

## Annual Collective Bargaining Report 2015

### Hard-fought disputes and substantial real wage rises

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*Collective bargaining in 2015 was characterised by a number of hard-fought industrial disputes. These took place in negotiations to secure a major upgrading of the status and terms of staff in social and childcare services, the conflict at Deutsche Post AG over the company's attempt to lower agreed pay rates for delivery staff in newly-established regional subsidiaries, and, not least, the dispute between Deutsche Bahn AG and the train drivers' trade union GDL. Employees at the Berlin university hospital Charité went on strike to secure a collective agreement on staff appraisal. In addition to these, numerous strikes accompanied negotiations over pensions between the pilots' union Vereinigung Cockpit and Deutsche Lufthansa, which was still unresolved at the end of the year. Workers at Amazon undertook a number of strikes to secure union recognition and a collective agreement. Although the 2015 bargaining round resulted in lower nominal pay increases than the previous year, the very low rate of consumer price inflation led to a real increase in agreed pay of 2.4%.*

## **1 Overview of the 2014 bargaining round**

### **The context**

One of the notable features of the 2015 bargaining round was that it was the first year in which pay negotiations took place in the context of the new statutory minimum wage. This had more than a symbolic significance in low-wage branches, where the main trade union objective was to continue to raise wage levels up to the minimum wage level and, where possible, to ensure that collectively-agreed rates were fully aligned with the statutory minimum (see '3. Prospects for the 2016 bargaining round' below). However, the debates over the purported effects of the minimum wage on the labour market and existing pay and distributional arrangements did not greatly influence the course of the pay round in other branches. As usual, the economic context played a critical role. Economic developments in the run-up to the 2015 bargaining round were relatively favourable: after some weakening of growth in the second quarter of 2014, gross domestic product expanded in real terms over the whole year. According to the majority of the main forecasting institutes, 2015 was expected to see real growth of 1.5-2%, with inflation forecast to run at 0.5-1.5%. Developments on the labour market in 2014 were fairly positive (BA 2015). The number of economically active persons in employment rose by 400,000 over the year, a 1% increase, with a higher increase of 1.8% in the number of employees registered for social insurance purposes. During 2014, the number of registered unemployed persons fell by some 4.0%, with a drop in the unemployment rate from 6.7% to 6.2%. This positive trend continued into 2015 (BA 2016).

From the trade union standpoint, this broadly positive economic outlook called for a corresponding response in terms of pay. At the outset of the pay round, and based on the economic forecast of the IMK institute, the DGB formulated this in strategic terms as follows: 'a healthy pay increase is good for the economy' (DGB 2015; IMK 2014).

Trade union pay claims for 2015 ranged between 4.8% and 6.4%, broadly in line with the previous year. In the private sector, the benchmark was set by IG Metall, with a 5.5% claim for the metalworking and electrical industries: this was adopted as the basis

for claims in several other branches. The claim submitted by union IG BCE for the chemical industry was slightly lower at 4.8%. There were higher claims at Deutsche Bahn, where the rail and transport union EVG sought a rise of 6.0%, and in the commercial cleaning industry, where union IG BAU called for a 6.4% increase. The 2015 round also included several claims with a ‘social component’ – that is, higher increases for the lower paid. These figured, for example, in the public sector, in retailing, and in insurance, with trade unions seeking both a percentage rise as well as cash increases ranging, depending on branch, from €127 to €175.

As well as pay demands, qualitative issues also played a role in some bargaining areas. These included the hiring of trainees on completion of training, further development in so-called ‘demographic agreements’, which provide for special provisions to reflect the changing age composition of the workforce, arrangements to continue phased early retirement, and company pensions.

The sequence of bargaining was determined by the dates on which preceding agreements expired, as indicated below:

- At the end of 2014, agreements expired for the metalworking and electrical industries and the public sector covering regional governments (the *Länder*).
- In February 2015, the chemical industry agreement for North Rhine, Hesse and Rhineland-Palatinate expired.
- This was followed at the end of March by agreements in retailing (in Hesse, Saarland, Baden-Württemberg) and in wholesaling and foreign trade (Schleswig-Holstein, Hamburg, Lower Saxony, Bremen, Westphalia, Baden-Württemberg, Bavaria, West Berlin).
- Agreements expired in further regions in retailing (Schleswig-Holstein, Hamburg, Lower Saxony, Bremen, North-Rhine Westphalia, Rhineland-Palatinate, Bavaria) and in wholesaling and foreign trade (including Schleswig-Holstein, Hamburg, Lower Saxony-Bremen, North-Rhine Westphalia, Hesse, Rhineland-Rhine Hesse), together with large sections of the vehicle repair sector (Lower Saxony, Hesse, Baden-Württemberg, Bavaria, Thuringia, Saxony).
- At the end of May, negotiations were set to begin in the remaining regions of retailing and vehicle repair and at Deutsche Post AG.
- In June, bargaining was scheduled in agriculture (excluding Lower Saxony and Mecklenburg-West Pomerania) and in the housing sector.
- In July and September, bargaining was set to start in the private transportation industry and in synthetic materials.
- And finally at the end of October, collective agreements expired in commercial cleaning and in the iron and steel industry.

