

## Intergenerational Bargaining

# Policy Brief – Germany

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November 2014

### 1. The current German context

#### Positive labour market performance

Germany's economy has recovered rather rapidly from the great recession of 2009. In 2014, Germany's labour market continues to perform remarkably well in comparison with other European economies. The employment rate reached 77,1% in 2013 (EU-28: 68,3%); in September 2014, the seasonally adjusted total unemployment rate was 5,0% (EU-28: 10,1%). Currently, Germany has the lowest youth unemployment of all European Union member countries: in September 2014, the youth unemployment rate was 7,6%, compared to 21,4% in EU-28 average. Nevertheless, some specific problems related to the school-to work transition of young people with weak school leaving certificates and/or migrant background remain largely unsolved. The employment rate of older workers has increased more than 20 percentage points in the last 10 years, from 41,8% in 2004 to 63,5% in 2013 (EU-28: 50,1%); this increase was particularly strong for older female workers. Alongside changes in pension policy (e.g., gradually raising the statutory retirement age from 65 to 67), the German government has implemented several measures and initiatives to improve the employment perspectives of older people.

#### Bargaining for the young

In Germany, bargaining for younger workers relates first and foremost to apprentices and trainees within the dual VET system. In this context, four key issues and central trade union claims can be identified: maintaining and increasing the number of training positions, raising the level of training allowances, improving the employment perspectives of "finished" trainees and improving training opportunities for disadvantaged youth. In the last years, two important collective agreements concerning these topics have been signed in the metal and electrical engineering sector (2012) as well as in the chemical sector (2014). In both sectors, unions and employers explicitly agreed on the basic principle that all young workers who have successfully finished an apprenticeship "should usually" be offered a permanent position in the company.

## Bargaining for the old

Germany has explicitly reversed the orientation of its labour market and pension policies from supporting and encouraging early retirement to promoting longer working lives. The most notable reforms of the last 15 years include the increase in the statutory retirement age, the introduction of deductions from the pensions of people opting to take early retirement, the phasing out of different existing early exit options (including the tightening of the conditions for invalidity pensions), and the abolition of state subsidies for partial retirement schemes. Against this backdrop, the two main claims of trade unions with regards to bargaining for older workers are age- appropriate working conditions and flexible options to facilitate a “smooth” and self-determined transition from work to retirement. However, collective bargaining has had a rather limited success when it comes to the “re- flexibilisation” of the work-retirement transition. Most sectoral agreements have not been able to compensate for the cutbacks in state provision; in this regard, strong qualitative differences between the regulations in different sectors can be observed.

## **2. Demography- related collective agreements (“*Demografietarifvertrag*”) as a new approach to intergenerational bargaining in Germany**

In the last decade or so, the “master trend” of demographic change has increasingly entered the realm of collective bargaining and industrial relations in Germany. In face of the ongoing discussions about “greying workforces” and impending “skilled labour shortages”, the task of managing demographic changes in a pro-active manner has become one of the most important new fields of bargaining between the social partners. Trade unions are trying to strategically use the “longer working lives” debate to push forward long-standing claims for better working conditions and to introduce and strengthen concepts of “good work” (*Gute Arbeit*). The main argument is that maintaining the employability of workers throughout their whole career is a central condition for the extension of working lives; this requires comprehensive approaches to the improvement of working conditions containing *age*- related as well as *ageing*- related measures and instruments.

Thus, in the last years, the most innovative and promising practices of systematically linking collective bargaining for younger and older workers in an integrative, “holistic” way in Germany are connected to the concept of *demography- related* collective agreements (*Demografietarifvertrag*). These new kinds of collective agreements have emerged only recently; meanwhile, they can be found in different sectors and also on the level of single companies. Albeit all differences, the “*Demografietarifverträge*” in the different sectors share a set of common features:

- A mandatory *demographic analysis* of the workforce serves as the common basis for the design of specific measures on the company level.
- A “demography fund” (usually employer- financed, but with options for additional employee contributions) is created, which can be used for different age- and ageing- related purposes.
- Sector- level agreements are often supposed to provide a flexible framework and to define a “toolbox” of possible instruments that can be used for “taylor- made” solutions on the company level.

