

PROMOTION OF EMPLOYMENT

Günter B. is unemployed. He has been applying for jobs for a year and a half now, but so far has received nothing but letters of refusal. Now 31, his career had initially got off to a good start. After lower secondary school, trade college and military service he began work at an electronics shop. Then came the first shock: the shop closed down. Günter enquired about vacancies at the employment office. As there were none available, the careers advisor suggested retraining in industrial administration and computer programming. The employment office would pay not only 60 per cent of his adjusted net income in transitional allowance, but all costs of the training scheme as well. Günter was over the moon. Two years later he gained a good pass mark in the Chamber of Industry and Commerce exams, and the employment office found him a job as an industrial clerk. But then the firm went bankrupt soon after he started.

For the first twelve months after that he received unemployment benefit. He now claims unemployment assistance. He may well be drawing a salary again soon, though, as one of his job applications looks like being successful - for a computer programming vacancy at a sizeable local firm. After the second interview, the manager of the personnel department said he was '90 per cent sure' that he would take Günter on. The young man now hopes the other 10 per cent will come out in his favour.

As many people as possible should have work. The employment promotion policies enacted in Volume III of the Social Code aim to achieve this by improving the earnings prospects of people without work and by matching up supply and demand on the labour market. These policies are implemented by the Federal Employment Services agency in Nuremberg (Bundesanstalt für Arbeit) and its local employment offices (Arbeitsämter).

Benefits and conditions

The main tasks of Federal Employment Services are:

- Careers guidance
 - Job and traineeship placement
 - Improving people's chances on the jobs market
 - Integrating people into employment in other ways
 - Income replacement benefits
 - Employer guidance
- Federal Employment Services are there for employers and employees alike. They provide various kinds of help:
- For the unemployed
 - Choosing a career
 - Finding jobs, training places, workers and trainees
 - Safeguarding and creating jobs
 - Vocational training
 - Mobility assistance
 - Rehabilitation
 - Fighting long-term unemployment
 - Becoming self-employed
 - When employers become insolvent

You are entitled to some of these services whether or not you have paid contributions. These include careers guidance and job placement. To receive other help - such as unemployment benefit - you need to have been in

work and paying statutory insurance contributions in the past.

◆ Unemployment Benefit

To receive unemployment benefit (Arbeitslosengeld), you must:

- be unemployed
- have personally registered as unemployed
- and have completed the qualifying period

You are classed as unemployed if you have no work at all or if you work for less than 15 hours a week for an employer or on a self-employed basis. You must also be actively seeking work and be available for work.

To register as unemployed you must visit the employment office in person and report that you have become unemployed; you cannot register by phone or by post. You can register for a maximum of three months, and must renew your registration before it expires if you are likely to remain unemployed.

To complete the qualifying period, you must accumulate at least twelve months of Federal Employment Services contributions, either by working or otherwise (for example, by claiming sickness benefit), within the timeframe of the last three years. This timeframe can be extended on a discretionary basis in certain circumstances (child-rearing, caring for relatives or having recently become self-employed). The contribution period is six months for people on military or civilian service and for seasonal workers.

The amount of unemployment benefit you receive is based on your average weekly pay on which statutory insurance contributions were levied in the last 52 weeks before becoming eligible to claim (the assessment period). The resulting gross earnings figure (gross assessed earnings) less the usual statutory deductions (taxes and national

insurance) gives your net assessed earnings. Your unemployment benefit is 67 per cent of your net assessed earnings if you have at least one child who you can claim tax relief for, and 60 per cent if you do not. Gross assessed earnings figures are adjusted each year in line with the general trend in pay increases.

While you are drawing unemployment benefit, the employment office pays your statutory health insurance, long-term care insurance and pension contributions. The benefit is transferred at the end of each month onto a bank account you specify.

People who have completed military or civilian service and have paid no contributions before or since can claim unemployment benefit for a maximum of three months after a six-month contributory period, and a maximum of four months after an eight month contributory period. The same applies for seasonal workers.

Any entitlement to unemployment benefit expires if you complete another qualifying period. Any remaining entitlement is then added to the new entitlement, up to the maximum period for your age.

