

# EMPLOYMENT OBSERVATORY

## EAST GERMANY

Labour Market Developments and Policies  
in the new German Länder

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## EDITORIAL

Stimulated by the European Commission's White Paper on Growth, Competitiveness and Employment, strategies aimed at rendering working patterns more flexible and at redistributing the existing volume of work are increasingly becoming a central focus of labour market policy efforts. Prognoses suggest that the various forms of working time reduction contain a considerable potential for redistributing the available number of working hours, raising the employment level and easing the pressure on the labour market. Moreover, they have already proved their effectiveness in expanding and maintaining employment. Yet while West Germany can look back on a large number of experiences and successes with work redistribution since the 1980s, in East Germany solutions involving changes in working time patterns and working time reductions are only gradually gaining in importance.

As can be shown with reference to the East German public sector, although working-time-related models are increasingly being used to maintain employment in the region, their scope has far from been fully exploited. Faced with the need to shed labour, it is short-term cost calculations that have been accorded priority. Few efforts have been made, by contrast, to forge longer-term solutions that are efficient in budgetary terms and which simultaneously improve the labour market

chances of those affected. Thus the East German public sector is failing to live up to its potential role as an initiator of active and innovative employment policies.

Part-time work, also, often traded as an employment policy panacea, has met with a much more reticent response in East than in West Germany: part-time employees account for a proportion of East German employment that is only half the comparable figure for West Germany. Clearly, East German women, who are still very much oriented towards the model of equal employment rights and whose wages, in view of the generally lower wage level and the higher incidence of unemployment, are of much greater significance for household income than in the West of the country, do not consider part-time employment as an attractive alternative. Additional efforts, in particular improvements in social security coverage, will be required if part-time employment is to be expanded and East German women are not to be forced into employment relations lacking adequate social protection.

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# ECONOMIC AND LABOUR MARKET STATISTICS

	1st half- year 1989	1st half- year 1991	2nd half- year 1991	1st half- year 1992	2nd half- year 1992	1st half- year 1993	2nd half- year 1993	1st half- year 1994	2nd half- year 1994	April 1995
<b>Economy</b>										
1. Gross Domestic Product in 1991 prices (billions of DM)	150.1	96.5	109.5	103.7	118.4	110.3	124.7	121.3	135.4	
2. Gross value added by sector in 1991 prices (billions of DM)										
2.1 Agriculture and forestry	3.8	0.1	7.0	0.4	7.1	1.0	6.8	1.1	6.8	
2.2 Energy and mining	10.1	8.6	7.5	6.7	6.8	6.0	6.7	7.0	6.9	
2.3 Manufacturing	48.8	17.0	18.5	17.3	20.0	18.1	21.4	21.6	24.4	
2.4 Construction	13.6	11.6	12.9	16.0	17.3	18.4	20.5	21.9	24.1	
2.5 Trade and transport	28.3	14.2	15.6	14.6	16.1	16.4	17.8	17.7	19.1	
2.6 Services	16.0	21.3	24.6	26.4	27.3	27.5	28.6	29.5	30.7	
2.7 Government	23.6	22.8	21.5	21.4	21.3	20.8	20.6	20.4	20.4	
3. Expenditure on the Gross National Product in 1991 prices (billions of DM)										
3.1 Private consumption	82.1	84.7	95.0	92.9	104.0	96.0	106.3	100.8	110.5	
3.2 Government consumption	41.4	39.1	48.6	43.7	50.0	43.5	49.1	44.4	49.9	
3.3 Fixed capital formation	28.5	42.1	50.0	56.0	61.7	62.7	71.6	73.4	82.9	
3.4 Exports minus imports	-4.2	-65.9	-78.4	-88.0	-91.9	-90.5	-100.3	-99.0	-104.6	
<b>Labour market</b>										
4. Working-age population (in thousands)	10721									
4.1 Migrations to West Germany (in thousands)	49	102	148	94	106	78	95			
4.2 Commuters to West Germany (in thousands)		446	541	451	506		607			
5. Total employment (in thousands)	9836	7462	6903	6424	6295	6177	6239	6211	6387	
5.1 Share of female employment (%)	49	46	46	46	46	45	44			
5.2 Employees in <i>Treuhand</i> companies (in thousands)	-	2115	1404	1070	458	296	187	132	119	
6. Employment by sector (in thousands)										
6.1 Agriculture and forestry	977	469	385	291	254	234	224	220	231	
6.2 Energy and mining	349	244	208	181	164	146	134	120	116	
6.3 Manufacturing	3509	2171	1727	1336	1209	1117	1082	1040	1045	
6.4 Construction	629	702	728	792	840	884	958	985	1045	
6.5 Trade and transport	1500	1251	1205	1150	1132	1114	1128	1104	1111	
6.6 Services	617	919	969	1000	1038	1075	1132	1160	1215	
6.7 Government (incl. <i>ABMs</i> )	2040	1505	1452	1435	1412	1359	1321	1302	1316	
7. Employment in labour market measures (in thousands)										
7.1 Employed in job creation measures ( <i>ABMs</i> )	-	148	390	402	355	237	177	198	226	221
7.2 Includes "wage-cost subsidies East" (§ 249h AFG)	-	-	-	-	-	14	63	91	103	105
7.3 Short-time workers	-	1899	1035	417	233	201	125	105	59	90
7.4 Full-time equivalent of loss of working hours in case of short-time working	-	1078	594	223	109	89	56	46	29	45
8. Non-active population in labour market measures (in thousands)										
8.1 In full-time further training measures		170	310	442	434	368	271	234	264	248
8.2 In early retirement		521	705	806	834	857	778	643	569	420
9. Total persons in labour market measures (7.1 + 7.3 + 8.1 + 8.2) (in thousands)		1917	1999	1873	1732	1565	1346	1212	1191	1039
9.1 As % of potential labour force		22	23	21	20	18	15	14	14	12
10. Total unemployment (in thousands)		843	1038	1123	1101	1100	1175	1117	1015	1040
10.1 Unemployed women (in thousands)		482	635	715	704	708	754	734	660	653
10.2 Unemployed women (%)		59.5	61.6	63.6	63.9	64.4	64.1	65.7	65.0	62.8
10.3 Unemployment rate (%)		9.5	11.8	14.2	13.9	15.1	16.2	15.7	14.2	14.8
10.4 Male unemployment rate (%)		8.0	8.9	10.0	9.7	10.4	11.2	10.4	9.6	10.7
10.5 Female unemployment rate (%)		11.2	14.7	18.9	18.6	20.2	21.5	21.3	19.2	19.1
11. Shortfall of "regular" employment (9.+10.) (in thousands)		2760	3037	2996	2833	2665	2521	2329	2205	2079
11.1 As % of potential labour force		31	34	34	32	30	29	26	25	24