- Another typical feature of the agreements is that they aim to establish continuous demography- related monitoring and consultation processes between the company- level parties.

The innovative, integrated and life course- oriented approach advocates policies that are sensible to the specific needs of workers in different life-phases and aims to shape “good” work biographies. It is not a primarily *age*- related, but rather an *ageing*- related approach. Since ageing is a life- long process, this approach not only addresses the first transition (from school to work) as well as the last transition (from work to retirement) in the work biography, but also all other stages of the working biography that are “in between”. This integrative approach offers opportunities for win-win solutions for employers and unions, since many of the human resource management policies included in the demography- related collective agreements have the potential to substantially contribute to enhancing the productivity, innovation capability and competitiveness of the companies and at the same time to ensuring the workforce's employability over the life-course.

### 3. Case studies

#### The collective agreement on “Future and Demography” at *Schnellecke Logistik Sachsen*

“Schnellecke Logistik Sachsen”, a German logistics service provider in the automotive industry located in the East German region of Saxonia, is one of approximately 20 “pilot companies” of the campaign “good work- good retirement” (“Gute Arbeit- gut in Rente”) that has been launched by the Industrial Union of Metalworkers (*IG Metall*) in 2012. Here, an in-house collective agreement with the name “Future and Demography” (Tarifvertrag “Zukunft und Demografie”) has been signed by the company management and IG Metall in May 2013 and further developed by a second agreement signed in April 2014. In general terms, the agreement combines centrally organized policies to be executed in the whole company with a framework that contains decentralized options to be decided upon in each site of the company via an additional works agreement. First, a mandatory health-, skill- and stress analysis will be conducted in each company site in order to provide for a comprehensive overview of the current situation and the future needs. With regards to the demography- related measures that shall be decided on the level of each individual site, the agreement cites the following instruments: health- and age-appropriate shift planning (targeted reductions of shift work), reduction of peak loads, formation of mixed-age teams, continuous training, job rotation programs, systematic integration of employees with impaired performance, and health promotion. The agreement also opens the possibility for the single company sites to create a “demography fund”, financed by contributions of the employer as well as of the employees, which can be used to finance some of these instruments.

With regards to younger workers (apprentices), social partners explicitly “assume” that the number of training positions offered by the company will be increased if possible, or at least kept constant; apprentices will have a right to be offered an indefinite job contract after successful completion of their final exam. In addition, the company commits itself to offer a certain number of special pre-vocational training positions to socially disadvantaged or low-achieving young people on funding contracts. With regards to older workers, the agreement contains the explicit goal to “provide options for a flexible and differential working life, including options to retire before reaching the legal retirement age”. The

bargaining round of 2014 has led to a substantial further development of the collective agreement; the new package deal is focused on the reconciliation of work and family life and contains a whole set of different measures aiming at facilitating the reintegration of mothers after their “baby- break”, including training options, flexible working time models and subsidies for the day-care center for their children. To sum up, *Schnellecke* is a good example for a step- by step approach towards an integrative, life course- oriented human resource policy.

#### The „Generational Pact” at *Evonik Industries*

Already in 2008, social partners in the German chemical industry -the Mining, Chemicals and Energy Industrial Union (*IG BCE*) and the German Federation of Chemicals Employers’ Associations (*BAVC*)- have signed a collective agreement on “Working life and Demography” which is applicable to about 550.000 employees working in 1.900 enterprises in the chemical industry and runs until 2015. The agreement has been further developed in 2012. As stated in the preamble of the agreement, the social partners are eager to “pave the way for a sustainable and forward- thinking human resource policy through the setting of future- oriented framework conditions” in the German chemical sector. The agreement contains a mandatory demographic analysis for each company and a set of possible instruments that can be used for a more flexible, age- and ageing- appropriate organization of working conditions and working time. In order to finance some of these instruments, companies are obliged to pay a a yearly flat- rate sum per employee into a company-specific “demography fund” that can be used to finance partial retirement, supplementary occupational disability insurance, pension plans based on the corresponding collective agreements, long-term working time accounts or working time reductions for older workers with partial wage compensation.

