

Annual collective bargaining report 2013

Real increases in negotiated pay und rises in minimum wages

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Collective bargaining and pay information on the Internet:
www.tarifvertrag.de
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The 2013 collective bargaining round continued the trend set in 2012. Trade unions succeeded in securing average settlements of above 3%. Although the increases that came into force during 2013 were slightly below those of the previous year, the moderate pace of consumer price inflation meant that the annual rate of increase in collectively-agreed pay led to a real terms rise in negotiated wages and salaries of some 1%. There were protracted, and on occasions conflictual – but also successful – negotiations in a number of low-pay sectors, such as security services, hairdressing, temporary agency employment, and retail. The 2014 pay round is expected to take place in a slightly improved economic climate.

1 Overview of the 2013 bargaining round

1.1 The context

One of the main factors influencing the preparations for any collective bargaining round is the economic context. Economic forecasts also exercise a major impact on the expectations of the negotiating parties. The overall economic context for the 2013 negotiating round was not universally positive, with a steady weakening of economic growth since 2011. Over the course of 2012, year-on-year real GDP growth in successive quarters fell from 1.8% in the first quarter to 0.6%, 0.4% and then 0.0% in the fourth quarter. The 0.5% fall in GDP in the final quarter of 2012 compared with the preceding quarter meant that Germany might have entered a temporary recession.

The majority of economic forecasts expected only weak growth of below 1% for 2013 (IMK, 2012). At first sight, developments on the labour market appeared stable during 2012 and 2013. There was an increase in the total number of economically active people as well as the number of employees registered for social insurance purposes. However, this was not fully reflected in changes in unemployment. Seasonally-adjusted unemployment had risen steadily, if only marginally, since the start of 2012 (BA, 2014).

Somewhat surprisingly, the recession that continued to affect Europe, and in particular those countries in Southern Europe most hard-hit by the crisis, did not figure to any great degree in the debate within Germany. Official political discourse was dominated by the paradigm of raising competitiveness through ‘structural reform’ of the labour market and debt reduction via rigorous fiscal consolidation (BMW 2013). At European level, wages policy in the crisis-hit South was mainly allotted the function of securing internal devaluation, raising serious consequences for systems of collective bargaining in these countries as well for real wage growth (Schulten 2013; Schulten and Müller 2013). For Germany, it was conceded that ‘appropriate’ wage settlements might contribute to stabilising private demand. While mainstream economists put the cost-neutral scope for distribution (see p. 9 below) at around 2%, Keynesian economists argued for higher wage increases in the order of 4-5%, a proportion of which was expressly seen as a contribution to helping rescue the eurozone (Bofinger 2013; Horn 2013). The aim was that higher pay rises would boost German domestic demand and help stabilise economic developments in Europe overall. It was also argued that stronger pay growth in Germany was also imperative over the longer term in order to enable a more rapid adjustment of the serious balance of payments disequilibria within the euro area (Stein et al. 2013). For the trade unions, the key issues on pay and distribution in the 2013

bargaining round were the growing problems in the low-wage sector and wage dumping in certain branches together with the general growth in inequality in incomes and wealth (Brenke and Wagner, 2013).

Trade union pay claims ranged between 5% and 6.6%, slightly below 2012 (see Table 1). The most significant marker was undoubtedly put down by IG Metall: its claim for 5.5% over 12 months for the metalworking industry was one percentage point below their claim in the previous year. Two branches submitted claims that were outside the normal framework of pay bargaining. In both cases these were branches with notably low wage levels. In the commercial cleaning branch, union IG BAU called for a two-stage increase in the lowest pay grade of €0.70/€0.65 (West) and €0.98/€0.98 (East),¹ equivalent to some 15% (West) and 26% (East) over a period of two years. Trade union ver.di bettered this for the security services industry in North-Rhine Westphalia, where the union put in a claim for an increase of €2.50 per hour on the lowest grade (€8.15 per hour) or a rise of 30.7%. Ver.di's stated aim was to begin to pull this branch out of the low-pay area of the economy.

As well as purely monetary claims, qualitative issues also played a role in some bargaining areas. These included requirements for companies to hire trainees on completion of training, the extension and development of 'demographic collective agreements' to accommodate and manage the impact of the changing nature of the workforce, the continuation of phased early retirement schemes, and company pensions.

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

- Collective agreements for the public sector (*Länder* – Federal States), Deutsche Bahn AG, property services, wood and plastics processing, and a number of energy groups expired at the end of December 2012.
- In February, agreements expired in the iron and steel industry, and in other parts of the energy sector.
- At the end of March, these were followed by construction, insurance, some part of retailing, and whole and external trade.
- At the end of April, negotiations were due in metalworking and electrical industries, rubber, other parts of wholesale and retail, and motor vehicle repair.
- This was followed at the end of May by the paper industry, textile cleaning, and other parts of motor vehicle repair and some areas of retailing in East Germany.
- In June, the agreement at Volkswagen expired.

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.

1.2 Settlements

Longer duration agreements concluded in 2012 meant that in some branches no negotiations were due in 2013. This was the case, for example, in the public sector (Federal and local government), banking, the chemical industry, Deutsche Telekom AG, and numerous smaller branches. The main settlements in 2013 were as follows.

