

Gerhard Bosch

Intersection between minimum wages and collective bargaining to increase pay equity

Dares “Understanding wage dynamism since the crisis of 2008”

Paris December 13, 2017

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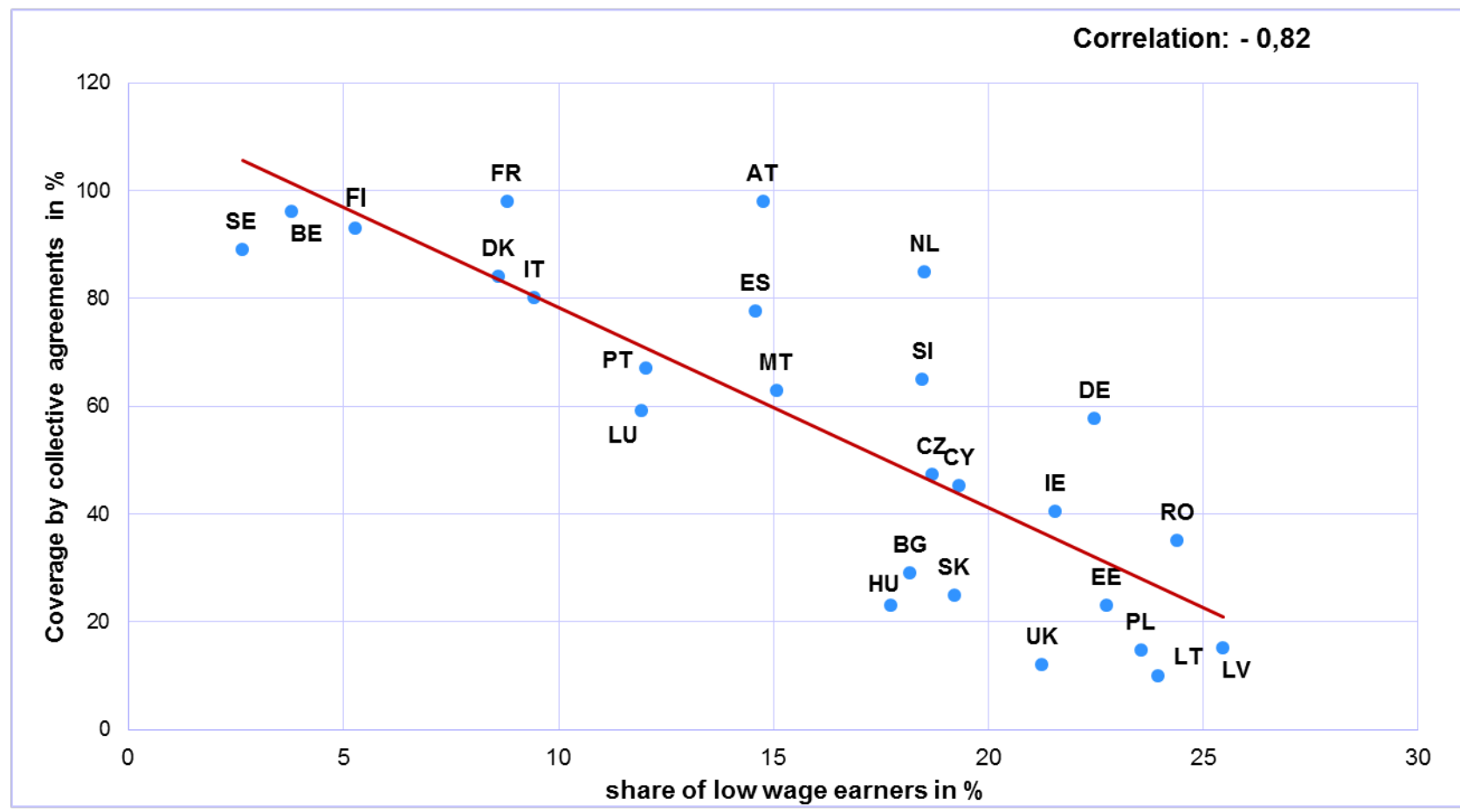
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Structure of presentation

