

Studienbeiträge zum European Working Conditions Observatory (EWCO)



Evolution of Wages during the Crisis

The case of Germany

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Abstract

Despite the tremendous drop in the volume of incoming orders and production, particularly in manufacturing, the impact of the crisis on wages was, on average, very moderate. Between 2008 and 2009 average gross annual earnings in manufacturing declined by only 3.6% whereas production fell by nearly 20%. Where negative wage trends occurred they resulted mainly from the application of short-time work or the reduction of paid overtime. Survey data also suggest that the diverging trend in the earnings distribution has come to a halt.

1. Wage trends 2006-2010

Annual statistics on average gross monthly earnings or yearly average wages

Table 1

Average gross monthly earnings of employees in companies with ten and more workers - in nominal terms (euro)					
-					
There is no sign of a negative wage trend at the macroeconomic level.					
	2006	2007	2008	2009	2010
Total¹	n.a.(n.a.) ² (2,248) ³	2,982 (2,682) ² [2,281] ³	3,067(2,755) ² [2,332] ³	3,074(2,803) ² [2,325] ³	3,142(2,871) ² [2,375] ³
By gender					
1. Male¹	n.a.	3,502	3,606	3,575	3,666
2. Female¹	n.a.	2,235	2,295	2,403	2,446
Data differentiated by ISCO occupational classification are not available; thus differentiation is by so-called task groups (<i>Leistungsgruppen</i> - for definition see section 1.1b) 1 instead					
1 Task group	n.a.	6,035	6,336	6,002	6,127

Average gross monthly earnings of employees in companies with ten and more workers - in nominal terms (euro)					
—					
There is no sign of a negative wage trend at the macroeconomic level.					
	2006	2007	2008	2009	2010
1 (Leistungsgruppe 1)					
2 Task group 2 (Leistungsgruppe 2)	n.a.	3,819	3,936	3,809	3,890
3 Task group 3 (Leistungsgruppe 3)	n.a.	2,588	2,654	2,622	2,676
4 Task group 4 (Leistungsgruppe 4)	n.a.	2,070	2,107	2,069	2,121
5 Task group 5 (Leistungsgruppe 5)	n.a.	1,529	1,568	1,530	1,574
By contract type					
1. Full-time	n.a.	3,364	3,459	3,456	3,543
2. Part-time¹	n.a.	1,556	1,605	1,728	1,764

Notes: Data are predominately collected from the quarterly earnings survey; 1 figures without fringe workers; 2 gross monthly wages without additional payments (e.g. bonuses); 3 for information purpose only: average gross monthly wages based on national accounts

Source: Federal Statistical Office (Destatis)

Methodological information on the provided statistics

Please provide the following methodological information on the provided statistics:

- Definition of the earnings (what components are included or excluded?)
- Coverage (sectors excluded, if any; type of employees)
- Constant or current prices (real or nominal terms)
- Source data (for example administrative data; national accounts or specific survey)

Data provided in table 1 are collected mainly from the quarterly earnings survey (*Vierteljährliche Verdiensterhebung*). Quarterly figures have been averaged over the year to provide the annual average. The quarterly earnings survey is conducted by the Federal Statistical Office (Destatis). It covers a representative sample of 40,500 establishments with 10 and more employees in the whole economy except the NACE sections A (Agri-

culture, forestry, and fishing), T (Activities of private households), and U (Extra-territorial organisations and bodies). Sample findings are extrapolated for all companies with ten and more employees (except the NACE sections A, T, and U mentioned above). Responding to the survey is mandatory.

Due to the sample selection criteria in the quarterly earnings survey, i.e. minimum number of employees and sectors, the figures in Table 1 show upward-bias compared to the whole economy. Therefore, data for total average gross monthly earnings which are collected from national accounts are included in square brackets (see note 3 in Table 1). In addition, although they are included in the figures of the national accounts (in square brackets), fringe workers have been excluded from the analysis in Table 1 as their earnings are limited to a maximum of 400 euro. Due to a revision of the administrative statistics on earnings, comparable figures for 2006 cannot be provided.

Gross earnings include wages received regularly in compliance with the currently applicable tax regulations supplemented by additional payments (e.g. bonuses, profit sharing, employee share ownership plans, and severance pay), tax-exempt supplements for non-standard working hours, tax-exempt contributions by employers to deferred compensation schemes, and tax-exempt grants for luncheon. Thus, gross earnings include employees' contributions to social security systems, but exclude the corresponding employers' contributions.

