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MINISTRY OF  
FOREIGN AFFAIRS  
OF DENMARK

# ► Collective bargaining in Germany and Ukraine: Lessons learned and recommendations for Ukraine

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**Disclaimer:** The findings, interpretations and conclusions expressed in this report do not necessarily reflect the views of ILO.

## Abbreviations and acronyms

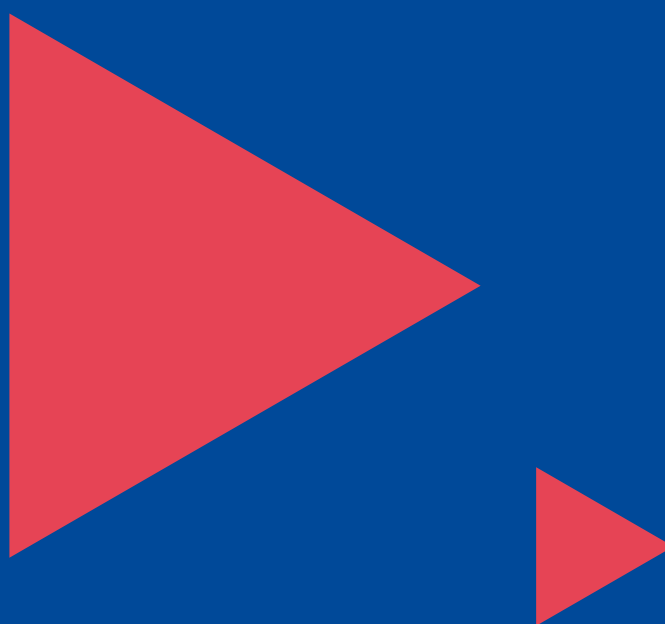
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<b>BDA</b>	Confederation of German Employers' Associations ( <i>Bundesvereinigung der Deutschen Arbeitgeberverbände</i> )
<b>CGB</b>	Christian Trade Union Confederation ( <i>Christlicher Gewerkschaftsbund Deutschland</i> )
<b>CPI</b>	Consumer Price Index
<b>DBB</b>	German Civil Service Association ( <i>Deutscher Beamtenbund</i> )
<b>DGB</b>	Confederation of German Trade Unions ( <i>Deutscher Gewerkschaftsbund</i> )
<b>EU</b>	European Union
<b>GDL</b>	German Train Drivers' Union ( <i>Gewerkschaft Deutscher Lokomotivführer</i> )
<b>IAB</b>	The Institute for Employment Research ( <i>Institut für Arbeitsmarkt- und Berufsforschung</i> )
<b>MB</b>	Union of Salaried Medical Doctors ( <i>Marburger Bund</i> )
<b>SMEs</b>	Small and medium-sized enterprises
<b>SMW</b>	Sector-specific minimum wages
<b>SPD</b>	Social Democratic Party of Germany ( <i>Sozialdemokratische Partei Deutschlands</i> )
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OT status</b>	Not covered by the collective agreement ( <i>ohne Tarifbindung</i> )
<b>SSSU</b>	State Statistics Service of Ukraine

# ▶ 01

## ▶ Foreword

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The International Labour Organization (ILO), with the support of the Ministry of Foreign Affairs of Denmark under the Danish Neighbourhood Programme (2017–2021), is carrying out a five-year project in Ukraine to improve labour market governance, reduce the skills mismatch, promote entrepreneurship and improve the social dialogue and capacities of social partners.

Collective bargaining systems are social systems that are embedded in other institutions. Because of their historical legacy and country-specific interactions with other institutions, a collective bargaining system from other countries cannot be copied one to one. The same formal institutions and regulations would work and perform differently in another national context with different actors. A broad international literature shows, however, that learning from “good examples” is possible (1) if institutions and practices from other countries are adapted to the specific national circumstances and (2) if at least some of the key national actors are supporting institutional change and are keen to take advantage of new opportunities to act. The literature also points out that both institutional change and actors’ learning takes time in a new framework. Positive outcomes can often only be expected over the medium and long term.

For one country to learn from another, a complete and in-depth understanding is required of both respective collective bargaining systems in the context of their different social and economic environments. To further this end, the objectives of this study are:

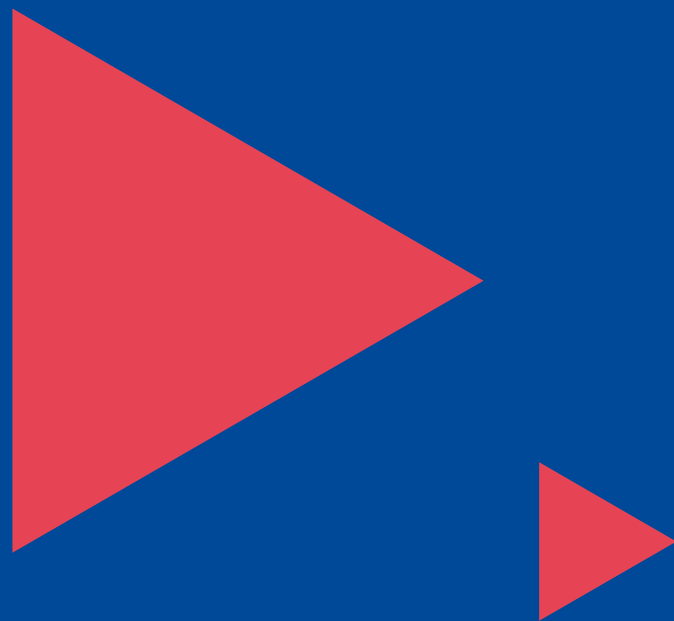
1. to analyse the collective bargaining systems in Germany and in Ukraine (sections 2 and 3);
2. to formulate recommendations to improve collective bargaining in Ukraine (section 4),
3. to recommend a list of labour market and economic indicators which could be used in collective negotiations at the sectoral level (section 4).

The country studies herein describe the legal frameworks of collective bargaining in Germany and Ukraine, the main actors including the state, the actual levels of bargaining and the articulation between these levels, the coverage by collective agreements, the content of the agreements and also soft factors like trust among social partners. They also contain case studies on collective bargaining in two sectors: the metal and construction industries. Since the project has a special focus on the use of indicators for sectoral negotiations, the country studies focus on the indicators that are usually prepared by social partners in the metal and construction industries in both countries.

# ▶ 02

## ▶ Collective bargaining in Germany

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## 2.1 Introduction

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Germany is unquestionably a good example to take as a basis for investigating the role of collective bargaining. Coverage by collective agreement remains high in certain sectors of the German economy, particularly in those with greater trade union density and strong works councils. Even less-skilled workers continue to be paid well as a result. The social partners in these industries were able to negotiate trendsetting, innovative collective agreements which also can serve as models for other countries.

However, the reach of organized solidarity by collective agreements increasingly is confined to certain firms and industries because other sectors do not to adhere to them like they had in the past. Income inequality in Germany has increased dramatically due to the erosion of its traditionally very inclusive wage-setting system. This increase was particularly noticeable in those industries and companies in which workers were not covered by a collective agreement. This helps to understand the impact of the erosion of collective bargaining.

This chapter is structured as follows. Section 2 presents the legal framework of collective bargaining and its changes; section 3 uncovers the two most important actors in Germany's industrial relations system, trade unions and employers, and analyses their organizational power. This is followed by an investigation of the coverage by collective agreements in different industries and its consequences for income distribution, putting particular emphasis on the decentralization of bargaining and its consequences (section 4). The content of the collective agreements, especially wages, wage grids and working time, are then examined and some examples of innovative agreement are presented (section 5). Sections 6 and 7 report on collective bargaining in the metal industry and in main construction. Section 8 explores responses to the great recession of 2008/2009 and COVID-19, while the final section 9 concludes the chapter.

## 2.2 The legal framework and its changes

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Following the social and economic turbulence resulting from state-led settlements during the Weimar Republic (1919–1933), the Federal Republic of Germany (1949–1990) refrained from direct intervention in collective bargaining. One of the basic rights enshrined in the German Constitution of 1949 is the freedom of coalition. The freedom enjoyed by social partners to engage in collective bargaining on behalf of their members without state intervention is one of the most important, concrete manifestations of this basic right. It therefore was envisaged that there would be no need for state intervention in wage setting in order to guarantee minimum working and employment conditions, such as a statutory minimum wage.

The legal regulations governing collective bargaining are deliberately few in number, their main objective being to strengthen the negotiating privileges of trade unions and employers' associations and to establish collective agreements as binding. The basic legal instrument is the Collective Bargaining Act (*Tarifvertragsgesetz*) of 1949. The main points of the legislation are as follows:

- ▶ Only unions and employers or employers' associations can conclude a collective agreement.
- ▶ The agreed standards are binding on union members and members of employers' organizations.
- ▶ Social partners have certain obligations, such as refraining from industrial action while the agreement is in force and enforcing the agreement by informing their members.
- ▶ The agreed standards cannot be undercut but only improved at the plant level (the so-called "favourability principle"); however, negotiating partners at the sectoral level can agree to allow downward deviations.
- ▶ The state can declare collective agreements as generally binding if there is a "public interest" to do so or an agreement already covers 50 per cent of the employees in the industry in question, and if the majority of the central collective bargaining committee with its six members, three from the employers' federation and three from the unions, agrees.
- ▶ If a company leaves the employers' association, the validity of the agreement is extended until a new agreement has been concluded (after-effect). This extended validity makes it difficult for companies to opt out of sectoral collective agreements. However, this extended validity does not apply to newly employed personnel.

In contrast to regulations in other countries, the German Collective Bargaining Act does not oblige social partners to enter into negotiations. The timing and the frequency of negotiations as well as agreements on opening clauses in sectoral agreements are left completely to social partners.

The legislature has foregone any attempt to define more precisely what constitutes a trade union, such as specifying criteria for representation (for instance, a minimum membership threshold, minimum level of representation in different regions or the recognition of certain representative unions). However, in order to exclude bogus, employer-funded unions, independence from the employer, enforced by prohibiting company funding and union “powerfulness” (in this case, the ability to initiate disputes or a minimum number of members in the bargaining unit) have been established in case law as criteria for defining a trade union.<sup>1</sup> Some bogus collective agreements negotiated by Christian trade unions have been declared null and void by the courts on the grounds of inadequate union “powerfulness”.

**Table 1.** Principal characteristics of collective bargaining in Germany

Key features	2000	2017
Actors entitled to collective bargaining	Trade unions, individual employers and employers' associations	
Importance of bargaining levels	Dominance of sector level, but increasing importance of company level	
Favourability principle / derogation possibilities	Favourability principle but increasingly opening clauses agreed upon in sector-level agreements	
After-effect of collective agreements	Unlimited after-effect until it is replaced by a new agreement	
Extension mechanism (or functional equivalent)	Extension with the agreement of the national Bargaining Commission possible if requested by one bargaining party and if agreement covers at least 50 per cent of employees in the respective bargaining area	Since 2015 extension possible if requested by both bargaining parties and if in public interest; extension of minimum working conditions agreed by social partners in an industry by the Ministry of Labour
Collective agreement unity	Only one collective agreement can be applied in a company	In 2010 competing collective agreements in a company allowed; since 2015 only the agreement of the strongest unions can be applied
Strikes	Legal strike must be organized by a trade union, strikes prohibited while agreements are in force, minimum services in essential services have to be provided	
Lockouts	Prohibited as an offensive tool (initiation of a dispute by employers), allowed as a defensive tool against selective strikes by the unions within the limits of commensurability	
Enforcement	By social partners, works councils and individual employees	

Source: Müller and Schulten (2019) and author's compilation.

Individual normative provisions of collective agreements apply directly and with mandatory effect to employment contracts if the employment relationship falls within the scope of the agreement and both parties are bound by the agreement. A trade union that is a party to a collective agreement is entitled to enforce it against the signatory company. Due to the normative effect of the individual normative provisions of a collective agreement, every worker may seek to enforce the agreement as well.

Germany's labour inspection agency does not control the enforcement of collective agreements. But the state indirectly intervenes by guaranteeing procedural rights of co-determination to works councils. It is expressly stipulated in the Works Constitution Act (*Betriebsverfassungsgesetz*) that one of a works council's central tasks is to monitor a company's compliance with labour laws and collective agreements. For this purpose the employer has to provide all the necessary information on all the issues regulated in collective agreements. In practice, works councillors are a highly efficient form of labour inspection since they know the workplace, receive information on the individual working conditions and have at their disposal effective sanctions like suing the employer for a violation of collective norms. In addition, the anonymity of complainant workers can be guaranteed, which is not the case if employees sue

<sup>1</sup> Until now, the Federal Labor Court (*Bundesarbeitsgericht*) did not define union “powerfulness” in detail. Some regional courts accepted a tradition of collective agreements in a sector as criteria of powerfulness. Others regarded a trade union density of below one per cent as insufficient.

the company or if they send a complaint to the labour inspection.<sup>2</sup> In contrast to Sweden or Denmark where union representation with statutory rights of co-determination is found nearly everywhere in the economy in 2018, 59 per cent of all employees were not represented by a works council in Germany. Works councils have been elected in almost all large companies, but their share decreases in step with the decreasing size of a company. Only 33 per cent of companies with 50–100 employees and 8 per cent of companies with 5–50 employees have elected works councils (Ellguth and Kohaut 2019). This also explains the pronounced differences between industries. In well-established industries dominated by large companies – such as energy, financial services and manufacturing – the majority of employees are represented by works councils. In industries with many small and newly founded companies, on the other hand, works councils are the exception.

In 2010, approximately 174,000 German works councillors were elected, with a voter turnout of almost 80 per cent. Around 8,400 of these are released from all work and around 1,000 from some of their work duties in order to perform their council duties. Most of them are trained at trade union training centres at their employers' expense. More than two thirds of works councillors and the majority of those released from work are members of a DGB trade union (Greifenstein et al. 2011). This is several times the number of full-time workers employed by Germany's trade unions. Works councils are now the main actors in union recruitment. Some trade union shop stewards still operate alongside works councils at a few large companies.

The peace clauses in collective agreements prohibit industrial action while the agreements are in force. Strikes to enforce collective agreements are not allowed. To be legal, a strike must be organized by a trade union. "Wildcat" strikes, which are not organized by a trade union, are illegal (Warneck 2007). Strikes may be called over issues that are not contained in a collective agreement, or if collectively-agreed provisions are denounced by unions or employers (Däubler 2015). There is no legal obligation for unions to hold a ballot prior to a strike. However, most union by-laws require a strike vote and a 75 per cent rate of agreement among union members before they go on strike.

The principle of commensurability limits the rights to strike and to lockout. The unions must always provide a minimum service during strikes in essential services like hospitals, waste disposal, energy or water providers or post. According to Federal Labour Court rulings, a lockout is unlawful, except if it is used as a defence against partial and selective strikes. In the 1980s, the Federal Labour Court developed limits on the number of employees that can be affected by lockouts which have not yet been overruled. "If the union calls for a strike of 25% or less of the employer's work force, the employer can legally lock out another 25%. If the union calls out more than 25% but less than 50%, the employer can lock out enough of the work force to bring the percentage up to 50%" (Westfall and Thüsing 1999). Lockouts have not been applied since a great conflict over the 35-hour work week in the metal and printing industries in 1983.

German collective bargaining law is open to collective agreements made at different levels. It permits collective agreements to be concluded at the national, regional, sectoral, company or establishment level. Because of trade union structure, the sectoral level has emerged as the predominant bargaining level. There never have been national collective agreements in Germany for all industries akin to those in France, for example, where they have become important instruments in national social dialogue and have laid the groundwork for changes in legislation. Except for the attempts to establish a productivity-based wages policy through so-called "concerted action" (*Konzertierte Aktion*) (1967–1977) and the Schröder government's Alliance for Work (*Bündnis für Arbeit*) (1998–2003), national social dialogue in Germany is not institutionalized but rather organized on a case-by-case basis, as evidenced, for example, by the informal agreements between the government and collective bargaining partners during the great recession (2008–2009) in order to avoid redundancies by work-sharing and regular national agreements on vocational training for young people.

The basic principle of collective agreement unity (*Tarifeinheit*), according to which only one collective agreement can be applied in any one company, also was firmly established in case law. This basic principle obliged competing trade unions to negotiate together in collective bargaining groups. In 2010, the German Federal Labour Court abandoned this principle, however, and allowed the existence of competing collective agreements in one company. Several occupational trade unions (train drivers, doctors, cabin crews, pilots) left the collective bargaining groups and took industrial action for better work conditions for their own members. The Collective Agreement Unity Act (*Gesetz zur Tarifeinheit*) has been in force since July 2015. The legislation was enacted mainly due to pressure from employers' associations, which wanted to prevent disputes from being scattered across different trade unions. The large industrial trade unions also pushed for the law because they wanted to stop smaller, powerful

<sup>2</sup> The international literature on enforcement shows that as soon as an individual goes to court then their anonymity is no longer guaranteed. This is also the case if labor inspectors bring a case to court.

occupational unions from cherry-picking. The law stipulates that, in the event of conflicting agreements, the only legal norms that shall apply are those laid down in the collective agreement concluded by the trade union that had the most members in the company at the time when the most recent collective agreement was signed.

As trade unions weakened after German unification, some employer's associations and conservative politicians stepped up their efforts to forcibly decentralize collective bargaining and weaken sectoral labour standards by abolishing the favourability principle and trade union privilege in negotiating collective agreements. If works councils had been granted these rights, however, it would have been necessary to grant them the right to strike, which is enshrined in the constitution. Consequently, other employers' associations warned against such a move, as they feared pay disputes might be played out at the establishment level, thereby jeopardising largely cooperative industrial relations thereof. Nevertheless, the SPD/Green coalition government at the time threatened the unions that, as part of the 2003 Hartz laws, they would also abolish the favourability principle and grant works councils their own negotiating rights if the unions did not voluntarily accept the inclusion of derogation clauses in collective agreements. The so-called "Pforzheim Agreement" of February 2004 allowed companies in the metal industry to derogate temporarily from the provisions of collective agreements. The derogations have to be negotiated by social partners and not by works councils. A company asking for a derogation has to prove that it is in economic difficulties (see section 2.6). Usually the unions already are well informed on the company's economic situation. Works councillors, who are mostly union members, have strong rights to access information on economic issues via their own economic committee and can view the relevant company documents. In addition, according to German co-determination laws, one or some union representatives are members of the supervisory board in bigger companies where they receive detailed information on the economic situation. In SMEs without works councillors the employees and the unions do not have access to information on economic and social issues.

Until 2015, Germany has been numbered among the countries with "voluntarist" wage-setting systems, in which companies or employers' associations and trade unions negotiate pay and many other employment conditions usually at the sectoral level and without any direct state intervention. The state intervenes directly in the wage-setting process only on the initiative of social partners, when they apply to make collective agreements generally binding.

Governments of all stripes long resisted any statutory intervention in wages policy, as did social partners, for fear of losing their positions of power in their core business, namely the negotiation of employment and working conditions. But from the mid-1990s onwards, Germany had seen the development of one of the largest low-wage sectors in the EU, in which employers set wages unilaterally.

In 1996 the Posted Workers Act (*Arbeitnehmerentendegesetz*), based on the Posted Worker's Directive of the EU, opened the possibility to negotiate sector-specific minimum wages (SMW) for a few defined industries, chiefly in construction, with high levels of posted workers mainly from Central and Eastern Europe. In 2007 the government agreed upon opening the Posted Workers Act for other industries which wanted to introduce sector-specific minimum wages. The Ministry of Labour can extend the collective agreements on sector specific minimum wages by request of both parties by decree and without the approval of the national Collective Bargaining Commission (*Tarifabschluss*). With the extension, these negotiated SMWs become mandatory for all companies in the respective industries, whether they are covered by a collective agreement or not. In addition, the state takes the responsibility for controlling the compliance of employers. Contracts for payments below the minimum wage are not legally binding and a worker is still entitled to the SMW, it being a criminal offence for employers to not pay someone the SMW or falsify payment records. In addition, main contractors are liable for the SMWs of their subcontractors.

The hope that the parties to collective bargaining would negotiate acceptable minimum wages in all low-wage sectors under their own steam was not fulfilled. Only industries with a long tradition of national collective agreements and close cooperation between social partners agreed to sector-specific minimum wages. In sectors with the most low-wage workers, such as retailing, hotels and restaurants and meat processing, employers and their associations were so fragmented or at odds with each other that no minimum wage agreements ever materialized. Therefore, the government introduced a national minimum wage in 2015.

The introduction of sector specific minimum wages and then a statutory national minimum wage (in 2015) marked the transition from an autonomous to a hybrid system featuring direct state intervention in the wage-setting process. Like the SMW, the statutory national minimum wage is enforced by the state and violations can be sanctioned with fines up to €500,000.

Employers' associations and trade unions sought to ensure that the transition to the hybrid system would be as "path-dependent" as possible. And they succeeded: the parties to collective bargaining have greater influence over the minimum wage than do their counterparts in France or the United Kingdom, for example. The only voting members of the new minimum wage commission – which recommends increases in the minimum wage every two years – are the representatives of the trade unions and the employers' association. Both social partners send one representative of their umbrella organization and two representatives from different sectors to the Minimum Wage Commission. Its academic members have only an advisory role. The criteria for any proposed increases are to be the average of collectively agreed wage rises across the economy, so that collective bargaining will take precedence over political considerations in determining increases in the minimum wage. The Federal Statistical Office calculates an index of the average collective agreements so that increases to the minimum wage are quasi-indexed. If there are no wage increases in a deep crisis, like during the COVID-19 pandemic, there will be no increases to the minimum wage, but with a time lag of two years.<sup>3</sup> Furthermore, the Minimum Wage Act (*Mindestlohngesetz*) became part of a more extensive legislative package, the Act on Strengthening Free Collective Bargaining (*Tarifautonomiestärkungsgesetz*). In pursuance of the new act, sector-specific minimum wages can now be agreed in all industries. Additionally, declarations of general enforceability are no longer dependent on the industry in question, having a rate of coverage by collective agreement of at least 50 per cent. Rather, collective agreements can now be declared generally binding if there is a "public interest" in the "maintenance of collectively agreed standards in the event of adverse economic developments".

## 2.3 Actors

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The dominant level of collective bargaining in Germany is the sectoral level since both unions and employers' organizations organize their members at the industry level and do not delegate the mandate to negotiate collective agreements to their respective umbrella organizations.

### Trade Unions

With a total of 6.1 million members, over three quarters of all trade union members in Germany are organized by the Confederation of German Trade Unions (*Deutscher Gewerkschaftsbund*, DGB). The German Civil Service Association (*Deutscher Beamtenbund*, DBB) is the second largest umbrella organization with 1.3 million members, 915,000 of whom are public officials with life-long tenure (*Beamte*). Some trade unions within the German Civil Service Association, such as the German Train Drivers' Union (*Gewerkschaft Deutscher Lokomotivführer*, GDL), have grown in importance due to the privatization of some former public services. Newly employed train drivers, for example, were no longer given *Beamte* status following privatization, thereby giving them the right to strike like any other employees – a privilege of which they now make full use. A third umbrella organization is the Christian Trade Union Confederation (*Christlicher Gewerkschaftsbund Deutschlands*, CGB), which claims to have 280,000 members, although this figure is highly contested. The trade unions affiliated with this organization are well known for entering into accommodating collective agreements with companies in poorly unionized industries, the principal aim of which is to undercut the better terms agreed by DGB unions. This is the reason why these unions are not able to recruit many members. Their reputation as "employers' unions" is indisputable. There are also other trade unions that do not belong to any umbrella organization, the biggest of which is the Union of Salaried Medical Doctors (*Marburger Bund*, MB), which is a union for employed doctors, with a membership of around 118,000 (table 2).

<sup>3</sup> Because of this long time lag there is a debate to decide annually and not biannually on increases to the Minimum Wage (Bosch 2020).

**Table 2.** Trade union members in Germany: 2001, 2008 and 2015

	2001	2008	2015	2001–2008	2008–2015
<i>Deutscher Gewerkschaftsbund</i> (DGB) Confederation of German Trade Unions	7 899 000	6 265 000	6 096 000	-20.7%	-2.7%
DGB affiliates:					
<i>Industriegewerkschaft Metall</i> (IG Metall) German Metalworkers' Union	2 710 000	2 301 000	2 274 000	-15.1%	-1.2%
<i>Vereinte Dienstleistungsgewerkschaft</i> (ver.di) United Services Union	2 807 000	2 138 000	2 039 000	-23.8%	-4.6%
<i>Industriegewerkschaft Bergbau, Chemie, Energie</i> (IG BCE) Mining, Chemicals and Energy Industrial Union	862 000	701 000	651 000	-18.7%	-7.1%
<i>Industriegewerkschaft Bauen-Agrar-Umwelt</i> (IG BAU) Building, Agriculture and Environment Workers' Union	510 000	336 000	273 000	-34.1%	-18.8%
<i>Gewerkschaft Erziehung und Wissenschaft</i> (GEW) German Union of Education	268 000	252 000	281 000	-6.0%	+11.5%
<i>Gewerkschaft Nahrung-Genuss-Gaststätten</i> (NGG) Food, Tobacco, Hotel and Allied Workers Union	251 000	206 000	204 000	-17.9%	-1.0%
<i>Eisenbahn- und Verkehrsgewerkschaft</i> (EVG) Railway and Transport Union	306 000	219 000	197 000	-28.4%	-10.0%
<i>Gewerkschaft der Polizei</i> (GdP) German Police Union	185 000	169 000	177 000	-8.6%	+4.7%
<i>Deutscher Beamtenbund</i> (DBB) German Civil Service Association	1 211 000	1 280 000	1 294 000	+5.7%	+0.2%
<i>Christlicher Gewerkschaftsbund</i> (CGB) Christian Trade Union Confederation	not available	275 000	280 000		+1.8%
Non-affiliated unions*	220 000	255 000	270 000	+15.9%	+5.9%
Among them:	70 000	106 000	119 000	+51.4%	+11.3%
<i>Marburger Bund</i> (MB) Union of Salaried Medical Doctors					
In total	9 330 000	8 075 000	7 940 000	-13.5%	-1.8%
Net Union Density	23.7%	19.1%	17.6%		

Source: Driebbusch et al. (2017). Data based on information from the respective trade unions; union density: Visser ICTWSS Database Version 5.0.

German unions' umbrella organizations possess relatively little power. They do not organize employees and do not have their own income from members' dues so they are dependent on subsidies from the individual trade unions. Collective bargaining and strikes are always organized by the sectoral trade unions, which thereby occupy the most important sphere of trade union action and embody the real centre of power in the trade union movement. However, the DGB has an important role to play in politics, coordinating with its members to exercise its political influence. It is especially important when it comes to labour legislation, social policies and other central political activities, such as vocational training initiatives. Another important task of the DGB is to reach an agreement on the demarcation of the industries for its member unions to avoid hostile competition within one industry or one company among member unions.

Even at the height of their power, German trade unions organized a little more than a third of workers and consequently did not enjoy anywhere near the same degree of organizational power as Scandinavian trade unions, for example. At the end of the 1970s, trade union density in the former West Germany reached its zenith at 35.5 per cent (in 1978). This share began to drop in the 1980s. Following reunification, trade union density quickly increased to 36 per cent (in 1991) due to mergers with well-organized East

German unions which existed until the old industrial state combines were broken up; however, this figure has continued to fall ever since, reaching just 16.5 per cent in 2018 (Visser 2019). In particular, unions did not succeed in making up for members they lost in the bastion of manufacturing, whose share in total employment has shrunk as a result of structural change, by organizing workers in a growing private service sector. Unlike in Denmark or Sweden, German unions did not succeed in offsetting the loss of male members with a rising trade union density among women. Trade union density among women even decreased between 1980 and 2013 from 21.4 to 12.9 per cent, which was almost as fast a decline as among men (reduction from 48.9 to 21.8 per cent over the same period).

The situation appears more favourable, however, if we look at union coverage. This key figure measures the number of employees in workplaces or establishments covered by unions or works councils as a proportion of all wage and salary earners in employment. This indicator is inherently higher than trade union density because in most cases not all employees are organized and representation through works councils is also included in the figure. Union coverage was 42 per cent in 2013, although this was considerably lower than 30 years previously, when it was still 63.2 per cent (Visser 2019).

Trade union density in large manufacturing companies and sections of the public services can occasionally be as high as 90 per cent (in the steel industry, for example). In many service industries and small to medium-sized enterprises, however, unions scarcely have a presence at all. In these types of companies, unions are unable to assert themselves sufficiently to force employers by their own efforts to conclude collective agreements. The same is true even in some new areas of manufacturing such as wind turbine production. In this and other industries, the German trade unions are trying to build a critical mass of members by organizing campaigns in order to first institutionalize works councils before attempting to secure coverage by collective agreement (Wetzell 2013).

## Employers' Associations

Historically, the trade unions acted as the midwives of employers' associations, which were formed primarily as counterweights to unions, and above all as anti-strike associations at first. The fact that unions are the primary and that employers' associations are the secondary organizations is still evident today, even if the latter now have a considerably broader range of activities than in their start-up phase. These include many advice services specializing in employment law and social policy. It is where unions are strong, such as in the German metalworking and engineering industries, that by far the strongest employers' association, Gesamtmetall, is to be found; conversely, where unions have become weaker, such as in meat processing, the employers' associations play only a marginal role.

The associations responsible for private sector industrial relations are organized as part of the Confederation of German Employers' Associations (*Bundesvereinigung der Deutschen Arbeitgeberverbände*, BDA). The membership of the BDA consists of 52 sectoral federations representing individual industries, 24 of which representing manufacturing industries. In addition, there are 14 cross-sectoral federations at the *Land* level whose membership consists of the various industry associations at that level.

The industry associations conduct negotiations at the national or regional levels. Like the DGB, the BDA does not itself conclude agreements, although it does coordinate collective bargaining to a considerably greater extent than the DGB. At various occasions in the past the BDA sets out binding limits in collective bargaining; these were in effect red lines that individual employers' associations must not cross without prior consultation with and the agreement of the BDA. In the past, common lines of defence were established with regard to holiday entitlement and weekly working time.

While unions as mass organizations are relatively transparent, employers' organizations do not release much information regarding the evolution of their membership, let alone their finances. This makes it difficult to assess their organizational power. Visser estimates that the overall employer density was 69 per cent in 1997 and 60 per cent in 2014. In the private sector the employer density eroded much faster. It dropped from 73 per cent in 1988 to 43 per cent in 2014 (Visser 2019). These figures suggest that the employers' associations are also being eroded, as a number of individual studies clearly have demonstrated (Behrens 2013). The weakening of the unions has allowed many companies to leave employers' associations and renegotiate wages at the company level without fear of labour disputes. This first started to happen in East Germany and then increasingly in West Germany as well. Employer density in the metal industry, as reflected in membership of Gesamtmetall, the largest employers' association in Germany, fell in West Germany from 77.4 per cent in 1985 to 56.5 per cent in 2006, a drop of more than 20 per cent. In East Germany, membership fell from approximately 65 per cent in 1992 to less than 20 per cent in 2006 (Haipeter 2011), with members citing dissatisfaction with too short and too inflexible working hours as their main reason for resigning. As well as the resignations, the fact that many newly established companies did not join the association is another important factor in the erosion

of employers' associations (Schroeder and Ruppert 1996). A survey of managing directors in employers' associations showed that the fall in membership numbers seems to have stopped since 2005 (Helfen 2013).

Similarly to the unions, companies now regard their most important task to be that of gaining and retaining members, which they seek to achieve by improving their advice services. Since the 1990s, employers' associations have tried to retain members increasingly by offering membership without the obligation to comply with collective agreements (so-called *Ohne Tarifbindung* or OT status). In this way, members have continued to benefit from the advice services but are excluded from shaping collective bargaining policies and receiving financial assistance from strike funds. By offering this category of membership, the associations were seeking, on one hand, to retain members and, on the other, to put pressure on the unions, which now increasingly have to consider the stability of employers' associations when negotiating collective agreements.

In some associations, such as Gesamtmetall, this seems to have staunched the loss of members. In fact, its membership increased from 5,861 companies in 2005 to 6,565 in 2011, while the number of member companies bound by collective agreements decreased from 4,429 to 3,652 (Behrens 2013, 477). This type of OT membership is held mainly by small to medium-sized enterprises. Behrens (2013, 479) states that: "Figures collected by Gesamtmetall in 2010 showed that 42% of all member companies in affiliated Land and regional federations used OT membership; however, these companies accounted for only 17% of all employees in member companies." However, the destabilizing effect of OT membership for employers' associations over the long term can be seen in the fate of smaller associations that are no longer able to conclude sectoral collective agreements. Some leading employers' representatives now have been heard to say, behind closed doors, that allowing OT membership was a major error.

The situation is completely different for the public sector, where almost 100 per cent of its employers are organized. Local authorities are a part of their local employers' associations along with their member companies, and these local associations are, in turn, part of the Federation of Local Authority Employers' Associations (*Vereinigung der Kommunalen Arbeitgeberverbände*, KAV). The 16 Länder have special departments with experts on collective bargaining and are less dependent on the expertise of an employers' organization. They coordinate their collective bargaining in a working partnership (*Tarifgemeinschaft deutscher Länder*, TDL) with minimum staff. The Länder are represented in the TDL by their ministers of finance. At the national level, there is no employers' organization. The minister of internal affairs, together with the minister of finance, coordinates collective bargaining for the federal government. The constitutions of the KAV and the TDL require all their members not only to follow the collective agreements but also not to improve on the agreed standards, which is usually allowed by employers' organizations in the private sector. Consequently, there is no wage drift in the public sector, unlike in the private sector where some companies pay wages above the level of the collective agreement (Bosch 2013).