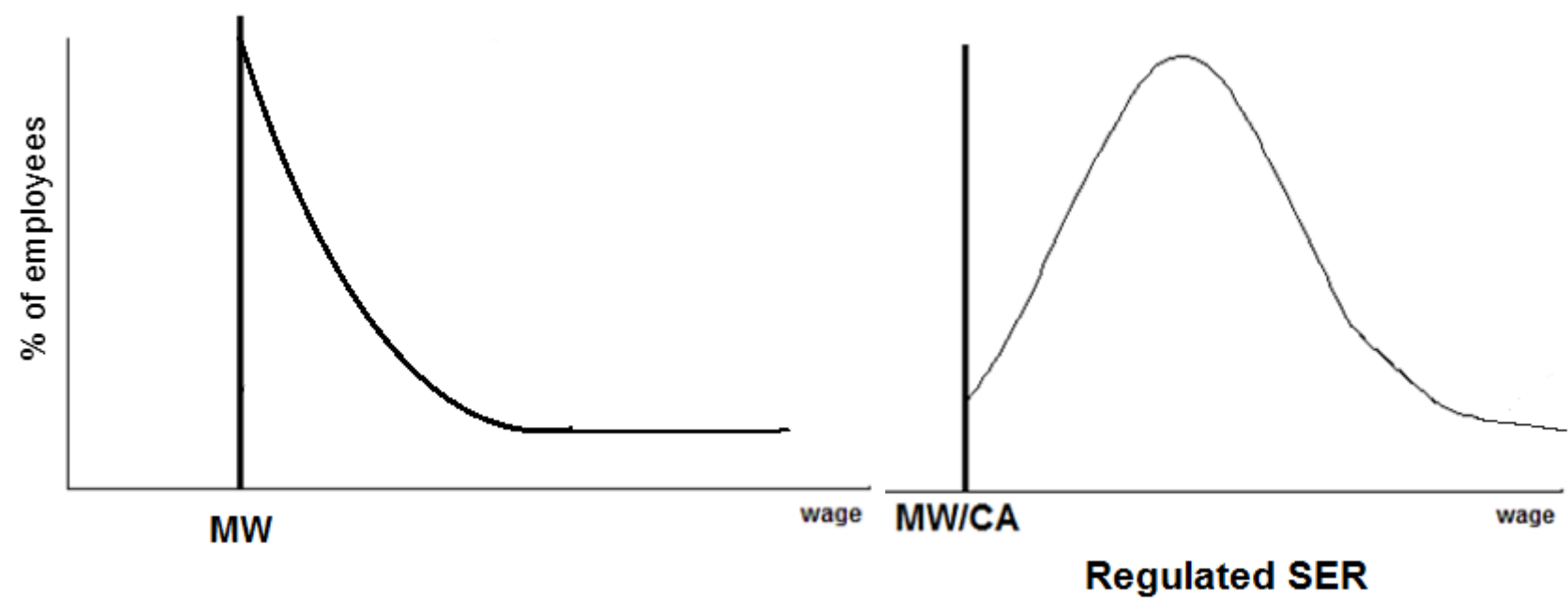
- 1. High impact of collective bargaining on income distribution**
- 2. Architecture of national wage systems**
- 3. Intersection between MW's and CA's**
- 4. Meaning of opening clauses in CA's**

