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The Europeanization of Social Investment

Towards the Activation of Older Workers

MASTER THESIS

by
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Abstract

Against the background of population ageing and the projected labor and skills shortages that are a result of the changing age structures of European countries, this study aims to investigate which policy changes conservative-corporatist EU member states have implemented in their national labor market policies between 2000 and mid-2014 so as to increase the labor market participation of older workers, i.e. workers aged 50 to 64, and to what extent the chosen policy approaches differ between the case study countries. It is of special interest whether the chosen approaches resemble the instruments proposed by social investment. The study uses a multiple, longitudinal, most-similar case study design. Three individual case studies are conducted, with each tracing the policy changes in one of the selected conservative-corporatist member states of the EU, namely Austria, Belgium and Germany, between 2000 and mid-2014. From the analysis of the three case studies it can be concluded that Austria, Belgium and Germany have left their passive approach towards older workers behind and have introduced a significant number of policies inspired by the goals, principles and instruments of social investment. The increased social investment policy efforts in the field of labor market policies targeting older workers have provided strong evidence for the convergence of the policies of the case study countries towards those proposed by social investment, and, as such, for the existence of δ-convergence. Moreover, cross-national policy convergence, i.e. σ-convergence, can be detected with regard to the policy instruments introduced and employed by Austria, Belgium and Germany in order to reduce recourse to early exit schemes and achieve higher participation rates of older workers.

Keywords: Europeanization; social investment; older workers; population ageing; diffusion; convergence

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The master thesis has been a very special project for me. After all, it is the last assignment, the last piece of work that needs to be submitted before completing the master’s program. As such, the thesis stands out from all the other papers that have been written in the course of my studies. However, finalizing this last assignment has also been much more difficult than writing all those other papers. The Dutch use to say: *De laatste loodjes wegen het zwaarst*. This expression is best translated by the English saying: The last mile is the longest one. Very much true, I would say. Now that the thesis is finished, however, I want to express my gratitude to a number of persons who have contributed to the successful completion of this project.

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Summary

The European population is ageing rapidly. Until the year 2060, the share of the elderly population (aged 65+) in the EU-27 will almost double, from 17 percent in 2010 to 30 percent in 2060, while the proportion of the oldest old (aged 80+) will nearly triple, from 5 percent in 2010 to 12 percent in 2060 (European Commission, 2011). Over the same period, the size of the working-age population (aged 15-64) will fall from 336 million in 2010 to 290 million in 2060, equaling a decline from 67 to 56 percent in the share of the total EU-27 population (European Commission, 2011). Also the proportion of young persons (aged 0-14) will decline, though only marginally, from 16 percent in 2010 to 14 percent in 2060 (European Commission, 2011). Thus, in the year 2060, almost one third of the population living in the EU-27 will be 65 years and older, and one out of eight Europeans will be even 80 years and older.

This means that, in 50 years time, there will be nearly as many people in the age group 80+ as there will be children, while roughly one person of working-age will be responsible for one dependent person either aged 14 years and below or 65 years and over. As a result of the shrinking working-age population and the growing number of retired persons, the old age dependency ratio is projected to more than double from 26.8 in 2012 to 52.6 in 2060 in the EU-27 (European Commission, 2013). Thus, while currently there are about four persons of working age to support one person aged 65 and over, in the year 2060 there will be only about two persons of working age to support one elderly person.

Against the background of population ageing and the projected labor and skills shortages that are a result of the changing age structures of European countries, this study aims to investigate which policy changes conservative-corporatist EU member states have implemented in their national labor market policies between 2000 and mid-2014 so as to increase the labor market participation of older workers, i.e. workers aged 50 to 64, and to what extent the chosen policy approaches differ between the case study countries. It is of special interest whether the chosen approaches resemble the instruments proposed by social investment.

The study uses a multiple, longitudinal, most-similar case study design. Three individual case studies are conducted, with each tracing the policy changes in one of the selected conservative-corporatist member states of the EU, namely Austria, Belgium and Germany, between 2000 and mid-2014. The case studies allow for an analysis and evaluation of how each individual country has developed during the period under observation, and also enable a comparison of the developments that have taken place in the selected countries between 2000 and mid-2014.

The independent variable of this study is *international policy promotion*. The dependent variable of this study is *social investment policy reform*, i.e. the extent to which the conservative-corporatist EU countries have incorporated social investment policies in their national labor market policies targeting workers aged 50 years and older between 2000 and mid-2014. Based on the definition of social investment provided above, only those labor market policy initiatives will count as *social investment policy reform* that promote the investment in human capital development and the use of human capital, and as such also foster social inclusion. This operationalization explicitly excludes policies that aim to achieve activation by means of essentially negative incentives, such as benefit conditionality and sanctions, which find application in the workfare approach mainly employed in the United Kingdom and the Unites States. Moreover, this study only measures policy outputs and not policy outcomes.

From the analysis of the three case studies it can be concluded that Austria, Belgium and Germany have introduced a significant number of policies inspired by the goals, principles and instruments of social investment. In so doing, they have made use of instruments from all five policy dimensions offered by social investment (prevention of early withdrawal and promotion of late exit from the labor market, occupation, upskilling, employment assistance, financial incentives). The increased social investment policy efforts in the field of labor market policies targeting older workers have provided strong evidence for the convergence of the policies of the case study countries towards those proposed by social investment, and, as such, for the existence of δ-convergence.

From the comparison of the policy developments that have taken place in Austria, Belgium and Germany it becomes clear that the policies of the three countries have developed into the same direction between 2000 and mid-2014. All three countries have left their passive approach towards older workers behind and have increasingly implemented activating policies reflecting the instruments proposed by social investment. Moreover, the specific measures introduced by Austria, Belgium and Germany very much resemble each other in their design. Thus, cross-national policy convergence, i.e. σ-convergence, can be detected with regard to the policy instruments introduced and employed by Austria, Belgium and Germany in order to reduce recourse to early exit schemes and achieve higher participation rates of older workers.

These findings are very relevant for the broader social investment literature, as well as for policy-makers throughout Europe, as they are proof for the fact that social investment cannot only be meaningful to children, the young and prime-age workers, but also, and especially, to older workers.

1. Introduction

I recently turned 60. Practically a third of my life is over. (Woody Allen, 1996)

The expectations about future increases in longevity expressed here by Woody Allen might appear as somewhat over-enthusiastic. Perhaps he has based his considerations on the substantial increases in life expectancy that have been achieved throughout the 20th century, and especially during the latter half of it. As a matter of fact, populations are increasingly growing older across the globe. According to the World Health Organization (WHO, 2002), the proportion of people aged 60 and over is even the fastest-growing age group worldwide, and is projected to increase by as much as 223% between 1970 and 2025. These changes in age structures will have severe implications for the economic and social fabrics of societies around the world.

Undoubtedly, population ageing will also be one of the key factors determining the development of the European countries over the next fifty years. Within this time span, the European population will decline in size and its age structure will significantly change. As fertility levels lags behind the replacement rate and life expectancy is continuously increasing, the number of young Europeans will decrease while there will be more and more persons aged 65 and over. The result will be an ultimate decline in the population size and the reversal of the age pyramid. Due to the demographic changes underway, also the size and composition of the labor force will change. Like the general population, also the labor force will shrink in size and have a higher median age. Current estimates suggest that the size of the working-age population (aged 15-64) in the European Union (EU) will fall from 336 million in 2010 to 290 million in 2060, equalling a decline from 67% to 56% in the share of the total EU-27 population (European Commission, 2011).

This reduction in the size of the working-age population jeopardizes the sustainability of social security systems, as a relatively smaller number of persons in typical working ages will have to sustain an increasing number of elderly persons. In order to ensure continuing economic growth and to uphold current standards of living, all available labor resources will therefore need to be activated so as to limit the extent of labor shrinkage to the lowest possible degree. Considering the low labor market participation rate of older workers as compared to that of prime-age workers, through raising the employment participation rate of older workers this population group could make a significant contribution to an increased utilization of labor potential. In order to cope with the impacts of demographic change and to retain inter-generation fairness, policy-makers in industrialized countries have therefore increasingly attached importance to older workers staying in employment rather than leaving the labor market early (Canduela et al., 2012). Also international organizations have acknowledged the need for longer working lives, such as the EU with its Lisbon strategy or the

Organisation for Economic Co-operation and Development (OECD) in its 2006 report *Live Longer, Work Longer*.

The European Union has also promoted a new policy approach – social investment – to address the demographic and socio-economic challenges looming on the horizon. "The social investment state seeks to go beyond merely reproducing the existing labour force, in order to come to terms with the problem of worsening dependency ratios that come with an ageing population. Hence, in the social investment paradigm there is a strong emphasis on getting people (back) to work who previously did not work or who were a victim of the labour shedding that came in the wake of deindustrialization" (De Deken, 2012, p.8). Older workers are such a group. The mismatch between skills of older workers and the demands of employers has made older workers an especially vulnerable group on the labor market, which is also mirrored by the fact that they have been disproportionally affected by labor shedding in the course of industrial and organizational restructuring as well as outsourcing (Chiu, Chan, Snape & Redman, 2001; Tatsiramos, 2010). Moreover, negative employer perceptions about older workers' characteristics and capabilities apparently constitute a major barrier to extending working lives. Recent research has shown that employers do not take substantial measures in order to retain and recruit older workers (Van Dalen, Henkens & Schippers, 2009) and that the great majority of managers supports early retirement of their older staff (Henkens, 2005).

Against the background of population ageing and the projected labor and skill shortages in Europe, however, it becomes increasingly important to invest in the employability of older workers and promote their prolonged stay in the labor market. Social investment proposes a great variety of possible instruments to end the exclusion of older workers in order to promote the increased utilization of older workers' labor potential. As such, social investment is not only suited as a preventive approach to be applied mainly with regard to children, the young and prime-age workers, but also comprises great potential with regard to the promotion of older workers' employability. While the social investment literature has extensively dealt with the meaning and impact of social investment for the first three population groups, it has, however, largely neglected linking social investment to employment promotion of older workers. This study wants to close this gap in the literature and aims to illustrate that social investment can also be meaningful to older workers. In accordance with the wider academic literature as well as the age threshold employed by international organizations such as the European Union or the OECD, older workers are defined as all workers aged 50 and over in this study.

At the turn of the millennium, the EU member states belonging to the conservative-corporatist welfare state type were the ones with the lowest employment participation rates of older workers in Europe. As such, they faced particularly high pressure to adapt their national social security systems as well as their approach towards older workers. However, the countries belonging to this welfare state category are generally described as rather ‘immovable’. The question therefore is whether they have remained preoccupied with de-commodification or whether they have started to restructure their welfare systems towards the inclusion of social investment policies. Hence it is of particular interest to investigate which policy changes the conservative-corporatist EU member states have implemented in their national labor market policies between 2000 and mid-2014 so as to increase the labor force participation of older workers, i.e. workers aged 50 to 64, in order to address the problem of worsening dependency ratios and inter-generation fairness. In this context it is of special interest whether the chosen approaches resemble the instruments proposed by social investment. Moreover, it is of interest to identify to what extent the chosen policy approaches differ between the conservative-corporatist countries and whether or not cross-national policy convergence can be detected. Embedded in Europeanization, welfare state and convergence literature, the proposed research therefore aims to answer the following research question:

> *To what extent have the conservative-corporatist EU member states incorporated the social investment perspective in their national labor market policies targeting workers aged 50 years and older between 2000 and mid-2014, and in how far do the chosen policy approaches differ between the countries?*

In order to answer this research question, three individual case studies will be conducted, tracing the policy changes in typical conservative-corporatist member states of the EU, namely Austria, Belgium and Germany, between 2000 and mid-2014. The case studies will allow for an analysis and evaluation of how each individual country has developed during the period under observation, and also enable a comparison of the developments that have taken place in the selected countries between 2000 and mid-2014. In the analysis and evaluation of the policy developments the study will, however, only take into account measures that promote labor market participation of older workers directly. Therefore, changes in family and care policies which could indirectly help older workers to re-enter the labor market by reducing care workloads, e.g. for elderly and frail relatives or for grandchildren, will not be considered. Also measures that are intended to create more sustainable working conditions or to change negative employer perceptions will not be taken into account. Moreover, this study will only measure policy outputs, i.e. the policies actually adopted by the national governments of the case study countries, and not policy outcomes, i.e. the actual effects of the adopted policies. Also there will be no judgment about whether or not the measures taken are suited to address the challenges posed by population ageing.

The next chapter provides the reader with the necessary background on the developments of population ageing and the role that social investment can play in helping to increase the labor market participation of older workers. The third chapter then embeds the research in the academic literature and introduces the relevant concepts for the research – policy diffusion, convergence and path dependency. The fourth chapter presents the methodology applied by this study. Chapters five, six and seven provide an overview of the policy changes that have taken place in the three case study countries – Austria, Belgium and Germany – between 2000 and mid-2014 and show that all three countries have replaced their passive approach towards older workers by introducing social investment instruments. Chapter eight then compares the developments in the three EU countries and illustrates that their employment policies targeting older workers have developed into the same direction. The last chapter concludes and discusses the findings.

2. Background

This research starts from the assumption that population ageing necessitates a change in the policy approach towards older workers and that the social investment policy paradigm constitutes a useful and suitable toolkit to promote the employment prospects of older workers. This chapter aims to provide the reader with all necessary background information on both population ageing and social investment. To this end, the first part of the chapter delineates the factors that drive population ageing and depicts the effects of population ageing for the age structure of the European population as a whole as well as for the European labor market in particular. The second part of the chapter then explains which role social investment can play in addressing the challenges arising from population ageing and how the European Union is promoting this new policy approach.

2.1 The demographic transition as the driver of population ageing

The European population is ageing rapidly. The first effects of this development can already be witnessed in some member states. The full impact of population ageing will, however, only become entirely manifest in the decades to come. Within the next 50 years, the proportions of the population aged 65 years and over will increase considerably, while the share of young and working-age persons will decrease. Until the year 2060, the share of the elderly population (aged 65+) in the EU-27 will almost double, from 17 percent in 2010 to 30 percent in 2060, while the proportion of the oldest old (aged 80+) will nearly triple, from 5 percent in 2010 to 12 percent in 2060 (European Commission, 2011). Over the same period, the size of the working-age population (aged 15-64) will fall from 336 million in 2010 to 290 million in 2060, equaling a decline from 67 to 56 percent in the share of the total EU-27 population (European Commission, 2011). Also the proportion of young persons (aged 0-14) will decline, though only marginally, from 16 percent in 2010 to 14 percent in 2060 (European Commission, 2011). Thus, in the year 2060, almost one third of the population living in the EU-27 will be 65 years and older, and one out of eight Europeans will be even 80 years and older. This means that, in 50 years time, there will be nearly as many people in the age group 80+ as there will be children, while roughly one person of working-age will be responsible for one dependent person either aged 14 years and below or 65 years and over. Such an age composition is unprecedented in human history. Never before has there been an equally high proportion of older people in the population of any civilization.

These changes in the age composition of modern societies are the result of the demographic transition, a process that denotes the gradual shift from high levels of fertility and mortality to (very) low levels of fertility and mortality. While the demographic transition is a global phenomenon, the European countries have reached the most advanced stage in this process. In the course of the demographic transition decreases in mortality have led to substantial increases in the life expectancy of Europeans. While the average life expectancy at birth for males in the EU-27 was 66.9 years in 1960, it has increased to 75.3 years by 2009, equaling a rise of 8.4 years (European Commission, 2011). Over the same period, the average life expectancy at birth for females in the EU-27 has increased from 72.2 years to 81.7 years, equaling a rise of 9.5 years (European Commission, 2011). Even though there have been remarkable differences between EU member states regarding both life expectancy at birth as well as gains in life expectancy at birth between 1960 and 2009, all have witnessed significant increases in life expectancy throughout the second half of the 20th century and also during the first decade of the new millennium (European Commission, 2011). These gains in longevity can mainly be attributed to a considerable enhancement of living conditions due to improvements with respect to food and drinking water supply as well as sanitation, access to (better and better) medical and health care, and technological progress. According to the EUROPOP2010 projection, this trend will continue also in the future. Life expectancy at birth for male Europeans is predicted to increase by 7.9 years over the projection period, to 84.6 years in 2060, while life expectancy at birth for female Europeans is predicted to increase by 6.5 years over the projection period, to 89.1 years in 2060 (European Commission, 2011). Also life expectancy at age 65 is predicted to increase further, by 5.2 years to 22.4 remaining life years for European males and by 4.9 years to 25.6 remaining life years for European females (European Commission, 2011).

Next to significant improvements in mortality rates at all ages, however, Europe has also experienced a sharp decline in fertility in the course of the demographic transition, especially since the end of the post-war baby boom. In 1960, the EU-27 average total fertility rate was 2.7 live births per woman (European Commission, 2011). Since the end of the 1960s, however, the average total fertility rate began to decline and fell continuously until it reached an all-time low of less than 1.5 live births per woman in the early 2000s (European Commission, 2011). Even though a very modest increase has been observed in the following years – in 2009, the EU-27 average total fertility rate increased to

1.59 live births per woman (European Commission, 2011) – total fertility remained far below the natural replacement level of 2.1 live births per woman at the end of the first decade of the new millennium. Numerous reasons can be identified to account for this extreme fall in birth rates, amongst which access to contraception; female emancipation; the wish for self-fulfillment of both women and men; a tendency towards non-durable relationships; problems to reconcile work and family life; an increase in the necessary parental investments in their offspring, most notably with regard to educational expenses; and, related to this, a preference of younger age groups for materialistic values. According to the EUROPOP2010 projections, the total fertility rate is predicted to remain well below the natural replacement level also in the coming decades, with a projected increase to 1.71 live births per women until the year 2060 (European Commission, 2011).

Demographic developments in the European Union are, of course, heterogeneous and developments within the member states deviate from the general picture that has been painted above. Changes in fertility and mortality have differed between the EU countries in the past and will continue to do so in the future. Therefore, the timing and speed of population ageing varies between the member states. Yet, despite varying ageing patterns, all countries will experience significant population ageing throughout the decades to come. With fertility being projected to stagnate well below the natural replacement level while further increases in life expectancy can reasonably be expected, it will, however, be mortality that becomes the main driver of future population ageing in the European Union. The increase in the proportion of elderly will, eventually, also find its expression in the modified shape of the population pyramid. Its triangular form will undergo a rectangularization and be replaced by a more cylinder-like structure in the future.

