WORKING PAPER

Industrial relations and social dialogue

Germany: Developments in working life 2023

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Eurofound reference number: WPEF24046

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

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Introduction

In 2022 and 2023, the German economy and working life was significantly impacted by crisis. After a post-pandemic recovery in 2022 and the first half of 2023, the German economy slipped into recession in the second half of 2023. Preliminary calculations by the Federal Statistical Office show that the price-adjusted gross domestic product was 0.3% lower in 2023 when compared to the previous year (Federal Statistical Office, 2024a). In 2023, consumer prices increased by 5.9% (also over the previous year) (Federal Statistical Office, 2024b). Food prices increased particularly strongly (+12,4%).

According to the Federal Employment Agency, there were approximately 2.6 million people unemployed in 2023 which is an increase by 191,000 persons over 2022 (Federal Employment Agency, 2024a). The annual unemployment rate increased by 0.4 percentage points, resting on average at 5.7% in 2023. Some 220,000 people were on short-time work in 2023. This compares to approximately 426,000 short-time workers in 2022. Overall, the Federal Employment Agency concludes that the German labour market – given the weak economic situation – still performed well in 2023. Labour force participation and employment were high, and the unemployment rate was still one of the lowest since the German re-unification (Federal Employment Agency, 2024a).

After 60 years of nuclear energy in Germany, the last three remaining nuclear power plants were shut down on 15 April 2023. This is the result of a decision taken by the Federal Government in 2011, following the Fukushima incident (tagesschau.de, 2023a). Federal Environment Minister, Ms Steffi Lempke (Greens) stated that the nuclear phase out will make Germany safer, supporting her colleague, Ms Ricarda Lang (Greens), who emphasised that this is the final step towards the age of renewable energies (tagesschau.de, 2023a). However, safeguarding energy supply and investing into climate-friendly energy sources and infrastructure has remained a vital and strongly debated topic since Russia’s invasion of the Ukraine and the subsequent stoppage of Russian gas supplies (see next section).

Political context

The last quarter of 2023 was overshadowed by the Federal Constitutional Court's decision in mid-November 2023, that the "Climate and Transformation Fund" cannot be funded by unused funds for overcoming the COVID-19 pandemic (Federal Ministry of Finance, 2023). In detail, the court's decision meant that the Federal Government had to cut €60 billion from the "Climate and Transformation Fund" that it had set up in 2022. Moreover, it also had to renegotiate federal budgets for 2023 and 2024. Due to the Federal Constitutional Court's decision, Federal Finance Minister, Mr Christian Lindner (Liberals), imposed an immediate budget freeze. A short time later, the Federal Government voted in favour of a supplementary budget and initiated the first steps for a renewed suspension of the debt brake in order to constitutionally secure the budget for 2023 (Federal Ministry of Finance, 2023). Amongst other things, the Federal Government agreed to shorten the budged of the "Climate and Transformation Fund" by €60 billion, close the economic and stabilisation fund and let the state electricity and gas price brakes expire by the end of the year (Federal Ministry of Finance, 2023).

Whilst the Federal Government presented a solution for the 2023 budget after a three-week budget freeze, a result for the 2024 budget was not easily reached. The Federal Government was able to agree on large parts of the budget, but a compromise on some points, such as agricultural policy, the emergency aid for the Ahrtal region (flooded in July 2021), Ukraine aid and the debt brake, was not reached in 2023. A solution was finally presented in January 2024, but certain measures are met with heavy criticism. Many farmers took to the streets protesting the Federal Government's decision to cut certain agricultural subsidies (tagesschau.de, 2024).

Apart from these major budgetary issues, federal states elections were held in Bavaria and Hesse in 2023. In Hesse, the Christian Democrats (CDU) won the election with 34.6% of the votes which is a 7.6 percentage point increase compared to the previous election. The right-wing Alternative for Germany (AfD) secured 18.4% of the vote (+5.3 percentage points), the Social Democrats (SPD) 15.1% and the Greens (Grüne) 14.8%. Both, the Social Democrats and the Greens, lost around 5 percentage points in votes compared to the previous election (Hessian Parliament, 2023). In Bavaria, the Christian Social Union (CSU) won the election securing 37% of the vote, followed by the Free Voters (Freie Wähler) with 15.8% of the vote (+4.2 percentage points) and the AfD with 14.7% of the vote (+4.4 percentage points). The Greens received 14.4% of the vote (-3.2 percentage points) (Bavarian Statistical Office, 2023). Overall, elections in Hesse and Bavaria showed a shift towards more conservative and right-wing parties.

