

GERMANY



Key policies to promote longer
working lives

Country note 2007 to 2017

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KEY POLICIES TO PROMOTE LONGER WORKING LIVES IN GERMANY¹

(Situation 2007 to mid-2017)

According to the Late Career Scoreboard at the end of this report (Table 1), the employment rate of older workers is high in Germany (in 2016, 55.1% for older workers aged 50-74, compared with the EU average of 45.4%). Nevertheless, Germany could do more to prevent early exit from the labour market. In particular, as synthesised in Table 2, Germany could take action to promote combining pension with work beyond the take-up of only mini-jobs. As the participation rate of older workers in training is low (Table 1), Germany should continue to take action to promote lifelong learning and development of the adult vocational education and training, and should embark on action to set up mechanisms for recognising and validating skills. On the other hand, Germany has stepped up efforts to encourage good practice, both in collective labour agreements and by individual employers, in managing an age-diverse workforce; taken major action to provide effective employment services for older workers; and strengthened workplace safety. Nevertheless, the social partners could go further in reviewing the use of seniority wages.

1. Rewarding work and later retirement

1.1. Enhancing incentives to continue working at an older age

Introduction

The German pension system consists of a statutory pay-as-you-go public scheme, covering all employees as well as some categories of the self-employed. Civil servants are covered by a dedicated scheme, directly financed by the state. The second pillar consists of voluntary occupational pension schemes. The third pillar involves a great variety of voluntary funded savings schemes for old age. Some types are tax-privileged (e.g. the so-called *Riester* pension contracts). Major pension reforms were implemented in 2001 and 2004, resulting in a gradual reduction in the pension level. The replacement rate – by the national definition of pensions compared to earnings, both reduced by social contributions but not by taxes – has been reduced from 52.9% in 2001 to 48.0% in 2014, and is predicted to decline to 44.4% in 2028 (European Commission, 2015). To counteract the negative effects of reduced public pensions, incentives for private pensions were introduced. In 2011, over 70% of dependent employed aged 25-64 were entitled to a supplementary occupational pension or a *Riester* pension. Subsequent pension reforms under the period covered in this note mainly raised the statutory pension age, introduced specific rules for the long-term insured, and revised how early retirement and work are to be combined.

Raising the statutory age of retirement

The Law Raising the Retirement Age (*RV-Altersgrenzenanpassungsgesetz*), a major reform of the public pension system, was passed in 2008. The law implemented a gradual increase in the statutory retirement age to 67 years beginning in 2012 with the 1947 age cohort and ending in 2029 with the 1964 age cohort. It

1. This note has been produced by the Ageing and Employment Policy Team with a contribution from Nicola Duell.

also mandated a corresponding increase in the pension age for other kinds of pensions, including those for civil servants. In 2015, the statutory retirement age is 65 years and 4 months with at least five years of contributions. This reform aims to assure the sustainability of the mandatory pension system. As a result of the 2004 pension reform, (mandatory pension) contribution rates are currently already comparatively high and net pension levels comparatively low. Therefore, one of the few remaining policy levers available to Germany in its recent reforms was to raise the retirement age. A second objective of the 2008 reform is to combat the likely future lack of skilled labour. The Economic Expert Commission for the Assessment of the Economic Development predicts an increase in the average effective exit age by 2.3 percentage points as a consequence of increasing the statutory pension age to 67. The underlying assumption is that the effective exit age rises by a factor of 0.75 of the increase of the statutory pension age (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*, 2011).

According to the OECD (2015), the next steps should be to increase the normal retirement age at a faster pace and link it to gains in life expectancy.

Facilitating phased retirement

A change in the Old-Age Part-Time Work Act (*Altersteilzeitgesetz*) was decided in 2006 and became effective in 2009. This gradual retirement scheme was based on part-time work. It was originally introduced in 1996 for workers older than 55 years of age who were eligible to claim old-age pensions after terminating the scheme. Prior to 2009, the Public Employment Service (PES, *Bundesagentur für Arbeit*) granted subsidies to employers covering a maximum of 20% of the worker's wages for a maximum period of six years if an unemployed or young person who completed an apprenticeship was taken on as a replacement (Duell and Vogler-Ludwig, 2012). This scheme was *de facto* used as an early retirement scheme with the aim of reducing unemployment. In view of low unemployment and a rapidly ageing workforce, the subsidy was removed in 2009. As a result the scheme has become less attractive for employers, but workers can still agree with them on (unsubsidised) old-age part-time work. This guarantees workers a high level of social protection despite a reduction in working time, because employers provide top-up sums in the form of pay and contributions to statutory pension insurance. This promotes the practice of gradual retirement and allows for a flexible pathway for exiting the labour market.

One example of a collective agreement on partial retirement can be found in the metal and electrical industries in Baden-Württemberg in 2015. Employees who have worked night shifts for at least six years within the past eight, or alternate shifts for at least nine years within the past twelve, are entitled to a period of partial retirement of up to five years from the age of 58 to age 63, when early retirement can be requested. The reduction in income in line with the reduced working hours is partially compensated by supplementary employer payments to the worker.

Better combining of pensions (or partial pensions) and work income

The partial pension system introduced in 1992 allowed for access to partial pensions depending on the level of income from work. In this former system, in place until the beginning of 2017, older workers reaching age 63 and fulfilling the requirement of 35 years of waiting period could receive a full pension (*Vollrente*) if the additional income from work did not exceed EUR 450 per month, or a partial pension (*Teilrente*) of two-thirds, half, or one-third of their full pension, depending on their supplementary income from work. The wage substitution calculation for partial pensions was complex. An average earner lost about 17% of their earnings if they reduced their working time by 50% (Eurofound, 2016). Regulations concerning additional earnings without pension deductions were also complex. For every partial pension level (two-thirds, one half or one-third), a monthly limit on additional income from work (*Hinzuverdienstgrenze*) was set, based on former income. In case that limit was exceeded, the partial pension decreased so that the combined figure would continue to meet the limit. The exception here was the partial pension level of one-third; in those cases, if the ceiling on additional income was exceeded the

recipient lost the entitlement to the partial pension. Therefore, with the old regulation² the partial pension recipient experienced disproportionate cuts, resulting in the income threshold setting wrong work incentives. The partial pension system was thus used very little in Germany: in 2014, only 0.2% of new entrants into the pension system claimed a partial pension (Czepek and Weber, 2015, basing their figure on public pension scheme data). Additional reasons for the low take-up were perceived to be the relatively high entry age requirement and a low acceptance of full-time workers moving towards part-time work (Czepek and Weber, 2015). A further reason could be that workers were not aware of the existence of the scheme (Eurofound, 2016).

