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Abstract

Throughout the last decades, employment rates of older workers in most European countries have been falling, as has the age of exit from the labour force. This development does not only exert heavy financial pressures on social security systems but inhibits also the potential of older workers to shape their lives actively. The reasons for that trend can be found at three dimensions: the early retirement options inherent in the public retirement system, the internalisation and externalisation strategies of enterprises, and the retirement preferences of individual workers.

The paper will present recent empirical data on the way enterprises utilise early retirement options created by the public retirement system for externalising older workforce. The data was collected in expert interviews with personnel managers and works council members in Polish and German enterprises. Many of the studied companies are undergoing restructuring and are cutting employment levels. This clearly dominates their personnel policy towards older workforce. Therefore, externalisation strategies outbalance any possible tendencies to integrate older workers, like considering them to a greater extent in recruitment.

The paper will also discuss the possible future development of externalisation strategies in the light of pension reforms carried out in Germany and Poland.

Contents

1 Introduction

In many Continental European countries, a trend towards earlier exit from the labour market has established itself. Moreover, the last decades witnessed a drop in activity rates and employment rates of persons aged 50 and more. (In the following, that group of persons will be referred to as „older workers“.) At the same time, job-seeking ´50pluses´ encounter barriers if they want to re-enter the labour market.

Poland and Germany are not spared this development. The downtrend in economic activity in higher age brackets confronts the social security systems in these countries with financing problems. It also inhibits the ability of older persons to shape their life according to their wishes in a twofold manner. On the one hand, older persons who exit the labour force before standard retirement age, are punished with a lower pension level due to pension deductions – or will be punished, in the case of Poles who will retire under the new pension system. Old-age pensions after unemployment and after *Altersteilzeit* (´part-time work in old age´; see explanation in next section) granted in Germany in the year 2003 amounted on average to 960 € per month after deduction of social security contributions and average pension reductions of 173 €; the old-age pension for newly retired women available at the age of 60 years amounted on average to 628 €, with average pension reductions of 78 € (Ruland 2004: 11). On the other hand, older people often exit the labour force involuntarily before standard retirement age due to bad health, downsizing or unfavourable working conditions, all of which may be subsumed under the concept of ´push factors´ (comp. Jensen/Kjeldgaard 2001: 2-3). This inhibits their ability to „*make flexible choices in the way they spend time over life – in learning, in work, in leisure and in care-giving*“ (OECD definition of „active ageing“, 1998: 84).

The reasons for the trend towards early retirement can be analysed at individual level (with regard to retirement preferences), enterprise level (´push factors´), collective bargaining level (regulations which enable and induce early exit) and at statutory level (retirement incentives and disincentives) (comp. Naegele 2002: 213). This paper proceeds on the assumption that the labour force participation of older workers and the exit from the labour market depend on a complex arrangement of institutional, socio-economic and firm-based factors. The trend towards early exit will only be reversed if respective statutory measures, especially in the field of pension policy, are translated into firm behaviour. In line with this assumption, the paper will deal with the ´translation´ process of statutory measures in the field of pension policy into respective externalisation strategies of companies. The impact thereupon of retirement preferences at micro-level, of meso-level collective bargaining policy, and of macro-level developments on the labour market and with regard to demographic conditions will not concern us here for reasons of space and clarity.[1]

In the next chapter, the political framework of pension policy in Poland and Germany will be sketched, with focus on statutory early retirement options. Afterwards, I will present the results of qualitative interviews with personnel managers and/or works council members in Polish and German companies which were carried out in spring 2004 and spring 2005. The subject of those interviews were personnel policies towards older workers, especially policies pertaining to recruitment, working hours, further vocational qualification, health management and social benefits, as well as exit policies. The core part of the paper will be devoted to the interplay between statutory pension policies and personnel policies/exit policies of firms in respect of the outcome, i.e., the externalisation versus the retention of older workers. The subsequent section will recapitulate the findings in a comparative perspective. The last section will discuss the possible future developments of firms´ externalisation strategies in the light of pension reforms carried out in Germany and Poland.

2 Statistics on Employment and Retirement

A trend towards early exit from the labour market is visible in Poland and Germany. This can be inferred from the observation of two indicators across time: the average age of take-up of an old-age pension (and to a lesser extent the age of take-up of a disability pension, as this does often not indicate complete withdrawal from the labour market), and the employment rates in higher age brackets.

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[1] With respect to methodological questions (qualitative analyses in firms), the focus on firm-level and the interest in institutional, structural and organisational factors, my work shows similarities with the approach of Naschold et al. (1994). The institutional arrangement in which German firms operate has however changed due to the successive curtailment of early exit opportunities pursuited by the German government since the mid-nineties.

In Germany, the average age of take-up of the old-age pension in 2002 was 62.6 years for men and 62.8 years for women (*Table 1*). This indicator has been on the rise since the year 2000. In the case of disability pensions (*Rente wegen verminderter Erwerbsfähigkeit*), the average age of take-up was as low as 51.2 years (men) and 49.5 years (women), and is still decreasing.

Table 1: **Age of take-up of old-age pension and disability pension in Germany, 1960-2002 (blue-collar workers´, white-collar workers´ and miners´ pension scheme)**

Year	Old-age pension		Disability pension	
	Men	Women	Men	Women
1960	65.2	63.9	55.8	56.2
1965	65.4	63.9	57.1	57.6
1970	65.2	63.3	57.7	59.0
1975	64.1	63.0	56.3	59.2
1980	62.6	61.9	54.7	57.7
1985	62.7	62.9	53.8	54.3
1990	62.8	63.5	53.9	52.6
1995	62.3	62.5	52.8	50.9
2000	62.2	62.3	52.3	50.2
2002	62.6	62.8	51.2	49.5
2003	62.9	62.9	50.7	49.2

Source: VDR (2003: 113-114); newest data: www.vdr.de.
From 1995 on, the data refers to unified Germany; before, to Western Germany.
Before 1980, the average age was calculated without data from the miners´ pension scheme.

Polish men retired in 2002 on average at the age of 59.4 years, and women at the age of 56.1 years (*Table 2*). New male disability pensioners were in 2002 on average 47.4 years old, and new female disability pensioners 45.9 years old. Between 2002 and 2004, the average age of take-up of an old-age pension has decreased by 0.4 years (without consideration of the gender distinction), while the age of take-up of a disability pension has risen by almost a year.

Table 2: **Age of take-up of old-age pension and disability pension in Poland, 1992-2004**

Year	Old-age pension			Disability pension		
	Total	Men	Women	Total	Men	Women
1992	57,0	59,0	55,0	46,0	47,0	45,0
1995	56,9	59,0	55,1	45,5	46,2	44,7
1999	57.6	59.2	56.7	46.9	47.3	46.2
2000	57.0	58.9	55.9	46.6	47.1	45.8
2001	57.1	59.4	56.0	46.7	47.3	45.8
2002	57.2	59.4	56.1	46.8	47.4	45.9
2004	56.8			47.6		

Source: ZUS (2004: 38, 39); ZUS (1997: 52-53); ZUS (2005: 1,7).

In international comparisons, the indicator ´average age of exit´ is often used instead of the ´average factual age of retirement´ (comp. EC 2004; EC 2003). The reason is that in some public pension systems, it is possible to draw a pension and continue gainful employment (U.K.), while in others, a large time span may lie between exiting the labour force and taking up an old-age pension (Germany). The average age of exit in Germany and Poland as of 2002 lay below the retirement age – it was 61.1 years for men and 60.3 years for women in Germany, and 58.1 years for men and 55.8 years for women in Poland (EC 2004: 19). Available data does however not allow for a longitudinal analysis.

The low retirement age/age of exit in Poland in Germany is reflected in low employment rates. In Germany, the employment rate of older men has dropped between 1970 and 2000, most pronounced in the age range 60-64 years – from 70 per cent to 28 per cent (*Figure 1* in the appendix). Between 2000 and 2004, a slight rise of employment rates in the age groups 55-59 and 60-64 could be noticed.

The employment rate of German women aged 50-54 years and 55-59 years has increased in the same period, while the employment rate of 60-64-year-old women has fallen from 20 per cent to twelve per cent (with an increase by 4 per cent until 2004; *Figure 2* in the appendix).

