

# Effects of the statutory minimum wage on collective bargaining in Germany



# Outline

**Context:** The statutory minimum wage and Germany's system of collective bargaining.

**Study design:** Explanatory and outcome variables; methods and case selection.

**Results:** Three case studies and summary findings.

**Conclusion:** Employer and union perspectives.



## Auswirkungen des gesetzlichen Mindestlohns auf das Tarifgeschehen

Studie im Auftrag der Mindestlohnkommission

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Projektvergabe durch die Bundesanstalt für Arbeitsschutz und Arbeitsmedizin (BAuA)

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Projektbericht

# The minimum wage in a system of collective bargaining

Statutory minimum wage is ‘alien’ to Germany’s traditional **system of autonomous wage-setting** and was seen (by employers) as ‘interference’ into the freedom of collective bargaining.

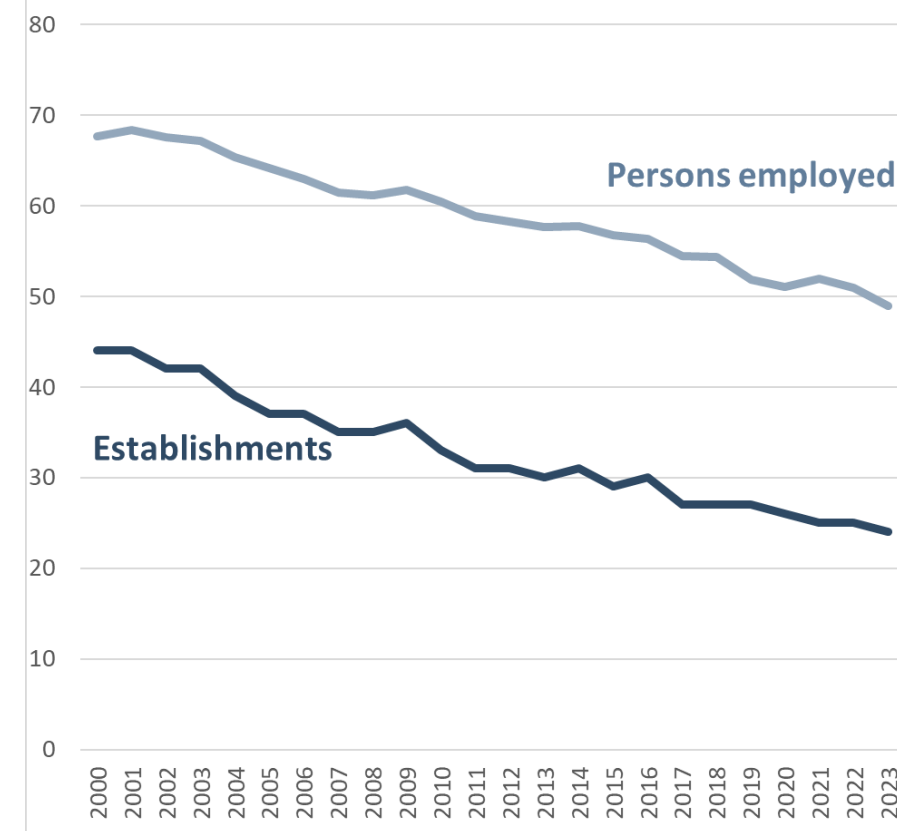
Minimum wage is a (necessary, as argued by trade unions) **reaction to decline in collective bargaining coverage** and the expansion of low-wage work, mainly in uncovered establishments.

**Institutional compromise:** Employers and unions adjust the minimum wage through the (bipartite) Minimum Wage Commission.

**Question: Does the minimum wage have (adverse, neutral or positive) effects on wage setting through collective bargaining?** – Heated debate before the introduction of the minimum wage & central to our study for the Commission.

## Collective bargaining coverage in Germany, 2000-2023

(in % of employees and enterprises)



Source: IAB Establishment Panel.

# Explanatory variables: Minimum wage adjustments (2020-2022)

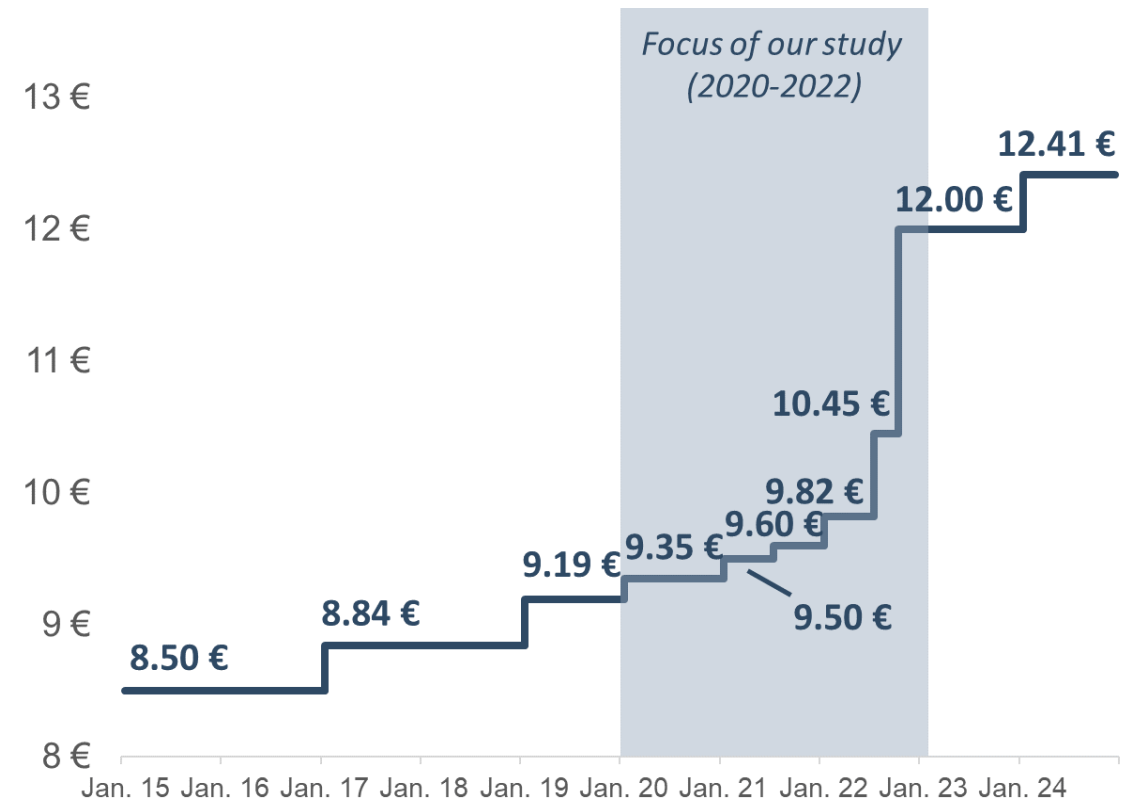
## Two types of minimum wage adjustments:

1. Adjustments by the Minimum Wage Commission from € 9.19 (until 31 Dec 2019) to € 10.45 (effective 1 Jul 2022).
2. Adjustment by Parliament to € 12.00 (effective 1 Oct 2022).

## Intervening factors:

1. Corona pandemic and containment measures have severe effects on some service-sectors.
2. Labour shortages are increasingly felt throughout the economy, including in low-wage sectors.

## Germany's minimum wage, 2015-2024 (in Euro per hour)



# Outcome variables: Potential effects on collective bargaining

Outcome variables in study, derived from theoretical and empirical literature:

- (1) Willingness of trade unions and employer organizations to engage in collective bargaining.
- (2) Organizational strength of trade unions and employer organizations.
- (3) Changes in bargaining strategy.
- (4) Rate of wage increase in CB agreements.
- (5) Compression of the collectively agreed wage structure.
- (6) Compensation of wage increases in other subject areas.
- (7) Interaction with the extension of collective agreements (AVE).

Two-step analysis:

- (1) Did changes on these dimensions occur?
- (2) Can these changes be attributed to the minimum wage?

