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

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**Abstract**

This article traces the pattern of conflicts, collaborations, and compromises between trade unions, employers, political parties, executive branches, and economic research institutes, all of which have different stances regarding the introduction of a general statutory minimum wage in Germany. This article examines the degree of political intervention in collective bargaining autonomy. First, we identify the factors bringing about differences in stance. Second, we address the issue of actor independence, in particular, that of service trade unions, despite the placing of institutional factors, to establish a reference standard for the debate behind establishing social movement alliances. Third, we examine the manner in which the policy's economic legitimacy was earned. We conclude that the emergence of a statutory minimum wage in Germany reflects the dynamic mix of post-war political practices in its own context with the effects of modern neo-liberal economic policies.

**Keywords:** Minimum Wage, Collective Bargaining Autonomy in Germany, Coalition Agreement in 2013,

Social Movement Unionism. **JEL Classification Code:** J.08, J58, K31

## 1. Introduction

For a long time, Germany did not have a general statutory nationwide minimum wage. However, the coalition agreement contracted between the Christian Democratic Union and the Christian Social Union in Bavaria (CDU/CSU) and the Social Democratic Party of Germany (SPD) in December 2013,<sup>1</sup> proposed enshrining a general statutory minimum wage regulation (*allgemeine gesetzliche Mindestlohnregelung*) in law. Debates on the statutory minimum wage and the agreement are characterized by the following three points. The minimum wage debate in Germany differs from that in other European countries because the issues involved touch the roots of post-war German political reconstruction. The modern debate was characterized by the following main issues.

First, it reconstitutes the “collective bargaining autonomy” (*Tarifautonomie*) that has been a fundamental principle of German post-war industrial relations. In Germany, due to negative experiences in which state intervention in “wage policy,” which is assumed by trade unions and employers as collective bargaining parties, by mandatory arbitration in the Weimar Republic and trade unions were dismantled by the Nazi state, the Basic Law for the Federal Republic of Germany (*Grundgesetz*, Article 9; BverfGE<sup>2</sup>, 4, 96) upholds institutions of collective bargaining autonomy by whom working conditions are decided by agreements between trade unions and employer’s associations. The statutory minimum wage occupies an important place in post-war German policy regarding the state intervention in collective bargaining

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

<sup>2</sup> Decisions of the Federal Constitutional Court (*Entscheidungen des Bundesverfassungsgerichts*).

autonomy, which has been seen as the preserve of the parties, putting pressure on reconsidering the ways of the autonomy.

Second, the statutory minimum wage became a political issue, against the backdrop of “social movement unionism,” which is considered unlikely to be activated in Coordinated Market Economies (CMEs) commencing with Germany. This approach sets store not on economic bargaining powers in the workplace or labor market but on social influences through collaboration between trade unions and citizen groups (Suzuki, 2010, p. 196–7). In CMEs “where trade unions have a more institutionally embedded position” compared to Liberal Market Economies (LMEs), the “unions might focus more on organizational restructuring and strategies which defend their embedded status” (Annesley, 2006, p.165). However, the analysis of the debate over the statutory minimum wage will clarify that the Food, Beverages and Catering Union (NGG) and the United Services Union (ver.di) created the reference standard through social movement unionism.

Third, bellwethers of the debate is not Industrial Union of Metalworkers (IG Metall) and Industrial Union of Mining, Chemicals, Energy (IG BCE), which usually draw attention as ones of coalitions leading institutional changes (*e.g.*, Streeck, 2009), but above two unions which has lower economic bargaining power than the Industrial Unions.

The debate over this issue has not yet been analyzed in terms of a pattern of conflicts, collaborations, and compromises between trade unions, employer’s associations, political parties, Federal Ministry of

Labour and Social Affairs (BMAS), and economic research institutes, all of whom have differing interests.<sup>3</sup>

Only by understanding the complex web of interrelations can one understand how two policy proposals have been constituted no later than the German Federal election of 2013 and what compromises were made in making the coalitional agreement of 2013.

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

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

Second, we examine how political issues have shifted in the policy arena and what compromises were reached (Figure 1, column II; Section 4). We focus on the positions of various political parties regarding (i) type of actors who incur costs to solve the low wage problem (Figure 1, (i)) and (ii) the extent and mode of political intervention in collective bargaining autonomy (Figure 1, (ii)).

Third, we examine how scientific investigations have been conducted regarding economic issues, and

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<sup>3</sup> Regarding the different positions between political parties, see Schuster (2013). Regarding different interest between trade unions in the early phase of the debate, see Streeck (2009, p.54).

finally, what consent has been reached (Figure 1, column III; Section 5). The main economic issue is what type of impact will result from introducing a statutory minimum wage (Figure 1, (iii)). Research institutes examined how the employment effect contributed to convergence between different actors who have various economic interests. In addition, the method of attaining consent was examined to confirm how economic legitimacy was obtained prior to the political decision. Sole focus on political issues reveals only one aspect of the debate.

The study demonstrates that changes in social economic structure, that is, so-called liberalization, created the strong need for an “innovative approach” that departed from the post-war conservative approach of clear separation between collective bargaining activity and the state. This new approach, which entails collective bargaining autonomy as a new form of interconnection with the state, is supported by the main actors and public opinion.

**[Insert Figure 1]**

## **Section 2 Various Minimum Wage Institutions**

### **2.1. Background to the Debate on General Statutory Minimum Wage**

This section examines various institutions related to the minimum wage debate. Such a review confirms that the general statutory minimum wage scheduled for adopting in 2015 can be seen as complementary to

the “sectoral minimum wage regime” (no national minimum wage) based on prior and existing sector specific institutions (Schulten, 2014, p. 4, Kittner, 2013, S. 1578).

The debate over the issue came to the fore mainly due to the specific circumstances of German social and institutional history. First, immigrants played a role. The construction industry was the first affected sector, starting in 1980. This net influx of workers led to a decline of wage and increase in jobless Germans (Sterkel, Dchulten und Wiedemuth, 2006, S. 266–7). In addition, since the EU expanded eastwards in 2004, the accelerated inflow of immigrants and foreign companies has brought wage dumping.<sup>4</sup> For example, workers from Poland who often earn only 4 Euros have held down the wage development of West Germany (Sterkel, Schulten und Wiedemuth, 2006, S. 282–3).

Second, the comprehensive reforms in the latter half of the 2000s, called “Hartz reforms,” containing the active labor market policies were enacted. The reforms were characterized as “negative activation,” which implies *e.g.*, “a tightening of the criteria of reasonable work and eligibility, as well as a tightening of the sanction regime,” rather than as “positive activation,” which improves the employability of unemployed persons through *e.g.*, vocational training (Fleckenstein, 2011, pp. 104–7). Moreover, the reforms called for relaxation of labor market regulations, for instance, relaxations of regulations of mini-job and dispatched work.<sup>5</sup> Consequently, the percentage of non-regular employment, including limited-term, part-time, and

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<sup>4</sup> Regarding the relation that increasing the number of “posted workers” from other EU countries brings the wage dumping in Germany, see below **1. 2. (1)**.

<sup>5</sup> While trend of relaxations of regulations of labor market started in Kohl government (CDU/CSU and FDP, 1982–1998), the radical easing regulations and increasing flexibility of labour market was the Hartz reforms in the Schröder government (SPD and Bündnis 90/Die Grünen, 1998–2005). In regard to the labor policies of this government, see Kasch (2007, S. 272–3, Übersicht 8.8).  
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dispatched workers, for all workers increased sharply from 21.2% in 2003 to 25.4% in 2010.<sup>6</sup> By 2010, these reforms resulted in 49.8% of employees in non-regular employment earning “low wages.”<sup>7</sup> This rate is far higher than the corresponding rate of 10.8% for persons in regular employment (hired directly by a company, to which he provides service, under contract of employment without a term limit) (DESTATIS, 2012b, S. 20). Furthermore, amendments to the social security system required an unemployed person who has the ability to work and receives unemployment benefit II (*Arbeitslosengeld II*) to take any job introduced by *Jobcenter*. This policy created concerns about a spiral of ever-decreasing wages (Hashimoto, 2006, p. 1586).