## Sources:

National accounts of the Federal Statistics Office and the German Economic Research Institute (*DIW*), March 1995 (rows 1.-3.4, 5., 6.-6.7); Official Reports and Press Releases of the Federal Employment Service (rows 7.1-7.3, 8.2, 10.-10.5); Institute for Employment Research (*IAB*), *IAB-Kurzberichte* and *IAB-Werkstattberichte* (rows 4., 4.1, 8.1); Infratest Social Research, labour market monitor for the new Federal states, Munich/Nuremberg 1991-93 (rows 4.2, 5.1); monthly information sheet of the *Treuhandanstalt* (row 5.2); calculations by the editors.

## Comments:

In general, stock data in the table correspond with figures drawn up at the end of the given half-year periods (except: rows 4.2, 5.1: data for May or November; rows 5., 6.1-6.7: averages of the 2nd and 4th quarters respectively; row 5.2: 1991 1 July and 1 January after the end of the half-years).

Row 5.2: initial figure mid 1990 ca. 4 million; row 7.4: number of short-time workers multiplied by the average amount of working time lost; row 8.1: until mid 1992 estimated; rows 9.1, 11.1: potential labour force defined as the sum of resident wage and salary earners, self-employed, unemployed and the participants in further training and early retirement; rows 10.3-10.5: from 1995 onwards the basis of the unemployment rate has been changed (dependent civilian working population in June 1994; earlier basis dated from the end of 1989, then from November 1990, then from June 1992 and then from June 1993).

## Safeguarding Employment through Changes in Working Time Patterns in the East German Public Sector

Changes in working time practices have increasingly become an important instrument of employment maintenance in the East German public sector. A number of different models – such as temporary reductions in weekly working time, part-time work or early retirement – are being deployed in order to reduce personnel costs in a socially acceptable way and to adjust employment to changing social conditions. The scope for such changes in working time regimes has far from been exhausted, however. The instruments most commonly in use are still the classical means of socially acceptable staff cuts, such as a recruitment stop or voluntary redundancies with compensation. Thus the public sector is failing to fully live up to its – important – role as a pioneer for innovative working structures and models.

Since Unification, large areas of the East German public sector have come under great pressure to reduce their personnel costs. Between 1989 and 1991 public sector employment was cut by around half a million from an initial figure of some 2.3 million; a further quarter of a million jobs were shed between 1991 and 1993 (cf. table 1). Even so, staffing levels in East German state and local government – which together account for more than 70% of public sector employment in the region – are still considerably higher than in West Germany (cf. table 2). This is largely due to the fact that in East Germany a range of social services, such as child care, care for the aged and health services, are still performed directly by the public sector, whereas in West Germany they are the responsibility of private and charitable institutions. As a result, the transfer of public sector tasks and personnel to private and charitable institutions is very much on the agenda in the new federal states. There are a large number of other reasons for on-going personnel adjustment, however. The sharp fall in the birth rate has rendered superfluous a proportion of the staff employed in child day-care centres and schools; local government boundary reform – the integration of local authority areas – has opened up a potential for rationalisation; and, last but not least, the difficult fiscal position of local authorities in East Germany has induced many of them to seek to reduce their disproportionately high personnel costs in order to widen their scope to finance more urgent measures and to limit the rise in borrowing (cf. East Germany No. 11/94, pp. 9-10).

In view of the high level of unemployment in East Germany, reducing staffing levels via compulsory redundancies represents a potentially explosive social problem; the massive employment losses in the public administration are not being compensated by private sector job creation to a sufficient degree. In order to avoid a further rise in unemployment and to safeguard public sector employment in East Germany, policy makers are now seeking personnel-reduction models which, while taking account of budgetary requirements and demand changes, cause as little social hardship as possible. In this context, measures related to working time are seen as offering new avenues for the solution of employment problems. Unfortunately it is not always possible to put an exact figure on the number of participants in the various models in

operation within the East German public sector, as in many cases neither the public sector employers nor the trade unions have collected the necessary data. Consequently, development trends can frequently only be determined on the basis of expert evaluation. The following working time models are of particular note.

### Working-time-related models aimed at safeguarding employment

#### 1. Temporary working time reduction with partial wage compensation

Since 1994 it has been possible to conclude temporary, decentralised collective agreements within the ambit of the East German public sector providing for a fixed-term reduction in weekly working hours. The agreement on working time reduction must be reached by 30.6.1996 and can remain in force for a maximum of three years. After the agreed period, employees return to their normal working hours. On the basis of this framework collective agreement for the East German public sector, specific agreements may be reached as follows:

- weekly working hours in individual enterprises or administrative departments are reduced on the basis of a local or regional collective agreement from 40 to as few as 32 hours per week;
- employees cannot be laid off for the duration of the agreement;
- the reduction in working time can only be agreed once all the other means of reducing staffing levels in

**Table 1: Public Sector Employees in East Germany, 1991–1993**

	Employees (in '000s; as of 30 June)			Change 1991–1993	
	1991	1992	1993	'000s	%
All employees	1,780.5	1,685.0	1,534.9	–245.6	–13.8
of which:					
Central government	84.9	80.7	76.0	–8.9	–10.5
State government	634.5	583.8	556.4	–78.1	–12.3
Local government	661.5	654.7	539.1	–122.4	–18.5
Public railway	230.6	195.9	182.7	–47.9	–20.8
Postal service	120.8	104.1	99.3	–21.5	–17.8
Social insurance <sup>1</sup>	47.9	64.5	76.2	+28.3	+59.1
Men	693.7	649.2	585.8	–107.9	–15.6
Women	1,086.8	1,035.8	949.1	–137.7	–12.7
Full-time employees	1,613.4	1,536.1	1,346.4	–267.0	–16.5
Part-time employees	167.1	148.9	188.6	+21.5	+12.9

1 Social insurance institutions including the Federal Labour Office.  
Sources: Federal Statistics Office; calculations by the editors.

