

Negotiating Wage (In)equality in Germany Company – Sector Case Studies

Dr. Tabea Bromberg

Prof. Dr. Thomas Haipeter

Dr. Steffen Lehndorff

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	Experts Collective Bargaining	Case Study 1	Case Study 2
Private banking	1 Employers' association 1 Union	Works Council	Works Council
Teachers	2 Union		
Metalworking	1 Employers' association 1 Union	Works Council	
Retail	1 Employers' association 1 Union	HR Manager	Works Council

Some features of the industry and collective bargaining

- Three-tier system: private banks, public banks, cooperative banks → concentration on private banks
- Structure of wage groups, job definitions and examples go back to 1972, modernisation in 1980ies
- Since then: automation, outsourcing of simple blue collar/non-banking activities

Private Banking

Shares of employees covered by CBA by wage groups (AGV Banken 2015, own calculations)

	TG 1-3	TG 4-6	TG 7-9
1975	> 20%	< 60%	~ 20%
2009	< 1%	> 33%	> 65%

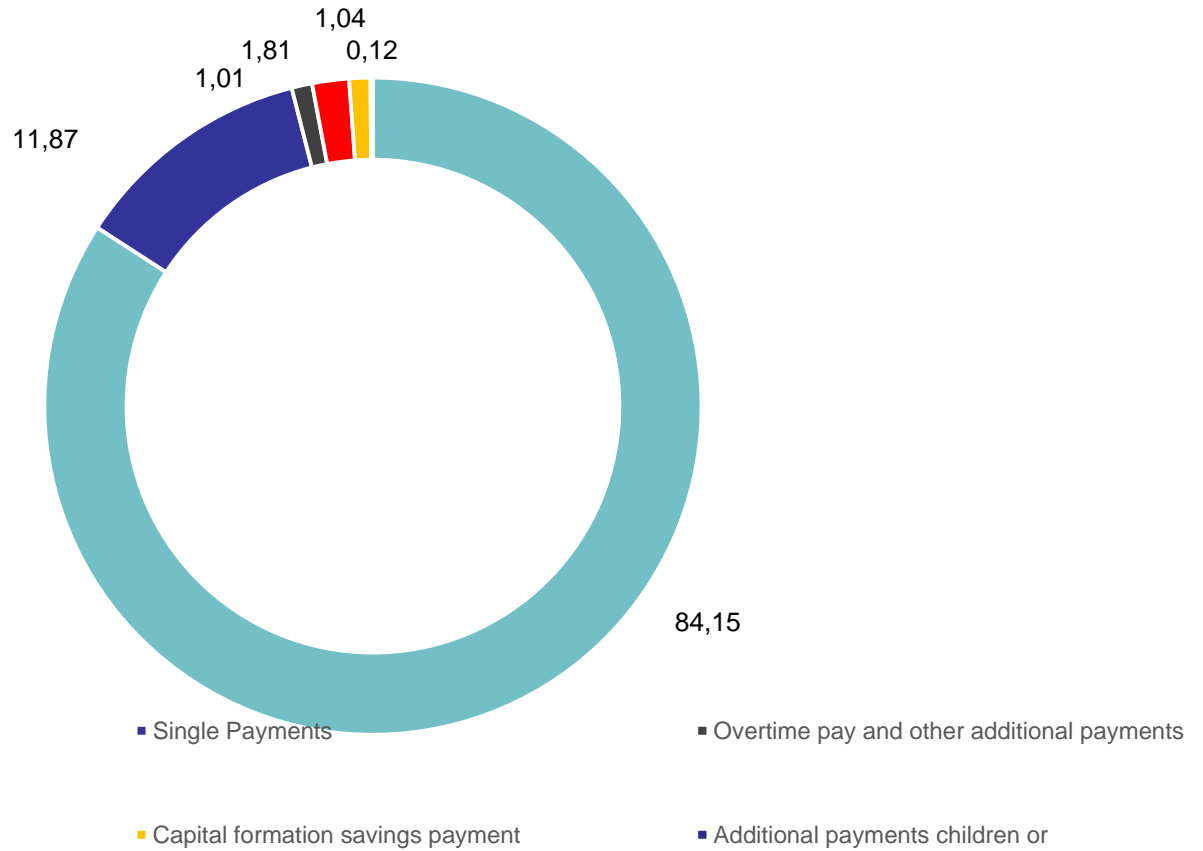
Private Banking

Wage agreements in the banking sector

Wage agreements	Every 2 years (mostly)
Wage increases	As percentage of wage
Wage groups	9, TG 4 qualified clerks; highest grouping TG 5-9 (outsourcing); job examples
Criteria of classification	Job requirements/tasks, non-analytic, job examples
Seniority/Experience	Yes, 7 levels (maximum)
TG9/TG1	2,21
TG9/TG5	1,87
Lowest wage CBA	2.128 Euro
Highest wage CBA	4.700 Euro
Collective bargaining coverage	High, around 73% (West), reduction because of outsourcing back office services; high share of AT-employees (>50%) not covered
Variable pay profit sharing CBA	Yes, but irrelevant in practice; instead: on top systems and variable AT-wages
Variable pay performance CBA	Yes, but irrelevant in practice; instead: on top systems and variable AT-wages
Derogation clauses	No, restricted practice in case of crisis
Employers' association	OT-strategy used by outsourced service providers
Unions	Attempt to modernize wage groups, include AT-employees, company agreements with outsourced firms

Banking

Wage Components 2014, AGV Banken 2015



Private Banking

Findings from company case studies

Bank 1 (big private bank)

- Outsourcing of simple tasks
- Back office sourced out to subsidiaries not covered by CBA
- TG 6 lowest wage group
- Grouping contested – strategy of customer group segmentation
- Variable pay on top (profit sharing, no payments in last 10 years)
- AT: 4 wage bands and variable pay (40% profit sharing, no payments in last 10 years)

Bank 2 (public bank that was temporarily private)

- Outsourcing of simple tasks