Administrative statistics on earnings do not provide disaggregated information for occupational classes in accordance with the ISCO classification. Task groups (*Leistungsgruppen*) in the quarterly earnings survey, to which employees are assigned by the responding establishments, are defined as follows:

1. Task Group 1 includes employees in managerial positions, in positions with considerable decision-making authority and discretion, in positions whose performance requires the jobholders to have acquired comprehensive administrative or technical knowledge (usually acquired in tertiary education).
2. Task Group 2 consists of employees in positions where very difficult, complex and diverse tasks are to be performed and which require, in addition to vocational training, a substantial amount of work experience and specific occupational knowledge. Furthermore, employees in positions with a lesser though still significant scope of decision-making authority and discretion are also assigned to Task Group 2.
3. Task Group 3 employees perform difficult tasks that require vocational training and, in some cases, some years of work experience.
4. Employees who perform mainly low-skilled jobs that do not require vocational training but training-on-the-job for one or two years are assigned to Task Group 4.
5. Task Group 5 covers employees who perform unskilled or low-skilled jobs that require only short periods of instruction and up to three months on-the-job-training.

Finally, when interpreting the annual figures it should generally be kept in mind that changes in average gross monthly earnings can also result from changes in the composition of the workforce, such as the proportion of part-time workers in the economy, or variations in the working time of part-time workers.

Sectoral trend statistics on average gross monthly earnings and important context variables

Table 2

Manufacturing					
–					
Annual average gross annual earnings fell between 2008 and 2009.					
	2006	2007	2008	2009	2010
Annual average gross annual earnings¹	35,773	36,689	37,323	35,998	37,584
Annual average gross monthly/ annual earnings, Male	n.a.	n.a.	n.a.	n.a.	n.a.
Annual average gross monthly/ annual earnings, Female	n.a.	n.a.	n.a.	n.a.	n.a.
Total employment (in 1,000)	6,821(7,113) ²	6,932(7,212) ²	7,083(7,360) ²	6,859(7,123) ²	6,727(6,991) ²
Total full-time equivalents	n.a.	n.a.	n.a.	n.a.	n.a.
Average annual working	1,438.2 ¹ (1,469.1) ²	1,437.7 ¹ (1,466.1) ²	1,424.3 ¹ (1,453.2) ²	1,327.6 ¹ (1,360.5) ²	1,402.8 ¹ (1,434.1) ²

Manufacturing					
–					
Annual average gross annual earnings fell between 2008 and 2009.					
	2006	2007	2008	2009	2010
time					
% Productivity yearly increase	9.9 ^{2,3} (10.0) ^{2,4}	3.5 ^{2,3} (3.8) ^{2,4}	-4.8 ^{2,3} (-4.0) ^{2,4}	-19.7 ^{2,3} (-14.2) ^{2,4}	13.5 ^{2,3} (7.6) ^{2,4}
Collectively agreed pay yearly increase in %⁵	1.7	3.1	3.0	3.0	1.8
Measure of wage dispersion: Ratio of mean earnings in Task Group 1 to mean earnings in Task Group 5⁶	n.a.	2.90	3.00	3.13	3.01

Notes: 1 excluding self-employed, 2 including self-employed; 3 per employee; 4 per working hour; 5 increase in monthly wages in comparison to previous year with average based on four monthly wages – status end of the month 6 only full-time employees in establishments with ten and more workers

Sources: Destatis, Cologne Institute for Economic Research (IW Köln)

Table 3

Construction					
–					
Annual average gross annual earnings fell slightly between 2008 and 2010.					
	2006	2007	2008	2009	2010
Annual average gross annual earnings¹	32,840	33,432	33,919	33,718	33,571
Annual average gross monthly/annual earnings, Male	n.a.	n.a.	n.a.	n.a.	n.a.
Annual average gross monthly/annual earnings, Female	n.a.	n.a.	n.a.	n.a.	n.a.
Total employment (in 1,000)	1,863 ¹ (2,324) ²	1,894 ¹ (2,359) ²	1,883 ¹ (2,343) ²	1,891 ¹ (2,364) ²	1,907 ¹ (2,383) ²
Total full-time equivalents	n.a.	n.a.	n.a.	n.a.	n.a.
Average weekly working time	1,516.2 ¹ (1,651.2) ²	1,532.7 ¹ (1,651.2) ²	1,548.4 ¹ (1,651.2) ²	1,518.6 ¹ (1,651.2) ²	1,535.0 ¹ (1,651.2) ²
% Productivity yearly increase	0.4 ^{2,3} (-0.4) ^{2,4}	-2.3 ^{2,3} (-3.0) ^{2,4}	0.4 ^{2,3} (-0.5) ^{2,4}	-5.0 ^{2,3} (-3.9) ^{2,4}	0.9 ^{2,3} (-0.2) ^{2,4}
Collec-	0.7	2.0	3.0	2.4	2.4