There were no negotiations in 2015 in those branches where multi-year agreements from previous rounds were still in force: these included construction, printing, banking, and the public sector (for local government).

## Settlements

The main settlements in 2015 were as follows (see also Table 1):

### **February**

On 24 February, IG Metall secured a pay increase of 3.4% for the *metalworking and electrical industries*, as from April 2015, following extensive token ('warning') strikes. Employees received a lump-sum of €150 to cover the period from January to March. The agreement was concluded for 15 months, expiring at the end of March 2016.

### **March**

In the *chemical industry*, a settlement was reached on 27 March to raise agreed pay rates by 2.8%, after a one-month pay pause, in a 17-month agreement. The 'demography fund', to finance early retirement and related measures, was also increased from €338 to €550 per employee in 2016, with a further rise to €750 from 2017.

On the next day, agreement was reached on a 2.1% increase from March 2015, after a two-month pay pause, for employees in regional (*Land*) governments. A further 2.3% (and at least €75) is payable from March 2016. The agreement runs for 24 months until December 2016. Cuts in pensions were avoided, but employee contributions will rise in but stages. No agreement was reached on a claim on regrading teaching staff.

### **May**

A rise of 2.4% was agreed in the *insurance* branch on 22 May. This was payable from September 2015, following a pay pause of five months. A second stage increase of 2.1% will be paid from October 2016. Employees in the two lower salary grades will receive two extra lump-sum payments of €100. The agreement runs for two years in all.

On 27 May, the transport and rail union EVG concluded its ongoing negotiations with the rail and network operator *Deutsche Bahn*. In addition to a lump-sum of €1,100 to cover a period of 11 months, the settlement also provided for an pay increase of 3.5%, with at least €80 per month from July 2015; there will be a further rise of 1.6% from and at least €40 per month from May 2016. The agreement runs for 26 months in all. There were a number of additional provisions for specific occupational groups, on the issue of working time accounts, and on grading and other matters related to the modernisation of roles, known as 'Arbeit 4.0 ('Work 4.0').

### **June**

On 23 June, ver.di concluded the first agreement for 2015 in *wholesaling and foreign trade*. The pilot deal in Baden-Württemberg provided for a 2.7% increase in agreed rates from June 2015 after a two-month pay pause with a further rise of 2.0% from April 2016, when an additional lump-sum of €90 is paid. The agreement runs for 24 months.

### **July**

On the 9 July, ver.di concluded its first agreement in the 2015 round in *retailing*, also in Baden-Württemberg, under which agreed pay was to increase by 2.5% after a three-month pay pause. A second stage of 2.0% is payable from April 2016, in an agreement concluded for 24 months to March 2017.

### **October**

In *commercial cleaning*, IG BAU secured an increase of 2.6% (West) and 3.7% (East) from 1 January 2016 after a two-month pay pause. Further increases of 2.1%/3.8% are payable from 1 January 2017 in a 24-month agreement expiring in October 2017.

### **November**

On 26 November, IG Metall concluded a settlement in the *iron and steel industry* in north-west Germany. This provided for a lump-sum payment of €200 to cover a two-month period, followed by a 2.3% increase in agreed pay from January 2016, with the agreement running until February 2017. The settlement was adopted for the steel industry in East Germany on 3 December.

### **Other collective bargaining issue and disputes**

The 2015 bargaining round included a number of other negotiations and disputes, some of which had been in train for some time.

In the *public sector*, negotiations to secure a major upgrading of the status and conditions of employees in social and childcare services led to a conciliated award of between 2% and 4.5% following a four-week strike. However, this was subsequently rejected by a majority of staff in a survey of members conducted by ver.di. After fresh negotiations, which led to some improvements in the offer, a settlement was agreed providing for an average pay increase of 3.7%. In a subsequent ballot, this was accepted by 57% of ver.di members and 72% of the members of the GEW education trade union.

