WORKING PAPER

Industrial relations and social dialogue

Tackling high inflation in sectoral collective bargaining in France and Germany

Tackling rising inflation in sectoral collective wage bargaining

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Eurofound reference number: WPEF23033

Research carried out prior to the UK's withdrawal from the European Union on 31 January 2020, and published subsequently, may include data relating to the 28 EU Member States. Following this date, research only takes into account the 27 EU Member States (EU28 minus the UK), unless specified otherwise.

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Contents

Collective bargaining in France

Introduction

The French collective bargaining system was reformed in 2017, after Emmanuel Macron came to power, through the "Macron decrees". The reform aimed to give negotiating parties more power with a focus on collective bargaining at company level. After this reform, the terms and conditions of employment came to depend on three different sources:

- The Labour Code itself, which sets a general basis for every worker without exception. It is called the "public order" and contains the minimum safeguards relating to the protection and organisation of work, including the obligation to provide a written contract or the main lines regarding the organisation of social dialogue, for example.
- Collective agreements, with a distinction between sectoral collective agreements and company-level collective agreements. Certain specific matters, such as the minimum wage for each group of the classification grid or gender equality and health protection schemes, are entirely determined by sectoral agreements. Other matters, however, fall under company-level agreements. This is the case for social dialogue bodies within the company, wage negotiations (with the caveat that wages at company-level cannot be lower that the sectoral minimum), and workers' saving schemes, among other things.
- Finally, the default rules that only apply when no collective agreement is in place at sectoral or company level. The organisation of social dialogue at company level (the number of information-consultation processes, the number of workers' delegates…) is an example of these default rules.

A previous law from 2008 reformed the representativity of trade unions and set new rules as regards the validity of agreements. Prior to this law, trade unions were considered representative according to a list dating back to the French Resistance during World War II. In France, multiple unions have historical links to different political parties.

Up until 2008, any trade union considered representative could sign an agreement regardless of their actual results during professional elections. After this reform, the representativity of a trade union became directly linked to professional election results and the organisation's compliance with other criteria, such as financial transparency and the respect of republican values (Ministère du travail, du plein emploi et de l'insertion, 2021). A trade union must reach a minimum threshold of 8% in professional elections at sectoral level and a threshold of 10% in professional elections at company level to be considered representative.

Any trade union (or coalition of trade unions) having received at least 30% of the vote at the corresponding level professional elections is entitled to sign an agreement at company or sectoral level. Moreover, any trade union (or coalition of trade unions) having received at least 50% of the vote at the corresponding level professional elections is entitled to oppose an agreement at company or sectoral level.

As a rule, when an agreement is signed at sectoral level by representative bodies, it is then extended into law and therefore applied to every worker and company within that sector, regardless of their involvement in the negotiating process. On the contrary, when no agreement is reached, a "unilateral decision" is often taken by the employers' organisation(s). In this scenario, the decision only applies to members of these organisations, cannot be extended, and cannot serve as a guarantee against social dumping on wages among the companies in the sector.

Last but not least, at the time of writing, pension reform is causing huge social conflict in France. All trade unions are currently mobilised to oppose the Macron reform, which sets the legal retirement age at 64. This significant social conflict may have interfered with sectoral negotiations, as stated by several employers' organisations who were unable to reach signed agreements.

In France, inflation has reached 5.9% according to the National Institute of Statistics – 6.7% when looking at the harmonised price index (INSEE, 2023). This has had an impact on the national minimum wage (the SMIC), which is partially indexed on inflation (Eurofound, 2022b). The SMIC increases each year in January based on two criteria: inflation as it applies to the 20% of households with the lowest income and half of the purchasing power gain of the hourly wage of blue-collar workers and employees (INSEE, n.d.). Moreover, it also increases each time inflation exceeds 2%.

The national minimum wage has been raised four times in the last 15 months: +0.9% in January 2022, +2.65% in May 2022, +2.01% in August 2022 and +1.81% in January 2023. As a result, in February 2023, the minimum wage was €1,353.07 gross for a full month, or €11.27 gross per hour.

Sectoral agreements set the minimum wage for each pay group in the classification grid. Most sectoral agreements use the national minimum wage as a basis to determine the wages of the lowest group. It is important to stress that, since 1983, it is forbidden by law to index wages on inflation and on the minimum wage.[1] Therefore, any increase in the national minimum wage causes the wages of the lowest group – or several of the lowest groups – to fall below it. The labour code then requires branch negotiating partners to begin negotiations to increase the lowest minima of the wage grid (Article L2241-10) (Légifrance 2022), setting them at a level equal to or above the minimum wage.

Due to the four recent increases of the national minimum wage, many sectoral agreements are outdated. During the summer of 2022, the French government encouraged sectoral negotiators to begin renegotiating their lowest wage grids (Eurofound, 2022a).

National debates are twofold. On the one hand, preserving the purchasing power of workers – particularly those at the bottom of the pay scale who are proportionally more impacted by high inflation rates on food and energy prices – is a major issue. Therefore, the government has focused on these groups and taken several measures to help workers cope with inflation, such as the energy price freezes in 2022 (Eurofound, 2022a). Certain other actors, such as employers' organisations, expressed a fear of fuelling the wage-price spiral (Le Monde, 2022) and agreed to concentrate their efforts on the workers in the lowest wage brackets. On the other hand, trade unions have stressed the importance of raising the wages of all workers, not only those in the lowest income brackets, to preserve purchasing power across the board. They defended the middle class in particular, "in order to prevent fuelling the far-right ballots" as stated by a CGT representative.

The French government took several measures to protect workers' and households' purchasing power against inflation, especially as regards energy bills. Certain of these measures may have an

[1] This was confirmed by the Court of Cassation, one of France's courts of last resort, in 2017 (Cass. Soc., 5-10-17, n°15-20390).

impact on the labour market, including a package voted during the summer of 2022 that settled four main measures:

- The most significant measure is a value-sharing bonus for employees ("prime de partage de la valeur") (Eurofound, 2022b). It allows employers to award bonuses that can be either totally or partially exempted from tax and social contributions according to certain criteria (timeframe and wage bracket). This measure is an extension of a scheme created during the COVID-19 pandemic to support the purchasing power of French workers. All interviewed employers' organisations stated that they would encourage their affiliates to award these bonuses wherever possible.
- The government also relaxed rules pertaining to professional expenses. The tax exemption threshold for employer contributions has been increased for food and travel expenses.
- Conditions to negotiate employee savings schemes were broadened and workers were granted the possibility to exceptionally unlock these funds.
- Workers were allowed to request payment for unused rest days. (Eurofound, 2022a)

All these measures were implemented with the aim of broadening the mechanisms through which employers can transfer money to employees. Certain employee representatives welcomed this package, but regretted it was done by weakening State revenue (decrease in taxation), which could, in the long run, impair the State's capacity to act. The employers' organisation for small enterprises appreciated the simplification, as well as the fact that the value-sharing bonus could be split into several instalments (as opposed to a single one during the COVID era), a measure that was very helpful for small businesses.

Collective bargaining dealing with the impact of high inflation rates: an analysis of sectoral collective agreements

Convention collective des industries chimiques et connexes

Background and drivers

After a strong recovery in 2021 due to the economic boost that followed the COVID-19 era, the European chemical industry was deeply affected by European energy prices from mid-2022 onwards. Companies in the chemical industries are organised along the value-chain:

- Firstly, there is basic or heavy chemistry. These companies are the most energy-intensive or work directly from energy supplies (using gas or oil as a raw material to produce chemical by-products). Their production has been deeply affected by inflation in 2022. A number of them have stopped production and have been relying on short-time work.
- Secondly, there is intermediary chemistry, in which production has decreased but not as sharply as in heavy chemistry.
- Finally, there is specialised chemistry, which includes the cosmetic and perfume industries and is particularly strong in France. These companies saw their production increase in 2022 and were less affected by high energy prices thanks to high margins.

The chemical industry is also affected by its lack of attractivity to students, as it is often seen as a very polluting sector in an era of growing concern for environmental issues. The employers' organisation seeks to communicate that, thanks to innovation, the chemical industry is part of the solution, not the problem. However, the most polluting parts of the chemical industry could be affected in the near future by bans in certain sub-sectors, such as fertilisers and pesticides.

Strategies and approaches adopted by negotiating parties

In the French chemical industry, there is one main employers' organisation, France Chimie. It represents the large companies and thus most of the employment. They have a representativity of 70% (Légifrance, 2021a). There are also two smaller and more specialised employers' organisations:

- The FEBEA (Fédération des Entreprises de la Beauté) specialised in the cosmetic industry, with a representativity of 23%.
- The FIPEC (La Fédération des Industries des Peintures, Encres, Couleurs, Colles et Adhésifs, Préservation du Bois) with a representativity of 7%.

There are four representative employees' organisations (Légifrance, 2021c):

- The FCE (Fédération Chimie Energie) from the CFDT, which has a representativity of 33%.
- The CGT, which has a representativity of 28%.
- The CFE-CGC, which has a representativity of 25%.
- The CFT-FO, which has a representativity of 13%.

Historically, the CFDT is the main signing trade union. The CFE-CGC signs some of the sectoral agreements but has occasionally joined forces with the CGT and FO to oppose a sectoral wage agreement signed by the CFDT. This was the case in 2018.

Actors in the sector describe social dialogue in the chemical industry as tough.

Wage negotiations are based on trade union demands (they all wish to be compensated for inflation) and counterpropositions from the employers' organisation.

Before going through the different stages of negotiation that have occurred since the beginning of 2022, an overview of the functioning of the sectoral collective agreement in the chemical industry shall be given. The wage classification grid is divided into three parts according to qualification levels (from the less qualified to the most qualified jobs):

- Blue-collar workers from level 130 to level 225.
- Intermediary workers from level 235 to level 360.
- White-collar workers from level 360 to level 880.

The wage minima are set according to the following formula:

(Number of points of the ranking x value of one point)

+ ((225 – Number of points) x value of one point x "wage complement")

The value of one point, as determined by the latest agreement, can be increased through discussion, so that the agreed value of a point remains the same for all workers. It is then multiplied by the ranking to produce the sectoral threshold wage. For example, a person with a ranking of 260 should not be paid less than their ranking multiplied by the collectively agreed value of a point. However, their company may decide to pay them more.

Only blue collars workers benefit from the wage complement. It was introduced in the 2006 framework agreement as a measure to increase the wage of only the lowest-paid workers.

As is usual at this time of year, an agreement regarding wages at branch level was signed in December 2021, setting out a 2.6% increase for all pay groups in the classification grid. This agreement was signed by the CFDT and the CFE-CGC.

After the national minimum wage was increased by 2.65% in May 2022, the trade unions wished to reopen wage negotiations at sector level. Instead, the employers' organisation set an increase of the wage complement that was just sufficient to comply with the law, stating that sector agreements should adapt and adjust to increases in the minimum wage. This was a unilateral decision, which then only applied to members of France Chimie. In August 2022, the minimum wage was once again raised by 2.01%. Trade unions once again demanded that wage negotiations at sectoral level be reopened. An agreement was signed in September 2022 – only by the CFDT on the employees' side – for a 2% increase in the value of one point. Additionally, the wage complement increase decided in June was integrated into the agreement, thereby becoming applicable to the whole branch through the legal extension process. France Chimie, the employers' organisation, specified that this 2% increase would be an advance on the annual wage negotiation, which should take place at the end of the year.

Negotiations were indeed reopened at the end of 2022 for the coming year. The parties involved did not reach an agreement. France Chimie's final proposal was a staggered increase: 2% on 1 January and 2% on 1 April. All trade unions refused. The CFDT, the union that signed the last agreement, stated that this was not enough to compensate for inflation. They went on to add that all their other demands, on topics such as disability, gender equality, rest-days for sick children, better compensation for night-work, etc., had been refused by France Chimie. Other unions were also demanding more than what France Chimie was prepared to offer. Due to the failure of this negotiation, France Chimie took a unilateral decision and increased the value of one point by 1.8% on 1 January.

Table 1: Wage-setting mechanisms in collective bargaining in the French chemical industry

<table>
<tr><th colspan="2"></th><th>Collective Agreement</th><th>Differences with previous Collective Agreement</th></tr>
<tr><td>Indexation mechanism</td><td colspan="3">No, it is forbidden by law to index wages on inflation or even on the minimum wage.</td></tr>
<tr><td rowspan="6">Inflation Indicator</td><td>How is inflation is defined/determined? Which indicator is used to quantify inflation?</td><td colspan="2" rowspan="6">Unions use many sources, such as data provided by the INSEE (the national institute of statistics) for past inflation and data from the French Central Bank ("Banque de France") for the inflation forecast.

It was reported that France Chimie used the Social Security Funding Law (LFSS 2023) as a reference, which contained a lower assessment of inflation (4.6%).</td></tr>
<tr><td>Past Inflation</td></tr>
<tr><td>Forecasted inflation</td></tr>
<tr><td>Inflation including energy prices</td></tr>
<tr><td>Core Inflation (without energy prices)</td></tr>
<tr><td>Other … (e.g., GDP developments…)</td></tr>
<tr><td>Type of indexation</td><td>Automatic (Total or partial recovery of previous inflation in wage increases)</td><td colspan="2">Not applicable</td></tr>
</table>

	Non automatic, but use of inflation benchmark	Not applicable	
	Indexation only for some wage groups (usually groups with lower wages)	Not applicable	
	Other …	Not applicable	
Other variables used as a reference to set wage increases	Statutory Minimum Wage	The branch agreement should adapt to the national minimum wage to determine the classification grid's entry-level wage but cannot directly refer to it.	
	Public sector wages	-	-
	Wages in (export) manufacturing	-	-
	Other …	-	-

Source: Interviews

Provisions of the collective agreement

Table 2: Summary of relevant outcomes of the sectoral collective agreement in the French chemical industry

Outcome	Details	Brief description/ figures
1. Any new mechanism agreed in wage-setting different from the previous collective agreement?		The formula used remained the same, only the value of a point and the wage complement were modified
2. Duration of the agreement and implementation timeline: rules for time revision, method and regularity of adjustment, update(s) foreseen (e.g., via amendments to collective agreements), if any		This agreement was signed in September 2022, and was stated to be an advance on the negotiations which traditionally take place at the end of the year. This agreement was extended on 1 December.
3. Collective wage increase agreed	Nominal (average) wage increase agreed	The value of the point was increased by 2% in October 2022 after a 2.6% increase in January the same year.
	Details	This increased value then applies to all coefficients.
4. Specificities (list any particularity in the sectoral collective agreement)	By group/ or (occupational) categories of workers (e.g., white and/or blue workers)	The wage complement, which only applies to the first group in the classification grid, was increased by 7% in a unilateral decision from July 2022 and was then included in the agreement signed in September 2022. This allows the lowest-paid group's wages to remain above the national minimum wage as it increases.
	Existence of statutory minimum wage in any form (provide details, if relevant)	The sectoral agreement sets the wage minima for all groups in the classification grid. Companies then set wages individually but cannot set them lower than the branch agreement.
	Specific arrangements (e.g., flat-rate amount) to protect purchasing power of the lower-paid groups covered;	See above on the wage complement.

