
Adjustments of collective bargaining in Germany – at the expense of social cohesion



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Similarities and Differences of the IR System

		
Trade unions	<ul style="list-style-type: none"> • Competing confederations with political traditions • 50% membership rate 	<ul style="list-style-type: none"> • Tradition of industrial unions, vast majority being organised within major confederation • 18% membership rate (2013)
Employer organisations	<ul style="list-style-type: none"> • 82% (2012) 	<ul style="list-style-type: none"> • 58% (2011)
Workplace Representation	<ul style="list-style-type: none"> • Works council and trade union delegation • Key body is union delegation 	<ul style="list-style-type: none"> • Works council being the key body
Board-level representation	<ul style="list-style-type: none"> • No, except in a handful of public-owned companies 	<ul style="list-style-type: none"> • 1/3 in enterprises with 500 to 2,000 employees; parity representation in enterprises with > 2,000 employees
Tripartite Social Dialogue	<ul style="list-style-type: none"> • Conseil National du Travail • Conseil Central de l'Economie 	<ul style="list-style-type: none"> • No, rather informal and ad-hoc at cross-sectoral level
Collective bargaining	<ul style="list-style-type: none"> • Strong coordination and centralisation • No derogation • Extension nearly automatic • Coverage rate: about 100% and stable 	<ul style="list-style-type: none"> • CB primarily conducted at sector level • Decreasing coordination • Increasing derogation possibilities • Extension exceptional • Coverage rate: 57% and declining

Performance, outcomes and impact



- *Average annual growth rate GDP 2015-18:*
1.6%
- Wage development 2015 – 2018
 - Average annual increase nominal wages: 0.9%
 - Average annual increase real wages: -0.5%
- *Degree in which inequality can be contained:*
 - Wage inequality “remarkable stable”
 - Higher wage levels increase less than lower wage levels

