

Low wage work in Germany: A challenge for industrial relations!

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Outline

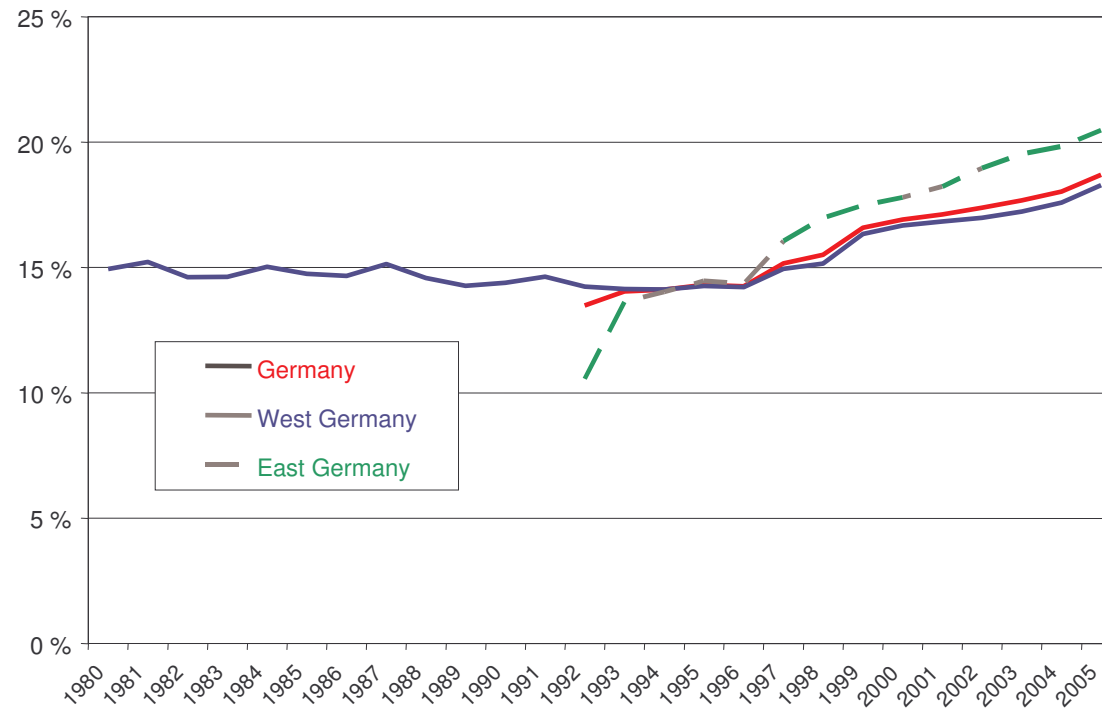
Incidence of low wage work in Germany

.... Low wage work in the hotel sector and in retailing

Do changes in industrial relations contribute to an increase of low wage work?

Trends in industrial relations on industry and establishment level

Increasing share of low wage work in Germany



Source: Own calculation with the IAB regional sample (up to 1998) and the BA employee panel (from 1999)

High incidence of low wage work in the hotel sector and in retailing

Share of low wage work by industry, employment form and sex, Germany 2004

	Total economy	retail	hotels and restaurants
All employees	22,1%	42,0%	70,2%
Full time	13,7%	34,4%	58,4%
Part time	20,3%	28,5%	(73,0%)
Marginal part time (minijob)	78,9%	86,8%	97,0%
Men	14,4%	27,7%	61,9%
Women	30,2%	47,1%	76,1%
Number of dependent employees	31.051.818	3.039.620	680.445

Source: SOEP, own calculations, data in brackets: less than n=30 in a cell

Basic structure of industrial relations in Germany

Industry level

Unions + Employers' Associations:

Collective agreements on basic working conditions

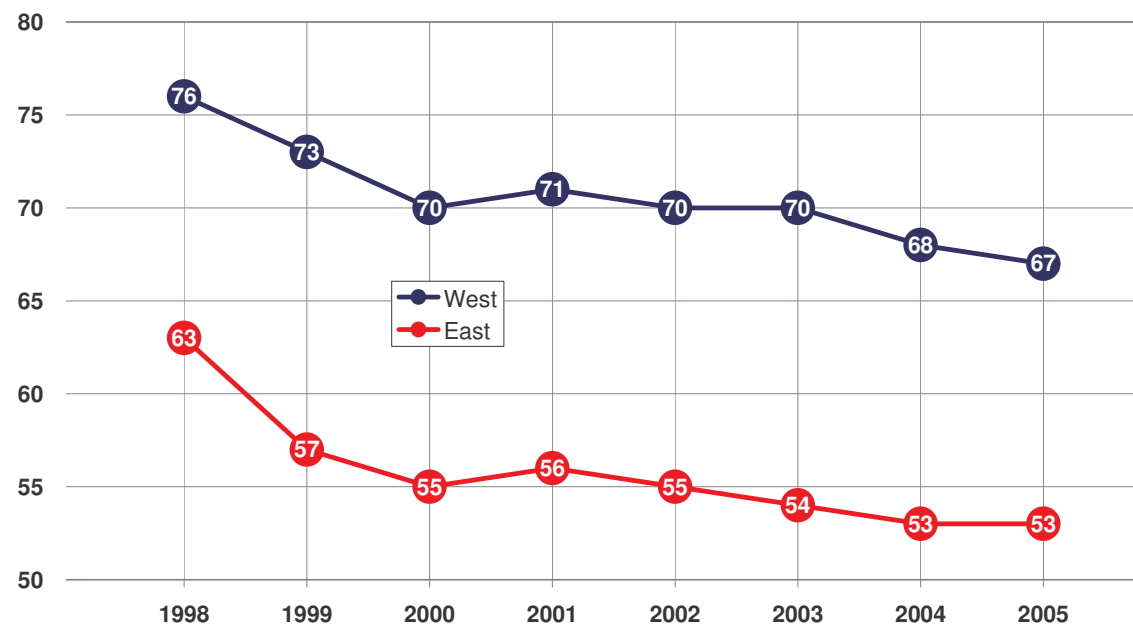
Mandatory extension



(pay, working time, bonuses etc.)

Decreasing impact of collective agreements

Coverage of employees by collective agreements
in West- and East Germany (in %)



Source: DGB 2004; Ellguth/Kohaut 2005; Ellguth 2007.

Basic structure of industrial relations in Germany

Industry level

Unions + Employers' Associations:
Collective agreements on basic working conditions
(pay, working time, bonuses etc.)

Mandatory extension

Company level

Works Council + Management:
Company agreements on company related pay (company benefits), working time organisation (shift systems)...

'to-the-workers'-advantage' principle

Industrial relations in the **hotel** sector the **industry** level

- mandatory extension of collective agreements in West Germany on basic employment conditions: working time (5-days-week, 38,5/40-hours-week), vacation pay, overtime etc.
- collective agreements on pay are not generally binding → wages have always been a central factor in competition.
- Fragmented structure on the employers side: Diminishing commitment of firms to collective norms, increasing use of the so-called OT membership in employers' associations
- Low union density (5% in the hotel and restaurant industry)
- Wage levels in collective agreements: Wage levels for all occupations are traditionally low in the hotel sector. Collectively agreed wages for room attendants are clear below the low wage threshold.

Industrial relations in **retailing** - the **industry** level

- mandatory extension of collective agreements until the year 2000. Employers used their right of veto to halt the process of declaring collective agreements generally binding. → wages are (again) a central factor in competition.
- Since 2000 increasing fragmentation on the employers side: Diminishing commitment of firms to collective norms, increasing use of the so-called OT membership in employers' associations.
- Union density is about 10%.
- Wage levels in collective agreements: First year: Sales persons and cashiers start with wages below the low wage threshold (9,58€ West), in the sixth year: wages are above the low wage threshold

Industrial relations in the **hotel** sector - the **company** level

- Only few works councils in the hotel industry. Union estimation: 200 works councils in total, 30% of all workers in hotels are represented by works councils, no workers representation in small establishments
- Works councils are more likely to exist in hotel chains. The average German hotel employs 9 people = dominance of small enterprises
- Works councils lose the right to represent those who are most affected by low wages (room attendants) through outsourcing strategies.

