

Flexible Transition into Retirement



What companies need
to know about the
new collective agreement

1 What does the new collective agreement achieve?

- It helps secure skilled labour potential and takes demographic change into account.
- It protects companies' existing room for manoeuvre and opens up new organizational possibilities.
- It reflects the different interests of companies and employees by offering a range of options.
- It largely offsets the loss of subsidies from the Federal Employment Agency.
- It guarantees a financial contribution by the employees throughout the term of the agreement.
- It enables companies to continue using the block model of partial retirement for the socially acceptable adaptation of staffing levels.
- It replaces three old agreements by one uniform collective agreement.

The structure of the new Flexible Transition into Retirement

Pillar 1 Collective

Module 1 – Safeguard

Existing works council agreements under the Collective Agreement on Partial Retirement (TV-ATZ) remain valid

Module 2 – Option

Voluntary works council agreement on the Flexible Transition into Retirement 2010

Module 3 – Replacement

Voluntary works council agreement for other purposes

Pillar 2 Individual

Module 4 – Entitlements

- Special entitlement (up to a maximum of 2.5 % of the workforce)
- General entitlement (up to a maximum of 2.5 % of the workforce)

Ceiling: maximum of 4 %

Module 5 – Individual agreements

Voluntary individual agreements

2 Who is entitled to Flexible Transition?

General entitlement:

As a rule, all employees who are at least 61 years old and have been working for the company for at least 12 years. (The age limit will gradually rise as the statutory retirement age rises.)

Special entitlement:

All employees who are at least 57 years old, have been working for the company for at least 12 years, and who worked

- during this period
 - either three or more shifts including nights, or only nights, regularly for at least nine years,
 - or under particularly severe environmental influences,
- or rotating shifts for at least 12 years during the last 15 years.

3 What conditions apply to Flexible Transition?

General entitlement:

- The maximum term of an agreement is four years. It ends immediately before the earliest possible unlowered statutory pension age.
- No severance payment is made.
- The employee's income is topped up to 82 percent of the previous net income, plus 3 to 7 percentage points (staggered) instead of special payments.
- Additional pension insurance contributions are paid for 95 percent of the previous earnings.

Special entitlement:

- The maximum term of an agreement is six years. It can also end before the regular retirement age (i.e. the age at which there is no reduction in pension).
- A severance payment of 250 euros per month is possible for a maximum of 24 months to compensate for the loss of the job.
- The employee's income is topped up to 82 percent of the previous net income, plus 3 to 7 percentage points (staggered) instead of special payments.
- Additional pension insurance contributions are paid for 95 percent of the previous earnings.

4 How many employees are entitled to a Flexible Transition?

- No more than 2.5 percent of the workforce per entitlement category, and no more than 4 percent for the total of both entitlement categories.
- In the case of academics, top performers with key qualifications, and a two-year agreement period, the employer can insist on continuous partial retirement. There is therefore no legal entitlement to the block model.
- Of course, greater use can be made of partial retirement on a voluntary basis.

5 What happens when one of the quotas is exhausted?

General entitlement:

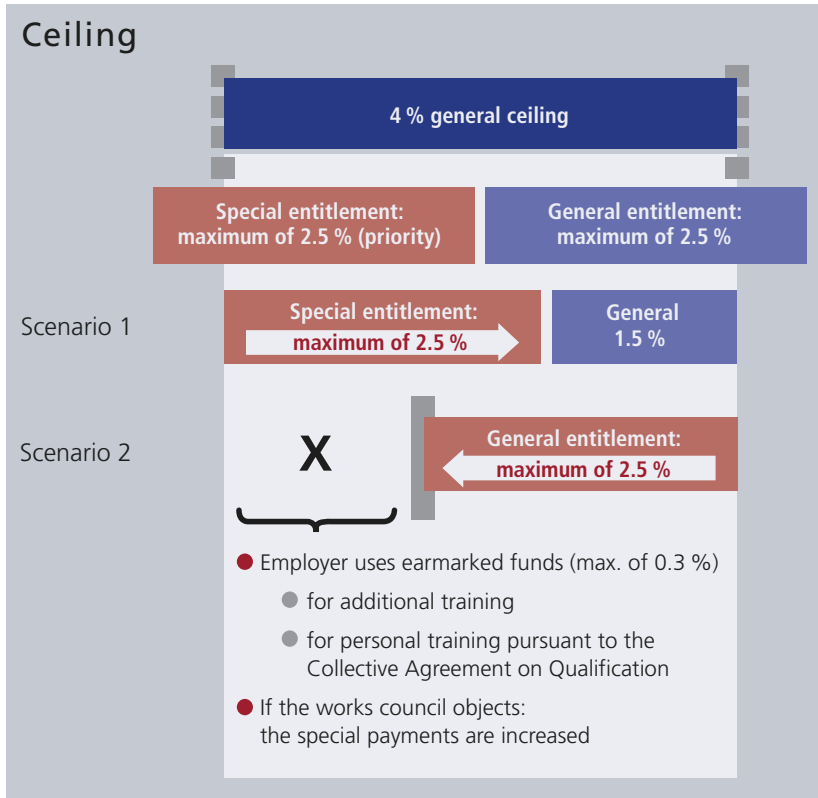
If the general quota is exhausted, the employer can

- either raise the general quota to up to 4 percent
- or spend the unused share of the funds on training and qualification measures. The works council can reject this and demand the disbursement of the funds (cf. chart on page 5, scenario 2).

Special entitlement:

If the special quota (which has a higher priority) is exhausted, the general entitlement is reduced to a maximum of 1.5 percent of the workforce (see chart on page 5, scenario 1).

As a general rule, if a company intends to expand partial retirement beyond the four-percent quota and/or to improve the material terms, the additional costs can be financed by up to 20 hours of unpaid additional work per annum (to be debited from the balance on the working time account).



6 How are the costs of Flexible Transition divided up?

- The total costs of approx. 0.8 percent of total payroll are shared equally by employers and employees.
- The employees collectively forego a 0.4 percent increase in the basic remuneration (*Tabellenentgelte*) for the duration of the collective agreement.

7 What happens to existing works council agreements?

They are protected and remain valid without amendment.

8 What happens if a company wants to design Flexible Transition differently?

It can conclude a works council agreement with an equal overall volume with the works council. In other words it can set its own priorities, and different priorities, but the material content must not be less than under the terms of the collective agreement.

9 What if a company does not want to offer Flexible Transition?

It can agree with the works council

- on a works council agreement with an equal overall volume; the financial contributions of the employees and the employer (0.4 percentage points each) must then be used for training, advanced training or other purposes;
- that the employees' financial contribution be paid out in the form of a higher Christmas bonus.

10 When does the new collective agreement come into force?

The new Collective Agreement on Flexible Transition into Retirement is to replace three collective agreements:

- the Collective Agreement on Partial Retirement (*TV Altersteilzeit*),
- the Collective Agreement on the Employment Bridge (*TV Beschäftigungsbrücke*),
- the Collective Agreement on the Gross Top-up Model on Partial Retirement (*TV Bruttoaufstockungsmodell*).

The new collective agreement will come into force on 1 January 2010 at the earliest and cannot be terminated before 31 December 2016. Should there be changes in the law during the term of the agreement, the collective agreement will be suspended six months after the beginning of the changes. Bargaining partners have until then to amend the agreement or agree new stipulations.

The following associations are members of Gesamtmetall Associations within the collective wage bargaining system

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Designed and printed by
edition agrippa Köln · Berlin

Photo:
company archive