**Table 2: Comparison of State and Local Government Staffing Levels in East Germany and West Germany, 1991–1993**

	Employees <sup>1</sup> per 1,000 inhabitants		Employees <sup>1</sup> per 1,000 inhabitants
	in East Germany	in West Germany	in East Germany as a % of the corresponding value for West Germany
State government			
1991	39.0	26.9	145
1992	35.8	26.7	134
1993	33.1	26.5	125
Local government			
1991	42.5	19.6	217
1992	42.8	19.6	218
1993	34.9	19.3	181

1 Number of employees in full-time equivalents. In calculating the figures it had to be assumed that on average part-time employees work half standard working hours. Given that the actual working hours of part-time employees in East Germany (and presumably also in the East German public sector) are longer (cf. Trends), the figures for East Germany are likely to understate actual levels to some degree.

Sources: Federal Statistics Office; calculations by the editors.

a socially acceptable way and to maintain employment – such as voluntary part-time work, early retirement, training, redeployment, etc. – have been exhausted.

In order to reduce income losses, partial wage compensation is paid the level of which depends on the extent of the cut in working hours. Two variations are possible:

- The level of partial wage compensation per hour varies according to the extent of the cut in working hours. For the Saxony collective bargaining area, for instance, wage compensation of 38% is offered for a reduction of eight hours per week, whereas for a cut of one hour just 2% is available as compensation. The aim of this staged form of compensation is to offer those employees accepting a more radical cut in working hours a greater degree of financial compensation.
- The partial wage compensation varies according to pay groups. In the city of Brandenburg, for example, employees in the lower pay groups receive a higher rate of compensation than those in the higher groups. A number of local collective agreements also contain additional social components. To take the city of Brandenburg as an example once more, workers with dependant children, for instance, are entitled to a monthly bonus for each child.

With the exception of the state of Saxony, it has so far proved impossible to reach regional framework agreements; the agreements that do exist are almost exclusively with indi-

vidual employers. The relatively small absolute number of collective agreements reached so far apply largely to white-collar workers in the educational field and to employees in public transport, hospitals, public libraries, school kitchens or old people's nursing homes.

Generally speaking, the acceptance of this model has been relatively weak. The public sector employers have serious reservations. In particular they criticise the partial wage compensation, which they believe places an excessive burden on public budgets; instead they favour temporary part-time working models without wage compensation, such as that put forward by the Brandenburg public sector employers' federation.

Although the impact on employment of this working time model will inevitably be far less than originally anticipated, the model does offer a new way to avoid compulsory redundancies, and one which should be utilised further where possible.

## 2. Voluntary part-time work

In 1994 East German local government employees (e.g. in the public administration, and social and health institutions) were enabled, on the basis of a collective agreement, to switch from full-time to part-time employment. Under the agreement, the move to part-time employment can occur if the employee has at least one child under the age of 18 or is caring for another dependant (doctor's confirmation of need for care is required) and where this is not prevented by serious work-related con-

siderations. The period of part-time work is restricted to a maximum of five years. The employer must justify any refusal to allow such a switch to part-time employment.

It is not possible at present to determine exactly how many employees have taken advantage of this opportunity since 1994. The opinion of experts is that relatively few public sector workers are willing to switch voluntarily to part-time employment due to the associated loss of income (cf. Trends). For many employees it is financially more attractive to allow themselves to be made redundant and then to draw unemployment benefit. No change in preferences among East German employees is to be expected for as long as East German wages and salaries lag behind those in West Germany.

## 3. Compulsory and voluntary part-time work for teachers

In order to avoid redundancies among teaching staff the state governments of Brandenburg, Saxony, Sachsen-Anhalt and Thuringia have reached collective agreements on part-time working with the relevant trade unions and other interest groups. These agreements are either on a voluntary basis or, as in Brandenburg, compulsory for all teachers. The opportunities for working time reduction are more favourable for teachers than for other employee groups as the income level of this occupational group is generally above average and pension entitlements are usually better.

As early as 1991, Brandenburg introduced a part-time working model which reduced the standard number of working hours to 80% of a full-time post with the aim of safeguarding employment for teaching staff. Salaries are reduced proportionately. At the time of introduction this did not lead to a cut in current income levels, however, because at the same time teachers' salaries were raised to 60% of comparable earnings in West Germany. Thus pay levels rose in spite of the cut in working hours. In May 1995 a new framework collective agreement between the trade union representing teaching staff (the GEW) and the Brandenburg government came into force, the aim of which is to avoid the redundancies that would otherwise be necessary due to the declining number of school-children. In addition to training programmes for subjects in which there is a staff shortage, the agreement also provides for a new part-time working

model, this time on a voluntary basis: teachers prepared to cut their working hours to 60% of normal working time are in return to receive protection from compulsory redundancy.

In the other three East German federal states part-time working models for teachers have been agreed on a voluntary basis. All the same, a degree of pressure to reduce working hours was exerted, as the part-time employment regimes on offer were rewarded with a (fixed-term) employment guarantee, whereas full-time employment was associated with a considerable employment risk. The working time reductions under this model vary between at least 17.5% in Saxony and 25% in Sachsen-Anhalt and Thuringia up to a maximum of 50% in all three states. There is also some variation in the minimum and maximum duration of the part-time employment phase: in Sachsen-Anhalt the period ranges from four to ten years, in Saxony six years, in Thuringia at least three years. In each case the staff involved have the guarantee that they will not be made redundant as part of a personnel reduction programme. In Thuringia the employment guarantee varies according to the extent of the working time reduction. Provisions exist whereby a return to full-time employment is possible.

According to experts in the field, the part-time working provisions, whether voluntary or compulsory, hardly met with great enthusiasm. They were accepted, however, in view of the "brute force of reality"; the planned overall reduction in the volume of working hours was achieved. In Brandenburg, Saxony and Sachsen-Anhalt the introduction of this model is reckoned to have saved the jobs of between 14,000 and 15,000 teachers. The effects for Thuringia cannot be estimated at present as the provision has only just come into force.

