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Database Part 2: Social Benefits in Collective Agreements
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Early Retirement in Germany

1. Introduction

Overview

The public system of early retirement:

- Until the mid-1990s early retirement was mainly regulated and financed within the framework of pension and unemployment insurance (Ebbinghaus 2006). The roots of this system can be traced back to the economic crisis of 1929/1930 (Trampusch 2005: 205). Over time, several public pathways of early retirement evolved: retirement before the mandatory retirement age of 65 at age of 63 by the so-called flexible retirement (*flexible Altersgrenze*) and totally financed by the Bismarckian pension insurance system; early retirement due to unemployment (*Rente wegen Arbeitslosigkeit*) which was financed by the unemployment and the pension schemes; age-free disability pensions (*Berufs- und Erwerbsunfähigkeitsrente*); pensions for severely handicapped persons at age 60 (*Schwerbehindertenrente*).
- With the employment crises in the wake of the two oil crises as well as of German unification these early retirement options, in particular the pension due to unemployment and the flexible retirement became the preferred solution for managing large-scale offs across a range of industries (Trampusch 2005: 206). In the mid-1990s the Labor Ministry assessed that up to 90 per cent of the costs of early retirement were borne by the welfare

state (Trampusch 2005: 207). With the increasing costs the Federal Government accused German business of abusing the law. Dissatisfaction increased already in the 1980s but only in the mid-1990s, additionally put under pressure by the fiscal consequences of German unification, the German government began to cut down the various early retirement options (Trampusch 2005).

- It is this context of public retrenchment policies which prompted employers' associations and trade unions to incorporate the regulation and financing of early retirement into sectoral collective labor agreements.

The role of collective labor agreements (CLAs) in early retirement:

- Since the mid-1990s CLAs have become more and more important in regulating and financing early retirement. Before that period there only existed some CLA provisions in the context of the so-called Pre-Retirement Act of 1984 (*Vorruhestandsgesetz*) which promoted a pre-retirement model by collective bargaining until 1989.
- In the mid-1990s government efforts to abolish the early retirement regime and to relieve the insurance system of its costs induced the social partners to conclude CLAs on early retirement. Since then two sectoral CLA schemes on early retirement have evolved:
 - The first scheme comprised of CLAs on part-time retirement (*Tarifverträge zur Altersteilzeit*) which, however, currently lose their importance because public support was terminated by the end of 2009.
 - The CLAs on part-time retirement were supported by the state through the so-called part-time retirement act (*Altersteilzeitgesetz*). The part-time retirement act encouraged the social partners to agree on early retirement schemes within collective agreements by subsidizing these schemes. The state therefore contributed towards the pension benefits of the person going on early retirement. This lead to a great number of collectively negotiated early retirement schemes in many sectors (Behrens 2001: Part Time Retirement Arrangements). The law gave the minimum requirements for cost sharing, the unions and employers negotiated additional provisions (Behrens 2001: Part Time Retirement Arrangements).
 - The part-time retirement law (*Altersteilzeitgesetz*) encouraged part-time retirement for employees over 55, contingent, however, on a collective agreement between unions and employers (*Tarifvorbehalt*). Collective agreements were negotiated in both the metalworking and chemical industries in 1997 on the basis of this new legislation (renewal of the act and the CLAs in 2000/2001). The CLAs on part-time retirement complemented the statutory part-time retirement benefits (which amount to 70% of previous full time wages) up to

85% (in chemicals, up to 82% in metalworking) and sometimes provided compensation for reduced pensions. In sum, these agreements practically offset the pension reduction that had just been enacted by the government to stop early retirement. The employer topped up the wage during the working phase by around 20 per cent and at least up to 70 per cent of the last net wage. In addition, the employer has to pay the contributions to the pension insurance on the basis of 90 per cent of the gross salary. The part-time retirement was subsidized by the Federal Employment Office (*Bundesagentur für Arbeit*) with the reimbursement for employers' expenditure if the part-time retiree is replaced with an unemployed person or a freshly trained apprentice (so called *Wiederbesetzung*).