2.2 Effects of population ageing on European labor supply and economic growth

These changes in the composition of the total population will have a severe impact upon the European labor market. Due to the demographic changes underway, the size and composition of the labor force will change significantly in the decades to come. Like the overall population, the labor force will shrink in size and gain a higher median age. While the share of the elderly population (aged 65+) in the EU-27 will almost double from 17 percent in 2010 to 30 percent in 2060, the share of the working-age population (aged 15-64) in the EU-27 will decline from 67 percent to 56 percent over the same period, i.e. it will fall from 336 million in 2010 to 290 million in 2060 (European Commission, 2011). As a result of the shrinking working-age population and the growing number of retired persons, the old age dependency ratio is projected to more than double from 26.8 in 2012 to 52.6 in 2060 in the EU-27 (European Commission, 2013). Thus, while currently there are about four persons of working age to support one person aged 65 and over, in the year 2060 there will be only about two persons of working age to support one elderly person. The pressure on the working-age population, the net contributors to the social security systems, will thus increase significantly, since a notably smaller labor force will need to sustain a growing number of elderly for a longer period of time.

This problem is aggravated by increasingly shortened working lives, which are a result of longer periods spent in education and training prior to but also during the professional life as well as an untimely withdrawal from the labor force due to the institutionalization of early retirement practices in many countries (Cooke, 2006). Firstly, the young tend enter the labor market at a much higher age than they used to several decades ago. Although statistically the working-age population is said to comprise all those aged 15 to 64 years old, only few adolescents enter the labor market at such a young age. Many, on the contrary, do not join the workforce before they are in their early or mid-20s as a result of extending periods of education and increasing numbers of students enrolling for higher education. As a result, entrants are much older when they join the workforce for the first time. Secondly, as life courses have become much less static, workers devote an increasing amount of time during their professional life to occupational training or re-training, which shortens the amount of active working years even further. Moreover, it becomes ever more common to take a sabbatical for reasons of self-actualization. Thirdly, between the 1970s and the turn of the millennium, the effective retirement age has decreased substantially throughout the Europe (Avramov, 2003; OECD, 2006). Older workers have left the labor market increasingly early to retire at a comparatively young age, at an estimated 59.9 years on average in the EU-27 in the year 2001 (Eurostat, 2014a). The continued fall in labor market participation rates among older workers presents a major problem, as it increases the pressure on the shrinking working population even more. In the year 2000, the total employment rate of older workers (aged 55 -64) in the EU-27 amounted to 36.9 percent, as compared to 66.6 percent in the age group 20 to 64 (Eurostat, 2014b).

The described shifts in the European labor supply will markedly influence growth of GDP in the future. By definition, growth of output, i.e. GDP growth (Δy), can be proxied by the sum of percentage changes of labor productivity per hours worked (Δp), the number of hours worked per worker (Δh), the employment rate (Δe), the labor force participation rate (Δlfp), the share of the working age population in the total population (Δn_{WA}) and the total population (Δn):

$$\Delta y = \Delta p + \Delta h + \Delta e + \Delta lfp + \Delta n_{WA} + \Delta n$$

(Leibfritz & Roeger, 2008). It follows from this that GDP growth can be affected either by changes in the growth of labor supply or the growth of labor productivity or both. Growth of GDP is reduced, (a) if growth of labor supply (as defined by the total number of hours worked) declines or becomes negative and growth of labor productivity does not increase accordingly, (b) if growth of labour productivity (as defined by the sum of capital deepening and multi-factor productivity growth) declines, or (c) if growth of labor supply and growth of labor productivity are both adversely affected (Leibfritz & Roeger, 2008).

As has been pointed out above, the size of the working-age population (aged 15-64) in the EU-27 is projected to fall by about 46 million workers between 2010 and 2060 as a result of population ageing. This reduction in labor supply will almost certainly reduce GDP growth, although it is difficult to project how much exactly. Moreover, ageing workforces are generally associated with declining productivity (Skirrbekk, 2004, 2008). Negative GDP growth, in turn, will place substantial pressures on public finances and lead to a decline in prosperity. This development can, however, be counterbalanced by increasing both the utilization of labor potential and the growth of labor productivity (see for example Börsch-Supan, 2003; Leibfritz & Roeger,2008; Schoenmaeckers, 2005a, 2005b). Older workers can play an important role in this process. Through raising the employment participation rate of older workers, this age group can make a significant contribution to an increased utilization of labor potential. In order to enhance the productivity of older workers, human capital development will need to be promoted through increased investments in training activities. Lifelong learning is especially relevant for older age groups, whose skills have often become that obsolete or dated throughout their career and therefore need to be replaced by up to date knowledge to make sure that workers remain competitive and can carry out their work as efficiently and effective as possible.

As has been pointed out by the OECD in their 2006 report *Live Longer, Work Longer* (p.24), “[i]f older workers could be encouraged to remain in work longer, this could result in a triple dividend: it would boost labour force growth and help offset the negative impact of population ageing on economic growth; it would improve public finances through reduced public expenditures associated with early retirement while increasing tax revenues; and it would also help employers by smoothing the pace at which they will have to replace retiring workers with new entrants”. In addition, if measures are implemented to ensure the sustained productivity of workers over the life course, and thus also beyond age 50, an older labor force and longer working lives need not imply less productive workers (see for example Schaie & Willis, 1986 a, 1986b; Ball et al., 2002).

2.3 Consequences for policy-making towards older workers

All over Europe, the rising social security costs as well as the projected labor and skill shortages evoke concerns about the sustainability of the social security systems, and fears that the projected demographic shifts will lead to a collapse of the existing welfare systems. People are afraid that after many years of hard work it will be difficult for them to get their pensions paid out, to receive adequate medical care or to have access to satisfactory geriatric care when they are no longer able to care for themselves due to old age. The younger generation additionally worries about unbearable taxes and social contributions, intended to support the growing number of elderly people. In the future, the escalating redistribution of resources across the generations might evolve into a source for serious intergenerational conflicts.

If ageing societies are to continue to prosper despite rapid population ageing, urgent policy action is required. In order to meet the challenges ahead, it will be of major importance for European countries to realign their economic policies, labor market and employment policies, social policies and (public) investments in such a way, that growth of labor utilization and labor productivity will be maximized in the future. The development of GDP growth in the coming decades will therefore depend especially on how policy-makers will respond to the challenges posed by population ageing. Amongst others, these policy adaptations will need to comprise a changed approach towards older workers. Policy-makers will need end the under-use of the younger old by devising effective activation measures and services. In the context of population ageing, longer working lives will become necessary to counterbalance the shrinkage of the labor force. European countries will therefore have to say goodbye to their 'age culture' and start to view older workers and their experience as an asset. In the year 2000, the European Union contributed to this paradigm shift with the introduction of the Lisbon Strategy, a policy strategy that was truly inspired by social investment.

2.4 Social investment – an emerging paradigm

The social investment perspective was developed as from the mid-1990s in response to the fundamentally changed socio-economic order of industrialized countries. Its principles and instruments are designed so as to sustain the adaptation of the post-war welfare state to the new economy of the post-industrialized era. To put it more elaborate, social investment pursues "the dual ambition of i) modernizing the welfare state, so that it would better address the new social risks and needs structure of contemporary societies; and ii) ensuring the financial and political sustainability of the welfare state, while upholding a different, knowledge-based, economy" (Vandenbroucke, Hemerijck & Palier, 2011, p.5). Central to the thinking of social investment is the belief that the dual goals of equality and efficiency can be reconciled. In this regard social policy is considered as a pre-condition for economic growth and job creation, and thus viewed as a productive factor in itself. This 'productive social policy' rationale is underpinned by an emphasis on policies developed to 'prepare' individuals, families and even society as a whole to adapt to transformations such as the emergence of new social risks, changing life and career patterns, altered employment conditions, globalization, ageing and climate change, rather than developing 'repairing' mechanisms that provide for passive income maintenance once a risk has occurred. Accordingly, key instruments of social investment are "policies that both invest in human capital development (early childhood education and care, education and lifelong training) and that help to make efficient use of human capital (through policies supporting women's and lone parents' employment, through active labour market policies, but also through specific forms of labour market regulation and social protection institutions that promote flexible security), while fostering greater social inclusion (notably by facilitating access to the labour market for groups that have traditionally been excluded)" (Morel, Palier & Palme, 2012, p.2).

Social investment is often equated with the Third Way, which has originated in the United Kingdom in the 1990s. However, an important difference distinguishes the two approaches. As has been pointed out by Esping-Andersen et al. (2002, p.5), the Third Way "has a tendency to believe that activation may *substitute* for conventional income maintenance guarantees. This may be regarded as naïve optimism but, worse, it may also be counterproductive. … [T]he minimization of poverty and income insecurity is a *precondition* for an effective social investment strategy". Accordingly, social protection and social promotion are not mutually exclusive according to social investment but rather complementary. Moreover, social investment shares a number of commonalities with Keynesianism as well as neo-liberalism, but also differs significantly from these two policy paradigms. With regard to the first, social investment has renewed the Keynesian notion that equity and efficiency can be reconciled. As such, both paradigms acknowledge the positive role that social policy can play and assign a key role to the state as promoter of social protection and economic stability in times of recession. However, while Keynesian social policies are passive, social investment frames social policies in more active terms. They are meant to enable persons to participate in the labor market rather than simply providing for income compensation during times of unemployment. Social investment therefore envisages the state as an empowering actor, who, on the one hand, promotes the development of the human capital of its citizens by providing for education and training and who, on the other hand, offers the services and benefits that support the use of this human capital or prevent its depletion. As such, social investment embraces a life-cycle approach differs from Keynesianism in its future-oriented time frame.

With neo-liberalism social investment shares the focus on activation as well as the orientation towards. However, while neo-liberalism rather embraces the workfare approach focusing on negative economic incentives to activate unemployed persons, social investment places emphasis on the use of positive economic incentives to (re-)integrate workers without a job into the labor market. Indeed, the neo-liberal attitude that it does not matter which post a job-seeker accepts, as long as (s)he is activated and does no longer rely on social benefits, is countered by the social investment approach of investing into citizens in order to enable them to earn a decent living by performing a ‘quality job’. This clearly illustrates the neo-liberal approach that inequalities are a necessary motivator, as opposed to the conviction of social investment proponents that equity and efficiency can very well be combined. Furthermore, while neo-liberalism promotes activation so as to spare the public budget in order to prevent burdening future generations with bad debts, social investment expects today’s investment to yield returns in the future. Thus, both social investment and neo-liberalism build on a future-oriented time frame, yet, while social investment focuses on investments neo-liberalism advocates budgetary rigor.[1]

2.5 Social investment and older workers

Older workers have become increasingly marginalized on the labor market throughout the last decades. Against the background of population ageing and the projected labor and skill shortages in Europe, however, it becomes increasingly important to invest in the employability of older workers and promote their prolonged stay in the labor market. Social investment proposes a great variety of instruments to end the exclusion of older workers and mobilize their productive potential by supporting the use of their human capital, fostering its further development or at least preventing its depletion. By these means social investment promotes the increased utilization of the labor potential of older workers and ensures the sustained productivity of older age cohorts. First of all, investments into further education and training, including both on-the-job as well as off-the-job training, serve as a means for the development of the human capital of older workers. Lifelong learning is especially relevant for the increase of the employability of older workers, as this age group tends to possess a lower educational attainment than younger cohorts of workers. In addition, due to their long careers and the introduction of new technologies, the skills of older workers are more likely to become dated or even completely obsolete and therefore need to be replaced by up-to-date knowledge and skills.

Secondly, social investments seeks to make use of existing human capital of older workers and to prevent its depletion by replacing passive income maintenance schemes, such as early retirement pensions or unemployment benefits linked to job search exemptions, with providing financial incentives in the form of in-work benefits and tax breaks. The prospect of pension bonuses functions as extra motivation to encourage older workers to remain economically active even after qualifying for a retirement pension. In order to stimulate the employment of older workers, financial incentives can additionally be granted to employers in the form of wage subsidies. Thirdly, social investment

[1] The comparison between social investment on the one hand and Keynesianism as well as neo-liberalism on the other presented in this section is based on Morel, Palier and Palme (2012), Hemerijk (2012), and Jenson (2012). Please refer to these texts for a more detailed comparison.

advocates increasing counseling activities in order to promote placement. By providing additional support to older workers, the duration of job search periods can be minimized and re-employment prospects be enhanced. Fourthly, social investment also aims to facilitate access to the labor market by improving the general conditions, i.e. by investing in the extension of public services such as daycare facilities for children or care facilities for the old and frail. This enables older workers to participate in the labor market instead of having to stay at home in order to care for the grandchildren or relatives who are no longer able to care for themselves due to old-age or disabilities. Finally, social investment intends to prevent depletion of human capital by providing older workers with the possibility to participate in job-creation schemes in the public sector.

2.6 The European Union as promoter of social investment

Social investment has significantly inspired the Lisbon strategy, which the European Union has committed itself to in the year 2000 "to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (Council of the European Union, 2000). Exactly how much influence the social investment perspective has had on the Lisbon strategy becomes clear once one compares the goals, principles and instruments of the social investment perspective to those of the Lisbon strategy. In Lisbon the European leaders agreed that "the time is right to undertake both economic and social reforms as part of a positive strategy which combines competitiveness and social cohesion" (Council of the European Union, 2000). In doing so, they placed special emphasis on Europe's social dimension, pointing out that "[t]he European social model, with its developed systems of social protection, must underpin the transformation to the knowledge economy" (Council of the European Union, 2000). Thus, like the social investment perspective, the Lisbon strategy emphasizes the positive role that social policy can play to foster the adaptation of EU member states to the knowledge-based economy of the post-industrialized era, to stimulate economic growth and competitiveness and to encourage the creation of new jobs, while promoting social cohesion at the same time. Both embrace the notion of social policy as a productive factor.

Next to this shared notion of the relation between social policy and the economy, the Lisbon strategy also borrows from the social investment perspective when it comes to the instruments to implement its ambitious targets. In this context, Europe's leaders noted that "[p]eople are Europe's main asset and should be the focal point of the Union's policies. Investing in people and developing an active and dynamic welfare state will be crucial both to Europe's place in the knowledge economy and for ensuring that the emergence of this new economy does not compound the existing social problems of unemployment, social exclusion and poverty" (Council of the European Union, 2000). Such policies that invest in human capital and its use, support the development of social services that facilitate access to the labor market and encourage initiatives to advance social inclusion resemble the key instruments proposed by the social investment perspective.

Finally, the Lisbon strategy shares a number of key principles with the social investment perspective. One is a focus on the creation of quality jobs. For workers to be able to accept such jobs and to live and work in the knowledge economy, it will however be necessary to improve their employability and reduce skills shortages. The Lisbon strategy therefore emphasizes the importance of improving Europe's education and training systems, investing in research and development and promoting lifelong learning. A second shared principle is social inclusion. In 2000, Europe's leaders stated that "[t]he number of people living below the poverty line and in social exclusion in the Union is unacceptable" and that "[s]teps must be taken to make a decisive impact on the eradication of poverty" (Council of the European Union, 2000). In line with social investment's proposition to foster social inclusion first and foremost by facilitating access to the labor market for those groups that have traditionally been excluded, the Lisbon strategy has set two specific targets, namely to achieve – by 2010 – a female employment rate of over 60 percent and an employment rate of older workers of 50 percent.

Also Europe 2020, the successor of the Lisbon strategy which sets out the European Union's growth strategy until the year 2020, builds profoundly on the ideas of the social investment perspective. Europe 2020 is "a strategy to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion" (European Commission, 2010, p.10). To achieve this, the strategy focuses on five key targets in the areas of employment, innovation, education, poverty and social exclusion, as well as climate change and energy sustainability. Many of the Europe 2020 targets are closely related to the objectives that have already been formulated in the Lisbon strategy, and like the Lisbon goals they address the challenges that are at the center of attention of the social investment perspective, too. Similar to the Lisbon strategy, also Europe 2020 shares with the social investment perspective such key principles as quality jobs and social inclusion. Just as its predecessor, Europe 2020 places emphasis on improving the quality of education and training, promoting lifelong learning, and strengthening research and innovation as well as the transfer of knowledge throughout the Union in order to create economic growth and high quality jobs. In addition, also Europe 2020 aims to foster social inclusion and reduce poverty by increasing the employment participation rate of women, older workers and migrants in the labor market. In the year 2013, the European Commission has launched the so-called 'Social Investment Package', which provides guidance in order to help member states reach the Europe2020 targets.

The principal tool to achieve the goals of the Lisbon strategy became the open method of coordination (OMC). This intergovernmental method of governance aims to reach commonly identified goals by means of legally non-binding soft law measures such as jointly identified indicators and guidelines; recommendations; benchmarking, mutual learning and the sharing of best practice. The OMC is organized as a peer review system in which the member states evaluate one another. It thus has a built-in competition element, which is meant to create peer pressure and the willingness to perform, but also provides the possibility to learn from those countries that perform best and thereby achieve greater convergence towards the agreed goals. In the first instance the OMC was actually developed as a governance mechanism to improve the coordination of the national employment policies of the member states at the end of the 1990s in connection with the adoption of the European Employment Strategy (EES), and was institutionalized only at the Lisbon summit in 2000. As EU member states are still mainly responsible for their own labor market policies, the open method of coordination constitutes a particularly suitable means to diffuse policy ideas from the European level to the national level of the member states and to advance convergence towards common European goals in this policy field. Article 148 TFEU describes in detail the procedure that actors need to adhere to in the field of employment policy.

Also Europe 2020 builds on the strong coordination of national policies, especially in the economic sphere. “The ‘European semester’ is the time of the year when the Member States coordinate their economic policies and work on the implementation of the Europe 2020 strategy. The European semester ensures that EU countries publicly inform about their macroeconomic, structural and employment policy plans, so that they can learn from each other and detect problems in advance” (European Union, 2013, p.6). In so doing, the member states still mainly follow the procedure outlined in Article 148 TFEU.

3. Theory

The previous chapter has shown that the European Union has embraced the goals, principles and instruments of the social investment perspective as a sort of ‘best practice’ to tackle the socio-economic problems that became apparent at the end of the 20^{th} century, and that it has promoted social investment by means of the the Lisbon strategy and later through Europe 2020 and the Social Investment Package. This chapter links the EU’s promotion of social investment to the theoretical framework on which the study builds. To this end, the reader is introduced to a number of key concepts and comes to know how these concepts are used in this study to explain the policy developments in the European Union.