#### 4. *Sabbatical model for teachers in Berlin*

Since 1987 teachers with civil servant (*Beamte*) status in Berlin have been entitled to a sabbatical year during which they continue to draw their salary if, at the same time, they commit themselves to reduced working hours and a parallel reduction in earnings for a period of several years. In 1993/94 4% of those entitled participated in the sabbatical programme. So far, though, the response has been greater in the western than the eastern half of the city.

#### 5. *The "Sunday year" or Coswig model*

Under this model the town of Coswig (Saxony) has offered teachers in child day-care centres a so-called "Sunday year": they are made redundant but at the same time receive a written assurance that they will be reinstated after a period of one year. On their return a second group of women can take up the scheme, also returning to work a year later. This process is to continue in the town of Coswig until the year 2004. For the duration of the "Sunday year" the redundant child-care staff claim unemployment benefit and are also entitled to a monthly supplement of DM 250 from the city authority. The 128 staff affected have accepted the model, and the first 25 of them commenced their Sunday year six months ago.

In the employment policy debate this model has provoked considerable controversy. It is certainly advantageous for employers and employees. For the city authority the solution is cheaper than compulsory redundancies involving substantial compensatory payments. The employees "lose" their job only temporarily and suffer only slight income losses during the period of unemployment. The Federal Labour Office, however, has so far refused to accept this model. According to the labour market authority, persons made temporarily redundant in this way maintain legal and other real ties to their previous employer. Consequently, the staff registered unemployed are not available to the wider labour market and thus do not meet the conditions of entitlement to unemployment benefit. The city of Coswig plans legal action if the Federal Labour Office brings the model down.

The ongoing controversy surrounding the model points to its central weakness: it is not based on cooperation and consensus between the participating actors, but is rather a competitive and conflictual model. The city is attempting to make the fullest use of the opportunities provided by the unemployment insurance system, and has pushed the model through without first consulting the main financing organisation, the employment office. The employment office then is right to point to the financial consequences if such a model were to be widely adopted and has demanded a fairer distribution of the financial burden. This conflict clearly shows that, particularly in times when resources are tight models which serve only specific interests are unlikely to be sustainable. Coordination between

all the labour market actors concerned is more important than ever if the prevailing employment-related problems are to be successfully tackled.

#### 6. *Early retirement provisions*

One way of avoiding compulsory redundancies among younger workers is for older workers to take early retirement. A number of different early retirement models exist in the German public sector guaranteeing employees 80 to 90% of their net earnings. The response to these offers has been moderate. The main reason given for this reluctance was the financial consequences, which can be serious, particularly if the pensioner's partner is unemployed. Furthermore, many older workers still feel fit and do not wish to retire early.

#### Other personnel reduction measures

In addition to the models described above, a number of other measures, unrelated to working time, have been deployed in the public sector with the aim of reducing staffing levels. So far the use of these measures has far exceeded that of the working time-related models.

##### 1. *Recruitment stop*

In many areas of the East German public sector a recruitment stop, the mildest form of staff reduction, has been imposed. Jobs are filled internally by workers whose current tasks are no longer required. In view of the sharp fall in the birth rate, almost every local authority in the new federal states has imposed a recruitment stop in child day-care centres. Such stops tend not to apply to areas such as construction and planning offices where staff are in short supply. Here requirements are usually met by external applicants, as retraining of, say, kindergarten teachers to skilled planning officials would be too time-consuming and expensive.

##### 2. *Voluntary redundancy with compensation*

In those areas in which staff numbers are far in excess of requirements this measure is often employed very extensively. The collectively agreed increase in the level of compensation payments in 1994 has made mutual agreement on a termination of the employment relation even more attractive to employees. The maximum redundancy payment now amounts

to seven times monthly earnings; previously such payments were limited to DM 10,000 or five times monthly earnings. In some areas more employees than originally expected have opted for voluntary redundancy, leading to staff shortages in a number of cases. Many public sector employers, particularly at local level, see this instrument as a way in which to bring their personnel plans into line as quickly and permanently as possible. They are often willing to pay compensation of between DM 25,000 and DM 80,000 as this is often – in the short term and in a purely mathematical sense – the cheapest way in which to shed excess labour. Yet such agreements to terminate the employment relationship are problematic where they are not deployed as the ultima ratio, but rather as the main instrument with which to reduce labour costs. There is all the more the case in view of the fact that, given the current state of the labour market, the expectations held by many of those affected of quickly being able to find alternative employment will not be fulfilled.

### 3. Training as an alternative to redundancy

In 1992 the local government associations and the Association of Local Authority Employers (VKA) reached agreement with the public sector worker's union (ÖTV) that where possible employees working in areas in which staffing levels were far above requirements should be retrained for tasks in administrative areas suffering from a labour shortage. This offered an opportunity to put into practice the slogan "training instead of redundancy". At the same time, this joint declaration does not impose a direct obligation on individual local authority employers. Moreover, it came rather late in the day, as many employees were laid off or switched from full-time to part-time employment in the first few years after Unification, so that in many

cases training no longer offered a real alternative to dismissal. In those areas in which staff levels were still too high in 1992, experts agreed that the response to this model was very limited. The main reason for this is the costs incurred by public sector employers in providing the necessary training measures. Thus in practice the idea of training employees from overstaffed areas for those lacking personnel – such as construction or public order departments – has been realised only to a very limited extent.

### Conclusion

Working-time-related models offer effective ways of maintaining employment levels in the East German public sector. The scope for the use of such models has far from been exhausted. The employment effects, especially of temporary working time reductions, could be raised further if public sector employers were willing to set aside their short-term cost calculations and to opt for a coordinated approach. Many local government employers, in particular, are currently ignoring the prevailing collective framework guidelines and are continuing down the "cheapest road" towards fulfilling their personnel plans. The lack of political will and the largely non-binding nature of most of the working time-related agreements are in sharp contrast to the – much more effective – compulsory working time reduction for teachers in Brandenburg.

