

## **Gerhard Bosch**

# **Experiencias Internacionales sobre Negociación Colectiva, Condiciones de Trabajo y Productividad. El caso de Alemania**

**International Labour Organization**

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# Structure of presentation

**I: The legal framework of IR and the actors (trade unions, employer's organizations and the state)**

**II: Coverage by collective agreements**

**II: Regulation of working conditions and productivity**

# I.1 The legal Framework: Principal characteristics of collective bargaining (CB) in Germany

Key features	2000	2017
<b>Actors</b>	Trade unions, individual employers and employers' associations	
<b>Bargaining levels</b>	Dominance of sector level, increasing importance of company level	
<b>Favourability principle</b>	Company CA's cannot undercut sectoral CA's, increasingly opening clauses in sectoral CA's	
<b>After-effect</b>	Unlimited after-effect until it is replaced by a new CA (not for newly employed)	
<b>Extension mechanism</b>	Extension with the agreement of the national 'Bargaining Commission' if CA covers 50%+ of employees in the respective bargaining area	Since 2015 extension possible if in public interest; extension of minimum working conditions agreed by the social partners in an industry by the Ministry of Labour

## I.2 The Actors: Trade Unions (TU)

- No legal criteria for representativeness, TU must be „powerful“
- Only sectoral unions, no company unions in Germany, company bargaining also by sectoral unions
  - DGB (German Trade Union Federation 6 Mil. members)
    - IG Metall (metal industry) 2.274.000
    - Ver.di (services) 2.039.000
    - IGBCE (chemical and engery workers) 651.000
    - IG BAU (construction, cleaning, agriculture) 273 000
    - GEW (teachers) 281.000
    - NGG (food, restaurants, hotels) 204.000
    - EVG (railways, transport) 197.000
    - GDP (police) 177.000
  - Deutscher Beamtenbund (DBB)(mainly civil servants) 1.294.000
  - Christian Trade Unions 280 000
  - Non affiliated Unions 270 000

**Trade union density: dropped from 25.9% 1998 to 16,5% 2018**

## I.3 The Actors: Employer Associations (EA's)

- **Most EA's in the private sector member of the „Confederation of German Employers' Associations' (*Bundesvereinigung der Deutschen Arbeitgeberverbände*, BDA).**
  - **Industry EA's have the mandate to negotiate - BDA no mandate to negotiate – but coordinates CB**
- **Also loss of organizational power of EA's**
  - **Employer density in the private dropped from 73% in 1988 to 43% in 2014, in the public sector 100% density**
  - **EA's try to retain members by offering membership without the obligation to comply with CA's (so-called '*Ohne Tarifbindung*', OT status).**

## I.4 The Actors: The state

### Traditionally no state intervention in CB

- Intervention at the demand of social partners: extension of CA's
- Since 1996: Industry specific minimum wages extended to protect CA's against wage dumping through foreign posted workers
- Since 2015 National Statutory Minimum Wage

### Strengthening of institutional of power of employees through legally regulated codetermination at plant and company level

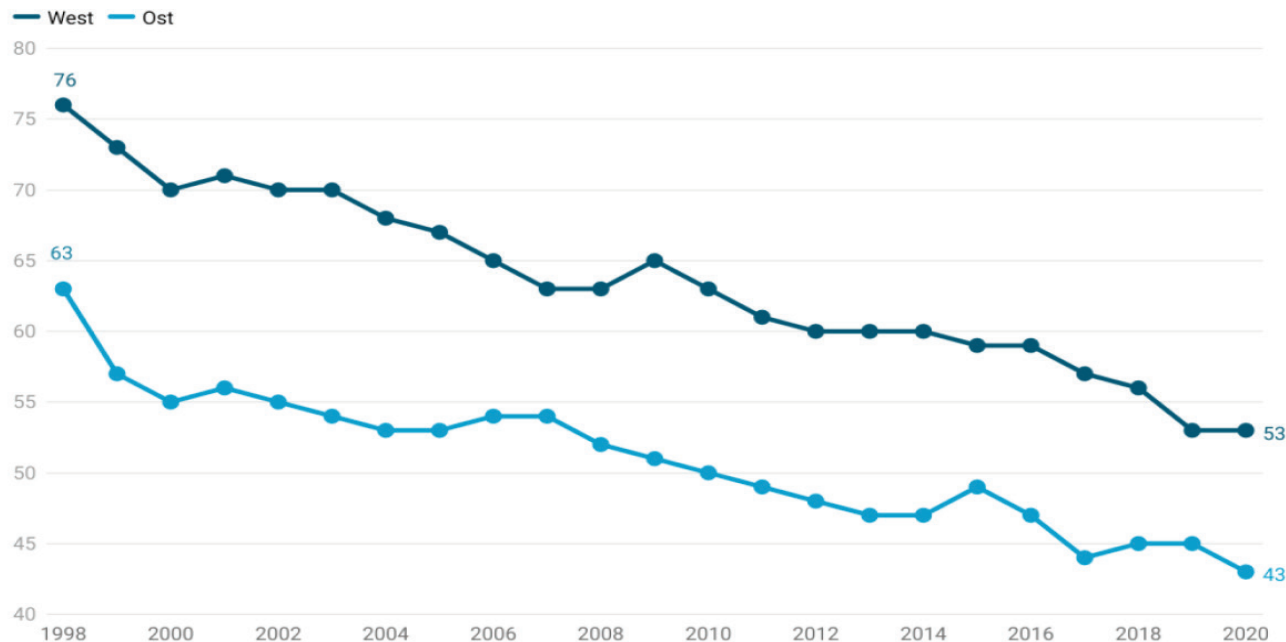
- Strong information and cotermination rights of works councils, but no right to strike
- 174,000 German works councillors elected on a voter turnout of 80% - mostly in big and medium sized companies: high trust
- Around 8,400 WC's released from all work
- 80% of works councillors union members
- Regular training of works councillors in trade union training centers paid by employers
- Work councils crucial for the implementation, specification and the enforcement of CA's
- Strong interplay between industry and company level