The government observing that low take-up decided on the “flexi-pension” reform (“Flexi-Rente law”³ – *Formulierungshilfe der Bundesregierung für einen Gesetzesentwurf zum Flexirentengesetz* – elaborated in May 2014) on 14 September 2016;⁴ the law came into effect in 2017. The package legislated contains a number of reforms of different aspects of the pension system. The ceiling on income from work for those who retired before the statutory pension age and claiming a full pension is increased to EUR 6 300 a year (*Deutsche Rentenversicherung*, 2017). That corresponds to an average of EUR 525 a month instead of EUR 450, an increase nevertheless lower than the initially proposed EUR 850 (Czepek and Weber, 2015).

Further, for partial pensions the current regulations regarding the ceiling on additional income from work will be replaced with a smooth transition regulation. The ceiling (*Hinzuverdienst*) will remain, but it is intended to organise the two incomes in a more flexible way, by taking income from work into account continuously instead of the above-described level model, and annually instead of monthly. The recipient can freely choose i) to receive a partial pension of at least 10% (the income limit is then fixed in relation to the level of the partial pension) or (ii) to receive a partial pension level that is determined by taking into account the annual income from work exceeding an annual limit of EUR 6 300 for a person receiving an early retirement pension. In the latter case, 40% of the income from work exceeding this limit is subtracted from the pension.

To ensure that the sum of the partial pension and the supplementary income from work does not exceed the income level before retirement (benchmarked against the highest income over the past 15 years), 100% of additional work income over a certain limit is deducted from pension benefits. Pension benefits are calculated in advance from 1 July for the upcoming calendar year. Deviations from this calculation (*Spitzabrechnung*) will be claimed back afterwards. The rules for combining disability pension (*Renten wegen vermindeter Erwerbsfähigkeit*) and work will be adapted accordingly. The improved incentives for combining pension and income before reaching statutory retirement age have to be understood as a reaction to the pension reform of 2014, which introduced the possibility for the long-term insured to retire on a full pension before reaching statutory retirement age. According to the federal government, while the reform aims at increasing the employment rate of older persons, it might also generate a greater incentive to retire early. Therefore, the government plans to evaluate it after five years.

There are no income limits for pension benefit recipients having reached statutory retirement age. However, many pensioners take up mini-jobs (with a ceiling on income from work of EUR 450), involving only a few hours worked a week. They take advantage of a flat tax rate of 2%, which is advantageous if they have higher pensions and other income from work or from rent and lease. Also, the mini-jobbers pay no contributions to the health care system, and can opt out of contributing to the public pension system. Consequently there are strong penalties for extending work above the EUR 450 ceiling (Duell, 2018).

2. http://portal-sozialpolitik.de/uploads/sopo/pdf/2016/2016-09-14_Kabinett_Formulierungshilfe_Flexirente.pdf, p. 22 (accessed 12 February 2018).

3. http://portal-sozialpolitik.de/uploads/sopo/pdf/2016/2016-09-14_Kabinett_Formulierungshilfe_Flexirente.pdf (accessed 12 February 2018).

4. www.bundesregierung.de/Content/DE/Artikel/2016/09/2016-09-14-flexirente.html (accessed 12 February 2018).

The flexi-pension reform of 2017 introduces the possibility for those who have already reached the statutory retirement age to make voluntary contributions to the public pension scheme when combining work and pensions. Prior to the reform, this possibility existed only for those combining early retirement and work. Only the employer paid contributions to the statutory pension system in order to avoid any distortive effect on competition, and those contributions did not confer rights to enhanced pensions.

Rewarding longer careers

Postponing retirement will yield a higher pension accrual of 0.5% for each month worked after the statutory retirement age. This rule has been in place since 1992. No new reforms were introduced.

1.2. Towards restricted use of early retirement schemes

Restricting access to publicly funded early retirement schemes

Pension reforms that were decided in the 1990s and implemented in the 2000s restricted the possibility of retiring early with no pension deductions. However, in June 2014 the age at which one could retire with a full pension was reduced by two years (to the age of 63 in 2015 and 65 in 2029) for people with 45 years of contributions.⁵ Periods of child-rearing and caretaker leave, unemployment spells that resulted in the collection of unemployment benefits,⁶ and further training periods are taken into account. In order to prevent the overuse of early retirement, periods during which the worker received unemployment benefits in the two years before the pension age are disregarded (the so-called rolling cut-off date). However, an exception applies for periods during which the worker received unemployment benefits on account of employer-induced insolvency or the complete closure of the company, as these cases typically are not linked to abusive early retirement.

The new rule for retirement at the age of 63 is understandable given the variation in the age at which workers enter the labour market. However, this new rule is not linked to concerns over working conditions or health relating to the job, which could be considered in specific sectors or in specific occupations. What concerns there are have to do with the policy's negative medium-term impact on lengthening working lives and its effect on the financial sustainability of the pension system.

Alongside the increase in minimum age for old-age statutory pensions, from 2012 the minimum pension age in the state-subsidised supplementary retirement scheme(s) has been levelled to the age of 62 instead of 60 – as has the age requirement for employers to receive tax incentives for making contributions to occupational pension schemes. No reform has been passed to increase the reduction rate in the case of early retirement.

The flexi-pension law of 2017 introduced the possibility of paying extra contributions to the statutory pension scheme in order to avoid pension reductions in case of early retirement from the age of 50; previously, the possibility existed from the age of 55. This new rule is likely to ease the planning of taking up early retirement.