In Poland, the employment rates of older men and women have continuously fallen between 1992 and 2004 (*Figures 3 and 4* in the appendix).[2] In the case of 60-64-year old Polish women, the drop was especially steep, from 22 per cent to 13 per cent. The decrease in the employment rate of Polish women occurred from a higher level then was the case with German women (22 per cent compared to ten per cent; *Figure 4*); in the same period, the employment rate of German women of the same age has climbed from 10 per cent to 16 per cent (*Figure 2*).

Poland is much worse positioned than Germany as regards the fulfilment of the 50 per cent employment rate of the 55-65-year-olds and the rise of the age of exit from the labour market by five years as stipulated by Stockholm and Barcelona targets of the European Council (EC 2004). The above presented data also indicates that the prospects that those targets will be reached in near future look worse in Poland, especially in the light of the

2 Earlier Polish data is not comparable for lack of Labour Force Surveys and due to hidden but not officially acknowledged unemployment.

continuously descending factual retirement age and employment rates in higher age brackets.

3 The Legal Framework of Retirement in Germany and Poland

Besides of standard retirement, pension systems in Germany and Poland provide several ´pathways of exit from work´. In line with Kohli/Rein (1991: 6-7), a ´pathway of exit´ denotes here "*an institutional arrangement or – in most cases – a combination of different institutional arrangements that are sequentially linked to manage the transition process, that is, the period between exit from work and entry into the normal old-age pension system*." The social security systems in both countries provide an unemployment pathway, a disability pathway, an occupational pension pathway or other firm-based early exit pathways. Thus, "early retirement" has to be distinguished from "exit from work". The latter can occur at a later stage, as in some pensions systems, it is possible to compbine the receipt of an old-age pension with continued gainful employment, or at an earlier stage, via an early exit pathways.

3.1 The Situation in Germany

In Germany, the standard retirement age for men and women is 65 years.[3] Severely handicapped persons receive a full pension at the age of 63 years. Persons with 35 years of contributions can retire at the age of 63 years (and at the age of 62 years, starting from 2011), albeit with deductions. People who have been unemployed for at least 12 months upon completion of their 58th year and 6 months, and people who have participated in *Altersteilzeit* or at least two years, can retire at the age of 63 years with deductions (SGB VI, §237). Next to the old-age pension scheme for blue- and white-collar workers, various professional schemes exist which have different retirement ages, e.g., the age of 60 for soldiers, fireworkers, civil servants in penitentiaries and policemen.[4]

3 With exceptions for women born before 1952 who can retire at age 60 with deductions of up to 18 per cent of pension income.

4 An overview of the different systems of German old-age security can be found in Deutscher Bundestag (2001).

Until February 2006, people aged 55 and older who have been employed for 36 months or more were entitled for the earnings-related unemployment benefit (*Arbeitslosengeld I*) for a period of up to 32 months; all subsequent work relationships will establish a right for a maximum receipt period of 18 months (SGB III, §434l). The exemption of benefit recipients aged 58 and older from the obligation to actively seek work was recently prolonged by two years and will be in force until the end of 2007 (SGB III, §428). For a long time, those two measures constituted the framework for the ′unemployment pathway′ of early exit in the form of the so-called ′58 (or 57) rule′. Companies which dismissed older workers paid them generous severance payments to bridge the time until first receipt of unemployment benefit which was then drawn until the start of retirement.[5] Due to the risen age of entry into the old-age pension after unemployment and *Altersteilzeit* by law of July 2004 (Law on the Sustainability of the Public Pension System, see Steffen 2005: 46-47), the unemployment pathway now starts at the age of 60 years and 4 months (or 61 years and 6 months after January 2006, due to the shortened receipt period of unemployment benefit) instead of 57 years and 4 months.

Similarly to the unemployment pathway, access to the ′disability pathway′ was restricted by force of a law of 2001. No disability pension is awarded if the applicant is incapable of working in his/her previous profession and if he/she is able to work at least six hours daily. Applicants with work ability of at least three hours and less than six hours daily are granted a partial pension unless there are no part-time jobs available on the labour market. Disability pensions are awarded only for three years, but may be prolonged if the work incapacity continues. Persons who were newly granted a disability pension between the age of 60 and 63 years see their pension income diminished by 3.6 per cent per year (SGB VI, §43).

Altersteilzeit is an institutionalised early exit pathway which sets in at firm level and is financed partly by the Employment Office and partly by the enterprises. It can be utilised in the ′part-time model′, i.e. the worker aged 55 or older reduces his/her working hours for the whole duration of *Altersteilzeit* (ten years, at the maximum, and two years at the minimum); or in the ′blocked model′, which is utilised far more frequently. The worker then works

5 The obligation of employers to pay back the unemployment benefit for long-standig workers aged 55 or more is codified in SGB III, § 147a was a barrier to that practice. Teipen (2003: 87-88) however assesses that there were many opportunities to escape that obligation. This obligation expired by February 2006.

his/her usual working hours in the first half of the *Altersteilzeit* period and enters the ´free time phase´ in the other half. During the whole phase, the worker receives at least 70 per cent of his/her usual earnings. The Employment Office reimburses the employer for the 20 per cent increase on earnings for the factual part-time work if an unemployed person or an apprentice with completed vocational education fills the ensuing vacancy. New entries into *Altersteilzeit* are possible only till the end of 2009. Due to the raised earliest age of take-up of the old-age pension after unemployment and *Altersteilzeit*, and due to the fact that employers utilising *Altersteilzeit* are now obliged to conclude an insurance against insolvency, it can be assumed that this early exit option has lost much of its appeal for workers and enterprises alike.

Occupational pensions do not constitute a pathway of early exit in Germany. As a rule, they do not compensate for a lower level of public pension, and higher public pensions often go along with higher occupational pension levels (Deutscher Bundestag 2001: 85). Occupational pensions usually constitute an instrument of retention of ´high potentials´ and not an incentive to retire early (Deutscher Bundestag 2001: 85), all the more as the timing of receipt of the occupational pensions is bound to the receipt of a public old-age pension (BetrAVG, modified by law of 2002, §6).

The timing of the qualitative interviews in German companies (spring 2004), which form the basis for this paper, ruled out the option to address issues which were decided by political actors several months later, like the raising of the pensionable age after unemployment and *Altersteilzeit*. Besides of the utilisation of *Altersteilzeit* and other early exit pathways grounded in enterprise-level regulations, the interviews addressed plans and forecasts as to the firms´ future exit policies in the light of the expiry of *Altersteilzeit* and the planned raising of the standard retirement age to 67 years.[6] It showed, however, that enterprises were concerned with present day issues and only a few had plans for the time ´after *Altersteilzeit*´, therefore the discussion of those issues had a very hypothetical character. I will however analyse possible future development of firms´ externalisation strategies in the last chapter.

6 The contract of the new governing coalition of CDU/CSU and SPD stipulates that the retirement age will rise stepwise between 2012 and 2035 to 67 years (Bundesregierung 2005: 82).

3.2 The Situation in Poland

The standard retirement age in Poland is 60 years for women and 65 years for men. In 2004, the government endeavoured to raise the retirement age of women to the retirement age of men in in six-month steps between 2014 and 2024 for financial and gender equality reasons. As several parliamentary fractions and the social partners disapproved of this step, in August 2004, the Polish government abstained from this reform measure and postponed the discussion on the retirement age for women into the future (MPS 2005: 27).[7]

The old pension system in Poland provided early retirement pensions for women and certain occupational groups. Those early retirement options are reserved for persons born till December, 31st 1948, i.e. to those who were 50 years old or older at the time of the pension reform, and to those who will have fulfilled the entitlement conditions by December 31st, 2006. Women may retire at the age of 55 years after 30 years of contributions (this option will be valid till the end of 2008), or after 20 years of contributions if disabled. Disabled men can retire at the age of 60 years after a 25-year contribution history. Civil servants, teachers, railworkers and people performing work ´of special character or under special conditions´ (e.g., soldiers, firemen, journalists) can retire at age 55 (women) and 60 (men), dancers even at the age of 40/45 years, musicians and miners at the age of 50/55 years (Tymorek 1999). All these options will be closed for persons retiring under the new pension system, which was introduced in 1999. The Polish government originally planned to replace early retirement options for certain groups of workers with ´bridging pensions´ which would require an additional contribution paid by the employer. In July 2005, the Parliament postponed this reform by two years until the end of 2007. Moreover, miners were successful in protests fought out in front of the Parliament – their early retirement option will be prolonged without time restrictions.

