

# General statutory minimum wage debate in Germany: Degrees of political intervention in collective bargaining autonomy

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## ABSTRACT

This article traces the pattern of conflict, collaboration, and compromise among trade unions, employers, political parties, executive branches, and economic research institutes in Germany, all of which have different stances regarding the introduction of a general statutory minimum wage there. This article examines the degree of political intervention in collective bargaining autonomy. First, it identifies the factors that bring about differences in stance. Second, it addresses the issue of actor independence—in particular, that of service trade unions—despite the placing of institutional factors, to establish a reference standard for the debate behind forming social movement alliances. Third, it examines the manner in which the policy's economic legitimacy is earned. We conclude that the emergence of a statutory minimum wage in Germany reflects the dynamic mix of postwar political practices in its own context with the effects of modern neoliberal economic policies.

**Keywords:** Minimum Wage, Collective Bargaining Autonomy, Germany, Coalition Agreement, Social Movement Unionism

**JEL Classification Codes:** J08, J58, K31

## 1 Introduction

For a long time, Germany had no general statutory nationwide minimum wage. However, the coalition agreement contracted between the Christian Democratic Union and the Christian Social Union in Bavaria (CDU/CSU) and the Social Democratic Party (SPD) of Germany in December 2013<sup>1</sup> proposed enshrining

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<sup>1</sup>Generally speaking, CDU/CSU refers to a center–right faction, FDP as center, and SPD as center–left.

in law a general statutory minimum wage regulation (*allgemeine gesetzliche Mindestlohnregelung*); the legislative bill, called the “minimum wage law” (*Mindestlohngesetz*), was passed by the German parliament (*Deutscher Bundestag*) in June 2014.<sup>2</sup> Debates on the statutory minimum wage and the related agreement are characterized by three points, discussed below. The minimum wage debate in Germany differs from that in other European countries, because the issues involved relate to the roots of postwar German political reconstruction. The modern debate is characterized by the following main issues.

First, it reconstitutes the “collective bargaining autonomy” (*Tarifautonomie*) that has been a fundamental principle of German postwar industrial relations. In Germany, state intervention in “wage policy”—which is assumed by trade unions and employers, as collective bargaining parties—took place through mandatory arbitration in the Weimar Republic and in trade unions, the latter of which were dismantled by the National Socialist state. These negative experiences gave rise to the Basic Law for the Federal Republic of Germany (*Grundgesetz*, Article 9; *BverfGE*,<sup>3</sup> 4, 96), which upholds institutions of collective bargaining autonomy by which working conditions are decided by establishing agreements between trade unions and employers’ associations. The statutory minimum wage occupies an important place in postwar German policy with regard to state intervention in collective bargaining autonomy, which has been seen as a preserve of the parties that exert pressure on reconsiderations of the ways of the autonomy.

Second, the statutory minimum wage became a political issue against the backdrop of “social movement unionism”—something that is considered unlikely to be activated in coordinated market economies (CMEs); a typical CME is the case of Germany. This approach places strong emphasis not on economic bargaining powers in the workplace or the labor market, but on social influences brought about through collaboration between trade unions and citizen groups (Suzuki, 2010, p. 196–197). In CMEs—“where trade unions have a more institutionally embedded position,” compared to liberal market economies (LMEs)—the “unions might focus more on organizational restructuring and strategies which defend their embedded status” (Annesley, 2006, p. 165). However, analysis of the debate on the statutory minimum wage will clarify that the Food, Beverages and Catering Union (NGG) and the United Services Union (*ver.di*) created the reference standard, through social movement unionism.

Third, the Industrial Union of Metalworkers (IG Metall) and the Industrial Union of Mining, Chemicals, Energy (IG BCE) are not bellwethers of the debate—although they do typically draw researcher attention, given that they are main players that lead or block institutional changes (e.g., Streeck, 2009). In this debate, the bellwethers were NGG and *ver.di*, both of which have less economic bargaining power than the industrial unions (i.e., the IGs).

<sup>2</sup>This law is contained in the “act to strengthen collective bargaining autonomy” (*Tarifautonomiestärkungsgesetz*), enacted August 11, 2014.

<sup>3</sup>Decisions of the Federal Constitutional Court (*Entscheidungen des Bundesverfassungsgerichts*).

The debate on this issue has not yet been analyzed in terms of a pattern of conflict, collaboration, and compromise among trade unions, employers' associations, political parties, the Federal Ministry of Labor and Social Affairs (BMAS), and economic research institutes, all of which have different interests.<sup>4</sup> Only by understanding the complex web of interrelations can one understand how two policy proposals have been constituted no later than the German federal election of 2013, and the compromises that were made in the course of drafting the 2013 coalition agreement.

This article provides an overview of the positions of each actor, the changes in those positions, and reciprocal influences, up to the time of the coalition agreement; it focuses on degrees of political intervention (or political assistance) in collective agreement autonomy. To this end, we consider three questions (see Figure 1).

First, we examine what factors differentiate the trade unions (Figure 1, column I; Section 3). By answering this question, we can explain their patterns of agreement, conflict, and collaboration. These differences mainly reflect differences between the social and institutional environments within the sectors administered by each trade union—including factors such as degree of collective bargaining and the strength of labor organizations within firms—which in turn lead to different priorities or strategies among sectors. In addition, those social and institutional factors highlight the extent of trade union independence.

Second, we examine how political issues have shifted in the policy arena and what compromises have been reached (Figure 1, column II; Section 4). We focus on the positions of various political parties regarding (i) the type of actors who incur costs in order to solve the low-wage problem (Figure 1, (i)) and (ii) the extent and mode of political intervention in collective bargaining autonomy (Figure 1, (ii)). As we adopt these focal points, this section provides a view that a state is seen as a “capacitating framework” for representatives of collective bargaining; this differs from the view that the state is a “decision-making entity” of the process of (re)configuring the minimum-wage level (Yamamoto, 2014, p. 37).

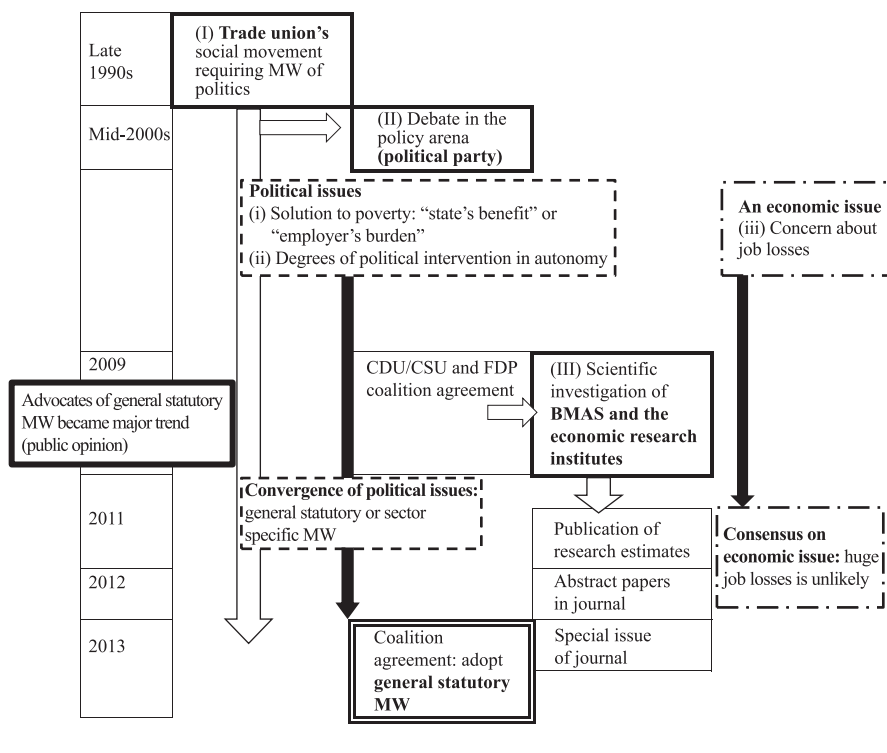
Third, we examine how scientific investigations have been conducted with regard to economic issues and, finally, what consensus has been reached (Figure 1, column III; Section 5). The main economic issue is what type of impact will stem from the introduction of a statutory minimum wage (Figure 1, (iii)). Research institutes have examined how the employment effect contributes to a convergence among various actors holding a variety of economic interests. In addition, the method of reaching consensus was examined, to confirm how economic legitimacy was obtained prior to political decision-making. A dedicated focus on political issues reveals only one aspect of the debate.

