

Is a Statutory Minimum Wage a Necessary Evil ???

Experiences from Germany

Thorsten Schulten

FAFO, International conference:




”WORLD DAY FOR DECENT WORK”

Decent Work for Migrant Workers: Trade Union Challenges

Oslo, 7 October 2009

- ➔ **Position of German Trade Unions on Statutory Minimum Wages**
- ➔ **Economic and Political Background**
 - ➔ Development of the **Low Wage Sector**
 - ➔ Erosion of **Collective Bargaining**
- ➔ **Current Regulation on Minimum Wages**
- ➔ **Conclusion: Statutory minimum wages and collective bargaining: Substitute or complementary?**

German trade union on a statutory minimum wage

- 1999**  As the first German trade union the Food, Hotels and Restaurant Workers' Union **NGG** called for a statutory minimum wage
- 2003ff.**  United Services Union **ver.di** started to support the demand for statutory minimum wage
- 2003-2006** Highly **controversial debate** among German unions (services union in favour; manufacturing unions sceptical)
- 2006**  Congress of the German Trade Union Confederation **DGB** called for:
- A **nation-wide statutory minimum wage** of at least **7,50 Euro** (63 NOK) per hour
 - **Extension of all collectively agreed minimum wages** above the level of the nation-wide minimum wage
- 2006ff.** All unions are in favour of a statutory minimum wage (with the exception of the Chemical Workers' Union **IG BCE**)
- 2006ff.** **DGB Campaign** for a statutory minimum wage (mainly supported by **ver.di** and **NGG**)

German Trade Unions campaigning for a **Statutory Minimum Wage**

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DGB

**4,81 Euro für
meinen Papa?**

**SCHÄM DICH!
DEUTSCHLAND BRAUCHT DEN MINDESTLOHN.**

**KEIN LOHN
UNTER 7,50**
Euro pro Stunde

www.mindestlohn.de

German Trade Unions campaigning for a **Statutory Minimum Wage**

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DGB

**WELCHE ABGEORDNETEN
WÜRDEN FÜR WENIGER ALS
7,50 EURO/STUNDE ARBEITEN?**

Niedriglohn macht Deutschland arm. Arm trotz Arbeit.

DEUTSCHLAND BRAUCHT DEN MINDESTLOHN.

**KEIN LOHN
UNTER 7,50**
Euro pro Stunde

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Positions on a statutory minimum wage in Germany

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In favour

Against

Trade unions and Employers:

Large majority of the trade unions

Minority of the employers

Minority of the trade unions

Large majority of the employers

Political Parties:

Minority of the Conservative Party **CDU** (labour wing)