Besides of those early retirement pensions, the unemployment pathway of early exit can be utilised in Poland. Companies which experience an economic downturn, which undergo restructuring, or which close certain departments or workplaces may pull through their

7 The public opinion in 2004 similarly rejected the idea of adjusting the retirement age of women to that of men – 77 per cent of respondents of an opinion poll conducted in Poland in 2002 viewed the gender-differentiated retirement age as „just", and 58 per cent regarded the governmental proposal to raise the retirement age for women as a wrong decision (CBOS 2002: 4-5).

dismissed personnel with the help of pre-retirement benefits *(świadczenia przedemerytalne*). Women can receive those benefits from the age of 55 years or after a 35-year work history, and men at the age of 60 years or after 40 years of job tenure. In August 2004, those benefits were reduced and now consist of a lump-sum payment of 670 złoty (about 165 €).

The disability pathway to early retirement is not as easy to enter now as before the reform of 1996. That reform restricted disability pensions (now called „pensions in cases of incapacity for work“) to people whose ability to work has diminished and not to those who have solely suffered detriments to health (Czepulis-Rutkowska 1996: 196-197). This reform started producing results in 1999. The number of first-time recipients of work incapacity pensions fell from 318,669 persons in 1991 to 171,673 in 1995 and 69,565 in 2002 (ZUS 1997: 37, ZUS 2004: 23). Still, Poland occupies one of the leading positions with regard to the number of disability pensioners per 1,000 persons – 200 pensioners as compared to 66 pensioners in Germany in 2002 (Trafiałek 2003: 232).

The respondents of qualitative interviews conducted in Polish firms were uncertain as to the further development of the Polish pension system and perceived a similar uncertainty on the side of the employees. This situation of ambiguity is aggravated by inconsistent decisions made by the legislator, e.g. with regard to miners´ pensions. If follows from this that most of the studied Polish firms do not have plans in what form, and whether at all they will continue their current externalisation practice. Therefore, the section on Polish case studies will picture the current and the past developments of the interplay between retirement policy and enterprise regulations; the last chapter, in turn, will cover the speculative, future-oriented part of the analysis.

4 The Interplay of Statutory Retirement Policies and Firms´ Exit Policies

4.1 Description of the Survey Sample

In spring 2004, I conducted qualitative interviews with personnel managers and/or works council members in 14 companies in Northern Germany. Qualitative interviews with mostly personnel managers in 17 firms in Southern Poland followed in spring 2005. My sampling criteria were size of firm (above 250 employees, which complies with the EU criterion for "big firm"), operation on the national or international (and not only local) market, and share of older workers among the workforce of at least ten per cent. I concentrated on manufacturing sectors as I assumed that the pressure on early exit (stemming, among others, from health reasons) will be higher among blue-collar workers. The sample was not meant to be representative.

The following issues were covered in the firm-level interviews:

- impact of demographic change on the firm; solutions to that;
- problems or chances connected to older workers (50+) or to the ageing of the firm´s workforce;
- working conditions for blue- and white-collar workers, chances to reach statutory retirement age at one´s workplace;
- personnel strategy towards older workers; in detail: recruitment, further vocational education, flexibilisation of working time, health management;
- any differences in personnel policy measures for older and younger workers (e.g., age limits for certain occupations);
- exit routes of older workers from the firm;
- changes in the firm´s exit policy in last 10-15 years;
- impact of pension reforms on the firm´s exit and personnel policy;
- occupational pensions, rules in case of early take-up;
- suggestions for political actors: What would help the firm to recruit and retain more older workers?

4.2 Findings from German Case Studies[8]

In *Table 2*, the 14 German firms are portrayed in which I conducted qualitative interviews in spring 2004.

8 This section draws on Aleksandrowicz/Hinrichs 2004. It is written in the present tense but depicts the situation at the time of the interview (spring 2004).

Table 2: FIRMS SURVEYED IN NORTHERN GERMANY, SPRING 2004

ALIAS	**SECTION of econ. activity (based on main activity) acc. to ISIC**	**No. of EMPLOYEES (rounded off) (2003)**	**% of workers „50 PLUS" at studied site (2003)**	**AVERAGE AGE of workers at studied site (2003)**	**Legal FORM OF FIRM; ownership**	**INTERVIEWEE(S)**
Firm DE-1	Public Administration a. Defence	2,000 (2002)	29% at age 46-55, 12.7% at age 56-65 (2002)	not specified	Public administration	Personnel managers
Firm DE-2	Financial Intermediation	1,000	20.1%	40,5 years	Public body	Personnel manager
Firm DE-3	Man. of Basic Metals a. Fabricated Metal Products	4,300	27.2%	41,3 years	Limited liability company	Works council members
Firm DE-4	Compulsory Social Security	300 (2004)	12% (2004)	37,5 years	Public body	Personnel manager
Firm DE-5	Man. of Transport Equipment	3,200 (11,200 Germany-wide)	21.5% (Germany-wide)	46 years	Limited liability company	Works council members
Firm DE-6	Man. of Food Products, Beverages a. Tobacco	700	22.6% at age 45-54, 19.8% at age 55+	n.s.	Stock corporation; private ownership	Works council member, personnel manager
Firm DE-7, Firm DE-8 (two sites of one firm)	Man. of Food Products, Beverages a. Tobacco	4,400 (2004; Germany-wide)	25.5% (2004; Germany-wide)	41,75 years (Germany-wide)	Limited liability company	Persons responsible for ageing issues
Firm DE-9	Man. of Food Products, Beverages a. Tobacco	1,200	19.6% at age 51+	39,3 years	Limited partnership company	Works council members, personnel manager
Firm DE-10	Man. of Transport Equipment	16,000	14% at age 51+	41,1 years	Stock corporation; private ownership	Person responsible for ageing issues
Firm DE-11	Man. of Food Products, Beverages a. Tobacco	900	23.8% at age 51+	44 years	Combined limited liability and limited partnership company *(GmbH & Co. KG)*	Works council members, personnel manager
Firm DE-12	Man. of Electrical a. Optical Equipment	700 (at two sites)	44.4%	47 years	Limited liability company	Personnel managers
Firm DE-13 *(several affiliated firms)*	Electricity, Gas a. Water Supply	2,700	17.8% at age 50+	39,9 years	Stock corporation, private ownership	Works council members
Firm DE-14	Man. of Transport Equipment	1,100 (2004)	34.9% at age 50+ (2002)	46 years (2002)	Limited liability company	Personnel manager

In Germany, public pensions are by far the largest component in an average retirement income package. It composes 82.3 per cent of gross income of pensioners in Western Germany and 95.8 per cent in Eastern Germany (Schmähl 2002: 14). Therefore, changes to the pension level, eligibility criteria or pensionable age are of immediate importance to employees and have a great impact on the decision about (early) retirement. Since the introduction of the flexible retirement age in 1972, early retirement in Germany has become a universal phenomenon. Starting from the end of the nineties, the government has been enacting laws which aim at reversing this trend (for a thorough analysis of those measures, see e.g. Gruber/Wise 1999; Viebrok 2001; or Hinrichs 2003).

Employers´ exit policies are crucial for the success or failure of governmental policies aimed at prolonging working life. An official from the Federal Employers´ Association, which popularises know-how on ´active ageing´ policies among member companies, argued, however, in an interview that the adjustment of personnel policies to the changed statutory restrictions and opportunities was often thwarted by the concentration of firms on short-term strategic planning and by immediate market performance problems which resulted in personnel cuts (interview carried out in October, 2003).

With regard to the adaptation strategies of German enterprises to pension reforms, the following direction of changes can be discerned:

1) firms adapt their exit policies to changes entailed by pension reforms – they close down early retirement pathways, make them less favourable for workers – and/or adjust their personnel policy towards older workers so as to enable a longer working life; or

2) firms sustain their exit policies or open up new early retirement pathways.

