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The Privatization of Welfare States: Industrial Relations as a Source of Benefits
Database Part 2: Social Benefits in Collective Agreements
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Pension in Germany

1. Introduction

Overview

The public pension system:

- Germany has a three pillar pension system:
  - The first and most important pillar is the state provided public pension, organized as a pay-as-you-go system. This pillar is mandatory for all employed people and trainees. Excluded from the first pillar are only students, people with low income (earning less than 325 EUR per month or working less than 15 hours per week) and self-employed people (Schmidt/Trotzewitz 2003: 8).
  - The second pillar is the voluntary occupational pension organized as a funding system, which may be organized at the company level (e.g. large firms of the chemical and metalworking sector, but without any link to collective bargaining) or through sectoral collective agreements. In the public sector, occupational pensions are traditionally regulated through sectoral collective agreements (Schmidt/Trotzewitz 2003: 19). In the private sector, historically, this was only the case in the construction sector. Recently, sectoral collective agreements have also been concluded in other private branches (see below).

  - The third pillar is a voluntary private provision with a funding system (Schulze/Jochem 2007: 674).
- Of the total old age payments, 80 per cent are provided through the first pillar, 5 per cent through the second pillar and 15 per cent through the third pillar (Schmidt/Trotzewitz 2003: 17).

The role of collective labor agreements (CLAs):

- Originally, pensions based on sectoral agreements were important in the construction sector. These pensions were introduced in the 1950s (SOKA Bau 2009). Furthermore, before 2001 there were sectoral agreements on pension in the banking and insurance sector as well as in retail (Wiß 2010: 14). Since 1998 sectorally negotiated pensions have also existed in the chemical sector and since 2001 in the metalworking sector. Important for this expansion was the pension reform of 2001. Since then, the employees have had the statutory right on an occupational pension funded through employees' contribution by earnings conversion (*Entgeltumwandlung*).
- However, there is a *Tarifvorbehalt* which means that earnings can only be converted into the pension schemes if a collective agreement is concluded. The employers are not obligated to contribute (Chemieversorgungswerk 2009: 4, Presseversicherungen 2009: 1).

Levels of Bargaining

The main level of bargaining for pensions based on collective labor agreements (CLAs) is the sectoral level. Besides that there are also company agreements on pensions (Trampusch 21.12.2009, personal interview).

Actors

The most important trade unions involved in the sectorally negotiated pension schemes are:

- *IG Metall* (*Industriegewerkschaft Metall*, Industrial Union of Metal Workers') for the metal industry,
- IG BCE (*Industriegewerkschaft Bergbau Chemie Energie*; Industrial Union of Mining, Chemical and Energy), covering mining, chemistry and energy; formerly known as *IG Chemie* until 1995
- IG BAU (*Industriegewerkschaft Bauen-Agrar-Umwelt*; Industrial Union of Construction, Agriculture, Environment) for the construction sector (Trampusch 21.12.2009, personal interview).

The most important employers' associations involved in the sectorally negotiated pension schemes are:

- *Gesamtmetall* for the metal industry,
- BAVC (*Bundesarbeitgeberverband Chemie*, Federation of the Employers of the Chemical Industry) for the chemical sector
- *Zentralverband Deutsches Baugewerbe* for the construction sector (Trampusch 21.12.2009, personal interview).

Critical Junctures

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

There are two critical junctures for the development of the sectorally negotiated pension schemes in the private sector: Firstly, the evolution of this system in the construction sector in the late 1950s. Secondly, the expansion of collectively negotiated pensions in the chemical and metal working sector, due to the dynamics of collective bargaining and pension reforms since 1998.

- In October 1957, the construction sector concluded the first collective agreement which created a fund for additional aid in case of old age or disability (additional to the pension provided by the state). Back in 1957 this was financed mainly through contributions of the employers, who paid 0.06 DM per employee per hour into the pension fund. The retirement aid was 45 DM per month and the disability aid 30 DM per month (Sperner et al. 1976: 16-24). In 1962 the construction sector agreed on an additional fund for long time employees. The benefits of the fund varied depending on certain conditions between 15 and 60 DM per month (Sperner et al. 1976: 18).
- Chemical and metal sector:
    - The chemical sector agreed on creating an old age provision based on earnings conversion (*Entgeltumwandlung*) for the first time in 1998. With the agreement of 2001 BAVC and IG BCE further developed the regulations and created the pension fund for the chemical sector (*ChemiePensionsfond,* pension fund for the chemical industry). In 2008 the chemical collective bargaining partners created a new fund network which was designed to manage the demographic change within the companies (see section 2 for more details) (BAVC 2009: 1).
    - For a long time the union of the metal industry held up the opinion that providing for old age and social security should be a matter of the state. That was why they refused to deal with this issue within collective agreements. After the chemical sector started up an old age provision scheme, they were more or less forced to join this path and could

