

The European Employment Strategy and Welfare State Reform: The Case of Increased Labour Market Participation of Older Workers

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Abstract

The European Employment Strategy (EES) aims at increasing labour market participation and employment in the member states of the European Union through common objectives, supranational guidelines and recommendations addressed to EU member states while leaving the responsibility for the design and implementation of appropriate action with the national level. This paper analyses one particular area of the EES which contributes to overall employment performance and requires different reform paths in divergent welfare state arrangements: better labour market integration of older workers. After identifying the most important economic and institutional forces influencing the employment rate of workers aged 55+ and the factors conducive to the successful implementation of institutional reforms, the paper assesses the status of “active ageing” in the EES, the Council guidelines as well as the recommendations for national reforms. It then compares relevant national reforms and tries to give a preliminary answer to the question if and to what extent the EES contributed to these changes.

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1. Introduction

In the second half of the nineties European Integration progressed in the field of employment policy not by "hard" supranational regulation but through establishing the European Employment Strategy (EES) as a tool for "soft" governance by means of common objectives, comparative assessment of performance and policy recommendations addressed to EU member states. However, the EES leaves the responsibility for implementing appropriate policy reforms with the member states. They have to explicate their decisions in annual National Action Plans (NAPs) that are reviewed by the European Commission (Mosher/Trubek 2003, Jacobsson 2004, de la Porte/Pochet 2003, 2004, Scharpf 2002).

One area where supranational effort has gained in importance recently is better labour market integration of older workers. To achieve this goal, institutional provisions in different policy areas have to be revised. However, since national labour market institutions are embedded in divergent welfare state arrangements, this also means that the need for adaptation will be different across EU member states.

This paper addresses the question which policies and recommendations for an improved labour market integration of older workers were formulated at the supranational level and how and to what extent the European Employment Strategy is transposed in different national contexts as far as employment of persons 55+ are concerned. We first identify the most important factors that determine the labour market position of older workers and then formulate some hypotheses on the design of policy reforms taking into account both national and supranational factors present in the European system of multilevel governance. Next we shift our focus to an empirical analysis of the European guidelines on policies for older workers and review the policy reforms implemented in selected EU member states after the EES was launched. For a systematic comparative analysis we cover EU member states that belong to different welfare state regimes. Our third step provides a preliminary answer to the question why reform dynamics regarding policies for better employment opportunities for older workers differ and if the EES matters in the formulation of these reforms.

2. Some Theoretical Considerations

2.1. Determinants of the Employment of Older Workers

Labour market participation of older workers is influenced by various economic, institutional and societal factors that interact closely. The most important factor explaining the employment situation older workers is certainly the *overall labour market situation*. The level of the overall employment rate

(15-64) co-varies with the level of the employment rate for older workers (55-64). This rule generally applies within a single country as well as in international comparisons. However, in all OECD countries the employment rate of persons older than 50 or 55 is lower than the overall employment rate with the discrepancy between the rates differing across countries and varying over time. Therefore we have to ask which factors determine the labour market position of older workers relative to other groups of the labour force or the average employment situation (see also Commission 2004a).

Employment opportunities of older workers are negatively affected by high *labour costs* and positively driven by high *productivity*. Relative labour costs will be higher for older workers when there is a seniority element in wage formation. Productivity may be lower if individual work capacities decrease with age. This in turn is influenced by working conditions. Physical or emotional strain over the working life tends to affect health negatively. Monotonous work has been identified as a major contributing factor to stress-related diseases. But individual productivity also depends on *human capital*. Skills of older workers have to keep pace with technological progress and changing work organisation in order to remain competitive compared to younger workers. Thus, a crucial factor is *lifelong learning*. The life phase between 40 and 50 seems to be decisive for upgrading skills for the later years of the working life.

The major *institutional* factor affecting labour market participation of older workers is the *social security system*, especially the design of *public pension schemes*, *unemployment insurance* and *occupational disability benefits*. These provisions can give financial incentives for workers and employers to the extent that they offer pre- or early retirement opportunities as a pathway out of the labour market. In many European countries the political debate on active ageing focuses on removing these disincentives to further labour market participation. They were introduced as a reaction to economic stagnation in the 1970s and 80s in order to keep open unemployment low and „redistribute“ available work to younger cohorts (Ebbinghaus 2002, 2003). In addition, employment protection legislation matters in this context. Strict employment protection may diminish (re)employment opportunities for older workers once they lose their jobs (OECD 2004c).

The factors described above may be classified as „hard“ factors. They interact with „soft“ factors, i.e. the *age culture* of a society (de Vroom 2004). It includes beliefs, attitudes and social norms concerning the employment of older persons. As regards the exit culture of an economy we can distinguish between *late exit cultures* with a broadly accepted social norm that older persons have the right or even the duty to work and *early exit cultures* based on the principle that older workers have the right or duty to retire early in order to „cede“ their jobs to younger workers. An early exit culture may lead to *age discrimination* via negative societal and employer-related attitudes towards older workers. But early exit culture also reflects the desire of many employees to enjoy more leisure in the later years of their lives or to be engaged in unpaid voluntary work.

These factors can be put into the context of comparative welfare state research referring to Esping-Andersen's (1990) well-known typology of welfare states. Empirical evidence shows a particularly low employment for older workers in 'corporatist' welfare states 'without work' in continental European countries such as Germany, France, but also in the Netherlands (Esping-Andersen 1996), whereas in 'liberal' (the UK) and 'social-democratic' welfare states (e.g. Denmark) shedding of older workers through early retirement was never a prominent feature in strategies to keep (open) unemployment low. Finland, however, was a notable exception from the positive situation in the Scandinavian countries in the early nineties (Hemerijck 2002, Ebbinghaus 2002). Hence, the need for policy reversal is much greater in continental Europe than it is in Scandinavian or Anglo-Saxon welfare states.

2.2. Explaining Institutional Reforms: National political economy and the European Employment Strategy

A comparative analysis of the institutional factors determining the relative labour market position of older workers shows that EU member states had very different starting points at the outset of the European Employment Strategy in the mid- to late nineties.

The question is now how and under what circumstances institutional reforms contributing to better labour market integration of older workers are feasible in the different member states. In a second step we should ask which factors influence the impact of the EES on these reforms, i.e. the role of the EES in national policy making. Reform capacities become relevant given the path dependence of social and employment policies in established welfare states (Pierson 1996, Hemerijck 2002) and the particular difficulty of reversing early exit policies to which actors' expectation adapted in the past (Ebbinghaus 2002, 2003 and Myles 2002).

Comparative studies on welfare state forms often point to the capacity of nation states to achieve package deals on reforms that cover several interrelated policy areas such as taxes and benefits, labour market regulation, active labour market policies and wage setting. This is seen as a necessary precondition for successful institutional reforms that revive labour market performance if the existing institutional framework hampers employment growth. Crucial for this capacity is the capability of government to act and to threat interest groups, in particular the social partners, with unilateral action in case they do not support employment-friendly policies through bi- or tri-lateral agreements (Ebbinghaus/Hassel 2000). Hence, capacity to act of government and social partners is central for institutional reforms in European welfare states if such reforms are required in order to achieve better labour market performance as intended by the European Employment Strategy. Thus, this factor for welfare state reforms - which seems purely national at first sight - is also relevant in the context of the EES since the transposition of the EES relies on capacities to reform more than just one single policy area. However, the impact of the EES in its own sense might be fostered if

EU member states possess the institutional prerequisites that help them using the EES - i.e. the European guidelines, recommendations, performance indicators and "best practices" - as "focal points" for the design of national policy reforms. This depends on the administrative procedures and routines applied when these demands "from Brussels" are handled and the National Action Plans are drafted (Jacobsson/Schmid 2003).

Hence, we could argue that success in achieving the goals of the European Employment Strategy will probably depend on two factors:

1. policy legacies compatible with the EES approach at the outset which diminish the need for institutional adaptation and/or
2. the capacity of EU member states to implement reforms involving several crucial policy areas; the EES can be transposed more effectively if established co-ordination procedures between government departments and the social partners are available.