The impact of pension reforms at firm level becomes visible in agreements between the works council and management and in actual practice. It was not possible to describe a firm´s practice as always strictly in line with point 1) or point 2) above as enacted changes were often piecemeal; there were cases where one field of personnel policy was changed in order to allow for a prolonged working life, but at the same time, another pathway of early exit was opened. Interviews showed that besides institutional changes, numerous other factors have an impact on firms´ personnel policy towards older workers and on their externalisation: changed provisions in collective agreements, firm culture, globalisation, economic pressure, or changed retirement preferences of elderly workforce.

Changes which correspond to the legislator´s interest in reversing the trend towards early retirement (point 1) above) can e.g. entail the closing-down of early retirement pathways, the adjustment of the earliest age of entry into *Altersteilzeit* in firm-specific agreements and collective agreements and the improvement of working conditions so as to enable work until retirement.

The firm sample did not include ´best practice´ examples of firms with age(ing)-friendly measures like those listed in Walker/Taylor (1998) or Bertelsmann Stiftung ... (2003).

However, two firms (Firm DE-7 and Firm DE-10) have established a project group which fosters age management. In a few other firms, moderate changes in the direction of a longer working life have been introduced. To start with the latter, moderately changed access rules to *Altersteilzeit* were enacted at a vehicle-manufacturing company. The alterations are a result of the pension reform of 2004 which raised the age for take-up of pension after Altersteilzeit from 60 to 63 years. At Firm DE-14, the works council agreement on *Altersteilzeit was* modified at the time of the interview so as to take account of the higher retirement age; the agreement will then allow for entry into *Altersteilzeit* upon completion of the 57th year at the earliest (whereas it was possible to enter into *Altersteilzeit* at the age of 55 before).

Firm DE-7 is an example how pension reforms and the awareness of demographic change might (in future) influence not only exit policy, but also other areas of personnel policy. Within the firm, a ´diversity council´ tries to raise awareness of the ageing issue at all firm sites. The interviewed members of the diversity council feel an immediate call for action as in the next 5-15 years, about one fourth of the workforce will have left the company because of reaching retirement age. In spring 2004, the project group was at the stage of developing concepts to prevent know-how losses which might come as the result of that massive exit process, to prevent burn-out of older workers, e.g. of assembly line workers, and to restore their motivation.

Firm DE-10 addresses the aspect of ageing at all functional levels of the company. The managers realised that the average age of the workforce which was 40,3 years in 2002 will rise to 47,5 years by 2010 – provided the company fails to hire apprentices, there are no programmes to secure the inflow of new workers, no *Altersteilzeit* and no early retirement before the age of 63. This recognition triggered in 2003 the set-up of the ´strategic initiative ageing workforce´ at every German site of the enterprise in question. The co-ordinator of the initiative on ageing workforce explained: *“There is a growing awareness within the firm that our staff is ageing.*” Within the strategy on the ageing workforce at that firm, measures have been developed which set in at almost all functional levels of the company: the ergonomic reorganisation of workplaces in a new production hall, preventive health management, further vocational qualification, age-mixed personnel placement and sheltered workplaces. At the same time, the company is orientated towards stopping the ageing of the workforce by attracting junior staff and apprentices. Thus, the managers still regard the option of early retirement as indispensable.

In contrast to the above presented firms which have partly enacted changes that might in the future allow for a prolongation of working life, some studied German enterprises have not responded to pension reforms in a way as to allow for a prolonged working life (point 2 above). Some companies still define the age of 60 as the preferable age of entry for workers in *Altersteilzeit*. In the case of a vehicle manufacturer, the works council agreement determines the duration of *Altersteilzeit* in relation to the age of entry into this contract. In practice, the management complies to the wishes of individual workers to exceed this period and e.g. to enter into the "free time phase" at the age of 60 (Firm DE-5). In distinction to this, the personnel manager at another vehicle-manufacturing company explained that an orientation of the workforce towards a later exit from employment is ruled out by a provision in the works council agreement which prescribes the earliest possible entry into retirement (Firm DE-10).

Some developments in the studied German firms point to a continuation of the early retirement practice. A few firms have introduced alternatives to *Altersteilzeit* or are planning to continue this or similar options on firm level (thus, without reimbursements from the Employment Office) which makes them quite costly instruments. Several interviewees reported that they would appreciate a follow-up model after the expiry of *Altersteilzeit* but see this as the legislator´s purview. A vehicle-manufacturing firm has introduced lifetime work accounts, which shall bridge the time to retirement with earnings resulting from accumulated but not yet rewarded hours of work. The group council agreement (valid for the whole corporate group) on long-term work accounts states that "*instruments which generate workplaces take priority over instruments which prolong the working time*". I.e., if workers work overtime when there are young, they shall retire early in order to reach the collectively agreed working hours on average (Firm DE-5).

The aim of the legislator to stop the trend towards early retirement is also thwarted by firms which conduct mass layoffs. Four of the surveyed firms were cutting staff levels at the time of the interview and one of them had finished staff reductions by then. In all cases, it was a mass layoff.[9] In the studied firms, older workers with a long job tenure are protected against dismissals by most collective agreements concluded at the branch level. They also enjoy special protection in cases of layoffs. Nevertheless, the qualitative interviews showed that older workers are the main target of staff reductions and that German companies make use of early retirement options even if the legal foundations of such measures are becoming less favourable for firms and for workers alike. The research results point to a continuation of policies already unravelled by Gatter/Hartmann (1995: 418). In companies studied by the scholars, early retirees amounted from 30 to 50 per cent of all released workers.

There are some signs that the practice of releasing older workers will change in the future. The personnel manager at a vehicle-manufacturing company believed that the release of older workers would become too costly because of pension reforms and higher taxes on compensation payments. The enterprise in question will then have to resort to dismissals of younger workers. The manager feared that this would bring the age structure of the workforce out of balance (Firm DE-14). Firms´ recognition that older workers are carriers of firm-specific knowledge and expertise could also bring about a change in exit policy. On the other side, restrictions to the legal protection against dismissals which are on the political agenda of the CDU could pose older workers at a greater risk to be dismissed. As it is now, the protection of older workers against dismissals codified in labour law and agreed in collective bargaining helps to secure higher employment rates of the elderly, except in cases of mass layoffs which resort on great scale to early retirement options.

Irrespective of branch affiliation, market position and size, the surveyed German firms have some similar traits as regards their exit policies. Firstly, the age of 60 is the implicit upper age limit for exit from employment. Secondly, early retirement measures are used in all 14 firms. 10 firms have a collective agreement (branch-wide or at single-plant level) on *Altersteilzeit*. Two firms offer *Altersteilzeit* in singular cases on the basis of the legal regulation. Three firms release workers at the age of 57 years who then bridge the time till retirement with unemployment benefit (´57 rule´). One firm finished the release of workers aged 53 years and older with the help of generous severance payments as part of a restructuring process carried out before the time of the interview. (In the meanwhile, the utilisation of this so-called „57 rule“ was curtailed out due to the shortened receipt period of

9 According to the German definition, a mass layoff is a staff reduction which is taking place at the initiative of the employer and concerns at least 10 per cent of the workforce (in case of firms with up to 499 workers) or at least 30 workers (in the case of bigger firms; Bröckermann 1997: 402, 404).

the unemployment benefit.) Those early retirement measures meet both workers´ and firms´ expectations. The firms´ interest is in the first place to reduce staff levels and to rejuvenate the work force. The workers´ interest is to escape unfavourable working conditions and to enjoy free time while at the same time receiving up to 90 per cent of former wages (in case of *Altersteilzeit*). Thirdly, *Altersteilzeit* or other modes of early exit are offered by almost all of the studied firms, but none of them uses it according to the initial aim of the legislator to allow for a ´smooth transition into retirement , i.e. in the ´part-time model´. The ´blocked model´ of *Altersteilzeit* is preferred by older workers and by firm management alike. And fourthly, all studied branch agreements define the age of 65 as the age of exit from employment. However, the statutory retirement age as a chronological marker for entering the "third phase" of life and the factual exit behaviour of workers fall apart as was noticed by Kohli/Rein (1991: 22): "*The transition to retirement has become longer and fuzzier, but it still is a transition between two very distinct states*". Judging from the interviews in German firms, workers begin to orientate themselves towards early exit already at the age of 55 years, the earliest age of entry into *Altersteilzeit*. Above the age of 60, there is hardly any worker left in the 14 surveyed firms.