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

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

## **2. 2. Characteristics and Limitations of a Sector-specific Minimum Wage**

In Germany, where a statutory minimum wage covering all sectors has not existed, minimum wage levels reflected the minimum wage floors determined by collective agreements, a judicially created doctrine of

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<sup>6</sup> <https://www.destatis.de/EN/Homepage.html> (Homepage >Facts & Figures >National economy & environment >Labour market >Employment >Atypical employment). Internet contents are confirmed in 12 Mai 2014, same as following annotations.

<sup>7</sup> It means that wages under two-thirds of the median wage of concerned employees (DESTATIS, 2012b, S. 14).

“wage exploitation” (*Lohnwucher*) (BGB,<sup>8</sup> 138, 2), and working conditions determined by states for trustee companies of public works (GWB,<sup>9</sup> Article 97, 4). Thus, the existing minimum wage regime is a “patchwork of different rules” (Schuster, 2013, S. 15).

This subsection outlines of two laws that serve a primary function in the sectoral minimum wage regime,<sup>10</sup> namely **(1)** the generally binding declaration according to the Collective Agreements Act and **(2)** the Posted Workers Act. These can be characterized as sector-specific; relevant minimum wages are determined by collective agreements under the scope of each regulatory instrument (Shulten, 2014, Table 1).

#### **(1) Easing the requirements of Extension of Primary Collective Agreement (AVE)**

When the Federal Minister of Labour and Social Affairs declares a collective agreement to be generally binding (*Allgemeinverbindlicherklärung*: AVE), the primary agreement becomes obligatory for all employees in the relevant sector (TVG,<sup>11</sup> Article 5). A valid AVE must (i) be the request of one party, (ii) the primary sectoral collective agreement covers at least 50% of employees in the sector included in the scope of application of the agreement, (iii) the AVE be necessary for public interest, and (iv) have consent from a commission composed of three representatives from each head association of employers and employees.

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<sup>8</sup> *Bürgerliches Gesetzbuch*, Civil Code.

<sup>9</sup> *Gesetz gegen Wettbewerbsbeschränkungen*, the Act Against Restraints of Competition, i.e., Antitrust Law.

<sup>10</sup> Secondary importance law in the debate is the Minimum Working Conditions Act (*Mindestarbeitsbedingungengesetz*). See Kittner (2013, S. 1575) and Sterkel, Schulten und Wiedemuth (2006, S. 267).

<sup>11</sup> *Tarifvertragsgesetz*, Collective Agreements Act.

In recent years, AVEs have declined from 5.4% in 1991 to 1.5% in 2009 (Bispinck, Dribbusch, and Schulten, 2010, Figure 4). This decrease can be attributed to employer vetoes, increases of firm agreements that avoid AVEs and their shortcomings, as well as to the declining rate of organizations in both associations (WSI-Tarifarchiv, 2013, S. 18–9).

The coalitional agreement of 2013 specified easing the requirements of AVEs (CDU, CSU und SPD, 2013, S. 48) by dropping the requirement that the employers bound by a certain collective agreement employ at least 50% of employees covered by that agreement. Existence of special public interest is sufficient, which will be given when the ability of common institutions to function as collective bargaining parties (social fund) secures the AVE effectiveness of a norm setting collective agreement against the possible harmful economic consequences, or the collective bargaining parties convincingly set forth an binding of sectoral collective agreement of at least 50% of all employees in the sector.

While the ratio of AVEs to all agreements is expected to increase after easing the requirements, this instrument has two limitations. First, as noted above, the AVE cannot bind domestic employers who do not belong to an employer's association and conclude the firm agreements. Second, it does not apply to "posted workers" who are not regular immigrants, as they are sent abroad by their employer rather than choosing to move of their own volition. Enlargement and deepening of the integration of the EU lead to the expansion of works posted in Germany, for example, from 221,222 in 2009 to 311,361 in 2011. It is outclassing growth in EU countries (the second is France, from 155,601 in 2009 to 161,954 in 2011) (European Commission, 2012, p. 23). The German framework had to cope with this employment category,

that is, making provisions covering linking such worker's (often extremely lower) wages to average wages in the host country, because the gap between wages of the workers in the host country and the posted workers leads to "social dumping" in the host country, Germany. However, the AVE is "just not proper in *profound cross-border issues*"; therefore, foreign employers do not have any incentive to become a member of an employer's association in Germany (Blanke, 2006, S. 193).

## **(2) Expanding the Scope of the Posted Workers Act**

To achieve competitive equality and avoid the "social dumping," the EU's 1996 Posting of Workers Directive (Directive 96/71/EC) "established a core of mandatory rules regarding the [minimum] terms and conditions of employment to be applied to an employee posted to work in another Member State. These rules will reflect the standards of local workers in the host Member State."<sup>12</sup> To enact the necessary domestic legislation, the Posted Workers Act (AEntG<sup>13</sup>) was implemented in 1996, and then expanded to all sectors.<sup>14</sup>

Contrary to AVE of TVG Article 5, the declaration of general binding of the Federal Minister of Labour and Social Affairs based on AEntG does not require (ii) and (iv) of the requirements of the AVE. Therefore, in comparison to AVE of TVG, it is easy to expand the collective agreement to other members of the agreement parties. However, the declaration based on AEntG has the following two limitations (Saito, 2012). First, it requires the "concerted" request of both parties (AEnt G, Article 7, Paragraph 1, 1st

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<sup>12</sup> European Commission, [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm) (search: "posted workers").

<sup>13</sup> *Arbeitnehmer-Entsendegesetz*.

<sup>14</sup> (AEntG, Article 4, expand from Paragraph 1 to 8). Finally, CDU, CSU und SPD (2013, S. 48) declared "we will open the scope of the Posted Workers Act (...) for all sectors".

sentence). Second, the review of the commission of the collective agreement for the request is needed (AEnt G, Article 7, Paragraph 5, 1st sentence). In these points, there are risks to fall through introducing a regulation of minimum wage.

### **(3) Add-up**

To apply points (1) and (2) above, on February 1, 2014, fifteen sectors have sector-specific minimum wages.<sup>15</sup> Wage levels vary widely from 6.50 Euro per hour<sup>16</sup> to 13.95 Euro.<sup>17</sup> Where a trade union has relatively low bargaining power, the sector-specific minimum wage is more likely to be low. Thus, NGG and ver.di, which cover these low-wage sectors, have strongly supported a general statutory minimum wage that trade unions negotiate together with employer's associations.

Prior to the Federal Election in September 2013, the main options to settle the low wage problem were (i) a policy that maintains, amends, and improves the existing sectoral minimum wage regime and (ii) a policy that create a “universal minimum wage regime” (Schulten, 2014, p. 4, IW, 2013). With regards to the latter regime, political parties and trade unions had two different viewpoints. First, CDU/CSU, FDP, and IG Metall (before 2005) viewed the general statutory minimum wage as political intervention in collective bargaining autonomy. In contrast, NGG, ver.di, DGB, and SPD view political support as required because autonomy became progressively incompetent (Interview, B; Blanke, 2006). As we see below, through the debate for approximately 20 years, the latter opinion has grown to the dominant opinion

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<sup>15</sup> See <https://www.destatis.de> (search: *Mindestloehne*). Legal basis of minimum wages of temporary agency workers is Temporary Employment Act amended in 2011 (*Arbeitnehmerüberlassungsgesetz*), Article 3a (*cf.*, Kittner, 2013, S.128, S.1579).