- Back office sourced out to subsidiary
- TG 6 lowest wage group
- Grouping consensual
- Variable pay on top (75% profit sharing, 25% performance assessment)
- AT: 6 wage groups with seniority component

Private Banking

Challenges for collective bargaining and views of social partners

- Growing wage inequality driven by company strategies
 - Outsourcing of simple tasks and back-offices
 - Increase in AT-employees
- High share of AT-employees → factual low coverage of collective agreements
- Employers' association: content with agreements including grouping system
- Union: attempt to modernize wage groups and shift them upwards to include part of AT-employees

Some features of the „industry“ and collective bargaining

- Public school teachers employed by the 16 *Länder*, not by the federal state
- Status difference civil servants / non-civil servants
- Civil servants: each *Land* regulates individually
- Non-civil servants: working partnership of all *Länder* except Hesse: Tarifgemeinschaft deutscher Länder (TdL)
- Two relevant unions: Teacher's union (Gewerkschaft Erziehung und Wissenschaft, GEW), Union of civil servants (Deutscher Beamtenbund und Tarifunion, dbb)

Wage agreements (non-civil servants)	Every 2 years
Wage increases (non-civil servants)	As percentage of wage
Wage groups (non-civil servants)	15 in collective agreements, upper 3 relevant for teachers; referring to wage groups for civil servants
Criteria of classification	Tasks and education for school forms
Seniority/Experience	Yes, 5 levels (experience)
EG 15 / EG 13	1,88
Lowest wage CBA (for teachers)	3.083,48 €
Highest wage CBA	5.788,02 €
A 15 / A 12	1,85
Lowest wage civil servant teachers	3.386,86 €
Highest wage civil servant teachers	6.271,40 €

Schools

Wage agreements in the public sector

Variable pay (profit sharing,
performance related pay)

No

Derogation clause

No

Collective bargaining coverage

100 %

Employers' association

Wage differences between *Länder* and
school forms

Unions

Collectively agreed grouping for non-
civil servants; parallel wage groups civil
and non-civil servants; abolishing wage
differences between *Länder* and school
forms

Challenges for collective bargaining and views of social partners

- Civil servant and non-civil servant teachers
- Differences between federal states
- Differences between school forms
- In some federal states new teaching degree programmes with same length of time for all school forms → basis for different grouping?
- Different views of unions: e.g. new remuneration regulation (Entgeltordnung) agreed on by TdL and dbb in 2015, but not by GEW → application?