February

The first settlements were in the energy sector. On 6 February, unions ver.di and IG BCE negotiated a rise in agreed pay of 2.8% with the employer association *Tarifgemeinschaft Energie* (including E.ON) from 1 January 2013, plus a one-off payment of €300. The agreement runs for 13 months. At RWE, on 25 February there was agreement on a lump-sum payment of €250 and a rise in agreed pay of 2.75% with effect from 1 February 2013, and a further rise of 1.75% from 1 February 2014. The agreement runs for 24 months.

March

On 6 March, trade union IG Metall concluded a rise in agreed pay of 3.0% in the West German *iron and steel industry* with effect from 1 March 2013, with the agreement running for 15 months.

In the *public sector (Länder)*, agreement was reached on 9 March in the third round of negotiations after a series of warning strikes. It includes a rise of 2.65%, backdated to 1 January, with a rise of 2.95% from 1 January 2014. The agreement runs for 24 months.

At *Deutsche Bahn AG*, on 25 March the railway and transport union EVG agreed a lump-sum payment of €500 for the period January-April, an increase of 3.0% from 1 May 2013, and a further rise of 3.0% from 1 April 2014. The agreement runs for 19 months in all.

April

In the *construction industry*, in the third round of negotiations on 5 April, union IG BAU negotiated a rise in agreed pay of 3.2% (West) and 4.0% (East) from 1 May 2013, preceded by a one-month pay pause. The agreement runs for 13 months.

On 7 April, the protracted and difficult conflict in the *security services sector* in North-Rhine Westphalia was resolved via conciliation. Ver.di achieved a rise in agreed pay of 10.5% for the lowest grade and 18.9% for staff involved in airport passenger control, implemented over a two-year period – undoubtedly the highest settlement in 2013.

In *private transport* in North-Rhine Westphalia, the settlement concluded on 8 April included a rise of 2.8% from 1 June 2013, preceded by a three-month pay pause, with the agreement running overall for 15 months.

A settlement was also reached on 8 April in the *hotel and hospitality* sector in Bavaria. This provided for a lump sum of €45 for March, followed by an increase in agreed rates of 4.0% from 1 April 2013, with the agreement to run for 17 months.

On the 10 April, union IG BCE concluded an increase in agreed rates of 2.1% from 1 May 2013 in the *rubber industry*, with a further rise of 1.1% from 1 January 2014. The agreement runs for 26 months.

At *Deutsche Post AG*, a settlement was concluded with ver.di on 26 April after several days of warning strikes. After a four-month pay pause (April-July), agreed pay rose by 3.1% on 1 August 2013, with a further rise of 2.6% on 1 October 2014. The agreement runs for 26 months. Employees should receive a minimum increase of €2,200 over the whole period: if this is not achieved, any shortfall will be made up for with a one-off payment.

May

On 14 May, IG Metall agreed a pilot settlement in Bavaria for the *metalworking and electrical industries*, following national warning strikes. This provided for an increase in agreed pay of 3.4% from 1 July 2013, following a two-month pay pause, with a further rise of 2.2% from 1 May 2014. The agreement runs overall for 20 months. The settlement at Volkswagen AG on 28 May provided for a comparable general increase, with an additional payment of €300 as a contribution to the employee's company pension fund.

The first agreement in the *vehicle repair sector* was also in Bavaria on 22 May. This included a two-month pay pause, followed by a rise in agreed rates of 2.8% from 1 July and a further rise of 2.8% from 1 August 2014, with the agreement running for 24 months.

June

In the *insurance sector*, ver.di concluded a settlement on 7 June that provided for a rise in agreed salaries of 3.2% from 1 August 2013 after a four-month pay pause, with a further increase of 2.2% from 1 October 2014. The agreement runs for 24 months,

In the *wholesale and foreign trade* sector, the first regional settlement in Baden-Württemberg on 14 June provided for a rise in agreed pay of 3.0% from 1 June 2013, following a two-month pay pause, with a further rise of 2.1% on 1 April 2014, plus a one-off payment.

On 20 June, and after several months of negotiation, IG BAU achieved the following settlement in the *commercial cleaning* sector: after a two-month pay pause, an increase in agreed pay of 3.4%/5.3% (West/East) from 1 January 2014 and a further rise of 2.6%/3.1% from 1 January 2015, raising pay in the East from 84% to 86% of the level in the West. Full equality is to be achieved by January 2019 at the latest.

September

In *temporary agency employment*, the DGB bargaining group for the sector (a consortium representing several affected unions) achieved a settlement on 17 September, after six negotiating rounds, providing for a phased three-stage rise in hourly rates for the lowest grade from €19 to €20.00 (West) and €17.50 to €18.50 (East). The agreement runs until the end of 2016.

December

After several months of negotiations and strikes, on 5 December 2013 ver.di achieved a pilot settlement in *retail* in Baden-Württemberg. After a three-month pay pause, this provides for a backdated rise of 3.0% from 1 July, and a further rise of 2.1% from 1 April 2014 until end-March 2015. The framework agreement, which the employers had given notice they would terminate, will continue in force. A new pay grade was created for shelf-stackers at an hourly rate of €9.54/9.74 (1 January/1 April) to encourage supermarkets to bring this role, often outsourced or performed on a contract for services, back in-house.