*Offen im Denken*

**Substantial decline of coverage by CA's: From 85% in 1990 to 51% in 2020 – Dualization of the German labor market**

**Reasons: Privatization, new business models, outsourcing, precarious forms of work, tertiarisation, globalization, policy changes (deregulation, opposition of employer's organization to extension of CA's)**

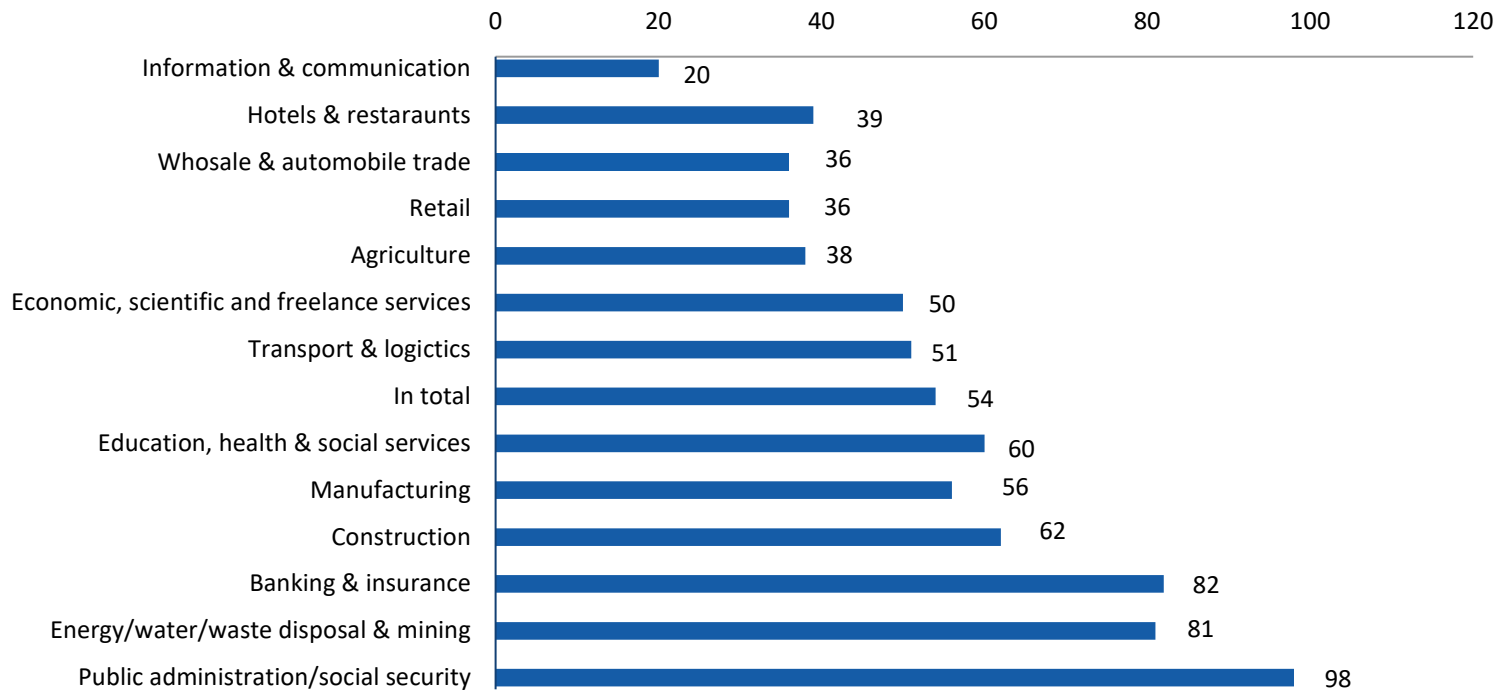
**Coverage by collective agreements in East- and West-Germany 1998 - 2020**