# Mixed-methods approach

## Quantitative analysis of salary scales from collective bargaining contracts:

- **Evolution of [low] wage groups** within collective bargaining agreements in response to minimum wage adjustments.
- Identification of collectively agreed wages that become **obsolete** due to changes in the level of the minimum wage.
- **Compression of salary scales**, measured as the ratio of high and low salary groups relative to the central band (which is indexed at 100).

## Qualitative analysis of collective bargaining negotiations:

- **Joint interviews with key actors**, usually chief negotiators from trade unions and employer organizations (in person or online).
- Partial standardization of the interviews with the help of a **questionnaire**.
- Interviews were **recorded and transcribed**.
- Analysis of bargaining rounds' materials (e.g. fliers, press releases and media coverage).

→ Cross-validation between data sources.

# Case selection: Focus on “most likely” cases

Purposeful sampling with the aim to study **information-rich, relevant cases**:

- Selection criteria are (i) high **prevalence of low pay** in the sector and (ii) overall importance of the sector, proxied by **number of employees**.
- Where bargaining is at the regional level, one region in the **West** (North Rhine-Westphalia) and in the **East** (Berlin/Brandenburg [BB]).

Focus is on “**most likely**” cases. Useful for the **falsification** of propositions:

- If we don’t find any effects in our sample, these effects are less likely to be found in high-wage sectors (see Flyvbjerg 2006).
- **Null findings** are important!

Sectors covered and level of bargaining:

- Agriculture (regional)
- Meat processing (national)
- Bakeries (regional)
- Retail trade (regional)
- Flower shops (regional)
- Hotels and restaurants (regional)
- Franchise restaurants (national)
- Security services (regional)
- Commercial cleaning (regional)
- Hairdressers (regional, only NRW [no CB in Berlin/Brandenburg])
- Cinemas (CinemaxX) (firm-specific)

# Case 1: Security services

## Context for collective bargaining:

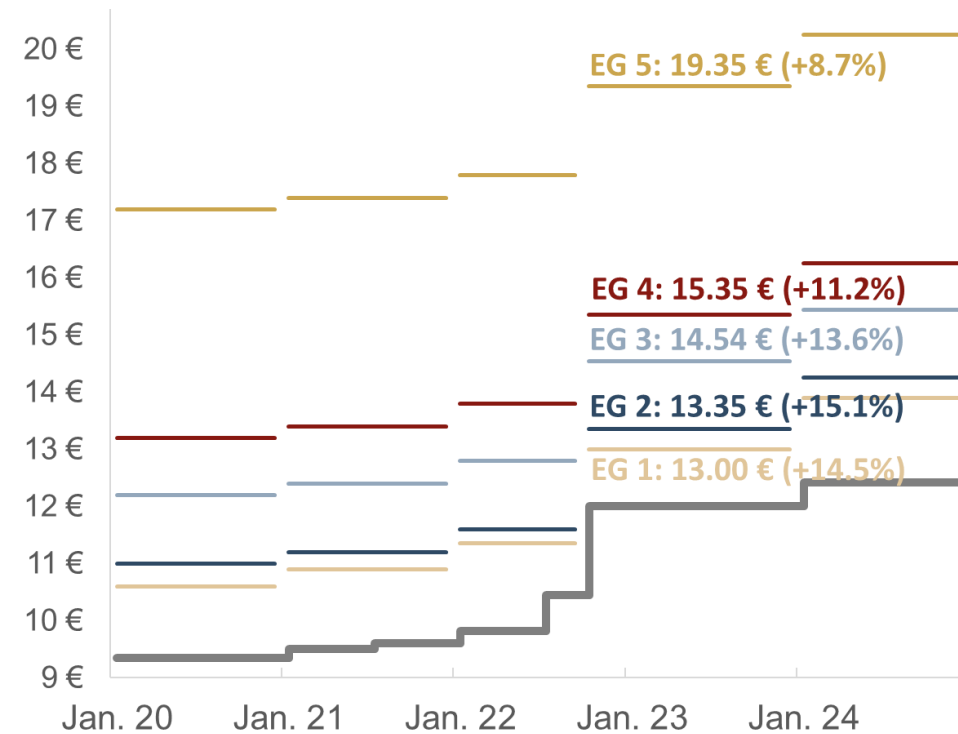
- Cohesive employer organization (BDSW), distinguishes itself from fly-by-night operators.
- Low union density; recruitment efforts.
- Extension of collective bargaining agreement is supported by both parties.
- Employers can pass on a limited number of wage increases to their customers under standard contractual clauses.

## Nature of bargaining and outcomes:

- Bargaining as problem-solving to make the sector attractive in face of labour shortages.
- High wage settlement, even for higher pay groups; minor compression of the salary scale.

## Salary scales for security services, 2020-2024

Collective agreement for Berlin/Brandenburg



Source: Bispinck et al. (2020) and WSI-Tarifarchiv.

# Case 2: Hairdressers

## Context for collective bargaining:

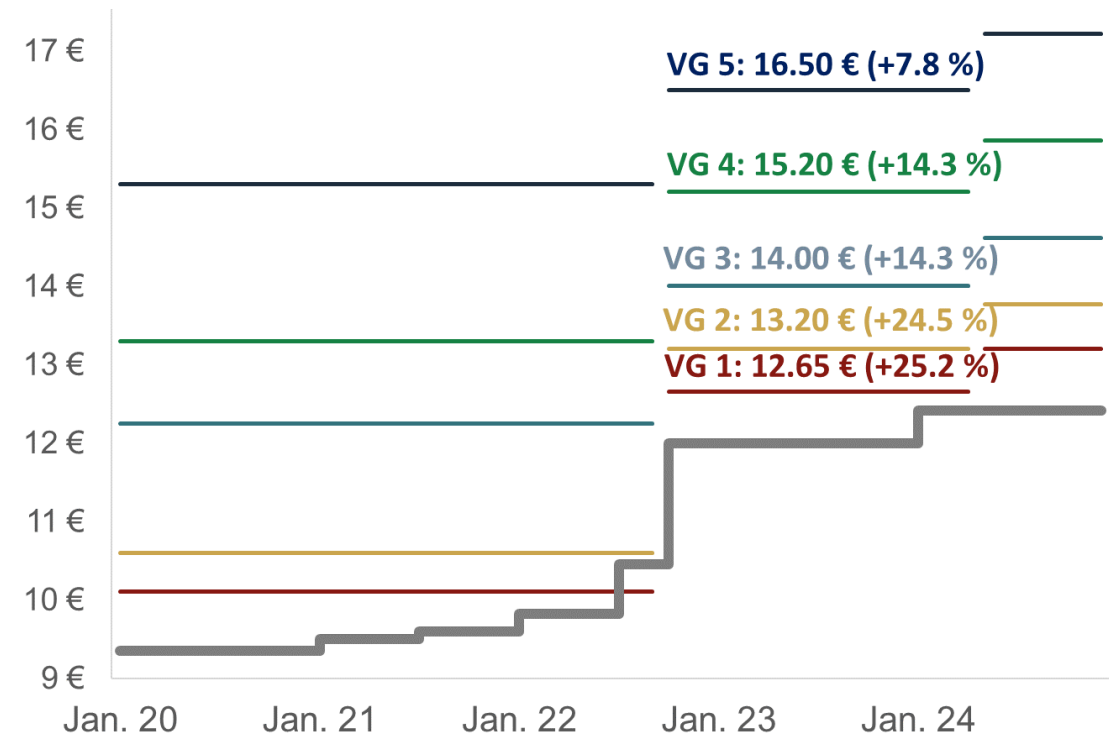
- Statutory employer organization ('Innung') is cohesive in NRW, but not in Berlin/Brandenburg.
- Low union density and low capacity for strikes.
- Extension of collective bargaining agreement is supported by both parties in NRW.

## Nature of bargaining and outcomes:

- Minimum wage adjustment to € 10.45 collides with lowest pay group – prompts fresh negotiations after a long Corona-related break.
- Bargaining as problem-solving: Goal is to make the sector attractive (due to labour shortages).
- Very high settlement, even for higher pay groups; notable compression of the pay scale.