- There were two options how *Altersteilzeit* could be implemented: (1) Employers and employees could agree upon an even reduction of the working time during the time of part-time retirement by 50 per cent (Schwamborn 2009: 1). (2) Part-time retirement was divided in two equally long time periods: in the first period the employee works full time, in the second period not at all and retires completely. This is also called the '*Blockmodell*' (Schwamborn 2009: 1).
- However, the *Altersteilzeitgesetz* ended on 31st of December 2009 and was not renewed. With that, the subsidies for early retirement schemes in CLAs stopped. From that point on, many social partners were not able to come up with the missing amount of money to finance functioning part-time retirement schemes. Therefore, most the agreements on part-time retirement (*Tarifverträge zur Altersteilzeit*) were not renewed anymore in 2010 (Denecke 27.01.2010, interview).
 - The second scheme comprises CLAs on working life and demography (*Tarifverträge Lebensarbeitszeit und Demographie*). These CLAs have been concluded since 2008 and create a so-called demography fund (*Demographie Fund*) which – among other things – can also be used to finance early retirement.

Levels of bargaining

- The main level of collective bargaining on early retirement is the sectoral level.

Actors

Trade unions:

- The most important trade unions involved in the sectoral negotiated early retirement scheme are the Industrial Union of Metal Workers (*Industriegewerkschaft Metall*, IG Metall) for the metal and electrical industry, the Mining, Chemical and Energy Industrial Union (*Industriegewerkschaft Bergbau Chemie Energie*, IG BCE; until 1995 the union was

called *IG Chemie*, Industrial Union of Chemical Workers) and the Industrial Union of Construction, Agriculture, Environment (*Industriegewerkschaft Bauen-Agrar-Umwelt*, IG BAU) for the construction sector.

Employers' associations:

- The most important employers' associations involved in the sectoral negotiated early retirement scheme are the umbrella association of the regional employers' associations in the German metal and electrical (M+E) industry (*Gesamtmetall*) for the metal and electrical industry, the National German Employers' Association of the Chemical Industry (*Bundesarbeitgeberverband Chemie*, BAVC) for the chemical sector and the Employers' Association of the German Construction Sector (*Zentralverband Deutsches Baugewerbe*, ZDB) for the construction sector.

Critical junctures

Definition: Critical junctures are time periods or years when important decisions on the development of the collectively negotiated early retirement scheme were made.

There were four critical junctures for the development of CLAs on early retirement: the first three are important for the development of the CLAs on part-time retirement (*Altersteilzeittarifverträge*), the third critical juncture is the evolution of CLAs on working life and demography (*Tarifverträge Lebensarbeitszeit und Demographie*).

- CLAs on part-time retirement developed in two waves; both were reactions to retrenchment politics in the public early retirement policy, financed by the social insurance: the first was in 1997, the second in 2000. In both waves, the chemical industry played a trendsetter role (Trampusch 2005). In the wave of 1997 there was also a public sector agreement, which introduced a compensation of the pension deduction (*Rentenabschlag*). In the second wave, this compensation became the standard in all other agreements on part-time retirement (Trampusch 2001: 58, 59).
- The third critical juncture is marked by the end of 2009 when the part-time retirement act ended and with it the state subsidies for wages of the employees in part-time retirement. As a consequence agreements on part-time retirement were not renewed after they ran out. Therefore, CLAs nowadays practically do not play anymore a significant role in the domain of early retirement (Denecke 27.01.2010, interview).
- The fourth critical juncture is the important change in the strategic direction of CLAs occurred in the chemical sector. With the agreement on working life and demography (*Tarifvertrag Lebensarbeitszeit und Demographie*) several different domains of social benefits are gathered within one scheme. The agreement creates the so-called

demography fund, which can be used in one of five ways: compensation time account, early retirement, part pension, additional insurance against disability or occupational pension. The company and the work council have to agree on one of these five benefits. This agreement can be seen as a paradigm shift within CLAs on social benefits.

