Policy-making in Ageing Labour Markets: The Case of Hidden Early Retirement in Germany

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1. Introduction

Compared with other European societies, the institutional arrangements and incentives in Germany against early retirement have been reformed faster and more comprehensively during the last decade. However, two pathways survived leading to an early exit from the labour market.1 For employed persons, there is the opportunity of ‘part-time work for older employees’ (Altersteilzeit), which is a form of bridge employment: Although not restricted to a specific way to phase out the work life, in most cases people split the total period of ‘part-time work’ into a first part of full work and reduced income, followed by a second part without work at all, but still receiving income and paying pension contributions. For unemployed persons, there is the opportunity of getting unemployment benefits (UB) without the obligation to search a job and quit unemployment as soon as possible (Leistungsbezug unter erleichterten Voraussetzungen – receipt of benefits under facilitated conditions, according to § 428 SGB III / German Social Code III), which can be seen as a kind of ‘bridge unemployment’. This paper focuses on the second form, the ‘facilitated receipt of benefits for older persons’ (FRB). Our paper describes socio-economic characteristics of persons who benefit from the regulation for a FRB and reports on their motivation to take it up. Based on a regression analysis, we analyse factors on a micro level influencing individual decisions for or against the FRB. While the FRB looks like a form of early retirement, it might be used by persons who search for employment only selectively as a protective shield against pressure from the Public Employment Services (PES) to accept any job. From the perspective of institutional theory, the results show for the German case inherent contradictions in labour market policies aiming to cope with an ageing labour force and mass unemployment especially among the older workers at the same time.

The paper is structured as follows: First, the institutional background for transitions from work into retirement will be introduced. The regulation for the ‘facili-

1 This paper is based upon the social laws as at May 2007.
tated receipt of benefits’ (FRB) will be explained as well. Next, we present recent developments of unemployment rates among older persons and the effect of the FRB on the volume and structure of registered unemployment. We turn then from the aggregate-level to the micro-level to analyse the motivation of the persons making use of this regulation and determinants which influence individual choices to opt for the opportunity of a FRB. Finally, our paper concludes with a summary.

2. Employment of Older Persons and Early Retirement in Germany: Recent Reforms

During the last decade Germany experienced a paradigm shift from ‘active labour market policy’ to ‘activating labour market policy’. Typical characteristics of activating labour market policy compared with active labour market policy are (i) the focus on individual responsibility to quit unemployment, (ii) working with incentives for job seekers, employers and employment agencies, (iii) tightened criteria for the acceptability of job offers and demands towards recipients of unemployment benefits in conjunction with a more pronounced policy of sanctions and (iv) cutbacks in benefits. First steps have been taken in 1997 with the implementation of the German Social Code III (Sozialgesetzbuch (SGB) III) which deals with unemployment insurance and employment agencies. The development went on with the ‘Job-AQTIV’ Law (2001) and the Four Laws for Modern Services for the Labour Market (‘Hartz I – IV’, 2003/04). Similar developments occurred in other European countries. In international comparisons, Germany is widely regarded as a latecomer in labour market reforms (Funk 2006, Sproß 2005).

At the same time, pension reforms aiming at containing early retirement became effective. This paradigm shift in labour market and pension policies has three implications specifically for older jobseekers:

First, older unemployed persons gain in importance as a special target group of labour market policy. Their participation in several measures of labour market policy, such as training and job creation schemes, is a special category in the statistical monitoring of the labour market.2 (However, labour market statistics for the older workers are distorted, as will become clear below.)

Second, there are some instruments and political campaigns designed specifically for older unemployed, such as the exemption of the employer from paying unemployment insurance contributions for hiring an unemployed person of age 55 and above (§ 417 SGB III) or a temporary income subsidy for older persons which

2 Other target groups besides the older unemployed (from the age of 55 on) are young persons (below the age of 25), persons with disabilities and long-term unemployed.