Left Parties: **SPD**, **Grüne**, **Die Linke**

Majority of the Conservative Party **CDU**

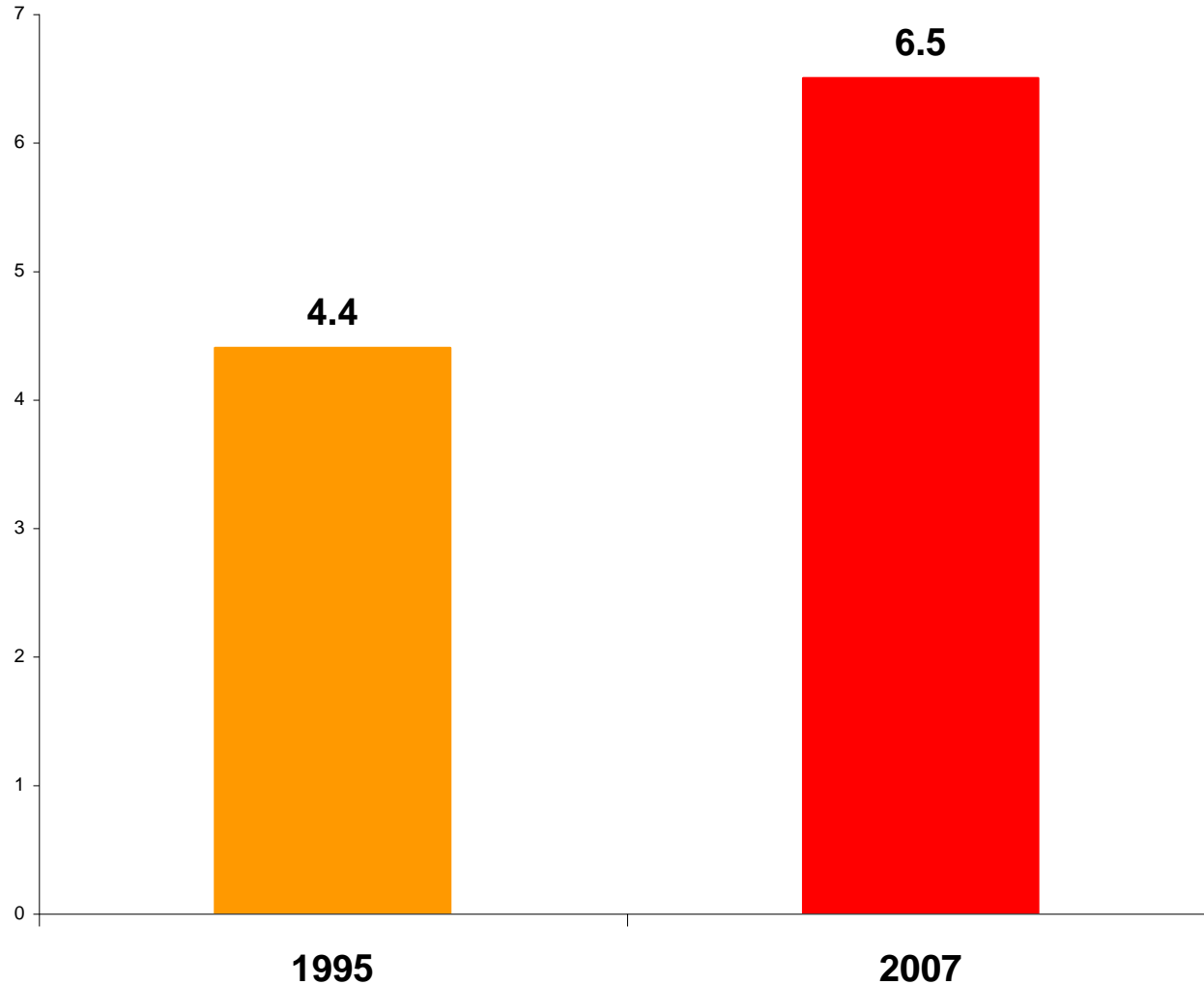
Liberal Party **FDP**

Large majority of the **Population**

Low Wage Sector in Germany (1995-2007, Mio. employees)

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Low Wage Threshold
(2/3 of the Median wage)

1995:

West: 8.21 € (69 NOK)

East: 5.79 € (49 NOK)

2007:

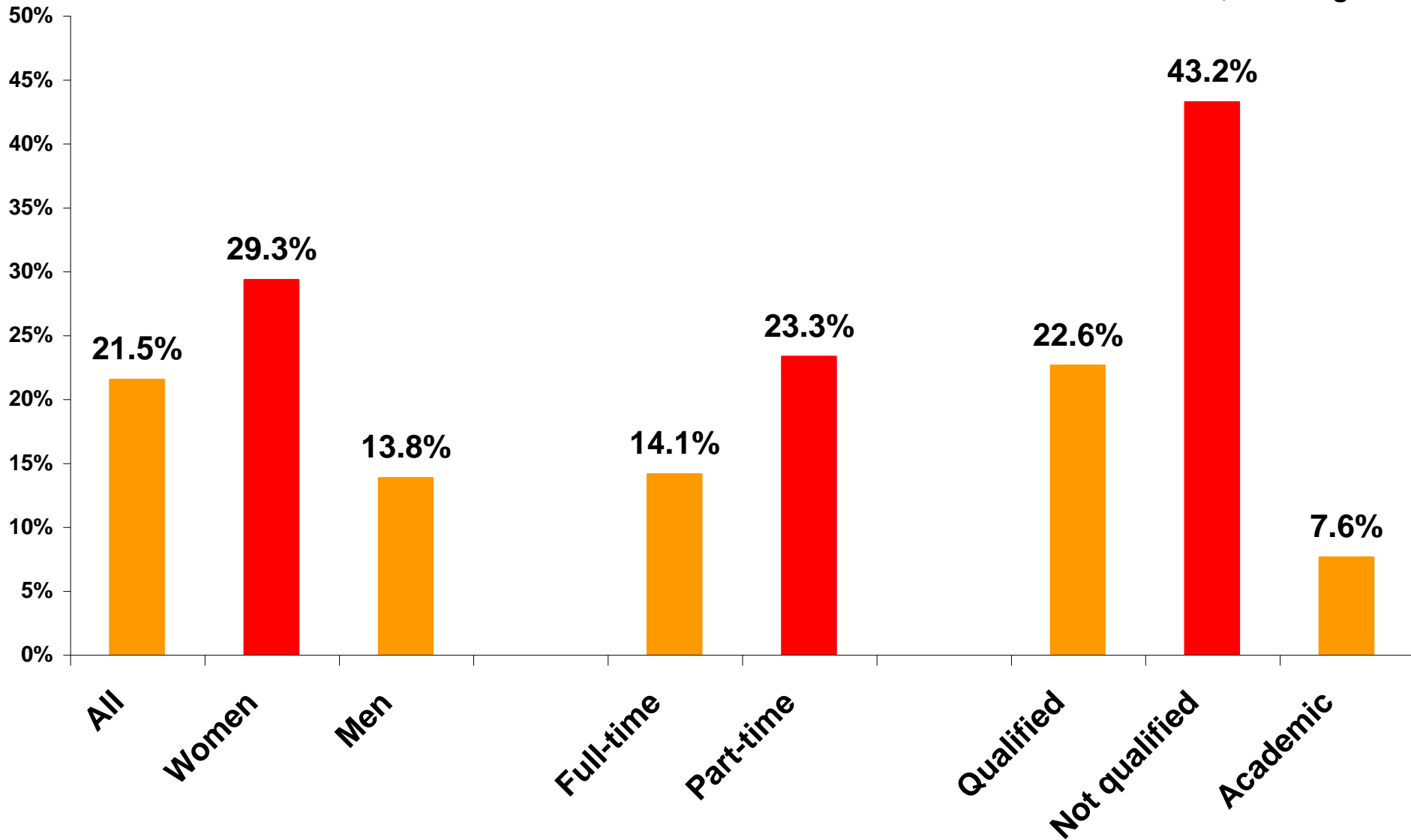
West: 9.62 € (81 NOK)