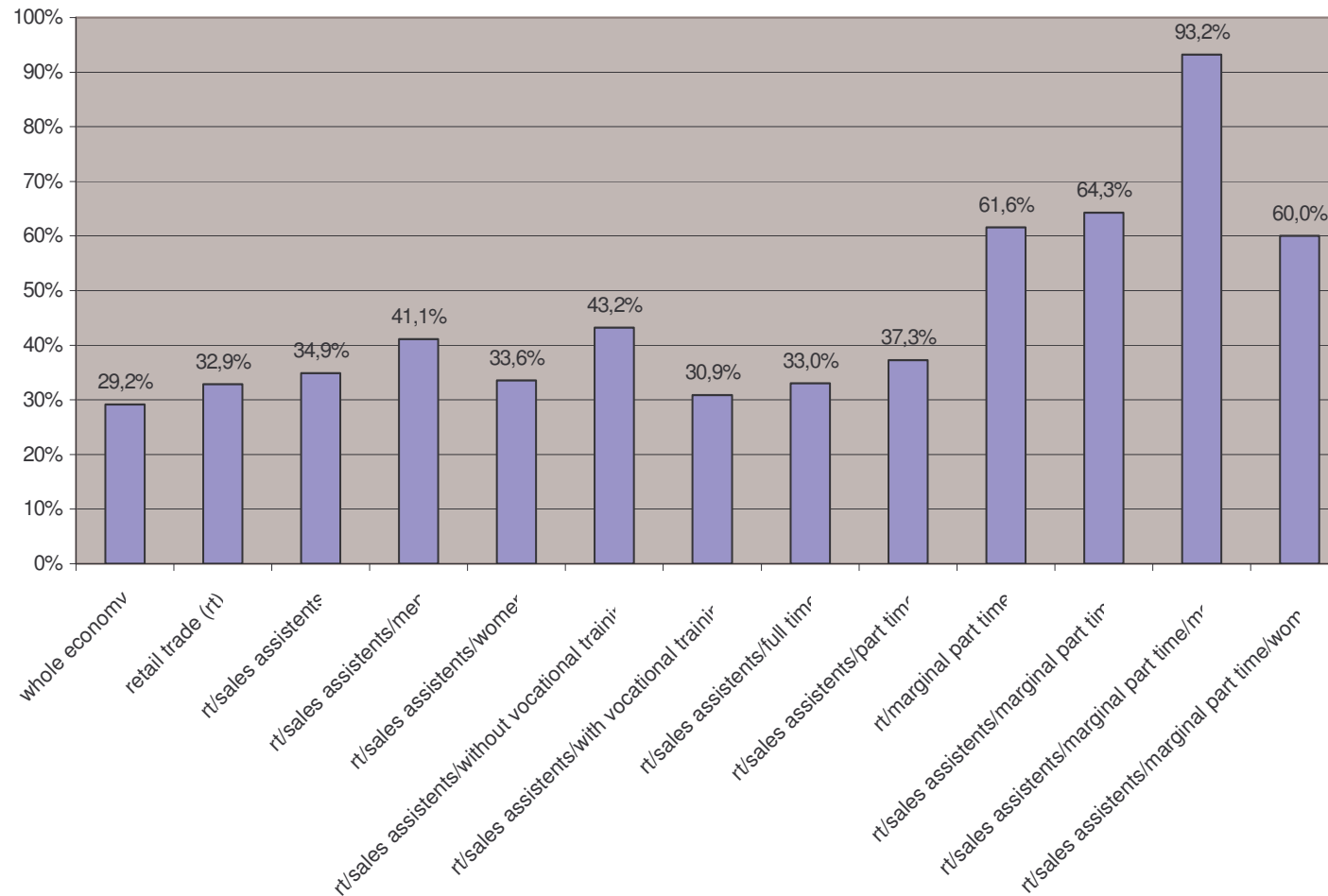
Industrial relations in **retailing** the **company** level