1.1 Rate of coverage by collective agreements and share of low-wage work (2014)

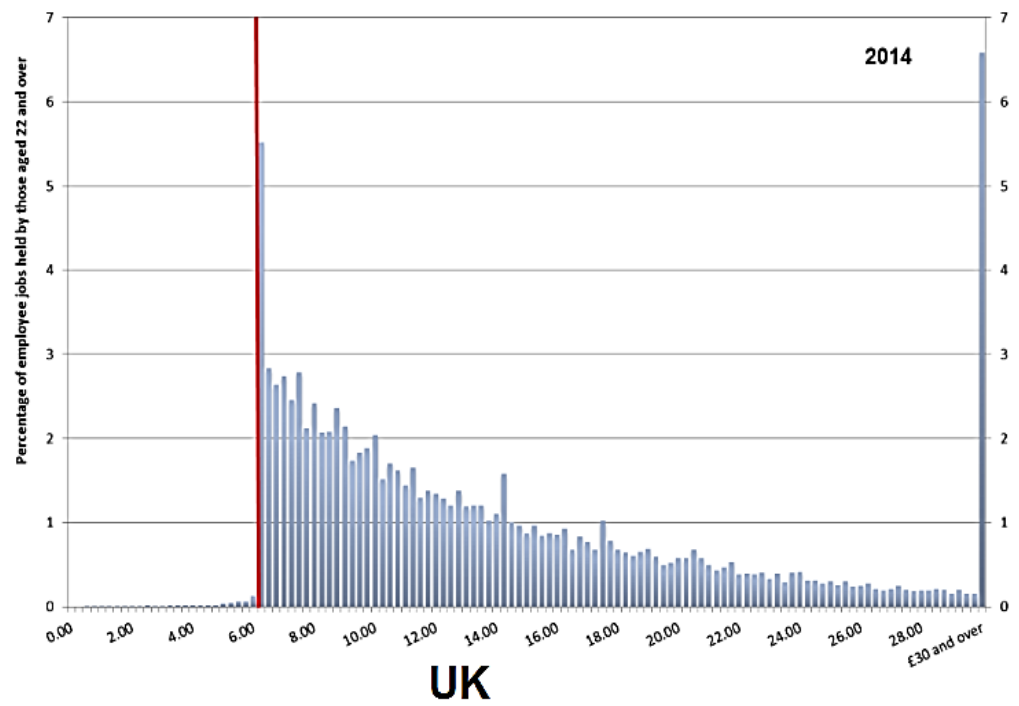
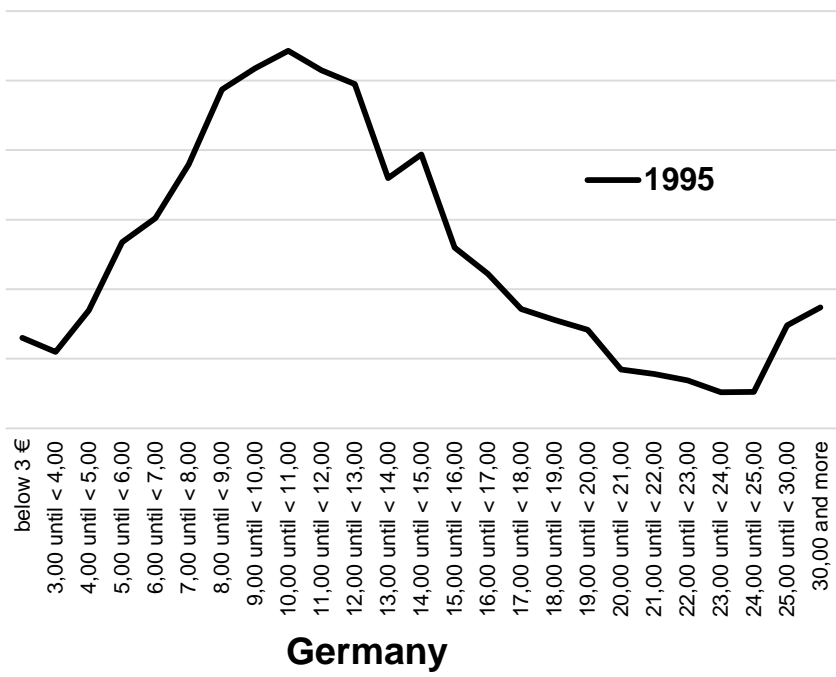


Source: Visser 2015, Eurostat, own calculations

1.2 Wage distribution in a liberal market economy with MW and in coordinated market economy with high coverage by collective agreements



1.3 Two real cases: UK 2014 and Germany 1995



Source: : SOEP 2012, own calculations; Dickens (2015): The Low Pay Commission and the National Minimum Wage. Presentation to NEDLAC

2.1 Wage setting systems based on different combinations of labor standards

- „Shadow of the law“ over all wage setting systems
- Support of the state needed for institutional stability of CB)
- Two kinds of standards (Sengenberger 1994):
 - *Protective standards*: state directly establishes employment conditions like MW's.
 - *Participative standards*: enablement of social partners to negotiate employment conditions through consultation or codetermination rights and resources (time and money).

2.2 Statutory protective and participative labour standards in seven national wage setting systems (2010)

	Germany	Sweden	UK	France	Belgium	Greece	Spain
Statutory standards							
- protective	(X)*	-	X	XXX	XXX	XX	XXX
- participative	XX	XXX	-	X	XXX	-	X
Trade union density	19%	68%	27%	8%	52%	24%	20%
Rate of coverage by collective agreement (employees)	61%	91%	31%	92%	96%	64%	82%**
Share of low wage workers (>2/3 of median wage) 2010	22.2%	2.5%	22.1%	6.1%	6.4%	n.a.	14.7

Source: Bernaciak et al. 2014; Bezzina 2012 (share of low-wage workers 2010); Visser 2015, own compilation

* From 2007 with the introduction of industry minimum wages 2015 with the statutory national minimum wage