## II.2 Coverage by CA's

### High sectoral differences

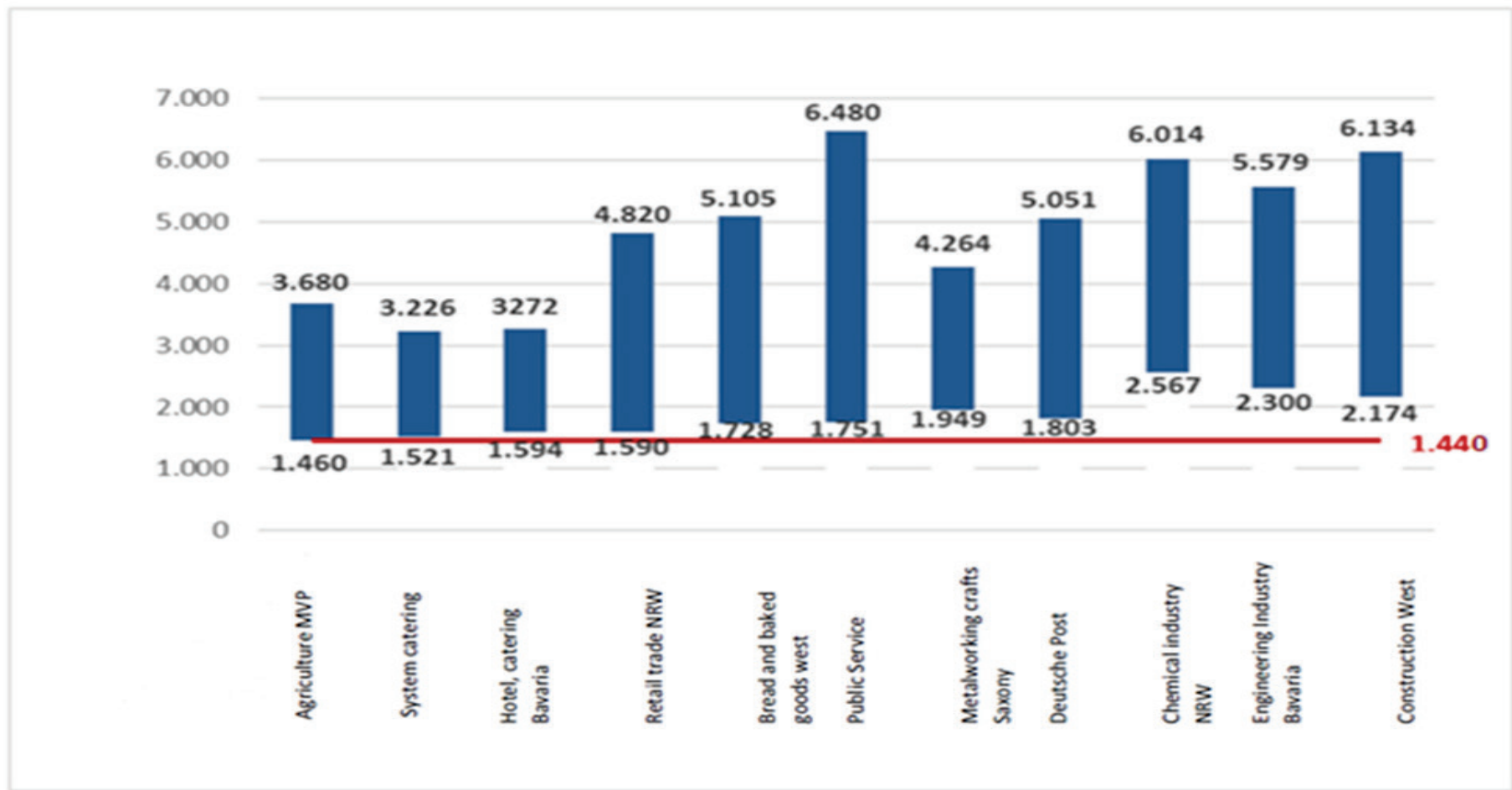
#### Coverage by sectors 2018





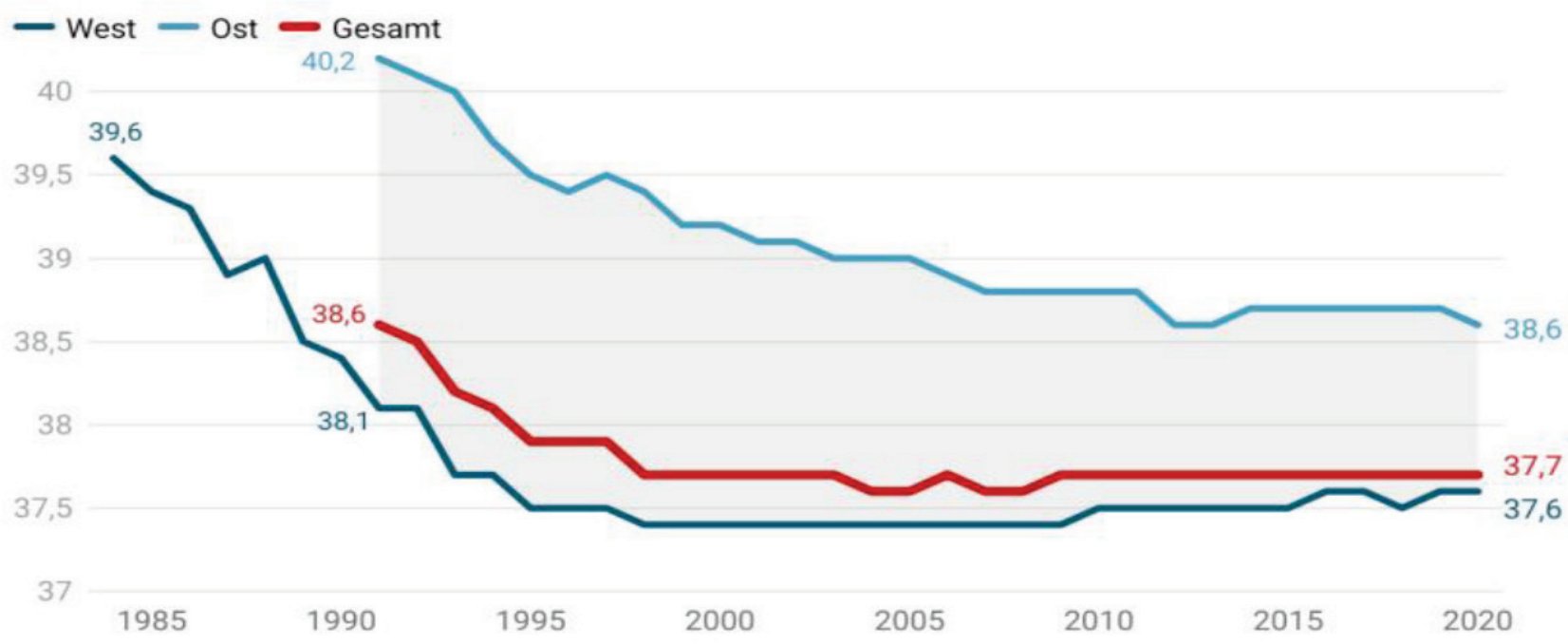
### III. 1 Content of CA's: Wages

#### Range of collectively agreed wages and the MW (€ / month) 2018



### III. 2 Content of CA's: Weekly working hours

#### Average collectively agreed working hours 1984-2020



Source: WSI-Tarifarchiv (Bispinck)

### III. 3 Working time flexibility

- In exchange for w-time reduction: Flexible distribution of working hours over the year or the product cycle - with high productivity and cost effects (less overtime)
- Temporary reduction of standard working hrs in a crisis possible to retain skilled workers: Examples:
  - Banking from 39 to 31 hrs/week/ Metall industry Baden-Württemberg 35 to 30 hrs
- Brand new: Working time options for employees: Money or time? Motivation: Attracting and retaining skilled workers
  - German Railways: 5,2% wage increase or 2 hrs reduction of weekly working hrs or 12 days off
  - Metall industry: Yearly bonus of 27,5% of monthly pay or 8 days off per year for employees in shift work, with children under 8 years or with care obligations
  - High preferences for shorter working hrs instead wage increases