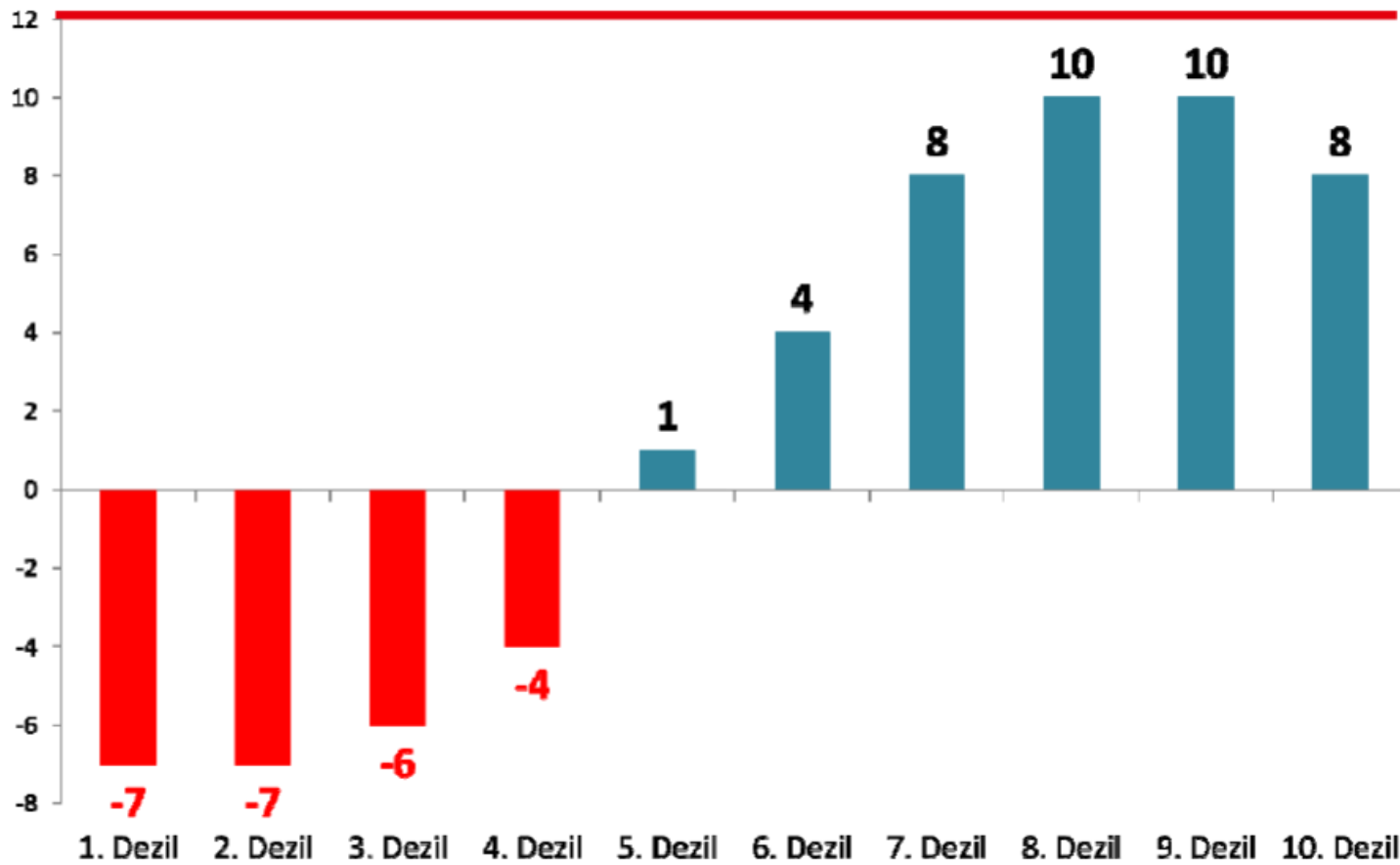


- *Average annual growth rate GDP 2015-18:*
1.6%
- Wage development 2015 – 2018
 - Average annual increase nominal wages: 2.6%
 - Average annual increase real wages: 1.6%
- *Degree in which inequality can be contained:*
 - Decreasing wage setting influence of collective agreements
 - Increasing wage inequality as regards different dimensions => figures