East: 7.18 € (61 NOK)

Low Wage Sector in Germany (2007; in % of all employees)

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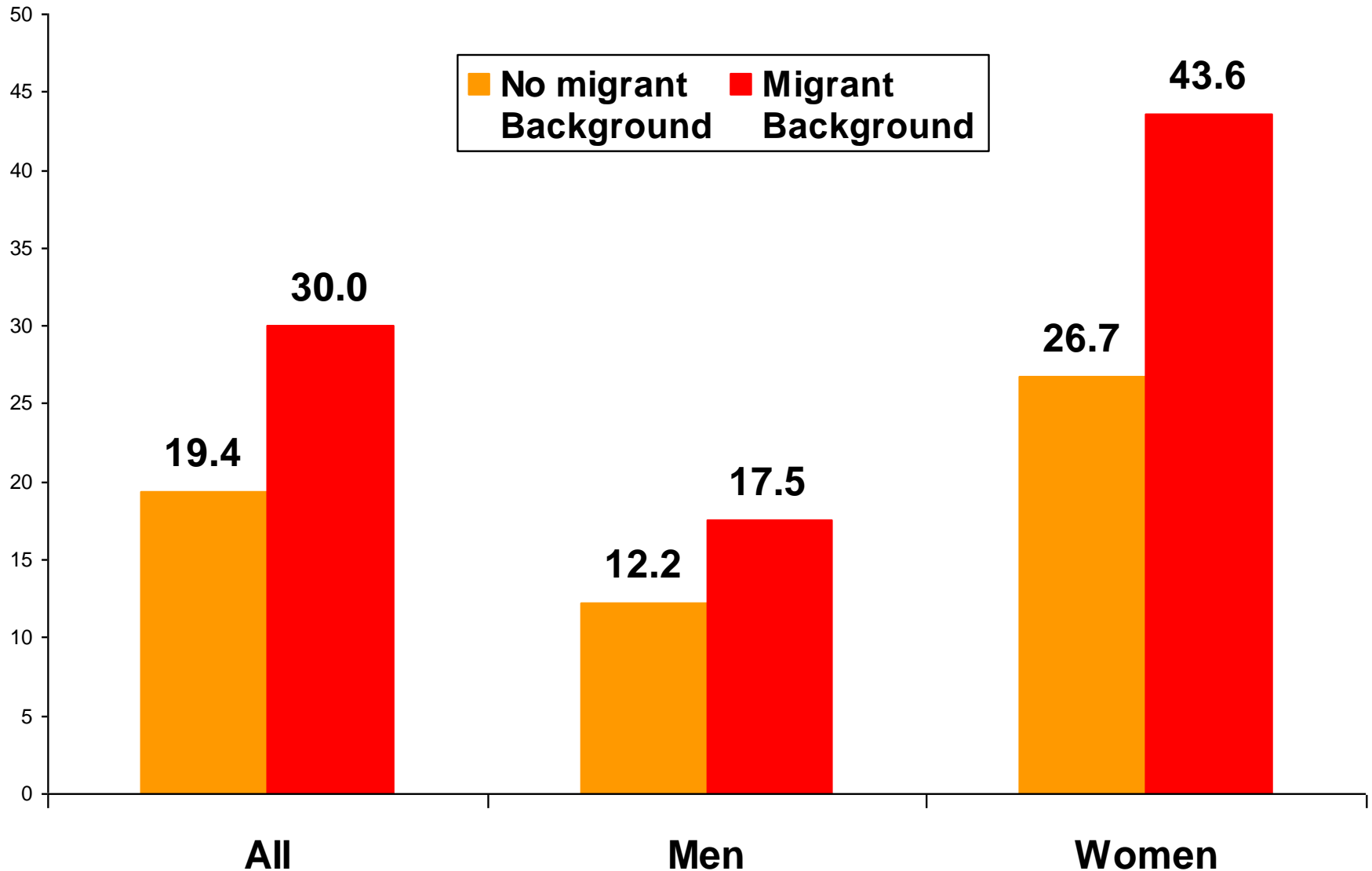
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Low Wage Sector in Germany (2004-2007; in % of all employees)