3.1 Theoretical framework and key concepts

The social investment perspective has been diffused across the European Union through the Lisbon strategy, Europe 2020, and the newly adopted European Commission's social investment package. Policy diffusion "is generally defined as the socially mediated spread of policies across and within political systems, including communication and influence processes which operate both on and within populations of adopters" (Knill, 2005, p. 766 referring to Rogers, 1995). Diffusion processes can possibly, but need not necessarily, result in increasing policy similarities across countries over time, i.e. cross-national policy convergence. In the context of this study, the narrow definition of diffusion will be applied, which restricts application of the concept to only those situations in which innovations are spread through communication and are adopted on a completely voluntary basis as opposed to processes that involve legal obligation or imposition.

Holzinger & Knill (2005) have identified four related causal mechanisms that can be subsumed under the term 'transnational communication' and whose operation is solely based on communication: lesson-drawing, transnational problem-solving, emulation and the transnational promotion of policy models. Of these four transnational communication mechanisms, the last one is particularly relevant in the context of the Europeanization of national labor market policies. Transnational policy promotion refers to processes where international organizations, non-governmental organizations (NGO's) and transnational interest organizations stimulate the spread of specific policy ideas, models and approaches and encourage national governments to adopt policy models which they judge to bear particularly good prospects (see Holzinger & Knill, 2005). Such models are usually advanced "by non-binding international agreements or propositions on broad goals and standards that national policies should aim to achieve, institutionalized peer review and identification of best practice (benchmarking) as well as the construction of league tables ranking national policies in terms of performance to previously agreed criteria" (Holzinger & Knill, 2005, p.785 referring to Humphreys, 2002 and Tews, 2002). That way transnational policy promotion puts pressure on national governments to adopt the recommended policy approach and to legitimate deviations from the 'prescribed standard'. If countries respond to this stimulus of legitimacy pressure by adopting the recommended policy model, transnational policy promotion leads to convergence (Holzinger & Knill, 2005).

Applying this to the context of the proposed study, it appears that the European Union has embraced the social investment perspective as the promising policy model which it then has diffused by means of the non-binding Lisbon strategy and Europe 2020. Both strategies contain numerous ambitious goals which are to be achieved by the open method of coordination, which strongly builds on peer review, benchmarking and naming and shaming to put pressure on the member states to perform.

Transnational policy promotion can thus be identified as an important diffusion mechanism of the social investment perspective in the EU. If the stimulus of legitimacy pressure has actually resulted in the adoption of social investment policy reforms, cross-national policy convergence can be reasonably expected to have occurred.

The effectiveness of the causal mechanism as such as well as the speed and degree of policy convergence can be affected by so-called facilitating factors (Holzinger et al., 2007, p.24f). In the literature two groups of facilitating factors are distinguished. The first group of facilitating factors refers to the characteristics of the respective policies. It is assumed that both the type of policy as well as the different policy dimensions can affect the likelihood of policy convergence (see for a detailed discussion Holzinger et al., 2007; Knill, 2005). The facilitating factors belonging to the second group refer to the degree of similarity which characterizes the various countries under investigation. In this respect, it is argued that cross-national policy transfer is more likely to occur between countries that are characterized by high institutional similarity, share similarities in socioeconomic structures and development, are typified by cultural similarity, and that are found in close geographical proximity to each other (see for a detailed discussion Holzinger et al., 2007). With these facilitating factors in mind, Holzinger and Knill (2005) have formulated a number of expectations concerning the degree of policy convergence that can be anticipated when transnational communication mechanisms are at work. They state, that

> "we can expect the degree of convergence to vary with two conditions: first, convergence depends on the specification of the model to be adopted. The broader its definition, the lower are potential costs of adjustment, given the high discretion for domestic application. Second, convergence will be higher among states that share similar policy legacies (e.g. welfare state traditions) and therefore face lower costs of adjustment when borrowing policy models from each other. This means that transnational communication will have stronger convergence effects among states that are already relatively similar in terms of existing institutional structures than among states that are characterized by highly different arrangements" (Holzinger & Knill, 2005, p.791).

Given the workings of the causal mechanism and the facilitating factors, it is reasonable to expect that the promotion of social investment by the European Union has led to a Europeanization of national labor market policies of the conservative-corporatist member states, i.e. that the European Union has influenced the national politics and policies of its member states in such a way that these countries have adopted social investment policies. On the one hand, this expectation is reasonable, because the promotion of social investment by the EU does not entail any legally binding or coercive elements, as a result of which countries are given sufficient leeway regarding the domestic implementation of such policies. Provided with such room to maneuver, countries might have eventually responded to the pressure to adopt the promoted policy model. The more countries have responded to the pressure, the higher the degree of convergence will be. On the other hand, the aforementioned expectation is reasonable, because the conservative-corporatist countries form one welfare regime and are therefore rather similar in terms of their institutional and socioeconomic structures and development as well as in their cultural background. Cross-national policy convergence is therefore especially likely between these countries.

The idea of welfare regimes differing on the level and degree of policy change has also been addressed by Armingeon (2007). He has disentangled four reasons which help to explain why different welfare regimes differ on the level and degree of change to active labor market policies (ALMPs), which actually form an important cornerstone of social investment policy instruments. These four reasons are (1) a regime-specific predisposition, (2) budget constraints, (3) learning effects, and (4) path dependence. Concerning the first reason, Armingeon (2007, p.914) argues that the specific logics inherent to every welfare regime give preference to different patterns of economic and social policies:

> "Liberal welfare state regimes are averse to intervention in the economy. In these countries we expect much less ALMP than in the Nordic or Continental European countries. ALMP originated in Finland and Scandinavia. There they have been integrated into an encompassing welfare state which attempts to bring about significant redistribution. On the European continent, governments feel less inhibited about intervening in the economy than is the case in the Anglo-Saxon countries. These Continental governments do not favour redistributive strategies between social groups to the extent seen in the Nordic countries".

These regime-specific preferences for certain policy styles are considered as one factor that could explain the different adoption and expansion patterns for ALMPs in the various welfare regimes. Regarding the second reason, Armingeon suggests that the point in time at which countries initially choose to adopt ALMPs crucially affects the level of ALMPs at a later date. He points out that while the Nordic countries have introduced ALMPs at a time when the welfare state was still expanding, and that ever since ALMPs could actively compete for resources with other spending categories, ALMPs became prominent in many other European countries only when the welfare state already faced serious budgetary pressures. This made the introduction and expansion of ALMPs more difficult, because it would have required a remarkable redistribution from the more traditional schemes. Armingeon (2007, p.914) therefore expresses the expectation "that ALMP expenditures increase more strongly in the Nordic welfare states where early introduction of activation strategies and the containment of traditional schemes created more favourable conditions for increasing ALMP spending".

With reference to the third reason, Armingeon anticipates similar levels of and similar changes to ALMPs within a welfare state regime as a result of learning processes between countries belonging to that regime type. Armingeon (2007, p.914) highlights that "[s]ocial and labour market policies may be caused not only by common political, institutional, cultural and historical factors, but also by the higher creditability of similar political systems when looking for role models in policy development". Finally, Armingeon refers to path dependence as a fourth reason that might affect countries' ALMP adoption patterns. Commonly, path dependence denotes the causal relevance of previous events in a sequence of events, or, to put it differently, the fact that 'history matters':

> "In general, policies and policy outcomes are the result of successive different combinations of ideas, interests, and institutions, whereby each combination prestructures new combinations at a later point of this nation's history in a path dependent way. This is what makes each nation have its specific history. Because much of the policy substance, form, and outcome is linked to national cultures and institutions which are strongly rooted in history, they will be rather persistent over time" (Unger & Van Waarden, 1995, p.1).

In the narrower conception of path dependence, history does not only matter, but also determines the direction into which future policies will be developed. Such developments, in which preceding events predefine further movements into the same direction, can also be characterized as self-reinforcing or positive feedback processes (Pierson, 2000, p.252). In any case, whether one adheres to the broader or the narrower conception, path dependence always involves a certain lock-in effect which makes it difficult to radically change an existing status quo. Returning to Armingeon's fourth reason helping to explain why welfare regimes differ on the level and degree of change to ALMPs, in the light of path dependence he does, quite logically, "not expect frequent short-term changes of programme structures … [but rather that]… countries follow a given course, and policy changes take the form of small or greater deviations from this course" (Armingeon, 2007, p.914).

Contrary to the expectation developed above – that the promotion of the social investment perspective by the European Union has led to a Europeanization of national labor market policies of the conservative-corporatist member states – it seems thus equally likely that the adoption and implementation of social investment policy instruments and the related shift away from de-commodification will be rather limited, i.e. that countries have chosen to keep following their own path, due to their regime-specific predisposition, their serious budgetary constraints and the influence of path dependence on the development of new policies.

3.2 Hypotheses

As has already been mentioned, it is one goal of the proposed study to investigate which policy changes EU member states have implemented in their national labor market policies so as to increase the labor force participation of older workers, and especially whether the chosen approaches resemble the instruments proposed by social investment. On this, the following two contradictory hypotheses can be derived from the above theoretical considerations, which will be tested in this study:

H1: The promotion of social investment by the European Union has led to a Europeanization of national labor market policies of the conservative-corporatist member states, i.e. that national governments have adopted policies that reflect the goals, principles and means of social investment.

H2: The promotion of social investment by the European Union has not led to a Europeanization of national labor market policies of the conservative-corporatist member states, i.e. national governments have acted in a path-dependent manner.

Put differently, a general trend towards the increased use of social investment policy instruments can be expected as the likely result of the promotion of the social investment perspective by the European Union (H1). This hypothesis builds on the concept of policy diffusion and the operation of the causal mechanism 'transnational policy promotion', which can reasonably be expected to lead to policy convergence. However, taking into account the regime-specific predisposition of the countries under observation, their serious budgetary constraints and the influence of path dependence on the development of new policies, it is also reasonable to expect that the adoption and implementation of social investment policy instruments and the related shift away from de-commodification will be rather limited, i.e. that countries will choose to keep following their own path (H2). Taking into account the relevant literature, both expectations are equally likely. The empirical part of the proposed study will investigate which of the two hypotheses is more in line with the reality.

It is the second goal of this study to identify to what extent the chosen policy approaches differ between the member states, and especially whether cross-national policy convergence can be detected for the countries under observation. In this regard, it can be expected that the similar problems faced by the conservative-corporatist welfare states have been addressed in a similar way due to the high institutional similarity of the countries under observation:

H3: Due to the institutional similarity of the member states belonging to the conservative-corporatist welfare regime, it is expected that cross-national policy convergence can be detected with regard to the policy instruments employed to increase the labor market participation of older workers by the various countries under observation.

4. Methodology

In order to answer the research question and to test the above-mentioned hypotheses, this study uses a multiple, longitudinal, most-similar case study design. Three individual case studies will be conducted, with each tracing the policy changes in one of the selected conservative-corporatist member states of the EU, namely Austria, Belgium and Germany, between 2000 and mid-2014. The case studies will allow for an analysis and evaluation of how each individual country has developed during the period under observation, and also enable a comparison of the developments that have taken place in the selected countries between 2000 and mid-2014. It is the aim of this chapter to describe in detail the methodology that is applied in this research.

4.1 Sample

The population for the proposed study comprises all conservative-corporatist EU member states. Austria, Germany, Belgium and France are generally recognized as representatives of the conservative-corporatist welfare regime (Bonoli, 1997; Esping-Andersen, 1990; Ferrera, 1996; Korpi & Palme, 1998; Siaroff, 1994). Table 1 displays the employment rate for older workers aged 55-64 in the years 2000 and 2013. In the year 2000 the employment rates of all conservative-corporatist member states fell significantly short of the target rate of 50 percent that was set one year later by the Stockholm Council. Moreover, with the exception of Germany, the employment rates of all conservative-corporatist countries lay also considerably below the average of the combined average of EU-15 and candidate countries in 2000 (indicated as EU-27 in Table 1). In order to reach the Stockholm target, all four conservative-corporatist member states thus had a major catching-up process ahead of them. It can reasonably be expected that they felt much pressure to perform and to adopt measures to increase their respective employment rates of older workers. The stimulus of legitimacy pressure can be expected to have led to the adoption of the internationally recommended social investment policy instruments. These countries are therefore especially suited to test H1 and H2.

Table 1. Employment rates of workers aged 55 – 64 compared (%)

Year / Country	2000	2013	Δ 2000-2013
Belgium	26.3	41.7	+ 15.4
Austria	28.8	44.9	+ 16.1
France	29.9	45.6	+ 15.7
Germany	37.6	63.5	+ 25.9
EU-27	36.9	50.3	+ 13.4

Source: Eurostat (2014b)

For reasons of limited time and space, and because a qualitative approach has been chosen, it will however be unfeasible to deal in the necessary depth with all countries in the research. The circumstances therefore necessitate the selection of a number of cases from the study population. Of the four countries, Belgium and Austria have been selected because they faced the most pressure to perform, as they had the lowest employment rates of older workers in 2000. Germany has been selected because it is the only of the six countries that has reached the Stockholm target in 2013. The study sample thus comprises three countries – Belgium, Austria and Germany.

4.2 Method

The research will be carried out in two stages. In a first stage, three case studies will be conducted. At the beginning of each case study, a short summary will provide an overview of the respective national policies and the level of social investment instruments already in place. This level can be established by analyzing which of the social investment policy instruments mentioned in Table 2 are already implemented at the beginning of the year 2000, prior to the adoption of the Lisbon strategy. Each case study will then describe the developments that have taken place in the field of labor market policies targeting older workers in one of the three selected EU member states between 2000 and mid-2014. Afterwards an analysis will point out which of the implemented policy measures resemble instruments of the social investment perspective. Again, this can be accomplished by comparing the implemented policies with the social investment policy instruments in Table 2. It will then be possible to evaluate to what extent each of the three selected conservative-corporatist EU member states has incorporated the social investment perspective in their national labor market policies targeting workers aged 50 years and older between 2000 and mid-2014. At this stage, it will be especially interesting whether the observed countries' distance towards the recommended social investment policy model has changed between 2000 and mid-2014, i.e. whether δ-convergence can be detected. In a second stage, the findings of the three case studies will be compared with each other. Here it will be of particular interest whether the policies of the countries under observation have become more similar to each other between 2000 and mid-2014, i.e. whether σ-convergence can be measured.

For data, the study mainly relies on the National Action Plans and National Reform Programs of the three selected member states. In addition, it also relies on information published on the websites of the respective countries' Ministry of Labor as well as the public employment service.

Moreover, OECD policy reports will be used to complement these data sources. Finally, also relevant articles published in academic journals will be employed.

4.3 Operationalization

Dependent variable. The dependent variable of this study is *social investment policy reform*, i.e. the extent to which the conservative-corporatist EU countries have incorporated social investment policies in their national labor market policies targeting workers aged 50 years and older between 2000 and mid-2014. Based on the definition of social investment provided above, only those labor market policy initiatives will count as *social investment policy reform* that promote the investment in human capital development and the use of human capital, and as such also foster social inclusion. This operationalization explicitly excludes policies that aim to achieve activation by means of essentially negative incentives, such as benefit conditionality and sanctions, which find application in the workfare approach mainly employed in the United Kingdom and the Unites States. Moreover, this study will only measure policy outputs, i.e. the policies actually adopted by the national governments of the selected EU member states, and not policy outcomes, i.e. the actual effects of the adopted policies (see Holzinger & Knill, 2005, p. 776).

The specific policy instruments that count as *social investment policy reform* can be found in Table 2. Table 2 is a hybrid that has been developed building on Bonoli (2009), Bonoli (2010) and De Deken (2012).

Independent variable. The independent variable of this study is *international policy promotion*. This variable measures the number of policy goals, principles and instruments of the social investment perspective as promoted by the European Union in its Lisbon strategy, the Europe 2020 strategy and the European Social Investment Package.

Measurement of convergence. Policy convergence is defined "as any increase in the similarity between one or more characteristics of a certain policy (e.g. policy objectives, policy instruments, policy settings) across a given set of political jurisdictions (supranational institutions, states, regions, local authorities) over a given period of time" Knill (2005, p.768). In order to be able to empirically assess and evaluate such similarity changes, Holzinger and Knill (2005) suggest the use of three indicators: (1) degree of convergence, (2) direction of convergence, and (3) scope of convergence. The first two indicators are useful to be employed also in the proposed study, because they are especially suited to test the convergence patters that are addressed in the general research question. With regard to the direction of convergence, it is of particular interest whether the observed countries' distance towards the recommended social investment policy model has changed. This change in similarity can be measured with δ-convergence. We speak of δ-convergence when the similarity with a certain policy model, in this case thus the social investment policy model, actually increases. Consequently, if the independent variable leads to an increased social investment policy

Table 2. Labor market policy approaches and their respective policy instruments

<table>
<tr><th></th><th>De-commodification = Protection</th><th colspan="5">Social investment</th><th>Re-commodification = Workfare</th></tr>
<tr><td>Goals</td><td>Job and income protection</td><td colspan="5">Activation</td><td>Activation</td></tr>
<tr><td>General means</td><td>Strong dismissal protection and compensatory policies: material compensation for exit of labor market participants through passive benefits</td><td colspan="5">Investment in human capital development and use; Social inclusion</td><td>Welfare to work policies: Use of essentially negative incentives, esp. benefit conditionality and sanctions, to enforce work requirements</td></tr>
<tr><td rowspan="2">Instruments</td><td rowspan="2">Employment protection;
Old Age Pensions;
Early Retirement;
Unemployment Assistance;
Social Assistance;
Incapacity Benefits ;
Survivor Pensions</td><td>Prevention of early withdrawal / promotion of late exit</td><td>Maintaining or restoring the capacity of labor market participants by keeping them occupied</td><td>Upskilling</td><td>Facilitating re-integration into the labor market</td><td>Financial incentives to enter an employment relationship</td><td rowspan="2">Time limits on recipiency;
Benefit reductions;
Benefit conditionality</td></tr>
<tr><td>Restriction of access to early retirement programs;
Postponement bonus</td><td>Job creation schemes in the public sector;
Non-employment related training programs</td><td>Full vocational training;
Employment-related training programs</td><td>Counseling;
Job search programs;
Placement services</td><td>Tax credits;
Wage subsidies;
In-work benefits;</td></tr>
</table>

effort in the field of labor market policies targeting older workers, there will be convergence towards the social investment policy model, i.e. δ-convergence will occur. With regard to the degree of convergence, it is of peculiar interest whether the policies of the countries under observation have become more similar to each other between 2000 and mid-2014. This change in similarity can be measured by σ-convergence. We speak of σ-convergence when "there is a decrease in variation of policies among the countries under consideration" (Knill, 2005, p.769). If countries adopt the same or at least similar policies either independent from each other or as a result of policy learning, there will be cross-national policy convergence, i.e. σ-convergence will occur. Evidence of δ-convergence does, however, not necessarily mean that there is also σ-convergence. The other way round, evidence of σ-convergence does not imply that there must also be δ-convergence. Both convergence concepts can operate completely independent from each other (see Holzinger et al., 2007, p.21).

