Wirtschafts- und Sozialwissenschaftliches Institut

Das WSI ist ein Institut der Hans-Böckler-Stiftung

COLLECTIVE BARGAINING IN GERMANY 2020

ANNUAL REPORT OF THE WSI COLLECTIVE AGREEMENT ARCHIVE

Thorsten Schulten and the WSI-Tarifarchiv

Düsseldorf, March 2021

Impressum

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

Georg-Glock-Straße 18
40474 Düsseldorf
Telefon +49 211 7778-239
Telefax +49 211 7778-4239

www.boeckler.de
www.wsi.de
www.tarifvertrag.de

Contact
Prof. Dr. Thorsten Schulten
Thorsten-Schulten@boeckler.de

WSI-Tarifarchiv:
Götz Bauer, Marion Frömming, Ulrich Schmidt,
Andrea Taube, Monika Wollensack and Jasmina Ziouziou

Collective Bargaining in Germany 2020 (Internet) ISSN 1861-1850

1 The 2020 bargaining round: context and overview

The 2020 bargaining round took place in a context dominated by the Covid-19 pandemic and its economic and social consequences. The lockdown introduced in March 2020 to combat the pandemic led to an unprecedented economic slump, with an initial collapse in German Gross Domestic Product (GDP) of almost 10 per cent. While the easing of Covid restrictions in early summer resulted in a vigorous economic recovery, renewed controls introduced in November 2020 culminated in a further, but this time comparatively mild, contraction (Dullien et al. 2020). Overall, the German economy shrank by 5.3% for the whole year, a figure comparable with the 5.6% drop in GDP experienced in the most severe recession before that during the 2009 financial crisis (Statistisches Bundesamt 2021).

The Covid crisis had widely varying impacts on different areas of the economy. Many branches of industry suffered a severe initial effect due to the disruption of international supply chains and a collapse in domestic and export demand. The second half of 2020 saw a strong recovery, however, that was sustained despite the reintroduction of strict Covid restrictions towards the end of the year. At the same time, and independently of the pandemic, a number of industrial branches, and first and foremost the car industry – still the most important area of manufacturing in Germany – are now engaged in a period of fundamental transformation that poses major risks and uncertainties to many firms. And finally, the lockdown and the continuing restrictions in force to curb the pandemic have triggered a crisis in many areas of the service sector, and in particular hotels and hospitality, some parts of retailing, the whole of the cultural and creative industries, and many others – branches in which companies are now struggling for their very existence.

Conversely, many areas of the economy were not affected by the pandemic and, in some instances, even gained from it. Notable beneficiaries included supermarkets, cosmetics, grooming and health product retailers, online commerce and delivery services, online services and software companies, and some parts of the food industry.

Finally, and not least, the pandemic revealed that many groups of 'key workers' were often both badly paid and employed on high insecure terms and conditions.

2 Main settlements in 2020

Over the course of the 2020 bargaining round, trade unions affiliated to the DGB (German Trade Union Confederation) concluded new pay settlements for some 10 million employees. A further 8.8 million benefited from settlements agreed either in 2019 or in previous years, including significant bargaining areas such as retail and regional (*Land*) government. By contrast, new settlements concluded in 2020 mainly involved branches in which no collective bargaining had taken place in 2019.

The widely diverging fortunes of different areas of the economy during the Covid crisis was mirrored in the considerable variation seen in the course of collective bargaining (*Table 1).* In many of the bargaining areas most severely affected by the crisis, the trade unions either initially refrained from terminating existing agreements or agreed to delay any imminent or ongoing negotiations, for the time being effectively freezing existing pay rates. In some branches, the urgent priority was to conclude a crisis agreement to manage the consequences of the pandemic and preserve jobs.

In the metalworking and electrical industries, for example, trade union IG Metall and the metalworking employers concluded a short-term crisis package in the form of a 'Solidarity Agreement' under which existing pay rates would continue in force until the end of 2020, instead of being renegotiated in spring as originally scheduled, with new provisions for topping up statutory short-time benefit and additional days off for employees with dependent children. New or improved provisions on short-time working and employer top-ups to statutory short-time benefit were negotiated in many other branches. In addition, numerous supplementary collective agreements were concluded at workplace and company level to implement agreed provisions on employment security and, in some cases, temporary working time reductions (with or without loss of pay) in order to forestall the need for redundancies.

The pandemic placed particular burdens and stresses on many groups of employees. During the 2020 bargaining round, this was acknowledged in a large number branches in the form of 'Covid Bonuses' which the Federal government allowed to be paid free of tax and social security contributions up to a value of €1,500. Such arrangements were negotiated in construction, Federal and local government, and at Deutsche Post AG.

Table 1: Selected claims and settlements, 2020

Settlement date	Bargaining unit	Claim	Pay settlement 2020	2021/2022/2023	Duration
24.02.20	**Hotels and catering** Saxony		**3.6**% average increase from 01/2020	**3.1**% average increase from 01/2021	24 months to 12/2021
03.03.20	**Fast Food Chains**	€12 per hour minimum wage rate	6-month pay pause **6.4**% from 07/2020	**5.0**% ab 01/2021 **4.8**% from 01/2022 **4.5**% from 01/2023 **4.3**% from 12/2023 (in each case average increase) Staged rise for Grade 2 to €12.00 per hour from 12/2023	54 Months to 06/2024
19.03.20	**Energy** North Rhine-Westphalia	6.1%	**3.0%** from 01/2020	**2.5%** from 4/2021	25 Months to 01/2022
19.03.20	**Metalworking and electrical industry** North Rhine-Westphalia	No specified claim	**Continued application of existing pay rates** Employer to pay €350 per employee into a fund to alleviate employee hardship, especially for employees on statutory short-time work.		9 Months to 12/2020
24.03.20	**Confectionery** East	Full convergence to pay rates applicable in West German regions; higher increases for lower grades via flat-rate rises.	**3.1**% average increase from 02/2020	**2.4**% from 02/2021	22 Months to 11/2021

Table 1: Selected claims and settlements, 2020 (continued)

Settlement date	Bargaining unit	Claim	Pay settlement 2020	2021/2022/2023	Duration
25./26. 03.20	**Deutsche Telekom**	'Fair' pay rise with a 'social' component (i.e. provisions for the lower paid)	3-month pay pause **3.0/2.8/2.6%** rises, depending on pay grade from 07/2020	**2.0%** from 07/2021	24 Months to 03/2022
09.04.20	**Volkswagen AG**	No specified claim	**Continued application of existing pay rates**		8 Months to 12/2020
07.05.20 & 28.09.20	**Private transport** Brandenburg (Freight forwarding & logistics)	5.5% Full convergence with pay rates in Berlin.	**Continued application of existing wage and salary agreements** (as from 1.03.20) 10-month pay pause from March-December 2020.	**2.1%** from 01/2021	24 Months to 02/2022
18.05.20	**Printing**		**Extension of current wage agreement** for 5 months and delay in implementing pay increases by 3 months; **2.0%** from 09/2020	**1.0%** from 08/2021	To 01/2022
03.09.20	**Construction**	6.8%, and at least €230 per month	8-month pay pause **0.5%** of agreed pay as a initial supplement to offset travel-to-work costs from 10/20 **€500** 'Corona Bonus' payable by 11/20 at the latest	**2.1/2.2%** (West/East) from 01/2021	14 Months to 06/2021
17.09.20	**Deutsche Bahn AG**	Negotiations brought forward due to the Covid pandemic with agreement on 'Partnership for Our Railway'		10-month pay pause **1.5%** from 01/2022	24 Months to 02/2023
23.09.20	**Deutsche Post AG**	5.5%	7-month pay pause **€300** 'Corona-Bonus', paid in November	**3.0%** from 01/2021 **2.0%** from 01/ 2022 **Employee choice option** to convert pay rises into additional time off.	31 Months to 12/2022
25.10.20	**Public sector** **Federal government and municipalities**	4.8% and at least €150 per month Separate negotiations for the health and care sector	7-month pay pause 'Corona-Bonus' of up to **€600** for the lowest grades, with lower sums for other grades.	**1.4%** and a minimum of €50 per month from 04/2021 **1.8%** from 04/2022 with higher supplements for employees in health and care sector of up €300 per month.	28 Months to 12/2022
04.11.20	**Commercial cleaning**	€1.20 per hour rise in the two grades in the agreement (1 & 6) that are subject to statutory extension to €12.00 and €15.30, equivalent to increases of 11.1% and 8.5%. 6.5% for other grades.		**2.4%** from 01/2021 **2.5%** from 01/2022 **2.6%** from 01/2023 (in each case average rise)	36 Months to12/2023

Source: WSI Collective Agreement Archive

In other branches either less affected by the pandemic or perhaps even economic beneficiaries of it, 'normal' pay increases were negotiated. This included, for example, the energy and water industry, the confectionery branch in East Germany and other areas of the food industry, together with Deutsche Telekom and Deutsche Post AG, where settlements ranged between 2.5 per cent and 3 per cent. The above-average settlements in the chain catering and food services branch and in commercial cleaning marked an important step in effecting a fundamental readjustment upwards of the pay and status of these traditionally low-paid industries. Specifically, in fast food chains agreed pay levels will have been raised by nearly 28% over the four years up to and including 2020 (Schulten and Specht 2020).

