**”. This is not a world without work, but a world without the currently dominant employer-employee relations.²⁷

The **term employability** as such originally stems from the management discourse in the United States. The emergence of the term employability is very closely linked with large-scale international corporations and their internal processes of adaptation to the changing conditions of competition in the 1970s and 1980s.

Prof. Rosabeth Moss Kanter,²⁸ one of the gurus of management theory in the two last decades of the twentieth century, was one of the first management theorists, back in 1989, to discuss the tendency for the employee’s company tenure to diminish, i.e. “lifetime employment security” being replaced by “employability security“. In a summarising publication of early articles published in the Harvard Business Review, she characterises the need to replace the employees’ diminishing company tenure and job tenure with “employability security“, as follows: “*Employability security has become a catch-all phrase at some companies. Sometimes it is used to mask brutal intentions, such as **preserving the right to cut employment** at any moment with little notice. However, done correctly, with the right values and intentions, employability security can actually **enhance long-term loyalty**. By offering ongoing learning to upgrade skills and by spreading the power to innovate, companies help employees to perform better, which allows the companies to perform better, which preserves and expands jobs. Such practices also ensure that current employees **continue to be important contributors** who are valued employers and offered opportunities to continue to grow.*”²⁹

Consequently, the term employability means exchanging the guarantee of jobs for the employees for the promotion of their individual human capital. Raising and intensifying the competencies of individual employees should help to secure a guarantee of lasting employment. “*If security no longer comes automatically with being employed, than it must come from being employable. Employability security rests on the knowledge that competence is growing to meet tomorrow’s challenges,*

²⁷ Bridges 1995

²⁸ Kanter 1989

²⁹ Kanter 1997, p. 133

*that today's work includes learning and experience to enhance future opportunities – whether with a current employer, with another company, or as an entrepreneur.*³⁰

Employability measures should make the single individuals – be they employees, unemployed persons, older employees or recipients of social benefits – fit to cope with the increasingly dynamic developments on the internal and external labour markets.

A successful implementation of flexicurity regulations, the realisation of a policy shift from passive to more active labour market policies and the promotion of employability in the workforce could go hand in hand with the creation of policy networks on the regional level.

A4.4 Policy implementation: Policy networks and active networking

Policy networks are social networks. A social network is a social structure which links individuals/organisations. Intensive research in recent decades has proved that societal networks operate on many societal levels and are important in problem-solving, integrating individuals into organisations, and running societal organisations.

Social network theory³¹ differs from traditional social sciences approaches in that it does not analyse the individual as such. In contrast, social network theory analyses the links between the individual and other individuals or between a single organisation and other organisations of importance within the networks. Social network theory is not mere sociometry, however. It also analyses the goals and behaviour of individuals/organisations within networks. The network approach is now an accepted and widely used approach in social sciences.

Social science research now sees it as an important approach for the explanation of modern societies. Some social scientists even interpret societal networks on a higher level of abstraction. In their view, social networks are the core of social reality; they even define the overall structure of modern societies. Two social scientists in

³⁰ Kanter 1997, p. 192

³¹ Van Dijk 1999; Castells 1996

particular introduced the term “network society”, namely the Dutch sociologist Jan van Dijk and the Spanish sociologist Manuel Castells. Both authors define network societies as societies in which networks determine society at all levels (individual, organisational and societal).

Castells’s publications, especially, are often cited as an adequate theory of modern societies. This does not mean, that he himself thinks he has developed a general theory for the so-called information age. Of course, as these developments have only just started, it is somewhat premature to claim this as a general theory. Castells does, however, intend to describe preliminary concepts, relations and trends in the new frame conditions of societies. Common to this approach to current societies is that networked forms of societal organisations are replacing vertically integrated hierarchies. Castells describes the processes in the last few decades which have produced the “new society”. He identifies three independent trends: the information revolution, the economic crisis of capitalism and communism and the resurgence of new social movements. Together these three processes are giving rise to a new social structure (a network society), a new economy (globalisation) and a new culture (a culture of “real virtuality”). Castells’s general conclusion is that *“dominant functions and processes in the information age are increasingly organised around networks. Networks constitute the new social morphology of our societies and the diffusion of networking logic substantially modifies the operation and outcomes in the processes of production, experience, power and culture. While the networking form of social organisation has existed in other times and spaces, the new information technology paradigm provides the basis for its pervasive expansion throughout the entire social structure”*.³² What Castells describes here is the networking logic of the information age. This logic also implies that the national state and democracy will lose sovereignty and power. Castells sees the network society as a “new techno-economic system”. In an interview he describes his view of modern societies thus: *“The network society itself is, in fact, the social structure which is characteristic what people had been calling for years the information society or post-industrial society. Both “post- industrial society” and “information society” are descriptive terms that do not provide the substance, that are not analytical enough. Therefore, it is not a matter of changing words; it is providing substance. And the definition, if you wish, in*

³² Castells 1996, p. 468

*concrete terms of a network society is a society where the key social structures and activities are organised around electronically processed information networks. Therefore, it is not just about networks or social networks, because social networks have been very old forms of social organisation. It's about social networks which process and manage information and are using micro-electronic based technologies".*³³ This overall "networking logic" of modern societies is criticised for its general conclusions, however the growing importance of networks in modern societies is not disputed.

Central to the AGEQUAL project is a special form of networks, namely policy networks; the network perspective as a means of societal action. Here we have to differentiate between endogenous and exogenous types of policy networks. Endogenous networks are forms of co-operation where individuals/organisations come together in order to combat certain societal/political developments. Exogenous networks are mostly initiated by state interventions in order to realise policy innovations or certain implementation strategies. The AGEQUAL project focuses on both forms of networks, mainly in the form of regional support structures implementing certain policies.

In the following we briefly introduce an example of such an exogenous network, developed in relation to active labour market policy reforms. This example describes the emergence of a "new" policy model: the model of active networking.³⁴ The "new" policy-model begins from the principle that in highly industrialised and complex societies, societal control by central government is increasingly becoming an anachronism. Globalisation and Europeanisation, and growing differentiation in the articulation of societal interests; all of these determine the declining importance of central state intervention. The extension of influence over these "policy networks", the active restructuring of the networks and even the institutionalisation of new networks might determine the form of central government interventions in the future. Networking is a "new" form of integration of societal institutions into the policy process and assumes independence and not "total" integration. The decision-making

³³ Identity and change in the Network Society. Conversation with Manuel Castells (<http://globetrotter.berkeley.edu/people/Castells/castells-con0.html>, accessed 11 October 2006). Berkeley 2001

³⁴ Moraal 1994

process builds upon informal and more formalised relations between “independent actors”. The central state plays a new role. The reform of the Dutch Public Employment Service at the beginning of the 1990s constitutes an early example of this “new policy model”. It incorporates the following central prerequisites:

- **Functional decentralisation** – integration of the social partners into the Public Employment Service – furthers the effectiveness of the active labour market policy.
- **Regional decentralisation** enables a better labour market policy in the regions. The reduction of the distance between the passing of a resolution and its implementation renders this possible.
- **De-monopolisation of the Public Employment Service** supports specific services provided by private placement offices, whilst also promoting competition with the now public-private Employment Services.
- More **intense networking** is necessary within the institutional network of active labour market policy.

Thus, the restructuring of the Dutch Employment Service focused on a new dimension of this policy model; the regionalisation of labour market policies and intensive networking with the other regional labour market institutions, namely the industrial relations system (enterprises and trade-unions), the social insurance system and the VET system. The regional decentralisation and the functional integration of employers' organisations, unions and municipalities into implementation in the policy networks promote a closer linkage between state policy measures and societal processes.

A4.5 Policy implementation: Regional support structures as a relevant field of ageing employment policies³⁵

Ageing employment activities have been launched in almost all European countries in the last few years. According to different national global strategies for social policy and economic development, these policies span a considerable spectrum and cover all sectors of policy from small-scale enterprise level up to the national level.³⁶ Concerning the international and comparative perspective, a bundle of aspects has been summarised by Walwei:³⁷

- Co-ordination of labour market-, finance- and social policies which support investment and consumption,
- Liberalisation of goods and service markets, privatisation (United Kingdom),
- De-centralised systems of wage finding, flexibility in working time regulations and wage finding,
- Reduction of average working hours per year: cost neutral, voluntary, flexible, individual (Netherlands),
- Moderate increase in wages (Denmark, United Kingdom),
- Low wage costs into public funds,
- Moderate range of wages,
- Public support of very low wages (United Kingdom)
- Establishing a low wage sector, establishing new field of (low) paid work,
- Level of financial support in the case of unemployment, level of qualification support for re-entry ⇔ Pressure on re-entry willingness: combination of high support and high institutional pressure in the Netherlands and Denmark, combination of low support and pressure coming from poverty in the United Kingdom and the United States.

This bundle of aspects gives a picture of the complexity of influencing strategies in the labour markets which are equally relevant to the employment of older people. Most are linked to the field of structural frameworks and deal with the national and regional level, but in part they also concern the enterprise level, e.g. those which

³⁵ This chapter is based on a revised version of an internal discussion paper prepared by the University of Erfurt (see Husemann 2006).

³⁶ Sproß (ed.) 2006

³⁷ Walwei 1999 and 2006

relate to wage practices, qualifications and incentives to stay in paid work up to the regular retirement age.

Nationwide policies to support employment of the older age groups deal mainly with the transition into retirement and tend to make early retirement more unattractive. This type of policy is in strategic competition with past and present strategies on the enterprise level – in large-scale enterprises especially – aimed at reducing personnel capacity, especially older employees. From the perspective mentioned, policies to support the employment of older persons on the national level **struggle for acceptance** in the employment system as long as enterprises and employees are left alone to find the **practical solutions**. One argument for this is that enterprises do not have any real need and – accordingly – early retirement is all the more attractive for employees because the reduced level of pension payments is partly compensated by lump sums paid by the enterprises or out of other budgets. At the enterprise level, we might find strategies to support the employment of older employee groups predominantly in large-scale enterprises which can develop special HRD programmes for this age group, but these programmes accommodate a few cases only and might be seen more in terms of a public relations venture than a way of solving a structural labour market problem.

Because of the lack of impact of these types of strategies, we find a remarkable discussion on regional networking within the conceptual debate on supporting employment and/or avoiding unemployment. This discussion focuses on the co-operation of regional intermediate institutions and has its roots in the active labour market concepts of the 1970s. Conceptual and empirical research on this labour market instrument has been developed by Wegge.³⁸

The regional aspect in the organisation of complementary strategies of labour market development and qualification has gained substantial support via the policy known as “Standortpolitik” (Reutter)³⁹ which **paid more attention to regional and local development factors** in ongoing economic and social structural change⁴⁰. This policy development discussion was also supported by the EU and OECD debate on

³⁸ Wegge 1996

³⁹ Reutter 1997

⁴⁰ Husemann 1998

life-long learning and corresponding regional activities to create learning regions.⁴¹ The EU policies have supported this consensus as well, by creating target regions with certain financial support programmes (ESF), aimed mainly at qualification and employment.

The traditional debate on the organisation and regulation of continuing vocational training has led to polarisation between a market-regulated model following neo-liberal ideas on the privatisation and deregulation of continuing vocational training, or a government-oriented hierarchical model favouring legal acts and/or tariff regulations or other bureaucratic steering elements in this area.

From a more theoretical perspective, regional networking in the field of vocational qualification can be seen as a social system on the organisational level.⁴² Following this idea, this type of social system is characterised by shaping communication and decision-making according to system demands. These system demands are themselves to be classified as a communicative product, and are formulated in the sense of a bundle of structural development aims. Nowadays, supporting the employment of older workers can be seen as one of these aims. Communication processes – on the one hand – involve information processes within and between organisations, in order to progress decisions. However, on the other hand they are also to be seen on the level of “understanding” which means producing agreements on how to interpret information for further processing. There may be agreement or disagreement about certain information, but what the information means should be clear between communication partners.

Transferred to regional networking, the gap between the market-regulated model and the hierarchical model is filled with a third type, which takes as a leading concept the development of **trustful co-operation**. Within this framework some items can be listed which mark the efficiency of this type of networking, these being: a common normative basis, means of communication, methods of conflict resolution, flexibility, commitment between the actors, an atmosphere of discussion, and dependency of

⁴¹ Gnahs 2004

⁴² Wegge 1996; Husemann 1998

actors on each other.⁴³ In general, there are boards or steering committees, councils, and statutes and articles to stabilise these elements effectively. The normative qualities of networks which follow this model are seen in special qualities of persons and organisations which act aside from considerations of income- or profit-maximisation or organisational power, and which are orientated towards functional qualities and qualifications aimed towards the jointly-defined regional spectrum of development aims. In practice, regional co-operation in networks combines organisation with complementary features and different profiles, tasks and competences. "Trustful co-operation" refers to the basic aspect of understanding and implies commitment to common and/or accepted ways of negotiating on aims which do not represent partisan interests only. The level of common agreements on these normative standards is quite high because its level – in the end – is a measure of the quality of the networking itself.

Networking in the field of employment and qualification is an area of co-operative regional policy development, and operates in-process. To **introduce this approach in practice**, some remarks seem to be useful. On the one hand we have to take a glance at the situation of enterprises and their needs, and the problems they experience getting involved; on the other hand, we have to look at the situation of qualification demands and provision, and intermediate institutions like labour market administration organisations and social partners' organisations. Concerning the enterprises, we might conclude that bigger enterprises create structures of continuing vocational training on their own – known as in-house training – or within their corporate structures. This means that they do not really depend on regional structures to keep their HRD functions in line with internal demands. SMEs do – in general – have fewer possibilities to develop these functions internally, and therefore either develop types of informal learning on the job, or maintain a low level of activity in these areas in case regional co-operation is underdeveloped. Qualification demand prognoses on the enterprise level, especially in SMEs, are taken over too long a time frame to really be considered, and the answer of personnel development strategies in these types of enterprises might be more focused on functional competencies, which in general means a broad-based and high level of qualifications for all employees to allow for the possibility of substitution in the event of sick leave

⁴³ Wegge 1996, p. 125

or other situations demanding personnel flexibility. Updating of qualifications throughout working life might partly happen within the enterprise or on courses of continuing vocational training, but is not seen as a regular part of personnel development. To open a more broadly-based field of qualification for employees in SMEs, which includes the older groups as well, the field of external provision has to be opened and access has to be supported.

Continuing vocational training is seen as a private/individual affair or as a subject of HRD in the enterprise. Corresponding to this, training providers tend to develop their marketing in the form of service markets, advertising and selling their training courses to customers, be they individuals or enterprises. One structural problem of this type of economic relationship is that qualification demands are difficult to specify, so that there is always an uncertainty about future demands. Another problem is that those who have higher demands for qualification development in the low-skilled segment are under-represented, because enterprises are not interested in developing these groups, and individual resources and energies are low as well. Because legal acts and public regulations in the field of continuing vocational training have been seen as less useful than market-orientated regulation and private initiatives in this field, the seedbed for co-operation in the sense of regional development requires some cultivation.

The intermediate institutions like the social partners' employment offices and organisations work in a rather specialised field and maintain certain paths of co-operation while others are underdeveloped. One result of these selective co-operation structures is that special target groups, like older employees, easily get lost. As they do not appear at the top of the list for personnel development in the enterprises, nor can they be seen as the target group of employment offices or training providers, or invest in continuing vocational training on their own, support structures are needed to get them involved in qualification activities which support their employability. Mainly this support has to increase and guide co-operation between enterprises, institutes of vocational education and other institutes within the framework of regional networking.

The AGEQUAL project focuses on a special form of exogenous policy networks, namely on **regional qualification networks**. The region is the starting point for building a policy network. Here the specific frame conditions of the interaction of regional actors have to be considered. Region-specific resources should be used to achieve the aims of active networking. Region-specific co-ordination and conflict potentials have to be identified and taken into account by setting up a regional network of regional actors. SMEs in particular do not have information and resources regarding qualification needs. These enterprises need advice about their enterprise qualification profile and about future qualification developments. It is important, that successful qualification strategies are based on already existing relationships between the regional actors as well as the knowledge and competencies of these actors. Active networking means establishing a win-win situation for all actors involved. However, active networking and the management of networks will always operate in the space between conflict and co-operation.

Part B: Main features of age-oriented policies in Austria, Belgium, Denmark, Germany and the Netherlands

B1 Introduction: supply and demand aspects of ageing societies

In general, the discussion about “ageing” of the labour force is dominated by a discourse focussing on the supply side of the labour market. It is the forecasted growth in the share of the population outside the labour force which is considered the major challenge, changing the number of “active” individuals. To prevent – or at least reduce – this anticipated growth of the “societal burden”, most governments have already initiated – or are preparing – reforms of pension and social security schemes aimed at increasing the employment of older persons and prolonging their stay within the labour force. To induce a larger share of the population to join and remain within the labour force seems to be viewed as the most important problem. Consequently, policy recommendations concern the creation of instruments combining (economic) incentives to enter or stay in the labour force with disincentives to leaving or staying outside the labour force.

This part of the synthesis report discusses the labour supply and labour demand aspects of age-oriented policies. In general there is a clear need for a higher employment rate for women and older people, and a pension entry age which is more oriented to the legal pension entry age of 65. Immigration alone does not solve the demographic problems of a declining population. A more open immigration policy is of course also an opportunity to answer shortcomings on the labour market and in the payment balance of social security systems. Also enterprises have to change their internal personnel policies – especially the promotion of the employability of older employees.

It is necessary to increase the employment rate among older people for several reasons:

- to increase social security contributions,
- to overcome the future lack of specialists,
- to make better use of older workers’ knowledge and experience.

In the following, we will discuss two main aspects of ageing societies:

- The decline and ageing of the total population in the next few decades, and the consequences for the social security system and the labour market (supply-oriented policies).
- The ageing of the potential working population – i.e. the shift from younger to older potential working population – and its consequences in terms of the quantity and quality of the working population (demand-oriented policies).

The main argumentation of this report is that in the last few decades of the 20th century, nearly all Western European countries introduced early exit programmes for older employees in order to overcome high structural unemployment. At the end of the 1990s, in most countries it seems to become clear to governments, enterprises and trade unions that if policies in these countries stick to the concept of early exit for older employees, this will not only cause massive socio-economic problems, but also means an economic waste of human capital resources. From the year 2000 onwards, all countries gradually abolish early exit programmes for older employees. The **abolition of early exit programmes**, however, increases the labour force in these countries - entry of (unemployed) older persons into employment.

The **continuing vocational training of older employees and unemployed older persons** is seen as the most important remedy to overcome the problems of integrating these groups into work. In some countries, the role of continuing vocational training will ease the implementation of training policies oriented towards older employees (e.g. Denmark and the Netherlands). Germany is a country where these policies face hindrances, because of the fragmented structure of continuing vocational training and a relative lack of enterprise-based training activities for older employees.

B2 Decline and ageing of the total population and the pressure put on the social security system

Population and labour force projections deliver important data on future labour market developments and labour market policies; they can support the monitoring of (future) developments on the labour market and can provide a basis for the evaluation of passive and active labour market policies. The concept of the potential labour force includes employed persons and the registered unemployed as well as “hidden” unemployment. Projections of population trends and labour market participation can forecast future developments.

The demographic situation in the European Union is characterised by great diversity.⁴⁴ Differences exist in the fertility rate, life expectancy, net migration and labour participation rates. This is equally the case for the AGEQUAL countries. Eurostat delivers projections of three scenarios⁴⁵ for the development of the population, potential working age population and the labour force by gender and age, both at the national and regional level (NUTS II classification). The national scenarios cover the period 2005-2050, the regional scenarios the period 2005-2025. Regarding the methodology of the population statistics and the population projections, no recommendations exist for demographic statistics. Data are collected by the national statistical offices and depend on the respective recording systems. Thus, Eurostat does not collect indicators directly from the countries, but uses national raw data and calculates from that using special software, in order to guarantee international comparability. Some Eurostat data might differ from national data. Population projections involve making population estimates or producing the most plausible figures for future years. In general, key assumptions are made with respect to mortality, fertility and migration by gender and age. These projections are international comparable.

⁴⁴ Lanzieri 2006

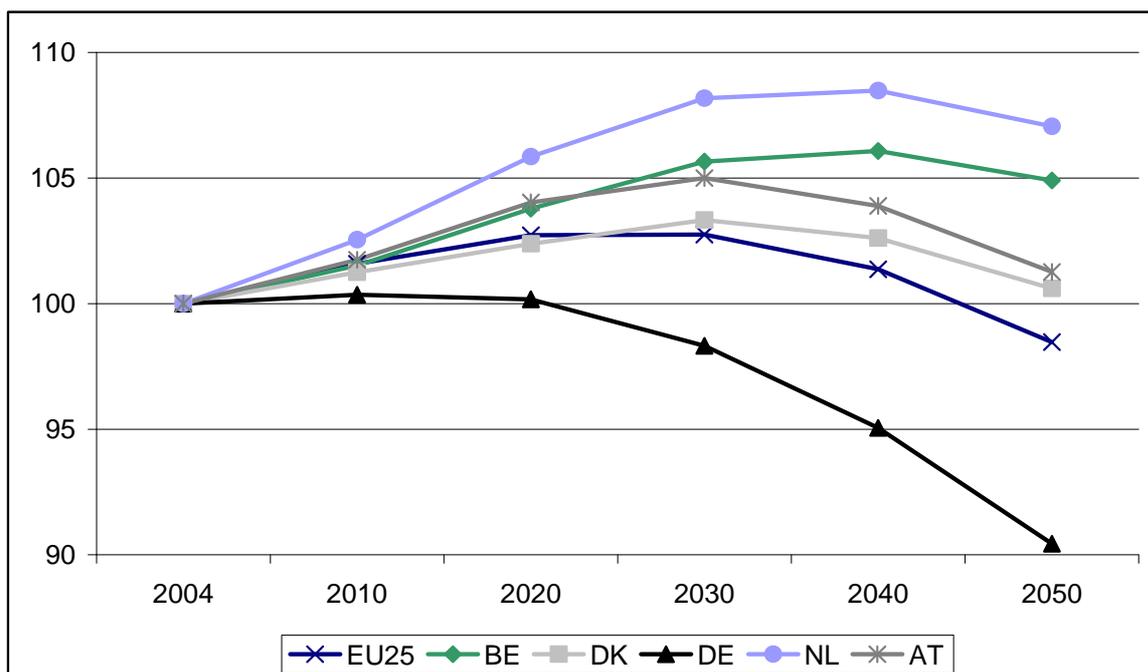
⁴⁵ The high and low variants are the two plausible extremes of demographic change, while the baseline scenario is the product of the “best hypothesis” which is comparable on an international level.