Some features of the industry and collective bargaining

- Large and complex industry → concentration on automotive industry
- Decentralisation and modernisation of wage settlement:
 - Framework agreements on pay (Entgelt-Rahmenabkommen, ERA, 2002-2004): integration of blue- and white-collar workers
 - Pforzheim accord (2004): local derogations

M+E Industry

Wage agreements in M and E industries

Wage agreements	Every 1 to 2 years
Wage increases	As percentage of wage; in some bargaining rounds lump sums and possibilities to postpone or reduce payments
Wage groups	10-17 in different bargaining regions; integration white + blue-collar workers
Criteria of classification	Job requirements/tasks; non-analytic and analytic (regions)
Seniority / Experience	Mostly no
EG17 / EG1	2,51 (Baden-Württemberg)
EG17 / EG2	2,45 (Ba-Wü)
Lowest wage CBA	2.193 € (Ba-Wü)
Highest wage CBA	5.526 € (Ba-Wü)

Variable pay profit sharing CBA

No, but plant level agreements on top, important in automotive

Variable pay performance CBA

Yes, different forms

Outsourcing / temp agency work

Industry premiums on temp agency wages

Derogation clause

Regulation and practice

Collective bargaining coverage

Below 50 %

Employers' association

More differentiation within lower wage groups; lower wage group for simple jobs; more flexible wage agreements (possibilities to postpone or reduce payments)

Union

Regulation of contract/outsourced work

Lowest wage group in relation to 100%-group

Unterste Lohngruppe im Verhältnis zur 100-%-Gruppe Metall- und Elektroindustrie

Tarifgebiet	1950 %	1960 %	1970 %	1990 %	2008 %
Bayern	62,5	67	75	76	82,8
Berlin	63	66	75	81,5	85
Berlin/Brandenburg ²⁾	-	-	-	81,5	85
Hamburg	68,4	74	75	82	86
Hessen	70	75	75	81	84
Mecklenburg-Vorpommern ²⁾	-	-	-	82	86
Niedersachsen	64	72	75,5	81	85
Nordrhein-Westfalen	58,7	70	75	82	85
Nordwestliches Niedersachsen ¹⁾	64	70	75	81,5	86
Nordwürttemberg-Nordbaden	72,5	75	75	81,4	85
Osnabrück	72	72	75	80,5	85
Rheinland-Pfalz	56	72,5	75	81	84
Saarland	71,5	75	75	82	84
Sachsen ²⁾	-	-	-	76	82,8
Sachsen-Anhalt ²⁾	-	-	-	81,5	85
Schleswig-Holstein	63	72,5	72,5	82	86
Südwest	63	72,5	78	81,6	85,2
Thüringen ²⁾	-	-	-	81	84
Unterweser	68	74	75	81,5	86

¹⁾ Wilhelmshaven ²⁾ 1991

Findings from company case study

Automobile company

- Before ERA: individual pay system
- Introducing ERA: 10 years of negotiations
- Few complaints after introduction
- Comprehensive protection against pay reduction
- New hires get paid according to ERA
- AT-employment decreased because of minimum interval to highest wage CBA
- Works council: more differentiation in upper part of wage grid
- Company dissatisfied with little differentiation in performance evaluations