<sup>16</sup> Hairdresser in east Germany except Berlin.

<sup>17</sup> Half-timbered construction, machinist, and driver in West Germany except Berlin.

among political parties, trade unions, employers, and public opinion.

### **Section 3 Differences in Trade Union Stance**

This section describes trade union initiatives to introduce the general statutory minimum wage. In association with the expanding “low wage sector” (*niedriglohn Sektor*), securing a minimum wage had become a priority issue for trade unions. While all trade unions affiliated with the German Trade Union Confederation (DGB) first agreed to tackle the issue in 2006, the means to solve the issue have been contested (Haipeter, 2006). This chapter traces the varying positions of three trade unions through their adoption of a unitary goal (outlined in Figure 2). Examining these varied opinions clarifies the social and institutional factors contributing to their different positions.

**[Insert Figure 2]**

#### **3. 1. Food, Beverages and Catering Union (NGG) and United Service Union (ver.di)**

According to the Federal Statistical Office, the number of employees under the low wage threshold increased from 18.7% in 2006 to 20.6% in 2010. Furthermore, NGG and ver.di (DESTATIS, 2012b, S.17, 22) covers almost all the worst 20 sectors.

In addition, NGG and ver.di have lower collective bargaining coverage than that of “industrial unions” (*Industrial Gewerkschaften*), that is, IG Metall, IG BCE, and IG BAU. For example, for hotels and restaurants, the percentage of employees is 34%, for health and social work 36%, information and communication 16% in sectors administrated by NGG and ver.di, apparatus 46%, mining and extraction 57%, and energy supply 61% in sectors of the industrial unions (DESTATIS, 2013, S. 7).

Moreover, NGG and ver.di have larger low-wage sectors. Thus, their bargaining power in relation to employers’ associations is also low. The low bargaining power present at lower wage levels and the wage rate increase had several impacts. First, in the early 1990’s, NGG began promoting the introduction of the minimum wage, ahead of other trade unions, followed by ver.di (Sterkel, Schulten und Wiedemuth, 2006, S.268–270). Given the low-wage threshold, minimum wages in other EU countries, and the prohibition amount of wage seizures in the Civil Code (Hashimoto, 2007, p. 32), NGG demanded a minimum wage of 1,500 euro per month including tax, while ver.di demanded 7.50 per hour (hereinafter, see columns of NGG and ver.di in Figure 2).

NGG and ver.di recognized the difficulty in stopping low-wage sectors from spreading simply through collective bargaining. Thus, they adopted three strategies. First, they pursued an “alliance strategy,” with communities, that is, citizen groups and churches, (An, 2013, p. 34) involving communities in strategic action to form a united front.<sup>18</sup> Second, they exerted “symbolic leverage” that is created when parties share discourses on economic and social injustice with overall society (Chun, 2005). Low wages and

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<sup>18</sup> In alliance strategy of ver.di, each of its sections (*Gliederungen*) as an agent have been created and strengthened the local “minimum wage alliance” (*Mindestlohnbindnisse*) (ver.di, 2011, S. 55).

precarious employees are attracted to the idea that their harsh economic conditions are socially unjust and against social norms. If such a perception is accepted by society, their economic and social disadvantage can be converted to an advantage. The slogan “poor despite working” (*Arm trotz Arbeit*) symbolized this strategy. Third, they pursued “politicization” through “public opinion leadership” (*öffentliche Meinungsführerschaft*) (Sterkel, Schulten und Wiedemuth, 2006, S. 276, 278).

These strategies are characterized as “social movement unionism.”<sup>19</sup> The distinguishing features of this movement demanding the minimum wage from other social movement unionism seen in Germany are as follows.<sup>20</sup> First, NGG and ver.di utilized public opinion not as pressure for a company or an employer association, which is the opposing side of collective bargaining,<sup>21</sup> but as pressure for politics, that is, a

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<sup>19</sup> Suzuki (2010, p. 195) put the characters of the social movement unionism as follows. The characters are, first, surmounting limitations of existing institutions of industrial relations and following amendment of aims of labor movement, second, creating alliances between a trade union and social movement groups, third, reforming of bureaucratic structure of the trade union, forth, international solidarity of labors in grass-roots level.

<sup>20</sup> In the United States, the “social movement unionism” was firstly planned by some union members or some unions associated in a nationwide organization which was highly critical of dominant stance of the unions taking a line on harmonious labor relations, that is “business unionism.” Thus, the social movement unionism was planned as antithesis of the dominant stance. This movement has achieved some positive results, such as successful organizing and realizing their requests, in hostile firms and societies to unions, that is the accent in LMEs (Takasu, 2005).

In Germany, the context through which the social movement unionism evolved was different from the United States. In reducing memberships and shrinking collective bargaining coverage, the representatives of German trade unions who developed a sense of danger aggressively learn the American experience of social movement unionism and take control of conducting it (Dörre, Holst and Nachtwey, 2009, p. 52, Niemann-Findeisen, Berhe und Kim, 2013, S. 71–2). Therefore, “conflict orientation” (*konfliktorientiert*) and “campaign orientation” (*kampagnenorientiert*), which are the key words of recent unionism in Germany, does not mean the denial of harmony and compromise orientation established in the post-war settlement, but rather supplement means which was chosen strategically and practically to cope with the problems that seemed insurmountable by the harmony and compromise orientation conduct (ibid.; Wohland, 2013, S. 66).

Moreover, the social movement unionism over the general minimum wage had the features which service unions associated with not only communities and social movement groups but also other industrial trade unions under the broader purpose “damming precarious employment.” In comparison with the social movement unionism seen in the United States which is such incorporate leveraged external pressure (e.g., public opinions) with partisan tactics in hostile environment, one in Germany appeared got executed under control of the union representatives, with much richer resources (Kitagawa, 2014).

<sup>21</sup> In regard to a case wherein ver.di utilized the public opinion to focus on a certain figure, which takes an

pressure for institutional reform. NGG and ver.di did not adamantly refuse political intervention, but sought to reconstitute the collective bargaining autonomy by political support. This is not an “outsider strategy”<sup>22</sup> of increasing bargaining power by exploiting leverage outside the arena, but a “shift arena strategy” from the previously defined bargaining framework to the social and political arena. Second, the movement was a loosely concerted action of NGG and ver.di not only with communities, churches, local municipalities but also, in last phase, with other trade unions under the more broad purpose, “damming precarious employment.”

Furthermore, we see neo-liberal policies in the early half of 2000s promoting the strategies of NGG and ver.di because their sectors had smaller buffering from the policy’s negative impacts. It is said that the institutions comprising the CME, for example Germany, enjoys better buffering from the influences of neo-liberal policies than the LME (Suzuki, 2010, p. 202). Concretely speaking, the “dual system” of sector-specific collective agreement and works agreement (*Betriebsvereinbarung*) is seen as a bulwark that secures the existing employment status from the effects of neo-liberal policies. The buffering function is an institutional factor immobilizing trade unions from social movement unionism. Certainly, this hypothesis captures the general character CME compared with LME. Yet, when each of CME’s internal sectors are examined, the dual system providing the basis for the buffering function is in fact unevenly located within the sectors covered by industrial unions. Thus, we add a clarification to the hypothesis, of which “varieties

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opposite stance to the trade union, see Gajewska and Niesyto (2009, pp. 162–3).