	Additional remarkable forms of variable pay (bonuses or rewards linked to results or performance…) if proportionally relevant.	No
5. As a result: estimated real wage increase by both negotiating parties		2% in October for all rankings and a 7% increase of the wage complement applying only to the first group in the classification grid.
6. Other outcomes directly increasing or influencing unit labour costs	Working time (reduction)	No
	Training, upskilling, reskilling financed or co-financed by the company	No
	Social benefits such as bonus for transport, energy costs, schooling, daily meal, etc…	No
7. Specific aspects related to the twin transition	Technological change or digital transformation	No
	Green transition: decarbonisation polices or any other related initiative /programme/investment	No
8. Measures addressing potential skills shortages in the sector, if any		No
9. Employment level (expected increase or reduction in workforce)		No
10. New worker rights or prerogatives agreed, be they individual or collective (for workers representatives)		No
Governance and implementation of the collective agreement	Possibility of derogation (opt-out) or deviation at lower level by companies (or territories)	No

Source: Interviews

Assessment of the collective agreement

Wages are determined by a fixed formula in the chemical industries. The fact that the formula is fixed has two effects:

1. The first group of the classification grid (up to level 225) benefits from a “wage complement”. It is possible to increase this “wage complement” to adjust wages of the lowest-paid workers exclusively. Nevertheless, only raising the “wage complement” reduces the wage gap between the first and second group and thus decreases expected wage increases as workers progress through their careers. This is seen unfavourably by trade unions, especially since the wage gap between the first and second group is narrow (€140 as of October 2022).
2. The fixed grid causes each increase in point value to affect all rankings from the lowest to the highest, regardless of each group’s purchasing power.

The employers' organisation would like to change the formula because the wages of the highest-paid group in the classification grid, the managers, are considered high and too close to real wages:

- The wage gap between the first and last level of the first group in the classification grid was €140 as of October 2022.
- The wage gap between the first and last level of the second group was approximately €950 as of October 2022.
- The wage gap between the first and last level of the third group was €4550 as of October 2022.

The CFDT would not be opposed to such a change if their other demands were met (as regards gender equality, disability, rest-days for sick children, compensation for work at night, etc.). For the CGC-CFE, the trade union representing managers, this is a complex issue.

Future outlook

Even though trade unions have not signed the branch agreement proposed by France Chimie, they are now willing to reopen wage negotiations at branch level as they expect inflation to remain high in 2023.

According to France Chimie, high energy prices in Europe have become a structural issue due to Europe's high level of energy dependency. Energy prices are expected to remain high in the long run, a situation that is viewed as particularly detrimental to the chemical industries, energy-intensive as they are. According to France Chimie, American companies benefit from better oil prices thanks to shale oil. This represents a loss of competitiveness on the world stage for European chemical industries.

Convention collective nationale de la métallurgie

Background and drivers

The metal industry is facing difficulties in finding appropriately skilled workers, mainly due to the following factors:

- The COVID-19 pandemic led to redundancies and companies have struggled to find and hire skilled workers since.
- Young people are less attracted to industry-based jobs than before. The industrial sector is having difficulty presenting an environmentally-friendly image.
- There is a shortage of talent in technical positions, such as maintenance and IT jobs, in France. Positions mixing both skills are difficult to fill, which is a problem in an increasingly digitalised industry.

Actors in the branchmostly agreed on the need to reform the collective agreements that governed the sector, hoping to modernise the rules and boost performance and competitivity by attracting the skilled workers necessary to handle the industry's increased complexity. In this context, a new collective agreement was signed in February 2022 by negotiating parties (the UIMM – Union des industries et métiers de la métallurgie – for the employers, and the CFDT – Confédération française démocratique du travail, the CFE-CGC – Confédération française de l'encadrement - Confédération générale des cadres, and FO – Force ouvrière – for the trade unions). The CGT (Confédération Générale du Travail) did not sign this agreement, believing that the concessions made to the employers were too significant.

Negotiations were launched in 2015 on grounds that the sector's previous organisation was too complex and did not provide the required transparency for employees and employers. The sector was previously organised around one agreement at national level for white-collar workers and 76 territorial agreements for blue-collar workers. The new branch agreement unifies all 1.6 million workers and 42,000 companies in the French metal industry. It was signed at the beginning of 2022 and is being implemented in two stages:

1. The creation, on 1 January 2023, of a new single social and health protection scheme, which includes provisions for health issues and compensation in case of injury or death at work. This new social scheme is seen as a big step forward by all interviewees.
2. The creation of a new classification grid with associated wage minima (each rank in the grid is associated with a minimum wage applying to the relevant group). This new classification encompasses 18 groups that represent all positions within the metal industry and should enter into force on 1 January 2024.
   - At the time of negotiations, an inflation rate of 1% over three years (meaning three times 1%) was used as a baseline. The wage minima of the new classification grid were set according to this baseline, which already entailed significant increases for a lot of small or medium businesses paying significantly lower wages than the median of the sector. Indeed, the wage discrepancies between territorial agreements for blue-collar workers were so high that the wage minima for this new classification grid caused significant increases for many small and medium businesses present all over France. For this reason, this new branch agreement includes a transition period that will last until 2030: businesses with a payroll increase above 5% for at least 25% of their workforce will be able to stagger these raises over time.
   - However, due to the high inflation rate in 2022, the new grid has become outdated before even coming into effect. The branch agreement mentions that, should the grid become outdated due to inflation, negotiations between relevant parties would be opened to reconsider the wage minima. These negotiations are still pending at the time of writing.
   - Until the implementation of this new grid in January 2024, the previous agreements stand. A new agreement was signed in March 2022, setting a 3.1% wage increase for white-collar workers. The CFE-CGC (2022), the main trade union in this category, signed the agreement on the condition that negotiating parties would meet again at the end of 2022 to assess the year's economic developments and that negotiations regarding the wage minima of the new classification grid would open early in 2023. These negotiations also remain pending.

As for negotiating parties, employee representation in the metal industry is strong, as evidenced by high participation results in the last professional elections (65%). The representative trade unions are (Légifrance, 2021d):

- The FGMM (Fédération Générale des Mines et de la Métallurgie) of the CFDT with 29.27 % of the ballots;
- The CGT (Confédération générale du travail) with 27.73 %;
- The CFE-CGC (Confédération française de l'encadrement-Confédération générale des cadres) with 24.39 %;
- FO (Confédération générale du travail-Force ouvrière CGT-FO) with 18.61 %.

There is one main employers’ organisation, the UIMM (Union des industries et métiers de la métallurgie).

According to the employers’ organisation, the sector benefits from strong social partners and good quality social dialogue. The unions have a different view of the situation. According to the CGT, for example, social dialogue in the sector is non-existent.

Strategies and approaches adopted by negotiating parties

Table 3: Wage-setting mechanisms in collective bargaining in the French metal industry

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The employers’ organisation made reference to inflation but also underlined diminished margins due to higher energy prices.</td></tr>
<tr><td>Past Inflation</td></tr>
<tr><td>Forecasted inflation</td></tr>
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</table>

Source: Interviews

At the time of writing, negotiations are still pending in the metal industry and the stakes are clear:

- Trade unions want to protect the purchasing power of all workers, although they agree that special attention should be paid to those at the bottom of the wage scale. However, raising low wages more than high wages would lead to a shrinking of the wage grid, which is often viewed unfavourably by trade unions as it lowers expected wage increases as workers progress through their career.
    - The CFDT wants an increase that reflects inflation and the increases in minimum wage, especially at the lowest end of the grid. However, it is important to them that all wages be increased, even for the highest-paid groups, to protect both purchasing power across the board and expected wage increases over the course of worker’s careers.
    - The CFE-CGC, the white-collar trade union, has stated that wage increases are particularly tough for employers because they use a lot of “fixed number of days”

contracts ("contrats forfait jour"), which entail an automatic 30% increase above the wage grid. These "fixed number of days" contracts were created for white-collar workers who are not entitled to overtime paid hours. Overtime is already included in the contract, which is why the wages are higher. According to CFE-CGC, employers automatically use this type of contract, even if the position does not require it, to attract skilled employees. However, this is a very costly strategy.
    - For the CGT (FTM – Fédération des Travailleurs de la Métallurgie), all wages should be raised, and special attention should be paid to the middle class, as they have been losing purchasing power over decades. According to the CGT, this is of utmost importance in fighting against the rise of far-right parties.
- The employers' organisation – the UIMM – agrees on the need to increase wages, especially for those at the bottom of the pay scale but has stated that it is not possible to increase wages across the board in following with inflation due to the current strain placed on the industry's margins.

Provisions of the collective agreement

Table 4: Summary of relevant outcomes of the sectoral collective agreement in the French metal industry

Outcome	Details	Brief description/ figures
New mechanism agreed in wage-setting different from the previous collective agreement		The new sectoral agreement sets out a new classification grid along with wage minima for all groups. Wage minima have been significantly revised for the lowest-paid groups. For blue-collar workers (whose wages are currently regulated by 76 territorial agreements), the median line of all territories was used as a reference to determine the new minima. Overall, 80% of workers should have seen an increase in their wage when the agreement was signed in February 2022.
Duration of the agreement and implementation timeline: rules for time revision, method and regularity of adjustment, update(s) foreseen		The part of the agreement pertaining to the new classification grid and wage minima should enter into force on 1 January 2024. The agreement was negotiated over five years and signed in February 2022. As such, it specifically includes the possibility to reopen wage negotiations if inflation exceeds the baseline used (1% over 3 years, so three times 1%).
Collective wage increase agreed	Nominal (average) wage increase agreed	A new classification grid including all workers in the metal industry, from blue-collar to white-collar workers, has been agreed upon, without possible reference to the previous system.
	Details	
	Existence of statutory minimum wage in any form (provide details, if relevant)	The sectoral agreement sets the wage minima for all groups of the classification grid. Companies set wages individually but cannot set them lower than the branch agreement.
	Additional remarkable forms of variable pay (bonuses or rewards linked to results or	There is an automatic increase of 30% for workers on "forfait-jour" contracts.

	performance…) if proportionally relevant.	
Estimated real wage increase by both negotiating parties		It is impossible to estimate due to the total overhaul of the system.
Other outcomes directly increasing or influencing unit labour costs	Working time (reduction)	The possibility to increase working hours has been suggested as a counterpart to the wage increases. This new branch agreement provides greater flexibility to employers.
	Training, upskilling, reskilling financed or co-financed by the company	The new branch agreement stipulates that a specific agreement will deal with training.
	Social benefits such as bonus for transport, energy costs, schooling, daily meal, etc…	The new branch agreement sets out a common social and health protection scheme for all workers, which did not exist previously.
Specific aspects related to the twin transition	Technological change or digital transformation	The agreement states that matters pertaining to digitalisation should be a topic for social dialogue.
	Green transition: decarbonisation polices or any other related initiative /programme/investment	The green transition is mentioned as a matter that social partners should address jointly.
Measures addressing potential skills shortages in the sector, if any		This new framework agreement allows for greater flexibility in working hours in case of workforce shortages (up to 46 weekly hours over 12 weeks or up to 44 weekly hours over 24 weeks).
Employment level (expected increase or reduction in workforce)		A reference to the labour code is made as regards potential workforce reductions and the potential resort to short-time work.
New worker rights or prerogatives agreed, be they individual or collective (for workers representatives)		This new sectoral agreement mentions the need for strong and trained social partners and confirms employee representatives' right to access accurate training regarding economic and financial issues, digitalisation and the green transition. All these issues have already been included in the Labour Code, but this agreement makes specific mention of joint training and of a training body linked to the Ministry of labour (Institut national du travail, de l'emploi et de la formation professionnelle - INTEFP).
Governance and implementation of the collective agreement	Possibility of derogation (opt-out) or deviation at lower level by companies (or territories)	As the new wage minima and classification grid imply wage increases for approximatively 80% of the workforce, the agreement has set out a transition period lasting until 2030. Businesses seeing their payroll increase by more than 5% for at least 25% of their workforce will be able to stagger these increases. This provision was specifically included for subcontractors belonging to the small and medium-sized enterprise category.

Source: Interviews

Assessment of the collective agreement

In order to combat climate change, the metal industry is subject to the green transition and decarbonisation (the metal industry represents 24% of the greenhouse gas emissions generated by French industry). The metal industry roadmap to decarbonisation was published in July 2021 (Ministère de l'économie, des finances et de la souveraineté industrielle et numériques, 2021). According to the UIMM, sector-level collective bargaining may provide some answers to the question of decarbonisation in the metal industry. However, it remains a very difficult and complex issue.

Furthermore, when interviewed about the branch's ability to rise to the challenge of digitalisation, the employers' organisation – the UIMM – stated that digital transition is above all a technological transformation, which in turn corresponds to a transformation in workers' skills. The organisation is confident that this new collective agreement, as well as the agreement between the sector's various social partners, would allow this transition to occur successfully.

Future outlook

At the time of writing, negotiations are still pending at sectoral level as regards:

- Wage increases for white-collar workers in 2022 (actual inflation was above the increase agreed upon in February 2022) and 2023.
    - It is possible that no agreement will be reached, and that the outcome will be a unilateral decision on part of the employers' organisation – the UIMM.
- The wage minima for the new grid that will enter into force on 1 January 2024.
    - Negotiating parties must find an agreement, otherwise almost all the benefits of the 5-year-long negotiations that led to the creation of a single classification grid across the French metal industry would be lost.
    - Most parties interviewed stated that finding a common agreement was of upmost importance to maintain a good standard of social dialogue in the branch.