no longer refuse to work out solutions for old age provision (Trampusch 21.12.2009, personal interview). They created the pension fund *MetallRente* through a collective agreement in 2001 (MetallRente 2009: 1).

The pension reform of 2001 also influenced CLA-based pension schemes:

- The goal of this reform is to enlarge the second pillar towards a comprehensive system of old age provision additional to the statutory first pillar. This voluntary funding system is facilitated through tax exemptions (also called *Riester-Förderung*). These tax exemptions only apply to contributions paid by the individual income of the employee (not contributions by the employer) (Schmidt/Trotzewitz 2003: 17). However, apart from the *Riester-Förderung*, there are other tax exemptions which can be applied since 2001: Contributions toward occupational pensions through direct payments can be taxed as a lump-sum by 20 per cent up to a ceiling of 1,752 EUR per year (Schmidt/Trotzewitz 2003: 18).
- Between January 1st 2002 and December 31st 2008, contributions to occupational pensions were generally up to a ceiling of 4 per cent of the contribution assessment ceiling (*Beitragsbemessungsgrenze*) free from taxes and contributions to other social insurances (Schmidt/Trotzewitz 2003: 18).
- The introduction of the *Tarifvorbehalt* (earnings can only be converted into the pension schemes if a collective agreement is concluded) and the legal claim to earnings conversion shifted the scope for occupational pensions from the company level to the collective bargaining level (Wiß 2008: 13).

2. Important Collective Agreements (Examples)

- The public sector regulates occupational pension through the national wide collective agreement. This agreement gives each employee the right to change a maximum 4 per cent of the salary (*Beitragsbemessungsgrenze*) into contributions toward provision for old age (earnings conversion, *Entgeltumwandlung*) (*Tarifvertrag zur Entgeltumwandlung für die Beschäftigten der Länder 2006*).
- In the private sector there is a great number of collective agreements on occupational pensions: bakers, construction, brewing, brown coal mining, chemicals, cigarettes, tiling, printing, retail, electro, oil and gas, nutrition, wholesale, wood and plastic, hotel and gastronomy, potash- and rock salt mining, ceramics, vehicle, painters, metal, milk, mills, wells, paper, cardboard, plastic, tourist agencies, shoes, steel, black coal mining, chiselers and engravers, sweets, telecommunication, textile and clothing, insurances (BDA 2008).

CLA in the chemical sector (*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 (BDA 2008: 3).
- The agreement is valid in the whole country (BDA 2008: 3).
- The companies run an analysis of their company-specific demographic situation until December 31st 2009. Based on this analysis the employers and the works councils agree on which measures should be taken and when. 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 (Chemie-Tarifvertrag Lebensarbeitszeit und Demographie 2008: §2 and §3).
- The employers pay 300 EUR per employee annually into the *Demographiefonds*. Each year the contribution increases, starting from 2011 by the percental increase in wages (Chemie-Tarifvertrag Lebensarbeitszeit und Demographie 2008: §7).
- This fund can be used in five different ways (Chemie-Tarifvertrag Lebensarbeitszeit und Demographie 2008: §7):
  - compensation time account (*Langzeitkonten*),
  - part time retirement (*Altersteilzeit*),
  - part pension (*Teilrente*),
  - additional insurance against disability to work (*Berufsunfähigkeitszusatz-versicherung*),
  - occupational pension (managed through *ChemiePensionsfond*).
- Apart from this, occupational pension through contributions of the employees by earnings conversion is always possible and encouraged. This is regulated through the agreement on one-time-payment and old age provision (*Tarifvertrag über Einmalzahlungen und Altersvorsorge*, first concluded in 1998, renewed in 2001 and 2006) (HDI Gerling 2007):
  - The employees have the right to have 4 per cent of their salary in earnings conversion as contribution towards occupational pension.
  - The employers support contributions of the employees through the *Chemietarifförderung 1*, which is a bonus of 28 per cent, therefore 134.98 EUR.
  - If the employee contributes more than the basis, and contribute saving from the gross salary, the employer pays 13 EUR for each additional 100 EUR earnings conversion (Chemieversorgungswerk 2009: 5).