Construction					
–					
Annual average gross annual earnings fell slightly between 2008 and 2010.					
	2006	2007	2008	2009	2010
tively agreed pay yearly increase in %					
Measure of wage dispersion: Ratio of mean earnings in Task Group 1 to mean earnings in Task Group 5⁵	n.a.	2,49	2,59	2,72	2,79

Notes: 1 excluding self-employed, 2 including self-employed; 3 per employee; 4 per working hour; 5 only full-time employees in establishments with ten and more workers
Sources: Destatis; Institute of Economic and Social Research (WSI); IW Köln

Table 4

Hotels, restaurants, catering					
–					
The crisis had only moderate effects on wages.					
	2006	2007	2008	2009	2010
Annual average gross annual earnings	13,279	13,478	13,804	13,604	13,735
Annual average gross monthly/	n.a.	n.a.	n.a.	n.a.	n.a.

Hotels, restaurants, catering					
–					
The crisis had only moderate effects on wages.					
	2006	2007	2008	2009	2010
annual earnings, Male					
Annual average gross monthly/annual earnings, Female	n.a.	n.a.	n.a.	n.a.	n.a.
Total employment (in 1.000)	1,531	1,573	1,603	1,663	1,679
Total full-time equivalents	n.a.	n.a.	n.a.	n.a.	n.a.
Average annual working time	1,175.6 ¹ (1,432.4) ²	1,180.8 ¹ (1,432.2) ²	1,186.2 ¹ (1,443.6) ²	1,141.1 ¹ (1,386.2) ²	1,144.8 ¹ (1,383.8) ²
% Productivity yearly increase	-0.1 ^{2,3} (3.1) ^{2,4}	5.7 ^{2,3} (8.6) ^{2,4}	-3.6 ^{2,3} (-2.5) ^{2,4}	-9.7 ^{2,3} (-2.4) ^{2,4}	0.2 ^{2,3} (1.4) ^{2,4}
Collectively agreed pay yearly increase in %	n.a.	n.a.	n.a.	n.a.	n.a.
Measure of wage dispersion: Ratio of	n.a.	2,78	2,83	2,76	2,74

Hotels, restaurants, catering					
–					
The crisis had only moderate effects on wages.					
	2006	2007	2008	2009	2010
mean earnings in Task Group 1 to mean earnings in Task Group 5⁵					

Notes: 1 excluding self-employed, 2 including self-employed; 3 per employee; 4 per working hour; 5 only full-time employees in establishments with ten and more workers

Source(s): Destatis; IW Köln

Table 5

Banking and insurance					
–					
The crisis only slowed the positive wage trend.					
	2006	2007	2008	2009	2010
Annual average gross monthly earnings¹	55,469	57,486	58,304	58,530	59,224
Annual average gross monthly/annual earnings, Male	n.a.	n.a.	n.a.	n.a.	n.a.
Annual average gross monthly/annual earnings, Female	n.a.	n.a.	n.a.	n.a.	n.a.

Banking and insurance – The crisis only slowed the positive wage trend.					
	2006	2007	2008	2009	2010
Total employment in 1,000	1,088 ¹ (1,253) ²	1,070 ¹ (1,225) ²	1,067 ¹ (1,218) ²	1,075 ¹ (1,229) ²	1,070 ¹ (1,227) ²
Total full-time equivalents	n.a.	n.a.	n.a.	n.a.	n.a.
Average annual working time	1,456.0 ¹ (1,534.9) ²	1,438.9 ¹ (1,534.9) ²	1,440.1 ¹ (1,534.9) ²	1,412.5 ¹ (1,534.9) ²	1,431.3 ¹ (1,534.9) ²
% Productivity yearly increase	6.9 ^{2,3} (7.7) ^{2,4}	8.3 ^{2,3} (9.8) ^{2,4}	2.9 ^{2,3} (2.8) ^{2,4}	10.7 ^{2,3} (12.3) ^{2,4}	0.0 ^{2,3} (-1.2) ^{2,4}
Collectively agreed pay yearly increase in %	2.1	1.8	2.7	1.8	1.8
Measure of wage dispersion: Ratio of mean earnings in task Group 1 to mean earnings in Task Group 5⁵	n.a.	3,10	3,30	3,18	3,19

Notes: 1 excluding self-employed, 2 including self-employed; 3 per employee; 4 per working hour; 5 only full-time employees in establishments with ten and more workers