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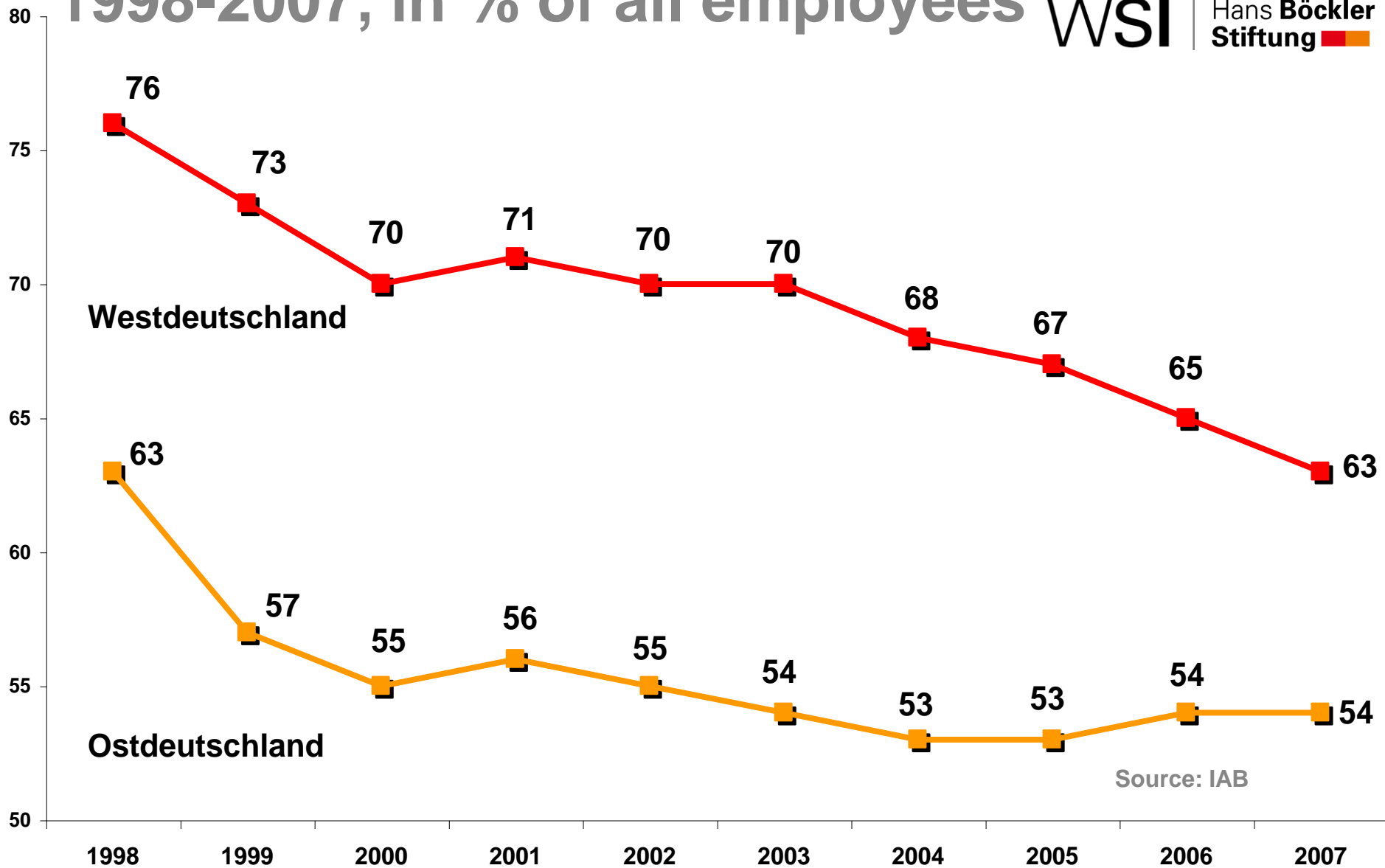