Table 1: Selected pay claims and settlements, 2013

Settlement date	Bargaining unit	Claim	Pay settlement	
			2013	2014
31.01.	Agriculture	5.9 %	Federal-level negotiated recommendation for local implementation € 230 lump-sum overall for the period 11/2012 – 02/2013. 3.7 % from 03/2013	2.8 % from 07/2014 to 06/2015
27.02.	Wood and synthetic materials (Westfalen-Lippe)	5.0 %	Two month pay pause 3.0 % from 03/2013 to 04/2014	
01.03.	Hard coal	Increase in real pay	€ 630 lump-sum overall for the period 01-03/2013. 3.5 % from 04/2013 until 12/2014	
06.03.	Iron and steel (Lower Saxony, Bremen, North-Rhine Westphalia)	5.0 %	3.0 % from 03/2013 until 05/2014	
09.03.	Public sector (Länder, excl. Hessen)	6.5 % with higher increases for the lower paid	2.65 % from 01/2013	2.95 % from 1/2014 until 12/2014
11.03.	Energy (East - AVEU employer's group)	6.5 %	€ 550 lump-sum overall for the period 03-04/2013. 2.8 % from 05/2013	1.8 % from 05/2014 until 04/2015 plus € 275 one-off payment
25.03.	Deutsche Bahn AG	6.5 % with higher increases for the lower paid	€ 500 lump-sum overall for the period 01-04/2013. 3.0 % from 05/2013	3.0 % from 04/2014 to 07/2014
05.04.	Construction	6.6 %	1 month's pay pause 3.2 % West, Berlin-West 4.0 % East both from 05/2013 to 04/2014	
07.04.	Security services (North-Rhine Westphalia)	c. 30 %*	Lowest grade: 58 % from 05/2013 Aviation (Passenger control): 10.0 % from 05/2013	4.4 % from 01/2014 to 12/2014 8.1 % from 01/2014 to 12/2014
08.04.	Hotels and hospitality (Bavaria)	€ 120	€ 45 lump-sum to cover 03/2013 4.0 % from 04/2013 to 07/2014	
08.04.	Private Transport (North-Rhine Westphalia)	6.5 %, minimum of € 125	Three-month pay pause 2.8 % from 06/2013 to 05/2014	
10.04.	Rubber	5.8 %	2.1 % from 05/2013	1.1 % from 01/2014 to 06/2014
19.04.	Textiles (East)	5.0 %	€ 60 lump-sum for 04/2013 3.0% from 05/2013	2.6 % from 07/2014 to 03/2015
26.04.	Deutsche Post AG	6.0 %, minimum of € 140	Four-month pay pause 3.1 % from 08/2013	2.6 % from 10/2014 to 05/2015 (Minimum rise of € 2,200 per employee over the lifetime of the agreement)

Settlement date	Bargaining unit	Claim	Pay settlement	
			2013	2014
14.05.	Metalworking	5.5 %	Two-month pay pause 3.4 % from 07/2013	2.2 % from 05/2014 to 12/2014
22.05.	Vehicle repair (Bavaria)	5.5 %	Two-month pay pause 2.8 % from 07/2013	2.8 % from 08/2014 to 04/2015
28.05.	Volkswagen AG	5.5 %	Two-month pay pause 3.4 % from 09/2013 € 275 one-off payment or €300 pension contribution	2.2 % from 07/2014 to 02/2015
06.06.	Confectionery (North-Rhine Westphalia)	5.5 %	One-month pay pause 3.0 % from 06/2013	2.6 % from 06/2014 to 03/2015
07.06.	Insurance	6.5 % minimum of € 160	Four-month pay pause 3.2 % from 08/2013	2.2 % from 10/2014 to 03/2015
14.06.	Wholesale and foreign trade (Baden-Württemberg)	6.5 % minimum of € 140	Two-month pay pause 3.0 % from 06/2013	2.1 % from 04/2014 to 03/2015 € 90 one-off payment in 04/2014
20.06.	Commercial cleaning	Lowest grade: 2 stages West: € 0.70/€ 0.65 East: € 0.98/ € 0.98	Two-month pay pause	3.4/5.3 % (West/East) from 01/2014 2.6/3.1 % (West/East) from 01/2015 to 10/2015
21.06.	Private transport (logistics/haulage) (Berlin, Brandenburg)	6.0 %	Two-month pay pause 2.8 % from 07/2013	2.4 % from 07/2014 to 07/2015
24.06.	Vehicle repair (Thuringia)	5.5 % plus additions for lower paid	Two-month pay pause 2.8 % from 08/2013	2.8 % from 12/2014 to 04/2015
17.09.	Temporary agency employment (BAP, iGZ)	Lowest grade (West): hourly rate from € 8.19 in stages to € 9.00. Equalisation between East and West	Two-month pay pause	Lowest grade (West): from €8.19 per hour to € 8.50/8.80/9.00 Lowest grade (East – incl. Berlin): von €7.50 per hour to € 7.86/8.20/8.50 from 01/2014 04/2015 06/2016 For other grades: 3.8/4.8 % (West/East incl. Berlin) from 01/2014 3.5/4.3 % from 04/2015 2.3/3.7 % from 06/2016 to 12/2016
11.11.	Energy (North-Rhine Westphalia) (GWE)	5.5 %	€ 300 lump sum for 11/2013 2.4 % from 12/2013	2.0 % from 10/2014 to 09/2015
05.12.	Retail** (Baden-Württemberg)	€ 1 per hour € 1,800 minimum income	Three-month pay pause 3.0 % from 07/2013	2.1 % from 04/2014 to 03/2015

* Lowest pay grade: +€ 2,50 (previously: € 8.15), Aviation (Passenger control): from € 12.36 to € 16.00 per hour.