** 2009

State-imposed standards: - none, X weak, XX moderate, XXX strong

3.1 Intersection between MW and CA's

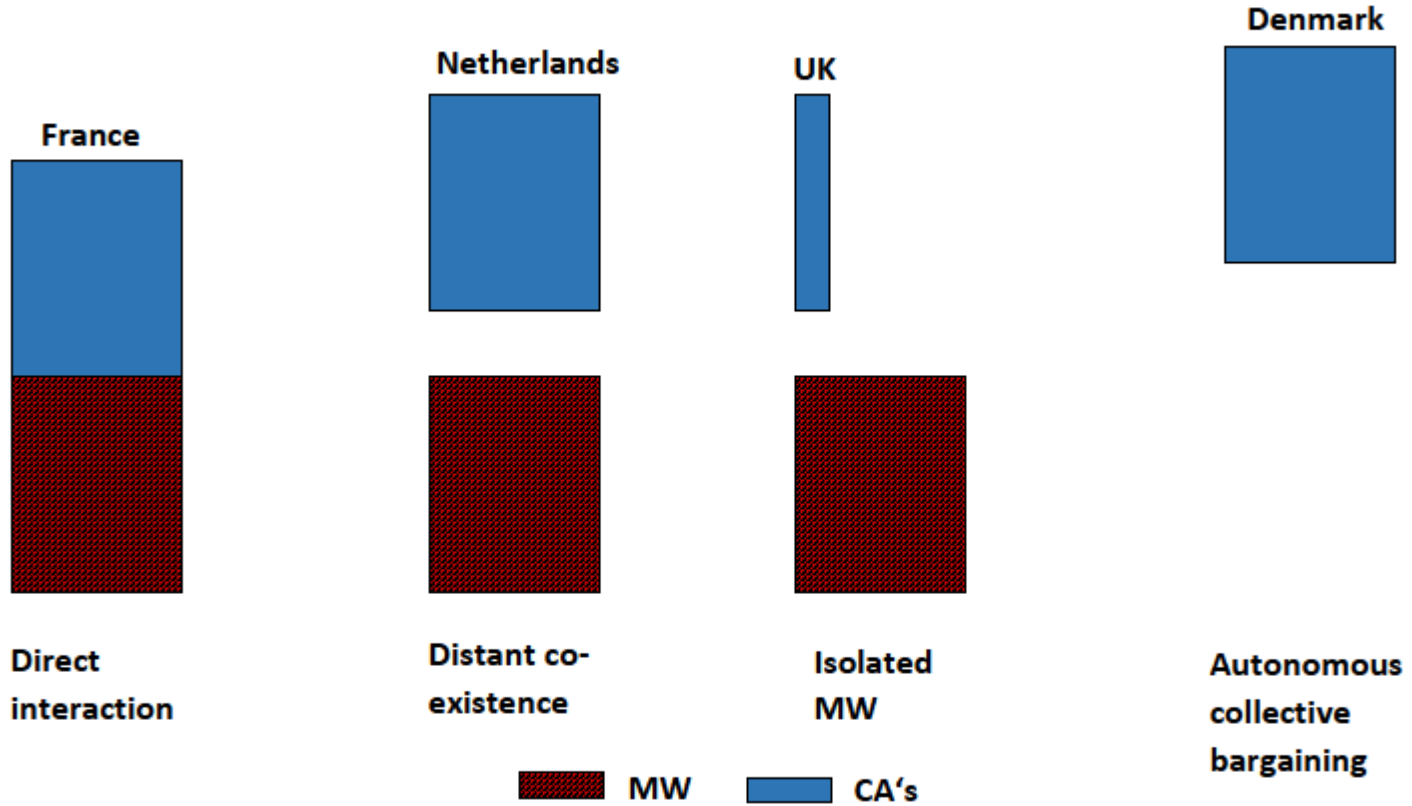
Ripple effects of MW vary between countries:

- Up to the 40th percile in the US (Wicks-Lim 2008)
- No effects in the UK (Stewart 2011; Dickens/Manning 2004)
- Negative ripple effects in UK (Grimshaw 2010)
- Up to twice the MW in France (Koubi/Lhommeau 2007)
- Up to 10 € in Germany (Mindestlohnkommission 2016)

Ripple effects not only market driven but in some countries institutionalized

Compression effects also depend on institutions – example weak CB in East-Germany