Introducing specific provisions for arduous/hazardous work

With the exception of an insignificant (and dwindling) provision for seafarers and miners, there are no regulations or provisions in Germany that refer to arduous/hazardous jobs or to particular categories of workers. Instead of linking eligibility for a full pension prior to reaching statutory retirement age to the number of years worked, consideration could be given to linking eligibility to previous working conditions.

5. Through the Act on Improvements in Pension Insurance Benefits (RV-Leistungsverbesserungsgesetz).

6. Unemployment benefits last up to 12 months for jobless persons under the age of 50, and are increased stepwise to 24 months up to the age of 58.

Such a system would, however, need to be carefully designed. (For an overview of that discussion in Germany, see Bäcker, 2016.)

1.3. Preventing welfare benefits from being used as alternative pathways to early retirement

Unemployment (insurance and assistance) benefits

In 2007, the rule allowing unemployed persons aged 58 and older to receive unemployment benefits I and means-tested minimum income (so-called unemployment benefit II) without job search requirements or participation in an active labour market programme (ALMP) was removed. Evaluation studies indicate that the reservation wage of this group of unemployed aged 58 and older decreased as a result of the abolition of the so-called “58 rule” (Nivorozhkin, Romeu Gordo and Schneider, 2010). However, analysis of recruitment rates by age reveals that the relative recruitment probability of workers aged 50 and older as compared to younger workers has not as yet improved, while it did increase for workers in the 60-64 year-old age group (Brussig, 2011).

The older unemployed aged 58 and above can receive unemployment benefits for a maximum of up to 24 months; the unemployed aged 55 to below 58 for up to 18 months; and the unemployed aged 50 to below 55 for up to 15 months instead of 12 months as applicable to the younger age groups.⁷

Until 2017, the older (long-term) unemployed receiving unemployment benefit II had to claim an early retirement pension as soon as they were eligible for it (currently from age 63). This law was promoting retirement over activation and thus went against the objective of lengthening working life. The flexi-pension reform removed mandatory early retirement for unemployment benefit II recipients in 2017.⁸

The flexi-pension reform of 2017 removed the obligation for contributions to the unemployment insurance scheme to be paid only by the employer in case of employment of workers who had already reached retirement age. The previous regulation that this onus was on employers rather than workers was in place in order to avoid distortive effects on competition. The new regulation subsidises employment of retirees. Note that workers above the statutory retirement age cannot claim unemployment benefits.

Social aid

Pensioners receiving a small or no pension can, through a means-tested scheme, claim social aid. Those who are still of working age and capable of working will receive unemployment benefit II, which is also means-tested (see above). No recent reforms relevant to older workers have been introduced.

Disability benefits

The pension reform of 2014 included changes to the provision of rehabilitation services from pension insurance funds (*Leistungen zur Teilhabe der Träger der Rentenversicherung*). Statutory pension insurance is responsible for medical rehabilitation benefits and for benefits toward integrating its members into working life. The goal is to maintain or restore the members’ capacity to work if they are threatened by illness or disability, and thus prevent their early exit from the labour force. A statutory rehabilitation budget is available to this end. The need for rehabilitation will continue to rise particularly for demographic reasons, as most of the baby boomers had reached the intensive rehabilitation age, beginning at 45, by 2009. Demographic factors have therefore been taken into account since 2014 in the annual update of the rehabilitation budget, in addition to wage and salary developments. Medical rehabilitation

7. www.bmas.de/DE/Themen/Arbeitsmarkt/Arbeitslosengeld/arbeitslosengeld-1.html (accessed 12 February 2018).

8. www.bundesregierung.de/Content/DE/Artikel/2016/09/2016-09-14-flexirente.html (accessed 12 February 2018).

benefits and measures for integration into working life help to prevent early exit from the labour force. The pension insurance funds regularly evaluate how effectively the benefits and measures are tailored to the needs of workers, and whether the services offered are of high quality.

The average amount of the disability pension⁹ is usually lower than the amount of the regular old-age pension. Disability pensioners can combine pensions and work up to a certain limit. Recipients of a full disability pension are allowed to work up to three hours a week, and recipients of a partial pension up to six hours. The flexi-pension law of 2017 has increased the income ceiling and applies the same rules to recipients of the full disability pension and of the early retirement pension. For partial disability pension recipients, the yearly income ceiling is fixed in relation to previous income and the minimum is set at EUR 14 458 in 2017. Further, the reform has eased access to the temporary full disability pension, when eligibility to illness benefits or unemployment benefits has been exhausted; previously, there generally was a seven-month waiting period.

The flexi-pension reform of 2017 has addressed health issues by strengthening prevention and rehabilitation and involving occupational doctors. Measures include the introduction of ongoing voluntary health check-ups from the age of 45 paid for by the statutory pension scheme.

2. Encouraging employers to retain and hire older workers

2.1. Preventing discrimination in employment on the basis of age

Implementing current or new legislation

In 2006, the General Equal Treatment Act (*Allgemeines Gleichbehandlungsgesetz – AGG*) was passed, implementing a number of European anti-discrimination directives. The objective is to prevent or eliminate discrimination on the grounds of race or ethnic origin, gender, religion or beliefs, disability, age, or sexual orientation. Accordingly, the act governs anti-discrimination rules as well as sanctions in the case of violations. In addition, it outlines discrimination criteria and determines the preconditions under which different treatment is justified. An independent Anti-Discrimination Agency has also been set up at the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ). This agency regularly reviews discriminatory practices and also follows up individual complaints.

The anti-discrimination legislation does not allow the setting of age requirements in job postings. However, there are still age limits in place for becoming a civil servant. This practice has recently been on the agenda of the Federal Constitutional Court, and in 2015 was adjudicated illegal for teachers in some federal states (*Länder*). There are no ALMPs for older workers based solely on age. Instead, the programmes available are targeted towards at-risk groups.

Launching public awareness campaigns

As will be shown in Section 2.4 and 2.5, there have been several initiatives to promote age management measures and the exchange of good practices in various networks. These implicitly also aim at preventing age discrimination in employment.

9. The disability pension is called “a reduced earning capacity pension”. It is generally paid on a fixed-term basis. According to the fundamental principle of “rehabilitation before pension”, optimum medical care and vocational integration measures are provided in order to improve or to restore earning capacity.