Bargaining Coverage in Germany

1998-2007, in % of all employees

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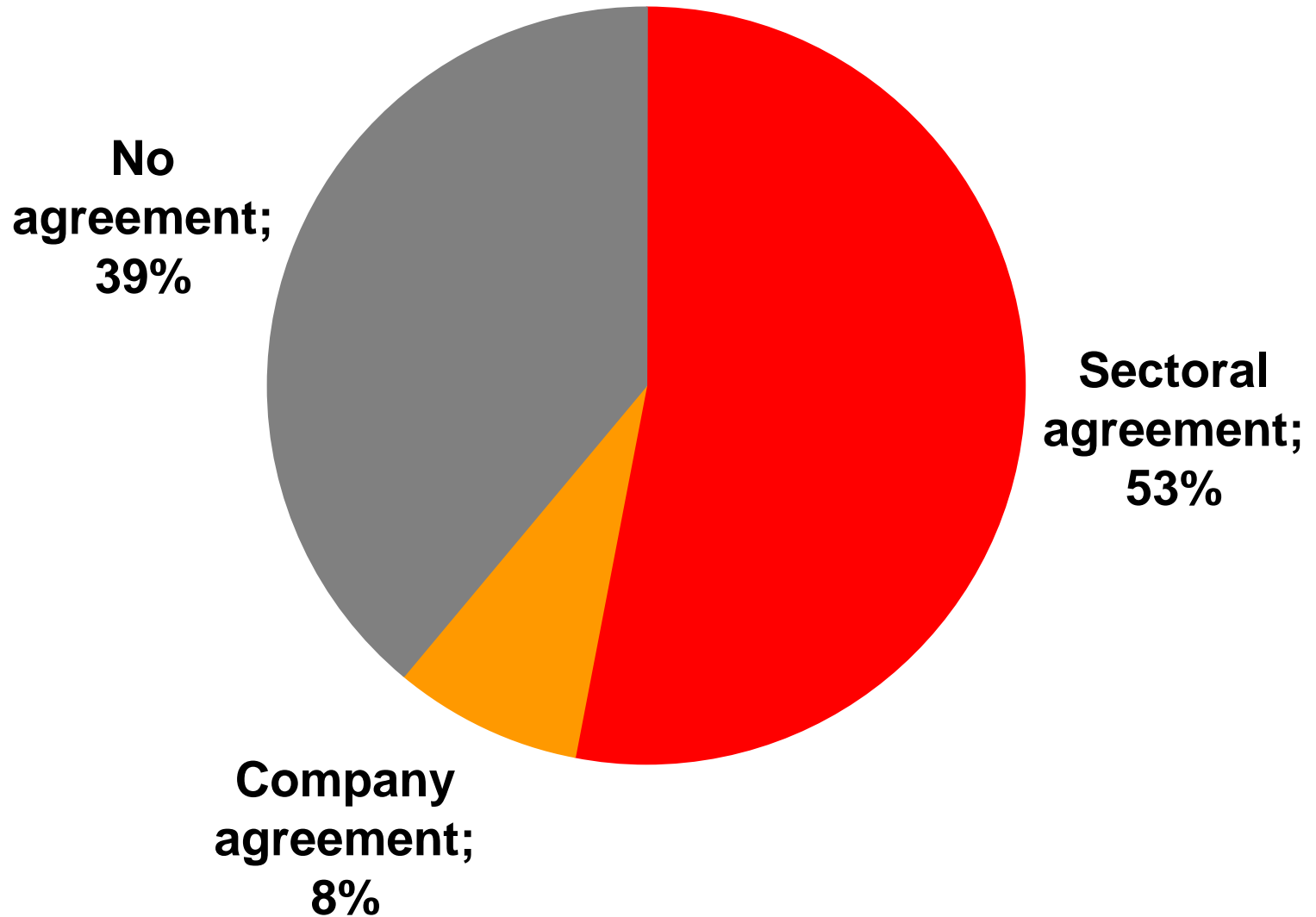


Source: IAB

Bargaining Coverage in Germany 2007, in % of all employees

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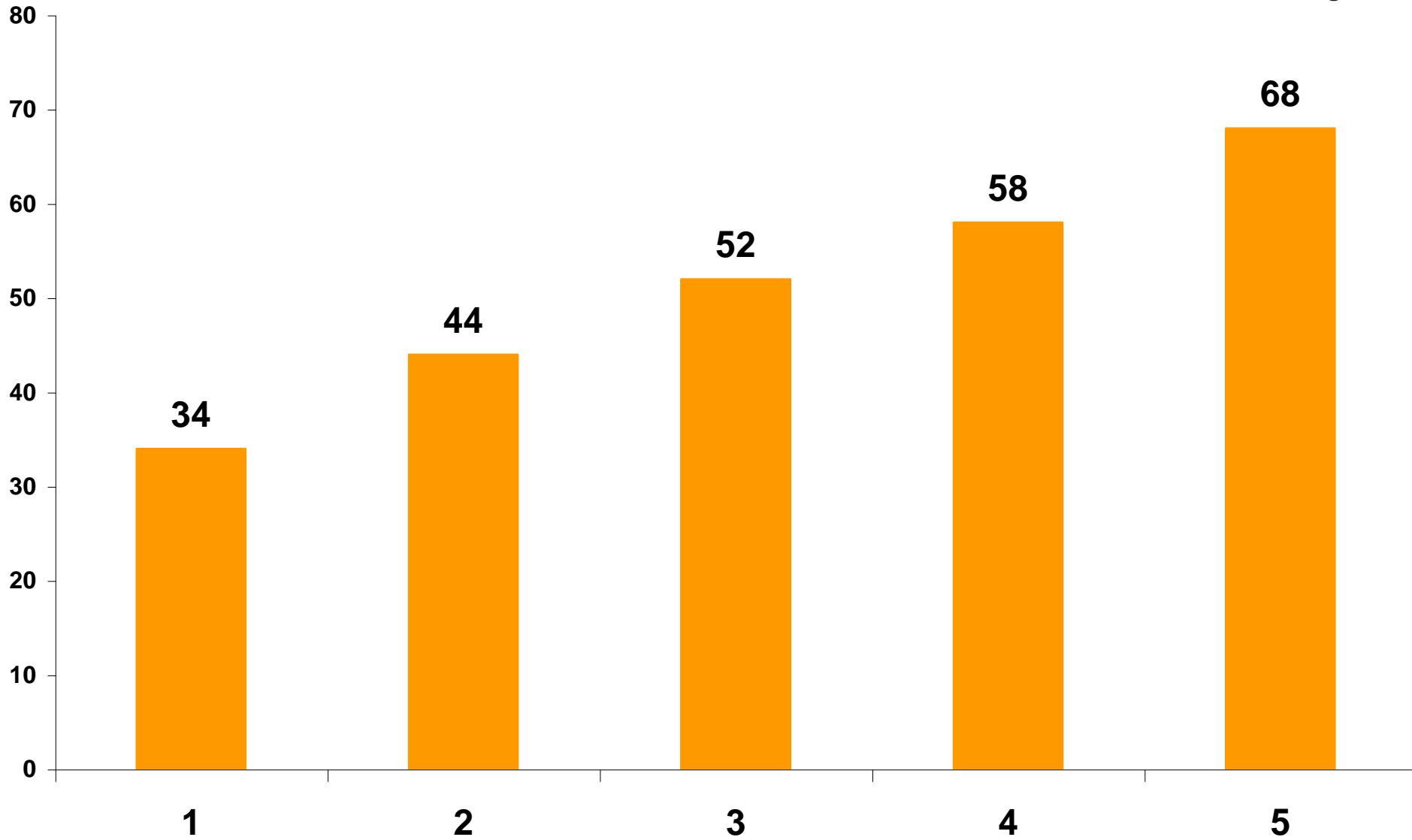