In discussing population trends, two aspects are important:

- Population trends are relatively autonomous and are exogenous influences upon a country's social system and labour market.
- Population trends are gradual and long lasting. Changes in the central components of population development – birth rate, life expectancy of the population, and even migration – influence the structure of the population for many decades.

Figure 2 – based on population projections prepared by Eurostat – shows the indexed population trend (2004=100) in Austria, Belgium, Denmark, Germany and the Netherlands as well as the EU average for the 25 EU member states (EU25). In contrast to the EU average and the other four AGEQUAL countries, the German population especially will decline dramatically between 2004 and 2050.

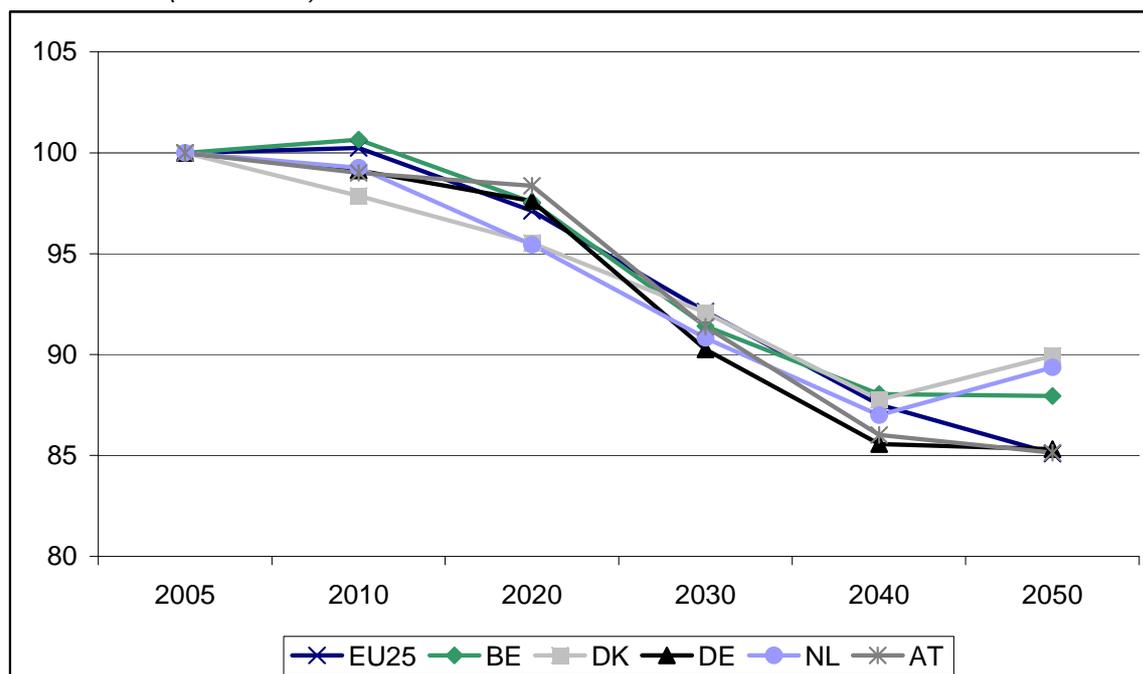
Figure 2: Indexed population trend 2004 – 2050 (2004=100)



Source: Eurostat, population projections, trend scenario: baseline variant

Figure 3 shows the indexed trend of the potential working population (20-64 age group) to the total population in the five EU member states participating in this project and the EU25 average. The figure impressively shows that by 2040 all countries will be confronted with a sharp decline in the potential working population in relation to the total population.

Figure 3: Indexed trend of the share of the potential working age population / total population 2005 - 2050 (2005=100)



Source: Eurostat, population projections, trend scenario: baseline variant

The decline and ageing of the total population affects national social systems. Demographic age dependency ratios are proxies of the quantitative extent to which the potential labour force has to carry non-working age groups. The age dependency ratio is the ratio of the number of persons of an age at which they are generally economically inactive to the number of persons of working age.⁴⁶ This indicator is often used as an indicator of the economic burden carried by the productive proportion of a population. The following table shows the dependency ratios of the countries participating in the project.

Table 1: Dependency ratios (2004)

Country	Age dependency ratio (<20 + >59 / 20-59)	Child dependency ratio (<20 / 20-59)	Old age dependency ratio (>59 / 20-59)
Germany	82.2	37.3	44.9
Belgium	81.8	42.1	39.7
Denmark	81.1	44.0	37.1
EU25	79.5	40.5	39.0
Austria	78.7	39.8	38.9
Netherlands	76.3	43.2	33.0

Source: Eurostat, Population structure indicators on 1st January

⁴⁶ The ages at which people are allocated to the dependent or productive categories are often user-defined, and differ from country to country. There are two main variants: variant 1 classifies the group of persons of working age from 15 to 64; variant 2 with the group of persons of working age from 20 to 59.

The age dependency ratio in 2004 was highest in Germany and clearly higher than the EU25 average; the ratio was lowest in the Netherlands. This corresponds to the lowest child dependency ratio in Germany and highest in Denmark as well as the highest old age dependency ratio in Germany and the lowest in the Netherlands.

In the international literature, another measure used to describe the effects of population trends on the social system is the benefit dependency ratio (inactive/active ratio = i/a ratio). The benefit dependency ratio expresses the number of persons that receive any social security benefit in relation to the number of persons in employment. The higher the ratio, the larger the number of persons whose benefit has to be paid for by one employed person. The benefit dependency ratio used in the Netherlands covers benefits paid for early retirement (old age pensions), death of a spouse (survivor), incapacity for work (disability benefits), sickness, maternity, unemployment and social assistance. In the Netherlands, this ratio plays an important role in policy decisions on social security. It is used to determine whether the development of social benefits should be linked to the average development of contractual wages. When the benefit dependency ratio surpasses a threshold set by the government, the increase in the level of social benefits may deviate from increases in contractual wages. This ratio also provides an opportunity to compare benefit dependency across countries. Based on extensive research done in the Netherlands⁴⁷, the OECD adopted this concept and in 2003 it published a revised international comparison of benefit dependency ratios (see table 2).⁴⁸ This OECD calculation of benefit dependency ratios shows that Belgium and Germany have relatively high i/a ratios.

Table 2: Benefit dependency ratios (i/a ratio) in the working age population (1999)

Country	i/a ratio
Belgium	44.6
Germany	38.0
Austria	33.6
Denmark	33.1
Netherlands	30.6

Source: OECD, Employment Outlook 2003, page 175

⁴⁷ Arents / Cluitmanns / Van der Ende 1999

⁴⁸ OECD 2003, pp 171-229

Tables 1 and 2 show a similar ranking for the age dependency ratios and the i/a ratios of the five participating countries. The OECD also published an overview of the reciprocity rates by type of benefit, which makes it possible to identify the main benefits. Table 3 shows that the costs of the classical early exit routes (early retirement, disability and unemployment) are especially high in Belgium (75.6%), and Germany (69.9%) and clearly lower in the Netherlands (68.2%), Austria (67.9%) and Denmark (65.8%). This means that the pressure which the early exit routes put on the German and Belgian social security systems is considerable, particularly the unemployment benefits in Germany and Belgium.

Table 3: Reciprocity rates by type of benefit in the working age population (1999)

	Belgium	Germany	Netherlands	Austria	Denmark
Early retirement	7.21	4.63	0.76	7.41	4.00
Disability	3.58	4.08	7.21	3.46	6.70
Unemployment	6.94	6.64	4.10	3.79	4.35
Assistance	2.37	2.24	1.22	0.80	1.62
Sickness	1.06	2.51	3.39	1.99	4.61
Survivors	1.14	1.67	1.02	2.14	0.00
Maternity and parental leave	0.23	0.18	0.00	1.99	1.61
Care and labour market leave	0.92	0.00	0.00	0.00	0.00
Total	23.45	21.96	17.69	21.57	22.91
Early retirement, disability and unemployment as a percentage of total of social benefits	75.61	69.93	68.19	67.93	65.75

Source: OECD, Employment Outlook 2003, pages 224-226

Compared to the other European countries, the employment rate in Belgium was lower than the EU25 average, whereas in Germany it was slightly higher. Both Germany and Belgium had higher unemployment rates than the other countries in the study (see Table 4).

Table 4: Employment rate and unemployment rate (2004)

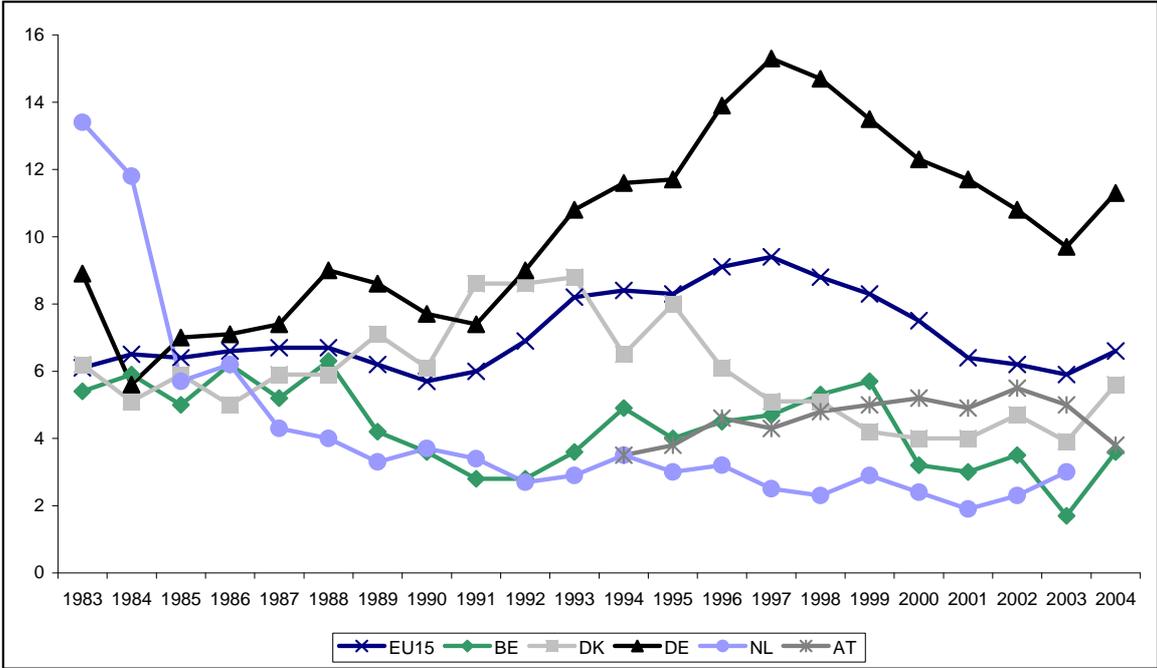
Country	Employment rate	Country	Unemployment rate
Denmark	75.7	Germany	9.5
Netherlands	73.1	EU25	9.1
Austria	67.8	Belgium	8.4
Germany	65.0	Denmark	5.5
EU25	63.3	Austria	4.8
Belgium	60.3	Netherlands	4.6

Source: Eurostat, LFS adjusted series

In 2004, in comparison with the 25 EU member states Germany had the second highest unemployment rate among older employees.⁴⁹ At 11.3 percent in 2004, it was considerably higher than in other countries. The EU25 average unemployment rate for older employees was 7.0 percent, with 16 countries having an unemployment rate below 6.0 percent.

Figure 4 shows the unemployment rates for the 55-64 age group since 1983. Especially in Germany, there was a high increase, partly due to the unification processes dating from 1989. In the Netherlands, unemployment in this age group had dropped.

Figure 4: Unemployment rate in the 55-64 age group – international comparison (1983-2004)

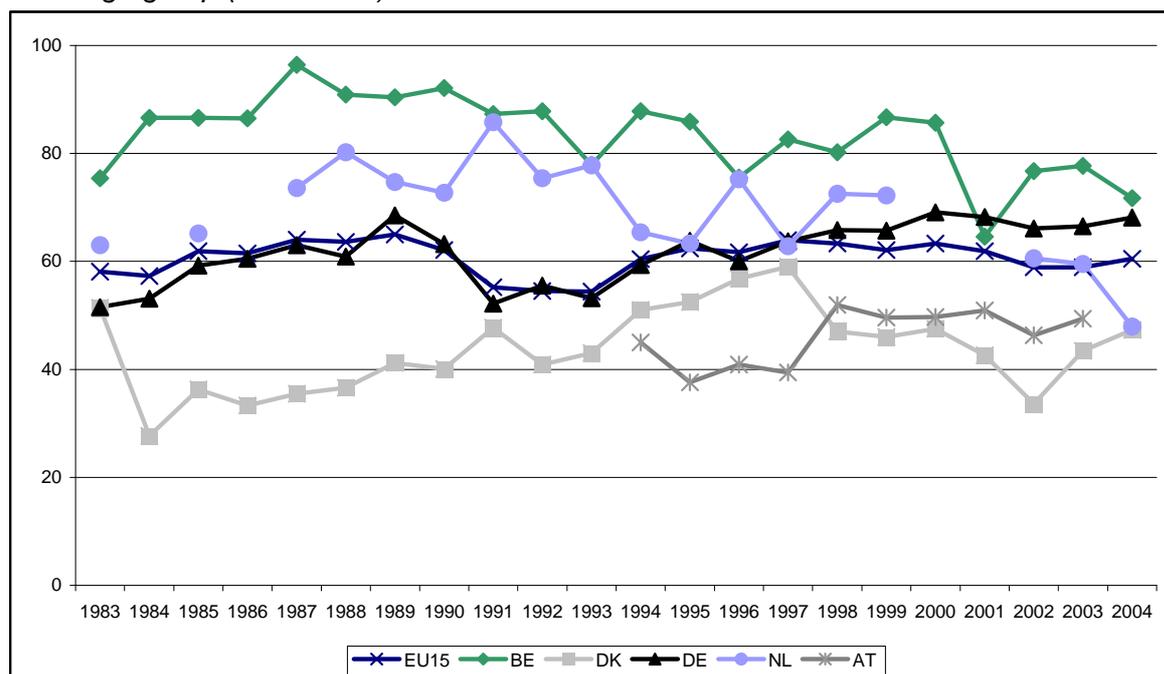


Source: OECD, Labour market statistics

Figure 5 shows that in 2004, Germany and Belgium had the highest rates of long-term unemployed in the 55-64 age group. In Belgium, the ratio of long-term unemployed persons to all unemployed persons has been above or close to 80 percent in nearly every year since 1983.

⁴⁹ Eurostat, LFS series

Figure 5: Long-term unemployed (over 1 year) as a share of all unemployed persons in the 55-64 age group (1983-2004)



Source: OECD, Labour market statistics (data for the Netherlands for the years 1999 - 2001 is not available)

Inactive persons are those who are neither employed nor unemployed.⁵⁰ The inactive population is not homogenous; it consists of different groups, some of which are closer to the labour market than others. The inactivity rate is the inactive population as a share of the total population of the same age group in private households. Inactivity depends on age and gender – it is clearly higher in older age groups and among women. The inactivity rate for persons aged 55 to 64 years was 56% in the EU25 in 2004. At 70% in Austria and 69% in Belgium, the inactivity rate was much higher, while Germany and the Netherlands undercut the EU25 average by 3 percentage points. Denmark at 36% had – after Sweden – the second lowest inactivity rate in the EU.

Older women had higher inactivity rates than men. In 2004, the inactivity rate for men in Denmark was below 30%, and even in the Netherlands and Germany below 50%, but around 60% in Belgium and Austria. Only Denmark had an inactivity rate for women below 50%; in the four other countries it was above 60%, even reaching 80% in Austria.

⁵⁰ European Commission (ed.) 2003a, p. 162-163; European Commission (ed.) 2005a, p. 211-250; Hardarsson 2006

Low-skilled persons have higher inactivity rates than medium- or high-skilled persons, and the share of low-skilled inactive persons increases with age. This emphasises the need to address the skills levels and training needs of older inactive people, in particular, to enhance their options for (renewed) participation in the labour market.

The main reason for persons aged 55 to 64 years to be inactive was retirement: the figure for the five countries in 2004 ranged from 83% in Austria to 44% in Belgium. The second most common reason was illness or disability, especially in Denmark and the Netherlands, but of lesser importance in Germany and Austria. In Belgium around 20% of the inactive persons were discouraged and believed searching for work to be hopeless. Particularly for women in the Netherlands, Germany and Austria, personal or family responsibilities were an important reason for being inactive.

Some of the inactive people want to work, but willingness to work is lower for older people than for those of prime age. In 2004, 6% of inactive people aged 55 to 64 years in the EU25 were willing to work. With the exception of Austria, the rates for the other four countries were below the European average. In Austria around 10% of the inactive were interested in working, as against 4% in Germany and only 3% in Denmark. Men are more interested in finding work than women.

Increasing labour participation of persons aged 55 to 64 years is one of the conditions for reaching the employment rate targets set by the 2000 Lisbon and 2001 Stockholm European Councils. Obviously the increase needed will not necessarily come from bringing the older inactive into the labour market, since most of them will still be retired or less qualified, but it is more a question of getting older employees to stay in the labour force for longer and not to withdraw at relatively young ages.

B2.1 Supply-oriented policies

The use of early exit schemes for older employees was common in most of the European countries. The early exit programmes (passive and active measures) were seen as an optimal way to bring together the interests of enterprises, government policies and older employees – in order to redistribute the work in a situation of rising unemployment. For a few years, many countries – including the five AGEQUAL countries – have striven to abolish these policies, because of increasing tensions in the social security system and the growing demand for high-skilled employees caused by the demographic trend in all the countries. In the following, this synthesis report will describe that in the last few decades of the 20th century, nearly all Western European countries - here a description of the five AGEQUAL countries - introduced early exit programmes for older employees in order to overcome high structural unemployment. At the end of the 1990s in most countries it seems to become clear to government, enterprises and trade unions, that if policies in these countries stick to the concept of early exit of older employees, this will not only cause massive socio-economic problems, but it also means an economic waste of human capital resources. In the years 2000 onwards all countries gradually abolish early exit programmes for older employees.

B2.2 Early exit policies in Austria, Belgium, Denmark, Germany and the Netherlands

The report will now briefly consider the early exit programmes used in Austria, Belgium, Denmark, Germany and the Netherlands, to the extent that these constitute the main frame conditions for future developments in these countries.

B2.2.1 Austria⁵¹

“The history of pension reform in Austria is a 40-year tale of continuous expansion of early retirement options.”⁵² Enlarging the options for early retirement has been used – and is still used to some extent even today⁵³ – to achieve three goals:

- To reduce unemployment – especially youth unemployment – in general by reducing the labour supply.
- To reduce unemployment among older persons whose skills are outdated or whose working ability in their original occupations has been reduced. Traditionally, a long period of unemployment (one year and more) has been taken as a sign that reintegration in the labour market is no longer likely.
- To ease tensions accompanying restructuring and downsizing in the public sector and in publicly owned companies by offering favourable early retirement schemes. Traditionally, private sector companies have followed the same pattern, compensating for individual income losses when redundant older employees face a period of unemployment before official retirement (“golden handshake policy”).

As recently as during the labour market crisis of the early 1990s, early retirement schemes were enlarged substantially by introducing an early retirement scheme due to reduced work capacity for the older unemployed.

⁵¹ This chapter is mainly based on an internal project paper from the Austrian partner (see Hefler 2006) and OECD 2005.

⁵² OECD 2005, p. 87

⁵³ Even between 2000 and 2005, the target of reducing the number of employees in the public administration and in state-owned enterprises (e.g. the Austrian railways) led to offers of early retirement to major sections of the workforce. Therefore the average pension age of public employees has declined once more in the same time period (e.g. OECD 2005, p. 92).

Beginning with reforms in the mid-1990s – enforced by Maastricht budget deficit goals – most of the early retirement schemes were abolished, except for the disability pension and, in connection with that, the advanced pension payment. Despite this fact, the average age at retirement is changing only slightly: *“For men, the average retirement age in 2002 and 2003 was 59 years – 0.8 years up from 1998 and indeed the highest figure since 1980 [...]. However, this is still two years below the minimum early retirement age, three years below the average retirement age of Austrian men in 1970, and four years below the current OECD average. For women, both the extent of decline in the retirement age since 1970 and the recent increase are smaller. At 57.3 years, the average retirement age in 2003 is as low as it was during the 1980s.”*⁵⁴ However, until 2033 women will still have the right to retire five years earlier than men.

The main reason for the minor impact of reforms addressing early retirement provision can be found in the interrelationship between different forms of early retirement schemes: the abolition of various forms has led to a steep increase in take-up of the forms still available – nowadays especially in disability pensions for older persons. The disability pension has completely overtaken the role of the abolished schemes for “early retirement due to reduced work capacity” and – from 2004 onwards – also the terminated scheme for “early retirement due to long-term unemployment”.

Closely related to the abolition of early retirement schemes, the Austrian old-age part-time work scheme became a de facto alternative to early retirement. Originally, in 1999, the measure had been intended to make it possible to taper off slowly from working life. Within a period of up to 6.5 years, employees could reduce working time by between 40-60% while gross pay is reduced only by 25% and the employer had to pay social insurance contributions on the wage prior to the working time reduction. The employer was reimbursed 50% of his additional costs by the Public Employment Service, rising to 100% in cases where a new employee was hired to make up for the employee on the part-time scheme. In 2000, the opportunity was introduced to take the spare time in a block, i.e. to work normal hours during an initial phase (e.g. 3 years) and then stop working for the rest of the period. Once the employees had

⁵⁴ OECD 2005, p. 80-81

stopped working and were therefore in a kind of early retirement period, employers were not forced to employ another person. In 2003, 22,000 employees (and their employers) took advantage of that scheme, mostly using the block time option. In order to reduce the public co-financing costs, the scheme was reformed in 2004, making it compulsory to hire an additional employee as a replacement for the person in the old-age part time scheme. The duration was reduced to 5 years at a maximum. Employers' openness to support old-age part-time work has decreased drastically as a result. In 2005, the number of employees actually in old-age part-time work has decreased from 39,900 (2004) to 34,300.⁵⁵

B2.2.2 Belgium⁵⁶

Belgian labour market laws contain some very attractive schemes legitimating withdrawal from the labour market before the legal pension age of 65: early pension at the age of 60, disability regulation, full time bridge pension, the "Canada Dry" regulations, and the statute of older non-job-seeking unemployed person. Furthermore, importance attaches to the time credit scheme, which is not intended only for the older labour force.

Due to increasing unemployment during the recession of 1987-1993, a system for early retirement was introduced in 1992 for long-term unemployed persons between the ages of 55 and 59. In 1994, the 50-55 age group was included.⁵⁷ The economic revival led to the restriction and eventual near-abolition of early retirement (**"bridge pension"**) for the labour force aged between 50 and 59. This system of the bridge pension turned out to be a substitute for work rather than a remedy against unemployment among older workers. The employment rate of the labour force aged 50-59 dropped, whereas it increased for the other age groups. After 1996, when entry to the bridge pension system was blocked, employment among the 50-59 year-old labour force showed a strong increase. Now the bridge pension is only possible from the age of 60 onward, or 58 by collective labour agreement. In cases of restructuring, workers over the age of 50 may be eligible for the bridge pension.

