



Research Unit Wage Policy and Industrial Relations

Our Topics

The research unit “Wage Policy and Industrial Relations” focusses its work on labour and social partner relations. This includes research on the following policy areas:

Wages and Working Time Policy

The researchers analyse the wages and working time policy from a national and international perspective. It includes the development of wages, working time regimes and labour costs. A special topic is the question of price competitiveness. This is covered by comparing unit labour costs, productivity and hourly labour costs in an international perspective.

Industrial Relations

Topics in this policy area include issues of the collective bargaining process and co-determination. The researchers analyse conflict intensity in collective bargaining, industrial action and social partner relations. Analytical reports on industrial relations, working conditions and restructuring in Germany are, for example, prepared for the European Foundation for the Improvement of Living and Working Conditions – a tripartite European Union Agency based in Dublin.

The research units’ work hosts its own databases, such as the IW Collective Agreement Database, the IW Labour Cost Database and the IW Database of Industrial Action. The main focus is not only on Germany, but research also takes an international perspective. There is a strong connection to European policy-making for some topics, such as social dialogue.

Our Findings

Competitive wages and labour costs

In recent years Germany has been blamed to be too competitive for the Eurozone. Being called the “Sick man of Europe” in 1999, Germany was in need to revitalize its economy. This was real-

ized by structural labour market reforms, restructuring of enterprises and articulate cutbacks in unit labour costs, mainly from 2003 to 2007. This helped the German economy to avoid lay-offs during the sharp downturn 2008/2009. Since 2010, unit labour costs are rising and therefore, the German price competitiveness is put at risk once more. To minimize this risk, increases in labour costs need to be in line with productivity growth.

Fighting Poverty

The risk of poverty is closely related to the labour market. Immigrants, lone parents and especially the unemployed are the groups most often hit by poverty. Alongside qualified child care, occupational qualification and the integration of immigrants, wages safe-guarding employment are thus crucial to tackle poverty.

Free collective bargaining

For the last sixty years free collective bargaining served as a strong pillar of the Social Market Economy in Germany. This principle grants employees and employers the right to negotiate salaries and working conditions without any state influence or interference. State interventions like the national minimum wages taking effect in 2015, weaken the collective bargaining autonomy. This is also the case regards the call on using extension mechanisms more often.

One company, one agreement

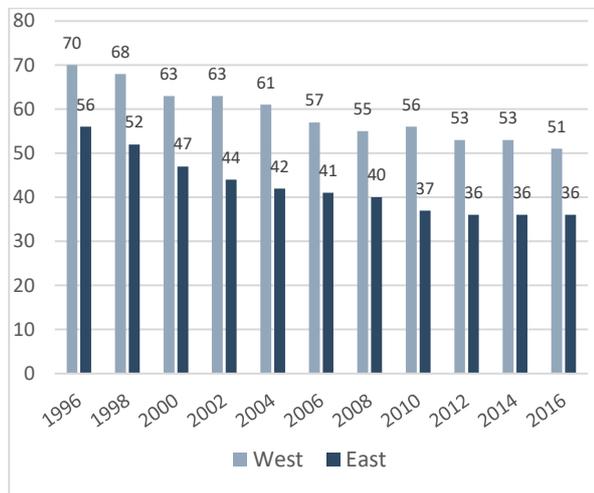
In recent years, competition has been generated between different trade unions. While undercutting wages adds to wage dumping, overbidding shakes up wage demands. If these new developments are intensified, the collective bargaining system will be become more fragmented. In July 2015, the German federal government has presented a law in order to restore the principle of the bargaining unit. This law not only prevents a further fragmentation of collective bargaining. It

also prevents that conflict-intensive organizational disputes between unions may have a negative impact on wage negotiations.

Sector level collective agreements

Collective agreements may be concluded centrally, based on sectors, or on the enterprise level. The advantage of sector-wide agreements is, that a collective agreement creates a uniform peace clause for the whole sector. This peace clause creates planning reliability for the German manufacturing industries. A continuous process of customizing and modernising collective agreements is necessary to stabilise collective bargaining coverage that dropped from 70 per cent in 1996 to 51 per cent in 2016.

Sectoral Collective Bargaining Coverage Rate Employees; figures in per cent



Source: Institute for Employment Research

Constructive social partnership and social dialogue

Constructive relationships between social partners, i.e. employer organisations, unions and government representatives, can help in dealing with severe crisis as in 2008 and 2009, implement reform projects or open doors to debate common ground over newly arising issues (e.g. in such areas as demography, digitalisation or new forms of work organisation). Social partners actively contribute to the success of the German Social Market Economy.

Eurofound: <http://www.eurofound.europa.eu/>

Selected publications

In English:

Lesch, Hagen, 2015, Change in industrial action: A comparison of Germany with other OECD countries, forthcoming in CESifo Forum

Lesch, Hagen / **Vogel**, Sandra / **Hellmich**, Paula, 2017, The State and social partners working together: Germany's response to the global financial and economic crisis, ILO Working Paper, March, Geneva

Vogel, Sandra, 2017, Addressing digital and technological change through social dialogue, in: EurWORK

Vogel, Sandra, 2017, Germany: Collective bargaining law declared largely constitutional, in: EurWORK

In German:

Lesch, Hagen, 2017, Konflikteskalation in Tarifverhandlungen: Methode, Indikatoren und empirische Befunde Industrielle Beziehungen, 24 (1), S. 31–53

Lesch, Hagen / **Vogel**, Sandra / **Busshoff**, Hannah / **Giza**, Adam, 2017, Stärkung der Tarifbindung, IW-Analyse Nr. 120, Köln

Schneider, Helena, 2018, Wahrgenommene Lohngerechtigkeit in Deutschland, IW Policy Paper Nr. 3, Köln

Schröder, Christoph, 2017, Lohnstückkosten im internationalen Vergleich, in: IW-Trends, Jg. 44, Nr. 4, S. 75–91

Schröder, Christoph / **Röhl**, Heiner, 2017, Regionale Armut in Deutschland, IW-Analyse Nr. 113, Köln

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