Our study results demonstrate that changes in the socioeconomic structure—that is, so-called liberalization—created a strong need for an “innovative approach” that departs from the postwar conservative approach that maintained

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<sup>4</sup>Regarding the various positions among political parties, see Schuster (2013). Regarding the various interests among trade unions in the early phase of the debate, see Streeck (2009, p. 54).

**Figure 1.** Sketch of the minimum wage (MW) debate.



a clear separation between collective bargaining activity and the state. This new approach, which entails collective bargaining autonomy as a new form of interconnection with the state, is supported by both the main actors and public opinion.

## 2 Various institutions related to minimum wage

### 2.1 Background to the debate on a general statutory minimum wage

This section examines various institutions related to the minimum wage debate. Such a review confirms that the general statutory minimum wage scheduled for adoption in 2015 can be seen as complementary to a “sectoral minimum wage regime” (no national minimum wage) that is based on prior and existing sector-specific institutions (Schulten, 2014, p. 4; Kittner, 2013, p. 1578).

Debate on the issue came to the fore mainly on account of specific circumstances in German social and institutional history. First, immigrants played a role. The construction industry was the first affected sector, starting in 1980.

This net influx of workers led to a decline in wage and an increase in the percentage of jobless Germans (Sterkel, Schulten and Wiedemuth, 2006, pp. 266–267). In addition, since the European Union (EU) expanded eastwards in 2004, the accelerated inflow of immigrants and foreign companies to Germany has brought about wage-dumping.<sup>5</sup> For example, workers from Poland who often earn only EUR4.00 per hour have suppressed wage development in western Germany (Sterkel, Schulten and Wiedemuth, 2006, pp. 282–283).

Second, in the late 2000s, neoliberal reforms<sup>6</sup> called the “Hartz reforms”—which contained active labor market policies—were enacted. The reforms were characterized as “negative activation,” which implies, for example, a “tightening of the criteria of reasonable work and eligibility, as well as a tightening of the sanction regime”; this contrasts with “positive activation,” which improves the employability of unemployed persons through, for example, vocational training (Fleckenstein, 2011, pp. 104–107). Moreover, the reforms called for the relaxation of labor market regulations (e.g., relaxations of regulations pertaining to mini-job and temporary agency work).<sup>7</sup> Consequently, the percentage of non-regular employees—including limited-term, part-time, and temporary agency workers—among all workers increased sharply, from 21.2% in 2003 to 25.4% in 2010.<sup>8</sup> By 2010, these reforms resulted in 49.8% of employees in nonregular employment earning “low wages.”<sup>9</sup> This percentage is far higher than the

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<sup>5</sup>Regarding the relationship between an increased number of “posted workers” from other EU countries and wage-dumping in Germany, see below, 1.2 (1).

<sup>6</sup>Harvey (2005a) defines “neoliberalism” as the strategy to recover the wealth of the upper classes and power based on redistribution of wealth to big businesses and elites. “The fundamental mission of the neo-liberal state is to create a ‘good business climate’ and therefore to optimize conditions for capital accumulation no matter what the consequences for employment or social well-being” (Harvey, 2005b, p. 19). Briefly, this article defines “neoliberal” as a tendency, driven by a state’s strong leader, to expand effectiveness and profit-seeking logic, not only to economic areas but also to non-economic and social areas; in this case, that leader was Gerhard Schröder. This probusiness tendency was strongly characterized as being driven by the “Comrade of Boss/Chief Executive” (*Genosse der Bosse*)—a term that the media applied to Schröder. In practice, the Hartz reforms feature not only progressing flexibility and a loosening of labor market regulations, also known as “negative activation” (Fleckenstein, 2011, pp. 104–107), but also the implementation of corporate tax cuts and the abolition of capital gain tax, to enhance international competitiveness and change the industrial structure. Therefore, broadly, we can categorize the Hartz reforms as neoliberal policy.

<sup>7</sup>While the trend of relaxing labor market regulations started in the Kohl government (CDU/CSU and FDP, 1982–1998), radical easing regulations and increased labor market flexibility were brought about through the Hartz reforms of the Schröder government (SPD and Bündnis 90/Die Grünen, 1998–2005). With regard to the labor policies of this government, see Kasch (2007, p. 272–273, Übersicht 8.8, *Regulierung und Deregulierung des Arbeitnehmerüberlassungsrechts*).

<sup>8</sup>See <https://www.destatis.de/EN/Homepage.html> (Homepage > Facts & figures > National economy & environment > Labour market > Employment > Atypical employment). This and all other internet-based content was confirmed on May 12, 2014.

<sup>9</sup>This refers to wages lower than two-thirds of the median wage of concerned employees (Destatis, 2012b, p. 14).

corresponding rate of 10.8% among persons in regular employment (i.e., those hired directly by a company, to which they provide service under a termless contract of employment) (Destatis, 2012b, p. 20). Furthermore, amendments to the social security system required that an unemployed person with the ability to work and who is receiving the unemployment benefit II (*Arbeitslosengeld II*) take any job introduced by the *Jobcenter*. This policy created concerns about spiraling, ever-decreasing wages (Hashimoto, 2006, p. 1586).

Third, the number of workers covered by collective agreements, which create a minimum-wage floor, decreased from 76% in 1998 to 61% in 2011 (WSI-Tarifarchiv, 2013, p. 15).

Fourth, relating to the above three points, the percentage of low-wage employees increased from 18.7% in 2006 to 20.6% in 2010 (Destatis, 2012b, p. 17).

## 2.2 Characteristics and limitations of a sector-specific minimum wage

In Germany, which does not have a statutory minimum wage that covers all sectors, de facto minimum-wage levels reflect (i) the lowest wage floors as determined through collective agreements, (ii) a judicially created doctrine of “wage exploitation” (*Lohnwucher*) (BGB,<sup>10</sup> 138, 2), and (iii) working conditions as determined by states for the trustee companies of public works (GWB,<sup>11</sup> Article 97, 4). Thus, Germany’s existing minimum-wage regime is a “patchwork of different rules” (Schuster, 2013, p. 15).

This subsection outlines two laws that serve a primary function in the sectoral minimum wage regime,<sup>12</sup> namely (1) the generally binding declaration according to the Collective Agreements Act, and (2) the Posted Workers Act. These can be characterized as sector-specific; relevant minimum wages are determined by collective agreements under the scope of each regulatory instrument (Schulten, 2014, Table 1).

### (1) Easing the requirements of the extension of a primary collective agreement (AVE)

When the Federal Minister of Labor and Social Affairs declares a collective agreement to be generally binding (*Allgemeinverbindlicherklärung*: AVE), the primary agreement becomes obligatory for all employees in the relevant sector

<sup>10</sup> *Bürgerliches Gesetzbuch*, Civil Code.

<sup>11</sup> *Gesetz gegen Wettbewerbsbeschränkungen*, the Act Against Restraints of Competition, i.e., Anti-trust Law.

<sup>12</sup> Laws of secondary importance in this debate are the Minimum Working Conditions Act, amended in 2009 (*Mindestarbeitsbedingungengesetz*; see Kittner, 2013, p. 1575; Sterkel, Schulten and Wiedemuth, 2006, p. 267) and the Temporary Employment Act, amended in 2011 (*Arbeitnehmerüberlassungsgesetz*), Article 3a (see Kittner, 2013, pp. 128, 1579; Saito, 2012, pp. 42–44).

(TVG,<sup>13</sup> Article 5). A valid AVE must bear the following characteristics: (i) the AVE must be made at the request of one party, (ii) the primary sectoral collective agreement covers at least 50% of employees in the sector included in the scope of application of the agreement, (iii) the AVE must be necessary for public interest, and (iv) the AVE must have the consent of a commission comprising three representatives from each head association of employers and employees.

In recent years, the number of AVEs as a percentage of all agreements has declined, from 5.4% in 1991 to 1.5% in 2009 (Bispinck, Dribbusch and Schulten, 2010, Figure 4). This decrease can be attributed to employer vetoes, an increase in the number of firm agreements that avoid AVEs and their shortcomings, and the declining number of organizations in both associations (WSI–Tarifarchiv, 2013, p. 18–19).