◆ Unemployment Assistance

To claim unemployment assistance (Arbeitslosenhilfe), you must:

- have exhausted your entitlement to unemployment benefit.

To receive unemployment assistance, you must:

- be unemployed
- register as unemployed at the employment office
- have no claim to unemployment benefit because you have not completed the qualifying period
- apply for unemployment assistance
- and be unable to provide for yourself

Your unemployment assistance is 57 per cent of your net assessed earnings (average gross earnings less deductions) if you have at least one child who you can claim tax relief for, and 53 per cent if you do not.

Whether you are classed as able to provide for yourself depends on a means test. This takes into account:

- Your own income
- If you are married and not permanently separated, how much your spouse or, if you live in a marriage-like relationship, how much your

How long you can claim unemployment benefit for depends on your age and how long you have been in contributory employment during the last seven years.

Minimum time paying contributions	Age	Period of entitlement
12 months		6 months
16 months		8 months
20 months		10 months
24 months		12 months
28 months	45	14 months
32 months	45	16 months
36 months	45	18 months
40 months	47	20 months
44 months	47	22 months
48 months	52	24 months
52 months	52	26 months
56 months	57	28 months
60 months	57	30 months
64 months	57	32 months

partner earns above an individually assessed exempt amount

- How much you can claim from others, for example in maintenance from a separated or divorced partner
- Your capital and your partner's capital - provided that it exceeds the exemption limit. The exemption limit is EUR 520 for each year of age that you and your partner have completed; it may not exceed EUR 33,800 in each case.

Unemployment assistance is reduced or refused if the means test shows there is income or capital to take into account.

Unemployment assistance is essentially granted indefinitely until you are 65. It is paid for a maximum of one year at a time, after which you can reapply.

Note: With the employment office's consent, you can do voluntary community work. This does not affect your claim to unemployment assistance.

◆ Short-time allowance

When trade is slack, companies sometimes temporarily cut working hours and put the workforce on short time. In this event, the local employment office pays a short-time allowance (Kurzarbeitergeld) for the hours lost. Continued payment of the allowance depends among other things on the jobs being retained.

You can claim the short-time allowance if you are on reduced pay or no pay at all and there has been a substantial cut in working hours. A cut in working hours counts as substantial if at least a third of the workforce at the same establishment suffers a cut in gross monthly pay of 10 per cent or more. The allowance is usually paid out by the employer and refunded by the local employment office on application by the employer or works council.

The amount of the short-time allowance is a percentage of the net loss in pay resulting from the difference between your gross pay on full time and your gross pay on short time: 67 per cent if you have at least one child who you can claim tax relief for, and 60 per cent if you do not.

◆ Insolvency allowance

Insolvency allowance (Insolvenzgeld) is paid if your employer becomes insolvent and you have not received all outstanding pay. You can claim for pay due from the last three months you worked before insolvency proceedings started, or before a petition to start insolvency proceedings was dismissed on account of insufficient assets. If your employer has not filed for insolvency and does not have sufficient assets to do so, you can claim for pay due from the last three months before your employer finally ceased trading.

The allowance covers the outstanding net pay in full. The employment

office also settles any unpaid compulsory employer's contributions to statutory health, pension and long-term care insurance funds for the last three months, plus any unpaid contributions to Federal Employment Services.

You must apply for insolvency allowance no later than two months after insolvency proceedings start, an application to start them is dismissed, or the company ceases trading.

◆ Winter Bad Weather Benefit

Local employment offices pay winter bad weather benefit (Winterausfallgeld) to construction industry workers for hours lost due to bad weather in the winter season (1 November to 31 March), beginning at the earliest with the 121st hour. The benefit is funded out of contributions to Federal Employment Services and is paid to safeguard the jobs of those affected.

You can claim winter bad weather benefit:

- if you cannot be laid off because of bad weather in the winter season
- if you are not claiming sickness benefit
- and if you are entitled under a union agreement, works agreement or employment contract to winter bad weather pay from your employer that adequately compensates at least the first 120 hours lost, and have used up this entitlement

In parts of the construction industry where, by agreement, employers may cease providing winter bad weather pay after 30 lost hours, Federal Employment Services can provide winter bad weather benefit funded by a levy on employers as of the 31st lost hour.