Challenges for collective bargaining and views of social partners

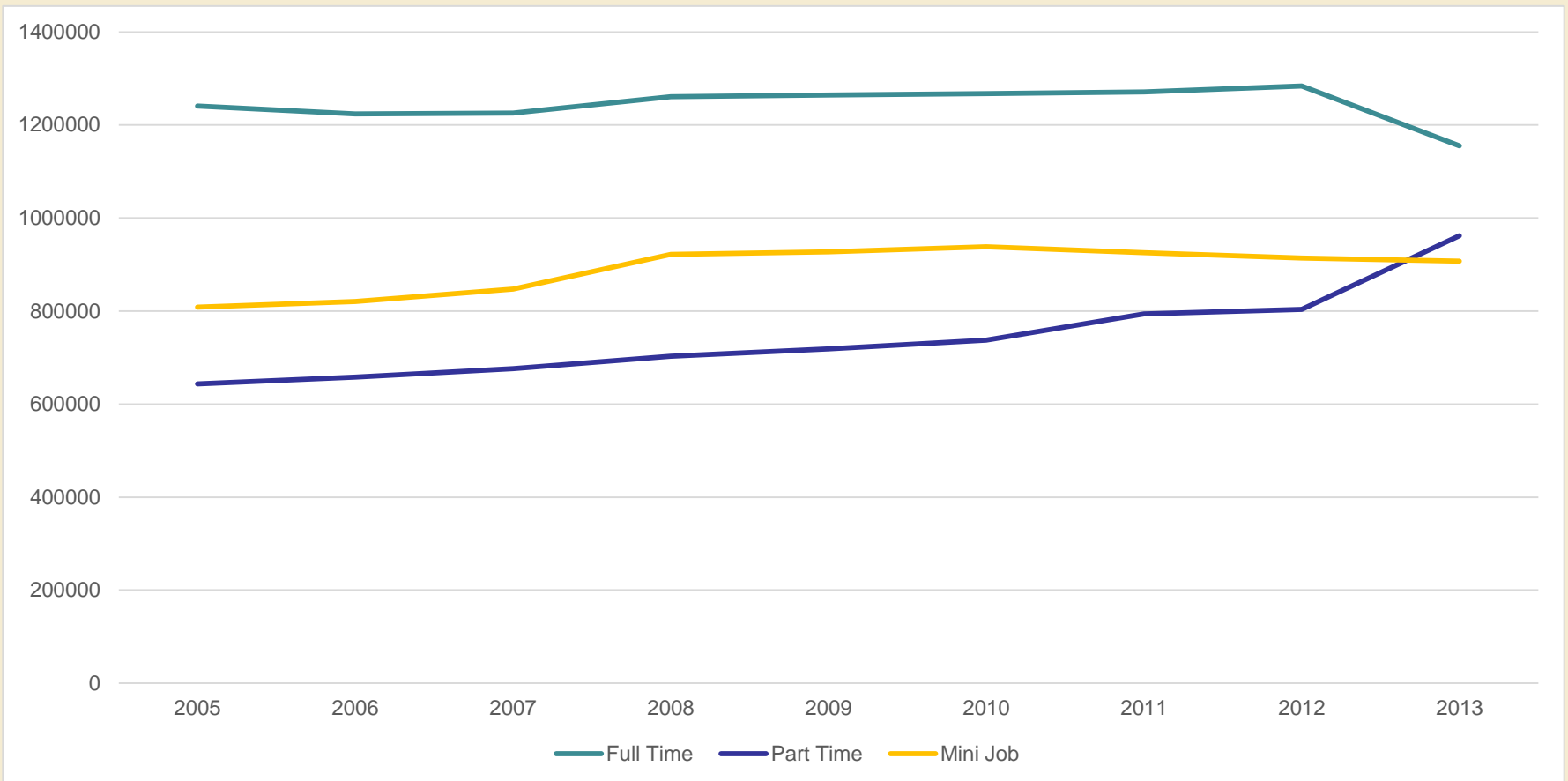
- On-top profit sharing shows that automobile companies pass pressure to suppliers
- Decline in collective bargaining coverage from 80 to 50%
- Employers' association: More differentiation within lower wage groups; lower wage group for simple jobs; more flexible wage agreements
- Union: Regulation of contract / outsourced work

Some features of the industry and collective bargaining

- Framework agreements root in the 1950ies, modernisation failed
- Since then, new retail channels and divisions of work developed
- High shares of part time work
- Until late 1990ies, wage agreements in the sector were declared generally binding by the federal ministry of labour
- „Flight“ from collective bargaining agreements

Retail

Employment and employment forms in the German retail sector (HDE 2013 and 2015, own calculations)



Retail

Wage agreements in the retail sector

Wage agreements	Every 2 years (mostly); trend of decoupling end / beginning of agreements; regional differences wage levels
Wage increases	As percentage of wage; in some bargaining rounds and areas fixed wage increases; wage increases and actual wages of skilled workers depending on regions.
Wage groups	Five to six in the collective agreements; separation white – blue collar workers; bulk of employees in wage group 2 – Adaption to national minimum wage
Criteria of classification	Job requirements/tasks, non-analytic, outdated job examples
Seniority/Experience	Differentiation of wage groups according to experience, 3 to 7 steps
EG 5/EG1	2,71
Lowest wage CBA	1.627 Euro
Highest wage CBA	4.414 Euro
Variable pay profit sharing	No, little practice on plant level
Variable pay performance	No, some practice on plant level
Temp Agency Work / Outsourcing	Outsourcing of cashiers and storage fillers, high share of mini jobbers
Derogation Clause	No, restricted practice
Collective Bargaining coverage	Below 40% (West, 20% East), from 65% in 2000 West, 37% East)
Employers' Association	New wage system, downgrouping of cashiers and storage fillers; contested criteria job demands
Unions	New wage system, no downgrouping effects, contested criteria job demands

Findings from case studies

Branch 1 (self-service department store)