Source(s): Destatis; WSI; IW Köln

Table 6

Public administration					
–					
The crisis did not have any significant impact on wages.					
	2006	2007	2008	2009	2010
Annual average gross annual earnings	29,298	29,587	30,290	31,248	32,015
Annual average gross monthly earnings, Male	n.a.	n.a.	n.a.	n.a.	n.a.
Annual average gross monthly earnings, Female	n.a.	n.a.	n.a.	n.a.	n.a.
Total employment in 1,000	2,750	2,734	2,725	2,741	2,735
Total full-time equivalents	n.a.	n.a.	n.a.	n.a.	n.a.
Average annual working time	1,454.7	1,447.4	1,442.6	1,418.8	1,428.0
% Productivity yearly increase	1.4 ¹ (1.8) ²	1.4 ¹ (1.4) ²	1.7 ¹ (1.7) ²	1.3 ¹ (3.6) ²	1.7 ¹ (0.8) ²
Collectively agreed pay yearly increase in %⁴	0.5	0.6	4.4	3.7	0.9
Measure of wage dispersion: Ratio of mean earnings in Task Group 1 to mean earnings in Task Group 5³	n.a.	n.a.	n.a.	2,71	2,74

Notes: 1 per employee; 2 per working hour; 3 only full-time employees in establishments with ten and more workers; 4 Public administration and compulsory social security activities

Sources: Destatis; WSI; IW Köln

Methodological information on the provided statistics

Please provide again the following methodological information on the provided statistics:

- Definition of the earnings (what components are included or excluded?)
- Coverage (sectors excluded, if any; type of employees)
- Constant or current prices (real or nominal terms)
- Source data (for example administrative data; national accounts or specific survey):
- Definition of the labour productivity data

For the definition of earnings, please refer to paragraph 1.1b. Data on gross earnings, total employment, and working time are collected from national accounts. This also applies to productivity increases in manufacturing, construction and banking/insurance. Productivity growth in hotels, restaurants and catering as well as in public administration is calculated by using original data from national accounts. Data for estimating the ratio

of mean earnings in Task Group 1 to those in Task Group 5 are taken from the quarterly earnings survey (for further information, please refer to paragraph 1.1b) and only hold for full-time employees. Earnings are in nominal terms.

Annual growth in labour productivity is expressed in real terms and refers to the ratio of value added (in real terms) to either the number of employees or the total number of working hours.

The ratio of mean earnings in Task Group 1 to those in Task Group 5 is a rather imprecise indicator of the wage dispersion as it does not refer to earnings distribution. It covers only full-time employees and is only applied as an approximation because information on specific quantiles of earnings per hour (as an accurate indicator) does not exist for the various sectors.

Data for average wage increases stipulated by collective agreements are based on either data provided by the Institute of Economic and Social Research (WSI) (Table 3, 5 and 6 - Dribbusch, 2011) or data taken from administrative data on the development of collectively agreed pay that are published quarterly by Destatis (Table 2).

Available statistical insights/studies on wage-related trends

1. Wage drift: differences between the actual wage increase and the collectively agreed wage increases; Are there also remarkable sector differences in this regard? (cf. the 5 selected sectors)

According to figures provided by the Deutsche Bundesbank, the German central bank, the wage drift was mostly negative between 2005 and 2010 except in 2007 and 2010 (see Table 7). Altogether, effective wages fell 2.6% short of the average wage path based on collective agreements between 2005 and 2010. While this feature also holds specifically for the secondary sector the adverse impact of the crisis on the wage drift was even more pronounced in 2008 and 2009. Thus, the total wage drift amounted to a decline of -4.6% over the whole period. The Deutsche Bundesbank does not provide any figure for the service sectors. According to the latest monthly report of the Deutsche Bundesbank, the wage drift is expected to increase noticeably in 2011. Besides a normalization of working hours due, for example, to a reduction of short-time working, this development is driven by many companies paying special bonuses to let their employees participate in their positive performance.

Table 7

Wage drift		
-		
The wage drift has been negative since 2005.		
	Whole economy	Secondary sector ¹
2005	-0.7	-0.2
2006	-0.3	-0.2

Wage drift		
-		
The wage drift has been negative since 2005.		
	Whole economy	Secondary sector ¹
2007	0.1	0.2
2008	-0.6	-1.0
2009	-2.3	-5.0
2010	0.5	1.5

Notes: Wage drift: difference between effective wage increases and collectively agreed wage increases in %, in comparison to previous year; 1 extractive industries, manufacturing, and construction

Source: Deutsche Bundesbank

2. Wage inequality or dispersion: differences between highest and lowest wage categories; the % of low-wage workers; Are there also remarkable sector differences in this regard? (cf. the 5 selected sectors)

According to Schäfer and Schmidt (2011), the proportion of employees whose gross hourly wages do not reach two-thirds of the median wage amounted to 22.4% in 2009 (see Table 8). The corresponding threshold hourly wage totalled 8.94 euro in 2009. While the share of employees in the low wage sector had significantly increased from 1994 (16%) to 2007 (23%), it remained more or less constant between 2007 and 2009. Brenke and Grabka show that this stagnation continued into 2010 (Brenke/Grabka, 2011). Shares are extrapolated with data from the German Socio-Economic Panel (SOEP) – a large-scale, representative household survey (Weiler, 2006).