3. Institutional Reform in Selected European Welfare States

3.1. The European Guidelines on Employment of Older Workers

The focus of the EES is on raising employment and not just on reducing unemployment. Increased employment of older workers is seen as a lever to ease the burden of societal ageing and demographic change in Europe (Commission 2004a). This constitutes a shift of paradigm for many European welfare states which had relied on reducing labour supply as a means to bring down unemployment. The two largest groups concerned were women and older workers. But while promoting female employment opportunities ranked high on the EES agenda from the very beginning this was not the case for older workers. The first Employment Guidelines for 1998 virtually did not refer to them. The Guidelines for 1999 and 2000 introduced the notion of „active ageing“. Since then, however, increasing emphasis was put on the need to improve the employability of older persons by „measures such as maintaining working capacity, lifelong learning and other flexible working arrangements so that older workers are also able to participate actively in working life“. Further goals were added in the following years: The „promotion of quality in work“ for older workers (2002), the use of part-time-work as an example of flexible working arrangements (2002), and „the special importance of health and safety at work“ (2003).

Since 2001 "active ageing" was given even more prominence by making it a separate guideline. Besides the elements already mentioned, it stresses the need for „in-depth changes in the prevailing social attitudes towards older workers ... to raise employers' awareness of the potential of older workers“, as well as a „revision of tax-benefit systems in order to reduce disincentives and make it more attractive for older workers to continue participating in the

labour market". The latter should be ensured „notably by reforming early retirement schemes" (Guidelines 2003).

Since 2002 the guidelines contain two quantitative targets with respect to older workers: the first is to raise the employment rate of older workers (55-64) in the EU to 50 % on average by 2010;² the second is to increase the effective average retirement age from the labour market by five years until the end of the decade. It was approximately 59.9 years in 2001. Both targets were introduced as part of the Lisbon strategy.

To sum up, the EES promotes „active ageing" and clearly emphasises the need for more employment for older persons. This aim was strengthened by introducing the quantitative targets. But the EES remains rather vague about the means to achieve this. We can distinguish different, but complementary approaches expressed in the guidelines:

- Raising employability of older workers by various means, in particular active labour market policy,
- Lifelong learning,
- Reforming benefit systems to reduce incentives for early retirement, and
- "Soft Measures" that should change attitudes towards older workers and anti-discrimination.

However, no concrete measures are proposed. This can be regarded as a weakness, since member states can declare quite a lot of measures to be in line with the EES which would have been carried out anyway. But this does not mean that will be no impact at all. The following section will show if and to what extent policies compatible with the European framework were implemented in selected EU member states (see e.g. the respective National Action Plans, European Employment Observatory 2003 and the contributions to Maltby et al. 2004). The country sections begin with a short overview of the general employment situation and the employment level of older workers before turning to the policies adopted and the supranational recommendations addressed to the respective member states in the light of adopted or announced policies.

3.2. Germany

General Situation

Germany is one of the continental European welfare states with a low level of labour market participation and employment of older workers. In 1995, only 37.4% of all persons aged 55 to 64 were in gainful employment. Until 2003, the employment rate of this group increased only slightly to 39.0% (see fig-

² This deadline was softened during the most recent debate on the redefinition of the EES.

ure 1). This is well below the Lisbon target set at 50% and the employment level of younger cohorts in Germany. In addition, due to the improved performance of most other EU member states, the employment level of older workers in Germany is now lower than the EU average. This can be explained by two factors: On the one hand, German labour market performance was and still is affected negatively by weak economic activity in general. On the other hand, however, structural reforms favouring labour market integration of the 55+ have not shown significant impact on the labour market situation of older workers so far.

Policies since 1997

A review of German policies to strengthen labour market attachment and employment of older workers shows that a whole range of measures was adopted in the last decade; however, the overall orientation of these reforms was and still is ambiguous and sometimes contradictory.

Probably the most important policy explaining the extent to which older workers are integrated into the labour market is the design of schemes that provide transfer income out of work. With Germany being one of the continental European countries that relied heavily on early retirement in the 1970s and the 80s, the need for change was particularly strong in the mid-nineties. So even before the EES was introduced, national legislation to increase the statutory retirement age for different groups such as women, unemployed, disabled or persons with a long employment history was adopted and implemented with a certain transition period. Incentives for an early exit from work embodied in the old-age pension scheme were reduced and several early retirement schemes phased out. However, in 1996, age-related part-time work ("Altersteilzeit") was created to facilitate gradual transitions from full-time work to retirement (German NAP 1998) and modified later on; the labour market policy objective of this instrument is to replace older workers with younger entrants to the labour market. However, in practice old-age part-time work was most often applied in a "block model", i.e. with the first years being spent in full-time work and second half of programme participation in full retirement so that retirement is actually not made more gradual at all. Age-related part-time work will remain in force until 2009 (NAPs 2000 and 2001). In addition, older unemployed can still draw unemployment insurance benefits without being available for job counselling and placement. This will only be abolished in 2006. At the same time, the maximum duration of unemployment insurance benefits for older workers will be reduced from 32 to 18 months. Hence, longer spells of benefit receipt will be less attractive in the future with social assistance being the only transfer available for long-term unemployed. This could increase labour market participation of older workers.

Referring to instruments aiming at a better *employability* of older workers, German active labour market policies offer a range of subsidisation schemes that incite employers to hire persons aged 50+ or 55+. The subsidisation

schemes ("Eingliederungszuschuss") were simplified and made more generous in several steps so that hiring of older workers became increasingly more attractive to employers. Since 2004 (until 2009) conditions are particularly generous for hiring workers aged 50 and older. For up to three years a maximum of 50% of the labour costs is borne by the public purse. In the context of the Hartz reforms, the hiring of older workers was facilitated by removing restrictions on fixed-term contracts for workers 52+ for the period 2003 to 2006 and through the exemption of employers from contributions to the unemployment insurance scheme if they hire unemployed aged 55+. In addition, employers have to refund unemployment benefit payments in case they dismiss a worker aged 57 or older (NAPs 1999, 2002 and 2004). On the other hand, since 2003 older unemployed who accept a lower paid job offer are compensated for part of their income loss through the unemployment insurance scheme, thus making wage concessions more acceptable. The empirical evidence on the take-up rate and the effectiveness of these subsidisation schemes is mixed at best, however.

Up to now, in contrast to countries like the UK or Denmark, no clear activation strategy for older unemployed has been implemented in Germany. Even today, counselling activities for older workers are neglected while the option of older unemployed to withdraw from the labour market without losing their entitlement to unemployment insurance benefits is still viable and will be abolished no sooner than 2006. These changes might eventually lead to higher labour market participation since non-employment becomes less attractive.

Concerning *lifelong learning*, Germany has traditionally been one of the countries with the lowest participation in continuous vocational training on the job whereas notable public resources were spent on training in active labour market policies addressed to the unemployed. However, evidence on positive effects of these measures on individual employment is scarce. So far, policy reforms in the field of human capital formation have increasingly focussed on public funding for measures favouring training of older workers. This is particularly true for the most recent changes adopted in 2002 which intensified subsidisation of short-term training measures in enterprises as well as qualification for employed persons via "job rotation", i.e. in exchange with fixed-term employment of unemployed, or participation in training schemes outside the workplace with the employer being compensated for working time lost. However, these instruments suffer from low participation and do not alter the overall picture of lifelong learning in Germany which can still be characterised by firm-sponsored training being concentrated on younger and better qualified workers. This is true even though initiatives for better lifelong learning were implemented in 2000 and 2002 and a "paradigm change" in favour of more intense continuous training agreed upon in the tripartite Alliance for Jobs in 2001 (NAPs 2000, 2001 and 2002).

As regards the fight against *discrimination* of older workers, the German Government, the social partners and the PES initiated campaigns to disseminate a more positive image of older workers and their capacities in 1999 (NAP 2000). Further initiatives in 2003 addressed the quality of work and the

adaptation of the work environment in favour of older workers (NAP 2003). Anti-discrimination legislation is still to be adopted.

Council Recommendations

Comparing the six countries selected, Germany was most frequently addressed by Council recommendations. They had a twofold direction. From 2000 up to 2002 Germany was encouraged to examine and then to remove obstacles which discourage labour market participation amongst all groups and with a special focus on older workers. Further, changes in the labour market participation of older workers should be monitored to improve the employability of this group by certain measures, i.e. removing early retirement incentives. In 2003 the focus lay on developing an overall strategy for lifelong learning. The attendance rate in training, especially for older workers, should be improved. This recommendation was reissued in 2004. Further, Germany was requested to develop a comprehensive strategy for active ageing to ensure that people stay in work as long as possible due to better access to training for older workers.

