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Annual Collective Bargaining Report 2014

Between the minimum wage and collective bargaining unity

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The outlook for collective bargaining in 2014 was dominated by two political issues: the introduction of a national statutory minimum wage and proposals for a legal regulation of the precedence of collective agreements where more than one trade union organises in a workplace or bargaining unit ('collective bargaining unity' – Tarifeinheit). Both issues also influenced the course of negotiations. In the case of the minimum wage, this had a direct impact on bargaining in low-wage branches; in the case of 'bargaining unity', there were repercussions at the national railway undertaking, Deutsche Bahn AG, where competing trade unions have sought to represent some groups of employees.

Collectively-agreed pay increases of over 3% were achieved in many branches and bargaining units during the 2014 pay round. Given the very low rate of consumer price inflation, real agreed pay on an annualised basis rose by some 2%. The 2015 pay round, which began as this report was compiled, is likely to take place under slightly more favourable economic circumstances.

1 Overview of the 2014 bargaining round

1.1 The context

The dominant feature of the political context for the 2014 pay round was the existence of the Grand Coalition (Christian Democrat/Social Christian and Social Democrats), which emerged from the national elections held in September 2013 and which began work in December of that year. The coalition agreement included a number of proposed reforms of relevance to collective bargaining in a section entitled 'Modern Employment Law'. These included: introduction of a statutory minimum wage; statutory regulation of the principle of 'collective bargaining unity', which would create a mechanism for determining which of several potentially competing agreements would apply exclusively to a single group of employees in a bargaining unit; changes to make it easier for collective agreements to be extended to non-signatory employers; amendments to the law on posted workers to enable all branches to be brought within its scope; and regulations on temporary agency work and contracts for services, where these are used to circumvent employment law provisions. The two-year transitional period provided for in the Minimum Wage Act led to a number of collective agreements in low-paid branches, under which the minimum hourly rate in these sectors would move in stages towards the statutory rate of €8.50. The planned statutory regulation on 'collective bargaining unity' influenced the dispute at Deutsche Bahn AG, where two trade unions – the industry union EVG (Eisenbahn- und Verkehrsgewerkschaft) and the train drivers' union GDL (Gewerkschaft Deutscher Lokomotivführer) were negotiating with the company over new agreements. Whereas the Minimum Wage Act – despite some specific criticisms – was seen as representing a major advance in social policy, the release of draft legislation on collective bargaining unity prompted a vigorous political and legal debate that ran through, and across, all the political camps (see Section 4.1).

Over the summer of 2014, a public debate on wages policy was triggered by comments made by the chief economist of the Bundesbank Jens Ulbrich (*Der Spiegel*, 30/2104), who characterised pay growth as 'very moderate' in the light of the favourable economic environment, low employment, and a positive outlook. He argued strongly that pay settlements should make full use of the 'margin for distribution' – that is, the sum of the target inflation rate of the European Central Bank (ECB) and productivity growth. The background to this was growing concern about the prospects for deflation in Europe, which stronger pay growth might offset. Similar observations were made by the chief economist of the ECB, Peter Praet, and representatives of other institutions.

The economic context for the 2014 collective bargaining round was markedly better than that of the previous year, reflecting the improvements that had taken place over the course of 2013. Gross Domestic Product (GDP) had begun to grow from the second quarter of 2013, although the rate of growth, adjusted seasonally and to reflect the number of working days, remained modest. The economic position initially improved further during the first quarter of 2014, and the main economic forecasting institutes progressively raised their expectations for growth. This improvement was also reflected in the labour market. In 2013, the number of economically active persons in employment rose by some 230,000 (+0.6%) to 41.84 million, and the number of employees registered for social insurance purposes increased more rapidly, by 1.2%, to 29.27 million. However, the number of registered unemployed persons continued to grow, which, according to the Federal Employment Agency, was primarily due to the reduced impact of measures in place to support the labour market (BA 2014: 42).

Trade union pay claims ranged between 4.5% and 7.0%, broadly in line with the preceding year. In the private sector, the claim for a 5.5% increase in the chemical industry submitted by trade union IG BCE was an important marker, mirrored by identical claims in printing, the daily press, post, transport and logistics, and at Deutsche Telekom AG. As in the two previous years, the food and hospitality trade union NGG put in claims of 5.0-6.0%, with a minimum agreed hourly rate of €8.50.