The coalition agreement of 2013 specified the easing of AVE requirements (CDU, CSU and SPD, 2013, p. 48), wherein the requirement was dropped that employers bound by a certain collective agreement had to ensure that at least 50% of its employees were covered by that agreement. Instead, the mere existence of special public interest is sufficient. This is especially true when:

- the ability to function as a common institution of collective bargaining parties (social fund) should be secured
- the AVE secures the effectiveness of the norm-setting of a collective agreement against the consequences of abortive economic development, or
- the collective bargaining parties convincingly set forth a binding collective agreement that represents at least 50% of the workers. (CDU, CSU and SPD, 2013, p. 48)

While the ratio of AVEs to all agreements is expected to increase after easing the requirements, the AVE instrument has two limitations. First, as noted above, the AVE cannot bind domestic employers who do not belong to an employers' association and cannot regulate firm agreements. Second, it does not apply to “posted workers” who are not regular immigrants, as they were sent abroad by their employer rather than choosing to move on their own volition. The enlargement and deepening of EU integration led to an expansion in the amount of work posted in Germany—for example, from 221,222 positions in 2009 to 311,361 in 2011. It is outpacing growth seen in other EU countries: in second place in this regard is France, which grew from 155,601 in 2009 to 161,954 in 2011 (European Commission, 2012, p. 23). The German framework has had to cope with growth in this employment category—that is, making provisions that link such workers' (often extremely lower) wages to average wages in the host country—because the gap between the wages of workers in the host country and those of posted workers leads to “social dumping” in the host country (i.e., Germany). However, the AVE is “just not proper in *profound*

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<sup>13</sup> *Tarifvertragsgesetz*, Collective Agreements Act.

*cross-border* issues,” because in Germany, foreign employers do not have any incentive to become a member of an employers’ association (Blanke, 2006, p. 193; italics here are as found in the text).

## **(2) Expanding the scope of the Posted Workers Act (AEntG)**

To achieve competitive equality and mitigate “social dumping,” the EU’s 1996 Posting of Workers Directive (Directive 96/71/EC) “established a core of mandatory rules regarding the [minimum] terms and conditions of employment to be applied to an employee posted to work in another Member State. These rules will reflect the standards of local workers in the host Member State.”<sup>14</sup> To enact the necessary domestic legislation, the Posted Workers Act (AEntG)<sup>15</sup> was implemented in 1996, and then expanded to all sectors.<sup>16</sup>

Contrary to the AVE of TVG Article 5, the declaration of general binding of the Federal Minister of Labor and Social Affairs, based on the AEntG, does not require (ii) and (iv) of the AVE requirements. Therefore, compared to the AVE of TVG, it is easy to expand the collective agreement to other members of the agreement parties. However, the declaration based on the AEntG has the following two limitations (Saito, 2012). First, it requires the “concerted” request of both parties (AEntG, Article 7, Paragraph 1, 1st sentence). Second, a review is needed of the commission of the collective agreement vis-à-vis the request (AEntG, Article 7, Paragraph 5, 1st sentence). Given these points, there are risks inherent in introducing a minimum-wage regulation.

## **(3) Summary**

With respect to points (1) and (2) above, on February 1, 2014, sector-specific minimum wages were enacted for 15 different sectors.<sup>17</sup> Wage levels varied widely, from EUR6.50 per hour<sup>18</sup> to EUR13.95.<sup>19</sup> Wherever a trade union has relatively low bargaining power, the sector-specific minimum wage was (and is) more likely to be low; thus, NGG and ver.di—which cover low-wage sectors—have strongly supported a general statutory minimum wage for which all DGB trade unions can negotiate, in tandem with employers’ associations.

Prior to the federal election in September 2013, the main options for settling the low-wage problem were (i) a policy that would maintain, amend, and improve the existing sectoral minimum wage regime, and (ii) a policy that would create a “universal minimum wage regime” (Schulten, 2014, p. 4; IW, 2013). With regard to the latter regime, political parties and trade unions have had two different

<sup>14</sup>European Commission, [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm) (search: “posted workers”).

<sup>15</sup>*Arbeitnehmer-Entsendegesetz*.

<sup>16</sup>See AEntG, Article 4, expanded from Paragraph 1 to 8. Finally, CDU, CSU, and SPD (2013, p. 48) declare that “we will open the scope of the Posted Workers Act ... for all sectors.”

<sup>17</sup>See <https://www.destatis.de> (search: *Mindestloehne*).

<sup>18</sup>This is the hourly wage of a hairdresser in eastern Germany, except Berlin.

<sup>19</sup>This is the hourly wage of a half-timber construction worker, a machinist, or a driver in western Germany, except Berlin.



viewpoints. First, CDU/CSU, FDP, and IG Metall (before 2005) viewed the general statutory minimum wage as a form of political intervention in collective bargaining autonomy. In contrast, NGG, ver.di, DGB, and SPD have considered political support a requirement as autonomy became progressively incompetent (Interview B; Blanke, 2006). As we see below, in the course of an approximately 20-year debate, the latter opinion grew to become dominant opinion among the political parties, trade unions, and employers, and in public opinion.

### 3 Differences in trade union stance

This section describes trade union initiatives to introduce a general statutory minimum wage. In association with the expanding “low-wage sector” (*niedriglohn Sektor*), securing a minimum wage had become a priority issue among trade unions. While all trade unions affiliated with the German Trade Union Confederation (DGB) first agreed to tackle the issue in 2006, the best means by which to resolve the issue has been contested (Haipeter, 2006). This section traces the varying positions of three trade unions through their adoption of a unitary goal (outlined in Figure 2). Examining these various opinions will clarify the social and institutional factors that contribute to their various positions.

#### 3.1 Food, Beverages, and Catering Union (NGG) and United Service Union (ver.di)

According to the Federal Statistical Office, the number of employees beneath the low-wage threshold increased from 18.7% in 2006 to 20.6% in 2010. Furthermore, NGG and ver.di cover almost all 20 of the lowest-paying sectors (Destatis, 2012b, pp. 17, 22).

In addition, NGG and ver.di have lower collective bargaining coverage than do “industrial unions” (*Industriegewerkschaften*)—that is, IG Metall, IG BCE, and IG BAU. For example, 34% of hotel and restaurant employees are covered by NGG and ver.di; this number is 36% for health and social work employees, and 16% for information and communication employees. Meanwhile, 46% of apparatus employees are covered by industrial unions, along with 57% of mining and extraction employees and 61% of energy supply employees in industrial union sectors, 61% (Destatis, 2013, p. 7).

Moreover, NGG and ver.di represent a larger proportion of low-wage sectors; thus, their bargaining power in relation to employers’ associations is quite low. The low bargaining power relating to lower wage levels and the lower rate of wage increase have had several impacts. First, in the early 1990s, NGG started to promote the introduction of a minimum wage—even before the other trade unions did so—followed by ver.di (Sterkel, Schulten and Wiedemuth, 2006, pp. 268–270). Given the low-wage threshold, the minimum wages

**Figure 2.** Changes in stance of DGB-affiliated trade unions.

	To amend and strengthen sectoral MW regime			To complement the regime through a general statutory MW	
Means	Easing requirements of AVE, expanding of the Posted Workers Act, and activation of Minimum Working Conditions Act			Introducing the general statutory MW	
	IG BCE (n. 1)	IG Metall	IG BAU (n. 1)	NGG (n. 2)	ver.di (n. 3)
'99				2,500 deutschemark	
'02	Oppose	Oppose	Cosponsor	DGB federal congress (n. 4) NGG, ver.di, IG BAU cosponsor EUR1,500/month	
'04	Deny	Deny	Trade Unions Council in SPD did not conclude	EUR1,500/month	EUR7.50/hour
'06	Oppose	Support But inactive	Support But inactive	DGB congress EUR7.50/hour <b>Adopt</b>	
'07		Congress Adopt campaign for a better deal for temporary workers	Each industrial union (IG) worried about the smoothing effect of the general statutory MW and their sectoral, agreed-upon MW floor		
'10	Oppose	On Sept. 2011, the approval rate of the general statutory MW has already been <b>beyond 70%</b> (Infraestat dimap, 2012)		DGB congress (n. 5) Increase the requested amount to 8.50	
'11	CDU shift to "wage lower limit" plan	Congress EUR8.50 <b>Adopt</b>		<b>Adopt</b>	
'13	Support EUR8.50 on May day in effect Congress (Oct.) EUR8.50 <b>Adopt</b>	<b>Aggressive</b> mobilization along with the campaign for a better deal for temporary agency workers			
	Federal election (Sept.)				