## 2.4 Coverage by collective agreements

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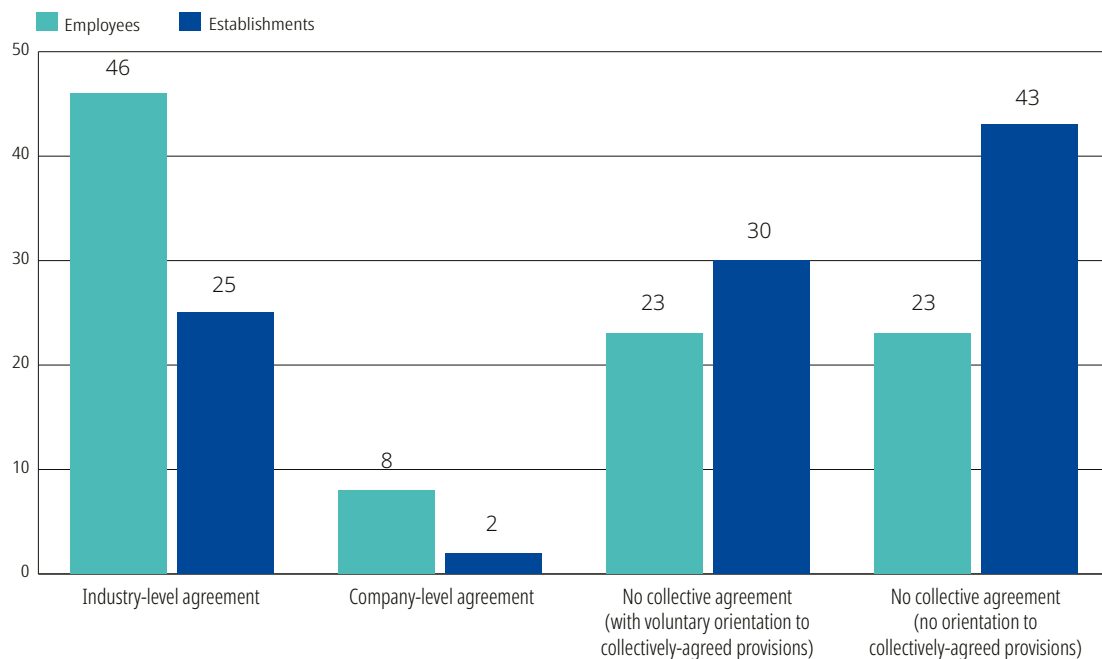
Until German reunification in 1990, collective agreement coverage was around 85 per cent (Visser 2019). This was several times greater than trade union density, as the majority of companies belonged to an employers' association (Bosch 2015). Even businesses that were not covered by collective agreements decided for the most part to pay the collectively agreed rates.

The high levels of corporate compliance with collective agreements can be attributed, first, to the low unemployment rates in former West Germany. This strengthened employees' bargaining power and made unilateral wage settings without the protection of employers' associations in the event of disputes unattractive to employers. Second, the associations and chambers in the old German corporatist system, with its closely interconnected companies that took a long-term view of business, were able to exert moral pressure in order to ensure fair wage competition (Tullius and Wolff 2012).

From the mid-1990s onwards, compliance with collective agreements began to crumble. Collective agreement coverage declined to 54 per cent in 2018. Forty-six per cent of the employees are covered by a sectoral agreement and eight per cent by a company-level agreement. Forty-six per cent of the employees are not covered by an agreement, but 23 percentage points work in a company which voluntarily applies at least some of the collectively agreed standards (figure 1).



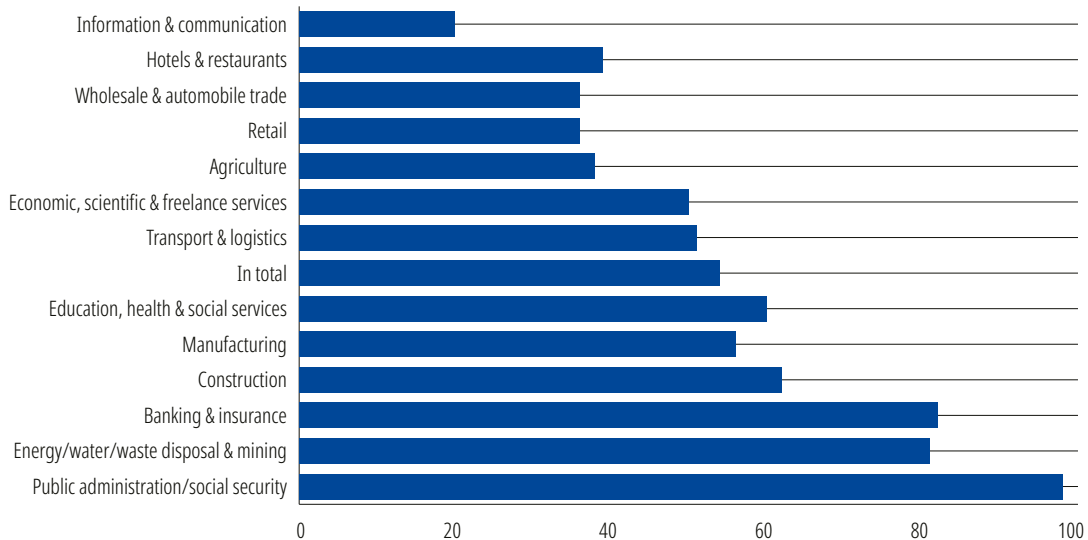
**Figure 1.** Collective bargaining coverage in Germany (per cent of all employees and establishments), 2018



Source: Schulten and WSI-Tarifarchiv (2019), based on IAB Establishment Panel.

The coverage by industry differs substantially (figure 2). In public services, financial services or energy, more than 80 per cent are still covered by collective agreements. In manufacturing and construction the coverage is around 60 per cent, while in many private services, such as hotels and restaurants, retail, wholesale and automobile trade or IT services, less than 40 per cent of employees are covered. A more detailed breakdown by industries is statistically not possible, but we know that in some sub-sectors of the manufacturing industry like steel, metal or chemicals coverage is at 70 percent, well above the average of the manufacturing sector.

**Figure 2.** Collective bargaining coverage in selected industries (workers covered by collective agreements as a percentage of all workers), 2018



Source: Ellguth and Kohaut (2019), based on IAB Establishment Panel.

The differences by industry can be partly explained by the average size of the companies. Industries with larger establishments, like in the public service, energy, steel, metal or chemical industries, have a higher coverage than highly fragmented industries with many small and medium-sized enterprises in private services. While the coverage in larger establishments with 500 or more employees is around 80 per cent in West Germany and 76 per cent in East Germany, it drops to only 22 per cent in West Germany and 15 per cent in East Germany in establishments with less than 10 employees (Ellguth and Kohaut 2019, 294).

But there are exceptions to this rule if collective agreements are extended to sectors like construction or hair stylists. Until 2000, the extended collective agreements also guaranteed a 100 per cent coverage in retail trade which then fell within 20 years to 36 per cent (figure 2) because the employers' association in this industry refused to sign the joint request for an extension. This indicates a change in the strategy of some industries and the top employers' organization, the Confederation of German Employers' Associations (BDA). To bring wages down, the BDA rejected many applications for an extension in the national Collective Bargaining Commission,<sup>4</sup> even if they were strongly supported by the employers' association of the respective industry. In some cases applications were withdrawn to avoid a rejection. As a consequence the number of extended collective agreements fell from more than 400 in 1996 to 230 in 2017 (Müller and Schulten 2019, 253) and the wage differences between large, medium and small establishments increased. This blockade in the national Collective Bargaining Commission by one side is possible because an extension needs the approval of the majority of the members in this bipartite body. The unions therefore demand a procedural change. They propose that a request can only be rejected by a majority of the votes to strengthen the position of the applying sector.

The main reasons for the overall decline of the coverage by collective agreements were the increase in unemployment after German unification, low productivity of newly founded Eastern German companies, outsourcing of many activities from covered to non-covered companies, labour market and product market deregulation, cost pressures through posted workers from Middle and Eastern Europe, and growth of private services with many small and medium-sized enterprises in which unions are only weakly organized, compounded by the already mentioned changes in the strategies of the BDA and its most influential member organizations.

Since 1995, the considerable reduction in collective agreement coverage has led to a rise in the share of low-paid workers, which is now above average by international standards. Furthermore, because of the absence of a statutory minimum wage until 2015, wage levels collapsed to such an extent that by 2010 the gap between the average pay of low-wage workers and the low-wage threshold of 60 per cent of the median wage was greater in Germany than in any other EU country (Fernández-Macías and Vacas-Soriano 2013).

In 2010, with controls for different individual and company variables, the collective bargaining premium – the percentage-higher wage earned by those covered by a *collective agreement* – for sectoral agreements was 5.6 per cent and for company agreements 8.2 per cent per hour worked. Without controls, the average premium was 22.2 per cent and in firms with a company collective agreement it was 29.3 per cent. The variables taken into account included size of firm, industry affiliation, age, gender, hours worked, job tenure and type of contract (permanent/temporary) (Amlinger 2014). The collective bargaining premium, however, could be even higher than calculated in the regression analysis: first, because companies with fewer than 10 employees are not included in the German earnings structure survey, and second, because some of the variables controlled for are “endogenous”. In the past few years companies have systematically outsourced jobs to low-wage industries or small businesses because of the differences in wage rates. The collective bargaining premium can also be reduced by the after-effect of collective agreements that remain in force in companies that have withdrawn from the employer's association and also as a result of the guiding role that collective agreements continue to play in areas where there is no collective bargaining. As already mentioned, half of the companies without collective agreements have stated that they use collective agreements as a guide in setting labour standards. And their rates are indeed higher than in companies which are neither bound by collective agreements nor use them as a guide for setting labour standards (Addison et al. 2014). The logical extension of this, however, is that sector-wide wage rates – in a German economy in which more than half of employees' wages are still set by collective agreement – play a significantly greater guiding role, particularly for skilled workers with considerable bargaining power across the economy, than in countries – such as the United States and the United Kingdom – in which industry-wide rates of pay in the private sector have largely disappeared.

<sup>4</sup> The Collective Bargaining Commission is a standing commission with three representatives from the unions and three from the employers' associations. The social partners' umbrella organizations nominate the members.

## 2.5 Content of collective agreements

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There are more than 40,000 valid collective agreements in Germany. Most working conditions, like working time, holidays, health and safety issues, terms of notice and so on, are regulated in so-called General Framework Agreements (*Manteltarifverträge*). Since these agreements on long-term working conditions cannot be negotiated yearly, their validity period is usually five years and is often prolonged. The same applies to the Wage Framework Agreements (*Lohnrahmentarifverträge*) in which the wage grids and the criteria for the classification are set. The pay rates are found in the General Wage Setting Agreements (*Lohntarifverträge*) which are mostly negotiated for one or two years. Special issues, like training, joint levy funds or protection against rationalization, are usually regulated in separate agreements.

The validity period of wage agreements is often longer than a year when issues of different agreements are negotiated at the same time and improvements in the two general agreements are financed through a wage restraint. The substantial working time reductions in the last decades were all financed through such long-term wage deals (for details on financing the 35-hour week in the German metal industry, see Bosch 1990).

The General Framework agreement mostly improves the legal minimum standards. Until the late 1990s the German unions did not lobby for an improvement of many legal working standards since they regarded the regulation of these working conditions as their domain. An example is the opposition of the German trade unions to the introduction of a national minimum wage until 2005. This has changed substantially since then because of the decreasing coverage by collective agreements. Legal minimum standards became increasingly important for the rising number of non-covered employees. Working hours are a good example. The agreed weekly working hours are usually between 35 and 40 hours while they are prolonged up to 44 hours in some non-covered companies. Another example are holiday entitlements. Most collective agreements guarantee six holiday weeks while the legal minimum is four weeks.

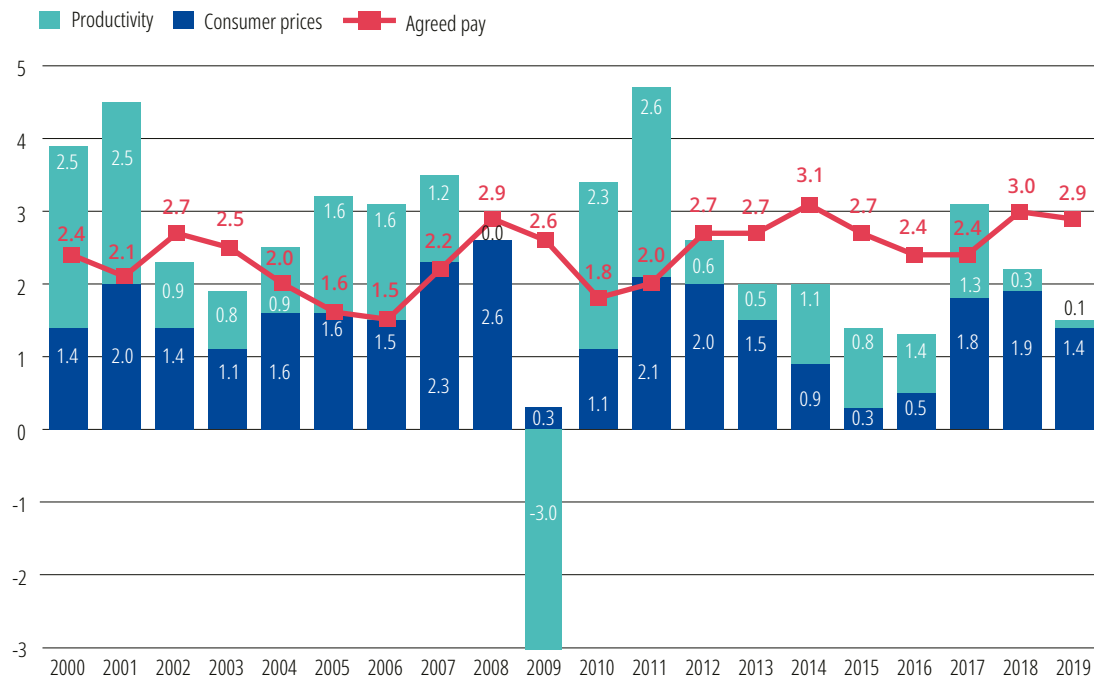
Until the mid-1990s the agreed terms in well-organized industries – especially metals – functioned as pattern agreements, which were adopted by the less organized sectors. This caused wages to rise in lockstep throughout the economy in line with productivity growth, which in turn safeguarded the type of macro-solidarity beyond individual companies and industries characteristic of inclusive wage-setting systems. Often innovative collective agreements served as blueprints for legislation.

With the dualization of the German labour market, the good wage settlements no longer act as pattern agreements for other industries, so much so that settlements have become increasingly differentiated depending on trade union bargaining powers. This also means that the content of the collective agreements are increasingly diverging between industries. Where unions are strong one can find some of the most innovative collective agreements in the world, while in industries where unions are weak the framework agreements have not been modernized for decades and wage increases are below the average.

### Wage increases and wage scales

Between 2000 and 2011 the wage share in GDP declined because the agreed and actual wage increases were below the sum of consumer prices and productivity growth (figure 3). After 2011 the unemployment rate declined substantially, and after a decade of wage restraint with falling unit costs a trend towards an expansive wage policy partially above the cost-neutral scope is evident, which is highly welcomed in those Eurozone countries with balance of payments deficits (Bosch and Lehndorff 2020). Because of the low price-elasticity of German exports, the increases in unit costs did not reduce the German trade surpluses substantially (European Commission 2014; Bosch 2019a). This clearly indicates that innovation policies – which help a country to specialize in quality products with a low price-elasticity – is as or even more important for international competitiveness as wage policy.

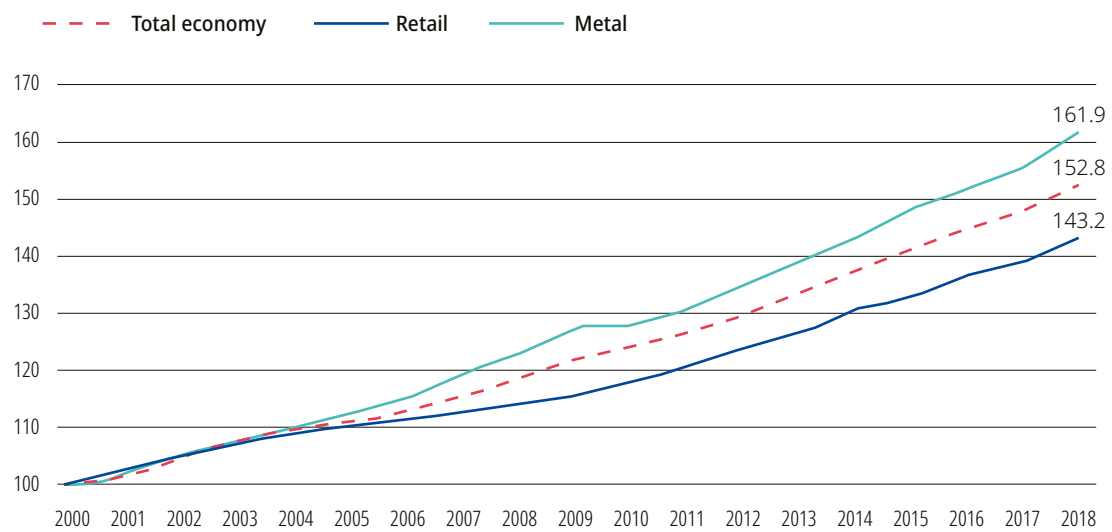
**Figure 3.** Agreed pay, consumer prices and productivity (year-on-year change, per cent), 2000–2019



Source: Schulten and WSI-Tarifarchiv (2019).

Figure 4 shows that the metal workers' agreement does not serve as a pattern agreement anymore. The collectively agreed wage increases in the metal industry since 2000 were around 19 percentage points higher than in the retail trade where unions are weak and were further weakened through the above-mentioned abolition of the extension mechanism in this industry.

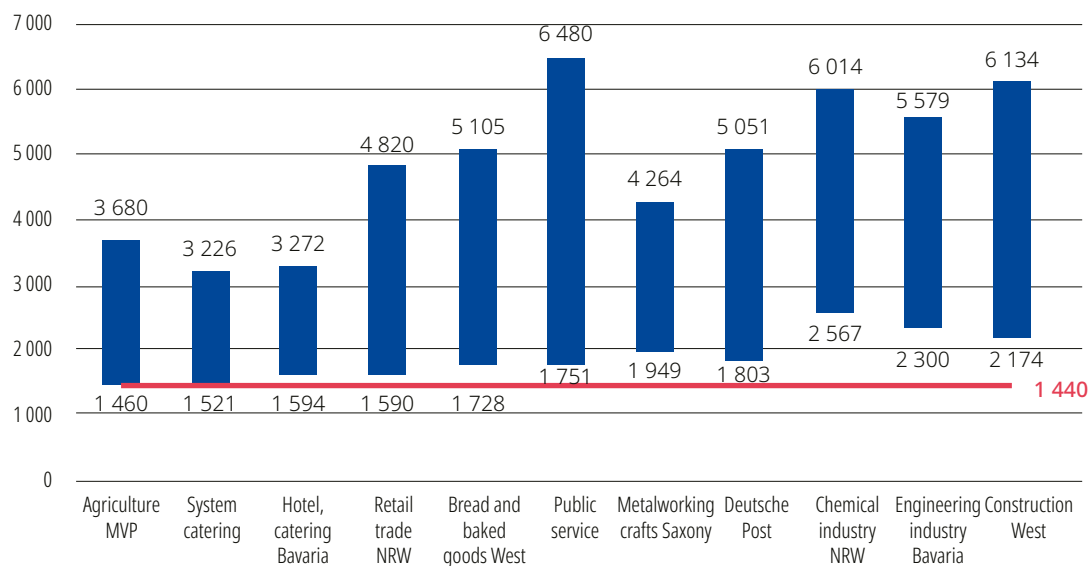
**Figure 4.** Increases of collectively agreed wages in metal, retail and the total economy, 2000–2018



Source: Müller and Schulten (2019).

Since the introduction of the national minimum wage the interaction between minimum wage and collectively agreed wages is becoming an important issue. Figure 5 shows different types of interaction. In some industries with weak unions, like agriculture, chain restaurants or retail trade, we find the type of direction interaction. This means that the lowest pay grade is near the minimum wage (red line), and if the minimum wage is increased the wages for the whole wage grid have to be renegotiated. In industries with strong unions like in the metal or chemical industries, construction or public services, we find the model of autonomous collective bargaining.<sup>5</sup> There the lowest pay grades are significantly higher than the minimum wage, so that an increase in the minimum wage does not generate any pressure for new negotiations (figure 5). The figure also shows the high range of wages, which means that collective agreements are setting wage levels up to the level of middle management and not only for shop-floor employees. The range of actual wages is even higher since figure 5 does not include wage supplements (like for shift, night, weekend work, overtime or hard working conditions) which are quite important in many industries.

**Figure 5.** Range of collectively agreed wages and the national minimum wage (euro per month), 2018



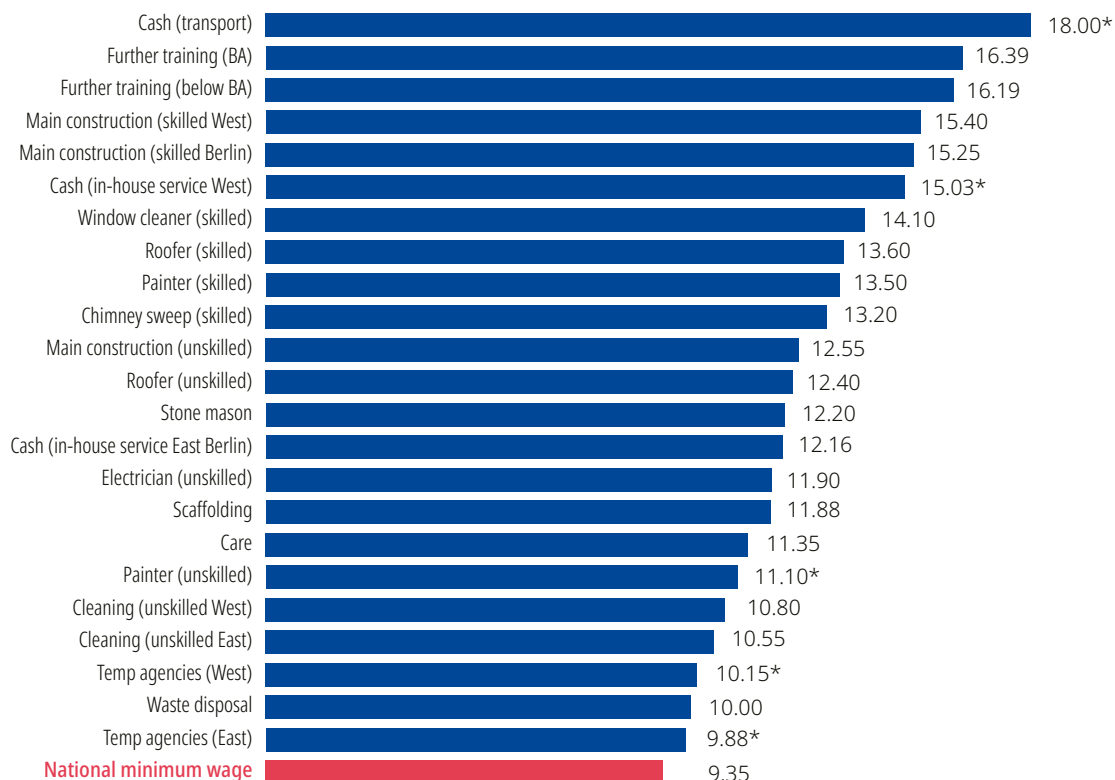
Source: WSI-Tarifarchiv, author's compilation.

In some industries the social partners agreed on sector specific minimum (SMW) wages to stabilize their collective agreements and to remain attractive on the labour market. The level of the SMW is set by the social partners and has to be higher than the national minimum wage. If they agree on a minimum wage in a sectoral collective agreement at the national level, the government can declare this minimum wage as generally applicable and binding pursuant to the German Posted Workers Act.

The SMWs differ between the industries according to their specific conditions (figure 6). The level of the SMWs depends mainly on the strength of the unions in the industry in question, the unemployment in the region and the skill levels. Where unions are weak (like in cleaning or meat processing) and unemployment is high (like in East Germany), the set for the SMW tends to be low. Where companies try to recruit and retain skilled workers and unions are strong (like main construction or roofers) the level tends to be higher. Contrary to France, Belgium or the Netherlands, the German Posted Workers Act explicitly speaks of "minimum standards", which excludes the possibility to extend whole wage grids from collective agreements.<sup>6</sup> The German law only allows to declare some wage groups as generally binding. In all SMWs, with the only exception of meat processing (in which the extended collective agreement has only one wage group), the SMWs are part of a wage grid.

<sup>5</sup> The typology of interactions between minimum wages and collectively agreed wages has been developed in Bosch and Weinkopf (2013) and Bosch and Grimshaw (2014).

<sup>6</sup> With the revision of the European Posted Workers Directive, the German law has to be adjusted.

**Figure 6.** Sector specific minimum wages, May 2020

Source: WSI-Tarifarchiv, author's compilation.

Note: \*not yet declared as generally binding.

Finally, the reform of the Wage Framework Agreements in some industries should be mentioned. Twenty years ago many job classifications and pay systems in the collective agreements dated back to the early 1950s. They reflected the work organization and the mobility pattern of that time. For example, wages rose regularly with age in the public sector. This seniority principle made sense at a time when employees stayed in public service their whole working lives and employers wanted to retain them. Today, mobility between the public and private sectors is common and seniority wages became a barrier for mobility especially for older workers. In most agreements one can find different job classifications for white- and blue-collar workers. This distinction has become increasingly obsolete in modern work organization (Bosch 2018).

In core industries, like chemicals and metals as well as in public services, the social partners agreed on joint white- and blue-collar job classifications in the late 1990s and early 2000s. In these industries classification is now based on the same criteria for all covered employees. This means that outdated privileges for some groups, mainly white-collar workers, were abolished. Also seniority promotions were substantially reduced. Box 1 explains the agreement in the metal industry in North Rhine-Westphalia. The metal industry agreements in the other regions are similar. These agreements helped to modernize work organization in whole industries with substantial numbers of employees (around four million in the metal industry and four million in the public service). It has to be mentioned, however, that in industries where unions are weak the outdated wage framework agreements have not been renegotiated. Employers are asking for so many concessions that the unions prefer to stick to an outdated framework agreement. This shows that the precondition of innovative collective agreements is a balance of power between the social partners that allows negotiations on a give-and-take-base.

### Box 1. Joint job classification in the metal industry of North Rhine-Westphalia of 2002

Before 2002, there existed four job classifications in the German metal industry: one for blue-collar workers, one for masters, one for technical employees and one for commercial employees.

The new joint job classification had to be introduced in all firms by 2008. The additional costs of 2.79 per cent of the wage bill were to be set off by wage increases in the following years.

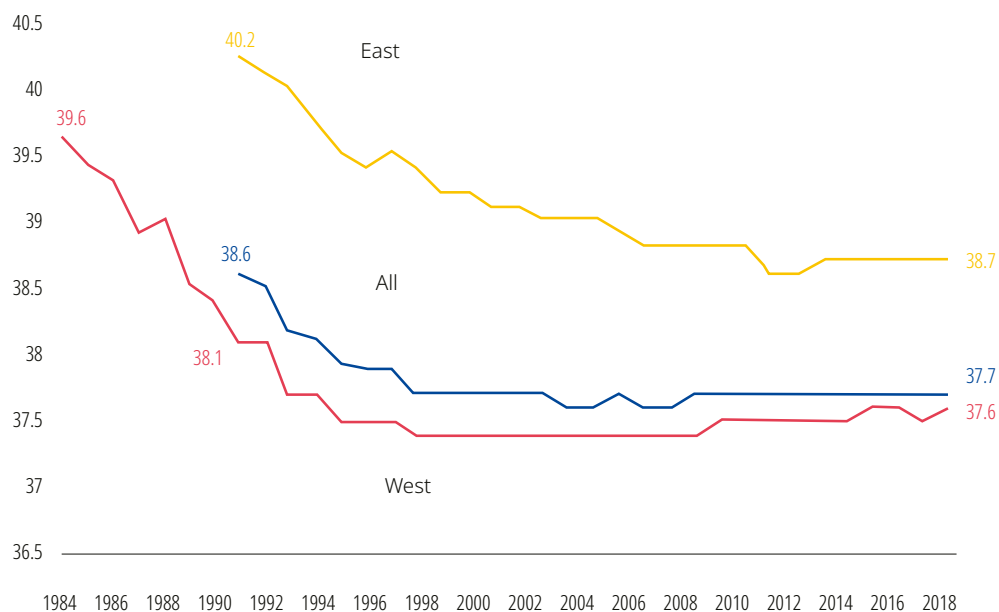
The new job classification is based on a point system. The job of each employee is evaluated. Five characteristics of the job are evaluated: (1) Required skills (*Können*) (6 to 108 points), (2) Prior work experience (*Berufserfahrung*) (6 to 12 points), (3) Scope for decisions and manoeuvre (*Handlungs- und Entscheidungsspielraum*) (2 to 40 points), (4) Cooperation (*Kooperation*) (2 to 20 points), (5) Management (*Führung*) (0 to 20 points).

Work in teams and flat hierarchies are encouraged by new job characteristics (3) to (5). Blue-collar workers can move up the wage scale easier than in the past because the whole wage scale is open for them. Some employees will lose, especially those who do not have to cooperate with others, have a low scope of decisions and manoeuvre and no management tasks. These losses will be mitigated because the new job classifications will be introduced over a period of six years which guarantees that the “losers” will not experience wage cuts but only lower wage increases.

## Working hours

German working time laws allow weekly working hours up to 48 hours and entitle all employees to 20 days of paid holidays. In practice, average contractual weekly working hours are down to 38.2 hours and the average holiday entitlements are 30.9 days a year (IAB 2020). This means that working standards have been substantially improved by collective agreements over the last decades. However, these averages hide substantial differences between covered and non-covered companies. In non-covered companies one finds weekly working hours up to 44 hours and only 20 holiday days.

Figure 7 shows the development of collectively agreed working hours between 1984 and 2018. One can see that collectively agreed hours are shorter than the average contractual hours which include the non-covered companies. The figure also shows that in West Germany the average collectively agreed weekly working hours were reduced between 1984 and 1995 and are stagnating since then, while the catching-up process in East Germany came to a standstill in 2006. While the differences about collectively agreed holidays – most agreements provide 30 paid days – are small, weekly working hours differ among industries. The shortest hours are agreed upon in the metal industry (35 hours with exception for highly skilled employees) and the longest are found in main construction (40 hours).

**Figure 7.** Average collectively agreed working hours, 1984–2018

Source: Schulten and WST-Tarifarchiv (2019).

In the past unions were mostly negotiating general working reductions for all employees in their bargaining unit. With the increasing share of working women and new work-life models working time preferences became increasingly diverse and, in addition, are changing over the work-life course. In 2001 the state gave full-time workers the legal right to work part-time in 2001, and in 2019 the right to return to full-time work was given to workers at companies with more than 45 employees. The Parental Allowance Plus Act of 2015 allows parents to stretch the 12 months paid parental leave entitlement period while receiving a smaller benefit; working part time is allowed (30 hours/week maximum). The so-called Partnership bonus grants four additional months of leave benefit, if both parents simultaneously work part-time (25–30 hours/week) over a period of four months.

It was only a question of time until the social partners reacted to changing working time needs. The railway workers' union was the first union which negotiated an agreement on such options for the German Railways (*Deutsche Bahn*) in 2016. Since 2018, employees can choose between a wage increase, a weekly working time reduction of one hour or six additional free days over the year. The options were reversible. The employees had to opt for two years and could change their option afterwards. In the first round 56 per cent of the railway employees voted for free days, 41.1 per cent for money and 2.4 per cent for a weekly working time reduction. The options were extended in a new agreement, and from July 2020 a 5.6 per cent of wage increase can be taken in money or time. The high acceptance of the railway agreement among employees initiated a reform of working time regimes in other industries. In the metal industry such options were agreed only for parents of small children, carers or shift workers since employers were afraid of a shortage of skilled workers. In the chemical industry employees can also opt for saving time in a long-term account. The most important agreements on working time options are summarized in figure 8.



**Figure 8.** The choice between money and time – some recent agreements in Germany

Bargaining unit	Pay...	...or working time	Eligible employees
Deutsche Bahn AG	2.6% (from 2018)  2.6% or 5.2% (from 07/2020 and then from 01/2020)	1 hour per week working time reduction or 6 days off per year.  1 or 2 hours per week working time reduction or 6–12 days off per week.	All employees
Metalworking and electrical industry	Agreed annual pay supplementary payment of 27.5% of monthly pay (from 2019)	8 days off	Employees <ul style="list-style-type: none"> <li>• on shift work</li> <li>• with children under 8</li> <li>• with family members needing care.</li> </ul>
Deutsche Post AG	3.0% (from 2019) 2.1% (from 2020) 5.1% (from 2020)	60.27 hours per year 42.19 hours per year 102.46 hours per year	All employees covered by the collective agreement
Local public transport Bavaria	Up to 2.5%  Above plus 0.255 (and 0.25% contribution from their employer)	Max. 5 days off per year  Above plus 1 extra day off per year	All employees covered by the collective agreement  All employees on shift work
Iron and steel industry	Agreed annual supplementary payment of €1,000 (from 2020)	Max. 5 days off per year (lower-paid grades) or 4 days (higher-paid)	All employees covered by the collective agreement
Postbank	3.0% (from 2020)  1.75% (from 2021)	Up to 7.2 days (based on a 5-day week)  Up to 8.64 days (based on a 6-day week)	All employees covered by the collective agreement
Sparda Bank	2.6% (from 2020)	6 days (2020)  1.5 days (January–March 2021)	All employees covered by the collective agreement
Chemical industry	Agreed annual supplementary payment ("Future Fund") ( <i>Zukunftskonto</i> ) as percentage of a month's pay: 9.2% (from 2020) 13.8% (from 2021) 23.0% (ab 2022)	Additional days off: 2 in 2020; 3 in 2021; 5 in 2022  Or employees may opt to use the sum for long-term working time account, pension, disability insurance, training, health promotion, or supplementary care insurance (via workplace agreement).	All employees covered by the collective agreement

Source: Schulten and WSI-Tarifarchiv (2019).

## 2.6 Collective bargaining in the metal industry

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### The industry and its actors

The metal industry is Germany's key industrial sector. It generates a turnover of nearly 1.2 trillion euros a year in more than 25,000 companies with a total of more than four million employees. The largest sub-sectors are mechanical engineering, the automotive industry, electrical engineering, metalworking and the precision mechanics/optics/clocks sector. Employment has grown since the great recession by around 586,000 employees. The companies generate most of their turnover by manufacturing capital goods. Two thirds of products and services are exported. Although the industry is known for its large corporations, like Daimler, Siemens, Volkswagen or Bosch, it is largely made up of small and medium-sized enterprises. Over two thirds of the companies employ fewer than 100 employees, and only two per cent have a workforce of over 1,000 employees. Most of these small and medium-sized companies produce parts for the big corporations but many are specialized and world market leaders in their markets. These are known as the "hidden champions" (Simon 2007) or the famous German "Mittelstand".

The two main actors in this industry are the German Employers' Associations in the Metal and Electrical Engineering Industries (Gesamtmetall) for employers and the Metalworkers Union (IG Metall) for employees.

Gesamtmetall is an umbrella organization of 17 regional employers' associations in the German metal industry and the largest federation in the Confederation of German Employers' Associations. Gesamtmetall coordinates collective bargaining but does not have the mandate to negotiate itself. The bargaining on sectoral collective agreements takes place at the regional level and is the responsibility of the regional member associations. In the past all companies that were members of the employers' association were covered by the sectoral collective agreement. As mentioned above (section 2.3), since the early 1990s most of the regional employers' associations in the metal industry have introduced a new membership status, which provides member companies with the association's full range of services but relieves them of the duty to comply with the standards set by industry-wide collective agreement.