However, there were some notable departures from this central trend. The upper end of the range was set in construction, where union IG BAU put in a claim with an overall value of 7.0% that included a pay rise, additional amounts for reimbursement of travel expenses, and improvements to the industry supplementary pension scheme. The lower range of claims was found in the wood and synthetic materials industry, where a claim for 4.5% was submitted. Union IG Metall claimed 5% in the steel industry.

Claims for a 'social component' – higher rises for the lower paid – played a major role in the 2014 pay round. Trade union ver.di put in a claim for a €100 rise in monthly salary plus a general increase of 3.5%, totalling some 7.0%, for federal and local authority employees. ver.di submitted the same claim for the private banking sector. At Deutsche Telekom, the union called for higher percentage increases for the lower paid.

In addition to pure pay claims, qualitative issues played a role in some bargaining units. These included a right for trainees to be hired on completion of training, developing so-called 'demographic collective agreements', which aim to address the changing composition of the workforce, agreements to maintain phased early retirement arrangements, and company pension schemes. In the steel industry, the union submitted a claim that called for self-employed contracts to meet minimum fairness requirements.

The sequence of bargaining was determined by the dates on which preceding agreements expired, as indicated below:

- At the end of September 2013, agreements expired for the chemical industry in North-Rhine, Hesse and Rhineland-Palatinate, and for printing, private waste disposal, and some health insurance funds (AOK, Barmer GEK).
- Agreements expired at the end of January 2014 for other regions in the chemical industry (excluding Saarland and East Germany)[1] and at Deutscher Telekom AG.
- In February 2014, agreements expired for the public sector (Federal government and local authorities) and for the chemical industry in Saarland and East Germany.
- At the end of April, negotiations were set to begin in construction, banking, wood and synthetic materials (Schleswig-Holstein), and hotels and restaurants (North-Rhine Westphalia).
- Negotiations were due to begin from the end of May in the iron and steel industry (excl. Saarland) and bargaining areas in the private transport sector.
- In June, agreements were set for renewal in the rubber industry and the porcelain branch in Baden-Württemberg and Bavaria.

There were no negotiations in 2014 in some branches where multi-year agreements had been concluded in previous years: these included metalworking and electrical, retail, wholesale and foreign trade, and regional (*Land*) government.

1.2 Settlements

The key settlements in 2014 were as follows.

February

On 5 February, a settlement in the *chemical industry* set a significant marker for the private sector. The 14-month agreement provided for a rise in agreed pay of 3.7% after a one-month pay pause.

There was a 2.4% settlement in the *energy industry* (including E.ON) on 14 February with a further 2.1% rise from February 2015 in a 24-month agreement to January 2016.

On 11 February, union NGG secured a rise of 3.0% from March 2014 (after a one-month pay pause) in the East German *confectionery* industry, with a further 2.6% from March 2015: the entire agreement runs for 23 months until December 2015.

March

On the 12 March, union IG BAU secured a settlement in the *painting and varnishing* branch that provided for a €50 lump sum to cover the five months from October 2013 to February 2014, then a 3.2% increase in agreed rates from March 2014 and 2.55% from June 2015, with additional increases to advance pay convergence between West and East Germany. The agreement runs for 31 months to April 2016.

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

A two-year agreement for *breweries* in Bavaria, concluded on 25 March, raised agreed rates by 3.9% from March 2014 with a further rise of 2.7% from March 2015.

April

The second key agreement in the 2014 bargaining round was concluded on 1 April in the public sector for federal government and local authority employees, after three negotiating rounds and a wave of warning strikes. This provided for an increase of 3.0%, or at least €90 per month, from March 2014, followed by a further increase of 2.4% from March 2013, with a total duration of 24 months to February 2016 (see 3.2).

Employees at *Deutsche Telekom AG* received an agreed rise of 2.9% from April 2014, following a 24-month agreement reached by ver.di on 9 April. Staff in higher grades received 2.5%. There is a further rise for all of 2.1% from February 2015.

On 14 April, an agreement was reached for the *printing industry* after four rounds of negotiations. Under the settlement, there was a four-month ‘pay pause’ (January to April 2014) with a deferred increase of 3.0% from May 2014, a further rise of 1% from April 2015. The agreement runs for 27 months in all. Following the expiry of the ‘peace clause’ under the standing bargaining arrangements for the industry, negotiations were accompanied by industrial action in the form of widespread ‘warning strikes’.