4.3 Findings from Polish Case Studies

In Poland, I have conducted interviews in 17 companies, mostly with personnel managers or administrative workers, in one case also with a trade unionist. *Table 3* contains most important data on the firms, their branch affiliation and workforce structure by age.

Table 3: FIRMS SURVEYED IN SOUTHERN POLAND, SPRING 2005

ALIAS	SETION of econ. activity (based on main activity) acc. to ISIC	No. of EMPLOYEES (rounded off) (2005)	% of workers „50 PLUS“ at studied site (2005)	AVERAGE AGE of workers at studied site (2005)	Legal FORM OF FIRM; ownership	INTERVIEWEE(S)
Firm PL-1	Transport, Storage a. Communication	1,600	15%	n.s.	Public body	Personnel manager
Firm PL-2	Man. of Food Products, Beverages a. Tobacco	400	21,5%	n.s.	Co-operative	Personnel manager
Firm PL-3	Man. of Food Products, Beverages a. Tobacco	400	13%	35 years	Limited liability company	CEO
Firm PL-4	Man. of Machinery and Equipment n.e.c.	2,300	13,3%	41 years	Stock corporation, mixed ownership	Financial manager
Firm PL-5	Man. of Rubber and Plastic Products; Real Estate, Renting and Business Activities, Consulting	400 (2004)	21,3% (2004)	n.s.	Sole proprietorship company; private ownership	Personnel manager
Firm PL-6	Man. of Basic Metals a. Fabricated Metal Products; Man. of Other Non-metallic Mineral Prod.	600 (2004)	8% (approx.)	40 years	Stock corporation, mostly private ownership	Personnel manager
Firm PL-7	Construction	300 (at two sites)	42,3% (at main site), including 6 persons above the age of 64 years	47,5 y. – white-collar-w.; 45,5 y. – blue-collar w. (at main site)	Stock corporation, mixed private and public ownership	Personnel manager
Firm PL-8	Public Administration a. Defence; Electricity, Gas a. Water Supply	800	32,5% at age 51+ (2004)	45,4 years (2004)	Stock corporation, public ownership	Personnel manager
Firm PL-9	Electricity, Gas a. Water Supply	600 (2004)	29,5% (2004)	45 years	Stock corporation, mixed private and public ownership	Personnel manager
Firm PL-10	Man. of Chemicals, Chemical Products a. Man-made Fibres	200	18,6%	n.s.	Stock corporation; private ownership	Personnel manager, trade unionist
Firm PL-11	Man. of Transport Equipment	400	36,3% at age 51+	45,7 years (2004)	Stock corporation; mostly private ownership	Personnel manager
Firm PL-12	Man. of Transport Equipment	600	14,1% at age 51+ (2004)	42,8 years	Limited liability company	Personnel manager, administrative workers (in short)
Firm PL-13	Man. of Chemicals, Chemical Products and Man-made Fibres	800	18,9% at age 51+	41,1 years	Stock corporation; private ownership	Administrative worker, personnel manager
Firm PL-14	Man. of Transport Equipment	500	n.s.	42 years (2004)	Limited liability company; private ownership	Personnel manager
Firm PL-15	Man. of Transport Equipment	500	21,1% at age 51+	40,7 years – women, 38,2 years - men	Limited liability company, private ownership	Personnel manager
Firm PL-16	Man. of Food Products, Bev. a. Tobacco	200	22,8% at age 51+	n.s. (2002: 45 years)	Stock corporation; private ownership	Personnel manager
Firm PL-17	Electricity, Gas a. Water Supply	800	26,5% at age 51+	45 years (2004; approx.)	Stock corporation, mixed private and public ownership	Personnel manager

Seven of 17 Polish firms surveyed in spring 2005 were in the process of downsizing at the time of the interview or finished it shortly before, and one firm had respective plans for the nearest future. ´Active labour shedding´ means that the firm induces workers to grasp exit options, e.g., early retirement pensions or attractive compensation payments, dismisses certain workers or, in the most severe case, conducts mass layoffs[10]. With the exception of the expansive Firm PL-3 and of Firm PL-14 which has kept about the same level of workers for the last ten years, all other firms have diminished staff levels over the last years, if not with active measures like those described above, then passively, by reliance on „natural" ways of exit like retirement, and by putting a freeze on hiring new staff.

If we apply the distinction between the two types of firms´ reactions to pension reforms described in the section 4.2., it can be stated that Polish firms do not open up new early retirement pathways, which would thwart the aim of the legislator to reverse the trend towards early retirement (strategy 2). Polish firms in the sample do however set incentives for the usage of still available early retirement pensions and of the pre-retirement benefits and apply enlarged severance payments as a bridge between the (consensual) release of an older worker and the take-up of an old-age pension, early retirement pensions or pre-retirement benefit. Polish severance payments are much lower than those applied by German firms, they do therefore not constitute a separate early exit pathway like the German „57 rule". Whether Polish enterprises adapt their exit policies to changes entailed by pension reforms (strategy 1) can not be assessed yet, as early retirement pensions have not yet expired, and the replacement of early retirement pensions for people performing work „of a special character or under special conditions" with so-called ´bridging pensions´ is still vague. What could be observed in the firm case studies, however, is how Polish firms deal with a situation when older workers refuse to leave on pre-retirement benefits which were reduced in 2004.

I will start again with the description of firms´ exit policies and personnel policies which correspond with the aim of the legislator to impede early exit. Some firms (e.g. Firm PL-1, Firm PL-2, Firm PL-6, Firm PL-16), described by the interviewed personnel manager as „social", attach importance to the protection of their workers, also of those incapable of

10 Mass layoffs occur, according to Polish law, in cases when within a month, at least 10 per cent of workers in a firm with less than 300 workers are released, or at least 30 workers in a firm with 300 and more workers (Patulski et al. 2004: 62).

working, from unemployment and from low pension levels. This is relevant in the context of the worsened conditions of receipt of pre-retirement benefits. Those firms which have recently finished downsizing are willing to retain workers if they do not want to leave on pre-retirement benefits. The personnel manager in Firm PL-2 observed that some workers had received information from the Social Insurance Institution on accumulated old-age pension income, which proved too low to make a living, therefore the employer assented to their wish to continue working until standard retirement age. (This dilemma will increase in future as pensions under the new system will depend to a greater extent on the length of the contribution period.) The personnel manager of Firm PL-2 assumes that after the expiry of early retirement pensions which are only available for persons retiring under the old system, the employer will likewise allow for continued employment. However, this specific dairy plant does neither have plans how to retain workers with health impediments, nor are there sheltered workplaces for persons which have lost the ability to perform their usual tasks, although, according to the personnel manager, physically straining labour in production departments is a barrier to employment until standard retirement age. Thus, the adaptation to pension reforms in that company happens in a passive way, without grasping opportunities to actively shape personnel policies for workers of all ages, e.g. through the improvement of working conditions. This pattern of reaction occurs also in other firms employing older workers. However, many interviewees stated that, as a result of recently finished staff reductions, there were hardly any workers left who were entitled to pre-retirement benefits (i.e., women aged at least 55 and men at least 60, or women with a contribution period of 35 years, respectively 40 years).

A heavy industrial enterprise is an example of a firm where the adaptation to pension reforms goes beyond the willingness to retain older workers. Although the personnel manager admitted that age management had been unknown territory to him before, the firm has designed some personnel measures which will eventually benefit workers of all ages. Far from introducing advanced health management measures like those applied in some German firms, Firm PL-15 nevertheless aspires to extend company health care provision beyond measures required by law (like regular health check-ups). The firm plans to cover all workers with free medical treatment by privately paid physicians (who have in Poland a better reputation than CHI physicians) and to introduce preventive measures. Those measures will address health risks connected to individual behaviour – diseases of the musculoskeletal system, smoking and drinking. The personnel manager hoped this would improve the health status of the next generation of older workers in the firm. Another chance that in future, people in pre-retirement age will be able to continue work in this enterprise stems from constant advancements with regard to occupation safety and health as required by law. As safety at work in Polish enterprises starts from a much lower level than in Germany, there is still potential for improvement. The personnel manager contrasted the current safety at work with the situation at the company 20 years ago; at that time, accidents at work were quite common.