In order to determine the degree and direction of policy change within countries over time, and in order to identify the degree and direction of cross-national policy convergence, it is necessary to define a fixed observation period. In this study the observation period runs from the year 2000 (t_1) to June 2014(t_2). The degree and the direction of policy change can be established by comparing the developments that have taken place between t_1 and t_2 with the respective national policies and the level of social investment instruments that were already in place at the beginning of the year 2000, prior to the introduction of the Lisbon strategy. The point of introduction of the Lisbon strategy in early 2000 therefore marks t_1; t_2 has been set at the most recent point in time possible, at the end of June 2014.

At this point it is also important to highlight that the study will only measure the occurrence of convergence on policy output, and not on policy outcomes.

5. Case study 1: Austria

Like the populations of many other European countries, the Austrian population is ageing rapidly. Between the years 2010 and 2060, life expectancy at birth is projected to increase by 7.2 years for Austrian males and by 6.1 years for Austrian females (European Commission, 2011). Also life expectancy at age 65 is expected to increase further throughout this period, namely by 4.8 years for Austrian males and by 4.7 years for Austrian females (European Commission, 2011). The fertility rate, on the contrary, is projected to remain significantly below the replacement rate of 2.1 children per women. Between 2010 and 2060 it is expected to increase only slightly from 1.39 to 1.56 children per women (European Commission, 2011). As a result of this development, the median age of the Austrian population is projected to increase by about ten years from 37.9 years in 2000 to 47.7 years in 2060 (Lanzieri, 2011). This mirrors a shift in the age structure of the Austrian population. Between

2010 and 2060, the share of the Austrian working-age population (15-64 years) is projected to decrease from 68 to 57 percent, while the share of the population aged 65 and over is expected to increase from 23 to 41 percent (European Commission, 2011).

Despite this outlook, labor market participation rates of older Austrian workers have been very low at the turn of the millennium. In the year 2000, only 28.8 percent of workers aged 55 to 64 were in gainful employment in Austria (Eurostat, 2014b). As a matter of fact, labor market participation rates of older workers have been traditionally low in Austria as a result of the institutionalization of an early exit culture, favored by both employers and older workers. Bearing in mind the demographic challenges ahead, it will however become necessary to prolong working lives in order to keep age-related expenditures limited and ensure ongoing economic growth. Changes to the Austrian system have been adopted since about the mid-1990s, and with accelerating pace since the turn of the millennium. These transformations are indeed mirrored in the evolution of the Austrian employment rate of older workers. Between 2000 and 2013, the employment rate of workers aged 55 to 64 has increased by 16.1 percent from 28.8 to 44.9 percent (Eurostat, 2014b), indicating substantial progress in prolonging working lives. This chapter aims to examine which measures have been implemented since the year 2000 and in how far the passive approach towards older workers has been replaced by social investment instead. To this end the first section describes the labor market situation of older workers in Austria at the turn of the millennium and explains how this situation results from past policy approaches towards them. The second section then presents the changes in labor market policy towards older workers adopted and implemented between 2000 and mid-2014. Finally, the last section analyzes and evaluates these policy changes.

5.1 Labor market situation of older workers and policy status quo at the beginning of 2000

In the year 2000, only 28.8 percent of persons aged 55 to 64 were in employment in Austria, a relatively low rate if compared to the EU-27 average of 36.9 percent (Eurostat, 2014b), and especially the EU-15 average of 40.0 percent (own calculation based on Eurostat, 2014b). Of the EU-15 countries, only Belgium (26.3 percent), Luxembourg (26.7 percent), and Italy (27.7 percent) had lower employment rates for workers in this age group in 2000 (Eurostat, 2014b). The low employment rate of older men and women in Austria appears particularly remarkable when considering that the total employment rate in Austria was 71.4 percent in the same year, and as such significantly higher than both the EU-27 average (66.6 percent) and the EU-15 average (69.4 percent) (Eurostat, 2014c). It seems that, at the turn of the millennium, older workers were significantly underrepresented on the Austrian labor market. Indeed, many workers exit the Austrian labor market early. In 2001, on average, males left the labor force 5.1 years before the statutory retirement age of 65 years and women 1.5 years before the statutory retirement age of 60 years (own calculation based on Eurostat, 2014a).

Also noteworthy is the clear gender division, which characterizes the older workforce. Of all active older workers in Austria, males made up a much larger share than females in 2000. While 41.2 percent of men aged 55 to 64 were employed in the year 2000, only 17.2 percent of women in the same age group were pursuing paid work that year (Eurostat, 2014b). This difference might at least partly be explained by the difference in the statutory retirement age between men and women in Austria. An additional explanation might be that, in the past, female labor market participation has been rather uncommon in the male-breadwinner societies of conservative-corporate welfare states like Austria. As a result, lower labor market participation rates of female prime-age workers throughout the past decades might now translate into lower labor market participation rates of older women in the present. Since the year 1996, the employment rate of Austrian women has steadily increased (Eurostat, 2014c), which according to Stiglbauer (2013, p.34) "reflects the higher attachment of younger generations of women to the labor force".

Table 3. Employment rates (55 – 64 years) Austria and EU-27 compared (in %)

	2000			2013		
	Total	Males	Females	Total	Males	Females
Austria	28.8	41.2	17.2	44.9	54.3	36.0
EU-27	36.9	47.1	27.4	50.3	57.6	43.4

Source: Eurostat (2014b)

Yet, the low employment rate of older workers in Austria and the fact that especially men leave the labor market many years before the official statutory retirement age must also be interpreted as powerful evidence for the difficulties older workers faced on the Austrian labor market at the beginning of the 21st century. Indeed it appears that especially older workers have been the victim of labor shedding as a result of downsizing, industry restructuring and technological change in the 1990s (OECD 2005). Moreover, the two trends are also the result of past policy approaches towards older workers, especially the institutionalization of an early-exit culture by Austrian governments throughout the second half of the 20th century. Unfavorable demographics and budgetary pressures have led to a trend reversal regarding this policy approach towards older workers since about the early to mid-1990s.

In 1993 it was decided that the statutory retirement age of women will be increased from 60 to 65 years and that the legal early retirement age will be raised from 55 to 60 years. As from the year

2023, the statutory retirement age for women will be incrementally increased by six months every year, as a result of which the statutory retirement age of men and women will be harmonized by the year 2033. Already in the period between 2018 and 2028 the early retirement age of women will be adjusted to that of men. Also adopted in the course of the 1993 pension reform was an extension of the benefit assessment period from the best 10 to the best 15 income years as well as a change in the annual adjustment formula from gross to net wages as calculation basis for average pension growth. Lastly, the reform also paved the way for a more flexible transition to retirement by introducing the opportunity to claim a partial pension whilst reducing working-time accordingly.

Another pension reform followed in 1997. It introduced a new calculation method for pension benefits, with a uniform replacement rate of two percentage points per contribution year and an increased deduction of two percentage points for every year of premature retirement. In return, workers that remain economically active beyond the statutory retirement age will be rewarded with additional pension benefits. Moreover, the 1997 reform has brought an extension of the benefit assessment period from the best 15 to the best 18 income years in case of early retirement.

In addition to the introduction of disincentives for early retirement, Austrian policy-makers have also aimed to achieve an increase in the effective retirement age by improving the employability of older workers. To this end, an incentive-disincentive system, the so called *Bonus-Malus-System*, has been introduced in 1996. This arrangement has been designed to reward employers for hiring older unemployed workers (*Bonus*) and to punish them for the dismissal of older employees (*Malus*). Accordingly employers were granted exemption from paying half of their share of contributions to the unemployment insurance, if they would hire a worker over the age of 50, and complete exemption from paying unemployment insurance contributions, if they would recruit an over 55-year-old. On the other hand, employers were obligated to pay a penalty in case they would dismiss a worker over 50 having been employed at that company continuously for more than ten years, with temporary breaks amounting to less than 12 months. The amount of the *Malus* is individually calculated for every dismissed worker and depends on such factors as the age of that worker, the number of months until the earliest possible retirement and the worker's monthly gross income.

In order to address the poor labor market prospects of older workers in Austria, the social partners have, at the initiative of the federal government, devised a pact for older workers (*Pakt für ältere ArbeitnehmerInnen*) in March 1999. In order to increase the employment stability of older workers and improve the re-integration prospects of unemployed older workers, the social partners proposed to increase financial incentives, to improve working time models for older workers, to adapt skills training to the requirements of older workers, to heighten the labor market policy impetus for the employment of older workers, to improve job consultation and job matching, to include profit and non-profit making temporary work agencies in the search for jobs for older workers, to use image campaigns to change negative attitude towards older workers, and to improve the health of workers. A number of the proposed measures have been legally enacted and took effect as from January 1, 2000.

With regard to working time arrangements, *Altersteilzeit*, i.e. part-time employment for older workers, functions as a means to smooth the transition of older workers from full-time work to full-time retirement and therefore reduces the number of early retirees by making older workers stay in employment longer. As from January 2000, the government made available part-time benefits for older workers (*Altersteilzeitgeld*), a subsidy granted to employers who conclude an agreement with their older employees to reduce their working time. Part-time benefits for older workers would principally be paid for women from the age of 50 and for men from the age of 55 for a maximum duration of five years. In order to be eligible, normal work time of older workers must be halved, while their wage might be reduced by maximal 25 percent and social security contributions must be paid over the original gross pay. In addition, employers were obligated to recruit a substitute worker, either a registered job-seeker or an apprentice, within the first three months of *Altersteilzeit*. For employees who are eligible to any early retirement scheme, part-time benefits for older workers cannot be claimed. This measure was primarily limited until the end of the year 2001.

Moreover, the government also picked up the idea of reforming the existing early warning system. The system obliged employers to report the intended dismissal of older workers, so as to make sure that affected employees receive job transfer counseling even before getting unemployed. As from 2000, the system will also include mediation before dismissal. This includes anticipatory upskilling of older employees, the development of more flexible and employment-effective working time arrangements, including part-time work, and can even involve wage subsidies so as to prevent the dismissal of older workers.

Until the year 2000, prior to the introduction of the Lisbon Strategy, Austria had already made first attempts to mobilize the productive potential of older workers by supporting the use of their human capital. First of all, Austria has decided to adapt both the statutory retirement age as well as the early legal retirement age of women to that of men. However, the implementation of these measures has significantly been deferred and is not yet effective. In addition, Austria has also provided for the possibility to enter part-time retirement and to continue working after reaching the statutory retirement age. To this end, a postponement bonus has been created. With the introduction of employment subsidies (*Bonus-Malus-System*) Austria has attempted to make it financially attractive for employers to recruit older workers. Finally, counseling activities have been targeted towards older workers facing redundancy.

Indeed, these measures resemble some of the instruments proposed by social investment, namely promoting late exit, employment assistance and subsidizing employment. Yet, these measures implemented by Austria remain fragmented and the turn towards activation policies rather weak. As a matter of fact, a great number of early retirement options remained available to older Austrian workers to exit the labor market early. The problem that older workers are not trained adequately has not at all been addressed at all and older workers are not regarded as a target group by itself by the public employment service. In-work benefits for older workers were non-existent.

5.2 Policy developments between 2000 and mid-2014

5.2.1 Early withdrawal and part-time retirement

Early withdrawal. In the year 2000 a pension reform has been implemented with the intention to guarantee the financial sustainability of the Austrian pension system in the long run to secure inter-generational solidarity as well as "to increase the employment rate among older women and men pursuant to the conclusions of the Lisbon and Stockholm European Councils" (NAP, 2002, p.6). To this end, it has been decided to abolish early retirement on the grounds of reduced working capacity as of July 2000. In addition, the minimum age limits for other early retirement schemes, i.e. early retirement on grounds of long insurance record, early retirement on grounds of long-term unemployment, and partial pensions, were to be raised incrementally between October 2000 and October 2002 from 55 to 56.5 years for women and from 60 to 61.5 years for men. Transition regulations, providing for an exemption from the age increments for male insurants born before 1 October 1945 and having a contributory record of 45 years and female insurants born before 1 October 1950 and having a contributory record of 40 years, have been implemented so as to avoid hardships for older workers with long professional careers. Besides these measures, it was also agreed to reduce the more favorable factor for calculating invalidity and disability pension entitlement increases as between 2000 and 2004, and to apply the general pension calculation methods to this group from 2005 onwards. In addition, deductions on pension benefits for older workers retiring early have been increased to 3.0 percentage points for every year of premature retirement. However, losses have been limited to a maximum of 10.5 percentage points or 15.0 percent of the total individual pension entitlements. On the other hand, workers that remain economically active beyond the statutory retirement age will be rewarded with additional pension benefits equaling 4.0 percent of the contribution base per year of retiring later. Finally, eligibility to survivors' pensions was related to the income of the beneficiary.

In the year 2000, the Austrian government introduced a special early retirement scheme for workers with long professional careers (*Hacklerregelung für Langzeitversicherte*). According to the rules of this scheme, Austrian men aged 60 and over become eligible for an early retirement pension, if they can prove a contribution record of 45 years. Austrian women become already eligible to an early retirement pension as from age 55, on the condition that they can prove a contribution record of 40 years.

Another pension reform (*Pensionssicherungsreform*) was adopted in 2003 and entered into force on January 1, 2004. The new reform continued the trend towards closing early exit routes from the labor market and providing increased incentives for longer labor market participation of older workers. It was decided to abolish the partial pension scheme, which was introduced in 1993, as well as early retirement on grounds of long-term unemployment as of 2004. A transitory benefit has been implemented covering the period 2004 to 2006, in order to compensate for the abolition of the latter scheme. Likewise, it has been decided to gradually phase out early retirement on grounds of long insurance record until the year 2017. Moreover, deductions on pension benefits were increased from 3.0 percent to 4.2 percent of the assessment base for every year of premature retirement, with the maximum loss remaining at 15.0 percent of total individual pension entitlements, while the bonus for working beyond the statutory retirement age has been increased from 4.0 to 4.2 percent of the assessment base for every year of late retirement. Also the assessment period has again been increased, from the best 15 years, respectively the best 18 years in case of early retirement, to the best 40 income years. This change will be implemented incrementally, by increasing the period for 12 months every year, as a result of which the measure will be fully implemented only by the year 2028. Finally, the uniform replacement rate of two percentage points per contribution year will be reduced to 1.78 percentage points until 2009, so that the maximum level of pension benefits amounting to 80.0 percent of the contribution base will only be reached after 45 instead of 40 contribution years.

Already in 2004, another pension reform (*Pensionsharmonisierungsgesetz*) was adopted, which entered into force on January 1, 2005. It introduced a uniform pension law for the entire active population and performance-based pension accounts for all workers born after January 1, 1955. The intention of the new system was to replace the difficult calculation formula based on three different legal bases by an easily understandable and transparent calculation method. This should enable pension insurance institutions to perform accurate projections of the future entitlements that an insured person can expect at the end of working life, and to provide future recipients with easily readable statements about the amount of their future pension benefits. Moreover, the uniform calculation method should provide incentives to postpone retirement, as under the new system average pension increases of 8.0 percent per year of delayed retirement can be achieved. While the new pension accounts will only be introduced in January 2014, a number of additional measures will apply as from 2005.

Firstly, the so-called 45/65/80-formula has been implemented, according to which all workers reaching the statutory retirement age of 65 years and having accumulated 45 contribution years are entitled to pension benefits that equal 80.0 percent of the contribution base. Moreover, the assessment period has again been adapted, and is now broadened from the 40 best income years to cover all years in employment. Furthermore, a new pension scheme, the so-called corridor pension, has been introduced. It allows older workers to enter early retirement from age 62, however, with yearly deductions of their old-age pension of 4.2 percent for every year of premature retirement until a maximum loss of 15.0 percent of total individual pension entitlements. Older workers until the age of 68 receive a yearly bonus of 4.2 percent for every year they retire later than the statutory retirement age, until a maximum bonus of 12.6 percent of total individual pension entitlements. In order to make use of the corridor pension scheme, a worker must have at least 37.5 contribution years. Besides these measures, the reform also introduced a uniform contribution rate of 22.8 percent, decoupled pension increases from the development of net wages and instead linked it to the development of the inflation rate, and introduced a so-called sustainability factor.

In the year 2007, the Austrian government introduced a special early retirement scheme for heavy workers (*Schwerarbeitspension*). According to the rules of this scheme, workers aged 60 and over become eligible for an early retirement pension, if they can prove an insurance record of 45 years and have performed heavy work for at least 15 years. The individual age limit as well as benefit level depend on the number of years that heavy work has been performed.

The year 2011 brought a paradigm change to the Austrian pension system. With the aim to maintain or even improve workers' capabilities and that way keep them in employment for longer, the focus was shifted towards rehabilitation measures. This shift was also statutorily regulated and the new motto "rehabilitation before retirement" anchored in the 2011 budget law. Accordingly, access to disability pensions has been restricted by linking entitlements to participation in (mandatory) rehabilitation schemes. Moreover, it has been decided to raise the minimum age limit for the special retirement scheme for workers with a long insurance record (*Hacklerregelung für Langzeitversicherte*) from 60 to 62 years for men and from 55 to 57 years for women as from 2014.

Also the Stability Package of February 2012, which covers the period from 2012 until 2016, has paved the way for a number of measures that aim to increase the effective retirement age. One such measure is the reform of the corridor pension. Between 2013 and 2017 the eligibility criteria to file for such a pension will be tightened by gradually increasing the minimum number of contribution years from 37.5 to 40 years. In addition, deductions are increased from 4.2 to 5.1 percent for every year of premature retirement. The Stability Package has also highlighted the necessity to continue the reforms concerning disability pensions in Austria. The result is the reform of the disability pension (*Invaliditätspension Neu*) that has entered into force on January 1, 2014. For all workers who have not reached the age of 50 at that specific date, temporary disability pensions will be replaced by occupational retraining or medical rehabilitation benefits, depending on which measure is judged most appropriate and reasonable to promote labor market (re-)integration. Unlimited disability pensions will only be available to persons with permanent disabilities in the future.