## **III. 4 Modernization of classification systems**

**Example Metall industry:** Before 2002: Four job classifications: for (1) blue-collar workers, (2) masters, (3) technical employees, (4) commercial employees

**Replaced by a joint classification system based on 5 criteria: 1)**

**Required skills, (2) Prior work experience, (3) Scope for decisions, (4)**

**Cooperation, (5) Management**

- Encouragement of work in teams and flat hierarchies
- Blue-collar workers can move up the wage scale easier

**Implementation over six years, no wage cuts for „losers“**

**Similar reforms on other industries where social partners are strong, but not in industries with low coverage by CA's like in retail or transport**

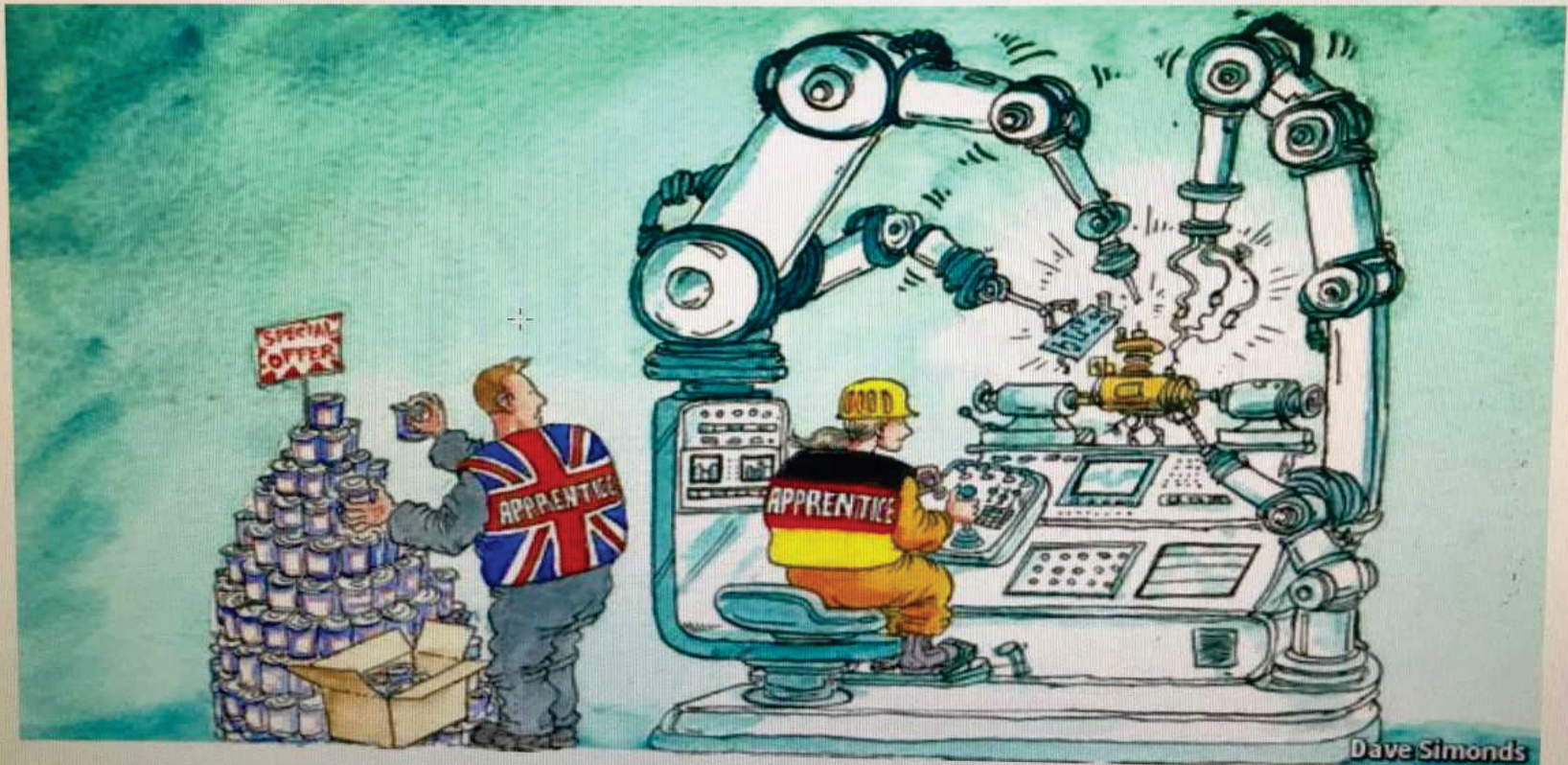
**Effect: flat hierarchies, modern work organization with higher productivity in whole industries: no „house to-house fighting“ like with decentralized collective bargaining**