## Salary scales for hairdressers, 2020-2024

Collective agreement for North Rhine-Westphalia



Source: Bispinck et al. (2020) and WSI-Tarifarchiv.

# Case 3: Retail trade

## Context for collective bargaining:

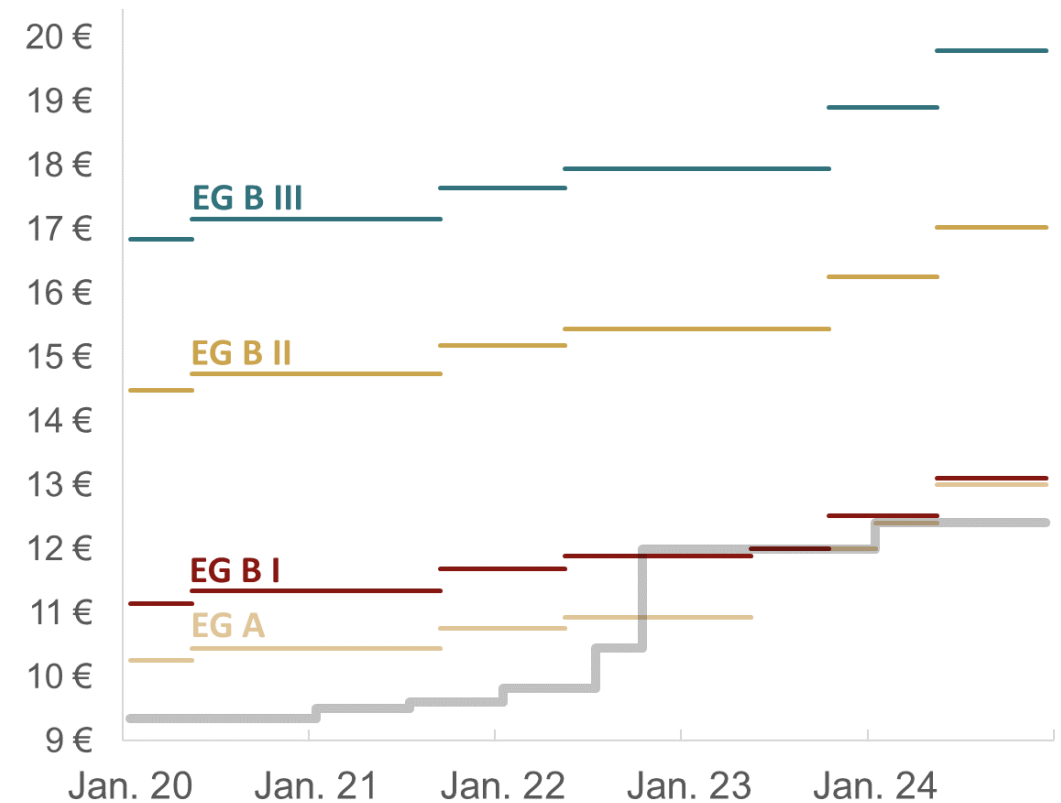
- Employer organization (HDE) has members with and without collective bargaining (OT).
- Uneven union density, but capacity for strikes.
- Very low collective bargaining coverage.
- Union favours extension, but employers are vehemently opposed due to membership.

## Nature of bargaining and outcomes:

- Minimum wage adjustment to € 12 collides with lowest pay groups in NRW and BB.
- Highly adversarial bargaining with prolonged industrial action (>1 year of negotiations).
- Agreement in May 2024: Linear wage increase, € 1,000 lump sum, codification of minimum wage and base pay of € 13 from 1 May 2024.

## Salary scales in retail trade, 2020-2024

Collective agreement for North Rhine-Westphalia



Source: Bispinck et al. (2020) and WSI-Tarifarchiv. Refers to salary in 1st year.

# Results: Summary of main findings

**Willingness of trade unions and employer organizations to engage in collective bargaining:** No effects for trade unions; **employers are more willing** to enter negotiations in some sectors to exceed 12 € in collective agreements.

**Organizational strength of trade unions and employer organizations:** No effects (with minor exceptions).

**Changes in bargaining strategy:** Some adaptation of strategy, depending on sector.

**Rate of wage increase in collective bargaining agreements:** **Yes**, higher wage settlements (except in retail trade).

**Compression of the collectively agreed wage structure:** **Yes**, but degree of compression varies by sector (except in retail trade).

**Compensation of wage increases in other subject areas:** No effects.

**Interaction with the extension of collective agreements (AVE):** No effects.

# Conclusions: Employer perspective

## **Autonomous wage setting in Germany:**

Employers accept SMW as a regulation but prefer autonomous wage setting through collective bargaining.

Employers place emphasis on making their sectors attractive for skilled labour; incl. wages set above SMW.

Employer organizations continue to bargain where cohesive organizations and stable bargaining structures exist.

## **Be aware:**

No „political“ minimum wage setting, employers support the SMW being set by the Minimum Wage Commission.

Employers favour subsequent orientation of the SMW towards the development of collectively agreed wages.

Preference for SMW procedure that can be anticipated. After the € 12 decision, social partners had either to bring CB rounds forward or their lower collectively agreed wages were replaced.

# Conclusions: Union perspectives

## **Null findings help to dispel fears:**

Even a major increase in the minimum wage (+ 30 % within 2 years) had no adverse effects on collective bargaining.

Employers do not abandon collective bargaining; some employers are more willing to enter negotiations (in 2022).

Members do not abandon their unions; some unions can recruit new members.

## **Positive outcomes are in line with the interests of trade unions:**

A higher minimum wage supports higher wage settlements in collective bargaining agreements.

Lower pay groups often benefit most, but middle and upper groups usually benefit as well ('social component').

Less 'outsider competition' and wage dumping from uncovered firms.

**The minimum wage is not a substitute for collective bargaining, but a complement – it strengthens the bargaining position of labour.**

