Informationen zur

Tarifpolitik

WSI

Wirtschafts- und
Sozialwissenschaftliches
Institut in der
Hans-Böckler-Stiftung
(WSI)

Verantwortlich:
Prof. Dr. Brigitte Unger

Redaktion:
Dr. Reinhard Bispinck
WSI-Tarifarchiv

Hans-Böckler-Stiftung
Hans-Böckler-Str. 39
40276 Düsseldorf

Tel.: 0211 / 7778-248
Fax: 0211 / 7778-250

Annual collective bargaining report 2011

Higher settlements – Conflicts over agreed standards – New negotiated provisions

Reinhard Bispinck and the WSI-Tarifarchiv

Düsseldorf, March 2012

Hans Böckler
Stiftung

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The favourable economic situation that prevailed in Germany in 2011 allowed trade unions to adopt a much more assertive bargaining strategy in that year's negotiating round. This led to pay settlements considerably above those in the previous year. However, consumer price inflation, at 2.3 per cent, was almost twice as high as in 2010. As a consequence, calculated on an annualised basis and taking into account the longer duration of pay settlements, the average agreed rise in pay of 2.0 per cent was not sufficient to offset fully the increase in living costs. There were a number of agreed innovations during the year, affecting employer obligations to take on trainees on completion of vocational training and on working time arrangements. Binding sectoral minimum wages, as provided for under the mechanisms of the Posted Workers' Act, were raised and the scope of such provisions extended to more sectors.

1. Overview of the 2011 bargaining round

1.1 The context

Bargaining in 2011 saw a marked shift in emphasis. Whereas in 2010 the paramount trade union priority was to secure jobs, at least in those industries hit hardest by the economic crisis, the focus in 2011 moved to pay. This was mainly a reaction to the sustained improvement in the economic context to the pay round as result of the recovery that had become very evident during the latter part of 2010 (IMK, 2011). In the fourth quarter of 2010 GDP growth was running at 3.8 per cent, rising as high as 5 per cent in the first quarter of 2011. Nonetheless, growth slackened during the course of 2011, and by the final quarter there was even a small decline in GDP. The labour market also witnessed a recovery. The total number of economically active people in work rose by 1.3 per cent, and the number of employees registered for social insurance purposes by as much as 2.4 per cent. Registered unemployment fell from 3.34 million in January 2011 to 2.78 million by December (Bundesagentur für Arbeit, 2011). The growing economic and political turbulence associated with the unresolved euro crisis did not have a direct impact on collective bargaining as the German real economy remained largely unaffected by these external factors, at least during this period – although the economic context for the 2012 bargaining round has since deteriorated. During 2011, there was some political support for trade union demands for employees to share in the positive economic development, with a number of economists noting that the cost-neutral scope available for redistribution, based on inflation plus productivity growth, had widened to 3 per cent and possibly more.

There were several major conflicts over fundamental collectively-agreed standards during the year in addition to negotiations over pay. Notable examples included the printing industry and editorial staff on daily newspapers, where the employer side attempted to push through deep incursions into existing agreed provisions. This prompted many months of tough negotiations, in some cases accompanied by industrial action, until compromise solutions were achieved that ensured the retention of agreed standards. In other industries it proved possible to negotiate improved qualitative provisions, such as the 'equal pay' principle for agency employees in the steel industry – in which such staff were guaranteed the same terms and conditions of permanent employees – or the agreement on working time in the chemical industry in East Germany, in which individuals' arrangements can be configured to suit their current
life stage, such as shorter hours for parents and those approaching retirement.[1]

The regulation of the low pay sector and minimum wage setting were major and enduring issues in 2011. Negotiated sectoral minimum wages under the Posted Workers Act[2] were raised in stages and a number of new industries brought within the scope of the legislation. In addition, a generally-binding minimum wage was set for the agency employment sector, where the issue of minimum pay has been controversial for some years: this took place through an amendment to the legislation governing the branch (see below). A number of significant advances were also made in the field of contract compliance, with minimum wage levels set to apply for public procurement by several regional governments (*Länder*). However, as yet no concrete action has been taken on the issue of a national statutory minimum wage (see Section 3 below).

1.2 Trade union pay claims

Most trade union pay claims for the 2011 bargaining round were concentrated between 5 and 7 per cent. The only industry in which no specific claim was put forward was the hard coal industry, where the claim was for 'an increase in real pay'. Claims in the lower end of the scale were submitted in the textile and clothing industry (5 per cent), printing, and wholesaling in Baden-Württemberg (5.5 per cent in each case), with 6 per cent claims at Volkswagen and in the insurance industry. The highest claims in the major industrial branches were submitted by the chemical trade union IG BCE for the chemical industry and by the metalworkers' union IG Metall for the steel industry: in both cases, these unions called for a 7 per cent pay increase. One notable feature in some industries and bargaining unions was the claim for minimum cash amounts for all em-

[1] In this overview, 'East Germany' refers to the regions which constituted the former German Democratic Republic (GDR) and which joined 'West Germany' in 1990 as a result of German unification.