The 2020 bargaining around for the 2.3 million employees working in the public sector at federal and municipal level, which took place in the autumn, had an especially high profile as one of its main elements was to ensure that the many 'key workers' who had endured particular stress as a result of the pandemic received appropriate financial recognition. After a wave of token strikes, a settlement was concluded that provided for pay increases of between 3.2 per cent and 4.5 per cent, with lower grades getting the highest percentage increases. In addition, health and care staff who had been subject to particular stresses as a result of Covid received pay increases of between 8.7 per cent and 10 per cent. All employees received a 'Covid Bonus' of between €300 and €600, with the higher amounts going to the lower paid. And for staff in East Germany, it was also agreed that weekly working time would be cut by one hour to stand at the same level as West Germany from January 2023 (ver.di 2020a).

Figure 1: Average duration of collective agreements, 2000-2020

In months

Source: WSI Collective Agreement Archive

The average duration of settlements concluded in 2020 was 19.3 months, markedly shorter than in previous years (*Figure 1*). In order to take account of the uncertainties surrounding the future course of the pandemic, only relatively short-term agreements were negotiated in some branches, such as the metalworking and electrical industries and construction.

3 Annualised rise in collectively-agreed pay

In order to compare settlements with other key economic data, increases in collectively-agreed pay need to be calculated on an annualised basis enabling the average increase in pay in the reference year to be compared with that of the previous year. In contrast to the settlement rate, the annualised increase in collectively-agreed pay takes into account periods in which pay has been frozen for a short time pending an increase ('pay pauses'), lump sums and non-consolidated payments, and not only the effect of new settlements but also any carry-over provisions from previous years that are implemented in the reference year. Calculating the average agreed increase for 2020 is therefore based not just on new settlements in the reference year but also any staged pay increases negotiated in previous periods that had taken effect by the end of 2020.

3.1 Agreed increases in the whole economy

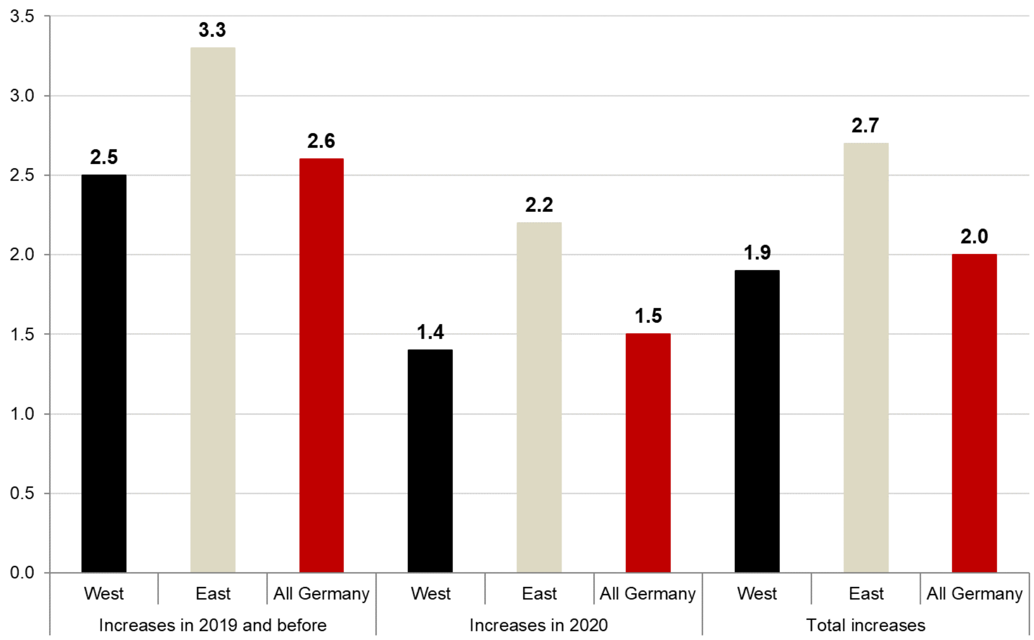
Agreed pay rose by an average of 2.0 per cent in 2020, taking into account both new settlements and any carry-over provisions from previous years (Figure 2). On this occasion, the rate of increase of 2.7 per cent in East Germany was considerably higher than the 1.9 per cent recorded in the West. Looking just at new settlements concluded in 2020, the context of the pandemic led to a much lower rate of increase than in preceding years. While pay rises under settlements agreed in 2019 or before ran at 2.6 per cent, newly-concluded rises in 2020 stood at just 1.5 per cent.

Compared with 2018 and 2019, when agreed pay rose by 3.0 per cent and 2.9 per cent respectively, the nominal increase in 2020 was considerably lower *(Figure 3*), with increases of 2.0 per cent last seen in 2010 and 2011. Since then, employees covered by collective agreements have enjoyed a long period of recovery with relatively high rises in pay.

The impact of the Covid pandemic has predominantly been seen in this lower nominal rate of increase; the low rate of increase of consumer prices of just 0.5 per cent in 2020 led to a rise in real pay of 1.5 per cent, exactly the same as 2019 and above that seen in most years over the past decade.

Figure 2: Average agreed increases, 2020

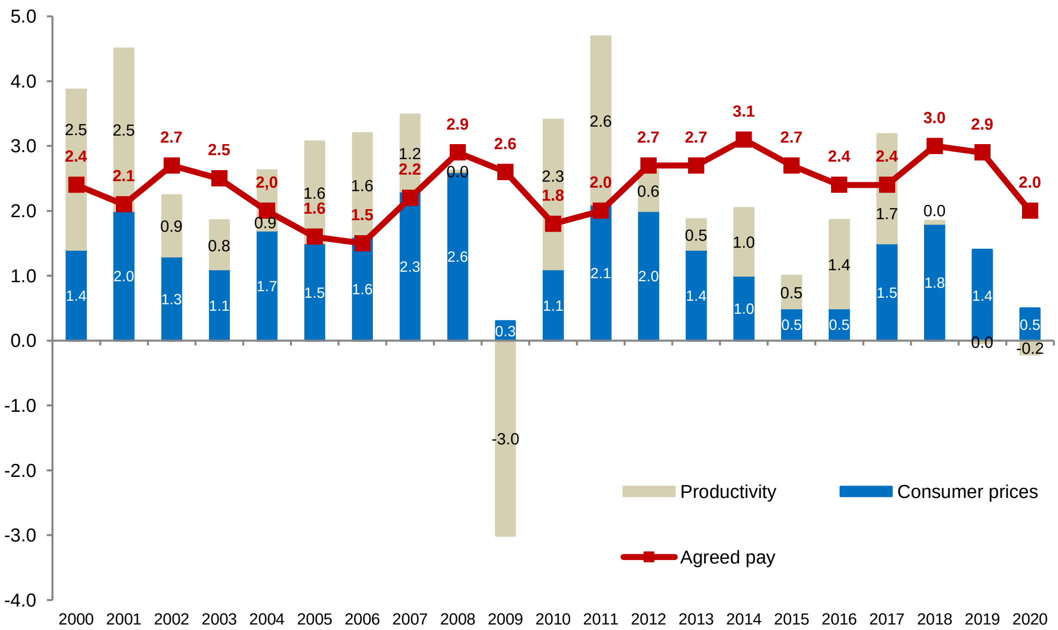
in per cent compared with the previous year