2.2. Taking a balanced approach to employment protection by age

Implementing age-neutral measures

In Germany, employment protection legislation (EPL) is generally stricter than in the OECD area (OECD, 2013). For example, severance payments are higher for older workers with at least 15 years of tenure. While this practice may encourage the retention of long-tenured older workers in cases of collective dismissal, it does not discourage employers from hiring older workers because short-tenured older workers are not entitled to higher severance payments. In cases of collective dismissals, the law asks the employer to make dismissals among comparable workers on the grounds of certain social criteria. These criteria include age and length of service, severe disability, and maintenance obligations.

2.3. Discouraging mandatory retirement by employers

By law in general

Many labour contracts and collective wage agreements are based on the assumption that the labour contract ends no later than the statutory retirement age. The 2014 pension reform has facilitated temporarily prolonging the employment contract after reaching that age. Previously the Temporary and Part-time Law of 2000 rendered this possibility unlawful, and it was indeed risky for employers, as employees could put in a claim for an indefinite work contract.

By sector/occupation, private/public sector, region

There is no mandatory retirement age in German labour or administrative laws, except for specific occupational groups mainly found in the public sector.

2.4. Encouraging the social partners to implement better retention and hiring mechanisms targeted at older workers

For all older workers

The objective to counter current and future skill shortages is reflected in the government concept of “Securing Skilled Labour” (*Fachkräftesicherung*), decided in 2011 (*Bundesministerium für Arbeit und Soziales*, 2011). Five pathways and objectives have been defined: i) activating and retaining older workers and activating unemployed; ii) improving reconciliation of work and family life; iii) promoting access to education starting from childhood for all groups in society; iv) encouraging initial and further vocational training; and v) improving the integration of immigrants as well as attracting skilled immigrants. The government regularly publishes monitoring reports evaluating the implementation of this concept.

The Federal Ministry of the Economy has published guidelines for recruiting older workers (*Bundesministerium für Wirtschaft und Technologie*, 2013). The publication gives practical advice and tries to enhance transparency in assessing costs and benefits, by addressing issues such as wages, employment contracts, planning, experience, introductory training, need for further training and flexibility. It differentiates between employing older workers, the older unemployed and retirees. Further, the *RKW Kompetenzzentrum* and the Ministry of the Economy publish good practice examples of strategies for recruiting older workers.¹⁰

10. www.fachkraefte-toolbox.de/fachkraefte-gewinnen/generation-50-plus/3-aeltere-gewinnen/ (accessed 12 February 2018).

The Initiative New Quality of Work (INQA) was launched in 2002 to bring various actors together, including the federal government, *Länder* governments, the social partners and social security institutions. One aim of the initiative is to collect good practice examples at the company level. Moreover, the initiative is responsible for conducting research, elaborating guidelines, and training experts in demography (*Demographie-Lotsen*) who are then able to provide advice to small and medium-sized enterprises (SMEs). The initiative has led to the establishment of local networks of experts to promote age management throughout Germany.¹¹

Parallel to this, plans are under way to create a quality-assured system for demography-related consulting services (“INQA, *Lernen Gute Praxis*”). The expert network also initiates and organises a dialogue on demographic change among many business and institutional actors (“INQA, *Mitmachen*”).

Review of the use of seniority wages

The government has no influence on seniority wage policies in the private sector, as collective bargaining is in the sole responsibility of the social partners as laid out in the Constitution (*Tarifautonomie*). However, as an employer, the government and its institutions have an influence on the wage formation process. In the public sector, reforms have been introduced since 2009 to link pay to experience rather than to age (for public servants) or to experience and performance (for employees in the public sector).

There is some evidence that companies are moving towards implementing performance-oriented pay systems, even if seniority-based pay systems are still well established. There is also evidence that under the effect of labour shortages in Germany, the bargaining power of older workers increases. A recent article by Czepek, Moczall and Weber (2015) shows that given these labour shortages, companies offer good employment conditions in order to maintain older workers. These mainly have to do with working-time arrangements, but wage premiums also play a (smaller) role.

Wage profiles by age, however, are not the only factor to be considered in analysing the costs and benefits of employing older workers. Age management practices are increasingly being implemented to increase their productivity. In some sectors, the social partners are taking up age management-related issues in collective bargaining agreements (“demography collective agreements”).

One specific activity of INQA in 2014 was evaluation of how collective agreements shape work quality (*Monitor – Tarifverträge zur Gestaltung der Qualität der Arbeit*). The objective of this particular aspect of the initiative is to make the social partners and companies aware of the ways in which collective bargaining agreements can be used to address demographic change (*Demografie-Tarifverträge*), initiate internal processes of change in companies, and disseminate examples of good practice. Further research carried out by INQA is directed towards implementation of collective bargaining agreements that address demographic change, implementation of age-appropriate working arrangements in the iron and steel industry and increasing the attractiveness of jobs, in particular in SMEs in rural areas.

11. www.demographie-netzwerk.de (accessed 12 February 2018).

2.5. Encouraging good practice in collective labour agreements and/or by individual employers/industries in managing an age-diverse workforce

Sharing knowledge and experience across different age groups

The Federal Ministry of the Economy has issued guidelines for organising knowledge and experience transfer in a structured and more formalised way (BMW, 2012). Key instruments for encouraging learning as well as specific and experienced-based knowledge transfer include: i) organising work into mixed age teams, allowing for learning from both “new” knowledge and experienced-based knowledge; ii) setting up “learning tandems” established for a defined period of time, allowing learning and knowledge transfer to take place while carrying out common tasks and documenting this learning; iii) mentoring; iv) transferring tasks via moderators; v) establishing a list of contact details, competences and fields of experience; and vi) developing in-house company wikis – these knowledge databases can be filled in by the workers themselves. Development of this tool is time-consuming and requires training for the knowledge manager and other staff. Regular updates are essential (BMW, 2012).¹²

Adjusting the work responsibilities of older workers

Good practice examples at company level are published on websites, such as that of the demography network (see below) or the website for “hiring and maintaining skilled labour” run by the RKW *Kompetenzzentrum* financed by the Federal Ministry of the Economy. The latter is providing good practice examples in human resource management approaches for all age groups, including older workers.¹³

Adjusting the working-time arrangements of older workers

Good practice examples at company level in this area are published on websites – again, such as the website of the demography network (see above) or the website for “hiring and maintaining skilled labour” run by the RKW *Kompetenzzentrum* financed by the Federal Ministry of the Economy.¹⁴

Other issues such as internal job mobility, further training, workplace adjustment, age discrimination, mandatory retirement

Over the past decade, a number of programmes have been initiated to raise awareness of how employers can most effectively adapt and take advantage of the skills and experience offered by older workers. The Demography Network (*Das Demographie Netzwerk*) was set up in 2006 by the Federal Ministry of Labour and Social Affairs to address demographic change in companies and to promote good practice across companies.