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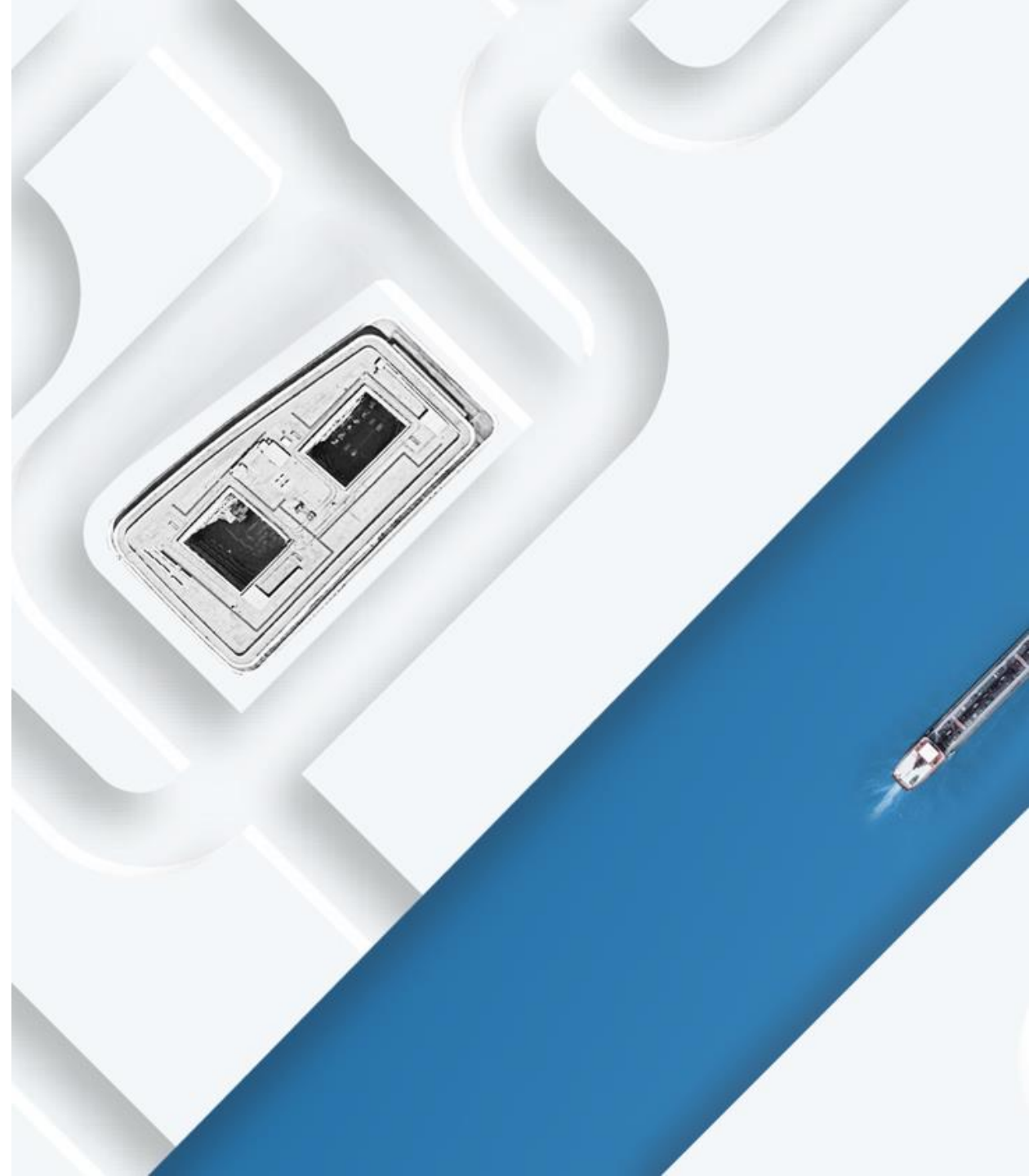
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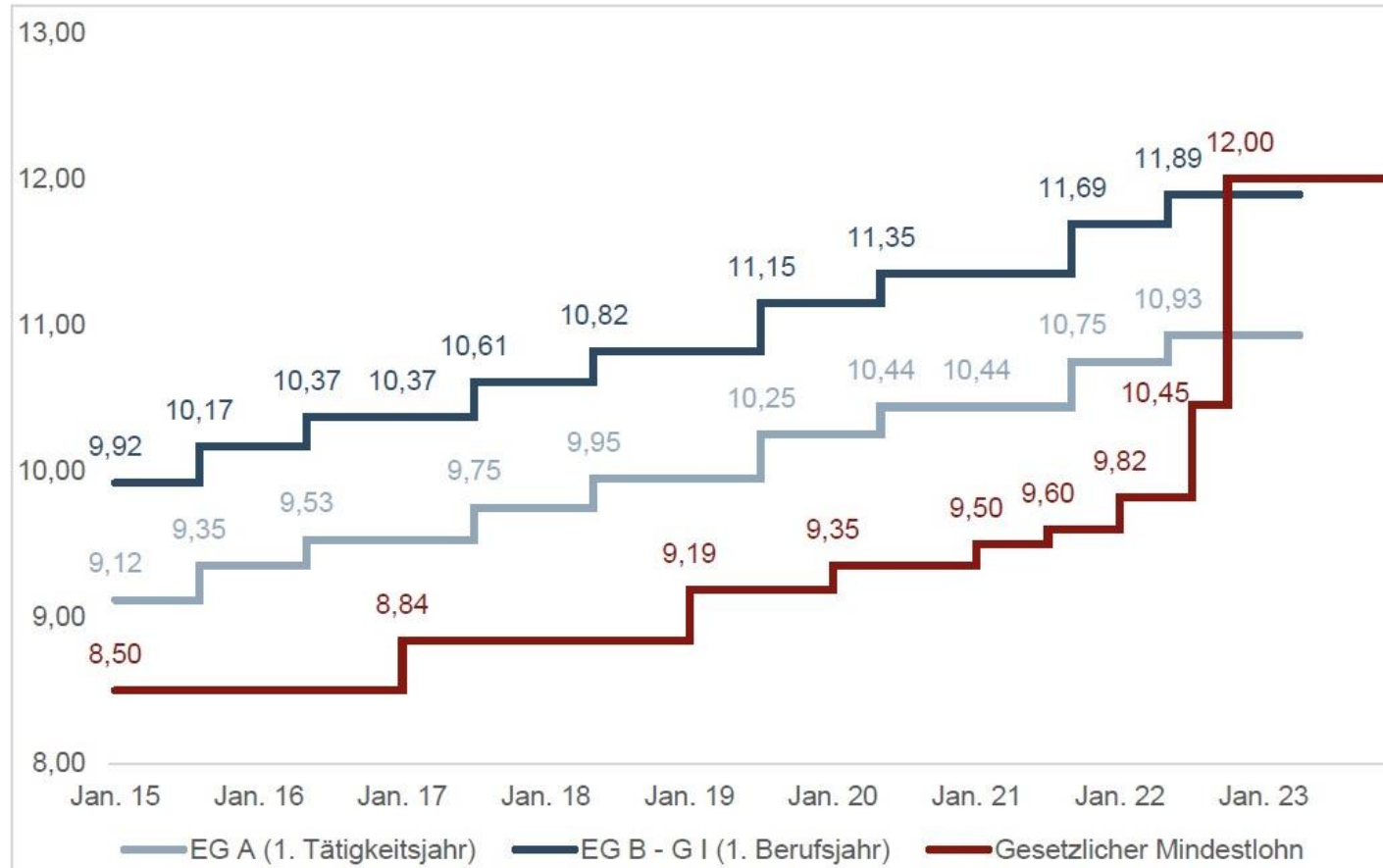
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## Abbildung 6-1: Unterste Entgeltgruppen und gesetzlicher Mindestlohn im Einzelhandel Nordrhein-Westfalen