### **III. 5 Modernization of vocational training**

- **61% of German employees have vocational training qualifications**
- **Around 4,5 % of the employees are apprentices**
- **Training in around 350 national white and blue collar occupations**
- **Training duration 2 – 4 years, 3 days a week in the company, 2 days in vocational schools**
- **Basic idea: increase of functional flexibility through broad training which helps to cope with changing work environment**
- **Social partners decide in the main committee of the German Federal Institute of Vocational Training on the basic standards of new or modernized occupations (occupational title, duration of training, training programme)**
- **National and sectoral training alliances and CA's and plant agreements on vocational training (levy systems, obligations to train etc.)**

## „Keeping up with the Schmidts“ -- ??

„Attempts to build a snazzy, German style apprenticeship system crash into cultural and economic differences“ [*The Economist*, 26.04.2014]



Dave Simonds

Cartoon von David Simonds©

### **III. 6 Responses to the great recession and the Covid-19 crisis**

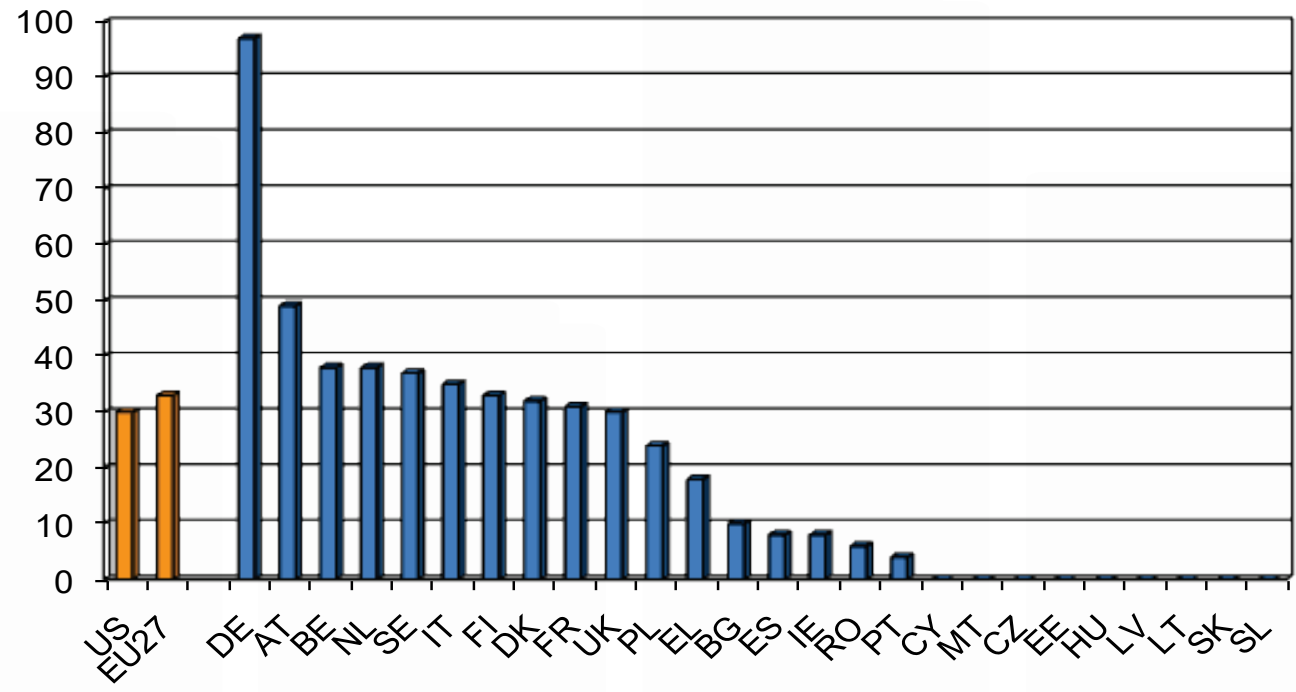
**German job miracle in the Great Recession: Reduction of GDP by 4,9% but no decrease of employment and increase of unemployment**

- **Work sharing „dismissal of hours not employees“ by cut of overtime, use of credit hrs from wt-accounts, state subsidized short-time work, temporary reduction of agreed wtime**
- **„Training alliances“ at national, sectoral, local and company level – recruitment of 564 000 new apprentices to replace the retirees**