Several other personnel managers, mostly from firms with large production departments and a high share of blue-collar workers, pointed to technological change as a chance for improvement of safety at work (e.g., Firm PL-7, Firm PL-8, Firm PL-9, Firm PL-17). In Firm PL-8, a communal utility company, the conversion from coal as the main energy source to clean sources like gas and electricity has improved working conditions for workers. As in Firm PL-8, the disability pathway is the second frequent exit route of older workers (after exit at standard retirement age), this technological change might diminish the occurrence of disability pensions.

Further vocational qualification and the promotion of extramural university education of employees were named as other fields of action which support the continued employment of older workers as a by-product (Firm PL-10, Firm PL-15, Firm PL-16, PL-17). However, not in all cases vocational qualification is pursued in a systematic fashion. According to the personnel manager of a utility company, further vocational qualification at his firm is not contingent on age. Especially training in soft skills and in hands-on skills is of use to older workers, both within the company and if they aspire to open up their own businesses. „*It happens that we train people only few years below retirement age, provided the person will profit from the newly acquired skills*“, the interviewee explained the objectives of this policy (Firm PL-17).

Contradicting the aim of the legislator to stop the early exit trend, Polish firms encourage and support the utilisation of early retirement and of pre-retirement by financial means. Firm PL-1, a postal authority, responds to the wishes of older workers who are not eligible for early retirement pensions by cancelling the employment contract. That way, the worker may apply for pre-retirement benefits which are only granted if the work relationship was cancelled by the employer. Firm PL-1 and Firm PL-2 promote people prior to retirement age to higher positions more quickly and raise their salary so as to secure them a higher pension under the old pension system. A higher salary is also reflected in higher compensation payments granted to retirees. As the personnel manager in a utility company put it: „*In our firm, it is profitable to retire, because we have very high compensation payments, and we also have jubilee awards paid out every five year*s“ (Firm PL-8). In cases workers do not intend to leave the company after reaching retirement age, the personnel manager tries to convince them to do so. Her decision is motivated by the wish to secure workplaces for younger workers and by the need to cut staffing levels. Similar situations (employees working past retirement age and then encouraged to leave the firm) occurred in Firm PL-16 as well. In many other studied firms, workers are encouraged to leave the firm in pre-retirement age. Vague political plans on the replacement of early retirement options with bridging pensions, and the uncertainty as to the further development of pre-retirement benefits create a situation of ambiguity in Poland. The personnel manager of a construction company encouraged workers to leave on pre-retirement benefits before the conditions for receipt have deteriorated: „*We [..] persuaded them to leave. Because we have realised that later on, we might have no more jobs for them. And then, they would leave on worse conditions*“ (Firm PL-7). That way, the situation of uncertainty created by the legislator due to contradicting political decisions on the future development of early exit options, constitutes a disincentive to a prolonged working life.

In cases of mass layoffs and smaller personnel reductions, Polish and German firms resort to all available early retirement options and pathways of early exit provided by the state. The personnel manager of a Polish dairy company expressed this phenomenon with the following words: „*The retirement system determines the means of cancelling the employment contract in a situation when staff levels have to be cut*“ (Firm PL-2). Releasing people who have an entitlement to an early retirement pension is regarded as ´painless´ (Firm PL-2), ´natural´ (Firm PL-6) and ´humane´ (Firm PL-11). Firm PL-2 has conducted personnel reductions after the acquisition of several smaller companies. Workers with entitlement for an early retirement pension for people performing work „under special conditions or of a special character“ (among others, heavy labourers) and for pre-retirement pensions, have been approached in order to avoid mass layoffs. This pattern – first ´humane´ release of older workers, then mass layoffs, if they can not be prevented – occurred in all of the studied firms which conducted personnel reductions. Besides of older workers with entitlements for a social security benefit, another group of workers released from companies were young workers with little professional experience.

Interrogated whether they had plans how to replace statutory early retirement options and to compensate for the worsened conditions of receipt of pre-retirement benefits, the personnel managers pointed to the limited legal leeway of their firm to decide on such issues. The personnel manager of Firm PL-6 stated that the company had to adhere to statutory regulations and did not have the freedom of decision what measures to apply when workers reach a certain amount of working hours, a certain job tenure or age. My impression was that Polish firms have adopted the attitude of ´wait and see´. This is connected to the fact that many Polish firms in the sample did not deal with the issue of ageing workforce before.[11] Many firms have not analysed data on the age structure of their workforce and the implications stemming from it.

In situation of mass layoffs, the studied firms however applied financial incentives to make early exit attractive despite the decreased level of pre-retirement benefits. A chemical company conducted mass layoffs in 1997 and negotiated a social compensation plan with trade unions. People selected for dismissals were proposed a severance payment amounting to 12 monthly salaries in case they agreed to a cancellation of the employment contract. Otherwise, they were dismissed and received only a three-month salary guaranteed by the Labour Code. In the course of personnel reductions, mostly older workers left the firm in question. „*They even calculated they would receive 12 salaries, let one year pass until reaching retirement age, and then retire*“ (Firm PL-13). The interviewee assumed that workers who had had more than one year to retirement had then relied on unemployment benefit. (At the time of those personnel reductions, pre-retirement benefits had not yet been instituted.) Additionally, the employer reached an agreement with trade unions that released workers will receive a jubilee award depending in amount on his/her job tenure.

A specific situation occurs in Polish power industry. Two utility companies in my sample were bought up by a foreign investor. The precondition for the acquisition were employment guarantees of seven years.[12] The only way to reduce workforce at both firms were „plans of voluntary exit“. In Firm PL-9, they were set up in 1999, 2000 and 2004. Those packages included incentives for early exit differentiated in amount according to the

11 The personnel manager of a large industrial enterprise admitted: „*This issue is quite revolutionary in our firm context, I am confronted with it for the first time*“ (Firm PL-15).

12 In *Business Week* No. 2/2005, employment guarantees were labelled as „*Polish input into the development of global mergers and acquisitions*“ (Szwałek 2005: 10).

length of job tenure, as well as re-training measures and transfer opportunities to a subsidiary. The personnel manager described the procedure as follows: „*There were no restrictions on beneficiaries of this programme. [...] Among 60 people who applied for the last programme, only one person was young, and the others were workers with early retirement opportunities [=entitlements]. Thus, our programme has enabled workers with early retirement opportunities to grasp this opportunity with the help of additional financial benefits*" (Firm PL-9).

The 17 firms studied in Poland in spring 2005 have some common traits with regard to exit policies and personnel policies towards older workers. Firstly, the situation of constant downsizing is typical of Poland as a country with a transforming economy. This clearly determines the personnel policy of Polish firms with regard to older workers.[13] Secondly, those firms which are cutting staff levels resort to older workers as potential for staff reductions. Thirdly, early retirement pensions (retirement at age 55 for women, at age 60 for male heavy labourers) and early exit pathways (pre-retirement benefits) are commonly utilised even if the firm does not downsize staff levels, both at the initiative of the worker and of the employer. (The latter two traits resemble strategies applied by the studied German firms.) And fourthly, hardly any of the studied Polish companies has plans how to deal with excess labour force in future, when enacted reforms on early retirement pensions will take full effect, or ideas under what conditions a continued employment of workers past the age of 50 would be possible.

5 Comparison of Externalisation Strategies in German and Polish Firms

Case studies conducted in German and in Polish firms revealed some similarities and some differences with regard to their externalisation practice. Older workers who are already employed at the firm (´insiders´) are protected from unemployment in Poland and Germany. They are not dismissed if they have not yet acquired the right to a social security benefit. In a situation of downsizing, which occurred in five German firms and seven Polish firms at the time of the interview or shortly before, older workers who have reached the age limit for

13 The high utilisation of pre-retirement benefits in Poland shows that older workers are commonly released before reaching statutory retirement age. The number of recipients of pre-retirement benefits and pre-retirement allowances (eliminated in 2002) has risen rapidly since their introduction in 1997: From 81,000 in 1997 to 489,000 in 2002 (Kabaj 2003: 73).