Actors and institutions

Social partners

No changes.

Social dialogue bodies or frameworks

2023 saw the return of the Minimum Wage Commission independently setting the statutory minimum wage levels (Minimum Wage Commission, 2023). However, employer and union representatives having a seat in the Minimum Wage Commission did not agree on new minimum wage levels and had to resort to a mediation procedure (Minimum Wage Commission, 2023). In the end, the final decision was taken against the votes of the trade union representatives. The remaining members (chair and employer representatives) agreed that the statutory minimum wage should rise to €12.41 on 1 January 2024 and to €12.82 in January 2025. The Federal Government implemented the recommendation by ordinance on 29 November 2023 (Federal Government, 2023).

Other working life related institutions

On 1 January 2023, the new welfare benefit called ‘citizen's benefit’ was introduced (Federal Government, 2024). The citizen's benefit represents a comprehensive reform of the former unemployment benefit II. The reform came into force on 1 January 2023. As of this date, anyone who was previously entitled to the unemployment benefit II or social benefit is now entitled to citizen's benefit. In order to ensure living expenses, the monthly standard rates were adjusted for 2023 (€502 for a single adult) and 2024 (€563 for a single adult). In addition to price and wage trends, inflation is now taken more strongly into account when setting the standard rates (Federal Government, 2024).

Additional changes introduced with the citizen’s benefits include the following (Federal Government, 2024; Federal Employment Agency, undated):

- Benefit recipients may keep their savings in the first year of receiving benefits. Assets only have to be used if they exceed €40,000.
- Housing costs will be covered in the first year of receiving the benefit. However, heating costs are only granted to a reasonable extent in order to encourage economical use of energy.
- In the case of employment with an income between €520 and €1,000, 30% of this income may be retained by benefit recipients, which is around €90 more than before.
- Since 1 July 2023, incentives for catching up on vocational qualifications have been strengthened (see below section on “Life long learning and skills development”).
- From now on, a reduction in benefits is possible in the event that the recipient does not cooperate or fulfil his or her duties. Depending on the breach of duty, benefits can be reduced by between 10% and 30% for up three months.

Developments in collective bargaining

Changes to the collective bargaining structures and frameworks

Collective bargaining structure or the framework as such did not change.

Data on collective bargaining

As shown in table 1, the proportion of employees working in establishments with sector-level agreements in place continued to fall from 46% in 2018 to 41% in 2022 (Institute for Employment Research, 2023). In contrast, the proportion of employees working in companies with a company-level agreement in place rose from 8% to 10% over the same period (see Table 1).

Table 1: Share of employees working in establishments with collective agreements (2018 to 2022)

	Sector-level collective agreement (%)	Company-level collective agreement (%)	No collective agreement (%)	No collective agreement but oriented towards an agreement (%)
2018	46	8	46	50
2019	44	8	48	51
2020	43	8	49	40
2021	43	9	48	47
2022	41	10	49	51

Source: IAB-Establishment Panel

From 2018 to 2022, the establishments' collective bargaining coverage in Germany remained largely stable (Institute for Employment Research, 2023). In 2022, 25% had a collective agreement in place. Larger companies are still more often covered by a collective agreement in comparison to smaller companies. In 2022, 59% of the establishments with 201 or more employees had a sector-level agreement and another 20% a company-level agreement in place. In comparison, 41% of establishments with 101 to 200 employees had a sector-level and 9% had a company-level agreement in place (Institute for Employment Research, 2023).

When it comes to the collective bargaining round in 2023, the trade unions united under the umbrella of the German Confederation of Trade Unions (DGB) entered negotiation for wage agreements for almost 11 million employees (WSI Collective Bargaining Archive, 2023b). Collective bargaining took place in various sectors, including the construction industry, the textile and clothing industry (western Germany), the paper, cardboard and plastics processing industry, the public sector, the confectionery industry, the motor vehicle trade in Bavaria, the energy and utilities industry (eastern Germany), the retail sector (North Rhine-Westphalia) or the iron and steel industry (WSI Collective Bargaining Archive, 2023b). Negotiations were also held at German postal provider Deutsche Post and railways company Deutsche Bahn. Apart from unions' demands for higher pay, working time issues reappeared on the bargaining agenda in 2023, also leading to major industrial actions in some sectors (see sections below).