CLAs in the construction sector:

- In the construction sector, there are currently two agreements which manage old age provision, namely the agreement for occupational pension, TV TZR (*Tarifvertrag über eine Zusatzrente 2005*), and the agreement for aid in pension in the construction sector, TVR (*Tarifvertrag über die Rentenbeihilfe 2007*). Both are implemented through the fund SOKA BAU (Sozialkassen der Bauwirtschaft, social security fund for the building and construction industry).
  - TV TZR (*Tarifvertrag über eine Zusatzrente 2005*, Collective Labor Agreement on Occupational Pension):
    - It covers about 700,000 employees (BDA 2008: 1).
    - The agreement is valid in the whole country (BDA 2008: 1).
    - 4 per cent of the employees' wage sum can be earnings conversion (BDA 2008: 1).
    - Additional 1,800 EUR can be paid into pension from the employees (BDA 2008: 1).
    - In West Germany, employers contribute 368 EUR per year (BDA 2008: 1) under two conditions: if employees renounce asset creating contributions and if employees pay a minimum 110 EUR contribution towards old age provision.
    - In East Germany, the employers' contribution is 123 EUR per year if employees pay additional 37 EUR (BDA 2008: 1).
    - All channels of implementation are possible (the employers and employees of the respective company have to agree upon the channel) (BDA 2008: 1).

  - TVR (*Tarifvertrag über die Rentenbeihilfe im Baugewerbe 2007*, Collective Labor Agreement on Aid in Pension in the Construction Sector):
    - The objective of this agreement is to give additional financial support to the former employees of the construction sector (SOKA Bau 2010).
    - It is valid in the whole country (except the *Beitrittsgebiet*, hence, East Germany) (TVR 2007: §1.1).
    - It provides benefits in case of old age, reduction in earning capacity, accidents and death (TVR 2007: §3).
    - The amount of pension aid depends on the age and the number of years the person has been employed within the construction sector (minimum of 220 months which are 18.3 years) (TVR 2007 §5).
    - Depending on these factors, the pension aid varies between 51.90 EUR and 88.70 EUR (TVR 2007: §5).

    - The pension aid is financed through contributions of the employers. They have to pay 67 EUR per employee per month since January 2009 (before it was 53 EUR) (TVR 2007: §13).

CLA in the metal and electro industry (*TV zur Entgeltumwandlung* 2007):

- It covers about 3,400,000 employees (BDA 2008: 8).
- The agreement is valid in the whole country (BDA 2008: 8).
- 4 per cent of the employees wage sum can be earnings conversion (employers and employees can agree on higher contributions) (BDA 2008: 8).
- Since 2006 employers' contributions (here called *altersvorsorgewirksame Leistung*), are 319.08 EUR per year for employees and 159.48 EUR for trainees (BDA 2008: 8)
- Implementation through all channels is possible (employers can choose) (BDA 2008: 8).

3. Important Sectors

- The construction sector used to play a trendsetting role in terms of old age provision. This is due to its specific characteristics of this branch. Work within the construction sector is known to be straining, and exhausts the body especially when one grows older. It is therefore seen as an unattractive work field.
- In order to cope with these challenges, it was crucial for the employers in construction sector to provide good old age security for their workers. For this reason, the construction sector is very important within the domain of collectively negotiated pensions in Germany.
- Other important private sectors that created collectively negotiated pension schemes are the chemical and the metal working sectors (Trampusch 21.12.2009, personal interview).

4. Structure, Organization and Mode of Administration

- The implementation of the earnings conversion (*Entgeltumwandlung*) can be done through five different channels:
    - Direct pension commitment (*Direktzusage*): This is the most common form of implementation for occupational pensions. The employer pays direct benefits towards the employee (or the survivors) in the case of old age, disability or death. The aggrieved party can claim the payments directly from the employing company (Schmidt/Trotzewitz 2003: 15).
    - Support fund (*Unterstützungskasse*): The accruals for old age provision are not being administered through the company, but through a fund and the employers are paying

the contributions to this fund. The support fund is an independent organization which administers the pension contributions for one or several companies. It is usually organized in the form of an association, there is no statutory control and the fund can invest its money freely (Schmidt/Trotzewitz 2003: 15-16).