At Deutsche Bahn AG, a resolution to the conflict over the existence of separate collective agreements with the train drivers' union GDL, which had begun in mid-2014, was reached in late-June 2015 after a number of strikes and a conciliation process that lasted several weeks. On pay, Deutsche Bahn and GDL agreed to take over the settlement negotiated with the other union at the operator, EVG (see above), but with a cut in reference working hours for train drivers from 39 to 38 from 2018. In addition, there was agreement on a national framework agreement for GDL train staff together with measures to reduce workload and stress. A new conciliation agreement will allow this to be triggered by either party and Deutsche Bahn AG committed itself to negotiate with GDL at least until 2020 (see 'Law on Collective Bargaining Unity' further below).

At Deutsche Post AG, the company's decision to split off employees at its newly-established subsidiary DHL Delivery GmbH from the main agreement and lower pay rates prompted considerable resistance from ver.di. A strike that began in mid-May and which was then escalated step-by-step led, on 5 May, to the following settlement. Provisions on employment security were extended until the end of 2019; there will no outsourcing of delivery services until the end of 2018; and employees with suitable skills currently working on a fixed-term contract of more than 24 months as at 1 July 2015 will be offered an indefinite contract. However, the process of establishing regional subsidiaries will not be reversed. Negotiations also provided for payment of a lump-sum of €400 to cover the period June 2015 to September 2016, with a 2.0% increase in pay from October 2016 and a further increase of 1.7% from October 2017. The 32-month agreement runs until January 2018.

From the employer standpoint, the 2015 bargaining round, in which it proved possible for negotiations to ‘continue to chart a course of moderation, with differentiation by sector and, to some degree with flexibility’ culminated in ‘acceptable settlements’, as the German employer federation noted in its annual report (BDA 2015: 49). However, criticism was directed at the ‘unprecedented scale of industrial action’ (ibid.), a development that led the President of the metalworking employer association Gesamtmetall, Rainer Dulger, to observe: ‘We are en route to English conditions’ (ibid: 50). The background to this assessment was the coming into force of the Law on Collective Bargaining Unity (*Tarifeinheitgesetz*), which is intended to ensure that in the event of competing collective agreements within an establishment, the agreement signed by the trade union with the largest membership within that workplace will prevail (Bispinck/WSI-Tarifarchiv 2015). These provisions had a particular impact on the dispute at Deutsche Bahn AG. A number of trade unions have lodged objections to the law with the Federal Constitutional Court, which rejected applications for injunctions to prevent the new legislation taking effect (Federal Labour Court, Press release 73/2015, 9 October 2015). A final decision is expected in autumn 2016.

**Table 1: Selected pay claims and settlements, 2015**

Settle- ment date	Bargaining unit	Claim	Pay settlement	
			2015	2016
24.02.	<b>Metalworking</b>	5.5 %	€150 lump-sum for 3 months <b>3.4%</b> from April 2015 Duration: 15 months to 03/2016	
04.03.	<b>Volkswagen AG</b>	5.5 %	3-month pay pause <b>3.4%</b> from June 2015 Duration: 15 months to June 2016 €450 company pension contribution for 2015/2016	
11.03.	<b>Hard coal</b>	Increase in real pay	€600 to cover 4 months <b>3.6 %</b> from May 2015 Duration: 24 months to December 2016	
27.03.	<b>Chemical industry</b>	4.8 %	1-month pay pause <b>2.8%</b> (start date varies by region) Duration: 17 months to July- September 2016.	
28.03.	<b>Public sector, Länder (excluding Hesse)</b>	5.5 % with a minimum of €175	2-month pay pause <b>2.1%</b> from March 2015	<b>2.3%</b> (with a minimum of €75) March 2016. Duration: 24 months to December 2016.
30.03.	<b>Textile industry (East)</b>	5.0 %, Equalisation with rates in West	1-month pay pause <b>3.0%</b> from May 2015	<b>2.3%</b> from August 2016 Duration: 25 months to April 2017.
20.04.	<b>Energy (East - AVEU employer's group)</b>	5.6 % (ver.di), Substantial rise (IG BCE)	<b>2.5 %</b> from May 2015	€800 additional lump-sum in April 2016. Duration: 22 months to February 2017
13.05.	<b>Vehicle repair Bavaria</b>	5.5 %	1 month pay pause <b>3.0%</b> from June 2015	<b>2.8%</b> from October 2016. Duration: 25 months to May 2017.