[2] Under the Posted Workers' Act (Arbeitnehmer-Entsendegesetz) minimum employment conditions may be set in specified branches. The original aim of the statute when adopted in 1996 was to provide for mandatory minimum conditions for employees posted to Germany by employers located abroad to perform services, in particular in the construction and associated industries. Since then, the law has been amended to allow minimum conditions to be set for any employee working in Germany, irrespective of their origin, provided a sector has been brought within the scope of the law. This has mainly taken the form of minimum wage rates that have been negotiated for this purpose by employer associations and trade unions in the relevant branches, which are extended by ministerial decree. Currently, ten branches are covered by the Act.

ployees. In the transport industry in North-Rhine Westphalia, for example, the services trade union ver.di submitted a claim for €95 for all employees. In retailing, also in North-Rhine Westphalia, the claim was for a 6.5 per cent rise but with at least €130 per month extra for all. And at Deutsche Telekom AG, the claim was for 6.5 per cent with a minimum of €170 a month. In the public sector (*Land* governments), agreed pay scales were to be raised by €50 for all employees, plus 3 per cent (see Table 1).

Table 1: Pay claims in the 2011 bargaining round in selected bargaining units

Bargaining unit	Trade union	Claim
Construction	IG BAU	5.9%
Chemicals industry	IG BCE	7%
Deutsche Telekom AG	ver.di	6.5%, and at least €170
Printing industry	ver.di	5.5%
Retail: North-Rhine Westphalia	ver.di	6.5 %, and at least €130
Iron and steel industry	IG Metall	7%
Power generation: North-Rhine Westphalia NRW (GWE Group)	IG BCE, ver.di	6.5%
Wholesale and export services: Baden-Württemberg	ver.di	5.5%
Wood and plastics industry	IG Metall	5.8%
Natural rubber industry	IG BCE	7%
Food-drink-hospitality	NGG	5-6%
Public sector (*Land* governments)	ver.di	€50 + 3% (average 5%)
Private transport (North-Rhine Westphalia)	ver.di	€95
Hard-coal mining	IG BCE	'increase in real pay'
Textile and clothing industry: West Germany	IG Metall	5%
Textile services	IG Metall	5%
Insurance sector	ver.di	6%, and at least €150
Volkswagen AG	IG Metall	6%

Source: WSI-Tarifarchiv as at 31.12.2011

The first agreements to expire ahead of the 2011 pay round were those for the public sector, covering staff in *Land* governments, and Deutsche Telekom, both of which fell due for renewal at the end of December 2010. This was followed by Volkswagen AG at the end of January 2011. Regional pay agreements in the chemical industry expired at the end of February in North-Rhine, Hesse, and Rhineland Palatinate. Other regions in the chemicals industry followed at the end of March and April. Agreements for construction, printing, the insurance industry, and wholesale and retail, as well as confectionery, in some regions expired at the end of March, with wholesale and retail in remaining regions running to the end of April, May, June and July. The pay agreement for the iron and steel industry in West Germany expired at the end of October, and negotiations for this branch signalled the effective start of the 2012 bargaining round.

There was no bargaining in the metalworking and electrical industries in 2011. On pay, a carryover provision in the 2010 settlement provided for an increase of 2.7 per cent in agreed rates from April 2011, with the agreement running until the end of March 2012. A number of other 2010 agreements included pay provisions that extended into 2012.

The main 2011 settlements in chronological order were as follows:

February

On 8 February 2011, excellent business results at Volkswagen AG enabled IG Metall to achieve an agreed rise of 3.2 per cent payable from 1 May 2011, with the agreement running until the end of May 2012. A lump-sum worth 1 per cent of annual pay, and at least €500, was paid to cover the period February-April 2011. Agreed increases of 3.4 per cent over 13 months were agreed in a number of energy companies (RWE, Vattenfall). In the West German textile and clothing industry, an agreement reached on 21 February 2011 provided for an initial two-month pay freeze (March and April), followed by a lump-sum of €250 for May-September; subsequently there was an agreed increase of 3.6 per cent in basic rates from 1 October 2011, with the agreement expiring at the end of October 2012. On 23 February 2011, the hospitality trade union NGG negotiated an increase of 2.9 per cent on basic rates from 1 April 2011, preceded by a two-month pay freeze (January and March). This will be followed by a 2.4 per cent increase from 1 July 2012, with the agreement running until the end of June 2013.

March

An agreement for public sector employees working in *Land* governments, excluding Hesse and Berlin, was reached on 10 March 2011. This provided for a lump-sum of €360 for all employees for the period from January to March, followed by an increase in basic rates of 1.5 per cent from 1 April 2011, and a further increase of 1.9 per cent plus a €17 additional uplift as from 1 January 2012. A comparable increase was negotiated for Hesse on 5 April 2011. The settlement in the chemical industry followed on 31 March 2011. After a one-month pay freeze, this provided for an increase in agreed basic rates of 4.1 per cent for a period of 14 months, with slightly different start and finish dates depending on region. This relatively short duration contrasts with a number of other agreements concluded in the 2011 round (see Section 3.2 below). As well as pay, the two sides also agreed to continue and extend an agreed scheme (‘Start in den Beruf’) that helps young people lacking the formal entry requirements for vocational training in the industry to qualify for such schemes through support and formalised instruction.

April

The negotiating parties in the construction industry concluded a settlement on 14 April 2011 after a reference to conciliation. Under the outcome, agreed pay rose by 3 per cent in West Germany and Berlin from 1 May 2011, after a one-month pay freeze for April, with a further increase of 2.3 per cent from 1 June 2012. In East Germany, there was a two-month pay freeze (April and May), followed by slightly higher increases than in the West. Agreement was also reached to raise the agreed binding minimum rates in the industry for West Germany, Berlin and East Germany in two stages from January 2012 and January 2013. The whole agreement runs until 31 December 2013.