Winter bad weather benefit is usually paid out by the employer and refunded by the local employment office on application by the employer or works council. The amount of the benefit is a percentage of the net loss in pay resulting from the difference between your gross pay on full time and your gross pay on short time:

- 67 per cent if you have at least one child who you can claim tax relief for.
- 60 per cent if you do not have a child who you can claim tax relief for.

◆ Winter allowance

To compensate for unfavourable working conditions due to bad

weather, employment offices pay construction workers a winter expenses allowance (Mehraufwands-Wintergeld) in the period from 15 December to the last day of February inclusive. The allowance amounts to EUR 1.03 for each hour worked except overtime.

To offset the loss in pay due to hours lost because of bad weather in the winter season (1 November to 31 March), employment offices also pay an additional winter allowance to supplement bad weather pay where this is less than the normal rate of pay for the hours lost. This additional allowance amounts to EUR 1.03 for each hour lost. The additional winter allowance is paid to roofers, scaffolders, and horticultural and landscaping workers. An additional winter allowance of EUR 1.03 is also paid to construction workers, as of the 31st lost hour, in respect of lost hours that are matched by credit hours accrued on a flexible work schedule.

◆ Job Creation Schemes

Federal Employment Services promote the creation of new jobs for the unemployed to do work that is in the public interest. Job creation schemes (Arbeitsbeschaffungsmassnahmen) can be funded by individuals or legal entities who operate the schemes themselves or through third parties.

You can be placed on a job creation scheme if you are unemployed, can only take up employment if you receive funding for such a scheme and are entitled to some form of income-replacement benefit during unemployment, further training or integration into employment. You may still gain a place even if you do not meet these criteria, for example if you are unemployed and under 25 and have not completed a course of vocational training, are needed as an instructor or helper on a job creation scheme, or are severely disabled and your job prospects cannot be safeguarded or improved by other means. There is also a 10 per cent rule, under which exceptions can be made from the above criteria for 10 per cent of scheme places each year.

Priority is given to schemes that substantially improve the conditions for creating permanent jobs, provide employment opportunities for hard-to-place workers, prepare for or supplement structural improvement measures, or improve the environment or social infrastructure.

Private-sector job creation schemes only attract funding if they are carried out at business firms. The aim of this

rule is to avoid distorting competition in the private sector and to better integrate people into the jobs market through employment in a business enterprise. In certain cases, as with schemes that are supervised by youth education workers or serve particularly hard-to-place groups, private-sector job creation schemes can be run independently by their sponsors.

The sponsors of a jobs creation scheme receive between 35 per cent and 75 per cent of the subsidizable wage for each person placed with them, the maximum subsidizable wage being 80 per cent of the going rate for comparable work that is not so subsidized. The subsidy may be increased to 90 per cent of the subsidizable wage for hard-to-place jobseekers or financially weak sponsors, or even 100 per cent in exceptional cases and in cases involving high-priority schemes. Additional subsidies and loans can be granted to cover added costs associated with the approval of a scheme.

Extra subsidies remain available for a limited period in eastern Germany in view of the difficult jobs situation there. For schemes that begin before 1 January 2004, 100 per cent of the subsidizable wage can be funded if working hours on the scheme in question do not exceed 90 per cent of working hours in equivalent full-time employment. Wage subsidies may also be paid as a lump-sum amount that is calculated according to the type of work performed in the jobs creation scheme.

Places on job creation schemes are usually funded for a maximum of one year, or up to two years in the case of priority schemes. This can be extended to three years in the case of a priority scheme if the sponsor gives an undertaking that the employee will be taken on permanently - by either the sponsor or the third-party establishment operating the scheme - when the funding expires. Places on job creation schemes providing vocational training for unemployed instructors and supervisors can be funded for the duration of the training course.