*This is known as "OT status" (OT = ohne Tarifbindung; "not covered by the collective agreement") ... Gesamtmetall was initially against this type of membership but finally accepted it in 2005, acknowledging associations with "OT" status as affiliates. Some companies take advantage of this special OT status but negotiate company-level agreements, often with the support of their employers' association. Others have withdrawn from collective bargaining, while some still take the sectoral collective agreements as orientation. The number of member companies in Gesamtmetall with OT status has shown a continuous increase. About half of all member companies, representing about 20% of the affected workers, now have OT status and thus are not obliged to accept the sectoral collective agreement in metalworking. In particular, small and medium-sized companies have used this status to withdraw from collective bargaining (Schulten and Bispinck 2017, 17).*

IG Metall is the largest member organization of the Confederation of German Trade Unions (DGB), with about 2.27 million members in 2015 (table 2). Apart from the metal industry, IG Metall also represents some other industries, such as steel, lumber, textiles, metal trade and electricians. Almost 90 per cent of the active membership is employed in the metal industry. The trade union density varies substantially between the subsectors of the metal industries. In the electronic and IT industries less than 30 per cent of employees are union members while the share is 70 per cent in the automobile industry. In the supply chain of the automobile industry, however, with its many small and medium-sized companies, around 40 per cent of the employees are union members. On the union side, the regional districts of IG Metall are negotiating the regional industry agreements.

*The most prominent bargaining areas are in the federal states of Baden-Wuerttemberg and North Rhine-Westphalia, where the bulk of metalworking industry is concentrated. Collective bargaining in metalworking usually takes the form of pattern bargaining, whereby a pilot agreement is concluded in one bargaining area and then transferred – sometimes with some specific regional amendments – to the other bargaining areas. The sectoral collective agreements cover the whole range of sub-branches within the metal industry, including the automotive industry, machine-building and the electro and electronic industries. Only the iron and steel industry, as well as the various metal trades have separate collective agreements (Schulten and Bispinck 2017).*

Different bargaining areas took the lead in the past. For instance, IG Metall is in the position that it wants to share the burden but also the learning effect (of negotiations and possibly industrial action) of its pilot role across the organization. Otherwise, some districts de-learn how to mobilize their members and go on strike.

Companies in economic difficulties can demand the use of the hardship clauses in the industry-wide agreement. Temporary derogations have to be negotiated with IG Metall. Increasingly important are company agreements which are negotiated by IG Metall with companies which are not members of the employer organization or have OT status. Figures on the coverage of sectoral and company agreements are only available for the manufacturing industry as a whole. In 2018, 45 per cent of the employees were covered by a sectoral agreement and 11 per cent by a company agreement. The figures are higher in the metal industry.

### Negotiations on regional sectoral agreements

For the negotiations both sides form regional Collective Bargaining Committees (*Tarifkommissionen*) in the regions. On the union side, the members consist of full-time officials, works councillors and shop stewards. The Collective Bargaining Committees nominates a Negotiation Committee (*Verhandlungskommission*) with a small number of members. The results of the negotiations have to be approved by the Collective Bargaining Committees. The negotiated regional agreements need the approval of the executive board of IG Metall which coordinates the negotiations and has the final say on industrial actions. Gesamtmetall also has a joint strike fund for all its members and therefore also has the final say on industrial actions.

Before the actual start of negotiations the members of the Collective Bargaining Committees of both sides discuss their demands. Before 1990, only the unions were formulating demands (table C1). Since the early 1990s Gesamtmetall also formulated its own demands in preparation for sometimes difficult negotiations (table C3).

To support the decision-making process on a specific demand IG Metall headquarters prepares an analysis of the general economic and social development in Germany and the development in the metal industry and its sub-sectors (like the automobile, electronic or machine-tool industries). This analysis usually includes indicators on economic growth, exports, imports, orders, productivity, labour and unit costs, profit margin, inflation and employment growth, among others. Indicators on the future perspectives of the industry on business climate indices and forecast data also play a part in this analysis. Annex A contains some of the information which was prepared for a collective bargaining round in 2020 in the metal industry. Similar statistical industry portraits were prepared for negotiations in other industries. In 2017, to support their demand on working time options, IG Metall also used the data of their own online survey of 680,000 employees in 7,000 companies.<sup>7</sup> Answers about employees' working preferences were broken down by regions and locals, and used in the union campaign for more working time options. This online survey covered many other aspects of working conditions and satisfaction or dissatisfaction with these conditions. IG Metall uses such survey data to better understand the needs of their members and to ensure their support in the process of bargaining and possible industrial action.

IG Metall has a macroeconomic orientation. It justifies its demands focusing on the average productivity increase in the economy and the rise of inflation. In recent years it used medium-term productivity growth and the target inflation rate of the European Central Bank. An orientation on aggregate productivity growth was the precondition that the collective agreement in the metal industry served as a pattern agreement for other industries including services with much lower sectoral productivity growth. A third element can be the factor of redistribution which has been justified by the declining wage share in GDP, as well as high profits or losses in real wages in the past (see table C1).

Gesamtmetall publishes its own data and data analysis on the development of the industry on its website,<sup>8</sup> which is used to formulate their demands (see table C2). Since many of these indicators are based on administrative sources, Gesamtmetall and IG Metall rely on the same data. Such fact-finding helps to develop a common understanding on many fronts. However, the difference is found in the selection and interpretation of the indicators. Gesamtmetall always underlines the relatively high labour and unit costs, short working hours and high tax rates in Germany compared to other countries (Schröder 2020).<sup>9</sup> In some bargaining rounds it demanded a moderate wage policy with increases below the sum of inflation and productivity growth to improve competitiveness. In addition, ambitiously high wage increases in

<sup>7</sup> <https://www.igmetall.de/politik-und-gesellschaft/das-wollen-die-beschaefigten>

<sup>8</sup> <https://www.gesamtmetall.de/branche/me-zahlen>

<sup>9</sup> Some of the data published by Gesamtmetall is provided by the research institute of the employers, the Institut der deutschen Wirtschaft (IW). The IW has beside its own research a service function for the employer associations and publishes regularly data on the economic development (aggregate and broken down by industries and regions). See <https://www.deutschlandinzahlen.de/tab/deutschland/finanzen/kosten/produktivitaet-je-erwerbstaetigenstunde-nach-wirtschaftsbereichen>.

the past were blamed for dismissals (so-called dismissal productivity) which could only be avoided by lower wage increases. In addition, Gesamtmetall increasingly argues that data on industry averages are hiding huge disparities in the industry. According to a survey by the ifo Institute in Munich, 18.4 per cent of the metal companies suffered losses.<sup>10</sup> IG Metall, in contrast, argues that high export surpluses and employment growth indicate the high degree of global competitiveness of the industry.

In normal periods of economic growth, the impact of the fact-finding on negotiations is important. In periods of rapid technological changes or economic crisis, data on the past has a very limited impact on collective bargaining. A good example is a recent bargaining round in March 2020. Because of the German metal industry's difficulty in overcoming multifaceted challenges in 2020 (digitization, replacement of fossil-fuel-based propulsion by electromotive motors and batteries), IG Metall already had decided in January 2020 not to start negotiations with its usual demand for a percentage wage increase. It proposed instead an open negotiation on joint efforts to support the companies to cope with expected technological transformation and to safeguard jobs in this process. Issues on the table were temporary working time reductions, investment in training and so on. When in March 2020 COVID-19 lockdowns shut down parts of the German economy, the depth of this new crisis became evident to social partners in North Rhine-Westphalia, who overnight negotiated a new agreement for the next 12 months without wage increases. Instead they have agreed to: (1) top up the short-time allowances from the state up to 80 per cent (partly by using the yearly bonus, partly by a wage supplement from the employer), (2) transform the holiday bonus into eight free days for parents of small children and (3) provide an additional five days of paid holidays to parents of small children in 2020. All the bargaining areas followed this pilot agreement within days.

The duration of the agreements have varied between 12 and 26 months over the last 30 years. Gesamtmetall sees advantages in longer durations: "This suggests that planning reliability is also a valuable commodity for M+E establishments in difficult economic times and that they prefer clarity about future overall conditions to a slightly more favorable collective agreement with only a short term" (Gesamtmetall 2017, 11). IG Metall accepts a longer duration, especially when packages of wage increases and other improvements like working time options are agreed upon.

### Decentralization of negotiations, opening clause and company components

Decentralized collective bargaining in the metal industry dates back to the 1960s. At that time unions demanded additional wage increases on top of industry-wide agreements in companies which formed the basis for a positive wage drift. The picture changed with mass unemployment in the 1980s and again after German unification. Wage drift has disappeared and struggling companies experiencing economic stress found it impossible to pay the negotiated rates.

Deviations from regional sectoral agreements became increasingly widespread during the 1990s, first in East Germany and then in West Germany. Some deviations were backed by hardship clauses, while others contravened collectively agreed standards. To avoid such wild forms of decentralization IG Metall agreed to hardship clauses, first in some West German regions in 1997 (see table C4) and then in 2004 under pressure from the central government. In addition, milder forms of deviations appeared in the form of so-called "company components", which mainly allowed some companies to postpone the implementation of some elements of the new agreements (table C4).

An evaluation of some 800 collective agreements in the metalworking and engineering industry together with company case studies show that IG Metall not only made concessions but also received some quid pro quos, such as dismissal protection for a number of years and agreements that plants would remain open, with guarantees of investment or enhanced initial and professional training. At the same time, works councils and workforces were involved in the negotiations, the results of which were presented to the union membership for a vote in many companies. Stronger coordination of divergences from collective agreements, and specifying the exact procedures and inclusion of the workforce in negotiations, actually helped strengthen union organization (Haipeter and Lehndorff 2009).

It is also necessary to differentiate between crisis and innovation pacts (Berthold et al. 2003). In crisis pacts, the aim is to reduce wage costs quickly, whereas innovation pacts are intended rather to achieve "a quick and flexible adjustment to ever-changing market conditions" (Berthold et al. 2003, 8). Addison et al. (2015) show that company employment pacts established with modernization in mind usually have positive effects on wages, productivity and innovation.

<sup>10</sup> <https://www.gesamtmetall.de/branche/me-zahlen/grafiken?page=2>

## 2.7 Collective bargaining in main construction

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Collective bargaining in the German construction industry takes place in different subsectors of this industry. The biggest subsector with its own collective bargaining, which will be analysed in the following, is main construction. Roofers, painters, scaffolders, electricians and plumbers have their own separate agreements.

### The industry and its actors

In 2017 the share of main construction of the total German gross value added was 4.1 per cent. The share of investments in construction was, at 9.6 percent, more than twice as high because these investments also included, in addition to the added value of the construction industry, inputs (building materials and machines, among others) which were delivered from other industries. Since the mid-1990s the share of construction in investments and gross value added has fallen (see figure D1). This fall is due to an end to the construction boom in East Germany after unification, a declining share of manufacturing – since the service sector invests less in buildings than manufacturing – and an austerity policy with substantial reductions in public investments since the early 2000s. Employment in the construction industry has declined from a peak of 1.43 million in 1995 to 715,000 in 2009 (see figure D2). In recent years main construction has expanded again, mainly because of growing public investments and an expansion in residential building because of an increasing population and an agglomeration of the population in big cities. Between 2009 and 2017 employment grew by around 130,000. Employment growth was restrained by substantial skill shortages in the domestic labour market. The bottlenecks only could be covered partially by posted workers from Central and Eastern Europe who are not included in national employment statistics. The official number of posted workers in the construction industry doubled from around 50,000 in 2009 to 100,000 in 2018 (see figure D3). The real number of such workers including non-registered and the illegal workers might be much higher.

Over the past decades, nearly all large and many medium-size German construction firms have developed into general contractors and building service companies. They increasingly take on the complete management of construction orders, which are partly executed by their own personnel and partly by subcontractors. The expansion of the scope of business as well as the internationalization of large building firms is leading to a supply split in the building trade. The consequence is a growing segmentation of the industry. A smaller number of large-scale enterprises controlling long value-added chains confront a growing number of small and medium-sized companies. Therefore, the average company size in this sector, which has at all times been dominated by small and medium-sized firms, has further decreased over the past decades. The average company size in the German construction industry declined from 21 staff members in 1976 to 13 in 2000 and to around 8 in 2018. Therefore, despite the decline in employment, the number of building companies has remained largely constant, hovering around 75,000 companies.

The organization of employee interest representation is relatively simple, since there is only one trade union active in the construction industry, IG BAU (*Industriegewerkschaft Bauen-Umwelt-Agrar*). With 273,000 members (see table 2 above), it represents employees in the construction industry and virtually all building trades as well as employees in agriculture and cleaning who joined after a merger with two smaller unions. The organization of interest representation on the employers' side is less monolithic: there are two employers' umbrella organizations. The industrial sector is represented by the Central Association of the German Construction Industry (*Hauptverband der Deutschen Bauindustrie*, HDI), while the building trade sector is covered by the Central Association of the German Building Trade (*Zentralverband des Deutschen Baugewerbes*, ZDB). Each of the two umbrella organizations on the employers' side is, as in the metal industry, a "federation of federations" whose members are formally independent federations covering either an individual or a group of federal states (*Länder*). The umbrella organization in the industrial sector has a total membership of 10 Länder- and inter-Länder employers' federations. The members of the ZDB are 32 Länder and regional federations, which in turn are based on regional building trade corporations and regional associations.

In contrast to other industries in Germany, the authority to negotiate is concentrated at the central level both on the employers' and employees' side. This creates a prerequisite for negotiations on sector-wide regulations. Each of the central collective bargaining bodies in the umbrella organizations must be in a position to bring together the heterogeneous interests of the various organizational units below the central level in order to reach a consensus. IG BAU's internal structures are better suited to this task than those of the two employers' umbrella organizations. For, in contrast to the members of the two

employers' associations, the regional and local subdivisions of IG BAU do not have the option of leaving the federation and entering into collective bargaining on their own authority.

Structural change, especially the fragmentation of companies in the industry, has weakened both the union and the two employers' organizations. IG BAU lost more than half of its members over the last 30 years, and many small and medium-sized, often short-lived companies do not become members of any of the employers' organizations.

### Collective bargaining in the construction industry

One fundamental characteristic of labour relations in the construction industry are centrally negotiated and concluded collective agreements. They provide the basis for industry-wide regulations and also are considered necessary by the representative associations on both sides as a means of ensuring that common standards apply both to construction companies operating outside their own regions and to workers from several firms in different regions brought together to form work teams.

Since not all firms are members of the employers' federations, the only way of preventing regulations from being undermined by unfair competition from outsiders is to declare collective agreements generally binding. Therefore, the framework agreements, which contain provisions on job classifications and allowances for work outside the local region, the collective agreements on social funds and the collective agreement on minimum wage rates on request of both sides have been declared as generally binding. On the other hand, none of the agreements on wages and salaries has been declared generally binding. Thus, regional differences of wage levels are permitted. In daily practice, these differences were of minor importance until the beginning of the 1990s, because trade unions negotiated similar wages in all regions. Since German reunification, however, there have been substantial regional differences on the German construction labour market (standard wages in Eastern Germany are below those paid in Western Germany) such that domestic wage differences wages have once again become a competition parameter.

Because the framework agreements in main construction, the biggest subsector of the construction industry, have been declared as generally binding, the share of the covered employees is higher and the share of company agreements is lower than in the total economy. In addition, nearly two thirds of the non-covered companies pay according to the collective agreements (table 3).

**Table 3.** Coverage by collective agreements in the construction industry (in per cent of employees), 2017

	Industry agreement	Company agreement	No agreement (of these with orientation towards the industry agreement)
Construction	60	2	38 (63)
Total economy	46	8	46 (51)

Source: Ellguth and Kohaut (2019).

The labour market in German main construction is highly regulated. Regulation of the construction labour market was commenced as early as at the end of the 1940s, at a time when the expansion of the welfare state was just beginning. Regulation aims at mitigating skill shortages and the social problems experienced by construction workers because of the highly cyclical and seasonal nature of construction work. High job insecurity in construction work has repeatedly led construction workers to seek jobs in other industries and also has caused a shortage in skilled workers. By introducing supporting tools, such as bad-weather allowances, an additional annuity, supra-company holiday pay and a levy collected for financing vocational training, an attempt was made to sustain an industry-specific craft labour market.

At the end of 1948, the first social fund for the payment of wages during holidays in the construction industry was established by collective agreement. Firms paid a certain percentage of their wages bill into the fund, which was then used to pay wages when holidays were taken. The purpose of this arrangement was to enable employees to take proper holidays and to receive holiday pay even if they changed jobs several times in the course of a year. In calculating individual holiday entitlement, all periods of employment in construction firms were aggregated. The year 1955 saw the introduction of a wage compensation fund that financed wages from 24 to 31 December by means of a levy in order to protect workers from being laid off before Christmas. This "holiday and wage compensation fund" was joined in 1959 by the "supplementary pension fund", an industry-wide occupational pension scheme for the construction industry, which made it more attractive for employees to remain in the industry.

In 1974, the funds became responsible for financing the vocational training of construction workers. During the 1960s, the number of apprentices had declined sharply. In 1970, the share of apprentices in total employment in the industry was only 1.8 per cent, compared with 10.2 per cent in 1950. The old, craft-oriented training system was clearly no longer able to provide a good supply of young tradesmen to replace an ageing workforce. In order to reverse the decline of the dual system in the construction industry, social partners decided to adopt completely new training and financing methods. In the first year in particular, training was to go beyond the confines of individual trades; in order to ensure this, apprentices were to spend alternating blocks of time in external training centres of the industry. In order that the burden of higher costs of a much improved vocational training system should not weigh too heavily on firms, a financing system based on levies and administered by the social funds was introduced. All firms in the construction industry pay a monthly contribution to a fund that is used to reimburse a considerable proportion of the costs incurred by those firms that offer training places for apprentices. In addition, the external training centres are funded through the social funds.

The success of the reform and of the system of financing is irrefutable. The training ratio, i.e. the share of apprentices in overall employment within the construction industry proper, rose from 1.8 per cent in 1970 to 8.3 per cent in 2017 compared to 4.9 per cent in the total economy. The reform was accompanied by a significant increase in training allowances for apprenticeships in order to make building trades more attractive to young people.

At the beginning of the 1960s, company contributions to the social fund amounted to well over 11 per cent of gross wages. In the wake of benefit improvements, they increased until 2019 to 20.8 per cent in West Germany and to 18.6 per cent in East Germany (table 4). The levy is lower in the East than in the West because there the additional annuity only recently was introduced and the levy for this purpose is still below the West German level.

**Table 4.** Levy for blue-collar workers to social funds in main construction (in per cent of gross wage sum)

Year	West Germany	East Germany
2006–2007	19.2	17.2
2008	19.8	17.2
2009–2011	19.8	16.6
2012	20.1	16.6
2013	19.8	16.6
2014–2018	20.4	17.2
2019	20.8	18.8

Source: Hauptverband der deutschen Bauindustrie (2018), SOKA-BAU (2019).

The two social funds are administered jointly by the three central federations empowered to engage in collective bargaining (i.e. the trade union and the two employers' federations). The funds are considered "a kind of training organization where the way of how the collective bargaining partners should behave towards each other, namely in a humane and prudent way, is being practised" (Fürstenberg 1989, 43).

To protect the social funds from outside competition with lower wages, the use of temporary agency work from other industries has been prohibited since the early 1980s. Another source of outside competition with lower wages is posted workers. Therefore, main construction was the first industry to use the Posted Workers Act from 1996 to introduce sector specific minimum wages for unskilled and skilled workers (see figure 6).

Because of the complex system of agreement, collective bargaining in main construction usually concerns negotiations on packages. Improvements in one agreement are often compensated by concessions in another agreement. IG BAU, for example, demanded a harmonization of the minimum wage for unskilled workers in West and in East Germany. They succeeded in 2017 but had to accept lower wage increases in West Germany. An important driver is the economic situation of the industry.

Like the metal industry, both sides regularly update indicators on the economic and social development of their industry.<sup>11</sup> The social funds, holding an excellent database on companies and all workers who earn and earned entitlements (i.e. actual workers, workers who left the industry but earned pension entitlements as well as returnees), regularly analyse the mobility patterns in and across the industry.

<sup>11</sup> See for example the indicators of the Hauptverband der deutschen Bauindustrie <https://www.bauindustrie.de/zahlen-fakten/bauwirtschaft-im-zahlenbild/>

These indicators have a substantial impact on collective bargaining. A good example are statistics on the longevity of apprentices in the industry. High shares of leavers to other industries and a loss of joint investments in apprenticeship training (SOKA-BAU 2018) are the main drivers for both sides to improve working conditions.

## 2.8 Responses to the great recession of 2008/2009 and COVID-19

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In the wake of the financial crisis of 2008/2009, the German economy experienced its most severe slump since the Second World War. However, the effects on the labour market were different from those experienced in all other previous economic crises and in most other OECD countries. In spite of a deep recession (-4.9 per cent of GDP in 2009), employment did not decline as expected and unemployment did not rise.

The use of a whole toolbox of work-sharing measures made it possible to “dismiss hours and not workers”. Among the various measures of work-sharing (withdrawal of credit hours from working time accounts, reduction of overtime, voluntary sabbaticals, temporary reduction of agreed working hours), short-time working played a major role. Before the financial crisis, short-time working was intended primarily as a buffer for short-term reductions in orders. The government relaxed the conditions for the take up of short-time to use it as a response to a deep, long-term crisis. For this purpose the conditions for taking up short-time work were improved substantially. The use of short-time working reached a peak in May 2009, when 1,516,000 workers were on short time. Since changes to working time at the company level are subject to the agreement of the work councils,<sup>12</sup> and since the reduction of standard weekly working time depended on an agreement with the relevant trade union, company working time strategies were usually developed in a dialogue between the social partners.

The regulations on short-time working were regarded as a means to help save the country’s industrial fabric during exceptional circumstances. High subsidies (around €5 billion) have been paid off since the German economy fully recovered; contrary to their competitors in other countries, German firms had kept their mostly skilled staff on board and could start full production without a time lag.

An increase in unemployment cannot be avoided in a crisis simply by protecting existing jobs since new cohorts enter the labour market every year. The second element of the German jobs miracle of 2009, which has been virtually ignored in the literature and public debate, was the prevention of high youth unemployment. Young people are an especially vulnerable group. In an economic recession they are often the group hit the hardest by unemployment in the labour market since the first reaction of companies to a decline in orders is to halt recruitment. As new graduates from education and training systems, young people frequently do not benefit from employment protection.

In 2009 the state and social partners agreed in many national, regional, sectoral and company “Training Pacts” to recruit apprentices to avoid an increase in youth unemployment. Because of shrinking youth cohorts and skills shortages, employers were ready to take the plunge. In 2009 around 564,000 training contracts were concluded, 8.2 per cent or 50,000 contracts less than in 2008. By unexpected fortune, the age cohort entering the labour market in 2009 declined by around 50,000, so youth unemployment did not increase (Bosch 2011).

The successful management of the financial crisis has become etched in the memory of social partners and policymakers as a fortunate example of joint crisis management based on the mobilization and coordination of all bargaining levels (national, industry, region, company). In any event, trust and support for cooperative relations between social partners and among officials in the employers’ associations increased considerably from 2005 to 2006. A repeat survey of employers’ association managers showed that this change was particularly pronounced in the chemical and metalworking industries, two sectors particularly affected by the financial crisis (Helfen 2013).

Therefore, it is unsurprising that state and social partners returned to the well-tried instrument of short-time employment when the German economy was hit by the COVID-19 pandemic. Already on 13 March 2020, the German Bundestag rushed through legislation expanding the scheme to try and meet

<sup>12</sup> Under the terms of the Works Constitution Act (*Betriebsverfassungsgesetz*), the works council has a right of codetermination on questions concerning the start and finish of working hours, the distribution of working time over the week and temporary reductions and extensions of working time (section 87, para. 1, Works Constitution Act [http://www.gesetze-im-internet.de/englisch\\_betrvgl/](http://www.gesetze-im-internet.de/englisch_betrvgl/)).



the unique demands brought by the pandemic. One of the big changes was that access was made much easier for companies. Previously, a company could only avail if at least 30 per cent of its workforce was affected by a lack of work. That figure has been drastically reduced to just 10 per cent of a workforce. The maximum duration of receiving a short-time working allowance has been extended from 6 to 12 months (with a possible extension to 24 months). And short-time allowances could be paid backdated from 1 March 2020. Around 60 per cent of the lost net remuneration is paid by the Federal Employment Agency. If there is at least one child living in the household, the short-time allowance amounts to about 67 per cent of the lost net salary. Temporary and agency workers are included. And – contrary to 2009 – the employers' contribution to social insurance for short-time work are fully reimbursed by the public employment service.

Until the end of May around 750,000 companies applied for short-time allowances for 10.66 million employees. Since new orders continued to be placed at some companies, not all of these workers are anticipated to be on short time. It is estimated that in May 2020 around 7.3 million are actually working short time, which is nearly five times as much as in 2009. Also the structure of short-time workers differs substantially. In 2009 mainly manufacturing was hit. This time the highest share of short-time workers are found in some service industries like hotels and restaurants, with many small and medium-sized companies, low wages and high shares of part-time workers.

In 2009, the main focus of collective bargaining and negotiations between employers and work councillors at the plant level was to reach an agreement on topping up the short-time allowance. In some industries old agreements on topping up the short-time allowance were still valid (e.g. chemical industry, up to 90 per cent; metal industry Baden-Württemberg, 80–90 per cent). Unprepared for an extremely difficult situation to come in 2020, only a few industries concluded new agreements on topping up the short-time allowance (for example, railways at 80 per cent or chain restaurants at 90 per cent). In many other industries the pandemic crisis has been so severe that companies just do not have available resources for improving the short-time allowances or paying COVID-19 bonuses to key workers who, due to the infection risks, had to work under hard and risky conditions.

The social partners succeeded in convincing the government to intervene. In April 2020 the short-time allowance has been increased from the previous 60 per cent (67 per cent with children) of the former net income from the fourth month of short-time work to 70 per cent (77 per cent), and from the seventh month of short-time work to 80 per cent (87 per cent) until the end of 2020. A positive side-effect is that this led to a cost-reduction for those companies who are obliged by collective agreement to top up the short-time allowance. Social partners at a few companies agreed to pay their employees tax-free COVID-19 bonuses. Only geriatric care, where the infection risk is high and high levels of stress are exacerbated by strict personal health protection, is an exception and a bonus of €1,500 will be paid to all employees. The federal state and the Länder finance this extra expenditure.

Most of the plant negotiations in reaction to the COVID-19 pandemic are on health issues and the implementation of short-time work. Works councils, for example, insist on rotation systems to distribute the short-time equally over all workers as much as possible. In many industries wage negotiations are postponed until social partners have a clearer picture of the possible economic developments. In other industries, like the hardly-affected metal industry, social partners agreed not to top up the short-time allowance without increasing labour costs. This was made possible by paying the yearly holiday and Christmas bonuses in monthly instalments (see the case study on the metal industry in this chapter).

New apprenticeships start in September. The state and social partners are highly concerned that by then the economy still will not have recovered and that companies will recruit less apprentices than in previous years. Therefore, new training pacts are being prepared at all levels. The huge fiscal package which was signed off by the government in June 2020 contains, in addition to tax relief, a future package of investment, with a focus on the transition to a greener economy, and research in areas such as artificial intelligence and quantum computing, with investments in infrastructure and education also part of this "training package". All companies recruiting an apprentice in 2020 will receive a bonus of €2000 or €3000 if the number of their apprentices is higher than in 2019. In addition, the continuation of apprenticeships of insolvent companies in other companies or training centres will be supported. The Länder are debating additional support programs. At the company level one of the main issues is the continuation of training. It remains to be seen how effective these measures are.

## 2.9 Conclusions

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Germany's autonomous wage-setting system has been particularly vulnerable to increasing cost competition because in many sectors the high level of coverage by collective agreement was not a result of primary trade union power: in other words, high trade union density. In many industries and companies, it was based solely on high employer association density rates, without trade unions having the power to enforce coverage by collective agreement. The membership of employers' associations began to crumble in a changing social and economic environment following German reunification, which was actively promoted by policymakers through product and labour market deregulation. Political pressure on the most important institutions of the German industrial relations – collective bargaining and co-determination systems – also increased. Trade unions had to accept derogation clauses in their collective agreements, but then increased their influence in those sectors with high density rates by involving members in company-level bargaining.

Collective agreements and works councils have been disappearing from broad swathes of the economy and, as a result, income inequality has increased rapidly. The share of low-wage workers grew to the highest level in the EU and, since there was no minimum wage to put a floor under pay levels, the wage spread plunged downwards to a greater extent than in any other EU member state.

Nevertheless, social dialogue has continued to play a central role in Germany and has revived somewhat in recent years. Trade unions remained strong in many industries and companies and they were able to negotiate innovative collective agreements dealing with fundamental social and economic issues. These agreements now play a guiding role for some non-union organized industries and companies. It was indeed possible to reach good compromises between the interests of employers and employees. Particularly worthy of mention in this regard are company working time models that give companies more flexibility, while at the same time giving employees greater freedom of choice over the course of their working lives, thereby making it easier to reconcile career and family life. Also worthy of note are agreements on new job classification systems which guarantee equal treatment of white- and blue-collar workers.

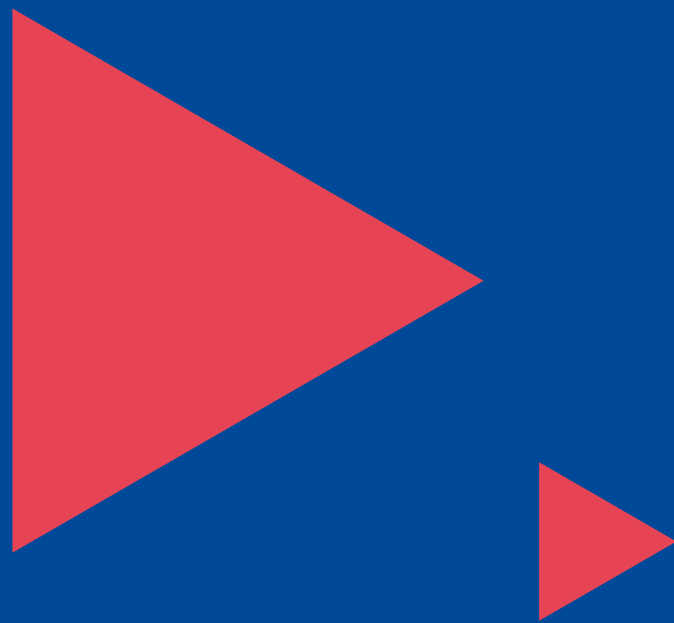
However, the architecture of the overall system of collective bargaining has changed. The system now has multi-level bargaining, in which the sectoral level still takes priority but derogations can increasingly be negotiated at the company level. Social partners are increasingly legitimizing their agreements, particularly vis-à-vis companies, by including derogation clauses in them in order to stabilize the membership of employers' associations. Derogations can also have a symbolic function such as allowing late payment of an agreed wage increase on the grounds of economic difficulties. However, the monitoring and coordination of these derogations has become an ever-present task for the unions if they wish to maintain supremacy on the sectoral level.



# ▶ 03

## ▶ Collective bargaining in Ukraine

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## 3.1 Introduction

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Emerging challenges such as globalization and growing competition, digitalization and automation, population ageing and increased mobility of workers are transforming the world of work. This calls for changes in the design of collective bargaining systems to ensure an appropriate response to these challenges and unexpected shocks (OECD 2019a). The ability of firms and the economy to adjust to extraordinary economic circumstances is especially important in 2020, when the COVID-19 pandemic has caused an unprecedented health crisis and the measures necessary to contain the virus have triggered an economic downturn. Collective bargaining systems that balance flexibility<sup>13</sup> and inclusiveness can complement public policies in improving economic and social outcomes while helping workers to thrive in a changing world of work (OECD 2019a). However, given the challenges faced by collective bargaining per se (such as declining collective bargaining coverage and trade union density) and possible conflicts among goals like short-term flexibility, well-being of workers and their participation in collective bargaining, it is crucial that collective bargaining is based on mutual trust between social partners and long-term cooperation for the benefit of all parties.

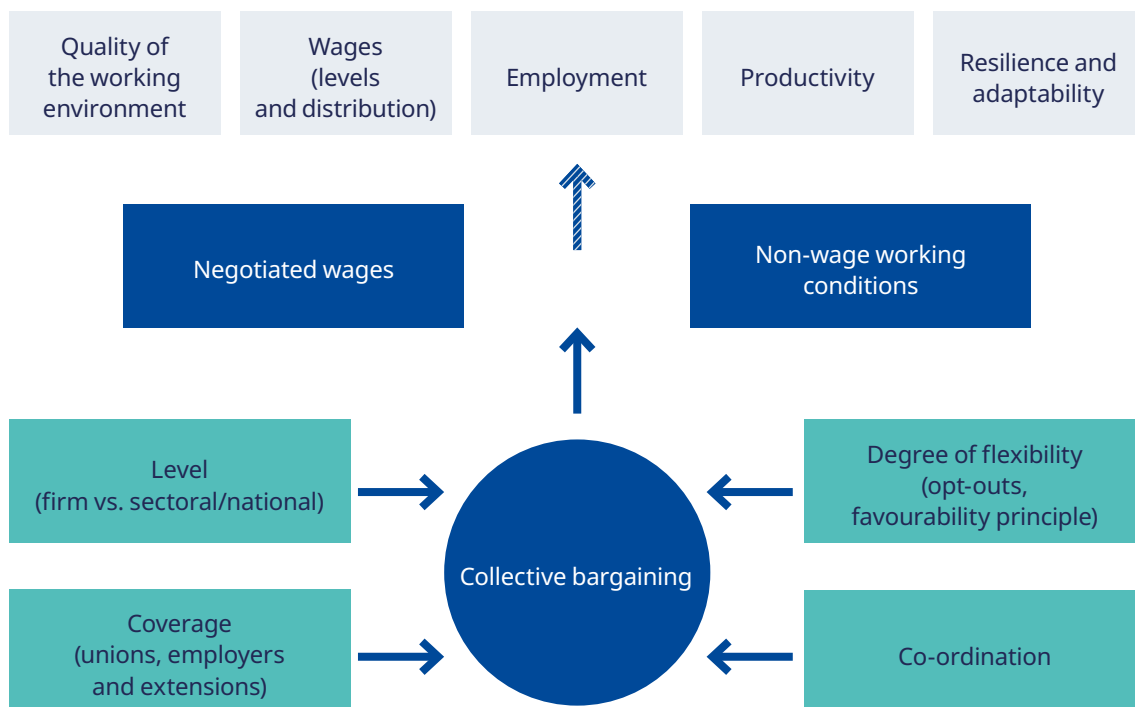
In order to make the most of collective bargaining to address old and new challenges in the Ukrainian labour market, it is important to understand how collective bargaining can influence labour market performance and how it could be redesigned to deal with existing challenges more effectively. According to the literature (Blanchard et al. 2013; Addison 2016; Visser 2016; OECD 2019a), the role of collective bargaining for labour market performance largely depends on characteristics of the collective bargaining system that are particularly important for labour market outcomes, including the level of bargaining, the degree of flexibility, coverage and bargaining coordination (figure 9). An important issue is how wages and non-wage working conditions (including working time, health and safety provisions, leave arrangements, training, among others) are negotiated, and which labour market and economic indicators are taken into account in the negotiations at different levels. The level of trust between social partners and the enforcement capacity of the terms set in collective agreements are also significant factors as the large differences in functioning of formally similar systems may lead to significant differences in labour market outcomes (OECD 2019a).