**Note:** MW: minimum wage.

- (n. 1) We do not explain transitions in the positions of IG BCE and IG BAU in context. See Sterkel, Schulten and Wiedemuth (2006, pp. 266–268, 271), IG BAU (2014, p. 2), Schulten, Bispinck and Schäfer (2006, p. 358), IG BCE (2006), and IG BCE (2013a).
- (n. 2) With regard to internal deliberations and the external requirements of NGG in the 1990s, see Iwasa (2014).
- (n. 3) ver.di was established in 2001 through the amalgamation of trade unions. Regarding a brief on that amalgamation and the strategy of ver.di within its sectors, see Annesley (2006).
- (n. 4) For details on the DGB federal congress in 2002, see DGB (2002, p. 48) and Sterkel, Schulten and Wiedemuth (2006, pp. 275–276). DGB is a democratic structure; therefore, it is of course not “monolithic.”
- (n. 5) This is to increase to EUR8.50, due to an increase in price and productivity over the previous period, from the last congress (Interview A). Nonetheless, ver.di demanded a rapid increase to EUR10 per hour (ver.di, 2007, p. 963; ver.di, 2011, p. 55).

in other EU countries, and the wage amount at which seizures are prohibited in the Civil Code (Hashimoto, 2007, p. 32), NGG demanded a minimum wage of EUR1,500 per month including tax, while ver.di demanded EUR7.50 per hour (see the “NGG” and “ver.di” columns in Figure 2).

NGG and ver.di recognized the difficulty of stopping, solely through collective bargaining, the proliferation of low-wage sectors. Thus, they adopted three strategies. First, they pursued an “alliance strategy” in tandem with communities—that is, citizen groups and churches (An, 2013, p. 34)—which would involve those communities and strategically form a united front.<sup>20</sup> Second, they exerted “symbolic leverage,” which is created when parties share with society at large discourse on economic and social injustice (Chun, 2005). Those with low wages, as well as so-called precarious employees, are attracted to the idea that their harsh economic conditions are socially unjust and run counter to social norms. If such a perception is accepted by society, their economic and social disadvantage can be converted into an advantage. The slogan “poor despite working” (*Arm trotz Arbeit*) aligns with this strategy. Third, they pursued “politicization” through “public opinion leadership” (*öffentliche Meinungsführerschaft*) (Sterkel, Schulten and Wiedemuth, 2006, pp. 276, 278).

These strategies are characterized as part of “social movement unionism.”<sup>21</sup> This movement, which differs from other social movement unionisms in Germany in terms of its minimum-wage demands, has a number of distinguishing features, as follows.<sup>22</sup> First, NGG and ver.di utilized public opinion, not as

<sup>20</sup>In ver.di’s alliance-based strategy, each of its sections (*Gliederungen*) has built and strengthened the local “minimum wage alliance” (*Mindestlohnbündnisse*) (ver.di, 2011, p. 55).

<sup>21</sup>Suzuki (2010, p. 195) cites the characteristics of social movement unionism as follows. First, it overcomes the limitations of existing industrial relations institutes and follows amendments to the aims of the labor movement. Second, it creates alliances between a trade union and social movement groups. Third, it intends to break the bureaucratic structure of the trade union. Fourth, there has been international solidarity among laborers at the grassroots level.

<sup>22</sup>In the United States, “social movement unionism” was first planned by some union members, or some unions that were organized on a nationwide basis, that were highly critical of the dominant stance taken by the unions who embraced harmonious labor relations—that is, “business unionism.” Thus, social movement unionism was planned as the antithesis of the dominant stance. This movement achieved some positive results, such as the successful organizing and realization of requests, even among firms and societies hostile to unions—that is, the hallmark of LMEs (Takasu, 2005).

In Germany, the context through which social movement unionism evolved was different from that seen in the United States. In reducing membership and shrinking collective bargaining coverage, the representatives of German trade unions who developed a sense of danger aggressively learned about the American experience of social movement unionism, and took control of executing it (Dörre, Holst and Nachtwey, 2009, p. 52; Niemann-Findeisen, Berhe and Kim, 2013, pp. 71–72). Therefore, “conflict orientation” (*konfliktorientiert*) and “campaign orientation” (*kampagnenorientiert*), both of which are similar to concepts seen in the US movement, are key terms seen with respect to Germany’s recent unionism in Germany; this does not suggest the denial of harmony and compromise as established in the postwar settlement, but rather a supplemental means that was chosen strategically and practically to cope with the problems that seemed insurmountable when taking a harmony and compromise-based mode of action (*ibid.*; Wohland, 2013, p. 66).

pressure on a company or an employer association—which is the opposite of collective bargaining<sup>23</sup>—but as pressure on politics; as such, it represents pressure in favor of institutional reform. Neither NGG nor ver.di adamantly refused political intervention; rather, they sought to reconstitute collective bargaining autonomy by currying political support. This is not an “outsider strategy”<sup>24</sup> to increase bargaining power by exploiting leverage outside the arena, but a “shift arena strategy” from the previously defined bargaining framework to the social and political arenas. Second, the movement was a loosely concerted action on the part of NGG and ver.di, not only with communities, churches, local municipalities, but also, in the final phase, with other trade unions; this was done under the more broad purpose of “banking precarious employment.”

Furthermore, we see neoliberal policies in the early 2000s promoting the strategies of NGG and ver.di, because their sectors had less buffering from the policy’s negative impacts. It is said that the institutions comprising CMEs—for example, Germany—enjoy better buffering from the influences of neoliberal policies than those comprising LMEs (Suzuki, 2010, p. 202). More concretely, the “dual system” comprising sector-specific collective agreements and works agreements (*Betriebsvereinbarung*) is seen as a bulwark that secures the existing employment status from the effects of neoliberal policies. The buffering function is an institutional factor that discourages trade unions from choosing social movement unionism. Certainly, this hypothesis captures the general character of CME, compared to LME. Yet, when each of a CME’s internal sectors is examined, the dual system providing the basis for the buffering function is in fact found to be unevenly located within the sectors covered by industrial unions. Thus, we add a clarification for the hypothesis, as to which “varieties of capitalism” yield differences in dominant strategy—namely, that various institutional environments among interior sectors bring about different dominant strategies.

When NGG and ver.di took the bold step of moving from a given problem-solving domain to a more “taboo” approach—a move that required additional political support—they justified their action as follows.

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Moreover, social movement unionism with regard to the general minimum wage bore features that service unions associated not only with communities and social movement groups, but also with other industrial trade unions under the broader purpose of “banking precarious employment.” In comparison to the social movement unionism seen in the United States—which incorporated leveraged external pressure (e.g., public opinions) and partisan tactics within a hostile environment—that seen in Germany appears to have been executed under the control of union representatives, who could mobilize much richer resources (Kitagawa, 2014).

<sup>23</sup>With regard to a case in which ver.di leveraged public opinion to focus on a certain figure—a tack that runs counter to that seen with trade unions—see Gajewska and Niesyto (2009, pp. 162–163).

<sup>24</sup>While the insider strategy within the arena is about exerting influence over decision-making by cooperating with political parties and consultants, an outsider strategy looks to exert influence on decision-making from outside the policy arena. Its means consist mainly of general strikes and congregations (An, 2013, p. 121).

**Table 1.** Models for adjusting national minimum wages.

1. Indexation	2. Negotiation	3. Consultation	4. Unilateral decision-making
“Automatic” adjustment to price and/or wage development	Bi- or tripartite negotiations among employers, trade unions, and the state	Institutionalized consultations between employers and trade unions	Unilateral decision-making by the state
Belgium, France	Germany (from 2015), Bulgaria	United Kingdom, France (supplementing 1)	Greece, Ireland

**Source:** Schulten (2014, Table 2), amended by the author. The lists of countries are by no means exhaustive.

Low wages are not the problem of a single economic sector, nor an expression of insufficient union work. Low pay is *a structural and a socio-political problem* that will grow faster. With collective agreement instruments we arrive, however, only at a very limited outcome as NGG and ver.di only slightly resolve the low wage problem because their bargaining power is relatively low in comparison with the negotiating counterparts and Industrial Unions. We need the accompanying intervention of the legislature. (Sterkel, Schulten and Wiedemuth, 2006, p. 269)<sup>25</sup>

This new strategy was adopted by NGG and ver.di—a clear departure from previous approaches. This strategy involved independent actors who sought to convert their economic and social disadvantages into advantages; it was derived from strategies pursued by trade unions in neighboring EU countries—in particular, Switzerland and Austria (Sterkel, Schulten and Wiedemuth, 2006, p. 277). These actors operating in different socio-political environments developed different approaches to autonomy and social linkages, which these German unions then adapted to the very different German domestic environment.

Simultaneously, the “minimum wage council” (*Mindestlohnrat*) set out by ver.di to act as a coordination instrument vis-à-vis the minimum-wage level was modeled on the United Kingdom’s Low Pay Commission (Wiedemuth, 2006, pp. 289–91).

