



Those Who Take Public Money: Collective Agreements and Tariftreue in Germany

Gewerkschaft Underdog · Version 1.0 · 10 October 2026

How the collective agreement became binding in 1918, why coverage is falling and what the federal Tariftreue Act has required since May 2026.

Since 1 May 2026, a Bundestariftreuegesetz (Federal Collective Agreement Compliance Act) has been in force in Germany. Anyone who builds, cleans, guards or provides other services for the federal government must grant their employees working conditions in line with collective agreements. That sounds self-evident, but it was disputed for a long time. This article describes how the collective agreement became legally binding in Germany, why fewer and fewer employees are covered by one and what the new Act is intended to change about this.

How the collective agreement became binding

Before 1918: agreements without effect

Collective agreements already existed in Germany under the Empire, for example in book printing. Legally, however, they stood on weak ground. An employer who had signed a collective agreement could nevertheless agree worse conditions with individual employees. Whether that was valid was a matter for the courts, and their answers varied.

The collective agreement decree of 1918

This changed in the weeks after the revolution. In the Stinnes-Legien-Abkommen (Stinnes-Legien Agreement) of 15 November 1918, the employers' associations recognised the trade unions as equal partners in collective bargaining. On 23 December 1918 there followed the Verordnung über Tarifverträge, Arbeiter- und Angestelltenausschüsse und Schlichtung von Arbeitsstreitigkeiten (Decree on Collective Agreements, Workers' and Salaried Employees' Committees and the Arbitration of Labour Disputes), issued by the Council of People's Deputies. With it, the collective agreement acquired binding effect for the first time: its rules applied directly

to the employment relationships of those bound by it, and less favourable arrangements were invalid.

The decree contained a further innovation. A collective agreement could be declared generally binding and then also applied to employers and employees who did not belong to an association. Germany was the first country in Europe to create this possibility.

The Tarifvertragsgesetz of 1949

Under National Socialism, trade unions and collective agreements were abolished; they were replaced by state wage regulations. After 1945, the new trade unions and employers' associations rebuilt the system. The Tarifvertragsgesetz (Collective Agreements Act) of 9 April 1949, adopted for the United Economic Area even before the founding of the Federal Republic, is essentially still in force today. Its § 4 provides that the provisions of a collective agreement apply directly and mandatorily to both sides bound by it. Its § 5 governs the declaration of general applicability.

Since then, the principle of collective bargaining autonomy has applied: wages and working conditions are negotiated between trade unions and employers, not by the state.

Why fewer and fewer employees are covered

The figures

Collective bargaining autonomy presupposes that collective agreements actually apply. This is precisely what is becoming less and less common. According to the establishment panel of the Institute for Employment Research (IAB), in 2024 around 41 per cent of all employees worked in establishments with a sectoral collective agreement and a further 8 per cent in establishments with a company-level collective agreement. Since 1996, sectoral collective bargaining coverage has fallen by around 26 percentage points. In the west it stood at about 43 per cent in 2024, in the east at about 31 per cent. Only since 2022 have there been signs of stabilisation.

The decline mainly affects the private sector. Many companies have left their employers' associations or switched to a membership without being bound by collective agreements. New companies often do not join in the first place.

What this means for employees

Without a collective agreement, only the statutory minimum standards apply: the minimum wage, the statutory minimum leave, the maximum working time. Everything beyond that has to be negotiated individually by each person. Collective agreements, by contrast, usually provide for higher wages, supplements, additional leave and shorter working hours. For the same work, it can therefore make a considerable difference whether or not an establishment is bound by a collective agreement.

According to the industrial action report of the Institute of Economic and Social Research (WSI) of the Hans-Böckler-Stiftung, in more than one in four industrial disputes in 2025 the issue was whether a company would conclude a collective agreement at all. The dispute over collective bargaining coverage has thus itself become one of the most frequent causes of strikes.

The European framework

The European Union has also taken up the issue. The 2022 Directive on adequate minimum wages requires Member States in which fewer than 80 per cent of employees are covered by collective agreements to draw up an action plan to promote collective bargaining. Germany is well below this mark.