Comparing the application of working time-related models with those which do not involve changes in working hours, it is apparent that the former have so far met with a cool response and that in most areas it is the classical instruments of "socially acceptable" staff reduction – recruitment stop, voluntary redundancy with compensation and early retirement – that predominate. The costs incurred by such measures are thus tied up and are no longer avail-

able for the active promotion of new employment opportunities. This largely passive employment policy approach is based on the view that solutions that reduce the personnel costs of city and local authorities rapidly and permanently are also those best suited to reducing the prevailing political pressure. Few attempts are being made to seek longer-term solutions which are efficient in budgetary terms and at the same time improve the labour market chances of those affected. For as long as public sector employers favour short-term cost-cutting strategies, they will fail to fulfil their pioneer role in developing active employment policy alternatives.

Clearly though, working time-related measures have their limitations as a strategy of longer-term employment maintenance. Greater stress must be placed on preventive training measures to maintain public sector employment levels in the longer term. The additional skills and qualifications acquired can also go some way to improve the employment chances of workers in other areas. Public sector employers, if they are interested in pursuing an innovative employment policy, should not merely use the structural change under way in the public sector to cut labour costs and push through privatisation, but should seek, together with the employees, to open up new areas of activity via processes of organisational development.

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# ESSAY

## Shorter Working Hours – More Employment?

**I**t is often said that special times require special efforts. But there are few signs of this in East German – not to mention West German – employment policy. With the exception of a few courageous new approaches, such as the employment-maintaining working time reductions of 20% and more in the educational sector, employment policy in the new federal states has remained within traditional channels, accepting the fact that more than a quarter of the working population is being denied access to the labour market.

**S**horter working hours – more employment: this slogan is as striking in its simplicity as it is controversial. What some see as an employment policy panacea is to others naive “social mathematics”, a mechanistic redistribution of a good in short supply rather than a solution to the problem, or simply a catastrophe for economic growth. What are the arguments against an equitable distribution of working hours?

**N**o-one will claim that working time can be reduced and working hours redistributed in linear fashion across all employee groups and economic branches unconditionally and without friction by means of a rigid redistributive model. On the other hand, it cannot be disputed – particularly in the wake of the recent experiences with radical working time reductions of the order of 20% by Volkswagen and elsewhere – that this instrument possess an enormous employment-maintenance potential. If the employment effects are impressive, why should a recipe that has proved its worth on a small scale not be generalised and transposed onto an entire national or regional economy? Of course, East Germany is not the Volkswagen concern. More finely tuned solutions are required to allow for both the requirements made of a complex economy by economic structural change and economic growth and for the diverse living and working conditions and preferences of workers. What is decisive is that all the various “ropes” of working time-related strategies are “pulled” at the same time. The centre-piece should be a reduction in collectively agreed weekly working hours; it should not be forgotten that agreed weekly working time in East Germany is still two hours longer than in West Germany.

**A** comprehensive employment policy project on these lines so as to bridge over the period during which economic growth alone will be unable to alleviate the current misery on the East German labour market has – of this there can be no doubt – its risks and dangers. Fortunately, however, we are now in a position to draw a number of central lessons from the – in some cases spectacular – working time reductions of recent years. For instance, contrary to widely expressed fears, the cuts in working hours so far have proved to be largely cost-neutral for the firms in question and thus no impediment to growth. Furthermore, at the organisational level, the firms involved have shown not only that working time reductions can be managed but also that they can be exploited as a means to introduce more productive working time regimes. Last but not least, employees have shown themselves very willing to sacrifice income in return for job security and

additional leisure. It is precisely here that the critical point lies, the question that will determine the scope for radical cuts in working time in the future. In order to avoid contravening the growth postulate, there is no alternative to the tried and tested principle of exchanging income for leisure. While the extent to which workers are, and will remain willing to accept such an exchange must remain a source of speculation, there is some evidence that gives cause for optimism.

**S**urveys have shown, for example, that workers in East Germany want to draw level with their colleagues in West Germany not only with respect to pay, but also to working time. Generalised weekly working hours in line with such preferences would go a long way to easing the pressure on the labour market, although this step alone would not suffice to bring about full employment in the medium term. The cut in working time must be of a different order of magnitude. Yet this is not possible without income losses of a dimension that in many cases would be very painful. It is doubtful whether workers are willing to sacrifice a substantial proportion of their income in order to redistribute work in this way. In view of the fact that in many areas East German wages still lag significantly behind West German levels, large-scale working time reductions are inconceivable here without partial wage compensation.

**E**ven if the growth postulate is adhered to, two major sources can be tapped with which to finance such a partial wage compensation. Firstly, shorter working hours widen the scope for flexible working time patterns, either by further decoupling (machine) operating and (human) working times, or by distributing work in a flexible way. This increased flexibility in working time patterns helps firms to cut costs and raise productivity, thus generating income that is available for distribution; at least part of this can be passed on to the workers affected in the form of partial wage compensation. Secondly, substantial scope for financing partial wage compensation is generated by the fact that central government and, in particular, the Federal Labour Office benefit financially from employment-maintenance working time reductions. Every unemployed person in East Germany finding a job by virtue of work redistribution measures eases the burden on public budgets on average by DM 17,000 per year, merely for wage compensation benefits. It is thus reasonable to expect central government and the Federal Labour Office to contribute to the costs of partial wage compensation. It is far more productive and socially just to invest the enormous sums spent on wage compensation benefits in economically productive, wealth-generating employment promotion, rather than in merely financing unemployment. Policy-makers are called upon to support workers opting to redistribute work according to the principles of solidarity and equity. It is their responsibility to ensure that large sections of an entire generation of workers need not write off all hope of ever gaining employment. *Hartmut Seifert*

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# TRENDS

## The Risks of Adjustment – Part-time Work in East Germany

It is widely believed that an expansion of part-time employment has a considerable employment-generating potential in East Germany. This is because part-time work has so far played only a subordinate role in the new federal states; the “part-time share” – part-time employment relations as a percentage of all employment relations – there is only around half the West German figure. However, East German women, whose orientation is still very much towards the model of equal employment rights and whose wages, in view of the lower average wage level and the higher incidence of unemployment are of far greater relevance for household income than in the West, do not generally consider part-time employment as an attractive alternative. Additional efforts are necessary at the political level if part-time employment is to expand and East German women are to be prevented from being forced into unattractive and unproductive jobs.