- The strength of works councils varies a lot : Powerful and conflict oriented works councils in some branches of the Metro-group. Aggressive union-avoidance strategies in discounters (Lidl, kik).
- Typical deviations from collective agreements: no premium payments for late-night opening and Saturday work. Payment of Holiday and Christmas bonuses depending on companies profitability instead of bonuses fixed by collective agreement. Weekly working time of 40 hours instead of 37,5 h according to collective agreement.
- Minijobs as functional equivalents to outsourcing strategies: two tier workforce with regard to pay
- Some works councils use their power to prevent companies from a massive use of minijobbers. Some other works councils agreed on lower wages for minijobbers in order to stabilise the core workforce.

Conclusions

- Ongoing weakening of actors in collective bargaining: The system of industrial relations does not fulfill the function of covering minimum standards in employment any longer
 - Weak basis for bargaining on establishment level. Decentralisation of bargaining is not an option to fix minimum working standards.
 - Regulation of marginal part time and outsourcing strategies as a gateway for low wage work
- Need to flank the system of industrial relations by the introduction of a national minimum wage.

Labour turnover in retailing (1998-2002)



Source: BA-Beschäftigtenpanel, own calculation

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Industry	Employees			
	Total	Fulltime	Parttime	Minijobs
Retail trade (WZ 52)	2.716.167	49,0%	24,7%	26,3%
<i>change 1999-2004</i>	<i>-0,3%</i>	<i>-11,5%</i>	<i>+6,6%</i>	<i>+20,9%</i>
Hotels (WZ 55.1)	277.413	69,9%	6,0%	24,1%
<i>change 1999-2004</i>	<i>+8,4%</i>	<i>+0,8%</i>	<i>+16,2%</i>	<i>+35,9%</i>
Total economy	31.326.848	70,9%	13,8%	15,3%
<i>change 1999-2004</i>	<i>+0,6%</i>	<i>-6,6%</i>	<i>+17,6%</i>	<i>+31,6%</i>

Long-term development of the share of low-wage workers in the case-study industries and occupations, West Germany (full-time employees covered by the social security system)

Industry/occupation	1980	1995	1999	2003
Retail	29.9%	22.0%	32.7%	33.1%
Sales assistant/sales clerk (BKZ 682)	53.5%	36.9%	42.0%	41.5%
Cashier (BKZ 773)	55.4%	48.9%	37.4%	36.8%
Hotel and restaurants	62.1%	67.9%	69.5%	72.0%
Other guest attendants (BKZ 913)	75.9%	81.2%	84.2%	82.0%
Housekeeper (BKZ 923) (for 1980 and 1995 together with BKZ 922: consumer advisors)	84.1%	89.2%	82.9%	88.3%
Cleaning staff (BKZ 933)	78.9%	91.0%	92.6%	91.7%
Total economy	15.6%	14.2%	16.3%	17.3%

*Source: BA employee panel and IAB-employment subsample, own calculations.
Data before 1995 and after 1995 are based on different industry classifications and not fully comparable.*

Employees by sex and industry/occupation, Germany 2003

Industry/occupation	Men	Women	Total
Retail (NACE 52)	27,3%	72,7%	100,0%
Sales assistant/sales clerk (BKZ 682)	17,1%	82,9%	100,0%
Cashier (BKZ 773)	4,6%	95,4%	100,0%
Hotel and restaurants (NACE 55)	37,9%	62,1%	100,0%
Other guest attendants (BKZ 913)	34,9%	65,1%	100,0%
Housekeeper (BKZ 923)	4,5%	95,5%	100,0%
Cleaning staff (BKZ 933)	20,3%	79,7%	100,0%
Total economy	51,3%	48,7%	100,0%

Source: BA employee panel, own calculations.