Collectively agreed pay outcomes and wage-setting mechanism

During the 2023 collective bargaining round, trade union demands for higher wages were often accompanied by demands beyond pay – making their total volume hard to compare. However, unions wage demands in 2023 were driven by rising consumer prices and inflation, also leading to more industrial action to enforce these demands (Lesch and Eckle, 2024; WSI-Collective Bargaining Archive, 2023b). In the retail sector in North-Rhine Westphalia, the United Services Union (ver.di) for example demanded a rise in hourly wage by €2.50 with the lowest wage being set at €13.50 per hour (Lesch and Eckle, 2024). In the two collective bargaining rounds for employees at the federal and municipal level as well as for federal states' level, ver.di demanded wage increases of 10.5% and least €500. For the employees of Deutsche Bahn, the Railways and Transport Union (EVG) presented 57 individual demands. Amongst them was the call for 12% higher monthly wages (at least €650) (Lesch and Eckle, 2024; WSI-Collective Bargaining Archive, 2023b).

The German Metalworkers' Union (IG Metall) not only demanded an increase in wages by 8.5% for employees in the steel industry but also a reduction of the weekly working time from 35 to 32 hours with full wage compensation. The German Engine Drivers' Union (GDL) demands monthly wage increases of €555 and an inflation compensation bonus of € 3,000, reducing the working time of shift workers from 38 to 35 hours per week (amongst other things) (Lesch and Eckle, 2024; WSI-Collective Bargaining Archive, 2023b). More details on the working time issue are provided in the section on working time developments.

In the end, preliminary calculations of the Institute for Economic and Social Research (WSI) show that collectively agreed wages rose by 5.6% in 2023 (Schulten and Jung, 2023). This compares to collectively agreed wages rising by 2.7% in 2022 (Schulten and Jung, 2023). Trade unions and employers often agreed on a percentage increase in wages as well as on the so-called "inflation compensation premium" (see next section).

Collective bargaining and inflation

Collective bargaining rounds in 2023 took place as scheduled with no extra bargaining rounds due to high inflation. There are no records of the use of inflation indexation-clauses in collective agreements. Dealing with inflation or other economic issues is part of the "standard" collective bargaining rounds. Both sides of the industry usually analyse the economic data and situation in their sector, often also asking their members for their views on an upcoming bargaining round, before presenting their demands or coming to the negotiation table (even in challenging times).

However, as already stated above, unions' rising wage demands were largely driven by rising consumer prices during 2022 and 2023. The long phase of relatively high inflation rates led to more conflictual bargaining. Unions did not only become more ambitious in their demands but also backed them up with organising industrial action (Lesch and Eckle, 2024). In addition, some trade unions also reported that they attracted many new members due to their tougher bargaining strategies and organising industrial action.

In the end, social partners in many sectors agreed on a percentage increase in wages as well as one-off payments (Lesch and Eckle, 2024; Schulten and Jung, 2023). The Federal Government had agreed in autumn 2022 that employers paying their employees additional one-off payments would not have to pay tax- or social security-contributions on these so-called “inflation compensation premiums” (see next section.[i]

Developments in governmental responses to inflation

Already in 2022, the Federal Government issued three major packages as a response to rising inflation; supporting citizens and companies alike. 2023 did not see another relief package by the Federal Government but the continuation of measures already adopted in the previous year. As we already reported on many related measures in our 2022 report, we will not repeat them here.

However, as already shown above, the "inflation compensation premium" continued to play an important role in the collective bargaining of 2023. In 2022, the Federal Chancellor, Mr Olaf Scholz (SPD), invited social partners to jointly discuss appropriate measures that would help workers and companies alike to deal with the rising prices. The inflation compensation premium is a result of this concerted effort. [ii] The inflation compensation premium is free of any tax or social security contribution deductions up to an amount of € 3,000 (between 26 October 2022 and 31 December 2024). The premium is a voluntary benefit paid by the employer. However, unions and employer organisations often agreed on such premiums during the 2023 bargaining round as these payments offer employees a certain degree of financial security and at the same time guarantee companies more leeway with their labour costs.

