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

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# Similarities and Differences of the IR System

<table>
<thead>
<tr>
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<th>Belgium</th>
<th>Germany</th>
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<tbody>
<tr>
<td><strong>Trade unions</strong></td>
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<tr>
<td>• Competing confederations with political traditions</td>
<td>• Tradition of industrial unions, vast majority being organised within major confederation</td>
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<td>• 50% membership rate</td>
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<td>• 18% membership rate (2013)</td>
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<td><strong>Employer organisations</strong></td>
<td>82% (2012)</td>
<td>58% (2011)</td>
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<td><strong>Workplace Representation</strong></td>
<td>Works council and trade union delegation</td>
<td>Works council being the key body</td>
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<td>• Key body is union delegation</td>
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<td><strong>Board-level representation</strong></td>
<td>No, except in a handful of public-owned companies</td>
<td>1/3 in enterprises with 500 to 2,000 employees; parity representation in enterprises with &gt; 2,000 employees</td>
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<td><strong>Tripartite Social Dialogue</strong></td>
<td>Conseil National du Travail, Conseil Central de l’Economie</td>
<td>No, rather informal and ad-hoc at cross-sectoral level</td>
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<td><strong>Collective bargaining</strong></td>
<td>Strong coordination and centralisation</td>
<td>CB primarily conducted at sector level</td>
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<td>• No derogation</td>
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<td>Decreasing coordination</td>
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<td>• Extension nearly automatic</td>
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<td>Increasing derogation possibilities</td>
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<tr>
<td>• Coverage rate: about 100% and stable</td>
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<td>Extension exceptional</td>
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<td>Coverage rate: 57% and declining</td>
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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 1990s 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?