<sup>22</sup> While the insider strategy within the arena means to exerting influence over decision making through cooperating with political parties and members of consultation, outsider strategy tries to exert influence to decision making from outside the policy arena. Its means are mainly a general strike and congregations (An, 2013, p. 121).

of capitalism” yield differences in dominant strategy, namely, that varieties of institutional environment between interior sectors brings different dominant strategies.

When NGG and ver.di took the bold step from a given problem-solving domain toward a “taboo” approach, which required increased political support, they justified their action by the following reason.

Low wages are not the problem of a single economic sector, nor an expression of insufficient union work. Low pay is *a structural and a socio-political problem* which will grow faster. With collective agreement instruments we arrive, however, only at a very limited outcome as NGG and ver.di only slightly resolve the low wage problem because their bargaining power is relatively low in comparison with the negotiating counterparts and Industrial Unions. We need the accompanying intervention of the legislature. (Sterkel, Schulten und Wiedemuth, 2006, S. 269)<sup>23</sup>

This new strategy adopted by NGG and ver.di, a clear departure from previous approaches, involved independent actors trying to convert their economic and social disadvantages to advantages, and was derived from strategies pursued by trade unions in neighboring EU countries, in particular, Switzerland and Austria (Sterkel, Schulten und Wiedemuth, 2006, S. 277, Peter und Wiedeuth, 2004, S. 13–14). These actors operating in different socio-political environments developed different approaches to autonomy and social linkages, which these German unions then adopted to the very different German domestic

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<sup>23</sup> *Italic* font indicates emphasis by the author of this article, whereas **bold** font indicates a direct quotation. [ ] is noted by the authors of this article. The same rules apply hereafter.

environment.

Simultaneously, the “minimum wage council” (*Mindestlohnrat*) set out by ver.di to act as a coordination instrument for the minimum wage level is modeled on the UK’s Low Pay Commission (Wiedemuth, 2006, S. 289–91).

**[Insert Table 1]**

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

A definitive characteristic discriminating between the consultation model and “negotiation model” in Table 1 is the degree of governmental authority. While in the consultation model, government is not restrained by the council’s recommendation, in the negotiation model, the government only has authority to give legal binding force to a collective agreement from a commission.

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

On the other hand, consultation runs the risk of becoming “merely a ritual” (Schulten, 2014, p. 12).<sup>24</sup>

Evaluating the model based on the principle of collective bargaining autonomy in Germany, on the one hand, it may resolve the low wage problem under the political responsibility of political parties, on the other hand, it runs the risk that autonomy may be invaded by the state.

The proposition by ver.di of a general statutory minimum wage of 7.50 euro per hour received criticism from industrial unions, in particular, from IG BCE (see columns of IG BCE, IG Metall, and IG BAU in Figure 2) Yet, the proposition was adopted in the DGB federal congress in 2006 (DGB, 2006, S.7). As mentioned in section 4, the proposition then passed on to SPD through its Trade Unions Council (*Gewerkschaftsrates*) the same year.

### **3. 2. Industrial Union of Metalworkers (IG Metall)**

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

“The wage policy must remain the collective bargaining reserved,” [IG Metall Chef] Jürgen Peters told the *Handelsblatt*. (...) “Historical experience has taught us to leave it alone.”<sup>25</sup>

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<sup>24</sup> In France, for example, “the government informs the other participants of its minimum wage plans without the other actors having any influence on minimum wage adjustment” (Schulten, 2014, p. 12).

<sup>25</sup> *Handelsblatt*, 22 August 2004, “IG Metallchef Peters gegen Mindestlohn,” <http://www.handelsblatt.com/politik/deutschland/ig-metallchef-peters-gegen-mindestlohn/2388608.html>

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

IG Metall preferred applying the sector-specific minimum wage to areas where no collective agreement existed or where the collectively agreed minimum wage floor was at a remarkably low level. This would be attained by easing AVE requirements, expanding the scope of the Posted Workers Act, and reactivating the Minimum Working Conditions Act (ebd.; IG Metall, 2005, S. 10; IG Metall, 2006). It was intended to strengthen collective bargaining autonomy and ensure continuation of governmental non-intervention of the sectors covered by IG Metall.

When the general statutory minimum wage of 7.50 euro adopted in the 2006 DGB conference, IG Metall began supporting it (*e.g.*, IG Metall, 2007a, S. 4). In a practical sense, IG Metall had refrained from mobilizing its members in support of the measure until the late 2000s (*e.g.*, IG Metall, 2007b, S. 191–2).

However, IG Metall then shifted its inactive stance to an aggressive one. In 2011, the IG Metall congress confirmed adoption of the general statutory minimum wage of 8.50 euro per hour. This shift is further indicated by IG Metall promotion of campaign mobilization along with the campaign to organize and attain a better deal for temporary agency workers since 2008. The proportion of temporary agency workers has increased more in the sectors covered by IG Metall and IG BCE than NGG and ver.di. For example, while temporary agency workers in plant and machine operators increased from 3.4% of the workforce in 2006 to 4.4% in 2010, the corresponding rates in service occupations and

vendors were imperceptibly small each year (DESTATIS, 2012b, S.13). The increase of temporary agency workers, due to the Hartz reform in the early 2000s, brought “pressure for substitution,” and therefore “pressure for declining working conditions” in companies using temporary agency workers (Kitagawa, 2013). The smoothing effect of wages that attracted concern from industrial unions has been occurring independently of the general statutory minimum wage. IG Metall choose to require political support as an effective measure to obtain better conditions for temporary agency workers and re-regulate this employment status. The requirement included a minimum wage for temporary agency workers. Simultaneously, the boards of IG Metall (*Vorstand*) put the general statutory minimum wage in the effective measures for re-regulating temporary agency workers and wage dumping in its sectors, and, joining the campaign, appealed for the need to introduce it (*e.g.*, IG Metall, 2013a, S. 13). IG Metall’s aggressive stance toward introducing the general statutory minimum wage and the relation between it and temporary agency work was revealed by adoption of proposed draft shown below in its 2011 congress.

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

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

In this way, IG Metall clearly shifted its inaction to an aggressive stance of mobilization in 2011. The motivating factor was the fallout from the relaxations of regulations, which emerged later than in the sectors covered by NGG and ver.di. Furthermore, IG BCE shifted its position from clear opposition to strong support because it was also under pressure led by temporary agency work (IG BCE, 2013b, S. 12–5) and to follow the mainstream of public opinion, including its members (Infratest dimap, 2012).

In regard to the delay of IG Metall and IG BCE joining the movement of NGG and ver.di, we can negatively infer that the delay was due to the inadequate leadership of DGB, however, the success of introducing the general minimum wage indicates the possibility of the new method of German trade unions that loosely concerted action of trade unions of different interests under the broad purpose, in this case “banking precarious employment,” is effectively pressing to politics for changing framework of collective bargaining system.

In sum, NGG and ver.di came to push for a general statutory minimum wage because social conditions and institutional factors led their economic bargaining power inside the collective bargaining system to decrease at a time when they also faced sudden fallout from neo-liberal reforms. Yet, their certain level of independence is confirmed in two aspects. First, they chose a social movement for reconstituting wage bargaining autonomy through learning from the experience of other European countries. Second, they established a reference standard in terms of the positions of trade unions, public opinion, and, as below, in the policy arena.