The programme “Corporate Values People Matter” (*UnternehmensWert Mensch*) was initiated in 2014, funded by the European Social Fund and the Federal Ministry for Labour and Social Affairs. The programme’s objective is to help SMEs develop future-oriented, employee-centred human resource management strategies with a holistic approach. Consultant services are made possible through the participation of employees in the fields of staff development, equal opportunities and diversity, health and knowledge, and competence. One objective is to help prepare and adapt to the digital economy. Following a successful pilot stage, the support programme was nationally launched in 2015. There are about 109 agencies serving as a first contact point for human resource management guidance and consulting

12. See also www.fachkraefte-toolbox.de/fachkraefte-halten/alternsgerechtes-arbeiten/5-wissenstransfer/ (accessed 12 February 2018).

13. www.fachkraefte-toolbox.de/service/praxisbeispiele/ (accessed 12 February 2018).

14. www.fachkraefte-toolbox.de/service/praxisbeispiele/ (accessed 12 February 2018).

services, and about 1 500 process consultants all over the country. The programme subsidises consultancy services for SMEs up to 50% or 80% of these costs. One-site consultancies in a company may last about ten days. During the first two years, about 3 000 companies benefited from the programme.¹⁵

Through its Generational Management in Working Life (*GeniAL*) programme that ran from 2008 to 2011, the German Statutory Pension Insurance (DRV) advised SMEs on how to cope effectively with demographic change. The consultants, who were mainly engaged in (corporate) pension and rehabilitation advising, were able to show entrepreneurs and/or works councils what demographic change actually meant for their businesses. Furthermore, they provided information on how to fund more age-friendly facilities and access additional consultancy services in their region.

Börsch-Supan and Weiss (2016) find that the average age-productivity profile of individuals working for a large car manufacturer in Germany increases until age 65. Decomposition into the effects of job tenure and age reveals that it is indeed experience that keeps older workers' productivity from falling. They find that while older workers are slightly more likely to make errors, they hardly ever make any severe errors. The authors conclude that even in a work environment requiring substantial physical strength (assembly lines at car manufacturers), the decline of productivity with age is compensated by characteristics that appear to increase with age and that are hard to measure directly, such as experience and the ability to operate well in a team when tense situations occur. In general terms, it can be concluded that age management strategies that make the most of experience are beneficial to both the companies and the workers.

3. Promoting the employability of workers throughout their working lives

3.1. Enhancing participation in training by workers in their mid- to late careers

Providing guidance services

The PES in Germany provides counselling and guidance services for further training for jobseekers of all age groups. It has implemented a training voucher system. Dedicated counselling projects have been directed towards SMEs.

Providing access to training adjusted to their experience and learning needs

In 2006, the PES started a programme called WeGebAU (*Weiterbildung geringqualifizierter und beschäftigter älterer Arbeitnehmer im Unternehmen*) with the goal of promoting further training in companies for low-skilled workers and workers aged 45 and older. The programme is meant to improve the general employability of its participants and to strengthen the competitiveness of participating enterprises. Participants receive an education voucher with which the PES certifies that certain expenses (training fees, travelling expenses, expenses for external room and board, and expenses for childcare) will be partly or completely paid by the PES. In addition, the programme allows unemployment benefits to be paid during (qualifying) periods of subsidised training. The PES also pays wage subsidies and social security contributions for low-skilled employees during their training. Take-up was low at the beginning but has improved mainly among medium-sized companies, although smaller companies remain reluctant to invest in company-based further training.

In 2013, the Institute for Employment Research (IAB) of the Federal Employment Agency published the results of an evaluation of this programme. The evaluation focused on its effects on survival probability in current job and estimated the effects separately by gender, age, job status and programme duration. The IAB found that WeGebAU training measures improved the probability of remaining in paid employment by 1.0 to 2.5 percentage points in the two-year period following training (Singer and Toomet, 2013). The

15. www.unternehmens-wert-mensch.de/startseite/ (accessed 12 February 2018).

effect was more pronounced for part-time workers and participants who participated in the programme over a longer period.

Overall, companies could be encouraged to include a greater number of older workers in continuous vocational training opportunities.

Adapting teaching, learning methods and content to their needs

For a number of years, research has been conducted in Germany to identify whether older learners need different learning methods than younger generations. Results on how to adapt training for older workers are mixed, as learning needs vary greatly by sector, occupation and the previous learning biography.

From 2008 to 2011, in co-operation with INQA and the Federal Agency for Occupational Health Protection and Medicine (BAuA), the federal programme PFIFF (*Programms zur Förderung und zum Erhalt intellektueller Fähigkeiten für ältere Arbeitnehmer*) investigated how the cognitive skills of older workers could be maintained. This included looking into the learning content of jobs and the need for adapted training. The car industry was chosen as the setting for this empirical analysis. Among the results, the project pointed to the need for training the trainer.¹⁶

Promoting lifelong learning and development of the adult vocational education and training system

The law on the promotion of further training and social security in the unemployment insurance system (*Arbeitslosenversicherungsschutz- und Weiterbildungsstärkungs-gesetz*)¹⁷ was adopted in July 2016. Under the new regulations, persons employed without a vocational qualification can take part in basic skill training courses (reading, writing, computer skills) to prepare for further training measures. Participants in that further training with an education voucher (*Bildungsgutschein*) from the Federal Employment Agency will receive a premium of EUR 1 000 for passing an intermediate exam and EUR 1 500 for passing the final exam (if the training started between 2016 and 2020). Measures for employees in SMEs younger than 45 will also be funded if they take place outside of working hours. Workers older than 45 and low-skilled workers who are employed by a transfer company (*Transfergesellschaft*)¹⁸ are also funded if the employer pays 50% of further training costs. The maximum period for assessing the employability of the long-term unemployed and the unemployed who are hard to place was extended, from 6 to 12 weeks. Apart from skill assessment, this period is meant to be used to provide career guidance.