Conclusion

The German approach to policy reforms regarding the framework for the employment of older workers has been ambiguous. No clear priority on increased labour market integration and lifelong learning can be identified; hence no significant progress in better labour market integration of older workers could be achieved. Whereas most measures adopted since the second half of the nineties, some of them even before the EES came into existence, point in the right direction of an increased actual retirement age, they have failed to prove their effectiveness so far. This is particularly true for old-age part-time employment which has - in its practical application - not contributed to gradual transitions to retirement but to continued early retirement. In addition, only few activities were undertaken to further lifelong learning by means of comprehensive approach to maintaining and adapting human capital throughout the working life on a more continuous basis. Offering training measures for worker older than 50 or 55 might be too late as regards improved employment opportunities. Empirical evidence also shows that most of these instruments are only rarely used.

3.3. France

General situation

France resembles Germany in that it shows one of the lowest levels not only of overall labour force participation and employment in the EU but also with respect to the extent of labour market integration of older workers (cf. figure 2). The employment rate of older workers was 33.5% in 1995 and increased moderately to reach 36.8% in 2003. This was broadly in line with the development of the overall employment rate which rose from 59.1% to 62.7%. French labour market performance is less favourable than the levels and dynamics of employment in all other countries compared. Hence, problem pressure regarding a better integration of older workers was quite high in France and necessitated institutional reforms of a significant scope in order to achieve the Lisbon targets.

Table 1: French Early Retirement Schemes

	Target group	Changes
<i>Unemployment</i>		
Unemployment Allowance for Older Workers (ACA)	Unemployed jobseekers under 60 (contribution pay for 40 years)	Since 1997
Special Waiting Allowance (ASA)	Unemployed under 60 (contribution pay for 40 years and receiving Special Supplementary Benefits or Minimum Income Support	Since 1998
Dispensation from the need to look for Work (DRE)	Unemployed jobseekers over 57 ½ (receiving unemployment insurance payments)	1999: jobseekers of 55 with contribution pay for 40 years
<i>Public early retirement (Schemes who enable the employee to cease work totally)</i>		
National Employment Fund Special Allowance Agreement (AS-FNE)	Agreement with company; enables employee early withdrawal while receiving a special allowance (to 65)	
Job Substitution Allowance (ARPE)	Workers aged 58 (56/57) to 65; replacement income equal to 65 percent of previous preference salary	Agreement by Social Partner 1995/ Changes in 1998 and 2001, ended in 2003
End of Career Leave (CFA)	For civil servants (60 to 65)	Since 1997

	Target group	Changes
New Designed Employee Early Retirement Scheme (CATS)	'Disabled' workers (workers with at least 15 years of shift or night work)	Since 2000
<i>Public early retirement (Schemes for progressive cessation of work)</i>		
Phased-In Early Retirement Scheme (PRP)		Since 1997
Progressive Early Retirement	Contribution to part-time and promotion of labour market integration for older workers	Reform 1997
<i>Occupational Retirement</i>		
Enterprise Early Retirement	Inter-sectoral or branch-level collective agreements	

Policies since 1997

One focus of French policies for better labour market integration of older workers lay in the overhaul of *early retirement schemes* which had been used vastly in the eighties and early nineties. However, the French approach was not unambiguously directed to reducing incentives for early retirement but wavered between expanding selective schemes for certain categories of workers or firms and reducing overall access to early retirement. French reforms after the establishment of the EES first allowed for early retirement in small businesses in economic difficulties or in cases of precarious employment; however, at the same time a re-examination of general early retirement practices was reported. In the following years, French actors aimed, on the one hand, at controlling public early retirement programmes and social partner agreements and at a reduced access to early retirement in the public sector (NAPs 1998 and 1999). On the other hand, however, in December 1998 a social partner agreement on the "Replacement Allowance for Employment" (ARPE) was renewed and extended assuming that early retirement (after a long working life) could lead to a better integration of younger workers. Firm using ARPE and laying off older workers aged 50+ had to pay additional contributions ("Delalande contribution") thus making this scheme less attractive to employers.

In the following years reducing incentives to early retirement remained an issue on the political agenda in France. However, in 2000, sectoral agreements on new programme for planned cessation of activity (CATS) targeted to certain industry branches after long individual working periods were adopted. This was combined with higher contributions of firms and public subsidies in case of replacement, thus continuing the approach of ARPE. At the same time, increasing emphasis was put on enterprise training plans, a general discussion on working time reduction or flexibility and long-term is-

sues regarding pension reform. The cumbersome shift away from early retirement became more evident in 2001/02 when access to the special allowance was reduced and ARPE phased out while gradual retirement was continued (NAPs 2001 and 2002). In 2003, a „National Mobilisation Plan for Employees 55+“ was announced. It comprised the final elimination of the ARPE programme, reduced access and better targeting of CATS as well as the abolishment of public gradual early retirement and the introduction of an additional tax on firms that use corporate early retirement schemes. The policy path of restraining early retirement while allowing for flexible solution on the sectoral level has been continued until now.

Regarding French public old-age pension schemes, the Pension Reform of 2003 included a longer contribution period (as of 2009), the later statutory retirement age and more flexible formulae, increased benefits after longer working life, i.e. a premium for work after 60, and a relaxation of the provisions on the combination of work income and solidarity allowance and combination of work and pensions. These measures may reinforce incentives for higher employment of older workers in the future.

To strengthen incentives for employers to hire older workers and thus to increase their *employability* a number of subsidisation schemes and measures to further *lifelong learning* were implemented in the most recent years. France implemented a whole series of active labour market policy measures to improve the employability of older workers. On the one hand, in the context of the „National mobilisation plan“ small and medium-sized enterprises can receive public assistance in long-term planning of skill development; since 2003 firms are also exempted from the Delalande tax if workers aged 46+ are hired (the minimum qualification age was 50 before) and can receive supplementary fiscal relief if they hire older worker (NAPs 2003 and 2004).

Referring to *lifelong learning*, actors in France concentrated on strengthening firms' incentives to provide training for employees over their working life and on the validation of achievements in initial vocational training and continuous training on the job (NAPs 1999 and 2001). In 2003 social partner negotiations on the revamping of the national vocational training system were started and training for older workers expanded with the support of the European Social Fund. After a multi-sectoral agreement on access of employees to lifelong learning could be achieved, it was implemented through legislation in May 2004.

Anti-Discrimination legislation according to the EU Equality Directive is in place in France since November 2001. The new provisions supplement the established French Labour Code.

Council Recommendations

For France the recommendations for 2000 to 2002 were concentrated on strengthening the efforts to curb older workers' early withdrawal from the

labour market. Therefore France was encouraged to develop a comprehensive approach towards active ageing, i.e. to keep older workers in the labour market as long as possible (as in Denmark or Germany) including the involvement of social partners. These recommendations were repeated in 2003, albeit more specified. Issues of lifelong learning and active ageing should again be addressed in dialogue with the social partners. In addition, the labour market participation of older workers should be improved by strengthening the access to training and by reforming the system of early retirement (as Denmark and Germany). In 2004 it was recommended to monitor the influence of the pension reform as well as continue with the recommendations issued in 2003.

Conclusion

French policies for older workers show some shift away from heavy reliance on early retirement schemes to stronger incentives to remain in employment, thus increasing individual working lives. However, this approach was foiled by maintaining or opening up selective options to leave the labour market at an earlier stage. After 2000, however, reforms became more consistent with the EES. This is particularly clear in the final phasing out of some early retirement schemes, the pension reform of 2003 and the increasing emphasis put on lifelong learning in France.

3.4. United Kingdom

General Situation

The employment rate of older workers in the UK is well above EU average. It meets the EU target of 50 % since 2000 and has risen almost steadily since 1997 (cf. figure 3). This development reflected an overall improvement of the labour market situation in Britain up to 2000. Since then the employment rate of the 55-64-aged was growing faster than the overall rate (for all persons aged 15-64). The average exit age at which people stop working was at 63 years in 2003. The regular state pension age is at 65 years for men. For women it is at 60, but will be raised to 65 by 2020. However, old-age poverty is a serious threat to many people in Britain, which may partly explain the relatively high labour market participation of the elderly even beyond the age of 65. Beside this, a remarkably high share of persons aged 50 or more – 1.5 million in absolute terms in 2004 – is on disability schemes.

Policies since 1997

In terms of *employability*, the most prominent measure was the introduction of the *New Deal 50 plus* in 2000. This programme, originally conceived for young unemployed and carried out by the British Jobcentres, is part of the „welfare to work“ philosophy of the Labour Government. It tries to activate

older unemployed receiving Jobseeker's Allowance, offers personal advice, job search help, training grants and wage subsidies for those who take up a low-wage job. There is also a *New Deal for disabled people*, aiming at activating those who are on incapacity benefits. As regards the success of these programmes, the evidence is mixed. The government claims that the New Deal 50 plus helped over 60,000 older people out of benefit receipt and back into work. But independent research found only limited effects since most of those returning to work would have done so without the programme.