** New pay grade from 01/2014 for newly-hired employees performing exclusively shelf-stacking work. € 9.54 per hour from 01/2014; € 9.74 per hour from 04/2014.

2 Collective bargaining developments – key data

2.1 Wages, salaries, trainee rates

In 2013, trade unions affiliated to the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund – DGB) concluded *wage and salary agreements* covering 13.1 million employees: of these 11.1 million were in the former West Germany and some 2 million in East Germany. This was equivalent to some 67 per cent of all employees covered by collective bargaining. A further 4.3 million employees were affected by increases already agreed in 2012 or earlier. For some 1.9 million employees, pay agreements expired in 2012 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 2013.

Settlement rate

The settlement rate across the whole economy averaged 5.9% (compared with 5.0% in 2012), with a settlement rate of 5.5% in West Germany and 8.2% per cent in East Germany. This figure encompasses all increases in agreed pay scales, including those that take effect in 2014 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 2013, the settlement rate falls to 3.3% (West, 3.2%; East, 4.1%). Breaking this average down by sector yields a range from 2.7% for local and regional government and social insurance administration to 5.5% in private services and non-commercial organisations. 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 2013 as a whole will vary.

‘Pay pauses’ (*Nullmonate*), in which increases in rates are delayed typically for one to three months, played a more notable role in the 2013 pay round than in the previous year. Such provisions were agreed for some 11.4 million employees (2012: 6.1 million) employees, accounting for some 87% of all employees whose pay was renegotiated in 2013. The number of months during which rates were held constant averaged 2.4, higher than the preceding year’s average of 1.8 months.

Of all employees with an agreed increase during 2013, 64% had to wait for one or two months for an agreed increase, with 16% waiting for three months; for the remaining 7%, the wait extended for four months or even longer. Compensation in the form of lump-sums was agreed for only 900,000 employees, 7% of those affected: the average level of such lump-sum payments per month was €87 (€85 in the West; €92 in the East).

Duration of agreements

The trend towards pay agreements running for almost two years, observable over the past decade or so, continued over the past year. On average, pay agreements concluded in the 2013 bargaining round had a duration of 22.8 months (compared with 18 months in 2012). Some 7 million employees (54.3% of all those covered by a new pay agreement) were subject to an agreement running for 24 months or longer; for some 3.6 million (27.7%) million, the agreement was concluded for exactly 20 months. Overall, agreements in the East were set to run for 2.3 months longer than in the West.

Table 2: Duration of agreements (in months)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All Germany	18.3	20.5	21.8	25.7	22.1	22.2	22.4	24.1	24.3	22.8	18.0	22.8
West	18.1	20.4	21.8	25.2	21.6	22.2	22.2	24.3	23.6	22.6	17.9	22.4
East	19.7	21.0	22.0	28.4	24.7	21.9	23.4	23.2	28.3	23.9	19.1	24.7

Source: WSI-Tarifarchiv as at 31.12.2013

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 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 (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 2013 in relation to the preceding year, and encompasses a total of 17.6 million employees.

For the whole of Germany, the **annual rise in agreed remuneration** in 2013 was **2.7%** compared with 2011 (in 2012 the corresponding rise was also 2.7%). The highest rate of increase, at 3.5% was in energy and water, and mining; this was followed by construction at 3.3% and the investment goods sector at 3.0%. Below-average rates of increase were recorded in local government and social security administration at 2.6%, consumer goods at 2.4%, and financial services, commerce, and transport and communications – all with 2.3%.

Regionally, the annual rise in East Germany at 3.2% was markedly higher than in the West, where the increase was 2.6%.

At 2.6%, the annual average agreed rise taking effect in 2013 as the result of carry-over provisions from long-term agreements was broadly in line with newly negotiated increases, which averaged 2.7%.

Pay agreements covering around 1 million employees expired in 2012 and 2013 without any fresh settlement being achieved. If these employees are included, the annual rise in agreed remuneration falls to 2.6%.

Table 3: Rise in agreed pay in 2013 in % ¹

Sector	East	West	All-Germany
Horticulture, agriculture, forestry	2.5	3.1	2.7
Energy and water, mining and quarrying	3.6	3.1	3.5
Raw materials and intermediate goods	2.4	3.0	2.5
Capital goods	3.0	3.0	3.0
Consumer goods	2.3	2.7	2.4
Food and drink	2.9	3.0	2.9
Construction	3.0	4.2	3.3
Commerce	2.3	2.3	2.7
Transport and communications	2.3	2.7	2.3
Banking and insurance	2.3	2.3	2.3
Private services, non-commercial organisations	2.5	4.3	2.9
Government and social security	2.6	2.6	2.6
Whole economy	2.6	3.2	2.7

¹ Annual increase in agreed basic pay for 2013 in relation to 2012.

Source: WSI-Tarifarchiv as at 31.12.2013

The rise in agreed average pay for 2013 at 2.7% was above the increase in living costs of 1.5%. As a consequence, basic agreed pay in **real terms** rose on aggregate by **1.2%**.