Against the background of persistent labour market problems and continued mass unemployment in both East and West Germany, working time-related policies, and in particular the opportunities associated with working time reduction, have once again become a focus of debate. Alongside other labour market and economic policy strategies they are seen as an important instrument with which to redistribute the existing volume of work, increase the numbers in employment and ease the pressure on the labour market. A number of scenarios and prognoses have suggested that working time-related policies could potentially generate large numbers of additional jobs, pointing to the experiences and successes with working time reduction in the 1980s in West Germany. Between 1983 and 1991 the level of employment in West Germany rose by 11% (2.9 million persons), although the total number of hours worked grew by just 3%. To a significant extent, this employment effect resulted from the cut in average weekly working hours from 40 to 38 hours. The expansion of part-time employment also contributed, although to a lesser degree, to the increase in the employment level. In particular, part-time employment led to an increase in the number of working women, as over 90% of part-time workers are female.

Part-time employment is usually an individual form of working time reduction, compared to collectively agreed working time reductions. The latter result from bargaining between employers and trade unions, and are applied collectively to entire enterprises or branches and – at least in the

past – provided for wage compensation (i.e. constant weekly or monthly earnings despite the cut in working hours). In contrast, part-time working arrangements usually lack any wage compensation, and the number of working hours lies below the standard figure for the enterprise or branch in question. Although part-time work (in West Germany) is usually perceived as “half-day employment”, working time schedules in fact vary considerably – from just a few hours per week to virtually a full-time job. Comprehensive social insurance coverage (pension, health and unemployment insurance), however, requires an average weekly working time of at least 18 hours. Those in so-called “marginal employment” (less than 15 hours per week and with maximum monthly earnings of currently DM 580 in West and DM 470 in East Germany) are excluded from all direct claims on the social insurance system. In view of this, part-time employment (in West Germany), particularly for those, almost exclusively women, in “marginal employment”, has proved to be an extremely precarious form of employment to which (primarily) women are relegated: low-skill, poorly paid work lacking any independent social insurance cover.

### Revitalisation of policies to promote part-time work

Of the various forms of working time reduction (cf. Focus) support for part-time employment is currently attracting considerable interest once more. The demand, raised since the early 1980s, for an expansion of part-time employment and the increased

conversion of full-time into part-time positions has received new impetus in the context of a “part-time offensive” launched by the Federal Government. In view of the relatively low – compared with certain other European countries – proportion of German workers in part-time employment (“part-time share”) of 18% (Netherlands 34%, Scandinavian countries more than 24%, Great Britain 22%), part-time employment is seen as a major potential source of employment, one that could reduce the pressure on the German labour market to the tune of millions of persons. At the same time, there is still a lack of attractive part-time jobs. This is particularly true of East Germany, which has so far had little experience of the opportunities offered by an employment-oriented cuts in working time.

Part-time working, for instance, has (so far) only played a subordinate role in the new federal states. According to data generated by the Socio-Economic Panel, an annual repeated survey conducted by the German Institute for Economic Research (DIW), only 10.8% of employment relations in East Germany were part-time in 1994, compared with 19.7% in West Germany (cf. table 2). Among women the “part-time share” was 20.7%, only half the comparable West German figure (41.8%). As expected, part-time shares among male workers are very low in both regions – between two and three per cent. In view of the high level of unemployment in the new federal states it is expected that significant employment effects could be generated if additional part-time employment opportunities could be created. Merely bringing the East German part-time share in line with that in West Germany would – according to a number of prognoses – enable an additional 200,000 persons to find employment. Given that hidden, i.e. unregistered, unemployment has not yet arisen to any significant extent in East Germany, this expansion of employment would benefit the unemployed to almost the full extent, and thus bring about a significant reduction in the unemployment rate.

The fact that far less use is currently being made of part-time employment in East than in West Germany is due to a number of causes and factors, all of which reveal sharp differences between the two regions.



## **The pronounced "employment orientation" of East German women**

Perhaps the most fundamental East-West difference is that East German women still cling on to role models in which both partners continue to work full time even when children have to be looked after. Despite the difficult situation on the labour market there are few signs that East German women have (yet) adopted the model, still prevalent in West Germany, of "housewife and mother" wholly supported financially by a male breadwinner (cf. East Germany, No. 9/93, pp. 3-5). As a result of the comprehensive child-care facilities available in the GDR, female participation rates were – and still are – remarkably high, and the part-time share comparatively low. These structures have since altered somewhat, but have not yet shifted in any fundamental way. This orientation towards full-time employment was reinforced by the efforts made by the GDR leadership, in the light of the general labour shortage, to have available younger, more productive workers in full-time employment; part-time employment opportunities were granted very restrictively. Unlike in the West, part-time employment in the GDR was not performed largely by women with children seeking to reconcile the demand of a career and family, but was rather a form of employment reserved primarily for women in the middle and particularly the higher age groups, as part of the transition to retirement (cf. table 2). In most cases these women had profited from the more generous part-time employment provisions that existed between 1960 and 1975, a period during which, unlike in subsequent years, the GDR offered permanent part-time employment contracts in order to raise female participation rates.

## **Age-structural differences have disappeared**

The fact that part-time employment in the GDR was largely the domain of older women was one of the central reasons why many part-time jobs were lost in the course of the drastic contraction of employment between 1990 and 1992 and why the part-time share initially fell markedly from its 1989/1990 figure: from 12.6% in 1990 to 8% in 1992; among women from 25.4% to 16.1%, cf. table 2). During this period many of the older female employees working part time took advantage of the wide-ranging early

retirement provisions (cf. East Germany, No. 5/92, pp. 5-6) and left the labour market for good.

As recent data from the Socio-Economic Panel show, the East-West differences in the age structure of part-time employees have virtually disappeared in the course of the adjustment process. Indeed, the older age groups (over 50) are, at 21.1%, now less heavily represented among women working part time in East Germany than in West Germany (27.7%; cf. tables 1 and 2). Overall, the age structure of part-time employees in the new federal states has been markedly rejuvenated. This is shown particularly strikingly by the 16-30 year-olds, who currently account for 26.6 of all East German women in part-time employment; this is twice as high as in West Germany (13.5%). This may well indicate that women with children have indeed begun to resort to part-time employment in order to remain in work at all in the face of the severe cutbacks in child-care facilities. In addition, many labour market policy measures – such as job-creation schemes, are only available on a part-time basis.

