

**Gerhard Bosch**

# Wage progression through strong social partnership?

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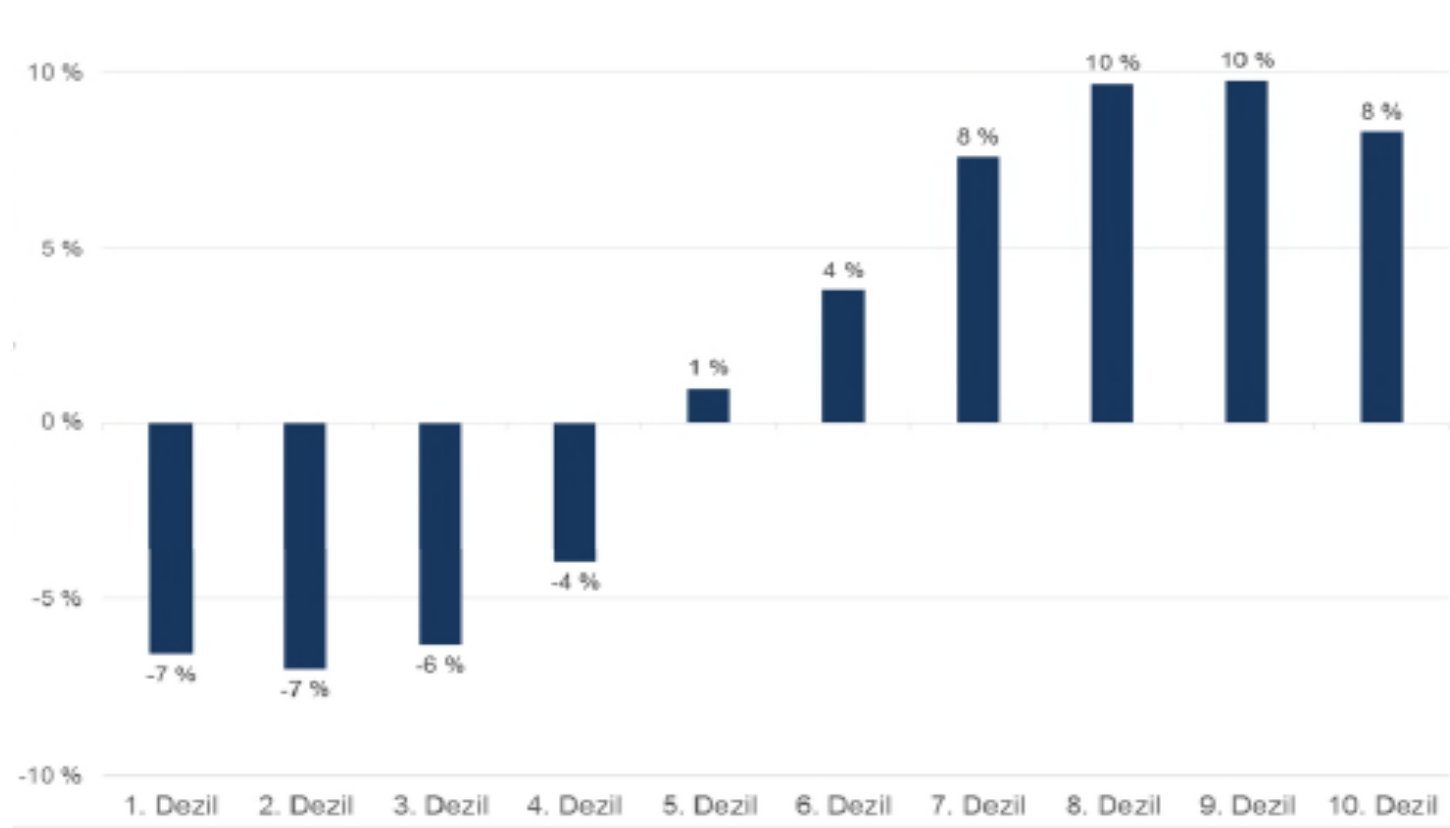
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# Wage progression in DE 1990 and 2016

- **Until 1990 85% coverage by collective agreements (CA)**
- **Pay levels and wage progression according to skills, experience, seniority, performance and job tasks determined autonomously through CA's**
- **Decline of coverage by CA's to 59% in West and 47% in East-Germany until 2016**
- **Increasing share of low wage earners and decreasing earnings mobility**
- **Working time polarisation another important driver of income inequality**

# Change of real hourly wage by deciles 1995-2015 in Germany



# The new Minimum Wage (MW)

**Stronger influence of social partners on German MW compared to the UK**

**Collective bargaining and not the state sets the pace for increases in the minimum wage - The benchmark for MW increases are the average increase in collectively agreed rates of pay,**

**Results:**

- **Far above average high wage increases in two lowest deciles of the income distribution**
- **Ripple effects of the MW up the 6<sup>th</sup> decile because of linkages with industry specific MW's and CA's**
- **No negative impact on employment – after 2015 employment growing as fast as before**
- **However, still high compliance problems**

## Other important policy measures

- 1. The re-regulation of temp agency (*equal pay after an assignment of 9 month and industry supplements negotiated by manufacturing unions*) improved wage progression in this industry**
- 2. The new family policy (*paid parental leave, expansion of provision of child-care and all-day schools*) improved work-life-balance and reduced the scar-effects of part-time work and career interruption of young parents. *However, still high incentives for mini-jobs.***
- 3. The training programs of the active labour market policy improve employment chances and wage progression of many unemployed.**
- 4. Innovative collective agreements on the promotion of further training improve the employability and wage progression of many workers**
- 5. Extension of CA in care (planned)**