Earnings

Earnings rose more slowly in 2013 than in the previous year. **Total earnings** in the whole economy rose by 3.1% per cent in 2013. Calculated on a monthly basis, earnings per employee rose in nominal terms by **2.2%**; on an hourly basis they increased by 2.5%. Adjusted for inflation, this meant that real earnings in 2013 rose for a further year, by 0.7% on a monthly basis and 1.0% on an hourly basis. In contrast to 2012, 2013 saw slight negative wage drift of 0.5%, calculated on a monthly basis.

The **cost-neutral scope for nominal pay growth**, which is the sum of (positive) consumer price inflation (+1.5%) and negative whole economy per employee productivity growth (-0.2%), was 1.3% in 2013. Based on changes in hourly productivity, which rose by 0.2%, the cost-neutral scope for nominal pay growth was 1.7%. As a consequence, both agreed pay and earnings were above this cost-neutral figure. However, if the ECB's target inflation rate (2%) and long-term productivity growth (1.1%) are taken as yardsticks, then pay growth in 2013 remained below the aggregate of these two variables.

There was little change in the functional distribution of income in 2012. Total income from property, interest and corporate profits rose by 2.8%, compared with total earnings from employment, which rose by 2.9%.

Table 4: Data on economic developments and distribution 2013

- Change over the previous year in % -

	2013
Consumer prices	+1.5
Hourly labour productivity	+0.2
Cost-neutral scope for distribution (inflation + productivity growth)	+1.7
Agreed pay	+2.7
Gross earnings per employee	+2.2
Gross earnings per hour	+2.5
Hourly unit wage costs	+2.1
Income from profit, interest and rent	+2.8

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 2013, the situation was as follows in terms of agreed *basic* pay. As of 31 December 2012, and based on 50 bargaining units with 1.7 million employees, agreed pay on average in the East stood at 97.0% of its level in the West. As such, no change took place when compared with the previous year.

Table 5: Level of agreed pay in East Germany as percentage of West Germany

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
%	93.4	94.0	94.6	95.1	95.2	96.8	96.1	96.6	96.5	97.0	97.0

Source: WSI-Tarifarchiv as at 31.12.2013

Trainees' pay

As in 2012, pay for trainees in 2013 rose faster than the average negotiated pay increase. According to the Federal Institute for Vocational Training (Bundesinstitut für Berufsbildung) trainees' pay rose by 4.2% (West, 4.1%; East, 5.0%) (BIBB, 2014). These average figures conceal large sectoral variations.

Taking trainees' pay in the third year of training as the basis for comparison, rates of increase ranged from 2.3% and 10.0%. In two bargaining units, there was no increase at all at either national or regional level.

Table 6: Increases in agreed trainees' remuneration, 2013 in %*
- Selected industries -

Bargaining unit	%
Banking	4.7
Construction (West/East)	3.2/4.0
Chemical industry (North-Rhine/East Germany)	5.4/5.8
Printing	0.0
Retail (North-Rhine Westphalia/Brandenburg)	3.0
Energy (North-Rhine Westphalia)(GWE group)/East Germany (AVEU)	2.4/2.8
Commercial cleaning (West/East)	3.7/10.0
Hotels and hospitality (Bavaria/Saxony)	5.1/4.8
Vehicle repair (North-Rhine Westphalia/Thüringia)	0.0/3.3
Metalworking and electrical industries	3.4
Public sector (Federal government/local and regional government)	4.6/6.0
Confectionery (Baden-Württemberg/East Germany)	3.0/2.9

Increase for trainees in their third year of an apprenticeship, compared with levels in December 2012.

WSI-Tarifarchiv, as at 31 December 2013

3 Conflicts over low pay and minimum wages

One of the central – and contentious – issues in the run up to the Federal elections in September 2013 was that of low pay, and how to combat it. The political parties adopted a range of positions. The SPD (Social Democrats) and Bündnis 90/Die Grünen (The Greens) called for nation-wide single hourly minimum wage applicable across the board of €8.50. Die Linke (The Left Party) called for an hourly minimum wage of €10.00. The electoral manifesto of the two conservative parties, CDU and CSU, stated that the collective bargaining parties should set a negotiated minimum wage for sectors in which there were no collective agreements. Only the FDP (Liberals) rejected any form of minimum wage outright.

The issue of low pay also played a major part in collective bargaining and trade unions made specific efforts to raise the lowest levels of agreed pay in some branches of the economy.

3.1 Collective bargaining

In addition to the security industry and commercial cleaning, collective bargaining in this area was set to take place in temporary agency employment, in hairdressing, and in the meat processing industry.

Temporary agency work. At the end of October 2013, collective agreements negotiated in 2010 by the DGB bargaining consortium² with the two employer associations in the sector expired. These agreements had provided for minimum rates to rise in four stages, with rates set to rise by 1 November 2012 from €7.38 to €8.19 in West Germany, and from €6.42 to

² The German Confederation of Trade Unions (Deutscher Gewerkschaftsbund, DGB), which does not usually engage in collective bargaining, leads a consortium of its affiliated trade unions in negotiations with two employer associations in the sector.

€7.50 over the same period in the East. Negotiations over increases in these rates, together with other terms and conditions, had been in train since mid-March 2013.³ Finally, after six rounds of negotiations, agreement was reached on an increase in the rates for the lowest pay grades, and corresponding percentage increases for other grades.