Source: WSI Collective Agreement Archive

Figure 3: Agreed pay, consumer prices and productivity, 2000-2020

Year-on-year change in per cent



Source: WSI Collective Agreement Archive; Destatis

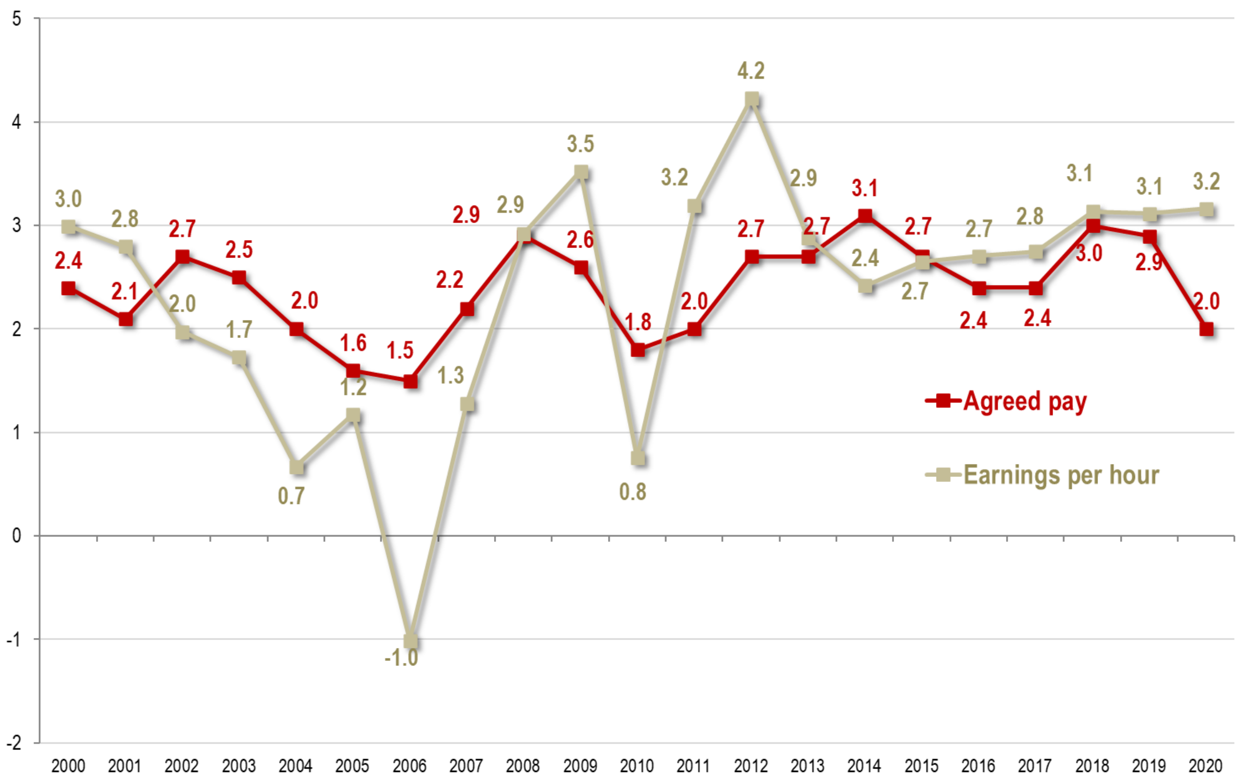
Due to the low rate of consumer price inflation and a slight decline in productivity, the cost-neutral scope for nominal pay growth – the sum of consumer price inflation and productivity growth – was exceeded, as has happened several times in the recent past. In this respect, collective bargaining has charted a more expansive course during the Covid crisis and helped stabilise consumer demand.

3.2 Agreed pay and earnings

In 2020, hourly earnings – that is the pay not only of employees covered by collective bargaining but the entire labour force – rose by 3.2 per cent (Statistisches Bundesamt 2021), more than a percentage point above the rise in agreed pay (*Figure 4*). This has less to do with pay rises than to a marked reduction in hours worked due to the introduction of short-time work (*Kurzarbeit*), the associated running down of employees' working time accounts (often a precondition for employees to enter the statutory short-time scheme), and a drop in overtime working, all of which led to a substantial increase in earnings *per hour* in particular as a result of the payment of short-time benefit (*Kurzarbeitergeld*). By contrast, the huge reduction in working hours in 2020 led to a nominal fall in earnings *per employee* of 0.4 per cent, the first such drop ever recorded (Statistisches Bundesamt 2021).

Figure 4: Agreed pay and earnings,* 2000 – 2020

Year-on-year change in per cent



* Gross wages/salaries per employee hour

Source: WSI Collective Agreement Archive; Destatis

Movements in earnings tend to be a great deal more volatile and much more exposed to the effects of wider economic fluctuations than agreed basic rates. Shrinking collective bargaining coverage and high unemployment led to generally negative wage drift in the 2000s. Since 2010, this has been reversed and wage drift has generally been positive, although with considerable variations between individual years. The main factors leading to positive wage drift in periods of economic prosperity are, in particular, overtime premiums as a result of longer working hours and company-level supplements paid on top of agreed industry minima. In addition, where unemployment is low, even companies outside the scope of collective bargaining in certain branches will feel a need to keep up with the pace of agreed industry-level pay. During the Covid crisis, the main factor behind positive wage drift in terms of hourly earnings has been the widespread resort to the statutory short-time working scheme.

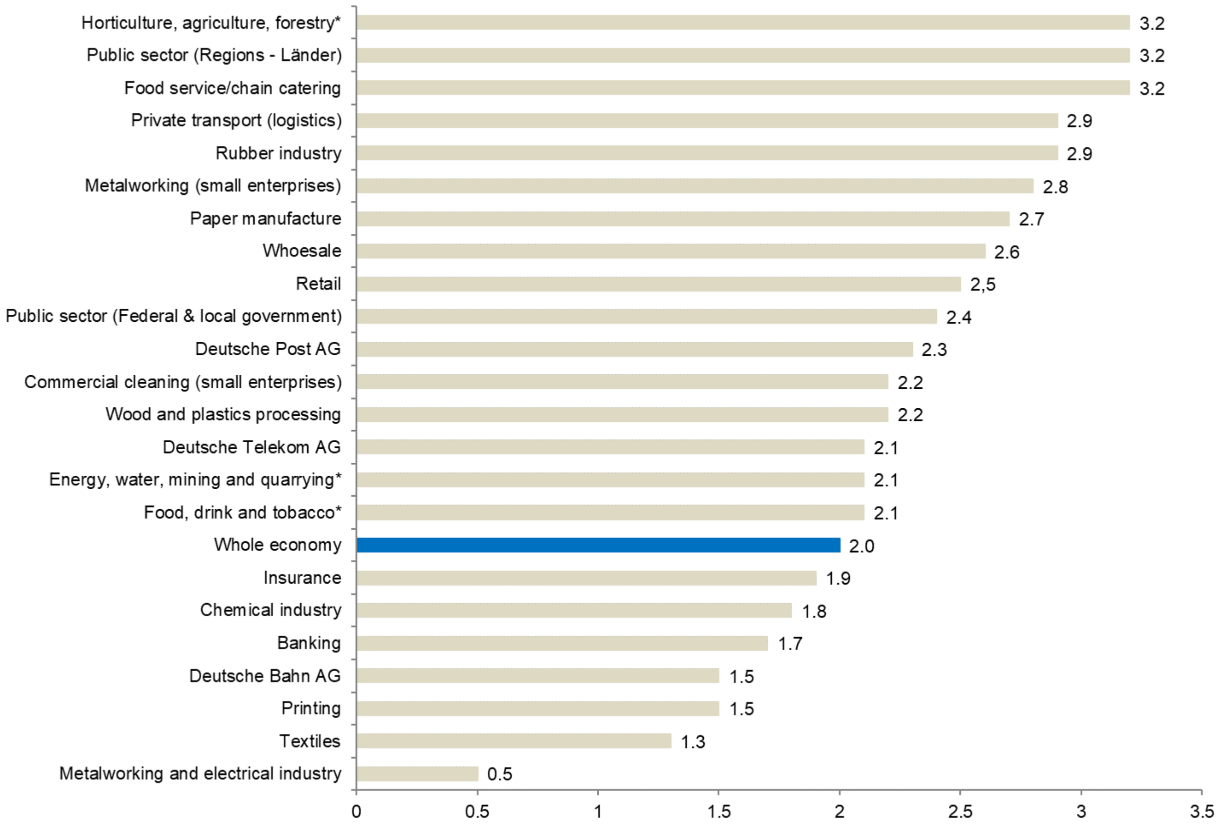
3.3 Agreed increases in individual branches

There were considerable differences between the rates of annualised increases in 2020 in individual branches (*Figure 5*), with relatively high rates of increase of 3.2 per cent in the public sector (*Land*-level government), horticulture, agriculture and forestry, and food service and chain catering. There were also above-average increases in the private transport industry and the rubber industry, both with 2.9 per cent, small enterprises (*Handwerk*) in metalworking with 2.8 per cent, paper manufacturing with 2.7 per cent, the wholesale sector (2.6 per cent) and retail (with 2.5 per cent). In most of these cases, these were increases agreed before the onset of the pandemic.