Entgelte/Löhne ohne Zulagen in Euro je Stunde

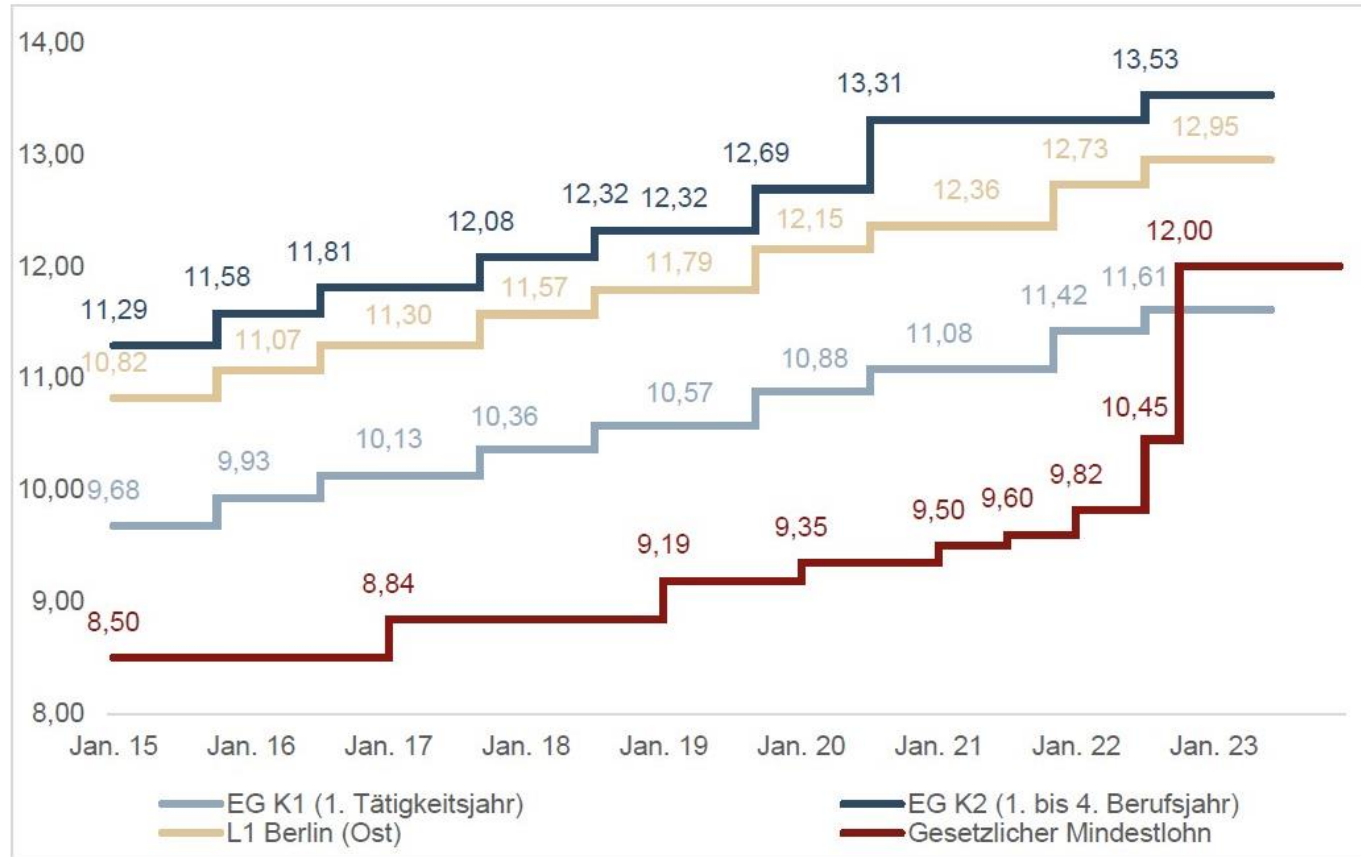


EG A: Angestellte ohne abgeschlossene kfm. Ausbildung (bis 1.7.2011: 1.+2. Jahr, danach 1. Jahr); EG B - G I: Angestellte mit abgeschlossener kfm. Ausbildung und einfacher kfm. Tätigkeit (Verkäufer, Kassierer mit einfacher Tätigkeit) (1. Jahr).

Quellen: WSI-Tarifarchiv; eigene Darstellung

## Abbildung 6-2: Unterste Entgeltgruppen und gesetzlicher Mindestlohn im Einzelhandel Berlin-Brandenburg

Entgelte/Löhne ohne Zulagen in Euro je Stunde

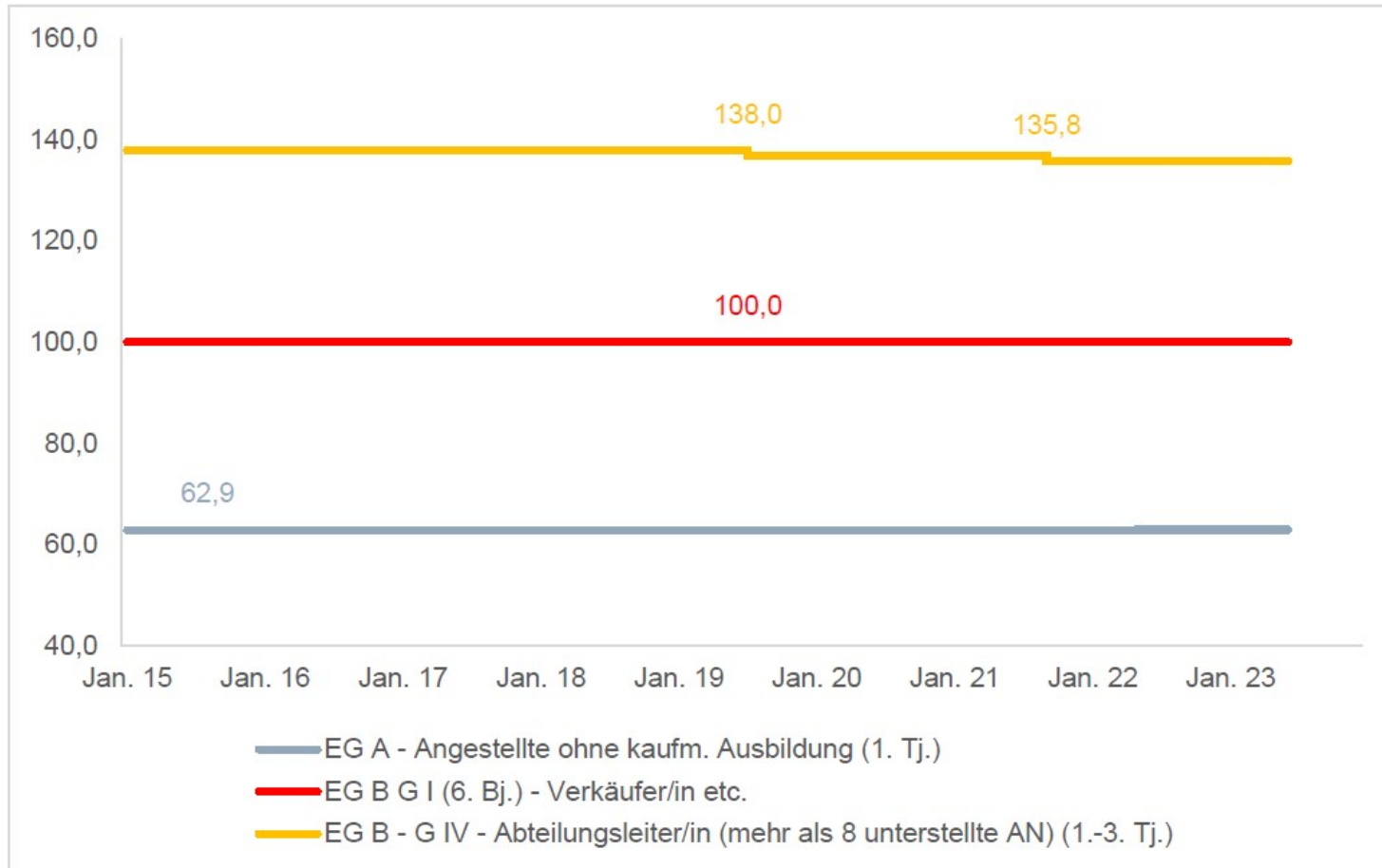


EG K1: Angestellte ohne abgeschlossene kfm. Ausbildung mit einfachen, schematischen Tätigkeiten (Hilfskräfte) (1. Jahr); EG K2: Angestellte mit abgeschlossener kfm. Ausbildung (Verkäufer, Kassierer) (1.-4. Jahr); L1: Beschäftigte für einfache schematische Arbeiten, die ohne Einarbeitung sofort verrichtete werden können.