June

In the retailing sector, the services union ver.di achieved its first regional settlement on 10 June 2011 in Baden-Württemberg. This provided for a two-month pay freeze followed by an increase in basic rates of 3.0 per cent from June 2011, with a further 2 per cent from June 2012, with a total duration for the agreement of 24 months. Agreements were also concluded on revising a number of aspects of the framework agreement for the industry that had become incompatible with statute law on equal opportunities and discrimination.

In late-June, and after six negotiating sessions and a concentrated series of token strikes intended to warn the employers of the union's determination, the negotiating parties in the printing industry reached agreement on reinstating the framework agreement for the sector without any of the concessions called for by the employers that had included lengthening working hours and reducing pay for auxiliary workers. Under the agreement, a lump-sum of €280 was paid to cover the period from April 2011 to July 2012, after which basic rates are to rise by 2 per cent from August 2012. A further one-off payment of €150 is payable in June 2013. The agreement expires at the end of 2013, yielding the unusually long overall duration of 33 months.

July

An agreement in the insurance branch, reached on 21 July, provided for a lump-sum of €350 to cover April to August (with €450 payable for lower paid workers), followed by an increase in agreed rates of 3 per cent from 1 September 2011 and a further 2.2 per cent rise from 1 October 2012, with the agreement expiring on 31 March 2013.

November

Negotiations in the iron and steel industry, which led to a settlement on 22 November 2011, set down a possible marker for the 2012 bargaining round. The agreement provides for a one-month pay freeze followed by a rise in agreed rates of 3.8 per cent from 1 December 2011, with the agreement expiring on 28 February 2013 (that is, 16 months in all).

Overall the range of settlements was wide, reflecting the differing economic circumstances of individual branches as well the relative power of trade unions and employers (see Table 2). For the employer side, this broad spread of settlements represented the most notable and positive aspect of the 2011 bargaining round. For example, although the national employer association, the BDA (Bundesvereinigung der Deutschen Arbeitgeberverbände) took issue with the 'excessive demands' with which the trade unions had initiated the pay round – encouraged by some members of the governing Conservative-Liberal coalition – they praised the 'differentiation in pay settlements' between industries that demonstrated 'that the epoch of the "convoy principle" in bargaining was now in the past' (BDA, 2011).

Table 2: Selected pay settlements in West and East Germany, 2011

Settlement	Bargaining unit	2011	2012	Duration of agreement (months)
09.12.2010 25.01.2011	**Deutsche Bahn AG**	**€500** lump-sum payment to cover the period August - December 2010 Four month pay freeze (January and February 2011) **1.8%** from 01.03.11	**2.0%** from 01.01.12 until 31.12.12	**29**
31.01.2011	**Private Transport** **(**North-Rhine Westphalia)	Four month pay freeze (December 2010 – March 2011) **3.1%** from 01.04.11	**1.7%** from 01.03.12 until 28.02.13	**27**
08.02.2011	**Volkswagen AG**	**1.0%** of annual agreed pay but at least **€500** lump-sum to cover the February-April 2011 **3.2%** from 01.05.11 until 31.05.12		**16**
21.02.2011	**Hard-coal industry**	**€600** lump-sum to cover the period January – March 2011. **3.3%** from 01.04.11 until 31.12.12		**24**
21.02.2011	**Textile and clothing industry** (West Germany)	Two-month pay freeze (March und April) **€250** lump-sum for the period May-September **3.6%** from 01.10.11 until 31.10.12		**20**
23.02.2011	**Hotels und hospitality** Baden-Württemberg	Three-month pay freeze (January - March) **2.9%** from 01.04.11	**2.4%** from 01.07.12 until 30.06.13	**30**
10.03.2011	**Public sector** *Land* governments	**€360** lump-sum to cover January - March **1.5%** from 01.04.11	**1.9%** plus €17 from 01.01.12 until 31.12.12	**24**
24.03.2011	**Textile industry** East Germany	Two-month pay freeze (April and May) **2.5%** from 01.06.11	**2.3%** from 01.04.12 until 31.03.13	**24**
25.03.2011	**Deutsche Telekom AG**, **Deutsche Telekom Service Subsidiaries**	Three-month pay freeze (January - March) (for some employee groups an increase of 2% from 1.01.11 instead of the pay freeze) **3.15%** from 01.04.11 Minimum rise of €75 per month until 31.01.12		**13**
28.03.2011	**Textiles cleaning services industry**	Two-month pay freeze (April and May) **2.7%** from 01.06.11 in West Germany: for East Germany, application of the cash value of the increases negotiated in the West to the East German pay scales	**2.3%** from 01.06.12 in the West: for East Germany, application of the cash value of increases negotiated in the West to the East pay scales, until 31.05.13	**26**
31.03.2011	**Chemicals industry**	One-month pay freeze, then **4.1%** to apply for the subsequent 14 months, with varying starting dates depending on bargaining region until 31.05./30.06./31.07.12		**15**