The bargaining round for editors employed in the *daily press* proved especially difficult, and was resolved on 24 April with the following settlement. Following a pay pause of nine months (August 2013 - April 2014), salaries rose by 2.5% from May 2014 with a further 1.5% from April 2015: the agreement extends for 29 months in all to December 2015. A five-year framework agreement was also negotiated, running to December 2018. This included a staged reduction in holiday and annual bonus from 1.75 months’ salary to 1.5, with a cut in the holiday entitlement for new starters to 30 days (see 3.3).

May

The settlement in the *construction* industry on 6 May provided for a one-month pay pause followed by an increase of 3.1/3.8% (West/East) from June 20-14, with a further rise of 2.6/3.3% from June 2015. The 24-month agreement runs until April 2016.

On 22 May, IG Metall agreed a pilot settlement for the *wood and synthetic materials* branch in the Westphalia-Lippe region. This included a lump-sum of €160 to cover four months, followed by 3.0% rise from September 2014. The 20-month agreement runs to December 2015. These provisions were applied largely unchanged in other regions.

June

A thirteen-month agreement for the *fine porcelain* industry in West German, concluded on 3 June, increased basis rates by 3.1%, from June or July 2014 (depending on region).

On 23 June, ver.di agreed a settlement for the *private transport* branch in North-Rhine Westphalia. Following a one-month pay pause, pay rose by 2.0% from July 2014, with a further rise of 3.2% from July 2015. The 27-month agreement runs to August 2016.

Agreement was reached on 30 June in the third round of talks in *banking*. After a two-month pay pause, salaries were to rise in two stages: 2.4% from July 2014 and a further

2.1% from July 2015 in a 24-month agreement to April 2016. An additional one-off payment of €150 was payable in January 2015.

October

Following a decision of the Bundestag, the settlement for the public sector was applied to civil servants, who do not have collective bargaining rights (see 3.2).

Table 1: Selected pay claims and settlements, 2014

Settle-ment date	Bargaining unit	Claim	Pay settlement	
			2014	**2015**
05.02	**Chemical industry**	5.5%	One-month pay pause **3.7%**, with differing start dates by region (from 02/03/04/2014). Duration of agreement: 14 months to 02/03/04/2015	
11.02.	**Confectionery**	6.0%	One-month pay pause **3.0%** from 03/2014	
14.02.	**Energy sector** *(Tarifgemeinschaft Energie* - includes EON)	5.0% - IG BCE 5.8 % - ver.di	**2.4%** from 02/2014	**2.1%** from 02/2015. Duration: 24 months to 01/2016
12.03.	**Painting & varnishing** (small firms – handicraft) (excl. Saarland)		One-off €50 lump-sum for five months **3.2%** from 03/2014 (additional rises for convergence to West German rates for East Germany)	**2.55%** from 06/2015. Duration: 31 months to 04/2016
25.03.	**Brewing,** Bavaria		**3.0%** from 03/2014	**2.7%** from 03/2015. Duration: 24 months to 02/2016
01.04.	**Public sector** (Federal government and local authorities)	€100 + 3.5%	**3.0%** or at least €90 per month from 03/2014	**2.4%** from 03/2015. Duration: 24 months to 02/2016
09.04.	**Deutsche Telekom AG**	5.5%, higher for lower grades	Two-month pay pause **2.9%** from 04/2014; 2.5% for em-ployees in higher salary grades.	**2.1%** from 02/2015. Duration: 24 months 01/2016
14.04.	**Printing**	5.5%	Four-month pay pause **3.0%** from 05/2014	**1.0%** from 04/2015. Duration: 27 months to 03/2016
24.04.	**Daily press** (editorial staff)	5.5%	Nine-month pay pause **2.5%** from 05/2014	**1.5%** from 04/2015. Duration: 29 months to 12/2015
06.05.	**Construction**	7.0%	One-month pay pause **3.1/3.8%** West/East from 06/2014	**2.6/3.3%** West/East from 06/2015. Duration: 24 months to 04/2016
19.05.	**Hotels & restaurants** Saarland		€125 lump sum to cover five months. **3.0%** from 06/2014	**2.5%** from 01/2015 Duration: 24 months to 12/2015
23.05.	**Wood & synthetic materials** Westfalen-Lippe (lead settlement)	4.5 %	€160 lump sum to cover four months. **3.0%** from 09/2014, Duration: 20 months to 12/2015	
03.06.	**Fine porcelain** West Germany	5.0%	**3.1%** regionally varying start dates from 07/08/2014 Duration: 13 months to 07/08/2015	
12.06.	**Metal trades** (excl. electrical, vehicle repair, plumbing, cold storage installation)	5.5%	One-month pay pause **1.8%** from 08/2014	**2.0%** from 03/2015, **1.8%** from 01/2016 Duration: 24 months to 06/2016