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

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

An overview of this section is shown in Figure 3. Regarding measures to settle the low wage problem, in 2005 and 2006, the main issue in the political arena is to either establish a “supplemented wage” via state allowance (*Kombilöhnen*) or the minimum wage. While CDU/CSU supported the supplemented wage as of 2006, SPD inherited the DGB draft doctrine derived from ver.di’s proposal in October 2007. From that point, SPD aimed to legislate a general statutory minimum wage, thus bringing them into conflict with the CDU/CSU, who opposed it. By 2007, it was clear that solving the issue would require compromise (Figure 3, (i)). However, following increased public approval of a general statutory minimum wage, the 2011 CDU convention adopted a “wage lower limit” (*Lohnuntergrenze*) draft doctrine as an internal compromise between employer and employee wings (Figure 3, (ii)). In essence, this draft follows the negotiation model and rejects any pre- or post-political intervention in an agreement between employer and employee. As shown in the lower four rows of Figure 3, the CDU’s lower wage limit versus the general statutory minimum wage became a major campaign issue in the Federal Election in September 2013. Differences remained over whether the lowest limit to minimum wage levels should be set up (SPD)

or not (CDU) and whether adjustment should be agreed using the consultation model (SPD) or negotiation model (CDU). In the coalition agreement contract of December 2013, a middle course was agreed upon, in which the lowest limit of the minimum wage level is set at 8.50 euro (deriving from SPD draft) and adjustments will be discussed using the negotiation mode (deriving from CDU draft) (Figure 3, (iii)).

**[Insert Figure 3]**

#### **4.1. Supplemented wage: 2005–2009**

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

The supplemented wage was countered on two main grounds. First, questions arose as to how employee motivation, employment opportunities, and benefit levels would be optimized. In 2006, unemployment benefit II operated similarly to the proposed supplement wage. Thus, the existing system is already optimized to deliver this program.<sup>26</sup> Second, the question remains of whether the supplemented wage will have lower administrative costs and better employment effects than the minimum wage.

The coalition agreement in 2005 expressed mutual willingness to test not the minimum wage but models

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<sup>26</sup> For details, see Bofinger, Dietz, Genders und Walweil (2006). This reference was formal examination object.

of the supplemented wage (CDU, CSU, und SPD, 2005, S. 32). The agreement suggests that the coalition settle the low wage problem through extending the ideal of the Hartz reform,<sup>27</sup> which highlights the importance of assistance finding a job, a requirement to accept an assigned job if one is not found voluntarily, and the imposition of penalties if the assigned job is not accepted. However the agreement also gave notice of an expansion to the Posted Workers Act (ebd., S. 38; George 2007, S.88).

Meanwhile, on September 2006, SPD proposed measures to resolve the low wage problem (George, 2007, S.88). These measures adopted most of the DGB requirements through the Trade Unions Council inside the party.

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

In essence, the SPD draft closely follows ver.di's proposal. The center of this DGB (ver.di)/SPD draft are, as previously indicated, the two elements separating the consultation model from the negotiation model. First, the authority of the Federal Minister of Labour and Social Affairs is used to determine the level of minimum wage, for which the Minister takes political responsibility. Yet, the opinion of SPD, especially of Franz Müntefering (the Federal Vice Chancellor and the Federal Minister of Labour and

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<sup>27</sup> The reform was implemented by the former G. Schröder administration (SPD, Bündnis 90/Die Grünen).

Social Affairs in 2005–7) has swung repeatedly in regard to both the kind (sector specific or general) and the level (7.50 requested by DGB/ver.di or below) (Deutschlandfunk, 2007). Finally, SPD determined its stance when it adopted the Hamburg program (*Hamburger Programm*) containing agenda of general statutory minimum wage which is similar to DGB draft (SPD, 2007a, S. 54; 2007b, S. 62).

In contradiction to the SPD's position, on December 2006, Secretary General of CDU R. Pofalla declared:

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

In this way, from 2005 to 2007, a supplemented wage paid by the state and a minimum wage paid by employers were considered in parallel. However, in 2007, the impact of the supplemented wage model was estimated by a report commissioned by several federal ministries. The report indicated a low job-creation effect, but high administrative costs, on the basis of which it recommended a very limited introduction of the model. For this reason, a political issue then shifted gradually from the two models to questions regarding the scope of applying the minimum wage.<sup>28</sup>

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<sup>28</sup> Infratest dimap (2007, S. 13) shows the majority of advocates from every party preferred the minimum

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

A compromise reached in June extended the Posted Workers Act to sectors having at least 50% collective bargaining coverage, as well as amending the Minimum Working Conditions Act to deal with sectors with less than 50% coverage. In this manner, this minimum wage policy became the positive list system.

By 2007, the issue shifted from the supplemented wage versus the minimum wage to disagreement over implementing the minimum wage, particularly its scope. Eventually, the minimum wage system aiming at the selected sectors was reached as a compromise between the coalition parties (see Figure 3, (i)).

#### **4. 2. Conflict over adjustment instructions**

However, the compromise was drifting from public opinion. An October 2007 opinion survey asked if people preferred “a minimum wage in all sectors,” “a minimum wage only in certain sectors,” or were “generally opposed to a minimum wage.” The results revealed that the majority of SPD and CDU advocates preferred a minimum wage in all sectors (Infratest dimap, 2008, S. 3, see also 2007, S. 13). The preference of the CDU advocates was seemed to preface the adoption of the “wage lower limit” plan at the wage over the supplemented wage as of April 2007.

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CDU November 2011 convention. This plan stated that

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

The new plan was a fresh departure from the CDU's prior policy, which aimed at only certain sectors. CDU's "about-turn" was attributed to industrial unions (IG Metall, 2011b; IG BCE, 2012)<sup>29</sup>. Yet, the plan definitively differs from the general statutory minimum wage planned by DGB and SPD in the following three aspects. First, it aims only at employees not covered by collective bargaining and is a sector-specific institution (Schuster, 2013, S. 14). Second, the government has no authority or responsibility to set minimum wage levels (SPD, 2012). This reflects differences between the negotiation model (CDU) and the consultation model (SPD), that is, the degree of political authority to intervene in the agreement or commission's recommendation. In addition, while the SPD tried to set 8.50 euro as the lowest limit of the minimum wage, which is the framework of the consultation (Drucksache 17/4665), CDU refused to

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<sup>29</sup> The most conservative party in Germany, CSU which is the sister party of CDU in national political scene changed their position similar to the CDU draft no later than starting election campaign of 2013 federal elections (CDU und CSU, 2013, IW, 2013).

politically pre-configure the negotiation framework.

In terms of the “social market economy,” the CDU plan following the negotiation model sticks to the “institutional order policy” (*Ordnungspolitik*),<sup>30</sup> which is the state’s traditional role of ruling the “legal order framework” (*rechtlichen Ordnungsrahmen*) (IW, 2013). However, the CDU plan has two problems.

First, in the commission, “this means that employers can block the minimum wage by their veto” (IG Metall, 2011b). In its negotiation framework, employers could demand too low a minimum wage level. Even if an agreed wage level is under the low wage floor, the government could take no measures to change this (Interview, B).

Second, the method to select an arbitrator if negotiations deadlock “has nothing to do with political responsibility” (SPD, 2012).

Proposed arbitrator by the employer side or by the employee side can cast a tiebreaking vote. The decision on the arbitrator shall be made by drawing lots. In the end, a coin toss decide the level of minimum wage. Ultimately, therefore, decided by a coin toss on the amount of the minimum wage.

(ebd.)

Furthermore, the CDU plan lacks a mechanism to ensure productive negotiations. This means that while

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<sup>30</sup> In the theory of social market economy, the process policy (*Prozesspolitik*) is compared as this table.

**[Insert Table 2]**

this plan appears to reflect employer willingness, in fact it actually entails lessening employer burdens in a less-visible manner. Thus, the CDU plan is a product of compromise between the party's employee and employer sides (Interview, B) (see Figure 3, (ii)).