Table 8

Significance of the low wage sector	
-	
Low-wage sector has not expanded since 2005.	
Year	Proportion of employees with low wages in %
1994	16
2005	21
2006	22
2007	23
2008	22
2009	22

Notes: Low wages are wages that do not reach two-thirds of the median wage.

Source: Schäfer/Schmidt, 2011

According to information in the OECD database, the conventional decile-ratios of earnings of full-time workers in Germany remained constant between 2006 and 2008 (Table 9). Wage-dispersion between the upper and lower parts of the wage distribution has grown over the last few decades (see for example Möller/Hutter, 2011 for the development between 1984 and 2008). The figures in square brackets, representing the ratios of the various deciles' hourly wages in 2005 and 2010, suggest that the significant rise in wage-dispersion between the upper and lower parts of the wage distribution over the last decades has more or less come to a halt since 2005 (Brenke/Grabka, 2011).

Table 9

Decile-ratios of workers' earnings			
–			
Rise in earnings dispersion has come to halt.			
	D9/D1¹	D9/D5²	D5/D1³
2005	3.27 ⁴ (5.3) ^{5,6}	1.68 ⁴ (2.0) ^{5,6}	1.95 ⁴ (2.7) ^{5,6}
2006	3.34 ⁴	1.75 ⁴	1.90 ⁴
2007	3.35 ⁴	1.73 ⁴	1.93 ⁴
2008	3.32 ⁴	1.72 ⁴	1.93 ⁴
2010	(5.5) ^{5,6}	(2.2) ^{5,6}	(2.6) ^{5,6}

Notes: Earnings do not include bonuses or one-time payments; 1 9th decile to 1st decile; 2 9th decile to 5th decile; 3 5th decile to 1st decile; 4 nominal gross monthly earnings of full-time workers; 5 real gross hourly wages of all employees except apprentices; 6 data refer to Brenke/Grabka, 2011

Sources: OECD; Brenke/Grabka, 2011

3. The use of variable pay and financial participation; Are there also remarkable sector differences in this regard? (cf. the 5 selected sectors)

The prevalence of profit sharing did not significantly change between 2005 and 2009 (see table 10). This also generally applies to the share of employees in companies with profit sharing who benefit from such schemes. While profit sharing is more prevalent in banking and insurance, it is less widespread in construction. Data are collected from the establishment panel of the Institute for Employment Research (IAB).

Table 10

Dissemination of profit sharing schemes				
–				
Prevalence of profit-sharing remains constant.				
	Establishment with profit sharing schemes in %		Average participation rate in companies with profit sharing schemes – in % of the staff	
	2005	2009	2005	2009
Manufacturing	10	9	53	64
Construction	5	2	54	51
Banking and insurance	n.a.	24	n.a.	78
HoReCa and other service industries ¹	n.a.	7	n.a.	73
Total	9	9	62	66

Notes: 1 Hotels, restaurants, and catering and other service industries (excluding wholesale and retail, transport and logistics, information and communication, health and education, real estate, renting, and business activities)

Sources: Bellmann/Möller, 2011; Bellmann/Leber, 2007

2. Studies on the relationship with working conditions

How do trends in employment creation or destruction explain possible negative wage trends during the current the crisis

Table 1 suggests that, with respect to the whole economy, nominal wages remained more or less constant during the crisis. An analysis by the WSI based on non-representative salary data also indicates that only a minority of covered workers incurred pay cuts (Krämer, 2010c). Table 2, however, clearly shows that this did not apply to manufacturing where annual average gross annual earnings in 2009 fell about 1,300 euro short of the corresponding level in 2008. The latter results most likely from the reduction of paid overtime work and the relatively extensively use of short-time work in manufacturing.

- Paid overtime was about ten hours less in 2009 than in 2008.
- Administrative data provided by the Federal Employment Agency (BA) shows that the total number of employees working short-time reached its peak in April/Mai 2009 at about 1.45 million employees (equal to around 0.4 million full-time equivalents), of whom roughly 1.19 million (representing more than 0.3 million full-time equivalents) were employed in manufacturing.