The "inflation compensation premium" was part of the third relief package issued by the Federal Government in 2022, as was the gas and electricity price brake. [iii] To provide some financial support in times of steeply rising gas and electricity prices, the Federal Government implemented a gas and electricity price brake (valid in 2023). Since 1 January 2023, price caps on gas (12 cent per kilowatt hour for private households and small-and medium-sized households using less than 1.5 million kilowatt hours annually) as well as on district heating (9.5 cents per kilowatt hour) were in place. Reduced prices only applied to 80% of the users' annual consumption (to incentivise gas saving). Electricity prices were also capped at 40 cents per hour for 80% of the users' annual demand.

Also, at the beginning of 2023, a housing benefit reform came into force. The housing benefit supports low-income households (most of all families, single parents and senior citizens) with covering their rent.[iv] Whilst the exact amount provided to recipients is determined by the local housing allowance office, the allowance is expected to increase on average by €190 per month. Finally, a new heating cost component was also introduced with a view to rising energy costs: €2 per square meter are paid to beneficiaries.

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[i] Eurofound (2023), Inflation compensation premium, DE-2022-44/3039 (measures in Germany), EU PolicyWatch, Dublin.
[ii] Eurofound (2023), Inflation compensation premium, DE-2022-44/3039 (measures in Germany), EU PolicyWatch, Dublin.
[iii] Eurofound (2023), Gas and electricity price brake, DE-2023-1/3031 (measures in Germany), EU PolicyWatch, Dublin.
[iv] Eurofound (2023), Housing benefit reform, DE-2023-1/3029 (measures in Germany), EU PolicyWatch, Dublin.

Labour disputes and industrial action

The collective bargaining round in 2023 saw a strong increase in industrial action when compared to the previous year.

Changes to the right to strike

No changes.

Data on industrial action

The Federal Employment Agency (BA) publishes annual data on establishments affected by industrial action and number of workers participating in such action. The BA only records data on industrial action and lockouts if at least 10 employees participate in the action in a given establishment. In addition, the industrial action must at least last one day or result in a loss of more than 100 working days to be recorded in the official statistic (Federal Employment Agency, 2022).

According to the BA's latest data, 5,217 establishment were affected by industrial action in 2023 with 326,897 workers taking part in such action resulting in 590,403 working days being lost. This compares to 1,532 establishments being affected in 2022 with 285,904 workers participating in industrial action due to which 266,694 working days were lost. The number of establishments affected by industrial action, workers participating and the related number of working days lost was comparatively low during 2019 and 2020 and started to rise again after the COVID-19 pandemic.

Table 2: Industrial action in Germany (2018 to 2023)

	Number of establishments affected by industrial action	Number of workers participating in industrial action	Number of working days lost
2018	1,528	682,093	570,808
2019	1,252	88,193	161,869
2020	1,265	139,646	195,420
2021	1,251	383,762	374,411
2022	1,532	284,904	266,694
2023	5,217	326,897	590,403

Note: The Federal Employment Agency highlighted in its statistical publication that the number of working days lost are underreported by around 50,000 to 60,000 days for 2022 (Federal Employment Agency, 2022)

Source: Federal Employment Agency (2024b)

Lockouts are rarely used by employers as a countermeasure. As shown in Table 3, only few lockouts were registered by BA in the period under consideration (2018 to 2022). Numbers for 2023 were not published due to data protection reasons – meaning that numbers were too low to guarantee anonymity (Federal Employment Agency, 2024b).

Table 3: Lockouts in Germany (2018 to 2022)

	Number of establishments affected by lockouts	Number of workers affected by lockouts	Number of working days lost
2018	4	115	28
2019	3	31	52
2020	Not published due to data protection (recorded number to low)	Not published due to data protection (recorded number to low)	Not published due to data protection (recorded number to low)
2021	11	295	365
2022	7	181	1,267

Source: Federal Employment Agency (2024b)

Political strikes are not allowed in Germany. Industrial actions and strikes need to be organised by unions and content-wise be related to issues that can be agreed upon in a collective agreement. This can, for example, relate to unions' enforcing their demands during a collective bargaining round, wanting to negotiate new or additional topics with employers or with a view to negotiate an agreement with an employer for the first time.