Altersteilzeit (in Germany), early retirement pensions or a pre-retirement pension (in Poland), are released in a consensual way or pushed out in the first place. This happens out of concern for the job prospects and family responsibilities of younger co-workers and out of productivity considerations. A workforce with a high average age is supposed to be less creative and physically viable and to pose the risk of knowledge losses when the older age groups retire at a stroke.

Another similarity between exit policies applied by Polish and German firms is the lack of recognition of the ageing of the workforce as a strategic issue, with the exception of firms which already struggle with problems. Those problems are the trickling-out of firm-specific knowledge after older workers retire, the generational gap between experienced workers and newly hired young workers (workers in the medium age range are often missing due to long-term freezes on hiring) and the difficulty with filling certain positions which require newest university qualifications or physical fitness. Thus, if ever, the ageing of the workforce is perceived in the first place as a threat, although the solutions devised to avert those threats, e.g. health management, might foster the prolongation of working life as a by-product.

There is a remarkable difference in the way Polish and German firms transform statutory options into exit policies. The difference can be attributed, on the one hand, to available statutory options, and on the other hand, to firms´ perception of the legal, financial and collective bargaining leeway for independent action. In Germany, statutory early exit pathways (*Altersteilzeit*, until 1988 – *Vorruhestand*/pre-retirement) require/required the co-operation of firms, either as financial input or the willingness to hire new staff. Pre-retirement benefits in Poland, in contrast, require only the cancellation of the employment contract. Pre-retirement benefits can however only be utilised if the firm is threatened by insolvency, in cases of liquidation of the shop or of the workplace at which the employee has hitherto worked. For the utilisation of *Altersteilzeit*, no such conditions have to be fulfilled.

As far as the perceived legal leeway for exit policy measures is concerned, several of the interviewed Polish personnel managers asserted that anti-discrimination rulings enacted as the consequence of EU accession inhibited the ability of companies to develop personnel policy and exit policy measures which differed by age, e.g. shorter working hours for older workers or special exit pathways. Another aspect which inhibits in my eyes the ability of firms to develop firm-based early exit options is the lack of co-operation of collective bargaining parties on these issues and the low incidence of branch-wide agreements (comp. Mailand/Due 2004: 187). In Germany, by contrast, early retirement pathways often labelled ´pre-retirement´ (*Vorruhestand*) are developed in co-operation with collective bargaining partners at single plant level, corporate group level and branch level (the latter e.g. in the banking sector and in public service). Last but not least, German firms are more viable in financial terms and can afford „instrument substitution“ (Casey 1989: 135) to a greater extent than Polish firms can do, which struggle with restructuring and downsizing as concomitant phenomena of the transformation to market economy. To give one example: The largest compensation payment for workers released in mass layoffs in Firm PL-13 agreed upon with trade unions amounted to 12 monthly salaries. In the studied German firms, compensation payments or a monthly pre-retirement salary were usually paid for the whole period until reaching retirement or early retirement age.

6 Future Prospects of Firms´ Externalisation Strategies

What are the chances that the already enacted or planned labour market and pension reforms as described in section 3. will have a bearing on long-term exit policies of Polish and German companies? Much depends on the economic development and on the fact how bold the legislator will be in pushing through measures which are still vague or which have been recently postponed by two years: bridging pensions and early retirement privileges for certain occupational groups in the case of Poland; the exemption of older workers from the obligation to actively seek work and the shortened period of receipt of the unemployment benefit in the case of Germany. To start with Germany: If the economic slump continues, firms will need to cut employment levels. It is most probable that those firms in my sample which already now exercise costly instrument substitution even as early as at the age of 53 years in the case of Firm DE-13, will continue with this practice in times of staff cuts, as the release of older workers is considered as more humane. Another possible development, already envisioned by the personnel manager of Firm DE-14, is that firms will resort to a greater extent to the release of younger workers for cost containment purposes. This will bring the age structure of firms out of balance, but probably also necessitate them to improve working conditions and further vocational training so as to enable for continued employment of older workers. Another, less optimistic assumption is that German firms (and Polish firms alike) which do not have the financial means to grant generous compensation payments to released older workers to bridge the time to retirement, will "let things happen". The result of that could be an exodus of older workers who can not meet job requirements due to physical or psychical burn-out via disability pensions; eventually those workers might end up as recipients of social assistance in cases when the disability pension is withdrawn (a situation which was reported by the works council of a food-processing company in Germany). Another possible development in Germany is that firms will dismiss older workers after the abolition of the ban on dismissal of long-standing workers aged 55 and more by 2006 (codified in SGB III, §147a, see Steffen 2005: 28). This development, however, could be stopped by the "social conscience" of the employers and by works councils.

In Poland, the future status of firms´ externalisation policies is overshadowed by a situation of uncertainty as to how pre-retirement benefits, early retirement pensions and the retirement age for women will evolve. Only one or two Polish respondents regarded the debated raising of the retirement age for women to 65 years as a good idea. The other interviewees expressed scepticism whether such measures would meet with acceptance of the workforce. Here, Polish firms split in two parts – some representatives of firms regarded the implementation of a higher retirement age for women and the continued employment of older workers as illusory and did not have any plans on how to manage it. The other part stated that the firms would then be pressed to keep workers until retirement. Except of singular cases, no plans for the improvement of working conditions were devised in order to cope with this new situation. (I encountered a similar deprecating attitude in German firms when I addressed the topic of raising of retirement age to 67 years.) The interviews revealed that in the medium term, the situation of uncertainty generated by the legislator induces workers and enterprises to grasp all opportunities of early exit which are still there. Some personnel managers wondered how workers can live on the low pre-retirement benefits (Firm PL-10). Apparently, older workers who are determined to escape work, be it for family, health or other reasons, are willing to reduce their financial claims. Time will show whether Polish firms will make use of that determination.

In my eyes, the successful implementation of retirement policies at firm level will only then achieve the desired effect (the reversal of the early exit trend), if 1) firms develop (alone or with public subsidies) ideas how to promote the continued employment of older workers, e.g. through health management, flexibilisation of working hours and further vocational training; or 2) if the legislator introduces different exit options for white-collar and blue-collar workers, or for workers in highly burdening and less burdening positions. The latter point was stressed by works council members of a metal-manufacturing company in Germany. They suggested that early exit options like *Altersteilzeit* would still be needed for workers in highly burdening occupations. They held that the incidence of work-related health problems would occur at an earlier age in future due to increased work burden because of lower staff levels, due to (anticipated) longer working hours and due to the expiry of *Altersteilzeit*. "*[O]lder workers [will] be [...] pushed [...] earlier [...] into illness and will be foisted even earlier on the social insurance carriers*", was the opinion of works council members in Firm DE-3.[14] If older workers with health impediments can not exit via an early retirement measure, they will exit into unemployment or sickness (which will be also costly for social security systems) or will be forced to continue working regardless of the health status. It is safe to claim that that outcome could not be regarded as a successful implementation of statutory retirement policies, neither with regard to the financial sustainability of social security systems nor with regard to the capacity of older workers for self-determination.

14 Trafiałek (2003: 235) issued a similar opinion with regard to the situation in Poland and suggested the introduction of educational and health policy measures as accompaniment to the discussed rise of the statutory retirement age.