2. Important Collective Agreements (Examples)

Current Agreements:

- Chemical Industry (*Chemie-Tarifvertrag Lebensarbeitszeit und Demographie 2008*)
 - This is the first agreement in Germany, which picks up the problems and challenges of demographic change and gives the companies suitable tools to handle these (Gensch 2009: 1).
 - It covers about 590,000 employees and is valid in the whole country (BDA 2008: 3).
 - The companies commit to run an analysis of their company-specific demographic situation until 31st of December 2009. Based on this analysis the employers and the work councils agree on which measures should be taken at which point. Among the suggested measures are a number of tools to provide for better old age security and flexible working time (early retirement), as well as measures concerning education and compatibility of work and family life.
 - The employers pay 300 EUR per employee annually into the demography fund (*Demographiefund*). Each year the contribution increases starting from 2011 by the percental increase in wages.
 - The demography fund can be used in 5 different ways:
 - compensation time account (*Langzeitkonten*),
 - early retirement,
 - part Pension (*Teilrente*),
 - additional insurance against disability (*Berufsunfähigkeitszusatzversicherung*),
 - occupational pension (managed through *ChemiePensionsfund*).
 - Within this frame, part-time retirement is possible between the ages of 59 and 65.
 - This kind of contract is very new and there are different implementation phases. In the first phase, the companies had time to analyze their demographic situation. In the second phase, they had to agree with the work councils in which of the five possible ways the fund will be used. Starting from 1st of January 2010, the solutions are being installed in the companies. Therefore, it is currently unclear how many companies will actually decide to use the demography fund for part-time retirement. Michael Denecke of the IG BCE expects that it will only be a small number, or even none. Because the state's financial support for part-time retirement has stopped, the fund then does not

have enough money to finance part-time retirement for their employees. It is therefore rather unlikely that companies will chose this option. Further studies after the implementation of the ongoing phase will show how strongly the demography fund of the chemistry model will promote part-time retirement (Denecke 27.01.2010, interview).

- Paper and Pulp (*Tarifvertrag zur Förderung der Altersteilzeit 2010*)
 - The employees can agree upon a contract for part-time retirement with their employer (IG BCE 2008: 2).
 - An employee is eligible to part-time retirement after having worked within the company for at least 10 years and reached the age of 57. In times when the company is in great need of the employee, they can deny the request for part-time retirement (IG BCE 2008: 2).
 - A maximum of 5 per cent of workers may be in part-time retirement at the same time (with the option for work councils to set shift-work as a criteria for part-time retirement) (IG BCE 2008: 2).
 - Part-time retirement has a minimum duration of one year and maximum of 6 years (IG BCE 2008: 2).
 - During part-time retirement the employee reduces the working time by 50 per cent of the previous hours (IG BCE 2008: 2).
 - The compensation of the employee during part-time retirement will be raised by 40 per cent, minimum to 85 per cent and maximum to 100 per cent of the previous salary (IG BCE 2008: 2).
- Metal Industry (*Tarifvertrag zum flexiblen Übergang in die Rente 2010*)
 - This agreement was originally concluded in the Bundesland *Baden-Wütemberg*, but meanwhile it was extended to all regions in the metal sector (Schumann 03.02.2010, interview).
 - The employee is eligible for part-time retirement the age of 57 for a maximum duration of six years.
 - During part-time retirement the employee works 50 per cent of the previous working hours.
 - During the time of part-time retirement, the employee receives at least 82 per cent of the normal salary.
- Steel Industry (2009)
 - The employee can go into early retirement starting from the age of 55.
 - The pension amounts to 85 per cent of the net salary (StahlNachrichten 2009: 1).

Previous Agreements:

- The following agreements were valid during the time, when part-time retirement was financially supported by the state through the part-time retirement act (*Altersteilzeitgesetz*).
 - Public Service
 - Part-time retirement started at the age of 60 (Behrens 2001: Progressive Retirement Arrangements).
 - Applications for part-time retirement could be declined in case of urgent company related requirements (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 83 per cent compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements)
 - The compensation was 5 per cent of a monthly income for each 0.3 per cent reduction of pensions (Behrens 2001: Progressive Retirement Arrangements).
 - Construction Sector
 - Agreement was valid until 31.12.2009 (WSI Tarifarchiv 2008).
 - The minimum net wage amounted to 70 per cent compared to original full-time income (Behrens 2001: Progressive Retirement Arrangements).
 - Employees were eligible to go into part-time retirement starting from the age of 55 (WSI Tarifarchiv: 2008).
 - Textile Industry
 - Part-time retirement started at the age of 57 (Behrens 2001: Progressive Retirement Arrangements).
 - A maximum of 3 per cent of workers of a company were allowed to be in part-time retirement at the same time (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 85 per cent compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements).
 - The compensation for deductions from retirement benefits was DEM 450 per month for a maximum of 24 month when the employer initiated part-time retirement (Behrens 2001: Progressive Retirement Arrangements).
 - Chemical Industry (2001)
 - This agreement was valid until the end of 2009 (WSI Tarivarchiv 2008). It was renewed in 2002 and 2004, but the content remained essentially the same (Denecke 25.3.2010, interview).