Despite demanding different levels of wage increases, all unions agree on the need to preserve the purchasing power of all workers, not only those at the bottom of the pay scale, as inflation is expected to remain high in the coming months.

The employers' organisation also expects inflation to remain high in the coming months, especially as regards energy, and fears that the French metal industry will lose competitiveness if it has to face high payroll increases. However, the UIMM agrees that the metal industry should provide attractive wages to attract and retain talent. They acknowledge the need to adjust the new grid, which is already outdated due to the four latest increases of the national minimum wage since January 2022. However, their aim is not to adjust all wages to account for inflation but mainly to protect the lowest-paid workers.

Convention collective nationale des hôtels, cafés restaurants (HCR)

Background and drivers

The HCR sector (hospitality – hotels, cafés, and restaurants) was hit extremely hard by the rise of COVID-19 and the ensuing lockdowns. As a result, it received extensive support during the pandemic through State-guaranteed treasury loans and ad hoc measures at regional level. The French government introduced a short-time working scheme for all businesses and more flexible measures for specific subsectors such as tourism and hospitality (Ministère de l'économie, des finances et de la souveraineté industrielle et numérique, 2020). Despite public assistance, the HCR sector was deeply affected by the lockdowns, effects of which can still be felt. International tourism has not yet fully recovered from the pandemic, especially tourism from China. Moreover, new home working habits have significantly decreased custom in certain restaurants during lunchtime hours (Eurofound, 2022a).

After two difficult years due to COVID-19, the HCR sector is currently affected by high inflation, particularly as regards energy and food prices. Members of the employers' organisation relate cases in which energy bills nowadays are seven to ten times higher than before the war in Ukraine.

Additionally, the HCR sector is facing a significant workforce shortage. Estimations range from 150,000 to 230,000 missing workers. Social partners have stated that this shortage is due to many workers being made redundant during lockdown and finding jobs elsewhere, in sectors boasting more predictable and family-friendly working timetables. Amazon, big retail companies, local industrial plants, and real estate are now cited as direct competitors. According to both employees' and employers' organisations, COVID-19 has triggered changes in workers' expectations: they want jobs that are more family-friendly (fewer working hours on evenings and weekends), more predictable and more meaningful.

Strategies and approaches adopted by negotiating parties

Employment in the branch is very fragmented, with 85% of businesses employing fewer than 10 people. There are a few big international groups, especially hotels.

Employers' representation is also fragmented. There are four employers' organisations in the HCR sector:

- The UMIH (Union des Métiers des Industries de l'Hotellerie) with 47% representativity. This organisation mainly covers restaurants and small businesses.
- The GNI-HCR (Groupement national des indépendants-HCR) with about 27% representativity. This organization mainly covers independent hotels.
- The GNC (Groupement National des Chaînes Hôtelières) with 14% representativity. This organisation mainly covers big international hotel groups.
- The SNRTC (Syndicat National de la Restauration Thématique et Commerciale) with 11% representativity. This organisation mainly covers cafeterias.

In November 2022, the GNI-HCR and the SNRTC (along with another small organisation called the SNRPO) announced that they had merged to become the GHR (Groupement des Hôtelleries & Restaurations de France). In the aftermath of COVID-19, a tentative of merger of the four organisations was launched but ultimately failed. Nevertheless, the UMIH and the GNC remain traditional partners during negotiations. UMIH representatives underwent a total reshuffle after internal elections in the autumn of 2022. As a result, the messages this organisation is communicating to other social partners became blurred.

There are also three representative employees' organisations in the HCR branch (Légifrance, 2021b):

- The CGT with a representativity of 36%.
- The CFDT with a representativity of 31%.
- FO with a representativity of 27%.
- The CFE-CGC with a representativity of 6%.

The employees' representatives see social dialogue within the sector as rather immature and time-consuming for each step forward. They have stated that employers' organisations only sign an agreement when they have no other choice, but that they are not otherwise interested in negotiations.

The last wage agreement was signed in January 2022, with a 16% average wage increase compared with the previous grid from 2018. However, the wage increases were especially significant for the highest ranks of the grid, with a view to ensure that managers' wages caught up to the standards in other sectors. The wage increases were much more limited for the lowest pay groups of the grid, but all groups were set above the national minimum wage (the minimum wage for the lowest pay group was set 5% above the SMIC). The CFDT was the only trade union to sign this agreement (with over 30% representativity, the CFDT is entitled to sign a branch agreement if no employees' organisation – or group thereof – with over 50% representativity is opposed to the agreement) on the condition that negotiations on working conditions would be opened during the spring of 2022.

During the spring of 2022, three other agreements were discussed at the trade union's request:

1. A new agreement regarding classification, which goes hand-in-hand with the above-mentioned wage agreement and states that employees will be paid according to their qualifications (if relevant) and not only according to their job title. This agreement was signed.
2. An agreement regarding the sector's health protection scheme. The former sector-level health protection scheme set prices too low in comparison to the real costs, which resulted in debt. The negotiations led to the health protection scheme price being raised from €28 to €46.96. However, to mitigate the effect of this increase on workers' wages, the agreement assigned 60% of the cost to employers and 40% to employees. This agreement was signed by the four trade unions and by the GNI for the employers, but not by the main employers' organisation, the UMIH. As a result, the GNI walked back their support for the agreement: if only their members, and not the whole branch, were to be impacted, they would be placed at a competitive disadvantage. Consequently, the price of the new health protection scheme was increased according to negotiations, with the employees paying half of the cost.
3. An agreement on working conditions and recognition and valuation of hardship. The CFDT set opening negotiations on this topic as a condition for them to sign the agreement on wages in early 2022. The main demands of the CFDT are one rest weekend per month, overtime paid according to Labour Code provisions (the HCR branch benefits from an opt-out provision as regards overtime payment), and the payment of the "lost hours" between the lunch and the dinner shifts. The main demands of FO include the payment of these "lost hours", two rest days in a row per week, and additional pay for weekend hours.

Furthermore, due to inflation surging after Russia's invasion of Ukraine, the wage agreement signed in January 2022 has already become outdated, with the three lowest pay groups of the classification grid currently sitting below national minimum wage.

The CFDT still expects the agreement on the health protection scheme to be signed by the UMIH. They have stated that their demands regarding wage increases will vary depending on whether the employers' contribution to the health protection scheme increases (from 50% to 60%) or not.

FO is rather critical of the wage agreement signed in January 2022. According to them, too much emphasis was placed on the high-ranking positions compared with the lower ones, which they consider to be unfair. Therefore, they are currently expecting a significant increase of the lowest wage minima. They also wish to negotiate a thirteenth month salary.

On the other side, there seems to be some turmoil among the employers' organisations, as they brought two separate grid proposals to the last meeting on wage increases: one from the newly-formed GHR and one from the UMIH and the GNC. Trade unions see this split as a bad sign and are not confident that than an agreement between parties can be reached.

Table 5: Wage-setting mechanisms in collective bargaining in the French HCR branch

		Collective Agreement	Differences with previous Collective Agreement
Indexation mechanism	No, it is forbidden by law to index wages on inflation or even on the minimum wage.		
Inflation Indicator	How is inflation is defined/determined? Which indicator is used to quantify inflation?	Unions use many sources, such as data provided by the INSEE (the national institute of statistics) for past inflation and data from the French Central Bank ("Banque de France") for the inflation forecast.	
Other variables used as a reference to set wage increases	Statutory Minimum Wage	The branch agreement should adapt to the national minimum wage to determine the classification grid's entry-level wage but cannot directly refer to it.	

Source: Interviews

Provisions of the collective agreement

Table 6: Summary of relevant outcomes of the sectoral collective agreement in the French HCR branch

Outcome	Details	Brief description/ figures
New mechanism agreed in wage-setting different from the previous collective agreement		The agreement is more focused on wage increases for higher ranks of the classification grid, than for lower ones. However, all wage minima are set above the national minimum wage.
Duration of the agreement and implementation timeline		The agreement was signed for an unlimited duration and did not include any mechanism for adjustment or update.
Collective wage increase agreed	Nominal (average) wage increase agreed	This new agreement sets out an average wage increase of 16% (in comparison with the previous agreement dating back to 2018) with significant discrepancies between pay groups (see below).
	Details	
Specificities	By group/ or (occupational) categories of workers (e.g., white and/or blue workers)	The agreement set the following wage increases for the five employee pay groups (each group being divided into sub-rankings, but the average is only presented as a summary): -Group 1 +10% (and 5% above minimum wage)

		-Group 2 +12% -Group 3 +16% -Group 4 +23% -Group 5 +28%
	Existence of statutory minimum wage in any form (provide details, if relevant)	The sectoral agreement sets wage minima for all rankings. Businesses must follow the grid and pay an amount equal or superior to the wage minima stipulated for each pay group.
Other outcomes directly increasing or influencing unit labour costs	Working time (reduction)	Additional remuneration for specific working hours (overtime, weekend) is currently being discussed, but was not included in the December 2021 agreement.
Measures addressing potential skills shortages in the sector		The December 2021 agreement set ambitious wage increases for the top ranks of the classification grid to make the branch more attractive, as it is facing a significant shortage of workers.

Source: Interviews

Assessment of the collective agreement

This collective agreement was signed before inflation started rising and was quite ambitious as regards the highest-paid positions. For the GNI, one of the employers' organisations, the focus should now be on the lowest-paid positions. However, the conditions that they are prepared to offer do not match the requirements of employees' representatives, especially FO. FO is very critical of the last signed agreement, considering it to not be sufficiently generous for the lowest-paid positions.

Additionally, all unions are demanding step forwards on working conditions, work-life balance, and recognition of hardship. According to them, the suggested wage increases are insufficient to attract the high numbers of needed workers.

Future outlook

Negotiations are still pending concerning:

- The signing of the health protection scheme agreement.
- Working conditions and recognition and valuation of hardship.
- A new sector-level grid for wage minima.

The employers' organisation, GNI, argues that energy bills have severely damaged employers' margins and that they do not have the financial resources to meet trade unions' demands in terms of wage increases.

The trade unions are rather critical of the current situation. While they acknowledge that current sector-level difficulties can be particularly hard on certain employers, they also mentioned past abuses, especially misuse of State support. Two incidents were reported:

- Following the financial crisis of 2008, the government sought to support the HCR sector by decreasing VAT (value-added tax) from 19.6% to 5.5% in 2009 (with an estimated cost of €2.4bn to State revenue). In return, businesses were expected to create jobs and lower prices, but the results were said to be disappointing on both sides (IPP, 2018). Faced with this lack of success, VAT was increased to 7.5% in 2012 and to 10% in 2014.

- During the COVID era, it was reported that certain employers took advantage, receiving significant amounts of public money with no oversight.

Comparative analysis among the sectors

The main common trend is an acute difficulty in reaching agreements, even in sectors in which significant steps forwards were achieved at the end of 2021/beginning of 2022, before the surge of inflation (the metal industry with the new framework collective agreement and the HCR sector with substantial wage increases to cope with the shortage of workers). Actors also pointed to increased conflict across all sectors. No recent data are available to underpin these statements, however, it should be noted that negotiations were significantly longer than usual and failed to achieve wage agreements at the time of writing.

A second common trend is the shared expectation among all actors for inflation to remain high. One union, the CGT, claimed that solutions to combat inflation could not be found at sectoral level and that the State needed to intervene and set energy prices.

The third trend concerns the fact that all wage increases proposed by employers' organisations were below the level of inflation. Employers' organisations point to the fact that businesses' margins are being severely affected by high energy prices to justify this position. Furthermore, the employers' focus is clearly on the lowest-paid workers (in a way, they are legally bound to do so due to article L2241-10 of the Labour Code – see above), whereas trade unions are demanding increases across the pay scale. They are cautious and do not wish the shrinking of the classification grid to cause a reduction in wage improvement along an employee's career. However, although trade unions are particularly concerned with inflation and the decline in employees' purchasing power, they remain attentive to other topics such as working conditions and work-life balance.

Additionally, the likelihood of specific French unions signing an agreement remained the same across sectors. The CFDT was the union most likely to sign an agreement across all three sectors, followed by the CFE-CGC, while FO and the CGT were least likely to sign an agreement. It is important to stress that this is only true at sectoral level, as reality can be more complex at company level.

Differences are, nevertheless, visible across sectors. On the one hand, employers are presenting a much more unified front, and social dialogue seems more usual in the industrial sector than in the HCR sector, which counts four employers' organisations. On the other hand, the chemical industry was more successful in reaching an agreement to face inflation than the metal industry (an agreement was signed in September 2022 in the chemical industry, whereas no agreement has yet been reached in the metal industry).

In a nutshell, given the high number of failed wage negotiations at sectoral level in the three sectors under scrutiny, it is possible to say that unions are trying to resist the concessional bargaining that employers are forcing them into (all increases proposed by the employers' organisation are below the inflation rate). Employers' organisations want to focus on the lowest-paid workers, whereas employee organisations want to protect all workers.

The chemical sector, in which wages are increased according to a fixed formula, was the most successful sector in reaching an agreement (an agreement was signed in September 2022 but negotiations for 2023 failed at the beginning of the year). This fixed formula applies across the classification grid and, as such, is particularly favourable to the highest-paid workers. The employers' organisation is aware of this situation and wants to change it as soon as possible.

Collective bargaining in Germany

Introduction

The inflation rate (measured as the change in the consumer price index compared with the same month of the previous year) in Germany rose from 4.2% and 4.3 % in January and February 2022 to between 5.9% and 7% between March and August 2022, reaching 8.6% in September and 8.8 % in October 2022. It then decreased to 8.1 % in December 2022 and rose by 0.6 percentage points in January 2023. Inflation in Germany has been at record levels since July 2021. Responsible for this are, among other things, base effects attributable to the COVID-related reduction in value-added tax in the second half of 2020 and the associated fall in prices for many goods.

In addition, prices for petroleum products and other energy-generating raw materials have risen sharply compared with the previous year; this development is being further reinforced by the war in Ukraine. The inflation rate is calculated from the price increase of certain goods and services for which an average end consumer in Germany spends money over the course of the year. This underlying product basket is defined by the Federal Statistical Office. It includes, among other things, expenditure on food, clothing, rent, electricity, telecommunications, leisure expenditure and raw materials (e.g., gasoline, heating oil) as well as government fees and taxes (Statistisches Bundesamt, 2023).