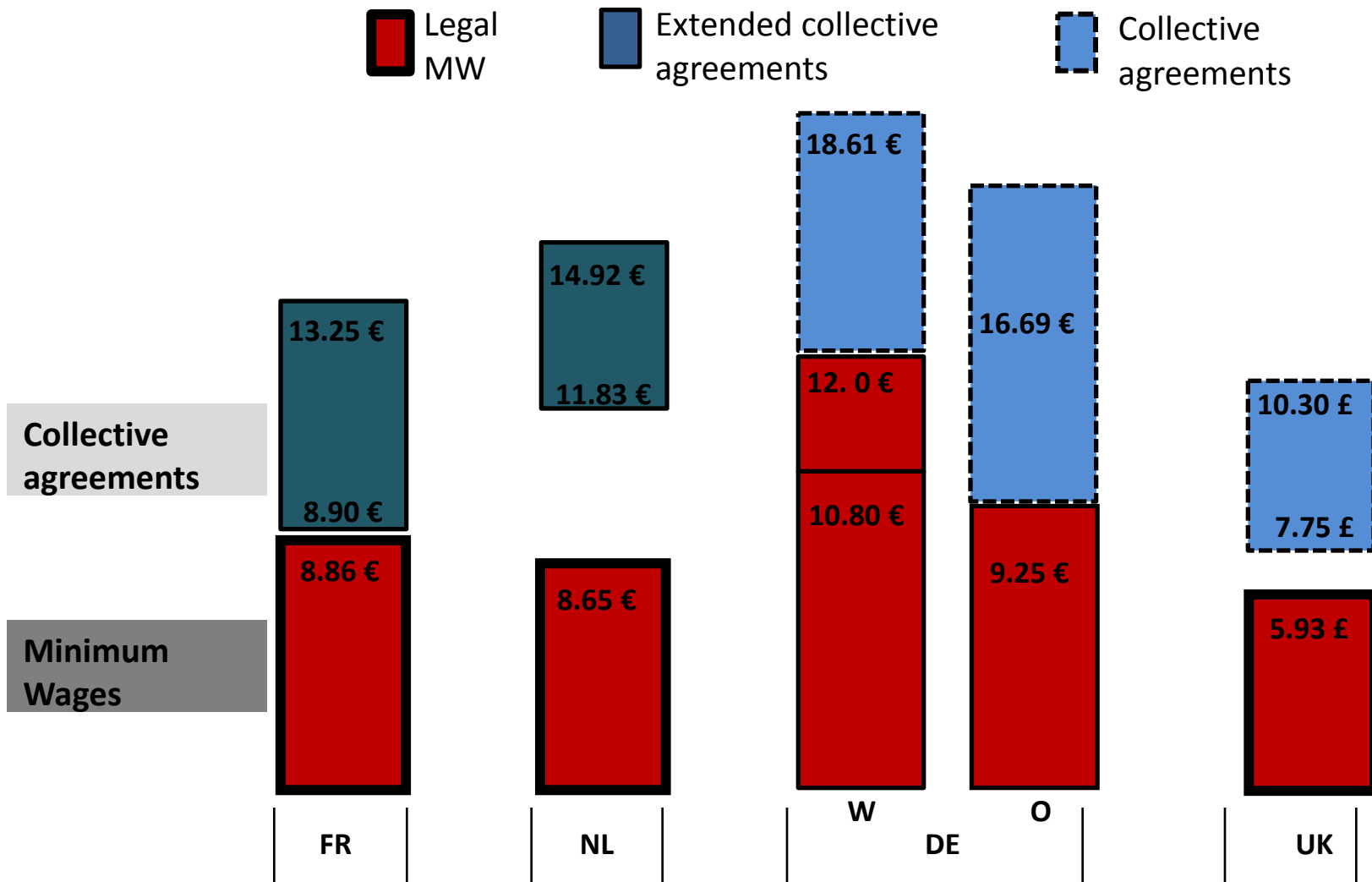
3.2 Country portraits by intersection between MW and CA's



Source: Grimshaw, Damian / Bosch, Gerhard 2013: The intersections between minimum wage and collective bargaining institutions. In: Grimshaw, Damian (ed.): Minimum wages, pay equity, and comparative industrial relations. New York, London: Routledge, pp. 50-80