In the four models of Schulten (2014) (see Table 1), the Low Pay Commission is a representative example of the “consultation model,” in which “representatives of employers, trade unions, and academia” (*ibid.*, p. 12) act independent of the government to recommend a minimum-wage level; the government then

<sup>25</sup>Hereinafter, *Italic* font indicates emphasis made by the author of this article for emphasis. Additionally, [] are hereafter added by the author of this article, to enhance clarity.

considers it and makes a final decision (in most cases, in line with the recommendation). A definitive characteristic distinguishing the consultation model and the negotiation model in Table 1 is the degree of government authority. While in the consultation model the government is not constrained by the council's recommendation, in the negotiation model, the government only has the authority to give legal binding force to a collective agreement coming from a commission.

In the consultation model, “including the collective bargaining parties and sometimes other groups, in particular, the introduction of a statutory minimum wage can acquire greater social acceptance” (Schulten, 2014, p. 12). This high social credit derives from “its widespread consultation—both formal and informal—and its objective appraisal of the evidence” (Dolton, 2012, p. 206).

On the other hand, consultation runs the risk of becoming “merely a ritual” (Schulten, 2014, p. 12).<sup>26</sup> In evaluating the model based on the principle of collective bargaining autonomy in Germany, on the one hand, it may resolve the low-wage problem under the political responsibility of political parties; on the other hand, however, there is the risk that autonomy may be taken over by the state.

The proposition by ver.di regarding a general statutory minimum wage of EUR7.50 per hour received criticism from industrial unions—in particular, from IG BCE (see the IG BCE, IG Metall, and IG BAU columns in Figure 2). Nonetheless, the proposition was adopted in the DGB federal congress in 2006 (DGB, 2006, p. 7). As mentioned in Section 4, the proposition then passed on to the SPD through its Trade Unions Council (*Gewerkschaftsrates*), in the same year.

### 3.2 Industrial Union of Metalworkers (IG Metall)

IG Metall opposed the general statutory minimum wage, until the DGB congress in 2006. The substance of this opposition is as follows:

“The wage policy must remain the full reserve of collective bargaining,” [IG Metall Chef] Jürgen Peters told the *Handelsblatt*, but (...) “Historical experience has taught us to leave it alone.”<sup>27</sup>

In this core political field, the trade unions need to recover, secure, and expand their ability to act on their own account (Sterkel, Schulten and Wiedemuth, 2006, p. 266).

<sup>26</sup>In France, for example, “the government informs the other participants of its minimum wage plans without the other actors having any influence on minimum wage adjustment” (Schulten, 2014, p. 12).

<sup>27</sup>*Handelsblatt*, August 22, 2004, “IG Metall chef Peters gegen Mindestlohn,” <http://www.handelsblatt.com/politik/deutschland/ig-metallchef-peters-gegen-mindestlohn/2388608.html>.

IG Metall preferred applying the sector-specific minimum wage to areas where no collective agreement existed or where the collectively agreed minimum-wage floor was at a remarkably low level. This could be attained by easing AVE requirements, expanding the scope of the AEntG, and reactivating the Minimum Working Conditions Act (*ibid.*; IG Metall, 2005, p. 10; IG Metall, 2006). It was intended to strengthen collective bargaining autonomy and ensure the continuation of government nonintervention in the sectors covered by IG Metall.

When the general statutory minimum wage of EUR7.50 was adopted in the 2006 DGB conference, IG Metall began supporting it (e.g., IG Metall, 2007a, p. 4). In a practical sense, IG Metall refrained from mobilizing its members in support of the measure until the late 2000s (e.g., IG Metall, 2007b, pp. 191–192).

However, IG Metall then shifted its inactive stance to an aggressive one. In 2011, the IG Metall congress confirmed the adoption of the general statutory minimum wage of EUR8.50 per hour. This shift is further indicated by IG Metall's promotion of a campaign mobilization along, with a campaign since 2008 to organize and obtain a better deal for temporary agency workers. The proportion of temporary agency workers has increased at a more rapid pace among the sectors covered by IG Metall and IG BCE than among those covered by NGG and ver.di. For example, while the percentage of temporary agency workers who worked as plant and machine operators increased from 3.4% of the workforce in 2006 to 4.4% in 2010, the corresponding rates among service occupations and vendors were imperceptibly small each year (Destatis, 2012b, p. 13). The increase in temporary agency workers, due to the Hartz reforms in the early 2000s, brought about a “pressure for substitution,” and therefore a “pressure for declining working conditions” in companies that use temporary agency workers (Kitagawa *et al.*, 2014, p. 77). The smoothing effect of wages—which attracted concern among industrial unions—has been occurring independent of the general statutory minimum wage. IG Metall chose the requirement of political support as an effective measure in obtaining better work conditions for temporary agency workers and to re-regulate this employment status. That requirement included a minimum wage for temporary agency workers. Simultaneously, the boards of IG Metall put the general statutory minimum wage in the effective measures for re-regulating both temporary agency workers and wage-dumping within its sectors; joining the campaign, it appealed for the need to introduce that minimum wage (e.g., IG Metall, 2013a, p. 13). IG Metall's aggressive stance toward the introduction of a general statutory minimum wage, as well as the relationship between it and temporary agency work—was revealed by the adoption of the proposed draft, as shown below, in its 2011 congress.

*The Board is tasked to initiate the nationwide campaign in all levels of organization to establish a minimum wage of at least 8.50 Euros by law. (...)*

*In addition, the current minimum wage unregulated situation triggers especially in the area of temporary agency work increasing pressure on workers in regular employment and to our existing collective agreements. (IG Metall, 2011a, p. 322)*

In this way, IG Metall clearly shifted in 2011 from inaction to an aggressive mobilization stance. The motivating factor was the fallout from the relaxations of regulations, which emerged later than in the sectors covered by NGG and ver.di. Furthermore, IG BCE shifted its position from clear opposition to one of strong support, because it was also under pressure from temporary agency workers (IG BCE, 2013b, p. 12–15) and pressured to follow the opinion of the mainstream public, including that of its members (Infratest dimap, 2012).

With regard to IG Metall's and IG BCE's delay in joining the movement of NGG and ver.di, we can negatively infer that the delay was due to DGB's inadequate leadership. However, success in eventually introducing the general minimum wage indicates the possibility of a new method among German trade unions, wherein the loosely concerted action of trade unions of different interests under a broad purpose—in this case, “embanking precarious employment”—is effectively pressing political agents to change the framework of the collective bargaining system.

In summary, NGG and ver.di came to push for a general statutory minimum wage because social conditions and institutional factors led to their diminished economic bargaining power inside the collective bargaining system, at a time when they also faced sudden fallout from neoliberal reforms. Yet, we can confirm a certain level of independence between that push and those conditions and factors, in two respects. First, they chose a social movement to reconstitute wage bargaining autonomy, having learned from the experience of other European countries. Second, they established a reference standard in terms of the positions of trade unions, public opinion, and, as discussed below, the policy arena.

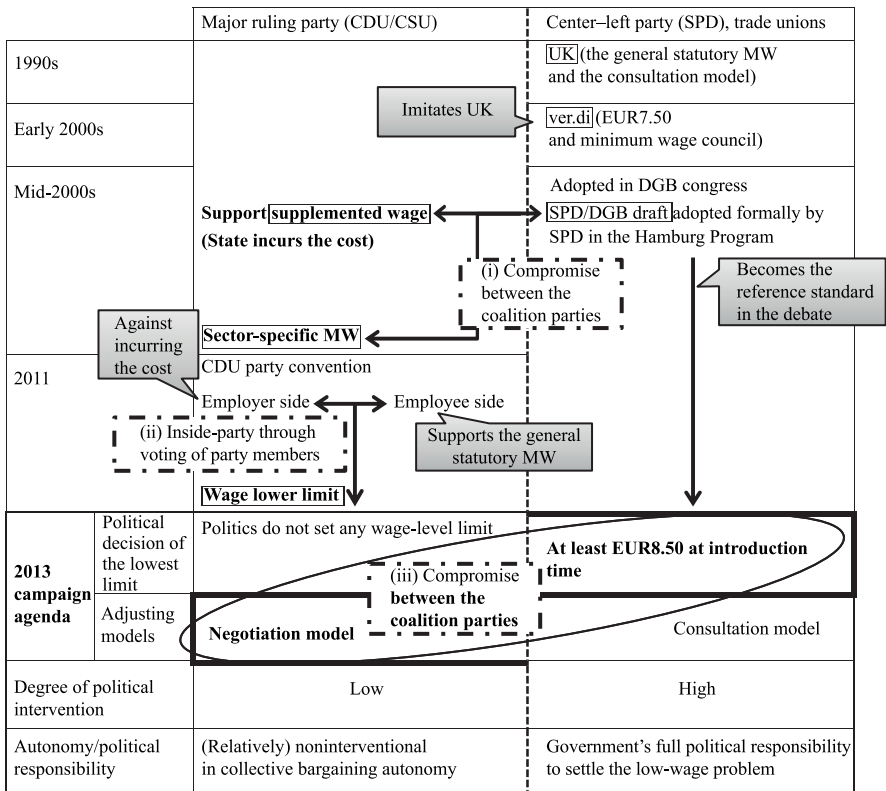
#### 4 Shifting political issues and reduced compromise in the policy arena

This section clarifies how political issues shift within the policy arena, as well as the model of adjustment and the form of political intervention that resulted in compromise.

