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Aging, Workforce Development, and Training for Older Workers in Germany

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Abstract

This paper discusses the situation of older workers and their training and development in Germany. After the introduction of three policy phases concerning older workers in the last decades, the second part of the paper describes initiatives from the Federal government in support of training and development of unemployed and older workers. The third part focuses on activities of the private sector to support training and development of older workers, including transforming workplace processes together with older workers to better cater to their needs. The paper concludes with information on the interest in training and development of the oldest group on the labor market, working retirees, and describes initiatives in Germany to offer bridge employment opportunities.

Introduction

Over the past several decades, significant changes in sociodemographic and labor market conditions have affected older workers in Germany. As is the case elsewhere, life expectancy in Germany is rising and is being accompanied by an increase in disability-free and healthy years. At the same time, German policies towards older workers have changed. Until the mid-1990s, Germany featured a wide variety of early retirement policies and practices. However by 2010, it seemed that Germany had reversed this trend. Three phases of policy shifts can be identified (cf. Deller & Pundt, 2014; Hofäcker & Neumann, 2015):

Starting in the 1970s, early retirement was mostly used as a method of restructuring and reorganizing institutions. While retiring early was seen as a social benefit for a long working life by many workers and their representatives, it was also intended to create jobs for young entrants to the labor market. This followed the idea that young individuals do not find jobs because older job incumbents do not retire.

The 1980s can be identified as the ‘peak phase’ of early retirement. Public pension systems and other programs (e.g., unemployment insurance) offered various opportunities for early retirement. They were often further underpinned by generous company practices. At the same time, virtually no policies encouraged working at later ages.

In the 1990s, popular early retirement pathways were continued, such as a state-subsidized partial retirement scheme, mostly used as a means of sudden, permanent labor market withdrawal, with the active support of trade unions and employer associations, not as a mechanism for smoothing the transition to retirement.

Beginning at about the turn of the millennium, Germany followed the European trend from early exit from the labor market to restricting pathways into early retirement. Now, active ageing policies seek to increase employment, participation in society and healthy and independent living of older people. Increased incentives for older adults to work and

contribute longer include the introduction of active labor market programs for older workers and the gradual raising of standard retirement age for receiving full pensions from 65 to 67. Modifying this trend for longer working years, in 2014 the Federal government yet again changed the retirement regime, reversing some of the new trends. Now, a full pension without any penalties can be achieved at age 63 by those employees who have contributed for 45 years. Not surprisingly, several hundreds of thousands of candidates are interested in this new option. Pension experts were concerned by this decision as early retirees were to receive full payments and would enjoy preferential treatment over their colleagues of the same age (Dettmer, Ludwig, Sauga, & Schmergal, 2013).

Governmental Activities in Support of the Development of Older Workers

In Germany, the employment rate of older workers has increased in recent years, while their unemployment rate has declined. The reduction of the risk of unemployment, especially long-term unemployment, for older workers is seen as an important step towards the achievement of longer working lives (Duell & Vogler, 2012). Therefore, several government activities described here attempt to encourage training, participation in the labor market and longer working lives.

In order to increase the education and training opportunities available to older workers, the Federal government plans to introduce greater flexibility to working time and increase the availability of sabbaticals for its older workforce (Duell & Vogler, 2012). In addition, a number of demand-side strategies have been implemented to encourage employers to hire and retain older workers. Strategies include wage subsidies for recruiting older workers – hiring increased from 38,400 in 2007 to 51,500 in 2010 (see Sinclair, Watson, & Beach, 2013). Also, the “Perspective 50plus” program introduced regional employment pacts for older workers which seek to involve all appropriate regional and local actors to develop strategies for providing more and better employment for older workers.

According to Koch (2012), developing programs to discourage early exit from the labor market and supporting the upskilling of older workers in Germany to foster longer working lives is a key mission for the German Public Employment Service (BA, Bundesagentur fuer Arbeit). BA focuses on three fields of action: First, awareness-raising with respect to the employment issues of older workers; second, skills and qualification counselling for small and medium-sized enterprises (SMEs); third, promotion of training measures for (older) employees in SMEs.

In skills and qualification counselling for SMEs, three models have been piloted: the basic, cooperation, and funded network models. In the *basic model* counselling regarding further training has been directly provided by the regional employers' services, whereas in the *cooperation model* this basic service has sometimes been coupled with support for the implementation of specific training measures and for the initiation of "qualification networks." In other cases, the responsibility to provide counselling and the identification of qualification needs, establishment of industry-specific qualification networks and development of joint training programs has been delegated to private providers, which is called the *funded network model*. Nearly 800 enterprises have participated in the different counselling activities, with a duration ranging from three months up to two years. Depending on the model, 30% to 40% of the participants were older than 45 years (Koch, 2012).

The objectives of further training for older employees (WeGebAU), the third field of action, include increasing SMEs' interest in the further training, intensifying further training of employees, identifying the skills potentials and improving the skills level of employees, as well as supporting the improvement of skills levels through assistance. For employees aged over 45, up to 75% of the training costs can be financed through subsidies from BA. Among the requirements for these subsidies is a minimum training duration of 160 hours and a guaranteed leave of absence from work. In 2011, approximately 5,100 older workers were supported through WeGebAU. The objective of the program is to increase companies' interest

in further training of their older employees and supporting their skills development. One of the key lessons learned from evaluations of WeGebAU is that while a large majority of SMEs still see no need for upskilling and increased qualifications, providing counselling can make a difference and help companies identify their training needs.

