Impact of the crisis on industrial relations

The case of Germany

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Content

Section 1: Basic data on the impact of the crisis on industrial relations.........................3

Section 2: Policies, instruments and regulations ...............................................................5

Section 3: Impacts of the crisis .......................................................................................7

Views of the social partners.........................................................................................11

Commentary ................................................................................................................11

References ....................................................................................................................12

Final Questionnaire ......................................................................................................14
Abstract
The German industrial relations system proved able to facilitate solutions for dealing with the negative effects of the global economic crisis. From mid-2008 onwards, employer associations and trade unions as well as company managements and works councils in the worst affected industries worked closer together. As first studies show, the cooperation between the social partners at all levels aimed at maintaining employment levels and avoiding redundancies or even works closures. Conflicts over better working conditions and pay are nonetheless thought likely to reappear during the economic upswing.

Section 1: Basic data on the impact of the crisis on industrial relations

Academic studies

Several academic studies have analysed the impact of the crisis on industrial relations:

1. Lehndorff (2010) argues that the latest crisis had a great impact on industrial relations at the establishment level. The social partners at that level were obliged to jointly find solutions for overcoming the crisis. Lehndorff also reports on 'informal coordination activities' in 2008/2009 between trade unions and employers accompanying the national extension of the short-time working scheme by the government. Given these impromptu responses to the crisis, Lehndorff stresses that the formerly fragmented collective bargaining system regained new strength at firm level as a result of the bi- and tripartite cooperation between the social partners and government representatives (most of all in manufacturing). However, the researcher remains sceptical about whether this closer cooperation will last beyond the crisis.

2. Zagelmeyer (2010) carried out research which included five case studies of establishment-level collective bargaining during the crisis (at Daimler, Postbank, Arcandor, InBev and Carl Zeiss). Zagelmeyer, too, highlights the emergence of closer cooperation between management, works councils and trade union representatives in order to conclude crisis agreements. These mainly focused on cost-cutting measures whilst maintaining staff levels or minimising job cuts.

3. In their analysis, Dribbusch and Birke (2012) show the different strategies adopted by unions to deal with the crisis. For example, whilst the German Metalworkers’ Union (IG Metall) and the Mining, Chemicals and Energy Industrial Union (IGBCE) entered into a series of negotiations on concessions and exercised wage restraint during bargaining rounds, the United Services Union (ver.di) called for greater public investment, e.g. stimulus packages. The different reactions of the unions are attributed to the varying impact of the crisis on individual branches of industry.

4. Kloepper and Holtrup (2011) stress that unions and employer organisations played a major part in combating the crisis, e.g. shaping short-time working schemes or stimulus packages and advising companies on the introduction of crisis-related
measures. In the automobile and logistics industries, constructive crisis management was again characterised by cooperation between managements and works councils. However, the researchers remain sceptical about the persistence of constructive cooperation. They instead report on potential future conflicts at the establishment level, such as better working conditions for the core workforce and less protection for employees with a fixed-term contract or temporary agency workers who suffered most from the crisis.

Government and social partner research

Governmental reports report on the activities of the unions and/or employer organisations in a certain field, but do not necessarily analyse changes in the IR system itself.

International comparative research

The European Commission’s report on ‘Industrial Relations in Europe 2010’ compares the different developments undergone by industrial relations systems in the EU in the wake of the crisis. The report highlights Germany’s strong IR system, which supported the implementation of governmental reforms undertaken due to the crisis.

In their analysis of European collective bargaining systems during the crisis, Glassner and Keune (2010) draw attention to the German social partners’ involvement in providing measures that stabilised employment levels (e.g. short-time work and other cost-cutting measures). In their view, however, the solutions often negotiated at establishment level might in the long run destabilise the current IR system with its emphasis on sectoral, multi-employer bargaining.

Grey literature

No notable findings.

Relevance of debate

Please indicate if this topic is an issue for debate in your country, either in terms academic, political or debate among the social partners. Please tick the relevant box.

a) academic debate: relevant

b) political debate: not very relevant

c) debate among social partners: relevant
Section 2: Policies, instruments and regulations

EU-level instruments

Given the relatively short time the New Economic Governance at EU Level has been in place (the six pack, troika memoranda and the EuroPlus Pact all date from 2011 or even 2012), its impact on the German IR system can only be assessed on a preliminary basis: So far, EU-level instruments seem to have had no decisive influence. The social partners’ responses to the crisis (more fully described below) were driven by economic need. Moreover, the German IR system is already equipped with tried and tested mechanisms for dealing with economic downturns.