	Lower Saxony			

Settle-ment date	Bargaining unit	Claim	Pay settlement	Settlement date
23.06.	**Private transport** North-Rhine Westphalia	5.5%	One-month pay pause **2.0%** from 07/2014	**3.2%** from 07/2015. Duration: 27 months to 08/2016
30.06.	**Banking**	€100 + 3.5%	Two-month pay pause **2.4%** from 07/2014	**2.1%** from 07/2015. €150 non-consolidated payment. Duration: 24 months to 04/2016
07.07.	**Rubber**	5.5%	One-month pay pause **3.3%** from 08/2014	**2.8%** from 09/2015. Duration: 23 months to 05/2016
08.07. / 10.07.	**Iron and steel** North-West Germany/East Germany	5.0%	One-month pay pause **2.3%** from 07/2014	**1.7%** from 05/2015. Duration: 17 months to 10/2015
30.10.	**Paper**	5.5%	Three-month pay pause **2.4%** from 12/2014	**2.6%** from 11/2015. Duration: 26 months to 10/2016
13.11.	**Textiles & clothing** West	5.0%	Two-month pay pause	€300 lump sum to cover five months €60 minimum increase from 06/2015 **2.4%** from 06/2016. Duration: 27 months to 01/2017

Source: WSI-Tarifarchiv, as at 31.12.2014

Other pay rounds

The collective bargaining conflict at the railway operator Deutsche Bahn AG had a particularly high profile during 2014. The summer of that year saw the expiry not only of the pay agreement but also of a further agreement that regulated which employees in the company were represented by which of two competing trade unions, EVG (a general railway union) and GDL (for train drivers but with aspirations to organise other train staff). Expiry of this agreement, which represented the basis for bargaining in the company, led to a re-emergence of the conflict over bargaining competence. A key role in this dispute was played by the planned statutory regulation of ‘collective bargaining unity’ (*Tarifeinheit*), which was intended to resolve which of any potentially competing agreements should apply. The GDL submitted claims on pay and working hours for train drivers but also for other train staff, such as train managers, on-board catering staff, and drivers of shunting locomotives. The EVG union then put in claims for all employees at Deutsche Bahn AG, including train drivers who had been represented for collective bargaining purposes by GDL under the previous agreement that had divided up bargaining responsibilities. After several bargaining rounds between Deutsche Bahn and the two unions, and a series of five strikes by GDL, a provisional solution was agreed. GDL accepted a one-off payment of €510 for 2014 for employees in all the categories it wished to represent. Negotiations were then postponed until 2015 (see 3.3).

In addition to the customary pay round, collectively agreed minimum wages were also negotiated in some branches, spurred on by the prospect of a statutory minimum wage. In January 2014, for example, there were negotiations on this in the meat processing industry, and in July in agriculture, forestry, and horticulture. Both provided for a staged increase in branch-level minimum wage rates. By contrast, negotiations on this issue broke down in hotels and catering, and for the taxi sector (see 4.2).

2 Collective bargaining developments – key data

In 2014, trade unions affiliated to the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund – DGB) concluded *wage and salary agreements* covering 7.6 million employees: of these some 6.5 million were in the former West Germany and 1 million in East Germany. This was equivalent to some 38% of all employees covered by collective bargaining. A further 11.5 million employees were affected by increases already agreed in 2013 or earlier. For some 1 million employees, pay agreements expired in 2014, or previously, without any fresh agreement being concluded by the end of that year or for which no pay increases were due under existing agreements for 2014.

Settlement rate

The settlement rate across the whole economy averaged 5.1% (compared with 5.9% in 2013), with a settlement rate of 5.0% in West Germany and 5.7% per cent in East Germany. This figure encompasses all increases in agreed pay scales, including those taking effect in 2015 or later. It excludes lump-sum payments and additional one-off sums that are not consolidated into agreed pay scales.

This 'gross' settlement rate is only of limited value, however, as it is defined as the increase in agreed pay for the whole of the duration of the agreement, which can vary considerably between sectors. Considering only the agreed increases concluded for and coming into effect during 2014, the settlement rate falls to 3.3% (West, 3.3%; East, 3.6%). Breaking this average down by sector yields a range from 2.4% in energy and water, mining banking and insurance and 5.2% in commerce. It should be noted that since these increases take effect at different points in the year, their impact on the overall increase in agreed pay for 2014 as a whole will vary.