Quellen: WSI-Tarifarchiv, eigene Darstellung

### Abbildung 6-3: Tariflohnstruktur im Einzelhandel Nordrhein-Westfalen

Löhne der untersten und obersten Entgeltgruppe im Verhältnis zur Ecklohngruppe\*

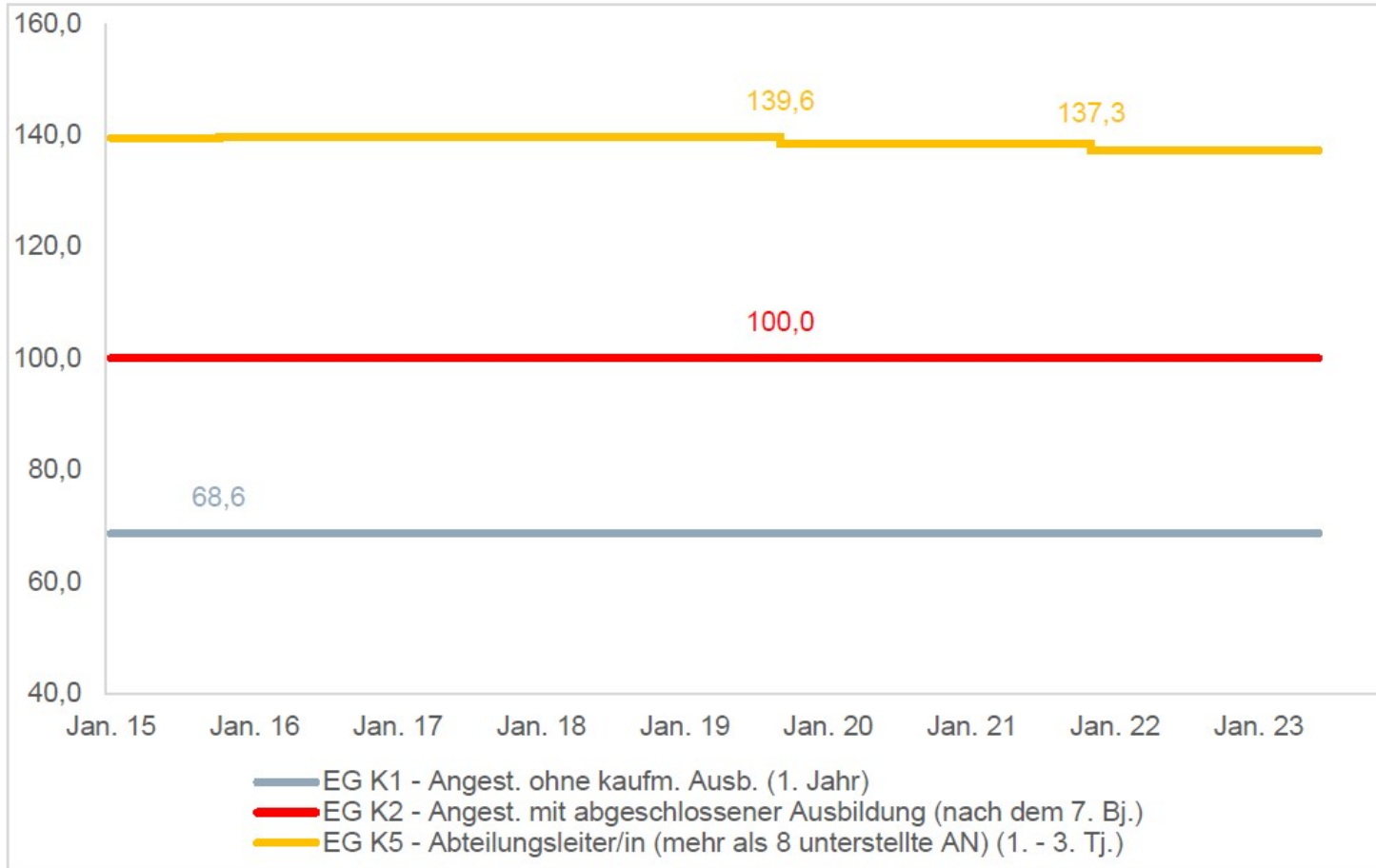


\* EG B G I im 6. Berufsjahr (Verkäufer/in etc.).

Quellen: WSI-Tarifarchiv; eigene Berechnung

## Abbildung 6-4: Tariflohnstruktur im Einzelhandel Berlin-Brandenburg

Löhne der untersten und obersten Entgeltgruppe im Verhältnis zur Ecklohngruppe\*

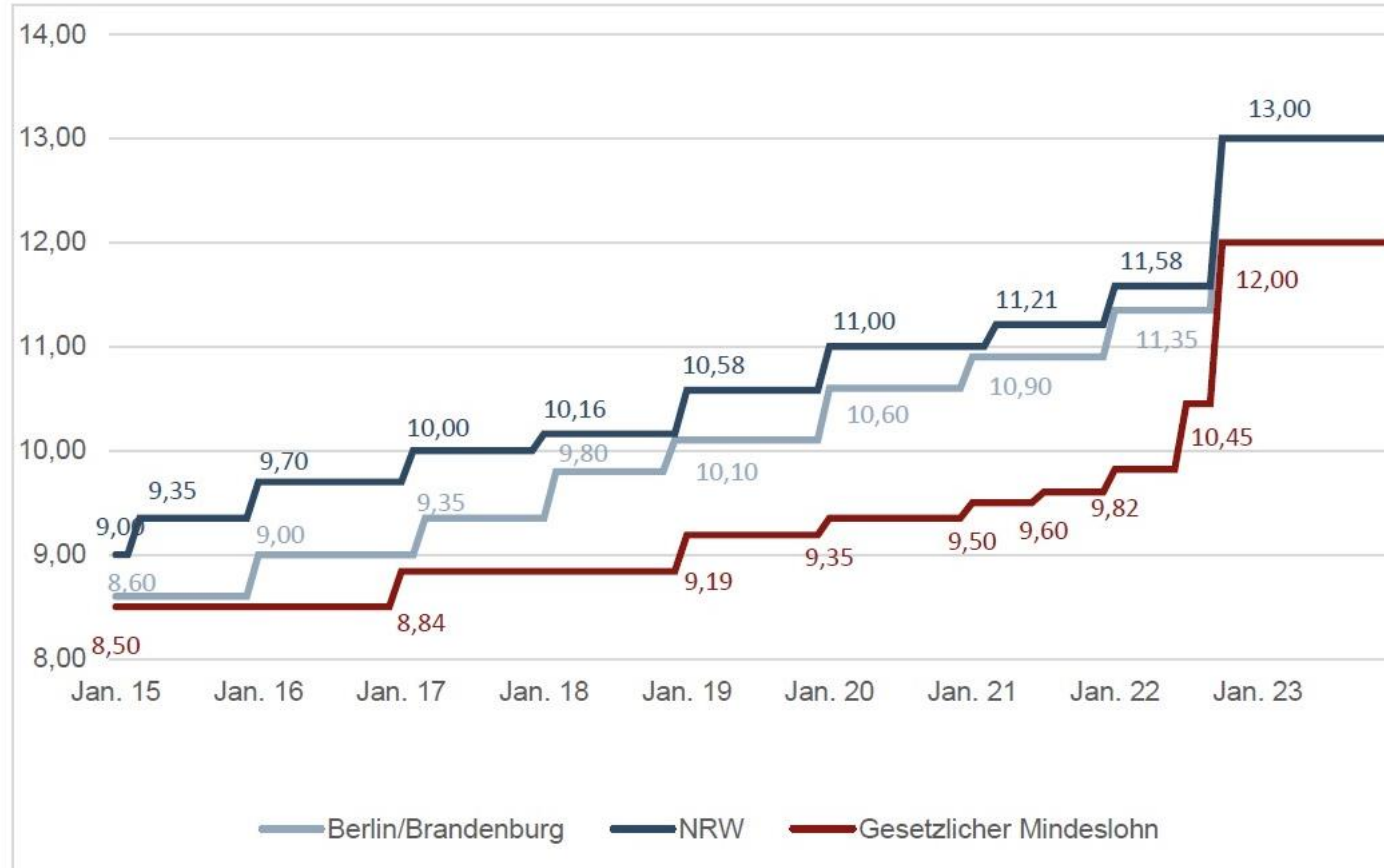


\* EG K2 Angestellte mit abgeschlossener Ausbildung (nach dem 7. Berufsjahr).