Table 7: Increases in agreed pay grades for temporary agency work

	Lowest grade, € per hour		Other grades, in %	
	West	East incl. Berlin	West	East incl. Berlin
01.01.2014	8.50	7.86	3.8	4.8
01.04.2015	8.80	8.20	3.5	4.3
01.06.2016	9.00	8.50	2.3	3.7

Source: WSI-Tarifarchiv – as at: 31.12.2013

Other outcomes. Other results of the negotiations in this sector were:

- Agency employee may not be used as strikebreakers in establishments where industrial action is taking place.
- Any grade description for the lowest grade (1-4) that might be open to an abusive interpretation should be amended to favour employees.
- Longer agreed time-limits for bringing claims to a labour court were agreed: this will give temporary agency workers more time than previously to bring a claim for any entitlements due under the agreements (for example, on pay).
- Improvements were secured on the issue of working time accounts for agency workers: this includes avoiding any misuse of such accounts for part-timers, in the event of illness, and for economic dismissals.

Hairdressing. Hairdressing represents a traditional low-paying sector. In its regular monitoring of low pay the WSI-Tarifarchiv noted that in 2012 45 out of 73 wage and salary grades in regional collective agreements, some 62%, provided for pay of less than €8.50 per hour (the minimum wage rate called for by German trade unions). Over the past year, ver.di succeeded in agreeing a phased-model for a minimum wage in this sector in a negotiating forum for the hairdressing sector that includes 26 negotiating organisations. With effect from 1 November 2013, this minimum wage was declared generally binding on all employers in the sector by official decree.

³ These negotiations were not without controversy. There were demands from some trade unions to allow the agreements to expire at the end of October. They argued that under the Posted Workers Act, the absence of an agreed provision would have meant that the statutory requirement for ‘Equal Pay’ between agency employees and regularly employed staff would have taken effect. For the arguments for and against, see DGB (2013a), ver.di (2013) and Labournet Dossier (2013).

Table 8: Agreed minimum wage in hairdressing (€ per hour).

	West	East incl. Berlin
01.08.2013	7.50	6.50
01.08.2014	8.00	7.50
01.08.2015	8.50	8.50

Source: WSI-Tarifarchiv – as at: 31.12.2013

Given the very differing starting points in existing agreed rates, the introduction of a minimum wage will imply widely varying increases for the lowest paid. In the initial stage (August 2013), this was 3.6% for employees in the Rhine-Hesse bargaining region, some 40% for employees working in Berlin, more than 73% in Saxony, and somewhat above 113% in Brandenburg. It should be noted that some existing collective agreements have not seen any uprating for more than ten years. In most West German bargaining regions, the lowest pay grade over the past already provided for more than €7.50.

3.2 Agreed minimum wages under the Posted Workers Act

Minimum wages set at branch level on the statutory basis of the Posted Workers Act were also the subject of negotiation and uprating during 2013. At the start of the year, minimum wages set under this legislation and extended by official decree existed in 11 branches.⁴ In addition, a minimum permissible wage rate had been set for the temporary employment sector under specific provisions in the legislation regulating temporary agency employment. Over the course of 2013, and including up to January 2014, increases in minimum wages ranging from 0.5% to 14.6% came into force in 10 branches. One new sector brought into the scope of the Posted Workers Act was stonemasonry, for which an hourly minimum wage of €11.00 (West) and €9.75 (East) was negotiated, and implemented by law as from 1 October 2013.

By the beginning of 2014, there were therefore 14 branches with agreed minimum wages established on a legislative basis (Posted Workers Act and Agency Employment Act). In two of these branches (laundry services, temporary agency work) minimum rates that had already been negotiated had not yet been extended by law to all employments in the branch at the time this report was prepared. A minimum wage has been negotiated for one further branch, forestry services, but this sector had not been brought within the scope of the Posted Workers Act, the precondition for the minimum wage to be extended. The minimum wage in the security services sector expired at the end of 2013 and no new agreement had been concluded when this report was prepared.

⁴ In two branches, scaffolding and stonemasonry, minimum wages already negotiated for these sectors had not yet been extended by official decree.

Table 9: Agreed hourly minimum wages under the Posted Workers' Act

- includes only branches with increases applied between 01/2013 and 01/2014 in 2012 –

Branch	Employee category- /wage grade	January 2013	January 2014	Increase	
				in €	in %
Waste disposal	Minimum wage	8.33	8.68	0.35	4.2
		expired 12/12			
Construction					
West	Unskilled worker (incl. Berlin)	11.05	11.10	0.05	0.5
	Skilled worker	13.70	13.95	0.25	1.8
Berlin	Skilled worker	13.55	13.80	0.25	1.8
East	Unskilled worker	10.25	10.50	0.25	2.4
Specialist mining services					
	Minimum wage I	11.53	11.92	0.38	3.4
	Minimum wage II	12.81	13.24	0.43	3.4
	Hewer/Skilled worker				
Vocational training and education					
West incl. Berlin	Instructor	12.60	13.00	0.40	3.2
East	Instructor	11.25	11.65	0.40	3.6
Roofing					
	Minimum wage	11.20	11.55	0.35	3.1
Electrical contracting					
West	Minimum pay rate	9.90	10.00	0.10	1.0
East (incl. Berlin)	Minimum pay rate	8.85	9.10	0.25	2.8
Commercial cleaning					
West	Internal cleaning and upkeep	9.00	9.31	0.31	3.4
	External and glass	11.33	12.33	1.00	8.8
East (incl. Berlin)	Internal cleaning and upkeep	7.56	7.96	0.40	5.3
	External and glass	9.00	10.31	1.31	14.6
Painting and varnishing					
West	Unskilled worker	9.75	9.90	0.15	1.5
	Journeyman	12.00	12.15	0.15	1.3
East	Unskilled worker	9.75	9.90	0.15	1.5
Social care					
West incl. Berlin		8.75	9.00	0.25	2.9
East		7.75	8.00	0.25	3.2
Stonemasonry					
West incl. Berlin	Minimum wage	11.00**	11.00	0.00	0.0
East	Minimum wage	9.75	10.13	0.38	3.9
Laundries and laundry services					
West	Minimum wage	8.00	8.25*	0.25	3.1
East incl. Berlin	Minimum wage	7.00	7.50*	0.50	7.1
Temporary agency work					
West	Lowest rate payable	8.19	8.50*	0.31	3.8
East		7.50	7.86	0.36	4.8