- Part-time retirement started at age of 55 (Behrens 2001: Progressive Retirement Arrangements).
 - A maximum of 5 per cent of workers of a company were allowed to be in part-time retirement at the same time (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 85 per cent compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements)
 - The compensation for deductions from retirement benefits was DEM 450 and 750 per month for a maximum of 48 month (Behrens 2001: Progressive Retirement Arrangements).
- Metal Industry (2001)
 - In 2001 part-time retirement started at the age 57/61 (with some restrictions) (Behrens 2001: Progressive Retirement Arrangements).
 - In 2006 part-time retirement started at age of 55 and had a duration of minimum two years and maximum six years, exceptions to that were possible (Tarifvertrag zur Altersteilzeit 2006: §2, §4).
 - A maximum of 4 per cent of workers of a company were allowed to be in part-time retirement at the same time (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 85 per cent compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements).
 - The compensation for deductions from retirement benefits was DEM 450 for a maximum of two years (Behrens 2001: Progressive Retirement Arrangements).
- Printing Industry
 - Part-time retirement started at the age of 57 (Behrens 2001: Progressive Retirement Arrangements).
 - A maximum of 5 per cent of blue-collar workers and 8 per cent of workers doing shift-work of a company were allowed to be in part-time retirement at the same time (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 85 per cent for workers with entitlements to part-time retirement, 80 per cent for the others compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements).
 - The compensation for deductions from retirement benefits was DEM 450 and 750 per month for a maximum of 48 month (Behrens 2001: Progressive Retirement Arrangements).

- Steel Industry
 - Part-time retirement started at the age of 57 with preferences for workers in shift work (Behrens 2001: Progressive Retirement Arrangements).
 - A maximum of 4 per cent of workers of a company were allowed to be in part-time retirement at the same time (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 85 per cent compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements).
 - The compensation for deductions from retirement benefits was DEM 450 and 750 per month for a maximum of 48 month (Behrens 2001: Progressive Retirement Arrangements).

- Paper and Pulp
 - Part-time retirement started at the age of 57 (for certain kinds of workers only) (Behrens 2001: Progressive Retirement Arrangements).
 - A maximum of 5 per cent of normal workers and 8 per cent of workers doing shift-work of a company were allowed to be in part-time retirement at the same time (Behrens 2001: Progressive Retirement Arrangements).
 - The minimum net wage amounted to 85 per cent compared to the original full-time income (Behrens 2001: Progressive Retirement Arrangements).

3. Important Sectors

- The *IG Chemie* (which later became the IG BCE) and *IG Metall* have traditionally been the trendsetter sectors in terms of new agreements.
- With the financial support of the state within the *Altersteilzeit* scheme the early retirement benefits of the employee only came up to 70 per cent of the previous salary during part-time retirement. The social partners agreed to add additional money to this in order to pay the employees on average 90 per cent of their previous salaries. For the next ten years, the unions made sure, that those benefits would be kept up. Essentially, the agreement on part-time retirement of the chemical sector remained the same, also during the subsequent renewals of the agreement (Denecke 25.03.2010, interview).
- With the introduction of the agreement on working time and demography in 2008, the chemical sector created a framework for financing a number of different social benefits, including part-time retirement. This agreement is the first of its kind in Germany and was a major shift in the part-time retirement system of the branch.
- For the early retirement scheme within the context of the 1984 Pre-Retirement Act (*Vorruhestandsgesetz*), the nutrition sector played an important role. In 1984, they signed

the CLA for the introduction of pre-retirement in the sugar industry (*Tarifvertrag zur Einführung einer Vorruhestandsregelung für die Zuckerindustrie in der Bundesrepublik Deutschland*). It allowed employees to retire at the age of 58. In the aftermath, many agreements on early retirement were passed in the different branches of the nutrition sector. Therefore this agreement is seen by the *Hans-Böckler-Stiftung* as one of the 60 most important CLAs ever concluded in Germany (Möllenbergs 2010).