◆ Promotion of Vocational Training

Vocational training is becoming increasingly important in the jobs market due to the sharp drop in the number of jobs available for unskilled and semi-skilled workers. Employment promotion policies thus offer a variety of opportunities to assist young people in their search for vocational training:

➤ **Career Orientation:** The Career Advice Centres (BIZ) at employment offices offer a wide range of informational material on training opportunities, academic study and career choice.

➤ **Career Guidance** for those seeking advice on vocational training.

➤ **Training Placements**

➤ **Pre-vocational Training Schemes:** Employment offices can arrange prevocational training schemes for young people who are unable to enter into vocational training for whatever reason. They serve career orientation, career choice and targeted preparation for vocational training.

➤ **Educational Support:** Trainees can receive additional educational support during vocational training with a company.

➤ **Vocational Training in Training Institutes:** Young people who are unable for whatever reason to enter into a traineeship with a company can receive additional help in commencing and even completing vocational training at a training institute and thus gain a recognised vocational qualification.

◆ Promotion of Initial and Further Vocational Training

Help is available to promote three types of training for individuals:

➤ Initial training

➤ Further training

Federal Employment Services provide different amounts of funding according to the situation.

Examples of benefits:

➤ If you come from a low-income family and are in vocational training at a training centre that is too far away for you to live at home, you can claim a vocational training grant (Berufsausbildungsbeihilfe). Young people on preparatory vocational training schemes can also claim a grant if they live at home.

➤ If you attend a necessary course of further training that is officially recognised by the employment office, you can claim assistance towards living expenses. The assistance is 67 per cent of your adjusted net pay if you have at least one child who you can claim tax relief for, and 60 per cent if not.

➤ Grants are also available for further training courses attended in combi-

nation with a part-time place on a job creation scheme. Employment Services may pay a reduced cost-of-living assistance in certain cases.

➤ Prior to training, you must take part in an advisory session at the employment office and submit an application for assistance.

Note: Besides the cost-of-living assistance, the employment office may also meet some or all of the cost of training courses, working clothes, travel expenses, and child care.

◆ Aptitude Testing

Training Measures

Training measures include training courses and practical activities that aim to improve the prospects of the unemployed or those facing unemployment and seeking new work for integration into the labour market. They are also a means of assessing a person's readiness and ability to work.

The duration of the various available measures varies between two and eight weeks according to their purpose, with a maximum limit of twelve weeks.

The measures include aptitude testing for the unemployed or those facing unemployment to assess their level of knowledge and skill, assess their capacities and developmental potential, to reveal supporting circumstances that may be of importance in integrating a person into the labour market and to identify the most suitable type of work relative to current job market conditions or the most suitable form of active employment assistance. Aptitude testing usually takes about four weeks.

Up to two weeks' training may be provided in job application and interview skills, together with targeted career guidance to promote self-initiative in looking for work. Additional training is funded in the acquisition of the knowledge and skills needed to further facilitate job placement or successful completion of initial or further vocational training.

Participation in a training measure is suggested or approved by the local employment office.

The measures also include assumption of the costs of the respective measure and continuation of unemployment benefit or unemployment assistance payments to the unemployed where they already receive or are entitled to receive or claim such assistance.

Assistance may however be limited to continued payment of unemployment benefit or unemployment assistance.

Local employment offices also provide funding for training measures financed by the European Commission and carried out in other member states of the European Union or in another European country that has an association agreement with the European Union. Additional grants may be made available for training measures carried out in the border regions of countries that share a border with Germany.

Guidance and Placement Assistance

If you are looking for work or a training placement and are unemployed or in danger of becoming unemployed, you may be able to claim help obtaining guidance or placement from your local employment office. To claim, you must be unable to meet the costs yourself or to reclaim them from the employer you apply to.

The following costs are covered:

➤ Up to EUR 260 per year for preparing and sending applications

➤ Costs of travel by public transport for attending careers guidance, placement services, aptitude assessment services or job interviews. Accommodation and other expenses may be paid for overnight stays.

Mobility benefits

You can claim mobility benefits if you are unemployed or are in danger of becoming unemployed and need help in order to take up an offer of employment in which you will be paying contributions, and are unable to raise the necessary funds yourself.