At the time of writing, the 2014 Social Security Amendment Act (*Sozialversicherungs-Änderungsgesetz*) is in the legislative process. It will introduce further incentives for retiring later, for example increasing the postponement bonus for retiring beyond statutory retirement age from 4.2 percent to 5.1 percent.

Part-time retirement. While the changes introduced by the various pension reforms and amendments to other legal acts have intended to provide incentives for older workers to retire later and aimed to increase the effective retirement age that way, another measure, *Altersteilzeit*, functions as a means to smooth the transition of older workers from full-time work to full-time retirement and thereby also serves for a prolonged stay of older workers in the labor market. As a part of the pact for older workers, the Austrian government had made available part-time benefits for older workers (*Altersteilzeitgeld*) since January 2000. While the scheme was initially planned as a temporary measure to run only until the end of the year 2001, it was subsequently modified several times and is still in operation. A first revision took place in the year 2000 already and became effective in October 2000. It was intended to ease access to part-time benefits for older workers by discarding the obligation to recruit a substitute worker and by increasing the length of entitlement to the subsidy from five to six and a half years. In addition, the rules relating to the reduction of working time were formulated less strictly. Instead of having to reduce the working time by exactly 50 percent, employers and workers were now free to reduce working hours between 40 and 60 percent. Furthermore, it was decided that older employees working at least 80 percent of normal work time would also be eligible for *Altersteilzeitgeld*; previously the minimum amount was set at 90 percent. Finally, access to the scheme was prolonged until the end of 2003.

Yet, in 2003, the government decided to prolong the scheme again, this time for an indefinite period. As from January 2004, however, the scheme was continued on adjusted terms. Firstly, the amount of subsidies granted to employers was made dependent on the hiring of a substitute worker. In case of recruitment of a substitute worker the employer would be completely compensated for all additional costs, otherwise reimbursement would only cover 50 percent of the additional costs. Moreover, the new rules allowed the combination of the reduced working time into blocks of full-time work and full-time retirement only, if – at least during the latter phase – a registered job-seeker or an apprentice would be recruited. It was also decided that, as from 2013 onwards, the length of entitlement to the subsidy will again be reduced to five years. Prior to 2013, part-time benefits for older workers could be drawn longer under transitional regulations analog to the increase in the minimum age for early retirement as from 2004. With regard to these changes in early retirement rules, it was also determined to raise the eligibility age for *Altersteilzeit* by 6 months every year.

In 2009, in the wake of the financial crisis, Austria decided to ease access to the old-age part-time employment scheme once more. To this end, the obligation to recruit a substitute worker has again been abolished. Moreover, the minimum age for eligibility has been frozen at 53 years for women and 58 years for men for the years 2009 and 2010, which would only increase again by six months per year as from 2011. In addition it has been determined that part-time benefits for older workers can be drawn until one year after a worker becomes eligible for the corridor pension. The group of eligible persons has broadened further by entitling also part-timers working at least 60 percent of normal work time to *Altersteilzeitgeld*. Besides, changes have also been implemented with regard to the amount of subsidies, which would now reimburse 55 percent of all additional costs if employer and employee opt for the block model and 90 percent if the worker continues to work on a part-time basis over the whole period of *Altersteilzeit*. In 2011 it has then been decided that all workers who will reach the statutory retirement age after a maximum time of seven years become eligible for part-time benefits for older workers, i.e. the minimum ages for eligibility set in 2009 have been adopted permanently. If *Altersteilzeit* is entered in 2011 or later, however, the subsidy for the block model was reduced from 55 to 50 percent.

The latest amendment of the scheme dates from 2012 and was introduced as part of the Stability Law that entered into force in January 2013. Following a proposal of the social partners, the government now provides for the possibility to draw part-time benefits for older workers until reaching the statutory retirement, however for a maximum period of five years and only if the worker continues to work on a part-time basis for the whole duration of *Altersteilzeit* and does not opt for the block model. As from 2013, the obligation to recruit a substitute worker or an apprentice is again introduced if employer and employee opt for the block model. In that case, eligibility to subsidies ends as soon as the worker fulfils the requirements for (early) retirement. Existing entitlements will, however, be left untouched.

5.2.2 Training

Already in 1998, Austria had introduced an educational leave scheme (*Bildungskarenz*). This scheme allowed workers of all ages, after having worked for the same employer for at least three years, to take time off work in order to participate in external training courses with a minimum duration of six months and a maximum duration of one year. As workers do not receive a salary during this training period, they have been entitled to education benefits (*Weiterbildungsgeld*) from the Austrian public employment service (*Arbeitsmarktservice [AMS]*), equivalent to the amount granted for parental leave (1998: approx. EUR 400 net monthly). This significant reduction in income might, by itself, already have provided a strong disincentive for many older workers to follow training courses and educate themselves. In addition, however, it was also agreed that, while on educational leave, employees would not enjoy any dismissal protection. Bearing in mind the difficult labor market situation of older workers in Austria, it would therefore have been especially risky for them to take educational leave. The initial design of the scheme thus was rather unattractive to older workers. In order to specifically promote continuing education and training for workers aged 45 and older, it has been decided to raise the education benefit for this age group to the level of fictitious individual unemployment benefits as from October 2000. While unemployment benefits are generally much higher, the level of parental leave benefits remains as the floor level that all workers, also older ones, are at least entitled to while on educational leave. As from January 2008, this provision has been extended to all persons regardless of age.

However, over the years, a couple of other adaptations have also been introduced, making the scheme more attractive for older workers as well. The minimum time for educational leave has been reduced twice, firstly from six to three months as from January 2000 and then again from three to two months as from August 2009. Moreover, the minimum duration of the employment relationship has been reduced from three years to one year as from January 2008, and then again from one year to six months as from August 2009. As from the year 2008 it is also possible to spread the total training period of twelve months over a time span covering four years. After these four years, education benefits can be requested for a new four-year period.

Next to offering financial support for educational leave, a number of additional measures have been introduced in order to promote skill enhancement especially of older persons. Since the turn of the millennium the AMS has offered an increasingly wide range of training schemes and subsidies in order to stabilize the employment position of older workers facing unemployment as well as to re-integrate older unemployed persons into the labor market. In order to enhance employment stability, active labor market funds have been made available to upskill older workers at risk of losing their job (early warning system). In order to ensure a fast re-integration and avoid long-term unemployment spells, as from 2004 the AMS is committed to offer participation in either a training or a career development program to unemployed persons over 50 within the first three months of their unemployment spell, if they cannot be offered a suitable job within that time frame.

Moreover, Austria works with the so called labor foundation model (*Stiftungsmodell*) since the early 2000s in order to enhance the re-employment prospects of older unemployed persons. The scheme provides individually tailored support for redundant workers. Special emphasis is laid on the provision of vocational guidance, training and continuing training, but also includes counseling and placement activities. Finally, Austria has launched a special program for the promotion of employment of older workers for the years 2005 to 2007. With a budget of 4.5 million €, 14 innovative projects have been funded during this period, some of which have provided training and re-integration activities to older workers.

5.2.3 Employment Assistance

Since the year 2000, the Austrian public employment service has increasingly focused counseling activities on older workers. In 2003 the AMS increased its counseling services to persons aged 50+ and in 2010 it introduced a special counseling service for older workers. Between 2005 and 2007, the AMS carried out the special program “Active ageing – age management”, especially designed to promote the employment of older workers.

5.2.4 Financial incentives

Already in 1996, Austria had introduced the *Bonus-Malus-System*, which would reward employers for hiring and punish them for firing older workers. The incentives and disincentives were reinforced as part of the governments’ new policy package for older workers, which entered into force in October 2000. Whereas under the old rules employers needed to pay only half of their share of contributions to the unemployment insurance if they hired a worker over the age of 50, and where exempted from paying any unemployment insurance contributions if they recruited an over 55-year-old, under the new regulations employers were completely exempted from paying unemployment insurance contributions when recruiting workers above the age of 50 already. In addition, the basic amount for calculating the penalty was increased from 0.1 to 0.2 percent of the assessment base. As from January 2004, a gender-neutral revised version entered into force, which introduced an increased consideration of job tenure in the calculation of the *Malus*, making it more costly for employers to dismiss older workers. Moreover, it was defined that workers who were over the age of 50 when being recruited, and for whom the employer has been granted the *Bonus*, would only enjoy dismissal protection as from their third year of staff membership in the respective company. With the introduction of the corridor pension in 2005, it was also clarified that employers were only exempted from paying the *Malus* in case the dismissed worker would fulfill the eligibility criteria for any (early) retirement scheme other than the corridor pension. The incentive-disincentive system has been abolished in 2009, when it turned out that the system involved substantial administrative workloads but did not provide the expected job impact when compared to other labor market policy measures focusing on older workers.

While the *Bonus-Malus-System* has granted reductions in social security contributions only to employers, another measure that took effect as from January 2004, the so-called *Aktion 56/58*, introduced a reduction in non-wage labor costs for both employers and older employees. The program abolished unemployment insurance contributions for women over the age of 56 and for men over the age of 58. As a result, for these persons neither employers' nor employees' contributions need to paid. These contributions will be assumed by the unemployment insurance. Older workers will though be covered by the insurance and are further eligible to claims in case of dismissal. For workers over the age of 60, in addition surcharges levied under the Act on Wage Compensation from the Insolvency Contingency Fund, contributions to work accident insurance and contributions to the Family Burdens Equalisation Fund have been cancelled. In December 2006, however, the Higher Administrative Court declared the gender differentiation concerning the minimum age to be discriminatory, whereupon the age limit of men was reduced to that of women. In 2008 the minimum age was officially raised to 57 years for both men and women, and in 2009 to 58 years, yet only temporally until the end of the year 2013. In 2011 it was however decided to annul this temporary increase, and it was decided that as from June 2011 the minimum age would again be 57 years, and that it would be raised to 58 years as from January 2016 and again be decreased to 57 years as from January 2018. In 2012 it was decided to abolish the age-related exemption from payment of unemployment insurance contributions, on the one hand because the measure was found to be without effect and on the other hand due to foresight that with the baby boomers nearing retirement age the pressure on the employment insurance would increase too much. As from January 2013, the mandatory unemployment insurance contribution requirement again applies to all workers born after 1952 until they reach pensionable age, or one year beyond in the case of the corridor pension. The savings have been earmarked for funding measures that promote older workers' prolonged stay in the labor force.

In 2005, the government introduced another measure that provided financial advantages for both employers and older workers as from January 2006, the *Kombilohn*. This scheme, which combines wage top-ups with employment subsidies, targets persons under the age of 25 and over the age of 45 who have been unemployed for more than one year. The wage top-ups aim to motivate unemployed persons to take up low-paid jobs by raising prospective earnings. That way, the wage top-ups do not only ensure that people can make a living from their work, but also make sure that the difference between pay and the last drawn unemployment insurance benefits is big enough to motivate the unemployed to accept the job offer. The amount of the in-work benefit provided is dependent on the offered net pay and can add up to as much as 50 percent. However, a gross pay limit of € 1.000 has been set. In addition, employment subsidies shall provide incentives for employers to hire persons from the target groups. The subsidy granted to an employer recruiting a worker from the target group amounts to 15 percent of gross pay and is intended to reduce non-wage labor costs. The payment of both wage top-up and employment subsidy are limited to one year. In the year 2008, the scheme has been revised so as to make it more effective. While the target group now includes workers aged 50+, women re-entering the labor market after giving birth to a child and disabled persons, the minimum length of unemployment has been halved to 182 days and the gross pay limit been increased to €1.700. For unemployed workers above the age of 59 years, who have been re-integrated into the labor market by making use of the *Kombilohn*, the scheme might be prolonged for two additional years after a yearly examination of the income.

5.3 Evaluation

Both employers as well as older workers have favored the early exit culture that has been institutionalized throughout the last decades in Austria. In order to prolong the working lives of Austrian workers, the government has introduced incentives for both groups to change their opinion. Regularly positive incentives been accompanied by re-commodification elements sanctioning undesired behavior of both employers and older workers alike. With regard to older workers themselves, the various pension reforms have closed many early exit routes and have gradually increased minimum eligibility ages for the remaining early retirement schemes. The gradual increase of the assessment period which serves as the basis for calculating old-age pension benefits as well as the steady increase of the postponement bonus serve as incentives to stay in the labor market for longer. The rules to part-time retirement have been changed several times, but the scheme now allows older workers to draw part-time benefits until reaching the statutory retirement age, which is expected to contribute to an increase in the effective retirement age. In addition, the AMS has enhanced its counseling activities towards older workers offered an increasingly wide range of training schemes and subsidies to promote human capital development. The eased conditions for taking educational leave provide older workers with an additional opportunity to develop their skills. Furthermore, in-work benefits have been introduced for older workers as well as a new wage subsidy for employers who recruit or retain older employees. However, these initiatives have been massively reduced or even abolished in recent years, making pension reforms as well as the increased focus on counseling and training the main pillars of Austrian labor market policy since the turn of the millennium. Especially remarkable is that the Austrian government has regularly combined positive and negative incentives. Sanctions for retiring early or for firing older employees have often been included as counterparts to positive incentives for retiring late or recruiting and retaining older workers.

To sum up, between 2000 and 2012 Austrian policy-makers have increasingly turned towards an activation approach with regard to their older workers and have included a significant amount of social investment elements in their policies targeting older workers, namely (1) the restriction of access to early retirement programs and the promotion of a late exit, (2) support for upskilling activities, (3) enhanced employment assistance and (4) the implementation of financial incentives for employers as well as older employees. Thus, Austria has introduced a significant number of policies inspired by the goals, principles and instruments of social investment. The increased social investment policy efforts in the field of labor market policies targeting older workers thus provide strong evidence for the convergence of the Austrian policies towards those proposed by social investment, and, as such, for the existence of δ-convergence. Hypothesis 1 can therefore be confirmed, stating that the promotion of social investment by the European Union has led to a Europeanization of the Austrian labor market policies, i.e. that Austrian governments have adopted policies that reflect the goals, principles and means of social investment.

6. Case study 2: Belgium

Like Austria, Belgium faces massive changes regarding the size and age structure of its population as a result of population ageing. Between 1950 and 2000, life expectancy at birth in Belgium increased by 12.6 years to 74.6 years for males and by 13.7 years to 81.0 years for females (European Commission, 2011). Until the year 2060, life expectancy at birth is projected to increase by another ten years for males and eight years for females (European Commission, 2011). Total fertility rate, on the contrary has fallen from 2.34 children per women in 1950 to 1.67 children per women in 2000, and is projected to remain stable at the 2009 level of 1.84 children per women until 2060 (European Commission, 2011). As a result of these demographic developments, the Belgian population will age significantly in the decades to come. In the course of this process, the share of the population at working-age (15-64 years) is projected to decrease from 66 percent to 58 percent between 2010 and 2060, while the share of those aged 65 and over is projected to increase from 22 percent to 36 percent over the same period (European Commission, 2011).

Considering the significant shrinkage of the labor force, it will become necessary for Belgium to activate all labor resources to ensure ongoing economic growth and sustain current living standards. Especially older workers will need to remain in work longer. However, in the year 2000, only slightly more than one quarter of those aged 55 to 64 were in employment in Belgium (Eurostat, 2014b). This can mainly be attributed to a number of generous early exit options that have been institutionalized throughout the past decades. If the 50 percent target, set at the Stockholm Council by the EU member states in 2001, was to be reached by Belgium between 2001 and 2010, the country would have had to lift more than 250.000 older workers out of unemployment or early retirement. However, until the year 2010 the Belgian employment rate for older workers only increased to 37.3 percent (Eurostat, 2014b), falling significantly short of the Stockholm target. Belgium now strives to achieve the target by the year 2020.

Yet, between 2000 and 2013, the Belgian employment rate for older workers has increased by 15.4 percentage points to 41.7 percent (Eurostat, 2014b), indicating that substantial progress has been achieved between 2000 and 2013 with regard to prolonging working lives. This chapter investigates which measures have been implemented by Belgium since the year 2000 and in how far the passive approach towards older workers has been replaced by social investment instead.[2] To this end, the first section describes the labor market situation of older workers in Belgium at the turn of the millennium and explains how this situation results from past policy approaches towards older workers. The second section then provides an overview of the changes in labor market policy towards older workers adopted and implemented between 2000 and mid-2014. Finally, the last section analyzes and evaluates these policy changes.

6.1 Labor market situation of older workers and policy status quo at the beginning of 2000

In the year 2000, the total Belgian employment rate for persons aged 20 to 64 was only slightly lower than the EU-27 average for this age group (65.8 percent and 66.6 percent respectively) (Eurostat, 2014c). Also the gender distribution within the Belgian labor force of that age group mirrored quite exactly that of the EU-27 average, with 56.0 percent of Belgian females aged 20 to 64 being employed as compared to the EU-27 average of 57.3 percent as well as 75.5 percent of Belgian males aged 20 to 64 being employed as compared to the EU-27 average of 76.0 percent (Eurostat, 2014c). When turning to the employment rate of workers aged 55 to 64, however, Belgian figures are on average more than ten percentage points lower than the EU-27 average. In the year 2000, only 26.3 percent of workers aged 55 to 64 were in employment in Belgium, a relatively low rate if compared to the EU-27 average of 36.9 percent (Eurostat, 2014b), and especially the EU-15 average of 40.0 percent (own calculation based on Eurostat, 2014b). As a matter of fact, the Belgian employment rate for workers in this age group was the lowest of all EU-15 countries in 2000.

The discrepancy between the European and the Belgian employment rate for this age group can, to a great extent, be explained by the very early exit of older workers from the Belgian labor market. On average, older workers have left the Belgian labor market with only 56.8 years in 2001, i.e. more than three years earlier than the average worker in the EU-27, who has left the labor market with an

[2] In Belgium, competences for employment policy are shared between the federal government and the regional communities. While social security, labor law and most tax issues belong to the competencies of the federal government, training and employment assistance are competencies of the regional communities. This chapter will therefore not only present policy developments on the national level, but also, where applicable, provide an overview of regional policy developments.

estimated 59.9 years in 2001 (Eurostat, 2014a). In 2001, on average, Belgian females left the labor market 6.1 years before the statutory retirement age of 62 years, and Belgian males left the labor market even 7.2 years before the statutory retirement age of 65 years (Eurostat, 2014a). These figures indicate that older workers were significantly underrepresented on the Belgian labor market at the turn of the millennium. This is especially true for females aged 55 to 64, of whom only 16.6 percent were in gainful employment in 2000, compared to 36.4 percent of males in the same age group (Eurostat, 2014b).