Settle- ment date	Bargaining unit	Claim	Pay settlement	Settlement date
			2015	2016
22.05.	<b>Insurance</b>	5.5 % and a minimum of €160	5 month pay pause <b>2.4%</b> from September 2015 plus €100 lump-sum for wage grades A and B.	<b>2.1%</b> from October 2016 plus €100 lump-sum for wage grades A and B. Duration: 24 months to March 2017.
27.05.	<b>Deutsche Bahn AG</b>	6.0% with a minimum of €150 (EVG)	€1,100 lump-sum to cover 11 months. <b>3.5%</b> and at least €80 from July 2015.	<b>1.6%</b> with at least €40 from May 2016. Duration: 26 months to September 2016
02.06.	<b>Confectionery</b> North-Rhine Westphalia	5.5 %	<b>2.7%</b> from 2015	<b>2.4%</b> from April 2016, Duration: 24 months to March 2017.
12.06.	<b>Paper</b>	5.0 %	<b>2.4%</b> from July 2015	<b>2.4%</b> from September 2016, Duration: 24 months to June 2017.
23.06.	<b>Wholesale and foreign trade</b> Baden-Württemberg	5.5 %	2 month pay pause <b>2.7%</b> from June 2015	<b>2.0%</b> from April 2016, €90 additional lump-sum in April 2016 Duration: 24 months to March 2017
05.07.	<b>Deutsche Post AG</b>	5.5 %	€400 lump-sum to cover 16 months.	<b>2.0%</b> from October 2016 <b>1.7%</b> from October 2017 Duration: 32 months to January 2018
09.07.	<b>Retail</b> Baden-Württemberg	€1 per hour increase €1,850/month minimum	3 month pay pause <b>2.5%</b> from July 2015	<b>2.0%</b> from April 2017 Duration: 24 months to March 2017
30.07.	<b>Joinery</b> North West Germany	5.0 %	1 month pay pause <b>2.7%</b> from September 2015	<b>2.3%</b> from January 2017 Duration: 24 months to July 2017
24.09.	<b>Private transport</b> Brandenburg (Freight forwarding and logistics)	5.5 % Convergence to West Berlin rates	1 month pay pause <b>2.5%</b> from September 2015	€20 flat-rate rise plus <b>2.0%</b> from October 2016 Duration: 29 months to December 2017
30.09	<b>Public sector</b> Regrading claim for social and care staff	Average of 10.0%	<b>Average of 3.73%</b> from July 2015 Duration: 5 years to June 2020	
20.10.	<b>Energy</b> (North-Rhine Westphalia) (GWE)	5.3 %	€650 for 2 months. <b>2.4%</b> from December 2015 Duration: 26 months to November 2017.	
30.10.	<b>Commercial cleaning</b>	6.4 % (€0.80/hour for lowest grade; East/West convergence)	2 month pay pause	<b>2.6/3.7%</b> from January 2016 <b>2.1/3.8%</b> from January 2017 in each case average in West/East Germany Duration: 24 months to October 2017
26.11./ 03.12.	<b>Iron and steel</b> North-Rhine Westphalia, East Germany	5.0 %	€200 to cover 2 months.	<b>2.3%</b> from January 2016. Duration: 16 months to February 2017.

Source: WSI-Tarifarchiv as at 31.12.2015

## 2 Collective bargaining developments – key data

### Wages, salaries and trainees' pay

In 2015, trade unions affiliated to the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund – DGB) concluded *wage and salary agreements* covering 12.5 million employees: of these some 10.8 million were in the former West Germany and 1.7 million in East Germany. This was equivalent to some 61% of all employees covered by collective bargaining. A further 6.8 million employees were affected by increases already agreed in 2014 or earlier. In the case of some 1.1 million employees, pay agreements expired in 2015, or previously, without any fresh agreement being concluded by the end of that year or for which no pay increases were due under existing agreements for 2015.

### Settlement rate

The settlement rate across the whole economy averaged 4.3% (compared with 5.1% in 2014), with a settlement rate of 4.2% in West Germany and 4.6% per cent in East Germany. This figure encompasses all increases in agreed pay scales, including those taking effect in 2016 or later. It excludes lump-sum payments and additional one-off sums that are not consolidated into agreed pay scales.

This 'gross' settlement rate is only of limited value, however, as it is defined as the increase in agreed pay for the whole of the duration of the agreement, which can vary considerably between sectors. Considering only the agreed increases concluded for and coming into effect during 2015, the settlement rate falls to 2.9% (West, 2.9%; East, 3.1%). Breaking this average down by sector yields a range from 2.1% for government and social security to 5.1% in agriculture and horticulture. It should be noted that because these increases take effect at different points in the year, their impact on the overall increase in agreed pay for 2015 as a whole will vary.