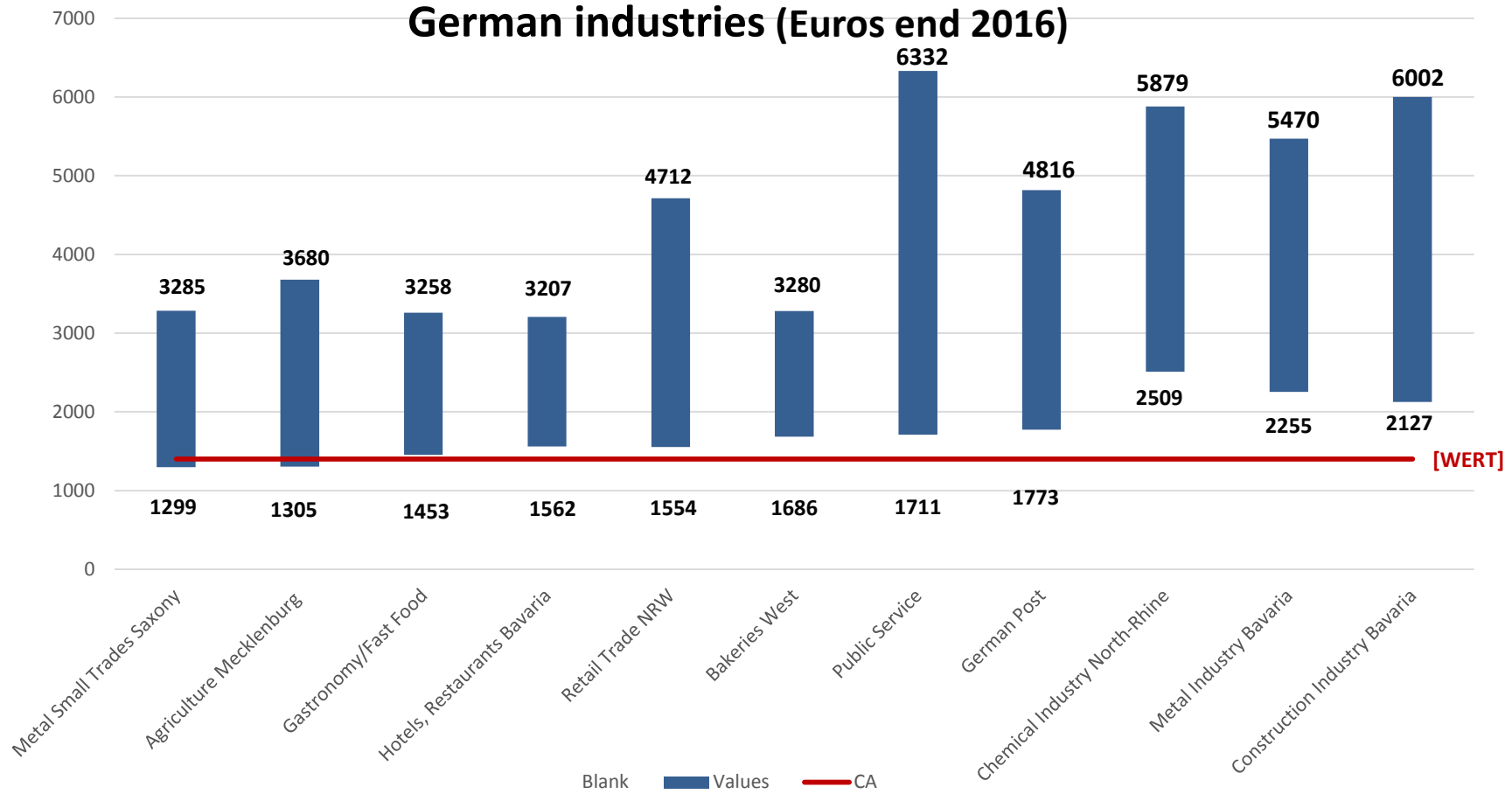
Bosch, Gerhard / Weinkopf, Claudia 2013: Wechselwirkungen zwischen Mindest- und Tariflöhnen. In: WSI-Mitteilungen 66 (6), S. 393-403

3.3 Wages of construction workers in DE, FR, NL, UK 2010/11



Source: Bosch, Weinkopf, Worthmann, 2011

3.4 Minimum Wage and collective agreements in selected German industries (Euros end 2016)



*Monthly salary with a working week of 38 hours and the Minimum Wage of 8,50 € = 1400 €, with the MW of 8,84 € = 1449 €

4.1 Meaning of opening clauses in CA's

Depend the conditions:

1. Temporary vs permanent derogations
2. Negotiated derogations vs unilateral opt-out
3. Employees bargaining power at plant level: high vs low