The main objectives of this chapter are to examine the key characteristics of the collective bargaining system in Ukraine and to shed light on which and how labour market and economic indicators are used in the collective bargaining process at the sectoral level, with a focus on two sectors (metallurgy and construction). The study includes two main components:

- ▶ a desk study on the main characteristics of the collective bargaining system in Ukraine, i.e. a review of the legislative framework, available data and materials from the webpages of key actors (Ministry of Social Policy of Ukraine and Ministry for Development of Economy, Trade and Agriculture of Ukraine, trade unions, and employer organizations)<sup>14</sup> (section 3.2); and
- ▶ analysis of the features of the sector-level bargaining process in metallurgy and construction and the use of social and economic indicators in these sectors, based on information from semi-structured interviews with top officials of two sectoral trade unions – the Union of Workers of Construction and Building Materials Industry and the Union of Metal Workers and Miners of Ukraine – and the Head of the Federation of Metallurgists (an employers' organization) conducted in April 2020. A second round of interviews with the same respondents was conducted in May 2020 to support or reject hypotheses after analysis at the first stage and to get additional information about the effect of the COVID-19 pandemic and containment measures on the examined sectors and the role of social partners in minimizing the negative outcomes (section 3.3).

<sup>13</sup> Addison (2016) and Blanchard et al. (2013) distinguish between **microeconomic flexibility** and labour reallocation needs (in fact, enterprise flexibility in wage setting, employment, and hours) and **macroeconomic flexibility** (maintaining a low unemployment rate and its modest fluctuations in response to macroeconomic shocks).

<sup>14</sup> A section on social dialogue at the webpage of the Ministry of Social Policy of Ukraine, (<https://www.msp.gov.ua/timeline/Socialniy-dialog.html>) before 2020 and of the Ministry for Development of Economy, Trade and Agriculture of Ukraine (<https://www.me.gov.ua/Tags/DocumentsByTag?lang=uk-UA&id=85e2c142-d66c-446a-b9ed-43e5909a0e44&tag=SotsialniiDialog>) since 2020, Federation of Trade Unions of Ukraine (<http://fpsu.org.ua/>), with some information about the Trade Union of Workers of Construction and Building Materials Industry), Trade Union of Metal Workers and Miners of Ukraine (<http://pmguinfo.dp.ua/>), Federation of Metallurgists of Ukraine (<http://fedmet.org/>), employer organization), Association of Enterprises of Metallurgy "Ukrmetprom" (<http://www.ukrmetprom.org/>), association of producers).

**Figure 9.** Collective bargaining and labour market performance

Source: OECD (2019a), figure 3.1.

## 3.2 Main characteristics of the collective bargaining system in Ukraine

A comprehensive analysis of the legal framework and existing practices of collective bargaining in Ukraine is provided in Zarko (2018) and Zarko and Mihes (2012). Specifically, these reports describe the legislative and regulatory framework of collective bargaining, outline the levels of collective bargaining and their interrelationship, provide detailed information about the key actors at each level of collective bargaining, its scope and implementation of collective agreements, identify the main shortcomings and contradictions of both legal and procedural nature, and offer potential solutions to eliminate them. Traub-Merz and Volynets (2018) describe the evolution of trade unions during Ukraine's transition from a command to a market economy, with a brief analysis of collective bargaining and wage setting.

Using findings of these reports and following the OECD framework for the analysis of collective bargaining systems in terms of their potential impact on labour market performance (figure 9), we summarize the main characteristics of the collective bargaining system in Ukraine.

### Level of bargaining

According to the Law of Ukraine on Collective Contracts and Agreements (1993) and the Law on Social Dialogue (2010), collective agreements are concluded on tripartite or bipartite basis at the following levels:

- ▶ national (state) level – the General Agreement;
- ▶ sectoral level – sectoral (cross-sectoral) agreements;
- ▶ territorial level – regional agreements within a certain administrative-territorial unit, usually an *oblast*;
- ▶ local level – firm-level collective agreements at enterprises, institutions and organizations, regardless of the form of ownership and management, which use hired labour and have the status of legal entities.

The main parties of the bargaining process at each level and representation criteria are briefly described in table E1. A review of compliance with the representation criteria shall be carried out by the National Mediation and Conciliation Service in accordance with the Procedure approved by the Service and approved by the authorized representatives of the social dialogue parties (Zarko 2018). A certificate of compliance with the representation criteria shall be presented at the time of registration of sectoral and territorial agreements. The main parties of the sectoral-level bargaining process are all-Ukrainian trade unions and employer organizations, which are registered in accordance with the Law, and whose members employ at least three per cent and five per cent of employees in a corresponding sector, respectively. As regards the bargaining process at the firm level, employees usually establish one trade union in a company to represent them in negotiations with the employer and protect their labour rights. Several trade unions may be established in large companies, but they should form a joint representative body to sign a collective bargaining agreement.

The state (government) plays a determinant role in the social dialogue construction, acting both as an agent of executive power and as a party to social dialogue (Zarko and Mihes 2012). The government of Ukraine is not only one of the main actors negotiating general economic and social issues at national-level bargaining and representing public sector employers at sectoral-level bargaining (e.g. in construction, the Ministry for Regional Development, Building and Housing of Ukraine was among the two main actors who signed the recent sectoral agreement in 2018). The government of Ukraine is also the main initiator of regular upward revisions to the national minimum wage and subsistence minimum which are used in collective agreements at all levels for defining the minimum monthly tariff rate for a Grade-1 worker and salaries of all other workers in line with the negotiated wage grid (a set of coefficients and tariffs).

### Degree of flexibility (favourability principle and opening clauses)

Articles 5, 7 and 8 of the Law of Ukraine on Collective Contracts and Agreements (1993) establish the following hierarchical layering of agreements:

- ▶ sectoral (cross-sectoral) agreement may not worsen the terms of employment for workers compared with the General Agreement;
- ▶ regional agreement which regulates norms of social protection of employees should include better (higher) social guarantees, compensations and benefits compared with the General Agreement;
- ▶ conditions of collective agreements may not worsen the terms of employment for workers compared with legislation in force and higher-level agreements. Conditions of collective agreements and contracts of all levels that worsen the situation of employees in comparison with the current legislation are invalid;
- ▶ firm-level collective agreement may provide for additional guarantees and benefits (e.g. regarding children's rehabilitation or the purchase of New Year gifts for the children of employees) compared to existing laws and higher-level agreements.

Hence, national-level social guarantees and higher-level (national and sectoral) agreements dominate in Ukraine, leaving to firm-level bargaining the possibility to improve the norms and standards set at national or sectoral levels (the so-called "**favourability principle**"). Meanwhile, Ukrainian legislation does not specify any hierarchy of provisions of sectoral and regional agreements because regional agreements set forth the conditions and norms of a cross-sectoral nature (Zarko and Mihes 2012). A brief overview of 24 oblast-level agreements and an agreement for Kyiv City reveals that regional agreements act as social pacts between regional authorities, trade unions and employers on the economic and social development of the corresponding region rather than region-specific bargaining agreements that would regulate wages, benefits and so on within the region.

Overall, national and sectoral agreements in Ukraine do not allow the conditions for deviations at lower levels via so-called **opening clauses** that would permit the setting of less favourable wages and working conditions at the local level than were fixed under higher-level agreements, e.g. exceptional and temporary agreements in cases of economic hardship. The only opening clause is specified in article 14 of the Law of Ukraine on Labour Remuneration: accordingly, collective agreement can set lower wages than what has been agreed to at a higher level (by general and sectoral agreements), but provided that wages are not lower than national-level norms and guarantees regarding remuneration of labour, and only on a temporary basis – for a period of economic hardship faced by the firm for up to six months. However, there is no administrative data on how often and in which sectors this clause has been used in reality.

### Duration of collective agreements and their validity beyond termination date

The law is not restrictive in terms of the **validity period** of agreements. A quick analysis of the titles of sectoral agreements registered by the Ministry of Social Policy of Ukraine<sup>15</sup> as of August 2019 reveals that the overwhelming majority of agreements are generally concluded for the period from two to four years. Unlike in Germany where wage agreements usually have a duration of 12 to 30 months, whereas the framework agreements regulating the wage grids and other general issues have a duration of at least five years and are in most cases prolonged, there are no different types of agreements in Ukraine.

According to article 9 of the Law on Collective Contracts and Agreements (1993), upon expiration, a collective agreement or contract shall be valid until the parties conclude a new agreement or revise the current one. The validity of agreements beyond their termination date (the so-called “**ultra-activity**” or “**after-effect**”) ensures the continuity of the system and keeps workers covered when collective agreements expire, for example when employers or their organizations are unwilling to negotiate new terms (OECD 2019a). On the other hand, the “after-effect” may leave workers with an outdated agreement that does not take into account changed labour market conditions over a longer term. Besides, it reduces the ability of employers to respond appropriately and flexibly to emerging challenges and unexpected shocks. The reason for outdated agreements is not the after-effect per se but the fact that the social partner(s) do not agree on certain issues or on the continuation of the social partnership at all.

In view of the automatic “after-effect”, collective agreements include many clauses of a general and declarative nature that require no regular updating. They often remain on paper, with no further consequences or proper evaluation (Zarko and Mihes 2012; Zarko 2018). Besides, the parties tend to be more interested in negotiating over some amendments to the existing agreement rather than to engage in a long process of bargaining to conclude a new up-to-date agreement. As of 1 January 2018, only about 43 per cent of registered agreements were concluded for the period that covered 2018, whereas the terms of the other agreements were automatically prolonged (Zarko 2018).

### Bargaining coverage and extensions

One of the widely used indicators to measure the extent to which workers’ employment conditions are actually influenced by collective negotiation and to compare the relative strength of collective bargaining across sectors is the share of employees covered by collective agreements (collective bargaining coverage). Like in many other countries, the Ukrainian law includes a so-called **erga omnes clause**, which extends the terms set in a firm-level collective agreement to all workers in the same firm, regardless of whether they are members of the trade union that signed the agreement or not.

It is necessary to note that there is no information on the coverage of business entities by the terms of sectoral agreements in Ukraine, so the statistics provided below are based on the reporting of enterprises, institutions and organizations on the coverage of employees by firm-level collective agreements only. Table 5 and table E2 reveal that the coverage by firm-level collective agreements declined in the Ukrainian economy from 76.1 to 73.2 per cent over the past five years. Despite a decrease in collective bargaining coverage between 2014 and 2019, the share of employees covered by collective agreements in 2019 is higher than in early 1990s when it was between 60 and 70 per cent. Traub-Merz and Volynets (2018) stress that the growth in relative bargaining coverage since the 1990s reflects the shrinking number of workers who are formally employed in firms with at least 10 employees (50 employees before 2010) rather than the inclusion of more firms and workers in the bargaining process. If we exclude the number of employees covered by collective bargaining (5,512,000 in 2019, see table 5) from the total number of employees according to the Labour Force Survey–2019 (13,873,200 individuals aged 15–70 years), we get **over 8.3 million employees not covered by collective agreements, or over 60 per cent of all employees.**

The coverage by firm-level collective agreements also decreased in most sectors, with notable exceptions in wholesale and retail trade, public services (public administration, education), mining and quarrying, and some manufacturing sectors. As of 31 December 2019, collective bargaining coverage varies from a record-low 27 per cent in accommodation and food service activities to over 93 per cent in mining and quarrying and electricity, gas, steam and air conditioning supply (table 5, table E2).

<sup>15</sup> <https://www.msp.gov.ua/news/10205.html>



**Table 5.** Collective agreements and bargaining coverage in Ukraine by sector, 2014 and 2019 (as of 31 December)

Sector	NACE Rev.2 code	Number of concluded and registered collective agreements		Number of employees covered by CA (thousand)		Share of employees covered by CA (per cent)	
		2014	2019	2014	2019	2014	2019
<b>Total</b>		<b>76 017</b>	<b>51 408</b>	<b>6 866</b>	<b>5 512</b>	<b>76.1</b>	<b>73.2</b>
Agriculture, forestry and fishing	A	6 010	3 719	372	258	80.7	66.7
Industry	B-E	7 520	5 506	1 862	1 468	81.4	78.3
Construction	F	1 941	1 148	113	73	55.1	40.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	3 363	1 877	267	294	34.2	36.8
Transportation and storage	H	2 832	1 510	608	500	83.3	78.8
Accommodation and food service activities	I	665	341	32	21	39.6	27.1
Information and communication	J	690	436	87	60	59.0	52.6
Financial and insurance activities	K	442	199	158	99	62.1	53.5
Real estate activities	L	1 232	855	52	29	51.8	39.9
Professional, scientific and technical activities	M	2 618	1 523	189	128	68.4	64.1
Administrative and support service activities	N	1 502	1 191	118	91	53.3	52.9
Public administration and defence; compulsory social security	O	12 800	5 059	427	309	76.9	79.8
Education	P	24 776	21 565	1 417	1 253	89.4	90.7
Human health and social work activities	Q	5 109	3 819	1 019	820	90.7	90.3
Arts, entertainment and recreation	R	3 904	2 441	128	100	72.8	73.1
Other service activities	S	613	219	17	8	47.6	37.7

Source: State Statistics Service of Ukraine (2014). Statistical Yearbook "Labour in Ukraine in 2014"; 2019 – www.ukrstat.gov.ua.

As of the end of 2019, collective bargaining coverage is over 75 per cent in traditional sectors with larger enterprises and greater trade union density: mining and utilities, public services (public administration, education, healthcare), transportation and storage, and many sectors in manufacturing.<sup>16</sup> In contrast, in construction and private services, such as wholesale and retail trade, hotels and restaurants, real estate activities, and other service activities, less than half of employees on payroll are covered by collective agreements (table 5). This low coverage can be attributed to the fact that these sectors are dominated by small firms which are much less likely to negotiate and sign a firm-level agreement.

An important issue related to collective bargaining coverage is **extension**, which is defined by Visser (2016) as "an act of public policy based on explicit legislation mandating the government, a public agency or, in some cases, the court to apply the collective agreement beyond its signatories". An automatic extension of the sectoral agreement to employers who have not signed the agreement or are not

<sup>16</sup> These include: manufacture of coke and refined petroleum products; manufacture of motor vehicles, trailers and semi-trailers, and other transport equipment; manufacture of machinery and equipment; manufacture of chemicals and chemical products; manufacture of basic pharmaceutical products and pharmaceutical preparations; manufacture of basic metals, fabricated metal products, except machinery and equipment; manufacture of computer, electronic and optical products (see table E2).

affiliated to an employers' organization which signed the agreement (i.e. non-organized employers) is currently not envisaged by the law in Ukraine. Namely, article 9 of the Law on Collective Agreements and Contracts specifies that provisions of the General Agreement, sectoral (cross-sectoral) and territorial agreements apply to, and are binding on, only the subjects within the scope of competence of the signatory parties.

The draft Law of Ukraine on Collective Agreements and Contracts in the new revision includes the provision about extension arrangements of the sectoral (or cross-sectoral) agreement to all subjects performing their main activity in the respective industry, but it has not been approved by the parliament (Zarko 2018). A draft Law on Amendments to Certain Legislative Acts of Ukraine Concerning the Effect of Collective Agreements registered in March 2020<sup>17</sup> specifies that the sectoral (cross-sectoral) agreement or its individual provisions may be extended by the central executive body in the field of labour relations to all employers, regardless of their ownership, which perform their activity in the respective sector/sectors, upon request from a bargaining party of this agreement and provided that the agreement:

- ▶ is concluded in accordance with this Law by the central executive body (bodies) and representative subjects of the parties (a party in case of concluding an agreement on a bilateral basis);
- ▶ is registered by the central executive body in the field of labour relations without any comments;
- ▶ the procedure for extending the effect of a sectoral (cross-sectoral) agreement shall be approved by the Cabinet of Ministers of Ukraine.

At the same time, an alternative draft law with the same title and which was initiated by representatives of the ruling party<sup>18</sup> does not include such a provision for extension.

### Wage bargaining and coordination

According to the OECD (2019a), coordination can happen among bargaining units at different levels (vertical coordination) or among units at the same level (horizontal coordination), for instance when some sectors follow the standards set in another sector. Visser (2016) distinguishes between five coordination modes with respect to coordination of wage bargaining:

- ▶ 5: a binding ceiling or maximum/minimum rate of wage increases issued by central agreement, government order or a combination of these;
- ▶ 4: wage norms, guidelines, patterns or recommendations issued by central organizations or established by a dominant sector, union or employers' association;
- ▶ 3: negotiation and conflict mediation procedures and guidelines issued by central organizations for lower-level bargainers;
- ▶ 2: some form of government coordination through the setting of minimum wage or public sector examples;
- ▶ 1: none of the above.

On the one hand, the Ukrainian collective bargaining system is characterized by strong state-guided vertical coordination via binding minimum wages and indexation rules but without a binding ceiling. Visser (2016) argues that "minimum wage setting by the government may have a big knock-on effect on private sector wage bargaining, especially where there is a large low wage sector and where wage bargaining institutions are weak or have weakened". This is certainly true in Ukraine, where the minimum wage policy has been used since 1998 as a key instrument in pushing up wages and where decisions about an increase of the statutory minimum wage are often based on political rather than economic considerations (Traub-Merz and Volynets 2018). When the Government of Ukraine makes a decision about a large increase in the minimum wage, e.g. doubling the monthly rate in 2017 (see figure 10), it does not take into account significant challenges that its decision might create for the private and public sectors where a large share of employees receive gross salaries around the new minimum wage level (Kirchner et al. 2017).

<sup>17</sup> № 3204-1 «Про внесення змін до деяких законодавчих актів України щодо дії колективних договорів» (<https://hrliga.com/index.php?module=news&op=view&id=21585>; [http://search.ligazakon.ua/l\\_doc2.nsf/link1/JI01690A.html](http://search.ligazakon.ua/l_doc2.nsf/link1/JI01690A.html)).

<sup>18</sup> № 3204 «Про внесення змін до деяких законодавчих актів України щодо дії колективних договорів» ([http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=68359](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=68359)).

In view of regular exogenous wage increases dictated by the Ukrainian government, employers and employers' organizations have resisted setting a high tariff rate for Grade-1 workers and high coefficients for other grades as demanded by the trade unions during the bargaining process. The "after-effect", along with a lack of temporary opening clauses in collective agreements at all levels, strengthens the resistance of employers because they are unable to adjust wages downward in the face of a decline in revenues versus increasing labour costs. Thus, the government leaves no or little room for wage bargaining at all levels (national, sectoral and firm) as lower-level agreements are expected to apply more favourable terms (higher wages in this case) for all employees covered by them. Given uncertainty about the monthly minimum wage to be set by the central government in the future, employers' organizations or their representatives negotiate over the tariff rate for a Grade-1 worker to be slightly above the statutory minimum wage so that most member companies would be able to pay increased salaries in the future.

On the other hand, there is much less horizontal coordination across sectors/companies, especially in sectors where wage bargaining institutions are weak and bargaining coverage is low. Given this, the level of coordination of wage bargaining in Ukraine corresponds to the mid-level mode 3 on the 5-point scale suggested by Visser (2016).

An analysis of the content of firm-level collective agreements finds that the overwhelming majority of collective agreements mainly restate legal provisions and set almost the same minimum coefficients and tariffs in the wage grid as specified in higher-level agreements (Zarko and Mihes 2012). At the same time, some agreements set lower coefficients and tariffs than stipulated by law and/or those provided for in sectoral agreements (Traub-Merz and Volynets 2018). According to the recent statistics on minimum tariff rates set by firm-level collective agreements compared to the statutory minimum wage and tariff rates set by sectoral agreements (table E3), a large share of employees covered by firm-level collective agreements work at enterprises where a minimum monthly tariff rate set by a firm-level collective agreement is lower than the statutory minimum wage.<sup>19</sup> There are also sectors, for example the manufacture of transport equipment and the manufacture of basic metals and fabricated metal products, where a minimum monthly tariff rate set by a firm-level collective agreement is lower than that provided for in the respective sectoral agreement. This points to non-compliance of some firms with the favourability principle.

### 3.3 Collective bargaining process and outcomes in metallurgy and construction

#### A brief description of valid sectoral agreements

Table 6. Sectoral agreements and bargaining process in metallurgy and construction provides basic information about valid sectoral agreements in metallurgy and construction.

The most recent sectoral agreement in metallurgy is the Sectoral Agreement on the Mining and Metallurgical Complex of Ukraine for 2011–2012. It was concluded in July 2011 on a tripartite basis – with (1) the Ministry for Industrial Policy of Ukraine and State Property Fund representing the government and employer in state-owned enterprises, (2) the Trade Union of Metal Workers and Miners representing workers<sup>20</sup> and (3) several associations of producers as well as large enterprises representing employers. The Federation of Metallurgists of Ukraine, i.e. the All-Ukrainian association of oblast-level employer organizations of the mining and metallurgy complex, which represents the party of employers in the current bargaining process, did not have a certificate about compliance with the representation criteria (covering at least five per cent of workers in the respective sector) when the recent agreement was concluded in 2011. The draft of the new sectoral agreement was prepared by the end of 2018, but the bargaining process was suspended in 2019 because of the opposing view of the main parties on the

<sup>19</sup> The top three sectors are manufacture of coke and refined petroleum products (64 per cent), manufacture of basic metals, fabricated metal products, except machinery and equipment (53.5 per cent), transportation and storage (47.8 per cent) (see table E3).

<sup>20</sup> The all-Ukrainian Trade Union of Metal Workers and Miners represents workers employed in mining and manufacture of coke, refractory, pipe, ferroalloy, secondary metals, non-ferrous and precious metals, as well as those employed in trade, repair, educational and scientific institutions that serve these industries. The union includes oblast-level unions in Dnipropetrovsk, Donetsk, Zaporizhia, Luhansk and Kharkiv oblasts, the city trade union for Kryvyi Rih city, about 300 primary organizations (firm-level unions) located in all regions of Ukraine, 2,260 guild organizations and 13,000 trade union groups. Overall, it counts about 550,000 trade union members. (<http://fpsu.org.ua/sajty-chlenskikh-organizatsij-2/2012-12-10-16-02-20/173-profesij-na-spilka-trudyashchikh-metallurgijnoji-i-girnichodobuvnoji-promislovosti-ukrajini.html>).

issue of validity of the sectoral agreement beyond termination date (after-effect): the Federation of Metallurgists of Ukraine representing employers insists on having the fixed-term agreement without automatic prolongation of its validity whereas the Trade Union of Metal Workers and Miners prefers to keep the possibility for after-effect.

Unlike metallurgy, the sectoral agreement in construction, named the Sectoral Agreement between the Ministry for Regional Development, Construction and Housing of Ukraine and the Trade Union of Workers of Construction and Building Materials Industry<sup>21</sup> for 2019–2020, is effective in 2020 without automatic after-effect.<sup>22</sup> It is concluded on a bilateral basis – between the central executive body (Ministry for Regional Development, Construction and Housing in 2018) and the trade union, i.e. without an employer organization that would represent private sector employers dominating in the sector.

**Table 6.** Sectoral agreements and bargaining process in metallurgy and construction

Indicator	Metallurgy	Construction
Period of the most recent valid agreement (registration date)	2011–2012 (July 2011)	2019–2020 (October 2018)
Title	Sectoral Agreement on the Mining and Metallurgical Complex of Ukraine	Sectoral Agreement between the Ministry for Regional Development, Construction and Housing of Ukraine and the Trade Union of Workers of Construction and Building Materials Industry
Signatory parties	<ul style="list-style-type: none"> <li>Ministry for Industrial Policy of Ukraine</li> <li>State Property Fund of Ukraine</li> <li>Association “Ukrkoks”, Association “Ukrtruboprom”, Ukrainian Association of Ferroalloys Producers, Association “Ukrvognetryv”</li> <li>JSC “Metinvest Holding”, Ukrainian enterprises of EVRAZ company, Interpipe Management Ltd.</li> <li>Trade Union of Metal Workers and Miners</li> </ul>	<ul style="list-style-type: none"> <li>Ministry for Regional Development, Construction and Housing of Ukraine</li> <li>Trade Union of Workers of Construction and Building Materials Industry</li> </ul>

<sup>21</sup> The all-Ukrainian Trade Union of Workers of Construction and Building Materials Industry includes 27 region-level trade unions with 386,000 members in total (<http://fpsu.org.ua/pro-fpu/chlenski-organizatsiji/vseukrajinski-galuzevi-prof-spilki/189-profesijna-spilka-pratsivnikiv-budivnitstva-i-promislovosti-budivelnikh-materialiv-ukrajini>)

<sup>22</sup> The work of bargaining parties on the sectoral agreement for the next period has been suspended during the COVID-19 quarantine. If the new sectoral agreement is not concluded in 2020, the validity of the current sectoral agreement will be automatically prolonged.

Indicator	Metallurgy	Construction
Content of the agreement (main sections)	<p>General provisions</p> <ol style="list-style-type: none"> <li>Promoting production development, ensuring productive employment, preventing bankruptcy of enterprises</li> <li>Remuneration and rationing of labour</li> <li>Working time and rest time</li> <li>Occupational safety and health of workers</li> <li>Social protection and meeting spiritual needs</li> <li>Work with youth</li> <li>Guarantees of the activity and respect for rights of trade unions</li> <li>Social partnership</li> <li>Control over implementation of the agreement</li> </ol>	<p>General provisions</p> <ol style="list-style-type: none"> <li>Promoting production development, ensuring productive and legal employment</li> <li>Remuneration and rationing of labour, guarantees of pay</li> <li>Occupational safety and health</li> <li>Conditions of work and rest</li> <li>Regulation of employment</li> <li>Social protection, guarantees and privileges</li> <li>Social partnership</li> <li>Guarantees of the activity of trade unions</li> </ol> <p>Final provisions</p>
Minimum monthly tariff rate for a Grade-1 worker	105% of the statutory minimum wage	231% of the subsistence minimum for work-able individuals
Range for minimum coefficients	From 1 to 2.91 of the minimum monthly tariff rate for a Grade-1 worker (6- and 8-grade scale on page 5, and Annex tables on pages 20–22 of the sectoral agreement)	From 1 to 6.63 of the minimum monthly tariff rate for a Grade-1 worker (Annex tables on pages 18–49 of the sectoral agreement)
The threshold for mass layoffs upon prior written notice (at least 3 months) and consultation with the sectoral trade union or its territorial unit	Over 10% of employees at enterprises with 1000 employees or larger	Over 3% of employees at once or 20% of total employment within a year
Main parties of the bargaining process in 2020	<ul style="list-style-type: none"> <li>Federation of Metallurgists of Ukraine</li> <li>Trade Union of Metal Workers and Miners</li> </ul>	<ul style="list-style-type: none"> <li>Ministry for Communities and Territories Development of Ukraine (a successor of the Ministry for Regional Development, Construction and Housing since reorganization in 2019)</li> <li>Trade Union of Workers of Construction and Building Materials Industry</li> </ul>

Source: Author's compilation based on respective sectoral agreements.

Zarko (2018) argues that some problems with the “representativeness” of trade unions or employer organizations at the sectoral level might arise due to inconsistencies in the name of all-Ukrainian trade unions and/or employer organizations because of a new classification of economic activities (based on NACE Rev.1 since 2005, and NACE Rev.2 since 2010) which replaced the Soviet-inherited general classification of branches of the national economy (ЗКГНГ). For example, the Trade Union of Workers of Construction and Building Materials Industry combines two very different sectors – construction (a whole section F that includes sectors 41–43) and manufacture of other non-metallic mineral products manufacturing (sector 23 in section C on manufacturing). The head of the above-mentioned trade union has supported this argument during an interview: there is currently no all-Ukrainian employer organization that would meet the representation criteria in both construction and manufacturing of construction materials, i.e. covering at least five per cent of workers in the broad sector.<sup>23</sup> Furthermore, there is no central executive body that would be a reliable social partner in the bargaining process at

<sup>23</sup> Such an employer organization existed in 2012–2017 before it was disqualified due to manipulation of data, and its certificate about meeting the representation criteria was revoked.

the sectoral level, especially after a recent reorganization of the Ministry for Regional Development, Construction and Housing into a part of the Ministry for Communities and Territories Development of Ukraine. For the same reason – inconsistency in the sectoral composition of the main actors of the bargaining process with the existing classification of economic activities in Ukraine – trade union representatives face difficulties in collecting reliable statistical information on wages, productivity and other economic indicators in the sector.

The other important difference between sectoral agreements in two sectors is that the agreement in construction does not include provisions on meeting spiritual needs of workers (i.e. cultural activities and active rest) and housing issues. Such provisions have been criticised because they do not relate to the regulations of labour relations and economic interests of workers and employers and remain unfulfilled (Zarko and Mihes 2012; Zarko 2018). Most likely, the sectoral agreement in construction has been concluded in line with recommendations of the ILO to remove such irrelevant provisions.

Moreover, a relatively recent sectoral agreement in construction links the minimum monthly tariff rate for a Grade-1 worker to the subsistence minimum for work-able individuals (see table 6), which is in line with the Law of Ukraine No 1774 signed on 6 December 2016.<sup>24</sup> In contrast, the sectoral agreement in metallurgy which dates back to 2011–2012 contradicts Law No 1774, which specifies that the minimum wage cannot be used as the basis for setting wages in collective agreements of all levels after it came into force.

One of the main procedural issues that concerns trade unions in both sectors is a lack of a formal procedure for extension of the sectoral agreement to the employers that have not signed the agreement or are not affiliated to a signatory employers' organization. As a consequence, the coverage of firms and their employees by the terms of a respective sectoral agreement is relatively low. For example, in construction where the agreement is signed without participation of private sector employers, only 32.7 per cent of all employees on payroll work at enterprises where a minimum monthly tariff rate is set by agreements at both levels (firm and sector), compared to 43.4 per cent of employees at enterprises where such a tariff is set by a firm-level agreement only (table E3). The respective rates in metallurgy (manufacture of basic metals, fabricated metal products, except machinery and equipment) are much higher – 73.9 and 82.2 per cent. Yet, 11.3 per cent of employees work at metallurgical enterprises where a minimum monthly tariff rate set by a firm-level agreement is lower than the minimum rate set in the sectoral agreement (table E3).

This suggests that the wage-related terms of the sectoral agreement are not met at some enterprises belonging to the sector. A minimum floor on pay, working hours, occupational safety and other terms of employment are not followed by firms that are not members of the contracting parties. This is a serious problem mentioned by representatives of trade unions in both metallurgy and construction. In the opinion of the head of Trade Union of Workers of Construction and Building Materials Industry, non-coverage of many employers in construction by the terms of the sectoral agreement leads to inequality in terms of earnings<sup>25</sup> and job quality among employees performing similar tasks. In addition, this undermines the fair competition of firms within the sector as they incur different labour costs depending on their participation in negotiating the sectoral agreement.<sup>26</sup> The Trade Union of Workers of Construction and Building Materials Industry raised the issue of extension arrangements during recent negotiations, referring to section about wage bargaining of the Law on Remuneration of Labour, but this suggestion has been ignored regularly by employers and central authorities.

### The use of labour market and economic indicators in the bargaining process

Since the primary targets of collective bargaining at all levels are wages and employment conditions, parties to the bargaining process in Ukraine devote a lot of attention to setting the minimum monthly tariff rate for a Grade-1 worker and a set of coefficients and tariffs for all other workers, neglecting many other aspects potentially crucial for workers' well-being. Like in the national-level negotiations about the statutory minimum wage, the main issue in sector-level wage bargaining is whether minimum wages to be paid in the sector cover the minimum living costs of workers and therefore help avoid working poverty.

<sup>24</sup> <https://zakon.rada.gov.ua/laws/show/1774-19#Text>

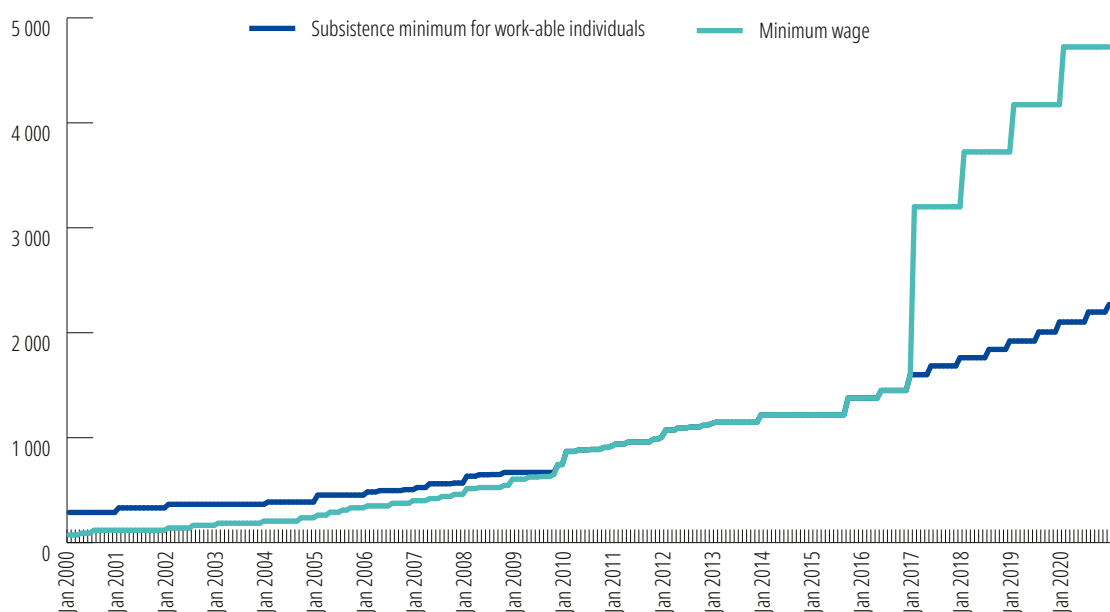
<sup>25</sup> Due to data limitations – lack of reliable individual-level data on earnings of employees depending on their coverage by collective agreements, there is no any evidence about the bargaining wage premium in Ukraine. The empirical analysis of individual earnings based on the Ukrainian Longitudinal Monitoring Survey Trade in 2003 and 2004 finds that the trade union membership impact on wage levels is insignificant if all sectors of the Ukrainian economy are considered and somewhat significant only for workers at the lowest end of the earnings scale and those working in manufacturing and mining (World Bank 2005).