- Not covered by CBA
- Company wage system as employer / works council agreement
- Single pay system for white and blue collar workers
- Insourcing; no temp agency work
- Wage groups refer to basic wage (storage fillers) based on minimum wage
- Wage decreases for storage fillers and cashiers
- No variable pay elements

Branch 2 (self-service furniture store)

- Covered by CBA (reentry)
- Bulk of employees/sales(wo)men in wage group 2
- flexibility: fixed-term contracts (~20%), part-time (55%)
- Management pay higher than CBA
- No outsourcing
- Variable pay elements: profit sharing (company pension system, standard sum); bonus (coupled to turnover, gross profits and costs)

Retail

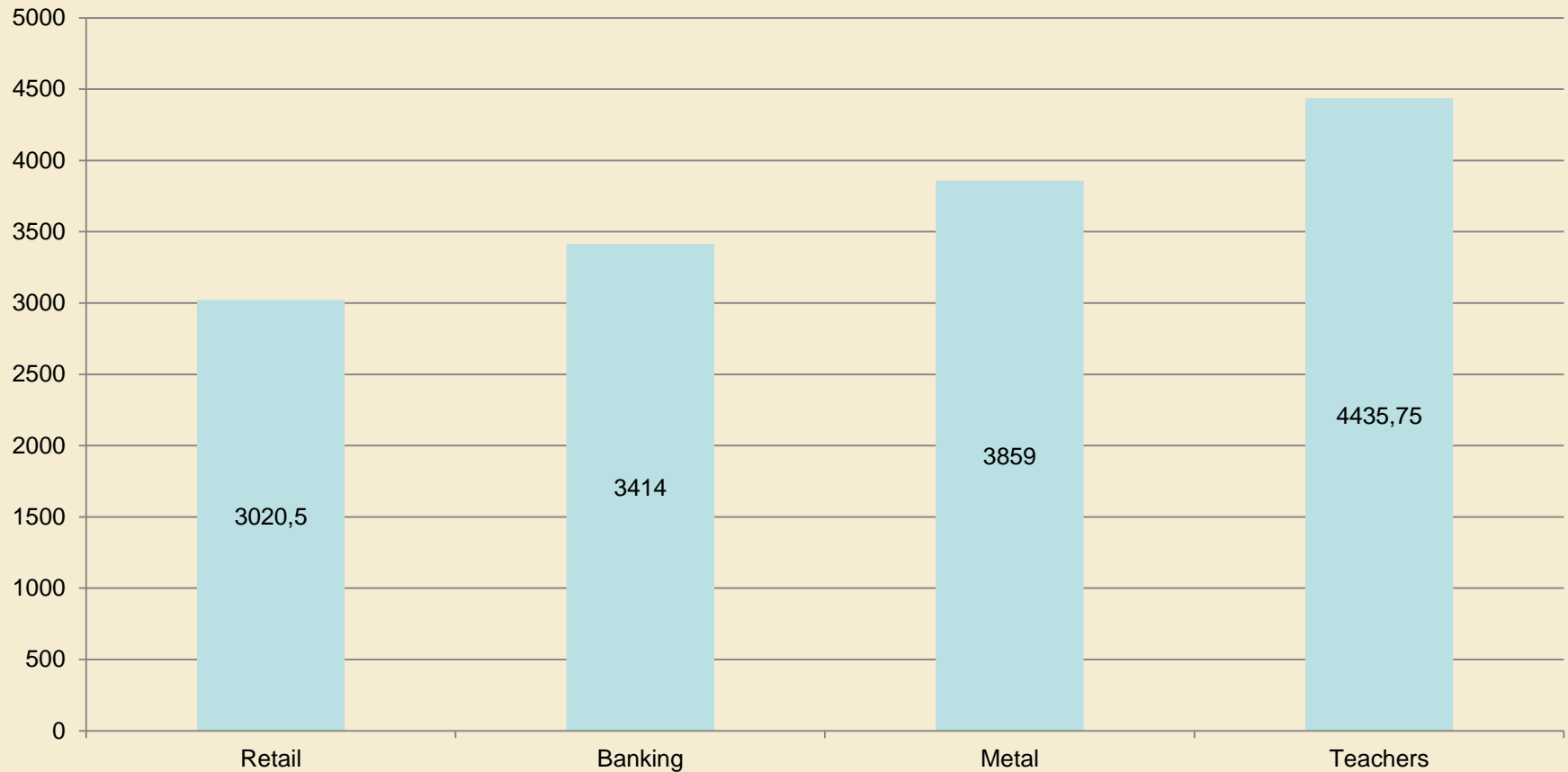
Challenges for collective bargaining and views of social partners