- Direct insurance (*Direktversicherung*): A life or pension insurance is being created by the employer for the employee, in which the employees are the benefitted. The employees (or survivors) can claim the benefits in case of old age, disability or death directly from the insurance and the company is relieved of the risk. This insurance is state controlled through the federal agency for supervision of financial services and has investment limitations (Schmidt/Trotzewitz 2003: 16).
- Superannuation fund (Pensionskasse): This fund is being borne by one or several companies. The companies pay the contributions into this fund and the aggrieved parties can claim the payments directly from the fund. It therefore works similar to the direct provision but in an indirect way. This fund is state controlled through the federal agency for supervision of financial services and has investment limitations (Schmidt/Trotzewitz 2003: 16).
- Pension fund (Pensionsfonds): These funds are organized through independent organizations which provide pensions for employees of one or several companies by the funding principle. The employees have a statutory claim for the benefits. This type of pension fund does not face the same investment restrictions as the superannuation fund and the direct insurance. In fact, pension funds can invest up to 100 per cent of their financial means in the stock market. This bears higher risks. The fund is state controlled through the federal agency for supervision of financial services. The employers are responsible in case of a loss (Schmidt/Trotzewitz 2003: 17).

- Pension funds and other organizations which administer the collectively negotiated pension schemes are created through the collective agreements and administered according to the principle of parity by the two social partners. In the private sector, the most important collective institutions are:
  - *SOKA-BAU*: Pension fund for the construction sector: was merged (1975) between the fund for vacations (1949) and the compensation fund (1955). Later, in 2001, this fund was merged with the fund for additional provision and became the *SOKA Bau*. It is entrusted with the implementation of the collectively agreed social security for the entire sector (SOKA-BAU 2009). *SOKA-BAU* is jointly run by the social partners (Wiß 2010: 178).
  - *ChemiePensionsfonds*: Pension fund for the chemical sector. It was founded by BAVC and IG BCE in April 2002. All branches which are organized through the IG BCE can

implement their pension agreements through this fund (Chemieversorgungwerk 2009). The social partners are members of the pension fund's board of directors (*Aufsichtsrat*) as well as of the committee on investment (*Anlageausschuss*) but not of the executive board (*Vorstand*) (Wiß 2010: 171).

  - *MetallRente*: This pension fund was created through the collective agreement for occupational pensions within the metal sector (*Tarifvertrag zur Entgeltumwandlung*) for the employees of the metal and electro sector in 2001. It is a limited liability company (*GmbH*) – bipartitely run by *IG Metall* and *Gesamtmetall* (Wiß 2010: 167) – and is open for companies which are not members of the employers' association and businesses outside the metal and electronic sector. Wood and plastic, textile and clothing and the steel industry also joined *MetallRente* after they created their collective agreements on occupational pension. *MetallRente* offers three different types: *MetallDirektversicherung*, *MetallPensionskasse* and *MetallPensionsfonds*. These funds are managed in parity by *IG Metall* and *Gesamtmetall* (MetallRente 2009).

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

- The role of the state in the sectorally collectively negotiated pension schemes is limited to financial support. There are tax exemptions on earnings conversions: The contributions to the converted amount (Entgeltumwandlung) are tax free and free of social security contributions, but taxes have to be paid in the pay-out period (see also section 1 for more details on the pension reform of 2001) (Schmidt 2003: 18, Wiß 2008: 18).
- In the following sector collective agreements on pensions are generally binding: parts of construction, painters, newspaper publishers, agriculture and forestry, hotel and restaurant as well as in parts of the food industry (Wiß 2008: 21, Wiß 2010: 147).

6. Financial Structure of the Collectively Negotiated Schemes

- In general, a shift from employers-only towards jointly financed and employees-only financed pension schemes can be observed in Germany (Wiß 2008: 17).
- The employers' contribution varies among the different agreements. The paper, cardboard and plastic industry, the tourist offices, the steel industry, coal mining, telecommunication and insurances for example have no employers' contribution at all and are therefore employee-only financed. In most agreements, however, the employers contribute between

80 EUR (bakers) and 614 EUR (milk Bavaria) per employee per year (Ihre-Vorsorge.de 2008).

- Since 2001 the employees have had the right on earnings conversion, meaning that they can transfer 4 per cent of their salary into contributions towards occupational pension. Almost all of the agreements of earnings conversion state these 4 per cent as the employees' contribution (Ihre-Vorsorge.de 2008).