Governmental instruments

As Zagelmeyer (2010) shows, the federal government took several steps in response to the crisis. In October 2008, the Financial Market Stabilisation Act (Finanzmarktstabilisierungsgesetz, FMStG) was passed, followed in November 2008 and January 2009 by the first and second rescue packages. The reforms took the general direction of stabilising the German banking sector, ensuring the supply of credit and safeguarding economic stability, consumer purchasing power and employment. Public investment was increased.

Several measures revised or newly introduced by the federal government had an impact, if not on the German IR system itself, then on the course which the social partners chose in dealing with the crisis (more fully described in section 3.3.1). This involved the extension of short-time working schemes (Vogel, 2009a / Dribbusch, 2009), support for companies that trained their short-time workers during downtimes (Vogel, 2011a), a reduction of employers’ social security contributions in general and for short-time workers under certain circumstances.

Measures from social dialogue and/or bipartite and tripartite bodies

When the crisis hit Germany, the government invited the social partners to several meetings to find solutions. As Zagelmeyer (2010) notes, government, union and employer association representatives met to discuss the economic situation, the two stimulus packages and further measures.

The government built upon the expertise of unions and employer associations, but also tried to secure their support in implementing measures. Lengthening entitlement periods for short-time work at the national level was, for example, complemented by collective agreement clauses (negotiated during the crisis) in the metal and electrical industry.

Severity of impact of policies, instruments and regulations

How severe do you think new policies, instruments and regulations (at EU, governmental/central, regional or local level), or social partner level) resulting from the crisis have had an impact on industrial relations in your country? Please tick the relevant box.
EU new economic governance: not very severe

National governmental instruments: severe

National social partners’ measures: severe
Section 3: Impacts of the crisis

This section of the CAR will deal with the impacts of the crisis on industrial relations in your country. It is intended that the main focus of the CAR will be on the impact of the crisis rather than any measures taken in response to the crisis.

Impacts on industrial relations actors

Reorganisations of the social partners, including mergers/structural changes

Mergers both between unions and between employer organisations took place during the period of investigation. However, these mergers must be considered a result of long-term developments and cannot be attributed to the effects of the crisis.

Changes in role and visibility of the social partners. Changes in the role of the social partners as stakeholders in the Public Employment Services (PES)

With regard to the role and visibility of the social partners, analyses highlight the closer cooperation between employee and employer representatives at the height of the crisis – especially at the establishment level. It was notable that government representatives and employers alike welcomed the unions’ willingness to scale back their demands and cooperate more fully. Lehndorff (2010), for example, attests the unions greater public acceptance during the crisis.

Whilst these results point to a strong German IR system capable of solving problems jointly, researchers remain hesitant in their judgment of the long-term effects. Closer cooperation might prove to have been a fruitful strategy during the crisis – most of all in industries hit hard by the crisis (such as the metal and chemical industries), which in Germany are also union strongholds.

However, during an economic upturn, earlier concessions might just mean more issues for conflict when unions resume their claims for better working conditions and pay, e.g. for fixed-term employees or temporary agency workers.

The German PES system was not structurally changed as a result of the crisis. The social partners are represented on the Board of Governors of the Federal Employment Agency (BA), which consists of an equal number of employer, union and government representatives.

Their role on the Board of Governors is restricted to advising and monitoring the work of the Executive Board, which is in charge of the BA’s operative business, e.g. managing unemployment benefits (Vogel, 2012).

As stated above, social partners were however involved in consultations with government representatives on suitable responses to the crisis. For example, when entitlement periods for short-time work due to a shortfall in orders were prolonged by the government, the social partners were consulted beforehand and welcomed the measure.
**Trends such as trade union or employer organisation membership**

The Institute for Economic and Social Research (WSI) within the Hans Böckler Foundation (Hans Böckler Stiftung) has analysed union membership over the years (Dribbusch, 2012c). The biggest union umbrella organisation, the Confederation of German Trade Unions (DGB) regularly publishes membership data. DGB-affiliated unions had over 6.1 million members in 2011. The biggest affiliate remains IG Metall, with some 2.2 million members, followed by ver.di with a membership of around 2 million.

The 2011 figures indicate a slowing in the decline of membership levels characteristic of recent years. DGB membership levels fell by 0.6% compared to 1.1% and 1.7% in 2010 and 2009 respectively. IG Metall’s membership base even increased a little in 2011, growing by 0.3% after having shrunk in 2009 and 2010.

However, as Dribbusch notes, the lower membership levels in 2009 seem moderate in the light of the negative impact the crisis had on this particular sector and were aided by the car scrappage scheme and short-time work maintaining employment levels. Although, the overall trend of declining membership levels continues for many unions, the crisis did not accelerate this trend (Dribbusch, 2010).

