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INDUSTRIAL RELATIONS IN EUROPE

FOSTERING EQUALITY AND CROSS-COUNTRY CONVERGENCE?

CONFERENCE ORGANIZED BY THE INTERNATIONAL LABOUR OFFICE
IN COOPERATION WITH THE EUROPEAN COMMISSION



Germany: Collective bargaining (CB) on wages and working time to ensure social along economic convergence

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Declining coverage by collective agreements (CA) in DE

For realistic expectations on the contribution of IR some facts:

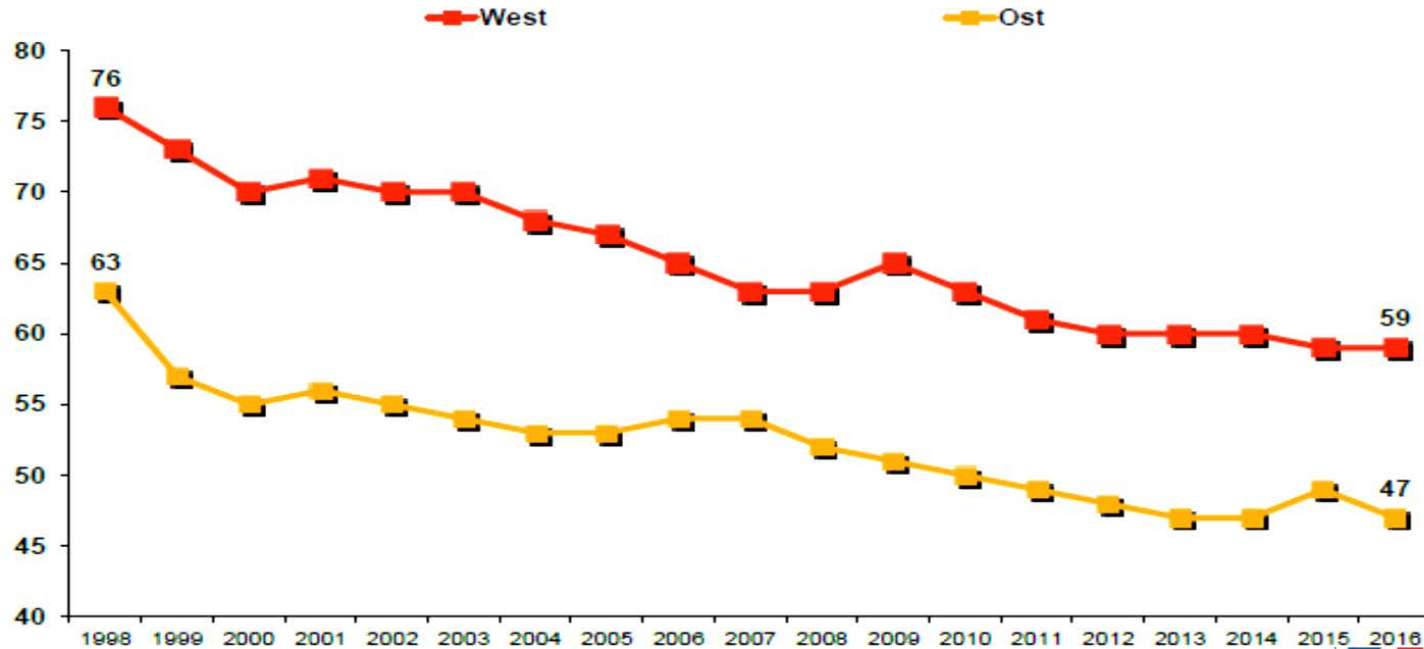
Until 1990 coverage by CA's = 85 %

- Social partners negotiated wages and many other working and employment conditions autonomously without state interventions

Decline of coverage to now 59% in West- /47% in East-Germany

- Where unions are strong – standards higher than the statutory minimum and take up of new issues, such as lifelong learning and work-life balance
- Where unions are weak – deterioration of working conditions
- State had to break with the tradition of free collective bargaining: putting in place protective standards order to combat the worst excesses of unregulated competition.