An earlier training program (part of active labor market policy in a series of reforms which are commonly known as the Hartz reforms) of the German Public Employment Service introduced a training voucher scheme for unemployed. Program participants either learned specific skills required for a certain vocation or received qualifications which are of general vocational use. Job seekers were free to select their training provider in the market. The validation of the role of training vouchers in public training programs showed that the voucher effect increased both, the employment probability and earnings of the participants (Rinne, Uhlendorff, & Zhao, 2008). The effect becomes substantially positive after around 6 months of training. Besides the increase of the effectiveness of public training programs for unemployed in Germany, the results indicate that the introduction of the voucher also leads to better job matches for the participants, measured by on average higher monthly earnings in the new job.

Organizational Activities in Support of the Development of Older Workers

Organizations in Germany are reacting to demographic change by supporting improved work and development conditions for older workers. Starting in about 2000, programs for the development of older workers in organizations have mushroomed (for examples see Deller, Kern, Hausmann, & Diederichs, 2008). However, not all organizations are taking the demographic change so seriously that they start projects to tackle the issue. One example of answering challenges of the aging process in the regular workforce from the car industry reflects a major process innovation including workforce development and training (for details see Chimnani, 2013; Loch, Sting, Bauer, & Mauermann, 2010). This section

closes with a brief description of initiatives that go beyond the typical working age, such as initiatives in Germany to offer bridge employment to those retirees who, for a variety of reasons, prefer to continue working.

In a remarkable case of organizational problem solving, BMW began to prepare for an aging workforce. As part of the future oriented initiative, BMW introduced health management programs for employees. Later BMW piloted and implemented ergonomic changes across plants internationally. In BMW's Dingolfing plant in Bavaria, the average age was projected to rise to 47 by 2017. This analysis raised questions such as (1) how does the new age structure affect production? and (2) how can physical labor be organized more ergonomically and age-appropriately? BMW identified four areas to address. Programs were introduced to slow down the effects of aging with regard to individual healthcare, qualification and leadership, ergonomics and individual working time, as well as social contacts. In anticipation of an increase in the average age of workers, BMW simulated the predicted future average age of 47 representing a year-2017 mix of employees. A pilot production line was introduced at the Dingolfing plant to test ergonomic changes to combat productivity loss. Among the 70 changes identified by staff were barbershop chairs to allow alternative sitting and standing, ergonomic seating, adjustable work tables, joint-friendly wood floor, orthopedic footwear for comfort, magnifying lenses to reduce eye strain and minimize sorting errors. Additionally, managers received age-management seminars. Besides training, a key success element of the initiative was the full involvement of production line workers in this developmental change process. In group workshops participants were pushed to develop by taking charge of their situation and the project. Workers were encouraged to write their ideas on cards and pin them on a board. Every idea was taken seriously. Suggested changes and developmental measures were discussed and later implemented. It was the involvement of workers in this developmental change process and their decades of experience that supported the success of the project and their personal development. The total investment on the production line was

around \$50,000, the return was a productivity increase by 7% in one year, resulting in the same production as lines made up of younger workers. Besides training and development, BMW also supports its older employees with various flexible work options, including temporary part-time positions, intermittent part-time work, job-sharing among several employees, and ergonomically optimal job rotation, a sabbatical program allowing employees between an additional 20 days and six months off a year, and a phased retirement program.

Our discussion of organizational initiatives to include even older age groups in the work place brings us to the sphere of bridge employment and the options for training and development of this group of group of workers in Germany. As Maxin and Deller (2010) have pointed out, working retirees would also like organizations to involve them in basic and further training. These older employees quite clearly consider the companies to be responsible for training: one out of 20 answers on the open-ended question on specific personnel policy for working retirees and on the greater need to act on the part of firms, respectively, call for including older workers in further and advanced training. Treating older workers normally, that is, equally vis-à-vis workers of all age groups, also encompasses inclusion in further and advanced training.

Initial practical bridge employment models that enable this kind of continued development of retirees have only been developed in the last decade. These models are currently exclusively concerned with the imparting of expert knowledge and skills from older to younger workers. Organizations interested in the concept of the Senior Expert Service (SES), Bosch Management Support GmbH (BMS), or Erfahrung Deutschland GmbH (ED) place retirees in voluntary (SES) or paid work either within one company (BMS) or without taking former company affiliations into consideration (ED). The existence of these organizations demonstrates that, when suitable frameworks and appropriate skills are available, employment in retirement can be interesting for both, individuals and organizations. As a pioneer for large scale bridge employment in Germany, the Bosch group started Bosch

Management Services, a company for retirees managed by retirees in 1999 with a revenue of \$36 million in 2012 coming from 60,297 expert working days (up from 15,883 in 2009; see Deller & Pundt, 2014, for a case study).

Conclusion

After decades of youth-centered labor market approaches, Germany is now taking advantage of a generally well-educated experienced work force. Initiatives from government and organizations to support continued education and training of older workers can be identified. While the government focuses on the basic labor market qualification of unemployed, low qualified, and initiation of joint training networks, several organizations have started to prepare for the aging work force by introducing change management including (older) workers as change agents. However, more can be done for training and development of older workers by more organizations. This also includes the training and development needs of working retirees most organizations are not aware of yet.

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