Bargaining Coverage in Germany

(Income quintiles, 2008, in %)

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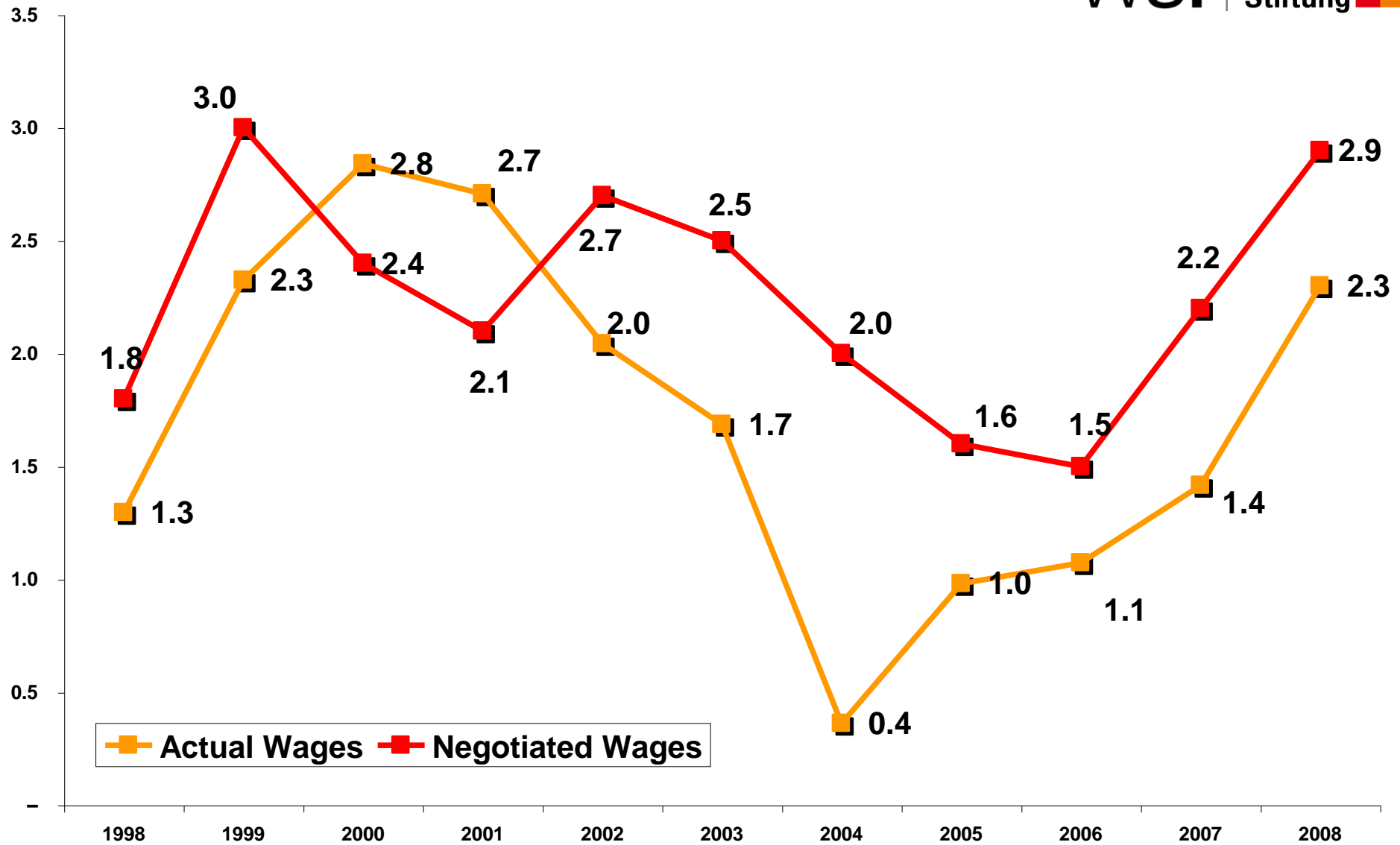


Wage drift in Germany

(1997-2007; annual change in %)