On the employers’ side, the German Confederation of Employers’ Associations (BDA) does not publish membership figures for its member associations. However, figures are available for the Employers’ Associations for the Metal and Electrical Industry (Gesamtmetall). During the crisis years, the number of member companies opting for a membership without a binding commitment to the sectoral collective agreement rose from 2,229 in 2007 to 2,824 in 2011 in western Germany. This compares to an increase from 75 to 89 companies between 2007 and 2011 in eastern Germany.

Interestingly, the number of companies with a membership status binding them to the sectoral collective agreement only fell in western Germany from 3,803 firms in 2007 to 3,433 in 2011. The number of eastern German companies bound by the sectoral collective agreement did not decrease at all, but rose from 214 in 2007 to 219 in 2011.

Gesamtmetall’s figures for its western German member companies reflect a trend that was already prevalent before the crisis: a declining number of establishments are bound by sectoral collective agreements.

**Overall, how severe do you think the impact of the crisis has been on industrial relations actors in your country? Please tick the relevant box.**

Not very severe.

**Impacts on industrial relations processes**

With regard to collective bargaining arrangements, two main features characterised the German IR system during the crisis years:
1. At the establishment level, the social partners sought to cut costs and enhance flexibility, e.g. by either reducing working time accumulated in employees' working time accounts or introducing short-time work.

In establishments bound by a sectoral collective agreement, this was made possible by the use of opening clauses (Öffnungsklausel). Such clauses allow companies to deviate from collectively agreed standards such as working time or pay. Opening clauses were already negotiated before the crisis; however, employer organisations and unions did make particular use of this instrument during 2009, 2010 and 2011.

Taking an opening clause as their point of departure, management and works council can negotiate works agreements which, for example, allow for the postponement of lump-sum payments, prolong short-time work or introduce training during short-time work. The collective agreements negotiated in the chemical and metal and electrical industries during this period are good examples of such possibilities (Vogel, 2009b / Vogel, 2010a / Vogel, 2011b).

2. Unions exercised wage restraint and entered into a series of negotiations on concessions during the crisis years. The WSI regularly analyses pay developments agreed in sectoral collective agreements. The WSI’s Annual Collective Bargaining Reports show that collectively agreed wages rose by 2.9% in 2008, 2.6% in 2009 and 1.8% in 2010 (in comparison to the previous year). The slower wage rise clearly reflects the impact of the crisis (Dribbusch, 2012a).

As stated above, closer cooperation between management and employee representatives was the predominant feature in the most affected industries. Longstanding mechanisms (such as opening clauses and joint dispute resolutions) also worked during the crisis. A steep rise in industrial action was not recorded by official or alternative statistics/estimations for the period of investigation (Dribbusch, 2012b).

Overall, how severe do you think the impact of the crisis has been on industrial relations processes in your country? Please tick the relevant box.

Severe: The crisis was a severe test for German social partnership in the heavily affected industries. However, joint solutions were facilitated within the established structures and proved the IR system to work.

Industrial relations outcomes

Apart from consulting with government representatives on the two stimulus packages and short-time work, the social partners also found their own industry-specific solutions. Collective agreements concluded in severely affected sectors made use of opening clauses or introduced new forms of work organisation (staffing pools: Krämer, 2010) and extended short-time working schemes. A further social partner initiative in Hesse focused on creating transitional employment options (Vogel, 2010b).
In addition, during the crisis years the social partners more often negotiated zero-months and lump-sum payments instead of permanent wage rises. Far from decreasing between 2007 and 2010, the average length of newly concluded collective agreements rose from 22.2 in 2007 to 22.4 months in 2008, 24.1 months in 2009 and 24.3 months in 2010. 2011 saw a slight drop to an average of 22.8 months (Bispinck / WSI-Tarifarchiv, 2012).

Overall, how severe do you think the impact of the crisis has been on industrial relations outcomes in your country? Please tick the relevant box.

Severe.

Severity of impact on industrial relations

The German system of industrial relations was not altered by the crisis. Though the crisis influenced industrial relations outcomes greatly, especially in the hard-hit sectors (with regard to collective bargaining outcomes and negotiations at the establishment level), social partners overall managed to facilitate solutions within the given structures. In terms of the industrial relations system, the impact of the crisis can so far be considered as: not very severe.
Views of the social partners

Employers in the industries hit by the crisis highlighted the successfully functioning social partnership in Germany. The BDA emphasised the joint achievements (Hundt, 2011) of employers and unions during the crisis. Similarly, the Employers’ Associations for the Metal and Electrical Industry (Gesamtmetall) stressed that the crisis of 2009/2010 was overcome by the close collaboration between employers, unions, works councils and policy-makers (Gesamtmetall, 2010). The BDA chair, Mr Dieter Hundt, pointed to the jointly pursued collective bargaining policy that helped maintain employment levels.

