

Securing employment in Germany through industry-wide collective bargaining agreements in the chemical industry

Company-related, flexible instruments in the framework of collective agreements



The industry-wide collective bargaining agreement has proven itself

In public discussions the parties to collective bargaining are repeatedly reminded of their responsibility for the future of the "location Germany" and employment therein. Often, the impression is given that Germany operates with inflexible collective bargaining agreements, which do not allow for company-related solutions. The truth is, however, a different story altogether:

Already at a very early stage, employers' associations and trade unions in the chemical industry introduced a new way of thinking to their collective bargaining policies. In the interest of sustainable production and employment, flexible instruments, opt-out clauses, and relief options have been included in industry-wide collective bargaining agreements ("umbrella agreements"). This is based on and facilitated by the pragmatic relationship between the collective bargaining parties, which has become a trademark of the chemical industry, and which is evidenced by a number of collective bargaining agreements, agreements outside collective bargaining, and joint institutions.

For the last decade, the employers' associations and the trade union (IG BCE) in the chemical industry have practised

a collective bargaining policy of flexibility, mainly aiming at:

- Securing employment in Germany;
- Improving competitiveness of companies;
- Gaining sustainability of the umbrella agreement through modernisation thereof;
- Setting an example for collective bargaining in Germany by introducing innovative collective instruments;
- Defending autonomous collective bargaining against governmental influencing.

Together, both parties encourage individual use of the 14 flexible instruments, if required.

In the interest of sustainable competitiveness of jobs in the chemical industry in Germany, their use is not limited to cases of economical difficulties but specifically allows for a future-oriented and – given the possibilities to differentiate alongside company-related needs – reasonable and responsible application. This company-specific application is to be preferred compared to general solutions such as the request for a 40-hour working week.

In any case, utilisation of the flexible instruments requires

consent of all parties on company level. Where certain instruments need additional consent of the parties to the collective bargaining agreement, this can be obtained in a fast and un-bureaucratic way. Thereby, responsibilities for company-related arrangements are well defined.

The requirement to obtain consent of the parties to the collective bargaining agreement guarantees a supervised application, while at the same time enabling a permanent and practice-oriented enhancement of the umbrella agreement based on experience gained. This way, the parties to the collective bargaining agreement are well aware of "what's on a company's plate" and can adjust their policies accordingly.

This closeness to the companies and their practical needs would, however, be lost if responsibility for all flexible instruments were solely in the hands of the parties on company level. In addition, membership in as well as legitimacy of trade unions and employers' associations would be tarnished if any deviating from the umbrella agreement were purely subject to a vote by the relevant workforce – as suggested in the draft legislation of CDU and FDP (political parties)

Securing Employment – Framework Regulations

Flexible Remuneration / Salary Bands

On company level and with the consent of the parties to the umbrella agreement, it can be agreed to reduce remuneration (i.e. tariff pay) of all employees by up to 10%, if and when required in order to maintain competitiveness or to secure jobs and/or operations.

Areas with Competing Collective Agreements

In addition to the above-mentioned flexibility, the umbrella agreement of 2000 also introduced an extensive opt-out clause. This clause is applicable to enterprises, which operate in areas of competing collective bargaining agreements, and which are therefore no longer competitive. Here, with the consent of the parties to the umbrella agreement, deviating regulations can be agreed upon on company level or in company-related collective bargaining agreements.

Lowering Collective One-Off Payments

In cases of severe economical difficulties, collective one-off payments can, by way of voluntary works council agreement, either be lowered by an amount equal to the annual bonus, or be suspended or postponed. Each requires consent of the parties to the umbrella agreement.

Sharing Chance and Risk

Furthermore, the umbrella agreement of 2000 introduced a new option, which allows the parties on company or group level to link the amount of the annual bonus to the economical situation of the relevant enterprise – in line with the principle of "chance and risk": Instead of the fixed annual bonus of 95% of a monthly tariff payment, a salary band ranging from 80% to 125% can be agreed upon.

Combination of Flexible Instruments

Flexible instruments provided for by the umbrella agreement of the chemical industry can, to a great extent, be combined, thus allowing the parties on company level to consider the specific economical situation of and possible cyclical fluctuations for the relevant enterprise. This will facilitate cutting costs and securing employment at the same time.

Qualification

For the very first time, an umbrella agreement provides for framework regulations regarding training and qualification, which can be agreed upon by voluntary works council agreement. "Qualification" means any company-related, individual training and education programme, whereby costs are fairly distributed between employer and employee. In general, the employee's contribution consists of working time, which can be taken out of the employee's long-term working time account.