Evolution of coverage by collective agreement in Germany 1998 - 2016



Source: WSI Tarifarchiv (based on IAB Establishment Panel data)

Dualisation of LM: strong impact on wages

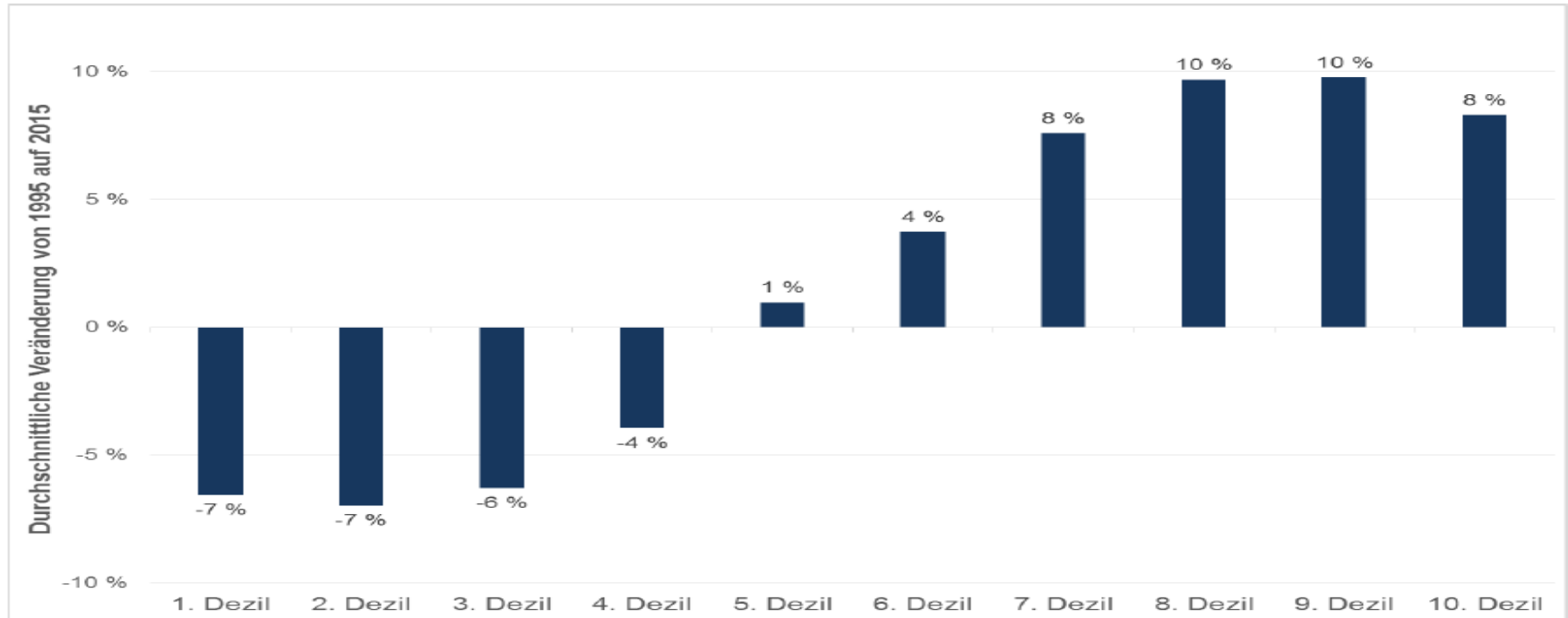
- End of pattern agreements
- Increasing income inequality and growing low wage sector – Lower wage- and unit costs increases in DE than in the EU 28
- Result: increasing German export surpluses (other reasons weak Euro and specialisation of German industry on quality products)
- New MW – high wages increases in lower deciles
- But extension of CA's in the service sector needed for overall wage increases and a substantial reduction of income inequality
- Important project of new government: extension of CA in the care sector

End of pattern agreements – negative wage drift



Quelle: Statistisches Bundesamt, WSI-Tarifarchiv 2015 | © Hans-Böckler-Stiftung 2015