⁵⁵ Walterskirchen 2005, p. 6

⁵⁶ This chapter is mainly based on an internal project paper from the Belgian partner (see Lambrecht / Arijs 2005) and OECD 2003a.

⁵⁷ Hoge Raad voor de Werkgelegenheid 2004; Goyvaerts 2004

This means that the former employer contributes to the unemployment benefits of the older person up to pension age. An important restriction is that a person on bridge pension cannot be transferred to the early retirement scheme, to prevent employers passing their monthly costs for the bridge pension on to government. If the former employer offers the older employee this monthly contribution without applying the regulation involved with the bridge pension scheme, then the term “Canada Dry regulation” is used. This involves ad hoc regulations adapted to the situation of the company or to the older employee.

In Belgium, the **statute of “released older unemployed person”** was introduced in 2002.⁵⁸ In May 2002, almost 24% of fully unemployed persons had the status of “released older unemployed person”. This statute holds for unemployed persons older than 50 who end up unemployed for at least one year. They do not need to be registered as job seekers and are released from other legal obligations. With this statute, a monthly unemployment benefit is paid to the older person up until pension age. From July 2004, the age premise was raised from 50 to 58.⁵⁹

The federal government in Belgium introduced a break scheme in 1985. The basic principle was to enable all employees to take a break or **reduce their working hours** for a certain period in agreement with their employer.⁶⁰ In 1994, the Flemish government reinforced this national scheme by granting every Flemish working taking a career break an extra incentive premium. This scheme was not only set up to encourage older people to remain in the labour market, but also to facilitate a better work-life balance. Therefore, the system allows a complete or a half-time reduction for a duration of one year up to a maximum of 5 years over the whole career for all employees, irrespective of their age. Full-time employees can get a one-fifth reduction in working time for a duration of 5 years over the whole of their career. For employees aged 50 and over who have been employed for 20 years or more, a half-time or a one-fifth reduction is possible, with no maximum duration

⁵⁸ Rijksdienst voor Arbeidsvoorziening 2003

⁵⁹ Hoge Raad voor de Werkgelegenheid 2004

⁶⁰ See “The Career Break (Time Credit) Scheme in Belgium and the Incentive Premiums by the Flemish Government, Brussels 19-20 February 2004, Executive Summary” (http://www2.vlaanderen.be/ned/sites/werk/documenten/euro_ExecutiveSummaryBE_final.pdf, accessed 9 October 2006)

(available up to retirement age). Women, especially, participate in the system. In 2002, 78% of all participants were female. The majority of men take breaks towards the end of their careers, when they are over 50. Although the scheme was meant to encourage a “longer working life”, its evaluation revealed that it might have a negative impact on labour market participation. It may be that people use it as a first step to early retirement rather than as an alternative.

B2.2.3 Denmark⁶¹

“Efterløn”, “early retirement” wage-compensation, was introduced in Denmark in 1979. The “wage-compensation” was equal to unemployment benefit (which is rather generous in Denmark, compared to other countries, around EUR 1775 monthly today) and could be opted for by both unemployed and employed people at the age of 60, continuing up to the age of 67 – the former standard retirement age, after which everybody had the right to a “people’s pension” (Folkepension).

The intention behind the 1979 reform was to reduce the supply of labour as a remedy to combat unemployment, which was especially high among youngsters and older employees. For the unemployed aged 60 and over, joining the “early retirement” wage-compensation scheme would imply unchanged economic conditions. An effect of the latter was then expected to produce job-openings for entrants to employment, be they from the younger age groups or from the ranks of the unemployed in general.

For the unemployed over the age of 50, it became possible to maintain the high level of unemployment benefit, due to suspension of the general limit on the qualifying length of time to be considered “non-available to the labour market” and consequently transferred onto common social security benefit. From 1998, this option was limited to those over 55 years.

Being “available to the labour market” implies not only the willingness to accept an offer of employment from the Labour Market Service, but also to follow an “individual activation plan”, containing job training or education. This is one of the main distinctions between the former, more passive “provision” policy, pursued up to the

⁶¹ This chapter is mainly based on an internal project paper from the Danish partner (see Sørensen / Møberg 2005) and OECD 2005a. See also Larsen 2002 and Rasmussen 2005.

mid-1980s, and the more “active labour market policy” introduced in the 1990s. But regionally, the obligation to accept an “individual activation plan” can be suspended for those over 58 years of age – which is done in most cases, as only around 12% of 58-59 year-olds are being activated, compared to nearly 50% of the unemployed aged between 54 and 57 years. In other words, those of 58+ are “left in peace” until they can switch over to the “early retirement” wage-compensation scheme at the age of 60.

But since its introduction in 1979, the “early retirement” wage-compensation scheme has grown more and more popular – *too* popular, according to the government’s perception of the situation at the latter part of the 1990s, when Denmark experienced a rapidly decrease in unemployment and where a growing fear of a forthcoming shortage of labour supply, caused by “greying”, found its way into public opinion.

This led to the reform of 1999, which became very unpopular among those normally supporting the Social Democrat led government, where the main intention was to create incentives to postpone early retirement from 60 to 62 years at least, and preferably up to the age of 65. However, it still remained possible to opt for “early retirement” wage-compensation at 60 years of age, but at a reduced level, compared to those postponing it to the age of 62. For those aged 62+ the “early retirement” wage-compensation of approx. EUR 1775 per month is paid without any reduction for private pension payments. Furthermore, delaying beyond the age of 62 gives an entitlement to a supplementary tax-free payment, gradually increasing to a maximum of DKR 100,000 (= approx. EUR 13,300) for staying in work until the end of the 65th year.

A reduction in the actual figure of 170,000 persons in the “early retirement” wage-compensation scheme, compared to a similar number of close to 170,000 on unemployment benefit (both around 5.9% of the labour force), could therefore result in a similar increase in the number of unemployed. But for the “early-retirement wage-compensation scheme” the “self-financing” by participant contributions during the active years (amounting to EUR 1 billion) is greater than the contributions paid to unemployment benefit insurance – and hence the net result for the state budget could become negative. But the dominating discourse is still to give top priority to

enlarging the labour market supply – to be achieved through greater participation of those aged 55+ in the active labour force, i.e. primarily by reducing early retirement, by making people work longer. In this sense, the discourse also contains a “moral” judgement; as society needs a larger active labour force, it is “bad” for people to withdraw from it (whereas the “moral” argument for the introduction of the scheme in 1979 was that the older ones should make room for young entrants to the labour market).

The first step towards a universalistic welfare state was taken with the introduction in 1957 of a tax-financed “people’s pension” (Folkepension) given to all men aged 67+ and women aged 62+, regardless of previous labour market participation and income. From the start, everybody received the same sum every month, but soon it became divided into a “basic provision” and a “supplementary provision” (“folkepensionens tillægsbeløb”), which was not eligible for those having more than a certain amount of income from other sources (private pensions, civil servants’ pension, economic activity beyond the age of 67/62 respectively). However, for those only receiving a “people’s pension” (primarily ordinary workers), the amount was soon perceived as too low, compared to the wage-income earned during active labour market participation.

Promoted especially by the trade unions, a “supplementary labour market pension-scheme” (abbreviated ATP) was introduced in 1962. Contributions were paid as a fixed amount per working hour and participation was compulsory for all employees. The amount to be paid out as an annual pension when retiring would therefore only depend on the number of years of labour market activity. Even if not as universal as the “people’s pension”, the ATP was still rather egalitarian in its effects on possible economic standards after retirement.

People with a relatively good income during the active years would therefore still experience a rather large decline in income when moving into retirement. This “gap” was filled with private capital pension insurance schemes, which gained strong political support during the 1960s and 1970s through tax-deductible contributions. However, “normal” workers found it hard to pay for such insurance – and to them the tax-deductions had much less value than to high-income groups.

As it proved impossible to obtain a “past-income-related supplementary pension” (Indtægtsbestemt Tillægs Pension, ITP) by the parliamentary route, a success achieved by the Swedish Social Democrats who were often the inspiration for the Danish Party, the “other branch of the labour movement”, the trade unions, decided to solve the problem by demanding pension contribution funds in the course of general social negotiations. During the 1980s, the employers’ organisations accepted this in most cases (as it meant that some of the demands for wage increases were converted into contributions to collective funds). Today these “Labour Market Pensions Funds” have reached almost universal coverage for employees in all the different trade unions – and the volume of saved funds is very large, meaning that payment of pensions for the coming 20 years is already financed – and that the “provision burden” due to a “greying” population will not be a problem for the public finances.

Nowadays the qualifying age for the “people’s pension” is 65, for women and men alike (lowered from 67 following the 1999-reform – thereby releasing the state from payment of two years of the more expensive “early retirement” wage-compensation scheme”).

“Normal” workers will then receive: the “people’s pension” of the basic amount plus the supplementary amount, a (relatively small) ATP pension and a pension from the “Labour Market Pension Fund”, to which contributions have been made. The size of the latter will depend on the size of contributions and number of years for which they have been paid. It may be so high that it implies a reduction in the supplementary “people’s pension”.

If we then turn to the 60-65 age group, they are eligible for the “early retirement” wage-compensation scheme”, the economic level of which already has been mentioned (EUR 1775 monthly). This allows for only a relatively small income reduction for unskilled, low-paid workers – and the economic loss would be very small in the event that such a worker also has quite a high pension from a “Labour Market Pension Fund”. Reducing this potential “pull” was the justification for the 1999 reform whereby payouts from a “Labour Market Pension Fund” would imply an

equivalent deduction from “early retirement wage-compensation” for those aged 60 and 61. Other incentives to postpone retirement to 62 years have already been presented.

In connection with this, mention should also be made of the very good opportunities for older, unemployed workers to participate in continuing vocational training as an element of an “individual activation plan”. The problem seems to be that some of those over 55 would prefer *not* to be obliged to participate in (yet more!) continuing vocational training. The possibility of saying, “thanks, but no thanks” to an “offer of education” (i.e. continuing vocational training) has now been reserved for those over 58. Concerning the older employed, there are no other limitations on participating in public continuing vocational training, provided that employer recommends it.

B2.2.4 Germany⁶²

Early retirement is a general expression for different regulated possibilities – initiated by law and/or by collective agreements – to take a certain pension earlier than at the age of 65. Early retirement is not, however, a special kind of pension.

At the beginning of the CDU-FDP era (1982-1998) the minister of social affairs Norbert Blüm still considered unemployment to be a temporary evil caused by cyclical deviations. In 1984, the CDU-FDP government tried to tackle rising unemployment with a new approach in labour market policy: they introduced the Early Retirement Act.⁶³ It guaranteed the payment of at least 65 percent of final gross wages to employees who withdrew from work voluntarily at the age of 58. This was seen as a form of practical solidarity between the generations. If the job was filled with an unemployed person subsequently, the employer received one-third of the early retirement expenses from the Federal Employment Services. From the beginning, the Early Retirement Act was limited until 1988. Up to 1988, some

⁶² This chapter is mainly based on an internal project paper from the German partner (see Moraal 2005). See also OECD 2005b.

⁶³ Gesetz zur Förderung von Vorruhestandsleistungen (Vorruhestandsgesetz — VRG), 13.4.1984, last modification 22.12.2005 (<http://www.gesetze-im-internet.de/vrg/index.html>, accessed 9 October 2006)

120,000 employees made use of these early retirement measures. However, only 70,000 jobs were successfully filled again.⁶⁴

The labour market and the labour market policy of the 1980s was completely characterised by redistribution of jobs and deregulation of the labour market. The early retirement policies were supported by a “tripartite coalition” between employees, employers and the government.

The early retirement policies were replaced in 1988 by a measure – the so-called part-time regulation for older employees⁶⁵ – which makes possible a gliding transition into retirement. This shift in the early retirement policy was necessary because the financial burden on enterprises was seen as becoming too heavy. The periods for unemployment benefits were extended for employees aged 58. In this way the financial obligations of employers were reduced and the financial burden on the Federal Employment Services – and thus the community of insured employees – increased.

There were two main forms of part-time work for older employees:

- The “original” form is the continuous part-time arrangement. The employee can split his working time over the whole age-related part-time period.
- The newer and almost exclusively used form of age-related part-time work is the block model – where the age-related part-time period is subdivided into two stages. In the first so-called working phase, weekly working time is as contracted. In the second stage, working time is reduced to zero. In particular, in Germany the “block model” became the most usual early retirement model.

Opting for the block model has advantages both for the older employees and the employer: the net income of older employees who use this part-time age scheme and their pension claims are barely lower than if they had continued in a regular occupation up to the legal pension entry age. Parts of the costs borne by the

⁶⁴ The measure was not as successful as expected: in 1984 the German Ministry of Labour calculated that about 600.000 employees would want to use the Early Retirement Act and 400.000 would find a new job (IAB 1984, see also Gatter / Hartmann 1995, p. 416-417).

⁶⁵ Altersteilzeitgesetz, 23.7.1996, last modification 23.7.2004 (http://www.gesetze-im-internet.de/alttzg_1996/index.html, accessed 9 October 2006)

enterprises are refunded under certain conditions by the Federal Employment Services if the employee retires earlier.

Thus, early exit policies were seen as the best way to redistribute the work. However, at the end of the 1990s it became increasingly clear, that because of the tensions within the social security system, the early exit policies were no longer tenable. A paradigm shift in policy was implemented. In order to be able to integrate older people successfully into the labour market, structural hindrances have to be removed: among other things an increase in the pension entry age is required, along with abolition of the part-time regulation for older employees and the abolition of the facilitated unemployment benefits for older unemployed.

The SPD-Green government (1998-2005) followed two main policy routes from 2001 onwards:

- Gradual abolition of early exit policies and
- Activation of older employees.

The early exit policy measures – early retirement and the part-time regulation for older employees – were often chosen by enterprises and works committees in order to facilitate a socially acceptable reduction in staff. On 12th March 2004, the Federal Government decided to put into effect the reform for the long-term stabilisation of the pension system, known as the Sustainability Act (Nachhaltigkeitsgesetz).⁶⁶ The new pension act came into force on 1st January 2005. The sustainability factor is used as a guidance instrument for the adaptation of pensions. The sustainability factor uses the modifications on the labour market and life expectancy as a means of adjusting the pensions. If life expectancy increases, and hence the number of pensioners, the rise in the pension will be reduced. If, on the other hand, the number of employees increases, will this affect the adaptation of the pensions positively. In order to reduce early retirement, the early retirement exit will be raised to 63 years for the period 2006-2008 or, in the event of unemployment, gradually from 60 to 63. From 2010 onwards, the part-time regulation for older employees, a special form of the early exit, will also be abolished. In Germany, it is possible for unemployed older

⁶⁶ Gesetz zur Sicherung der nachhaltigen Finanzierungsgrundlagen der gesetzlichen Rentenversicherung (RV-Nachhaltigkeitsgesetz), 21.7.2004
(<http://217.160.60.235/BGBL/bgbl1f/bgbl104s1791.pdf>, accessed 9 October 2006)

employees to receive unemployment benefits from the age of 58 until 65 (§ 428 SGB III), if they agree no longer to seek work.

B2.2.5 Netherlands⁶⁷

For a good understanding of the current Dutch policy to promote the longer retention of working people in the labour market, there are four years which are important to know about:

- 1967: introduction of the occupational disability scheme (Dutch acronym: WAO);
- 1976: introduction of collective early retirement schemes (Dutch Acronym: VUT);
- 1982: signing of the “Agreement of Wassenaar” between the government and the social partners
- 2004: abolition of the collective VUT; introduction of the life span leave scheme

These years refer to important phases in the rise and decline of the official and semi-official route to early labour market withdrawal. In the early 1980s, the Netherlands was confronted with the sharpest rise in youth unemployment since the Second World War. Between 1979 and 1984, the peak year, male youth unemployment rose from 8 to 31% and female unemployment from 10 to 28%. Simultaneously, overall unemployment also peaked in 1984, at 19% for women and 17% for men.

In 1982, as part of the attempt to stop this very worrying trend, the Christian-Democrat / Socialist government, headed by Prime Minister Ruud Lubbers and with (the later prime minister) Wim Kok as its Minister of Finance, invited the social partners for an informal discussion. This meeting led to a one-and-a-half-page document, now famous as the “Agreement of Wassenaar”. “Time” was the key concept in this agreement. Firstly, all workers would get more free time. It was agreed that increases in the cost of living would no longer be automatically compensated by higher wages. Instead, they would be compensated partly in money and partly in extra days off per year. Secondly, there would be strong support for ageing workers to leave the labour market early.

⁶⁷ This chapter is mainly based on an internal project paper from the Dutch partner (see Mejer 2005). See also OECD 2005c.

The first early retirement schemes were introduced as early as 1976, providing employees with the opportunity to leave their jobs voluntarily before reaching the pension age of 65. The costs of these early retirement schemes were paid by contributions from all those working in a specific economic sector. In these two ways – all employees working a few hours less per week and older employees leaving the labour market – extra openings were created on the labour market. Unemployed school leavers were to fill these vacancies. In addition to these “time”-related measures, the government and the social partners agreed that salary increases for those entering and those already in the labour market would be limited.

It took some time, but as of 1984, this “time” recipe began to work. People took up the offer of the early retirement schemes and the economy started growing again. As a result, only four years later, in 1988, youth unemployment had fallen to 12% and overall unemployment to 7%.

In addition to the official route for leaving the labour market early, i.e. the early retirement schemes, there was another semi-official one: the occupational disability scheme. The purpose of this scheme, introduced on 1 July 1967, was to provide an income to those who, because of either a physical or mental disability, could not work. This scheme combined the payment of benefits to those who, as a result of their handicap, had never worked (the “risque social”) with the payment of benefits to those who, as a result of an accident (the “risque professional”) could no longer work part-time or at all. If someone was 100% disabled, the WAO scheme provided an income of 80% of the last salary earned. It was also possible to be assessed at a lower disability percentage, leading to a lower level of income. A client was expected to work for the “able” proportion.

Both a doctor and a labour market expert assessed a client. While the doctor looked at the remaining physical and mental capacities of a client, the expert assessed the opportunities for this person to find “fitting work” (i.e. a job – almost – similar to the one the client had done until his or her accident) on the labour market. In 1973 a guideline was issued which gave “the client the benefit of the doubt.” This meant that, in case it was not that easy for the client to find a “fitting job”, the expert had to

assume that this was caused by the client's disability level, not by the situation on the labour market. In times of rising unemployment, with high supply and low demand on the labour market, it became very easy to obtain the label "100% disabled" under the terms of the WAO scheme. As stated above, such a person would receive benefits of 80% of the last earned salary up to the age of 65. As of that date, he or she would start to receive the state pension.

When enterprises had to lay off staff, these would receive unemployment benefit. However, this benefit was (and is) limited in amount and duration. So, often, as part of a so-called social plan – in which the employer and the trade union agreed on the kind of support the firm would offer to those leaving the company – it was often (tacitly) agreed that those over 55 would be offered the option of entering the occupational disability scheme. On a personal level, the choice between a limited unemployment benefit for a restricted number of years or a fixed WAO amount up to the age of 65 was an easy one. To begin with, economic sectors which "sent" more persons via the WAO route into early retirement did not have to contribute more than sectors which sent fewer persons.

In 1967, the year the WAO scheme was introduced, some 175,000 person years were paid. Six years later, in 1974, this number had doubled, to 350,000. Six years later, in 1981, it had doubled again to 700,000. Of the group entering the WAO scheme in 1980, it was, however, estimated that between 50 and 67% were disabled persons. Stated in another way, between 33 and 50% of the WAO inflow in 1980 was, in fact, hidden unemployment!

In the 1990s, overall unemployment dropped to around 4%. Demand on the labour market rose, as did the inflow into the occupational disability scheme (WAO) and, although to a much lesser extent, into the early retirement schemes. In 1993, the occupational disability scheme reached its first peak year. In that year, some 920,000 persons received benefit. In 1999, 75 percent of the labour force was employed in companies or organisations that offered the opportunity of retiring early. In companies having collective employment agreements, over 90 percent of older employees were made this offer, and about 80 percent of them actually made use of this option.

The social partners and the government realised that the “Agreement of Wassenaar” had outlived its usefulness. In 1993, a new Social Agreement (called: “A new direction”) was signed. Its main feature was that financial responsibilities were gradually transferred from the national to the sectoral level. As of 1998, enterprises and sectors which “sent” too many persons to the WAO had to pay a penalty. This very unpopular measure – because the firm also had to pay the penalty for those employees who went into the WAO because of an accident in their free time – was abolished in 2004.

The WAO route, i.e. the occupational disability route, was the first one to be closed. The burden on the state’s coffers was becoming too heavy, so more and more hurdles were introduced before someone was allowed to enter the scheme. Physical and mental assessment rules became much stricter. The definition of “fitting work” was initially (in 1993) made much wider and, later, removed altogether. The principle became: any work is fitting for a disabled or unemployed person. Entry into the WAO scheme only became possible after one year (in 1994) and, later on (in 2004), after two years of illness. For these years, the employer is responsible for paying the employee’s salary and for re-integrating him or her into the firm.

Because of the new legislation in the mid-1990s, the inflow into the WAO dropped from 920,000 in 1994 to 850,000 in 1997. As of that year, partly because of the increasing number of people in the labour market, it started rising again, reaching 993,000 in 2002. Since that year, again because of new legislation, the number of beneficiaries began to fall again, to 968,000 in the summer of 2004.

A study by the CPB (Centraal Plan Bureau – Central Planning Office)⁶⁸ in 2006 showed that the inflow of “hidden” unemployed into the WAO has stopped. Whilst in the 1980s and early 1990s, an estimated 10 to 50% of those in the WAO were “hidden” unemployed, in 2002 (the latest year for which data is available), the new inflow of “hidden” unemployed was reduced to almost 0 percent.

⁶⁸ Koning / van Vuuren 2006 and 2006a

The official VUT route, the early retirement schemes, was somewhat more difficult to close, as it was and is the responsibility of the social partners. In addition, these schemes were – and still are – very popular. The VUT is seen by all as “an offer you cannot refuse.” It is used somewhat more often by persons with low skill-levels (and fewer opportunities on the labour market) and by those working in (heavy) industry.

There was a slight increase of 4% in the number of VUT beneficiaries between the years 1996 and 2000. This increase is confined to the 61-64 age group and to two economic sectors: governmental agencies and the state-subsidised sector. The latter is surprising, as it was stated policy in the 1990s to reduce the use of early retirement options. In contrast, the private sector succeeded in reducing its outflow to these schemes by 10%.