In view of this, trade unions insist that wage increases should bring real income increases. However, others warned of a wage-price spiral (Siems, 2022). The German Economic Institute argued that the effect on the economy would be fatal. If the unions made the increased inflation rate the basis of their wage demands, then second-round effects with problematic knock-on effects could be expected. The ECB would have to counter a price trend driven by strong wage increases with a corresponding interest rate policy, which in turn would have a dampening effect on growth and the labour market (Lesch, 2021). Employers also warned that the minimum wage being raised to €12 as of October this year would drive up prices (Bispinck, 2022).

In Germany, collective wage agreements are primarily negotiated at the regional sectoral level (regional collective agreements – Flächentarifvertrag). The parties to collective agreements are trade unions, employers' associations and, increasingly, individual companies. The influence of the State is low. Collective bargaining coverage has fallen significantly, and opening clauses are increasingly used in the regional collective agreements (especially in Eastern Germany), allowing for decentralization. Collective bargaining demands are being revised, particularly taking into account the expected rate of price increases, productivity progress and a redistribution component. Wage indexation in general is not applied (Hujer/Rodrigues, 2008).

However, confronted with exceptionally high inflation in 2022, trade unions are resorting to various means to avoid the threat of real wage losses. The vast majority of these are fixed-percentage increases, sometimes combined with special termination rights if predefined inflation rates are exceeded. In some cases, however, attempts are also made to counter inflation with so-called index clauses. Index clauses link the development of remuneration to an index, typically the consumer price index of the German Federal Statistical Office. For example, ver.di secured inflation compensation for seaport workers. The recent strike by cockpit staff at Deutsche Lufthansa AG was also based on a demand for an index clause. However, the Labour Court of Munich (ArbG München) ruled that an index clause in a collective bargaining agreement was inadmissible due to the violation of § 1 of the German Price Index Act (PreisklG) (Ubber/von Grundherr, 2022). Most interview partners also highlighted that indexation is not considered to be useful in the context of inflation.

Collectively agreed wages in Germany increased by an average of 2.2% in 2022 compared with the annual average in 2021 as shown by the index of collectively agreed monthly earnings including special payments. As further reported by the Federal Statistical Office (Destatis), collectively agreed wages excluding special payments increased by 1.4% in 2022 compared with the previous year. In the same period, consumer prices increased by 6.9% (Destatis, 2023), leading to a decline in collectively agreed real wages.

2021 was characterized by a below-average increase in overall collective pay (+1.3%) compared with the previous year. This was due to the COVID-19 pandemic, which caused certain collective bargaining negotiations to be postponed and made up for in the 2022 calendar year. Furthermore, 2022 was characterized by significant increases in the statutory minimum wage. Nevertheless, the change in the collective pay index excluding special payments for 2022 is still comparatively low at 1.4%. This is mainly due to the fact that some of the agreed pay increases will not take effect until the 2023 calendar year (Destatis, 2023).

The strongest increases in collectively agreed wages with special payments were recorded in the sectors of hotels and restaurants (+6.9%), other business services (+5%), and construction (+3.9%). By contrast, increases in the manufacturing sector, which is important for the economy as a whole, were particularly low at just 1.3%. Pay increases were also below average in the information and communications (+1.3%), education and training, and energy supply sectors (+1.8% each).

Following on from 2021, 2022 became the second year in a row in which a significant loss of purchasing power in collectively agreed wages occurred. While collectively agreed wages rose steadily, including in real terms, in the 2010s and had increased by 14% by 2020, almost half of this real wage growth was lost again in 2021 and 2022. However, in 2022 real wages were secured for many employees in certain areas. This was true particularly for a number of typically low-wage industries such as the baking industry, hotels and restaurants, building cleaning services, and the security industry, where the significant increase in the statutory minimum wage (up to €12 per hour) was reflected in a strong increase in collectively agreed wages (Wirtschafts- und Sozialwissenschaftliches Institut (WSI), 2022).

Germany has had a general statutory minimum wage since 1 January 2015. It is the lowest wage limit for almost all employees, with the exception of apprentices, long-term unemployed or, in some cases, interns. Under the Minimum Wage Act, the Minimum Wage Commission, in which trade unions and employers are represented, decides on the minimum wage, which then becomes binding by statutory order. When introduced in 2015, the statutory minimum wage was €8.50 gross per hour. Over several stages (1 January 2017: €8.84, 1 January 2019: €9.19, 1 January 2020: €9.35, 1 January 2021: €9.50, 1 July 2021: €9.60, 1 January 2022: €9.82, and 1 July 2022: €10.45), the minimum wage rose to €12.00 on 1 October 2022 (Destatis, 2022). However, the increase in October 2022 was implemented by law, which led employers to claim that collective bargaining autonomy was being restricted. After the unscheduled increase, however, the commission is once again to have jurisdiction (Tagesschau, 2022).

In Germany, the increase of the statutory minimum wage to €12 in October 2022 was accompanied by a significantly greater increase in collectively agreed earnings in the performance groups of semi-skilled and unskilled workers. Collectively agreed wages at the lower end have risen disproportionately compared with collectively agreed wages in the other performance groups. This development tends to reduce the spread of collectively agreed wages between pay groups. This effect can be observed since the statutory minimum wage adjustment to €9.60 in July 2021 and has increased with every minimum wage increase since then (Destatis, 2023).

The German federal government has enacted extensive relief packages totalling €3bn. The aim is to support citizens, curb energy costs and safeguard jobs (Die Bundesregierung, 2023). Measures include, for example, a temporary reduction in sales tax rate on gas supplies from 19 to 7% from October 2022 through the end of March 2024; an emergency aid providing consumers with relief on the cost of natural gas and heat for the month of December 2022; an electricity, gas and heat price brake applying to all customers as of January 2023; and an energy price flat rate of €300 gross for pensioners, students and employees. In addition, as of 1 January 2023, the limit for midijobs has risen to €2,000. Up to this income, employees pay lower social security contributions. This means that low-wage earners will receive more net income. In order to compensate for additional tax burdens resulting from high inflation, income tax rates have been changed and the basic allowance, child allowance and "Soli" allowance have been raised. Taxpayers can continue to claim the home office flat rate if they work from home. The lump sum will be increased and improved from 2023. Companies may continue to benefit from easier access to short-time working benefits, which has been extended by a further six months. It now applies until 30 June 2023, stabilizing the labour market and creating planning security for companies. The electricity and gas price brakes are also intended to protect small and medium-sized enterprises and industry. The aim is to safeguard production and jobs. The peak compensation for the energy-intensive manufacturing sector will be extended (Die Bundesregierung, 2023). While social partners were aware of these measures during negotiations, some of them are lobbying for further relief measures. The inflation allowance, an additional payment by companies of up to €3,000 euros exempt from taxes and social security contributions, played the most important role in collective bargaining.

In general, it tends to be assumed in Germany that wage policy alone cannot cope with inflation. The state must provide support through fiscal policy, for example. Collective bargaining agreements usually apply over a longer period, so this inability to adjust quickly must be cushioned by the state. Also, only slightly less than 50% of employees in Germany are covered by collective agreements, especially in the service sector where wages tend to be lower. Employees in most low-wage sectors do not receive one-time payments as they are not covered by collective agreements. The wage policy does not reach people with low incomes, money flows to those with already higher incomes (Deutschlandfunk 2022).

Collective bargaining dealing with the impact of high inflation rates: an analysis of sectoral collective agreements

#CHEMIE22: Tarifrunde Chemie 2022

Background and drivers

At the turn of the year 2021/22, social partners in the German chemical industry agreed that despite the COVID-19 pandemic, supply bottlenecks, and rising prices for energy and raw materials, the chemical industry had achieved positive results extending to almost all production areas. According to the German Chemical Industry Association (VCI), production rose by 4.5% compared with the previous year, while sales increased by 15.5% to around €220bn thanks to a sharp rise in producer prices (+8.5 %). The VCI also expected the industry to develop positively in 2022, anticipating a possible 2% increase in production and a 5% rise in sales to €231bn (VCI, 2021).

A survey carried out by IGBCE among works councils showed that they assessed the situation in their companies positively. Three quarters of them believed that the economic situation of their company in 2021 was good or very good. The capacity utilisation of the plants was estimated to be very good or good in 80% of the companies. According to the survey, 80% of the companies were also likely to see their profits increase or remain constant in 2022 compared with the previous year. The works council survey on the collective bargaining round also showed that alleviating the shortage of skilled workers would be one of the key tasks of the future. Two-thirds of the 531 works council members surveyed said that demographic change and the shortage of skilled workers would be the biggest challenge facing their company (IGBCE, 2022a).

While the shortage of labour remains a serious issue for companies, the assessment of the economic situation has changed considerably since this survey. According to the VCI's report for the first half of 2022, the chemical and pharmaceutical industry faced various challenges, including long delivery times, high shipping costs, and shortages of inputs and materials. Additionally, prices for raw materials and energy, particularly natural gas, have risen. As a result, the industry was only able to slightly increase production by 0.5%, and production even decreased by 3% when excluding pharmaceuticals. Companies are struggling to pass on increased costs to customers through price increases, which, combined with declining sales, is negatively impacting their financial performance. Approximately 70% of companies are experiencing a decrease in profits, with some even losing money (VCI, 2022).

A more positive picture was painted by the IGBCE works council survey in autumn. Two thirds of the participants stated that the economic situation of their company was still developing positively. IGBCE highlighted that despite the war and the crisis, companies were still earning well and were able to pass on their increased costs in the form of higher prices. From their point of view, salaries are not important cost drivers for companies, but increased prices for energy and raw materials are. The share of labour costs in the chemical industry has decreased from around 14 to 12% (IGBCE, 2022c).

Strategies and approaches adopted by negotiating parties

On 22 February 2022, two days before the beginning of the war in Ukraine, the Federal Collective Bargaining Commission of the IGBCE decided on its demands for the 2022 round of collective bargaining, focusing on a sustainable increase of employee purchasing power in the sector by raising wages and training allowances. In addition, the IGBCE demanded an increase in shift premiums for employees on night shifts to a uniform 25%. Furthermore, the union wanted to ensure safety and protection for its members through the industrial transformation, shape good mobile work for the future, and create new support opportunities for training young people within the framework of the chemical industry support association. The term of the collective agreement was to be twelve months. In view of growing production, sales, producer prices, and profits, there was no reason for the IGBCE to hold back on its demands at this time (IGBCE, 2022a).

Due to the war in Ukraine and the resulting economic uncertainties for the chemical industry, IGBCE and BAVC agreed on an interim result, as a halt to gas and oil imports from Russia would have serious consequences for the chemical industry, including job losses and site closures. Providing for a one-time payment, the interim result helped to immediately cushion the burden of rising inflation for employees. At the same time, it offered companies a secure perspective to be able to steer through the economically tense situation (IGBCE, 2022d).

As agreed, social partners resumed collective bargaining in October 2022, focusing on pay issues. The energy price development played a major role for in demands on both sides, as it had had significant implications for companies and employees. There were concerns that the industry could face shortages due to sanctions and a gas supply freeze. The development of inflation was one of the union's important arguments. However, companies also suffered from higher energy prices. The trade union initially wanted to set fixed amount increases in the wage tables in addition to a percentage increase. This would have been to the advantage of the lower income groups. However, according to the BAVC, it would have placed an undue burden on employers with many employees in the lower pay groups.

In the autumn, the mood of the employees was characterized by great concern due to inflation and high expectations. The last wage table increase had taken place in the summer of 2021 and was not very high. The union had not quantified the demand, which became increasingly difficult because of high expectations. In this context, the inflation allowance had a major impact and helped enormously in finding a workable agreement. Other government measures like the energy flat rate, the cap on gasoline prices, and the gas and electricity price brakes (which had not yet been decided and were only being considered at the time of the rate agreement) only had a limited and indirect impact on collective bargaining. While playing a role in the internal discussion, they were not factored into the trade union’s calculations.

The neutral distribution margin (sum of productivity increase and inflation) could not be completely exhausted due to high price development and moderate economic development. In recent years, the neutral distribution margin has played a greater role. For the IGBCE, the issue of redistribution was also important because employee incomes have risen less than capital incomes since the early 2000s. However, redistribution components to help reduce this gap played a lesser role in the 2022 negotiations.

Wage-setting mechanisms did not change during the last bargaining round in the chemical industry. No indexation mechanism or inflation indicator was included in the collective agreement. Still, several levels of factors influence collective bargaining and the formulation of trade union demands every year. These are not restricted to industry-specific indicators, but also include the inflation rate in Germany as a whole and economic development measured in terms of gross domestic product, for example. In addition, productivity, wage costs, demographic data, fluctuation and grouping issues for the industry are taken into account. Developments in the sector’s labour market also play a major role. This issue was especially salient in the last round of collective bargaining, as employees were able to choose where they worked. Due to a tight labour market, workers had many possibilities open to them and could choose the best option (e.g., a job with a higher wage). Income and working conditions were important decision-making criteria for employees here.

According to IGBCE, indexation mechanisms are not useful as they cannot reflect soft factors such as labour market trends or falling comparative wages in other industries. If these factors are not considered, the industry may not be able to find workers. Framework data always play a role but are weighted differently. In each collective bargaining round, a decision is made as to whether there should also be a redistribution between profits and labour income within industries. An industry-specific assessment is needed as the situation in sub-sectors is very different. While the pharmaceutical industry is generating double-digit returns on sales, sales in the plastics industry are declining.

Comparing current strategies and approaches with those used during the earlier financial and economic crisis in 2008, one notable similarity is the underlying uncertainty for companies. Other than that, the conditions are not comparable, as there was no high inflation and no shortage of skilled workers at the time. In 2008, a long-running collective agreement was in place until the autumn of 2009 and the fixed table increases were paid. Then, in 2010, there was a non-table payment with an 11-month term. This is similar to the one-time payment agreed upon in spring 2022. The intention was also to wait and see how things developed. Mass unemployment was not an issue in 2022. Personnel measures today have more to do with transformation. As there is also a shortage of skilled workers, it is easy for employees to find another job.

Provisions of the collective agreement

The interim agreement provided that in May 2022 at the latest, all full-time employees would receive a bridge payment of €1,400. Part-time employees received a proportional payment. Trainees received €500. In companies with proven economic difficulties, the bridge payment amounted to €1,000. According to IGBCE, on average for all pay groups this corresponds to the volume of an increase of 5.3% with a term of 7 months (IGBCE, 2022e).