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Lowest Hourly Wages in German Collective Agreements

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	West		East	
	Euro	NOK*	Euro	NOK*
Retail Trade	7,49	63,26	7,30	61,65
Temporary Agency Work	7,38	62,33	6,42	54,22
Floristic	7,27	61,40	4,35	36,74
Fast Food Chains	7,20	60,81	6,35	53,63
Private Transport	7,12	60,13	3,91	33,02
Hotels and Restaurants	6,46	54,56	4,81	40,62
Metal Craft	6,33	53,46	5,07	42,82
Gardening	5,66	47,80	3,26	27,53
Security Services	5,25	44,34	4,15	35,05
Agriculture	4,71	39,78	4,64	39,19
Hair Dressing	4,65	39,27	3,05	25,76

*Exchange rate 1 October 2009

Source: WSI-Tarifarchiv (September 2009)

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Legal framework for Minimum Wages in Germany

- 1. Collective Agreement Act (1949)**
Extension of collective agreements
- 2. Posted Workers Act (1996, 2009)**
Extension of negotiated minimum wages
- 3. Act on Minimum Working Conditions (1952, 2009)**
Determination of minimum wages in sectors with low bargaining coverage or no collective agreements

Collective Agreement Act (1949)

Article 5 on Extension

Ministry of Labour can extend collective agreements only when ...

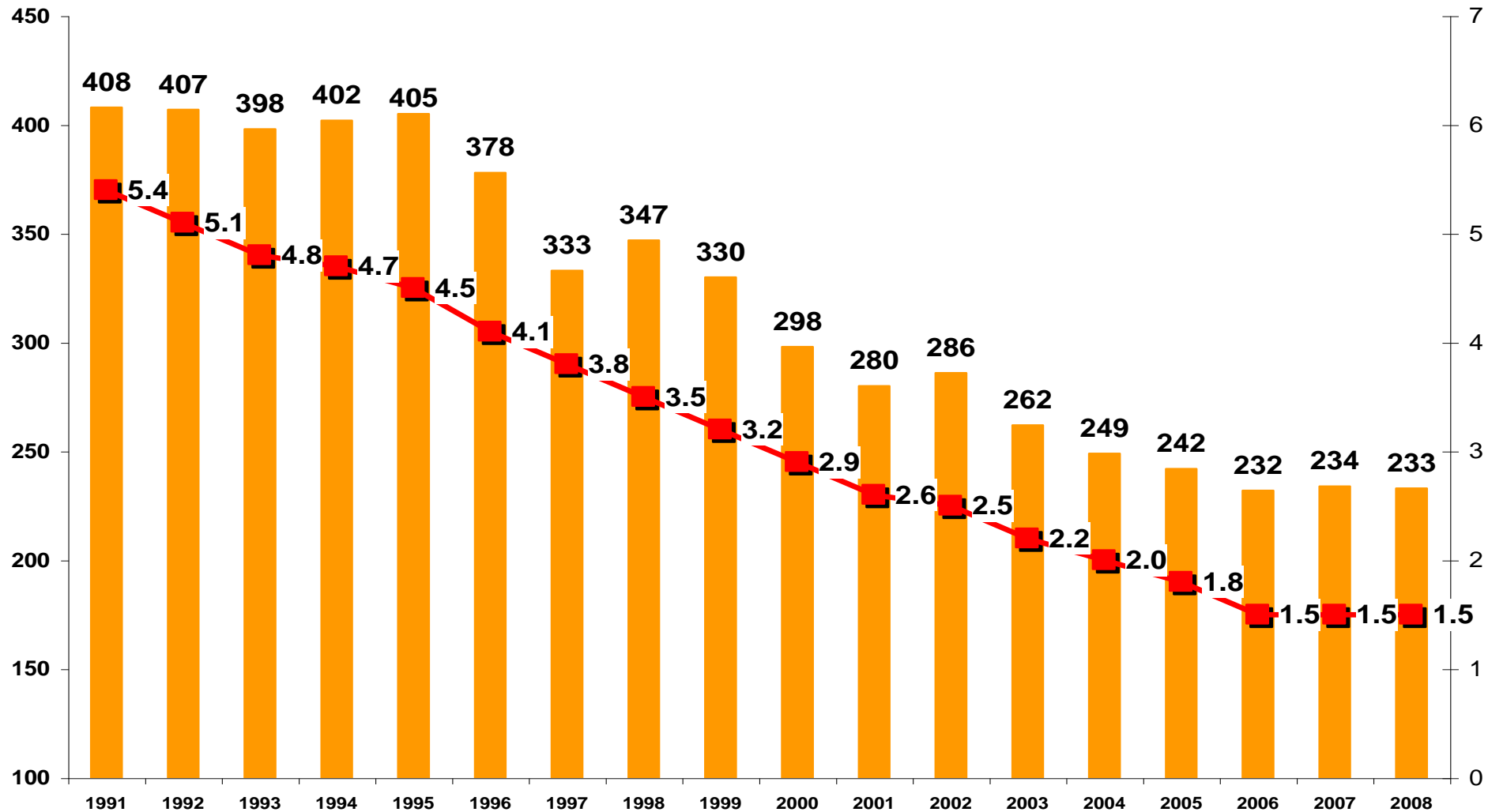
- ⇒ the extension was **applied by at least one bargaining party**
- ⇒ the bargaining coverage is at least **50% of the workers** in the sector concerned
- ⇒ the extension is in **'public interest'**
- ⇒ the extension is supported by a special **'collective bargaining committee'** (**Tarifausschuss**), which is composed of three representatives each from **peak employers'** and trade union organisations