Lifelong Learning is considered one of the best means to improve employability. The proportion of unskilled people has fallen sharply since 1996, and participation of workers in further training is already high compared to the European average. Nevertheless the skill level of the British workforce remains a reason for concern. So the government launched a „Skills Strategy“ in 2003. The strategy is co-ordinated by the Learning and Skills Council and includes the creation of Information, Advice and Guidance (IAG) Partnerships. Although there are some measures for older people, the main focus of the strategy seems to be on young adults.

Britain also made use of early retirement to fight youth unemployment in the seventies and eighties under the name of „Job Release Scheme“. But the share of early retirees is lower than in many continental European states, and the Job Release Scheme was abolished, with some remaining exceptions in the public sector, as early as in 1988, therefore earlier than in most continental European countries. Anyway, the demographic development remains a challenge for the British pension system. This resulted in plans to postpone the pension age to 70 years which are strongly disputed in the political arena.

Since 1997 the government has launched some „soft“ measures to promote active ageing and to fight age-related discrimination. Among them is the „Age Positive Campaign“, introduced in 2001, which highlights the benefits of an age-diverse workforce to employers. The „Code of Practice on Age Diversity in Employment“, issued in several versions since 1999, pursues the same aim by setting up standards for tackling discrimination in employment and by promoting best-practice cases. The application of the Code is not compulsory for employers and has only limited effect. Related to the EU Directive on Equal Treatment, the British government will introduce a law against age-related discrimination by the end of 2006. This also seems to be in line with the Anglo-Saxon tradition of legislation against discrimination (e.g. Affirmative Action in the US).

Council recommendations

In contrast to all other countries, issues concerning older workers or active ageing are not explicitly mentioned in the recommendations for the United Kingdom. The main focus of all recommendations (2000-2004) lay on promoting the quality of work and on implementing strategies to provide better incentives for lifelong learning. In 2004, however, the British government

was asked to address the rising number of people claiming sickness or disability benefits.

Conclusion

To sum up, the range of activities in the field of active ageing has been limited since 1997. Except for anti-discrimination legislation, British action relied more on voluntary measures. This is in line with the tradition of the "liberal" British welfare state, but it also reflects the fact that the labour market position of older workers is already relatively favourable. So the need for action was and is less urgent than in continental Europe.

3.5. The Netherlands

General Situation

While the Dutch overall employment rate was already fairly high in the mid-nineties, the employment rate of older workers was rather low. It rose steadily over the following years and is now above the EU average since 2002, but still below the EU target rate of 50 % (cf. figure 4). The average exit age was 60 years in 2000 but increased to over 62 in 2002.

The regular public old-age pension age is at 65. However, as in other countries, public old-age pension is not the only exit route out of the labour market. In the Netherlands there is a high share of aged workers out of the labour force that benefit from disability schemes. Reducing both inflow and stock of disability pensioners was a major challenge for all governments in the nineties and the current decade.

Policies since 1997

From 2001 to 2003 the Dutch NAP had set a quantitative target for older persons: increasing their labour force participation rate by $\frac{3}{4}$ percent per annum. This target has been abandoned in the latest NAP, but this does not mean that the issue is less urgent. Already in 1993 the employment issue regarding older workers was put on the agenda by the Government and the social partners working closely together in the corporatist Dutch „Polder Model“ (Visser/Hemerijck 1997). However, it was not until the end of the nineties that crucial measures were taken.

These measures include tax incentives for employers to stimulate training as well as the promotion of flexible working time arrangements and reductions for older workers. Many agreements between the social partners on the plant or industry level contain such working time schemes.

However, since 1997 the focus of policies to promote active ageing was on impeding the use of social security schemes as an early exit route. Early re-

tirement was financed by the unemployment insurance as i.e. in Germany. Older people out of work received unemployment benefits, but the public employment service (PES) often treated them as being out of the labour market when aged 57 ½ years and older. They were exempt from the duty to accept suitable job offers presented by the PES. This exemption is no longer in force since 2000. This has contributed to reduce the unemployment rate of older workers from 3.5 % in 1995 to 1.5 % in 2001. The current government also intends to oblige older unemployed to search actively for a new job, but this is still controversial and disputed by the Dutch unions. Incentives for firms to hire older long-term unemployed in form of wage subsidies (less social security contributions payments) have been introduced only recently. The experience of other countries with such incentives shows, however, that they hardly influence the behaviour of employers.

The possibility of early retirement via pre-pension schemes still exists, but is made less attractive for employers and employees. Voluntary early retirement schemes had been supported by a favourable tax treatment, which is now abolished for new entrants under 56 years and will be abolished for all entrants in the next years.

As a result, the number of early retirees benefiting from unemployment insurance or pre-pension payments has diminished in recent years. But the problem of a high number of older inactive persons on occupational disability benefits remains high and is even more serious than in the past. As a response, the Government has tightened the standards for work ability screenings of people on disability benefits in October 2004. This may lead to an increased outflow.

Besides legal measures the Government also tries to promote a general shift in the mentality towards active ageing among employers, employees and the society as a whole. As a result the „Older Workers Task Force“ was set up in 2001. It has the responsibility to encourage a change of attitudes, to collect and publish information about good practises, and to act as information and advisory centre for employers and employees.

Council recommendations

In the Netherlands issues concerning older workers or active ageing are only explicitly addressed in the Council recommendations of 2000 and 2004. In the former one, the Netherlands were asked to remove incentives which discourage participation in employment, especially of older workers (as in Germany). In the following years most of the recommendations concentrated on the same issues but without mentioning older workers. In the latter one the Netherlands were again encouraged to remove incentives for early retirement as well as to provide broader access to training, in particular for unskilled older workers. The learning issue was already addressed a year before, but without mentioning a specific group.

Conclusions

The Netherlands tried to find a comprehensive answer to the challenge of old-age inactivity already at the beginning of the nineties. It took some time until concrete measures were taken. This may be due to the Dutch corporatist tradition which requires some time for coordination, bargaining and consensus between the government and the social partners. The European Employment Strategy seems to have supported this process since the end of the nineties. The success, in terms of an increased employment rate for older workers, is obvious.

Nevertheless, there is still a high share of older persons out of the labour force due to the receipt of disability benefits. It points to the necessity of an even more comprehensive approach to ensure the employability of older persons. The three routes for early exit from the labour market – pension systems, unemployment insurance and disability schemes – interact. If the first two of them are barred, there is increasing pressure towards the third route. This is also due to the fact that health conditions of older workers are likely to deteriorate if they keep on working under similar conditions as younger workers. The latest NAP shows that the Dutch government seems to be well aware of this challenge. As a result of the report, presented by the Older Workers Task Force, the government plans to initiate experiments through which older employees, who have been working for a long time in certain sectors with a lot of heavy physical or mentally monotonous work, can move to other sectors.

3.6. Denmark

General Situation

Denmark is often regarded as one of the front runners in terms of an inclusive labour market and active labour market policies. Important labour market reforms already started in 1994, and the level of employment and labour market participation was already quite high before the first European employment guidelines were issued in 1997. Despite the fact that the economic decline in 2002 and 2003 led to a slight fall in employment, Denmark continues to succeed in achieving not only high overall employment rates. It also shows an impressive record as regards labour market integration of older workers (NAP 2004).

The activation of younger age groups has been the main objective of Danish labour market policies since 1997. Nevertheless, more and more attention was paid to increasing labour force participation of older groups. Denmark is among the four EU countries which already meet the Lisbon target of 50%. In 2003 the employment rate for older groups (55-64 years) achieved 60.2 percent. This is almost 20 percentage points above the EU average (cf. figure 5). Employment rose continuously since 1998 due to a favourable situation of the labour market in general as well as to a series of special reforms.

Political reforms since 1997

Compared to other EU member states, Denmark already was in a different situation in 1998 when other countries started re-orienting their national policies to meet the objectives of the EES. Under the Social-Democratic government labour market reforms started in 1994. The national employment plan named 'New Direction' came into force. As a result of continued structural reforms unemployment decreased remarkably. This policy-mix contributed to an even more flexible labour market regime. They included a shift from passive support to activation, an up-grading of skills, the development of competences accompanied by a tax reform, make work pay policies for low income groups and a reform of labour law. These principles are often praised as a model of „flexicurity“ (NAP 1998; Dingeldey 2004) combining flexibility, the duty to be available for work as well as the right and duty to participate in activation with a high level of income security (at least for low-wage earners).