Table 4. Employment rates (55 – 64 years) Belgium and EU-27 compared (in %)

	2000			2013		
	Total	Males	Females	Total	Males	Females
Belgium	26.3	36.4	16.6	41.7	47.7	35.8
EU-27	36.9	47.1	27.4	50.3	57.6	43.4

Source: Eurostat (2014b)

Like in the Austrian case, the gender division which characterizes the older workforce in Belgium might be explained by the difference in the statutory retirement age between men and women in the year 2000, as well as the fact that, in the past, female labor market participation has been rather uncommon in the male-breadwinner societies of conservative-corporate welfare states and lower labor market participation rates of female prime-age workers throughout the past decades are now resulting in lower labor market participation rates of older women in the present. For younger generations, female labor market participation rates are detected to increase continuously (Herremans, 2005, p.6). Moreover, again like in Austria, the low participation rates of both older men and women are also the result of various generous early exit options that the Belgian state has created in previous decades to make room for younger workers entering the labor market and to find a socially acceptable way for laying off older workers in case of company restructurings.

A relict from these times is the so-called pre-pension (*brugpensioen*). If made redundant, older workers could gain access to this early retirement scheme financed by the unemployment insurance and topped-up by a compensation paid by the last employer. The eligibility age for a pre-pension was reduced to 55 years in 1995, and raised again to 58 years in 1999. Once granted, the pre-pension could be drawn until reaching the legal statutory retirement age, while beneficiaries were exempted from job search activities and the requirement to accept another post. Also unemployed workers above the age of 50, who have been unemployed for more than one year, were exempted from job search activities and excluded from activation measures in order to allow younger workers to enter the labor force. In addition, the Belgian pension system also allowed for access to an early legal pension as from age 60 for all workers who had accumulated a minimum of 28 years of service. Moreover, also the disability pension scheme has served as an early exit route from the labor market.

In 1994, the Belgian government also introduced a part-time pre-pension scheme (*halftijds brugpensioen*). The scheme allows workers aged 55 and over to reduce their working time to that half of a normal working week, however, from the age of 58 years approval of the employer is required. Workers who opt for this scheme receive, in addition to the salary for their part-time work performance, unemployment benefits due to their status as part-time pre-pensioner and the corresponding compensation paid by the employer. In order to be eligible for unemployment benefits, workers need to work full-time and must prove an employment record of at least 25 years. In addition they also need to have worked for 624 days throughout the three years preceding the application for part-time early retirement. In order to be eligible for the compensation payment at the expense of the employer, the employment relationship must amount to a period of at least 12 months, approval of the employer must have been obtained and a collective agreement needs to be in place. The employer is obliged to recruit an unemployed person for the hours which the part-time worker does no longer perform.

In 1995, Belgium introduced a reduction in social security contributions for employers hiring unemployed older persons aged 50+. Moreover it has been decided to increase the statutory retirement age for both men and women from 60 to 65 years as from 1997 and to raise the career length requirement to 45 years. For women, these increases were only gradually implemented between the years 1997 and 2009. Furthermore, the required career length to draw an early legal pension as from age 60 has incrementally been raised from 20 to 35 years for both genders between 1997 and 2005.

In 1999, the government then decided to introduce a special leave program for workers aged 50 years and over. Already in the year 1985 the Belgian government had introduced a so-called career break scheme (*loopbaanonderbreking*), enabling workers to take time off work or to at least reduce their working time for a certain period in order to improve their work-family balance. In order to take a career break, employees needed the consent of their employer. For the time of career break, workers were entitled to a compensatory allowance from the state, while their employer was obliged to recruit a person registered as unemployed for the duration of the absence. Initially introduced for a period of only two years, the scheme proved so successful that it was prolonged for an indefinite period in 1986. Throughout the 1990s the scheme was amended several times. These amendments introduced a right to career break if the period of absence was used as palliative care leave (1995), parental leave (1997) or leave to care for a family member suffering from a serious illness (1998). In 1999, the government additionally provided for career break options tailored towards workers aged

50 and over. As from 2000, workers of this age group were eligible to reducing their working time by one half, one third, one quarter or one fifth, while receiving the double amount of the compensatory allowance in addition to their monthly salary. Already in 1994, the Flemish government decided to grant a supplementary premium to Flemish workers taking a career break, in order to provide an additional incentive for workers to reduce their working time and spent more time on care tasks or educational activities. The Flemish premium was designed as a top-up and could thus only be obtained by workers entitled to the federal premium as well.

To sum up, at the turn of the millennium the Belgian approach towards older workers remained very passive, reflecting the de-commodification approach typical for a conservative-corporatist welfare state. Social investment did not play a role in policy-making towards older workers. As a matter of fact, older workers themselves did not really constitute an item on the Belgian policy agenda. While it was decided to gradually adjust the statutory retirement age of women and men and to increase the minimum eligibility age for early legal retirement, no steps were taken to reduce the number of programs that facilitate early retirement. Wage subsidies have been introduced, but are of little use if large parts of older workers are exempted from job search after the age of 50. The problem that older workers are not trained adequately has not at all been addressed and older workers are not regarded as a target group by the public employment service.

6.2 Policy developments between 2000 and mid-2014

6.2.1 Early withdrawal and part-time retirement

Early withdrawal. Leaving the labor market early was made increasingly difficult in 2002, when job-search requirements for older unemployed have been introduced for the age group 50 to 55 and it has been decided to raise the exemption age gradually to 58 years until 2004. An exception is, however, provided for persons aged 50 and over who can prove an employment record of at least 38 years and who have drawn unemployment benefits for more than one year. These older unemployed are put on an equal footing with persons aged 58 and over, i.e. they do not have to register as unemployed, are exempted from job search requirements and do not have to be available for work.

In December 2005, the Belgian government passed the federal law on the solidarity pact between generations, often referred to as the Generation Pact, which introduced a great variety of employment measures focusing especially on young persons and older workers. With regard to the latter group the measures of the pact were designed to encourage a longer stay of older workers in the labor force and to bring about a change in the retirement mentality of Belgian workers. To this end, the pact introduced stricter criteria with regard to the entitlement to a pre-pension. As from 2008, the admission age was raised from 58 to 60 years and the required career length from 25 years to 30 years for men and to 26 years for women. It was also decided that the required career length would be raised to 35 years for men in 2012 and that it would be gradually increased to 35 years for women until the year 2028. Exceptions to this general rule provide for workers with long professional careers as well as heavy workers. Concerning the former group, entitlement to a pre-pension is still possible as from age 58 for men with an employment record of 35 years in 2008 and for women with an employment record of 30 years in the same year. Also for this scheme it was decided to gradually increase the required career length to 38 years until 2012 for men and until 2014 for women. With regard to heavy workers, entitlement to a pre-pension is obtained after a professional career of 35 years during which physically demanding work has been performed for five years within the previous ten years or for seven years within the previous 15 years. Besides these exceptions, the sectoral collective agreements provide for a number of additional early exit options for workers as from age 56 who can prove extremely long professional careers spanning more than 40 years, who have performed physically demanding work, and who are unfit for work because they suffer from disability or even invalidity.

The Generation Pact also introduced a new approach towards older workers facing redundancy after company restructuring. Instead of laying-off older workers in the case of company restructuring and pushing them into pre-pension, workers facing redundancy now receive six months of intensive guidance and support by a so-called employment cell which is working together with the public employment service in order to find a new post for the affected employees. Workers who cannot be placed can draw an early retirement pension, but must remain available for work until they reach the age of 58 (cf. section 6.2.3).

Another measure introduced by the Generation Pact is the pension bonus. Since 2007, salaried and self-employed workers are eligible to the bonus if they continue working after the age of 62 or after having worked for 44 years and until they turn 65 or prove an employment record of 45 years. The bonus is paid as a pension top-up and amounts to two euro per day effectively worked on a full-time basis. In order encourage also retirees to continue to work, the requirements to combine a pension with an income have been eased in 2008. The ceiling of the maximum amount for allowed work after retirement has been increased by 25 percent for persons having reached the legal retirement age and by eight percent for persons drawing a survivors' pension. It has been decided to gradually increase the maximum amounts for both groups further between 2008 and 2011.

Since the year 2012, Belgium has started a major reform process concerning the provisions regulating early retirement. First of all, it has been decided to gradually increase both the admission age as well as the career length requirement for early legal retirement pensions. Between 2013 and 2016 the minimum qualification age increases by six months per year, thus from 60 years in 2012 to 62 years in 2016. Simultaneously, the career length requirement is progressively raised from 35 years in 2012 to 38 years in 2013, 39 years in 2014 and finally 40 years in 2015. An exemption provides for workers with longer professional careers. They can retire already at the age of 61 if they can prove an employment record of 41 years or still at the age of 60 if they can prove an employment record of 42 years, respectively.

Moreover, also the pre-pension system underwent reform. The name of the scheme has been changed to 'unemployment allowance with company supplement' (*stelsel van werkloosheid met bedrijfstoeslag*) in order to emphasize the unemployment status of beneficiaries who, as from 2013, have to remain available for work unless they can prove an employment record of at least 38 years. Moreover, the admission age for drawing unemployment allowances with company supplement is gradually increased from 58 to 60 years and the minimum career length is to be raised gradually to 40 years by 2015. Exceptions to this rule provide for workers in loss-making enterprises and workers in restructuring companies. With regard to workers in loss-making enterprises, the admission age, which could previously differ from 50 to 55 years, has been harmonized and set at 52 years in 2012. Afterwards it increases gradually by six months per year until it reaches 55 years in 2018. Concerning workers in restructuring companies, the admission age, which could previously vary from 50 to 55 years, has been harmonized and fixed at 55 years in 2013. Additionally it has been decided that only those years of the scheme drawn after the age of 60 will be fully taken into account in the calculation of old age pensions.

In addition, the Belgian government has increased the availability requirement for unemployed workers by two years from 58 to 60 years. Thus, as from 2013, all unemployed workers will have to remain available for work until the age of 60. As has been mentioned above, this new age requirement also applies to workers drawing an unemployment allowance with company supplement, unless they can prove an employment record of at least 38 years. Simultaneously, the federal government has extended the monitoring of job search activities by means of regular interviews to all unemployed, including those drawing an unemployment allowance with company supplement, in the age group 50 to 55. In 2016, the monitoring will then be extended to all unemployed persons under the age of 58.

Also the pension bonus has been reformed recently. As from January 2014, entitlement to the pension bonus is only granted to workers as from one year after they have satisfied all requirements entitling to an early retirement pension. From that point onwards, however, the financial advantage increases progressively the longer retirement is delayed. The bonus no longer constitutes a fixed amount, but varies between 1.50 and 2.50 € per day effectively worked, depending on the number of months that retirement is postponed. Since the entitlement to the bonus is no longer limited in time, it is also awarded to those who continue to work beyond the statutory retirement age. Entitlement to the bonus stops on the last day of the month before the old age pension is actually drawn.

An additional incentive for older workers to continue working beyond the statutory retirement age has been created in 2012 by abolishing the cap on occupational activities for persons aged 65+ with an employment record of more than 42 years. They can now continue working without any limits regarding hours or income. For persons under 65 years or workers with an employment record of less than 42 years exceeding the amount of non-taxable earnings, the overrun limit has been reduced to 25 percent.

At the time of writing, Belgium has announced to reform its survivors' pension. It is planned to transform survivors' pensions into a transitional allowance, so as to limit the eligibility period and provide incentives for beneficiaries to re-enter the labor market.

Part-time retirement. The career break scheme applied to workers of the public and the private sector until the end of 2001. In January 2002, the new time credit system (*tijdskrediet*) became effective for workers in the private sector, while the career break scheme continues to apply to workers in the public sector. Under the new system, the obligation to replace a worker who takes a time credit has been abolished due to the changed labor market situation as compared to the mid-1980s. Moreover, the new system is no longer based on the consent of the employer, but offers a number of rights to full and partial career breaks to employees. The time credit system allows employees to either completely stop working or to reduce their working time by one half or one fifth for a certain number of years. Like under the old system, workers are entitled to a compensatory allowance from the state for the duration of their (partial) absence. In addition to this general scheme, also the right to the three thematic leaves remains available for workers from the private sector.

While the time credit system is open to workers of all ages, especially favorable conditions have been created for workers aged 50 and over under the end-of-career time credit (*eindeloopbaanstelsel*). If they can prove an employment record of 20 years or more and have worked for their current employer for at least three years, workers of this age group are allowed to either halve their working time or reduce it by one fifth for an unlimited period, i.e. they can reduce their working time until they enter retirement. Moreover, workers aged 50 and over receive a higher compensatory allowance than workers of younger ages.

In the course of the implementation of the measures of the Generation Pact, the required length for the employment relationship has been softened. The required period may be shortened, by mutual agreement between the employer and the respective employee, to a minimum period of two years for workers that have been recruited at the age of 50 or over and to a minimum period of one year for workers that have been recruited at the age of 55 or over. As from September 2012, the admission standards for the end-of-career time credit have again become stricter. The minimum qualification age has been raised from 50 to 55 years and the required career length has been increased to 25 years. The required length for the employment relationship has, however, been reduced from three to two years. Again the law provides for the possibility of a mutual agreement between employer and employee to agree on a shorter period. Moreover, exceptions to the new rules provide for workers with long professional careers, heavy workers, workers in loss-making enterprises and workers in restructuring companies. These groups can still take an end-of-career break as from the age of 50.

Finally, it has also been decided to abolish the system of part-time pre-pensions as from 2012. Accordingly, no new entrants were allowed to the scheme as from January 2012, while the entitlements of those workers making already use of the system remained untouched.

6.2.2 Training

The social partners have repeatedly requested the individual sectors to increase their training activities for certain target groups such as older workers. Already in the inter-sectoral agreement signed in 2000, the social partners pointed to the need to give priority to the training of such groups as older workers, women, unskilled workers, and workers in occupations experiencing labor shortages. Also in the central agreement of 2007/2008 the social partners encouraged the different sectors to consider also older workers when devising training agreements and to provide older workers with access to tailored training programs. As a matter of fact, Belgian enterprises are eligible for subsidies from the Occupational Experience Fund if they provide training activities targeting employees aged 45 and over.

The Generation Pact has promoted the continued commitment to increasing training activities in general. To this end, it introduced a control and penalty mechanism that became effective in 2011. If the overall objective of spending 1.9 percent of companies' total payrolls on training is not achieved, fines have to be paid. Whether also older workers benefit from the increase of training activities, which can be expected after the introduction of the control mechanism, remains to be seen.

With regard to regional activities, the Flemish government started a collaboration with the social partners in the region and concluded the so-called 'career agreement' (*loopbaanakkoord*) with the social partners for the years 2012 and 2013. Apart from several measures aiming to actively promote the employment of older workers and prolong their stay in the labor force, the agreement also comprised a large-scale training program specifically targeting older workers.

6.2.3 Employment assistance

Already in the year 1993, the Belgian government had introduced personalized support plans (*plans d'accompagnement des chômeurs*) for all unemployed persons aged 45 and younger. These plans are intended to evaluate the job skills and prospects of unemployed workers and to devise counseling and retraining programs accordingly. In 2001 the measure has been extended also to all unemployed persons aged 46 and older. However, monitoring of job-seekers so as to make sure that they are actually searching for a new job was only implemented for those aged under 50 years. Only in 2012, the federal government decided to extend this monitoring also to unemployed persons aged 50 to 55 as from January 2013 and to all unemployed persons under 58 as from January 2016.

Moreover, in the course of the implementation of the measures of the Generation Pact, a new approach towards older workers facing redundancy after company restructuring was implemented. Workers facing redundancy now receive six months of intensive guidance and support by a so-called employment cell which is working together with the public employment service in order to find a new post for the affected employees. Throughout this period, workers continue to receive their monthly wage from their employer. Workers that cannot be placed by the employment cells must remain available for work until they reach the age of 58, even if they draw a pre-pension. As from 2013, the Belgian government has increased the availability requirement for unemployed workers by two years to 60 years.

Also the regions have improved their employment assistance activities towards older workers. The Flemish public employment service (*Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding [VDAB]*) has extended its guidance approach to job-seekers aged 50 to 52 already in 2009 and to those aged 53 to 55 in 2011. In 2012 the systematic activation approach was then also extended to those unemployed aged 56 to 58 and in 2014 to all unemployed under the age of 60. Accordingly, job-seekers are obligated to attend compulsory information sessions after the first three months of unemployment. Afterwards a support plan about their skills, work experience, state of health and motivation is compiled that shall assist the respective job-seeker as well as the employment service to find a suitable new job.

Also the German-speaking community has extended its guidance offers for older unemployed. To this end, the community entered into a cooperation with the employment service of Aachen in Germany. Together, the two organizations aim to devise support plans that are specifically tailored to the needs of older unemployed persons. Furthermore, the German-speaking community is also developing a matching procedure for older job-seekers.

6.2.4 Financial incentives

Since the turn of the millennium the federal government has introduced a number of in-work benefits for older workers to encourage them to return to work or remain in employment rather than leaving the labor market early. Already in 2002, the federal government introduced a return-to-work supplement (*werkhervattingstoeslag*), a wage top-up for workers aged 50+ who re-enter the labor force after having been unemployed for more than one year. If an employment record of 20 years can be proven, employees are entitled to the supplement (currently 197.93 €) for an indefinite period, i.e. for as long as the employment relationship holds. In 2006, in the course of the implementation of the Generation Pact, the one-year-unemployment rule has been abolished in order to provide an incentive for older unemployed to return to the labor market as soon as possible. However, workers are not eligible for the supplement if they accept a job, within the first six months of their unemployment, at the same employer for which they have worked before becoming unemployed. In 2009, a temporary version of the supplement has been introduced for workers who do not satisfy the career length requirement of 20 years. For these persons, entitlement to the supplement is limited to 3 years and the amount of the benefit decreases after 12 and 24 months to 131.95 € and 65.98 €, respectively. Since February 2013 the minimum qualification age has been raised from 50 to 55 years.