There were notably below-average agreed increases at Deutsche Bahn AG and in the printing industry, both with 1.5 per cent, and in the textile industry, where the increase was 1.3 per cent. The lowest settlement was in the metalworking and electrical industries where the March 2020 agreement provided for pay levels to be frozen until the end of 2020. The measures to help deal with Covid that were negotiated in place of an increase provided for additional top-ups to statutory short time benefit and extra days off for employees with children, all of which added up to the equivalent of a 0.5 per cent increase.

Figure 5: Increase in agreed pay in selected branches, 2020

In per cent, compared with the previous year



* Encompasses a number of branch agreements
Source: WSI Collective Agreements Archive

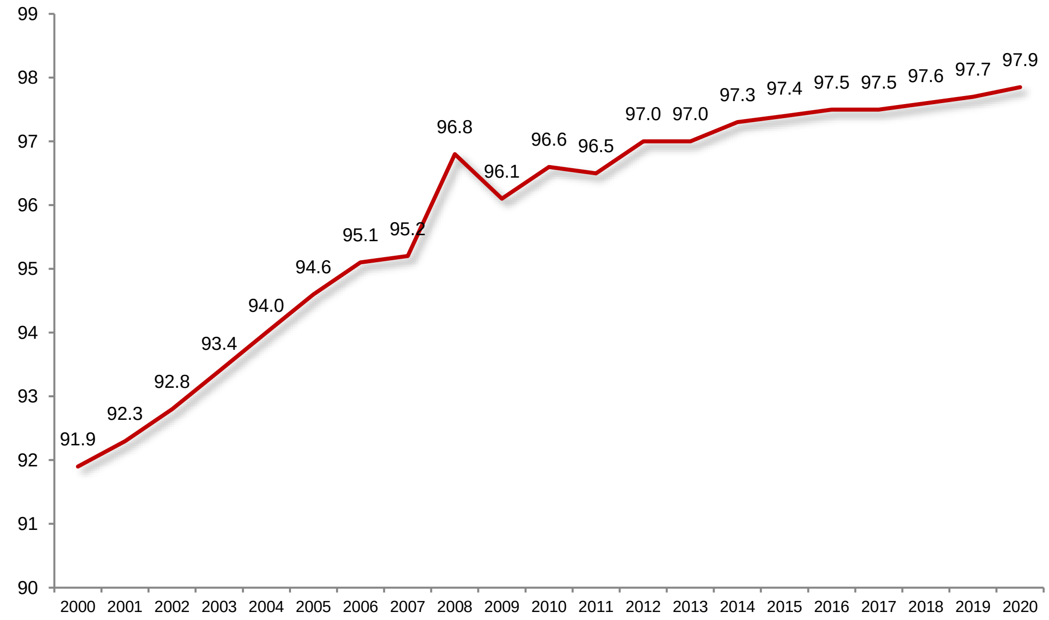
3.4 Agreed pay levels in East and West Germany

Despite 30 years having elapsed since German unification, differences in levels of agreed pay continue to persist between West and East Germany (Bispinck 2020). On average, in 2020 basic agreed pay in East Germany stood at 97.9 per cent of the West German level (*Figure 6*). The notably higher rates of agreed increase in East Germany reduced this gap by around 0.2 percentage points compared with the previous year. As well as agreed basic pay, employees in East Germany also have poorer agreed terms and conditions in a number of other areas, and especially that of working time with the average working week one hour longer in the East than in the West.

In some branches, it was possible to narrow the gap between East and West by securing above-average pay increases in the former. Campaigning under the slogan 'Tear down that wage wall!', with a particular focus on the East German food industry, the food and hospitality trade union NGG pressed to eliminate pay differences between the two regions once and for all and succeeded in winning very substantial increases in a number of company-level collective agreements. Topping the ranking was the agreement at the soft drinks company Mitteldeutsche Erfrischungsgetränke GmbH (MEG), at which pay rates will rise by up to 30 per cent over a period of five years (NGG 2020a).

Figure 6: Ratio of agreed basic pay between East and West Germany, 2000-2020

Agreed basic pay in East Germany as per cent of the West German level



Source: WSI Collective Agreement Archive

4 Statutory minimum wage and agreed branch-level minimum wages

4.1 The evolution of the statutory minimum wage

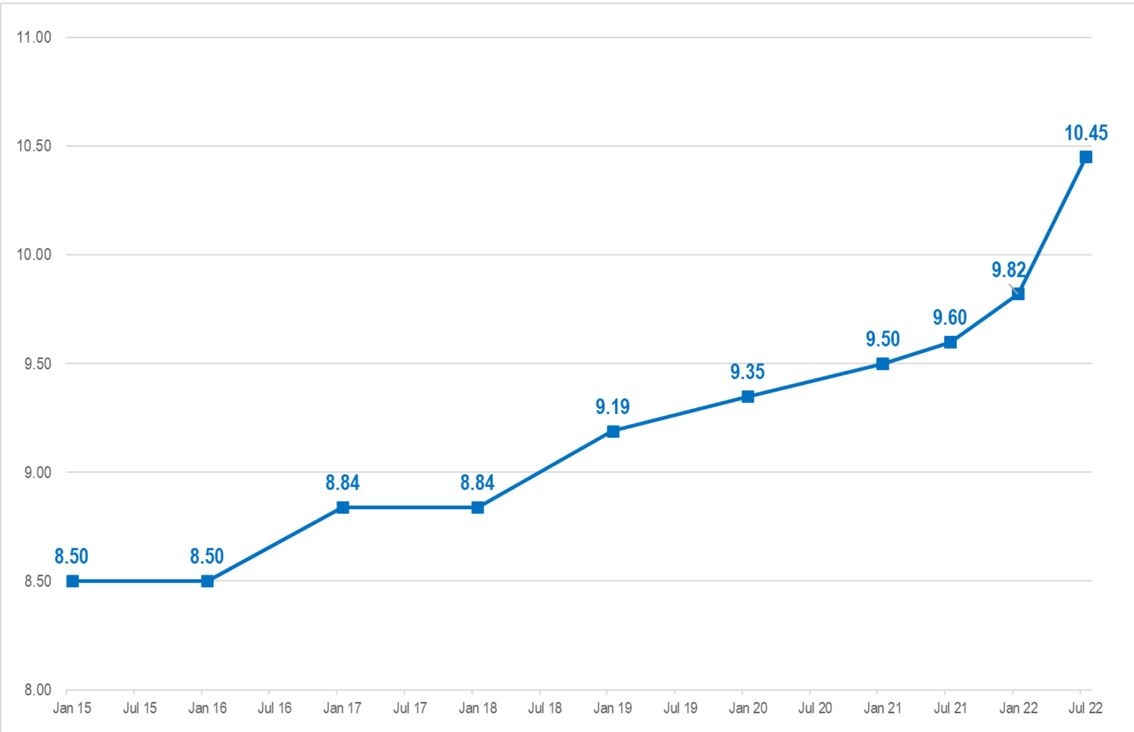
Under the German Minimum Wage Act, the task of the Minimum Wage Commission, which comprises three employer and three trade union representatives plus two non-voting academic researchers and an independent chair, is to make a recommendation every two years for how the minimum wage should be updated. Such a recommendation was due in July 2020. On this occasion, the positions of the two sides were very far apart. While the employers pointed to the Covid crisis to argue for a zero increase, the trade unions called for a rise that was substantially above the general growth in agreed pay as a first step to reaching an hourly statutory minimum of €12.00. A rate of €12.00 is viewed as the appropriate level to allow employees working full-time to be able to earn an income sufficient to maintain a basic decent standard of living and avoid in-work poverty (Herzog-Stein et al. 2020).

The call for a €12.00 per hour minimum now has broad support across much of the political spectrum, ranging from the Left Party, the Social Democrats, and The Greens to the ‘workers’ wing’ of the conservative Christian Democrat Union (CDU). There is also substantial popular support for a €12.00 minimum wage, with surveys finding large majorities for the move. The

Covid crisis has boosted support still further as it has exposed the precarious position of many 'key workers' who often earn barely more than the statutory minimum.