Flexible Working Time Adaptation

Working Time Bands

Based on collective bargaining agreements, standard working time within the chemical industry amounts to 37.5 hours per week. For specific parts of the enterprise or groups of employees, employer and employee representatives can, however, arrange for an extended or reduced working time. Available time bands range from 35 to 40 hours per week and payment is due for actual hours worked.

Distribution Bands

The agreed upon weekly working time constitutes an average within a distribution band of up to 12 months, i.e. is not to be achieved each and every week. And, as a result of the collective bargaining in 2002, further flexibility is being provided for: working time accounts can now even be balanced outside the 12-months distribution band. In certain cases, e.g. R&D projects, the distribution band can even be extended to up to 3 years. This allows for flexible economical adjustments: longer working hours in times of high demand and shorter ones in times of declining productivity. The daily working time can – within this scope – amount to up to 10 hours.

Shift Work

The collectively agreed upon working time covers all working days, including Saturdays. In shift operations, this can extend to Sundays. Where continuous work has to be provided, Sunday shifts can amount to 12 hours. Generally, shifts can amount to 12 hours in companies with stand-by duty.

Long-term Working Time Accounts

In 2003, BAVC and IG BCE agreed upon an option to introduce long-term working time accounts. They are based on voluntary works council agreements and can, for example, cover periods of training and qualification or periods of extended leave prior to retirement. "Long-term working time accounts" comprise accounts with a distribution band of more than 12 months and might cover collectively agreed upon time credits (positive flexitime balances), age related reductions in working time, overtime and overtime pay, and holiday entitlements exceeding the statutory minimum.

Overtime and Compensatory Time-Off

Overtime – i.e. working time exceeding the agreed upon weekly working time and not being balanced within the above-mentioned distribution bands – is, according to the umbrella agreement, not to be compensated in cash but in time-off. Where compensatory time-off is provided within one month, no additional premium is payable. Hence there is hardly any paid overtime within the chemical industry.

Early Retirement

Under the current regime of part-time employment for old-age pensioners, an employee aged 55 can opt for a reduction of his/her working time by a total of 50% for a period of up to 6 years. Within this so-called "block-model" em-

ployees can work full-time during the first half of their early retirement arrangement (e.g. from 55 to 58) and go on leave during the second half (e.g. from 58 to 61). During the entire six-year period they will receive continuous payments of at least 85% of their full-time net income. Afterwards, they will retire. Under certain circumstances, and based on regulations on company level, the "block-period" of 6 years can be extended to up to 10 years.

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Securing Employment – Framework Regulations

Reduced Starting Tariffs

In the chemical industry, so-called starting tariffs apply to newly recruited employees.

According to these tariffs, employees, who are commencing an unlimited employment, and trainees, who are transferred to salaried employment, are entitled to 95% of the generally applicable tariffs. Newly recruited long-term unemployed are entitled to 90% for their first year of employment.

Collective Bargaining Agreement to Promote Integration of Young Employees

The agreement aims at integration of young employees outside professional training relationships. As a joint cooperation of employers' association and trade union, the so-called benevolent society of the chemical industry ("Unterstützungsverein der chemischen Industrie") assists companies, which hire young employees under this promotion scheme by bearing up to 50% of the applicable integration tariff.

Collective Bargaining Agreement "Future through Education"

With this agreement, companies of the chemical industry have obligated themselves to increase the number of traineeships until 2007. This is in line with their continuous commitment to maintain a sustainable demographic development and to secure and extend the existing number of traineeships.

Collective Bargaining Agreement on Superannuation

In 1998, in the course of the collective bargaining within the chemical industry in Germany (West), the parties – for the very first time in the history of German umbrella agreements – introduced a "collective" model of superannuation. In 2001, the respective regulations have been extended and made more flexible.

On the basis of this model, every employee may transfer any payment under the employee saving scheme, additional holiday pay, and annual bonus into the superannuation account. For the company the model triggers hardly any administrative expense and, based on current tax and social security regulations, it is extremely cost efficient.

Furthermore, in 2001 BAVC and IG BCE agreed on an additional model and established a separate superannuation fund with HypoVereinsbank, the "Pensionfonds Chemie". In spring 2002, the "Pensionfonds Chemie" was approved by the regulator – as the very first of its kind.

Source: The original German text of this flyer was issued by the German Federation of Chemical Employers' Associations and the Mining, Chemical and Energy Industrial Union.

There is no >>inflexible<< collective bargaining agreement.



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