In the year 2010, Belgium has introduced another wage top-up for workers aged 50 and older who switch, on their own initiative, from a job which they find difficult to perform to a less demanding position within the same organization (*overstappremie*). Employees needs to have filled the former position for at least five years and must move to a post which they consider to better match their abilities. Moreover, their monthly gross income needs to shrink by at least 265.30 € after the transition. If workers meet all above mentioned conditions, they are eligible for the benefit. The amount that workers receive as well as the period for which the bonus is paid depends on the age of the employee. At the time of writing workers under 55 can obtain a monthly benefit of 79.60€ for 12 months. Workers aged 55 to 57 receive 106.11€ per month for a period of 24 months. The highest amount is paid to workers aged 58 and over, who are eligible to a monthly benefit of 132.65 € for as long as 36 months.

In addition to these measures providing incentives for older employees, the federal government has introduced a number of wage subsidies paid to employers for recruiting older workers. Already in the year 2001, a quarterly reduction in employers' social security contributions for a number of target groups, among which workers above the age of 50 (*loonkostvermindering vanaf 50 jaar*), has been implemented. In 2013, the minimum qualification age has been increased to 54 years (*loonkostvermindering vanaf 54 jaar*). The amount of the reduction increases with the age of workers and can even be obtained for workers aged 65 and over. At the time of writing an employer receives a quarterly subsidy of 400 € for workers aged 54 to 57 years, a quarterly subsidy of 1.000 € for workers aged 58 to 61 years and a quarterly reduction of 1.500 € for workers aged 62 to 64 years. After the statutory retirement age, the amount of subsidy decreases again to 800 €, which is, however, still twice the amount paid for the youngest eligible age group.

Unemployed persons aged 45 and older can be issued a so-called 'work card' (*werkkaart*). Employers who recruit the holder of such a card are entitled to a reduction in employers' social security contributions for five years (*loonkostvermindering bij aanwerving van werkzoekenden [Activa plan]*). The amount granted per year depends on the length of the period for which a person was registered as unemployed. At the time of writing the subsidy is fixed at 4.000 € in the first year. In the most advantageous case the subsidy equals this amount for the full five years, in the least advantageous case the subsidy decreases to 1,600 € per year. If the period of unemployment amounts to at least 18 months, the employee is entitled to a monthly bonus of 500 € for two and a half years. As the employer can deduct this amount from the monthly net wage, however, this bonus must rather be considered as a wage subsidy for the employer than an in-work benefit for the employee. During the heights of the financial and economic crisis, the Belgian government launched the so-called *Win-Win plan* to create additional incentives for the recruitment of workers aged 45 and over. The plan provided for the extension of the above mentioned reductions by 24 months if workers were recruited in 2010 and by 12 months if workers were hired in 2011. The plan was discontinued as from 2012.

In the year 2004, the Belgian government also introduced a reduction in employers' social security contributions for all employed workers aged 57 and over (*vermindering van sociale bijdragen – doelgroep oudere werknemers*). At the time of writing, the reduction amounts to 400 € per quarter as from the quarter in which an employee turns 57 and is granted for as long as the employee remains in service. In the course of the implementation of the Generation Pact, since April 2007, employers have also been awarded social security contribution reductions for the employment of workers aged 50 and over who receive a quarterly gross income of less than 12.000 €. At the time of writing, the initial amount of the reduction equals 50 € for workers aged 50 and increases per quarter until it equals 400 € for workers aged 65. This reduction supplements the reduction for workers aged 57 and older.

In the year 2006, also the Flemish government has introduced a subsidy to promote the recruitment of older workers, the so-called 50+ employment grant (*50+ premie*). Employers in Flanders can obtain a subsidy for hiring job-seekers aged 50 and older who are registered as unemployed with the VDAB. If employers offer an employment contract providing for permanent employment and if the recruited worker is employed for at least 15 months employers can, up to one year, receive a subsidy between 1.200 € and 4.500 € per quarter, depending on the salary of the recruited employee.

6.3 Evaluation

Despite regularly returning governmental crises, Belgium has managed to increase the amount of older workers in employment between 2000 and 2013 by 15.4 percent from 26.3 percent to 41.7 percent. Though this figure falls significantly short of the 50 percent target, that EU member states actually strived to achieve already by 2010, it still indicates that substantial progress has been achieved with regard to prolonging working lives of Belgian employees. During the observation period, older workers have gradually developed into a target group for Belgian policy-makers and policies have been adapted so as to reduce incentives for early retirement. To this end, the Belgian government has increased eligibility ages to enter early retirement as well as the respective career length requirements, but has also allowed for a great number of exemptions. Moreover, Belgium has abolished only one early retirement scheme, the part-time pre-pension, while other schemes still provide for an early exit from the labor market many years before the statutory retirement. However, the Belgian government has implemented other pension-related measures, such as the introduction of a postponement bonus for workers continuing to work after qualifying for an early retirement pension. Moreover the government has also provided for the possibility to combine work and retirement to smooth the exit from the labor market or to top-up pension benefits. Besides, job-search requirements as well as a monitoring system have been introduced for older workers so as to promote their re-integration into the labor market.

Older workers have also been paid increasing attention by the Belgian public employment service, as well as the regional public employment services, especially the Flemish VDAB. Job assistance and counseling activities have gradually been increased to target also workers above the age of 50. Moreover, financial incentives have been introduced for both employers as well as employees, so as to make a prolonged stay of older workers in the labor market financially attractive for both parties. With regard to training, the Belgian government has put the responsibility mainly on the side of employers. While Belgian enterprises are eligible for subsidies from the Occupational Experience Fund if they provide training activities that are targeted on employees aged 45 and over, no particular training programs have been launched, except for the Flemish career agreement.

From the above it can be concluded that Belgium has, since the adoption of the Lisbon strategy, implemented a significant number of measures to prolong the stay of older workers in the labor market, many of which have embraced the goals, principles and instruments proposed by social investment. As such, Belgium has (1) restricted access to programs facilitating early retirement, (2) enhanced employment assistance offered to older workers, (3) raised financial incentives for employers and older employees, and (4) to some extent promoted increased training of older workers. The increased social investment policy efforts in the field of labor market policies targeting older workers thus provide ample evidence for the convergence of the Belgian policies towards those proposed by social investment, and as such, for the existence of δ-convergence. Hypothesis 1 can therefore be confirmed, stating that the promotion of social investment by the European Union has led to a Europeanization of the Belgian labor market policies, i.e. that Belgian governments have adopted policies that reflect the goals, principles and means of social investment.

7. Case study 3: Germany

In the year 2000, the median age of the German population equaled 39.8 years (Lanzieri, 2011). As such, Germany's population had the second highest median age of all EU-27 countries after Italy, whose median age amounted to 40.1 years in the same year (Lanzieri, 2011). Throughout the first decade of the new millennium the German median age increased to 44.2 years, making it the eldest population in the EU-27 (Lanzieri, 2011). It is expected that Germany will remain in this position until the year 2040 at least, when the median age is projected to have further risen to 50.4 years (Lanzieri, 2011). This development is the result of increasing life expectancy and continuing low fertility rates. Between the years 2010 and 2060, life expectancy at birth is expected to rise by another 7.2 years for German males and by 6.2 years for German females, while fertility is projected to increase only slightly from 1.36 children per woman to 1.54 children per women at a low 1.4 children per woman (European Commission, 2011). As a result of these trends, the number of persons aged 20 to 64 will decline by about six million until the year 2030 alone, while the number of those aged 65 and over will increase by about five million over the same period of time (Bundesministerium für Arbeit und Soziales, 2010).

Despite these prospects, the employment rate of older workers in Germany was comparatively low at the turn of the millennium. According to a representative survey of the German Institute for Employment Research (IAB), nearly 60 percent of German businesses did not employ workers above the age of 50 at the turn of the millennium (news aktuell Presseportal, 2002). Indeed, only 37.6 percent of workers aged 55 to 64 were in gainful employment in the year 2000 (Eurostat, 2014b). As a result of the demographic change, however, ever less young worker will enter the labor market in the future. In order to ensure the sustainability of the social security systems and to keep age-related expenditures limited, especially those of the pension system, Germany thus needs to increase the employment participation rate of older workers.

Between the years 2000 and 2013 the employment rate for workers aged 55 to 64 in Germany has increased by 25.9 percentage points from 37.6 percent to 63.5 percent (Eurostat, 2014b). As such, Germany is the only of the three countries under study which has achieved the Stockholm target by 2010, when the employment rate of workers aged 55 to 64 amounted to 57.7 percent (Eurostat, 2014b). This chapter aims to establish which measures have been implemented by Germany since the year 2000 and in how far a social investment approach has been integrated into German labor market policies targeting older workers. To this end the first section describes the labor market situation of older workers in Germany at the turn of the millennium and explains how this situation results from past policy approaches towards older workers. The second section then depicts the changes in labor market policy towards older workers adopted and implemented between 2000 and mid-2014. Finally, the last section analyzes and evaluates these policy changes.

7.1 Labor market situation of older workers and policy status quo at the beginning of 2000

At the turn of the millennium, the German employment rate for workers aged 20 to 64 as well as the employment rate of the age group 55 to 64 were slightly higher than the EU-27 average (Eurostat, 2014b, 2014c). In the year 2000, 68.8 percent of persons aged 20 to 64 were in gainful employment in Germany, compared to 66.6 percent in the EU-27 (Eurostat, 2014c). In the same year the German employment rate of workers aged 55 to 64 amounted to 37.6 percent, slightly above the EU-27 average of 36.9 percent (Eurostat, 2014b). Compared to the EU-15, however, Germany was situated rather at the lower end of the middle field, with only Spain (37.0%), France (29.9%), Austria (28.8%), Italy (27.7%) and Belgium (26.3%) scoring lower, albeit with the exception of Spain, significantly lower (Eurostat, 2014b). With an employment rate of only 29.0 percent especially women aged 55 to 64 were underrepresented on the German labor market in 2000, compared to 46.4 percent of men that were still economically active in that age group in the same year (Eurostat, 2014b). This equals a disparity of 17.4 percentage points. Yet, compared to Austria and Belgium, where the gender difference amounted to 24.0 and 19.8 percentage points respectively, the disparity was less pronounced in Germany in the year 2000. Like in Austria and Belgium, however, the gender division which characterizes the older workforce in Germany can be explained by the difference in the statutory retirement age between men and women in the year 2000, as well as the fact that, in the past, female labor market participation has been rather uncommon especially in many parts of Western Germany. These lower labor market participation rates of female prime-age workers throughout the past decades are now resulting in lower labor market participation rates of older women in the present.

Table 5. Employment rates (55 – 64 years) Germany and EU-27 compared (in %)

	2000			2013		
	Total	Males	Females	Total	Males	Females
Germany	37.6	46.4	29.0	63.5	69.8	57.5
EU-27	36.9	47.1	27.4	50.3	57.6	43.4

Source: Eurostat (2014b)

Moreover, workers in Germany retired with 60.6 years on average in the year 2001, and as such not only later than the estimated EU-27 average (59.9 years), but also significantly later than workers in Austria (59.2 years) and Belgium (56.8 years) (Eurostat, 2014a). This difference might most likely be explained by the higher minimum qualification ages that are set for the admission to early retirement schemes in Germany as compared to the legal ages handled in both Austria and Belgium. Throughout the 1990s, Germany has enacted a number of legal acts intended to gradually increase the minimum qualification age of various early retirement schemes even further.

As early as 1992, the German government passed a pension reform (*Gesetz zur Reform der gesetzlichen Rentenversicherung*) which scheduled the gradual adjustment of the statutory retirement age of women to that of men, i.e. from 60 to 65 years, between 2001 and 2004. Additionally it was stipulated to gradually increase the eligibility age to an old-age pension due to unemployment from 60 to 65 years and the admission age to an old-age pension for long-term insured persons from 63 to 65 years over the same period. As a matter of fact, the implementation of these measures equals a phase-out of these early exit schemes until the year 2004. In the years 1996 and 1997 it was, however, decided to raise the statutory retirement age of women as well as the minimum qualification age for the unemployed already as from 1997 and to increase the admission age for long-term insured persons already as from 2000. The 1992 pension reform furthermore envisaged, again as from 2001, the introduction of pension deductions amounting to 0.3 percent of pension entitlements per month or 3.6 percent of pension entitlements per year of early retirement, however by a maximum of 18 percent. In order to reward workers who defer retirement and continue to be economically active after qualifying for an old-age pension, the government introduced a postponement bonus of 0.5 percent of pension entitlements per month of continued work after the statutory retirement age. In 1999 the government then passed another pension reform (*Rentenreformgesetz*) which stipulated the gradual increase of the minimum qualification age for seriously disabled persons from 60 to 63 years of age.

In 1996, the Act on Part-Time Work in Old Age (*Gesetz zur Förderung eines gleitenden Übergangs in den Ruhestand [Altersteilzeitgesetz]*) has been introduced to ease the transition from full-time work to full-time retirement and encourage older workers to stay in the labor market for longer. It provides workers above the age of 55 with the opportunity to halve their working time for up one year, but also allows for a block model option, in which workers continue to work full-time at first, and afterwards enter a period of complete absence from work. During this period of time, workers are eligible to 70 percent of their former net income. While the employer is obliged to pay 50 percent of the former gross pay, the German Federal Employment Agency (*Bundesanstalt für Arbeit, since 2004: Bundesagentur für Arbeit*) would contribute the remaining amount on the condition that the employer recruits a substitute worker, either a registered job-seeker or a young professional or an apprentice. In addition, the public employment service would also top up the pension insurance contributions paid by the employer to 90 percent of the former gross wage if the replacement condition is fulfilled. If a collective agreement provides accordingly, part-time work can also be distributed over a period of up to five years.

The Act on Part-Time Work in Old Age has been amended twice, firstly by the Law on Development of Part-Time Work for Older Workers entering into force on January 1 2000 and again by the Second Law on Development of Part-Time Work for Older workers, which entered into force on July 1, 2000. Both amendments introduced regulations worked out by the Alliance for Jobs, Training and Competitiveness. Firstly, transition into part-time work in old age has also been opened up for older workers already working part-time. They can make use of the scheme if they halve their working hours but remain subject to the compulsory coverage in the unemployment insurance scheme despite the low number of monthly working hours. Moreover, in companies with less than 50 employees, the replacement worker no longer needs to substitute the older worker opting for part-time work, but can be assigned to any job within the organization. Furthermore, it was decided to extend the eligibility period for support from one to six years. Finally, the period of application to support for part-time work in old age has been prolonged until December 31, 2009.

Since the year 1997, the eligibility age for receiving unemployment benefits for a prolonged period of maximal 32 months has been increased from 54 to 57 years in order to provide an incentive for older workers to return to the labor market. On the demand side incentives to recruit older workers have as well been increased. To promote the employment of older workers, the eligibility requirements for obtaining integration subsidies for older employees (*Eingliederungszuschuss für ältere Arbeitnehmerinnen und Arbeitnehmer*) have been relaxed. Since 1999, the age limit for older workers for which employers can obtain subsidies has been decreased from 55 to 50 years and the required period of unemployment has been reduced from twelve to six months. Moreover, the obligation to continue the employment relationship after the financial assistance runs out, namely after a period of 60 months at the latest, has been abolished.

In order to retain the employability of older workers, and of workers in general, Germany has increasingly relied on job creation schemes, especially the so-called *Arbeitsbeschaffungsmaßnahmen (ABM*) since about the mid-1970s. After the fall of the Wall, they were extensively used in Eastern Germany to prevent unemployment as well as to promote the employability of unemployed persons. The structural adjustment measures (*Strukturanpassungsmaßnahmen [SAM]*) which were developed in the 1990s in this context, were targeted among others on older workers. In 1999 the government prolonged the support time for work opportunities for unemployed persons aged 55 and over within the structural adjustment measures from three to five years.

Already prior to the entry-into-force of the Lisbon strategy in the year 2000, Germany had implemented a number of policies that were strongly influenced by the goals, principles and instruments of social investment, particularly with regard to restricting access to early withdrawal from the labor market. As early as in 1992 the government took the decision to phase out a number of early retirement schemes between the 1990s and the early 2000s. Also the restricted access to drawing unemployment benefits for a long time, and thus preventing older unemployed from using them as a substitute for an early retirement pension, must be emphasized in this context. Moreover, Germany has increased of the statutory retirement age of women and approved the introduction a postponement so as to provide incentives for a longer working live. In addition, the possibility for part-time retirement was enacted. Besides these pension-related measures, Germany has made excessive recourse to job-creation schemes in order to occupy low-skilled older workers. Moreover, the eligibility criteria and conditions related to obtaining wage subsidies have been eased.

At the end of the year 1998, the newly elected red-green coalition decided to intensify their collaboration with the representatives of from industry and the trade unions and initiated the so-called 'Alliance for Jobs, Training and Competitiveness' (*Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit*) in order to solve pressing employment problems. On January 9, 2001 a working party of the alliance adopted a resolution which initiated a paradigm change in the policy approach towards older workers. It stressed the need to end the trend of early retirement and to rather increase the employment participation of older workers by means of preventing unemployment in the first place and facilitate re-integration of older job-seekers. The next section will provide an overview of the measures adopted by the German government as from the year 2000, before the final section will evaluate whether the goals of the Alliance for Jobs, Training and Competitiveness have been implemented.

7.2 Policy developments between 2000 and mid-2014

7.2.1 Early withdrawal and part-time retirement

Early withdrawal. In January 2001 the reform of the disability pension system (*Gesetz zur Reform der gesetzlichen Renten wegen verminderter Erwerbsfähigkeit*) entered into force. Previously disability pensions were paid to all workers who could no longer exercise their profession for more than six hours per day for medical reasons. As from 2001, workers born after January 1, 1961 can obtain a disability pension if they can neither perform their own profession nor any other profession on the labor market for more than six hours per day any longer. Accordingly, workers are fully eligible for a disability pension if they can work only less than three hours per day due to health impairments. If, however, workers can work between three and six hours daily they are only eligible for a partial disability pension. The rights of workers born prior to the cut-off date remain untouched, unless the incapacity to work in their own profession for more than six hours per day occurs after January 1, 2001. In that case, they receive only half the amount of the disability pension in comparison to two-thirds they would previously have been entitled to. Aside from the disability pension system, also the survivor's pension system underwent reform in 2001. The pensions were cut from 60 to 55 percent of the insured person's pension.