General provisions stipulate that the affected employees receive short-time working allowances to the value of 60% of the wage cut (net of taxes) for single persons or 67% for employees with children. Some collective agreements, however, provide for supple-

ments to short-time allowances that maintain net earnings at between 75% and 100% of workers' regular wage level (Stettes, 2009b). This applies, for example:

- in the chemicals industry, where supplements raise the net earnings level to 90% of the regular wage,
- in the metalworking industry in the North Wurttemberg-North Baden bargaining district, where the guaranteed wage level for short-time work is 80%

These provisions, therefore, mitigated employees' earnings losses arising from the adoption of short-time work. To sum up, when the crisis adversely affected wages it did so mainly through its impact on working-time.

If there is no negative wage trend, please provide information which explain why wages in the country did not react in a negative way to this economic shock of the current crisis

A study by the IAB based on the regular Works Councils Survey that is carried out by the WSI shows that working time accounts were widely exploited by German companies between summer 2008 and autumn 2009 to combat the adverse impact of the economic crisis (Stettes, 2011). Existing working time deposits decreased by 45 hours on average. In addition, a proportion of 60% or more of the employees in the majority of companies surveyed were affected by the use of working time accounts to reduce costs while avoiding redundancies. The use of flexible working time accounts is said to be one reason why adverse effects on employment were avoided at both the company and the macroeconomic level (Dribbusch, 2009b, Stettes, 2009a). As working time accounts detach wages from working time within a specific period, the monthly pay of the employees is not affected if the number of their accumulated hours is reduced (or increased).

Bellmann and Gerner (2011) show that companies that were adversely affected by the crisis paid, on average, higher wages than those which were not severely exposed to a decline in demand. With respect to the former establishments, the crisis appears to have had no significant impact on the average earnings. This holds even for establishments that concluded so-called "pacts for employment", which usually stipulate wage concessions (with and without a corresponding change in working time) in return for job security or rather job guarantees (see section 2.2). They also confirm that, on average, the general mechanism of working time accounts prevented an adverse impact on wages.

Burda and Hunt (2011) argue that wage moderation prior to the crisis may account for 20% of unexpected labour hoarding in Germany. They also find no evidence for lower labour costs resulting from lower wages during the recession at the macroeconomic level. Likewise, Bochahova, Boockmann, and Buch (2011) suggest that the accumulation of profits during the preceding recovery period may have helped companies to sustain employment during the crisis. Möller (2010) argues that three quarters of the companies most severely affected by a shortfall in orders and production had been hitherto confronted with a shortage of skilled labour. This may have prevented many companies from enforcing pay cuts and related measures and encouraged them instead to cushion the crisis for employees by accepting lower profits. This does not, of course, rule out the

possibility that in some companies employees had to accept wage concessions in order to safeguard jobs.

Finally, it should be noted that the reduction in marginal employment is also very likely to have also enabled firms to refrain from imposing wage concessions on their core workforces. According to responses to a representative establishment survey conducted by the IAB, recruitment freezes were the most significant measure adopted by establishment subject to the crisis (Stettes, 2009a). In concrete terms, this means that many companies failed to renew expiring fixed-term contracts during the crisis. In addition, the deployment of temporary agency workers was significantly reduced. According to BA administrative data, this resulted in a decline in the total number of temporary agency workers of roughly 30% (from 823,000 to 580,000) between July 2008 and April 2009.

2.2 Effects of a change in wages on the working conditions

While previous specific surveys on the prevalence and impact of pacts for employment based on responses given by managers found that employment had been stabilised and job security increased by such alliances (eg Berthold/Brischke/Stettes, 2003; Lesch, 2008), econometric evidence concerning their impact on employment is less clear-cut. Bellmann and Gerner (2011) show that, on average, fewer jobs were cut in companies which applied a pact for employment than in firms without a pact. Yet the difference was not statistically significant. Analysing the Works Councils Survey, Hübler (2005) found a significant negative correlation between the incidence of a pact on employment and employment. It remains unclear, however, whether employment losses would not have been even more severe in the absence of the pacts for employment. Finally, Bellmann, Gerlach, and Meyer (2008) did not find any evidence of positive employment effects from such “alliances for jobs”.