The measures taken to limit early labour market withdrawal have been partly successful:

- The semi-official WAO route, the occupational disability scheme, was successfully closed. Nowadays, no one regards these as attractive options for early retirement.
- The official VUT route, the early retirement scheme, however was not.

In 2004, the government took a bold step: it decided to abolish all collective early retirement schemes. This was done through a tax measure. Payments to such schemes would no longer be tax deductible, making the schemes very costly, if not impossible to pay for.

At the same time, it introduced the life-span leave (LSL) scheme (in Dutch: “levensloopregeling”).⁶⁹ The LSL scheme differs significantly from the early retirement schemes in three ways:

- The LSL scheme is not a collective scheme, but is person-based. Each employee decides for her or himself whether to take part in the scheme or not. In VUT schemes, all employees working in a sector took part automatically.

⁶⁹ See Meijer 2006

- The LSL scheme is savings-based. Whereas in the VUT schemes the payments to participants were based on contributions from all employees in a sector, the LSL scheme is based on the personal savings of each participant.
- The LSL scheme is much wider in scope. The scheme includes options to take part-time or full-time leave in all stages of a career.

In order to take part in the LSL scheme, an employee has to open a LSL account with a bank or pension fund. Each year one can decide whether to put money into it or not. The employer, as part of the wage package, can also contribute to the account. The LSL accounts were introduced on 1st January 2006. The state, banks and pension funds organised promotion campaigns. Up to mid-2006, employees could indicate that they would put money in their LSL account for the fiscal year 2006. Provisional figures indicate that some 5% of employees working in the private sector and 8% of those working in the public sector had opened an LSL account. The responsible minister has said that he was satisfied with these percentages. Experts, in general, were rather disappointed with the result.

In November 2006, elections for the national parliament will be held. In August 2006, in order to influence the election programmes of the various parties, a group of experts has put forward a series of proposals to enhance the popularity of the LSL scheme. These proposals include an increase in the contribution of the state to the scheme, additional fiscal benefits and allowing participants to use the money for a wider range of options.

B2.3 Summary

Population projections show that in the next decades most countries and at least the five AGEQUAL countries will be confronted with a sharp decline in the potential working population in relation to the total population. The age dependency ratios and the benefit dependency ratio reveal that especially Belgium and Germany, but also the other countries, will have to bear high burdens because of the ageing population. It seems to be clear to governments, enterprises and trade unions that if policies in stick to the concept of early exit of older employees, this will not only cause massive economic problems, but will also mean an economic waste of human capital

resources. A very key negative aspect of early exit policies in an ageing society is the effect of these policies on human capital resources. The labour market problems for employees in the 55+ age segment are caused by a vicious circle of highly interdependent processes. Attractive options for early retirement along with simultaneous high unemployment of older employees generate problems for the long-term utilisation of human capital resources. It is suggested long before the age of 65 that employees are approaching the end of their active working life. Because relatively little time remains until their possible exit from working life, for many employees any engagement, flexibility and commitment to continuing vocational training seems not to be worthwhile. Enterprises are thus no longer interested in their commitment to provide continuing vocational training, because enterprises want to invest in the human capital of those employees whose expected working time is still long enough to ensure full amortisation of the enterprises' investment in training.

B3 Decline and ageing of the total labour force and the necessity for demand-oriented intervention

All highly industrialised countries will face a demographic development by which the average age of the population / of employees will increase, and at the same time, the influx of younger employees into the labour market will decrease. This trend will not affect all employees at the same time and with the same effects. There will be an especial lack of skilled employees with good qualifications, and high unemployment among unskilled or low-skilled employees. Ageing of the labour force also means the loss of expertise and work experience if these employees exit working life. Thus it will be important in future to encourage older employees to participate more in continuing vocational training. The conditions for the continuing vocational training of older employees are, however, very different in the five AGEQUAL countries.

B3.1 Decline and ageing of the total labour force

As already mentioned, with the decline and ageing of the population, there will be a disproportionate decline in the potential working age population (see Figure 3). The following table shows Eurostat's population projections for the potential working age population in total and the inter-generation relationship between the age groups for the projected years up to 2050.⁷⁰

⁷⁰ See for more information about labour force projections Carone 2005.

Table 5: Population projections – potential working age population by age groups 2005-2050 (%)

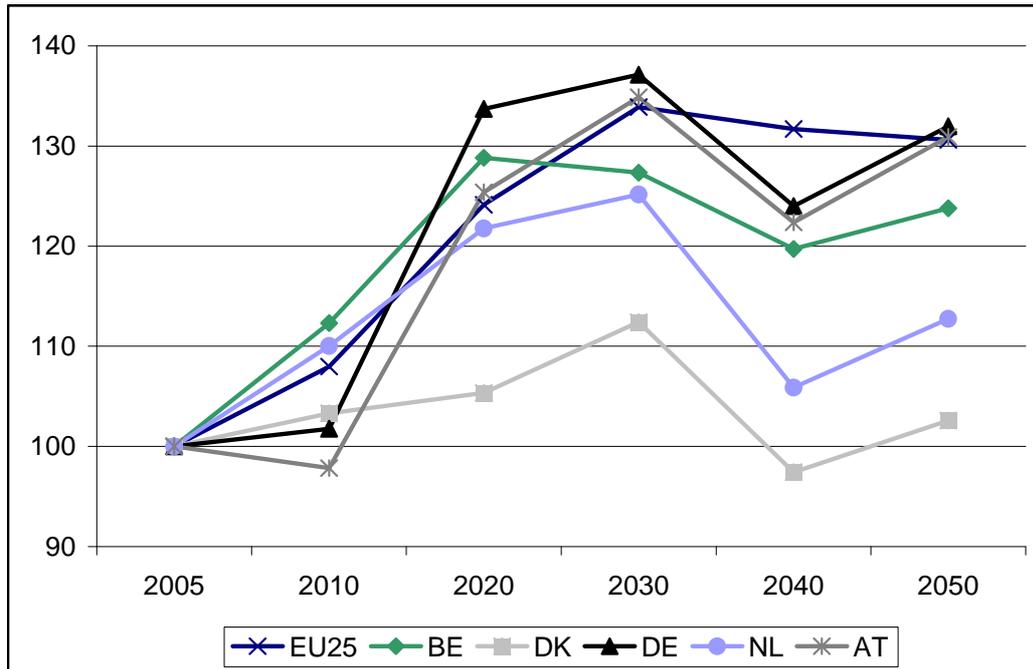
Year	Age group	EU25	Belgium	Denmark	Germany	Netherlands	Austria
2005	20-34 years	33.6	32.3	31.2	29.6	31.4	31.8
	35-54 years	47.7	49.2	47.2	51.2	49.2	49.3
	55-64 years	18.6	18.5	21.6	19.2	19.3	19.0
	<i>absolute total</i>	<i>279,641,149</i>	<i>6,222,688</i>	<i>3,277,218</i>	<i>50,494,116</i>	<i>10,047,225</i>	<i>5,042,382</i>
2010	20-34 years	32.0	31.0	29.5	29.6	29.7	30.8
	35-54 years	47.9	48.2	48.2	50.8	49.1	50.7
	55-64 years	20.1	20.8	22.3	19.6	21.2	18.5
	<i>absolute total</i>	<i>283,714,356</i>	<i>6,340,737</i>	<i>3,239,410</i>	<i>50,188,602</i>	<i>10,181,557</i>	<i>5,063,182</i>
2020	20-34 years	29.8	31.4	32.4	29.0	31.9	30.4
	35-54 years	47.1	44.7	44.9	45.3	44.6	45.9
	55-64 years	23.1	23.8	22.8	25.7	23.5	23.8
	<i>absolute total</i>	<i>277,960,280</i>	<i>6,282,474</i>	<i>3,197,127</i>	<i>49,331,952</i>	<i>10,104,848</i>	<i>5,143,634</i>
2030	20-34 years	29.2	31.5	33.2	28.4	33.2	29.2
	35-54 years	45.8	45.0	42.5	45.2	42.6	45.3
	55-64 years	24.9	23.5	24.3	26.4	24.2	25.6
	<i>absolute total</i>	<i>263,740,373</i>	<i>5,993,640</i>	<i>3,110,381</i>	<i>44,775,339</i>	<i>9,827,290</i>	<i>4,823,131</i>
2040	20-34 years	30.3	32.0	31.7	29.5	32.7	30.0
	35-54 years	45.1	45.9	47.2	46.7	46.8	46.8
	55-64 years	24.5	22.1	21.1	23.8	20.4	23.2
	<i>absolute total</i>	<i>247,181,797</i>	<i>5,796,033</i>	<i>2,943,737</i>	<i>41,035,528</i>	<i>9,439,674</i>	<i>4,492,055</i>
2050	20-34 years	30.5	32.4	32.3	29.9	32.7	30.4
	35-54 years	45.2	44.8	45.5	44.8	45.5	44.7
	55-64 years	24.3	22.9	22.2	25.4	21.8	24.8
	<i>absolute total</i>	<i>233,472,813</i>	<i>5,724,776</i>	<i>2,957,892</i>	<i>38,925,143</i>	<i>9,569,912</i>	<i>4,333,121</i>

Source: Eurostat, population projections, trend scenario: baseline variant

Regarding the average of the 25 EU-countries, it is projected that the working age population will decline by –16.5% in the period from 2005 to 2050. The decline in the working age population will be especially drastic in Germany, at –22.9%. The decline in Austria, at –14.1%, is just under the EU25 average. The decline in Denmark at –9.7% and Belgium at –8.0% is lower than the EU25 average. In the Netherlands, the decline of –4.8% is the lowest in the AGEQUAL countries.

However, it is important not just to consider the projected development of the working age population in future, but also, essentially, the inter-generation shifts between the age groups. The projection for the 20-54 year-old age group as a share of the working age population will decline by –5.7 percentage points in the 25 EU countries. The decline of –6.1 percentage points in Germany and –5.9 percentage points in Austria is higher than the EU average; in Belgium at –4.4 percentage points it is somewhat lower, and in the Netherlands at –2.5 percentage points, distinctly lower than the EU25 average. Only in Denmark is the population share of the 20-54 age group projected to remain stable.

Figure 6: Indexed trend of the share of the potential labour force in the 55-64 age group / potential labour force (2005=100)



Source: Eurostat, population projections, trend scenario: baseline variant

The figure reveals the exceptional demographic and labour market problems that the five AGEQUAL countries will face in the next two decades. It shows differences relating to the growing importance of the group aged 55-64 within the potential working age population. In nearly all AGEQUAL countries except Denmark, the share of this age group will rise drastically between 2005 and 2020. This is especially the case for Germany between 2010 and 2020. Employees and the unemployed now aged 30-45 will be confronted with this development.

Eurostat also published a projection of the future labour force. The projection covers only the period between 2005 and 2025, because a projection beyond 2025 was thought to be unrealistic. The age structure of the working age population determines the labour force participation rates. In the projected baseline scenario, it is assumed that the ageing of the population will have a positive effect on labour force participation rates. In the baseline scenario it is assumed that developments observed during past years will continue, particularly the entry and exit rates from the

labour market. The main influences on the participation rate are the rises in labour participation by females and older employees.⁷¹

Table 6: Population projections – potential labour force by age groups (2005-2025)

Year	Age group	Belgium	Denmark	Germany	Netherlands	Austria
2005	20-34 years	35.0	33.4	30.9	35.2	34.3
	35-54 years	56.4	51.6	58.0	54.7	56.5
	55-64 years	8.5	15.0	11.1	10.1	9.2
	<i>absolute total</i>	<i>4,376,934</i>	<i>2,692,533</i>	<i>39,875,409</i>	<i>7,463,663</i>	<i>3,852,714</i>
2015	20-34 years	34.0	32.1	30.6	34.6	32.9
	35-54 years	54.6	52.4	54.7	52.8	54.7
	55-64 years	11.4	15.4	14.7	12.7	12.3
	<i>absolute total</i>	<i>4,331,229</i>	<i>2,671,166</i>	<i>40,658,280</i>	<i>7,617,043</i>	<i>3,994,209</i>
2025	20-34 years	35.4	36.0	30.7	37.5	34.2
	35-54 years	52.3	46.5	50.2	47.7	49.3
	55-64 years	12.4	17.5	19.1	14.8	16.4
	<i>absolute total</i>	<i>4,114,371</i>	<i>2,661,034</i>	<i>37,971,506</i>	<i>7,457,931</i>	<i>3,814,899</i>

Source: Eurostat, population projections, regional scenarios on labour force

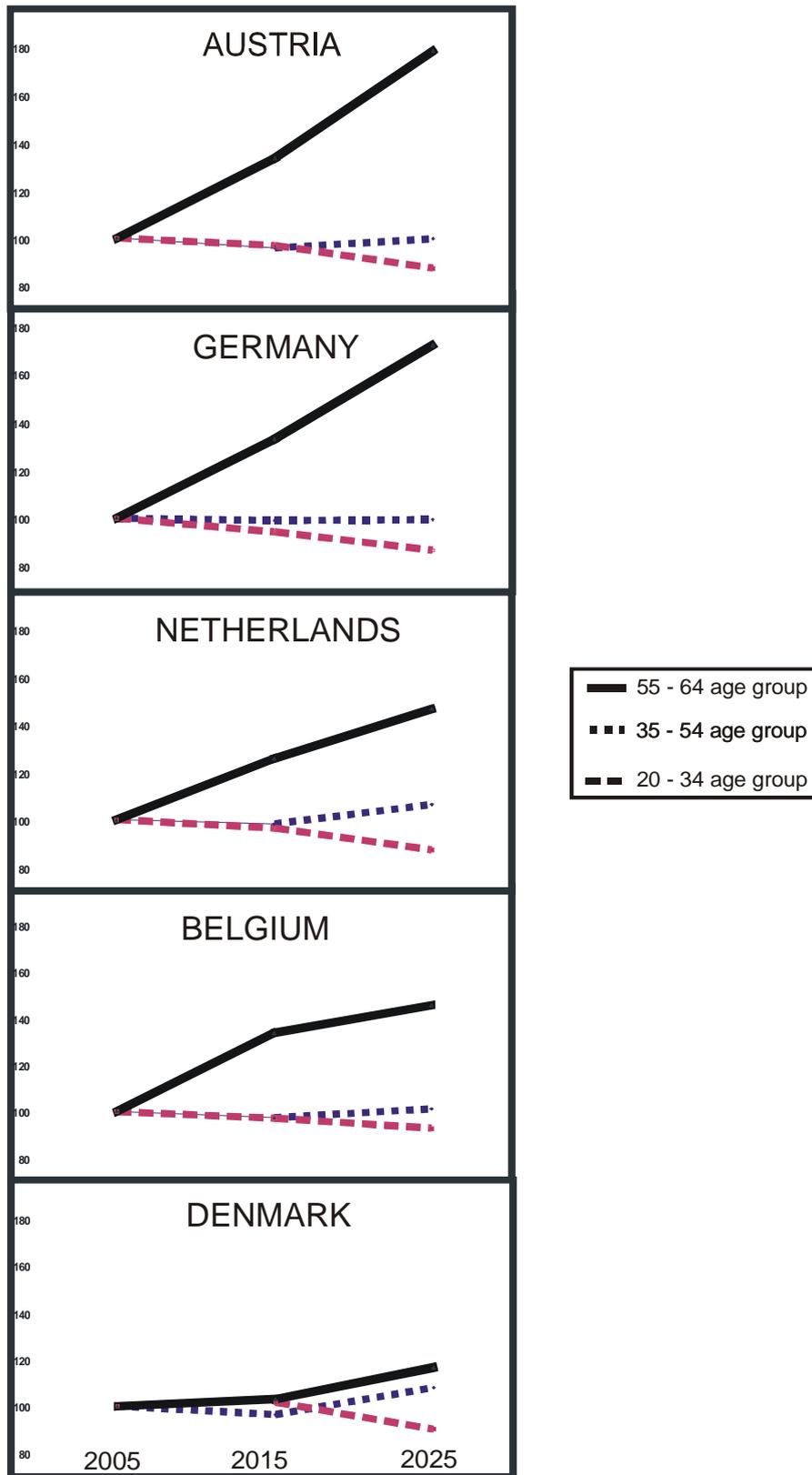
In the period from 2005 to 2025 the projected labour force will decline most in Belgium (-6.0%) and Germany (-4.8%), whereas the decline in Denmark (-1.2%), Austria (-1.0%) and especially the Netherlands (-0.1%) is not that significant.

However, in the case of the projected labour force it is important not just to consider the projected development of the labour force in future; it is also essential to take account of the inter-generation shifts between the age groups. The projected share of the group aged 20-54 within the working age population will decline in all AGEQUAL countries. The decline is higher in Germany (-8.0%) and Austria (-7.2%) and somewhat lower in the Netherlands (-4.7%) as well as in Belgium (-3.9%). In Denmark, the population share of the group aged 20-54 is projected to be lowest (-2.5%).

⁷¹ The main characteristics with respect to the labour force scenario are as follows: labour participation rates of youngsters will show moderate developments; although young people are less inclined to postpone entry into the labour market (compared with the low scenario), job opportunities for part-time jobs are still relatively limited. Also the labour participation of mothers will show a modest increase. Norms and values towards combining paid work with raising young children will be more permissive than they used to be. Nevertheless, this will only lead to a modest increase in participation due to the fact that the growth of part-time jobs (in the service sector) will still be limited. There is stagnation in the reorganisation of labour markets along the lines of greater flexibility in working-time arrangements. The trend towards early retirement will slow down in the short run. The priority given by governments to the absorption of young people into the labour market will prevent a rise in participation rates in the short term. However, in the long run ageing of the (working) population may lead to shortages of workers. This may lead to a rise in salaries and may induce older employees to stay in the labour market for longer.

The following figure once again supports the exceptional demographic and labour market problems which the five AGEQUAL countries will face in the next two decades, as mentioned above. The figure shows great differences between the individual AGEQUAL countries relating to the projected development of the different age groups within the labour force. It can be noted that the “wedge” between the projected development between the groups aged 20-34 years and 35-54 years and the group aged 55-64 years is widest in Austria, Germany, somewhat smaller in Belgium and the Netherlands and very narrow in Denmark. This means that in Austria and Germany, and to a lesser extent in the Netherlands and Belgium, the group reaching the ages of 55-64 in the period 2015-2025 – which is the current age cohort 35-45 – should be prepared (meaning, of course, need to be qualified) to stay in employment, in order to secure the continuity of the production of goods and services. This problem is not so relevant in Denmark, because here the necessary qualifications can be distributed across all age groups.

Figure 7: The age group wedge – indexed trend of the share of the potential labour force by age groups 2005-2025 (2005=100)



Source: Eurostat, population projections, regional scenarios on labour force

Combining the projected results of the future working age population with the labour force projections gives an overview of the demographic and labour market problems which the AGEQUAL countries will be faced with in future. Germany and Austria, in particular, will be confronted with a declining working age population, a critical shift between age groups within the potential working age population and the projected future labour force. These problematic future tendencies in the labour market are somewhat less grave for Belgium and the Netherlands. Denmark, it seems, will not be confronted with such severe demographic and labour market problems.

However, for the current situation on the internal and external labour markets in the AGEQUAL countries, this means that the 35-54 age group should remain in, or seek re-entry to, employment. What this means is, on the one hand curbing the PUSH, PULL and JUMP processes in the labour markets, whilst advancing the STAY and (RE)ENTRY processes. This, however, puts pressure on existing continuing vocational training in enterprises as well as the continuing training of those who are currently unemployed. This of course affects the younger age cohorts today – especially the 20-50 age group.

In the following, the synthesis report will firstly describe some comparative data for the AGEQUAL countries relating to the participation of older employees in training. It will then give a systematic profile of continuing vocational training for employees, and subsequently some comparative data on continuing training for the unemployed as an important instrument of active labour market policy.

B3.2 Continuing vocational training in Austria, Belgium, Denmark, Germany and the Netherlands

The Lisbon conclusions stressed the central role of education and training as the main instruments to increase human capital and make real this strategic objective within ten years, in terms of its impact on growth, productivity and employment. Since Lisbon, the European Union has been concentrating its efforts on improving investment in human resources. The Commission Communication “Making a European Area of Lifelong Learning a Reality”⁷² stresses the importance of investment in education and training throughout working life, as an efficient means to make the European countries more prosperous, inclusive, tolerant and democratic. In this European area of lifelong learning, continuing vocational training provided by enterprises is one of the main means to ensure the continuous adaptation of skills to the requirements of the economy.

B3.2.1 Participation of older employees in training

Comparative data on the participation of older employees and unemployed persons in continuing vocational training do not exist. The European Continuing Vocational Training Surveys (CVTS1 and CVTS2) have not, so far, collected age-related data.⁷³ However, the data from the ad hoc module “lifelong learning” of the 2003 Labour Force Survey⁷⁴ may give some indications of the participation of the different age groups in continuing vocational training. Here, the learning activities of persons aged 25 – 64 were surveyed in the twelve months prior to 2003. The LFS ad hoc module differentiates between the following forms of learning activities:⁷⁵

- **Formal education:** formal education corresponds to education and training in the regular system of schools, universities and colleges.
- **Non-formal education:** non-formal education and training includes all types of taught learning activities which are not part of a formal education programme.

⁷² European Commission (ed.) 2001

⁷³ In CVTS3 some questions according to the participation on CVT courses by three different age groups are included. The reference period will be 2005, first results will be published probably in 2007.

⁷⁴ On the results, see Kailis / Pilos 2005.

⁷⁵ In Germany and many other countries, proxy interviews were permitted, which may have had an impact on the quality of the responses, given the long reference period and the subject of the survey.

- **Informal learning:** informal learning corresponds to self-education which is not part of either formal or non-formal education and training, acquired by various means such as books, computers, learning centres or educational broadcasting.

Table 7 gives an overview of participation in non-formal learning by age group.⁷⁶ Participation in non-formal learning decreases in general with rising age. In Austria, Belgium, Germany and the Netherlands, participation of employees aged 55–64 years is clearly lower than in Denmark.

Table 7: Participation in non-formal learning by different age groups in % (2003)

Country	Total	25 to 34	35 to 44	45 to 54	55 to 64
Austria	25.3	31.0	30.4	24.5	12.3
Belgium	19.5	24.6	22.8	19.9	7.8
Denmark	47.1	47.3	52.2	50.2	37.7
Germany	12.7	15.9	15.5	13.2	5.7
Netherlands	11.0	15.3	12.2	10.2	5.0
EU25	16.5	19.8	19.2	16.5	8.5

Source: Eurostat, Ad hoc module on lifelong learning

Limiting the data to employees and job-related non-formal training activities shows a slightly different picture. Nevertheless, participation in job-related non-formal training activities generally decreases with rising age, too. The range between the age groups, especially the results for employees aged 55 to 64, is much smaller than between all persons. In all countries, employees aged 55 to 64 have a much higher participation rate than the comparable group of all persons in this age group. The differences range from 1.1 percentage points in the Netherlands to 6.5 percentage points in Belgium (see Table 8).