In contrast to other European countries, Denmark focused on the growth of the labour force, i.e. on maintaining persons in the labour market and in strengthening the Scandinavian tradition of a long working life (Strecker 2004). The priority given to this objective was underlined by concrete targets. The number of persons receiving anticipatory pension shall be reduced by 30.000 up to the year 2005.

Measures were taken along different lines. Most important was the removal of disincentives in the pension scheme, above all the restriction of the early retirement scheme existing since 1979. The first important step was already taken in 1996 even before the existence of the EU guidelines: Inflow to the transitional allowance scheme was closed. It formerly offered unemployed aged 55 to 59 years a bridge until meeting the requirements for early retirement. Each year 40.000 long-term unemployed used this option. After 1992 it had become an effective instrument to reduce labour supply (Dingeldey 2004). The second significant step was the fundamental reform of the labour market retirement scheme (1999). Although there is still the possibility to join this scheme at the age of 60, major fiscal incentives were introduced to postpone retirement and to ease gradual withdrawal from the labour market. The entitlement conditions for benefits were tightened and more flexible options for combining work and early retirement introduced (NAP 1999).

In July 1998 stricter rules for activation were implemented to reduce the number of persons who receive anticipatory pensions. Anticipatory pension cannot be drawn unless measures to improve the working capacity of the persons concerned have definitively failed. The rules were tightened and administrative procedures changed in January 2003. Case workers will be required to substantiate their decisions concerning the provision of anticipatory pensions in a more systematic way (NAP 2002). To increase the employment rate of persons aged between 60 and 70 even further, they can obtain a higher pension in case they defer transition to retirement (NAP 2004).

Danish employment policies have increasingly focussed on labour market integration and lifelong learning. On the one hand, this led to substantial reforms in labour market policies. On the other hand, the Danish system could rely on a highly developed public infrastructure for training. Since January 2000 activation offers for unemployed persons over the age of 60 years were introduced. Workers are given the right and the duty to accept an activation offer in the first six months of unemployment including offers for continuing training. Initiatives were taken to make the labour market more flexible and inclusive, e.g. the strengthening of preventive rehabilitation measures as well as efforts to extend the use of flex-jobs (jobs with public subsidies to persons with permanently reduced capacity for work). Such jobs were included in the social chapter of collective agreements, especially in the public sector (NAPs 1998 and 1999).

Another strong point of the Danish social model for older persons is the widespread tradition of *lifelong learning*. Denmark spends more public resources on adult education and further labour market training than other European countries. The participation rate in training, in activities for upgrading skills and training programmes for older workers (55–64 years) was 9,3 percent (2002) relative to 3,3 per cent on average for the EU-15 (Pedersen 2004). The spectrum is supplemented by various „soft“ measures such as networking and the design of new programmes and initiatives like “senior” policy initiatives in the public sector, improving guidance of enterprises, implementing further programmes and action plans, measures to reduce the still persisting although not too high sickness absence (2003) as well as improvement of working conditions (2004, see NAP 2004). The close cooperation of the social partners and the government is a crucial factor for the development and implementation of such a comprehensive approach (Dingeldey 2004).

Council recommendations

The Council recommendations addressed to Denmark focussed on two major issues. At the beginning they concentrated entirely on the reform of early retirement and leave schemes, respectively. These programmes should be monitored in the light of the need for increased labour supply (2000/2001). Since then the EU focused more on issues of active ageing in order to incite more people to enter or remain in the labour market. Therefore Denmark was asked to pursue a comprehensive strategy, including, again, the removal of early retirement incentives (2004) and to strengthen efforts to sustain the availability of labour in the longer-term perspective (2003).

Conclusions

Although there seems to be some convergence in labour market policies across EU countries as regards the shift to activation strategies and modifications of retirement schemes to increase the employment rate of older workers, tendencies of convergence in welfare state regimes should not be over-emphasised. They do encompass only a part of the whole regime. In Den-

mark, a comprehensive activation strategy and a high degree of labour market flexibility goes along with a clear political priority on social inclusion and a broadly shared consensus about an active role of the state which has to guarantee income security and a high level of redistribution of market incomes. Despite the duty to participate in activation a high level of individual autonomy of the unemployed seems to be maintained (Dingeldey 2004). Particular features of the Danish political system such as the high level of trust and cooperation among the social partners facilitate both the design and the implementation of labour market reforms.

Nevertheless this system of consensus and negotiated economy can turn into a pitfall as well. The decrease of the official pension age from 67 to 65 years in 2004 will certainly not contribute to increase the economic activity in the group over 60 years. But this seems to have been the price the government had to pay for tightening entitlement conditions in labour market and social policy. However, Denmark is ahead of Europe in terms of employment performance and more ambitious than the goals of the EES (Jacobsson/Schmid 2003).

3.7. Finland

General Situation in Finland

In 2003 the overall employment rate in Finland was almost 65%. The employment rate for the age group 55-64 reached 49.9% so that the Lisbon target of 50% was nearly hit. The relatively high employment rate is influenced by the high labour market participation of women (cf. figure 6). In Finland the participation rate of women is much higher than in other European countries. Nevertheless, the rate could be much higher because older workers have a higher use of social security benefits than other age groups.

Over the last five years the employment situation improved after a severe economic crisis had hit the country at beginning of the 1990s. Before that recession Finland performed well with a high employment rate across all age groups and unemployment being lower than in most other countries. During the recession the unemployment rate rose to record levels for all age groups, but tremendously for people aged 55-59. Older workers became dramatically excluded from the labour market. This was amplified through the extensive use of early retirement schemes. Even though the overall unemployment rate has been declining recently, it is still high for older workers. Today the unemployment rate for people aged 55-64 is 7.7% (2003) compared to the overall unemployment rate of 9.1 percent.

The welfare system in Finland offers a number of pathways to exit the labour market before the statutory retirement age of 65. In reality people retire at the age of 61 already (2001). The main routes for the early withdrawal are disability and unemployment schemes. Early retirement was widely used, but the system is changed now since the Finnish government

became aware of the demographic problems in terms of population ageing. Currently Finland is shifting from early exit to late exit from the labour market by providing more incentives to remain in employment longer (Gould/Saurama 2004).

Table 2: Options for early retirement in Finland before and after the Pension reform 2002

	Current Rules	Target Group	Rules after reform
Individual Retirement Scheme	60 – 64	Sick and aged (permanent lost of work capacity)	Abolished
Unemployment pension	60 – 64	Long-term unemployed (five years with last 15 calendar years); receiving allowance; registration at unemployment office	Removed after transition period (2009-14)
Early-old age pension	Private: 60-64 Public: 58-64	Older workers (Reduction of level of pension by 6 percent each year up to 65)	62 – 68
Part-time pension	56 – 64	Older Workers	58 – 68
Disability Pension	16 – 64	Sick and aged	Relaxing Rules for people aged 60+
Unemployment Allowance (Tunnel)	55 – 60	Long-term unemployed (receiving an extended period of unemployment benefits)	57 – 65

Source: OECD Ageing and Employment Policies Finland (2004)

Policies since 1997

In addressing the problem of low labour market participation of older workers, most recent reforms in Finland focussed on reforming social security schemes. A first package of measures was introduced in 2000, but the most important changes result from the Pension Reform in 2002. Core aim of the reform was to strengthen the incentives to continue working and to allow for greater flexibility as regards the retirement decision. There is now the possibility to retire between the age of 62 and 68. It also included the reform of the early retirement schemes. Most of the reform came into force at beginning of 2005.

Active labour market policies in Finland are designed to improve the employment situation of the most disadvantaged groups such as the disabled, young people and long-term unemployed. There are no special programmes for older workers although they are a significant target group of many labour market policy measures. In general we can distinct four groups of instruments: a) Wage related measures such as the Employment Subsidy for employers or the Combined Subsidy for unemployed job-seekers, b) Labour Market training; c) Training with Labour Market Support supporting short-term or long-term training on the job and d) Job-Rotation. Further wage subsidies for unemployed are the part-time supplement, the Start-up Grant or Coaching. It is reported that especially wage subsidies and labour market training have a positive impact on the employment opportunities of older workers (OECD 2004a).