**Main effect: maintaining production capacity in the core industries to support a fast recovery after the crisis**

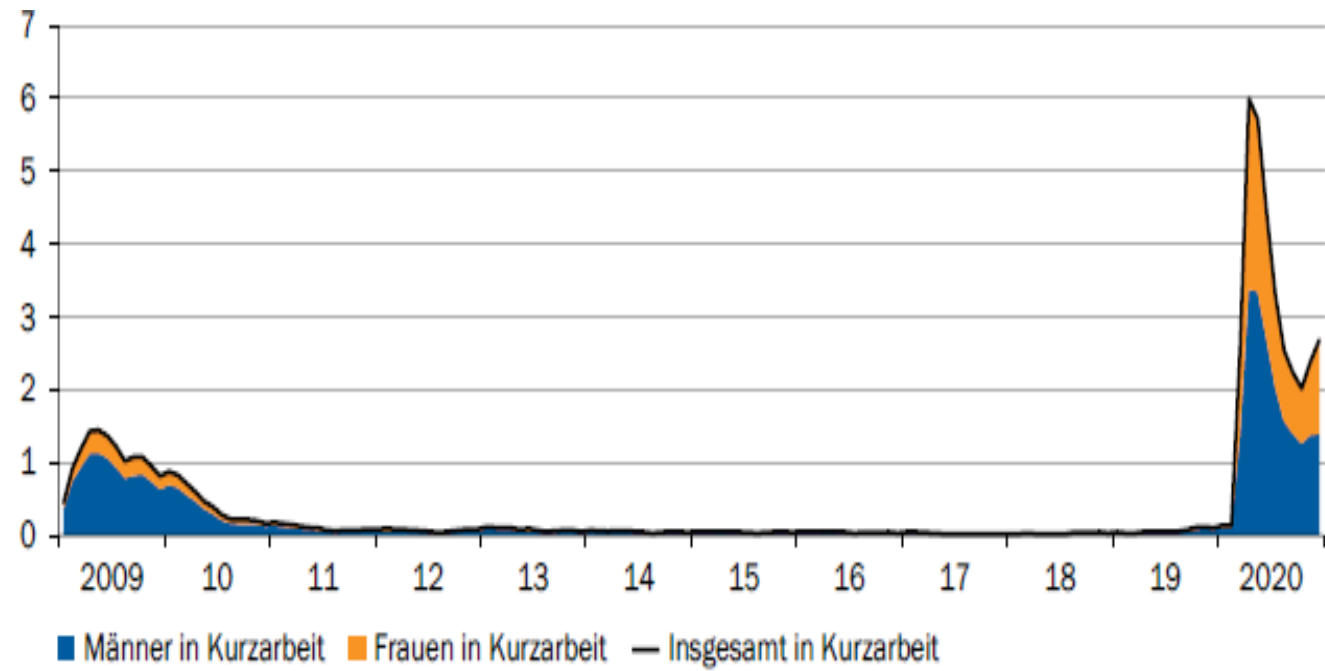
# III. 7 Responses to the great recession and the Covid-19 crisis