In late-June 2020, the Minimum Wage Commission published its proposal under which the minimum wage should rise from the-then prevailing rate of €9.35 first to €9.50 from 1 January 2021 and then in six-monthly stages to €9.60, €9.82 and €10.45 (Mindestlohnkommission 2020; see too *Figure 7*). This recommendation, which was immediately welcomed by the Federal government, bears all the hallmarks of a classic compromise in which each side is obliged to make concessions but at the same time can register some wins (Schulten 2020). For 2021, the trade unions initially moved towards the employer position and agreed the increases to €9.50 and €9.60 that were somewhat below the level that would have been warranted by the benchmark index of agreed pay published by the Federal Statistical Office. This level will now be achieved in January 2022 with the move to €9.82 per hour. In return, the employers had to concede a relatively substantial increase to €10.45 per hour in the second half of 2022. Over the whole two-year period, the minimum wage will rise at around twice the pace of the index of agreed pay. This figure also represents a higher base from which future increases can take effect.

Figure 7: The statutory minimum wage in Germany, 2015-2022
In € per hour



Source: Mindestlohnkommission

Given the limited scope imposed by the requirement for a consensus within the Minimum Wage Commission, this outcome was welcomed by the trade unions as a clear step towards attaining a €12.00 rate (DGB 2020). Nonetheless, some trade unions (see, for example, NGG 2020b) and welfare associations were critical, noting that the minimum wage would continue to fall short of providing a decent minimum existence during the next two years and that, from this perspective, the increases are proceeding far too slowly. In this context, the Federal Labour Minister, Hubertus Heil, has commented on the problems with the uprating mechanism applied so far and set out proposals for the future. These include adding a further 'guideline' to the existing index of agreed pay, under which the Minimum Wage Commission would be required to 'pay additional attention to the need to protect [employees] against an inadequate level of wages' (Heil 2020).

In early-2021, the Federal Ministry of Labour and Social Affairs prepared a consultation paper jointly with the Ministry of Finance on 'Developing the Minimum Wage', according to which the Minimum Wage Act would be extended to take into account the risk of in-work poverty as well as changes in the agreed pay index when making adjustments to the minimum wage. A minimum wage was defined as posing such a risk if it 'the wage earned for full-time employment was regularly below a threshold of 60 per cent of the median wage' (BMAS and BMF 2021: 2). At present, the minimum wage in Germany is equivalent to only some 48 per cent of full-time median earnings (Lübker and Schulten 2021) and raising it to 60 per cent would correspond to a rate of around the €12.00 mark. Such a step would also be supported by the European Commission which has recently published a draft Directive on 'adequate minimum wages in the EU' in which the threshold of 60 per cent of national minimum wages is adopted as a key criterion (Müller and Schulten 2021).

4.2 Collectively-agreed branch-level minimum wages

In addition to the statutory minimum wage, at the start of 2021 there were also minimum wages in thirteen branches that had been set by collective bargaining. These are binding on all employments in these branches, including firms that are not members of the signatory employer associations, on the basis either of the German Posted Workers Act (Arbeitnehmer-Entsendegesetz) or, in the case of chimney sweeping and electrical installation, the Collective Agreements Act (Tarifvertragsgesetz) and for temporary agency employment the Temporary Agency Employment Act (Arbeitnehmerüberlassungsgesetz) (see *Table 2*).

These branch-level minimum wages range from €10.10 for temporary agency employment in East Germany to €18.00 in cash and valuables transit in North-Rhine Westphalia. Most of these agreements no longer differentiate between West and East Germany: the remaining exceptions providing for lower rates in the East are in cash and valuables services, the care sector, and temporary agency employment.

Figure 2: Generally-binding agreed branch-level minimum wages 2021

in € per hour

Branch	West	East
Waste disposal	10.25	10.25
Vocational training and education		
Education and training specialist	16.68	16.68
Education and training specialist (with bachelor's degree)	17.02	17.02
Construction*		
Unskilled	12.85	12.85
Skilled	15.70	
Roofing		
Unskilled	12.60	12.60
Skilled (journeymen)	14.10	14.10
Electrical contracting (small enterprises)	12.40	12.40
Commercial cleaning*		
Internal cleaning and upkeep	11.11	11.11
External and glass	14.45	14.45
Cash and valuables*		
Static services	12.69-15.03	12.16
Cash and valuables in transit	14.68-18.00	14.42
Scaffolding	12.20	12.20
Temporary agency employment	10.15	10.10
Painting and varnishing		
Unskilled occupations	11.10	11.10
Skilled (journeymen)	13.50	13.50
Social care services	11.60	11.20
Chimney sweeping*	13.80	13.80
Stonemasonry	12.20	12.20

* Extension order not yet issued

Source: WSI Collective Agreement Archive (as at January 2021)

5 Collectively-agreed provisions on short-time working

The Covid crisis led to unprecedented levels of short-time working in Germany. Under the statutory short-time work scheme (*Kurzarbeit)* employees can claim part compensation in the form of a state benefit for any hours they are unable to work where their employer can demonstrate that this is unavoidable for economic or other reasons. According to the Federal Employment Agency (Bundesagentur für Arbeit), during April and May 2020 there were some 6 million employees on short-time, around 18 per cent of all insured employees (BA 2020: 13). Overall, 2020 will see the highest ever average number of employees on the scheme – at 2.9 million more than double the number affected in 2009 during the financial crisis (ibid.: 47).

The short-time scheme has proved to be very effective in preventing wholesale job losses during the current crisis. Nonetheless, it also implies considerable losses of income for any employees placed on it: as with unemployment benefit, the basic rate of benefit under the scheme is 60 per cent of previous net earnings for any lost hours rising to 67 per cent for employees in households with a dependent child. If working hours are severely reduced or cut to 'zero short-time' in which no hours are worked, employees in low-paid work can quickly find that their income is no longer sufficient and top-ups to the benefit are needed (Bispinck and Schulten 2020).

Table 3: Selected collective agreements on top-ups to short-time benefit

Bargaining area	Collective agreement	Top-up provision
Agreements in force before 2020		
Chemical industry	Framework collective agreement, as at 20.09.2018, Sect. 7: Short-time work	Top-up to **90%** of net pay
Deutsche Bahn AG	Basic Collective Agreement, DB Group, as at 14.12.2018, Appendix 4: Short-time work	Short-time benefit top-up of up to **80%** of agreed gross pay.
Metalworking & electrical industry Baden-Württemberg	Collective agreement on short-time work and employment, 31.01.2012	Top up of short-time benefit to **80.5-97%** of net pay, depending on the scale of the reduction in working hours
Volkswagen	Framework collective agreement, as at 05.03.2018, Sect. 10: Short-time work	Short-time benefit topped up to **78-95%** of net monthly pay depending on grade, with higher top-up rate to lower grades
New agreements concluded in 2020		
Banks	Collective agreement on short-time working	Short-time benefit topped up to **75-95%** of net pay depending on grade.
Ports	Collective agreement on short-time working for port workers	Top-up to **80%** of net usual earnings; **87%** with dependent children
Retail North Rhine-Westphalia	Collective agreement on short-time working, 31.03.2020	Short-time benefit topped up to **100%** of net pay for first 4 weeks; thereafter **90%**.
Film production	Collective agreement on short-time working 24.03.2020	Increase in agreed rate to **100%** of usual net pay up to the social security earnings assessment limit.
Rubber industry	Settlement concluded on 22.04.2020	**€120** per month supplement to short-time benefit for max. 4 months; only payable to trade union members.
Vehicle repair Lower Saxony	Collective agreement on short-time working, 24./25.03.2020	Top-up to **90%** of net pay
Metalworking & electrical industry all regions except Baden-Württemberg	'Solidarity Agreement' (pilot settlement in North Rhine-Westphalia, 19.03.2020)	Top-up to c. **80%** of net pay by distributing agreed annual special payments ('13th month') across 12 months plus **€350** employer supplement per full-time employee
Public sector Municipalities	Covid-19 Agreement, 30.03.2020	Short-time benefit topped up to **95%** of net pay for grades 1-10; **90%** for higher grades.
Paper manufacturing industry	Agreement on managing the Covid pandemic, 6.04.2020	Short-time benefit topped up to **90%** of net pay
Food service sector	Provision on agreed short-time concluded on 17.03.2020, supplementing the pay agreement of 3.030.2020	Top-up to **90%** of net pay
Insurance	Collective agreement on short-time working, 23.04.2020	Short-time benefited topped up to **90%** of usual net pay; **95%** for lower pay grades.