Quellen: WSI-Tarifarchiv; eigene Berechnung

## Abbildung 11-1: Tariflöhne und gesetzlicher Mindestlohn in den privaten Wach- und Sicherheitsdiensten

Stundenlöhne ohne Zulagen in Euro

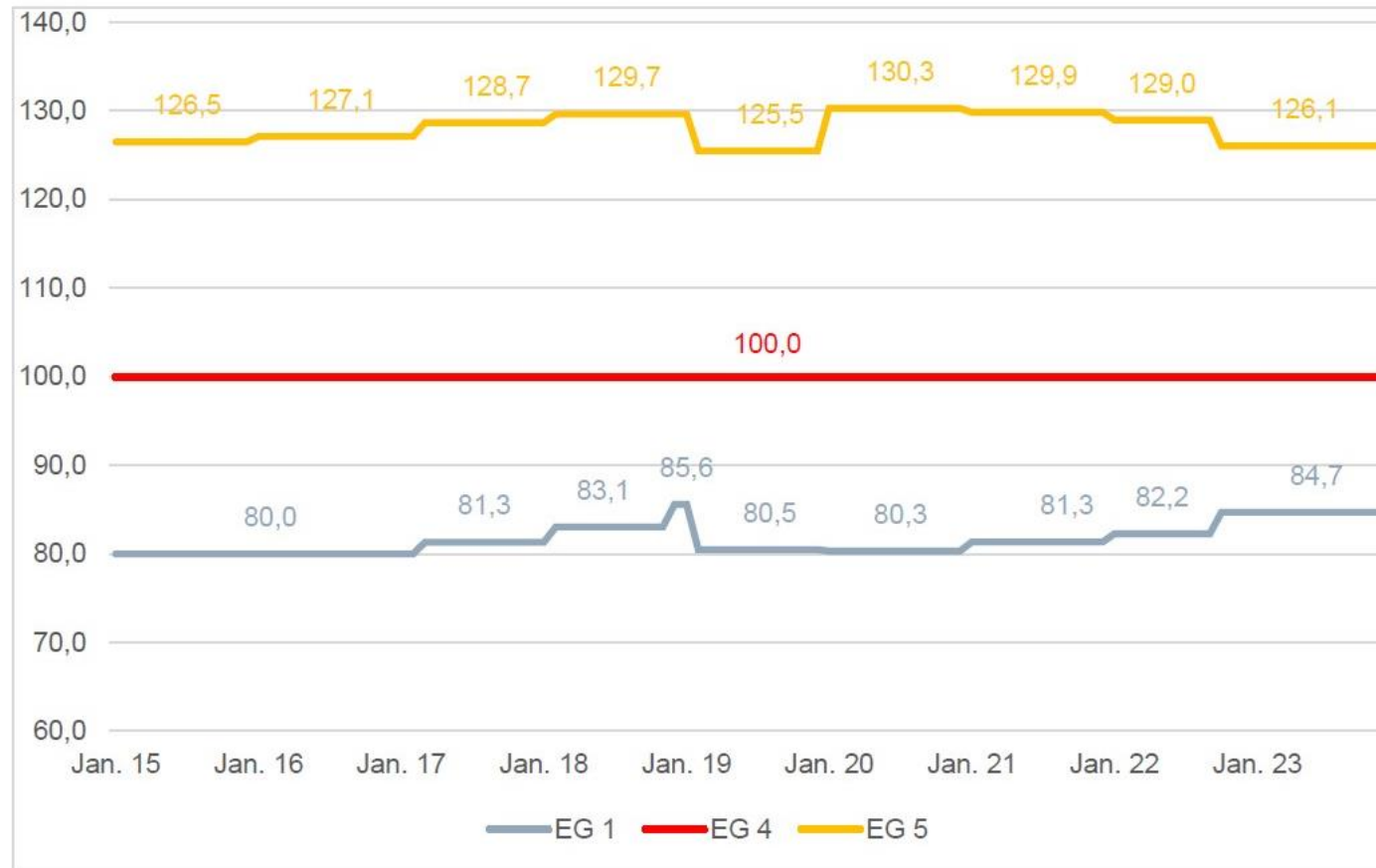


EG = Entgeltgruppe, EG 1: Separatwachdienst (Berlin-Brandenburg); LG = Lohngruppe, LG 1a: Sicherheitsmitarbeiter im Objektschutz (NRW).

Quellen: WSI-Tarifarchiv, eigene Darstellung

## Abbildung 11-2: Tariflohnstruktur der privaten Wach- und Sicherheitsdienste Berlin-Brandenburg

In Prozent der mittleren Gruppe; Tarifgruppe 4 = 100



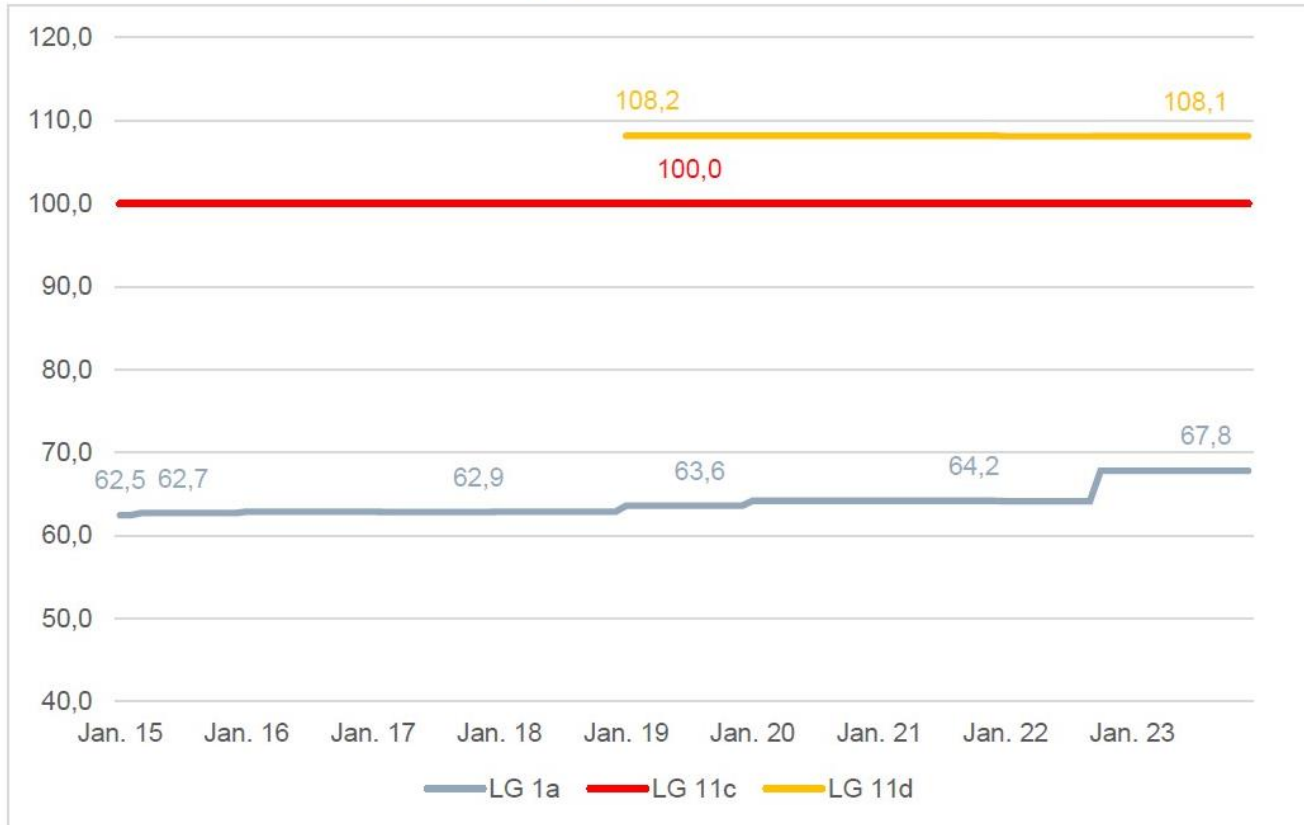
EG = Entgeltgruppe; EG 1: Separatwachdienst; EG 4: Fachkraft Schutz und Sicherheit; EG 5: Meistertätigkeiten