If a company was experiencing particular economic difficulties, the bridge payment for employees could be reduced to €1000. These economic difficulties were defined by three criteria: 1. the company had achieved a negative result, i.e. a loss, in the past fiscal year or was currently in a comparable economic situation and informed the works council and the collective bargaining parties of this. 2. the company's return on sales in the past fiscal year was 3% or lower. 3. the company's expected net return on sales for 2022 was 3% or lower. These last two cases must be certified by a tax advisor or auditor and confirmed by the collective bargaining parties. If the projected return for 2022 is not confirmed and is above 3%, the difference between the full and reduced bridge payment must be paid in arrears by 30 June 2023 at the latest (IGBCE, 2022d).

In addition, in the interim agreement, BAVC and IGBCE agreed on several non-pay-related topics (BAVC, 2022a):

- They set the surcharges for regular and irregular night work uniformly at 20%. Until then, these surcharges were set at 15% and 20% respectively.
- To support trainees with pandemic-related learning delays in small and medium-sized enterprises, social partners in the chemical industry are investing €3m in the new programme "AusbildungPlus". Funding of up to €1,000 per trainee is available.
- BAVC and IGBCE agreed to have the practice of mobile working scientifically examined in order to analyse and evaluate the previous practice of mobile work with the participation of both employees and companies. Subsequently, the social partners will determine whether collective bargaining measures can be derived from the study.
- Both sides agreed on the cornerstones of a collective agreement for the introduction of the so-called social partner model, which is to be in place by the middle of the year. The social partner model intends to make occupational pensions more attractive by opening up the possibility of other forms of investment and thus higher interest rates. Implementation will be carried out by the Chemical Pension Fund.

- Following a decision by the Federal Labour Court, the social partners integrated the right of part-time employees to pro rata retirement leave into the general collective agreement. In addition, further opportunities will be created to make retirement leave more flexible. Employers and employees may agree to replace entitlement to retirement leave with one of the following options: flexible transition to retirement, payment into occupational pensions, contributions to statutory pension insurance or contributions to an existing long-term account. This is a reaction to the shortage of skilled workers, although companies hope that this will eventually be offset by digitalisation.

The autumn agreement (IGBCE, 2022b; BAVC, 2022b) states that collectively agreed wages and training allowances will be increased in two stages. They will rise by 3.25% on 1 January 2023, and by a further 3.25% on 1 January 2024. The chemical industry social partners have also agreed on a one-time tax-and contribution-free inflation allowance of €3,000 per pay-scale employee, to be paid out in two instalments of €1,500 each by 31 January 2023 and 31 January 2024 at the latest. Part-time employees will receive a pro rata payment, at least €500 each. Trainees receive an inflation allowance of €500 per instalment. The aim is to partially offset increased cost of living for employees while limiting permanent burdens on companies. Companies may voluntarily pay out the money earlier and in a single instalment. The real wage increase is totally different depending on pay groups. As was already the case for the bridge payment made in the spring, the €3,000 net increase is proportionately higher for the lower income groups.

While the collectively agreed inflation allowance cannot be reduced, there are three differentiation rules for the pay increase. However, employers cannot permanently suspend or reduce the increase. Under no circumstances can the increases be postponed for longer than three months. The differentiation rules are as follows:

1. The parties to the agreement can postpone the increase in collectively agreed wages or training allowances by up to three months for economic reasons by means of a voluntary works agreement.
2. If the company is experiencing particular economic difficulties, the increase in collectively agreed wages or training allowances may be postponed by two months if the employer notifies the works council and the collective bargaining parties via the regional chemical employers' association before the increase comes into effect. A postponement in accordance with variant 1 is then still possible to the extent of a further month, then a total of three months. Special economic difficulties are deemed to exist if the company achieved a negative result (loss) in the last fiscal year.
3. In the event of a return on sales of 3% or lower in the company's last fiscal year, the increase in collectively agreed wages or training allowances can be postponed by one month if the employer notifies the works council and the collective bargaining parties via the regional chemical employers' association before the increase comes into effect. A postponement in accordance with variant 1 is then still possible to the extent of up to two further months to then a total of three months. The parties to the collective agreement define return on sales as net income after taxes divided by sales multiplied by 100.

Starting in 2023, the chemical industry social partners will develop ideas for regulations to strengthen collective bargaining on both sides in a structured process during the term of the collective agreement. Due to the war in Ukraine, there was a great deal of uncertainty among companies, causing the topics of digitalization and qualification to have moved somewhat into the background. Sustainability continues to be a major issue for the industry and is ongoing in parallel. However, this is not a topic for collective bargaining. It is being dealt with in the joint project between VCI and IGBCE (Chemie[3]).

Table 7: Summary of relevant outcomes of the sectoral collective agreement in the German chemical industry

Outcome	Details	Brief description/ figures
New mechanism agreed in wage-setting different from the previous collective agreement		No
Duration of the agreement and implementation timeline: rules for time revision, method and regularity of adjustment, update(s) foreseen		“Interim agreement”: 7 months (01/04/2022-31/10/2022) “Autumn agreement”: 20 months (01/11/2022-30/06/2024) (no update/adjustment foreseen during agreement period)
Collective wage increase agreed	Nominal (average) wage increase agreed	6.5%
	Details	01/01/2023: 3.25% 01/01/2024: 3.25%
Specificities	By group/ or (occupational) categories of workers (e.g., white and/or blue workers)	Shift workers: unification of surcharges for regular and irregular night work to 20% (from 15 and 20%)
	Existence of statutory minimum wage in any form (provide details, if relevant)	Wages in the lower pay groups are significantly higher than the statutory minimum wage
	Specific arrangements (e.g., flat-rate amount) to protect purchasing power of the lower-paid groups covered;	Collectively agreed inflation allowance (“Inflationsgeld”) paid out in two instalments of €1,500: 1st payment due no later than 31/01/2023, 2nd no later than 31/01/ 2024
	Additional remarkable forms of variable pay (bonuses or rewards linked to results or performance…) if proportionally relevant.	No
Estimated real wage increase by both negotiating parties		Trade union estimation*: 3% in lower wage groups, possible real wage loss in higher wage groups (no estimation by employer organisation)
Other outcomes directly increasing or influencing unit labour costs	Working time (reduction)	Interim agreement: age-related time off (2.5 hours per week; 3.5 for shift workers for employees aged 57 or older) granted on a pro rata basis to all part-time employees.
	Training, upskilling, reskilling financed or co-financed by the company	No
	Social benefits such as bonus for transport, energy costs, schooling, daily meal, etc…	No

Specific aspects related to the twin transition	Technological change or digital transformation	Not included in the collective agreement, but joint project Chemie[3] (BAVC, IGBCE, VCI)
	Green transition: decarbonisation polices or any other related initiative /programme/investment	
Measures addressing potential skills shortages in the sector		Interim agreement: support for apprentices with funding program
Employment level (expected increase or reduction in workforce)		Stagnation-slight reduction (trade union); Stagnation-slight increase (employer organisation)
New worker rights or prerogatives agreed, be they individual or collective		No
Governance and implementation of the collective agreement	Possibility of derogation (opt-out) or deviation at lower level by companies (or territories)	Coverage of the agreement: 70-80% of all employees in the sector, opt-out only by ending membership in employer organisation or change to a non-tariff membership (rarely used), deviation possible if a company is experiencing particular economic difficulties

**Note: Looking at the period before the conclusion of the collective agreement in autumn 2022 up to the second stage of the increase in January 2024 and considering tax measures, the table-effective net wage increase excluding price increases is 6.9%. Combined with the inflation allowance over the term, which implies a 8.1% increase for the lowest wage group, this results in a net effect of 15% over the term. Assuming an inflation rate of 12% over the 20-month term (based on the Council of Economic Experts' autumn report), the real wage increase is 3% in the lower wage groups. Energy policy measures and government flat rates are not considered here. The real wage increase varies according to tax bracket and family situation.*

Source: Interviews

Assessment of the collective agreement

While the employer organization believes that wage policy alone cannot deal with the consequences of inflation (this would lead to a wage-price spiral: if higher wages are paid, companies pass this cost onto product prices, ultimately also leading consumer prices to rise), IGBCE considers the wage-price spiral argument to no longer be valid. In the past, the wage share was significantly higher; today it is 12% in the chemical industry. A wage increase of 10% therefore only increases costs by 1.2%. Inflation has been driven by incomprehensible energy price developments, wages follow suit.

While every bargaining round has its own particularities, for the IGBCE the 2022 round of collective bargaining was particularly difficult in terms of communication with employees. It was much more difficult to make the agreement comprehensible to employees and to get them on board. As it was clear that inflation would not be completely compensated, the question was whether a conflict-oriented approach was justified from a socio-political point of view given the tight economic situation.

BAVC also noted that collective bargaining negotiations were much more difficult than in previous years due to the chemical industry's very uncertain position regarding gas, which is needed for power generation and as a raw material. The president of the association of family businesses, "Die Familienunternehmer", considers that the agreement is missing an opening clause for companies whose existence is threatened[2]. The cost of the 10% wage increase is difficult to bear for SMEs that only generate modest profits. It cannot always be passed on to customers. There are a lot of medium-sized companies in the sector. The employers' association must accommodate many small member companies, all with very different prerequisites and often lacking the structures and capacities to implement a complex agreement.

One-off payments and state support, such as the inflation allowance, are judged by social partners to have had a positive impact on collective bargaining. The employer organisation highlighted that companies found it very attractive in terms of budget burden. The trade union stresses that wages must develop further. After the two instalments of the inflation allowance are paid, the related increase should also be reflected in the wage tables.

The chemical industry in Germany is characterized by a very good and cooperative social partnership. Conflicts are mostly avoided; the last strike took place in 1971. In the end, a joint agreement was reached, preserving a good social partnership. IGBCE puts forward that it is increasingly important for employees to belong to companies that are covered by collective agreements. Attracting skilled labour is considered easier for companies offering collectively agreed wages. Collective bargaining coverage remains high in the chemical industry. Only a small proportion of companies are not covered by the collective agreement, and membership of the employer organization without application of the agreement is rare. Around 70 - 80% of employees in the chemical industry are covered by the collective agreement. The industry has a good model of social partnership, the value of which is also clear for the companies.

Future outlook

The IGBCE expects the average inflation rate for 2023 to decline. The inflation rate is expected to be significantly lower than it is now by mid-2024. However, current forecasts for 2024 are still above the ECB's target of 2%. The development of the sector will depend on energy prices, supply security, and how dependency is managed. Although the employer organisation does not expect any site closures in Germany, construction of new factories will depend on market opportunities, as well as energy and labour costs. The existing regulations on gas and electricity prices are inadequate, and the BAVC estimates that companies in the chemical industry will not take advantage of them, as the hurdles are too high and the documentation requirements considerable.

Social partners expect jobs and tasks to change. New qualifications are necessary. While the BAVC expects employment to remain stable, with new jobs being created as others are eliminated, IGBCE considers a stagnation or a slight decline to be likely due to a market shift to expanding markets (China, East Asia and North America being more attractive due to low energy prices) and the negative effects of transformation.

An important question for IGBCE will be whether the collective agreement still covers the broad range of employees. In the lower pay groups, a lot of activities (for example in canteens and service) have been outsourced. In the upper pay groups, there is an increase in numbers of employees receiving non-tariff pay. While previously only senior executives received a pay not fixed by the collective agreement, today this is the case for 25% of the workforce in the chemical industry. Measures to strengthen collective bargaining are also important in view of the large number of trade union members close to retirement age. The social partners agreed to jointly examine what measures would be possible and what political support is needed.

[2] Statement of Reinhold von Eben-Worlée in the podcast “Wortwechsel” (Deutschlandfunk, 2022)

Tarifrunde Metall- und Elektroindustrie Baden-Württemberg 2022

Background and drivers

While the chemical industry quickly emerged from the COVID-19 crash, production in the German metal and electrical industry (M+E industry) is still about 10% below 2018 pre-crisis levels. The employer organisation Gesamtmetall foresees important risks for the industry. Since 2018, M+E companies have cut 2.5% of jobs in the industry, earnings are under increasing pressure, and structural change and digitalisation require important investments (Gesamtmetall, 2022d). Also, increased economic impairments are still evident in the supply of intermediate products and raw materials. Only a good quarter of companies consider their own supply chains to be stable (27%). A lack of resilience and the presence of one-sided dependencies in the supply chains are and will remain a central problem for German industry for the foreseeable future (IG Metall, 2022d). The shortage of skilled workers is also becoming increasingly important.

Global crises worsen economic disparities in the M+E industry, dominated by SMEs. While the electrical industry benefits from energy, climate change, and technology but faces shortages of skilled workers, the automotive sector produces a third fewer cars than in 2018. Suppliers face high investment costs to transition to new business models. The success of metal product and mechanical engineering companies depends on the industries that they supply (Gesamtmetall, 2022d).

At the time of negotiations for the collective agreement in 2022, both employer organisation and trade union carried out surveys on the current situation. In a nationwide survey conducted by Gesamtmetall among the member companies of the employers' associations in the M+E industry between 30 September and 10 October 2022, 97% of 1,401 companies surveyed felt the impact of energy and energy-intensive cost increases, with 17% viewing these increases as a threat to their survival. Purchasing costs rose by 65% in 2022, 115% for energy. Framework conditions are affecting order books, with 50% of companies experiencing cancellations and postponements and 32% expecting more in the future (Gesamtmetall, 2022a).

The works council members surveyed by IG Metall in the period from 26 September to 9 October 2022, were much more positive about the economic situation in their companies. Employee representatives from 3,362 companies throughout Germany took part in the survey. Around 71% of the companies surveyed belonged to the metal and electrical sector. Most respondents reported good capacity utilisation (76%), total orders (81%), and new orders (75%). Although some SMEs faced serious issues due to high energy costs and the inability to pass them on, 74% of all companies stated that they were able to partially pass on increased prices (IG Metall, 2022d).

The trade union IG Metall highlights positive economic developments for companies, such as a strong improvement in order intake after the COVID-19 crisis, especially in the IT industry (IG Metall, 2022b), and expects the German economy to grow in 2023(IG Metall, 2022a). The employer organisation, however, fears that increased energy and raw material prices make many old orders unprofitable (Gesamtmetall, 2022b) and expects a recession for 2023 (Gesamtmetall, 2022d). Even if the very worst scenarios are avoided this winter – there probably will not be a gas shortage leading to factory shutdowns – a deterioration is expected for 2023.