<sup>26</sup> The studies reviewing the effects of collective bargaining institutions point out that extension provisions may be used by large incumbent firms as an anticompetitive tool against non-signatory firms to raise rivals' costs or increase entry barriers (Haucap et al. 2001; Visser 2013; Addison 2016; OECD 2019).

A subsistence minimum as a measure of such costs is calculated as consumer expenditures on a predetermined basket of consumer goods needed for subsistence. The level of subsistence minimum for work-able individuals is used as a reference point to set minimum wages and estimate the purchasing power of average wages. It is regularly approved by parliament within the Law on State Budget for the next year. There is a lot of criticism of the statutory subsistence minimum as it is well below the poverty line due to an outdated basket of consumer goods. For this reason, alternative measure – so-called actual subsistence minimum calculated by the Ministry of Social Policy – is often used by social partners, along with the level fixed by parliament.

According to the Ukrainian legislation, the minimum monthly wage should be at least at the subsistence minimum level for work-able individuals. As figure 10 shows, before November 2009 the statutory minimum wage was lower than subsistence minimum for work-able individuals, then these two measures were the same until the central government decided to double the minimum wage in January 2017.

**Figure 10.** Statutory monthly wage and subsistence minimum for work-able individuals (UAH), 2000–2020



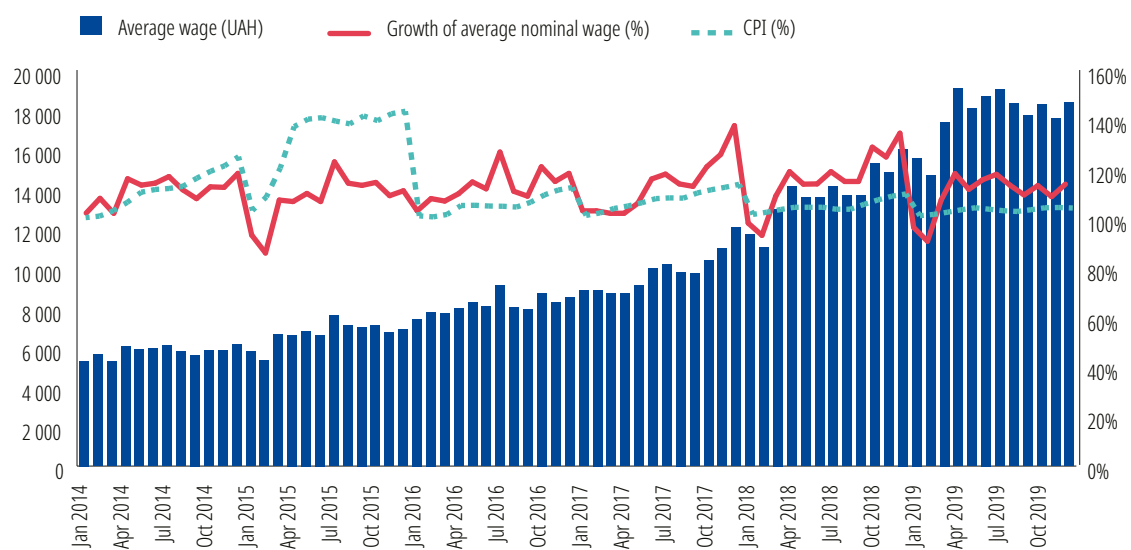
Source: Author's compilation based on the online resources for accountants.

The statutory minimum wage is supposed to act as a floor for wages paid to the lowest grade workers. In sectors with sectoral agreements signed before 2017 (when Law No 1774 came into force) such as metallurgy, the minimum monthly tariff rate for a Grade-1 worker is related to the minimum wage. According to the sectoral agreement in metallurgy for 2011–2012 (still in force), it is 105 per cent of the minimum wage, and 125 per cent of the minimum wage in the draft agreement discussed at the end of 2018. In contrast, the sectoral agreement in construction uses a subsistence minimum for work-able individuals as a reference point (table 6). The negotiated proportion – 231 per cent – is taken in view of the ratio between the minimum wage and subsistence minimum in 2018 (200–210 per cent) and indexation for inflation expected in the next period.

As wages of all other categories of workers covered by sector- and firm-level agreements are fixed through a multiplier of the minimum monthly tariff rate for a Grade-1 worker, employers simply wait for the annual adjustment of the minimum wage and subsistence minimum by the central authorities (government and parliament). Trade unions try to influence wage setting at the central level through their active participation in discussion of the projected minimum wage adjustment with the central government. Therefore, not much wage bargaining takes place at the sectoral and firm levels between bargaining parties after the agreement on the minimum monthly tariff rate for a Grade-1 worker and a set of coefficients and tariffs for higher-grade workers being reached once every two or more years. In other words, minimum wage setting at the national level is the driving force, pushing up wages for most employees in Ukraine, and not collective bargaining. The role of collective bargaining parties is mainly to guarantee that the minimum wage increase translates into wage increases for workers at all levels.

According to both negotiating parties in metallurgy (Federation of Metallurgists and Trade Union of Metal Workers and Miners), wages actually paid to workers were higher than negotiated wages (**wage drift**), as export-oriented firms that faced favourable external conditions before a downturn in the end of 2019 and beginning of 2020 were able to pay wages far above the minimum rates set in collective agreements. Moreover, these firms have been interested in a substantial increase of wages for skilled metal workers in the face of growing competition for talent from Ukraine with producers in Germany, Poland and other countries. After a careful analysis of average wages of metal workers performing similar tasks in Ukraine and Poland and the elaborated plan for achieving the same level of wages in Ukraine as in Poland, many firms increased wages individually without objections from firm-level trade unions. Figure 11 reveals a steady increase in actual average wages in metallurgy,<sup>27</sup> with a growth rate in nominal wages exceeding the consumer price index (CPI) in most months of the six-year period.

**Figure 11.** Average monthly wages in metallurgy (UAH, left axis and their growth rate vs. CPI per cent, right axis), 2014–2019\*



**Source:** Monthly reports on wages and employment in metallurgy (includes manufacture of metal basic metals and fabricated metal products and mining of metal ores) prepared by the Federation of Metallurgists of Ukraine.

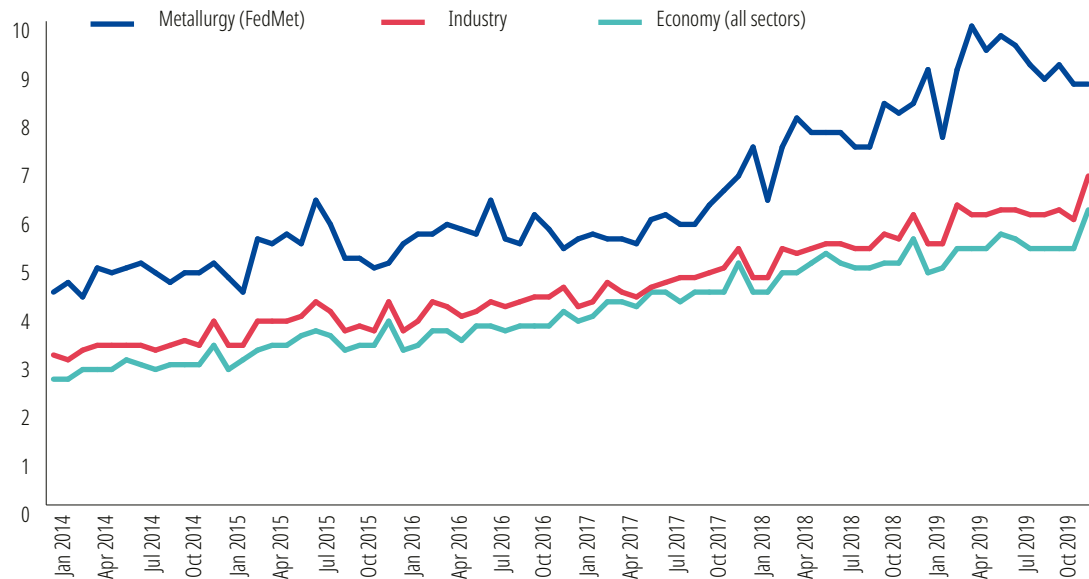
**Note:** \* The growth rate of average wages and CPI are relative to the average wage/prices in December of the previous year. Only enterprises that are members of the Federation of Metallurgists of Ukraine are covered.

Average monthly wages in metallurgy are higher than average wages in industry and the Ukrainian economy as a whole. Moreover, they are almost nine times higher than the statutory subsistence minimum for work-able individuals in 2019 (figure 12).

<sup>27</sup> Data on negotiated wages are not available because the parties of the bargaining process negotiate only on the base salary (the minimum monthly tariff rate for a Grade-1 worker and a set of coefficients and tariffs for other workers) and premiums/supplements as a percentage of those base salaries.



**Figure 12.** Purchasing power of average monthly wages in metallurgy, industry and the Ukrainian economy, 2014–2019\*



**Source:** Monthly reports on wages and employment in metallurgy (includes manufacture of metal basic metals and fabricated metal products and mining of metal ores) prepared by the Federation of Metallurgists of Ukraine.

**Note:** \* The purchasing power is defined as a ratio of average monthly wages in metallurgy/industry/the Ukrainian economy to the statutory subsistence minimum for work-able individuals. Only enterprises that are members of the Federation of Metallurgists of Ukraine are covered in statistics about wages in metallurgy.

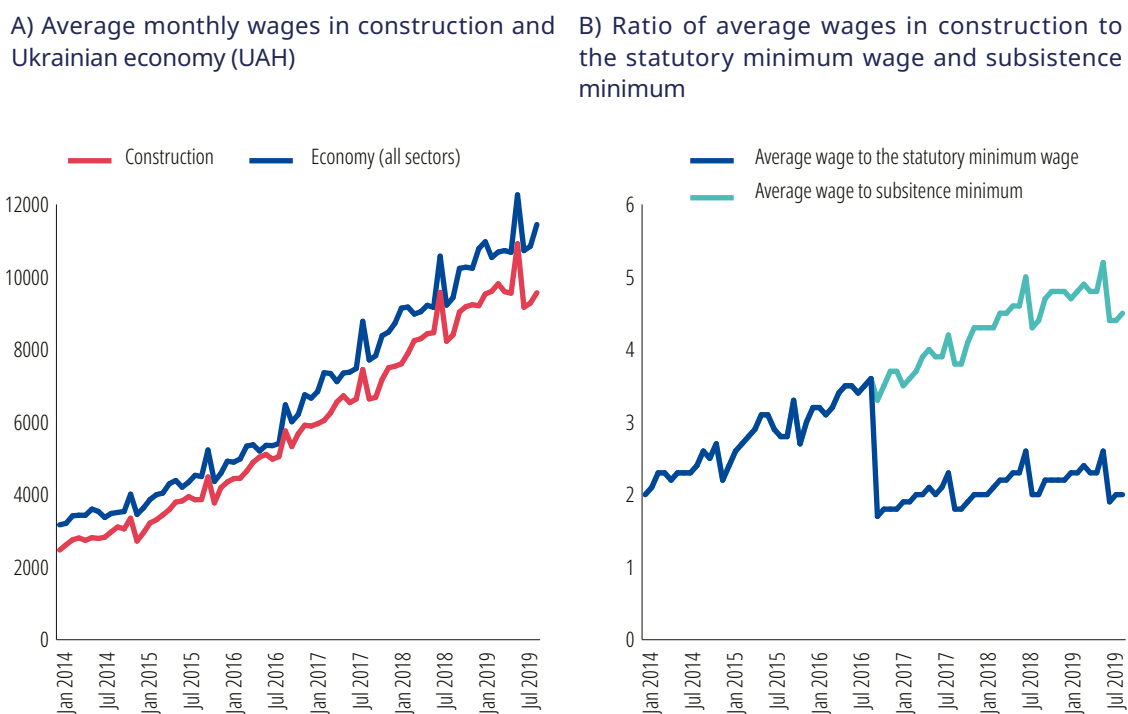
The Trade Union of Metal Workers and Miners performs its own analysis based on statistics on average wages at the firm- and sector-level (in local currency and in US\$) and the ratio of average wages to the minimum wage, statutory subsistence minimum and its alternative estimate from the Ministry of Social Policy. This analysis is used not only for negotiations of wage rates with employers before conclusion of a new agreement or revision of an pre-existing one but also for monitoring the meeting of the terms of valid agreements (at sector- and firm- levels) by employers. According to the law, a trade union has a right to demand and obtain from company managers all documents and information related to the terms of labour compensation and other provisions of collective agreements. In reality, trade unions are able to get only some information in an aggregated form (e.g. average wages in a given occupational group). Therefore, they use complaints from workers about non-compliance of employers with the established terms of labour compensation as an additional source of information in the monitoring process.

Unlike metallurgy, employers in construction perceive the minimum monthly tariff rate for a Grade-1 worker and rates for other workers envisaged in the sectoral agreement (concluded between the Trade Union of Workers of Construction and Building Materials Industry and the Ministry for Regional Development, Construction and Housing of Ukraine) as high. Therefore, they refuse to accept wage rates negotiated in the sectoral agreement that has been concluded without representatives of their interests. Despite the efforts of the Trade Union of Workers of Construction and Building Materials Industry to make the terms of the agreement generally binding for all firms in construction and the manufacture of construction materials, non-compliance to wage floors fixed by collective agreements remains. As a consequence, actual wages in the sector remain relatively low, pushing Ukrainian construction workers to work in Poland and other countries (according to the Trade Union of Workers of Construction and Building Materials Industry). When the pool of available skilled workers in Ukraine shrinks, all employers in construction have little choice but to increase wages. Hence, due to the weakness of the unions and/or employers' associations, market forces appear to be more influential in pushing up wages in construction than collective bargaining.

The analysis of data on wages from the State Statistics Service of Ukraine (the trade union did not provide any data on wages and other indicators) shows that average wages in main construction increased in nominal terms over 2014–2020 following the trend of the national average wage (figure 13). Average wages in construction are twice as high as the statutory minimum wage, meaning that they are above the minimum tariffs fixed in the sectoral agreement. Furthermore, actual wages received by construction workers are expected to be higher than those shown in figure 13. This is because statistics reported by

the State Statistics Service of Ukraine do not include so-called “envelope” wages (undeclared wages) often paid to employees of small and medium-sized enterprises above the declared wage (which is usually slightly above the statutory minimum wage). In addition, it does not cover wages paid to all workers in the informal sector and to workers of microenterprises (below 10 employees) and private entrepreneurs in the formal sector.<sup>28</sup>

**Figure 13.** Average monthly wages in construction and their ratio to the statutory minimum wage and subsistence minimum, January 2014–March 2020



**Source:** Author’s calculations based on the data from the State Statistics Service of Ukraine on average monthly wages by sector (online statistics) and on the data on the statutory minimum wage and subsistence minimum for work-able individuals.

Representatives of trade unions also mentioned issues of labour productivity and intensity, labour share and working hours (often a comparison of Ukraine to some other countries) as useful during sector-level negotiations. But there is no hard evidence on how exactly these indicators are measured and how they are used by trade unions during negotiations with sector-level employer organizations. One of the explanations is that trade unions do not have access to the full information about the economic and financial performance of enterprises belonging to the sector despite the legal right of firm-level trade unions to have access to firm-level information related to the terms of labour compensation and other provisions of the collective bargaining agreements and labour legislation. Therefore, trade unions negotiate wages and other working conditions without a prior analysis of the full set of relevant economic and financial indicators at the local and sectoral levels.

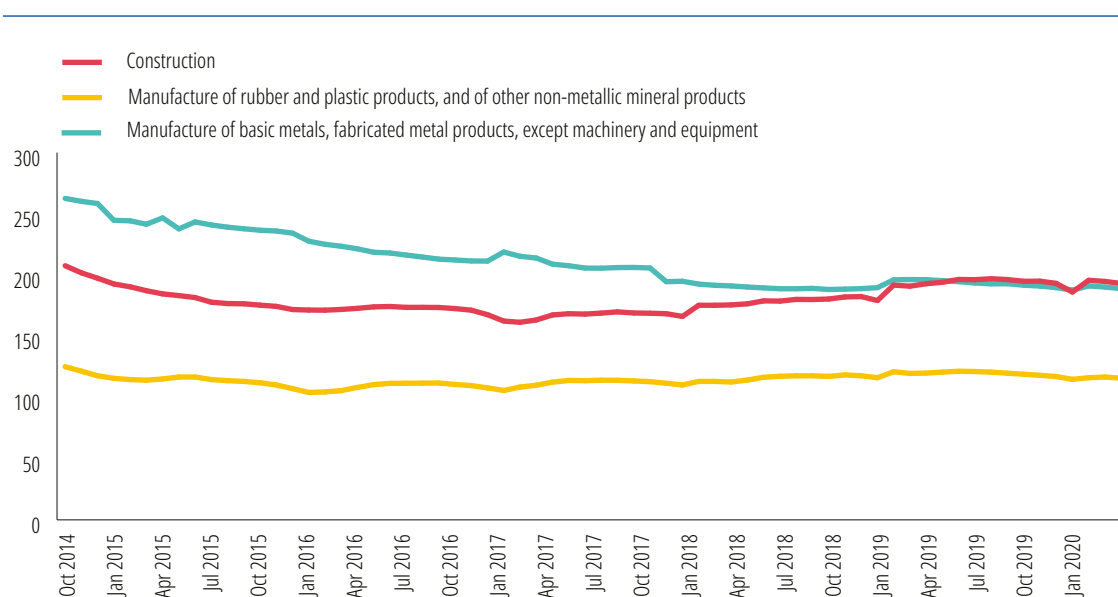
From discussions with representatives of trade unions in two sectors, it follows that such important issues as the trade-off between regular wage increases and employment and the link between productivity and wage increases are not raised during sectoral negotiations. This is partly because trade unions do not have much power in sector-level wage setting and they mainly rely on the state that sets the minimum wage and subsistence minimum levels. Besides, trade unions understand, at least in metallurgy, that in order to persuade employers to increase wages and to improve working conditions of workers (the main interest of trade unions), labour efficiency and productivity should be improved. Metallurgical companies in Ukraine achieve increases in labour efficiency and productivity by adopting new labour-saving technologies, by increasing physical capital per worker, by replacing a large number of lower-skilled workers (often redundant) with a smaller number of higher-skilled workers and

<sup>28</sup> According to the Labour Force Survey data in 2019, about 588,000 individuals aged 15–70 years worked in construction informally (predominantly in informal sector units).

by outsourcing non-core activities. Sectoral-level agreements set the threshold for one-time layoffs – ten per cent of total employment in metallurgy and three per cent in construction when prior written notice (at least three months) and consultation with the sectoral trade union or its territorial unit are required (see table 6). By offering an attractive severance package and/or a workable plan of retraining and re-employment of dismissed workers, employers are very likely to get trade union consent for layoffs.

The actual effect of wage increases on employment should be carefully studied with the use of firm-level data and controlling for the effect of output changes and many other firm- and sector-specific variables.<sup>29</sup> A quick look at changes in the average listed number of staff employees in sectors covered by this study (figure 14) suggests that a steady decline in formal sector employment in metallurgy might be a sign of employment adjustment to output decline in many product groups (see table E4).

**Figure 14.** Average listed number of staff employees in construction, manufacture of construction materials and manufacture of metals and metal products, October 2014–March 2020\*



Source: State Statistics Service of Ukraine (online statistics in 2017–2020 and monthly bulletins on wage employment before 2017).

Note: Data do not cover temporarily occupied territories of Ukraine in Crimea and Donbas. Available data before October 2014 are not directly comparable because of changes in the territory controlled by the Ukrainian government.

Over the same period, formal sector employment in construction and manufacture of construction materials has not changed significantly. This is partly because employers adapt to centrally-set and/or negotiated wage increases by redistributing shares between declared and undeclared parts of total compensation (for formally employed workers) and by using informal workers in peak seasons. The evolution of formal sector employment in main construction (figure 14) mirrors changes in the output of residential and non-residential buildings and engineering structures in 2014–2019, with a substantial decline in 2014 and 2015 followed by recovery in 2016–2019 (see table E5).

To sum up, the bargaining parties in Ukraine focus predominantly on the issues of basic needs of workers, the minimum consumption expenditures (a proxy of the poverty threshold measured by the statutory and alternative levels of subsistence minimum) and consumer price developments (measured by CPI) with the primary objective to ensure decent wages paid to workers and their timely indexation to increases in living costs. After negotiating the wage rates suggested by trade unions, employer organizations agree with them (or somewhat lower rates), especially in cases of positive expectations regarding output, investment, productivity, labour costs and financial performance of their members in the future. This information is analysed predominantly by the employers' side because trade unions usually do not have

<sup>29</sup> The evaluation of the industry-specific minimum wages in Germany finds that some companies dismissed workers or even had to close because low-cost production models became unviable. However, there was no dis-employment effect at the sectoral level since the more productive firms employed more workers (Bosch 2019b).

access to such information.<sup>30</sup> Due to the wage rigidity embedded in the Ukrainian bargaining system, firms tend to use other margins of adjustment to demand shocks, including changes in employment and/or in working hours, bonuses and non-wage benefits for existing employees. National issues of taxation and social security contributions, prospects of economic growth (GDP) in Ukraine and its main drivers, investment and international trade, unemployment and addressing the needs of disadvantaged workers (e.g. women, youth, older workers, ethnic minorities, IDPs) are usually beyond the scope of sector-level negotiations. The issues of dual education in cooperation with vocational schools, mentorship, on-the-job training and regular upgrading of skills (at least once in five years) are just mentioned in the sectoral agreements among obligations of employers, with the details to be specified in firm-level collective agreements.

### Response of social partners to challenges related to the COVID-19 pandemic

The central government of Ukraine announced nationwide quarantine measures to prevent the spread of COVID-19 on 11 March 2020, with more restrictions since 17 March and then on 6 April. Recommendations for enterprises and employers aimed at preventing the spread of COVID-19 which were developed by the Ministry of Health of Ukraine on 23 March 2020 and disseminated by the All-Ukrainian Federation of Trade Unions<sup>31</sup> include provisions about the possibility of working from home for employees and providing vacation for self-isolation, the obligation to clean and periodically sanitise workplaces, the availability of detergents, disinfecting gel and disposable towels in toilets at the workplace, specific provisions when a worker with symptoms is detected at the workplace, use of face masks and physical distancing, and the reorganization of work and production units in order to reduce contacts among workers as much as possible.

According to representatives of sectoral trade unions in metallurgy and construction and the head of the employer organization in metallurgy, most of these restrictions did not directly affect activities of enterprises in metallurgy and construction from March to May 2020, apart from a ban on intercity and interregional transportation services and a very limited access to local public transport (essential personnel with passes only).<sup>32</sup> As all containment measures are regulated at the central or regional level, social partners at the sectoral level mainly monitor the evolving situation and try to solve emerging problems on the basis of complaints from firm-level trade unions or employers. For instance, in view of the transport problems faced by commuting workers to a large metallurgical plant in Donetsk oblast, the sectoral organization of employers negotiated with the Ministry of Infrastructure and the state-owned railway monopoly "Ukrzaliznytsia" about the possibility to allow the operation of a dedicated local passenger train in April 2020. However, these negotiations failed because the suggested price for a two-way trip was far too high compared to the pre-quarantine period and stops at villages where many workers live along the route remained banned. Another example is from construction: after receiving complaints from workers about transportation problems in large cities such as Lviv or Kyiv, sectoral trade union in construction raised the issue publicly but there was no universal agreement with employers. Some employers solved the issue at the firm level, for example compensating workers for expenses incurred using taxi services to get to/from a construction site. However, many construction workers needed to adjust to the transportation problem themselves by sharing the costs for a fare or cycling. It should be noted that many firms in metallurgy and some firms in construction provide transportation for their workers on a regular basis, so transport restrictions related to the COVID-19 pandemic have not significantly affected their activity.

Other measures at the workplace, such as fever measurement and specific entrance procedures, use of face masks and disinfecting gel, cleaning and periodical sanitisation of workplaces, organization of work and rest to reduce contacts among workers (whenever possible, including canteens and company transport), specific provisions in contact tracing in case a worker displays symptoms or comes into contact with an infected person, have been fully supported by both bargaining parties and did not need additional negotiations.

In rare cases, small firms in construction or metallurgy were unable to address rising costs due to various containment measures and shutdowns, dismissing informal workers and sending formally employed workers to the Public Employment Service to register for temporary unemployment compensation. Larger and more competitive companies adjust to a temporary downturn related to the COVID-19

<sup>30</sup> Available administrative statistics at the sectoral level in Ukraine do not cover some important indicators such as financial performance, investment, labour productivity and unit labour costs. Statistics on employment or output is available but it is of limited use by trade unions in sectoral negotiations because of the inconsistency of sector names in administrative statistics and in sectoral agreements (explained in the text above).

<sup>31</sup> <http://www.fpsu.org.ua/materialy/18109-rekomendatsiji-moz-dlya-zapobigannya-poshirennyu-covid-19.html>.

<sup>32</sup> <https://www.kmu.gov.ua/en/news/uryad-prijnyav-rishennya-pro-zaboronu-pasazhirskih-perevezhen-ta-obmezhhiv-kilkist-uchasnikiv-masovih-zahodiv-10-osobami>

pandemic through (1) the use of a downtime mechanism (*npocmiŭ*) specified in the sectoral and firm-level agreements with at least of two thirds of salary paid, (2) shortened working hours, unpaid administrative leave or paid regular leave, and (3) remote work of white-collar workers. Overall, representatives of the sectoral trade union and employer organization in metallurgy were quite optimistic about the actual effects of the quarantine measures in Ukraine and abroad on economic and social indicators in their sector as of March and April 2020 (“much better outcomes than expected before”). According to a representative of the sectoral trade union in construction, there are no signs of the negative effect of the COVID-19 pandemic and containment measures on the economic and financial performance of the construction sector at the time of writing, but a decline in residential construction (the main driver of the construction sector in Ukraine) is expected soon amid a reduction in the real disposable income of Ukrainian households.

According to the survey conducted by the Confederation of Builders of Ukraine (a business association of over 700 building companies and developers) in May 2020, 56.4 per cent of companies did not stop construction work, 23.1 per cent stopped operations for a few days, while 10.3 per cent of companies stopped full operations and resumed work only by the end of May.<sup>33</sup> The majority of companies also said that they postponed all new projects and only quarter of companies continued construction according to schedule. As a result, over a quarter of companies reported that they laid off workers due to the lockdown, and 7.7 per cent of companies laid off more than half of their workers. 15.4 per cent of companies reported that they had sent their workers on unpaid leave and 5.1 per cent said that they shortened working hours with a corresponding reduction of wages.

A comparison of the average listed number of staff employees and indicators of involuntary underemployment in the first quarter of 2019 and 2020 provided by the State Statistics Service of Ukraine (see table E6) suggests a substantial increase in the number of workers on unpaid leave and shortened working hours for economic reasons in many sectors of the Ukrainian economy, most likely due to COVID-19-related restrictions. In addition, the number of staff employees declined in many sectors including manufacture of other non-metallic mineral products and manufacture of basic metals and fabricated metal products but not in construction, trade, accommodation and food service activities, financial activities and some other sectors. However, some employment gains in the first quarter of 2020 can be reversed into substantial job losses in the subsequent quarters. Hence, trade unions, employer organizations and the government should work together to protect workers at risk of job losses and/or income while ensuring their safety at work.

<sup>33</sup> [https://www.bwint.org/cms/news-72/ukrainian-construction-workers-suffer-from-massive-job-and-income-losses-1871?fbclid=IwAR061sfkq4HqDUfDjd602j6FrUAQUColDncFIiK8cckG2dOnezU\\_tEdPRp8](https://www.bwint.org/cms/news-72/ukrainian-construction-workers-suffer-from-massive-job-and-income-losses-1871?fbclid=IwAR061sfkq4HqDUfDjd602j6FrUAQUColDncFIiK8cckG2dOnezU_tEdPRp8)

## 3.4 Conclusions

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The Ukrainian collective bargaining system can be defined as multi-level bargaining with a **three-tier regime** in which firm-level negotiations supplement sector- and/or region-level bargaining and national-level bargaining with centrally binding norms and social guarantees. The system is **predominantly centralized**, with a low degree of flexibility for firms to modify the terms set by state social guarantees and higher-level agreements, and almost **no temporary opening clauses** in cases of economic hardship.

The national-level and sectoral agreements in Ukraine are usually concluded for two to four years but their validity is automatically extended until a new agreement has been concluded ("**after-effect**"). The General Agreement (national level) and sectoral agreements are overloaded with general provisions that do not need regular updating and mostly reiterate the law with respect to social guarantees and workers' protection.

**Bargaining coverage** is relatively high in traditional sectors with high trade union density and larger enterprises (mining and utilities, manufacturing and public services), but it is **low and declining in modern sectors** which have contributed the most to job creation and economic growth since 2000. There is **no extension** of a collective agreement at the sectoral level to employers that have not signed the agreement or are not affiliated to an employers' organization which signed the agreement.

**The horizontal coordination** of bargaining behaviour and outcomes across bargaining units is **largely absent**. **State-guided vertical coordination** via binding minimum wages and indexation rules leads to strong rigidities in wages, with little room for bargaining parties to tailor wages to a specific sector, region or firm when taking into account firm-level productivity and competitiveness. These rigidities can significantly constrain labour market reallocation and flexibility while reducing incentives for workers to work hard due to a more compressed wage structure.

Following the taxonomy of collective bargaining systems suggested by the OECD (2019a), we define the Ukrainian collective bargaining system as a **predominantly centralized and weakly coordinated collective bargaining system**. The similar system is observed in France, Iceland, Italy, Portugal, Slovenia, Spain and Switzerland.

The OECD (2019a) performed an exhaustive empirical analysis of labour market outcomes under different collective bargaining systems, while controlling for the level of bargaining coverage, the characteristics of the workforce, institutional variables (tax wedge, product market regulation, employment protection legislation, ratio of minimum wage to median wage and gross unemployment benefit replacement rate), country fixed effects and year dummies, using country-level data on labour market outcomes for 35 OECD countries between 1980 and 2016. The study finds that a predominantly centralized and weakly coordinated system is associated with a higher employment rate, a lower unemployment rate for youth, a higher incidence of voluntary part-time employment and a lower wage inequality for full-time employees, relative to a fully decentralized system. However, the labour market outcomes of this system are less impressive compared to organized, decentralized and coordinated collective bargaining systems, which are observed in Austria, Denmark, Germany, the Netherlands, Norway and Sweden.

The collective bargaining process in Ukraine is not based on an analysis of specific economic and labour market indicators, except for minimum consumption expenditures (measured by the statutory and alternative levels of subsistence minimum) and consumer price developments (measured by CPI) to ensure decent wages, their indexation to increases in living costs and their timely payment (i.e. avoiding wage arrears). Other important indicators such as working hours, labour productivity, training of workers, economic and financial performance of firms in a given sector, taxation of labour and social security contributions, and current and future (projected) macroeconomic conditions are not used in the sector-level bargaining process. Instead, much time is devoted to discussion of procedural issues such as the duration of an agreement, extension to non-signatory parties, grievance and arbitration procedures, union security clauses and management rights clauses among others.

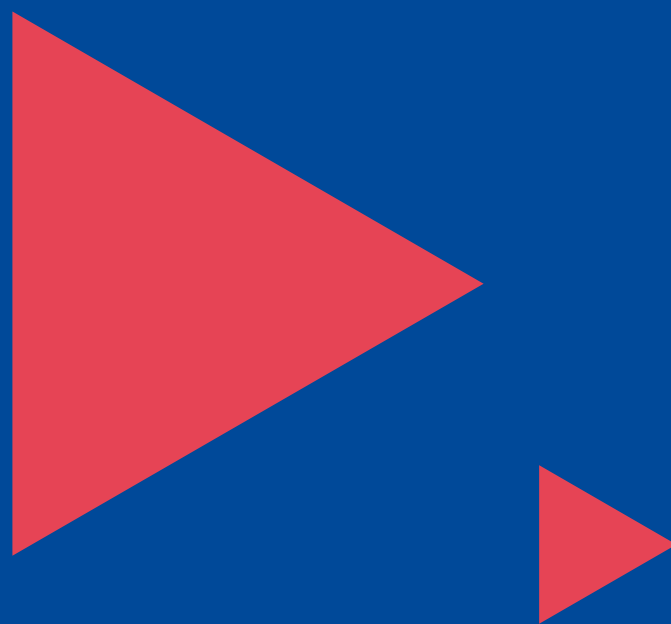


# ▶ 04

## ▶ Recommendations

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Before the formulation of the recommendations it is useful to summarize the most important insights from the two country studies and reflect on the difficulties and possibilities to learn from another country's experience.





## Problems of collective bargaining in Ukraine to be addressed in the recommendations

According to the OECD, the Ukrainian collective bargaining system falls in the group of predominantly centralized and weakly coordinated collective bargaining systems (OECD 2019a). Such a system is performing better than completely decentralized systems. However, the labour market outcomes of this system are less impressive compared to organized, decentralized and coordinated collective bargaining systems, which are observed in Austria, Denmark, Germany, the Netherlands, Norway and Sweden. Therefore, the reference point for our recommendations is a coordinated system with organized decentralization. The German case study is very helpful in this respect. It shows very clearly that coordination between industries and organized decentralization is only possible if the social partners are strong on all levels (central, sector, company/plant) and are able and are ready to act autonomously on all these levels.

Coordinated collective bargaining systems require sectoral bargaining. Otherwise collective bargaining does not have any aggregate effects on all companies in an industry. By international standards the average coverage by collective agreements at around 73 per cent is quite high in Ukraine. In most industries sectoral bargaining is dominant. But strong signs of a fragmentation of the system are visible since the coverage varies from a very high level (over 90 per cent in mining and quarrying and electricity, gas, steam and air conditioning supply) to a very low level of 27 per cent in accommodation and food service activities. In a sector with a very low level of coverage social partners cannot set labour standards across the industry and collective bargaining is also too weak to contribute to a modernization of the sector.

The favourability principle and the after-effect guarantees the necessary basic institutional stability like in the case of all coordinated systems. The abolition of the favourability principle and the after-effect would create exit-options from collective bargaining for employers. Historical examples (UK and Greece) show that these exit-options are used and sectoral bargaining is weakened or even disappears.