An overview of this section is depicted in Figure 3. Regarding measures by which to settle the low-wage problem, in 2005 and 2006, the main issue in the political arena was to establish either a “supplemented wage” via a state allowance (*Kombilohn*), or a minimum wage. While CDU/CSU supported the supplemented wage as of 2006, SPD inherited in October 2007 the DGB draft doctrine derived from ver.di's proposal. From that point, the SPD sought to legislate a general statutory minimum wage, thus bringing itself into conflict with the CDU/CSU, who opposed it. By 2007, it was clear that solving the issue would require compromise (Figure 3, (i)). However, following increased public approval of a general statutory minimum wage, the 2011 CDU convention adopted a “wage lower limit” (*Lohnuntergrenze*) draft doctrine as an internal compromise between employer and employee factions (Figure 3, (ii)).



**Figure 3.** Places of origin, competition, and compromise among various wage models.



**Note:** MW: minimum wage.

In essence, this draft follows the negotiation model and rejects any pre- or postpolitical intervention in an agreement between employer and employee. As shown in the lower four rows of Figure 3, the CDU's lower wage limit versus the general statutory minimum wage became a major campaign issue in the federal election in September 2013. Differences remained over whether the lowest limit to minimum-wage levels should be set up (as the SPD asserted) or not (as the CDU asserted), and whether adjustments should be agreed upon through the use of the consultation model (SPD) or the negotiation model (CDU). In the coalition agreement contract of December 2013, a middle course was agreed upon, in which it was agreed that the lowest limit of the minimum-wage level would be set at EUR 8.50 (derived from the SPD draft), and that adjustments would be discussed by using the negotiation model (derived from the CDU draft) (Figure 3, (iii)).

#### 4.1 Supplemented wage: 2005–2009

The supplemented wage is simply a measure by which the state supplements earnings beneath a certain level, through social security. Compared to the minimum wage, the supplemented wage is paid by the state, while the minimum wage is paid by employers. Given the difference in costs they would incur, employers strongly opposed the institution of a minimum wage, especially during the first half of the debate.

The supplemented wage was countered on two main grounds. First, questions arose as to how employee motivation, employment opportunities, and benefit levels would be optimized. In 2006, the unemployment benefit II program operated similar to the proposed supplement wage; thus, the questions were relevant to how minor changes could be introduced to this program, in order to optimize it.<sup>28</sup> Second, the question remained of whether the supplemented wage would have lower administrative costs and better employment effects than the minimum wage.

The coalition agreement in 2005 expressed a mutual willingness to test not the minimum wage but models of the supplemented wage (CDU, CSU, and SPD, 2005, p. 32). The agreement suggests that the coalition settle the low-wage problem by extending the ideal of the Hartz reforms,<sup>29</sup> which highlights the importance of assistance in finding a job, the requirement that one accept an assigned job if one is not found voluntarily, and the imposition of penalties if the assigned job is not accepted. However, the agreement also gave notice of an expansion to the AEntG (*ibid.*, p. 38; George, 2007, p. 88).

Meanwhile, in September 2006, the SPD proposed measures by which to resolve the low-wage problem (George, 2007, p. 88). These measures adopted most of the DGB requirements through the Trade Unions Council inside the party, as mentioned below.

(...) an independent commission should be established according to *the model of the Low Pay Commission in the UK*, in consultation with the collective bargaining parties (...). *This commission makes a recommendation, the final determination made by the government.* (SPD, 2006, pp. 2–3)

In essence, the SPD draft closely follows ver.di's proposal. At the center of this DGB (ver.di)/SPD draft, as previously indicated, are two elements that separate

<sup>28</sup>For details, see Bofinger, Dietz, Genders, and Walweil (2006). This reference served as a formal examination object.

<sup>29</sup>The reform was implemented by the former Gerhard Schröder administration (SPD, Bündnis 90/Die Grünen).

the consultation model from the negotiation model. First, the authority of the Federal Minister of Labor and Social Affairs is used to determine the minimum-wage level, for which the Minister takes political responsibility. Yet, the opinion of SPD—and especially of Franz Müntefering, the Federal Vice Chancellor and the Federal Minister of Labor and Social Affairs from 2005 to 2007—has vacillated repeatedly with regard to both the kind (sector-specific versus general) and level (i.e., EUR7.50, as requested by DGB/ver.di, has been sporadically considered by Mr. Müntefering to be too high) (Deutschlandfunk, 2007). Finally, the SPD finalized its stance when it adopted the Hamburg program (*Hamburger Programm*), which contained an agenda vis-à-vis the general statutory minimum wage that resembled that seen in the DGB draft (SPD, 2007a, p. 54; SPD, 2007b, p. 62).

In opposition to the SPD's position, on December 2006, Secretary General of CDU Ronald Pofalla declared:

Many long-term unemployed often have few opportunities to find new workplaces. So, it is right to introduce the combined wage model now. For that reason, it is right to introduce **the supplemented wage model** now. With them, we support the weaker ones in our society. It is clear and remains: there will not be a **statutory minimum wage** with CDU. (Pofalla, 2006, p. 2)

In this way, from 2005 to 2007, a supplemented wage paid by the state, in tandem and a minimum wage paid by employers, was considered. However, in 2007, the impact of the supplemented wage model was estimated by a report commissioned by several federal ministries. That report indicated a low job-creation effect, but high administrative costs; on that basis, it recommended a very limited introduction of the model. For this reason, the political issue shifted gradually from the two models to questions regarding the scope of applying the minimum wage.<sup>30</sup>

Regarding the scope of its application, within the ruling coalition, a sharp dichotomy existed between the CDU/CSU, which preferred applying it to selected sectors, and the SPD, which supported a statutory minimum wage. The CDU strongly opposed the SPD draft, arguing that such a policy would lead to massive employment losses and an increase in the number of “shadow/under-the-table workers” (*Schwarzarbeit*).

A compromise reached in June 2007 extended the AEntG to sectors having at least 50% collective bargaining coverage; it also amended the Minimum Working Conditions Act to address sectors with less than 50% coverage. In this manner, this minimum wage policy became a “positive list” system.

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<sup>30</sup>Infratest dimap (2007, p. 13) shows that as of April 2007, the majority of advocates from every party preferred the minimum wage over the supplemented wage.

By 2007, the focus shifted from the supplemented wage versus the minimum wage to disagreement over implementing the minimum wage, particularly with respect to its scope. Eventually, a minimum wage system that would be applied to selected sectors was decided as a compromise among the coalition parties (see Figure 3, (i)).

## 4.2 Conflict over adjustment instructions

However, that the essence of that compromise was diverging from public opinion. An October 2007 opinion survey asked if people preferred “a minimum wage in all sectors,” “a minimum wage only in certain sectors,” or were “generally opposed to a minimum wage.” The results of that survey revealed that the majority of SPD and CDU advocates preferred a minimum wage in all sectors (Infratest dimap, 2008, p. 3; Infratest dimap, 2007, p. 13). It seemed that the preference of the CDU advocates prefaced the adoption of the “wage lower limit” plan at the CDU November 2011 convention. This plan stated that

The CDU should introduce a generally binding wage lower limit wage, *in which a determined wage in collective agreement does not exist. The wage lower limit is determined by a commission of the collective bargaining parties* and should be oriented toward AVE of the wage lower limit...We want it through certain collective bargaining parties, and thus ... *no political minimum wage.* (CDU and CSU, 2013, p. 1)

The new plan was a fresh departure from the CDU’s prior policy, which targeted only certain sectors. CDU’s “about-turn” garnered positive feedback from industrial unions (IG Metall, 2011b; IG BCE, 2012).<sup>31</sup> Nonetheless, the plan definitively differed from the general statutory minimum wage planned by the DGB and SPD, in the following three respects. First, it targeted only employees not covered by collective bargaining, and it was sector-specific (Schuster, 2013, p. 14). Second, the government had no authority or responsibility to set minimum-wage levels (SPD, 2012); this reflects differences between the negotiation model (CDU) and the consultation model (SPD)—that is, the degree of political authority to intervene in the agreement or the commission’s recommendation. In addition, while the SPD tried to set EUR8.50 as the lowest minimum-wage limit—a figure that served as the framework of the consultation (Drucksache 17/4665)—the CDU refused to politically preconfigure the negotiation framework.