## Percentage of fall in total labour input due to fall in working hours per employee in the EU and the US 2008–2009





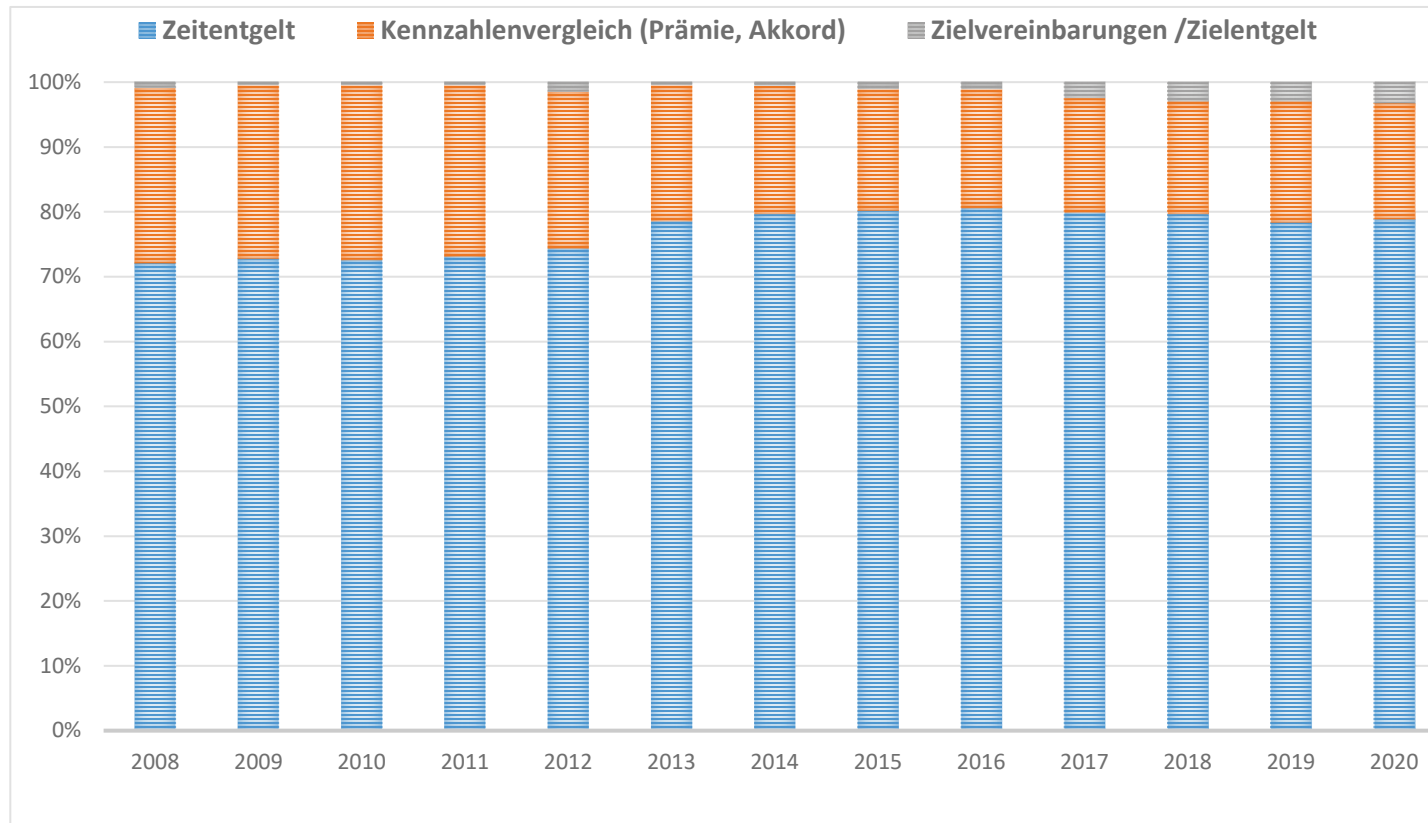
# III.8 Number of employees in short-time in million in the Covid crisis



## III.9: Decreasing importance of performance related pay

Example: engineering industry 2008 – 2020

Research shows that bonuses mostly do not have permanent productivity effects



### **III. 10 Impact of Works Councils on working conditions**

- **WC's elected in almost all large companies, but their share decreases with size of company**
  - **Act as “Labor inspector's” – enforce CA's and labour laws**
  - **Protect employees against unfair treatment**
  - **Higher job security (internal transfer instead of dismissals), better employability (more training in companies with WoC), more investment in OHS**
  - **Strategic Co-Management: Discuss business strategies, investment plans, industry 4.0, HR-Policies .....**

**Research shows: Positive impact of WC's on the performance of the companies – same result for codetermination in supervisory boards**

**High acceptance in many employers but also WC busting increasing**

## III.11 Working conditions in the dual German labor market much better in companies with an CA

	Covered	Not-covered	Difference
<b>Average hourly wage</b>			
<b>Total</b>	<b>22.04 €</b>	<b>16,66 €</b>	- <b>24,4%</b>
<b>Manufacturing</b>	<b>26,52 €</b>	<b>17,58 €</b>	- <b>33,7%</b>
<b>Retail trade</b>	<b>18,75 €</b>	<b>15,87 €</b>	- <b>15,4 %</b>
<b>Health, care, social work</b>	<b>20,98 €</b>	<b>16,11 €</b>	- <b>23,2 %</b>
<b>Holiday Bonus</b>	<b>73 %</b>	<b>35 %</b>	- <b>38 %points</b>
<b>Actual weekly working hrs</b>	<b>38,6 hrs</b>	<b>39,5 hrs</b>	- <b>0,9 hrs</b>

## Conclusions

- **Decreasing coverage by collective agreements – dualization of labor market**
- **Industries with weak social partners – often outdated CA's**
- **In industries with strong social partners: innovative new agreements – good interplay between industry and company level**
- **Focus not on performance related payment but on trustful cooperation in the modernization of the companies – with a focus on training, retraining, working time flexibility and work organization**