Source: WSI Collective Agreement Archive

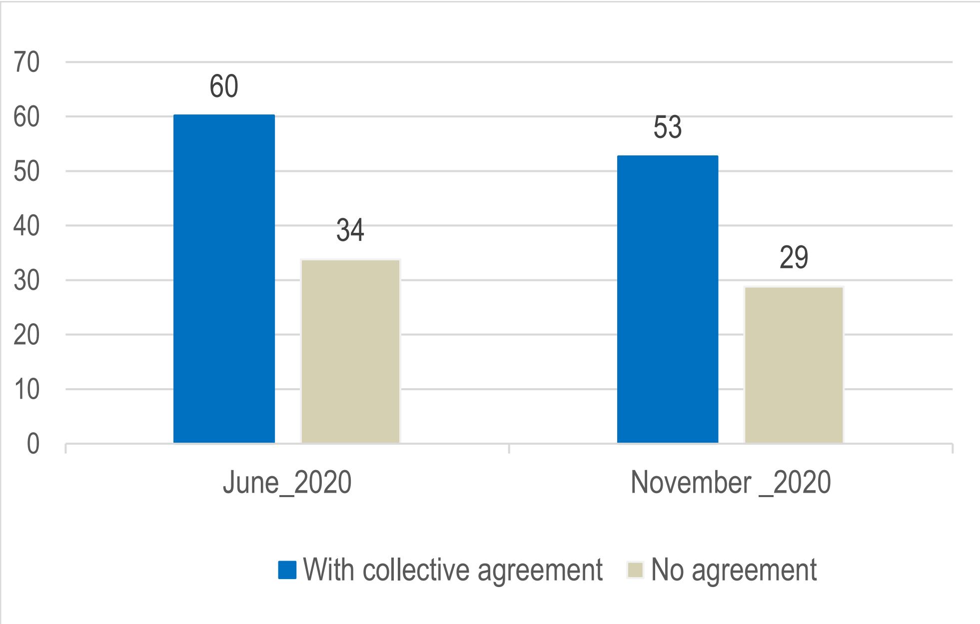
In order to limit the scale of such income losses, many companies have concluded either workplace agreements or agreements with individual employees within the framework of an overarching collective agreement to top up state short-time benefit. Some branches have long had collectively-agreed arrangements to provide for this (*Table 3*). This includes the chemicals industry, where short-time benefit is topped up to 90 per cent of net pay by the employer. At Deutsche Bahn AG, the top-up is to 80 per cent of agreed gross pay. And in the Baden-Württemberg bargaining region of the metalworking and electrical industry, there has been a collective agreement in force since 2012 under which short-time benefit is topped up to between 86.5 and 97 per cent of net pay. The top-up amount can be lower if an employer commits to refrain from any economic dismissals during the period of short-time working. There is also a long-standing agreed provision on top-ups to short-time benefit at Volkswagen. Depending on employee grade, these can range between 78 and 95 per cent of net monthly pay, with lower grades receiving the highest top-up rate. According to the chair of the VW Central Works Council, Bernd Osterloh, there are also local arrangements at plant-level within VW under which short-time benefit can be raised to 100 per cent of net pay (Metallzeitung April 2020: 13).

In addition, a number of new agreed arrangements were set up in early-2020 (*Table 3*; see too Schulten and Müller 2020). These included agreements in branches such as film production, the food service industry and parts of local government in which short-time work had never been addressed by collective agreements before. In many instances, short-time benefit was to be topped up to between 90 per cent and 100 per cent of usual net pay.

Aside from Baden-Württemberg, no other region in the metalworking and electrical industries had ever agreed any provisions on short-time benefit. The conclusion of the 'Solidarity Package' in March 2020 included a provision that ensured that employees would receive a top-up to 80 per cent of net pay during the initial months of short-time working. This was achieved by distributing additional regular annual payments (holiday bonus and Christmas bonus) over the whole year, plus an employer contribution of €350 per full-time employee. In addition, workplace agreements have been concluded at many companies that provide for a further top up. In April 2020, IG Metall reported that 60 per cent of all workplaces in the metalworking and electrical industry had agreed to supplement short-time benefit, either under a collective or a workplace agreement.

Employees in firms covered by a collective agreement have a much greater prospect of a top-up than those outside the scope of collective bargaining. According to a survey conducted by the Hans Böckler Foundation, in June 2020 60 per cent of employees in workplaces with a collective agreement benefited from a top-up, compared with just 34 per cent in firms without (*Figure 8*). By November 2020, 53 per cent of employees in firms covered by collective bargaining were still in receipt of a top-up, compared with 29 per cent of those outside collective bargaining. These falling numbers also suggest that in some areas of the economy, top-ups were time-limited.

Figure 8: Employer top-ups to short-time benefit
as per cent of all employees



Source: HBS Erwerbstätigenbefragung (HBS Employee Survery) cited in Pusch and Seifert (2021)

Despite the much greater incidence of such provisions in workplaces with a collective agreement, there are still a number of branches within the scope of collective bargaining but where the employers have so far refused to concede the payment of top-ups to short-time benefit. This includes, for instance, the hotels and hospitality branch which has been especially affected by short-time working but in which the employer association (DEHOGA) was unwilling to negotiate such an agreement despite the widespread low pay in this branch (NGG 2020b). And aside from the region of North Rhine-Westphalia, there is no top-up agreement in retailing and even this provision was time-limited to the end of June 2020 and has not been renewed.

The situation with top-ups to statutory short-time benefit is far from satisfactory. Low-paid employees receive a much lower level of top-up than those on higher incomes (Schulten 2020). According to the employee survey conducted by the Hans Böckler Foundation, in June 2020 employees with a net monthly household income of below €1,500, only a third received top-up compared with the half of those with an income of between €2,600 and €3,200. One factor behind these differences is that the level of collective bargaining coverage is much lower in the low-paid sector than for employees with higher incomes (Schulten and Müller 2020).

And for the low paid, the loss of income caused by short-time working can rapidly place them at the threshold at which they become dependent on supplementary welfare payments. There was intensive discussion in March-April 2020 as whether the rate of short-time benefit should be raised (Bispinck and Schulten 2020). One proposal made by the 'workers' wing' within the CDU party (part of the governing coalition) was to introduce a minimum level of short-time benefit tied to the statutory minimum wage, as seen in some other European countries, such as France where the level of benefit may not drop below the sum that a minimum wage recipient would receive on short-time (Schulten and Müller 2020). This suggestion did not find sufficient political support, however, and instead in late-2020 a special Covid provision was introduced under which short-time benefit rises from 60/67 per cent to 70/77 per cent of net pay after a three-month period of continuous short-time work and to 80/87 per cent after a further three months.

While this provision will offer a marked easing of the situation for many employees on middle and high incomes, it is by far the poorer option for the low paid when compared with a guaranteed minimum level of short-time benefit (Schulten 2020). Firstly, even short-time benefit of 80 per cent of net earnings is often too little to obviate the need to resort to supplementary welfare benefits. And secondly, many low paid workers will typically not build up sufficient employment on short-time to qualify for the new higher level of benefit: the low-pay sector is precisely that area of the economy in which spending a longer period on short-time is strongly associated with the risk of job loss. Two trade unions, the food and hospitality trade union NGG and the services union ver.di, have recently called once again for the introduction of a minimum level of short-time benefit linked to the statutory minimum wage (NGG/ver.di 2021).

6 Collectively-agreed provisions on job security

The extensive resort made to short-time working has been vital in limiting the impact of the Covid crisis on the labour market. Average unemployment in 2020 in Germany stood at 2,695,000, up by 429,000 or 19 per cent compared with the previous year (BA 2020: 51). Nonetheless, unemployment could well rise over the further course of the pandemic, especially as the Covid crisis coincides with, and is likely to accelerate, the profound transformations under way in a number of major industries, and in particular the automotive branch.

In this context, trade unions, and in particular IG Metall, have made job security a collective bargaining priority. The main demand has been to obtain commitments from employers to refrain from economic dismissals for a period through implementing temporary additional cuts in working hours. The details of such arrangements, such as the scope and implementation of working time reductions, the period over which job security guarantees would apply or other aspects (such as the option of partial wage compensation, investment commitments, assurances about retaining plants, and other possible concessions from the employee side) are usually specified in a company-specific supplementary collective agreement. Examples of such initiatives were agreed in summer 2020 at Daimler, ZF Friedrichshafen and Bosch (*Table 4*, see too IG Metall 2020b).

In addition to the classic trade-off between temporary working time reductions and a time-limited 'no-redundancy' commitment, other agreed arrangements for job security have been negotiated. For instance, the German Journalists Union (jju), a section within ver.di, has concluded an agreement with the employer association BDZV for some 12,000 journalists working in newspapers under which there will be no economic dismissals before the end of 2021 in return for reductions in the annual agreed bonus (ver.di 2020b).