Setting up mechanisms for recognising and validating skills

There is no overall national approach to validation of non-formal and informal learning (Annen and Bretschneider, 2014). Some progress has been made in easing the access of skilled workers to higher education. There are no recent reforms relevant to older workers lacking formal vocational training.

16. www.inqa.de/DE/Mitmachen-Die-Initiative/Foerderprojekte/Projekt Datenbank/programm-pfiff-II.html;jsessionid=3CE88225A83060A53D93D6B66F5C359D (accessed 12 February 2018).

17. www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBl&jumpTo=bgbl116s1710.pdf (accessed 12 February 2018).

18. This is a company that employs workers who were threatened by unemployment in the context of industrial restructuring; its aim is to place such workers in the labour market.

3.2. Providing effective employment assistance to older jobseekers

Promoting an all-age mainstreaming activation approach

In principle, all age groups can access employment services provided by the PES. In 2006, a management by objectives (MBO) system was introduced in the Federal Employment Agency (serving mainly those unemployed receiving unemployment benefits) and in local jobcentres (serving jobseekers receiving means-tested unemployment benefits II). The system aims to encourage the PES to consistently pursue previously defined political goals, take appropriate measures, and motivate the actors involved to make greater efforts. Since 2009, emphasis has been placed on helping jobseekers who have been or are at risk of becoming long-term unemployed or who have drawn benefits for a longer period.

Targeting workers most at risk of long-term joblessness

In 2005, the Federal Ministry of Labour and Social Affairs launched the “Perspective 50 Plus – Employment Pacts for Older Workers in the Regions”. This programme, running from 2005 to 2015, aimed to reactivate and integrate older workers (50+), predominantly those who are low- or semi-skilled and long-term unemployed, into employment. Furthermore, the programme worked to change the attitudes of employers as well as to identify and share best practices and innovative tools. 77 regional employment pacts were set up, in partnership with nearly all jobcentres as well as with a wide range of local stakeholders such as companies, chambers and various associations, trade unions, municipalities, training institutions, churches and social service providers (Duell and Vogler-Ludwig, 2012). The Federal Ministry of Labour and Social Affairs financed the programme, while all former programmes and centralised measures were financed by the Federal Employment Agency. Regional partners were able to adapt the programme to fit their regional and local needs, made possible by rigorous simplification of administrative rules. The jobcentre counsellors have a great deal of discretion with regard to the budget. Services made available through the programme include coaching, profiling, training in communication skills, job application training, job training, internships and wage subsidies.

An early evaluation of the first phase of the programme conducted in 2007 showed that its success rested on the combination of individualised counselling and coaching and proactive outreach towards employers. The most recent evaluation showed that placement results were better than in the case of more traditional approaches, including a model using less intensive counselling and more ALMPs (Knuth, Stegmann and Zink, 2014). However, the 50+ programme had two limitations: i) the average age of the unemployed who were effectively activated and placed is relatively young (about 54, with a peak at 51), while the share of people aged 60 and above represented only 3% of all participants placed in the regular labour market; ii) the programme does not sufficiently meet its objective in raising awareness about more effectively coping with ageing (Büttner et al., 2008).

Since the Perspective 50+ programme ended, the new focus has been on specific programmes for the long-term unemployed – in particular the very long-term unemployed. The incidence of long-term unemployment is high among older workers older workers.¹⁹

Since 2013, a specific programme offering counselling and guidance to hard-to-place jobseekers has been implemented in all public employment agencies: the Internal Holistic Integration Service (*Interne ganzheitliche Integrationsberatung – Inga*). Older jobseekers may benefit from this programme. In 2017, 126 000 “integrations” were realised in the labour market (permanent and fixed-term jobs), and the “integration ratio”, i.e. the share of unemployed that were integrated, was approximately 42%, including multiple integrations. For jobseekers with similar profiles not participating in Inga, the integration ratio was less than 33%. The duration of unemployment after exiting the programme for participants was about 22%

19. www.bmas.de/DE/Themen/Arbeitsmarkt/Modellprogramme/esf-programm-abbau-langzeitarbeitslosigkeit.html (accessed 12 February 2018).

shorter than for peer groups. 67% of those supervised by Inga teams were in employment within six months of participation in the programme, which exceeded the value of other similar profiles of unemployed.

Providing employment/hiring subsidies to firms

Germany introduced hiring subsidies in 1998 (*Eingliederungszuschuss*), to be paid for a limited time. Eligibility criteria for target groups have been changed several times. The maximum amount for the wage subsidy paid to the employer is currently 50% of labour costs (wages set by collective bargaining agreements) and 20% for covering social security contributions; the maximum duration of payments is 12 months. The duration and wage subsidy are longer for workers aged 50 and above (36 months, 50% wage subsidy) and for workers with health problems (24 months, 70% wage subsidy but declining). For severely disabled people the subsidy can be granted for a period of 60 months, and for 96 months for those aged 55 and above. To be eligible, the unemployed claimant must not have been employed in the company over the past four years. The employer is obliged to maintain the subsidised worker in employment for up to 12 months after the subsidy has expired.