Available mobility benefits:

➤ Bridging loan of up to 80 per cent of anticipated gross pay until receipt of the first pay packet.

➤ Equipment allowance of up to EUR 260 for work clothes and equipment.

➤ For the first six months if entering employment away from home:

➤ Travel allowance to cover daily costs of travel between home and work.

➤ Dual household allowance for maintaining a second home.

➤ Relocation loan for costs of moving to a new home within two years of entering employment.

➤ The cost of the journey to start a new job (travel allowance).

People who receive unemployment benefit or unemployment assistance may

claim mobility benefits to facilitate entering into employment abroad. The travel allowance may not exceed EUR 300.

People seeking training who are registered with their local employment office can claim some of these loans and allowances on entering a course of training.

Integration Subsidies

Employers can receive wage subsidies to help integrate entitled workers and to compensate for their lower productivity.

The following integration subsidies are available:

- **1. Induction subsidy** for workers who need special help settling into employment.
- **2. Integration subsidy for hard-to-place workers;** that is, workers who are difficult to place due to personal circumstances, particularly long-term unemployment or a severe or other disability.
- **3. Integration subsidy for older workers;** that is, workers aged 50 and above who were long-term unemployed before commencing employment or have been registered as unemployed with their local unemployment office for at least six of the last twelve months.
- **4. Induction subsidy for workers returning to employment** who need special help settling in.
- **5. Integration subsidy for severely disabled persons with special needs;** that is, workers who need help integrating and who are classed as severely disabled persons under Section 104 (1) 3 of Book IX of the German Social Code or whose disability is deemed equivalent to a severe disability by Federal Employment Services under Section 2 (3) of Book IX of the German Social Code.
Amount: up to 70% (of the subsidizable wage).
Duration: up to 36 months, or up to 60 months for severely disabled persons aged 50 or over and 96 months for severely disabled persons aged 55 or over.

The amount and duration of the subsidy depends on the extent to which the employee's productivity is reduced and the degree of help he or she needs to settle in. For severely disabled persons, the subsidy may also be paid in the form of subsidised limited pre-employment (e.g. job creation scheme

or structural adjustment measures) which is determined by the amount and the duration of integration subsidy.

Save in exceptional cases, the maximum amount and duration of the integration subsidies are as follows:

- **Induction subsidy**
Amount: 30 per cent (of the subsidizable wage)
Duration: 6 months
- **Integration subsidy for hard-to-place workers**
Amount: 50 per cent (of the subsidizable wage)
Duration: 12 months
- **Integration subsidy for older workers**
Amount: 50 per cent (of the subsidizable wage)
Duration: 24 months

The duration or amount of the subsidy may be increased in cases of exceptionally low productivity or special induction or integration needs. The employer's adjusted share of social insurance contributions is additionally refunded with all forms of induction and integration subsidy.

Help Becoming Self-Employed

Unemployed people who want to become self-employed can claim transitional benefit (Überbrückungsgeld) from the employment office to secure a living in the early stages. To claim, you need to have been drawing income replacement benefit under the provisions of Book III of the Social Code or have participated in a jobs creation scheme or structural adjustment measure. Transitional benefit may not be granted, however, if there are grounds for a claim to be suspended under Sections 142 to 145 of Book III of the Social Code. The amount is the same as the unemployment benefit or unemployment assistance that you have been claiming, plus social insurance contributions at a fixed rate. The benefit is paid for six months.

Recruitment Subsidy for New Businesses

Employers who became self-employed within the last two years can claim a wage subsidy if they appoint a person who was previously unemployed and entitled to assistance for at least three months - or a person in equivalent circumstances - to a newly created position. To qualify, an employer must have no more than five employees. The recruitment subsidy is

granted for no more than two employees at a time.

The recruitment subsidy for new business is paid for a maximum of twelve months and is 50 per cent of the subsidizable wage.