Ver.di has also negotiated crisis packages in the aviation industry, which has been especially hard hit by the pandemic. In November 2020, agreement was reached for the 35,000 Lufthansa ground staff that provides for no redundancies before March 2022. In return, employees will give up their Christmas bonuses in 2020 and 2021 and agreed pay rates will be frozen until the end of 2021 and the agreed top-up to short-time benefit will be cut from 90 per cent to 87 per cent (ver.di 2020c). A similar arrangement was agreed in January 2021 with the Lufthansa subsidiary Eurowings (ver.di 2021).

Table 4: Selected agreements on job security through working time reductions in the metalworking and electrical industry, 2020

Company	Job security	Working time reduction	Other provisions
Daimler: Administration and production-related departments (e.g. logistics) **'Key points to secure employment and profitability'** Company-specific supplementary collective agreement	No economic dismissals or closures of facilities before **2030**	**2-hour cut in the working week** without wage compensation (1.10.20 to 30.09.2021) **Collectively-agreed supplementary bonus** for 2021 will be converted into mandatory additional days off.	**No profit-sharing payment 2020**
ZF Friedrichshafen: 50,000 employees in Germany '**Transformation Agreement'** Company-specific supplementary collective agreement	No economic dismissals or closures of facilities before the end of **2022**	**Workplace-level working time reductions in accordance with the existing collective agreement on job security** to 30 hours a week Use of **short-time working, working time accounts and phased early retirement**	**Set-aside of the €400 collectively-agreed supplementary bonus** for 2020 **All trainees** and those on 'dual system' schemes to be **offered jobs** Company-wide **top-up to short-time benefit** from 80% to 97% of net income, depending on type of short-time working Improved arrangements for phased **early retirement** Joint planning of a **'Vision' for each ZF facility** between local management and works council
Bosch: 35,000 staff in R&D, sales and administration Company-specific supplementary collective agreement	No economic dismissals or closures of facilities before the end of **2022**	**Working time reduction** of between 8.57% (for employees working 35 or fewer hours per week) and 10% (for employees working more than 35 hours per week) (01.08 to 21.12.2020)	**Partial wage compensation** for reduced hours through higher Christmas bonus

Source: WSI Collective Agreements Archive

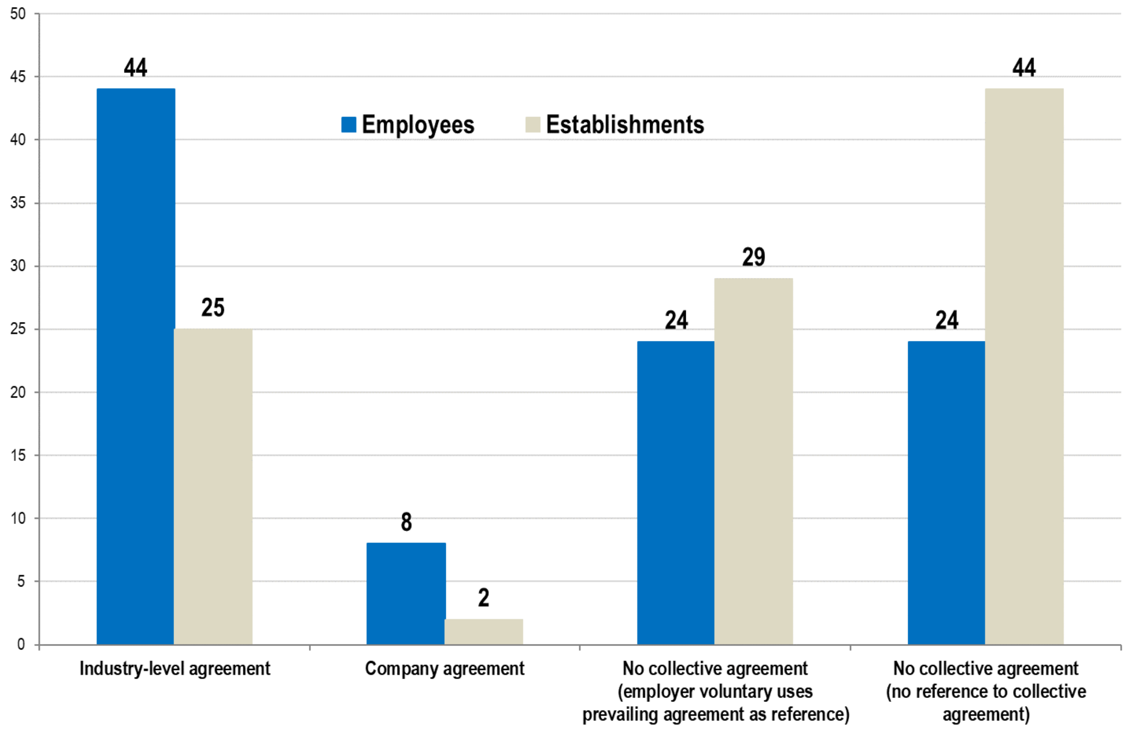
7 Collective bargaining coverage

The trend towards declining collective bargaining coverage that began in the mid-1990s has emerged as a continuing feature of the German employment relations landscape (Ellguth and Kohaut 2020). According to the IAB Establishment Panel, in 2019 just 52 per cent of all employees were working in workplaces covered by a collective agreement, with 44 per cent covered by an industry-level agreement and 8 per cent by a company-level agreement (*Figure*

9).[1] Measured in terms of establishments, the level of collective bargaining coverage was even lower at 27 per cent, mainly because small establishments are much less likely than large firms to be within the scope of a collective agreement. Although quite a significant number of firms that are outside the scope of collective bargaining state that they 'orient' themselves to prevailing agreements, this term has a variety of meanings and in most cases such employers diverge markedly from agreed standards.

Figure 9: Collective bargaining coverage in Germany, 2019

In per cent of employees or establishments



Source: IAB Establishment Panel

Terms and conditions in workplaces not covered by a collective agreement are generally considerably poorer than in those subject to collective bargaining (Lübker and Schulten 2020; Schulten et al. 2020; Schröder et al. 2021). On average, employees not protected by a collective agreement work one hour longer each week and are paid 22 per cent less (Lübker and Schulten 2020: 7). Even after allowing for structural factors, such as company size and branch, there is still a significant gap with employees not covered by a collective agreement working 53 minutes longer and earning some 11 per cent less.

Given the steady erosion of the German system of collective bargaining, a number of different initiatives have been proposed to boost bargaining coverage (Schulten 2019). These include

[1] According to the four-yearly Structure of Earnings Survey carried out by the Federal Statistical Office, the level of collective bargaining coverage in 2018 was even lower at 43.3 per cent, well below the IAB 2019 figure (Schymura 2020: 64).

various trade union organising and recruitment projects aimed at building workplace organisational strength and using this as a basis to establish and consolidate collective bargaining. A number of political options have also been tabled, including proposals to ease the 'extension' process for declaring industry-level collective agreements binding on firms that are not members of signatory employer associations and a requirement for compliance with collectively-agreed standards for companies seeking public contracts or asking for state assistance.

8 Prospects

Faced with the Covid pandemic, collective bargaining has shown itself to be an effective and flexible regulatory system that is able to provide a range of appropriate responses to the diverse challenges confronting individual areas of the economy. And the pandemic will also be a key determinant of the 2021 bargaining round. An initial step in this was already taken in December 2020 with the first round of negotiations in the metalworking and electrical industry. For the major branches, the key claims will involve both an appropriate increase in pay to stabilise the demand side of the economy and new measures to provide for job security and manage the process of industrial transformation now under way (IG Metall 2020c). IG Metall, for example, has raised the prospect of introducing a four-day week at workplace level where appropriate to help manage this transformation (Hofmann 2020).

The other large branch of the economy facing negotiations in early-2021 is retailing. Although some areas of the sector have experienced severe problems (such as shop-based sales of textiles), large sections of retailing have benefited from the pandemic, with trade unions looking to ensure that employees can also enjoy a share in this. At the same time, retailing has also been affected by rejection of collective bargaining by many employers, and notably by those on-line retailers that have flourished during the pandemic, led by Amazon – which continues to refuse any form of collective bargaining. This has led to continuing calls to extend existing collective agreements in retailing to all employees as a precondition for stabilising the collective bargaining system and establishing fair competition across the branch.

Aside from the larger branches negotiating in 2021, collective bargaining will also take place in many smaller branches and individual firms, all of which will make a significant contribution to overcoming the Covid pandemic through maintaining incomes and providing for job security. This is all the more reason why a key responsibility for halting the erosion of the German collective bargaining system and consolidating and expanding collective bargaining coverage now rests with policymakers and with government.