<sup>31</sup>As the most conservative party in Germany, the CSU—which is the sister party of the CDU on the national political scene—changed its position similar to resemble that seen in the CDU draft, no later than the start of the 2013 federal election campaign (CDU and CSU, 2013; IW, 2013).

In terms of the “social market economy,” the CDU plan following the negotiation model adhered to the “institutional order policy” (*Ordnungspolitik*),<sup>32</sup> which is the state’s traditional role of ruling the “legal order framework” (*rechtlichen Ordnungsrahmen*) (IW, 2013). However, the CDU plan bore two problems.

First, in its commission, the CDU plan “means that employers can block the minimum wage by their veto” (IG Metall, 2011b). In its negotiation framework, employers could demand a too-low minimum-wage level. Even if an agreed-upon wage level were lower than the low-wage floor, the government could not take any measures to change that (Interview B).

Second, it was felt that the method of selecting an arbitrator if negotiations were deadlocked “[had] nothing to do with political responsibility” (SPD, 2012):

[The] Proposed arbitrator on the employer side or the employee side can cast a tiebreaking vote. The decision of the arbitrator shall be made by drawing lots. In the end, a coin toss decides the level of minimum wage. Therefore, the amount of the minimum wage is ultimately decided by a coin toss. (*ibid.*)

Furthermore, the CDU plan lacked a mechanism that ensured productive negotiations. This meant that while this plan appeared to reflect employer willingness, it in fact actually entailed a lessening of employer burdens in a less-visible manner. Thus, the CDU plan was a product of compromise between the party’s employee and employer sides (Interview B) (see Figure 3, (ii)).

<sup>32</sup>Within the theory of social market economy, the institutional order policy is in contraposition to “process policy” (*Prozesspolitik*), as seen in Table 2.

	<b>Institutional order policy</b>	<b>Process policy</b>
Scope of policy aim	Setting goals for an entire economic system (creation of competition order)	Specific goal-setting
In relation to the market	Creation and maintenance of legal framework for entire-market economic order	Direct and controlled intervention in market activity
Property	Proactive (precautionary measure)	Reactive (ex-post and passive measure)
Legal level	Mainly constitutional rules or quasi-constitutional statutes	Legislation and discretionary action of administration
<b>Source:</b> Kurokawa (2012, p. 172, Figure 6.1), amended by the author.		

### 4.3 Coalition agreement and the 2013 federal election

July and September 2012 reports by the Federal Statistical Office (Destatis, 2012a; Destatis, 2012b) found that one in five employees earned less than EUR10.36 including tax per hour, and 11% earned less than EUR8.50; this latter amount was that which the SPD was asking to be set as the minimum wage. Moreover, concern was expressed regarding the fact that low wages were “storing up” problems for the future, as “low wages today means low pensions tomorrow” (*Die Welt*, September 10, 2012). This official report heightened public concerns about the low-wage problem, thus helping to make the minimum wage a major campaign issue (IW, 2013). Currently, “none of the parties represented in parliament rejects minimum wage now categorically” (Brenke and Müller, 2013, p. 3).

The CDU/CSU and FDP, the parties at that time, still backed the institutional order policy. The opposition parties backed a general statutory minimum wage, while wage levels that the opposition parties asserted were different. The common standpoint is that the “Opposition wants more government” (IW, 2013). The lower wage limit of the CDU/CSU was that seen in the aforementioned CDU plan; similarly, the SPD manifestation was identical to the SPD draft noted above (SPD, 2013).

In the election results, the CDU/CSU lost its former coalition partner, the FDP, forcing it to make a coalition with the SPD. As a result, the SPD was able to take up many policies, including the general statutory minimum wage. The next section examines the minimum wage plan that emerged from the coalition (see the lower four rows of Figure 3).

#### **General statutory minimum wage regulation (...)**

On January 1, 2015, *a statutory minimum wage* across the whole area of 8.50 euros per hour including tax *is introduced by law for the entire federal territory.* (...)

The height of the generally binding minimum wage is to be reviewed at regular intervals—for the first time on June 10, 2017 and taking effect on January 1, 2018—*by a commission of the collective bargaining partners*, adjusted if necessary, and afterwards, *extended to a statutory instrument by the state, and therefore generally binding.*

Commission members are appointed by peak employee and employer organizations (Size: 3 to 3 plus chairman).<sup>33</sup> Scientific experts (without voting rights) are consulted at the suggestion of the peak organizations (1 plus 1). (CDU, CSU and SPD, 2013, pp. 48–49)

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<sup>33</sup>That “The chairman is alternating” (CDU, CSU and SPD, 2013, p. 49) may mean that trade unions and employers’ associations may take alternating shifts in nominating the chair (Interview B).

This general statutory minimum wage agreement included state intervention in collective bargaining autonomy with regard to securing the EUR8.50 level, regardless of the existence of a collective agreement; thus, political responsibility was clearly being exerted. On this point, the agreement follows the SPD draft; nonetheless, the authority of the Federal Minister of Labor and Social Affairs to change the minimum wage that had been agreed upon by the minimum wage commission—a main aspect of the SPD draft—was not described. Therefore, the adjustment mechanism seemed to follow the negotiation model. Thus, the plan that emerged drew on the desires of all parties to reach a compromise (see Figure 3, (iii));<sup>34</sup> this implies that the degree of political intervention in collective bargaining autonomy became the focus of these two drafts. The minimum-wage level would be initially settled to EUR8.50 by the government at first. However, this government decision can be seen as a “transitional” measure, up to the completion of a new legal framework of collective bargaining autonomy; this is because, until the amendment of the wage level in 2018, the government will become a permanent field of negotiation between employer and employee representatives (Ohshige, 2014, p. 6) and help to achieve consensus among the representatives.

Moreover, outside the focus of this article—namely, the process of conflict and compromise, until the 2013 coalitional agreement—the legislative bill containing general minimum-wage law was considered an act that would “strengthen the collective bargaining autonomy.” Concrete definitions of the term “strengthen” mainly connote the creation of a framework of collective bargaining that would set the general minimum wage and abolish the requirement of “50%” of AVE in TVG.<sup>35</sup> In this act that would strengthen collective bargaining autonomy, the state should not be seen as a “decision-making entity” that would prejudice autonomy (Yamamoto, 2014, p. 37),<sup>36</sup> but rather a “capacitating framework” that would enable employers and employees to revamp a loose-bottomed system of industrial relations. Therefore, we consider the act a revamped legal foundation with respect to autonomy.

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<sup>34</sup>It is outside the scope of this article to discuss whether the negotiation model or the consultation model is superior. It is very “German” to choose the negotiation model to answer the problem of an increased number of low-wage workers and temporary agency work, which is a worldwide trend to some extent.

<sup>35</sup>See 2.2 (2) (ii) in this article.

<sup>36</sup>In the Minimum Wage Commission, indeed, there are not only six industrial relations representatives, but also two advisory scientific experts who do not have voting rights (*Tarifautonomie-stärkungsgesetz*, Article 4 (1)). We do not consider this to imply a weakening of the independence of employers and employees; this is clear when we compare the Minimum Wage Commission in Germany (the negotiation model) with the Low Pay Commission in the United Kingdom, as mentioned above. Rather, we believe that the two advisors are needed to obtain objective and reasonable decisions among the representatives.