Denmark's rate of 39.0% is one of the highest participation rates of employees aged 55 to 64 in the EU25. Only Sweden and Finland have slightly higher figures. Austria and Belgium likewise show relatively high rates (7th and 8th place) of 14.8% and 14.3%. Germany and the Netherlands are situated on the lower half of the country table with 10.2% and 6.1%. Only in Hungary and the Southern European countries of Spain, Italy, Portugal and Greece can a lower participation rate than in the Netherlands be found.

⁷⁶ Eurostat, Ad hoc module on lifelong learning (Labour force survey 2003)

Table 8: Participation of employees in non-formal job-related training activities by age group in % (2003)

Country	Total	25 to 34	35 to 44	45 to 54	55 to 64
Belgium	22.8	24.6	23.2	22.9	14.3
Denmark	46.6	46.2	49.2	49.1	39.0
Germany	14.9	16.7	15.8	14.5	10.2
Netherlands	11.6	14.2	11.6	11.0	6.1
Austria	24.2	26.4	26.5	21.7	14.8
EU25	18.5	20.1	19.7	18.0	12.9

Source: Eurostat, Ad hoc module lifelong learning

The differences between the participation rates of male and female employees are small in all age groups and normally score less than 3 percentage points (see Table 9). Exceptions are Denmark and the Netherlands: In Denmark, employed women aged 35 and older have a much higher participation rate than men. In the Netherlands, the participation rate of women aged 55 to 64 is 3.5 percentage points above the male rates. In addition, in Belgium older women participate more frequently than men in non-formal job-related training measures.

Table 9: Participation of employees in non-formal job-related training activities by gender and age group in % (2003)

Country	Total		25 to 34		35 to 44		45 to 54		55 to 64	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Belgium	22.8	22.8	24.6	24.7	23.9	22.4	22.8	23.0	14.1	14.7
Denmark	44.6	48.9	46.5	45.9	47.1	51.5	45.6	52.8	36.8	42.0
Germany	14.8	15.1	16.5	17.1	15.5	16.3	14.6	14.5	10.7	9.4
Netherlands	11.1	12.2	14.7	13.7	11.3	12.0	10.3	12.0	4.8	8.3
Austria	24.6	23.7	27.6	25.1	26.7	26.2	22.3	21.0	15.0	14.6
EU25	17.7	19.5	19.5	20.8	18.8	20.7	17.1	19.2	12.3	13.5

Source: Eurostat, Ad hoc module lifelong learning

Continuing vocational training for employees and the continuing training of the unemployed as a part of an active labour market policy are important measures to support transitions in and out of work on the labour market. In the following, this synthesis report will give some comparative data on continuing vocational training and training for the unemployed in the AGEQUAL countries.

B3.2.2 Comparative results from the second European Continuing Vocational Training Survey (CVTS2)

The second European Continuing Vocational Training Survey (CVTS2)⁷⁷ delivers quantitative and qualitative data on continuing vocational training in enterprises. Quantitative indicators are a central element for describing and comparing the structures of continuing vocational training in Europe. Important measures of the performance of continuing vocational training in countries are the following quantitative key indicators, which we are using:

- Training incidence
- Training access
- Training intensity
- Training costs

An assessment based on a single indicator is not sufficient for international comparison of continuing vocational training in different countries. Furthermore, it is important to distinguish the national level from the level of enterprises, because we have to use different performance indicators for both levels.⁷⁸ These indicators permit a preliminary comparative interpretation of the continuing vocational training activities in the countries surveyed. However, these key continuing vocational training indicators can only provide initial pointers to similarities or differences between the countries included in CVTS2. An integrated approach makes it possible to screen the performance of continuing vocational training more specifically. Analysis on the national level describes the performance of training and non-training enterprises on aggregate. On this level, it is possible to analyse the overall access of employees in a country to continuing vocational training, or to compare the total continuing vocational training costs as a share of total labour costs.

The following four quantitative indicators describe the training activities of training enterprises against the background and in the context of the continuing vocational training indicators:

⁷⁷ European Commission 2003; Eurostat 2002 and Grünewald / Moraal / Schönfeld 2003

⁷⁸ See Behringer / Käßlinger / Moraal / Schönfeld 2005

- Enterprises providing training courses, in a given country and in a given year (training incidence = training enterprises providing training courses / all enterprises)
- Access of employees to continuing vocational training provided by enterprises, on the level of training enterprises, in a given country and in a given year (training access = training participants / all employees in training enterprises providing training courses)
- Average duration of continuing vocational training provided by training enterprises in continuing vocational training, in a given country in a given year (training intensity = total of training hours / all participants in training enterprises providing training courses)
- Costs per hour in training enterprises, in a given country in a given year (training costs = training costs / total of training hours in training enterprises providing training courses).

Enterprises play an important role in solving labour market and employment problems. When assessing continuing vocational training systems with regard to their selectivity, the analysis of difficulties that exist in accessing continuing vocational training is an important area to be investigated. Since the available data come from surveys in enterprises, the information does not represent the entire range of possible causes of the variation that is observed using continuing vocational training measures. However, the results of CVTS2 supply important information regarding the level of general investment by European enterprises in human capital and the differences that still exist in the structure of this investment. The essential findings relating to 1999 were as follows:

Training incidence

In 1999, 53% of European enterprises⁷⁹ offered internal or external training courses. The proportion of enterprises offering training courses as a share of all enterprises with 10 or more employees in the countries participating in CVTS2⁸⁰ ranged from 7%

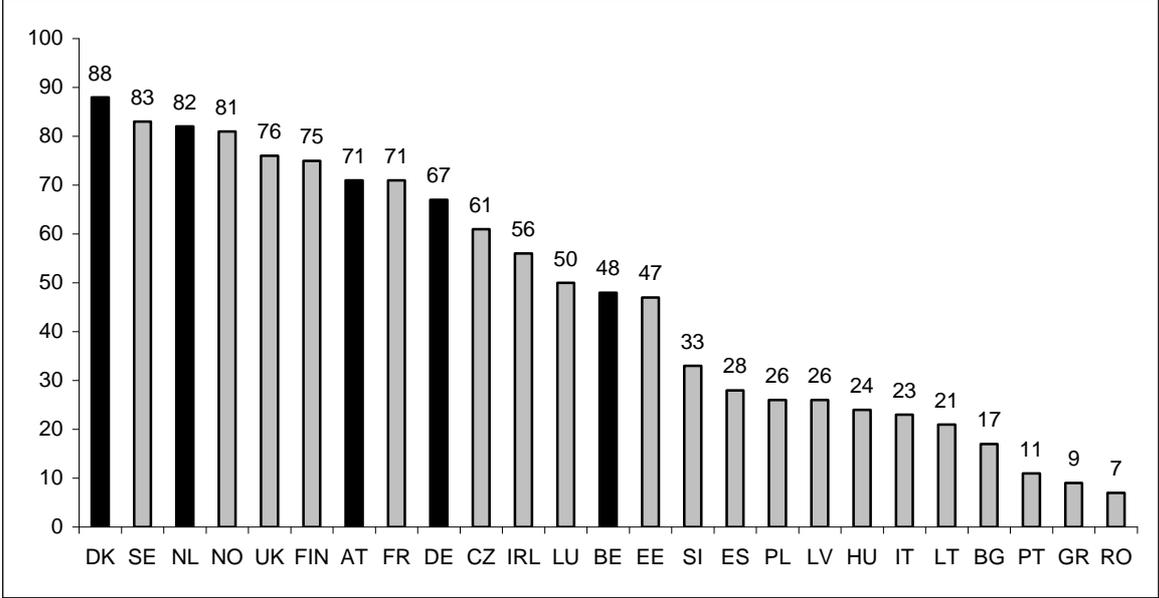
⁷⁹ EU25 average excluding Slovakia and Cyprus which did not participate in CVTS2.

⁸⁰ AT – Austria, BE - Belgium, CZ – Czech Republic, DK - Denmark, DE - Germany, ES - Spain, EE – Estonia, FR – France, FIN – Finland, GR – Greece, HU – Hungary, IT – Italy, IRL - Ireland, LU -

in Romania to 88% in Denmark (see Figure 8). In Denmark, Sweden, the Netherlands and Norway more than 80% of enterprises provide training courses. In contrast, in Bulgaria only 17% of all enterprises implement training courses, in Portugal 11%, in Greece 9% and in Romania 7%.

Considering the five AGEQUAL countries, Denmark and the Netherlands rank highest (1st and 3rd place) with a training incidence rate of 88% and 82% respectively, followed by Austria in 7th place (71%) and Germany in 9th place (67%). The training incidence rate in comparison with the other four AGEQUAL countries is clearly lower in Belgium (48%, 13th place).

Figure 8: Enterprises providing training courses as a proportion of all enterprises (% – 1999)



Source: Eurostat, CVTS2

Training access

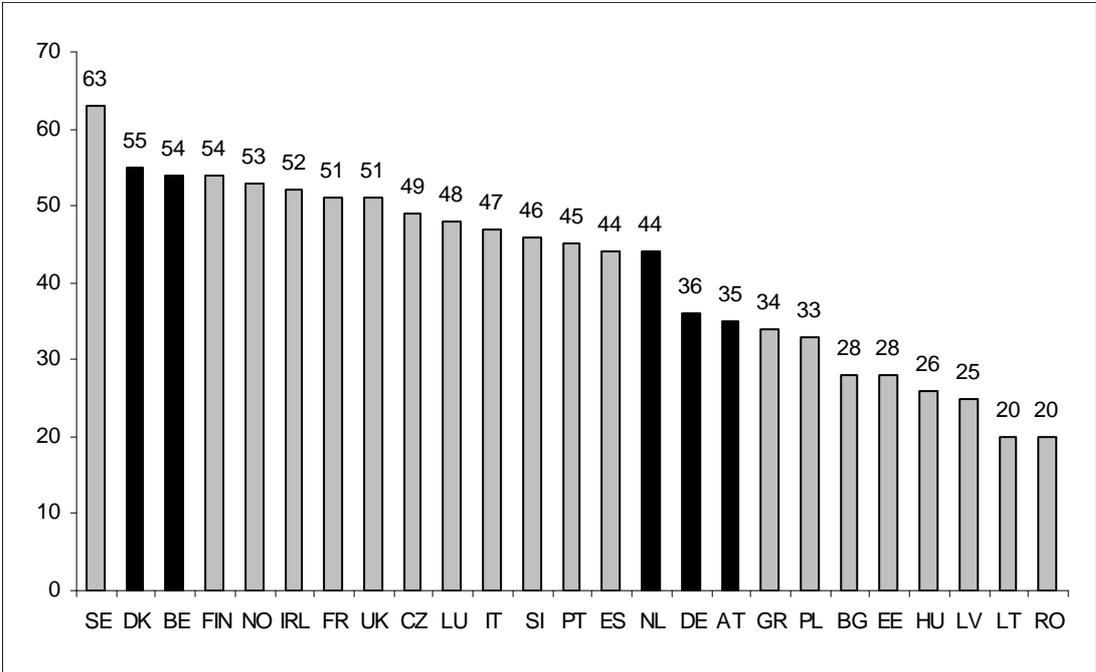
The Scandinavian countries are the leaders in this continuing training indicator (the figures were 63% for Sweden, 55% for Denmark and 54% for Finland). The opportunities for employees to participate in a training course are particularly low in Romania and Lithuania (20%). In terms of the rate of participation (participants as a

Luxembourg, LT – Lithuania, LV – Latvia, NL - Netherlands, PT - Portugal, PL – Poland, SE – Sweden, SI – Slovenia, UK – United Kingdom, NO – Norway, BG – Bulgaria, RO – Romania

percentage of employees in the enterprises offering training courses), the differences between the countries turned out to be smaller. The EU25 average is 47%.

In relation to the access indicator, the differences between the five AGEQUAL countries are clearly more significant. Denmark ranks in 2nd place with an access rate of 55%, followed by Belgium in 4th place with an access rate of 54%. The access rates in the Netherlands (44%), Germany (36%) and Austria (35%) are clearly lower: these three AGEQUAL countries rank 14th, 16th and 17th respectively.

Figure 9: Percentage of employees participating in training courses in enterprises with CVT courses (% – 1999)



Source: Eurostat, CVTS2

Training intensity

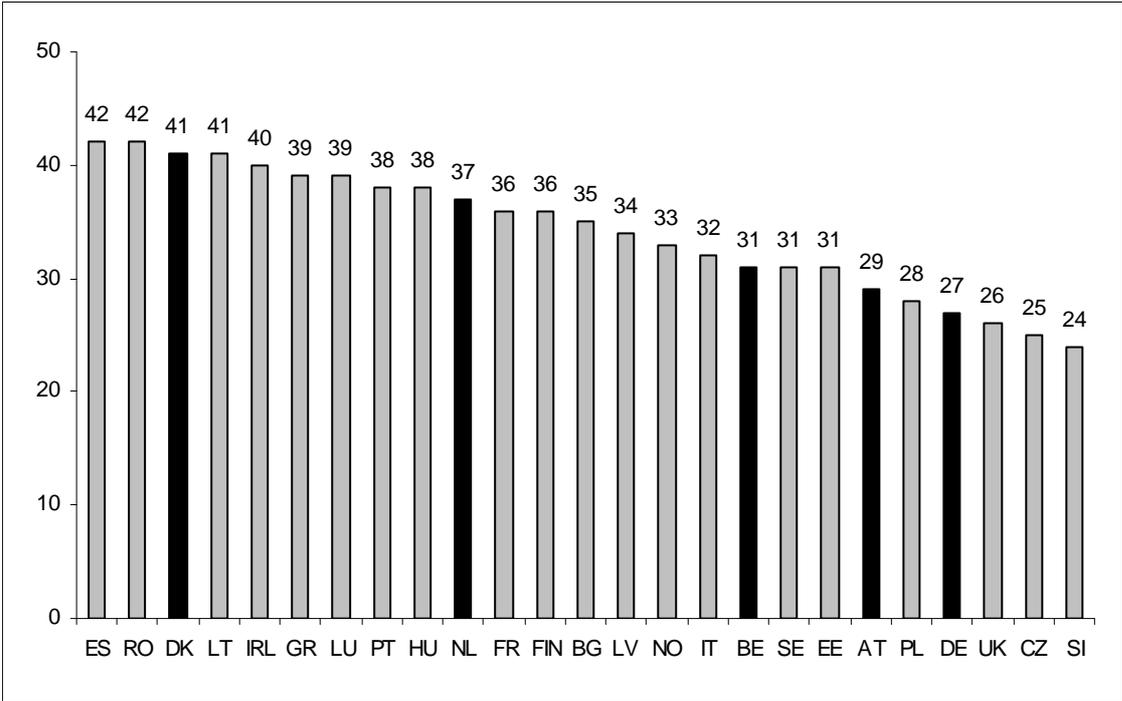
The most important indicator of the intensity of continuing vocational training in enterprises is the number of participation hours per participant. This states how many hours of continuing training were allotted to each participant during paid working hours but is no gauge of efficiency.

The European average for course hours per participant is 30 hours. Romania and Spain (42 hours) recorded the highest number of hours, while the number of course hours was especially low in the United Kingdom (26 hours), the Czech Republic (25 hours) and Slovenia (24 hours).

The results made it clear that there is, in general, no direct connection between the proportion of training enterprises with training courses, the opportunity for employees to participate in the enterprises' training courses and the intensity of the continuing vocational training. The lack of clear correlations can be explained by the fact that the structure of the continuing vocational training provision can change if relatively large numbers of the enterprises' employees are included in the continuing vocational training. If continuing vocational training activities, rather than catering only to executives and specialists, who are offered comparatively extensive training, also include the majority of all employees although offering them less intensive activities, then the average number of participation hours drops. Differences for the indicator of participation hours or changes to this indicator can therefore only be interpreted in the context of the other indicators.

The intensity indicator varies greatly between the five AGEQUAL countries. Denmark ranks in 3rd place with an intensity indicator of 41 hours. The Netherlands with 37 hours ranks in the middle segment (10th place). The intensity indicator for the other three AGEQUAL countries is very low. Belgium ranks 17th with 31 hours, Austria takes 20th place with 29 hours and Germany ranks 22nd with 27 hours.

Figure 10: Hours in training courses per participant (1999)



Source: Eurostat, CVTS2

Total training costs

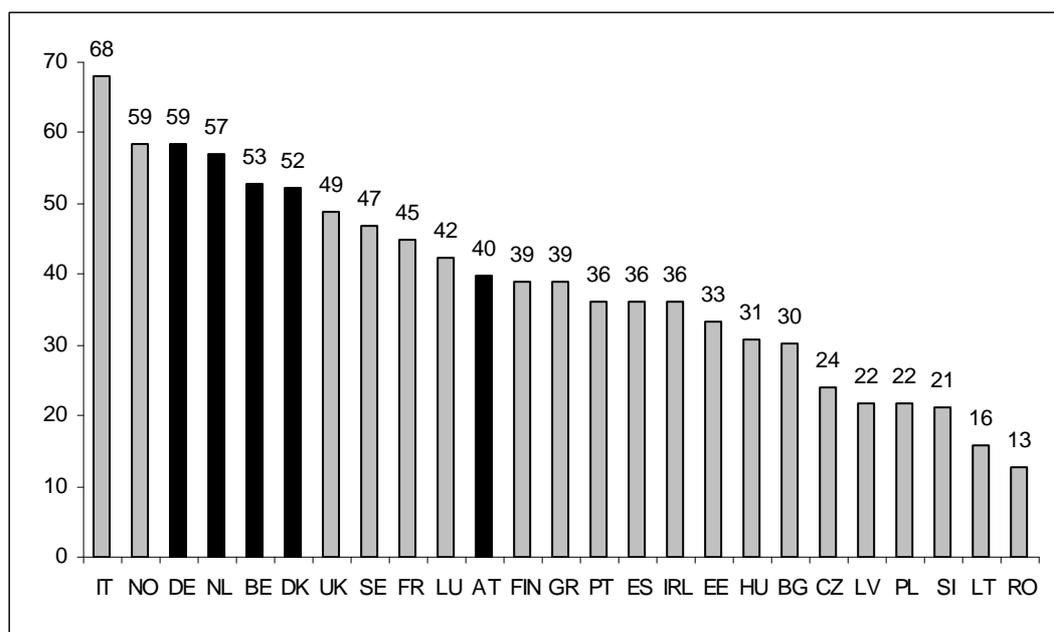
CVTS2 provides important figures for the analysis of continuing training costs. The financing structure for training courses is an important basis for assessing the enterprises' readiness to invest and moreover reflects the importance of continuing training measures on the demand side of the labour market. The increasing importance of qualifications that are acquired by such measures is also revealed by the enterprises' level of expenditure on internal and external training courses. The financial expenditure on training courses per training hour in enterprises is an important indicator for assessing the level of investment by the enterprises in this area.

In 1999, the total costs of training courses per training hour varied between 68 PPS⁸¹ in Italy and only 13 PPS in Romania (see Figure 11). Costs amounting to more than 50 PPS per training hour were levied in Norway, four of the five AGEQUAL countries (Germany, the Netherlands, Belgium and Denmark) as well as in Italy. Total costs per training hour were less than 20 PPS in Lithuania and Romania. The EU25 average was 49 PPS.

Considering the AGEQUAL countries, Germany ranks on the second place with 59 PPS, followed by the Netherlands (57 PPS), Belgium (53 PPS) and Denmark (52 PPS) on places 4 to 6 out of the 25 countries participating on CVTS2. The total training costs in Austria, at 40 PPS, are somewhat lower (11th place).

⁸¹ PPS (purchasing-power standards): Costs are indicated in PPS to allow for price differences between the individual countries. The PPS conversion factors indicate how many national currency units the same quantity of goods and services would cost in the individual countries.

Figure 11: Total costs of training courses per training hour (PPS – 1999)



Source: Eurostat, CVTS2

If a comparison is made of the four continuing vocational training-indicators analysed, the five AGEQUAL countries can be assigned to a ranking table as shown in Table 10.

Denmark ranks high for all four indicators. This means that a very large number of enterprises in this country offer a large share of their employees continuing vocational training courses of comparatively long duration. The direct costs of continuing vocational training are also very high in Denmark.

The Netherlands is ranked high for the number of enterprises offering continuing vocational training. Training access and training intensity are ranked in the middle segment. However, total training costs are high.

In **Germany** and also **Austria**, different structures for continuing vocational training can be observed. The incidence indicator is not that high, at least compared to the older EU member states. The access indicator is average in Germany and Austria. Regarding intensity, Germany and Austria take up the last places among the former EU15 member states. This means that German and Austrian enterprises mainly focus on short-term adaptation measures in the continuing vocational training offered to their employees. Total training costs in Germany, however, are high, but somewhat lower in Austria.

Belgium shows a different picture. In this country, fewer enterprises (in comparison with the other four AGEQUAL countries) offer continuing vocational training to

significantly more employees than in the Netherlands, Germany and Austria. The intensity of training is low, but the total training costs are relatively high.

Table 10: Ranking of the five AGEQUAL countries for the four continuing vocational training indicators (1999)

Country	Incidence	Access	Intensity	Total costs
Denmark	1	2	3	6
Netherlands	3	14	10	4
Austria	7	17	20	11
Germany	9	16	22	2
Belgium	13	4	17	5

B3.2.3 Comparable data on expenditure and on participation in labour market policy measures (LMPs)

In most European countries, continuing vocational training of unemployed persons is an important part of governments' active labour market policies. Eurostat's Labour Market Policy (LMP) database gives an insight into expenditure on passive and active labour market policies in the European countries.⁸² These data cover only political interventions that target the unemployed and other groups of people who face particular difficulties in entering or retaining their position in the labour market. The scope of the LMP database covers all labour market interventions, which can be described as *"public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market."*⁸³ Three different types of intervention are defined in the database:

1. Services of the public employment services (PES). The term "services" refers to labour market interventions where the main activity of participants is job search related and where participation usually does not result in a change of labour market status. It also covers functions of the PES that are not directly linked to participants. This includes placement and other services for employers, administrative functions, general overheads and other activities, depending on the responsibilities of the PES.
2. Active labour market policy measures (ALMP). The term "measures" refers to labour market interventions where the main activity of participants is other than

⁸² Melis 2005, 2006 and 2006a; Eurostat (ed.) 2006

⁸³ Eurostat (ed.) 2006a, p. 6

job search related and where participation usually results in a change in labour market status. It primarily covers government interventions that provide temporary support for groups that are disadvantaged in the labour market. Most measures are aimed at activating the unemployed, helping people move from involuntary inactivity into employment, or maintaining the jobs of persons threatened by unemployment.