The importance of collective bargaining for setting adequate sectoral labour standards in Ukraine, however, is undermined by a deadlock in negotiations in many industries because social partners rely too much on the state. Therefore, the scope of collective agreements is limited and often outdated. The sectoral agreements often contain only traditional bread and butter issues and innovative agreements on new issues like working time flexibility, vocational training for young people, re-training in connection with structural change, productivity increases, the inclusion of vulnerable groups and so on are missing. The minimum wage – and not collective agreement – is the most important driver for wage increases. The monthly wage of a Grade-1 employee is near the minimum wage and if the minimum wage is increased then the salaries of all other workers are increased according to the negotiated wage grid (a set of coefficients and tariffs). In many other areas collective agreements are not setting their own norms but often only repeat already existing labour and social laws.

In addition, sectoral agreements often are not enforced. The legal sanctions<sup>34</sup> against non-compliance seem not to be sufficiently used to act as a deterrent. Widespread non-compliance that is not effectively monitored and sanctioned is a type of “wild decentralization”. Non-compliance seems to be a widely used and easily accessible exit-option from collective agreements, which reduces the commitment of many employers to organize in employers’ associations and to engage in collective negotiations.

The coordination between the levels of collective bargaining is weak and collective agreements are often not enforced at the company level. The unions are lacking channels of information on the violation of collective agreements as well as rights, resources and skills to improve enforcement.

Employers in Ukraine often see collective agreements only as obligations and not as benefits, and as a result they are uninterested in seeking representative status to engage actively in collective bargaining. Private companies have had an active role in anti-union activities. Meanwhile unions have had difficulties in adapting to a new role in a modern labour market. They are still too engaged in traditional culture and mass activities and too unfocused to tackle new issues. Even if the social dialogue on national and regional level functions on paper, the state remains uncommitted to develop it as a forum for socio-economic progress and does not show much interest in collective bargaining.

<sup>34</sup> According to the Administrative Code of Ukraine, the violation or non-fulfillment of a collective agreement entails the imposition of a fine from 50 to 100 non-taxable minimum incomes (article 41-2). The failure to provide information for collective bargaining to trade unions or other bodies authorized by the labor collective, representatives of labor collectives entails a much lower fine of one to five non-taxable minimum incomes (article 41-3) although this information is needed for the detection of a violation.

The institutional framework of Ukraine would allow, in principle, autonomous collective bargaining and a better coordination in many industries. The main obstacles to a better coordination and articulation of negotiations among different levels are:

- ▶ the absence of an explicit commitment by the government to develop collective bargaining as one of the main instruments to formulate and implement labour standards
- ▶ a lack of trust between social partners
- ▶ the fragmentation of the systems due to low coverage by collective agreements in some sectors and weak enforcement of sectoral agreements
- ▶ the weak representativeness of social partners, especially on the employers' side; only strong actors can take the risks which are always linked with innovations
- ▶ a lack of strong employee representation at the plant level which would help to establish mutual trust, improve compliance with collective agreements and labour laws and develop decentralized bargaining
- ▶ a lack of well-prepared and meaningful data and indicators on the social and economic development of the whole economy and its respective industries, plus a lack of analytical background studies on important issues that would inform social partners and the state and would encourage them to enter into negotiations on these issues
- ▶ a lack of skilled actors at the company/plant level like works councils in Germany or trade union delegates with their own resources like in Denmark or Sweden. Employee representatives seem to have insufficient access to detailed information on economic issues. Without such information they cannot be expected to discuss derogations from sectoral collective agreements.

The analysis has shown that the unsatisfactory role of collective bargaining in Ukraine does not only hinge on an insufficient formal institutional framework but also on the actors' related problems. Therefore, all recommendations to improve collective bargaining in Ukraine need to address both changes to the institutional framework and the problems encountered by social partners and the state.

### Learning from other countries

Recent research by the OECD (2018; 2019b) has clearly shown the advantages of the different types of coordinated collective bargaining compared to completely decentralized systems. The employment rates in countries with coordinated collective bargaining systems are higher and the unemployment rates lower than in countries with completely decentralized systems.

This research – as well as our two country studies – has not looked in detail at positive interactions between collective bargaining and other institutions and policies. It can, however, be assumed that such interactions play a very strong role. The high employment rates in countries with coordinated collective bargaining systems may be also the outcome of high investments in infrastructure, education, training, and research and development. Such policies help to create an innovative environment in which employers and trade unions are encouraged to support innovative policies through new types of collective agreements like in Germany or Scandinavia. This means that innovations in collective bargaining are mostly likely to happen if the environment is also innovative. Only then do social partners feel the necessary inspiration and encouragement to risk new approaches. A good example has been state-financed programs on the humanization of work in Scandinavia and in Germany. Over decades social partners learned from many company experiments in different industries how to improve working conditions and productivity at the same time. They also learned how to mitigate negative impacts of modernization in companies by upskilling employees. Another example from Germany is the modernization of the apprenticeship system. Already in the late 1960s the state delegated responsibility for the governance of the apprenticeship system to social partners. A mutual and continuous modernization of curricula, training of trainers and also sharing joint responsibility for external training centres in some industries like main construction helped both sides to agree to develop a common understanding of the new competencies that skilled workers needed in more decentralized forms of work. Therefore, apprenticeship training also became a main focus of collective bargaining in Germany.

The German case study also underlined the importance of trust. Collective negotiations often take place annually or biannually, and most of the time social partners remain very distant. In addition, most of the contact in collective bargaining is between full-time officials of both sides. With a strong participation of employees at the company and plant level through works councils (like in Germany) or trade union

delegates (like in Denmark or Sweden) regular contacts are institutionalized between the employers and employee representatives across the economy. If employee representatives have sufficient resources (time and skills, rights of information, consultation and codetermination) and skills, then they cannot be ignored. Both sides learn to cooperate, to respect each other and to understand their mutual interests. This has a strong impact on collective bargaining, since the employers' associations and the unions consult their members at the plant level before the start of collective negotiations. Ultimately, a vital company-level bargaining is the precondition of a better coordination between bargaining and the company and sector level.

Collective bargaining systems are social systems which are embedded in other institutions. Because of their historical legacy and country-specific interactions with other institutions, a collective bargaining system from other countries cannot be copied one to one. The same formal institutions and regulations would work and perform differently in another national context with different actors.

However, the broad literature on the varieties of capitalism (see for example Bosch et al. 2009) shows that learning from good examples is possible if they are adapted to the specific circumstances of another country and if at least some of the key actors support institutional change and are keen to take advantage of new opportunities to act. The literature also shows that institutional change and the learning of actors in a new framework takes time. Positive outcomes can often only be expected in the medium and long term.

Collective bargaining has political, economic and social functions at the same time, as the ILO underlines: "Collective bargaining is a key means through which employers and their organizations and trade unions can establish fair wages and working conditions. It also provides the basis for sound labour relations."<sup>35</sup> Free collective bargaining is a key pillar of democracies, it helps to improve the working and living conditions of employees, which as isolated individuals are too powerless in the labour market to get a fair share of productivity growth, and it can contribute to innovation and economic growth. Therefore, collective bargaining cannot be reduced to an economic variable which adjusts wages at the micro- and macroeconomic levels to the economic cycle. Collective bargaining is a social institution which, like other institutions, requires a stable institutional framework. Institutional reforms just to serve some short-term effects are counterproductive and may endanger the positive mid- and long-term outcomes of collective bargaining.

## Recommendations: Improvement of the collective bargaining system in Ukraine

### A. Revitalization of social dialogue at the national and industry level

To make collective bargaining meaningful it is necessary to improve social dialogue at the national and industry level. In today's Ukraine, such an improvement would only be possible if the state would show a strong commitment to strengthen social dialogue and would actively help social partners to overcome the present deadlock in negotiations.

Many other states have been confronted with a similar situation in the past. One of their answers was to actively support or revitalize social dialogue. A good example is the "Stichting van de Arbeid" (Labour Foundation) in the Netherlands, which was founded directly after the Second World War to engage social partners in the rebuilding of the country (box 2). Another example is the state-financed Korean Labour Institute which was founded after the end of dictatorship in 1988.

The SvdA is not a government-run organization and does not depend on the priorities of changing governments – at least as long as the governments do not challenge this institution in principle. It has a stable financial base and is independent. Social partners have used the chances for autonomous action and bargaining. Various governments have underlined their commitment to the mission of the SvdA by regular attendance at the board meetings, asking for advice and often using this advice in legislation. The very lean SvdA is, however, part of a dense net of negotiations, consultations and cooperation between the employers and trade unions as well as between the social partners and the state in the Netherlands (Salverda 2018) and which does not exist to the same extent in Ukraine. A perfect copy would not have the same outcome as in the country of origin.

What would be helpful is a foundation like in the Netherlands but enriched with some of the resources and rights of the Social and Economic Council. The capacity to set up industrial boards for important sectors and provide information also would be useful in order to have an impact on sectoral collective bargaining. In addition, enough resources to prepare the necessary information and in-depth analysis for social dialogue are needed.

35 <https://www.ilo.org/global/topics/collective-bargaining-labour-relations/lang--en/index.htm>

**Box 2. Stichting van de Arbeid (Labour Foundation, SvdA) in the Netherlands**

The Labour Foundation became the platform to promote social peace and balanced labour relations in the Netherlands:

- ▶ by stimulating consultation between employers and employees and between their organizations
- ▶ providing information and advice to employer and employee organizations making its views known to the government and possibly others
- ▶ conducting consultations with the government

The foundation has a board with an equal number of seats held by the employers' association and the trade unions and with two chairs: one on behalf of the employers and one on behalf of the employees, which exercise this function in turn. Although it is almost never necessary to vote, the articles of association stipulate that a valid resolution requires at least three quarters of the votes. If necessary, the board meets for consultation with a delegation from the cabinet, which it regularly does.

While the board only meets once a year, the so-called Agenda Committee (the former "Pay Commission") meets every month. This committee coordinates the work of the various working groups, prepares the meetings of the board and consults monthly with official staff of the Ministries of Social Affairs and Finance on topics that play a political role in the socio-economic field.

The Agenda Committee is also composed jointly: four members of the central employer organizations and four members of the central employee organizations. The chairmanship of the Agenda Committee also changes per calendar year. The actual work of the Foundation takes place in various working groups, each with its own area of activity. The working groups submit the results of their deliberations to the Agenda Committee, which takes a decision on this. Only in cases of very important subjects or if the Agenda Committee cannot come to an agreement is the final opinion left to the board.

The main function of the SvdA in the 1950s was to advise on wage developments in industry. The topics on the consultative agenda have increased considerably over time. Contemporary topics might include: pensions, training, sustainable employability, social security, working conditions, employment opportunities for groups distant from the labour market such as jobseekers with a migrant background, a work disability, young people and people over fifty, and combinations of work and care.

Achieving common views is a process of negotiation and therefore of "give and take". This requires all participants in the consultation to constantly ask themselves how far they can go in "adapting" their own point of view to the views of the other party.

Some highlights are the following agreements: 17 May 1982 – Wassenaar Agreement with recommendations on central aspects of wage and employment policy; 1993 – A new course: agenda for the 1994 collective bargaining agreement in the medium-term perspective; 1996 – Flexibility and security note: improving the position of temporary workers and flex workers; 2004 – Moderation of the planned government policy with regard to early retirement, pre-pension and life course; 2010/2011 – Pension agreement: raising the state pension and retirement age with flanking policy; 2013 – Social agreement: cabinet and social partners make agreements to combat the economic crisis with measures regarding employee insurance, more opportunities for people with disabilities, new dismissals and flex legislation.

The SvdA has its own secretariat and an annual budget of around €1.5 million (2014) per year. The employees of the foundation provide support for the working groups, the Agenda Committee and the board. The SvdA can draw on the work of the much bigger Social and Economic Council (*Sociaal-Economische Raad*, SER) which was set up in 1950 to advise the government on economic and social issues. The SER is a tripartite organization with equal representation of employers, trade unions and experts. The experts are nominated by the government. The SER has a budget of around €16 million per year. Until 2015 the SER could set up industrial boards as a forum for employers and employees to deal with key issues affecting their sector.

The SvdA is financed in two ways: one quarter directly by the participating central organizations of employers and employees and three quarters by a subsidy from the Social and Economic Council. The SER in turn is financed from the General Unemployment Fund to which employers pay the premium. In this way, the SER and the SvdA are not dependent on government subsidies.

**Recommendation 1:** *To provide a forum for social partners at the national and sectoral level a foundation should be created similar to the “Stichting van de Arbeid” in the Netherlands. The foundation should be managed by a board with equal seats for representatives of the employers’ organization and the trade unions. The mission of the foundation is to stimulate consultations and negotiations between social partners at the national and sectoral level as well as consultations between the state and social partners. The foundation has to be resourced sufficiently to support social dialogue with information and high-level in-depth analysis of important issues depending on the priorities of social partners. On the request of social partners the foundation can set up industrial boards for specific sectors. The foundation should be financed through a fixed percentage of the contributions to unemployment insurance.*

## **B. Integration of new issues in social dialogue**

The content in Ukrainian collective agreements is limited. Often existing laws are only rephrased. Obviously Ukraine’s social partners are hesitant to initiate and negotiate on new issues which are important in modern labour markets. If collective agreements are not continuously modernized and adapted to new needs of the companies as well as of the employees, then they will be outdated and lose their importance in shaping the human resource strategies of companies. Companies will then develop their own answers to important problems like further training, working time flexibility, pay structures including performance pay, equal pay between men and women as well as between permanent and different types of flexible workers among others. In this case social partners miss the chance for joint efforts to update their agreements and modernize their industries.

Innovative agreements in the German metal and construction industry on new wage structures, working time flexibility, apprenticeship training and further training show that agreements on these issues can be reached which are beneficial to both sides. Collective agreements from Scandinavia are also good examples of modern agreements. The 2018–2020 main agreement between Norwegian unions and employers’ organizations in manufacturing read like a textbook example of modern cooperative management styles.<sup>36</sup> Social partners agreed on many issues like competence development, equal opportunities or vocational training.

Such innovative agreements at the sectoral level support the dissemination of innovations in the whole sector including small and medium-sized companies which are advised by their employer organization on the implementation of new agreements and profit from the experience from more advanced companies. Deregulated markets cannot provide such broad effects. Such agreements also unburden the state from finding legal solutions which usually do not have the same quality since they are not adapted to the specifics of different industries.

In German core industries and in Scandinavian countries social partners are strong enough to develop such innovative agreements autonomously. In other countries like France where social partners are hesitant to expand the content of their agreements the state tries to be supportive. Therefore, French law on collective bargaining defines a list of topics that have to be covered in a collective agreement. This have-to-do list contains issues like night-shift supplements which should not be below 15 per cent or equal pay between men and women, and further training. In addition, the law defined a list about which social partners are obliged to negotiate, however, without any obligation to come to an agreement. This list also contains issues like working time flexibility, apprenticeship training or lifelong learning.

The Ukrainian law about collective agreements and contracts also contains lists of issues which have to be negotiated (article 7 and article 8). They are, however, very general, and important issues for the actual Ukrainian labour markets are missing.

<sup>36</sup> <https://www.norskindustri.no/siteassets/dokumenter/tariffavtaler/2018/industrioverenskomsten-2018-2020-engelsk.pdf>

**Recommendation 2:** *To support negotiations on new issues the state should extend the list of issues which have to be regulated by a collective agreement. We recommend to extend the content of collective agreements and include in Ukrainian law about collective agreements and contracts the following issues to be negotiated: (1) introduction or improvement of apprenticeship training, (2) retraining to improve productivity and/or to avoid dismissals or to facilitate the transition to other jobs outside the company, (3) flexible distribution of working hours over the year to meet the needs of employees as well as of employers, (4) avoidance of dismissals through work-sharing (including short-time work), retraining or transfers in the internal labour market, and a national or industry-wide levy-system to fund apprenticeships and/or further training.*

### C. Extension of collective agreements

Coordination of collective bargaining among industries is only possible if there is a high coverage by collective agreements in all industries. In a fragmented system with low coverage in some industries the degree of coordination is very limited. The scope of collective bargaining can be broadened with the help of the extension mechanism. In the literature on industrial relations (see for example: Traxler et al. 2001; Hayter and Weinberg 2011; Eurofound 2015; Braakmann und Brandl 2016; Brandl et al. 2018), the following advantages of the extension of collective agreements in sectors with a low coverage by collective agreement can be found. Collective agreements with a high coverage or a general applicability:

- ▶ create a level playing field for companies – they can invest in skills and retain employees by paying decent wages without being undercut by competitors who are not covered by a collective agreement
- ▶ direct the competition among companies from wage reductions to improvements to work organization and the productivity of production or services
- ▶ can help to modernize sectors, for example by agreements on working time flexibility or training which are then implemented on a large scale and not firm by firm.
- ▶ agreements on levy systems for apprentices, further training or occupational pensions and on jointly financed institutions like training centres can only be implemented with the *erga omnes* rule to avoid free-rider positions (like poaching of trained workers) or competitive disadvantages of the covered companies.

Because of concerns that “insiders” try to generalize their collective agreements at the expense of “outsiders”, in all countries the extension is conditional on defined procedures or additional criteria of representativeness of the bargaining partners or of public interest (ILO 2016). The procedures may require the involvement of other parties like a Tripartite Commission in Croatia or Switzerland, or the Central Bargaining Committee in Germany. The criteria of representativeness require a certain size of unions across the country (Bulgaria, Norway) or of employers (Spain), a certain percentage of votes in workplace elections (France, Luxembourg) or a certain percentage of coverage (Bulgaria 25 per cent, Finland, Germany, Portugal, Slovenia and Switzerland 50 per cent, the Netherlands 55 per cent). In modern labour markets with many SMEs, high shares of precarious employees and many subcontractors, it is increasingly difficult to reach the traditionally high thresholds of coverage. Therefore, some countries have lower thresholds (as mentioned Bulgaria with 25 per cent) or additional rules for sectors with less developed collective bargaining and lower representativeness. In these cases, extension is possible if there is a defined “public interest” like in Croatia, France, Germany and the Netherlands. In Norway a public interest is especially seen in sectors with high levels of foreign workers including posted workers, and in Switzerland in industries with a high turnover (such as hotel, tourism and services sectors), because strong evidence indicated that it was extremely difficult to develop autonomous collective bargaining in such industries.

The Ukrainian law already provides representativeness criteria for employers and unions and an *erga omnes* rule for workers within a company (see section 3.2) but not an extension mechanism for all companies within a sector. Because of the low coverage by collective agreements in some sectors, the introduction of extension rules for sectors are recommended.

**Recommendation 3:** *To support (a) the applicability of collective agreements across sectors and thereby (b) to create also room for new types of agreements (like on levy systems for apprentices or further training) which can be implemented only with extended agreements the introduction of extension rules in Ukrainian law is recommended. The extension of a sectoral agreement should be possible if already 25 per cent of the employees are covered or if an extension is in the public interest. The public interest is relevant (a) if the share of low wage earners is very high in an industry, (b) if the turnover in an industry is very high and prevents stable industrial relations, (c) if the social partners agree on issues of wider interests with positive spillover effects on the economy like agreements on apprenticeships or further training or (d) if it is needed to avoid cut-throat cost competition in an industry with negative impacts on innovation, training and investments.*

#### D. Training for collective negotiations

We identified a need to inform social partners with well-prepared and meaningful data and indicators on the social and economic development of the whole economy and the respective industries to prepare them for negotiations.

Social partners have a high responsibility if they set labour standards for whole industries. They need a deep understanding of socio-economic development and the impact of possible compromises in negotiations on the economy, the respective sector (including different types of companies in the sector) as well as on the working and living conditions of employees. In all developed countries social partners train their negotiators. In some cases even joint training takes place like at the ILO training centre in Turin.

The number of possible negotiators who have to be trained are augmented if collective bargaining takes place not only on the national and sectoral but also on the company level. In this case also managers, mainly Human Resource Managers, and employee representatives at the company level need to be trained.

**Recommendation 4:** *The state should support training of members of the social partners to prepare them for negotiations at different levels. The training should consider the social, political and micro- and macroeconomic economic functions and impacts of collective bargaining. The curricula should be developed in cooperation with the training centres of social partners in Germany and/or Denmark or Sweden and/or the ILO training centre in Turin. To promote negotiations at a company level a focal point should also be the training of employee and employer representatives at the company level. Employee representatives should be entitled to a paid leave of one week per year for this training.*

#### E. Improvement of workplace representation

Trust among social partners is crucial in a bargaining system that balances flexibility and labour market inclusiveness, mutual obligations and benefits (Addison 2016). The German experience would be useful in building trust in a relationship between bargaining parties at different levels (firm, sectoral and national). Strengthening social partnerships at a company level helps improve the coordination between sectoral- and plant-level collective bargaining and improve trust between the social partners at the same time.

According to the Ukrainian Law on Trade Unions, their Rights and Guarantees of Activity (*Vidomosti Verkhovnoi Rady Ukrainy, VVR*), trade unions have the right to “exercise public control over the payment of wages, compliance with labour and labour protection legislation, creation of safe and harm-free working conditions, proper production and sanitary conditions, provision of workers with overalls, footwear and other means of individual and collective protection” (article 21). They also have information rights, for according to article 22:

*If the employer plans to dismiss employees for economic, technological, structural or similar reasons or in connection with the liquidation, reorganization, change of ownership of the enterprise, institution, organization, they must in advance, not later than three months before the planned dismissals provide primary trade unions with information on these measures, including information on the reasons for subsequent redundancies, the number and categories of workers who may be affected, the timing of redundancies, and consultations with trade unions on measures to prevent redundancies or minimize or reduce their number.*

Article 38 defines the powers of the elected trade unionist at a company level. They have – among other rights – the rights to monitor the implementation of the collective agreement, to request the relevant bodies to prosecute officials for non-compliance with the terms of the collective agreement, to decide with the employer on the introduction, revision and change of labour standards, on the remuneration of employees of the enterprise, forms and systems of remuneration, rates, tariff grids and other wage issues, to decide on working hours and rest time, shift schedules and grants and to give permission for overtime work and work on weekends.

Compared to Germany (see box 3), in Denmark and Sweden<sup>37</sup> the rights to information and co-determination of trade union representatives at a company level are weak and declarative in character and the law seems not to offer a legally sufficiently well-protected and resourced system of interest representation.

<sup>37</sup> For details on the workplace representation in Denmark and Sweden see the database of the ETUI on workers participation: <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Denmark/Workplace-Representation>

The law does not provide trade union representatives at a company level with (a) minimum standards on the provision of sufficient resources (time off, paid leaves for training, financing of training costs, offices, resources for consultants) and (b) an easily accessible conciliation mechanism in case of disagreements. In addition, (c) decisive terms for the participation of a trade union like “decides together with the employer”, “participates”, “together with the employer solves” are not clearly defined.

### Box 3. The most important provisions of the German Works Constitution Act

**Protection:** Works councillors may be dismissed only under extraordinary circumstances (for example theft). Dismissal protection also applies to the members of the electoral board when works councils are being set up.

**Resources:** Works councillors have to be released from work as required in order to carry out their duties. In companies with 200 or more employees (300 before 2001), one works councillor is released completely from work. The number released from all work duties rises with the number of employees. Works councillors have the right to the resources they require in order to carry out their duties. Such resources include offices and secretarial assistance and, in large companies, specialist staff and access to professional advice. Companies must also pay the costs for further training relevant to their duties.

**Information, consultation and co-determination rights:** They have strong rights to access information on economic issues. They also have strong co-determination rights on social and personnel issues. For example, overtime can be scheduled only if they agree. They have the right to oppose redundancies or new appointments, for example if a redundancy could be avoided by transferring the employee or providing them with further training.

**Conciliation:** For settling differences of opinion between the employer and the works council a conciliation committee can be set up with equal representation of both the employers’ and the works council sides and with an independent chairperson. The conciliation committee shall act only if both sides so request or agree to its intervention. In such cases its award shall take the place of an agreement between the employer and the works council only if both sides have accepted the award in advance or accept it subsequently.

**Tools:** Works councils can conclude agreements with plant and company management pertaining to various working and employment conditions that fall outside the competence of the parties to collective bargaining. The individual employment contracts cannot undercut the working and employment conditions set out in company agreements.

**Recommendation 5:** *The practice of workplace representation and its linkages with sectoral bargaining in Ukraine should be evaluated and should be compared with best practice in Europe. Based on this evaluation the Law on Trade Unions, Their Rights and Guarantees of Activity (Vidomosti Verkhovnoi Rady Ukrainy) should be revised with the aim to improve the resources, information, consultation, participation and co-determination rights of trade union representatives at a company level.*

### Recommendations: Use of social and economic indicators in collective bargaining

In most countries with a developed collective bargaining culture social partners prepare their negotiations by analysing the past, present and expected future socio-economic development of the country and a particular sector. “Indicators are generally expected to enhance the rationality of policymaking and public debate by providing a supposedly more objective, robust, and reliable information base” (Lethonen 2015, 76). It is often written that indicators should “summarize or otherwise simplify relevant information, make visible or perceptible phenomena of interest, and quantify, measure, and communicate relevant information” (Gallopín 1996, 108).

Often the resources for an in-depth analysis are limited and the actors rely on trustworthy and reliable statistics mainly from official sources and on existing analytical studies. To avoid the selective use of



data, to overcome the lack of resources of social partners and also to challenge existing discourses, in some countries the state supports social partners by providing statistical information and necessary analytical studies. To increase the chance that this support is really used in practice, social partners should participate in the conceptual design of the studies and the selection of the statistical indicators in a neutral place modelled on the “Stichting van der Arbeid” (Foundation of Labour) in the Netherlands, the Korean Labour Institute or the Japan Institute for Labour Planning and Training.

In addition to analytical studies on specific issues (like training, working time flexibility, costs of living, innovation and so on), national- and sector-level collective negotiations are informed by statistical indicators. The broad international literature on the use of indicators in policymaking shows that the absence of explicit interpretations obviously does not imply neutrality or objectivity. The indicators need to give a complete picture of the past, present and future development. Hence, single indicators have a meaning only if their links with other indicators are understood and the complexities of socio-economic developments are not oversimplified. This does not mean that social partners may not rely on some key indicators. A good example is the rule of thumb in Germany for wage increases (productivity growth + target inflation rate = wage demand) which, however, has been always adjusted to the specific circumstances of the respective negotiations.

Because of the different meaning given to indicators, different theories behind their interpretation and different circumstances, it is not possible to “depoliticize” collective bargaining and to reduce its underlying value by the use of supposedly neutral and commonly agreed numbers perceived as incontestable facts (Jany-Catrice 2010, 95). However, it is possible to organize joint learning processes through the debate on such facts and – probably even more important – through a debate on the improvement of existing indicators and the addition of new ones. In addition, indicators “can concretely reveal defaults that are often ignored in specialized interest-oriented economic policy discussions” (Bosch 2002, 77–78).

The indicators that are needed to inform social partners and to improve collective bargaining depend firstly on the level of the bargaining and secondly on the issues on the table for negotiation. Obviously, for bargaining at the national level indicators reflecting the overall development of the country are the most important. For lower levels, region-, sector- and firm-specific indicators need to be used in addition to national-level indicators. For negotiations on wage increases it is possible to develop a standard set of indicators which can be improved and regularly updated as is done by the employers’ association and trade union in the German metal industry (see Annex A and B). They are needed independent of the issues on the table since nearly all negotiations have an impact on labour costs. If issues other than wages are up for negotiation, like training, social security or working time flexibility, additional indicators have to be prepared and analysed. The whole set of indicators has to reflect economic as well as social development since collective bargaining is basically an institution balancing different interests on these issues.

With a reservation on the limits of indicators and an indication that all indicators have to be interpreted in connection with each other to gather a complete picture of the situation, we think that indicators are a good base for collective bargaining.

**Recommendation 6:** *The following list of indicators (see table 7 for the sources) could be a good start point for sector-level negotiations in Ukraine. All these indicators should include past and present situations and should include forecasts on future development.*

An important source of information for sector-level negotiations is firm-level statistics on the financial performance and key economic indicators of companies belonging to the sector (or at least members of the employers’ organization participating in negotiations), including turnover, investments in physical and human capital, average labour productivity and unit labour costs, employment and wages by skill level.

**Table 7.** List of indicators for sector-level collective bargaining in Ukraine

Group	Indicator	Source
<b>LEVEL: National level (macro socio-economic development)</b>		
Macroeconomic indicators	Real GDP growth, past and present	SSSU, Economic statistics / National accounts / Change in Gross Domestic product
	Real GDP growth, projections	The Ministry of Economic Development, Trade and Agriculture of Ukraine; World Bank / EBRD / IMF
	Gross national income and its key components: Gross operating surplus, mixed income and Compensation of employees	SSSU, Economic statistics / National accounts / Gross National Income
	Average labour productivity	World Development Indicators, GDP per person employed (only annual data)
	Prices (consumer price index, industrial producer price index, price index in construction, etc.)	SSSU, Economic statistics / Prices
	Investment in physical capital (overall and by sector)	SSSU, Economic statistics / National accounts / Gross fixed capital formation (by types of non-financial assets) SSSU, Economic statistics / Economic activity / Capital investment
	Investment in human capital (initial and further training)	Not available
	Innovation	SSSU, Economic statistics / Science, technology and innovation / Research and development expenditure by type of work (annual data) SSSU, Economic statistics / Science, technology and innovation / Implementation of innovations at industrial enterprises (annual data)
	Exports and imports (overall)	SSSU, Economic statistics / International economic activity and balance of payments

Group	Indicator	Source
<b>LEVEL: National level (macro socio-economic development)</b>		
Labour market indicators	Employment and working time (overall and by gender, age, education, region and sector)	SSSU, Demographic and social statistics / Labour Market / Employment and unemployment – Total employment and informal /formal employment (based on the Labour Force Survey)  SSSU, Demographic and social statistics / Labour Market / Wages and salaries, social and labour relationship – Only wage employment in the formal sector (based on the firm-level payroll statistics)
	Unemployment (overall and by gender, age, education and region)	SSSU, Demographic and social statistics / Labour Market / Employment and unemployment – Unemployment according to the ILO criteria (based on the Labour Force Survey)  SSSU, Demographic and social statistics / Labour Market / Employment and unemployment or Public Employment Service – Registered unemployment (based on the register of the Public Employment Service)
	Unemployment to vacancy ratio (overall, and by occupational group or region), qualification (skills) mismatch	Public Employment Service
	Involuntary underemployment (overall and by region or sector)	SSSU, Demographic and social statistics / Labour Market / Wages and salaries, social and labour relationship – Only wage employment in the formal sector (based on the firm-level payroll statistics)
	Labour costs	SSSU, Economic statistics / Economic activity / Monetary and finance statistics
	Accidents at work <sup>38</sup>	SSSU, Demographic and social statistics / Health / Accidents at work
Quality of life indicators <sup>39</sup>	Disposable household income (nominal and real)	SSSU, Economic statistics / National accounts / Disposable Income of households
	Poverty and income inequality (including Gini coefficient)	SSSU, Demographic and social statistics / Income and living conditions / Differentiation of household living standards (quarterly and annual data based on the Household Living Conditions Survey)

<sup>38</sup> The indicators on accidents at work developed by Eurostat: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Accidents\\_at\\_work\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/Accidents_at_work_statistics)

<sup>39</sup> Eurostat developed these indicators: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Quality\\_of\\_life\\_indicators\\_-\\_material\\_living\\_conditions](https://ec.europa.eu/eurostat/statistics-explained/index.php/Quality_of_life_indicators_-_material_living_conditions)

Group	Indicator	Source
LEVEL: Sectoral level		
Economic indicators in a given sector	Growth of the gross values added and turnover in the sector and the main subsectors	SSSU, Economic statistics / Economic activity / Industry  SSSU, Economic statistics / Economic activity / Construction <sup>40</sup>  Could be also estimated from statistics provided by firms in a given sector
	Profitability (gross profit margin, EBITDA, etc.)	SSSU, Economic statistics / Economic activity / Monetary and finance statistics/ Financial performance  Could be also estimated from statistics provided by firms in a given sector
	Labour productivity	Not available, could be estimated as average labour productivity (output or sales per worker) from statistics provided by firms in a given sector
	Industrial producer price index/ price index in construction	SSSU, Economic statistics / Prices
	Investments in physical capital	SSSU, Economic statistics / Economic activity / Capital investment
	Investment in human capital (initial and further training) Innovation (like R&D intensity, patents, etc.)	Not available, could be estimated from statistics provided by firms in a given sector
	Exports and imports (in a sector, using nomenclature of exported/imported goods)	SSSU, Economic statistics / International economic activity and balance of payments
	Orders (demand), past and present	Not available, could be estimated from statistics provided by firms in a given sector
Expectations of firms regarding the development of their business activity	Expected changes in output and orders (total demand, export demand)	SSSU, Economic statistics/ Macroeconomic statistics / Business tendency
	Key factors that limit business activity in a given sector	
	Expected changes in prices	
	Expected changes in employment	
Labour market indicators	Employment and working time, including overtime and underemployment (overall, and by gender, age, education and occupation)	SSSU, Demographic and social statistics / Labour Market / Wages and salaries, social and labour relationship  Could be also estimated from statistics provided by firms in a given sector
	Average monthly wages and average wages per hour worked in a given sector (overall, and by gender, age, education and occupation)	SSSU, Demographic and social statistics / Labour Market / Wages and salaries, social and labour relationship
	Wage arrears	Could be also estimated from statistics provided by firms in a given sector
	Labour costs	SSSU, Economic statistics / Economic activity / Monetary and finance statistics  Could be also estimated from statistics provided by firms in a given sector

<sup>40</sup> Information is also available for Agriculture, Transport, Domestic Trade and Services.