## 5 Analysis undertaken by economic research institutes and interest groups

In parallel with political debate surrounding the minimum wage, since about 2008, economic issues have also become topics of discussion. Concerns have focused on the effects of introducing a minimum wage, particularly with respect to job creation. Unlike in Switzerland—where trade unions have led scientific investigations into such matters (Oesch and Rieger, 2006, pp. 281–289)—Germany instead saw the BMAS commission six economic research institutes to conduct research. At the time that the results were released (October 2011), public opinion largely supported a general statutory minimum wage (Infratest dimap, 2012). At nearly the same time (November 2011), the CDU shifted its position to support the wage lower limit. Thus, it is difficult to say whether or not the investigation results led to changes in the stance of trade unions, employers, and political parties. Nonetheless, the results of investigations and previous academic research achieved agreement vis-à-vis the economic consequences, and helped to provide economic justifications. The following subsections briefly summarize the economic debate on the employment effect, to confirm the process inherent in the scientific investigations and the nature of the resulting social agreement.<sup>37</sup>

### 5.1 Concern about negative effects on employment

In March 2008, eight economic research institutes released a joint statement (DIW, HWWI, ifo, ifw, IW, IWH, IZA and RWI, 2008). The rather polemical title “Employment chances instead of minimum wage!” and its section titles (e.g., “A statutory minimum wage destroys the workplace”) indicate that the economic research institutes shared concerns with respect to a general statutory minimum wage. After referring to the strong possibility that companies would increase their prices to compensate for higher wage costs, decreases in domestic demand, or overseas production transfers, the joint statement concludes that “either way—the minimum wage will lead to considerable job losses” (*ibid.*).

### 5.2 Scientific investigations and economic analysis

The employment effect dovetailing from the minimum wage became an economic issue not only among trade unions, employers, and economic research institutes; political parties also had an interest in this issue. In particular, the CDU/CSU and the FDP were acutely concerned about the possible negative effects (Möller,

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<sup>37</sup>This section does not delve further into the characteristics of the data, analytical method, or analytical model. These issues will be taken up separately, in another article.



2012a; Schuster, 2013, p. 32), and this is reflected in the October 2009 coalition agreement between the CDU/CSU and the FDP. The parties agreed to estimate the employment effects that stem from sector-specific minimum wages in six sectors that already had a minimum wage (CDU, CSU and FDP, 2009, p. 21).

To do this, the BMAS commissioned six economic research institutes to investigate eight sectors that already had sector-specific minimum wages.<sup>38</sup> At the time, the international standard in minimum wage research was a “difference-in-difference” approach that used micro panel data; however, until the investigations commissioned by the BMAS, almost all academic research had been analyzed based on assumptions inherent in neoclassical theory, Keynesian macroeconomic models, or cross-sectional data. The investigations commissioned by the BMAS used estimates not only from economic research institutes but also from trade unions and employer associations (e.g., Bsirske, 2014, p. 81; Schuster, 2013, p. 22). The investigatory results were unable to confirm in most sectors (with the exceptions of the roofing sector and main construction sector) any negative employment effect as a result of the introduction of a minimum wage (Möller, 2012b, p. 195).

The SPD and The Left (*Die Linke*) used these findings to justify their proposals. The findings were also widely debated in publications by trade unions, employers’ associations, and economic research institutes (Brenke and Müller, 2013, pp. 11–12; Bsirske, 2014, p. 81; Schuster, 2013, p. 22). This suggests that a common consensus among political parties, trade unions, employers, and economic research institutes had been reached. In fact, after the investigatory results were published, the CDU did not bring economic concerns to the fore (e.g., *Die Welt*, November 11, 2011). Moreover, as noted in a previous section, the 2013 election no longer centered on economic effects, but on adjustment models and political intervention levels—a stark change that occurred in the three years following the 2009 agreement.<sup>39</sup>

Furthermore, the economic research institutes—including IW (Schuster, 2013, p. 32), funded by employers’ associations, DIW (Brenke and Müller, 2013, p. 17), and RWI (Paloyo, Schaffner, and Schmidt, 2013, p. 256)<sup>40</sup>—gathered investigatory results that aligned with the standpoint of the trade unions (IG Metall, 2013b) that, in most sectors, no negative employment effect appeared to

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<sup>38</sup>See [www.bmas.de](http://www.bmas.de) (search: “Mindestlohn Evaluation”). These assessments were released in 2011, and their abstracts appear in the “Minimum wages in Germany” special issue of the *Journal for Labour Market Research* (2012, 45(3–4)).

<sup>39</sup>With regard to trends in employers’ recognition, see *Handelsblatt* (July 15, 2013). In an opinion survey in early 2013, 57% of employers supported a general minimum wage. The highest rate of support was 60%—the percentage of mid-size firms that employ 500–5,000 workers. In terms of sector, 61% of employers in the service sector supported it. The average minimum-wage level that the supporters preferred was EUR8.88 per hour.

<sup>40</sup>Brenke and Müller (2013) and Paloyo, Schaffner, and Schmidt (2013) appeared in a special issue of the *German Economic Review* entitled “The economic effects of minimum wages in Germany” (2013, Vol. 14, No. 3).

stem from the introduction of a minimum wage. Nonetheless, some differences of interpretation remained.

Bsirske (2014, p. 82) summarizes the issue thus: “this development—on one hand, a strong increase in low wage employment, on the other hand, increased evidence of positive instead of negative employment effects, concurrent with positive fiscal effects—may have also contributed to a gradual change in the political assessment of minimum wages.” However, we need to add the footnote that public opinion and opinions in the political arena had already been in the majority.<sup>41</sup> Yet, we can confirm a significant point in the debate on economic issues: the scientific findings of the BMAS and the economic research institutes helped to draw together groups’ expectations of the economic consequence of a minimum wage; these expectations converged to some extent and produced within the policy arena an economic justification for a minimum wage.

## 6 Conclusion

This article traced the evolution of conflict, collaboration, and compromise among actors that held different interests vis-à-vis the introduction of a statutory minimum wage in Germany; in particular, it focused on the degree of political intervention with respect to collective bargaining autonomy. The process was examined while considering the following three questions.

First, what factors led trade unions to hold different opinions? Their stance on this issue tended to fall into one of two categories. One category of opinion saw the low-wage problem as a structural and socioeconomic problem—one that therefore required the reconstitution of collective bargaining autonomy through state intervention. The other category of opinion was concerned with the smoothing effect between the general statutory minimum wage and collective agreements, and the holders of such opinion therefore refused political intervention in autonomy. Certain factors brought about these differences and later prompted those who held the latter category of opinion to instead hold the former opinion; those factors can be traced to differences among the sector-specific institutional environments covered by various trade unions. These factors included the degree of economic bargaining power and the influence of neoliberal reforms—the latter of which arose in different sectors at different times, given the time lag that reflects the buffering function among sectors. Ultimately, the proposition held by the former category of actors led to the creation of a social agreement, through modifications based on political compromise.

Second, how have political issues in the policy arena shifted, and how was compromise reached? The political issue shifted from one concerning a

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<sup>41</sup>Which economic institutes radically changed their evaluation of—or “phrasing” about—the introduction of a minimum wage suggests that economic institutes behave “politically” to some extent.

supplemented wage (covered by the state) to one concerning a minimum wage (covered by employers); this matter concerns a debate over the identity of the defrayer, as well as the scope of application and the instrument used to make adjustments. Such a change occurred on account of both compromise among parties and internal compromise within the CDU. From the perspective of political intervention in autonomy, the 2013 coalition agreement resulted in compromise between the CDU and the SPD. The outcome guarantees the lowest level of negotiated minimum wage; in addition, rather than make the government a “decision-making entity” that strongly intervenes in matters of autonomy, the outcome leads to the creation of a “capacitating framework” by which to renew autonomy. The framework provides legal binding force to the nationwide minimum wage, which was agreed upon mainly by the collective bargaining parties.

Third, what scientific investigations were undertaken to examine the economic issues, and what consensus was created? The scientific investigations commissioned by BMAS, as well as the research undertaken by economic research institutes, largely found that establishing a minimum wage would not necessarily bring about job losses; these similar findings, in turn, brought about a convergence of opinion among interest groups with regard to the effects of a minimum wage. These investigations lent economic legitimacy in support of a general statutory minimum wage; they also served as an example of social consensus regarding an economic issue, created through the execution of comprehensive scientific investigations by a government organ and private institutes.

The emergence in Germany of a general statutory minimum wage reflects the innovative ways in which solutions can be derived—more precisely, solutions that depart from the traditional and segregated roles of the state and collective bargaining parties—and the ways in which modern neoliberal pressures have led to such solutions. Ultimately, what this chain of events suggests is the “renovation” of collective bargaining autonomy based on tripartite interconnections.

## Interview list

Interview A: Dr. Kai Eicker-Wolf, DGB-Bezirk Hessen, Abteilung Wirtschafts- und Strukturpolitik, January 2014.

Interview B: Dr. Thorsten Schulten, WSI, Arbeits- und Tarifpolitik in Europa, February 2014.

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