- Erosion of bargaining density
- Outsourcing of cashiers and storage fillers (temp agency work, service companies)
- Bargaining actors relatively weak
 - Employers' Association: New wage system, downgrouping of cashiers and storage fillers; contested criteria job demands
 - Union: New wage system, no downgrouping effects, contested criteria job demands

COMPARING THE SECTORS

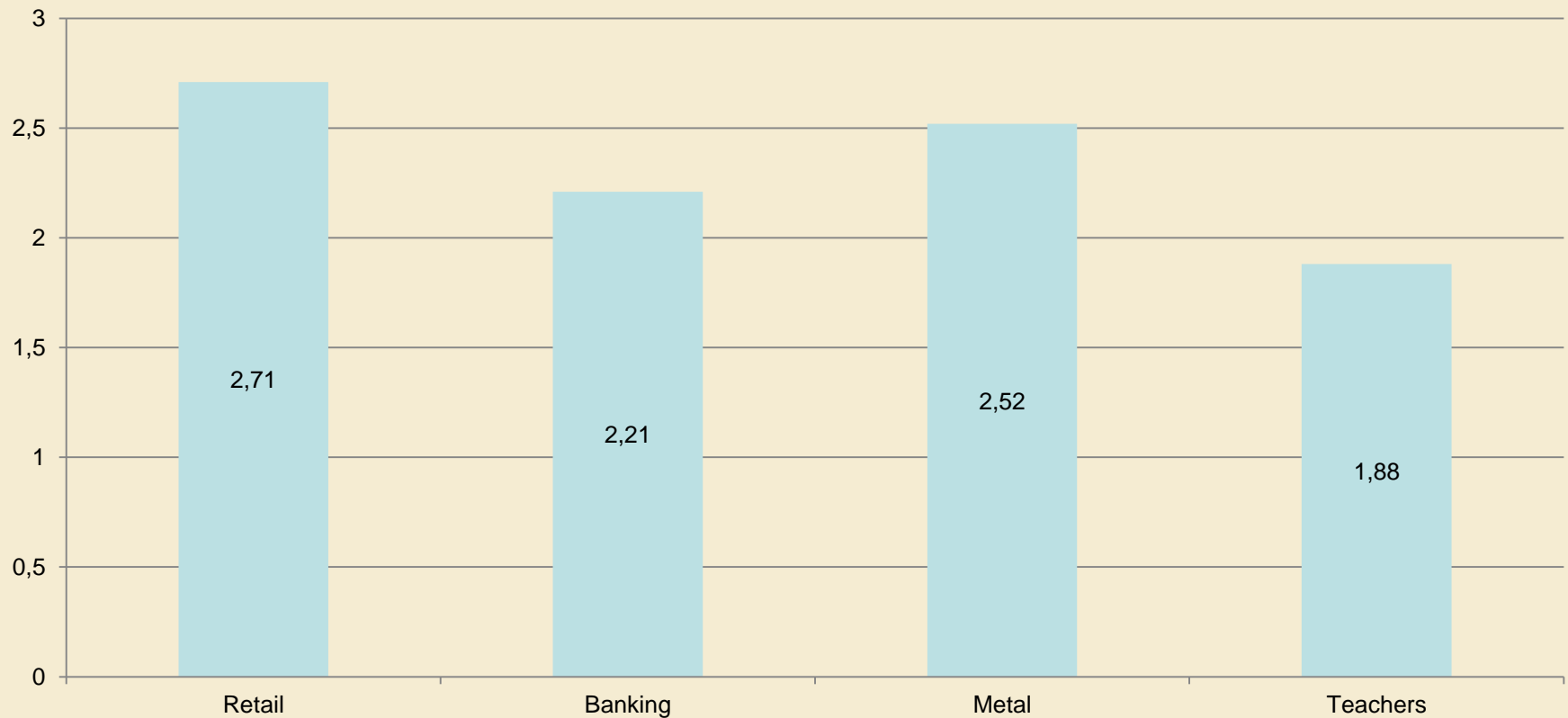
Comparing the Sectors

Mean wage of current collective bargaining agreements (own calculations)



Comparing the Sectors

Ratio of highest/lowest wage groups in the collective agreements
(own calculations)



Comparing the Sectors

Relation Q5/Q1 of actual hourly wages (SOEP, own calculation)