3. Supports by means of passive labour market policy measures (PLMP). The term “supports” refers to interventions that provide financial assistance, directly or indirectly, to individuals for labour market reasons or which compensate individuals for disadvantage caused by labour market circumstances.

In 2004, public expenditure on labour market policies in the European Union (EU15) was 2.3% of GDP. There are considerable variations in the level of expenditure between countries. In Denmark, labour market policies amounted to 4.4% of GDP and Belgium, Germany and the Netherlands, also spent more than 3% of GDP. Austria spent just 2% of GDP.

Table 11: Expenditure on all labour market policies 2004 (% of GDP)

Country	Total LMP expenditure (% GDP)	LMP services (% GDP)	LMP measures (% GDP)	LMP supports (% GDP)
Denmark	4.4	0.2	1.5	2.7
Netherlands	3.7	0.3	1.1	2.2
Belgium	3.6	0.2	0.9	2.4
Germany	3.5	0.3	0.9	2.3
EU15	2.3	0.2	0.6	1.5
Austria	2.0	0.2	0.4	1.4

Source: Eurostat, Labour market policy database

In 2004, public expenditure on passive labour market measures, with an EU15 average of 62.9%, accounted for the largest share of total LMP expenditure in every country except Italy and the United Kingdom. In addition to unemployment benefits, the other main component of passive expenditure is early retirement benefits. Early retirement covers supports, which facilitate the full or partial early retirement of older persons who are assumed to have little chance of finding a job or whose retirement facilitates the placement of an unemployed person from another target group. In 2004, expenditure on early retirement benefits accounted for 16.6% in Denmark, followed by Austria (14.9%) and Belgium (12.1%). In Germany, only 1.3% was spent on early retirement benefits.

Table 12: Share of expenditure on different types of labour market policies to the total labour market policy expenditure 2004

Country	Total LMP expenditure (in Millions of Euros)	Share of services expenditures to total LMP expenditure	Share of ALMP expenditure to total LMP expenditure	Share of PLMP expenditure to total LMP expenditure
EU15	230065	9.5	27.7	62.9
Belgium	10242	6.5	25.9	67.7
Denmark	8557	3.8	34.9	61.3
Germany	76599	8.4	24.7	66.9
Netherlands	17956	8.7	30.6	60.8
Austria	4737	8.7	21.6	69.7

Source: Eurostat, Labour market policy database; own calculations

Table 13: Share of early retirement expenditure to total labour market expenditure 2004

Country	Share of early retirement expenditure to total LMP expenditure
Denmark	16.6
Austria	14.9
Netherlands (2003)	13.8
Belgium	12.1
EU15	3.6
Germany	1.3

Source: Eurostat, Labour market policy database; own calculations

Table 12 shows that in 2004, expenditure on active labour market policies accounted in the EU15 for 27.7% of total LMP expenditure. The highest share can be found in Denmark (34.9%) and the Netherlands (30.6%), well above the EU15 average. Shares below the EU15 average can be found in Belgium (25.9%), Germany (24.7%) and Austria (21.6%).

An important indicator for the activeness of labour market policies in countries is the relationship between expenditure on active labour market policies to expenditure on passive labour market policies. The so-called ALMP-activity ratio is clearly above the EU15 average in Denmark (57%) and, despite being somewhat lower (50%), the Netherlands, the activity ratio is below average in Belgium (38%) and Germany (37%), and Austria has the lowest ratio (31%) of all the AGEQUAL countries.

Table 14: Expenditure for active and passive labour market policies in Millions of Euros and ALMP-activity ratio 2004

Country	Expenditure for ALMP (in Millions of Euro)	Expenditure for PLMP (in Millions of Euro)	Relationship of ALMP to PLMP (%)
Denmark	2989	5244	57
Netherlands	5486	10912	50
EU15	63623	144635	44
Belgium	2649	6930	38
Germany	18915	51273	37
Austria	1022	3304	31

Source: Eurostat, Labour market policy database; own calculations

An important part of active labour market policy is the training and (re-)training of the labour force. Training/retraining covers measures that aim to improve the employability of LMP target groups through training, and are financed by public bodies. Training comprises:

- Institutional training – measures where most of the training time (75%) and more spent in a training institution (school/college, training centre or similar)
- Workplace training – measures where most of the training time (75% or more) is spent in the workplace
- Alternate training – measures where the training time is evenly split between a training institution and the workplace
- Special support for apprenticeship – measures providing special support for apprenticeship schemes

The share of training expenditure to total labour market expenditure is above the EU15 average in Austria (14.0%) and Denmark (12.4%) and just below the EU15 average in Germany (10.5%) and the Netherlands (9.7%). The training share in Belgium (5.5 %) is relatively low in comparison to the other AGEQUAL countries.

Training and (re-)training of the unemployed is the most important part of active labour market policies: with an EU15 average of 40.6%, this accounts for 64.8% in Austria, 42.5% in Germany, 35.5% in Denmark, 31.8 % in the Netherlands and 21.3% in Belgium.

Table 15: Training expenditure 2004

Country	Total LMP expenditure (in Millions of Euro)	Training expenditure (in Millions of Euro)	Share of training expenditure to total LMP expenditure
Austria	4737	663	14.0
Denmark	8557	1061	12.4
EU15	230065	25826	11.2
Germany	76599	8033	10.5
Netherlands	17956	1744	9.7
Belgium	10242	564	5.5

Source: Eurostat, Labour market policy database; own calculations

Eurostat also collects information on public measures in the labour market which are targeted at groups. The table below shows the distribution in the AGEQUAL countries. The majority of training measures are targeted at unemployed persons (EU15 average = 85.9%) followed by employed persons (27.5%) and inactive persons (18.8%). Specific measures targeted at older persons are relatively uncommon throughout the European Union (EU15 average – 8,7% of the ALMP measures): only in the Netherlands and Austria do such specific measures for older persons exist.⁸⁴

Table 16: ALMP training measures for target groups 2003

Country	EU15	Belgium	Denmark	Germany	Netherlands	Austria
Number of measures	149	14	5	16	10	11
<i>% targeted by labour market status⁸⁵</i>						
Unemployed	85.9	92.9	100	68.8	70	90.9
Employed	27.5	35.7	20	43.8	50	54.5
Inactive	18.8	7.1	0	62.5	30	0
<i>% targeted at specific client groups</i>						
Older persons	8.7	0	0	0	20	9.1

Source: Melis 2006a, p. 5

⁸⁴ Melis 2006a

⁸⁵ Measures can be targeted at more than one group so it is expected that the sum by status will exceed 100%.

B3.3 Demand side policies – especially training aspects – in Austria, Belgium, Denmark, Germany and the Netherlands

The report considers here in outlines the demand side policies – especially the training aspects – in Austria, Belgium, Denmark, Germany and the Netherlands.

B3.3.1 Austria⁸⁶

In Austria, the general level of continuing training related to occupation is rather low by international comparison. This is particularly true for training activities initiated by enterprises as shown by the results of CVTS2 (see chapter 3.2.2). In respect of its activity in vocational training, Austria ranks about average among the former EU15, but is far behind those countries with high participation rates. 17% of Austrians between the ages of 25 and 64 participate in vocational training in a one-year period. For the sake of comparison, in Sweden the rate is 37%, in Denmark 36% and in Finland 32%.⁸⁷ Participation of adults in formal education leading to a degree within the national qualification framework is rather the exception in Austria (even when figures may underestimate participation rates due to measurement problems).⁸⁸ Only 3% of adults (25-64) have participated in formal education within a 12-month period (2003).

Austrian further education culture with comparatively low participation rates may be a particular problem for older employees. Today's older employees have not profited from the expansion of the Austrian education system in the 1960s. On average, the qualification level attained is lower than that of younger cohorts.

Training participation of older employees in Austria is below the level of participation of younger employees. Participation in training courses in connection with one's occupation⁸⁹ becomes distinctly less common for the 45-49 age group, and a second

⁸⁶ This chapter is mainly based on an internal project paper from the Austrian partner (see Hefler 2006).

⁸⁷ Statistics Austria 2004

⁸⁸ Courses leading to a formal degree (e.g. the extraordinary apprenticeship examination) are not covered statistically, but they play an increasing role in Austria.

⁸⁹ The respondents of the Ad hoc module lifelong learning module decides on the classification "professional" – "not professional" – it is not a classification of the contents of training. Many "private"

break comes between the groups aged 50-54 and 55-59. The percentage of persons taking at least one course within their paid working time goes also down in the same way. The youngest age groups undertake by far the longest courses. The average duration also decreases progressively for older age groups, and for the groups aged 55-59 and 60-64 in particular.⁹⁰

Table 17: Participation of employees / self employed in training with professional connections by age groups 2003

Age group	Total (%)	Average duration in hours per course event	Mainly enterprise sponsored (%)
15-19	21	124	13
20-24	22	62	15
25-29	26	43	16
30-34	26	33	18
35-39	26	33	17
40-44	27	32	17
45-49	23	30	14
50-54	20	27	12
55-59	15	23	10
60-64	10	23	6
Total	24	28	15

Source: 3s integriertes Berichtssystem Weiterbildung / Hefler 2006, p. 15

With the past few years, a number of initiatives have been established to foster further education and training of employees, in particular older employees. In Austria, support of training for individuals (households) is mainly offered by the provinces (Bundesländer). The individual provinces have developed different approaches to fostering training for employees, and the level of support varies greatly. The highest grants are offered by Upper Austria, granting up to EUR 1,470 and 80% of the training fees for the professional training of employees; (only persons holding a degree from tertiary education are excluded). Some schemes that are more favourable are applicable to older employees. For example, in 2005 Vienna established a grant of up to EUR 1,100 called the PISA PLUS/Spezielles Weiterbildungskonto (special training account), offered by the Wiener ArbeitnehmerInnenförderungsfonds (WAFF, Vienna Employment Promotion Fund), to promote further training for different target groups, among them employees older than 40 (only a section of public service employees are excluded). Initiatives for older

courses (e.g. "languages" or "computer software use") may also have a value in a professional context (e.g. in a future occupation).

⁹⁰ Hefler 2006, p. 14

employees as well as the older unemployed are also offered under the Equal programme.⁹¹

In the ongoing programme period (2000-2006) of the European Social Fund in Austria, enterprises are offered reimbursement of training fees for their male employees older than 45 years, their low-skilled male employees and all their female employees. In 2005, the training of 56,112 employees has been co-financed within this programme.⁹² Two-thirds of the eligible training fees are refunded. The initiative is by far the most important public measure to foster training in Austrian enterprises. Enterprises have extensively taken advantage of the offer, so that the Austrian Public Employment Service (which is in charge of the measure) has exhausted its budget long before the end of the programme period. Therefore, in most of the provinces (Bundesländer) the grant was capped early in 2005 (e.g. to EUR 1,000 per enterprise in Vienna). The older unemployed benefit from the right to receive training once they have been unemployed for longer than a year. In 2005, 33,800 unemployed people over the age of 50 were included in training measures.⁹³

B3.3.2 Belgium⁹⁴

In Belgium semi-skilled and unskilled employees represent in 2003 55% of the group aged 55-59, 63% of the group aged 60-64 and 20% of those aged 20-29. Only one-fifth of semi-skilled and unskilled older people in Belgium are at work, which is very low compared to an employment rate of more than 50% for this category in Portugal, Denmark, the United Kingdom and Sweden. Even though the employment rate increases with the degree of education, the more highly skilled older labour force equally contends with a low employment rate of 45% in Belgium compared to more than 75% in Denmark, the United Kingdom and Sweden. Normally the degree of basic education should become less important with increasing age. Accumulated experience and training should largely compensate for the original disadvantage. Continued training is considered an important way to prolong or to extend availability

⁹¹ <http://www.g-p-s.at/>; <http://www.agepowerment.at/>, <http://www.elderly.at/>, <http://www.u-turn-equal.at/> (all accessed 9 October 2006)

⁹² AMS (ed.) 2006, p. 26

⁹³ AMS (ed.) 2006, p. 28

⁹⁴ This chapter is mainly based on an internal project paper from the Belgian partner (see Lambrecht / Arijns 2005).

and thus to support the employment rate. Countries with greater access to continued training do indeed present a higher employment rate. In Belgium, 10% of employees received training in 2003, which is in line with the EU average. Scandinavian countries with a high employment rate for the older labour force make considerably stronger efforts to train the older labour force. In Belgium 6% of the labour force between the ages of 55 and 64 participated in training, whereas in Sweden the figure is 30%. In general, training participation is negatively correlated with age. In Belgium, training participation is almost twice as high for the group aged 25-34 (11.8%) as for the group aged 55-65 (6.4%).⁹⁵

B3.3.3 Denmark

Socio-economic background of education and training

Denmark is, together with Ireland and the United Kingdom, one of only three EU member countries, which has experienced a cyclical upturn between 2000 and 2006. The standard of living of Danish people is one the highest in the world. The incomes of Danish employees rose by 18% during that period, more than double of the EU average of 8%. The employment ratio - even of older employees - is among the highest in the European Union. Unemployment has been reduced from 9,6 percent in year 1993 (the peak year) to 4,8 percent in 2005. Despite the high taxes, the Danish economy is very flexible and competitive. With a household surplus of 4,9 percent of the gross national product, Denmark was in 2005 one of front-runners in the European Union. Small and medium sized enterprises are a strong component of the economy. This so-called „Danish miracle“ is the result of an integrated economic and social policy since the beginning of the 1990s. This integrated policy-approach is characterised by a policy-mix of different measures:

- The Danish government in the beginning of the 1990's lowered income taxes. At the same time, it introduced eco-taxes on electricity and water and gradually raised these taxes. The result of this tax revision was very positive: The increased purchasing power of enterprises and employees boosted the economic development and at the same time the tax revenues increased.

⁹⁵ Conseil supérieur de l'emploi 2004, p. 95

Moreover, also the eco-taxes were incentives for the introduction of new technologies and new market opportunities developed.

- In 1994, Denmark has moved the emphasis of passive income support to an active labour market policy.⁹⁶ The government gradually tightened the criteria for granting disability and unemployment benefits. The period, at which an unemployment benefit is paid, was reduced from 7 to 5 years. Those who did not succeed in finding employment during the first two years, moved over to an activation period during which they had to both the right and the duty to accept training. Moreover, employees whose jobs are threatened by obsolescence were encouraged to increase their employability in other sectors through training before the event of unemployment occurs. The active labour market policy ensures relatively quick placements of unemployed persons. After two years at the latest a publicly financed "activation place" must be offered to each unemployed person. This can be a placement for regular work or also for continuing vocational training. Unemployed persons who are refusing such placements are banned from the unemployment pay.
- Enterprises also can dismiss employees more easily. In return, the government increased however the unemployment pays to 90 per cent of the last net wage - and this up to five years. Trade unions refrained from high wage increases in the exchange against improved social security benefits and a better old-age pension. Denmark is now a prime example of a deregulated labour market, because the country does not have any protection against dismissal regulations. However, Denmark is not a country which economic and social policy is based on a neoliberal oriented national economy. Less strict employment regulations are combined with comprehensive social security regulations and an active labour market policy. Unemployed persons receive substantially higher unemployment benefits than in most of the other European countries and are continually offered (re)training. Thus the Danish "flexicurity" model, combines unemployment protection with flexible rules for hiring and firing. The model was introduced in 1993 and has resulted in a decline of unemployment and keeping the growth of nominal wage at a steady 3% to 5% per year.

⁹⁶ Dingeldey 2005; Braun 2003; Larsen 2005

The introduction of this policy mix in the 1990s - a new tax policy, introduction of an active labour market policy (emphasising on training and re-training of the workforce) as well as the deregulation of the labour market combined with the introduction of “flexicurity-measures” - became the basis for the good economic performance of the Danish economy in the period 2000-2006.

Education and training⁹⁷

Training and retraining of adults - also older persons - is a very important feature of the Danish educational system. Denmark has a long-standing tradition of lifelong learning for adults, combining individual continuing training (e.g. general adult education), continuing vocational training of employees as well as continuing vocational training of unemployed persons. The Danish system of education and training is based on an intensive cooperation between the institutional stakeholders in the field.

In adult education – which is relatively autonomous in spite of a 150 years old tradition of state funding – there is also a rich and long-standing tradition of involving non-state organisations in active dialogue and interaction as well as involving the social partners in the continuing vocational training of employees and unemployed persons. Social partners have been attributed significant influence in a number of areas defined by law. The Danish VET-system is based on three basic pillars:

- A tripartite cooperation between government, employers and employees,
- A strong organisation of the social partners when it comes to education and training matters,
- Collective agreements on the labour market.

This intensive co-operation ensures coherence between education and employment possibilities, accommodating both education and training policy, qualification requirements of the labour market and individual skills and needs, ensuring quality and use of the programmes. Coordination takes place on national and - especially important - on regional level in a number of tripartite committees as well as in a great number of trade-oriented, self-governing vocational committees with representatives

⁹⁷ Danish Ministry of Education (ed.) 2002 and 2005

of the social partners. The social partners also play a central role in the management, priority setting, development, organisation and quality assurance of the programmes. Through the central council and CVT committees and on decentralised level in local school boards and education committees, the basis is provided for accommodating the need for qualifications and competencies of the labour market, the enterprises and the individuals. From 2002, VET schools (technical and commercial colleges), agricultural schools and CVT centres are covered by the same legislation on governance including financial governance. This constitutes the basis of a unified institutional structure, paving the way for mergers of CVT centres and VET colleges.

In Denmark, it has always been seen as a public task to finance continuing vocational training for the employees and the unemployed. Already for 30 years, government and employers are paying annually a common contribution in a training fund. Employers pay a levy of 200 up to 250 Euro per year, with which training of employees and the costs of trainees are compensated for.

The fundamental principles governing **individual continuing (vocational) education and training** are: free choice of topics, universal access, free initiative and free choice of teachers. Publicly financed individual continuing (vocational) education and training can be roughly divided into three main categories:

- Adult education and training provided by folk high schools, evening schools etc.
- General adult education and training (primary and secondary level)
- Preparatory adult education and training

Adult education and training started as a folk high school movement in the mid 19th century based on the ideas developed by N.F.S. Grundtvig's ideas of "popular enlightenment". Accordingly, the purpose of folk high schools is to provide general youth and adult education. Today, this form of education plays a significant role in the Danish society, although currently folk high schools have fewer participants than in the past. During the 20th century there have been many independent additions to the adult learning supply, as new needs emerged.⁹⁸

⁹⁸ E.g. evening schools which meet the needs of the urban population, who were excluded from attending the folk high schools. Also day folk high schools – they were introduced in the 1970s, increasing dramatically in number in the 1980s and 1990s. The target group was primarily people with

General adult education at primary and secondary level emerged in the late 1950s in order to meet a growing demand for adult education and training. From the end of the 1960s, independent single subject courses for adults were introduced, preparing for examination at the basic school level. In 1978, they were referred to the regional authorities, where they are now offered at Adult Education Centres (VUC). Education and training gives the same right of access to upper secondary education as examinations at basic school level for young people. All adults of 18 years and more have a right of access to general adult education, with a corresponding obligation for the regional authorities to ensure provision of such education for the adult population in accordance with the law.

The aim of **preparatory adult education** is to offer to all adults of at least 18 years of age a possibility to improve and supplement their literacy and numeracy skills so that they will be better equipped to get along on the labour market. This will also greatly enhance their opportunities for undergoing further education or training within the framework of the adult education system. Provision of these programmes is in the responsibility of the regional authorities.

During the last 10-20 years Denmark has experienced an important expansion of continuing vocational training of employees and unemployed persons. Continuing vocational training plays a central role in the national policy for lifelong learning when it comes to maintaining, improving and developing the qualifications of the workforce in both the short and long term. The overall aims of the Danish CVT programmes are to contribute to creating a flexible labour market and to giving the individual opportunities to acquire qualifications and competencies to match labour market requirements and demand. In Denmark it has also been considered a public task to secure that adults are not prevented from participating in part-time or full-time qualifying education and training programmes – thus removing economic barriers to participating in adult learning, thereby improving skills and competences for job or further study.

low levels of education – typically women – having a weak connection with the labour market. These day folk high schools were established on the basis of different local initiatives with varying contents.

CVTS2 shows the importance of **continuing vocational training for employees in enterprises** in Denmark (see chapter B3.2.2). A very large number of enterprises - the proportion of Danish enterprises that provided CVT in 1999 “topped the list” with 96 percent - offer a large share of their employees continuing vocational training courses which implies that all the employees – including older employees – participate in continuing vocational training. Continuing vocational training courses are also of comparatively long duration. In Denmark the differences between small and medium-sized enterprises and between medium-sized and large enterprises amounted to only 3 and 5 percentage points respectively.

National Danish data reveal that the participation of employees on training declined with age. While the incidence was highest in the age groups 25 to 29 with 23%, only 6% of the oldest age group (60 to 64) were included in training measures in 2002. On average, employees in the age group 60 to 64 received only one-quarter of the job-related training received by those aged 25 to 29 and only half compared to those aged 35 to 39.

The average number of hours spent in job-related training per employee also fell with increasing age. This decline is less marked for men than for women. Men had in all age groups a higher or at least an equal volume than women.⁹⁹

Table 18: Incidence of job-related training and average training hours per employee participating in training 2003¹⁰⁰

Age group	Incidence of training (%)		Average training hours for those in training	
	Men	Women	Men	Women
25 to 29	24	24	21	20
30 to 34	17	19	19	17
35 to 39	15	16	17	17
40 to 44	13	18	18	15
45 to 49	13	17	17	17
50 to 54	12	15	18	13
55 to 59	9	13	18	13
60 to 64	8	8	15	11

Source: Statistics Denmark, Labour force survey

⁹⁹ OECD 2005, p. 96-97

¹⁰⁰ Incidence refers to the share of employees who participated in a job-related training course during the four-week period prior to the survey. Hours refer to average hours in training received by employees who participated in a training course during the four-week period prior to the survey. Training in this respect also includes those who participated in a training course because of pleasure or interest and may therefore over-estimate the true number of hours in job-related training, especially for older employees. 13 % of them indicate a personal interest, in the prime-age group the share is only 6 %.