Settlement	Bargaining unit	2011	2012	Duration of agreement (months)
14.04.2011	**Construction**	After a one or two-month pay freeze (depending on region) (April and May) **3.0%** from 01.05.11 (West) **3.4%** from 01.06.11 (East)	**2.3 %** from 01.06.12 (West) **2.9%** from 01.08.12 (East) until 31.03.13. Increases in the binding sectoral minimum wage.	**24**
18.04.2011	**Confectionery**	One-month pay freeze (differs by region) **3.0%** from 05/06/07/08/09.11 or 02.12	**2.8 %** from 05/06/07/08/ 09.12 or 02.13 for 12 months	**25**
20.05.2011	**Wholesale and export services** Baden-Württemberg	One-month pay freeze April) **3.0%** from 01.05.11	**2.4%** from 01.05.12 until 31.03.13	**24**
10.06.2011	**Retail** Baden-Württemberg	Two-month pay freeze (April und May) **3.0%** from 01.06.11	**2.0%** from 01.06.12 until 31.03.13 €50 additional lump-sum pay-ment in April 2012	**24**
21.06.2011	**Wood and plastics industry** Westphalia-Lippe	€360 lump-sum to cover the period May-October **4.0%** from 01.11.11 until 31.12.12		**20**
29.06.2011	**Printing**	€280 lump-sum to cover the period April 2011 - July 2012	**2.0 %** from 01.08.12 until 31.12.13, €150 additional lump-sum in July 2013	**33**
11.07.2011	**Power generation** North-Rhine Westphalia (GWE Group)	**3.3%** from 01.07.11 until 31.08.12		**13**
21.07.2011	**Insurance sector**	€350 lump-sum to cover the period April- August (€450 for lower grades) **3.0%** from 01.09.11	**2.2%** from 01.10.12 until 31.03.13	**24**
22.11.2011	**Iron and steel industry** North-Rhine Westphalia, Lower Saxony, Bremen	One-month pay freeze (November) **3.8%** from 01.12.11 until 28.02.13		**16**
29.11.2011	**RWE Bargaining Group**	**2.7%** from 01.12.11 until 31.12.12		**13**
07.12.2011	**Paper manufacture**	€70 lump-sum for December	**3.0%** from 01.01.12 **1.6%** from 01.01.13 until 31.05.13	**18**

Source: WSI-Tarifarchiv as at December 2011

2. Pay developments – key data on the bargaining round

2.1 Pay

In 2011, unions affiliated to the Deutscher Gewerkschaftsbund (DGB) concluded wage and salary agreements covering 9.2 million employees: of these 7.9 million were in the former West Germany and 1.3 million in East Germany. This was equivalent to some 49 per cent of all employees covered by collective bargaining. A further 7.4 million employees were affected by increases already agreed in 2010 or before. Pay agreements for some 2.1 million employees expired in 2010 or previously without any agreement being concluded during 2011, and for which no pay increases were due.

Settlement rate

The settlement rate across the whole economy averaged 4.8 per cent (compared with 3.2 per cent in 2010), with 4.7 per cent in West Germany and 5.4 per cent in East Germany. This figure encompasses all increases in agreed pay scales, including those that take effect in 2012 or later. It excludes lump-sum payments and additional one-off sums that are not consolidated into agreed pay scales. The range of settlements extended from 3.4 per cent in the consumer goods sector, 4 per cent in local government, social security, energy and water, and mining to 4.3 per cent in the investment goods sector, 5.3 per cent in commerce, 5.5 per cent in construction and up to 5.8 per cent in horticulture, agriculture and forestry.

These aggregate settlement rates have only a limited explanatory value as they cover the entire duration of a pay agreement, which can vary considerably as between sectors. Focusing only on agreements concluded in 2011 and those increases that come into effect in 2011, then the settlement rate was 3 per cent overall (3 per cent in the West; 2.9 per cent in the East). Breaking these averages down further by sector yields a range extending from 1.5 per cent for local government and social security administration to 3.8 per cent in the raw materials and intermediate goods industry and in the consumer goods sector. It should be noted that the increases take effect at different times during the year, with correspondingly different effects on overall pay for employees in 2011.

Months in which no increases were payable (referred to as ‘pay freezes’ here or ‘zero months’ (*Nullmonate*) in German) played a much less marked role in 2011 than in the previous year. Although pay agreements with delayed increases in pay scales affected some 8.1 million employees, equivalent to 88 per cent of all employees who were subject to a pay settlement in 2011, compared with 6.9 million in 2010, the number of months overall involved in such freezes was much less than in the previous year. In all 78 per cent of employees with new agreements were obliged to wait for between one and five months before an increase in their basic pay rate, and 10 per cent had to wait for six or more months. For 2.2 million employees, that is 27 per cent of all employees affected by delayed rises, trade unions negotiated lump-sums in compensation that averaged €82 for each month of delay (€81 in the West and €86 in the East).

Duration of agreements

The trend towards agreements running for almost two years, observable over the past decade or so, continued in 2011. On average, pay agreements concluded in the 2011 round had a duration of 22.8 months (compared with 24.3 months in 2010). Some 1.5 million employees (16 per cent of all those covered by a new pay agreement) were subject to an agreement running for between 11 and 15 months; for 0.4 million (4.3 per cent), the agreement ran from 16 to 19 months; and for 7.3 million (79.7 per cent), the agreement was for 20 months or more. Overall, agreements in the East were set to run for around one month longer than in the West.

Table 3: Duration of agreements (in months)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All Germany	14.5	18.3	20.5	21.8	25.7	22.1	22.2	22.4	24.1	24.3	22.8
West	14.1	18.1	20.4	21.8	25.2	21.6	22.2	22.2	24.3	23.6	22.6
East	16.4	19.7	21.0	22.0	28.4	24.7	21.9	23.4	23.2	28.3	23.9

Source: WSI-Tarifarchiv as at 31.12.2011

Annual rise in collectively-agreed pay

In contrast to the settlement rate, the rate of increase in collectively-agreed pay for the calendar year is calculated by taking into account the effect of the timing and duration of pay settlements together with any carryover provisions from the previous year as well as additional lump-sums and any one-off payments made to compensate employees for delays in reaching settlements (for example, if a settlement is only reached after the previous agreement has expired). The annual increase in collectively-agreed pay is measured in terms of the whole of 2011 in relation to the preceding year, and encompasses a total of 16.8 million employees.