References

BA (Bundesagentur für Arbeit) (2021): Blickpunkt Arbeitsmarkt | Dezember und Jahr 2020, Monatsbericht zum Arbeits- und Ausbildungsmarkt, Nürnberg, https://www.arbeitsagentur.de/datei/arbeitsmarktbericht-dezember-2020_ba146814.pdf

BMAS (Bundesministerium für Arbeit und Soziales)/BMF (Bundesministerium der Finanzen) (2021): Fairer Mindestlohn – Starke Sozialpartnerschaft. Eckpunkte zur Weiterentwicklung des Mindestlohns und Stärkung der Tarifbindung, Berlin, https://www.bmas.de/DE/Service/Presse/Meldungen/2021/eckpunktepapier-mindestlohn-vorgestellt.html

Bispinck, R. (2020): Tarifpolitik in Ostdeutschland 1990-2020. Wirtschafts- und Sozialwissenschaftliches Institut: Elemente qualitativer Tarifpolitik, Nr. 88, Düsseldorf, https://www.boeckler.de/pdf/p_ta_elemente_88_2020.pdf

Bispinck, R./Schulten, T. (2020): Vorschläge zur Erhöhung des Kurzarbeitergeldes in der Corona Krise, WSI Blog, 14.04.2020, https://www.wsi.de/de/blog-17857-kurzarbeitergeld-in-der-corona-krise-22848.htm

DGB (2020): Mindestlohn steigt deutlich, Press release Nr. 043, 30.06.2020.

Dullien, S./Herzog-Stein, A./Hohlfeld, P./Rietzler, K./Stephan, S./Tober, S./Watzka, S. (2020): Erholung setzt sich nach Dämpfer fort. Die konjunkturelle Lage in Deutschland zur Jahreswende 2020/2021, Institut für Makroökonomie und Konjunkturforschung: IMK-Report Nr. 163, Düsseldorf, https://www.imk-boeckler.de/de/faust-detail.htm?sync_id=9148

Ellguth, P./Kohaut, S. (2020): Tarifbindung und betriebliche Interessenvertretung: Ergebnisse aus dem IAB-Betriebspanel 2019, WSI-Mitteilungen 73 (4), 278-285, https://www.wsi.de/de/wsi-mitteilungen-tarifbindung-und-betriebliche-interessenvertretung-iab-betriebspanel-2019-24697.htm

Heil, H. (2020): Press conference on the report and decisions of the German Minimum wage Commission,30.06.2020, https://www.youtube.com/watch?v=GyaAUDrZXWs

Herzog-Stein, A./ Lübker, M./Pusch, T./Schulten, T./Watt, A./Zwiener, R. (2020): Fünf Jahre Mindestlohn - Erfahrungen und Perspektiven, Stellungnahme von IMK und WSI an die Mindestlohnkommission, WSI Policy Brief Nr. 42, 6/2020, Düsseldorf, https://www.wsi.de/de/faust-detail.htm?sync_id=8928

Hofmann, J. (2020): Die Vier-Tage-Woche wäre die Antwort, Interview with Jörg Hofmann, Süddeutsche Zeitung, 17.08.2020

IG Metall (Industriegewerkschaft Metall) (2020a): Lage in Betrieben gibt Anlass zur Sorge, Press release, 24.04.2020

IG Metall (2020b): Beschäftigungssicherung in der Autoindustrie: IG Metall und Betriebsräte sichern Jobs bei Daimler, Bosch und ZF, Online notice, 29.07.2020, https://www.igmetall.de/im-betrieb/ig-metall-und-betriebsraete-sichern-jobs-daimler-bosch-zf

IG Metall (2020c): IG Metall fordert vier Prozent für Beschäftigungssicherung und Entgeltstärkung in der M+E-Industrie, press release, 26.11.2020

Lübker, M./Schulten, T. (2020): Tarifbindung in den Bundesländern, Entwicklungslinien und Auswirkungen auf die Beschäftigten, 2. aktualisierte Auflage. Wirtschafts- und Sozialwissenschaftliches Institut: Elemente qualitativer Tarifpolitik, Düsseldorf, https://www.wsi.de/de/faust-detail.htm?sync_id=9092

Lübker, M./Schulten, T. (2021): WSI Minimum Wage Report 2021. Is Europe en route to adequate minimum wages? WSI Report No. 63e, Düsseldorf, https://www.wsi.de/de/faust-detail.htm?sync_id=HBS-007970

Mindestlohnkommission (2020): Beschluss nach § 9 Mindestlohngesetz vom 30.06.2020, Halbjahr 2020, https://www.mindestlohn-kommission.de/DE/Bericht/pdf/Beschluss2020.html?nn=7081728.

NGG (Gewerkschaft Nahrung-Genuss-Gaststätten) (2020a): Tarifabschluss für MEG, Tarifentgelte steigen um 30,7 % (BW 5) und 29,6 % BW 6/3, Leaflet, 29.08.2020

NGG (2020b): Chance verpasst - Mindestlohn muss stärker steigen, press release, 30.06.2020.

NGG (2020c): Arbeitgeber verweigern Tarifabschluss. DEHOGA lässt Beschäftigte im Regen stehen, press release, 19.03.2020

NGG/ver.di (2021): Bundesregierung muss Kurzarbeitergeld für besonders Betroffene verbessern!, press release, 05.01.2021

Pusch, T./Seifert, H. (2021): Stabilisierende Wirkungen durch Kurzarbeit, Wirtschaftsdienst Vol. 101 (2), 99-105.

Schröder, D./Lübker, M./Schulten, T. (2021): Tarifverträge und Tarifflucht in Mecklenburg-Vorpommern, WSI Study Nr. 25, Düsseldorf, https://www.wsi.de/de/faust-detail.htm?sync_id=9185

Schulten, T. (2019): German Collective Bargaining – from Erosion to Revitalisation? In Behrens, M./Dribbusch, H. (eds): Industrial Relations in Germany. Dynamics and Perspectives, WSI-Mitteilungen Special English Edition, Baden-Baden, pp. 11-30.

Schulten, T. (2020): Der Niedriglohnsektor in der Corona-Krise, Aus Politik und Zeitgeschichte 70 (39-40), 6-21

Schulten, T./Müller, T. (2020): Kurzarbeitergeld in der Corona-Krise. Wirtschafts- und Sozialwissenschaftliches Institut: WSI Policy Brief Nr. 38, Düsseldorf 2020, https://www.wsi.de/de/faust-detail.htm?sync_id=8877

Schulten, T./Müller, T. (2021): Ein Gesetz für angemessene Mindestlöhne und eine Stärkung der Tarifbindung in der EU, Soziale Sicherheit Nr. 3, 92-96.

Schulten, T./Specht, J. (2020): Tarifpolitik und Mindestlohn: Aktuelle Erfahrungen aus der Systemgastronomie, WSI Blog, 15.06.2020, https://www.wsi.de/de/blog-17857-wsi-blog-tarifpolitik-und-mindestlohn-systemgastronomie-24163.htm

Schulten, T./Friemer, A./Dingeldey, I./Lübker, M. (2020): Tarifverträge und Tarifflucht in Bremen, WSI Study Nr. 22, Düsseldorf, https://www.wsi.de/de/faust-detail.htm?sync_id=9068

Schymura, S. (2020): Beschäftigte und ihre Verdienste nach der zweiten Erhöhung des Mindestlohns, Wirtschaft und Statistik (WISTA) Nr.6, 58-67.

Statistisches Bundesamt (2021): Inlandsproduktberechnung. Erste Jahresergebnisse 2020. Volkswirtschaftliche Gesamtrechnungen Fachserie 18, Reihe 1.1, Wiesbaden.

ver.di (Vereinte Dienstleistungsgewerkschaft) (2020a): Tarifeinigung im öffentlichen Dienst von Bund und Kommunen: Deutliche Anhebung für untere Einkommen und Gesundheitsberufe, press release, 25.10.2020.

ver.di (2020b): Tarifvertrag zur Beschäftigungssicherung in Zeitungsverlagen vereinbart, press release, 03.07.2020.

ver.di (2020c): Lufthansa: Krisenvereinbarung für 35.000 Beschäftigte am Boden erzielt, press release, 11.11.2020.

ver.di (2021): Eurowings: ver.di erzielt Beschäftigungssicherung und verhandelt Einstellungen für von Arbeitslosigkeit bedrohte Flugbegleiter, press release, 18.01.2021.