An important feature of active labour market policy in Denmark is the training and retraining of (long-term) unemployed persons. **Continuing vocational training for unemployed**¹⁰¹ have been developed in three phases from the end of the 1950s – the first phase comprising systematic vocational training of employees recruited from agriculture, especially men, and many women who entered the labour market for the first time; the second phase responding to mass unemployment in the mid 1970s and the 1980s; and the third phase during the 1990s, responding to the enterprises' new needs for the provision of education and training to support the growth of the enterprises as well as to improve the working lives of employees. In this Danish reform of the labour market high priority was given to individual support of unemployed persons - using a step-by-step activation plan. A number of instruments were created for the activation of (long-term) unemployed persons:

- Continuing vocational training in enterprises, which gives entrance to a remuneration subsidy for the unemployed person who is in fact usable for ordinary work in private companies or in the government sector.
- Individual company training for that unemployed person who cannot be employed under normal circumstances. The individual company training is possible in private companies or in the government sector (normally in the municipalities).
- Education (including education leave for the unemployed person) with or without subsidy of the labour market authorities.

The main feature of the Danish VET system is not only the institutional cooperation between state, enterprises and trade unions. In recent years a considerable amount of financial support to development projects has been distributed to integrate continuing vocational training of employees and unemployed persons.

A prime example of integrating continuing vocational training of employees and active labour market measures is the so-called Danish "**job-rotation**".¹⁰² The principle of the job-rotation schemes is simple. People who are in employment choose to take leave to participate in supplementary training (or parental or

¹⁰¹ Höcker 1994

¹⁰² Olesen 1998

sabbatical leave), while people who are unemployed take over the vacant jobs. In Denmark, various job-rotation schemes have emerged since the late 1980s. However, the extent of actual job-rotation schemes was limited. The next step was taken when the 1991 collective labour agreements came into force. The main result of the agreements was obtained in the fields of training and education. In some areas, special agreements regarding training and education were made. The agreements ensured that the employees were entitled to receive further or continuing training and education for one week every year. In many enterprises, this generated interest in creating job-rotation schemes by employing people who were unemployed. The training agreements only covered some occupational groups, in particular semi-skilled and skilled workers in the private sector. In 1993, collective labour agreements extended the employees' right to supplementary training and therefore also the extent of job-rotation schemes. Job-rotation schemes are a central part of the Labour Market Reform, which came into force in 1994. When the Danish Labour Market Reform was enacted, the extension of job-rotation projects increased significantly.

The job-rotation models combine several aims for labour market policy and training/educational policy:

- People who are in employment improve their qualifications through supplementary training and general education.
- People who are unemployed improve their qualifications and have the possibility of returning to the labour market in permanent or temporary jobs.
- Enterprises get their need for supplementary training fulfilled at the same time as replacement labour ensures that production continues.

The *Adult Education Reform of 2001* is another major effort to turn all these adult learning provisions, which had developed more or less independently, into a single, coherent and transparent adult education and training system. Important objectives of the reform are:

- *“To offer good and relevant adult education and continuing and further education and training programmes to all adults at all levels, from the low skilled to university graduates.*
- *To ensure that provision of further and continuing education and training constitutes a transparent and coherent system of competences, with well-known*

and comparable competence levels: Vocationally oriented adult education and general adult education consistently 'mirror' the levels of the initial education system.

- *To ensure good possibilities for 'bridging' education programmes and educational levels, thus avoiding blind alleys.*
- *To offer new possibilities of more systematic recognition of CVT courses into adult VET programmes including the new Basic Adult Education framework, securing recognition of formal competences for low skilled adults.*
- *To add new and more flexible possibilities of recognising non-formal (and informal) learning, especially workplace learning, both as adult VET programmes including the new Basic Adult Education framework and in the organisation of further education at advanced (higher) levels.*
- *To offer new provision of such Basic Skills as literacy and numeracy skills especially for the low skilled.*¹⁰³

In 2005 a national agreement has been agreed upon to invest 140 million Euros extra in education and training. The agreement finances among other things training periods, education of teachers, training measures for older employees and also the so-called tailor-made job programmes for SMEs. Moreover a campaign started, whereby the regional training institutions approach enterprises in the region in order to stimulate training in the region. Education brokers, who are working for the regional training institutions visit single enterprises to discuss their training needs and see for appropriate tailor-made placements - also for older persons. Finally also informal learning will be stimulated in the enterprises in the regions (especially SMEs). This national agreement also regulates, that the employers proportionally contribute to these regional training campaign. After 2010 employers must take over the costs of these extra investments entirely.

According to the present situation it is characteristic of adult education, continuing vocational training for unemployed persons and even for continuing vocational training of employees that there is a genuine right of free access for all individuals - also for older employees - to the acquisition of key knowledge and skills regardless of age. This right for the individuals is ensured by an obligation for the regional

¹⁰³ Danish Ministry of Education (ed.) 2002a

authorities to provide the training offers. There are of course certain limitations to this principle, according notably to the relationship between actual demand and annual budgets. The above discussed structure of the Danish educational system and the training measures affects the employment situation and the continuing vocational training of all age groups - older employees and unemployed persons are not excluded.

In Denmark, a broad societal discussion relating to the future demographic development and its consequences started already early. In the middle of the 1990s the Danish Ministry of Labour started initiatives, which were aiming to change the attitudes relating to the employment of older persons.¹⁰⁴

An important point concerning the implementation of age-oriented policies is, that Danish government abolished legal and procedural age specific barriers relating to the recruitment and employment as well as the education and training of older employees and unemployed persons. The increase of the maximum age limit up to 64 for the training and retraining of unemployed persons can be mentioned here (2004).

Regarding the implementation of age-oriented policies in enterprises the attitudes of Danish enterprises to the recruitment and employment of older employees seems to be very favourable. According to enterprise-surveys, already in 1996 a third of all private enterprises implemented age-oriented personnel policies, considering e.g. the use of flexible part-time employment, assigning tasks with less physical burden to older employees, implementing special training measures for older employees as well as using job-rotation measures. In 2005, the share of enterprises with age-oriented personnel policies increased to nearly 45 percent. Especially the positive influences of the qualification of older employees - their know-how and competencies - are recognised by Danish enterprises. Furthermore mentioned is the positive influence of older employees on the work climate within enterprises. The implementation of age-oriented personnel policies can of course be found more often in large-scale enterprises than in small and medium-sized enterprises. The "Committee on senior Policies " (1997 - 1999) - an early example of age-oriented

¹⁰⁴ Bertelsmann-Stiftung (ed.) 2006

policy initiatives - initiated among other things a consulting service, which supported the introduction of age-oriented personnel policies in small and medium-size enterprises.

The Danish government initiated large-scale press campaigns, in order to motivate older persons to work longer as well as using part-time work more often. The Ministry of Labour implemented labour market measures which refer - due to the larger unemployment risk of older employees - explicitly to the 55-64 age group, e.g. in 2003 the initiative „More people in Work “. Recently this Ministry also initiated 25 regional senior networks, which main task is to further the mobility (switching of work places) of older employees.

B3.3.4 Germany

The main instrument for the activation of older employees is the continuing vocational training of older employees and older unemployed persons. The structure of continuing vocational training in Germany is very diverse; its various subsystems form partial markets, while the government assumes mainly supporting functions. The relevant legal provisions for continuing vocational training are based on the assumption that the main responsibility for any provisions concerning employees' qualification schemes lies with the two social partners. The enterprises are responsible for the organisation and execution of continuing vocational training in enterprises. The Federal Employment Office with its representatives from both sides of industry and government provides further training for the unemployed. Individuals are responsible for their own continuing vocational training. This structure makes it difficult to realise an extensive implementation of continuing vocational training for older employees and unemployed older persons. The main national programmes in this area are carried out by the Federal Employment Services. In 2001 only 0.17 billion Euros of the Federal Employment Services' total budget of 52 billion Euros is used for the continuing vocational training of older employees and unemployed older persons.¹⁰⁵

¹⁰⁵ Koller / Bach / Brixy 2003, p. 23

The political debate is increasingly focusing on the promotion of continuing vocational training of older employees and the unemployed. However, in Germany continuing vocational training of older employees and older unemployed persons does not take up these challenges. As we already mentioned, employees and the unemployed now aged 30-45 – which is the future 55-64 age group – will be confronted with higher demands to adapt to changing working conditions in the period 2010-2030. Until now, the participation of older employees in continuing vocational training has been distinctly lower than the participation of younger employees. In Table 19 the results of a regular nationwide individual-based survey on continuing education and training (Berichtssystem Weiterbildung) in Germany are summarised.¹⁰⁶

Table 19: Continuing vocational training participation in Germany 1979-2000 by age groups (%)

Age group	1979	1982	1985	1988	1991	1994	1997	2000	2003
19 to 34	16	15	14	23	25	27	33	31	29
35 to 49	9	15	14	20	24	29	36	36	31
50 to 64	4	4	6	8	11	14	20	18	17

Source: Federal Ministry of Education and Research (ed.) 2006, p. 90

Table 19 shows that the participation rates of the age groups are clearly different. The participation of persons aged 50-64 is 17% in 2003, nearly half of the participation rate (31%) for persons aged 35-49. Somewhat older data from the first European Continuing Vocational Training Survey (CVTS1 – reference year 1993)¹⁰⁷ show that the 25-34 age group was the most important target group for continuing vocational training. Up to the age of 35, the participation rate rises considerably: the under-25-year-old employees have a participation rate of 16% and the employees in the 25-35 age group have a participation rate of 30%. After the age of 35, the participation rate declines from 24% for the 35-45 age group to 16% for the group aged 45-64.¹⁰⁸

The main national programmes relating to the promotion of continuing vocational training of older persons are carried out by the Federal Employment Services. The Federal Employment Services started in 1999 with a campaign to encourage enterprises to employ older employees (“50-Plus” campaign).

¹⁰⁶ Federal Ministry of Education and Research (ed.) 2006

¹⁰⁷ Eurostat (ed.) 1997

¹⁰⁸ Grünewald / Moraal 1996, p. 31

This 50-Plus campaign combines several promotional programmes:

- The promotion of continuing vocational training for employees aged 50 and over. A grant supports the continuing vocational training of older employees in enterprises with up to 100 employees.
- An easing of the time limits on work contracts with older employees. The age of the employees has been reduced from 58 to 52.
- The promotion of employing older employees by means of recruitment subsidies.
- Recruitment subsidies in case of the establishment of new enterprises.
- Exemption from employers' contributions to compulsory unemployment insurance.

The new great coalition government (CDU-SPD) introduced in 2006 some new measures relating to the abolition of early exit and the promotion of the employment of older employees. At first the government introduced the gradual increase of the retirement age up to 67. In September 2006 the SPD-CDU government renewed and enhanced the 50-Plus measures of the former SPD-Green government. The renewed "initiative 50-plus" has four main points:

- The further abolition of early exit
- The promotion of the increase of the employment of older persons by means of the so-called combined wages (Kombilöhne) and other subsidies
- The introduction of improved re-entry measures
- The promotion of the increase of the participation of older employees to continuing vocational training

In 2001, the Federal Employment Services incurred expenditure of around 52 billion Euros for its passive and active programmes. Among them 13,1 billion Euros incurred for older persons (aged 55 years and older). The most important area of expenditure for older persons (62%) is so-called passive expenditure, i.e. the expenditure on unemployment and supplementary benefits. The second most important expenditure area (nearly 29%) is for the early retirement of older employees: 25 percent is used for unemployment and supplementary benefits for early retirement and 4% for the age-related part-time programmes. 10% is used for

active labour market policy measures. Only 0.17 billion Euros are used for the continuing vocational training of older employees and older unemployed persons.¹⁰⁹ On the level of the German federal states (Länder) no special programmes exist for older employees, with the exception of a promotional programme for older unemployed persons in Thuringia.¹¹⁰

B3.3.5 Netherlands¹¹¹

In the Netherlands, vocational training plays an important role in the collective agreements. Such training agreements are agreed upon at economic sector level, especially in the so-called O&O funds – development and training funds. Maintaining employability is seen as a joint responsibility of employers and employees. In 2001, the most important advisory committee on employment issues recommended that each employee should have a personal development plan (employability plan). In 2002, the analysis of concluded collective agreements shows that 26% of employees had a personal development plan and 7% a personal training budget or an individual learning account. In the following years, there is a clear increase in the use of personal development plans, personal training budgets and individual learning accounts. The CVTS1 and CVTS2 data also show that between 1994 and 1999 there is clear growth in overall participation in continuing vocational training. The collective agreements – especially the O&O funds – are the place where agreements can be concluded about the training of older employees. However, reports about the latest collective agreements indicate that agreements relating to the training of older employees are still not that important.¹¹²

As in many other member states, the labour market can be regarded as a playing field on which three parties are active: the government, the employers' associations and the trade unions. The roles of the three actors differ. In game terms: the Dutch government seeks to outline the boundaries of the playing field and to set some general rules. It is then up to the social partners to stay within the field and apply and

¹⁰⁹ Koller / Bach / Brixly 2003, p. 23

¹¹⁰ Reuße 2002

¹¹¹ This chapter is mainly based on an internal project paper from the Dutch partner (see Mejer 2005).

¹¹² Data and information are taken from the yearly "Najaarsrapportage cao-afspraken", see Ministry of Social Affairs and Employment (ed.) 2004 and 2005.

refine the rules. As is to be expected the “players” also want to have a say in setting the boundaries and the general rules.

Therefore, two official meetings are held annually between the government and the social partners: a spring meeting and an autumn meeting. The purpose of these meetings is to agree on a series of general principles as regards e.g. labour cost increases, social benefits, early retirement schemes, pension regulations, etc. Such principles form the boundaries within which Collective Labour Agreements (CLAs) are negotiated.

Although there is a tradition that, following some sabre wrangling beforehand, agreements are reached between the parties in the spring/autumn meetings, this is by no means a certainty. In 2004, because of proposals by the government to abolish early retirement schemes entirely, and its unwillingness to discuss them, strikes were held before the autumn meeting. As a result, the government was willing to compromise at the autumn meeting.

In some cases, the government proposes tax measures to Parliament which the social partners do not agree with. In some cases, what has been “lost” because of new legislation is then “repaired” (to use the terminology of the trade unions) in a Collective Labour Agreement (CLA). For instance, parliament decides that social security no longer pays for the first day a worker is ill. Later on, the social partners agree in a CLA that the employer will do so.

In principle, the starting point for providing training options to employees is good. Vocational training, or more modern concepts such as lifelong learning and employability, play an important role in CLAs. Initially, in policy documents the focus was on training which was relevant for the firm in which one worked. In the mid-1990s, in such documents the focus shifted to training relevant for the labour market at large. Maintaining employability was seen as a joint responsibility of employers and employees. In the autumn of 1998, the concept of the “employability agenda” was introduced. In 2001, the most important advisory committee on employment issues recommended that each employee should have the right to a personal development plan.

In 1994, 115 CLAs were analysed, covering 3.1 million employees. In 2002, a second analysis took in 125 CLAs, covering 4.9 million employees. In the latter year 97%, or all, of the Dutch labour force were able – in principle – to benefit from training! In both years, training directly relevant to either the job or the sector was most important. As regards the more general, employability-related training there is a marked shift from being available to 6% (or 0.2 million employees) to 21% (or 1.03 million employees) of the labour force.¹¹³

There is a second way in which the trend towards employability-related training comes to the fore. The 2002 analyses of CLAs show that 26% of employees had the right to a personal development plan and 7% to a personal training budget or an individual learning account.

Enterprises provide a wide range of training options to their employees. These include: internal and external courses, learning-on-the-job, job-rotation, attending conferences, workshops and seminars, participating in quality circles, and courses by correspondence or audiotape.

A study by Statistics Netherlands¹¹⁴ concerning the level of application of such training options showed that the number of enterprises implementing these options had significantly increased between 1993 and 1999. This increase also applied to the number of employees in them. It is relevant to note that the largest increase was in enterprises with between 10 and 99 employees. Though they still lag behind somewhat, the comparative difference from enterprises with 500 or more staff has been reduced from 58% to 20% in 6 years.

So training options are available and a growing number of small and medium-sized enterprises provide it. In 2001, 46% of the labour force participated in some form of training. The next question is: who among the employees benefit most from these opportunities?

¹¹³ Meijer 2005, p. 12-13

¹¹⁴ Statistics Netherlands 2001

The data indicate that between 1994 and 2001 there has been a clear growth in overall participation in continuing training in the Netherlands, i.e. from 34% to 46%. Between 1999 and 2001, the situation seems to stabilise. Still, a little more than half of the Dutch labour force is not yet taking part in continuing training activities.¹¹⁵

In all three years, a number of well-known patterns appear as regards continuing vocational training :

- A higher level of either general education or vocational education or training means more continuing training;
- Those who work in larger enterprises get more continuing training;
- The older one gets, the less likely one is to take part in continuing training.

The positive element is that in almost all cases, the gap between the ends of the continua – i.e. between those receiving less or more training, between those working in smaller and larger enterprises, and between younger and older employees – is narrowing.

This applies, in particular, to workers in the 50–65 age group. Whereas in 1994 only 20% took part in some form of training, in 2001 the percentage had risen to 36. This conclusion is supported by the data, where employees only educated to primary level are observed to take part in continuing training more frequently. It is relevant to note however, that the age of 50 still seems to be a watershed as regards training activities. While almost half of all those below that age take part in continuing training, above that age only one-third of the age group up to 65 do so.

Table 20: Participation in at least one form of training by age groups (%)

Age group	1994	1999	2001
16 – 29	40,6	48,5	51,5
30 – 39	36,4	48,5	46,3
40 – 49	32,3	48,0	46,7
50 - 65	19,7	37,0	35,6
Total	33,8	46,4	45,7

Source: SEOR 2001

The CLAs are the place where agreements should be reached about age-aware staff policies in general, and training options for older employees in particular. A review of

¹¹⁵ SEOR 2001

ongoing collective labour agreement negotiations published in the NRC, one of the main Dutch national newspapers, on 25th May, 2005 does not give a very promising picture.¹¹⁶

The most prominent issue on the negotiation agenda of the social partners is that of pre-pension arrangements. As indicated in chapter 2.2.5 in 2006 the Life Span Leaving scheme was introduced. Both the introduction of this scheme and the special arrangements for the groups aged 50-55 and 56-65 require considerable attention on the part of the negotiators. The second issue is that of sickness leave payments. The general agreement is that in the second year of someone's sickness leave, the employer will pay leave 70% of gross salary. At sectoral level, there is discussion of whether this percentage could be raised to 100% under certain conditions. Wages are the third topic. Increases will be low in 2005: between 0 and 1%. Next on the list is the link between parental leave and the Life Span Leaving scheme, and whether these should be integrated or not? Point five: who contributes what towards employees' child care provision. As the result of a new law, there is a lot of confusion concerning, among other things, the role of each employer in cases where both parents work.

B3.3.6 Summary

The conditions for implementing continuing vocational training for older employees do, however, vary in the five AGEQUAL countries. The potential for training older employees and unemployed older persons seems to be good in Denmark (due to the integration of active labour market policies and training policies on the national and regional levels) and in the Netherlands (due to the sectoral collective agreements and the O&O funding system). In contrast, the existing structural fragmentation of continuing vocational training in Germany and to some extent in Austria and Belgium will make it difficult to realise an extensive implementation of continuing vocational training for older employees and unemployed older persons.

¹¹⁶ NRC 2005

B4 SMEs in Belgium, Denmark, Germany, the Netherlands and Austria – structural data and continuing vocational training

Micro, small and medium-sized enterprises (SMEs) are socially and economically important, since they represent 99% of all enterprises in the EU and provide around 65 million jobs, and are an important source for entrepreneurship and innovation.

The European Commission uses the following definitions to categorise these enterprises:¹¹⁷

- Micro enterprises: enterprises with fewer than 10 employees and/or an annual turnover/balance sheet which does not exceed EUR 2 million.
- Small enterprises: enterprises with fewer than 50 employees and/or an annual turnover/balance sheet up to EUR 10 million.
- Medium-sized enterprises: enterprises with fewer than 250 employees and/or which achieve either an annual turnover of at least EUR 50 million or a total balance sheet of not more than EUR 43 million.

B4.1 Share of SMEs to the total number of enterprises¹¹⁸

In 2003, SMEs¹¹⁹ – including in the countries examined here – made up a share of more than 99% of the total number of enterprises. The precise distribution of the SMEs in the individual size classes can be seen in figure 12. The distribution in the five countries examined is similar: whereas in Belgium 92% of enterprises are micro enterprises, the share is clearly lower in Germany (83%), while Denmark, Austria and the Netherlands (87-88%) are positioned exactly in between. The share of major enterprises with more than 250 employees lies between 0.3% (in Belgium) and 0.5% (in Germany).

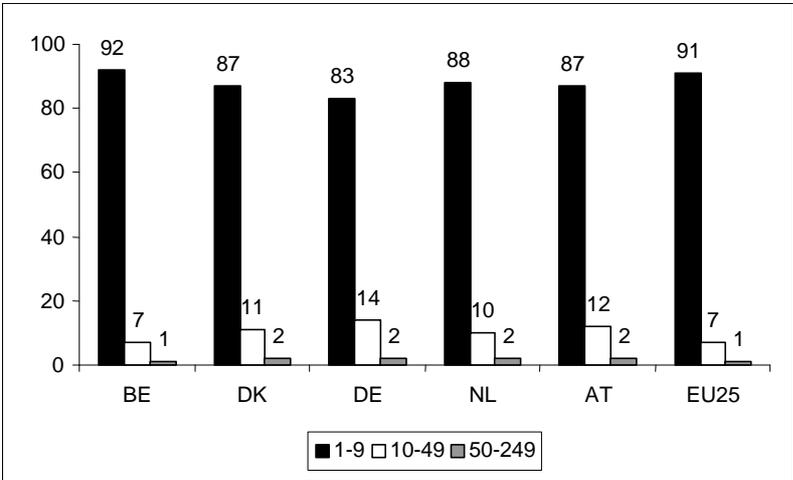
¹¹⁷ See http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm, accessed 11 October 2006

¹¹⁸ Eurostat publishes annual enterprise statistics broken down by size classes for the following NACE sectors; only these sectors are included in the analysis: C: Mining and quarrying; D: Manufacturing; E: Electricity, gas and water; F: Construction; G: Wholesale, retail, repair; H: Hotels and restaurants; I: Transport, storage and communication; K: Real estate, renting and business activities

¹¹⁹ Here the classification of the enterprises according to size classes is carried out on the basis of the number of employees; the annual turnover/balance sheet is not been taken into account.

The differences in enterprise size between the countries can be traced back to historical (historical emergence of industrialisation and the shift to a service society), structural (relative status of agricultural, manufacturing and service sectors) and institutional (state intervention) preconditions. In addition, enterprises seem on average to be bigger in countries with high per capita GDP (as, for example, in Germany and the Netherlands) than in countries with a relatively low per capita GDP. In addition, the existence of a large domestic market in countries implies differences in the distribution of enterprise sizes.¹²⁰

Figure 12: Share of SMEs to the total number of enterprises 2003 (%)¹²¹



Source: Eurostat, Enterprise statistics

A more differentiated picture emerges if we consider the share of SMEs by economic sector. The share of major enterprises is low in all countries – except for the electricity, gas and water sector (between 6-10% in the Netherlands, Belgium and Germany). In addition, only in manufacturing is a share of more than 1% in all countries to be found.