For the whole of Germany, the annual rise in agreed remuneration in 2011 was 2 per cent compared with 2010 (in 2010 the corresponding rise was 1.8 per cent: see Table 3). The highest rate of increase, at 2.8 per cent was in private services and non-commercial organisations, followed by construction and food, drink and tobacco, with 2.3 per cent, and raw materials and the intermediate goods sector, with 2.2 per cent. The consumer goods sector and commerce were precisely in line with the average at 2 per cent. Below- average rates of increase were recorded in the capital goods sector, local government and social security administration, where the rise was 1.8 per cent. Horticulture, agriculture and forestry were below this at 1.6 per cent, and agreed pay in financial services was the lowest in sectoral terms at 1.1 per cent. Regionally, the annual rise in East Germany was 2.2 per cent, and in the West 2 per cent.

The annual rise for 2011 was negatively affected by the impact of long term settlements from 2010: while 2010 carryover provisions provided for an increase of 1.9 per cent, new settlements for 2011 were worth 2.1 per cent – yielding an average of 2 per cent.

Pay agreements covering some 281,000 employees expired in 2011 without any fresh settlement being achieved by year-end. However, this number is not sufficiently large to have any impact on the calculation of the overall annual rise.

Agreements for a further 1.7 million employees expired in 2010, and in some cases before this, without any succeeding agreement being concluded (although previous agreed pay continues to apply). If this group is included, then the annual rise in agreed pay for *all* employees covered by a collective agreement falls to 1.8 per cent for 2011.

The annual rise in agreed pay for 2011 of 2 per cent is below the rise in living costs of 2.3 per cent. As a consequence, agreed basic pay fell on average by 0.3 per cent.

Table 4: Rise in agreed pay in 2011 in % [1]

Sector	East	West	All-Germany
Horticulture, agriculture, forestry	1.8	1.6	1.6
Energy and water, mining and quarrying	0.1	2.4	2.1
Raw materials and intermediate goods	2.4	2.2	2.2
Capital goods	1.6	1.8	1.8
Consumer goods	2.0	2.0	2.0
Food and drink	3.0	2.2	2.3
Construction	2.3	2.3	2.3
Commerce	1.9	2.0	2.0
Transport and communications	0.9	1.6	1.6
Banking and insurance	1.1	1.1	1.1
Private services, non-commercial organisations	3.6	2.6	2.8
Government and social security	1.9	1.8	1.8
Whole economy	2.2	2.0	2.0

[1] Annual increase in agreed basic pay for 2011 in relation to 2010.

Source: WSI-Tarifarchiv as at 31.12.2011

Earnings

Earnings in 2011 enjoyed a recovery compared with 2010, when the crisis was still in an acute stage. Total earnings in the whole economy rose by 4.8 per cent in 2011. Calculated on a monthly basis, earnings per employee rose in nominal terms by 3.4 per cent; on an hourly basis they were up by 2.8 per cent. Adjusted for inflation, this meant that real earnings rose by 1.1 per cent on a monthly basis and 0.5 per cent on an hourly basis.

This generated positive wage drift for 2011, as already evident to a lesser extent in 2010. One factor in this is working time, with a fall in short-time working and increased overtime; in addition, the recovery is also likely to have led some employers to unilaterally grant bonuses that are in addition to agreed pay.

The average rise in agreed pay of 2 per cent for 2010 fell far short of fully exhausting the cost-neutral scope for nominal pay growth, which is the sum of inflation and whole economy productivity growth and which equalled 3.5 per cent in 2011. The growth in earnings on a monthly basis at 3.4 per cent was just slightly below this measure, but the hourly increase, at 2.8 per cent, was considerably below.

In terms of the functional distribution of income, total income from property, interest and corporate profits rose by 1.5 per cent, compared with total earnings from employment at 4.5 per cent.

Table 5: Data on economic developments and distribution 2011
- Change over the previous year in % -

	2011
Consumer prices	+2.3
Hourly labour productivity	+1.2
Cost-neutral scope for distribution (inflation + productivity growth)	+3.5
Agreed pay	**+2.0**
Gross earnings per employee	+3.4
Gross earnings per hour	+2.8
Hourly wage costs	+1.5
Income from profit, interest and rent	+1.5

Source: Federal Statistics Office, WSI-Tarifarchiv

Pay convergence between East and West Germany

The extent to which agreed pay in East Germany has converged with that of the West can be ascertained by looking at the overall development of agreed basic pay. As of 31 December 2011, and based on 50 bargaining units with 1.63 million employees, pay in the East stood at 96.5 per cent of its level in the West – virtually unchanged from the previous year.

Table 6: Agreed pay East/West in %

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
92.3	92.8	93.4	94.0	94.6	95.1	95.2	96.8	96.1	96.6	96.5

Source: WSI-Tarifarchiv as at 31.12.2011

Trainees’ pay

Pay for trainees rose faster in 2011 than in the preceding year. According to the Federal Institute for Vocational Training (Bundesinstitut für Berufsbildung) trainees’ pay rose by 3.2 per cent (West: 2.9 per cent; East: 4.9 per cent), (BIBB, 2012). This average figure concealed large variations by individual bargaining unit. Taking trainee pay in third year of training as the basis, the range of increases extends from 1.1 per cent to 12.4 per cent. In five bargaining units, there was no increase at all.