'Pay pauses' (*Nullmonate*), in which increases in rates are delayed typically for one to three months, played a much more significant role in the 2015 pay round than in the previous year. Such provisions were agreed for some 11.5 million employees (2014: 4.5 million), accounting for some 92% of all employees whose pay was renegotiated in 2015 (2014: 59%). The number of months during which rates were held constant before increases took effect averaged 3.4 in 2015, considerably above the preceding year's average of 2.3 months. The main reason was that settlements in some branches followed long periods in which no agreement had been force (as in horticulture).

Of all employees with an agreed increase during 2015, 36% had to wait for one or two months before this was payable, with a further 50% waiting for three months, and the remaining 6% waiting for four months or more. Compensation in the form of lump-sum payments was agreed for only 4.2 million employees, 34% of those affected: the average level of such lump-sum payments per month was €5 (€5 in the West; €3 in the East).



## Duration of agreements

The trend towards pay agreements running for almost two years, observable over the past decade, continued in 2015. On average, pay agreements concluded in the 2015 bargaining round were set to run for 21.1 months (compared with 22.4 in 2014). Some 5.0 million employees (40% of all those covered by a new pay agreement) were subject to an agreement running for between 12 and 18 months. Some 7.1 million employees (58%) were covered by agreements with a duration of 24 months or longer. Overall, agreements in the East were set to run, on average, for one month longer than in the West.

**Table 2: Duration of agreements (in months)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
All Germany	21.8	25.7	22.1	22.2	22.4	24.1	24.3	22.8	18.0	22.8	22.4	21.1
West	21.8	25.2	21.6	22.2	22.2	24.3	23.6	22.6	17.9	22.4	22.2	20.9
East	22.0	28.4	24.7	21.9	23.4	23.2	28.3	23.9	19.1	24.7	23.2	22.2

Source: WSI-Tarifarchiv as at 31.12.2015

## Annualised rise in collectively-agreed pay

In contrast to the settlement rate, the rate of increase in collectively-agreed pay for the calendar year is calculated by taking into account the effect of the timing and duration of pay settlements together with any carry-over provisions from the previous year as well as additional lump-sums and any one-off payments made to compensate employees for delays in reaching settlements. The annualised increase in collectively-agreed pay is measured in terms of the whole of 2015 in relation to the preceding year, and encompasses 19.3 million employees in all.

For the whole of Germany, the *annualised rise in agreed remuneration* in 2015 compared with the whole of 2014 was **2.7%** (in 2014 the corresponding rise was 3.1%). The increase calculated on this basis was 3.0% in East Germany, well above the 2.6% for West Germany. At 2.7%, the annualised average agreed rise taking effect in 2015 as the result of carry-over provisions from long-term agreements was exactly the same as new settlements. Pay agreements covering around 0.5 million employees expired in 2014 and 2015 without any fresh settlement being secured.

The highest rate of nominal increase, at 3.5%, was in the investment good sector; this was followed by private services and non-commercial organisations with 3.0%. The construction industry achieved 2.8%. The increase in food, drink and tobacco was exactly in line with the average at 2.7%. Collectively-agreed pay rose by 2.6% in transport and communications, raw materials and intermediate goods, banking and insurance. Slightly below at this, at 2.4%, were horticulture, agriculture and forestry together with energy and water, mining and government, with the consumer goods sector trailing just behind with 2.3%. The increase in commerce was 1.7%.

**Table 3: Rise in agreed pay in 2015 in %**<sup>1</sup>

Sector	West	East	All Germany
Horticulture, agriculture, forestry	2.1	4.0	2.4
Energy and water, mining and quarrying	2.6	1.4	2.4
Raw materials and intermediate goods	2.5	3.1	2.6
Capital goods	3.5	3.7	3.5
Consumer goods	2.3	2.5	2.3
Food and drink	2.6	2.8	2.7
Construction	2.6	3.3	2.8
Commerce	1.7	1.7	1.7
Transport and communications	2.6	2.7	2.6
Banking and insurance	2.6	2.6	2.6
Private services, non-commercial organisations	2.7	3.9	3.0
Government and social security	2.4	2.3	2.4
<b>Whole economy</b>	2.6	3.0	2.7

<sup>1</sup> Annual increase in agreed basic pay for 2015 in relation to 2014.

Source: WSI-Tarifarchiv as at 31.12.2015

The rise in agreed average pay for 2015 on an annualised basis at 2.7% was significantly above the increase in living costs of 0.3%. As a consequence, basic agreed pay in *real terms* rose on aggregate by **2.4%**.