Several evaluations have revealed that subsidies have a positive employment effect: they have proved to be an important steppingstone into stable unsubsidised employment for disadvantaged groups. At the same time, they had little impact on recruitment strategies of enterprises overall. However, Boockmann et al. (2012), evaluating the scheme using a difference-in-difference approach on the basis of 2001/2002 data, find deadweight effects to be large and to outweigh employment effects. They also find that there is some leeway for imposing more conditions on employers to retain older workers after the subsidy period in order to reduce deadweight effects (Boockmann et al., 2012). That recommendation has been introduced, so it can be expected that the effectiveness of the scheme has increased. Brussig, Schwarzkopf and Stephan (2011) argue that varying the scheme for different subgroups is not efficient and propose to harmonise the scheme for all unemployed except for the severely disabled. Further, they conclude that hiring subsidies do not have a large impact on the recruitment strategy of employers, but nevertheless have a positive impact on the sustainability of employment.

Providing in-work benefits to workers

All workers receiving means-tested unemployment benefit II may receive in-work benefits regardless of their age. In addition, the German income safeguarding programme (*Entgeltssicherung*), introduced in 2003, set incentives for unemployment benefit I recipients to take up jobs providing lower incomes (minimum net income difference of EUR 50 in 2017). The differential between the former wage and the new one was subsidised with 50% in the first year and 30% in the second by unemployment insurance for the unemployed aged 50 and above.²⁰ Take-up of this scheme was low and it was removed in 2011 for people becoming unemployed after 2013.

Providing other active labour market policies

The PES has been providing vocational rehabilitation programmes. The budget for supported employment and vocational rehabilitation increased between 2007 and 2015 by 13%, while overall expenditures on ALMPs decreased by 40%. Over the past years, in particular since the structural reform of ALMPs in 2011, expenditures have decreased more strongly than the number of unemployed.

No specific action has been taken to promote the self-employment of older workers, although action should be considered.

20. Social Code III, www.sozialgesetzbuch-sgb.de/sgbiii/417.html (accessed 12 February 2018).

3.3. Enhancing job quality for older workers

Strengthening workplace safety and physical and mental health

The Federal Institute for Occupational Safety and Health (BAuA) has conducted research on working conditions and the health of workers in different occupations and sectors since the 1990s. It also provides guidance to companies about improving workplace safety and health. More recently it has been involved in INQA (see above) and consultancy and training in companies, to improve working conditions in relation to age.

In 2007, the Joint German Health and Safety Initiative was set up to improve safety and health protection in workplaces. To ensure that measures are not carried out in a sporadic fashion, the initiative was conceived as a joint undertaking between the federal government, the federal states, accident insurance funds, and the social partners. A new, additional element is the planned, systematic approach shared among the various agencies in line with jointly defined occupational health and safety targets. Joint health and safety centres provide eleven work programmes in industries that have a particularly large scope for prevention (construction and assembly work, temporary work, wet work and activities with irritant substances, office work, company-based and public transport, nursing, asymmetric and restricted-motion activities at production workplaces and in the food industry, precision installation activities, work in catering and hotels, and work in local public passenger transport) and also work to raise awareness of occupational safety and health in schools.

The project LagO, “Prolonging Working Life in Healthy Organisations”, was carried out as part of the “Decreasing Work-Related Diseases Programme” from September 2006 to March 2010. This programme was funded by the German Federal Ministry of Labour and Social Affairs (BMAS) and supported by the BAuA. Action was aimed at developing and testing new concepts and measures promoting health and employability. The focus was on working conditions with high physical or mental workload, as they frequently lead to early retirement. Initially, workers older than 55 were targeted. However, this age-differentiated approach proved inappropriate at a very early stage of the project. Both employers and employees demand equal treatment in every phase of working life. Furthermore, measures addressing younger and older workers jointly are likely to be more effective in preventing diseases. In co-operation with companies, action was taken in fields such as for example ergonomic workplace design, health programmes, human resources development and organisation of working time.

The German Research Foundation has included in its programme technological solutions for, or adaptation of technologies to the needs of, older workers – for example, adapting user interfaces (Schlick, Frieling and Wegge, 2013).

Reducing the incidence of arduous/hazardous work

No specific reforms have been implemented to reduce the incidence of arduous/hazardous work in addition to the above-mentioned initiatives to improve working conditions in general.

Balancing professional and family responsibilities

In 2008 the Home Care Leave Act was passed, easing the reduction of working time (*Gesetz über die Pflegezeit*) and improving the conditions for switching temporarily to part-time work or for taking specific leave when caring for (older) parents. The law on better combining care, family and work (*Gesetz zur besseren Vereinbarkeit von Familie, Pflege und Beruf*) came into effect on 1 January 2015. It introduces the right to take care leave for a period of up to 24 months. Further, it is possible to put in a claim for a caring benefit from old-age care insurance (*Pflegeunterstützungsgeld*) for up to ten days a year when the carer needs

to take extra leave. Further, the carers can get an interest-free loan for compensating up to half the income lost due to care leave.²¹

Facilitating job mobility

In principle, workers have access to further training measures that allow them some occupational mobility when necessary. However, the granting of long-term training and retraining measures for older workers is probably rare. The potential effects of retraining older workers could be further investigated. While, age management measures (see Section 2) could possibly promote job mobility within the company, the prospect of a wage reduction linked to job mobility will lower the incentive for a worker to change the position within the firm. Unemployed workers have to accept jobs with a 20% loss in wages during the first three months of unemployment, 30% up to the sixth month, and further reduction afterwards (but the net wage should not be below the unemployment benefit level).

21. www.bmfsfj.de/bmfsfj/themen/aeltere-menschen/vereinbarkeit-von-pflege-und-beruf/die-familienpflegezeit/75714?view=DEFAULT (accessed 12 February 2018).