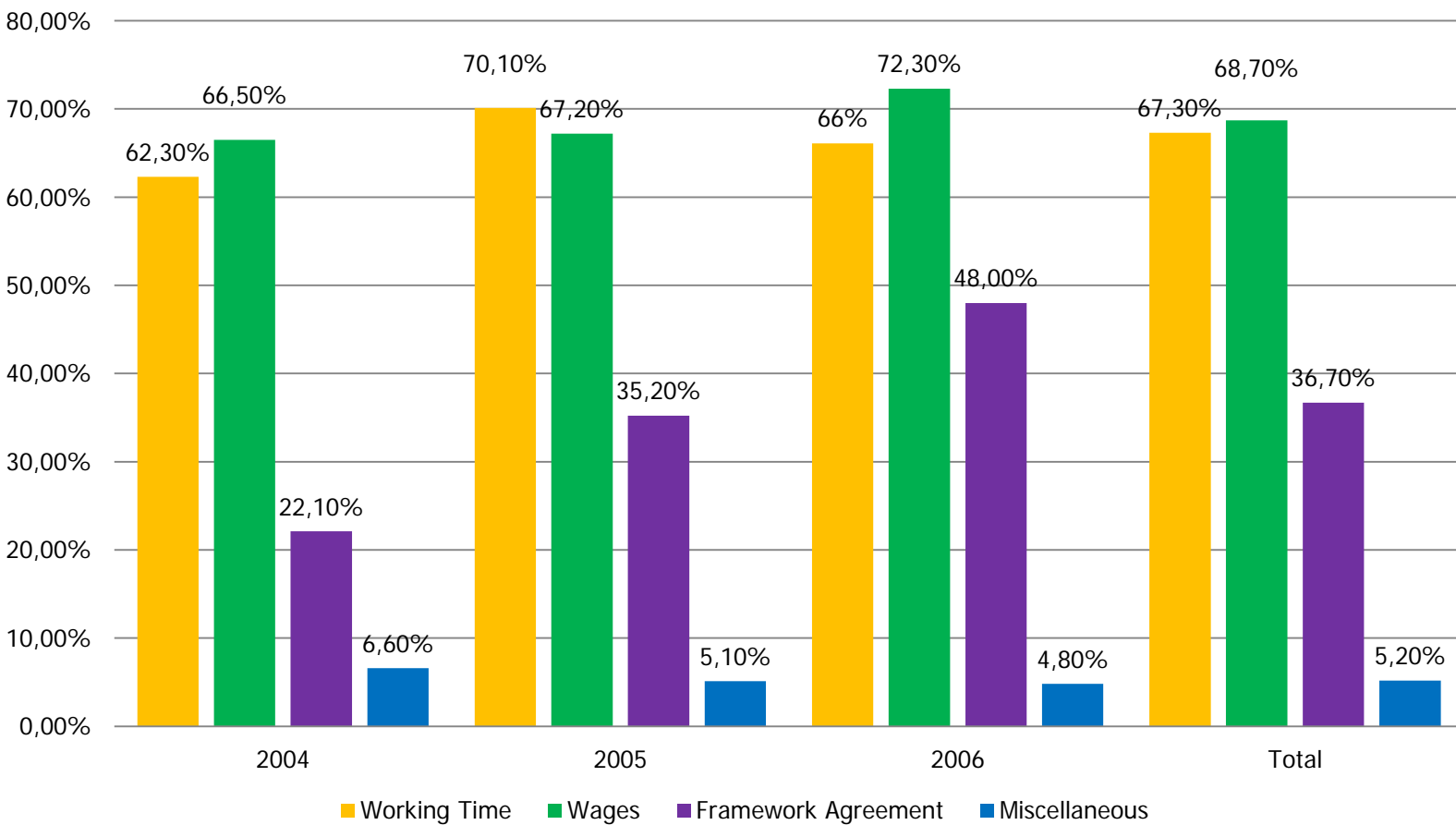
Greece:

- easy opt-out through „association of persons“ – model change to unilateral decision

Germany:

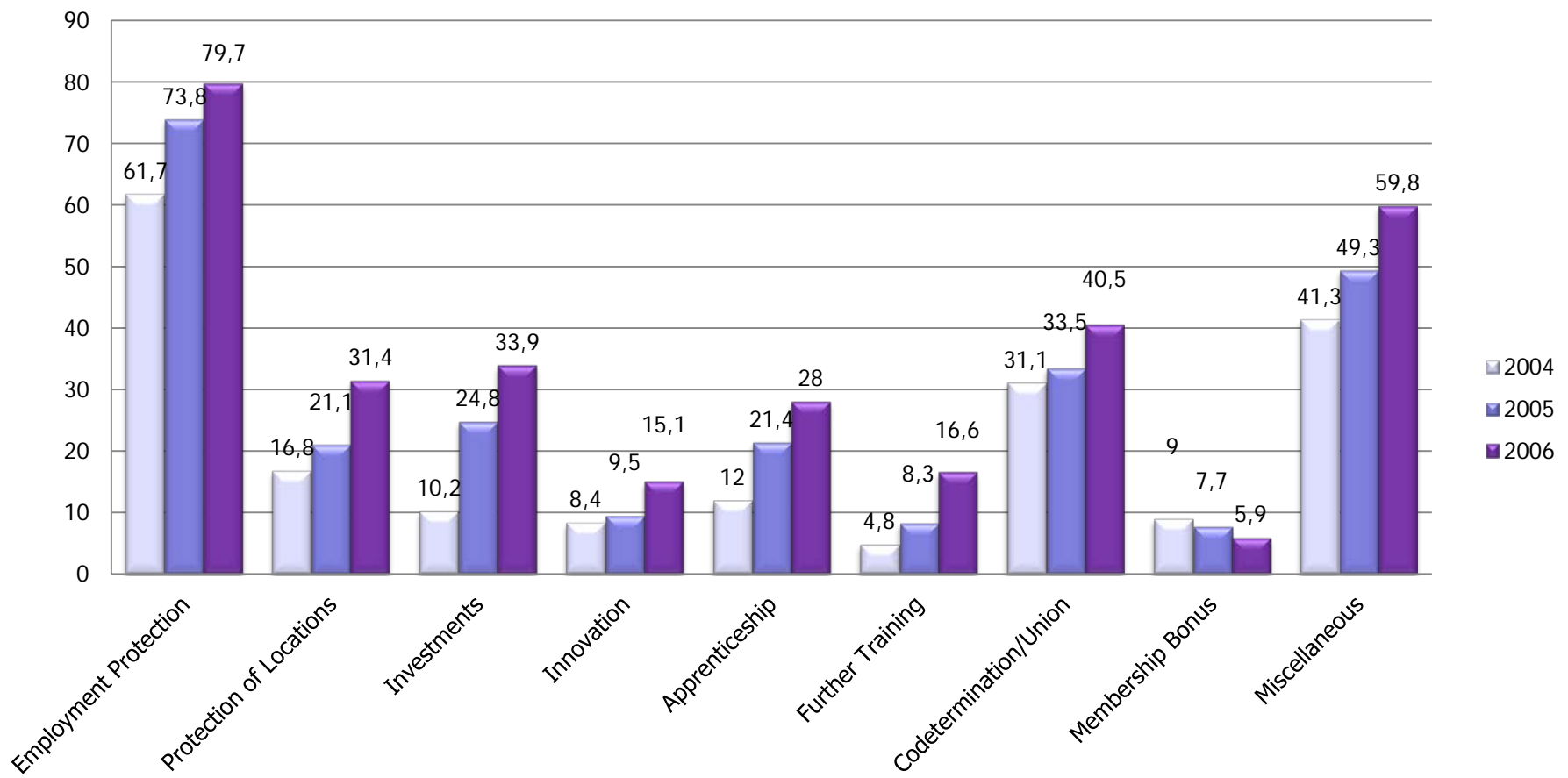
- Strong bargaining power through participative standards
- Opt-out threat – weakens bargaining power
- Union unity and pro-active strategies (quid pro quo) – strengthening bargaining power
- Temporary derogations often became permanent

Analysis of 800 Deviant CA's in the German metall industry Topics of Material Concessions, Shares of all DCBA



Analysis of 800 Deviant CA's in the German metall-industry

Shares of Concessions by Enterprises, Shares in all DCBA



Conclusions for France

- **Wage setting based on strong protective standards**
- **Direct interaction between MW and CA's**
- **Through extension of CA's less opt-out possibilities**
- **Weak participative rights**
- **Lack of trade union unity weakening employee's voice at plant level**
- **Introduction of opening clauses - danger of deterioration of labor standards**

Literature

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- Grimshaw, Damian / Bosch, Gerhard** 2013: The intersections between minimum wage and collective bargaining institutions. In: Grimshaw, Damian (ed.): Minimum wages, pay equity, and comparative industrial relations. New York, London: Routledge, pp. 50-80
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