Combating Long-Term Unemployment

Employers who take on long-term unemployed workers permanently can claim a wage cost subsidy for a maximum of twelve months. The subsidy is paid under the Aktion Beschäftigungshilfen für Langzeitarbeitslose (a back-to-work scheme for the long-term unemployed), and is available for workers taken on before 1 January 2003. The amount depends on how long the workers have been unemployed:

- For workers who have been unemployed for at least three years: up to 80 per cent of the monthly wage in the first six months and up to 60 per cent in the second six months.
- For workers who have been unemployed for at least two but less than three years: up to 70 per cent of the monthly wage in the first six months and up to 50 per cent in the second six months.
- For workers who have been unemployed for at least one but less than two years: up to 60 per cent of the monthly wage in the first six months and up to 40 per cent in the second six months.

Structural adjustment measures (SAMs)

Structural adjustment measures promote employment in specific sectors for people who would otherwise be unemployed. They build on the positive outcomes of employment promotion schemes introduced in eastern Germany in 1993 under Section 249(h) and extended to include western Germany from August 1994 under Section 242(s) of the Employment Promotion Act. These schemes, which were initially planned to last until the end of 1997, took account of the differing jobs situation in eastern and western Germany. The new structural adjustment measures, which have been extended to the end of 2008, apply equally in all parts of the country.

Environmental conservation and improvement schemes and schemes to promote social services or youth work qualify for assistance throughout Germany. Certain measures were originally restricted to eastern

Germany. These include schemes that provide opportunities for mass sports or voluntary cultural activities, work on the conservation of heritage sites or schemes preparing for such work, urban regeneration and urban heritage conservation schemes, and schemes to improve the residential environment. The territorial restriction ceased to apply in August 1999, and all the above types of scheme can now qualify for subsidy in all German states. Funding has also been extended to include schemes for the improvement of the economic support infrastructure.

Employers receive a lump subsidy of up to EUR 1,075 a month (in the case of full-time employment) towards the pay of each worker placed with them. However, the subsidy must not be greater than the subsidizable wage on a job creation scheme. Workers placed on such schemes can usually be subsidized for up to 36 months. This can be extended to a total of 48 months on condition that the project sponsor or the company at which it is carried out takes on the worker permanently when the subsidy expires. A funding period of up to 60 months can be approved in eastern Germany and in unemployment blackspots served by employment offices in western Germany for structural adjustment measures that mainly employ workers aged 55 or older. For a scheme to be approved, any costs in excess of the wage cost subsidy must be met by the sponsor of the scheme or from another source. Measures that include people over the age of 55 also include grants to cover the remaining costs.

Up to 31 December 2003, wage cost subsidies may be paid to industrial firms in former East Germany and Berlin that take on additional unemployed workers. The subsidies are paid for one year, and there is a limit on the number of subsidized workers at a given workplace. This class of subsidies is restricted to workers who particularly in need of assistance. The amount of the wage cost subsidy is EUR 691 a month (in the case of full-time employment).

◆ Subsidising Job-Creating Infrastructures

With Administrative Board agreement, public bodies (e.g. municipalities) may receive funding from the unemployment office to cover the costs of infrastructural enhancement if the during those measures, the sponsor contracts work by an industrial enterprise that agrees to employ a certain

number of unemployed assigned by the unemployment office for a period that is mutually determined by the unemployment office and the sponsor. Alongside its core workforce, the industrial enterprise is obliged to employ a maximum of 35 per cent formerly unemployed workers. The funding must be used separately. The amount of funding should not exceed 25 per cent of the total costs of the respective measure.

The funding should be used to:

- Finance additional infrastructural activities.
- Employ the sponsored workers in accordance with the conditions of the primary labour market.
- Facilitate the award of additional contracts to the ailing construction industry and its affected workers.

Funding

Most Federal Employment Services funding comes from contributions, though additional funds come from pay-as-you-go levies on employers and their liability funds. The contributions are paid by employers as well as employees (white and blue-collar workers, people employed on vocational training schemes, and people who work from home). Their respective share of the contributions depends on the current contribution rate (6.5 per cent of gross pay in 2002). The maximum contribution is set by a contribution assessment limit. The monthly limits in 2002 are EUR 4,500 in western Germany and EUR 3,750 in eastern Germany.