2.2 Working time

Weekly working hours remained broadly constant over the past year. At the end of 2011, average agreed weekly working hours stood at 37.7 for the whole of Germany (West - 37.5: East - 38.8) (see Table 7). However, given the extensive scope for workplace deviation from agreed industry-level provisions and the wide range of flexible arrangements (such as individual working time accounts and long reference periods over which agreed hours must be averaged), aggregate and branch figures for agreed working time represent a basic reference figure rather than precisely depicting actual working time levels and provisions.

Agreed annual holiday entitlement stood at 30 days (West: 30.1; East 29.5), unchanged from the previous year: this represents the maximum entitlement under agreements where the number of days depends on seniority.

Based on this and other working time elements, average annual agreed working hours on all-German basis amount to 1,695.5 (West: 1,694 and East 1,713.6).

Table 7: Agreed working time arrangements 2011

Agreed provision	East	West	All-Germany
Average weekly working hours	38.8	37.5	37.7
Percentage of employees with:			
Up to and including 35 hours	7.1	24.7	21.8
36 - 37	5.3	9.0	8.3
37.5 – 38.5	30.8	36.7	35.7
39 - 40 and above	56.4	29.2	33.6
Annual holiday entitlement (days) [1]	29.5	30.1	30.0
Annual agreed hours	1,713.6	1,649.0	1,659.5

[1] Maximum entitlement, where dependent on seniority

Source: WSI-Tarifarchiv as at 31.12.2011

3. Low pay and minimum wages – recent developments

A large proportion of the workforce continues to be employed in the low-wage sector, as demonstrated by many indicators, such as the 'Socio-economic Panel' data (IAQ, 2010) and the employment statistics produced by the Federal Employment Service (Bundeagentur für Arbeit) (Schulten, 2011). These indicate that 21 per cent of full-time employees were paid below the 'low pay threshold' of two-thirds of the median wage.

Table 8: Share of full-time employees on low pay, in %

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
16.9	17.3	17.6	17.9	18.4	19.0	19.5	20.1	20.4	20.5	20.4	20.9

Separate reference data for two-thirds of the median wage are used for West and East Germany.

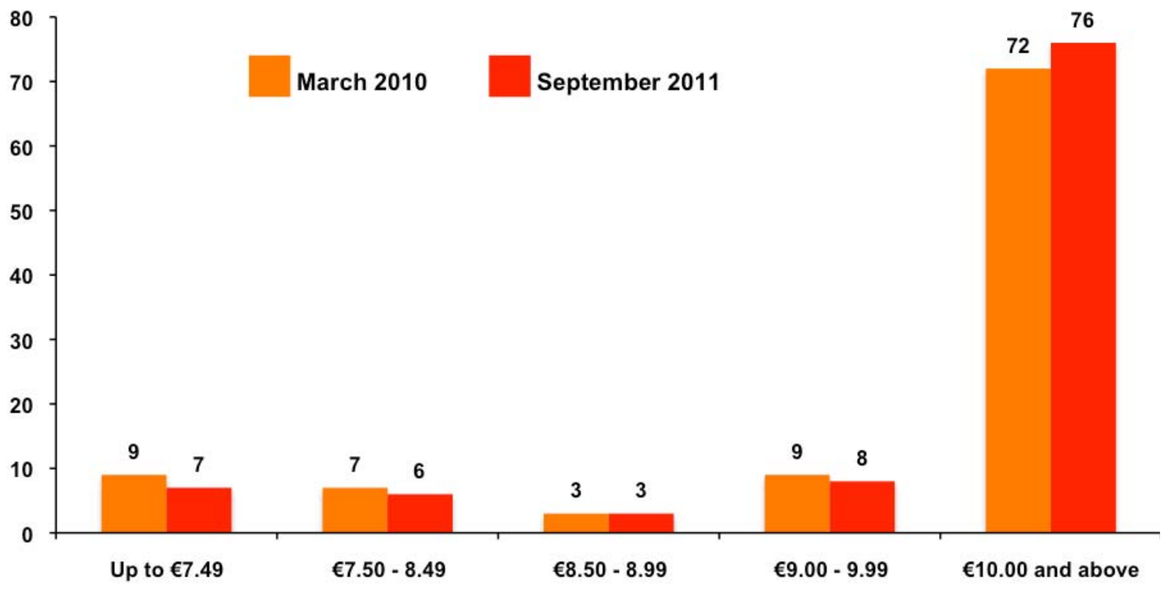
Source: Bundesagentur für Arbeit, employment statistics

Given the persistence of the problem of low pay, it is not surprising that this issue was the focus of intensive discussion and some conflict at a variety of levels, both in terms of policy as well as in the field of collective bargaining.

3.1 Collectively-agreed low pay

A study conducted by the WSI-Tarifarchiv of some 4,700 agreed pay scales in early-2010 indicated that around 16 per cent of grades in these scales lay below the hourly minimum wage of €8.50 currently called for by German unions. A repeat of the study in September 2011 registered a marked improvement, with the proportion of such grades falling to 13 per cent. In particular, there was a drop in the number of grades below €7.50 per hour in such typical low-wage branches as security, horticulture, hairdressing, commercial cleaning, and hotels and catering (Bispinck/WSI-Tarifarchiv 2011).