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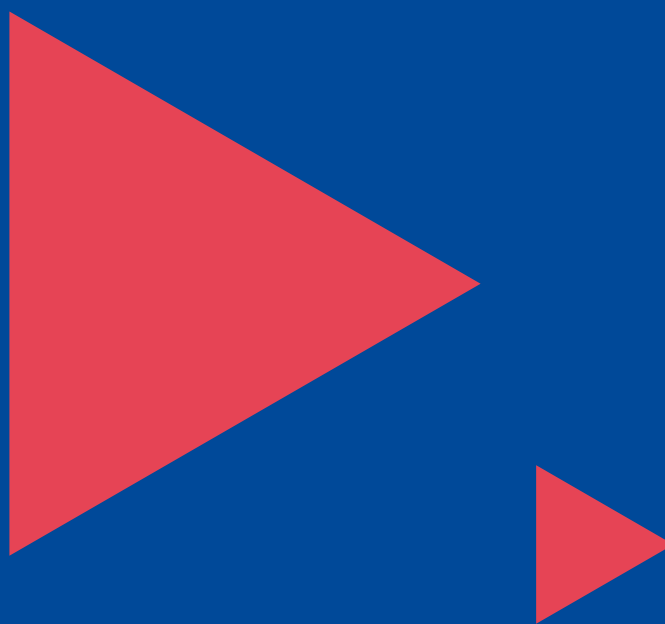
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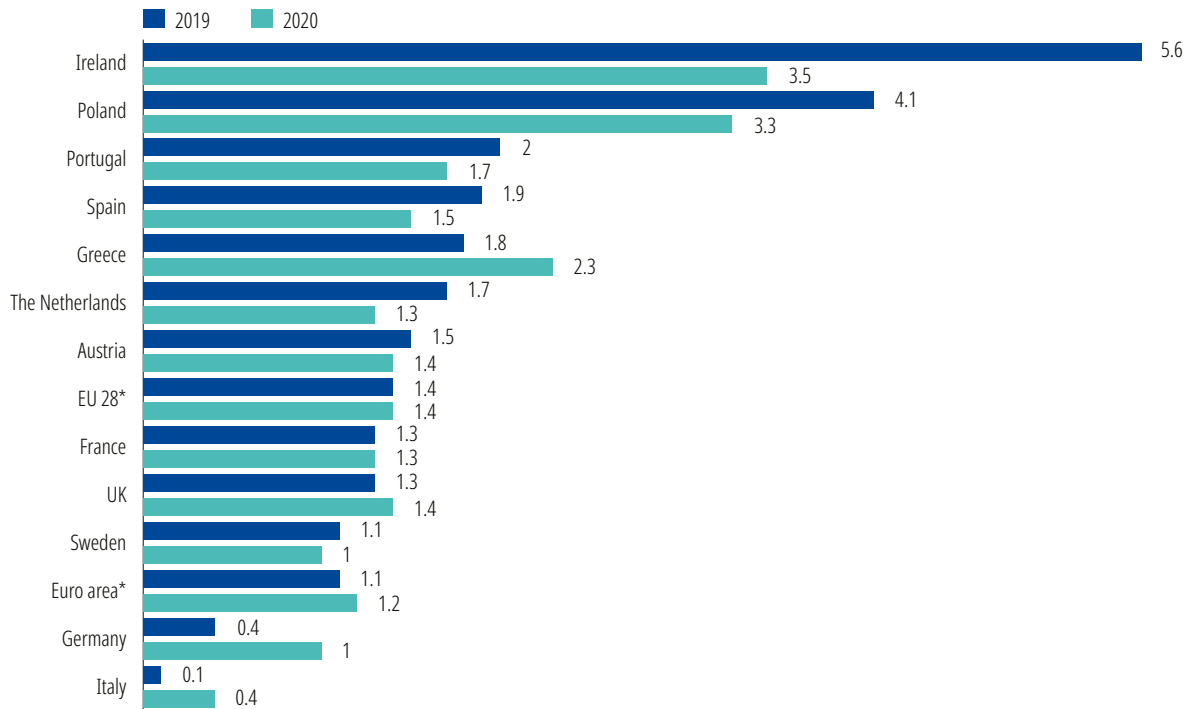
# ► Annexes





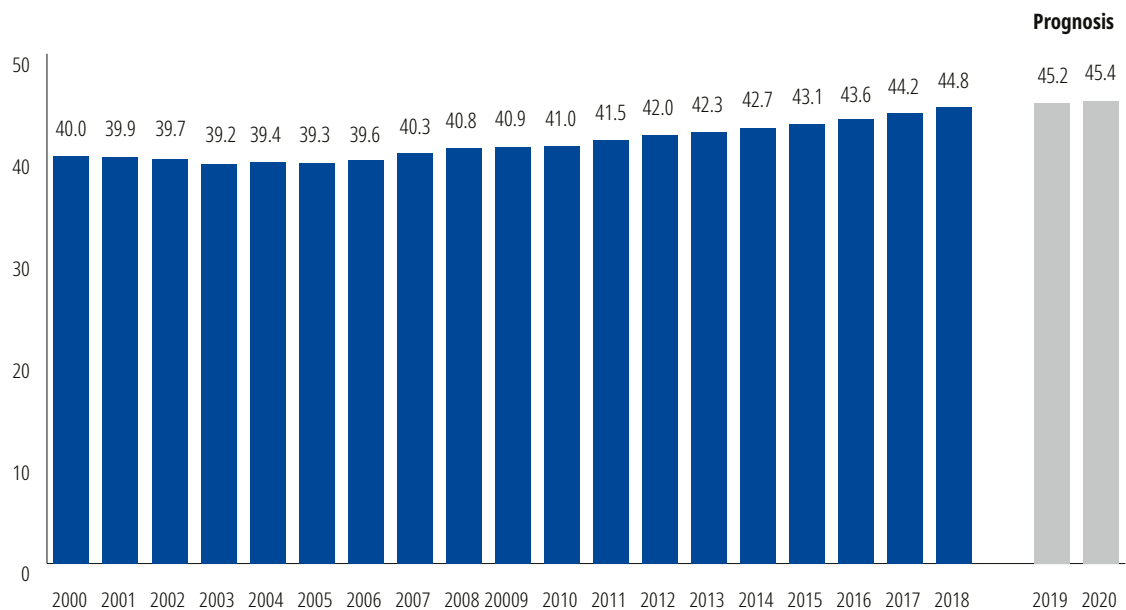
## Annex A: Selection of indicators prepared by IG Metall for negotiations in early 2020

**Figure A1.** Prognosis of real GDP growth 2019 and 2020 in the EU

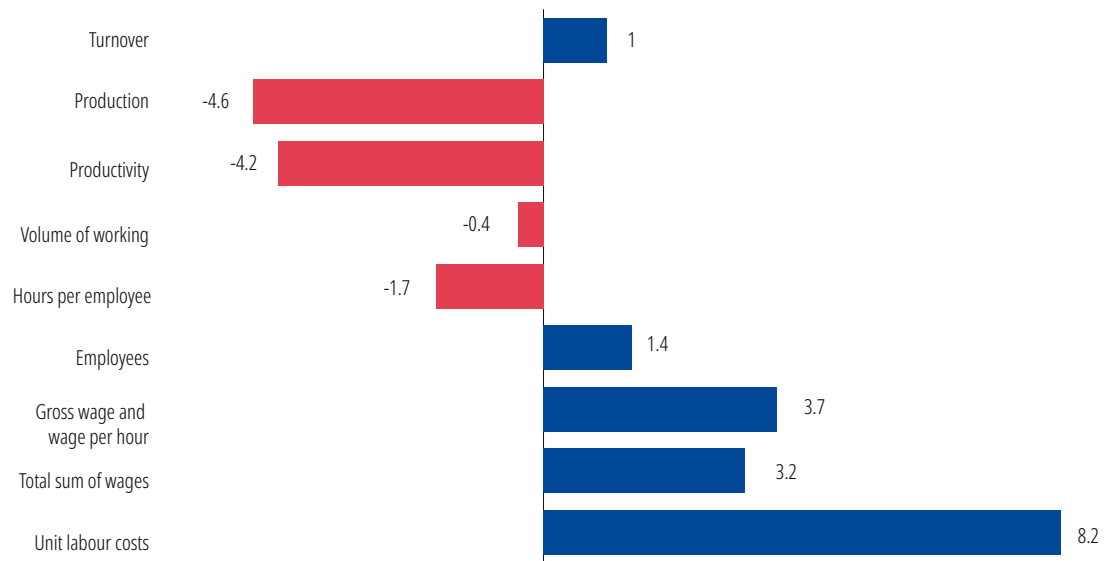
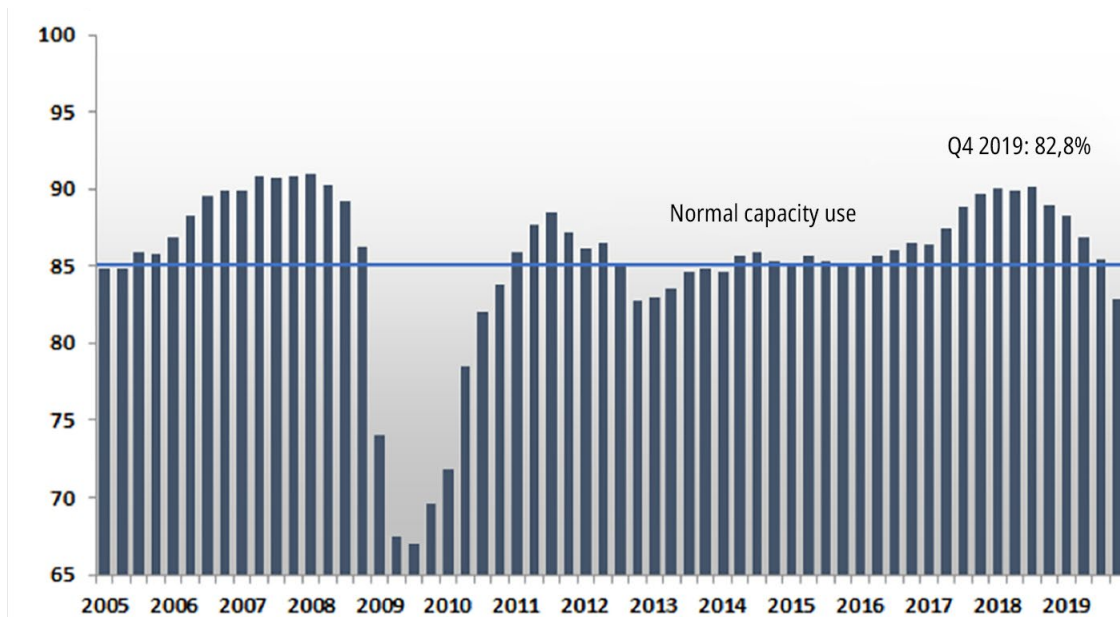


Source: IG Metall (European Commission November 2019).

**Figure A2.** Growth of employment in Germany 2000–2018 and prognosis for 2019–2020

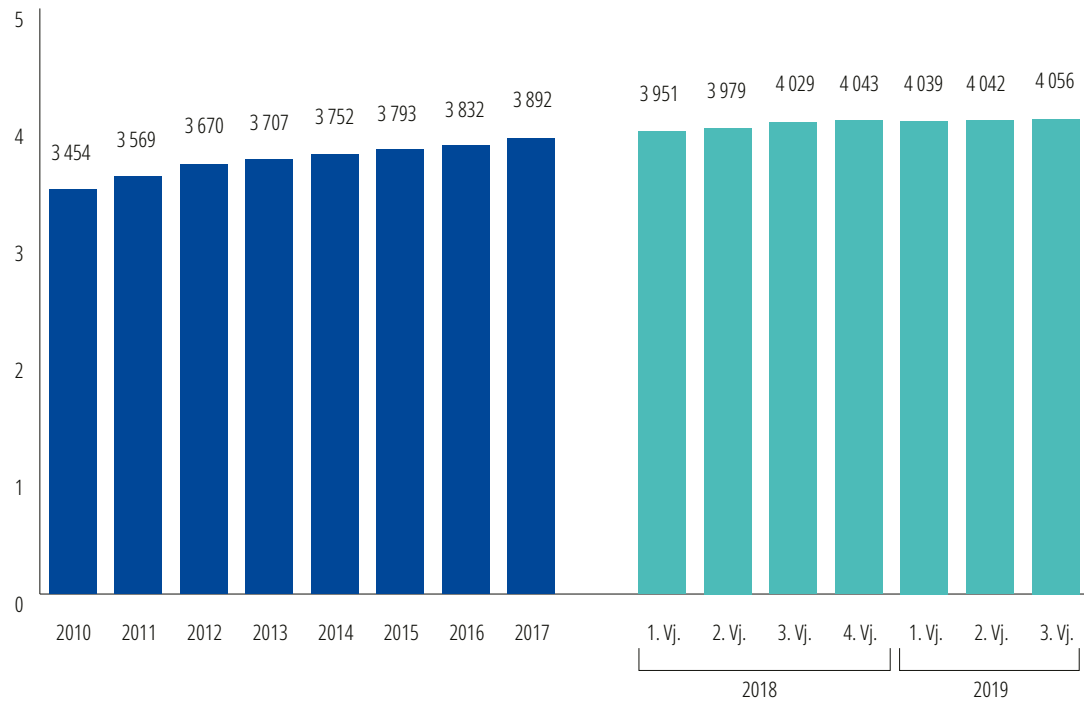


Source: IG Metall (Federal Statistical Office; prognosis by IAB).

**Figure A3.** Indicators for the metal industry: Changes 2018/2019 in per cent**Figure A4.** Degree of capacity utilization, 2005–2019

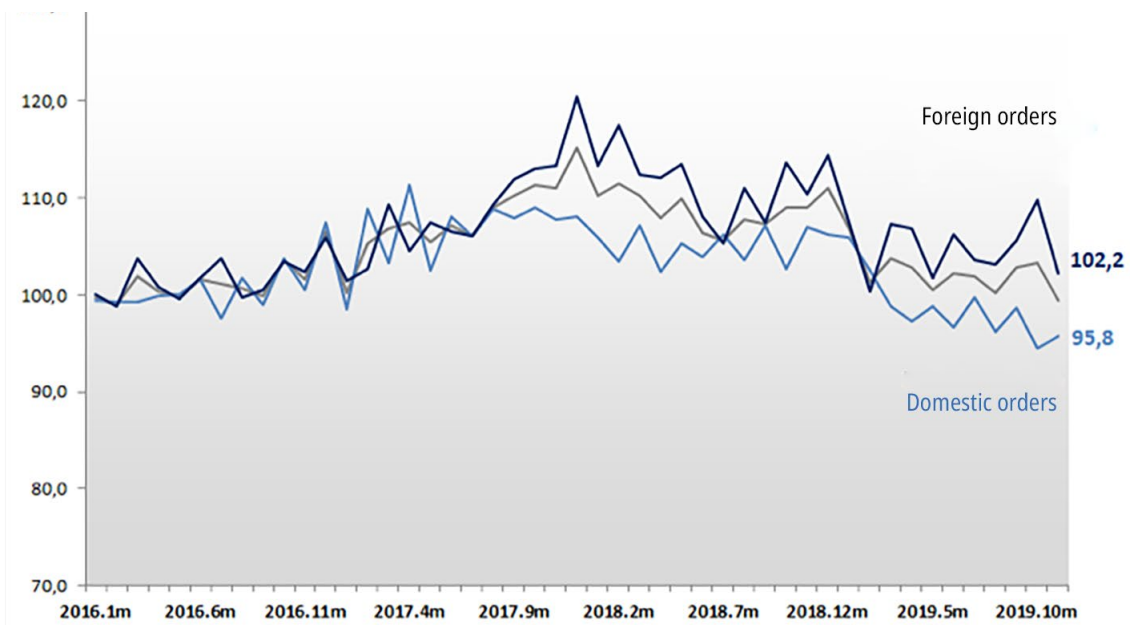
Source: IG Metall (ifo-institute Munich).

**Figure A5.** Employees in the metal industry, 2010–2019



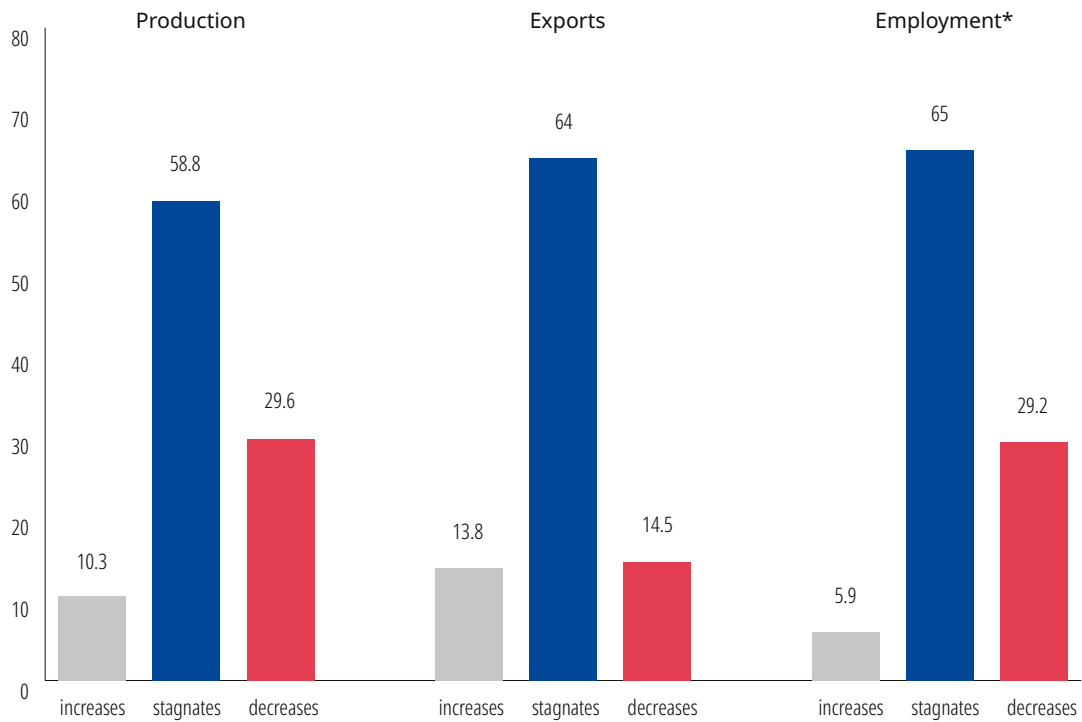
Source: IG Metall (Federal Statistical Office).

**Figure A6.** Incoming orders (domestic, foreign and total) in the metal industry



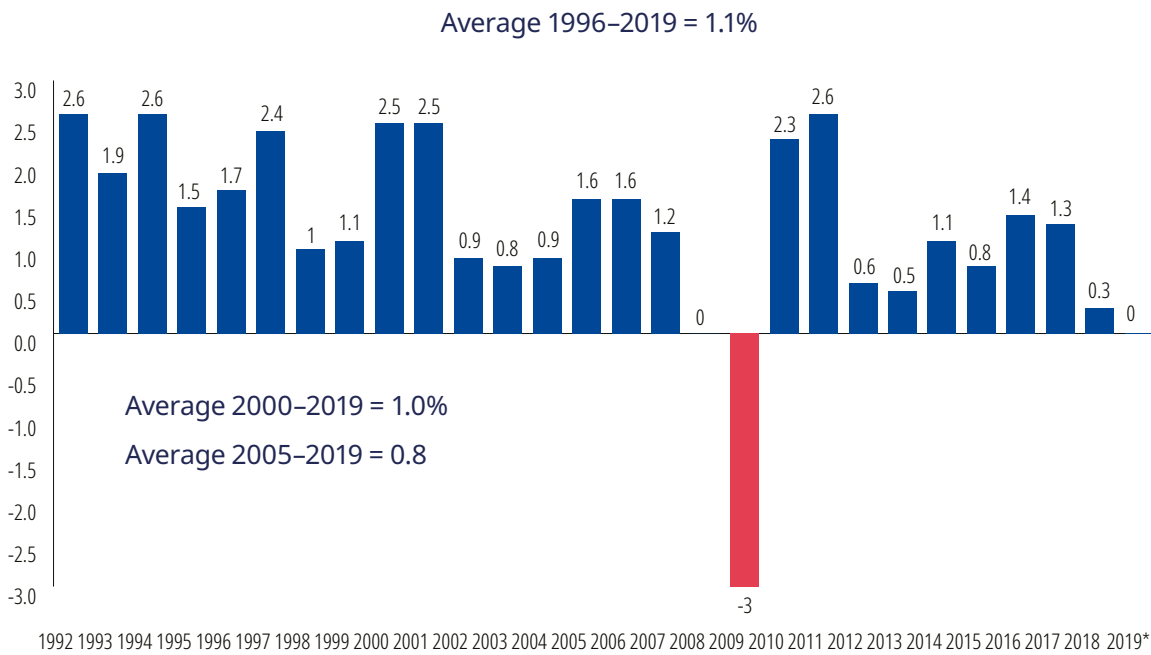
Source: IG Metall (Federal Statistical Office).

**Figure A7.** Expectations in the metal industry for the next three months (statements of respondents in per cent), December 2019



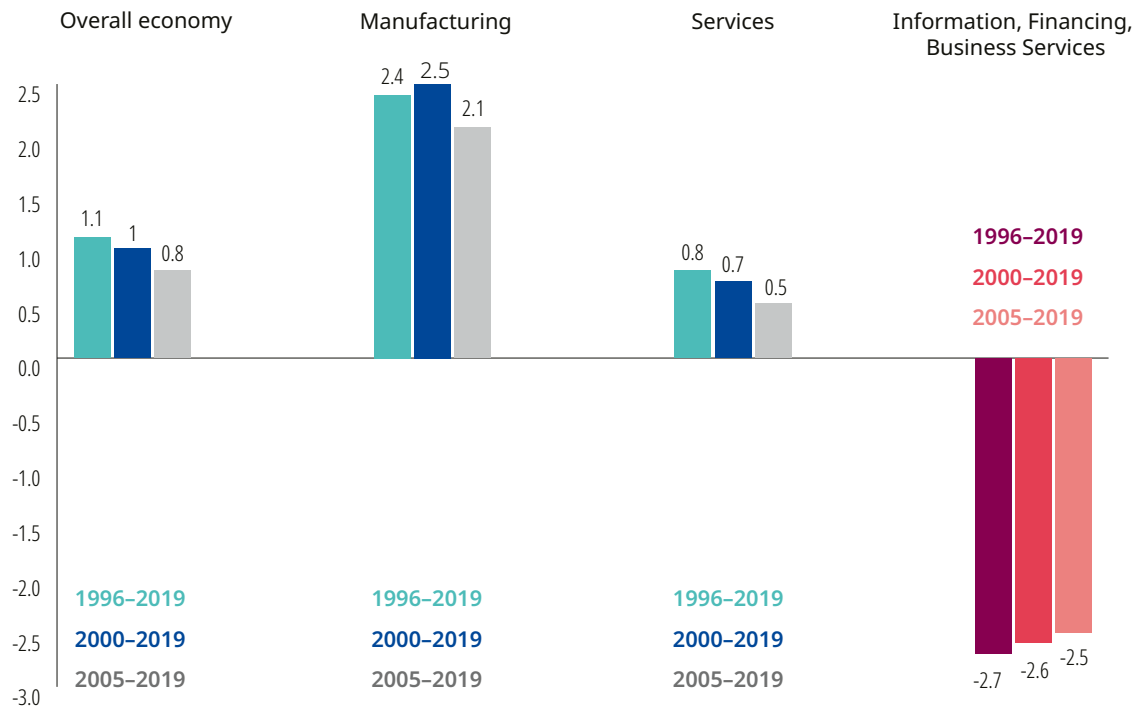
Source: IG Metall (ifo-institute Munich).

**Figure A8.** Average aggregate productivity (GDP per working hour) increase (changes in per cent), 1992-2019



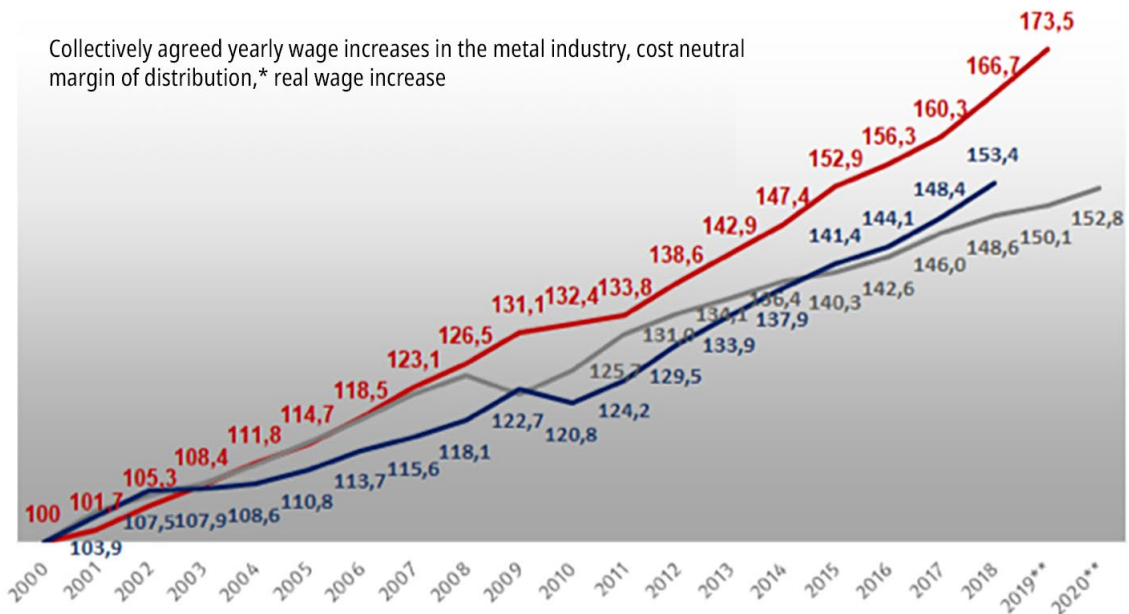
Source: IG Metall (Federal Statistical Office).

**Figure A9.** Productivity increase (gross value added per working hour) in different economic sectors, 1996–2019



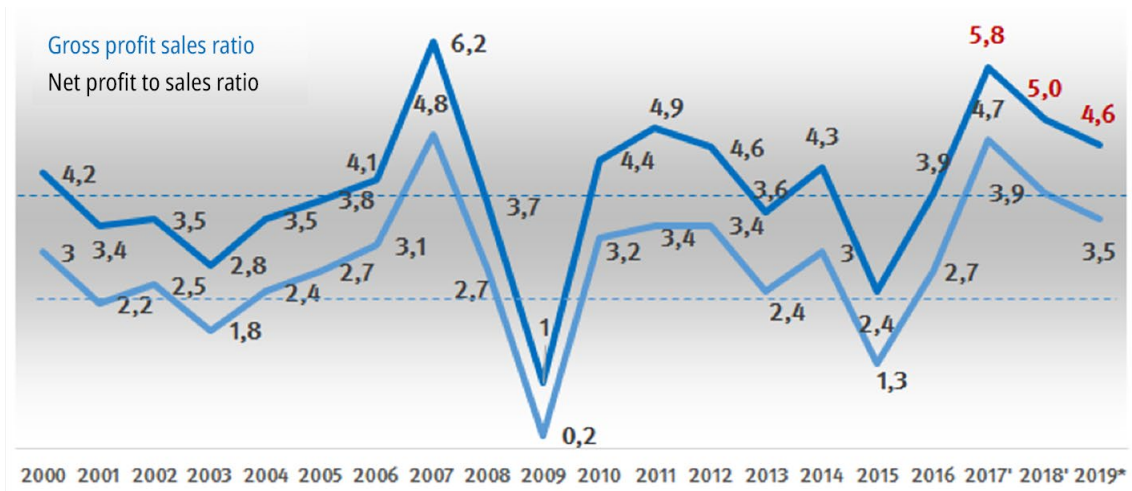
Source: IG Metall (Federal Statistical Office).

**Figure A10.** Wages and cost neutral margin of distribution (2000=100), 2000–2020



Source: IG Metall (Federal Statistical Office, IG Metall collective bargaining department).

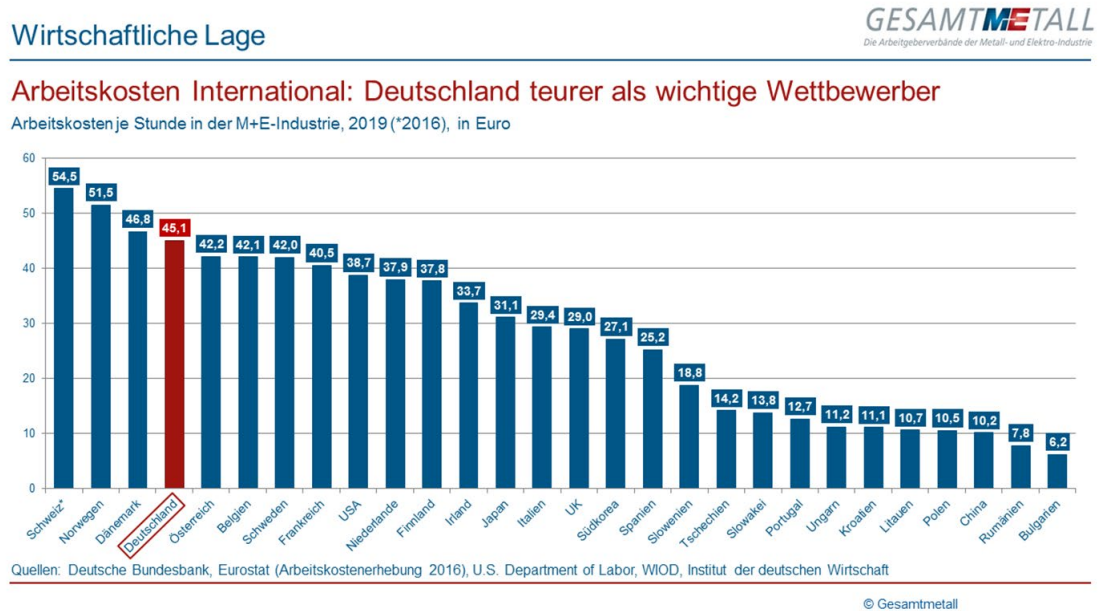
Note: \*aggregate productivity increase plus inflation rate.

**Figure A11.** Ratio of profit to sales in the metal industry, 2000–2019

Source: IG Metall (Gesamtmetall, Bundesbank, ifo).

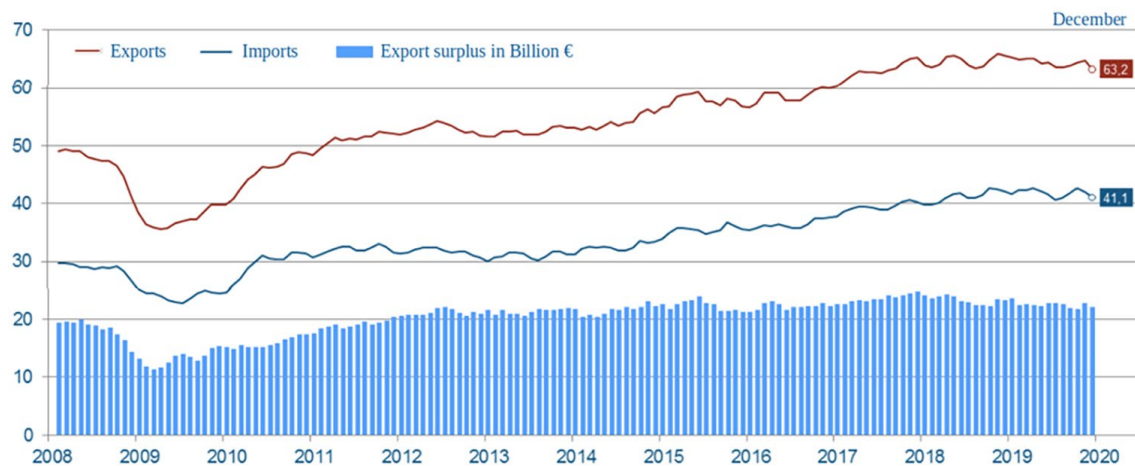
## Annex B: Indicators from Gesamtmetall (selection)

Figure B1. Labour costs in the metal industry per working hour, 2018 (\*2016)



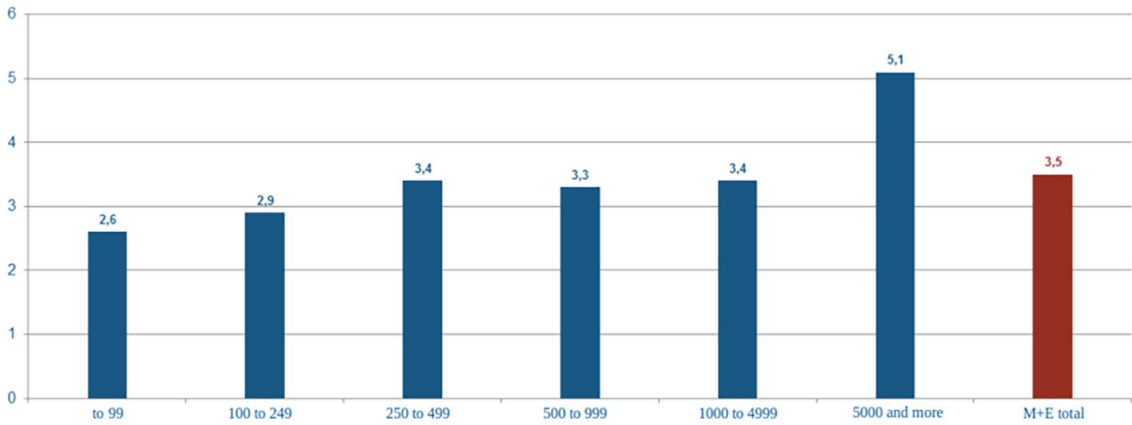
Source: Gesamtmetall (Deutsche Bundesbank, Eurostat, Department of Labour, WIOD, Institut der deutschen Wirtschaft).

Figure B2. Exports, imports and export surpluses in the German metal industry, 2008–2020



Source: Gesamtmetall (Federal Statistical Office; calculations of Gesamtmetall).

**Figure B3.** Net profit to sales ratio by company size (number of employees), 2019



Source: Gesamtmetall (ifo-institute).

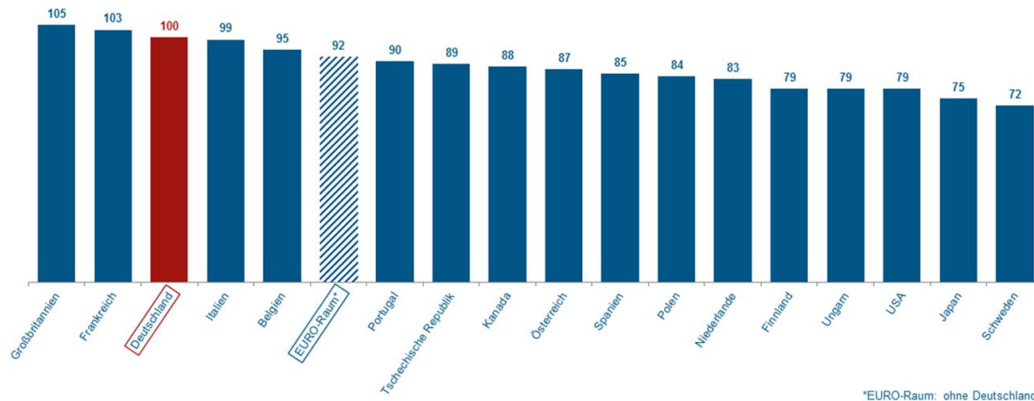
**Figure B4.** Unit labour costs in manufacturing in Europe (Germany=100), 2018

Wirtschaftliche Lage



Lohnstückkosten International: Deutschland mit an der Spitze

Verarbeitendes Gewerbe, 2018, Index (Deutschland = 100)



Quelle: Institut der deutschen Wirtschaft

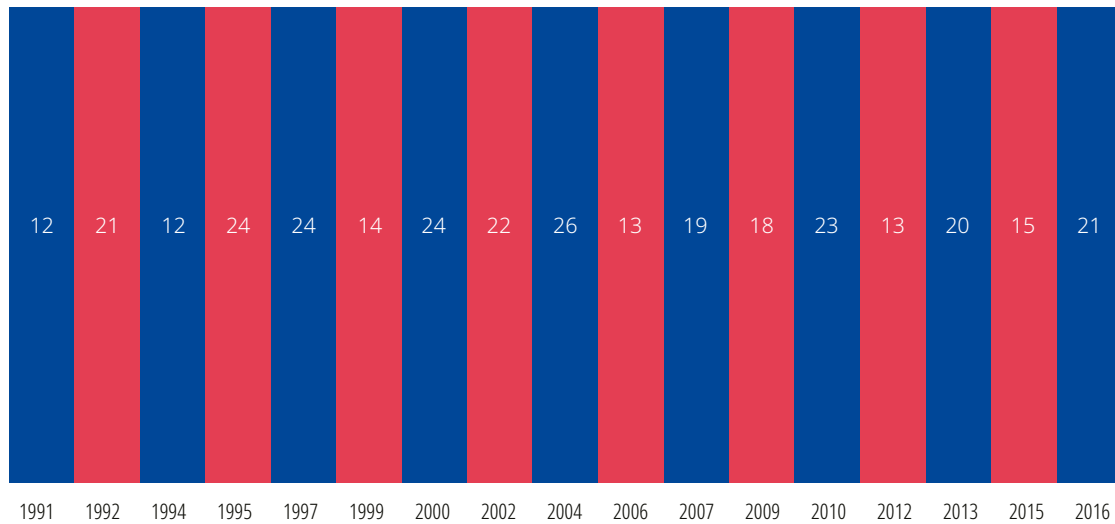
\*EURO-Raum: ohne Deutschland

Source: Gesamtmetall (Institut der deutschen Wirtschaft).