4. Structure, Organization and Mode of Administration

- There were no funds or other common institutional arrangement established to finance and regulate the *Altersteilzeit* scheme. The provision of *Altersteilzeit* was only regulated by law and the regulations on which the social partners agreed upon in the CLAs on *Altersteilzeit*.
- Concerning the new scheme of CLAs on working life and demography: Within the chemical sector, part-time retirement is now organized within a sectoral fund. In other sectors there is no further information yet, since the agreements are very new.

5. Role of the State: Financial Support, Legislation and Extension Procedures

- With the part-time retirement act of 1996 the state created the possibility for employees to go on part-time retirement. In case the employer replaced the vacancy, the state would subsidize parts of the salary for employee on part-time retirement until 2009 (Bundesministerium für Arbeit und Soziales 2010a: 1). These subsidies were paid by the Federal Employment Office (*Bundesagentur für Arbeit*). Furthermore, the state paid the pension due to part-time retirement (*Rente wegen Altersteilzeit*) out of the pension insurance budget. However, a CLA on part-time retirement was a precondition for securing governmental support for such plans (*Tarifvorrang*) (Trampusch 2005: 218).
- Today, after the part-time retirement act was not renewed, the state does not provide financial support for part-time retirement anymore (Denecke 27.01.2010, interview).
- In general, only about 1.5 per cent of all CLAs in Germany are declared generally binding (Hans-Böckler-Stiftung 2008). In the year 2009, before the state support for part-time retirement stopped and in a time, when many agreements on part-time retirement existed, the only agreements for part-time retirement which were generally binding were the ones

of the backers trade Bremen and Niedersachsen of 2004 and retail sales in Saarland of 1999 (Bundesministerium für Arbeit und Soziales 2010c).

- The current agreements on early or part-time retirement are not generally binding; they do not appear on the list of the ministry for labor and social issues (*Bundesministerium für Arbeit und Soziales*) (Bundesministerium für Arbeit und Soziales 2010b).
- According to the expert Denecke, neither the agreements on part-time retirement nor the demography agreement have ever been generally binding. But because the social partners pay great respect to the concept of *Tarifautonomie*, and the binding power of the agreements is so strong, general bindingness in the chemical sector is not necessary (Denecke 29.03.2010, interview).

6. Financial Structure of the Collectively Negotiated Scheme

- Part-time retirement was co-financed by employers and employees who both agreed upon financial contributions within the CLAs on part-time retirement. However, quite more important were direct public payments by the Federal Employment Office and the pension insurance. In the *Altersteilzeit* scheme there was also tax exemption on employers' and employees' contributions on part-time retirement. Employers' and employees' contributions varied, depending on the regulations of the concrete CLA on *Altersteilzeit*.

Example Electro- and Metal industry:

- Part-time retirement is being financed through employers and employees contributions. Both pay 0.4 per cent of the salary of the employee.
- The current agreements are very new. In the example of the electro- and metal industry, the agreement has only just been put in place on 1st of January 2010. In the beginning, it is financed through one-time-payments. The exact way of financing part-time retirement will still be subject to discussions in upcoming negotiations.

7. Benefits and Measures of the Collectively Negotiated Scheme

When the part-time retirement act was still in place, the following benefits were provided and the following conditions regulated the entitlement:

- During the time of part-time retirement the employee received half of the salary plus additional support, which varied. In total, the employee received between 70 to 85 per cent of the former full-time income, depending on how much the company would pay in additional support and what was regulated in the CLAs (see agreements).

- The 2000 Part-Time Retirement Act extended the maximum period of public subsidies for part-time retirement from five to six years. As before, however, the change meant that part-time retirement can now only be used by employees from the age of 55 and only where a collective agreement on this exists (Trampusch 2005: 217).
- In order to be eligible to part-time retirement the employee must have worked within the same company for at least 1080 working days for the last five years before starting part-time retirement (Bundesagentur für Arbeit 2009: 1).
- The part-time retirement act did not give a guarantee to employees but left the option to the companies to accept or decline an application of the employee. Therefore, many unions negotiated provisions, which gave workers a legal guarantee for part-time retirement (Behrens 2001: Part Time Retirement Arrangements).
- In exchange for giving the employees this guarantee, the employers sometimes negotiated the right, to set the maximum share of the work force in part-time retirement below the level given by law (Behrens 2001: Part Time Retirement Arrangements).
- Many CLAs raised the minimum wage during part-time retirement above the statutory minimum level (Behrens 2001: Part Time Retirement Arrangements).
- The age for eligibility for part-time retirement was usually subject to regulations in CLAs (Behrens 2001: Part Time Retirement Arrangements; WSI Tarifarchiv 2008).