## **Working time between preference and reality**

Studies of working time preferences and actual working hours in East Germany reveal that few women consider part-time employment as an attractive alternative to full-time work at present. The data show that East German women have retained – one might say, with astounding determination – their orientation to full-time employment even where their labour market situation has deteriorated dramatically and although the incidence of unemployment is twice as high for women as for men (cf. Statistics, p. 2 and East Germany, No. 9, pp. 6-7). Given the longer working hours in East Germany, the most frequent preference is for full-time employment at West German levels. Half-day jobs and employment of just a few hours a week, common forms of part-time work in West Germany are less popular, both in terms of employees' preferences and the hours offered by employers. As many as 60% of East German women in part-time employment worked between 26 and 36 (and more) hours per week, that is in some cases only just less than standard West German full-time hours; the comparable figure for West Germany was just 15.3% (cf. table 1). Equally, marginal employment has played

only a negligible role in East Germany, whereas in the West this form of employment accounts for a quarter of all women part-timers.

Other data serve to confirm the differences in working time preferences between East and West German women. In surveys conducted within the framework of the Socio-Economic Panel, female full-time employees in East Germany stated (1993) that they would like to reduce their working time by "just" 3.4 hours (West: 4.2 hours). Part-time women workers, on the other hand, expressed a desire to extend their working time by 2.7 hours (West: 0.8 hours). This difference is all the more astounding given the fact that the average agreed weekly working time of female part-timers in East Germany is, at 27.8 hours, already 8 hours longer than in West Germany. Finally, East German women were relatively less satisfied with their actual working hours: only 40% (West: 68%) reported that their actual and preferred working time coincided. These figures correspond to data collected by the "Mikrozensus" (microcensus). In 1993 almost one third (29.1%) of women part-time employees reported that they were working part-time solely because no full-time position was to be found (West: 4.6%). This means that since 1991 the proportion of female part-timers in East Germany really wishing to work full time has almost trebled. On the other hand, between 1991 and 1993 there was also a fall – from around 50% to 37.6% – in the proportion of East German women working part time who explicitly do not wish to take up full-time employment (in West Germany the figure has remained relatively constant at around 75%).

## **Lower incomes restrict the scope for part-time employment**

The high "propensity to work" and the lack of interest in part-time employment evinced by East German women is not merely the result of differences in socialisation or individual wishes, however, but is often quite simply a financial necessity. Given that East German incomes are still on average around one quarter below those in West Germany – in spite of the all but complete equalisation of the costs of living – income losses there are more difficult to shoulder. Consequently, working time reductions in large steps and without financial compensation are virtually impossible. This is also true in view of the need to main-

**Table 1: Importance and Structure of Part-time Employment in East and West Germany, 1994**

	East Germany				West Germany			
	Employees Total	Of which part-time	Employees Women	Of which part-time	Employees Total	Of which part-time	Employees Women	Of which part-time
Absolute no. employed (in thousands)	5,356	576	2,449	508	23,583	4,652	10,133	4,234
Percentage shares:								
Part-time employees (part-time share) <sup>a</sup>	10.8		20.7		19.7		41.8	
Status with regard to social insurance in "marginal employment" <sup>b</sup> other part-time employees			1.1 19.6				11.6 30.2	
Agreed working time (hours) <sup>c</sup>								
less than 15	1.1	7.8	1.2	6.1	6.7	33.2	13.6	32.0
15-17	0.3	2.8	0.5	2.3	1.0	4.7	2.0	4.9
18-25	3.7	30.4	7.2	31.9	10.2	46.4	21.4	47.8
26-30	3.9	27.2	7.8	28.1	3.3	14.4	6.1	11.1
31-35	3.6	24.4	6.2	23.7	2.2	3.1	2.9	3.4
36 and above	87.4	7.4	77.0	7.9	76.5	1.0	54.0	0.8
Age								
16-30	24.8	24.6	23.9	26.6	27.1	15.8	28.3	13.5
31-40	32.8	33.4	31.8	31.1	27.6	30.3	25.9	29.7
41-50	22.8	18.9	24.6	21.2	23.2	26.9	24.2	29.1
51-59	18.6	21.5	19.3	20.5	18.8	20.8	17.8	22.4
60 and older	1.0	1.6	0.4	0.6	3.3	6.1	3.8	5.4
Household type								
(married) couple with children <sup>d</sup>	44.5	51.0	43.8	55.2	30.8	41.3	24.8	44.3
(married) couple without children <sup>d</sup>	37.5	28.0	38.0	25.4	43.0	38.2	45.4	38.6
single parent	4.5	2.6	7.5	2.9	4.6	6.7	7.1	7.0
1-person household	8.1	9.8	5.5	8.1	17.2	8.4	18.2	4.8
other	5.4	8.7	5.2	8.4	4.4	5.3	4.5	5.3
Vocational training								
none	2.9	6.9	3.6	6.5	17.4	26.2	22.7	26.0
formal vocational training at work	85.6	84.6	86.3	87.4	67.4	64.8	66.9	65.8
university degree or equivalent	11.5	8.5	10.2	6.0	15.2	9.0	11.1	8.2
Occupational status								
blue-collar	46.1	33.1	25.0	30.1	35.6	30.7	24.1	28.9
white-collar	51.6	66.9	74.2	69.9	54.1	65.0	69.0	66.6
civil servant	2.3	0.0	0.8	0.0	10.3	4.3	6.9	4.7
Skill requirements at work								
none	4.2	9.8	5.2	10.8	5.2	15.1	8.2	14.2
on-the-job training/learning	22.8	21.5	21.1	22.5	28.5	37.7	32.0	37.4
formal vocational training	63.6	63.3	65.4	63.1	51.1	40.3	50.1	41.8
university degree or equivalent	9.3	5.4	8.4	3.6	15.2	7.0	9.7	6.6
Sector								
agriculture, mining, energy	6.8	2.3	4.6	2.5	2.4	1.9	1.4	1.5
manufacturing industry	18.5	10.6	12.6	10.5	33.9	15.5	21.5	13.6
construction	13.8	2.1	2.6	1.3	5.8	1.9	1.1	1.8
trade and transport	18.7	24.3	18.6	24.6	16.2	24.6	20.2	25.9
private services	12.0	15.5	17.2	15.7	14.1	22.3	18.7	22.2
government	30.2	45.2	44.4	45.5	27.5	33.8	37.2	35.1
Average net monthly earned income in DM	1,995	1,210	1,785	1,210	2,689	1,127	1,840	1,095
per-capita net household income in DM	1,325	1,161	1,327	1,134	1,923	1,682	1,956	1,664

a According to statements by respondents; excl. trainees.

b Agreed weekly working time of less than 25 hours unless enjoying social insurance protection through this activity.

c Question: "What is your agreed weekly working time in hours not counting overtime?"

d Youngest child in the household less than 16.