'Pay pauses' ('*Nullmonate*'), in which increases in rates are delayed typically for one to three months, played a less notable role in the 2014 pay round than in the previous year. Such provisions were agreed for some 4.5 million employees (2013: 11.4 million) employees, accounting for some 59% of all employees whose pay was renegotiated in 2013 (2013: 87%). The number of months during which rates were held constant averaged 2.3, just below the preceding year's average of 2.4 months.

Of all employees with an agreed increase during 2013, 37% had to wait for one or two months for an agreed increase, with 11% waiting for three months, and the remaining 10% waiting for four months or longer. Compensation in the form of lump-sums was agreed for only 1 million employees, 13% of those affected: the average level of such lump-sum payments per month was €40 (€41 in the West; €37 in the East).

Duration of agreements

The trend towards pay agreements running for almost two years, observable in previous years, continued in 2014. On average, pay agreements concluded in the 2014 bargaining round were set to run for 22.4 months (compared with 22.8 in 2013). Some 1.4 million employees (19% of all those covered by a new pay agreement) were subject to an agreement of 12 to 18 months. Overall, agreements in the East were set to run, on average, for one month longer than in the West.

Table 2: Duration of agreements (in months)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
All Germany	20.5	21.8	25.7	22.1	22.2	22.4	24.1	24.3	22.8	18.0	22.8	22.4
West	20.4	21.8	25.2	21.6	22.2	22.2	24.3	23.6	22.6	17.9	22.4	22.2
East	21.0	22.0	28.4	24.7	21.9	23.4	23.2	28.3	23.9	19.1	24.7	23.2

Source: WSI-Tarifarchiv, as at 31.12.2014

Annualised 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 carry-over 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. The annualised increase in collectively-agreed pay is measured in terms of the whole of 2014 in relation to the preceding year, and encompasses a total of 19.0 million employees.

For the whole of Germany, the ***annualised rise in agreed remuneration*** in 2014 compared with the whole of 2013 was ***3.1%*** (in 2013 the corresponding rise was 2.7%). The increase calculated on this basis was 3.5% in East Germany, well above the 3.0% for West Germany. At 3.2%, the annualised average agreed rise taking effect in 2014 as the result of carry-over provisions from long-term agreements was somewhat higher than newly negotiated increases, which averaged 3.0%. Pay agreements covering around 0.4 million employees expired in 2013 and 2014 without any fresh settlement being secured.

The highest rate of increase, at 3.5% was in private services, non-commercial organisations, local government, and social security; this was followed by commerce with 3.2%. The investment goods sector was in line with the average for the whole economy at 3.1%. The construction industry achieved 3.0%, raw materials and intermediate goods 2.9%, and food, drink and tobacco 2.8%. These were followed by transport and communications and horticulture, agriculture and forestry with 2.5%. The rate of increase was 2.4% in financial services (banking and insurance), 2.2% in the consumer goods sector, and energy, water and mining with 1.4%.

Table 3: Rise in agreed pay in 2014 in % [1]

Sector	East	West	All-Germany
Horticulture, agriculture, forestry	2.6	2.2	2.5
Energy and water, mining and quarrying	1.3	1.6	1.4
Raw materials and intermediate goods	2.9	2.9	2.9
Capital goods	3.1	3.0	3.1
Consumer goods	2.2	2.2	2.2
Food and drink	2.8	3.4	2.8
Construction	2.8	3.5	3.0
Commerce	3.2	3.2	3.2
Transport and communications	2.5	2.7	2.5
Banking and insurance	2.4	2.4	2.4
Private services, non-commercial organisations	3.0	5.1	3.5
Government and social security	3.5	3.4	3.5
Whole economy	3.0	3.5	3.1

[1] Annual increase in agreed basic pay for 2014 in relation to 2013.
Source: WSI-Tarifarchiv as at 31.12.2014

The rise in agreed average pay for 2014 on an annualised basis at 3.1% was significantly above the increase in living costs of 0.9%. As a consequence, basic agreed pay in ***real terms*** rose on aggregate by ***2.2%***.

Earnings

Earnings rose more strongly in 2014 than in the previous year. ***Total earnings*** in the whole economy rose by 3.9% per cent in 2014. Calculated on a monthly basis, earnings per employee rose in nominal terms by ***2.7%*** and on an hourly basis by 2.0%. Adjusted for inflation, this meant that real earnings in 2014 rose by 1.8% on a monthly basis and 1.1% on an hourly basis. As in 2014, this represented a slight degree of negative wage drift of 0.4%, calculated on a monthly basis.