Table 1 Overview on CLAs on Pensions: Employees Covered and Employers' Contribution per Year

Sector	*Employees Covered*	*Employers' Contributions*
Chemical Industry	590,000	478.57 EUR + 134.98 EUR; 13 EUR per additional 100 EUR employees' contribution
Metal and Electronics	3,400,000	319.08 EUR
Textile and Garment Industry	208,000	West-Germany: 120 EUR, East-Germany: 230 EUR
Insurances	240,000	Since 2003/5 no employers' contributions
Retail	1,600,000	300 EUR + 10 per cent of the payment transformation
Hotel and Restaurant	650,000	150 EUR (with less holiday allowance) + 16 per cent of the payment transformation
Construction (*Bauwirtschaft/ Bauhauptgewerbe*)	700,000	West-Germany: 368, East-Germany: 123 EUR

Source: Wiß (2010: 162-165).

7. Benefits and Measures of the Collectively Negotiated Schemes

- Pensions are paid at the standard retirement age of 65 (Schulze/Jochem 2007: 675).
- Three main reasons for paying the benefits: the employee meets the requirements for long service pensions (*langjährige Versicherte*), is incapacitated for work (disability), or dies leaving his/her spouse eligible for a survivor's pension (Schulze/Jochem 2007: 675).
- The minimum qualifying period is five years (Schulze/Jochem 2007: 657).
- The most important factor for the value of pension benefits are the contributions paid throughout the working career. Thus, the level of income from employment is very influential (Schulze/Jochem 2007: 657). Furthermore, the pension benefits of occupational pensions strongly depend on the calculation method. There are two different methods. Defined benefit and defined contribution. Within the defined benefits method, pension is

financed through a pay-as-you-go system, the sponsors have the responsibility to guarantee supplementary income based in previous earnings and contribution periods. Within the defined contribution scheme, pensions are determined by the returns on investment portfolio. The bad investment risk is left to a big extent to the individual employee. A shift from the defined benefit toward the defined contribution scheme can be observed, which could lead to lower pension benefits, because the employee has to bear the risk of stock-market downturns and lower rates of return. But it also offers the chance to get higher benefits in times of prosperity (Wiß 2008: 15-16).

- Besides the pension benefits as such, most of the occupation pensions cover for one or more of the risks of longevity, disability or survivor benefits (Wiß 2008: 16).

8. Coverage Rates of the Collectively Negotiated Schemes

The importance of the second (and third) pillar pensions is moderate, as they are not obligatory. In 2003, 54 per cent of the employees were covered by occupational pension[1], but it is not a major source of income in the old age (Schulze/Jochem 2007: 672). 70 per cent of all employees covered by mandatory social security contributions are covered by occupational pension (Wiß 2008: 13).

Table 2 Development of the Metallrente and the ChemiePensionsfonds

	2004	*2005*	*2006*	*2007*	*2008*	*2009*
Metallrente						
Firms	7,000	9,000	10,000	13,000	15,000	16,000
Insured Persons	144,000	161,000	200,000	270,000	300,000	>300,000
Average Contribution in EUR	1,300	1,300	1,340	1,200		1,200
Chemie Pensionsfonds						
Insured Persons		18,000	25,500	33,000	40,000	
Average Contribution in EUR		1,206	1,007	950	850	

Source: Wiß (2010: 167, 172).

[1] It is not specified, whether this number represents just sectoral agreements for occupational pension or also company based schemes.

Table 3 Number of employees covered by CLA and sector:

construction: *Tarifvertrag über eine Zusatzrente 2001-2005*	700,000
breweries: *Altersvorsorge-TV 2002-2008*	8,000
breweries Baden-Württemberg: *Altersvorsorge-TV 2002-2008*	5,000
brown coal mining: *TV zur Entgeltumwandlung 2001-2008*	10,000
chemical: *TV über Einmalzahlungen und Altersvorsorge 2002-2008*	590,000
cigarettes: *TV Altersvorsorge 2002-2008*	10,000
tilers*: TV über zusätzliche, freiwillige Beiträge zur Altersversorgung 2001-2005, TV über eine tarifliche Zusatzrente 2001-2005*	100,000
printing: *TV zur Förderung der betrieblichen Altersversorgung 2001-2008*	220,000
retail: *TV über tarifliche Altersvorsorge 2000-2003*	1,600,000
electronics: *Tarifvertrag zur Förderung der betrieblichen Altersvorsorge 2002-2008*	180,000
oil and gas: *TV zur Förderung der betrieblichen Altersversorgung durch Entgeltumwandlung January 2002 until December 2002*	5,000
nutrition: *TV zur betrieblichen Altersvorsorge 2002-2008*	1,500
wholesale: *Tarifvertrag über Altersvorsorge January 2002 until December 2002*	300,000
wood and plastic: *TV zur Entgeltumwandlung 2001-2006*	5,000
hotel and gastronomy: *TV über eine tarifliche Altersvorsorge 2002-2008*	650,000
potash and rock salt mining: *Tarifvertrag über Altersvorsorge 2004-2008*	8,000
ceramics: *Tarifvertrag über betriebliche Altersversorgung und Entgeltumwandlung 2002-2008*	45,000
painters: *TV über Maler- und Lackierer-Rente 2002-2008*	120,000
metal and electro: *TV zur Entgeltumwandlung 2007-2012, Tarifvertrag über altersvorsorgewirksame Leistungen 2006-2012*	3,400,000
milk Baden-Württemberg: *TV über Altersvorsorge 2001-2008*	4,000
milk Bavaria: *TV Altersvorsorge 2001-2006*	10,000
wells (Mineralbrunnenbetriebe) Baden-Württemberg: *TV zur Förderung einer individuellen Altersvorsorge der Mitarbeiter 2002-2008*	2,000
mills Baden Württemberg: *TV über Altersvorsorge 2002-2008*	1,000

mills East: *TV über Altersvorsorge 2002-2008*	1,000
paper West: TV über Altersvorsorge January 2008 until December 2008	50,000
paper, Cardboard and Plastic: *VR zur Förderung der Altersvorsorge 2001-2008*	90,000
tourist agencies: *TV zur Entgeltumwandlung 2002-2004*	40,000
shoes West: *TV über vermögenswirksame Leistungen und Altersvorsorge 2002-2008*	19,000
Steel: *TV zur Entgeltumwandlung*	90,000
black coal mining: *TV zur Förderung betrieblicher Altersversorgung durch Entgeltumwandlung 2002-2008*	65,000
chiselers and engravers: *TV über eine tarifliche Zusatzrente 2002-2005*	16,000
sweets: *Altersvorsorge-TV 2002-2006*	50,000
german telecom: *TV Entgeltumwandlung 2002-2012*	90,000
textile and clothing West: *TV zur Entgeltumwandlung 2002-2006*	190,000
textile and clothing East: *TV zur Entgeltumwandlung und zur Altersvorsorge January 2002 until December 2002*	18,000
insurances: *TV zur Entgeltumwandlung*	240,000

Source: BDA 2008

9. The Politics around the Collectively Negotiated Schemes

Linkages to Public Reform Policies

- In the early 1990s the economic and political conditions changed after the impact of external events. The reunification and demographic change weighted on the social insurances which lead to a deficit in the pension- and health insurances (Trampusch 2006: 65). During 1996 public spending on social security, which was rising above 40 per cent, became more and more subject to the political debate and the decision was made to cut down the spending. The rise of the spending on social security was mainly due to companies that were using early retirement as a way to lay off workers by using social security (Trampusch 2006: 64). At about the same time, as it became clear that the pension benefits of the first pillar would have to be decreased in 1997, ideas to strengthen the occupational pensions and private pensions were brought up by the two political parties FDP (*Freie Demokratische Partei*, Liberal Party) and CDU (*Christlich*

Demokratische Union Deutschlands, Christian Democratic Union of Germany). However, the implementation of these ideas failed due to the opposition of the Minister for labor, Norbert Blüm (CDU), and the Minister for finance, Theo Waigel (CSU, *Christlich-Soziale Union in Bayern*, Christian Social Union of Bavaria) (Trampusch 2006: 65).

- An important shift in the public-private mix within the three pillar pension system took place with the reforms of 2001 and 2004, when the additional private pensions were enhanced. The benefits of the first pension pillar were decreased, and private pension was promoted in two ways: firstly, the voluntary private pension (also known as the *Riester-Pension*) was introduced, together with tax deduction and state subsidies. Secondly, tax exemptions and social contributions freedom were made possible for the second pillar occupational pensions (Wiß 2008: 7).