Strategies and approaches adopted by negotiating parties

The employer organisation highlights the fact that real wage protection in the M+E industry has largely succeeded. Between 1991 and 2021, the increase in wages per calendar year was only lower than the increase in consumer prices seven times. Over those thirty years, the collectively agreed annual wage rose by more than 125% in nominal terms and around 32% in real terms, taking into account price developments. Real wages only increased by 0.1 % in 2020 and even decreased by 2.3% in 2021 (Gesamtmetall, 2021).

According to interview partners, inflation and the cost-of-living crisis were at the centre of workers' discussions. The union had to carry out a lot of expectation management. However, the diversity in how companies were affected represented a major challenge for the trade union in formulating its demands. Large companies with mostly well-organised works councils have different demands and framework conditions, which often makes it difficult for the trade union to find balance. In large companies like Daimler with very good results, there are different expectations than in a mechanical engineering company with short-time work. For example, large companies are less interested in regulating the inflation allowance in the collective agreement because they can do this at company level. This is not always the case for smaller companies.

A bargaining round that was sustainable for all had to be created and supplemented by a state relief package, for which IG Metall lobbied politicians. IG Metall used the target inflation rate as the basis for its demands, despite actual inflation being lower. In view of the now significantly higher inflation rate and the associated pressure from employees, the 2022 demands of IG Metall were also affected by actual inflation. Still, IG Metall continued to focus on the key points of collective bargaining policy in 2022, including overall economic productivity, the ECB's target inflation rate, and fair distribution (Bispinck, 2022). For 2022 and 2023, IG Metall determined a distribution-neutral margin of 6.2% based on productivity trends (4.2%) and the target inflation rate of the European Central Bank (2%). To strengthen incomes and secure purchasing power, IG Metall first demanded an 8% permanent increase in monthly wages for a period of 12 months (IG Metall, 2022a).

Although other issues always play a role, they have become marginal in this round of collective bargaining. Remuneration was the round’s focus because, on the one hand, the last wage table increase had taken place in 2018 and only one-off payments had been made due to the economic conditions since then and, on the other hand, inflation was high. The shortage of skilled workers played a role in the chain of arguments, as attractive incomes are also necessary to appeal to skilled workers.

Employers also saw the hardship faced by employees in coping with rising prices. However, considering that wages in the metal and electronic industry were comparatively high, employers did not want negotiations to have a strong focus on inflation. Given the difficulties described previously, the regional employer organisations highlighted the need for planning security and therefore welcomed the comparatively long agreement duration of 24 months (1 October 2022 to 30 September 2024), compared to 21 months in 2021 and 9 months in 2020 (Gesamtmetall, 2022c) (and an average duration of 18.9 months between 1991 and 2021) (Gesamtmetall 2021). For the employers, a collective agreement with a wage table increase had to cover a period when growth was expected to resume (Stahl, 2022).

Normally, according to interviews with the employers' association, the social partners are hardly interested in other collective bargaining agreements. However, in the 2022 bargaining round, agreements reached in the chemical and steel industry exercised a psychological influence at the very least. The increase of the statutory minimum wage did not affect negotiations as the lowest pay levels in the sector remain far above minimum wage.

Provisions of the collective agreement

Table 8: Summary of relevant outcomes of the sectoral collective agreement in the German metal and electronic industry

Outcome	Details	Brief description/ figures
New mechanism agreed in wage-setting different from the previous collective agreement		No
Duration of the agreement and implementation timeline		24 months (01/10/2022-30/09/2024), (no update/adjustment foreseen during agreement period)
3. Collective wage increase agreed	Nominal (average) wage increase agreed	8.5 %
	Details	01/06/2023: +5.2% 01/05/2024: + 3.3%
Specificities	By group/ or (occupational) categories of workers (e.g., white and/or blue workers)	-
	Existence of statutory minimum wage in any form (provide details, if relevant)	Wages in the lower pay groups are significantly higher than the statutory minimum wage
	Specific arrangements (e.g., flat-rate amount) to protect purchasing power of the lower-paid groups covered;	Collectively agreed inflation allowance (“Inflationsgeld)”) paid out in two instalments of €1,500: 1st payment due no later than 01/03/2023, 2nd no later than 01/03/2024
	Additional remarkable forms of variable pay (bonuses or rewards linked to results or performance…) if proportionally relevant.	No
Estimated real wage increase by both negotiating parties		Employer organisation: estimated increase in real wage (no detailed estimation), no estimation provided by trade unions
Specific aspects related to the twin transition	Technological change or digital transformation	Not included in the collective agreement, but technological change and the green transition and related costs are very important drivers in wage negotiations (employers foresee difficulties in paying higher wages as the transformation is costly)
	Green transition: decarbonisation polices or any other related initiative /programme/investment	
Employment level (expected increase or reduction in workforce)		Employer organisation expects a “significant” reduction of the workforce due to relocations and reduced workforce needs in the production of electric vehicles. However, no mass redundancies are expected due to demographic change; trade union: reduction depending on success in transformation
Governance and implementation of	Possibility of derogation (opt-out) or deviation at	Coverage of the agreement: approx. 75% of employees in the sector*, opt-out only by ending

the collective agreement	lower level by companies (or territories)	membership in employer organisation or change to a non-tariff membership or by agreement of the collective bargaining partners on supplementary or deviating regulations in accordance with the collective agreement on job security and job creation (TV BeSch), continuation of the differentiation regulation on T-ZUG B for 2023 and 2024 for companies in a difficult economic situation

**Note: Estimation by interview partner (regional employer organisation). Data for 2017 from the "IAB-Betriebspanel" differs for Germany: proportion of employees with sectoral collective agreement: 34% in Eastern Germany, 49% in the West; proportion of employees with sectoral, house or company collective agreements: 44% in Eastern Germany, 57% in the West (Bundeszentrale für politische Bildung, 2020).*

Source: Interviews

The pilot agreement was reached on 18 November 2022 in Baden-Wuerttemberg and was adopted by all regions in November 2022. Employees will receive the tax- and duty-free inflation allowance of €3,000 (maximum amount allowed by the policy decided by the government), while trainees will receive €1,100. The allowance will be divided into two instalments, which are to be paid out by 1 March in 2023 and 2024. €750 of the first instalment are to be paid in January at the latest. However, companies will be given the option to either bring both payments forward or postpone them, thus shifting the cost burden to another calendar year if necessary. Collectively agreed pay will be increased by 5.2% on 1 June 2023, and by 3.3% on 1 May 2024 (Südwestmetall 2022).

The transformation allowance (transformer module, T-money, payable in February) introduced by the sectoral collective agreement in 2019 is to be increased to 27.6% from 2023. The result of the negotiations stipulated that the transformation allowance will continue to amount to 18.4% of a monthly salary. The additional amount of the collectively agreed supplementary pay (T-ZUG B) will rise from 12.3% to 18.5% of the respective basic salary, which corresponds to €560 to €630 depending on the tariff zone. As the T-ZUG B is not calculated based on the individual pay group, but rather on the basis of the lowest pay group of each tariff zone, this measure also includes a social component, as the lower pay groups benefit more than average. The agreement also provides for a continuation of the differentiation regulation on T-ZUG B for 2023 and 2024. In a difficult economic situation, the employer can postpone payment until April of the following year and must notify the employees and IG Metall of this four weeks before the payment is due. If the economic situation has not improved at that time (net return on sales below 2.3%), the employer may decide not to make the payment. The actual collectively agreed additional payment (T-ZUG A): amounting to 27.5% of the individual monthly salary, remains unchanged (IG Metall 2022c).

Furthermore, IG Metall and the employers' association agreed to include an "energy emergency clause" in the collective agreement to address potential consequences of an energy emergency. They will have ongoing discussions regarding energy supply security and, in the event of a nationwide energy emergency, will promptly negotiate any necessary measures to protect jobs and competitiveness. There is no "emergency switch" with automatic effect in the collective agreements, for example in the form of a reduction in tariff increases, as originally demanded by the employers (IG Metall 2022c).

According to the employer organisation, when government measures are included, the real wage is increasing. However, they failed to provide concrete figures. For the employer organisation, the cost of labour burden for companies is more important, amounting to approximately 3% in 2022, 2023 and 2024. The consideration of one-off payments in the balance sheet is flexible. The possibility of juggling with the inflation allowance in the balance sheet has led to companies finding the agreement acceptable. Large companies, which are currently doing well, take the entire €3,000 into account in the 2022 balance sheet and thus have room to manoeuvre for 2023. The union has calculated what this means for incomes but has deliberately refrained from a calculation over the term of the agreement.

Assessment of the collective agreement

In terms of collective bargaining’s ability to deal with the impact of high inflation rates, IG Metall interviewees consider that the bargaining round can and must make its contribution but cannot cope with inflation alone. With differentiation in the sub-sectors increasing, not all companies managing to flourish economically, and transformation continuing to demand a lot from companies, inflation in the current situation cannot be compensated by wage policy alone. Relief for citizens must also be organised by the state. For IG Metall, automatically linking the development of collective agreements to the development of inflation is not the right answer. Employers also believe that it should not fall on companies to compensate for inflation.

After the peace obligation expired on 28 October 2022, warning strikes played an important role in negotiations (IG Metall, 2022e), which were characterized by great pressure to reach an agreement quickly and great uncertainty about future developments. Inflation had a major impact on collective bargaining policy on both sides. The trade union had to carry out a lot of expectation management. Transformation topics such as digitalisation, Industry 4.0 and e-mobility have created a need for collective bargaining action regarding agreements on qualifications where new skills are needed for the construction of electric vehicles, for example. Due to high expectations on part of the employees and the companies’ insufficient earnings, the talks started from a difficult position and focused exclusively on wages. Inflation made negotiations particularly difficult. Initially, there was no convergence and no capacity to deal with other issues.

While both parties highlighted that the inflation allowance was a great help in finding a solution that did not overburden companies while still offering compensation for employees, it also led to some difficulties in negotiations. According to IG Metall, the possibility of an inflation allowance made the collective bargaining even more challenging. Trade union representatives noted that, as a result, employers wanted only to pay the allowance and no wage increase above that. Employers, on the other hand, mentioned that the allowance was perceived by employees as a self-evident state benefit, even though it was not financed by the government and had to be paid by the companies. However, without the allowance, the collective agreement would not have been possible. The long period until June 2023 during which the pay scales would not rise, helped the companies to accept the agreement. To ensure that employees still had something in their wallets, the first instalment of €1,500 was to be paid in the meantime.

Future outlook

The future of the sector will largely depend on how successful its transformation is. The future of employment in the auto industry will be impacted by the shift to e-cars, which have lower added value, and the relocation of production to Eastern Europe. A shortage of skilled workers will also be a factor. This is likely to result in fewer people employed in the industry, but not mass unemployment, as baby boomers will retire.

The situation has eased in the meantime. Although it is still tense, there is no longer any danger of a total gas shortage. Inflation is expected to decrease again, and the situation will stabilize. The industry's development up to 2024 is judged to be very difficult to assess. Still, employers expect 2023 to be a significantly worse year than 2022. However, they believe that the worst is over. Relatively high inflation is expected once again in 2023. However, gas is already becoming significantly cheaper, and, while it is likely that consumer prices will remain high, their increase will be lower and remain within tolerable limits from 2024 onwards. The target inflation of 2% will probably not be reached until 2025. Some uncertainties remain – developments in China are a cause for concern, for example. If the economy there recovers from the shock of COVID-19, it will influence gas demand and thus prices.

In addition to wages, important topics in the next collective bargaining negotiations will include the company pension scheme, new work, responses to collective bargaining policy, such as the remuneration of employees who become project managers only temporarily, and securing and recruiting skilled workers.

Tarifverträge Hotel- und Gaststättengewerbe

Background and drivers

Due to the positive economic development of the tourism sector and increasing demand for eating out, employment in the German hotel and restaurant sector had increased continuously until 2019. The hotel and restaurant sector is a very labour-intensive industry that was experiencing staffing difficulties even before the pandemic. This situation, however, was exacerbated by the pandemic. The sector was hit particularly hard by government-imposed lockdowns and contact restrictions. An enormous economic downturn occurred as a result. First, employees went on short-time work, then into unemployment, and finally found new employment in other industries. The Rhineland-Palatinate hotel and restaurant sector, for example, lost 25% of its workforce. According to the trade union NGG, labour and skills shortages and high fluctuation has plagued the German hotel and restaurant sector for years, due to low pay, stressful and excessive working hours, often in the evenings and at weekends, high work stress, precarious employment relationships with fixed-term contracts and an extremely high proportion of mini-jobs.

Following the reopening after lockdown, companies faced a scarcity of workers, leading them to actively search for new staff. Many workers in the industry were unable to make use of short-time work as they would only receive 60% of the wages mentioned on their pay slip. Since many workers earned a significant portion of their income through mini-jobs, moonlighting, or tips, such earnings were not reflected in their short-time work remuneration. As a result, many employees sought alternative employment during the lockdown and chose to remain in those jobs, primarily due to the appeal of regulated working hours.

Even in cases where employees returned to the industry, they were often dissatisfied by the lack of wage increases. Competition for workers in the low-wage sector has increased sharply. The increase in the minimum wage has triggered strong pressure. Even unskilled workers can earn more in retail. For example, Lidl and Aldi have increased their starting salaries to €14. One interview partner emphasized that the hotel and restaurant sector is also competing with the public sector for skilled workers. In the public sector, working conditions are more attractive, leading skilled workers to leave the hotel and restaurant sector after finishing their apprenticeships and take public sector jobs.

Despite the longstanding existence of collective agreements in the hotel and restaurant industry, there is a low level of collective bargaining coverage and union membership, which hinders the achievement of better working conditions. Furthermore, the COVID-19 pandemic has halted collective bargaining negotiations. However, the need to find workers and the new government's pledge to increase the minimum wage to €12 served as key factors for the resumption of collective bargaining in the autumn of 2021. Within the hotel and restaurant industry, several wage categories for unskilled and semi-skilled workers fell below the €12 mark, which highlighted the significant need for adjustments through collective bargaining (Schulten/Specht 2022).