### Earnings

Over the past year, earnings' growth was slightly above that in the previous year. **Total earnings** in the whole economy rose by 4.0% per cent in 2015. Calculated on a monthly basis, earnings per employee rose in nominal terms by **2.8%** and on an hourly basis by 2.3%. Adjusted for inflation, this meant that real earnings in 2015 rose by 2.5% on a monthly basis and 2.0% on an hourly basis. The newly introduced minimum wage contributed to the fact that gross incomes rose more strongly than collectively-agreed pay for the first time in some years.

The **cost-neutral scope for nominal pay growth**, which is the sum of consumer price inflation (+0.3%) and productivity growth per employee (0.9%), was 1.2% in 2015. In contrast, based on hourly productivity, which rose by 0.5%, the cost-neutral scope for nominal pay growth was 0.8%. As a consequence, both agreed pay and earnings were substantially above this cost-neutral figure. However, if the ECB's target inflation rate (2%) and long-term productivity growth (1-1.5%) are taken as yardsticks, then pay growth in 2015 was below this benchmark.

**Table 4: Data on economic developments and distribution 2015**

- Change over the previous year in % -

Consumer prices	+0.3
Hourly labour productivity	+0.5
Cost-neutral scope for distribution (inflation + productivity growth)	+0.8
<b>Agreed pay</b>	<b>+2.7</b>
Gross earnings per employee	+2.8
Gross earnings per hour	+2.3
Hourly unit wage costs	+1.7

Source: Federal Statistics Office, WSI-Tarifarchiv

### Pay convergence between East and West Germany

No further progress was registered in *convergence in agreed pay* between East and West Germany. On 31 December 2015, the situation was as follows in terms of agreed *basic* pay. Based on 50 bargaining units with 1.9 million employees, agreed pay on average in the East stood at 97.4% of its level in the West, with virtually no change when compared with the previous year.

**Table 5: Level of agreed pay in East Germany as percentage of West Germany, 2005-2015**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
%	94.6	95.1	95.2	96.8	96.1	96.6	96.5	97.0	97.0	97.3	97.4

Source: WSI-Tarifarchiv as at 31.12.2015

### Trainees' pay

As in the preceding year, pay for trainees rose faster in 2015 than the average rise in collectively-agreed pay. According to the Federal Institute for Vocational Training (Bundesinstitut für Berufsbildung) trainees' pay rose by 3.9% (West, 3.7%; East, 4.3%) (BIBB, 2016). These average figures conceal large sectoral variations.

Taking trainees' pay in the third year of training as the basis for comparison, rates of increase in 25 bargaining units ranged between 1.0% and 10.3%. In five bargaining units (agriculture, iron and steel, rubber, wood and synthetic materials and Deutsche Post AG, the hard coal branch in the Ruhr and Deutsche Post AG) there was no increase in trainees' pay at either national or regional level (see Table 6 below).

**Table 6: Increases in agreed trainees' remuneration, 2015 in %\***

- Selected industries –

Bargaining unit	%
Banking	2.4
Construction West/East	2.6/3.3
Chemical industry (North-Rhine/East Germany)	3.9/4.3
Printing	1.0
Retail (North-Rhine Westphalia/Brandenburg)	2.7/3.0
Energy (North-Rhine Westphalia)(GWE group)/East Germany (AVEU)	2.4/2.5
Commercial cleaning (West/East)	2.3/4.5
Hotels and hospitality (Bavaria/Saxony)	3.1/10.3
Vehicle repair (North-Rhine Westphalia/Thüringia)	2.9/4.8
Metalworking and electrical industries (North Württemberg-North Baden/Saxony)	3.4/3.3
Public sector (Federal government/local and regional government)	2.2/3.3
Confectionery (Baden-Württemberg/East Germany)	2.7/2.6

\* increase in the third years of training compared with December 2014

Source: WSI-Tarifarchiv as at 31.12.2015

### Working time

The basic data on agreed weekly working hours has remained virtually unchanged over the past year. In December 2015, agreed **weekly working time** across the whole economy remained unchanged at 37.7 hours (West, 37.5; East, 38.7) (see Table 7 below). In view of the numerous options for working flexibility and derogation from industry agreements on working time (such as working time accounts and extended reference periods), figures both for the economy as a whole and for specific branches should be viewed as benchmarks rather than a precise description of working time standards at workplace level.

Agreed **annual holiday** for employees with maximum entitlement, depending on seniority, remained unchanged at 30 days for the economy as a whole (West, 30; East, 29.6).