The educational level is highly correlated with the presence on the labour market. Inversely, the risk of becoming unemployed is higher the lower the level of education. Participation in continuous education and training is already quite common amongst Finish adults as compared to other European countries but the participation rates for prime-aged workers is still much higher than for older workers aged 55 and over. In Finland life-long learning is furthered through action programmes and campaigns to promote continuous vocational training among all age groups and improved access for older workers.

Since the 1990s Finland has introduced a series of programmes concentrated on a variety of aspects to keep older workers in employment. Main aspects of the programme are a) to encourage workers to stay in employment as long as possible, b) to raise employment and c) to reduce unemployment. The best-known is the National Programme on Ageing Workers (1998-2002) which encouraged older workers to stay longer in employment and improved their job opportunities. It was implemented through a co-operative effort of the Ministry of Labour, the Ministry of Social Affairs and Health and the Ministry of Education. In terms of promoting adaptation in the working environment and work capacities related to health measures there are e.g. the programmes 'Respect for Work Ability' and 'Work Ability for Tomorrow' by the Federation of Employment Pension Institutes (TELA), the programme 'Respect for the Ageing' by the Finnish Institute for Occupational Health, the programme 'Fitness for all Ages' by the Ministry of Education and Ministry of Social Affairs and Health. Further programmes are the Workplace Development Programme (1996), the Well-being at Work Programme (2000-2003) and the VETO programme for continuation at work, well-being of employees and rehabilitation.

Antidiscrimination legislation is widely developed in Finland. Discrimination on grounds of age had already been banned through legislation. Due to changes in the current law the country now meets the requirements of the EU Equality Directive on Discrimination set in 2000.

Council recommendations

EU Recommendations for Finland concentrated on reducing access to early retirement schemes and improving incentives to stay in the labour market (2000) and on tackling the high persistence of long-term unemployed, especially those 50 years and older (2001). The Commission advocated an overall pension reform in Finland (2002), and addressed lifelong learning policies, the reduction of high marginal effective tax rates and the improvement of incentives in benefit schemes, especially pensions. Finland fulfils most of the goals of the European Employment Strategy now. Yet the country will experience dramatic population ageing over the next 25 years (OECD, 2004a) (NAP 2003). The national target for Finland should be an overall concept of active ageing, including improvements in workplace development, more incentives for working longer and the development of training measures for less qualified and older workers (2004). In 2003, it was recommended that Finland boosts efforts to sustain the long-term availability of labour in line with increasing the effective exit age and by continuing the reforms undertaken in the years before. In 2004 then the strategy should be followed-up, i.e. by increasing the access to training for older workers.

Conclusion

Finland was one of the countries which relied heavily on early retirement through disability and unemployment schemes to lower high open unemployment in the past. Early withdrawal from the labour market was most frequent among male workers with the consequence of a heavy decline in the employment rates of older (male) workers up to now.

In Finland, however, the ageing of the population will proceed faster than in other European countries. The strategy for an increased participation of older workers is therefore oriented towards a combination of several aspects and measures. The integrated approach of the Finnish government was well demonstrated by the National Programme for Ageing Workers. Aspects of lifelong learning, safety at the work place or active labour market programmes were included. In terms of early retirement the Finnish government introduced a number of reforms to abolish some schemes or limit access to them. The strategy is to keep older workers in the labour market as long as possible. It marks a shift from an 'early-exit-culture' to 'late retirement' (Gould/Saurama 2004). Thus, Finland is doing fine in terms of the EES. The target of an employment rate of 50 percent could almost be reached last year. Nevertheless, the main goal for Finland is to increase the low participation rate of unqualified, older workers in training measures.

3.8. Comparative Assessment of national experiences

Comparing country experiences with reforms to further labour market participation and employment of older workers shows that the countries covered by our study can be divided up into three groups (cf. also Funk 2004):

1. "Catch-up countries" such as the Netherlands and Finland which started at a low employment level of older workers but could achieve a significant progress over the last decade. This positive development can be attributed, firstly, to institutional reforms that pointed in the right direction and had a significant scope and, secondly, to a favourable economic environment after 1995. As regards the design of national policies compatible with the European guidelines, we can see that the Scandinavian countries (Finland, but also Denmark) and the Netherlands adopted the most proactive stance. In Finland, the rapid and impressive catch-up process was due to a comprehensive reform package adopted in the nineties. The Netherlands come close to Finland in that they could achieve considerable progress in raising participation and employment rates of the 55+ through far-reaching reform packages. As in Finland, their adoption was facilitated by strong government and close interaction of government and social partners.
2. "Successful countries" (Denmark and the UK) benefited from a convenient initial situation, i.e. the absence of large-scale early retirement. Whereas the UK did not implement that many significant reforms in the following years, Denmark adopted policies that contributed to even higher labour force participation and employment of older workers.
3. "Base countries" or "laggards" in continental Europe such as France and Germany. Although actors in both countries tried to overcome the legacy of large early retirement programmes and an early exit culture, they could not achieve significant progress: policies are still ambiguous and employment performance is still unsatisfying as regards the European targets. This might be explained by the fact that institutional reforms to revive national labour markets and to increase labour market integration of older workers were not far-reaching enough. Thus, the assessment of the continental countries Germany and France is mixed at best. On the one hand they did not reach significant improvements as regards the employment of older workers. On the other hand the enormous task of policy reversal in early retirement could at least be tackled step by step over the period observed so that policies in place today are more appropriate than those of the mid-nineties. However, policies in France and Germany became more consistent after 2000 so there may have been some longer-term influence of the EES on national policy re-orientation.

Table 3: Employment situation and policies

	Ger- many	France	United King- dom	Nether- lands	Den- mark	Fin- land	EU- 15
<i>Performance</i>							
<i>Employment rate 55-64, 1995</i>	37,4	33,5	47,5	29,4	49,3	34,4	36,4
<i>Change in em- ployment rate 55-64, 1995- 2003</i>	1,6	3,3	8,0	14,1	11,4	15,5	5,4
<i>Change in over- all employment rate, 1995-2003</i>	0,0	3,6	3,6	7,6	1,2	6,4	4,1
<i>Average Exit Age (2003)</i>	61,6	59,6	63,0	60,4	62,1	60,3	61,4
<i>Reforms 1997-2004</i>							
<i>Early retirement and pension re- forms</i>	+	0	0	+	+	++	
<i>Active labour market policies and employa- bility</i>	+	0	+	+	++	++	
<i>Lifelong learning</i>	+	+	0	0	++	0	
<i>Soft measures</i>	0	0	+	++	0	++	

Sources: OECD 2004b for upper part, lower part compiled by authors.

4. Explaining Policy Choices: National and supranational influences

The comparative assessment of six countries shows both differences in the initial situation as well as in the reform paths adopted since the mid-nineties. How can these differences be explained with reference to the analytical framework sketched above?

Institutional prerequisites in terms of policies compatible with the EES approach right at the outset of the joint employment policy facilitated good performances a lot. Denmark and the UK were successful in achieving a high degree of labour market integration of older workers without substantial reforms. However, both countries differ in the extent to which further improvements could be achieved. This also holds for the four countries that had to deal with a less favourable initial situation. While the Netherlands and Finland managed to implement far-reaching reforms that improved the employment opportunities of older workers, France and Germany showed a much less positive development. Fostering employment of older workers remained a big issue in continental Europe where significant progress was only possible in the Netherlands, but not in Germany or France (Ebbinghaus 2002, 2003).

Hence, an explanation of different degrees of success may lie in the capacity of nation states to reform their institutional set-up affecting the labour market position of older workers. This capacity is different in the Netherlands on the one hand and France or Germany on the other. The adoption of reforms consistent with the EES was facilitated in the Netherlands by the fact that they could rely on well-established and operative mechanisms of coordination across policy areas and concertation between the government and the social partners. This might also be a plausible argument to explain the difference in the progress achieved in the UK and Denmark.

However, given the crucial role of national reform capacities that can be used for the transposition of the EES in national legislation, it still remains difficult to isolate the actual impact of the EES on national policy formulation. Even in the successful or catch-up countries, there is no clear evidence on a central role of the European strategy in the design of national reforms. We could not identify clear effects of the EES on the formulation and implementation of national reforms so far. However, the European employment targets, learning from foreign "best practices" and supranational policy recommendations may have influenced national policy discourse more subtly by raising public consciousness regarding the challenge of demographic change and "active ageing" (Jacobsson 2004). This "subtle transformation" might contribute to the reformulation of national policy objectives in the long run and lead to intensified policy learning as regards viable strategies detected in more successful countries. These processes might eventually trigger some policy convergence across the EU member states and may also be in part responsible for the more consistent policy approach in France and Germany after 2000. However, even then the extent to which reforms consistent with the EES can

in fact be adopted will depend on national reform capacities which can be seen – in the context of the EES – as transposition capacities. Further research will have to address the question how capacities for reform influence the transposition of the EES at the national level and what role the EES plays in the design of national reforms more in detail.