Strategies and approaches adopted by negotiating parties

For the core sector of hotels and restaurants, a total of 18 regional sectoral collective agreements exists between the NGG and the DEHOGA. There are no collective bargaining agreements in the sector that are coordinated across the federal states. The collective bargaining regions generally correspond to the federal states, although in Lower Saxony there are separate, smaller-scale regional collective agreements for the East Frisian North Sea islands and the Weser-Ems area. There are also two separate sectoral collective agreements for the system catering sector, which are agreed at national level between the NGG and the Bund der Systemgastronomie (BdS – Federation of the System Catering Industry) and DEHOGA respectively. The catering sector, which is also part of the hospitality sector, does not have its own sectoral collective agreement, but only company collective agreements in some larger catering companies. In addition, there are a small number of in-house collective agreements with individual hotels or accommodation facilities, or with companies from specific sub-sectors such as holiday parks (Schulten/Specht, 2022).

According to interview partners, regional collective bargaining is dependent on who is negotiating. There is no overall agreement, and the conditions differ significantly between regions. There are regions in which a very positive relationship exists between the trade union NGG and the regional associations of the DEHOGA: there is always an exchange, even if no negotiations take place. For example, in North Rhine-Westphalia and Baden-Württemberg, discussions were had regarding the changed professions. On the contrary, in some states, there were no exchanges whatsoever and disputes prevailed. There is significant variation in the way challenges facing the industry are discussed from region to region, as the industry is set up differently in larger federal states than in the city states. The composition of the employers' commissions also varies: membership can mainly be made up of managers and owners of country inns or large hotel chains depending on prevailing attitudes.

Initially, the 2021/22 collective bargaining process was contentious, as the NGG union demanded significant pay increases, particularly in Eastern Germany and parts of Western Germany such as Bavaria, where they sought to raise the lowest bargaining group's hourly rate to €13. The DEHOGA employers' association was initially reticent to agree to starting salaries above the €12 minimum wage. These disagreements resulted in highly contentious wage disputes in many regional tariff areas, with negotiations at risk of failure and even halting temporarily in Bavaria (Ibid.).

Conflict also arose over the possibility of increasing wages for middle and higher pay groups. Employers' associations preferred a stronger compression of the pay structure to avoid additional costs, while the NGG union wanted all groups to benefit. A compression of the pay structure would have meant that, for example, a skilled worker who has been working in the company for 15 years would be relatively close in wages to unskilled workers. This created pressure and a strong dynamic, which led to the wage increase being passed upwards across the pay scale in many regions. The more regional collective agreements were concluded, the more pressure was put on the remaining federal states.

Inflation was not an issue in the 2021/2022 collective bargaining round. Minimum wage was the focus. The trade union also identified the low permeability of the pay scale and the fact that professional experience was not taken into account when determining pay as being important topics. Employee representatives highlighted that workers hardly benefited from any prospects for social advancement if they remained in the hotel and restaurant industry. Promotion to a higher pay scale group was considered difficult or even impossible and usually only succeeded if a different job was performed. If employees wished to develop and earn more money, they usually would have no choice but to seek employment in another industry (NGG, 2021).

Initially, when bargaining started at the end of 2021, inflation was still relatively low. The argumentation of previous agreements was retained in the later agreements. While inflation is given general thought in every bargaining round, there is no indexation mechanism. The reference point for the negotiations was the statutory minimum wage. For example, in a position paper detailing the demands of the tariff commission, the trade union NGG in North Rhine-Westphalia highlighted that a distance regulation to the minimum wage was needed to ensure that wages remained poverty-proof (Ibid.). According to interview partners, a monthly or up-to-date view of inflation does not factor into collective bargaining. The negotiations in Saxony-Anhalt, for example, took place in June and July 2022. The internal demands of the trade union NGG were decided 3 months in advance. Inflation rising in the subsequent period was irrelevant as, on the one hand, parties did not know how long this rise would last and, on the other, demands had been formulated on the basis of previous values.

According to an interviewee, in Rhineland-Palatinate most of the demands came from the employers' organization for the first time. In contrast to previous years, there was no discussion of percentage increases. Instead, parties debated the salary level that should be set to make salaries attractive in the industry.

Provisions of the collective agreement

From autumn 2021 to spring 2022, with the exception of Mecklenburg-Western Pomerania, all bargaining regions agreed to significantly increase both lower entry-level wages, which were raised to over €12, and the wages of all other pay groups. In some cases, this was accompanied by a comprehensive reform of the entire pay structure. By 1 October 2022, the lowest pay scales had increased by between 20 to 30% compared to 1 January 2021 in most bargaining regions. The Rhineland-Palatinate bargaining region saw the highest increase at 32.6%, while Hesse saw the lowest increase at 8.5%. In most regions, the lowest wages were raised in two stages, with the second stage taking effect at the same time as the minimum wage increase on 1 October 2022, pushing the lowest wages over the €12 mark (Schulten/Specht, 2022).

The collective agreement in Mecklenburg-Western Pomerania is valid until 31 March 2024. No transition table was negotiated. Where the table wage falls below the minimum wage, the minimum wage must be paid. The NGG assumes that a large proportion of companies where this affects more than one pay group will differentiate or equalize. There has been no negotiation between the parties to the collective agreement on this matter. However, it is assumed that individual solutions will be found at company level (i.e., that the lowest pay group will receive minimum wage and groups 2 and 3, for example, will each receive €1 more). However, this will probably only be the case if the relevant employees complain, i.e., merely as an individual offer. So, certain employees in pay groups remaining below minimum wage may receive more than minimum wage if they put in a request.

As most new collective agreements have a relatively long term – between 18 and 24 months – and can only be terminated between mid-2023 and mid-2024, at least one further increase is usually planned beyond 1 October 2022. Entry-level wages then stand between €13 and €13.35 in six bargaining regions (Hamburg, Lower Saxony, Weser-Ems, East Frisian North Sea Islands, Rhineland-Palatinate and Thuringia). In another seven bargaining regions (Baden-Württemberg, Bavaria, Berlin, Brandenburg, Hesse, North Rhine-Westphalia, and Saxony), the wage of the lowest pay group varies between €12.50 and below €13 (Ibid.). Only in Schleswig-Holstein, Bremen, Saarland and Saxony-Anhalt do the lowest pay groups receive under €12.50. These last three regions have the shortest terms, and their collective agreements will be renewed between spring and mid-2023.

In some collective bargaining regions, a collective bargaining distance clause to the minimum wage was also introduced. If adjustments to the statutory minimum wage catch up with certain pay groups, their wages will automatically be raised to a level that is above statutory minimum wage by a certain margin. This margin is set in the collective pay agreements as either a fixed amount (15 cents in Bavaria, 30 cents in Hamburg, 50 cents in Berlin, Brandenburg, and North Rhine-Westphalia) or a certain percentage of the minimum wage (one per cent in Baden-Württemberg for staff involved in turnover, five per cent in Rhineland-Palatinate) (Ibid.).

Different methods were used across regional collective agreements to increase the wages of the middle and upper pay groups, including a percentage increase, a fixed amount increase, or a combination of both. Some bargaining regions even made minor or significant changes to the classification grid or the structure of the pay agreement. In Bavaria, Hesse, and Thuringia, the wages of all pay groups were increased by the same percentage, maintaining the existing wage hierarchy and allowing all employees to benefit equally. By contrast, in Lower Saxony, Bremen, Hamburg, and Schleswig-Holstein, all pay groups received the same fixed amount increase, resulting in higher percentage pay increases for lower-paid groups and a slightly compressed overall pay structure (Ibid.).

Finally, a combination of fixed amount and percentage increases is being applied in most new collective agreements. In this case, the lower pay groups receive fixed amount increases in order to achieve a value above statutory minimum wage. As a result, the wage of lower pay groups for semi-skilled and unskilled workers are raised above average everywhere, while still allowing skilled workers to benefit from the high increases and pushing the overall pay structure upwards.

According to interview partners, in addition to the pay increases, a partial reform of the pay scales and the classification system was agreed in six bargaining regions. In Bremen, Saxony, and Schleswig-Holstein, rather minor interventions were made – deleting or merging individual bargaining groups, for example. In North Rhine-Westphalia and Baden-Württemberg, a comprehensive reform of the pay structure with a new system and new pay groups was agreed. In Saxony-Anhalt, a new pay scale structure was created. It is divided into three sections: 1. semi-skilled employees with four subgroups; 2. skilled workers with completed vocational training with four subgroups; 3. skilled workers with management responsibility. For semi-skilled and skilled employees, wages within the pay group increase automatically after one, two, three, and four years to increase permeability and consider development stages. The reorganization of occupations in training were also considered.

Attracting younger people to work in the sector was also an important topic for social partners. Of the 17,000 apprenticeship positions available nationwide, just one third have been filled. There is a shortage of young workers, and they are urgently needed. Given the high dropout rate in the sector, trainee compensation and the quality of their training urgently needed to be improved (NGG, 2021). Newly agreed collective agreements largely do not include provisions on working conditions for trainees. However, the new collective agreements reached in the hotel and restaurant sector since autumn 2021 also provide for significant increases in training allowances. While remuneration for the first year of training during the 2021 training year – depending on the regional collective bargaining area – still varied between €700 and €800 euros, for the 2022 training year, it generally sat between €950 and €1,000. This corresponds to a 10 to 20% increase in training allowances in most collective bargaining regions. The largest increases were 25.8% in Bavaria, 33.3 % in North Rhine-Westphalia, and even 60% in Rhineland-Palatinate (Schulten/Specht, 2022).

Table 9: Overview of provision in collective bargaining agreements in the German hotel and restaurant sector

Outcome	Details	Brief description/ figures
New mechanism agreed in wage-setting different from the previous collective agreement		Indexation on the minimum wage in six collective bargaining regions
Duration of the agreement and implementation timeline: rules for time revision, method and regularity of adjustment, update(s) foreseen		Mostly between 18 and 24 months (no update/adjustment foreseen during agreement period), short-term agreement in Baden-Württemberg (3 months) followed by long-term agreement
Collective wage increase agreed	Nominal (average) wage increase agreed	8.5% (Hesse)-32.6% (Rhineland-Palatinate)
	Details	Mostly two-step increases, four steps in Saxony, for example: wages were increased by 8% on 1.4.2022, by 9% on 1.10.2022, by 3% on 1.1.2023, and on 1.6.2023, there will be a further 3% increase
Specificities	By group/ or (occupational) categories of workers (e.g., white and/or blue workers)	-
	Existence of statutory minimum wage in any form (provide details, if relevant)	New entry level wages above minimum wage, indexation on minimum wage in six bargaining regions
	Specific arrangements (e.g., flat-rate amount) to protect purchasing power of the lower-paid groups covered;	Saxony-Anhalt: to compensate for the two months without pay raise, a tax-free recuperation allowance of €156 was agreed
	Green transition: decarbonisation polices or any other related initiative /programme/investment	
Measures addressing potential skills shortages in the sector, if any		Rhineland-Palatinate: Employment guarantee for trainees after finishing apprenticeships (in collective framework agreement)

		NRW: Alliance for training in the hotel and restaurant sector (not regulated in collective agreement) Quality seal for top training (by employer organisation)
Employment level (expected increase or reduction in workforce)		Stability expected by trade union, increase by employer organisations
New worker rights or prerogatives agreed, be they individual or collective (for workers representatives)		-
Governance and implementation of the collective agreement	Possibility of derogation (opt-out) or deviation at lower level by companies (or territories)	Collective bargaining coverage: 23-40%; general validity declaration of collective wage agreements in Bremen, Rhineland-Palatinate, and Schleswig-Holstein (BMAS, 2023), and of collective agreement for trainees in North Rhine-Westphalia and Schleswig-Holstein ; non-tariff membership allowed in nine regional employer organisations; no deviation clauses included in agreements

Source: Interviews; Schulten/Specht, 2022

In Rhineland-Palatinate, for example, the collective framework agreement was also renegotiated. A flexible working hours model with annual working time accounts was agreed upon. Employees are allowed to work 20 to 60 hours per week, with a maximum of 10 hours per day. A maximum of 240 hours may be worked per month. At the end of a 12-month period, the hours must be compensated with time off or reworked. While the collective framework agreement in Rhineland-Palatinate has not been declared generally binding, parts of the collective wage agreement on starting salaries, basic wages and trainee remuneration are generally binding and therefore apply to all hotels and restaurants in Rhineland-Palatinate.

Assessment of the collective agreement

The collective bargaining process proved to be particularly difficult because it was not possible to assess how the industry would emerge from the COVID-19 pandemic. After the shock caused by the pandemic, the hotel and restaurant sector was still paralyzed, and it was difficult to assess if companies would be able to bear the costs. External pressure, stemming from the announcement of the newly elected government's intention to raise the minimum wage in 2021, finally pushed negotiations.

According to the NGG representative interviewed, the new collective agreements provide for substantial wage increases of up to 30%. By moving entire pay scales upwards, a fundamental revaluation of collective wages in the sector has been achieved. Still, the hotel and restaurant sector remains one of the sectors with the lowest level of collective bargaining integration in Germany: only a minority of employees nationwide work in companies covered by a collective bargaining agreement (Ellguth/Kohaut, 2021). The rate of organisation of workers in the sector is reported to be less than 10%. Consequently, one of the interview partners from a regional employer organisation raised the question of whom the trade union is negotiating for.

The employers' association DEHOGA represents about one third of companies with more than two employees in the sector. Data on collective bargaining coverage of employees in the sector varies widely depending on the source (between 23 and 40%). Larger companies are more likely to be bound by collective agreements than smaller ones. Moreover, collective bargaining coverage is correspondingly higher in the accommodation sector than in the catering sector. Finally, the East German federal states are characterised by a lower level of collective bargaining coverage. In addition to the low level of representativity, the fact that companies can be members of the employers' association without paying the wages set out in the collective agreements contributes to comparatively low coverage (Schulten/Specht, 2022). Membership without collective bargaining obligations (OT-Mitgliedschaft/Mitgliedschaft ohne Tarifbindung) is possible in the employer associations of Bavaria, Berlin, Brandenburg, Hamburg, Hesse, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt, and Thuringia (DEHOGA, n.d.).