#### **4.3. Coalition agreement and 2013 federal elections**

A September 2012 report by the Federal Statistical Office (DESTATIS, 2012b) found that one in five employees earned under 10.36 euro including tax per hour, and 11% earned under 8.50 euro, the amount SPD was asking to be set as the minimum wage. Moreover, concern was expressed regarding the fact that low wages are storing up problems for the future, as “low wages today means low pensions tomorrow” (Die Welt, 2012, Sept. 10). This official report heightened public concerns about the low wage problem, thus contributing to making the minimum wage into a major campaign issue (IW, 2013). Currently, “none of the parties represented in parliament rejects minimum wage now categorically” (Brenke und Müller, 2013, S. 3).

CDU/CSU and FDP, the then-ruling parties, still backed the institutional order policy. Opposition parties backed general statutory minimum wage that, however, did allow for different wage levels. “Oppositions wants more state” (IW, 2013). The wage lower limit of CDU/ CSU is the CDU plan noted above, similarly, the manifestation of SPD is identical with the SPD draft noted above (SPD, 2013).

In the election, CDU/CSU lost its former coalition partner, FDP (*Die Welt*, September 22, 2013), forcing them to make a coalition with SPD. As a result, SDP was able to have many policies, including the general

statutory minimum wage, taken up. The next section examines the minimum wage plan that emerged from the coalition (see the lower four rows of Figure 3).

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

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

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

Commission members are appointed by peak employee and employer organizations (Size: 3 to 3 plus chairman<sup>31</sup>). Scientific experts (without voting rights) are consulted at the suggestion of the peak organizations (1 plus 1). (CDU, CSU und SPD, 2013, S. 48–9)

This general statutory minimum wage agreement includes state intervention in the collective bargaining autonomy with regards to securing 8.50 euro regardless of existence of a collective agreement, thus, political responsibility is exerted. In this point, the agreement follows the SPD draft. Yet, the authority of the Federal Minister of Labour and Social Affairs to change the minimum wage agreed by the minimum

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<sup>31</sup> “The chairman is alternating” (CDU, CSU und SPD, 2013, S. 49). It may mean that the side of trade unions and the one of employer’s associations nominate the chair in alternate shifts (Interview, B).

wage commission, which is a main aspect of the SPD draft, is not described. Therefore, the mechanism of adjustment seems to follow the negotiation model. Thus, the plan that emerged drew on the desires of all parties to reach a compromise (see Figure 3, (iii)).<sup>32</sup> This implies that the degree of political intervention in collective bargaining autonomy became the focus of these two drafts. The level of minimum wage will be settled to 8.50 euro by the government at first. However, this decision of government can be seen as “transitional” measure up to the completion of new legal framework of collective bargaining autonomy because, since the amendment of the wage level in 2018, the government will become “field” of negotiation between representatives of employer and employee and play the role of enabling the agreement of the representatives.

Moreover, in running off the rails of this article which pursues the process of conflicts and compromises up until the 2013 coalitional agreement, the legislative bill containing the general minimum wage law was named “act to strengthen the collective bargaining autonomy”<sup>33</sup>. Concrete meanings of the “strengthen” are mainly, creating the framework of collective bargaining setting general minimum wage and abolishing the requirement of “50%” of AVE in TVG.<sup>34</sup> Indeed, we could not discuss the collective bargaining autonomy as separating to the legal framework, such as *Grundgesetz*, TVG, and AEntG. This act to strengthen the collective bargaining autonomy should be seen as renovated legal foundations of the autonomy, not as an legal and economic actor prejudicing the autonomy.

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<sup>32</sup> It is out of range of this article to discuss which is better, “negotiation model” or “consultation model.” Yet, it is just like Germany to choice the model as the answer to the problem of increasing low wage workers and dispatched works, the world-wide trend to some extent.

<sup>33</sup> *Tarifautonomiestärkungsgesetz*, date of the act: August 11. 2014.

<sup>34</sup> See 2.2 (2) (ii) in this article.

## **Section 5 Analysis of economic research institutes and interest groups**

In parallel with the political debate surrounding the minimum wage, since about 2008, the economic issues also became topics of discussion. Concerns centered on the effects from introducing the minimum wage, particularly the issue of job creation. Unlike in Switzerland, where trade unions led scientific investigations (Oesch and Rieger, pp. 281–9), Germany instead saw BMAS commission six economic research institutes to conduct research. At the time the results were released (October 2011), public opinion largely supported the general statutory minimum wage (Infratest dimap, 2012). At nearly the same time (November 2011), CDU shifted its position to support the wage lower limit. Thus, it is difficult to say that the investigation results converted the stance of trade unions, employers, and political parties. Yet, the investigations and prior academic researches concurred about the economic consequence, and contributed to provide the economic justification. The following subsections overview briefly the economic debate on the employment effect to confirm the process of scientific investigations and the nature of the resulting social agreement.<sup>35</sup>

### **5. 1. Concern for negative effects on employment**

In March 2008, eight economic research institutes released a joint statement (DIW, HWWI, ifo, ifw, IW,

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<sup>35</sup> This section does not further delve into the character of the data, analysis method, and analysis model. These issues will be described in another article.

IWH, IZA und RWI, 2008). The rather polemical title “Employment chances instead of minimum wage!” and section titles (for example: “A statutory minimum wage destroys workplace”) indicate that economic research institutes shared concerns over the general statutory minimum wage. After referring to the high possibility of companies raising prices to compensate for higher wage costs, decreases in domestic demands, or production transfers overseas, the joint statement concludes “either way—the minimum wage will lead to considerable job losses” (ebd.).

## **5. 2. Scientific investigations and economic analysis**

The employment effect from the minimum wage became an economic issue not only for trade unions, employers, and economic research institutes but political parties were also interested in the issue. In particular, CDU/CSU and FDP were acutely concerned about the possible negative effect, (Möller, 2012a; Schuster, 2013, S. 32), which are reflected in the October 2009 coalition agreement between CDU/CSU and FDP. The parties agreed to estimate the employment effects from sector-specific minimum wages in six sectors already having a minimum wage (CDU, CSU und FDP, 2009, S. 21).

To do this, BMAS commissioned six economic research institutes to investigate eight sectors already having sector-specific minimum wages.<sup>36</sup>

At the time, the international standard in minimum wage researches was the “difference-in-difference”

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<sup>36</sup> See [www.bmas.de](http://www.bmas.de) (search: “Mindestlohn Evaluation”). These assessments were released in 2011, and their abstracts appeared in the special issue “Minimum wages in Germany,” of the *Journal for Labour Market Research* (2012, Vol. 45 No. 3–4).

approach using micro panel data. However, until the investigations commissioned by BMAS, almost all academic research had been analyzed based on assumptions from neo-classical theory, Keynesian macroeconomic models, or cross sectional data.

The investigations commissioned by BMAS used estimates not only from economic research institutes but also from trade unions and employer associations (*e.g.*, Bsirske, 2014, S. 81; Schuster, 2013, S. 22).

The investigations were unable to confirm in most sectors (with the exceptions of the roofing sector and main construction sector) a negative employment effect brought by the introduction of the minimum wage (Möller, 2012b, p.195).

