Wage progression through strong social partnership?

Peer Review on „In-work progression – approaches challenges, United Kingdom, 26-27 March 2018
Wage progression in DE 1990 and 2016

- Until 1990 85% coverage by collective agreements (CA)
- Pay levels and wage progression according to skills, experience, seniority, performance and job tasks determined autonomously through CA’s
- Decline of coverage by CA’s to 59% in West and 47% in East-Germany until 2016
- Increasing share of low wage earners and decreasing earnings mobility
- Working time polarisation another important driver of income inequality
Wage curves 1995 and 2016

Source: SOEP own calculations:
Change of real hourly wage by deciles 1995-2015 in Germany

Source: Bundesregierung 2017: 60
The new Minimum Wage (MW)

Stronger influence of social partners on German MW compared to the UK

Collective bargaining and not the state sets the pace for increases in the minimum wage - The benchmark for MW increases are the average increase in collectively agreed rates of pay,

Results:
- Far above average high wage increases in two lowest deciles of the income distribution
- Ripple effects of the MW up the 6th decile because of linkages with industry specific MW’s and CA’s
- No negative impact on employment – after 2015 employment growing as fast as before
- However, still high compliance problems
Other important policy measures

1. The re-regulation of temp agency *(equal pay after an assignment of 9 month and industry supplements negotiated by manufacturing unions)* improved wage progression in this industry

2. The new family policy *(paid parental leave, expansion of provision of child-care and all-day schools)* improved work-life-balance and reduced the scar-effects of part-time work and career interruption of young parents. *However, still high incentives for mini-jobs.*

3. The training programs of the active labour market policy improve employment chances and wage progression of many unemployed.

4. Innovative collective agreements on the promotion of further training improve the employability and wage progression of many workers

5. Extension of CA’s in care *(planned)*
Questions

1. The role of collective bargaining in wage progression in the UK?
2. What is the role of social partners in the promotion of further training?
3. Do the directives of the EU (equal pay for part-timers, temporary employed, temp agency workers) improve wages of precarious employed in the UK and in Germany?
4. Are there good examples of re-reregulation of precarious work in the UK?