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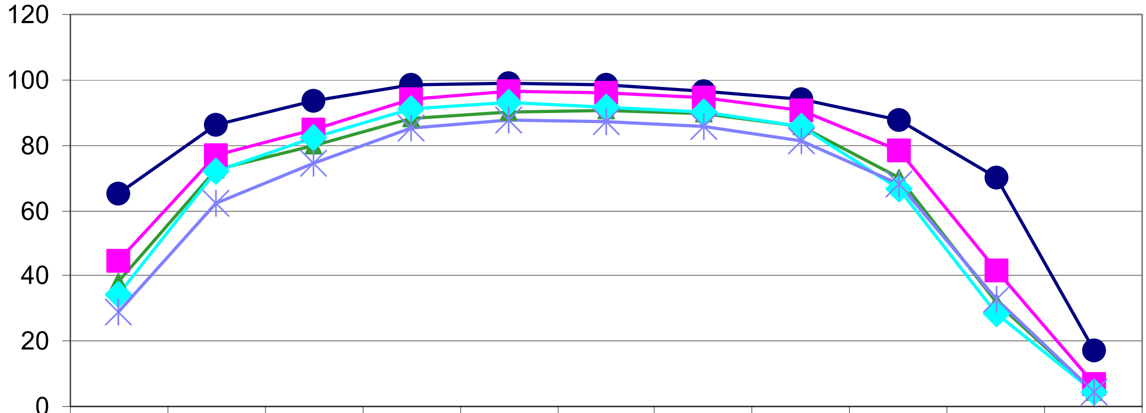
SGB VI = Sozialgesetzbuch, 6. Buch: Gesetzliche Rentenversicherung (http://bundesrecht.juris.de/ sgb_6/index.html).

8 Appendix

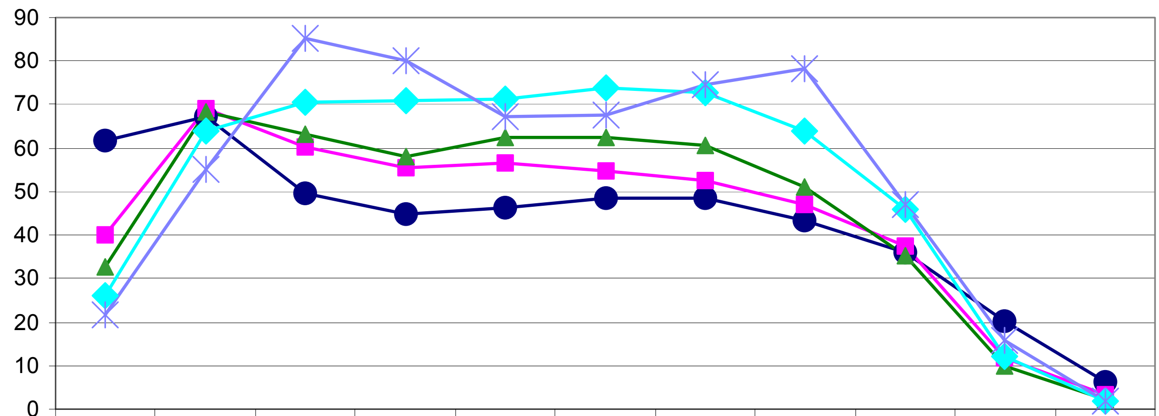
Figure 1: Male employment rate in Germany by age, 1970-2004



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
1970	65,1	86,2	93,7	98,4	98,8	98,3	96,4	94,2	87,5	70,1	17,2
1980	44,5	76,8	84,7	94,2	96,3	96	94,5	90,5	78,3	41,4	6,8
1990	38,4	72,4	79,7	88,2	90	90,5	89,6	85,6	69,9	31,9	4,6
2000	34,4	72	82,3	91,2	92,9	91,5	90,3	85,6	66,8	28,2	4,6
2004	28,9	62,4	74,5	85,4	87,8	87	85,5	81,4	67,9	32,9	4,5

Source: OECD (http://www1.oecd.org/scripts/cde/members/lfsindicatorsauthenticate.asp).

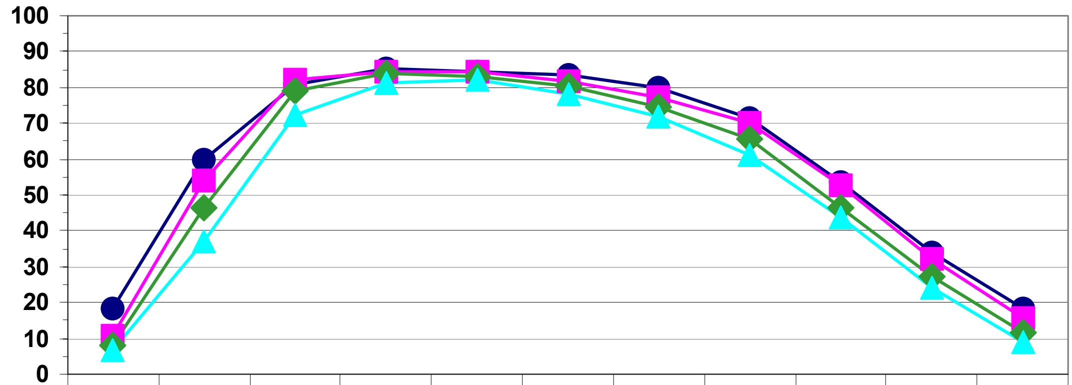
Figure 2: Female employment rate in Germany by age, 1970-2004



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
1970	61,8	67,3	49,7	45	46,2	48,5	48,4	43,4	36,1	20,2	6,1
1980	39,9	68,9	60,3	55,3	56,4	54,6	52,4	47,1	37,5	11,8	3,2
1990	32,8	68,3	63,2	58	62,5	62,5	60,5	51,1	35,2	9,8	2,2
2000	25,9	63,8	70,6	70,9	71,3	73,9	72,6	64	45,8	12	1,7
2004	21,8	55,2	85,1	80	67,4	67,7	74,5	78,4	46,9	15,9	1,8

Source: OECD (http://www1.oecd.org/scripts/cde/members/lfsindicatorsauthenticate.asp).

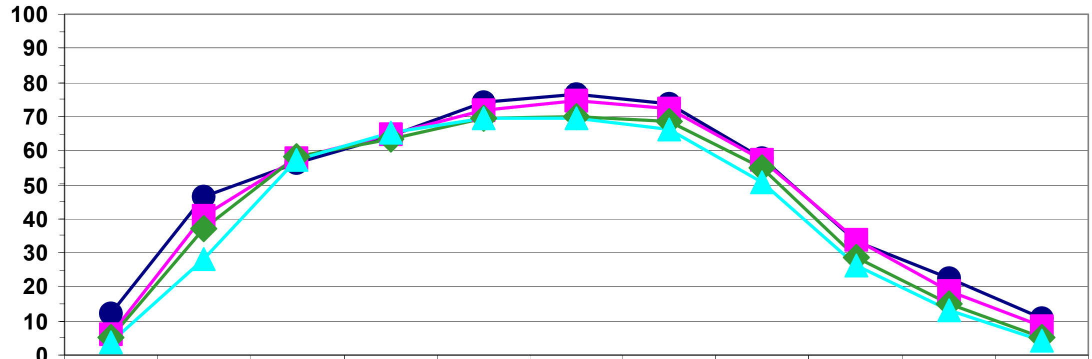
Figure 3: Male employment rate in Poland by age, 1992-2004



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 and
1992	18,4	59,9	80,7	85,4	84,2	83,7	79,8	71,6	53,7	34,1	18,3
1995	10,5	54,2	82,2	84,3	84,4	81,6	77,4	69,9	52,5	32,0	15,8
2000	8,0	46,3	78,9	84,0	83,0	80,2	74,5	65,5	46,6	27,1	11,8
2004	6,8	37,1	72,1	81,1	82,1	78,2	71,7	61,1	43,7	24,1	9,0

Source: OECD (http://www1.oecd.org/scripts/cde/members/lfsindicatorsauthenticate.asp).

Figure 4: Female employment rate in Poland by age, 1992-2004



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 and
1992	12,2	46,4	56,2	64,2	74,1	76,4	73,7	57,6	33,1	22,5	10,7
1995	6,0	40,9	57,8	64,8	71,9	74,5	72,5	57,5	33,7	18,9	8,3
2000	5,1	37,2	58,2	63,5	69,6	70,0	68,4	54,7	28,5	14,9	5,0
2004	3,7	28	57,5	65,4	69,3	69,6	66,3	50,6	26,4	13,3	4,2

Source: OECD (http://www1.oecd.org/scripts/cde/members/lfsindicatorsauthenticate.asp).