2.3 Trade-off effect between wages and other working conditions in the crisis

According to an analysis of some 10,000 responses to the WSI’s online salary check collected between August and December 2009, 65% of the respondents stated that the pressure to perform had increased. A further 57% reported a deterioration of the workplace ‘atmosphere’, and 48% noticed fewer opportunities for promotion (Bispinck/Dribbusch/Öz, 2010). According to a representative survey among employees in companies subject to the crisis, however, 70% of the respondents deemed the measures which the companies had, by then, adopted to combat the crisis “fair” or “more or less fair”. The employee survey was run in August 2010.

Not surprisingly, the proportion of fixed-term contracts in the total number of newly recruited employees rose significantly (by 6 percentage points) between 2008 and 2009 (Hohendanner, 2010). When companies hired new workers they wanted to keep their options while waiting to see how the crisis developed.

2.4 Commentary on annex data of the EWCS 2010 that compare access to training, feelings of job security and changes in working time for employees that have been experiencing a wage decrease, increase or no change in the year prior to the survey

The general findings in sections 2.1 and 2.2, i.e. little evidence of negative wage trends, are confirmed by the EWCS 2010 survey. Only 10% of the respondents reported a salary decline. In addition, an inverse relationship between salary increases and the likelihood of participating in employer-provided training cannot be identified. The likelihood of reporting fear of redundancy in the following six months was higher when the respondents had experienced a salary decline. This implies that a reduction of wages gives a warning that jobs are at risk. In line with the arguments put forward in section 2.1, EWCS 2010 data reveal that a decline in salaries is accompanied by a decrease in working hours resulting, for example, from short-time work or less overtime.

3. Relevant policy practices

Key companies or sector examples where a trade-off has been realised between wages and other features of the employment contractual arrangements during the crisis

Agreement to safeguard jobs in metalworking industry

In 2010, the German Metalworkers' Union (IG Metall) and the various regional employers' associations in the metalworking industry concluded agreement packages in their regular bargaining round that predominantly focus on safeguarding jobs (Krämer, 2010a).

The pay agreement prolonged the existing pay scale tables of the 2008 agreement from 1 May 2010 to 31 March 2011 with increases restricted to a lump sum paid in two steps. Wages were to increase by 2.7% with effect from 1 April 2011 but a works agreement could defer this date by up to two months.

At the time of the agreement was concluded, the accompanying employment established the following issues to prevent redundancies:

- Firstly, establishments that had implemented short-time working for at least 12 months or were about to do so could extend the duration to 24 months by way of a voluntary company agreement. During this period, redundancies were not allowed if they were on the same grounds as short-time working. The agreement aimed at a reduction of the employers' residual costs (Stettes, 2009b). Instead of being paid annually, the Christmas and holiday bonuses could be divided into 12 parts and added to the monthly allowance. This reduced the residual costs for the employers because bonuses then reflected the number of hours actually worked.
- Secondly, after the end of statutory short-time working (i.e. 18 months) the agreement arranged for a reduction of weekly working time with partial wage compensation. Weekly working time could be reduced to a minimum of 29 hours in east Germany or to between 28 and 26 hours in west Germany, depending on the region. A reduction to 28 hours was enforceable through an arbitration committee; a reduction to 26 hours was to be settled through a works agreement. For any reduction below 31 hours a week employees were to receive compensation. In

the case of 28 weekly working hours, 29.5 hours were to be paid; in the case of 26 hours, there was to be a wage-equivalent of two extra hours. Working time reductions could apply for a maximum of twelve months, but not beyond the end of June 2012.

Other working conditions remained unchanged by this agreement. The preceding settlement that was concluded in April 2009, however, allowed expiring fixed-term contracts for being renewed for another 24 months (Vogel, 2009). In addition, an opening clause provided for training measures while working short-time.

On 19 January 2012, the social partners in the Baden-Wuerttemberg agreed on the prolongation of the agreement until 1. February 2016.

Wage concessions in return for a limited job guarantee at Daimler

In 2009, the company works council and management of the German car manufacturer Daimler agreed on a number of concessions concerning working time and pay in return for a limited job guarantee (Dribbusch, 2009a):

- The working time of all employees at Daimler Germany was cut by 8.75% without pay compensation.
- Employees subject to short-time work received an additional payment on top of the statutory short-time allowance. Those who worked at sites in Baden-Wuerttemberg ended up with a pay guarantee of between 80.5% and 93.5% of the monthly net income depending on the individual extent of short-time work. For employees outside Baden-Wuerttemberg, the additional payment guaranteed a net income of between 80.5% and 90%.
- Forced redundancies were excluded until 31 December 2011. While this job guarantee only held for workers hired in or before 2004 due to a previous works agreement (Funk, 2004), about 16,000 workers who had been recruited after 2004 were, at least, protected from forced redundancies until June 2010.