Calculated on the basis of this figure, together with other individual components of working time, average **annual agreed working hours** for the economy as a whole stood at 1,658.3 (with 1,649.2 in West Germany and 1,705.3 in the East).

**Table 7: Collectively-agreed working time arrangements, 2015**

Provision	West	East	All Germany
Weekly working hours	37.5	38.7	37.7
Percentage of the workforce working:			
Up to and including 35 hours	23.8	8.7	21.3
36 - 37	8.3	4.7	7.7
37.5 - 38.5	34.1	30.6	33.4
39 - 40 and above	33.5	55.5	37.0
Annual leave (working days) <sup>1</sup>	30.0	29.6	30.0
Annual working hours	1,649.2	1,705.3	1,658.3

<sup>1</sup> Maximum entitlement, where based on seniority.

Source: WSI-Tarifarchiv as at 31.12.2015

### 3 Statutory minimum wage and agreed branch minimum wages

A national statutory minimum wage of €8.50 per hour came into force on 1 January 2015. The Minimum Wage Act (*Mindestlohngesetz*) allows pay rates to diverge downwards from this figure up to the end of 2016, provided this is by means of a collective agreement concluded by representative negotiating parties and extended by government decree. Moreover, some employee groups are excluded from the scope of the minimum wage legislation <sup>1</sup> or subject to special provisions.<sup>2</sup>

Once the Minimum Wage Act was in force, discussion moved, firstly, to the issue of its effective implementation and monitoring (see Schulten et al., 2014) and, secondly, to its impact, if any, on pay and employment. The loss of 1 million jobs forecast by mainstream economists has not come about. Developments on the labour market have generally been positive, albeit with a fall in the number of ‘mini-jobs’ in some spheres, many of which have been transformed into insured employment. Wages in low-pay sectors rose at well above the average rate of increase (see Amlinger et al., 2016).

In the run-up to the passage of the legislation on the statutory minimum wage, collective bargaining responded to the changing policy environment. In some branches, minimum wage collective agreements were concluded before the law came into force. From the trade union standpoint, these were intended to move what were in some cases very low agreed pay rates towards the prospective minimum wage; from the employers’ perspective, they represented an opportunity to take the maximum advantage of the two-year permitted transitional period. This included hairdressing, meat processing, and agriculture, horticulture and forestry. There was no agreement in the hotels and hospitality sector or for the taxi trade (see WSI-Tarifbericht 2014).

<sup>1</sup> Trainees, the under-18s, the formerly long-term unemployed in the first six months’ of employment, for voluntary activities carried out for charitable or related purposes, and some internees.

<sup>2</sup> Newspaper delivery and seasonal work.

At the start of 2016, branch-specific minimum wages had either been agreed or applied for in 19 branches, employing some 4.6 million employees in all. Between January 2015 and January 2016, virtually all these had been increased, with rises ranging from 1% to 16%. Depending on the specific branch and region, branch-level minimum wages varied from €7.90 to €15.73 per hour. In the majority of instances, minimum wages stood at €10 or more.

Taking advantage of the temporary exemption under the Minimum Wage Act, minimum wages remained below €8.50 in just four cases and, with the exception of agriculture, horticulture and forestry, all these were in bargaining regions in East Germany. There was agreement in all these cases to raise the lowest level of agreed pay to at least €8.50 and more (see Table 8).

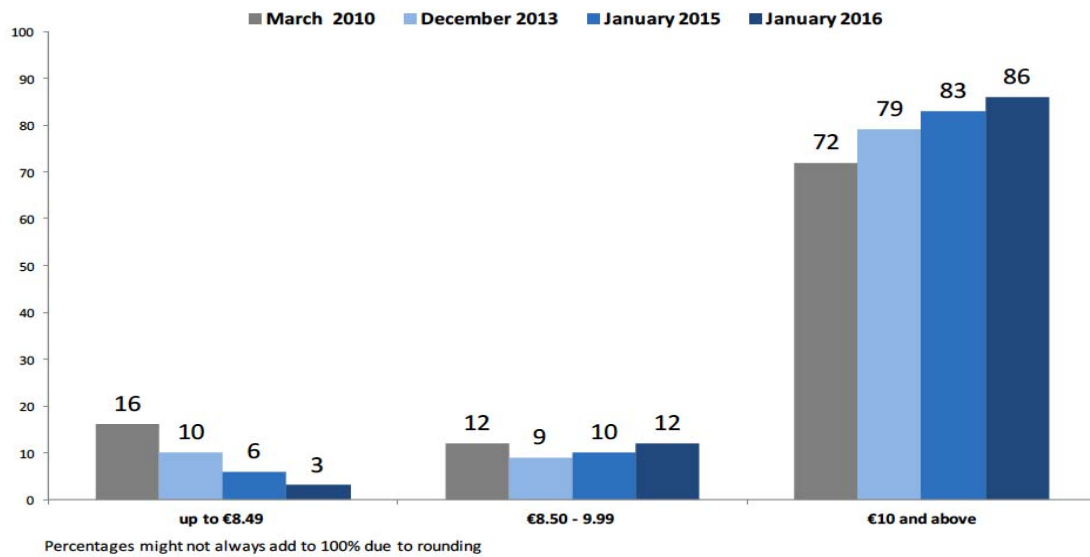
**Table 8: Change in branch-level minimum wages in selected sectors (€/hour)**