Sources: "Das Sozio-ökonomische Panel" (The Socio-Economic Panel), 1994; calculations by Jürgen Schupp, *Deutsches Institut für Wirtschaftsforschung (DIW)*, Berlin.

**Table 2: Changes in Part-Time Employment in East and West Germany, 1990–1994**

	East Germany						West Germany					
	Men and Women			Women			Men and Women			Women		
	1990	1992	1994	1990	1992	1994	1990	1992	1994	1990	1992	1994
Total employment (in thous.)	8,397	5,877	5,356	3,936	2,660	2,449	23,245	23,846	23,583	9,548	10,077	10,133
of which: part-time (in thous.)	1,059	471	576	999	427	508	4,069	4,468	4,652	3,682	3,962	4,234
of which: part-time (in %)	12.6	8.0	10.8	25.4	16.1	20.7	17.5	18.7	19.7	38.6	39.3	41.8
Part-time employees by age group (%)												
16–30	15.3	27.8	24.6	16.1	26.3	26.6	19.5	18.6	15.8	15.9	14.5	13.5
31–40	21.0	25.9	33.4	21.3	28.4	31.1	30.4	31.1	30.1	31.8	32.1	29.7
41–50	26.6	22.7	18.9	27.9	24.5	21.2	24.2	26.0	26.9	26.4	28.5	29.1
51–59	25.5	17.2	21.5	25.8	17.2	20.5	20.8	19.6	20.8	21.6	21.2	22.4
60 and older	11.6	6.4	1.6	8.9	3.6	0.6	5.1	4.7	6.1	4.3	3.7	5.3

Source: "Das Sozio-ökonomische Panel" (The Socio-Economic Panel), 1994; calculations by Jürgen Schupp, DIW.

tain social insurance claims – such as unemployment benefit or pensions – if claimants are not to slip below the threshold for minimum social benefit. Generally, for financial reasons part-time employment is only an option for those East Germans living in a household in which another member is in full-time employment. Yet precisely because of mass unemployment, this is far from always the case. Against this background it is understandable that part-time work is rarely a serious option for the large number of single mothers in East Germany, and why such a small number of this group are actually in part-time employment (table 1).

As can be seen from table 1, there is a substantial difference in the income situation of female part-timers in East and West, suggesting that income from part-time employment plays a different role in the two regions. Although the net earnings of East German part-time workers are, at DM 1,210, higher than in West Germany (DM 1,095), reflecting the longer hours worked, the per capita income of households in which one member works part time is lower than in the West. This is because in West Germany the male partner, with generally higher earnings, provides the lion's share of the family income. Thus income from part-time work is a more important component of household income, and has less the character of "additional earnings" in East than in West Germany.

### Skill and sectoral structures

Additional differences to those already mentioned can be identified in the structure of part-time employees in East and West Germany. The skill

level of part-timers in East Germany, for instance, is significantly higher than in West Germany: the vast majority (93%) have completed a period of initial vocational training, compared with 74% in West Germany. Although the skill requirements of part-time activities are generally low to medium in both regions, as many as 69% of East German respondents reported that their occupation required a completed period of initial vocational training, compared to just 47% in West Germany. This is almost certainly due primarily to the fact that "marginal employment" – which is usually unskilled – has not yet begun to play a significant role in the new federal states.

The differences in the sectoral distribution of part-time employment between East and West Germany are minor. In the traditional "women's domains" of trade (and transport) and the public sector the part-time share is relatively high in both areas of the country, whereby in East Germany almost half of the female part-timers work in the public sector (45.5% compared with 25.1%), not least due to the special forms of part-time employment on offer there (particularly for school and nursery teachers, cf. Focus). In manufacturing industry, on the other hand, traditionally a "male domain", the incidence of part-time employment is disproportionately low.

### Résumé and outlook

Against the background of the differences – but also of the converging trends – described above, an expansion of part-time employment can hardly be termed an employment policy panacea. Part-time work can,

on the other hand, help to cushion the process by which East German women are being driven out of the labour market. Part-time employment is one way in which women can react to the fact that the cutbacks in, and the higher costs of, child-care facilities have led to a deterioration in the framework of conditions for reconciling paid employment and family responsibilities. Yet this raises the question of whether the high degree of orientation towards, and integration in, paid employment can be maintained under the changed conditions. As experience in West Germany has shown, close observation and political efforts will certainly be required if part-time work is not to force many women into unattractive employment relations with their corresponding social risks. While part-time employment there is an important component of female occupational biographies, it also serves to cement the gender-specific segmentation of the labour market, forcing many women into low-skill, poorly paid jobs, with restricted opportunities for promotion and higher social risks. This is not least a consequence of the institutional framework of conditions which posits full-time employment as the norm and which reward in social, family and fiscal policy terms part-time work – or non-employment – by one partner.

If the phenomena that, in West Germany, have already led to persistent complaints and – more importantly – to structures that are now proving difficult to overcome, are to be avoided in East Germany, great efforts will be required, not only on the part of labour market policy, but also by social, fiscal and family policy. Support for part-time employment as an

employment-maintaining and job-creating measure in both East and West can scarcely dispense with an improved social security provision and financial compensation, such as has recently been proposed in the form of a "part-time allowance" or a benefit for income loss following working time reduction. A first step in this direction is the provision, in force since August 1994, under which workers switching to part-time employment and subsequently becoming unemployed are entitled to unemployment benefit on the basis of their previous full-time earnings (cf. East Germany, No. 13, p. 12.). One thing is certain: merely linguistic, cosmetic changes, such as the recent decision

by the Federal Government to rename part-time as "mobile time", are far from sufficient.

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