Employers view long contract terms positively, as planning certainty is of particular importance in the face of serious changes. However, from the employers' point of view, the collective agreements fail to adequately differentiate. For example, there are important differences between urban and rural areas in terms of customer numbers and how much these customers are willing to pay for services. The employers' association emphasizes that wage increases must always be affordable for the companies. This raises the question of the extent to which guests are willing to pay higher prices. Personnel costs make up a large proportion of the costs borne by the companies in the industry. Higher wage costs are not easy to implement for all companies, especially as supply bottlenecks and increased purchase prices linked to the war in Ukraine came into play during the course of the year.

Employers also highlighted that the agreement no longer does justice to the overall situation, since companies already often pay above the standard wage due to shortages on the labour market and their need to attract employees. For example, in the context of the collective bargaining round, DEHOGA Bavaria conducted a survey among its members regarding the collective pay agreement, which revealed that many employers were already paying their employees well above the collectively agreed wage (DEHOGA Bayern, 2022).

Still, overall the 2021/2022 collective bargaining round has shown that the perspective of employers in the hotel and restaurant sector has changed. It was much easier to push through an increase in apprentice pay than it had been in previous years. It was also evident from internal employer discussions that they have realised the need for appropriate wages to be paid. Common goals to improve the quality of apprenticeships have gained in importance. The value of collective agreements for employers to promote a better image is increasing. The sector in general does not have a good image when it comes to working conditions, and the shortage of labour is an ongoing issue. Collective agreements have added value for employers.

Future outlook

The NGG has secured substantial wage increases in 2022 in the hotel and restaurant sector. However, inflation might represent a risk to this progress (NGG, 2022a). From the trade union perspective, the significant increase in collective wages sector-wide is an important step in making hospitality jobs more attractive and addressing labour shortages. However, if a fundamental improvement in working conditions is to be achieved, the collective bargaining process that is underway must be continued in the coming years. In addition to further wage increases, negotiations must include the limitation and regulation of working hours to make them more employee friendly. The expansion of high-quality permanent jobs is vital to the hotel and restaurant sector's future. Finally, it is of central importance to significantly extend the scope of the of collective bargaining and to strengthen the collective bargaining system at sectoral level (Schulten/Specht 2022).

Neither the trade union nor the employer organisations expect a further decline of the number of employees in the hotel and restaurant sector. If activities in the sector were to return to pre-crisis levels, there should be an increase in employment. While the trade union representative considered it unlikely, a regional representative of the employer organisation stated that a renaissance of the industry is likely. Still, difficulties in finding and recruiting staff remain an important challenge. Framework conditions, including immigration policy, will have an impact on the future development of the sector. Social partners will jointly have to improve the image of the sector in terms of wages, quality of training, and working conditions.

Negotiations in the hotel and restaurant sector are scheduled in nine German states throughout 2023 – these will be the first collective bargaining rounds after the extraordinary "adjustment negotiations" due to the minimum wage increasing to €12. In mid-November, the Central Executive Board, the highest honorary decision-making body of the Food, Beverages and Catering Union, discussed and agreed on the recommended demands for 2023. It is recommended that the collective bargaining committees for the house, company and regional collective agreements demand pay increases of 10 to 12% over a period of 12 months, which will make a permanent contribution to increasing the pay scales. In addition, the Executive Board of the NGG trade union has for the first time set a minimum wage level to be achieved through collective bargaining: In 2023, all entry-level wages are to be raised to at least €13 euros in order to create a clear gap with the €12 statutory minimum wage. Table-effective increases have priority over the inflation allowance. For trainees, the recommendation is to demand an increase in fixed training pay of at least €200 per training year. In addition, trainees should be entitled to claim a travel allowance covering their commute to vocational school, access unlimited employment in the relevant profession after concluding their training, and receive the full amount of special payments (Adjan/Specht 2022).

Wage developments in both retail and logistics will influence wage discussions in the hotel and restaurant sector. Inflation will play a role in the NGG’s argumentation during the next bargaining round. The first collective agreements will expire in spring, as is the case in Bremen. Although the NGG will not make any exact calculations regarding inflation, productivity, and redistribution, it will demand very high pay raises – above 10% – due to rising inflation and energy prices. The next minimum wage increase, which will be decided by the minimum wage commission due on 1 January 2024, will also have an impact on future wage bargaining.

Even employers’ organisations hold differing opinions on whether guests will be willing to pay higher prices. While some argued that guests will struggle to accept price hikes, others emphasised that higher wage costs had to bring about higher prices for guests, regardless of any decline in their disposable incomes. The newly concluded collective agreements show appreciation for the sector’s employees but can only be implemented if the guests also show appreciation for the hotel and restaurant sector.

Working time will be a central element of future bargaining rounds. While the trade union NGG has rejected the idea of a four-day-week with increased daily working time (NGG, 2022b), the employers’ organisation has highlighted that employees wish to have more flexibility and to see it regulated by collective agreements. From their point of view, the political framework should allow for provisions on a weekly working time limit.

Comparative analysis among the sectors

Regarding background and drivers, a common problem for all sectors analysed is the shortage of skilled labour. However, as the most labour-intensive sector, the hotel and restaurant sector has been hit particularly hard by the shortage after having lost an important share of its workers during the COVID-19 pandemic. While inflation and energy prices had an important impact on collective bargaining rounds in the energy-intensive German chemical and metal and electronic industries, the increase of the statutory minimum wage had a more significant effect on negotiations in the German hotel and restaurant sector. Since the lowest wages in the chemical and metal and electrical industries sit significantly above the minimum wage, regulatory changes on that front had a limited role to play.

In all three sectors, the framework conditions of the latest collective bargaining round differed significantly from those of the financial crises in 2008 and 2009. While the need to maintain employment and the threat of mass unemployment led trade unions to make concessions to secure jobs at the time, a shortage of skilled workers and of labour in general made this unnecessary in 2022. In terms of the strategies and approaches adopted by negotiating parties, since protection of employment was not a central consideration for trade unions in 2022, employee representatives across all three sectors refused to accept further pay freezes. Therefore, the 2022 collective bargaining round in Germany was not concessional as was the case in 2008/2009. Distributional aspects were explicitly considered in trade union demands in the metal and electronic sector, an approach repeated from previous years.

The most harmonious negotiations took place in the chemical sector, due in part to a long tradition of cooperative social partnership, while strikes played an important role in the metal and electronic industry negotiations. As the trade union in the hotel and restaurant sector benefits from significantly weaker representativity than those representing employees in the two analysed industrial sectors, it could not rely on strike action. Although the comparatively low collective bargaining coverage in the hotel and restaurant sector is compensated by general validity declarations in three out of 18 bargaining regions, the bargaining power of the trade unions in the chemical and metal and electronic industries is considerably higher than that of the trade union in the hotel and restaurant sector. Depending on the collective bargaining region and the underlying relations between social partners, negotiations in the hotel and restaurant sector ranged from constructive to conflictual.

At first, employer organisations in the chemical and metal and electronic industries opted for one-time payments instead of percentage increases affecting the wage tables. Trade unions, however, did not accept these suggestions. In the end, social partners in both industries agreed to long-term collective agreements, during which fixed periods without pay raises would be attenuated by the payment of the inflation allowance. Social partners acknowledged that the possibility of this payment created by the government helped them to reach an agreement on provisions that were positive for both employees and employers. Notably, the hospitality trade union, NGG, was much more reluctant to include the inflation allowance in collective agreements than trade unions in the chemical and metal and electronic sector. Nevertheless, all trade unions across the analysed sectors agreed that a table-effective increase was more important and did not accept any employer proposals that only included a one-time payment in 2022.

Mechanisms indexing wages on inflation were not included in collective agreements in any of the sectors analysed. Social partners in the analysed sectors generally considered that collective bargaining within specific industries and sectors involves more than the simple use of a standard formula. Each round is based on its own principles and must take into account both the industry's economic conditions and the union's relationship with the companies involved. The negotiation process and the resulting outcome depend on the balance of power between both parties. Therefore, there was no one-size-fits-all approach across all sectors.

None of the collective agreements analysed contained a new wage-setting mechanism linked to inflation that differed from the previous collective agreement. Only agreements in six bargaining regions in the hotel and restaurant sector included an indexation clause for minimum wage. Wage increases in all three sectors were staggered into at least two different increases, hoping for a more stable situation in the future. Starting from lower wage levels, pay increases in the hotel and restaurant sector (up to 30%) were much higher than those in the chemical (+6.5%) and the metal and electronic industries (+8.5%). Only the collective agreement in the chemical industry contained specific regulations for a group of workers (shift workers working the night shift). In some bargaining regions of the hotel and restaurant sector, pay groups were rearranged, newly introduced, and adapted, while no such changes were undertaken in the chemical and metal industry.

Percentage increases were agreed across the entirety of the pay scale in the chemical and metal and electronic industries. Consequently, the pay grid has not been compressed in these industries. The only area in which lower wage groups benefited more in terms of income percentage was the payment of the inflation allowance. Lower pay groups benefited more in the hotel and restaurant sector, as they received a fixed wage increase, bringing their pay above the statutory minimum wage. Wage increases in the middle and upper pay groups were carried out either as a percentage, a fixed amount, or a combination of both. In most cases, the gap between lower and higher pay groups was maintained and wage structures were only compressed in four collective bargaining regions.

Collective bargaining parties unanimously agreed that the 2022 collective bargaining round was particularly difficult. This was mainly due to three factors: the difficulties experienced by trades unions in managing employee expectations and communicating with their base in a context of high inflation in the chemical and metal and electronic sector; the long period of time without any pay raises in the hotel and restaurant sector; and the uncertain economic situation weighing on companies in all sectors. In general, it is increasingly important for companies to have a collective agreement in place to attract employees.

Comparative analysis among countries

Certain similarities can be found when comparing collective bargaining across three sectors in France and Germany. In both countries, social dialogue seems more common in the industrial sectors than in hospitality. Collective bargaining and trade unions are stronger in industry than in the services sectors in France and Germany. Inflation-based indexation mechanisms were not introduced in the collective agreements analysed in either country. All actors interviewed stated that collective bargaining was more difficult in 2022 than in previous years. The most recent wage increases were higher in the hospitality sector than in the chemical and metal industries in both countries, but started from significantly lower levels.

That said, a number of differences can also be identified. In addition to common framework conditions, including raises in the statutory minimum wage and rising inflation and energy prices, collective agreement negotiations in France have been affected by social conflicts linked to the ongoing pension reform that have injected significant tension into social dialogue.

There are also differences between France and Germany in the social partner landscape across all analysed sectors. In France, all sectors have several trade unions and, with the exception of the metal industry, more than one employer organisation involved in negotiations. Meanwhile, in Germany, although regional employer organisations and trade unions negotiate agreements in different parts of the country, they are still acting under the same umbrella organisation and, with the exception of the hospitality sector, adopting the same provisions across all regions. While reaching agreements has proven to be more difficult than in previous negotiations in both countries, France was far more impacted, as the results of this collective bargaining round are still pending in all three sectors analysed. The failure of wage negotiations in all three sectors in France may be attributed to trade unions’ reluctance to accept the concessions proposed by employers. While German trade unions were unwilling to make concessions, collective agreements were still reached.

In France, an extension mechanism allows collective agreements to be applied to all employees in a certain sector. In Germany, on the other hand, this is an exception. Only a few collective agreements in the hospitality sector were extended in the last bargaining round. However – and this is also the case across the other sectors analysed – employers who are not members of the signatory employer organisation tend to use the wages set by the agreement as a reference.

The statutory minimum wage is partly indexed on inflation in France, whereas this is not the case in Germany. In France, the indexation of wages on the minimum wage is not allowed, while in Germany such an indexation was included in some collective agreements in the hospitality sector. The increase of the statutory minimum wage was only relevant in the hospitality sector in Germany, as the lowest wages in the chemical and metal and electronic industries were considerably higher than the minimum wage. In France, however, entry-level wages in the metal industry are also set at minimum wage. Nevertheless, the pay grid is rising faster in the French metal industry than in the hospitality sector.

Political measures to reduce the impact of inflation were put in place in both France and Germany. The inflation allowance was particularly important in Germany. Interview partners in the metal and chemical industries found it to be an important element in allowing them to reach an agreement. On the other hand, the extended tax-exempt bonus scheme in France mainly depends on individual employers and as such does not play an important role in sectoral negotiations.

Conclusions and outlook

For the French and German industries, the question of energy supply and prices remains an important one. Shortage of skilled labour is an important issue in both countries and mostly affects the hospitality sector. Consequently, in the future, discussing wages will not be sufficient – the improvement of working conditions will also need to be addressed. Energy prices and the supply situation will be very important factors for the next bargaining round in the chemical and metal and electronic industries. Social partners also expect jobs and tasks in these industries to change. As a result, provisions regarding skills development will become an important part of collective bargaining. The future of the industries in question will largely depend on how successful they are in dealing with transformation processes (e.g., digitalisation, climate neutrality). For the hospitality sector, the amounts customers are willing to pay for services will be decisive.

All actors in France expect inflation to remain high, as do German social partners, at least when considering 2023. The need for trade unions to preserve the purchasing power of workers will continue to conflict with the uncertain situation many companies find themselves in. While German negotiating parties also expect inflation to remain high in 2023, this will have less influence on negotiations as German agreements tend to have longer terms and will mostly be renegotiated in 2024 (with some exceptions). While high inflation had an impact on collective bargaining in 2022 – reflecting in trade union demands for higher wage increases – collective bargaining and its mechanisms were not adapted as a result. No long-term responses to inflation were introduced into collective bargaining, nor are any expected in the near future.

Negotiations remain very difficult in France and collective bargaining results will very much depend on the development of the social conflict surrounding pension reform. It remains to be seen if and when pending negotiations will lead to agreements. In Germany, collective bargaining in 2022 was described as difficult but still mostly constructive. A balance between protecting employees from inflation and protecting employers from the burden of higher costs was achieved. At the beginning of 2023, negotiations in the public sector, for example, seemed to be much more conflictual (Peters, 2023). Significantly higher tariff increases are expected overall for 2023. This was indicated by a number of recent wage settlements e.g., in the chemical and metalworking industries. These agreements will take effect in the coming year and in 2024. In addition, the upcoming collective bargaining negotiations, such as those in the public sector (federal government and municipalities), at Deutsche Post AG, and in the food industry, show a trend towards significantly higher wage demands (Wirtschafts- und Sozialwissenschaftliches Institut (WSI), 2022).

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WPEF23033

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