The ***cost-neutral scope for nominal pay growth***, which is the sum of consumer price inflation (+0.9%) and productivity growth per employee (0.6%), was 1.5% in 2014. In contrast, based on hourly productivity, which rose by 0.1%, the cost-neutral scope for nominal pay growth was 1.0%. As a consequence, both agreed pay and earnings were markedly above this cost-neutral figure. However, if the ECB’s target inflation rate (2%) and long-term productivity growth (1-1.5%) are taken as yardsticks, then pay growth in 2014 was broadly in line with this figure.

Table 4: Data on economic developments and distribution 2014

- Change over the previous year in % -

Consumer prices	+0.9
Hourly labour productivity	+0.1
Cost-neutral scope for distribution (inflation + productivity growth)	+1.0
Agreed pay	**+3.1**
Gross earnings per employee	+2.7
Gross earnings per hour	+2.0
Hourly unit wage costs	+1.8

Source: Federal Statistics Office, WSI-Tarifarchiv

Pay convergence between East and West Germany

No further progress was registered in ***convergence in agreed pay*** between East and West Germany. On 31 December 2014, the situation was as follows in terms of agreed *basic* pay. Based on 50 bargaining units with 1.9 million employees, agreed pay on average in the East stood at 97.3% of its level in the West, with virtually no change when compared with the previous year.

Table 5: Level of agreed pay in East Germany as percentage of West Germany, 2004-2014

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
%	94.0	94.6	95.1	95.2	96.8	96.1	96.6	96.5	97.0	97.0	97.3

Source: WSI-Tarifarchiv as at 31.12.2014

Trainees' pay

As in previous years, pay for trainees rose faster than the average rise in negotiated pay. According to the Federal Institute for Vocational Training (Bundesinstitut für Berufsbildung) trainees' pay rose by 4.5% (West, 4.6%; East, 4.1%) (BIBB, 2015). These average figures conceal large sectoral variations.

Taking trainees' pay in the third year of training as the basis for comparison, rates of increase in 25 bargaining units ranged between 2.3% and 10.0%. In two bargaining units, the hard coal branch in the Ruhr and Deutsche Post AG, there was no increase at all at either national or regional level.

Table 6: Increases in agreed trainees' remuneration, 2014 in %*
- Selected industries –

Bargaining unit	**%**
Banking	2.5
Construction West/East	3.1/3.8
Chemical industry (North-Rhine/East Germany)	3.7/3.6
Printing	2.9
Retail (North-Rhine Westphalia/Brandenburg)	4.2/4.5
Energy (North-Rhine Westphalia)(GWE group)/East Germany (AVEU)	1.9/1.8
Commercial cleaning (West/East)	3.5/8.4
Hotels and hospitality (Bavaria/Saxony)	4.8/4.6
Vehicle repair (North-Rhine Westphalia/Thüringia)	3.8/3.3
Metalworking and electrical industries (North Württemberg-North Baden/Saxony)	2.2/2.3
Public sector (Federal government/local and regional government)	4.5/2.9
Confectionery (Baden-Württemberg/East Germany)	2.6/3.0

* increase in the third years of trained compared with December 2014

Source: WSI-Tarifarchiv as at 31.12.2014

2 Minimum wages, extension of agreements, 'bargaining unity'

2.1 Statutory provisions

The 2014 pay round was notable for three items of legislation that had a direct relevance for collective bargaining: a law on a national minimum wage; legislation to facilitate the extension of collective agreements; and a proposed law on 'collective bargaining unity'. All had been included in the coalition agreement in November 2013 that followed federal elections in September of that year.

'Law to Strengthen Free Collective Bargaining' (*Tarifautonomiestärkungsgesetz*)

In April 2014, the Federal Cabinet agreed draft legislation intended to 'strengthen free collective bargaining'. After intensive debate[2] and a number of amendments, this passed its third reading in the Bundestag in early-July 2014 and came into force on 16 August 2014. The legislative package contained a number of elements.

Firstly, it encompassed the Minimum Wage Act, with the following main provisions:

[2] For an overview, see Bosch and Weinkopf (2014).

- A general statutory national hourly minimum wage of €8.50 from January 2015.
- Possibility of deviation from this provided this is through a collective agreement that has been extended by an official decree ('declared generally binding'): this exemption applies until the end of 2016.
- Some employee groups are not covered by the minimum wage:[3] those not entitled are trainees, young workers under 18 years, the previously long-term unemployed during the first six months of work, volunteers, some internees (such as those undertaking a mandatory internship, a work experience internship of no longer than three months, during internships as a formal part of training or education).
- Special provisions for newspaper deliverers and seasonal workers.
- Establishing of a minimum wage commission with three representatives each from the employer and trade union sides, two academic advisors, and a chair.
- The commission will make proposals to the relevant minister for changes to the minimum wage every two years, with the first such proposal due to take effect from 1 January 2017.