Figure 1: Agreed pay grades by hourly wage in %



Source: WSI Tarifarchiv as at September 201

3.2 Minimum wages under the Posted Workers' Act

Trade union aspirations in this area have been, firstly, to raise the existing agreed sectoral minimum wages that are declared binding on all employers in a sector under the Posted Workers' Act and where appropriate to ensure that the appropriate statutory instruments are issued once negotiations on such wage rates have been successfully concluded; and secondly, to argue for more branches to be brought within the scope of the Act. These efforts have enjoyed mixed success.

New minimum wages

- *Forestry services:* West and East: On 12 October 2010, the construction and forestry union IG BAU negotiated a minimum wage for this sector of €10.52, which was set to rise to €10.78 on 1 January 2011. However, as yet, this branch has not yet been brought within the scope of the Posted Workers' Act.
- *Stonemasonry:* a minimum wage was negotiated for this sector for the first time on 8 March 2011 in the West (8 December 2011 in the East) at a rate of €11.00 for West German and Berlin, and €9.75 for the East, excluding Berlin. An application has

been lodged to have this extended under the Posted Workers' Act but this has not yet taken place.

- *Scaffolding*: the first minimum wage for this sector was successfully negotiated. The initial rate was €9.50, with a proposed rise to €10.00 from November 2012. As yet this has not been declared generally binding.

Increases to existing minimum wages

- *Security services*: East and West. On 11 February 2011 ver.di negotiated a revised collective agreement providing for a minimum wage for employees in security and property guarding services. There were different rates by region of €6.53 and €8.60, rising in stages by the beginning of 2013 to €7.50 and €8.90. The statutory instrument came into force on 1 June 2011.
- *Construction*: the pay settlement concluded on 14 April 2011 provided for increases in the two minimum rates applicable in the West (for unskilled and skilled) of €11.00/13.00 at the beginning of 2012 and 2013. The single minimum rate in the east of €9.75 will also increase in 2012 and 2013 (see Section 3.3 below). The corresponding statutory instrument was issued in October 2011.
- *Waste disposal*: the duration of the existing minimum wage agreement was extended on 16 June 2011, providing for an increase in the rate from €8.24 to €8.33 from 1 September 2011 with the agreement now running until 31 March 2012.
- *Specialist mining services companies*: an agreement concluded on 22 March 2011 raised the existing minimum wages for this employees in this group from €11.17 and €11.53 (differentiated by skill level) to €12.41 and €12.81. The statutory instrument has also been issued to make these binding.
- *Commercial cleaning*: following the settlement on 24 August 2011, the minimum wage for internal cleaning and upkeep for West German and Berlin remained constant at €8.82 and for East Germany to €7.33, and for glass and external cleaning at €11.33/8.88. An increase will take place at the beginning of 2013. The rates have already been declared legally binding.

By the start of 2012, minimum wages set under the Posted Workers' Act were in force in 10 branches, with negotiated minima awaiting formal extension in a further five.

3.3 Minimum wage level under the Employment Agency Act

In May 2006, an hourly minimum wage for the temporary agency work sector of €7.00 in the West and €6.10 in the East was agreed between DGB unions that had formed a single-table bargaining consortium (known as 'DGB Tarifgemeinschaft Zeitarbeit') and the two largest employer associations in the agency branch (the Bundesverband Zeitarbeit and the Interessenverband Deutscher Zeitarbeitsunternehmen). They then applied for agency working be brought within the scope of the Posted Workers' Act in February 2008, but the parties of the then ruling national coalition (the Conservatives CDU/CSU parties and the Social Democrats) were unable to agree on whether this should go ahead. The CDU/CSU and Liberal coalition, which formed the national administration in autumn 2009, also rejected the application but after a protracted controversy allowed a provision for a minimum wage to be included in the Employment Agency Act (Arbeitnehmerüberlassungsgesetz) by means of a formal proposal to the Labour Minister.

In December 2011, the Federal Labour Ministry gave its approval to the proposal from the negotiating parties, allowing a binding minimum wage to take effect throughout the sector some five years after the first pay agreement was concluded. The minimum rates are €7.89 in the West and €7.01 in the East, rising to €8.19/7.50 on 1 November 2012.

The trade union call for the application of the 'equal pay principle', under which agency workers should receive the same wages as direct workers at a client company from the first day of an assignment with a corresponding statutory provision, met without success despite rising political pressure. The Federal government rejected this proposal, instead calling on the collective bargaining parties to deliver a joint proposal for a period of time from the start of an assignment after which 'equal pay' should apply. In spring 2012 a special commission[3] is due to establish this period should the two sides in the sector be unable to agree on a joint proposal.

3.4 Legislation on contract compliance and minimum wages in public procurement

2011 also saw a 'renaissance' of statutory provisions on contract compliance. Eleven *Länder* regional governments, out of a total of 16, now require, or plan to require, compliance with agreed standards in public procurement. The following *Länder* have also set a minimum wage that applies to companies when engaged in supplying or working for public authorities:

- Berlin: €7.50 (since July 2010)
- Brandenburg: €8.00 (from January 2012)
- Bremen: €8.50 (from April 2011, previously €7.50)
- Rhineland-Palatinate: €8.50 (since March 2011)
- North-Rhine Westphalia: €8.62 (adopted, likely to come into force in the first half of 2012).