The agreement sets a flexible framework for demography- related measures which requires further specification; management and works council on the company level can use the agreement as a resource for tailoring their own company- specific model. One example for such a “bricolage” strategy in the use of the collective agreement on “Working life and Demography” is the “Generational pact” signed in 2014 at *Evonik Industries*, a global, stock-exchange listed specialty chemicals company with about 21.000 employees in Germany. The Generational pact combines financial resources of the “demography fund” with elements of the long-standing collective agreement on extra free time for older workers and elements of the already existing in-house agreement on long-term working time accounts in order to finance a rather generous, company- specific early/flexible retirement scheme. It establishes a close link between the transition of older workers into retirement on the one hand and the transition of “finished” apprentices and trainees into working life on the other hand. The basic idea is that older employees (aged 55+) shall announce to the management up to 5 years in advance how and when they want to retire. In return, the company will systematically recruit and prepare young workers to fill the future vacancy and organize knowledge transfer. With this regulation, the agreement aims to give more planning reliability to the company as well as to the employee.

#### The “Demografietarifvertrag” at *Deutsche Bahn AG*

The demography related collective agreement signed by the Railway and Transport Union (*Eisenbahn- und Verkehrsgewerkschaft- EVG*) and the state-owned railway company *Deutsche Bahn AG* in 2012 covers more than 150.000 employees and might be the most comprehensive and most ambitious agreement on life course- oriented and life-phase human resource policy in Germany so far. Based on

the explicit premise that employees who once have joined the company are expected to stay in the company for the whole working life until reaching the statutory pension age, the agreement comprises offers and individual entitlements for each career and life stages throughout the whole working life at the company.

The agreement contains a lifetime employment guarantee for all regular employees within the company, which rules out redundancies and dismissals due to the loss of, or a reduction in, an employee's ability to work. A group-wide operating internal job placement service takes care of the appropriate deployment of performance-impaired employees. Regarding the first transition (from school to job), the agreement contains a permanent job offer guarantee for all trainees who successfully complete the apprenticeship program. The collective agreement of 2012 also expands the existing measures and instruments for the reconciliation of work and family life, including individual working time schedules, temporary time outs, the consistent promotion of part-time and teleworking and the so-called "Family Service" of Deutsche Bahn. The company reserves a number of places at daycare centers for employees' children and offers advice to employees with relatives who need care. Another key element of the *agreement* is the introduction of the so-called "special old-age part-time work pattern" that allows older workers to reduce their working hours to 80% of the standard working time, combined with a partial wage compensation. The aim of this regulation is to keep older and experienced workers in the company as long as possible.

#### **4. Conclusions and Recommendations**

Demography-related agreements are an important topic not only for the future, but already for the present of Germany's collective bargaining practice. In the future, it can be expected that *age*-related measures will increasingly be complemented by *ageing*-related measures. Thus, "bargaining for the young" and "bargaining for the old" could be more and more integrated into a life-cycle-oriented, "holistic" approach to collective bargaining. If "longer working lives" is the solution to combat age-related staffing problems and the imminent shortage of skilled labour, then the framework conditions have to be changed in a way that employees are able and motivated to work until retirement age in good health. In order to prolong working life, the design and implementation of a comprehensive, integrated concept of human resource management is necessary. A lifecycle-oriented personnel policy concept that is strategically adapted to the needs of employees covers all stages of working life; it must include measures that allow for a smooth transition between different stages of the entire working life, such as training, working phases, family-related phases, further training and finally retirement.

In this respect, demography-related and life course-oriented collective bargaining is a very promising approach for simultaneously improving the employment perspectives of younger and older workers and at the same time improving the long-term economic performance of the companies that engage in forward-looking life course policies. It offers good opportunities to social partners (employers, unions and works councils) to find win-win solutions in managing demographic change and jointly shape "good" work biographies. Therefore, this strategic approach should be systematically expanded and further developed in the next years.