* Extension order not yet issued at the time of publication

** Extension order applicable from 10/13

Source: WSI Tarifarchiv, as at 31 December 2013.

3.3 Minimum wage provisions in the coalition agreement

The issue of a minimum wage was one of the central points of the package of measures on the labour market in the negotiations to form a coalition between the CDU/CSU and SPD.

The coalition agreement contained the following provisions.⁵

- The provisions of the Posted Workers Act, under which branch-level agreed minimum wages can be extended by official decree, will be made available for all branches.
- From 1 January 2015, a statutory national minimum wage of €8.50 (gross) per hour covering all branches will be introduced. The only wage provisions not affected by this will be any minimum wages previously established under the Posted Workers Act.
- It will be possible to diverge from the statutory minimum by collective agreement under the following circumstances:
 - By collective agreement concluded by representative collective bargaining parties at branch level for a maximum of two years up until 31 December 2016.
 - In the case of any collective agreements in force at the time the coalition negotiations were concluded in which the applicable minimum wage level will be attained, at the latest, by 31 December 2016.
 - In the case of collective agreements in which the minimum wage level will not be reached by 31 December 2016, the national statutory minimum wage will apply from 1 January 2017.
 - Any applicable collective agreements or newly-concluded agreements in which the applicable minimum wage level will not be attained at the latest by 1 January 2017 will be brought within the scope of the Posted Workers Act to ensure that these agreements are consistent with the requirements of European Union law.
 - The minimum wage will be regularly reviewed by a Minimum Wage Commission consisting of members of the collective bargaining parties: any increases agreed will be implemented by official decree.
 - The members of the Commission will be appointed by the national confederations representing employers and employees, with three members of each and a chair, with the role of chair alternating between the two side. Non-voting academic experts may be appointed on the recommendation of the national organisations of each side, with one expert for each side.

This agreement met with a mixed response. On the one hand, the employers castigated the notion of a generally applicable statutory minimum wage as an ‘encroachment on the principle of free collective bargaining’ and demanded that ‘if at all, minimum wages should be negotiated between employers and trade unions’ (BDA, 2013: 36). In contrast, trade unions greeted the decision to implement a statutory minimum wage as the fulfilment of long-standing union demand (DGB, 2013b). Immediately in the wake of the coalition agreement, a

⁵ See ‘Deutschlands Zukunft gestalten’ (‘Shaping Germany’s Future’), the coalition agreement between CDE, CSU and SPD, 18th legislative session, December 2013.

lively debate ensued on the form and implementation of this new instrument. Representatives of the CDU, and in particular of the CSU, as well as business and employer associations began to lobby for a wide range of exceptions, including the following branches and categories of worker: agriculture (in particular seasonal workers), postal delivery workers, taxi drivers, some unskilled workers, those working in part-time ‘mini-jobs’, school students, interns, pensioners, the long-term unemployed, and positions exercised voluntarily. The new Labour Minister, Andrea Nahles, made it clear that, in principle, she did not want any exceptions to the law. There was also debate on the composition and tasks of the Minimum Wage Commission as well as the timing of the introduction of the minimum wage and when it should be reviewed.

4 Prospects for the 2014 bargaining round

The economic context for the 2014 bargaining round is somewhat more favourable than in the preceding year. The majority view of the main forecasting institutes is for real growth of between 1.2% and 2%. The IMK Macroeconomic Policy Institute expects a ‘brightening economic picture’. According to its forecast, although the number of economically active people is set to rise slightly, unemployment will not fall due to a higher propensity to seek paid employment and inward migration (IMK, 2013).

The main focus of the 2014 bargaining round is expected to be on substantial increases in pay, with claims submitted so far in the region of 5.5-6.0%. In addition, unions have been seeking improvements in the position of trainees and provisions on transition to retirement for older employees and other aspects related to changes in the workforce (‘demographic collective agreements’). The bargaining round will be dominated by a number of major sectors during the first half of 2014. Regional collective agreements in the chemical industry have expired or will expire during the period December 2013 to the end of February 2014. This is followed by the public sector (Federal and local government), and in April by construction and banking. The iron and steel industry agreement expires in Mai 2014.

Over a period extending for more than a decade, it has become a common practice to conclude long-term wage agreements. One consequence has been that not all branches covered by collective bargaining actually negotiate each year. Over the past year, a number of bargaining areas concluded pay increases that will take effect in 2014, and in some cases 2015, as the following table shows. These include very large branches such as the metalworking and electrical industry, retail, and the public sector (*Länder*).