Another pension reform, the Statutory Pension Age Adjustment Act (*Rentenversicherungs-Altersgrenzenanpassungsgesetz*) was passed in 2007. Anticipating the effects of the demographic change, it introduced the gradual increase of the statutory retirement age from 65 to 67 years so as to ensure the stability of the contribution rate and the sustainability of the benefit level. Therefore the statutory retirement age will increase by one month per year between 2012 and 2023 and by two months every year between 2024 and 2029. Accordingly, persons born between 1947 and 1963 will have to continue to work beyond the age of 65 but can retire before turning 67. For all persons born in 1964 and later, the age of 67 then becomes the new statutory retirement age. Yet, workers who can prove a insurance record of 35 years or more will still be able to retire as from age 63, however, with a deduction of pension entitlements of 3.6 percent for every year of early retirement. Exemptions provide for persons with a long insurance record and severely disabled persons. Persons who can prove an insurance record of at least 45 years will be able to enter retirement without deductions at age 65. For severely disabled persons the admission age will be raised from 63 to 65 years. As a result of this increase, early retirement with deductions is only possible for this group as from age 62, instead as from age 60.

On July 1, 2014 the new pension package (*Rentenpaket*) entered into force. It enables workers who have been born before 1953 and have accumulated 45 or more contribution years to enter retirement as from age 63 without deductions. For persons born after 1952, the eligibility age increases by two months every year. Persons born after 1963 who have accumulated 45 or more contribution years can thus, as stipulated in the 2007 reform, only enter retirement without deductions as from age 65. As the pension package takes into account periods of unemployment in the calculation of the contribution record, periods of unemployment during the last two years prior to retirement are not included in the calculation, so as to prevent early retirement incentives.

Early retirement incentives have also been reduced by reforming the eligibility criteria regarding unemployment benefits. In 2006, the government reduced the entitlement period of persons aged 55 and over to unemployment insurance benefits from 32 to 18 months, so as to stimulate a re-integration into the labor market. Moreover the government closed the unemployment pathway into early retirement by gradually phasing out the exemption from job search requirements for workers above the age of 58 until the year 2008.

Part-time retirement. The financial support for *Altersteilzeit* by the federal employment agency has been discontinued as from the year 2010. Older workers can still enter part-time work, however, the employer can only obtain funding if the workers has started to work part-time by December 31, 2009 at the latest.

7.2.2 Occupation

Prior to 2002, selection for participation in job creation schemes gave priority to long-term unemployed and older unemployed. Since the year 2002, however, eligibility criteria were loosened and more discretion was granted to the local employment services with regard to the selection of participants. As has already been mentioned, a cornerstone of the various job creation schemes are the so-called *Arbeitsbeschaffungsmaßnahmen*, which usually last for about a year. Since 2003 older workers are eligible to participate in such measures for up to three years. As from 2004, the prolongation of entitlement to unemployment insurance benefits through the participation in job creation schemes has, however, been abolished in the course of the implementation of the Third Act for Modern Services on the Labor Market (*Drittes Gesetz für moderne Dienstleistungen am Arbeitsmarkt [Hartz III]*). In the year 2009, eligibility for the participation in ABM schemes was significantly restricted to a small group of unemployed before this type of job creation scheme was completely abolished by the Act on the Improvement of Integration Opportunities into the Labor Market (*Gesetz zur Verbesserung der Eingliederungschancen am Arbeitsmarkt*) which was passed in December 2011. However, a number of different job creation schemes remain available and are still used to support the transition from unemployment into employment.

Already in the year 2005 the federal government has created and funded 30.000 jobs for unemployed persons aged 58 and over. The posts with a term of one to three years were created in the area of community work.

7.2.3 Training

In the year 2001, a working party of the Alliance for Jobs, Training and Competitiveness adopted a resolution in it stressed the need for increased in-company training as a central element to the prolongation of working lives of older employees. The federal government picked up the recommendations of the alliance in the Job AQTIV Act, where *AQTIV* is an abbreviation for the guiding theme '*Aktivieren, Qualifizieren, Trainieren, Investieren, Vermitteln*' (activate, qualify, train, invest and place workers). The act entered into force on January 1, 2002 and introduced subsidies for the training costs of qualification measures for workers aged 50 and over in small and medium-sized enterprises with up to 100 employees. This support has been limited until the year 2005.

In the year 2006, the Federal Employment Agency has launched a training program targeting low-qualified unemployed and employed older persons (*Programm zur Weiterbildung Geringqualifizierter und beschäftigter Älterer in Unternehmen [WeGebAU]*). With a budget of 200 million € the program aims to counteract the projected skill shortages on the German labor market. On the one hand the program assists low-qualified unemployed persons above the age of 50 and on the other it provides subsidies to companies, especially small and medium-sized enterprises with less than 250 employees, for qualifying low-skilled employees aged 45 and over. The program duration was initially limited until the year 2011. With the 2011 Act on the Improvement of Integration Opportunities into the Labor Market (*Gesetz zur Verbesserung der Eingliederungschancen am Arbeitsmarkt*) the period has, however, been extended for an unlimited period. Moreover the benefit level has been made more flexible. Up to 100 percent of training costs are covered. In addition, workers are reimbursed up to 100 percent of their monthly salary if they experience a loss of income due to training-related absence from work.

7.2.4 Employment assistance

In the year 2005 the initiative "Perspective 50plus – Employment Pacts for Older Workers in the Regions" (*Perspektive 50plus – Beschäftigungspakte für Ältere in den Regionen*) was launched to promote the employment opportunities of older long-term unemployed and to re-integrate them into the labor market. To this end, the local employment agencies have entered into co-operations with regional and local stakeholders and developed employment pacts for older workers that are specially tailored to the local conditions. By the end of 2013, 78 such employment pacts have been successfully set up. They offer a vast amount of measures and strategies to re-integrate older unemployed into the labor market. Counseling activities as well as profiling, assessment and placement activities constitute an integral part of the employment pacts. Moreover the pacts can also provide for training activities and wage subsidies, depending on the individual arrangements between the participating stakeholders. Meanwhile, the initiative has reached the third phase of implementation. The first phase, which covered the period from 2005 to 2007, served the establishment of the local and regional networks. The second phase, which spanned the period from 2008 to 2010, then was focused on the development and trial of individual support instruments. During the third phase, which runs from 2011 to 2015, further expansion is aimed for, in order to cover all regions. Moreover, the most successful instruments and approaches shall be selected in order to prepare their adoption as permanent measures of active labor market policy.

7.2.5 Financial incentives

With the entry into force of the First and Second Act for Modern Services on the Labor Market (*Erstes Gesetz für moderne Dienstleistungen am Arbeitsmarkt [Hartz I]* and *Zweites Gesetz für moderne Dienstleistungen am Arbeitsmarkt [Hartz II]*) on January 1, 2003 the federal government also introduced new financial incentives for both older workers as well as employers with the intention to promote the employment of workers over 50. Firstly, a salary protection scheme was installed for all workers aged 50 years and over, i.e. a wage top-up for older unemployed who accept a job that pays less than their previous job (*Entgeltsicherung für ältere Arbeitnehmer*). This in-work benefit amounts to 50 percent of the difference between the previous and the new net wage and is paid, on the condition that this difference amounts to at least 50 €, for a maximum period of two years. In addition, the public employment service tops up the contributions to the statutory pension insurance. Secondly, the government has also introduced a new wage subsidy for employers. When recruiting workers over 55 years of age, employers are exempted from the payment of the contributions to the unemployment insurance.

In 2007, the Act on Enhancing the Employment Prospects for Older Persons (*Gesetz zur Verbesserung der Beschäftigungschancen älterer Menschen*) entered into force as an integral part of the initiative Perspective 50plus. The Act prolonged the validity of the wage safeguards system introduced by the Hartz reforms and introduced a number of changes with regard to integration subsidies for older workers. Employers can now obtain between 30 and 50 percent of the regular wage of workers over 50 who have been recruited after being unemployed for at least six months. For heavily disabled older workers the subsidy can amount even up to 70 percent of the wage. Moreover a new eligibility period for the receipt of integration subsidies has been determined, namely a minimum period of 12 and a maximum period of 36 months.

The German wage subsidy system underwent complete reform in 2011, when the Act on the Improvement of Integration Opportunities into the Labor Market (*Gesetz zur Verbesserung der Eingliederungschancen am Arbeitsmarkt*) determined that the six different wage subsidies would be integrated into one subsidy. The new subsidy can cover up to 50 percent of the regular wage for workers for a maximum period of 12 months. A temporary exception, valid until the end of 2014, provides for workers over the age of 50, for whom employers can obtain the subsidy for a maximum period of 36 months.

7.3 Evaluation

Between the years 2000 and 2013, the employment rate for workers aged 55 to 64 in Germany has increased by 25.9 percentage points from 37.6 percent to 63.5 percent. The employment rate of older women has even nearly doubled from 29.0 percent to 57.5 percent throughout the past 14 years. Partly, at least, this can be attributed to the measures that have been initiated in 1992 and have gradually been implemented between the end of the 1990s and the early 2000s. This is especially true for the abolition of a number of early retirement schemes. However, Germany has continued on its reform path and has introduced social investment-inspired measures since the adoption of the Lisbon strategy, too. As such, Germany has decided to increase the statutory retirement for both genders from 65 to 67 years, a measure which is implemented since the year 2012. Moreover, Germany has restricted access to disability pensions and has scaled back the maximum eligibility period for unemployment benefits for older workers. Support for part-time retirement has however been discontinued. Besides, the federal government has invested in skills formation of older workers by heavily funding training for low-qualified workers aged 45 and over as well as low-skilled older unemployed. In addition, also employed job-creation schemes have been utilized to occupy older long-term unemployed persons. Furthermore, Germany has stepped up employment assistance offered to older job-seekers and created an in-work benefit for older unemployed who accept a lower paying job.

Germany has thus continued to employ social investment measures since the turn of the millennium and has even extended the number of dimensions used. By mid-2014, Germany has made use of instruments from all five social investment dimensions, as it has (1) restricted access to early retirement and promoted a longer working live in general, (2) has used job-creation schemes, (3) has promoted training, (4) has extended the provision of employment assistance, and (5) has introduced a new in-work benefit. Germany has thus embraced the social investment paradigm even more. The increased social investment policy efforts in the field of labor market policies targeting older workers thus provide strong evidence for the continuing convergence of the German policies towards the goals, principles and instruments of social investment, and, as such, for the existence of δ-convergence. Hypothesis 1 can therefore be confirmed, stating that the promotion of social investment by the European Union has led to a Europeanization of German labor market policies, i.e. that German governments have adopted policies that reflect the goals, principles and means of social investment.

8. Comparison

After having analyzed the policy developments in the three selected conservative-corporatist EU member states – Austria, Belgium and Germany – and having evaluated to what extent each of the three countries has incorporated the social investment perspective in their national labor market policies targeting workers aged 50 years and older between 2000 and mid-2014, this chapter aims to assess whether the policies of the countries under observation have become more similar to each other between 2000 and mid-2014, i.e. whether σ-convergence can be measured. It has been hypothesized that the similar problems faced by the conservative-corporatist welfare states have been addressed in a similar way due to the high institutional similarity of the countries under observation, i.e. that cross-national policy convergence can be detected with regard to the policy instruments employed by the various countries under observation (H3). To establish whether this is actually the case, this chapter compares the measures taken by the three countries for every social investment dimension.

Early withdrawal. The restriction of access to early retirement schemes as well as the abolition of schemes facilitating an early exit from the labor market have been major instruments to prolong the working lives of older workers in all three countries under observation. Restrictions have involved either raising the minimum qualification age or increasing the requested insurance and contribution periods. In addition, all three case study countries states have enacted increases in the statutory retirement age, with Germany being the only country that has raised the statutory retirement age above the age of 65 years. Moreover, in all three countries a pension bonus has become effective in order to reward late retirement. Part-time employment schemes are accessible for older workers in all three countries in order to smooth the transition from full-time work to full-time retirement and to keep older workers in employment for longer by adapting working time models to their special needs. The block model option offered in Germany and time and again by the Austrian government showed, however, that such a scheme was regularly misused as a substitute for the abolished early exit paths.

Occupation. Germany is the only country for which job creation schemes have been reported.

Upskilling. All three case study countries have attached increasing importance to the training of older workers as well as life-long learning since the beginning of the observation period. In order to promote training of older workers, subsidies for training activities have been introduced in all three countries. Germany and Austria additionally offer financial assistance to older workers if they experience a loss of income due to training-related absence from work. Moreover, Germany and Austria have launched large-scale training programs targeting older workers, as has the Flemish government in Belgium.

Employment assistance. The public employment services of Austria, Belgium and Germany have increasingly enhanced employment assistance offered to older workers. Counseling, job search and placement measures targeting older workers have been increased by all three EU member states between 2000 and mid-2014.

Financial incentives. Austria, Belgium and Germany have implemented financial incentives for both employers as well as older employees in order to make employment of older workers more attractive for both parties. With regard to older employees, all three member states have introduced wage top-ups for older workers who re-enter the labor market but accept a lower paying job. Moreover, all three countries have also introduced wage subsidies which grant reductions in employers' social security contributions if they recruit or retain older workers.

Table 6. Overview social investment instruments implemented between 2000 and mid-2014

	Prevention early exit	**Occupation**	**Upskilling**	**Employment assistance**	**Financial incentives**
Austria	X		X	X	X
Belgium	X		X	X	X
Germany	X	X	X	X	X

From the above comparison it becomes clear that the policies of Austria, Belgium and Germany have developed into the same direction between 2000 and mid-2014. All three countries have left their passive approach towards older workers behind and have increasingly implemented activating policies reflecting the instruments proposed by social investment. Moreover, the specific measures introduced by Austria, Belgium and Germany very much resemble each other in their design. These findings are summarized by Table 6, which provides an overview of the policy dimensions in which each respective member state has taken action by making use of social investment instruments.

To conclude, cross-national policy convergence, i.e. σ-convergence, can be detected with regard to the policy instruments introduced and employed by Austria, Belgium and Germany in order to reduce recourse to early exit schemes and achieve higher participation rates of older workers. Accordingly, the hypothesis that the similar problems faced by the three selected conservative-corporatist welfare states have been addressed in a similar way due to their institutional similarity can be confirmed.

9. Conclusion

Against the background of population ageing and the projected labor and skills shortages that are a result of the changing age structures of European countries, this study aimed to investigate which policy changes conservative-corporatist EU member states have implemented in their national labor market policies between 2000 and mid-2014 so as to increase the labor market participation of older workers, i.e. workers aged 50 to 64, and to what extent the chosen policy approaches differ between the case study countries. It was of special interest whether the chosen approaches would resemble the instruments proposed by social investment. To this end, three individual case studies were conducted, tracing the policy changes in typical conservative-corporatist member states of the EU, namely Austria, Belgium and Germany, between 2000 and mid-2014. The case studies allowed for an analysis and evaluation of how each of the three selected countries has developed during the period under observation, and also enabled a comparison of the developments that have taken place in the case study countries between 2000 and mid-2014.

From the analysis of the three case studies it can be concluded that Austria, Belgium and Germany have introduced a significant number of policies inspired by the goals, principles and instruments of social investment. In so doing, they have made use of instruments from all five policy dimensions offered by social investment. The increased social investment policy efforts in the field of labor market policies targeting older workers have provided strong evidence for the convergence of the policies of the case study countries towards those proposed by social investment, and, as such, for the existence of δ-convergence. Hypothesis 1 can therefore be confirmed, stating that the promotion of social investment by the European Union has led to the Europeanization of national labor market policies of the conservative-corporatist member states as national governments have adopted policies that reflect the goals, principles and means of social investment.

From the comparison of the policy developments that have taken place in Austria, Belgium and Germany it becomes clear that the policies of the three countries have developed into the same direction between 2000 and mid-2014. All three countries have left their passive approach towards older workers behind and have increasingly implemented activating policies reflecting the instruments proposed by social investment. Moreover, the specific measures introduced by Austria, Belgium and Germany very much resemble each other in their design. Thus, cross-national policy convergence, i.e. σ-convergence, can be detected with regard to the policy instruments introduced and employed by Austria, Belgium and Germany in order to reduce recourse to early exit schemes and achieve higher participation rates of older workers. Hypothesis 3 can therefore be confirmed as well, stating that, due to the institutional similarity of the member states belonging to the conservative-corporatist welfare regime, cross-national policy convergence can be detected with regard to the policy instruments employed to increase the labor market participation of older workers by the three case study countries.

These findings are very relevant for the broader social investment literature, as well as for policy-makers throughout Europe, as they are proof for the fact that social investment cannot only be meaningful to children, the young and prime-age workers, but also, and especially, to older workers. Future research should, however, test whether the findings that have been produced by this study for the conservative-corporatist EU member states hold over variations in welfare state types and can be generalized. Moreover, while this study has solely concentrated on policy output, future research should also test whether the findings can be validated when focusing on policy outcomes. This would also need to include a cost-benefit analysis in order to test whether the significant investments made actually pay back, a question which is especially relevant in times of economic recession and strict public deficit controls.

Besides, prolonging the working lives of European workers takes more than investing in the employability of current and future workers. Attitudes towards working at older ages need to change for both employers and older workers as well. In order to tackle employment barriers on the side of employers, awareness raising campaigns will be necessary to reduce age discrimination and create job opportunities for older workers. Indeed, Austria, Belgium and Germany have already launched such campaigns in order to promote the advantages of hiring older workers and in order to encourage employers to actually recruit older job-seekers. Moreover, workers themselves need to recognize the advantages of prolonging their working lives. The famous Johan Heesters once said:

> My secret to a long, healthy life is to always keep working. It keeps me busy and happy, and gives me a reason to stay alive**.**

Likewise, workers need to understand that extended working lives can offer social inclusion, appreciation and even fulfillment. In addition to the will to remain economically active, workers must also maintain the capacity to continue working into higher ages. To this end, it will become necessary to attach increasing attention to healthy and sustainable workplaces so as to ensure that workers can remain in the labor market in good health for as long as possible. The adaption of workplaces as well as working conditions to the needs of older workers will be a crucial element in achieving extended working lives. Again, Austria, Belgium and Germany have already implemented campaigns to promote sustainable work places and conditions.

Indeed, it is important to start implementing these adaptations early in the process and use the current opportunity window to prepare society for the grand challenges that population ageing will entail. However, besides all the worries on what the future might bring, we should not forget that increasing life expectancies, and every additional day on this beautiful planet, are also a grand gift and a grand triumph of modern life.

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