Development of German Collective Bargaining and Wage Policy

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WSI Summer School 2012
Industrial Relations and crisis management in Germany: Lessons for Europe
Agenda

- Basics
- Decentralization and differentiation
- Collective bargaining and wages in the 2000’s
- Bargaining about low pay and precarious jobs
- Re-Stabilization of the collective bargaining system
Basics

- Collective agreements between union and employers associations and single employers
- Multi-employer and sectoral agreements prevailing
- Company agreements of minor importance
- Totally: 67,000 valid collective agreements
- 5,800 negotiated agreements in 2011
Declining bargaining coverage since the 1990’s

Collective Bargaining Coverage in Germany 1998-2011, in % of all employees

West Germany
East Germany
West sector agreements
East sector agreements


Source: IAB
Bargaining coverage 2011

Collective bargaining coverage of employees 2011, in %

- Sector agreements: 41
- Company agreements: 21
- None, but orientation: 20
- None: 8

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Collective bargaining coverage 2011 by sectors, in % of employees

- Public services, Social insurance: Sector agreement 86%, Company agreement 12%
- Energy, Water, Waste, Mining: Sector agreement 66%, Company agreement 20%
- Financial Services: Sector agreement 63%, Company agreement 3%
- Construction: Sector agreement 52%, Company agreement 11%
- Health, Education: Sector agreement 52%, Company agreement 11%
- Non-profit organisations: Sector agreement 50%, Company agreement 10%
- Manufacturing: Sector agreement 51%, Company agreement 8%
- Total: Sector agreement 51%, Company agreement 8%
- Traffic and Logistics: Sector agreement 40%, Company agreement 15%
- Economic, scientific, freelance services: Sector agreement 46%, Company agreement 5%
- Trade: Sector agreement 41%, Company agreement 4%
- Hotels and other services: Sector agreement 40%, Company agreement 4%
- Agriculture et al.: Sector agreement 40%, Company agreement 3%
- Information/Communication: Sector agreement 16%, Company agreement 7%

Source: IAB
Coverage by firm-size

Coverage by firm-size, in % of employees

<table>
<thead>
<tr>
<th>Size</th>
<th>Coverage</th>
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<tbody>
<tr>
<td>1-9 employees</td>
<td>28%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>46%</td>
</tr>
<tr>
<td>50-199 employees</td>
<td>62%</td>
</tr>
<tr>
<td>200-499 employees</td>
<td>75%</td>
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<tr>
<td>500 and more employees</td>
<td>93%</td>
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<tr>
<td>Total</td>
<td>59%</td>
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</table>
Coverage by income quintiles, in %

- 1. Quintile: 32%
- 2. Quintile: 41%
- 3. Quintile: 51%
- 4. Quintile: 58%
- 5. Quintile: 68%
- Total: 51%
Low collective bargaining coverage

Bargaining coverage 2007-2010* in % of employees

* latest available data
Growing pressure on collectively agreed standards

- Persistent mass unemployment since the mid 1990’s
- Increasing international competitive pressure
- Shareholder value approach
- De-Regulation and flexibilisation of the labour market since 2003
Decentralization and differentiation of c.a.

- Flexibilisation at establishment-level with stable standards
  - e.g. working time flexibilisation within 35-hours-week

- Decentralization undercutting the collectively agreed standards
  - „Wild“ decentralization
    - Pacts for employment and competitiveness at firm-level
  - „Controlled“ decentralization
    - Company agreements
    - „Corridors“ in sectoral agreements
    - Opening clauses
Opening clauses

- Hardship or general clauses
- Basic pay
  (monthly pay, pay increase)
- Bonus
  (annual bonuses, holiday allowances etc.)
- Working time
  (extension, reduction, flexibilisation)
Issues of opening clauses

Figure 2: Issues of used opening clauses, in % of all establishments*
Company level deviations
metal industry

Figure 3: Number of company-level deviations from sectoral agreement in metalworking
Counter concessions

Share of counter-concessions of employers by issue in all derogation agreements in M+E, 2004-2006

Source: Haipeter and Lehndorff 2009, 39
Works councils: decentralization „ambiguous“ or „generally problematic“
Collective agreements and (no) works councils

Collective agreements and works council 2011, West Germany, private sector, employees in %

- 34% Sectoral agreement and works council (wc)
- 29% Company agreement and wc
- 21% Sectoral agreement, no wc
- 8% Company agreement, no wc
- 6% No agreement, but wc
- 1% No agreement, no wc
Bargaining in the 2000’s

Key issues

- Wages and salaries
- Safeguarding employment
- Low pay
- Precarious jobs
- Pension schemes, demographic change
Collectively agreed pay 2000 - 2012, (2000 = 100)

Source: WSI Agreement
Collectively agreed pay

Collectively agreed pay 2000 - 2012, \((2000 = 100)\)

Source: WSI Agreement
Collectively agreed pay 2000 - 2012, (2000 = 100)

Source: WSI Agreement
Growing differences

Collectively agreed pay 2000 - 2012 (2000 = 100)

Source: WSI Agreement Archive
Negative wage drift

Collectively agreed
Actual pay


126,7
116,0
Real wages


Real actual pay

Real monthly pay per employee 2000-2011
Percentage change to previous year in %

Source: VRG, Destatis
Real gross pay 2000-2010 by income deciles in % (full time employees)

Source: DIW 2011
The gap is widening again...

Property and entrepreneurial income
Compensation of employees

Source: Destatis
Falling wage share of national income

Source: National account, own calculations
Weak private consumption and strong export in real terms
Real compensation in Europe
2001-2011 in %

Source: AMECO
Rapid increase of low wage earners in %
Low wage earners in Europe

Proportion of low-wage earners in Europe, 2007*

* Low-wage earners with a wage below 2/3 of the national median wage in per cent of all employees
Bargaining about precarious jobs and low pay

Collective agreements:

- **Equal pay agreements** for temp agency workers on company and sectoral level
- Specific collective agreements on pay and conditions with **temp agency employer organisations**
- **Sectoral minimum wages** on the basis of the posted workers act
- Collective agreements on the vocational training capacity and on the **takeover of the trainees** after completion of their apprenticeship
Temp agency workers

Collectively agreed additional allowances in:

- Metal industry
- Chemicals
- Plastics
- Rubber industry
- Railway
Temp agency workers

Additional allowances in *metal industry* after:

- 6 weeks: +15%
- 3 months: +20%
- 5 months: +30%
- 7 months: +45%
- 9 months: +50%
Temp agency workers allowances in metal sector

- Metal basic pay
- Temp workers pay
- Allowance
Re-Stabilization of collective bargaining system

Union efforts:
- Regaining organizational power
- Improving bargaining coverage
- Control for correct implementation of c.a.

Political measures:
- Re-regulation of the labour market
- Reform of the restrictive extension procedure
- More sector-related minimum wages
- General statutory minimum wage
- Public procurement bound to collectively agreed pay and conditions
Summary

- Erosion of the bargaining system by continuous decline of coverage
- Shift from sectoral to company level by decentralisation weakens the binding regulations of the c.a.
- Moderate wage development: 2000’s a lost decade
- Increasing low pay sector and precarious jobs trigger collective bargaining activities of the unions
- Re-stabilisation of the collective bargaining system requires political and legislative support
Thank you very much!

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