Following the adoption of the Minimum Wage Act, discussion has focussed on the issue of effective implementation and monitoring (for an overview, see Schulten et al., 2014).

Other elements of the legislative package were provisions to extend the scope of the law on posted workers to all branches of the economy. Previously, a branch could only be subsumed under the law, which allows a branch-specific minimum wage to be negotiated, through a formal amendment to the statute to extend the catalogue of branches expressly included in a complex and protracted procedure.

The existing Collective Agreements Act was also amended so that the previous threshold for extension of an agreement, which required 50% of eligible employees to be already covered by the agreement, was removed. The new criterion is that an agreement may be extended to cover all employers in a branch if this is deemed to be in the public interest. This would apply, for example, if a collective agreement already had a dominant effect within its scope or if extension were warranted to ensure that existing collective agreements remained effective in the light of economic developments that seriously eroded or threatened to undermine the application of existing collective agreements. These changes went some way to respond to long-standing trade union calls for amendments to the law (see WSI-Mitteilungen, 2012).

Law on Collective Bargaining Unity

In December 2014, the Cabinet agreed the draft of a law on the issue of 'collective bargaining unity' (*Tarifeinheit*) intended to regulate the precedence of collective agreements where more than one trade union is present within a workplace or other bargaining unit and determine a single applicable agreement. The proposal decided in Cabinet was the outcome of two previous departmental drafts and the focus of an

[3] For a discussion of the exceptions, see Amlinger, Bispinck and Schulten (2014a, 2014b, 2014c).

intense public debate. The government's intervention into this area was prompted by a judgment of the Federal Labour Court in 2010 (Ref. 4 AZR 549/08), which overturned the previous principle that only one collective agreement could apply to single group of workers and opened the way to differing collective agreements, concluded by competing trade unions, to be legally valid. This typically applied where DGB-affiliated unions and occupational unions both conducted collective bargaining within the same bargaining unit. The aim of the new law was to avert such 'collisions' between agreements by introducing the principle that only the agreement that commanded the support of the majority of employees in a unit would be valid. That is, the applicable agreement would be that concluded by the trade union with the most members at that workplace or establishment. Any minority union would have the right to be a co-signatory of the majority collective agreement.

The proposed legislation has proved to be highly controversial. The main national employer association, the Confederation of German Employers' Associations (BDA), welcomed the proposals. By contrast, the draft legislation was rejected by occupational and sectional unions, such as the doctors' trade union Marburger Bund (MB), the train drivers' union GDL, the pilots' union Vereinigung Cockpit (VC), the air traffic controllers' union GdF, and the cabin crew union UFO. Their central objection was that the law would curtail the freedom to engage in collective bargaining and diminish the right to strike: for this reason, these organisations have announced that they will begin proceedings on the ground that the legislation would breach the federal constitution, the Basic Law. The DGB-affiliated unions are divided. Three unions – ver.di (services), NGG (food, hotels and catering) and GEW (education) – have rejected the proposal absolutely. The EVG union, which organises in transport and the railways, has rejected the proposal in its current form, as the concept of 'establishment' used in the draft is not, in its view, practicable within the rail undertaking Deutsche Bahn AG. In contrast, the proposal is supported by the metalworkers' union IG Metall and the chemical and energy union IG BCE. In their view, the law does not impinge directly on the right to strike: however, they have indicated that they wish to make a number of detail changes. After intensive consultations, the DGB agreed a statement (DGB, 2014) summarised by the DGB general secretary, Rainer Hoffmann, as follows: 'Overall, the DGB does not reject the call for a statutory regulation' (*Einblick*, 21 November 2014).

The dominant view amongst academic legal specialists has been critical. Firstly, there have been doubts as to whether the proposed regulation is compatible with the German constitution (Däubler, 2015; Dieterich, 2014; Hensche, 2014; Thüsing, 2014; Greiner, 2014). There have also been question marks over the practicability and appropriateness of the proposal in relation to the problem (Preiss, 2014; Bayreuther, 20134). Proposals have also re-emerged for a statutory provision to regulate strikes and lock-outs in essential services (Franzen, Thüsing and Waldhoff, 2012).