SPD and The Left (*Die Linke*) used these findings to justify their proposals. The findings were also widely debated in publications by trade unions, employer's associations, and economic research institutes (Brenke und Müller, 2013, S. 11–2; Bsirske, 2014, S. 81; Schuster, 2013, S. 22). This suggests that the common recognition of the political parties, trade unions, employers, and economic research institutes were created. In fact, after the investigation results were published, the CDU party did not bring economic concerns to the fore (*e.g.*, *Die Welt*, 11. November 2011, S. 11 Aug. 264). Moreover, as noted in a previous section, the 2013 election no longer centered on the economic effect, but on adjustment models and political intervention levels—a stark change that occurred in the three years following the 2009 agreement.<sup>37</sup>

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<sup>37</sup> With regard to the trends of employer's recognition, see *Handelsblatt* (15. Juli, 2013, S. 1). In an opinion survey in first half of 2013, 57% of employers supported the general minimum wage. The highest rate of supporting it was 60%, which is the rate of middle-size firms that employ 500 to 5,000 workers. On sectoral, 61% of employers in service sector support it. Average of levels of the minimum wage to which

Furthermore, the economic research institutes, including IW (Schuster, 2013, S. 32), funded by employer's associations, DIW (Brenke und Müller, 2013, S. 17), and RWI (Paloyo, Schaffner, and Schmidt, 2013, p. 256)<sup>38</sup> reached consensus with the opinion of the trade unions (IG Metall, 2013b), although some differences of interpretation remained.

Bsirske (2014, S. 82) sums up “this development – one hand, a strong increase in low wage employment, on the other hand, increasing evidence of positive instead of negative employment effects at the same time positive fiscal effects – may have also contributed to has gradually changed the political assessment of minimum wages”. However, we need to add the footnote that the public opinions and the opinions in political arena had already been majority.<sup>39</sup> Yet, we confirm a significant in the debate on the economic issue that the scientific accumulation of BMAS and the economic research institutes converge the expectations of the groups about the economic consequence of the minimum wage converged to the certain length and produce the economic justification of the minimum wage to the policy arena.

## 6. Conclusion

This article traced the evolution of conflicts, collaboration, and compromises between actors having

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the supporters prefer was 8.88 euro per hour.

<sup>38</sup> Brenke und Müller (2013) and Paloyo, Schaffner, and Schmidt (2013) appeared in the special issue “the economic effects of minimum wages in Germany,” of the *German Economic Review* (2013, Vol. 14 No. 3).

<sup>39</sup> Which economic institutes radically changed their evaluation of, or “phrasing” about, introducing minimum wage suggests that the economic institutes behave “politically” to some extent.

different interests regarding the introduction of a statutory minimum wage in Germany, with a particular focus on the degree of the political intervention in collective bargaining autonomy. The process was examined through considering the following three questions.

First, what factors led trade unions to have different opinions? Their stances fell into two main opinions. One opinion saw the low wage problem as a structural and social economic problem that, therefore, required the reconstitution of the collective bargaining autonomy by state intervention. The other opinion was concerned about the smoothing effect between the general statutory minimum wage and their collective agreement, and therefore refused political intervention in autonomy. The factors that brought about these differences and later changed the latter stance to the former can be traced to differences between the sector-specific institutional environments covered by the different trade unions. These factors included the degree of economic bargaining power and influence of neo-liberal reforms, which arose in different sectors at different times given the time lag reflecting the buffer function between sectors. Ultimately, the former's proposition reached the social agreement through the modification based on the political compromise.

Second, how have political issues in the policy arena shifted, and how was compromise reached? The political issue shifted from the issue of a supplemented wage (covered by the state) versus the minimum wage (covered by employers), which is a debate over identity of the defrayer, to one of the scope of application and instrument for its adjustment. Such a change occurred through both compromises between parties and internal compromise within the CDU. From the perspective of political intervention in

autonomy, the 2013 coalition agreement resulted in compromise between the CDU and SPD. The outcome guaranteed the lowest level of negotiated minimum wage and had the government give legal binding force to the minimum wage agreed by the collective bargaining parties.

Third, what scientific investigations examined the economic issues, and what consent has been created?

The scientific investigations commissioned by BMAS and the researches of economic research institutes all largely found that the minimum wage does not necessarily bring about job losses; these similar findings, in turn, brought convergence of opinion by the interest groups regarding the minimum wage's effect. These investigations provided economic legitimacy for the general statutory minimum wage, and serve as an example of a social agreement regarding an economic issue created by comprehensive scientific investigation by a government organ and private institutes.

The emergence of the general statutory minimum wage in Germany reflects the innovative way leaving the traditional and segregated roles of the state and collective bargaining parties and the way modern neo-liberal pressures have led to such solutions, that is, the "renovation" of collective bargaining autonomy based on the tripartite interconnection.

**[Insert Interview list]**

**[Insert References]**

**[Insert Acknowledgment]**

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

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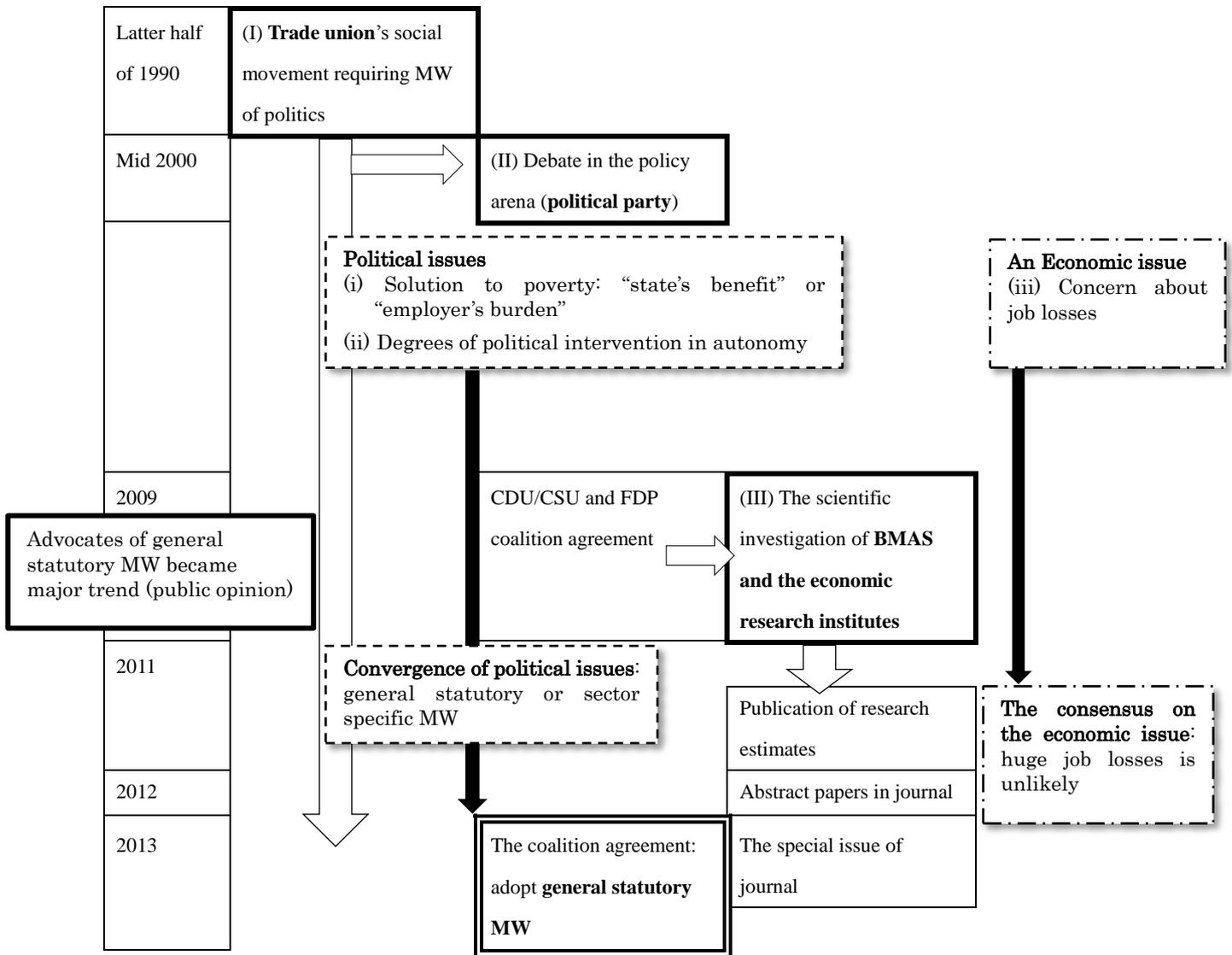
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**Figure 1 Sketch of the minimum wage (MW) debate**