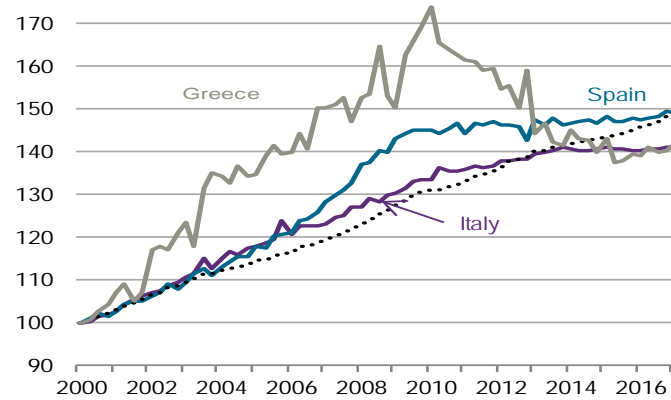
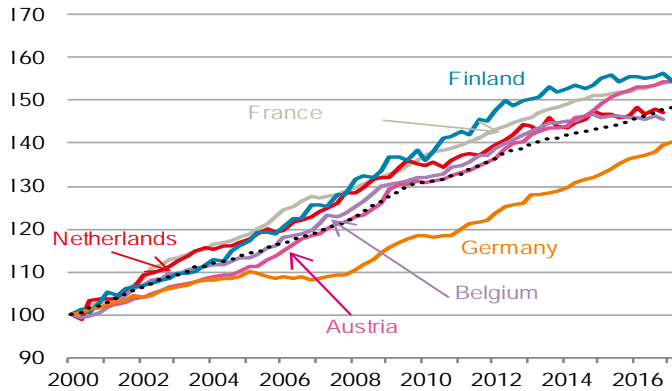
Hourly gross wage of employees by Deciles 1995-2015



Source: Bundesregierung, Armuts- und Reichtumsbericht 2017 (SOEP v32)

Evolution of employee remuneration in the Eurozone and in selected EU member states 2000 -2017

2000q1=100

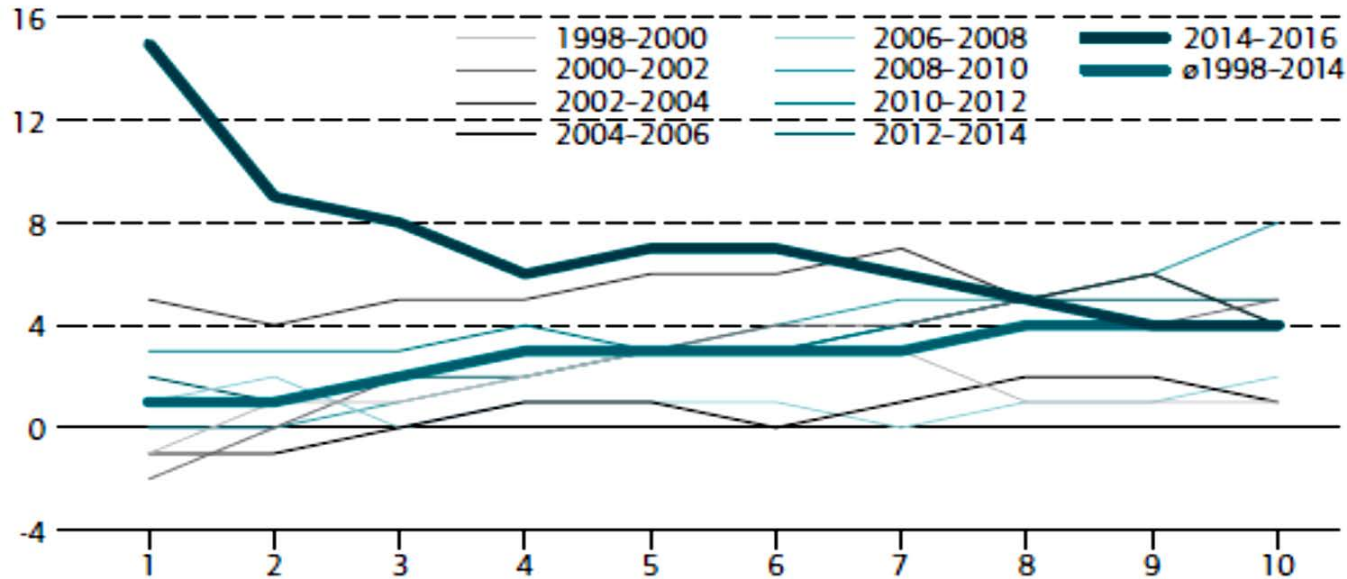


... Eurozone

¹ Employee remuneration per hour. Seasonally and working day adjusted. In national currency.