Tariftreue in public contracts

The idea

Every year, the state awards contracts on a large scale. Deciding solely on the basis of the lowest price rewards the company that pays its employees the least. Tariftreue (collective agreement compliance) laws address this: anyone who wants public contracts must undertake to comply with the conditions of collective agreements. In this way, companies compete not on wages but on quality and organisation.

The detour via Europe

Several federal states had introduced such rules years ago. In 2008, the idea ran into difficulties. In the Rüffert judgment of 3 April 2008, the Court of Justice of the European Union ruled that a provision of the Lower Saxony public procurement act infringed the freedom to provide services. It required compliance with a construction collective agreement that was neither generally binding nor applicable to private contracts.

Seven years later, the Court drew a different line. In the RegioPost judgment of 17 November 2015, it held that it was permissible to make the award of contracts conditional on a statutory minimum wage, at the time €8.70 an hour in Rhineland-Palatinate. The difference was that this wage was laid down in a legal provision itself and applied generally. This distinction still shapes how Tariftreue has to be constructed legally today.

The Bundestariftreuegesetz of 2026

The Bundestag adopted the Gesetz zur Sicherung der Tariftreue bei der Vergabe und Ausführung öffentlicher Aufträge und Konzessionen des Bundes (Act to Ensure Collective Agreement Compliance in the Award and Performance of Federal Public Contracts and Concessions) on 26 February 2026, with the votes of the CDU/CSU, SPD and Bündnis 90/Die Grünen. It was promulgated in the Federal Law Gazette on 30 April 2026 (BGBl. 2026 I Nr. 119) and has been in force since 1 May 2026.

It applies to federal works and service contracts and concessions with an estimated value of €50,000 or more excluding VAT, where the work is performed in Germany. Contractors must give a collective agreement compliance undertaking: they grant their employees at least the working conditions laid down by a statutory ordinance for the sector concerned. This ordinance is issued by the Federal Ministry of Labour and Social Affairs at the request of a trade union or an employers' association, on the basis of the relevant collective agreements. It can lay down pay, the paid minimum annual leave, and maximum working hours, rest periods and breaks. The obligation extends to subcontractors and temporary work agencies.

Exempt are, among others, supply contracts as well as defence and security-specific contracts; procurement procedures of the Bundeswehr initiated before the end of 2032 are also not covered. The German Trade Union Confederation (DGB) described the Act as a breakthrough, while also criticising the exemption of supply contracts and Bundeswehr contracts and the high threshold.

What this means for you

If you work on a public contract

If you work for a company that is carrying out a federal contract, you may be entitled to conditions under collective agreements, even if your employer does not otherwise apply a collective agreement. This also applies to subcontractors and to agency work on the contract. Ask which client you are being deployed for, and write down your assignments and hours. We will check with you whether an ordinance already applies to your sector.

Why collective bargaining coverage is not a side issue

A law can require Tariftreue in public contracts. But it cannot create collective agreements where none are negotiated. Collective agreements come about where enough employees are organised to enforce them. That was the case in 1918, and it is no different today.

Summary

The collective agreement became binding in Germany with the decree of 23 December 1918, which also introduced the declaration of general applicability. The Tarifvertragsgesetz of 1949 adopted these principles and still applies today. At the same time, collective bargaining coverage has fallen sharply: in 2024 only around 41 per cent of employees still worked in establishments with a sectoral collective agreement. Since 1 May 2026, the Bundestariftreuegesetz has obliged companies carrying out federal contracts worth €50,000 or more to grant the working conditions under collective agreements laid down by a statutory ordinance. It ties public money to fair conditions, but it does not replace the collective agreements that first have to be negotiated.

Cited as

Those Who Take Public Money: Collective Agreements and Tariftreue in Germany, Gewerkschaft Underdog, Fassung 1.0, 10.10.2026, <https://www.gewerkschaft.berlin/en/blog/collective-agreements-and-tariftreue/v7ypgahf>, abgerufen am 13.10.2026.

Licence

CC BY-ND 4.0 — Namensnennung, keine Bearbeitung