**Figure 2 Changes in Stance of DGB Affiliated Trade Unions**

	To amend and strengthen sectoral MW regime			To complement the regime by general statutory MW	
Means	Easing requirements of AVE, expanding of the Posted Workers Act, and activation of Minimum Working Conditions Act			Introducing the general statutory MW	
	IG BCE (n. 1)	IG Metall	IG BAU (n. 1)	NGG (n. 2)	ver.di (n. 3)
'99				2,500 deutschemark	
'02	Oppose	Oppose	Cosponsor	DGB federal congress (n.4) NGG, ver.di, IG BAU cosponsor 1,500 euro/month	
'04	Deny	Deny		<b>Reject</b> 1,500 euro/month	7.50 euro/hour
'06	Oppose	Support But inactive	Support But inactive	DGB congress 7.50 euro/hour	
'07		Congress Adopt campaign of for a better deal for temporary workers	Each industrial union (IG) worried smoothing effect of the general statutory MW and their sectoral agreed minimum wage floor		
'10	Oppose	On Sept. 2011, the approval rate of the general statutory MW has already been <b>beyond 70%</b> (Infratest dimap, 2012)		DGB congress (n. 5) Rise the requested amount to 8.50	
'11	CDU shift to "wage lower limit" plan	Congress 8.50 euro <b>Adopt</b>			
'13	Support 8.50 euro on May day in effect Congress (Oct.) 8.50 euro <b>Adopt</b>	<b>Aggressive</b> mobilization along with the campaign of for a better deal for temporary workers			
	Federal election (Sept.)				

(n. 1) We do not explain transitions of the positions of IG BCE and IG BAU in context. See Sterkel,

p.358), IG BCE (2006), and IG BCE (2013a).

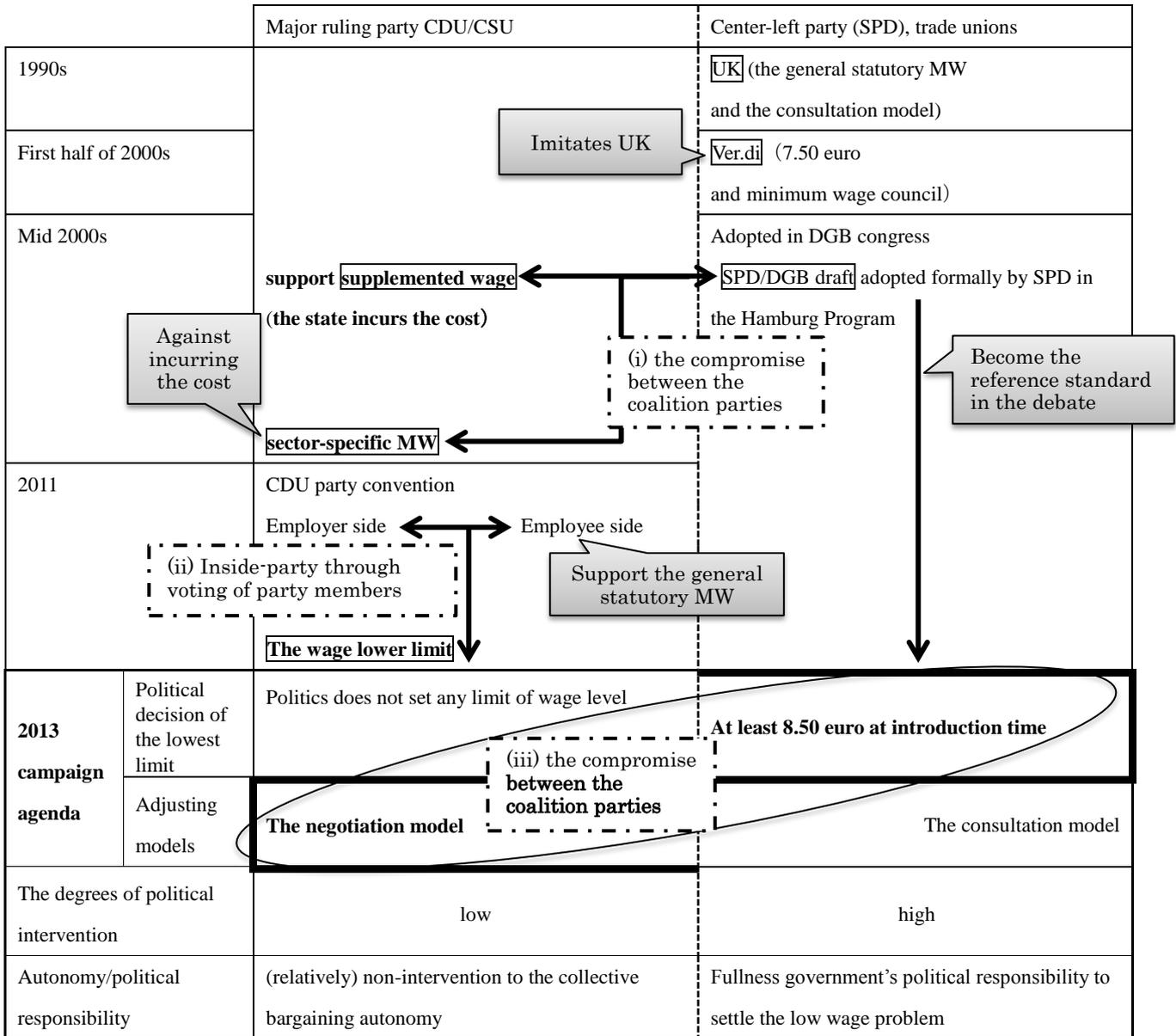
(n. 2) In regard to internal deliberations and external requirements of NGG in 1990s, see Iwasa (2014).

(n. 3) ver.di was established in 2001 from amalgamating trade unions. Regarding a brief on the amalgamation and the strategy of ver.di within its sectors, see Annesley (2006).

(n. 4) For details about DGB federal congress in 2002, see DGB (2002, S. 48) and Sterkel, Schulten und Wiedemuth (2006, S. 275–6). DGB is a democratic structure; therefore, it is of course not a “monolithic” organization.

(n. 5) To rise to 8.50 euro due to rise in price and productivity over the past period from last congress (Interview, A). Yet ver.di demanded a rapid increase to 10 euro per hour (ver.di,2007, S. 963; 2011, S.55).

**Figure 3 Places of origins, competition, and compromise between various wage models**



**Table 1 Models for Adjusting National Minimum Wages**

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

Schulten (2014, Table 2), amended by the author. The countries are some snippets

**Table 2 Differences in Institutional Order Policy and the Process Policy**

	Institutional order policy	Process policy
Scope of policy aim	Setting goals of whole economic system (creation of competition order)	Specific goal setting
In relation to the market	Creation and Maintenance of legal framework of whole market economic order	Direct and controlled intervention to market activity
Property	Proactive (precautionary measure)	Reactive (ex-post and passive measure)
Legal level	Mainly constitutional rules or quasi constitutional statutes	Legislation and discretionary action of administration

A part of Kurokawa (2012, p. 172, Figure 6.1)