The law

The law on employment promotion is set out in the Volume III of the Social Code.

The law is implemented by Federal Employment Services in Nuremberg, the central and local employment offices in each of the Länder, and various other agencies. Federal Employment Services are a self-governing public agency.

Information

Do you need further information? If so, please feel free to contact your local employment office, Land employment office, or Federal Employment Services in Nuremberg. You can also find a wide range of information at <http://www.arbeitsamt.de>.

PARTIAL RETIREMENT

Partial retirement provides a gradual transition from work into retirement. Generally, each employee is free to decide whether to take partial retirement in agreement with his or her employer. Some employees have a union-negotiated right to partial retirement.

Going into partial retirement creates a partial vacancy. Employers can reclaim some of the cost of financing partial retirement from their local employment office if they fill such partial vacancies by taking on unemployed workers or by employing apprentices on completion of their training; in smaller establishments it is enough to set on an apprentice.

When an employee goes into partial retirement, his or her prior working hours are reduced by half - either by reducing the number of hours the employee works each day or by splitting the remaining period of service into working and non-working phases with a maximum duration of six months each. A union-negotiated agreement may allow a maximum of five years for each phase.

Partial retirement counts towards an employee's years of service. The employer must pay pension contributions at the rate that would apply if the employee were on 90 per cent of his or her previous pay and, for the entire period the employee is in partial retirement, must pay at least 70 per cent of the normalized pay rate net of deductions that is commensurate with the number of hours per week that the employee worked before entering partial retirement (the statutory minimum net pay rate). This is kept in line with any pay rises. These are minimum requirements that employers may exceed.

In order to take partial retirement, a number of basic requirements must be satisfied:

- The employee must be at least 55 years old.
- The employee must have worked and paid statutory contributions for at least three of the five years preceding the time he or she enters partial retirement.
- The employee must not be entitled to a full state pension.

Benefits and conditions

As an employee you are free to decide between partial retirement and continuing to work full time: no one can force you to reduce your working hours. If you wish to take partial retirement, you must sign an agreement with your employer. Your employer can only claim for partial retirement with your signature on such an agreement.

Your employer may be compelled to agree to your partial retirement if a union agreement, in-house agreement or, where applicable, ecclesiastical law so provides.

There are many specific provisions to protect your status as an employee wishing to take partial retirement. For example, your employer cannot dismiss you merely because you are entitled to take partial retirement. Under an equal opportunities rule, your ability to take partial retirement cannot weigh against you when employees are selected to be laid off.

If you become unemployed when partially retired you can, of course, claim unemployment benefit, unemployment assistance or a cost-of-living allowance. The amount of benefit is assessed from the wage you would have been receiving had you not reduced

your working hours. This applies until you reach pensionable age.

(See also 'Old-age pension after unemployment or partial retirement' in the Pension Insurance chapter.)

The law

The law on partial retirement is set out in the Act Promoting Gradual Transition into Retirement of 23 July 1996 (Federal Gazette Vol. I, p. 1078), as most recently amended by Article 43 of the Act of 19 June 2001 (Federal Gazette Vol. I, p. 1,046). Further provisions are contained in Books One, Three, Four and Six of the Social Code.

Information

Please contact your local employment office or your pension fund if you would like detailed advice about partial retirement. Employers and unions in numerous industries have negotiated their own collective agreements for a gradual transition into retirement on the basis of the prevailing law.

Detailed information on partial retirement is also given in the German-language brochure *Altersteilzeit ab 55*, available on order free of charge from the Federal Ministry of Labour and Social Affairs, Public Relations Department, Postfach 500, D-53107 Bonn, Germany.

What you must do

As an employee, you must inform your employer immediately about any changes in your circumstances that substantially affect your partial retirement. If the employment office provides payments, your employer must inform them of any such changes, too. Both the employee and the employer must return any payments they are not entitled to if they have intentionally or negligently failed to fulfil their duty to cooperate or have given false information. In the event of abuse, the employer, the employee, or both may incur a fine of up to EUR 25,000.