The works agreement could be unilaterally cancelled by the company if the company's economic situation deteriorated further.

Collective agreement in the chemicals industry

In their 2010 collective agreement, the Mining, Chemicals and Energy Industrial Union (IG BCE) and the German Federation of Chemicals Employers' Associations (BAVC) stipulated that wage levels in the chemicals sector were not to rise (Vogel, 2010). Instead, the social partners agreed on lump-sum payments to be dealt with the payment in a flexible manner. The payments could be postponed or reduced in companies in economic distress. In this case, a separate company agreement had to be negotiated. Employees in companies not greatly affected by the economic crisis received an additional bonus. The employer and the works council both had to agree to exercise this option in their company. In cases of disagreement, the social partners at national level were to decide.

BAVC and IG BCE also agreed to safeguard employment in the chemicals sector, adopting a catalogue of measures to be considered before companies made redundancies. Such measures might include short-time work or invoking collectively agreed opening clauses. The employer had to give specific reasons and explain the situation to the works council.

3.2 Policies put in place to support vulnerable groups of workers who have been possibly most affected by the recent wage trends

As already mentioned, if at all, it was mainly employees in high-wage industries who were adversely affected by the crisis. Thus, no specific policies aimed at supporting of low-wage workers or working poor have been put in place to mitigate negative wage trends resulting from the crisis. Though regulations, such as the minimum wage in temporary agency work which took effect on 1 January 2012 and sectoral minimum wages that exist in nine other industries, can be regarded as means to prevent a continuous decline in hourly wages they are not, however, the consequence of the economic crisis. As women have also, on average, been less affected by negative wage trends due to the crisis (see Table 1, Krämer, 2010b/2010c), no specific policies triggered by the crisis have been introduced for them either.

Commentary by the NC

In comparison to the tremendous drop in the volume of incoming orders and production particularly in manufacturing, the impact of the crisis on wages was, on average, very moderate. Between 2008 and 2009 average gross annual earnings declined by only 3.6% in manufacturing, whereas production fell by nearly 20%. During the crisis companies engaged in active labour hoarding. This combined with the extended short-time work provisions meant that most employees were more or less shielded from major negative effects on wages and employment. In addition, there is no evidence that other working conditions, such as training participation or safety and health at work have deteriorated.

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Questionnaire

Block 1: Wage trends 2006-2010

1.1.a Please provide annual statistics on average gross monthly earnings or yearly average wages by gender, occupational category (ISCO), part-time/full-time in your country from 2006 to the latest available year.

1.1.b Please provide the following methodological information on the provided statistics:

1.2.a Please provide for the selected sectors, when available the following annual trend statistics on average gross monthly earnings and important context variables. The time period is 2006 until the latest available year.

1.2.b Please provide again the following methodological information on the provided statistics.

1.3 Please provide for your country the available statistical insights/studies on the following wage-related trends, briefly commenting: the period 2006-2010.

Block 2: Studies on the relationship with working conditions

2.1.a Please provide information on relevant studies or statistical findings which show how trends in employment creation or destruction explain possible negative wage trends during the current the crisis in the country. Is there for example playing a composition effect: higher paid industry jobs are cut and partly replaced by lower-paid service jobs? Is it a question of shorter working hours, less overtime?

2.1.b If there is no negative wage trend, please provide information on relevant studies or statistical findings which explain why wages in the country did not reacted in a negative way to this economic shock of the current crisis? Are trends in working conditions and employment included in these explanations?

2.2 Please provide information on relevant studies or statistical findings (current or from the past) on what effect a change in wages (increase, freeze or cut) has on the working conditions in the country or their outcome (job security, well-being at work and job satisfaction).

2.3 Please provide information on relevant studies or statistical findings showing a trade-off effect between wages and other working conditions in the crisis. Possible other working conditions are other forms of rewards, job security, working time revisions, changes in work organisation, and training opportunities.

2.4 Complementary to question 2.3, we have included in annex data of the EWCS 2010 for your country that compare access to training, feelings of job security and changes in working time for employees that have been experiencing a wage decrease, increase or no change in the year prior to the survey. These data are indicative for possible trade-off effects. Could you please have a brief look to these data and comment?

Block 3: Relevant policy practices

3.1 Please identify and describe 3 key company or sector examples where a trade-off has been realised between wages and other features of the employment contractual arrangements during the crisis.

3.2 Please identify policies recently put in place to support vulnerable groups of workers who have been possibly most affected by the recent wage trends. Priority should be given to policies and measures put in place to support low-wage workers, working poor and women. Additional attention could be paid to young workers, elderly workers and migrant workers.

Commentary by the NC