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

- Occupational pensions used to be a field of minor importance in collective bargaining until the 1990s. Wage increases were more important to the unions at that time. Furthermore, employer-only financed pension schemes made collective bargaining unnecessary.
- Also, the duration of occupational pension schemes is far longer than that of usual collective agreements and regardless of the fact that employers were not interested in agreed old-age security (Wiβ 2008: 12).

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

In the past years, a polarization between the unions *IG Metall* and *Verdi* on the one hand and the IG BCE on the other took place:

- Because of the merging of the three unions, those three unions now unite three quarters of the main federation DGB (*Deutscher Gewerkschaftsbund*, Confederation of German Trade Unions) members. The polarization weakens the creative power of the DGB and its social politicians (Trampusch 2006: 66).
- Also, the amount of members has been decreasing steadily. Fifteen years ago, almost 30 per cent of the employees were members in the DGB, whereas in 2002 it was less than 20 per cent (Trampusch 2006: 66).
- A source for the polarization within the DGB was a proposal of Walter Riester: in the mid 1990s, Walter Riester, who was second chairman of the *IG Metall* at the time, suggested to finance the reduction of the labor supply, which was considered as too high, through a fund. He suggested to introduce a binding sectoral fund. This fund collected contributions

from Christmas- and vacation money, wage raises and financial means of the federal agency for labor. Within five years, it should have accumulated enough capital to even out the deficit of early retirement. The pension insurance payments should completely be covered by this fund, so as to avoid reductions in the pension payments. However, this proposal was contested within the DGB (Trampusch 2006: 67).

- Another source for the polarization was that the IG BCE was very successful with an occupational pension scheme managed through collective agreements which provided additional benefits to the statutory pension. The *IG Metall* rather refused such schemes (Trampusch 2006: 67). Some regarded these schemes as a change of the system at the expense of the statutory pension system and therefore refused the construction of long term sectoral funds (Trampusch 2006: 67).
- However, in June 1999 the federal government published a reform plan of the pension structure, which foresaw a mandatory private old age provision. The opposition was strong and the government took back its suggestion. But the unions responded by introducing the option to create funds for occupational pension through contributions of the wage (*Einkommensbestandteile*) managed through collective agreements. It was most of all the trade union of the chemical industry that was promoting this solution which was then also promoted by the government. Finally, in 2001 the metal and the chemical sector made such agreements, too (Trampusch 2006: 69).

10. Recent Developments and Other Interesting Information

We have not found any evidence.

11. Contacted Experts

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

- Trampusch, Christine, 21.12.2009, assistant professor of comparative politics at the Institute of Political Science at the University of Berne, personal interview.

12. List of Abbreviations

- BAVC: *Bundesarbeitgeberverband Chemie* (Federation of the Employers of the Chemical Industry)
- BDA: *Bundesvereinigung der Deutschen Arbeitgeberverbände* (Confederation of German Employers' Associations)
- CDU: *Christlich Demokratische Union Deutschlands* (Christian Democratic Union of Germany)
- CPS: *ChemiePensionsfonds* (pension fund for the chemical industry)
- CSU: *Christlich-Soziale Union in Bayern* (Christian Social Union of Bavaria)
- CLA: collective labor agreement
- DGB: *Deutscher Gewerkschaftsbund* (Confederation of German Trade Unions)
- DM: *Deutsche Mark* (German currency before the introduction of the Euro)
- EIRO: European Industrial Relations Observatory On-Line
- EUR: Euro
- FDP: *Freie Demokratische Partei* (Liberal Party)
- IG BAU: *Industriegewerkschaft Bauen-Agrar-Umwelt* (Industrial Union of Construction, Agriculture, Environment)
- IG BCE: *Industriegewerkschaft Bergbau Chemie Energie* (Industrial Union Mining, Chemical and Energy)
- IG Metall: *Industriegewerkschaft Metall* (Industrial Union of Metal Workers')
- SOKA-BAU: *Sozialkassen der Bauwirtschaft* (social security fund for the building and construction industry)
- TV: *Tarifvertrag* (collective labor agreement)
- TVR: *Tarifvertrag über die Rentenbeihilfe im Baugewerbe* (Collective Labor Agreement on Aid in Pension in the Construction Sector)
- TV TZR: *Tarifvertrag über eine Zusatzrente* (Collective Labor Agreement on Occupational Pension)

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