Extension of Primary Collective Agreements 1991-2008

(Total number, % of all primary agreements)

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Source: Ministry of Labour,
Calculations by the WSI

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Posted Workers Act (1996, 2009)

- ➔ Mainly apply for the extension of **collectively agreed minimum wages**
- ➔ Ministry decides on the **extension per decree** (consent of the Collective Bargaining Committee is not necessary)
- ➔ **No legal threshold** for the bargaining coverage, but in practice coverage should be at least 50%

Negotiated Sectoral Minimum Wages on the Basis of the German Posted Workers Law

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	West		East	
	Euro	NOK*	Euro	NOK*
Construction (unskilled worker)	10.80	91.21	9.25	78.12
Construction (skilled worker)	12.90	108.95	none	
Roofing	10.40	87.83	10.40	87.83
Electronic Trade	9.55	80.65	8.05	67.99
Painting (unskilled worker)	9.50	80.23	9.50	80.23
Painting (skilled worker)	11.25	95.01	none	
Commercial Cleaning	8.15	68.83	6.58	55.57
Postal services (deliverer)	9.80	82.77	9.00	76.01
Postal services (others)	8.40	70.94	8.00	67.56

*Exchange rate 1 October 2009
Source: WSI-Tarifarchiv (September 2009)

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Negotiated Sectoral Minimum Wages on the Basis of the German Posted Workers Law

– not yet adopted –

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	West		East	
	Euro	NOK	Euro	NOK
Mining related services (unskilled worker)	11.17	94.34	11.17	94.34
Mining related services (skilled worker)	12.41	104.81	7.60	64.19
Vocational Training (Administration)	10.71	90.45	9.53	80.49
Vocational Training (Teacher)	12.28	103.71	10.93	92.31
Vocational Training (others)	7.60	64.19	7.60	64.19
Waste Industry	8.02	67.73	8.02	67.73
Industrial Laundries	7.51	63.43	6.36	53.71
Security services	6.00-	50.67-	6.00-	50.67-
	8.32	70.27	8.32	70.27

Problems from an employee perspective:

- ➔ High **veto power** of the employers
- ➔ In many low wage sectors the **employers do not want to negotiate** sectoral minimum (e.g. hotels and restaurants)
- ➔ Employers can always threaten **not to renew** the minimum wage agreement
- ➔ Strong possibilities for **political blockade** of a sectoral minimum wage

Act on Minimum Working Conditions (1952, 2009)

- ➔ **apply to** sectors with a bargaining coverage of below 50%
- ➔ **‘Main Committee’** at the Ministry of Labour (7 members: trade unions employers and academic experts) decides, **if** a certain sector should get a minimum wage
- ➔ **‘Sectoral Committee’** (impartial chair + three trade union and employers representatives) decides **on the value** of the sectoral minimum wage
- ➔ Ministry decides on the minimum wage **per decree**
- ➔ **potential sectors:** call centers, meat processing, hotels and restaurants etc.

Statutory Minimum wage and Collective bargaining

Substitute or complementary?

- ➔ German unions are in favor of statutory minimum wages because of declining bargaining coverage
- ➔ They see minimum wages as a **complementary instrument** to strengthen the position of the employees
- ➔ Unions also want to **re-strengthen the bargaining system** through more extension of collective agreements
- ➔ **International experiences** suggest that both statutory minimum wages and collective agreements could be important trade union instruments
- ➔ **Statutory minimum wages functions** well if unions are able to use it as a political instrument

WSI Collective Agreement Archive

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Neues im Tarifarchiv

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 - 29.09.2009 [IG Metall will im Osten 35-Stundenwoche](#)
 - 28.09.2009 [Tarifabschluss bei Volkswagen](#)
 - 25.09.2009 [GEW: bessere und einheitliche Bezahlung für Lehrer](#)
 - 24.09.2009 [Tarifkonflikt in der Gebäudereinigung](#)
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Bereits Berufsanfängerinnen verdienen weniger als ihre männlichen Kollegen

Frauen mit bis zu 3 Jahren Berufserfahrung verdienen durchschnittlich 18,7 Prozent weniger als ihre männlichen Kollegen. Zu diesem Ergebnis kommt eine Untersuchung des Projekts LohnSpiegel. [mehr...](#)

Tariflicher Kündigungsterminkalender 2010

Ein Überblick über die wichtigsten Termine des kommenden Tarifjahres [mehr...](#)

[→ Pressemeldung mit Tabelle \(pdf\)](#)

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[→ Zum WSI-Tarifarchiv auf Twitter](#)

www.lohnspiegel.de



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Tarifhandbuch 2009



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