2.2 Agreed industry-level minimum wages

Sometime before the law requiring a national statutory minimum wage, negotiators at branch level began to respond to the emerging political climate by agreeing minimum wage agreements. For trade unions, these served the purpose of steering what were often very low agreed pay rates towards the prospective statutory minimum wage level; for employers, they offered scope to make maximum use of the two-year transitional period provided for in the Minimum Wage Act.

In summer 2013, for example, a minimum wage agreement was concluded for hairdressing, a classic low-wage branch. This was followed in January 2014 by an agreement in the meat processing industry, with an agreement in agriculture, forestry and horticulture following in July 2014. No such agreement proved possible in hotels and catering or in the taxi branch, where trade unions declared a breakdown of negotiations after the employers in both areas had called for a worsening of agreed conditions on some issues and very low agreed pay rates for the transitional period.

By the end of the year, branch-specific minimum wages had been set for 18 branches employing some 4.6 million workers. Hourly rates ranged from €7.20 to €14.20, depending on branch and region.

Rates were below the statutory €8.50 in six branches, taking advantage of the temporary exemption under the Minimum Wage Act. These branches have plans for stages to raise the lowest levels of agreed pay up to the €8.50 rate and beyond:

- Meat processing: in October 2015 the minimum hourly rate will rise from €8.00 to €8.60, and in December 2016 to €8.75.
- Hairdressing: the generally binding minimum rate agreed in 2013 will rise to a national standard rate of €8.50 in August 2015.
- Agriculture, forestry, horticulture: the lowest wage grades of €7.20/7.40 (East/West) will increase in January 2016 to €7.90/8.00, followed in January 2017 by a national rate of €8.60, and then €9.10 from November 2017.
- Temporary agency work: the minimum wage in East Germany of €7.86 will increase to €8.20 in April 2015, and then to €8.50 in June 2016.
- Textiles and clothing industry: the minimum hourly rate of €7.50 will rise to €8.25 in January 2016 and then to €8.75 in November 2016.
- Laundries and laundry services in East Germany, including Berlin. The minimum wage of €8.00 will be increased to €8.75 from July 2016.

3 Prospects for the 2015 bargaining round

Pay increases already agreed for 2015 generally range between 2.0% and 2.8%, with a few exceptions (see Table 7). However, experience suggests that these agreed rises have only a limited impact on the ongoing bargaining round. As a rule, second stage increases tend to be lower than the initial agreed rises in a multi-stage settlement.

Table 7: Agreed increases for 2015

Bargaining unit	Increase (%)	From (Month/2013)	Until (Month/Year)
Banking	**2.1 ***	07	04/2016
Construction West/East	**2.6/3.3**	06	04/2016
Breweries (Bavaria)	**2.7**	03	02/2016
Deutsche Telekom AG	**2.1**	02	01/2016
Printing	**1.0**	04	03/2016
Iron and steel industry (excluding Saarland)	**1.7**	05	10/2015
Rubber	**2.8**	09	05/2016
Painting and varnishing – small firms/craft sector (excluding Saarland)	**2.55**	06	04/2016
Public sector (Federal and local government)	**2.4**	03	02/2016
Paper	**2.6**	11	10/2016
Confectionery – East Germany	**2.6**	03	12/2015
Textiles and clothing	**€60 minimum** **2.4**	06/2015 06/2016	01/2017

* + €150 one-off payment

Source: WSI-Tarifarchiv as at: 31.12. 2014

Following the economic weakening that took place over the course of 2014, the majority of the main forecasting institutes expected a slight recovery for 2015. The IMK institute, part of the Hans-Böckler-Stiftung, has forecast a rise in real GDP of 1.6%. The moderately positive development on the labour market is expected to continue and unemployment should drop back ‘in small steps’ (IMK, 2014).

The centrepiece of the 2015 bargaining round is again expected to be claims for significant increases in agreed pay, with most claims at the time this report was compiled running at 5.5%. Qualitative improvements have been called for in the metalworking industry in the form of a claim for educational part-time work and changes to the system of phased early retirement; in the chemical industry, there have been claims for developing the collective agreement that addresses demographic issues and life-time working time, including expanding the demography fund.

According to the calendar for the expiry of collective agreements, the following larger bargaining units will determine the course of the pay round during the first half of 2015: metalworking and the public sector (*Land* – regional government), where agreements expired at the end of 2014. Between the end of February and April, regional agreements were set to expire in the chemical industry, and between March and May in retail, wholesale and foreign trade.

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