Other *Land* governments with statutory initiatives that would require minimum wages are Baden-Württemberg (planned €8.50) und Hamburg (not yet confirmed). According to the coalition agreement for Mecklenburg West Pomerania, the government intends to introduce a minimum wage of €8.50, and Berlin will raise its minimum to €8.50.

3.5 The debate over the introduction of a statutory minimum wage

Despite the progressive spread of industry-level minimum wages under the Posted Workers Act, debate has continued over the desirability of a national minimum wage covering all sectors. Within the Conservative Christian Democratic Union (CDU), representatives of its 'employee wing', led by the former North-Rhine Westphalia Labour Minister, Karl-Josef Laumann, have sought to win support for a proposal, under which a minimum wage would be set based on the minimum for the agency employment sector.

[3] Known as the 'Kommission zur Findung einer Höchstabweichungsdauer von Equal Pay'

Laumann has argued that such a provision would not constitute a statutory minimum wage on the grounds that it had been negotiated by the collective bargaining parties themselves and already applies across all branches by virtue of the fact that it covers agency employees, who are used throughout the economy. This suggestion met with the general support of the Federal Labour Minister, a CDU member, and Chancellor Merkel has also spoken in favour of general wage floor. A CDU internal commission was asked to develop a proposal that could be put before the CDU party conference, held in Leipzig in November 2011. However, vehement objections from the CDU business 'faction' led to the initial proposal being diluted. The final resolution adopted by the conference ran as follows:

> *The CDU considers that it is necessary to introduce a general and binding wage floor in those sectors of the economy in which there is no collectively-agreed wage. This wage floor will be set by a commission of the collective bargaining parties and should be guided by those negotiated minimum wages that have already been declared generally binding. The Commission will be entrusted with making further specifications and any additional differentiation. We want a wage floor that is determined by the collective bargaining parties and which is, therefore, based on the principles of a market economy – not a political minimum wage (*CDU, 2011*).*

Trade union responses to this suggested that they remain unconvinced. The resolution was characterised by Claus Matecki, a member of the DGB Executive Committee, as certainly not 'the main event', but, nonetheless, at least a sign that certain realities had been acknowledged. It remains to be seen whether the CDU succeeds in inducing its Liberal coalition partner to go along with implementing this 'minimum wage lite'. What is seen as unacceptable by trade unions is that such wage floors would only apply where there is no collective agreement. This would mean that many hairdressers and florists, for example, would still be paid wages that are, in some cases, below €5.00 an hour.

On 9 December 2011, the *Land* governments of Baden-Württemberg, Rhineland-Palatinate and North-Rhine Westphalia – all of which are governed or co-governed by the Social Democrats – put forward a so-called 'resolution proposal' to the Federal Parliament that called on the Federal government to introduce, without delay, a national statutory minimum wage that should not be less than €8.50 an hour (Bundesrat 2011).

4. Prospects

For many bargaining units, the paramount issue in the 2012 will be to secure a substantial pay increase. As with previous pay rounds, the settlement in the steel industry, concluded in November 2011, gives some indication of the likely trend for the coming year. A number of major bargaining units that often have a pattern-setting effect will negotiate in 2012, including: public sector (Federal government, local authorities), where the current agreement expires at the end of February; metalworking and electrical engineering (March 2012), and Volkswagen and the chemical industry (May to July 2012). Negotiations were already underway in some branches when this review was compiled. Claims submitted range between 5 per cent and 7 per cent. One early settlement has been at Deutsche Post AG, providing for a lump-sum payment of €400 and a rise in basic rates of 4 per cent from 1 April 2012 until March 2013.

Regulating agency employment and the issue of taking on trainees will also play a role in the 2012 bargaining round. Negotiations on these topics have already begun in the metalworking industry.

The economic environment for the next bargaining round is beginning to appear increasingly challenging, with a recession expected for Europe as a whole and stagnation in Germany. A growing number of economists (Wagner 2012, IMK 2012) have argued that full exhaustion of the scope for redistribution (that is, inflation plus productivity growth) would contribute towards stabilising domestic demand: this would imply average increases in agreed pay for the whole year in the order of 3-3.5 per cent.

Increases have already been agreed for 2012 and 2013 in a number of sectors, with settlements running between 1.6 per cent and 2.9 per cent (see Table 9).

Table 9: Agreed increases for 2012/2013

Bargaining unit	Rise	From (2012)	until
Construction	**2.3%** (West) **2.9%** (East)	06 08	03/2013
Deutsche Bahn AG	**2.0%**	01	12/2012
Printing	**2.0%** €150 additional one-off payment	08 07	12/2013
Retail (Baden-Württemberg)	**2.0%** €50 additional one-off payment	06 04	03/2013
Wholesale & export (Baden-Württemberg)	**2.4%**	05	03/2013
Hotels & hospitality (Baden-Württemberg)	**2.4%**	07	06/2013
Public sector (*Land* governments)	**1.9%** plus **€17**	01	12/2012
Paper manufacture	**1.6%**	01/2013	05/2013
Postbank AG	**2.4%**	04	04/2013
Private transport (North-Rhine Westphalia)	**1.7%**	03	02/2013
Confectionery	**2.8%**	Varies by region 05-09/2012 and 02/2013	Varies by region 04-08/2013 and 01/2014
Textile cleaning and services	**2.3%**	06	05/2013
Textile industry (East)	**2.3%**	04	03/2013
Insurance	**2.2%**	10	03/2013

Source: WSI-Tarifarchiv as at December 2011

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