Table 4: Institutional Compatibility with EES and National Reform Capacities

		Capacity to co-ordinate reforms across policy areas	
		<i>Strong</i>	<i>Weak</i>
Institutional compatibility of national policy set-up with the EES	<i>Strong</i>	Successful countries with further improvement (DK)	Successful countries (UK)
	<i>Weak</i>	Catch-up countries (FIN, NL)	Base countries/laggards (GER, FRA)

5. Conclusion

Does the European Employment Strategy matter in bringing about reforms that foster employment of older workers in EU member states? The results of our preliminary enquiry are mixed. On the one hand we can still identify a high degree of divergence as regards the adoption of policies compatible with the EES across EU member states. In particular in those countries where the discrepancy between EES goals and national employment performance but also between supranational recommendations and national policy legacy was most pronounced, adaptations were most hesitant and cumbersome. Most successful were those countries where

1. policies had been compatible with the EES approach from the outset and/or
2. the EES could be transposed with the help of well-established co-ordination procedures between government departments and the social partners.

These two factors interact closely: Countries with high employment levels of older workers in the mid-nineties already possessed institutional frameworks compatible with the EES and therefore did not need to implement massive institutional reforms (e.g. Denmark or the UK). EU member states with a less favourable initial situation (i.e. Germany, France, the Netherlands and

Finland) can be divided up into countries that could catch up due to co-ordination mechanisms that enabled structural reforms in accordance with the EES (the Netherlands and Finland) and countries that were not able to make such progress (Germany and France).

So the achievement of EES objectives relies on national institutional prerequisites: the legacy of welfare state and labour market institutions on the one hand and the institutional capacity to formulate effective reform strategies. Success in terms of the EES is facilitated by national arrangements that are relatively close to policies advocated by the EES (as in Denmark or the UK) and/or if the implementation of the EES can rely on certain government routines and established procedures of co-operation between government and social partners (as in Denmark, Finland or the Netherlands) which are necessary for policy reforms covering several related areas as is the case in active ageing. Less impact of the EES can be detected in France and Germany although the need to adjust policies for older workers was and still is most pressing there. However, both countries lack institutional capacities to implement more far-reaching reforms required.

Identifying some direct and short-term impact of the EES on national policies remains a difficult thing. A plausible next step for analysis would be to intensify systematic research into the role of the EES in shaping national policy discourse and reform dynamics in order to find out when and under what circumstances the EES matters. As suggested by Jacobsson and Schmid (2003) particular attention should then be paid not so much on co-variation of EES objectives and national policy substance but rather on procedural aspects, i.e. on the question how the EES is transposed at the national level through the administrative system and intermediation mechanisms relating different levels of government and the social partners. This would help clarify the role of national transposition capacities in the application of the 'open method of coordination'.

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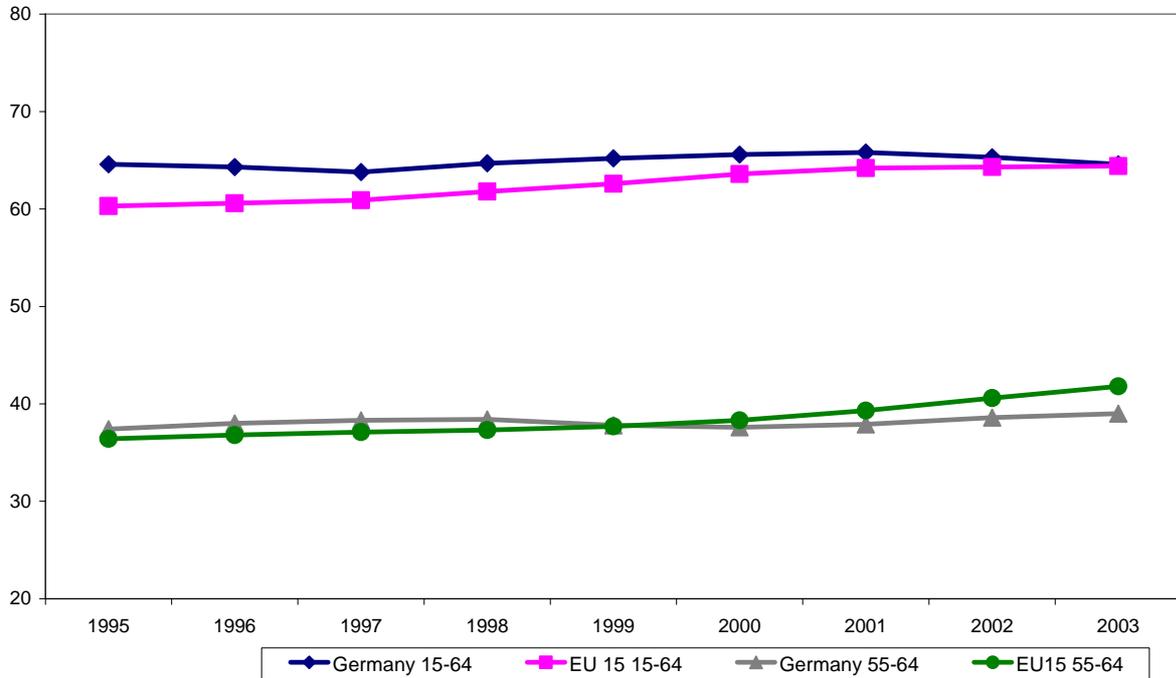
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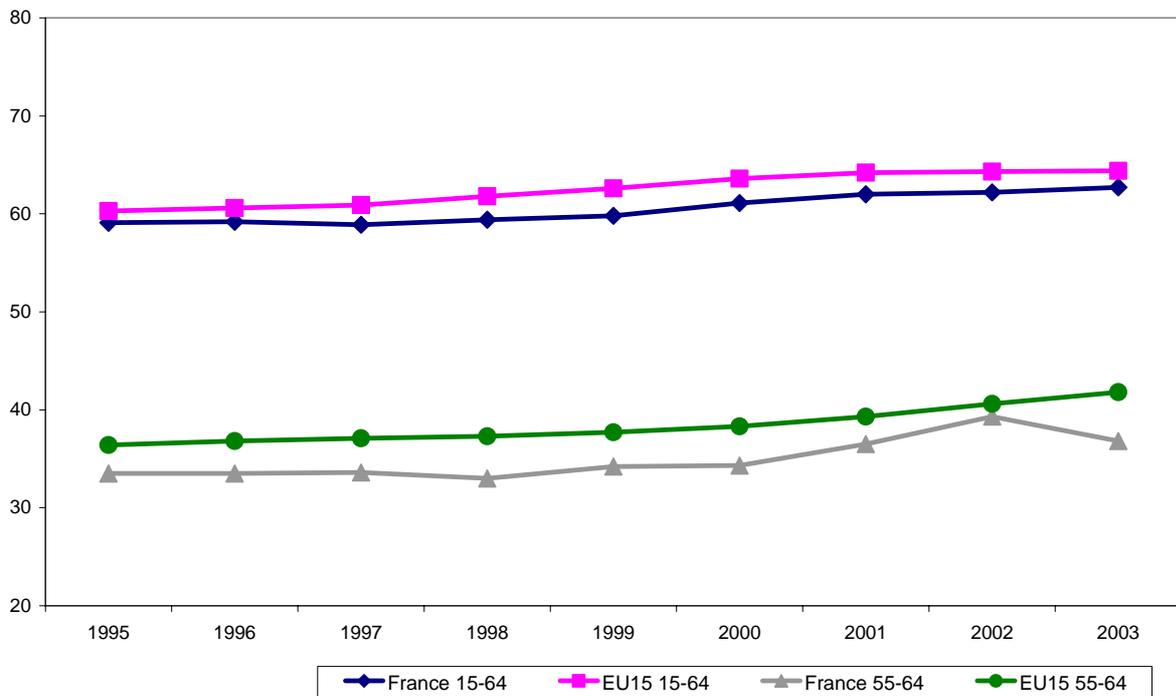
7. Appendix