Collective labour disputes in 2023

Lesch and Eckle (2024) show that the collective bargaining round in 2023 was more conflictual than in previous years. Overall, the researchers show that trade unions are under great pressure to fulfil employees' expectations of strengthening their purchasing power. Latter has suffered after years of falling or stagnating real wages (Lesch and Eckle, 2024). Whilst the shortage in skilled workers and labour strengthens unions' demands, employers are also suffering from high prices and inflation and are therefore less conciliatory during negotiations.

Throughout the year, the United Services Union (ver.di) organised industrial action in various sectors, such as retail, at German postal provider Deutsche Post and during the collective bargaining round for public administration employees. Also, employees at German railway operator Deutsche Bahn participated in industrial action organised by the Railways and Transport Union (EVG) as well as its rival, the German Engine Drivers' Union (GDL). The dispute between GDL and Deutsche Bahn is still not solved (as of 31 January 2024).

The collective bargaining round in the retail sector was the "roughest", according to Lesch and Eckle (2024). Many negotiations rounds were unsuccessful in this sector, leading to waves of "warning strikes" in 2023. At the beginning of 2024, the conflict in the sector was not yet solved with negotiations being broken down (Lesch and Eckle, 2024).

The collective bargaining round for municipal and federal employees as well as the round at postal provider Deutsche Post were similarly accompanied by waves of warning strikes. At company Deutsche Post an agreement between ver.di and the company was only reached after the majority of union members had voted in a strike ballot in favour of an indefinite strike (tagesschau.de, 2023b). The final compromise foresees that employees receive an “inflation compensation premium” made up of a one-off payment worth €1,020 in April 2023 plus a further €180 for each month between May 2023 and March 2024. In addition, collectively agreed (monthly) wages will rise by €340 starting from April 2024. The new agreement will expire on 31 December 2024 (running time: 24 months) (WSI Collective Bargaining Archive, 2023a; Lesch and Eckle, 2024).

The collective bargaining round in the public sector (municipal and federal level employees) also failed with a breakdown of negotiations followed by a strike ballot and could only be terminated by arbitration (Lesch and Eckle, 2024). The final accord foresees that employees receive a “inflation compensation premium” that is paid as follows: In June 2023, employees received a one-off payment worth €1.240 followed by €220 paid each month between July 2023 and February 2024. In addition, collectively agreed wages will rise by 5.5% on 1 March 2024. The new collective agreement has a running time of 24 months (expiring on 31 December 2024) (WSI Collective Bargaining Archive, 2023a; Lesch and Eckle, 2024)

Collective bargaining in the railways sector was similarly accompanied by major industrial action. In March 2023, ver.di and EVG even joined forces, announcing industrial action in local public and long-distance railways transport for the same day. According to Dribbusch et al. (2023), some 150,000 employee followed both unions’ calls. The EVG finally also organised a strike ballot amongst their members (asking to cast a vote on running indefinite strikes). However, before any further industrial action was taken, EVG and Deutsche Bahn agreed on the following terms (amongst others): employees receive a one-off payment worth €200 in December 2023, followed by another one-off payment of €210 in August 2024. In addition, employees were paid an “inflation compensation premium” worth € 2,850 in October 2023. The new agreement will expire on 31 March 2025 (running time: 25 months) (WSI Collective Bargaining Archive, 2023a; Lesch and Eckle, 2024).

After the ballot, the EVG and Deutsche Bahn were finally able to struck a compromise in August 2023 (Lesch and Eckle, 2024). However, after an agreement was reached between Deutsche Bahn and EVG, the rivalling union GDL announced its demands for its bargaining round with the railway’s operator starting in autumn 2023. Conflicts and bargaining outcomes strongly driven by working time issues are reported in the next section (such as the conflict between GDL and Deutsche Bahn).

Developments in working time

Changes to legislation

No changes.

Bargaining outcomes

In 2023, German Metalworkers' Union (IG Metall) reignited a debate on the pros and cons of a four-day-working-week. Already in April 2023, the union members of the collective bargaining committee in the north-western German steel industry publicly deliberated if they should demand the introduction of a four-day working week in the collective bargaining round in the steel industry (German Metalworkers' Union, 2023b). In the view of the union, a four-day-working-week could improve steel workers' satisfaction with their work, improve their work-life-balance and help securing more skilled labour or retaining labour during times of crisis or transfromation (German Metalworkers' Union, 2023a).