Table 1. Late Career Scoreboard, Germany, 2006 and 2016

	Germany		EU28 ^a		OECD ^a	
	2006	2016	2006	2016	2006	2016
Demographic situation						
-- Old-age dependency ratio ^b	0.32	0.35	0.28	0.32	0.23	0.28
-- Effective labour force exit age ^c (years) Men	61.8	63.3	62.0	63.4	63.6	65.1
Women	60.8	63.2	60.5	62.0	62.3	63.6
Employment						
-- Employment rate, 50-74 (% of the age group)	38.2	55.1	38.3	45.4	47.0	50.8
of which 50-54	76.1	84.9	73.1	77.9	73.8	75.7
55-64	48.1	68.6	43.3	55.3	52.7	59.2
65-69	6.6	15.5	9.1	12.1	20.3	25.5
70-74	3.0	6.6	4.4	5.5	12.0	14.6
-- Gender gap in employment, 55-64 ([men-women]/men)	0.28	0.14	0.34	0.21	0.32	0.25
Job characteristics						
-- Incidence of part-time work, 55-64 (% of total employment in the age group)	28.1	30.2	22.1	22.2	20.3	21.1
of which voluntary 55-64 (% of part-time work in the age group)	80.8	86.5	85.4	78.9	87.3	85.2
Average number of weekly hours worked	15.5	16.2	17.1	17.5	16.6	16.9
-- Incidence of temporary work, 55-64 (% of employees in the age group)	4.5	3.8	6.9	6.7	8.9	7.9
-- Incidence of self-employment, 55-64 (% of total employment in the age group)	17.3	13.8	24.1	19.7	38.0	32.8
-- Full-time earnings, ^d 55-64 relative to 25-54 (ratio)	1.09	1.20	-	-	1.09	1.10
Dynamics						
-- Retention rate ^e after 60 (% of employees t-5)	35.8	60.6	37.1	48.8	40.3	50.3
-- Hiring rate, ^f 55-64 (% of employees in the age group)	4.8	5.1	6.1	5.8	9.2	9.1
Joblessness						
-- Unemployment rate, 55-64 (% of the labour force aged 55-64)	12.4	3.9	6.1	6.4	4.3	4.6
-- Incidence of long-term ^g unemployment, 55-64 (% of total unemployment in the age group)	72.5	58.3	49.8	63.7	26.3	44.3
-- Marginally attached workers, ^h 55-64 (% of population in the age group)	1.7	1.1	2.4	1.9	1.2	1.2
Employability						
-- Share of 55-64 with tertiary education (% of population in the age group)	22.7	26.3	17.2	22.9	20.0	26.2
-- Participation in training, ⁱ 55-74 (% of employed in the age group)	3.7	4.1	-	8.5	-	-
Relative to employed persons aged 25-54 (ratio)	0.45	0.44	-	0.66	-	-

a) Weighted averages with the exception of the share with tertiary education.

b) The ratio of the population aged 65 and over to the population aged 20-64.

c) Effective exit age over the five-year periods 2001-2006 and 2011-2016. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first year, using absolute changes in the labour force participation rate of each cohort as weights.

d) Mean gross monthly earnings. Year 2016 refers to 2014.

e) All employees currently aged 60-64 with job tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

f) Employees aged 55-64 with job tenure of less than one year as a percentage of total employees.

g) Unemployed for more than one year.

h) Persons neither employed, nor actively looking for work, but willing to work and available for taking a job during the survey reference week.

i) Participation in formal and non-formal training in the last four weeks.

Source: OECD estimations from the *OECD Employment Database*, the *OECD Earnings Distribution Database*, *OECD Education at a Glance* and the *Eurostat Database on Education and Training*.

Table 2. Implementing ageing and employment policies in Germany, 2007 to mid-2017

1. Rewarding work and later retirement	
1.1. Enhancing incentives to continue working at an older age	
<i>Raising the statutory age of retirement</i>	++
<i>Facilitating phased retirement</i>	/
<i>Better combining of pensions (or partial pensions) and work income</i>	+
<i>Rewarding longer careers</i>	/
1.2. Towards restricted use of early retirement schemes	
<i>Restricting access to publicly funded early retirement schemes</i>	?
<i>Introducing specific provisions for arduous/hazardous work</i>	/
1.3. Preventing welfare benefits from being used as alternative pathways to early retirement	
<i>Unemployment (insurance and assistance) benefits</i>	+
<i>Social aid</i>	/
<i>Disability benefits</i>	+
2. Encouraging employers to retain and hire older workers	
2.1. Preventing discrimination in employment on the basis of age	
<i>Implementing current or new legislation</i>	/
<i>Launching public awareness campaigns</i>	+
2.2. Taking a balanced approach to employment protection by age	
<i>Implementing age-neutral measures</i>	/
2.3. Discouraging mandatory retirement by employers	
<i>By law in general</i>	+
<i>By sector/occupation, private/public sector, region</i>	/
2.4. Encouraging the social partners to implement better retention and hiring mechanisms targeted at older workers	

<i>For all older workers</i>	+
<i>Review of the use of seniority wages</i>	/
2.5. Encouraging good practice in collective labour agreements and/or by individual employers/industries in managing an age-diverse workforce	
<i>Sharing knowledge and experience across different age groups</i>	+
<i>Adjusting the work responsibilities of older workers</i>	+
<i>Adjusting the working-time arrangements of older workers</i>	+
<i>Other issues such as internal job mobility, further training, workplace adjustment, age discrimination, mandatory retirement</i>	++
3. Promoting the employability of workers throughout their working lives	
3.1. Enhancing participation in training by workers in their mid- to late careers	
<i>Providing guidance services</i>	+
<i>Providing access to training adjusted to their experience and learning needs</i>	+
<i>Adapting teaching, learning methods and content to their needs</i>	+
<i>Promoting lifelong learning and development of the adult vocational education and training system</i>	+
<i>Setting up mechanisms for recognising and validating skills</i>	/
3.2. Providing effective employment assistance to older jobseekers	
<i>Promoting an all-age mainstreaming activation approach</i>	/
<i>Targeting workers most at risk of long-term joblessness</i>	++
<i>Providing employment/hiring subsidies to firms</i>	+
<i>Providing in-work benefits to workers</i>	/
<i>Providing other active labour market policies</i>	+?
3.3. Enhancing job quality for older workers	
<i>Strengthening workplace safety and physical and mental health</i>	++
<i>Reducing the incidence of arduous/hazardous work</i>	/

<i>Balancing professional and family responsibilities</i>	+
<i>Facilitating job mobility</i>	/
<p>++ = Substantial action taken. + = Some action taken, but more could be done. +? = Some action taken, but requires further assessment. ? = Some action taken with negative impact. / = No relevant action taken. ✓ = No action needed.</p> <p><i>Source:</i> Assessment based mainly on answers by Germany to several OECD questionnaires.</p>	

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