Figure 1: Employment rate, 15-64 and 55-64, 1995-2003, Germany



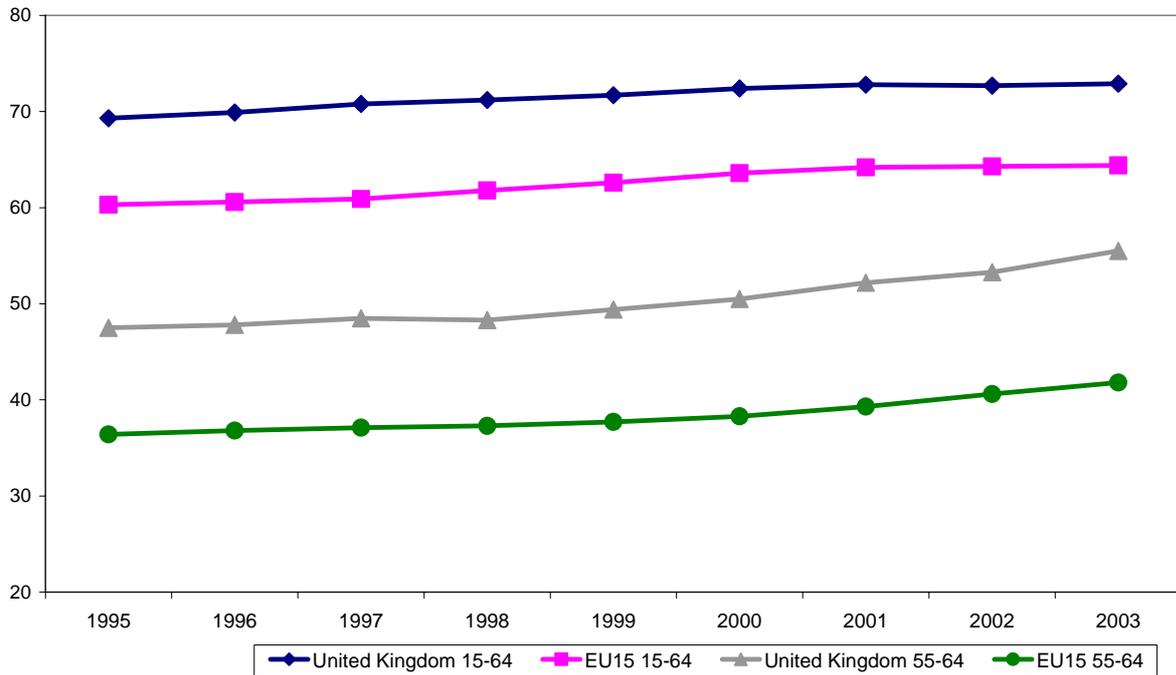
Source: OECD Labour Force Statistics.

Figure 2: Employment rate, 15-64 and 55-64, 1995-2003, France



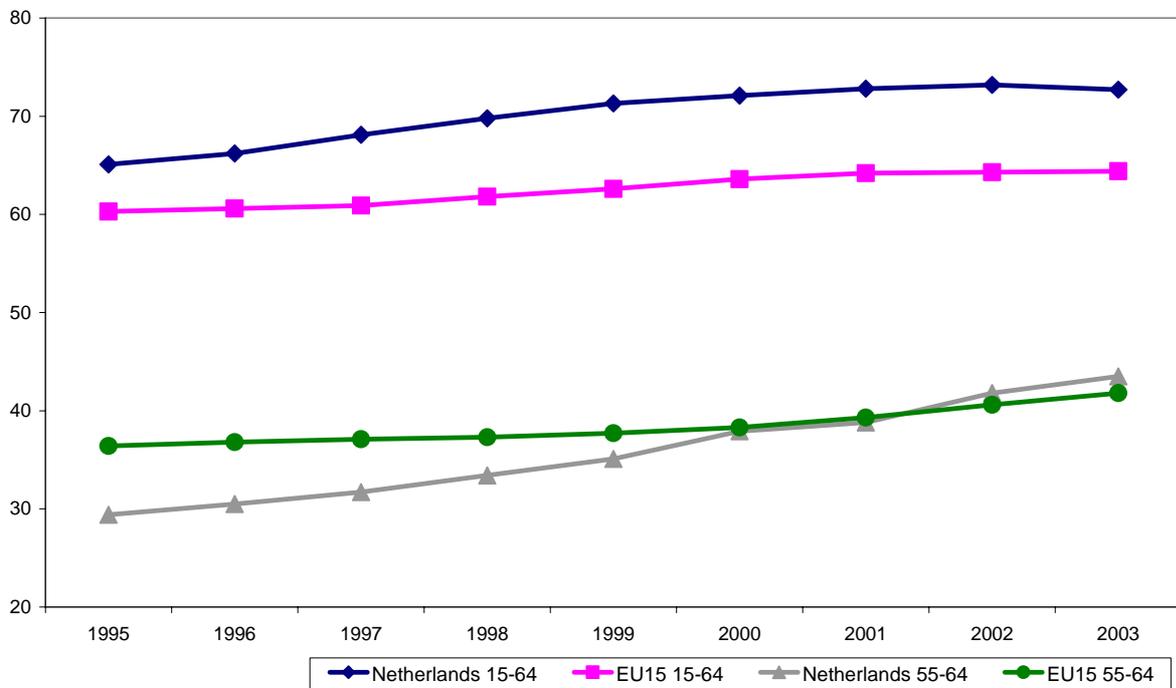
Source: OECD Labour Force Statistics.

Figure 3: Employment rate, 15-64 and 55-64, 1995-2003, United Kingdom



Source: OECD Labour Force Statistics.

Figure 4: Employment rate, 15-64 and 55-64, 1995-2003, the Netherlands



Source: OECD Labour Force Statistics.

Figure 5: Employment rate, 15-64 and 55-64, 1995-2003, Denmark

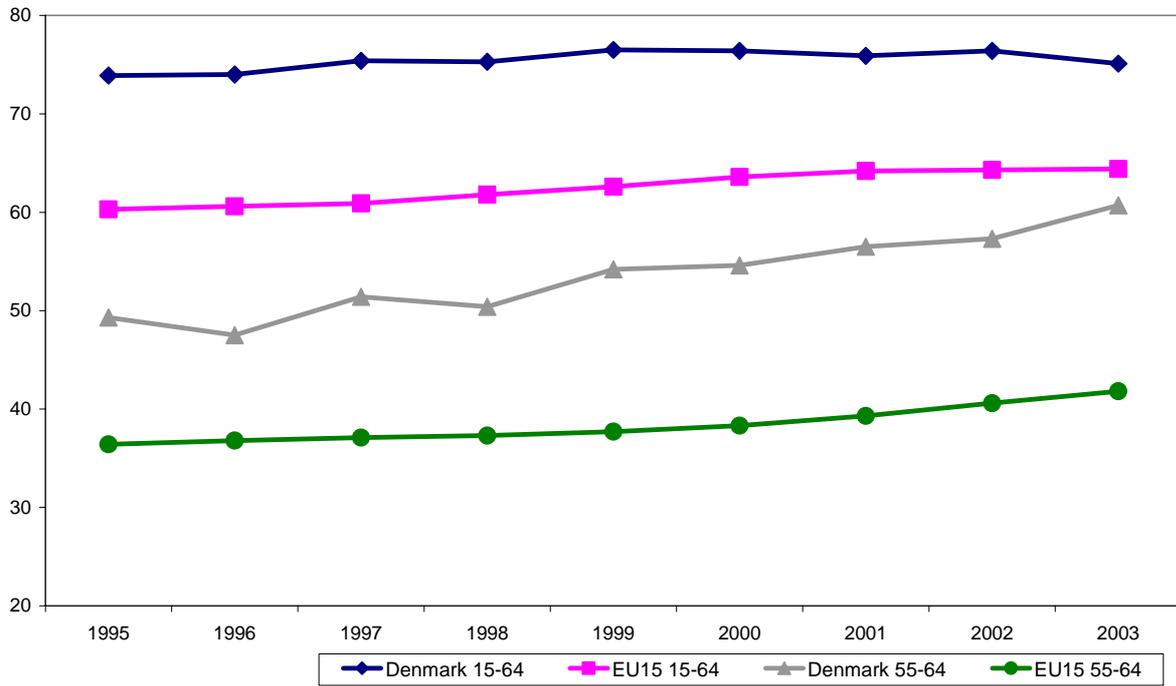


Figure 6: Employment rate, 15-64 and 55-64, 1995-2003, Finland