The union finally published its demands for the collective bargaining round in the steel industry in September 2023 and demanded a pay increase of 8.5%. In addition, the union wanted to lower weekly working hours from 35 to 32 hours (with full pay compensation) (German Metalworkers' Union, 2023b). The union also sought to extend the collective agreements on partial retirement and job security for over 800,000 employees. Negotiations started in November 2023. Employers firmly rejected IG Metall's demand for lowering the collectively agreed weekly working hours as this could neither be "organised nor financed" (Steel Employer Organisation, 2023). After the peace obligation ended at the end of November 2023, warning strikes followed suit at different establishments in the industry.

A final compromise was struck in the fifth bargaining round in mid-December. The compromise reached includes the following elements: payment of an "inflation compensation premium" worth €3,000 (€1,500 as a one-off payment in January 2024, from February to November 2024 monthly instalments of €150), collective agreements on partial retirement and job security were prolonged. In addition, a new collective agreement on safeguarding employment and transformation was concluded. Latter includes the agreed elements on working time reduction. The IG Metall could not push through its initial demand but agreed with employers on a collective working time reduction model with partial wage compensation. Details of the working time reduction need to be agreed upon on the establishment level (German Metalworkers' Union, 2023c)

In summer 2024, the German Engine Drivers' Union (GDL) also published its demands for the 2023 collective bargaining round with German railways operator Deutsche Bahn. The GDL, amongst other things, demanded a pay increase of €555 and a reduction in weekly working time from 38 to 35 hours for shift workers (with full pay compensation) (German Engine Drivers' Unions, 2023). Negotiations started on 9 November 2023. As in the case of the steel industry, the GDL demand on working time reduction was firmly rejected by railways company Deutsche Bahn. Apart from the rising labour costs, the company argued that it would need to recruit around 10,000 new employees if it was to fulfil the unions working time demand in full. This was completely unrealistic given the labour shortages on the labour market (Deutsche Bahn, 2023). The GDL declared negotiations to have failed after the first bargaining round. In the aftermath, it organised a strike ballot amongst its members. In mid-December 2023, GDL announced that 97% of its members had voted for indefinite strike action. Such action followed suit in January 2024 when the union announced to stage a strike for six days. At the end of January 2024, Deutsche Bahn and GDL had not yet reached an agreement. However, after five days of strikes, the railways operator and the union agreed to hold peace until 3 March 2024 and return to the negotiation table (German Engine Drivers' Union, 2024; Deutsche Bahn, 2024).

Debates on duration and organisation

The German Metalworkers' Union deliberations in the steel industry contributed to the public debate already underway since the results of the pilot projects in Great Britain and other countries became available and more widely known. Reactions vary greatly across the different political parties and naturally also amongst social partners. The chairwoman of the Confederation of German Trade Unions (DGB), Ms Yasmin Fahimi, stated to be in principle in favour of a four-day-working-week. In her view, more strenuous working hours had to be accompanied by longer recovery periods. However, she also stated that a four-day-working-week was not a universal solution for all sectors and its introduction had to be negotiated and laid down in collective agreements (deutschlandfunk.de, 2023).

The chairman of the Confederation of German Employers' Associations (BDA), Mr Steffen Kampeter, stated in interviews that the BDA was in favour of flexible working time models that helped companies in attracting and retaining skilled labour. Whilst the BDA did not reject individual solutions (including a four-day-working-week) at the establishment level, companies should not be forced to introduce a four-day-working week. German working time law needed an update to become more flexible, but working time reduction was the "wrong signal in the current situation". Given the labour shortages in many areas, more and not less labour (and working hours were needed) (zdf.de, 2023; tagesschau.de, 2023c).

There is also no consensus amongst political parties: The party leader of the Social Democrats, Ms Saskia Esken, highlighted that a four-day-working-week could achieve good results - for example regards working parents that needed more flexibility when reconciling their work and family life (tagesschau.de, 2023c). However, the labour market spokesperson for the Liberals in the German parliament (Bundestag), Mr Pascal Kober, did not see much room for a four-day-working-week given the massive labour shortages in many areas. He also did not share the assumption that a 4-day-working-week would lead to more productive work (tagesschau.de, 2023c). Similarly, the deputy chairman of the Christian Democratic Party in the German Bundestag, Mr Hermann Gröhne, stated that a reduction of working hours in times of labour shortages would not only increase labour costs but also damage companies' competitiveness (tagesschau.de, 2023c).