## Annex C: Overview on the terms and the content of collective agreements in the German metal industry, 1991–2017

Figure C1. Terms of the agreements in months



Source: Gesamtmetall (2017).

Note: Average is 18.9 months; Development of wages and salaries.

Table C1. IG Metall's justification of demand, 1991–2016

Pay round	Macroeconomic productivity	Prices	Redistribution/fairness
1991	2.5%	4.0%	4.5%
1992	1.5 to 2.0%	4.0 to 4.5%	3.5%
1994	Just under 3.0%	Just under 3%	–
1995	3.5%	2.5%	–
1997	2.5 to 3.0%	2.0 to 2.5%	–
1999	2.5%	1.5%	2.5%
2000	3.5%	2.0%	–
2002	2.0%	2.0%	2.5%
2004	2.0%	1.3%	0.7%
2006	2.0%	2.0%	1.0%
2007	1.8%	2.3%	2.4%
2009	1.5%	2.5%	4.0%
2010	(no numerical demand)		
2012	1.0%	2.0%	3.5%
2013	1.5%	2.0%	2.0%
2015	1.5%	2.0%	2.0%
2016	1.1%	2.0%	1.9%

Source: Gesamtmetall (2017).

**Table C2.** Employer's offer/proposal: justification, 1991–2016

Pay round	Offer formula
1991	"Less than last year" because growth and productivity lower; increase in unit labour costs too large and profit margins too narrow
1992	Productivity orientation; stabilization of unit labour costs
1994	Pay freeze
1995	Pay freeze
1997	Including 100% continued payment: pay freeze
1999	"Continuation of the moderate wage policy"
2000	Orientation towards macroeconomic productivity
2002	Orientation towards macroeconomic productivity
2004	Wage increase <i>below</i> productivity gain
2006	Macroeconomic productivity trend minus dismissing productivity
2007	List of six criteria (not hard-wired)
2009	"Less than last year"; protecting competitiveness and real wages
2010	"Nothing to share"; must first regain pre-crisis position
2012	Make companies and workplaces more crisis-resistant; no recoup debate, employees have fairly participated throughout the crisis; preserve flexibility through temporary agency work; maintain to train more young people as needed.
2013	It is in between the limits of what is possible within 12–13 months; even in times of minimum growth a real wage increase; our employees are involved on a fair and reliable basis.
2015	Due to the previous increases, it results a plus of 2.6 per cent for 2015; because of the low inflation rate nominal is equal to real wage growth; early agreement is intended; therefore the offer is close to what's possible; in addition fair partial retirement (new collective agreement) and fair opportunities for education (different offers in the region).
2016	Inflation rate and macroeconomic productivity are on a low level; provide a clear signal for more competitiveness. The aim is to achieve a responsible, differentiated and long-running agreement.

Source: Gesamtmetall (2017).

**Table C3.** Employer's offer/proposal: counter-demands

Pay round	Own ideas or counter-demands
1991	-
1992	-
1994	No holiday bonus; cost-related corrections to general regulations on holidays; reduction in overtime bonus
1995	Escape clause for a specific operational situation
1997	Flexibilization of Christmas bonus depending on number of sick days
1999	Profit-related Christmas bonus (optional), variable one-off payment
2000	Profit-related Christmas bonus (optional); reasonable young-for-old model with 0.5% cost deduction; deferred compensation from the CA CFB
2002	Two-year term with the re-opener clause, different solutions in different establishments; cost neutrality for ERA
2004	Working-hours corridor with and without pay compensation to secure the survival of company locations
2006	Escape clause on pay, CA on increasing employment, promoting employment in non-production jobs; abolition of "Steinkühler break" (BaWü)
2007	Option for a Christmas bonus that can fluctuate up or down
2009	-
2010	-
2012	Entry qualification for young people; pacification of the temporary agency work through sector supplements; extended flexibility for the establishments (increase of the 40-hour quota by 12 percentage points, extension of the option for an fixed-term contract without objective justification by 12 months); commitment to discuss the challenges of the M+E industries.
2013	-
2015	-
2016	-

Source: Gesamtmetall (2017, 23).

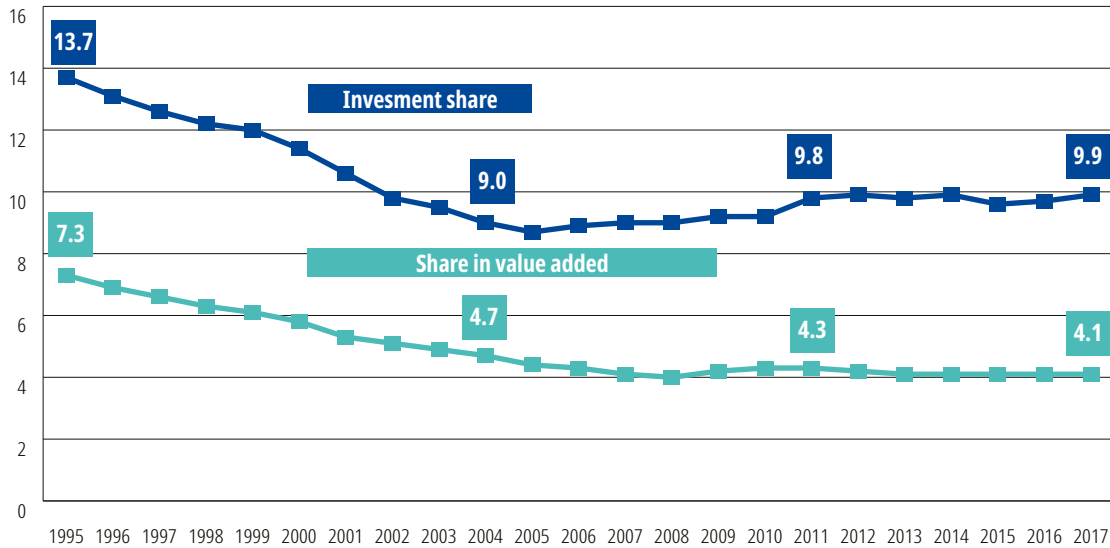
**Table C4.** Company-related components

Pay round	Volume	Details
1991	-	-
1992	-	-
1994	-	-
1995	-	-
1997	-	Statement on the regional collective agreement; deviating arrangements are possible in establishments with the approval of parties*
1999	-	Payment of 1% one-off payment can be postponed
2000	-	Christmas bonus fluctuates depending on the sickness absence rate
2002	-	Temporary special arrangement by parties when economic survival is threatened
2004	-	Collective Agreement for Securing the Survival of Company Locations: deviating arrangements are possible with the approval of parties*
2006	€312	Payment can be brought forward or postponed; it can deviate down to €0 and up to €624
2007	€333	Second wage-increase stage (1.7%) and economic-cycle-related bonus (0.7%) can be postponed by up to 4 months
2009	€659	Second wage-increase stage (2.1%) and lump sum (€122) can be postponed by up to 7 months
2010	-	Wage increase (2.7%) can be brought forward or postponed by up to 2 months
2012	-	-
2013	-	-
2015	-	-
2016	€440	Postponement of reduction to €0 of the lump-sum payment possible; postponement up to 3 months of the second wage step (2.0%) possible.

Source: Gesamtmetall (2017).

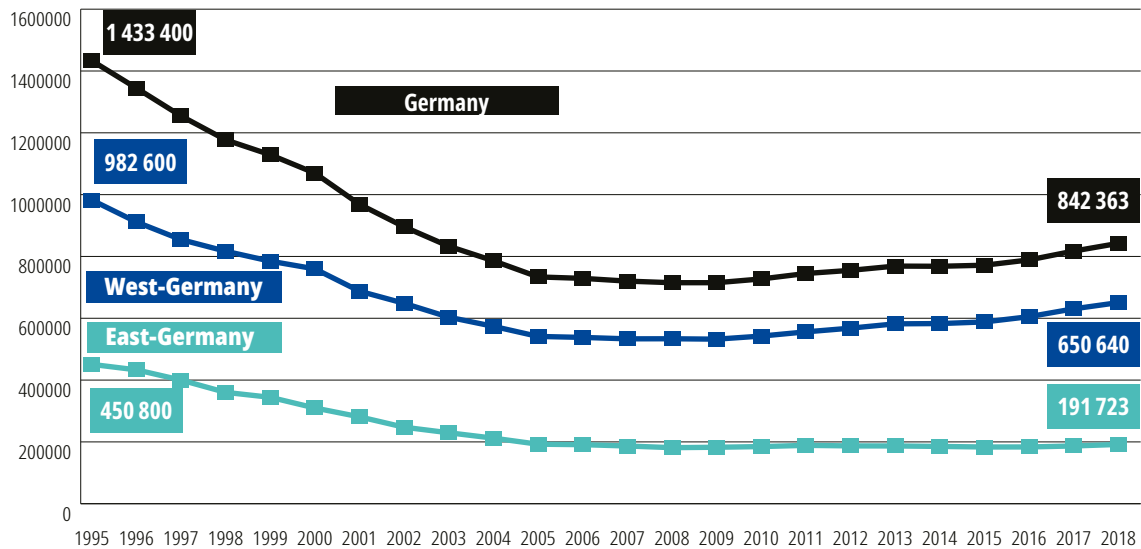
## Annex D. Indicators on main construction in Germany

**Figure D1.** Contribution of main construction to the total gross value added and the share of construction investments of GDP (in per cent), 1995–2017



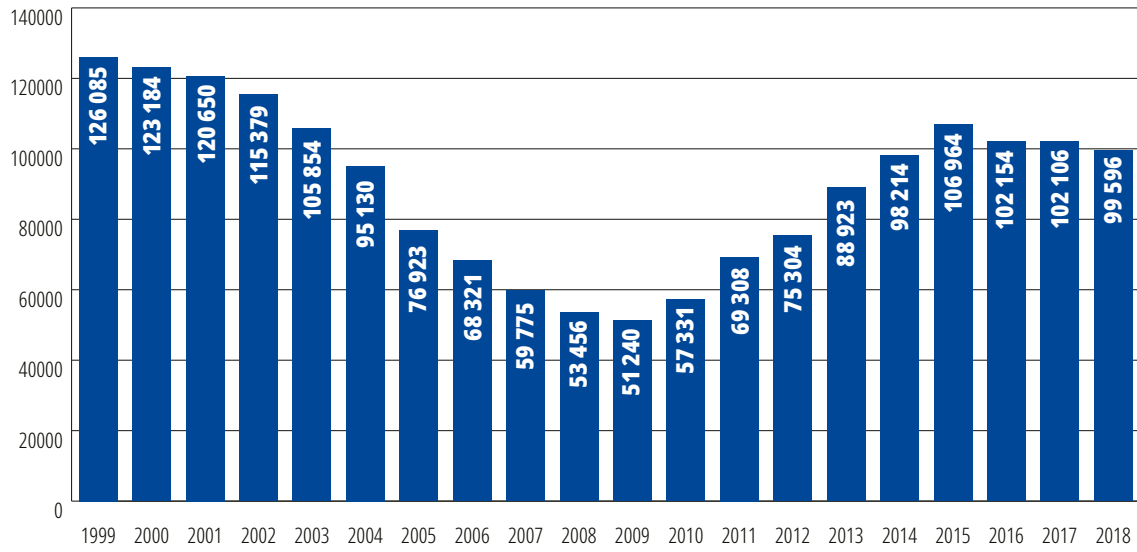
Source: Federal Statistical Office.

**Figure D2.** Number of employees in main construction, 1995–2018 (always June)



Source: Federal Statistical Office.

Figure D3. Posted workers in main construction, 1999–2018



Source: SOKA-BAU (2019).

## Annex E: Additional tables on collective bargaining in Ukraine

**Table E1.** Parties of collective bargaining and representation criteria

Level of bargaining/ agreement	Subjects of parties and representation criteria
National level / General agreement  (to be concluded on a tripartite basis)	<p>All-Ukrainian trade-union associations recognized as representative at the national level</p> <p>Representation criteria: registered in accordance with the law, include at least 150,000 members, have trade unions in their organization, have organizations in most of the administrative-territorial units of Ukraine, and at least three all-Ukrainian trade unions.</p> <p>All-Ukrainian employer organizations, recognized as representative at the national level</p> <p>Representation criteria: the members' enterprises employ at least 200,000 workers, in their organization they have associations of employers in most administrative-territorial units of Ukraine, as well as at least three all-Ukrainian associations of employer organizations.</p> <p>Government (Cabinet of Ministers of Ukraine)</p>
Sectoral / intersectoral agreement  (to be concluded on a tripartite or bipartite basis)	<p>All-Ukrainian trade unions, and their associations, recognized as representative at the sectoral level</p> <p>Representation criteria: registered in accordance with the law, have all-Ukrainian status, whose members comprise at least three per cent of employees in a corresponding economic activity (activities).</p> <p>All-Ukrainian employer organizations, established on the sectoral basis, operating within a certain economic activity type or several economic activity types, and certified as representative at the sectoral level</p> <p>Representation criteria: registered in accordance with the law, the members' enterprises employ at least five per cent of employees in a corresponding economic activity (activities).</p> <p>Relevant central executive authorities</p>
Territorial level / agreement  (to be concluded on a tripartite basis)	<p>Oblast or city trade unions, organizations and associations, recognized as representative at the territorial level</p> <p>Representation criteria: registered in accordance with the law, established on the territorial basis, their members comprise at least two per cent of the employed population in the corresponding administrative-territorial unit.</p> <p>Employer organizations, their associations, recognized as representative at the territorial level</p> <p>Representation criteria: operating in the territory of the appropriate administrative-territorial unit, the members' enterprises employ at least five per cent of the employed population in the corresponding administrative-territorial unit.</p> <p>Local executive authorities operating in the territory of a relevant administrative-territorial unit. Local governments may be a party to social dialogue within the scope of powers specified by law.</p>
Local level / Firm-level agreement  (to be concluded on a bipartite basis)	<p>Firm-level trade union or, in case of its absence, the representative/s of employees freely elected for the purpose of collective bargaining</p> <p>Employer and/or authorized representatives of the employer</p>

Source: Zarko (2018), table 2; Zarko and Mihes (2012), table1, based on provisions of the Law of Ukraine on Collective Contracts and Agreements (1993) and the Law on Social Dialogue (2010).

**Table E2:** Collective agreements and bargaining coverage in Ukraine by detailed sector in industry, 2014 vs. 2019 (as of 31 December)

Sector	NACE Rev.2 code	Number of concluded and registered collective agreements		Number of employees covered by CA (thousand)		Share of employees covered by CA (per cent)	
		2014	2019	2014	2019	2014	2019
Industry	B-E	7 520	5 506	1 862	1 468	81.4	78.3
Mining and quarrying	B	372	311	266	184	84.9	93.9
Manufacturing	C	5 495	3 994	1 164	904	78.3	71.5
<i>Manufacture of food products, beverages and tobacco products</i>	10-12	1 291	822	228	190	72.3	64.6
<i>Manufacture of textiles, wearing apparel, leather and related products</i>	13-15	518	403	57	52	70.7	67.6
<i>Manufacture of wood and of products of wood, paper and paper products, printing and reproduction of recorded media</i>	16-18	511	367	43	36	57.3	51.0
<i>Manufacture of coke and refined petroleum products</i>	19	36	22	28	16	87.7	90.6
<i>Manufacture of chemicals and chemical products</i>	20	217	165	60	46	79.3	82.6
<i>Manufacture of basic pharmaceutical products and pharmaceutical preparations</i>	21	64	57	18	21	80.0	81.1
<i>Manufacture of rubber and plastic products, and of other non-metallic mineral products</i>	22, 23	770	613	82	69	67.0	59.4
<i>Manufacture of basic metals, fabricated metal products, except machinery and equipment</i>	24, 25	513	404	237	151	88.4	79.0
<i>Manufacture of computer, electronic and optical products</i>	26	109	108	28	20	83.0	76.0
<i>Manufacture of electrical equipment</i>	27	215	145	49	33	84.4	74.1
<i>Manufacture of machinery and equipment n.e.c.</i>	28	463	371	114	92	83.6	83.7
<i>Manufacture of motor vehicles, trailers and semi-trailers, and other transport equipment</i>	29, 30	186	151	154	119	96.5	88.7
<i>Manufacture of furniture, other manufacturing, repair and installation of machinery and equipment</i>	31-33	602	366	65	62	60.8	59.1
Electricity, gas, steam and air conditioning supply	D	647	509	321	279	89.6	93.4
Water supply; sewerage, waste management and remediation activities	E	1 006	692	113	100	85.9	86.8

 Source: State Statistics Service of Ukraine (2014: Statistical yearbook "Labour in Ukraine in 2014"; 2019 – [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)).

**Table E3:** Composition of employees by the level of the minimum monthly tariff rate set by firm-level collective agreements by sector, 2018

Sector	Per cent of all employees working at enterprises where a minimum monthly tariff rate is set by a firm-level CA	A minimum monthly tariff rate set by a firm-level CA is _____ than the statutory minimum wage, per cent		
		Lower	Equal	Higher
Total	74.8	27.7	63	9.3
Agriculture, forestry and fishing	69.4	5.1	85.8	9.1
Industry	79.5	29.5	51.1	19.4
Mining and quarrying	96.4	46.1	43.5	10.4
Manufacturing	73	25.8	53.7	20.5
<i>Manufacture of food products, beverages and tobacco products</i>	66.9	5.8	72.9	21.3
<i>Manufacture of textiles, wearing apparel, leather and related products</i>	68.1	4.6	77.9	17.5
<i>Manufacture of wood and of products of wood, paper and paper products, printing and reproduction of recorded media</i>	55.8	5	78.7	16.3
<i>Manufacture of coke and refined petroleum products</i>	87.8	64	25.3	10.7
<i>Manufacture of chemicals and chemical products</i>	77.3	44.9	42.9	12.2
<i>Manufacture of basic pharmaceutical products and pharmaceutical preparations</i>	80.7	15.2	33.2	51.6
<i>Manufacture of rubber and plastic products, and of other non-metallic mineral products</i>	57.7	10.4	67.5	22.1
<i>Manufacture of basic metals, fabricated metal products, except machinery and equipment</i>	82.2	53.5	25.1	21.4
<i>Manufacture of computer, electronic and optical products</i>	77.7	29.6	54	16.4
<i>Manufacture of electrical equipment</i>	72.3	21.1	55	23.9
<i>Manufacture of machinery and equipment n.e.c.</i>	83.2	25.5	63.4	11.1
<i>Manufacture of motor vehicles, trailers and semi-trailers, and other transport equipment</i>	91.1	38.4	34.9	26.7
<i>Manufacture of furniture, other manufacturing, repair and installation of machinery and equipment</i>	62.8	25.1	58.5	16.4
Electricity, gas, steam and air conditioning supply	91.9	29	44.5	26.5
Water supply; sewerage, waste management and remediation activities	89.8	32.3	59.6	8.1
Construction	43.4	14.5	70.2	15.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	40	21.3	61.7	17
Transportation and storage	80.7	47.8	40.4	11.8
Accommodation and food service activities	30.8	7.8	68.5	23.7
Information and communication	54.5	13.3	71.5	15.2
Financial and insurance activities	54.9	7	85	8
Real estate activities	37.5	5.1	73.5	21.4
Professional, scientific and technical activities	70	25.8	63.1	11.1
Administrative and support service activities	51	12.2	76.9	10.9
Public administration and defence; compulsory social security	79.9	24.5	70.3	5.2
Education	91.2	28.1	71.3	0.6
Human health and social work activities	91.6	31.9	67.2	0.9
Arts, entertainment and recreation	74.8	24.6	73.4	2
Other service activities	38.2	8.8	82.1	9.1

Source: State Statistics Service of Ukraine (Statistical Yearbook "Labour in Ukraine in 2018", tables7 .9-7.12).



	Per cent of all employees working at enterprises where a minimum monthly tariff rate is set by a firm-level CA and a sectoral agreement	A minimum monthly tariff rate set by a firm-level CA is _____ than the minimum rate set in respective sectoral agreement, per cent		
		Lower	Equal	Higher
	65	2	89	9
	59.8	0.1	92.2	7.7
	69.3	4.4	72	23.6
	93.1	0.3	68	31.7
	60	7.2	72.3	20.5
	52.8	0.1	86.7	13.2
	57.6	0.4	92.6	7
	40.7	0.5	94.5	5
	87	-	64.6	35.4
	71.1	1.4	51	47.6
	60.7	-	77	23
	40.7	0.5	81.9	17.6
	73.9	11.3	52.1	36.6
	66.3	1	71.4	27.6
	59.8	2.7	81.6	15.7
	68.9	3.8	71.1	25.1
	76.5	31	58.8	10.2
	46.9	-	90.5	9.5
	87	0.2	71.4	28.4
	84.7	1.8	78.6	19.6
	32.7	0.8	92.8	6.4
	28.9	0.2	88.5	11.3
	75.2	0.1	88.8	11.1
	21.7	2.6	80.3	17.1
	39.8	0.1	93.2	6.7
	33.5	-	99.7	0.3
	27.3	0.6	92.4	7
	58.9	0.4	81.7	17.9
	40.1	0.1	93.4	6.5
	64.1	1.1	98.4	0.5
	83.6	1.6	98.3	0.1
	83.2	2.5	96.6	0.9
	66.5	0.4	98.6	1
	29.8	-	99.8	0.2

**Table E4.** Physical output of some products in metallurgy, 2014–2018

Product name (according to the nomenclature of industrial products)	Unit	Gross output				
		2014	2015	2016	2017	2018
Non-agglomerated iron ores	mln.t	184	175	168	166	161
Non-agglomerated iron concentrates	mln.t	68.3	66.9	62.9	60.6	60.5
Agglomerated iron concentrates	mln.t	60.2	55.2	56.7	50.8	53.1
Pig iron and spiegeleisen in pigs, blocks or other primary forms	mln.t	24.8	21.9	23.6	19.8	20.5
Ferro-manganese	thsd.t	104	100	184	211	156
Ferro-silicon	thsd.t	168	115	126	118	97.1
Ferro-silico-manganese	thsd.t	961	750	877	875	912
Other ferro alloys n.e.c.	thsd.t	129	114	106	87.1	101
Flat semi-finished products (of non-alloy steel)	mln.t	9.0	8.3	9.2	9.1	9.3
Ingots, other primary forms and long semi-finished products for seamless tubes (of non-alloy steel)	mln.t	9.0	7.9	7.9	7.2	6.7
Other ingots, primary forms and long semi-finished products including blanks (of non-alloy steel)	mln.t	8.5	8.0	8.0	5.0	5.3
Flat semi-finished products (slabs) (of stainless steel)	thsd.t	0.5	0.5	0.5	0.7	0.5
Ingots, other primary forms and long semi-finished products for seamless tubes (of stainless steel)	thsd.t	111	101	98.0	99.2	103
Other ingots, primary forms and long semi-finished products (of stainless steel)	thsd.t	25.4	20.2	17.8	18.8	18.2
Flat semi-finished products (of alloy steel other than of stainless steel)	mln.t	2.3	1.0	1.5	1.1	1.2
Ingots, other primary forms and long semi-finished products for seamless tubes (of alloy steel other than of stainless steel)	mln.t	4.1	3.6	3.6	4.0	3.7
Other ingots, primary forms and long semi-finished products (of alloy steel other than of stainless steel)	mln.t	0.6	0.4	0.4	0.6	0.9
Casing, tubing and drill pipe, of a kind used in the drilling for oil or gas, seamless, of steel other than stainless steel	thsd.t	κ / c	94.3	84.9	176	222
Tubes and pipes, of circular cross-section, hot-finished, seamless, of steel other than stainless steel (excluding line pipe of a kind used for oil or gas pipelines and casing, tubing and drill-pipe used for oil or gas drilling)	thsd.t	404	279	266	329	380
Tubes and pipes, of circular cross-section, hot- or cold-formed and welded, of an external diameter ≤ 406,4 mm, of steel other than stainless steel	thsd.t	214	225	233	157	159
Tubes and pipes, of square or rectangular cross-section, of a wall thickness ≤ 2 mm, hot- or cold-formed and welded, of steel other than stainless steel	thsd.t	82.7	66.1	106	222	182
Tubes and pipes, of square or rectangular cross-section, of a wall thickness > 2 mm, hot- or cold-formed and welded, of steel other than stainless steel	thsd.t	180	149	190	173	192
Cold-formed sections, obtained from flat products, of non-alloy steel, not coated	thsd.t	16.6	10.8	12.9	8.9	9.6
Cold-formed sections, obtained from flat products, of non-alloy steel, coated with zinc	thsd.t	111	101	121	126	104
Cold profiled (ribbed) sheets, of non alloy steel	thsd.t	127	118	156	165	164
Iron or non-alloy steel wire containing < 0,25% of carbon including crimping wire excluding stranded wire, barbed wire used for fencing - duplex wire - saw-tooth wire, insulated electric wire	thsd.t	202	178	209	204	192
Iron or non-alloy steel wire containing 0,25–0,6 % of carbon including crimped wire excluding stranded wire, barbed wire used for fencing, duplex wire, saw-tooth wire, insulated electric wire	thsd.t	59.0	43.9	51.5	55.8	31.0
Iron or non-alloy steel wire containing ≥ 0,6% of carbon including crimping wire excluding stranded wire, barbed wire used for fencing, duplex wire, saw-tooth wire, insulated electric wire	thsd.t	52.3	42.5	37.2	42.0	56.0

Product name (according to the nomenclature of industrial products)	Unit	Gross output				
		2014	2015	2016	2017	2018
Prefabricated buildings, of iron or steel	thsd.t	51.5	45.4	50.1	73.8	69.2
Iron or steel equipment for scaffolding, shuttering, propping/pit-propping including pit head frames and superstructures, extensible coffering beams, tubular scaffolding and similar equipment	thsd.t	78.0	56.5	57.3	69.5	86.1
Other structures principally of sheet: other	thsd.t	93.5	64.4	81.9	103	122

Source: State Statistics Service of Ukraine (online statistics).

**Table E5.** Indices of construction output by type (per cent, year-over-year change), 2014–2018

	2014	2015	2016	2017	2018	2019
<b>Construction (total)</b>	<b>79.6</b>	<b>87.5</b>	<b>117.5</b>	<b>126.4</b>	<b>108.6</b>	<b>123.6</b>
Residential buildings	103.5	98.9	117.8	116.3	100.9	104.8
Non-residential buildings	66.3	85.8	123.7	126.1	105.7	130.3
Engineering structures	79.7	83.7	114	131.7	113.6	127.7

Source: State Statistics Service of Ukraine (online statistics).

**Table E6.** Indicators of employment and involuntary underemployment by sector, first quarter of 2019–2020

Sector	Total number of workers = N ('000)	
	1q 2019	1q 2020
Total	7546.1	7469.5
Agriculture, forestry and fishing	411.5	383.1
Industry	1904.6	1844
Mining and quarrying	198.9	188.7
Manufacturing	1298.6	1246.9
<i>Manufacture of food products, beverages and tobacco products</i>	293.9	288
<i>Manufacture of textiles, wearing apparel, leather and related products</i>	79.9	74.3
<i>Manufacture of wood and of products of wood, paper and paper products, printing and reproduction of recorded media</i>	75.6	74.2
<i>Manufacture of coke and refined petroleum products</i>	18.1	14.4
<i>Manufacture of chemicals and chemical products</i>	54.5	57.5
<i>Manufacture of basic pharmaceutical products and pharmaceutical preparations</i>	24	24.5
<i>Manufacture of rubber and plastic products, and of other non-metallic mineral products</i>	120.2	116.2
<i>Manufacture of basic metals, fabricated metal products, except machinery and equipment</i>	196.2	190.1
<i>Manufacture of computer, electronic and optical products</i>	27.2	24.3
<i>Manufacture of electrical equipment</i>	45.9	43.8
<i>Manufacture of machinery and equipment n.e.c.</i>	115.3	105.8
<i>Manufacture of motor vehicles, trailers and semi-trailers, and other transport equipment</i>	141.8	126.1
<i>Manufacture of furniture, other manufacturing, repair and installation of machinery and equipment</i>	106.1	107.9
Electricity, gas, steam and air conditioning supply	292.4	293.1
Water supply; sewerage, waste management and remediation activities	114.6	115.3
Construction	191.9	194.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	782.1	810
Transportation and storage	651.3	635.1
Accommodation and food service activities	76.7	77
Information and communication	115	112.2
Financial and insurance activities	168.1	172
Real estate activities	77.5	76
Professional, scientific and technical activities	200.2	206.9
Administrative and support service activities	185.4	173.4
Public administration and defence; compulsory social security	396.7	422.6
Education	1339	1341.2
Human health and social work activities	885.6	858
Arts, entertainment and recreation	136.2	138.4
Other service activities	24.4	25.2

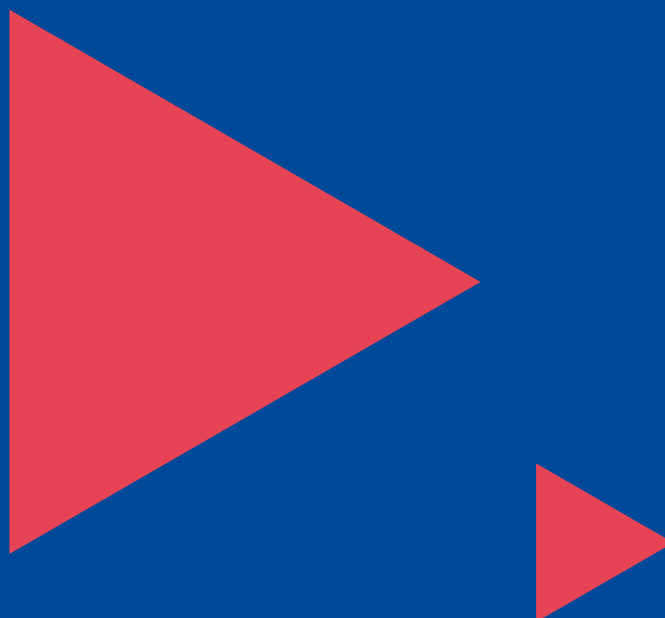
Source: State Statistics Service of Ukraine (compiled by the author from online statistics).

Note: Firm-level statistics covers only firms with at least 10 employees. Employment (=N) is the average listed number of staff employees.

	Workers on unpaid leave				Workers with shortened working hours			
	1q2019		1q2020		1q2019		1q2020	
	'000	% of N	'000	% of N	'000	% of N	'000	% of N
	30.6	0.4	96.0	1.3	130.6	1.7	157.9	2.1
	2.2	0.5	3.6	0.9	4.5	1.1	3.9	1.0
	20.7	1.1	45.7	2.5	93.1	4.9	106.5	5.8
	1.5	0.7	2.1	1.1	3.0	1.5	6.7	3.6
	17.9	1.4	39.0	3.1	87.0	6.7	96.9	7.8
	2.8	0.9	5.5	1.9	9.2	3.1	6.6	2.3
	1.5	1.9	4.9	6.6	1.8	2.2	2.7	3.6
	0.4	0.5	3.7	5.0	1.7	2.3	2.0	2.7
	0.0	0.0	0.1	0.6	0.2	1.3	0.3	2.2
	1.0	1.8	0.2	0.4	2.6	4.7	3.5	6.0
	0.0	0.0	0.1	0.3	0.2	0.8	0.3	1.2
	2.0	1.7	4.0	3.5	6.8	5.6	4.6	3.9
	2.4	1.2	6.2	3.3	10.4	5.3	11.8	6.2
	1.2	4.5	0.2	0.9	4.3	15.9	3.0	12.2
	1.3	2.9	1.2	2.7	9.0	19.6	8.5	19.4
	3.5	3.1	5.9	5.6	11.8	10.2	9.5	9.0
	0.5	0.4	2.9	2.3	25.0	17.7	38.3	30.4
	1.2	1.1	4.1	3.8	4.0	3.8	5.9	5.4
	1.0	0.3	3.6	1.2	2.3	0.8	1.7	0.6
	0.3	0.2	1.0	0.9	0.8	0.7	1.1	1.0
	1.2	0.6	7.0	3.6	2.9	1.5	4.4	2.3
	0.9	0.1	8.3	1.0	1.7	0.2	4.0	0.5
	1.2	0.2	10.6	1.7	12.3	1.9	20.7	3.3
	0.9	1.2	7.2	9.3	1.0	1.3	1.6	2.1
	0.1	0.1	1.0	0.9	0.7	0.6	0.5	0.4
	0.0	0.0	1.6	0.9	0.0	0.0	0.2	0.1
	0.5	0.7	2.4	3.2	1.1	1.4	1.3	1.7
	1.3	0.7	2.9	1.4	9.0	4.5	9.9	4.8
	0.3	0.2	2.1	1.2	2.6	1.4	2.6	1.5
	0.1	0.0	0.1	0.0	0.1	0.0	-	-
	0.3	0.0	0.8	0.1	0.1	0.0	0.7	0.0
	0.8	0.1	1.8	0.2	1.1	0.1	0.8	0.1
	0.0	0.0	0.6	0.4	0.3	0.2	0.7	0.5
	0.0	0.1	0.4	1.5	0.3	1.1	0.2	0.9







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