Entgelte: Grundvergütung ohne Zulagen

Quellen: WSI-Tarifarchiv; eigene Berechnung

### Abbildung 11-3: Tariflohnstruktur der privaten Wach- und Sicherheitsdienste Nordrhein-Westfalen

In Prozent der mittleren Gruppe; Tarifgruppe 11c = 100



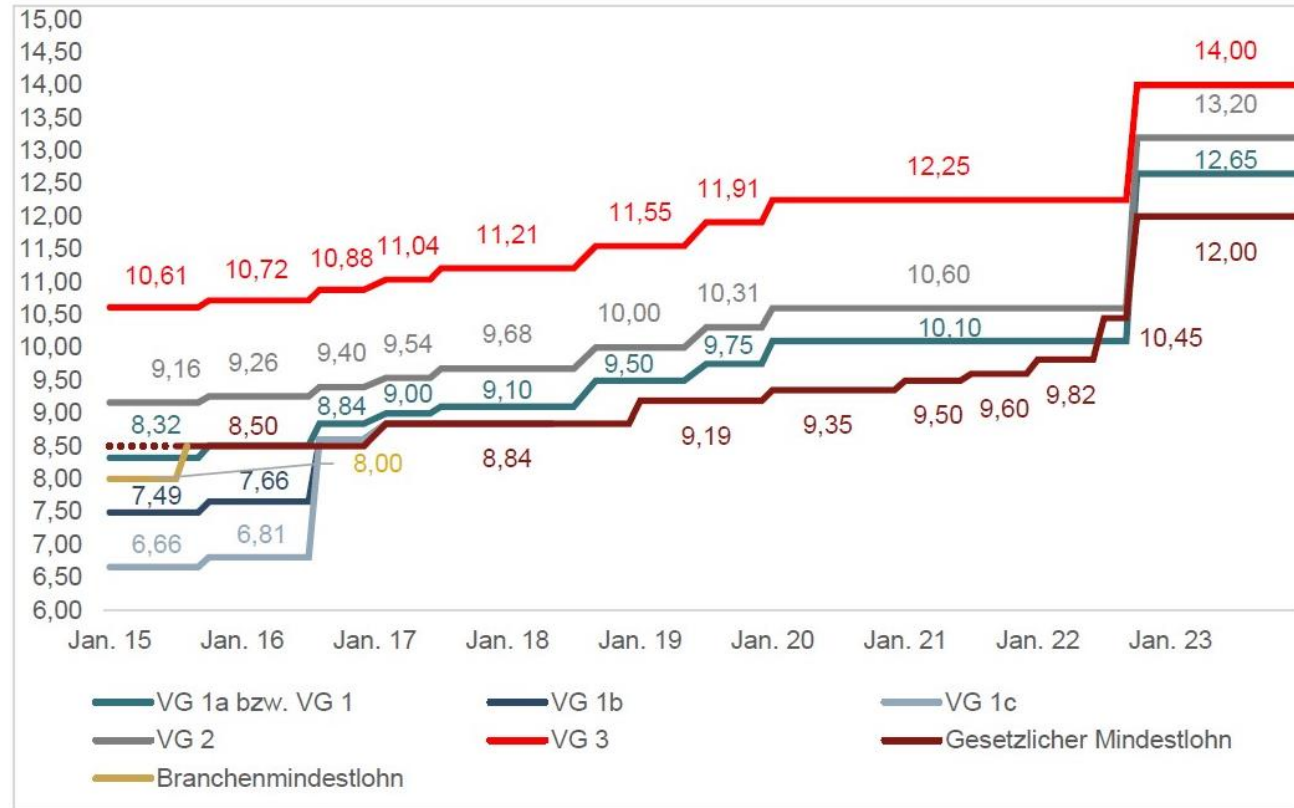
LG = Lohngruppe; LG 1a: Sicherheitsmitarbeiter im Objektschutz; LG 11c: Fachkraft Schutz und Sicherheit; LG 11d: Meister für Schutz und Sicherheit.

Lohn: Grundvergütung ohne Zulagen.

Quellen: WSI-Tarifarchiv; eigene Berechnung

## Abbildung 13-1: Unterste Tarifentgelte und gesetzlicher Mindestlohn im Friseurhandwerk Nordrhein-Westfalen

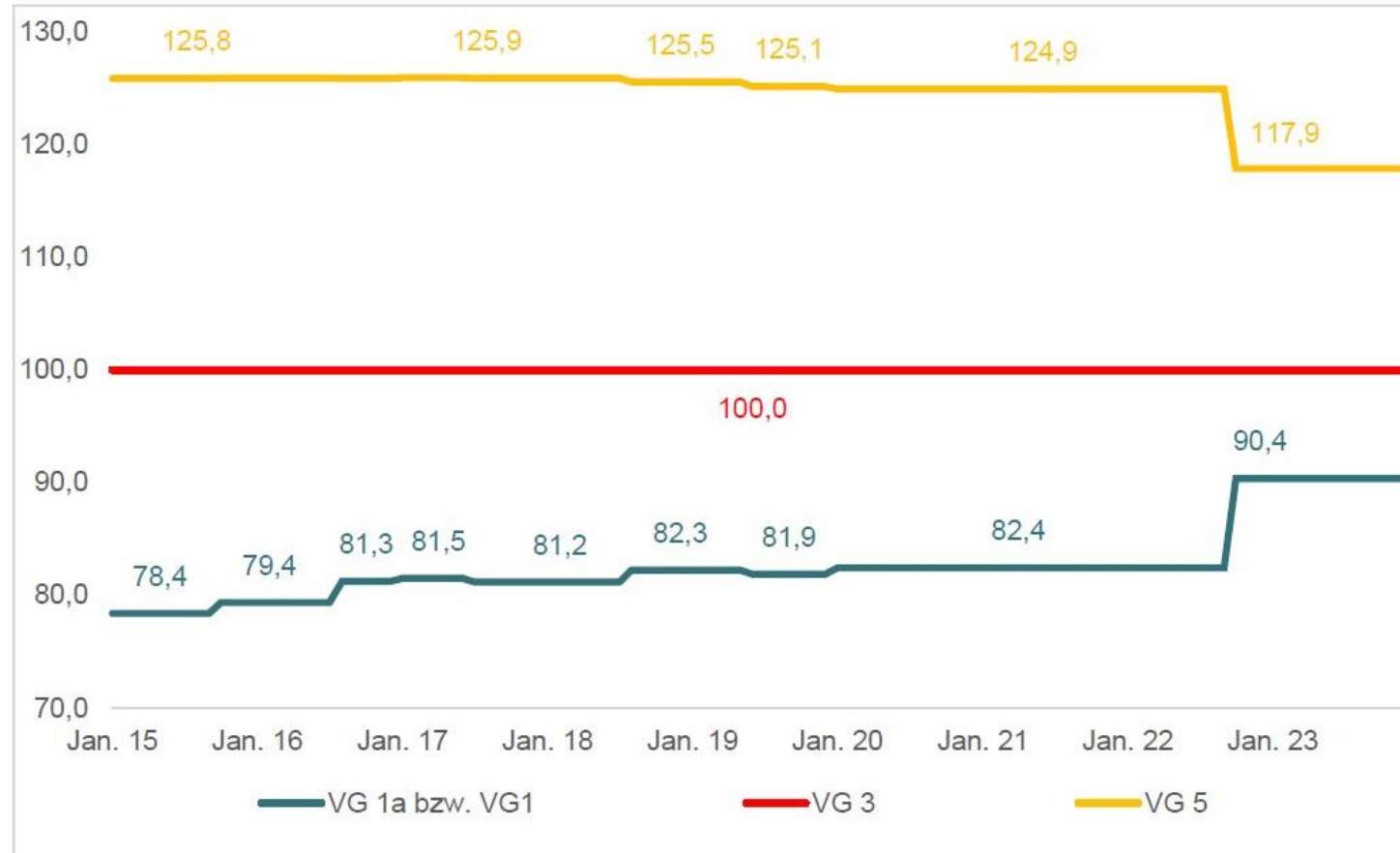
Entgelte in Euro je Stunde



VG 1c: Arbeitnehmer/in ohne Ausbildung (tarifert bis Juni 2018); VG 1b: Ausbildungszeit durchlaufen aber Gesellenprüfung nicht abgelegt (tarifert bis Juni 2018); VG 1a bzw. VG 1: Arbeitnehmer/in mit Gesellenprüfung (Basistechniken); VG 2: Arbeitnehmer/in mit Gesellen- oder Meisterprüfung (weitergehende Fertigkeiten); VG 3: Arbeitnehmer/in mit Gesellen- oder Meisterprüfung (professionelle Beherrschung).

Quellen: WSI-Tarifarchiv; eigene Darstellung

**Abbildung 13-2: Tariflohnstruktur im Friseurhandwerk Nordrhein-Westfalen  
in Prozent der mittleren Gruppe (Index = 100)**



VG 1a bzw. VG 1: Arbeitnehmer/in mit Gesellenprüfung (Basistechniken); VG 3: Arbeitnehmer/in mit Gesellen- oder Meisterprüfung (professionelle Beherrschung); VG 5: Betriebsleiter/in mit Meisterprüfung und Verantwortung für die Auszubildenden.

Quellen: WSI-Tarifarchiv; eigene Darstellung