With a few exceptions, the agreed increases for 2014 range between 2.0% and 3.0%. (Table 10). However, experience suggests that these increases will have only a limited effect on any ongoing collective bargaining round. As a rule, subsequent staged increases are usually lower than rises agreed in the first phase of a multi-stage settlement.

Table 10: Agreed increases for 2014

Bargaining unit	Increase (%)	From (Month/2013)	Until (Month/Year)
Deutsche Bahn AG	3.0	04	07/2014
Deutsche Post AG	2.6	10	05/2015
Retail (North Rhine-Westphalia)	2.1	05	04/2015
Energy (North Rhine-Westphalia)	2,0	10	09/2015
Commercial cleaning West, manuals	3.4	01	12/2014*
East, manuals	5.3	01	12/2014*
Wholesale and foreign trade (Baden-Württemberg)	2.1	04	03/2015
Rubber	1.1	01	06/2014
Agriculture	2,8	07	06/2015
Metalworking	2.2	05	12/2014
Public sector (<i>Länder</i> excl. Hessen and Berlin)	2.95	01	12/2014
Confectionery (North Rhine-Westphalia)	2.6	06	03/2015
Textiles and clothing (East)	2.6	07	03/2015
Insurance	2.2	10	03/2015

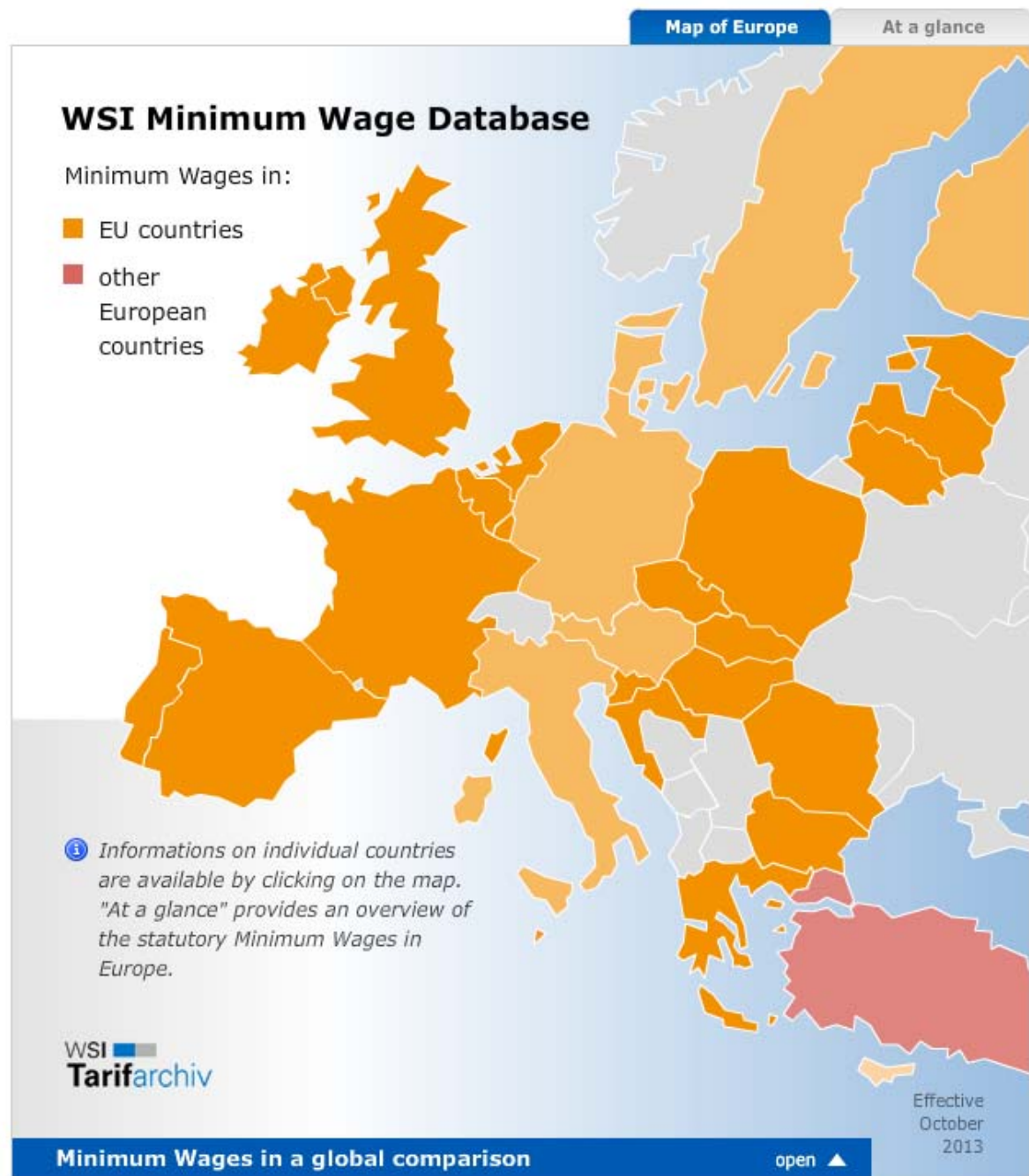
* Further increase of 2.6/3.1% from 01/2015 until 10/2015.

Source: WSI-Tarifarchiv As at: 31.12. 2013

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