Dimensions of wage inequality in Germany I

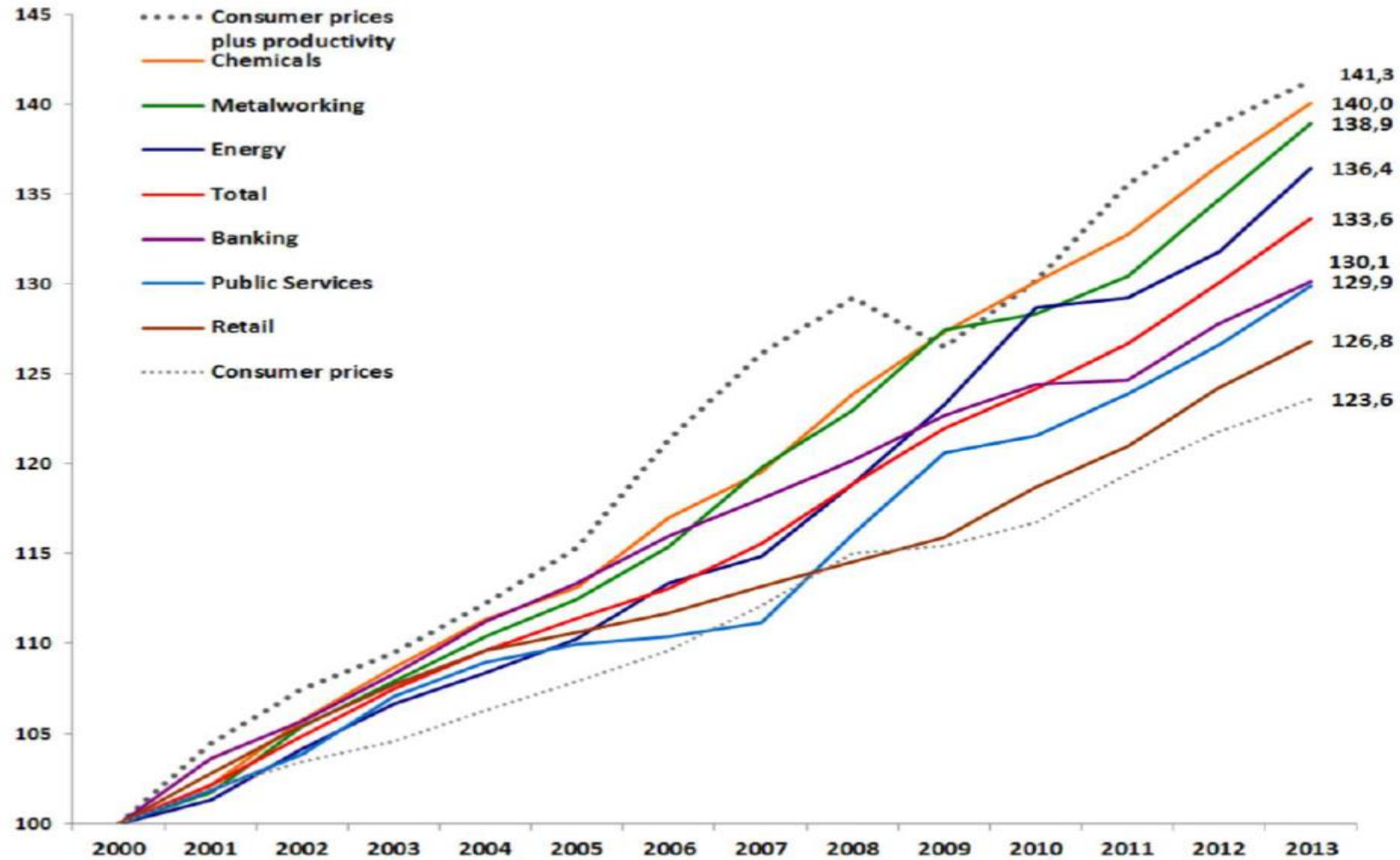
Figure 3. Real gross hourly wages 1995 – 2015 (average change in %)



Source: WSI Collective Agreements Database.



Dimensions of wage inequality in Germany II



Source: WSI Collective Agreements Database.



What has contributed to increasing wage and income inequality and erosion of collective bargaining?

- Political consent about the economic and labour market added-value of strong collective bargaining has weakened and been questioned.
- Possibilities to opt-out, derogate and not apply collective agreements increased steadily since the 1990s.
- Concession bargaining as a response to globalisation and increased competition on wages.
- Strategy of the SPD/Green government in the 1990 to boost low-pay sector, marginal part-time jobs and temporary agency work in response to high unemployment and increased competition.
- **Vicious circle:** Erosion of collective bargaining coverage, membership decline of trade unions, increasing wage differentials, etc.
- Stabilising the collective bargaining system increasingly becomes a matter of politics:
 - Statutory Minimum Wage 2015
 - Easing the possibility of extending collective agreements (2014)
 - More recent initiatives on re-regulation of temporary agency work, fixed-term employment, part-time work and social security of self-employed
- **Increasing problem:** More than half of all employees are not covered by a sectoral collective agreement and only 40%/33% (2017) of all employees work in a company that has a works council



Questions for discussion

- What explains the remarkable high membership rate of social partner organisations in Belgium?
- What positive factors and incentives of public policy as regards collective bargaining, joint committee structures and social dialogue exist, that contribute to the overall stability of the system?
- How is the coverage of new emerging sectors such as IT or digital businesses and sectors with high shares of precarious work and new technologies?
- Apart from external pressures and challenges, what are internal weaknesses and challenges of the Belgium collective bargaining system?