Source: Albu et al. 2018 (Macrobond Eurostat)

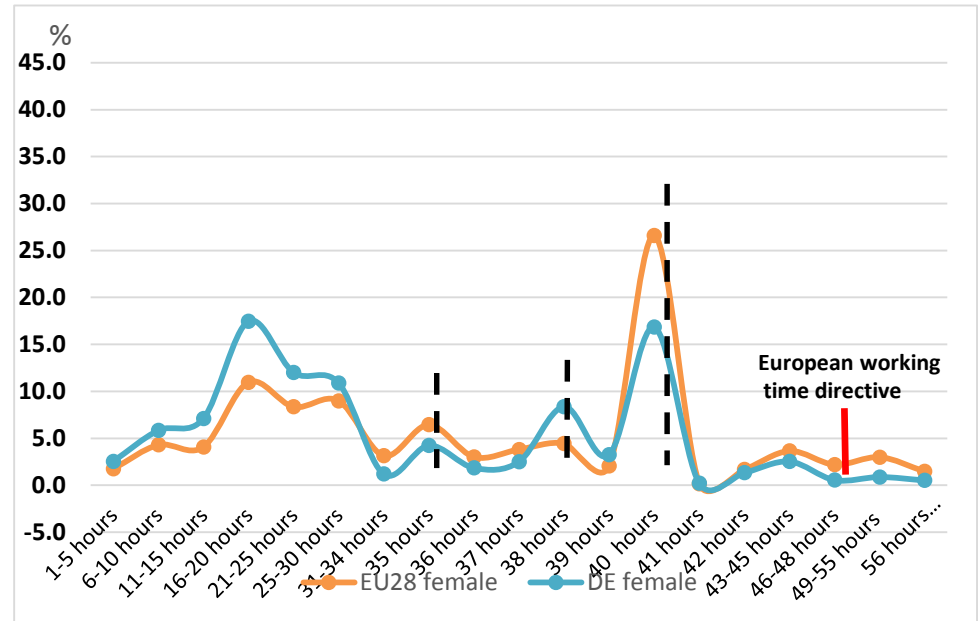
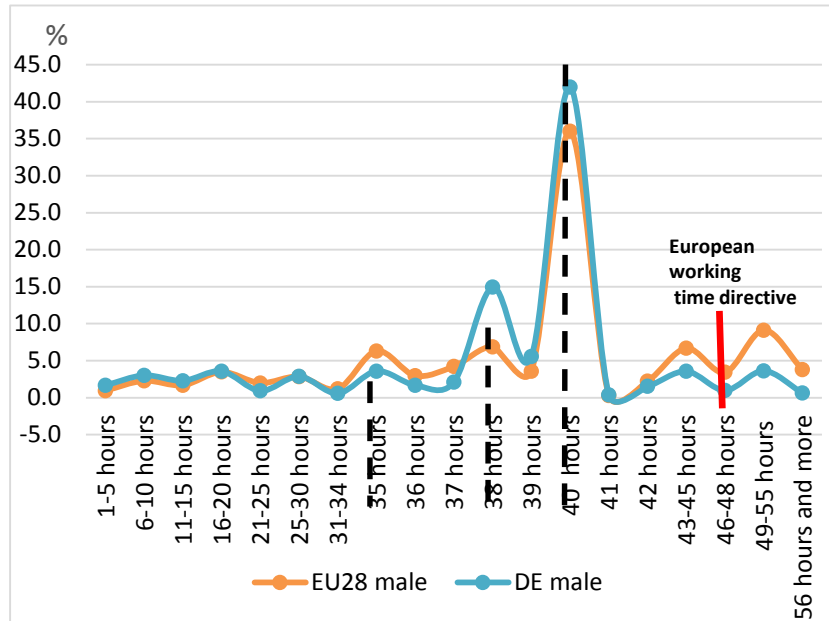
Nominal growth in contractual hourly pay over two years by deciles 1998 - 2016