Other important policy developments

Regulations on employment status and contracts

No major developments.

Policies to reduce the gender pay-gap

No major developments.

Health and safety regulations and policies

No major developments.

Work-life balance related policies

No major developments.

Life-long learning and skills development

The introduction of the citizens' benefit was not only accompanied by a raise in the standard rates but also led to some changes regards job centres' possibilities to foster the skills development of benefit recipients. The Federal Government emphasized in this context that the reform was meant to help recipients to complete a vocational training or participate in a further training. Such trainings should not be discontinued due to having to take on a job as a temporary help (Federal Government, 2024). Since 1 July 2023, recipients catching up on a vocational training degree will receive funding for the full training period (e.g. three years). Before this change, the maximum period was set at two years. If recipients participate in a further training leading to a vocational training degree, job centres can support them with a so-called training allowance (worth €150). In addition, the job centre can grant funding to recipients who need to improve their basic skills (e.g. reading, mathematical skills or IT skills) (Federal Government, 2024; Federal Employment Agency, undated).

Commentary and outlook

The effects of the war in Ukraine, particularly inflation and rising prices for energy and resources, had a significant impact in 2023. The annual average inflation rate rose by 5.9% compared with 2022, resulting in marked price increases. While targeted measures to mitigate the economic consequences and restore stability in Germany (such as the gas and electricity price brake, energy bills support, heating cost allowances and certain tax reductions introduced in 2022) were still in place in 2023, the economy slipped into recession as gross domestic product (GDP) fell by 0.3% (according to preliminary figures from the Federal Statistical Office).

The labour market proved comparatively resilient in 2023. The average unemployment rate was 5.7%, a 0.4% increase from 2022. The unemployment benefit II was replaced by the so-called citizen's benefit at the beginning of the year, which increased the standard rates and offers job centres the opportunity to financially support benefit recipients in further education and training. The new benefit was criticised throughout 2023 for either not being sufficient (as voiced by the Left party, for example) or lacking proper incentives for employment (as stressed by the Christian Democrats and the Liberals, for example).

Despite persistent inflation and rising prices in 2023, collectively agreed wages rose by 5.6%, compared with a rise of 2.7% in 2022, according to the preliminary calculations of the Institute for Economic and Social Research (WSI). During the 2023 collective bargaining round, trade unions and employers often agreed on both percentage increases in wages and one-off payments. The federal government in autumn 2022 granted employers an exemption from tax or social security contributions for additional one-off payments of up to €3,000, known as 'inflation compensation premiums'. These premiums offer employees a certain degree of financial security while allowing companies more leeway with their labour costs.

Apart from rising wage settlements, working time issues reappeared on the collective bargaining agenda. While the German Metalworkers' Union (IG Metall) demanded the introduction of a four-day working week in the steel industry, the German Engine Drivers' Union (GDL) called for a reduction in working hours from 38 to 35 hours per week for shift workers at German railway operator Deutsche Bahn. These union demands were part of a larger public debate on the pros and cons of the four-day working week in 2023.

Overall, the collective bargaining round in 2023 was characterised by many labour disputes. The United Services Union (ver.di) organised major strike action in retail, at German postal provider Deutsche Post and during the bargaining round for public administration. The dispute in public administration for municipal and federal government employees was solved only by arbitration. Additionally, employees at Deutsche Bahn participated in labour disputes by rival unions the Railway and Transport Union (EVG) and GDL. The dispute between GDL and Deutsche Bahn remains unresolved (as of 15 January 2024).

The outlook for 2024 is rather challenging. In November 2023, the Federal Constitutional Court declared the use of unused funds for overcoming the COVID-19 pandemic for the Climate and Transformation Fund as void. Consequently, the federal government had to cut €60 billion from the 2022 fund and renegotiate federal budgets for 2023 and 2024. While a solution was found for the 2023 budget following a three-week budget freeze, the 2024 budget remains unresolved. It remains to be seen how much-needed investments in climate-protection measures and safeguarding Germany's energy supply can be mobilised in 2024. Finally, new state parliaments will be elected in Thuringia, Saxony and Brandenburg in autumn 2024. The right-wing Alternative for Germany (AfD) may secure a majority in these parliaments, especially in Thuringia and Saxony.

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WPEF24046

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.