8. Coverage Rates of the Collectively Negotiated Scheme

- Until January 2001 a total of 545 industry-wide and firm level CLAs on part-time retirement had been concluded, which covered about 15,420,000 employees (Behrens 2001: Part Time Retirement Arrangements). Most of them were covered in sectoral agreements, some in firm-level agreements. By the end of 2003, 854 collective agreements on part-time retirement were concluded, covering 16.3 million employees (Trampusch 2005: 218).
- After the state support for part-time retirement was suspended in 2009, most of those agreements were not renewed anymore. Most of the sectors did not agree on new solutions for part-time retirement (Denecke 27.01.2010, interview). One can therefore expect that the coverage rate has heavily decreased.
- According to surveys of the Federal Labor Office, part-time retirement has been popular (on the following see Trampusch 2005: 218). Between 1996 and 2002, the Federal Labor Office approved 168,121 claims for reimbursement where new recruitment replaced retirees. However, the actual number of part-time pensioners was considerably higher since they tended to work full time and then retire earlier. Applications for support are made only after the end of the working phase, which means that the official statistics

understate the extent of part-time retirement. The Federal Labor Office assumes that the number of partially retired persons is about 3.5 to 4 times higher than shown by official statistics.

9. Linkages to Policies and Politics

Linkages to Public Reform Policies

- Until the mid-1990s early retirement in Germany was financed and regulated by government social policy through the publicly financed pension and unemployment insurance. In the crises of the 1970s and 1980s employers increasingly used early retirement as a way to lay off employees without causing social unrest. At the point when up to 90 per cent of the costs of early retirement were borne by the welfare state, the system became very expensive (Trampusch 2005: 207).
- In 1984, the Pre-Retirement Act (*Vorruhestandsgesetz*) was passed, which contained several provisions promoting early retirement. It made their use contingent on the existence of an industrial agreement governing industry-wide pension models. The age at which an employee could go into early retirement was set at 58 and the minimum benefit at 65 per cent of the last gross income. This benefit could be reimbursed by the unemployment insurance fund if the person was replaced with someone who was unemployed (Trampusch 2005: 209).
- Since the mid 1990s funding and regulation has been relocated and internalized in collective bargaining (Trampusch 2005: 204). The social partners agreed to absorb some of the costs of early retirement, which were over boarding in the previous system. Nevertheless, they managed to get the government to compensate for the reduction in publicly subsidized early retirement by promoting an alternative part-time retirement option through collective bargaining (Trampusch 2005: 216). What resulted from this was the part-time retirement act, which was in place until end of 2009.
- From that time on, part-time retirement was mainly financed through state subsidies and it was therefore possible for many sectors to agree upon part-time retirement agreements with the employers. However, condition for the state support was the existence of a CLA on part-time retirement. Depending on the regulations in the CLAs also employers and employees financed early retirement.
- As stated previously, the part-time retirement act ran out on 31st of December 2009. Since then, there are no state subsidies for part-time retirement. Most of the CLAs on part-time retirement were therefore not renewed after they ended in 2009 (Winkel 2010: 1).

Development of the Retirement Act:

- In 1989, the pension reform of 1992 (*Rentenreform 1992*) was introduced. It foresaw a gradual accentuation of the retirement age starting from 2001. Early retirement from 2001 on would only be possible with pension reductions (Lindecke et al. 2007: 17).
- In 1996, the Growth and Employment Promotion Act (*Wachstums- und Beschäftigungsförderungsgesetz*) was passed. It drew the gradual accentuation of the retirement age to 1997. In the same year, the act for the promotion of part-time retirement (*Gesetz zur Förderung eines gleitenden Übergangs in den Ruhestand*) was passed, which made it easier for older employees to go into part-time retirement. The eligibility age for a retirement pension because of unemployment or after part-time retirement (*Altersrente wegen Arbeitslosigkeit oder nach Altersteilzeitarbeit*) was gradually raised from 60 to 65 (Lindecke et al. 2007: 17).
- Also in the same year, the pension reform of 1999 (*Rentenreform 1999*) was passed, which introduced a demographic factor. The retirement pension because of unemployment or after part-time retirement was abolished (Lindecke et al. 2007: 17).
- In 1999, employees who were working part-time were also eligible to go into part-time retirement. One year later, the second act to promote part-time retirement was passed (*Zweites Gesetz zur Fortentwicklung der Altersteilzeit*). It extended the duration of part-time retirement from five to six years and prolonged the act to run until 31.12.2009 (Lindecke et al. 2007: 17).
- During the whole retrenchment process, it was the leader of the IG BCE, Hubertus Schmoldt, who functioned as a broker of compromise (on the following see Trampusch 2005: 217). Against the opposition of the metal workers union (IG Metall), he was the main promoter of the idea to conclude collective agreements on early retirement although, traditionally, the IG Metall is the pattern setting union in the German collective bargaining system. In return for the chemical unions' engagement in collective bargaining the government also improved the legal conditions for collective bargaining on part-time retirement.

Linkages to Wage Agreements and Wage Policy (e.g. Wage Restraint, Tripartite Agreements) and Other Agreements

- The IG Metall and the IG Chemie had different conceptions of the appropriate link between government policy and collective bargaining. The IG Metall opposed governmental intervention in collective bargaining and was unwilling to pay for an expansion of welfare with wage concession (Trampusch 2005: 208). The IG Chemie and other moderate unions were willing to accept a link between welfare policy and wage

bargaining and thus to help absorb the cost of early retirement with wage concession (Trampusch 2005: 208).

Actors' Strategies and Conflicts among and between Them (State, Political Parties, Employers, Trade Unions)

- During the time after the oil crises, when costs for early retirement financed through the pension and unemployment insurance started to rise, the unions had a major conflict over working time reductions in response to unemployment (Trampusch 2005: 208).

10. Recent Developments and Other Interesting Information

- In the past, part-time retirement was often seen as a way to build a bridge between the two issues of unemployment and old age. Now, there is a shift going through the mindset of the government, unions and employers, who are starting to focus more on the long-term perspective of demographic development and aspire to improve the employability of older workers (Behrens 2001: The Views of the Social Partners and the Government).
- But since the state subsidies have stopped in the end of 2009, many sectors abandoned part-time retirement. The chemical, paper, metal and electro sectors achieved to create new solutions for part-time retirement for the time after 2009. The implementation of those agreements has only just started recently and therefore it is to be seen in the upcoming year how well these agreements work.

11. Contacted Experts

We thank the following experts and colleagues for providing information and answering very specific questions:

- Denecke, Michael, 27.01.2010 and 25.3.2010, IG BCE, telephone interview
- Schumann, Dirk, 04.02.2010, IG Metall, e-mail interview

12. List of Abbreviations

- AltTZG: *Altersteilzeitgesetz* (part-time retirement act)
- BAVC: *Bundesarbeitgeberverband Chemie* (National Employers' Association for the Chemistry Sector)

- BDA: *Bundesvereinigung der Deutschen Arbeitgeberverbände* (Confederation of German Employers' Associations)
- CLA: collective labor agreement
- DEM: *Deutsche Mark* (German mark)
- EIRO: European Industrial Relations Observatory
- IG BAU: *Industriegewerkschaft Bauen-Agrar-Umwelt* (Industrial Union of Construction, Agriculture, Environment)
- IG BCE: *Industriegewerkschaft Bergbau, Chemie, Energie* (Mining, Chemical and Energy Industrial Union)
- IG Chemie: *Industriegewerkschaft Chemie* (Industrial Union of Chemical Workers)
- IG Metall: *Industriegewerkschaft Metall* (Industrial Union of Metal Workers)
- WSI Tarifarchiv: *Tarifarchiv des Wirtschafts- und Sozialwissenschaftlichen Instituts in der Hans-Böckler-Stiftung* (Collective Agreement Archive of the Economic and Social Science Institute of the *Hans-Böckler-Stiftung*)
- ZDB: *Zentralverband Deutsches Baugewerbe* (Employers' Association of the German Construction Sector)

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