Working hours of men and women

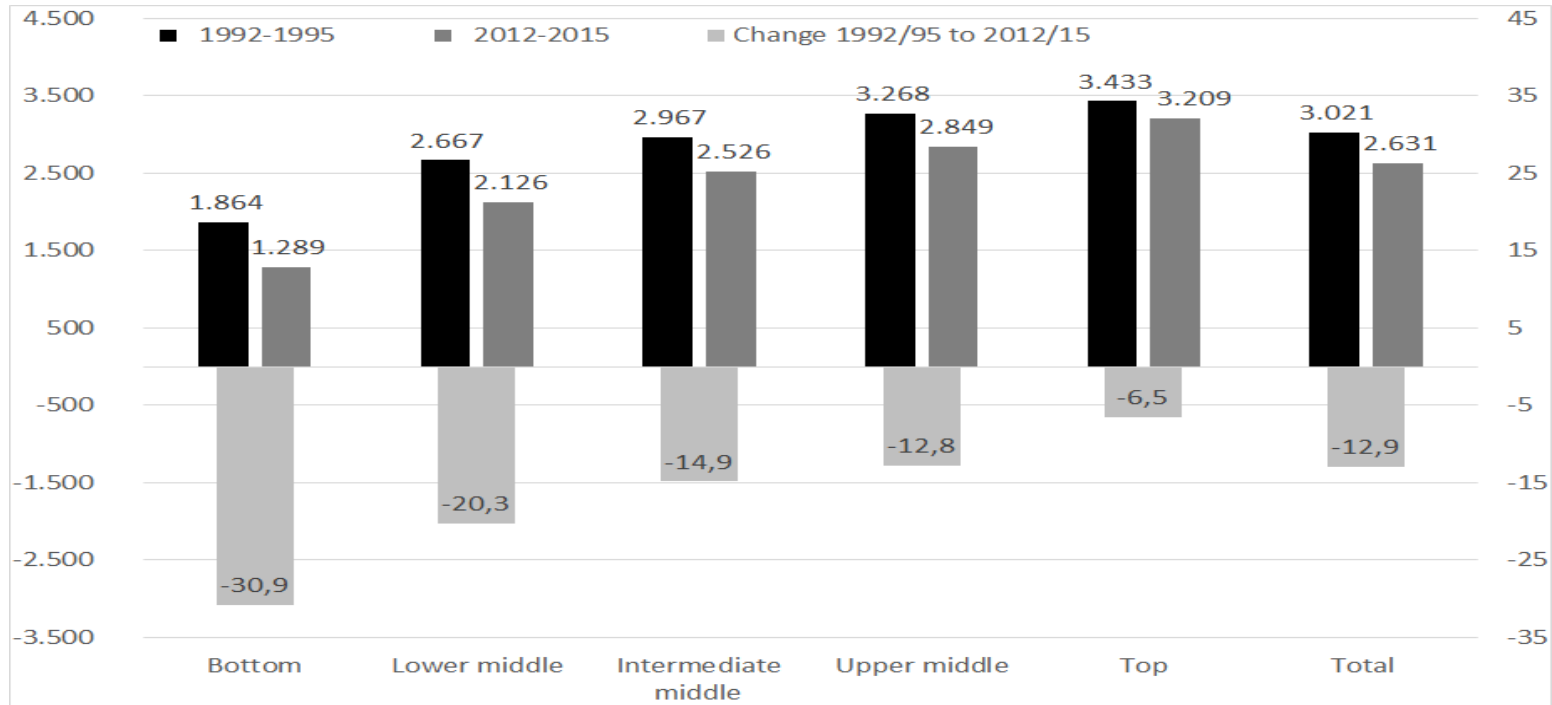
- Stronger impact of CA's on working hours than on wages – but slow erosion of working time standards in non-covered companies
- Working time accounts and flexible distribution of hours over the year or the product cycle widespread – negotiated and non-negotiated
- Less long hours for men and more short hours for women in DE than in EU28
- Strong incentives especially for women to work short hours through mini-jobs and income splitting system
- New: unequal distribution of working hours – important reason for income inequality – therefore short hours a problem

Distribution of normal weekly working times for men and women in EU 28 and Germany, 2015



Source: Eurostat, Labour Force Survey 2015

Annual working time volumes by income class (pre state redistribution) – percentage change



Source: Own calculations using the SOEP v32.1

Towards flexible working hours over the work life

- Since 2001 right to work part-time in companies with 15+ employees
- Expansion of child-care and all-day-schools since 2004
- Since 2006 flexible parental leave scheme: up to 36 months leave per child (12 -14 months paid) – can be taken up to the 8th birthday of child
- Planned: return from part-time to full-time in entreprises > 45 employees
- Innovative CA's on working time:
 - 2017 German railways: Choice between wage increase (2,6%) or working time reduction (39 > 38 hours or six free days per year)
 - 2018 Engeneering industry: Right to reduce working time to 28 hours per week for a maximum of 2 years

Conclusions

- Erosion of CB – unilateral determination of working conditions in non-covered labor market segments
- Low wage increases and growing income inequality in DE – negative impact on beta- and sigma-convergence in EU
- Higher wage increases and more investment in Germany needed to reduce trade imbalances
- Flexible working hours over work life reduce scar effects of part-time and leaves through normalisation of this type of flexibility – good model for Europe
- Unequal distribution of working hours unnoticed driver of income inequality
- Need to abolish incentives to work short hours in DE