In addition, the share of medium-sized enterprises is low in most sectors – only in a few economic sectors is a share of more than 5% found:

- Electricity, gas, and water in Belgium, Germany and the Netherlands
- Manufacturing in Denmark, Germany, the Netherlands and Austria
- Mining and quarrying in Belgium, Germany, the Netherlands and Austria

¹²⁰ European Commission (ed.) 2002

¹²¹ EU25: 2001

Small enterprises have a share of more than 10% of the total number of enterprises in Denmark and Germany in almost all sectors – the exceptions here are real estate, renting and business activities in both countries, as well as electricity, gas and water in Denmark. In Germany, the share is more than 20% in some sectors (mining and quarrying, electricity, gas and water, manufacturing). The share of small enterprises is more than 10% in all countries in manufacturing and transport, storage and communication. Furthermore, a share of more than 10% can be found in the following sectors:

- Construction and mining and quarrying in Denmark, Germany, the Netherlands and Austria
- Electricity, gas and water in Belgium and Germany
- Wholesale, retail, repair in Denmark and Germany

Micro enterprises with less than 10 employees have a share of more than 70% in almost all countries and all sectors. A high share of micro enterprises (90% and over) can most notably be found in the real estate, renting and business activities sector in all countries, as well as in the hotels and restaurants sector in Belgium, the Netherlands and Austria. A share of more than 80% can be also found in the following sectors:

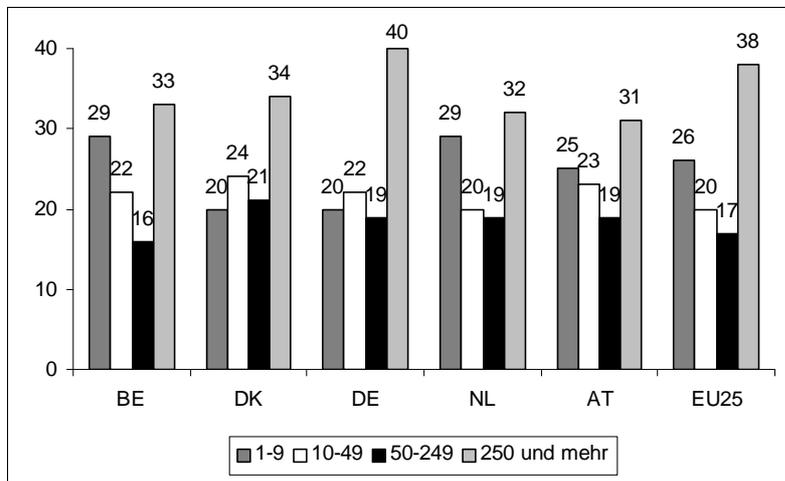
- Hotels and restaurants and wholesale, retail, repair in all countries
- Transport, storage and communication in Belgium, Denmark, the Netherlands and Austria
- Construction in Denmark, Germany, the Netherlands and Belgium
- Electricity, gas and water in Denmark, the Netherlands and Austria.

B4.2 Share of employees in SMEs to the total number of employees

In 2003, more than 65% of all employees worked in SMEs – with the exception of Germany, where the share was 61%. The exact distribution of the share of employees according to size classes can be seen in figure 13. In Belgium and in the Netherlands, the share of the employees in micro enterprises (29%) is distinctly higher than in the other countries. In Germany and Denmark especially, the share is low (20%). The share of employees in small enterprises differs only by a few

percentage points between the countries. In addition, in medium-sized enterprises the difference is small, at 16% in Belgium and 21% in Denmark.

Figure 13: Share of employees to total number of employees by size classes in 2003 (%)¹²²



Source: Eurostat, Enterprise statistics

Important differences can be observed between the shares of employees in the different size classes within sectors and countries. Sectors with a high share of employees in major enterprises include transport, storage and communication (between 49% in the Netherlands and 58% in Belgium), electric, gas and water, with the exception of Denmark (e.g. a 91% share in Belgium) and manufacturing, albeit with a lower share (between 36% in the Netherlands and 54% in Germany).

Medium-sized enterprises in most countries and sectors have below a 20% employee share. In Denmark, on the other hand, the share in most sectors is above 20%, whereas in Germany this is only the case for manufacturing. An employee share of more than 20% can be found in the following sectors:

- Manufacturing in all countries
- Construction in Austria
- Mining and quarrying in Belgium and the Netherlands
- Hotels and restaurants and real estate, renting and business activities in Denmark

¹²² EU25: 2001

Between 29% (in the Netherlands) and 40% (in Germany) of employees in the construction sector work in small enterprises. Beyond that, high shares of more than 20% can be found in the wholesale, retail, repair and hotels and restaurants sectors in all countries, in real estate, renting and business activities in Denmark, Germany and Austria, and in manufacturing in the Netherlands.

A particularly high share of employees work for micro enterprises in the hotels and restaurants sector (between 28% in Denmark and 57% in Belgium). In all countries, high shares of employees (more than 20%) in micro enterprises can be observed in the construction, manufacturing, wholesale, retail, repair and real estate, renting, business activities sectors.

In several national and international scientific publications that referred both to European countries and to the United States of America it is stated that small enterprises in particular create the majority of new workplaces. In addition, small enterprises are responsible for fewer job cuts than large-scale enterprises. Small enterprises therefore serve as an engine of employment creation.^{123, 124}

However, an analysis of the employment trend between 1997 and 2004 in the four sectors with the highest employment rates (manufacturing, wholesale, retail, repair, real estate, renting and business activities and construction) do not confirm these results all together:

- In manufacturing, employees have suffered the greatest job reductions in recent years – independently of the size class of enterprises. The outcome of job cuts in Austria was fairly moderate (less than 2 percentage points), whereas in the other countries, more significant reductions in jobs can be observed. In Denmark since 2003, large-scale enterprises have carried out many more job cuts than SMEs. In Germany, micro and small enterprises have increased their staff since 2003.

¹²³ However it should be emphasised that the performance criterion is not focused on employment changes in total, but employment changes occurring only at the level of the enterprise. External effects or spill-over from one enterprise to another are not included. It is not possible to determine by means of statistical data the degree to which the positive relationship between enterprise size and growth reflects crossovers across class size boundaries or the growth of enterprises from smaller size classes into the large firm size class.

¹²⁴ European Commission (ed.) 2004a, pp. 15-17, 35-36

- Between 1997 and 2003 decreases and increases in employment are more or less evenly balanced in the wholesale, retail and repair sector. It is striking that in Belgium and Austria, large-scale enterprises increased employment in every year. In 2002, a reduction in jobs was realised across all size classes in Germany, but in 2003 there was a turnaround and employment increased in all size classes, especially in micro and small enterprises.
- Employment has increased significantly in the real estate, renting and business activities sector since 2000 in all countries and all size classes. Nevertheless, in Belgium, Denmark and the Netherlands the numbers of employees in large-scale enterprises fell in 2002 and 2003, although they increased again in 2004.
- In the construction sector, employment fell – apart from a few exceptions – in all size classes; the decrease in large-scale enterprises was above average. This is also the case in the Netherlands. However, in Austria the decrease in workplaces was much smaller – employment in micro enterprises was even growing.

B4.3 Continuing vocational training in SMEs

Lifelong learning is gradually becoming more important in the modern knowledge society. Continuing vocational training and in-company vocational training is an essential component of the concept of lifelong learning. The increasingly technological nature of work makes it necessary to retain vocational skills as well as to adjust and to enlarge vocational knowledge following initial vocational training. Compared with large-scale enterprises, small and medium-sized enterprises are regarded as less active in training: continuing vocational training is therefore characterised by ad hoc training activities, and systematic planning of initial and continuing vocational training as well as personnel development is relatively rare. Difficulties in the planning and realisation of continuing vocational training measures in SMEs, for instance, arise due to such factors as employee workload.

The ad hoc module to the European Labour force survey on lifelong learning (2003)¹²⁵ surveyed participation in continuing vocational training measures broken down by size classes in the last twelve months, among employees aged 25 to 64

¹²⁵ For results see Kailis / Pilos 2005

years. The data collected included not only data on continuing vocational training measures funded by enterprises, but all training measures with a job-related background. In all countries, employees can find a higher participation rate in larger companies than in smaller enterprises. Especially in Denmark, the participation rate increases with the size of the enterprise – this is not so obvious in Germany (see Table 21).

Table 21: Participation rates of employees aged 25 to 64 years in continuing vocational training, broken down by size classes (2003 - %)¹²⁶

Country	1-9	10-19	20-49	50 and more	Total
Belgium	19.2	21.2	21.6	28.5	23.9
Denmark	39.4	45.2	44.0	53.9	47.4
Germany	12.8	13.2	15.2	16.7	15.1
Netherlands	8.1	11.5	12.5	13.2	12.1
Austria	21.3	23.7	25.3	27.4	24.8

Source: Eurostat, LFS, Ad hoc module on lifelong learning, Eurostat analysis spring 2006

The European continuing vocational training surveys (CVTS1 with the reference year 1993 and CVTS2 with the reference year 1999)¹²⁷ give an overview of the quantitative and qualitative structures of continuing vocational training in Europe. Enterprises with ten or more employees in all sectors except agriculture, fishing, public administration, education, health and social work in the 12 and 25 member states of the EU were surveyed. Belgium, Germany, Denmark and the Netherlands participated in both surveys; results for Austria are only available for 1999. However, CVTS does not provide training participation data by age group.

¹²⁶ High non-response rates in Denmark (32%) as well as in Germany and the Netherlands (around 11%).

¹²⁷ For results see Grünewald / Moraal / Schönfeld (ed.) 2003; Eurostat (ed.) 2002; European Commission (ed.): 2003; Eurostat (ed.) 1997; European Commission (ed.) 1998a

B4.3.1 Training incidence

Continuing vocational training can be implemented in the form of training courses and “other” forms of continuing vocational training, in particular job-related training.¹²⁸ The countries discussed here number among the countries in Europe with a high share of training incidence (70% and more).¹²⁹ Training incidence rises as the size of the enterprise increases. The differences between small and medium-sized enterprises in Denmark are very small (4 percentage points) whereas the gap in Belgium (31 percentage points) and Austria (28 percentage points) is quite considerable. In Denmark, almost all enterprises offer their employees continuing vocational training.

In 1999, Denmark and the Netherlands take their place among the top-ranking European countries for the share of enterprises offering training courses (1st and 3rd place out of 25 countries). In addition, Austria and Germany have relatively high training incidence rates, whereas the training incidence in Belgium (at only 48%) is low. The proportion of enterprises with training courses rises from small via medium-sized enterprises to large enterprises. The differences between small and medium-sized enterprises are very minor in the case of Denmark (8 percentage points) while in Belgium (35 percentage points), Austria (24 percentage points) and Germany (18 percentage points) the difference is striking.

In comparison with 1993, the share of enterprises with training courses doubled for small enterprises in the Netherlands, while the rise was not so significant in Denmark and Germany (9 and 10 percentage points) and in Belgium it was only 2 percentage points. On the other hand, a high rise can be observed in medium-sized enterprises in Belgium (31 percentage points). In addition, the increase in the Netherlands (22 percentage points) was considerable, while in Germany there was a minor decrease (see Table 22).

¹²⁸ Planned periods of training, instruction or practical experience using the normal tools of work, either at the immediate place of work or in the work situation; planned learning through job-rotation, exchanges or secondments; attendance at learning/quality circles; self-education through open and distance learning (methods used in this type of learning can include using video/audio tapes, correspondence courses, computer based methods); instruction at conferences, workshops, lectures and seminars at which the purpose of the employees attending the events is to learn/receive training.

¹²⁹ BE: 70%; DK: 96%; DE: 75%; NL: 88%; AT: 72%.

Table 22: Enterprises offering training courses as a proportion of all enterprises, broken down by size class (%)

Employees	BE		DK		DE		NL		AT		EU12/15	
	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999
10-49	40	42	77	86	52	62	39	78	:	66	36	48
50-249	46	77	88	94	82	80	70	92	:	90	68	75
250 and more	83	95	90	100	98	93	94	97	:	96	88	93
Total	42	48	79	88	60	67	46	82	:	71	43	54

Source: CVTS1/2

The CVTS1 and CVTS2 data also make it possible to differentiate the training activities of enterprises according to sectors.¹³⁰ It can be observed that in 1999, the proportion of enterprises with training courses is also lower than the average in some sectors with an especially high share of small enterprises, namely:

- Hotels and restaurants and transport in all countries
- Construction in Belgium, Denmark and Germany
- Retail trade in Belgium, the Netherlands and Austria

On the other hand, in the real estate, renting, business activities, other personal services sector, which has a high share of employees in small enterprises, there is also a high proportion of enterprises offering training courses.

B4.3.2 Participation in continuing vocational training courses

No uniform connection between the participation rate in training courses and the size of enterprises emerges from the data in Table 23. In Denmark, Germany, the Netherlands and Austria the participation rates are higher in small enterprises than in medium-sized enterprises. In Belgium, on the other hand, the participation rate increases with enterprise size. In Denmark, Germany and the Netherlands the participation rates in small enterprises are even higher than those in large-scale enterprises. In Denmark, Belgium and the Netherlands high participation rates of more than 40% can be observed whereas participation rates in Germany and Austria are distinctly lower. In comparison with 1993, training participation increased in all countries and size classes.

¹³⁰ Unfortunately the CVTS data does not allow differentiation according to sector and size of enterprises. The classification of sectors in CVTS does not match in all cases with the sector classifications used in chapter B4.1 and B4.2.

Table 23: Participation rates in enterprises offering training courses, broken down by size class (%)

Employees	BE		DK		DE		NL		AT		EU12/15	
	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999
10-49	34	44	42	56	27	39	30	46	:	35	33	43
50-249	33	46	37	52	20	33	29	45	:	31	30	42
250 and more	43	62	35	55	31	37	35	43	:	38	42	49
Total	39	54	39	55	28	36	33	44	:	35	38	47

Source: CVTS1/2, own calculations

As in the case of the enterprises offering training courses, in sectors with a high share of employees in small enterprises the participation rate is below the average. This is the case in the construction, retail trade, hotels and restaurants sectors in respectively four countries. In the Netherlands the participation rate in construction (62%) is 18 percentage points above the Dutch mean; in Austria the participation rate in retail trade is higher than the Austrian average; and in the hotels and restaurants sector, Denmark has a participation rate points above the mean for all the countries (+20 percentage points).

A participation rate higher or at least level with the mean in the respective countries can be found in the following sectors with a high proportion of small enterprises:

- Post and telecommunication in all countries
- Wholesale trade in Denmark, Austria and the Netherlands
- Real estate, renting, business activities, other personal services in Belgium, Denmark and Germany

A gender differentiation of the participation rates does not show a homogeneous picture (see Table 24). In the Netherlands, female employees in SMEs have a distinctly lower chance of participating in training courses than male employees. In Denmark and Austria, female employees' participation in training courses in small enterprises is clearly more frequent than that of male employees. In Germany and the Netherlands male employees in large-scale enterprises participate in training courses more frequently than female employees. The differences in the other countries and size classes are minor. Gender data for Belgium were not supplied.

Table 24: Participation rates in enterprises offering training courses by gender and size class (1999 - %)

Employees	DK		DE		NL		AT		EU15	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
10-49	54	60	39	39	49	38	33	37	41	46
50-249	52	52	34	31	47	40	30	33	41	44
250 and more	55	55	40	32	47	37	38	38	52	44
Total	54	55	38	33	47	38	35	36	48	45

Source: CVTS2

B4.3.3 Participation hours at training courses

The intensity of continuing vocational training is measured in CVTS by means of the number of participation hours that an employee spent on continuing vocational training courses in a given year. The number of participation hours is not a measure of training efficiency and does not say anything about the quality of the training courses.

Minor differences between small and medium-sized enterprises regarding training hours per participant can be observed in Austria. In Denmark, Germany and the Netherlands the participation hours in smaller enterprises are 6-8 hours lower than in medium-sized enterprises. In Belgium, the number of participation hours decreases with increasing enterprise size (see Table 25).

The number of participation hours fell in Germany, Belgium and particularly in the Netherlands in comparison with 1993, but in Denmark, it increased slightly in nearly all size classes – except for the large-scale enterprises.

Table 25: Training hours per participant broken down by size class

Employees	BE		DK		DE		NL		AT		EU12/15	
	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999
10-49	51	36	35	37	32	23	99	29	:	28	48	33
50-249	39	32	42	44	36	31	77	35	:	26	42	32
250 and more	38	29	45	41	34	27	57	42	:	31	46	30
Total	41	31	39	41	34	27	66	37	:	29	45	31

Source: CVTS1/2

In the real estate, renting, business activities, other personal services sector in 1999, all countries register distinctly higher training hours per participant than the country mean in the respective countries. In transport, too, the training hours figures are higher or at least level with the respective country averages – except in Germany and Austria. In many countries, the training hours per participant are clearly lower than the country mean in other sectors with a high proportion of small enterprises, namely:

- Retail trade in Denmark, Germany, the Netherlands and Austria
- Construction in Belgium, Germany and the Netherlands
- Wholesale trade in Belgium, Germany and Austria
- Hotels and restaurants in Germany, the Netherlands and Austria
- Post and telecommunication in Denmark, Germany and the Netherlands

In Denmark, training hours per participant are distinctly higher for female than for male employees, whereas in the Netherlands the reverse situation can be observed (except for the large-scale enterprises). In the Netherlands the difference is, however, clearly lower in the medium-sized enterprises than in small enterprises. Gender data for Belgium were not supplied (see Table 26).

Table 26: Training hours per participant by gender and size class (1999)

Employees	DK		DE		NL		AT		EU15	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
10-49	28	54	30	33	32	21	28	27	33	34
50-249	33	63	30	33	36	32	26	26	31	33
250 and more	31	52	29	23	42	42	29	35	31	27
Total	31	54	28	25	38	36	28	31	31	29

Source: CVTS2

B4.3.4 Costs of continuing vocational training courses

The CVTS also provides essential figures for the analysis of continuing vocational training costs. The financing structure for continuing vocational training courses is a basis for assessing the enterprises' readiness to invest, and moreover reflects the importance of continuing vocational training measures on the demand side of the labour market. The total costs for training courses are the sum of the direct costs, personnel absence costs and the balance from contributions to national or regional training funds and receipts from national or other financial settlements.

The costs per training hour for continuing vocational training courses increase with the number of employees – except in Germany and the Netherlands, where the training costs are not significantly higher in medium-sized enterprises than in large-scale enterprises. Training costs in Germany, the Netherlands, Denmark and Belgium are high compared to other European countries; in Austria, training costs are distinctly lower.

In comparison with 1993, training costs increased in all four countries which participated in both surveys, and especially in Denmark and the Netherlands. Large-scale enterprises in Belgium are an exception; there the training costs decreased.

Table 27: Costs of training courses per training hour (in PPS)¹³¹

Employees	BE		DK		DE		NL		AT		EU12/15	
	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999	1993	1999
10-49	31	46	19	50	29	44	12	50	:	37	27	46
50-249	44	55	21	52	29	50	18	56	:	42	29	64
250 and more	60	54	34	53	38	64	34	59	:	40	33	47
Total	51	53	24	52	36	59	27	57	:	40	31	50

Source: CVTS1/2, own calculations

The training costs data show that in sectors with a high share of small enterprises, investment in training is distinctly lower than the national mean for the respective countries. Investment in training in all countries is clearly lower in the economic sectors of construction, hotels and restaurants and transport. Not surprisingly, training investment is much higher in the post and telecommunication sector. In addition, in four countries (the exception being Belgium) training costs in the real estate, renting, business activities, other personal services sector are higher than the national average.

B4.3.5 Summary

Continuing vocational training is central for maintaining, broadening and updating the qualifications required of employees and is necessary in order to maintain the competitiveness of enterprises. The CVTS shows that a majority of enterprises are conscious of the importance of continuing vocational training: the enterprises in the countries discussed here are mainly training enterprises – even in Denmark, this applies to almost every enterprise. The proportion of enterprises providing training courses is indeed lower. However, with the exception of the situation in Belgium, more than 60% of all enterprises in just about all size classes offer training courses. The relatively low training participation rates in Germany and Austria as well as the

¹³¹ PPS (purchasing-power standards): costs are indicated in PPS to allow for price differences between the individual countries. The PPS conversion factors indicate how many national currency units the same quantity of goods and services would cost in the individual countries.

relatively low rate of training hours per participant in Germany, Austria and the Netherlands are problematic.

However, the CVTS data also indicate that SMEs in general show less readiness to train than large-scale enterprises. In some sectors with a high share of small enterprises, below-average figures are measured for training incidence, training participation, training intensity and training costs, e.g. in the hotels and restaurants, retail trade and construction sectors, and in part also in transport.

B5 Conclusions

In all five AGEQUAL countries it seems to be clear to governments, enterprises and trade unions that if policies in these countries adhere to the concept of early exit for older employees, this will not only cause massive economic problems, but will also mean an economic waste of human capital. From the year 2000 onwards, all five AGEQUAL countries have gradually abolished early exit programmes for older employees. Due to the increasingly limited opportunities for enterprises to recruit young staff, those employees aged 30-45 as well as unemployed persons will be confronted with higher demands for training in the period 2010-2030. On the other hand, enterprises will have to invest more in continuing vocational training of their (older) employees, while the employment services will similarly have to invest in continuing vocational training for the (older) unemployed. The declining influx of young skilled workers into the labour market and the increase of the 55-64 age group will cause future adjustment / matching problems on the labour market.

First and foremost, it will be necessary to foster the utilisation of the total potential working population with demand-oriented policies (i.e. by making use of incentives). Such activation policies for older employees and older unemployed persons will, however, encounter several problems. The 55-64 age group is not homogeneous. Rather, this group is divided into sub-groups with highly varied employment options and expectations. Some employees can and wish to work up to 65 years of age, and will possibly even be able to work a few years longer; others are not in a position to work because of their subjective conditions (qualification and health status) or objective exit conditions (conditions of work, job availability, family obligations); others could work longer, but for a variety of reasons they prefer an earlier exit and can afford this in spite of the associated reduction in pension benefits. The conditions for implementing continuing vocational training for older employees do, however, differ in the AGEQUAL countries. The potential for training older employees and unemployed older persons seems to be good in Denmark (due to the integration of active labour market policies and training policies on the national and regional level) and in the Netherlands (due to the sectoral collective agreements and the O&O funding system). In contrast, the existing structural fragmentation of continuing vocational training in Germany and, to some extent, in Austria and Belgium will make

it difficult to realise an extensive implementation of continuing vocational training for older employees and unemployed older persons.

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