From	West	East
<b>Agriculture, horticulture and forestry</b>		
01.01.2016	<b>8.00</b>	<b>7.90</b>
01.01.2017	8.60	8.60
01.11.2017	9.10	9.10
<b>Temporary agency work</b>		
01.04.2015	8.80	<b>8.20</b>
01.06.2016	9.00	8.50
<b>Textiles and clothing</b>		
01.01.2016	8.50	<b>8,25</b>
01.11.2016	8.50	8.75
01.01.2017	Statutory minimum wage	Statutory minimum wage and at least €8.75
<b>Laundry services</b>		
01.10.2014	8.50	<b>8.00</b>
01.07.2016	8.75	8.75

Source: WSI-Tarifarchiv

These new pay agreements and the effect of the introduction of the statutory minimum wage has enabled the trade unions to achieve significant improvements in the pay situation in low-wage sectors in Germany. By the start of 2015, the percentage of pay grades below €8.50 per hour had fallen to 6%, from as much as 16% in March 2010 and 10% in March 2013 (see Figure 1).

Figure 1: Distribution of agreed pay grades by level, 2010-2016 (in per cent)



Source: WSI-Tarifarchiv as at January 2016

By early-2015, 3% of all agreed pay grades were below the statutory rate of €8.50 per hour, according to an analysis of 4,492 pay grades in 40 branches, covering some 17 million employees, carried out by the WSI. Those grades that remained below €8.50 were found in 16 branches and were largely confined to a few regions. The proportion of pay grades below €8.50 varied considerably by branch, ranging from 1% to 22%.

#### 4 Prospects for the 2016 bargaining round

With a few exceptions, those increases already agreed for 2016 range from 2-3.7% (Table 9). However, past experience suggests that such increases have only a limited impact on current round. As a rule, second or further stage increases are generally lower than the initial settlement in a multi-year agreement.

Table 9: Agreed increases for 2016

Bargaining unit	%	from ... 2016	to ...
Deutsche Bahn AG	1.6, minimum €40	May	September 2016
Deutsche Post AG	2.0	October	September 2017
Retail (North-Rhine Westphalia)	2.0	May	April 2017
Iron and steel industry (excl. Saarland)	2.3	January	February 2017
Energy - East (AVEU)	€300 lump-sum	April	February 2017
Commercial cleaning (West/East)	2.6/3.7	January	December 2016
Wholesale & foreign trade (Baden-Württemberg)	2.0 + €90 lump-sum	April	March 2017
Vehicle repair (Bavaria)	2.8	October	May 2017
Public sector (Länder, excl. Hesse)	2.3 at least €75	March	December 2016
Paper	2.4	September	June 2017
Confectionery (North-Rhine Westphalia)	2.4	April	March 2017
Textile (East)	2.3	August	April 2017
Insurance	2.1	10	March 2017

Source: WSI-Tarifarchiv as at 31.12.2015

Most of the forecasting institutes expect the economic recovery to continue in 2016. The IMK institute has forecast a growth of real GDP of 1.8%. The large numbers of refugees entering Germany will undoubtedly profoundly influence developments on the labour market. Overall, however, unemployment is expected to rise by just 20,000 (IMK 2015).

The central trade union claims for the 2016 bargaining round also centre once again on pay. Those claims that had been submitted at the time this report was concluded were bunched between 5-5.5%. The overall direction of bargaining in 2016 will be shaped by those larger branches negotiating in the first six months of the year. The round begins with wood and synthetics manufacturing, where collective agreements expired at the end of 2015. This is followed by Deutsche Post AG, at the end of January, and the public sector (for federal and local government) in February. Agreements expire in the metalworking and electrical industry and in printing in March, followed in April by banking and construction, in May by Volkswagen AG, and between July and September by regional agreements in the chemical industry.



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