Employers and unions alike welcomed the new short-time working rules introduced by the federal government. However, the DGB also stressed that employees should not be expected to bear the ‘costs of the crisis’. Employers’ demands for longer working hours and fewer holidays were not the right means for overcoming the crisis. Instead, an extension of short-time work and stimulation of domestic demand were needed. Accordingly, the umbrella organisation also called for a second rescue package. Unions like IG Metall and the IGBCE nonetheless negotiated collective agreements which allowed companies more flexibility in shaping working conditions and pay during the crisis.

Commentary

In 2009, German GDP dropped by 5% (Federal Statistical Office of Germany, 2010). This figure reflects the negative impact of the crisis on the German economy. Whilst the export-oriented industries suffered from a severe decline in orders, the public administration and services sector were less affected. This, however, might change: the longer the Eurozone debt crisis continues, the greater the pressure on public finances.

Up till now, the social partners have successfully managed to mitigate the effects of the crisis. Their cooperative, solution-seeking behaviour at the establishment and sectoral levels served to stabilise employment levels, particularly in the most crisis-hit industries. This achievement was also due to the relative flexibility of the German IR system, which allows for deviation from collectively agreed standards by means of opening clauses, and the wage restraint and concessions negotiated during collective bargaining rounds.

Moreover, the reform steps taken by the federal government (such as prolonging short-time working entitlement periods and introducing two rescue packages) set the right framework for social partner action.
References


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Final Questionnaire

1  Basic data on the impact of the crisis on industrial relations

1.1 Academic studies

1.2 Government and social partner research

1.3 International comparative research

1.4 Grey literature

1.5 Relevance of debate

Please indicate if this topic is an issue for debate in your country, either in terms academic, political or debate among the social partners. Please tick the relevant box.

a) academic debate
   - very relevant
   - relevant
   - not very relevant
   - not relevant at all

b) political debate
   - very relevant
   - relevant
   - not very relevant
   - not relevant at all

c) debate among social partners
   - very relevant
   - relevant
   - not very relevant
   - not relevant at all

2  Policies, instruments and regulations (500 words)

2.1 EU-level instruments

Please give details of the way in which the New Economic Governance at EU level resulting from the crisis (e.g. the six pack, troika memoranda, EuroPlus Pact) has had an impact on industrial relations in your country. Please consider, inter alia, if it impacted on

- wage setting mechanisms;
- indexations mechanisms;
- the degree of centralisation of collective bargaining;
- public sector pay;
• other.

2.2 Governmental instruments

Please give details of the way in which new national governmental instruments (at central, regional or local level) resulting from the crisis have had an impact on industrial relations in your country.

Please consider, inter alia, if they impacted on
• wage setting mechanisms;
• indexations mechanisms;
• the degree of centralisation of collective bargaining;
• public sector pay.
• other.

2.3 Measures from social dialogue and/or bipartite and tripartite bodies

Please give details of the way in which measures from national social dialogue and/or tripartite or bipartite bodies resulting from the crisis have had an impact on industrial relations in your country.

2.4 Severity of impact of policies, instruments and regulations

How severe do you think new policies, instruments and regulations (at EU, governmental (central, regional or local level), or social partner level) resulting from the crisis have had an impact on industrial relations in your country? Please tick the relevant box.

EU new economic governance:
• very severe
• severe
• not very severe
• not severe at all

National governmental instruments:
• very severe
• severe
• not very severe
• not severe at all

National social partners’ measures:
• very severe
• severe
• not very severe
• not severe at all

3 Impacts of the crisis

3.1 Impacts on industrial relations actors
The industrial relations actors in this section will principally be the social partners at all levels, including national, regional, sectoral and company. Please describe any relevant impacts. This could include impacts such as:

- Reorganisations of the social partners, including mergers and other structural changes
- Changes in role and visibility of the social partners. Where relevant to your country, please also indicate any changes in the role of the social partners as stakeholders in the Public Employment Services (PES), including:
  - Changes to social partner consultation about the management and operation of the PES (for example, due to the government needing to act quickly in response to the crisis)
  - Changes in the involvement of the social partners in the PES, possibly due to the government wanting to act unilaterally in response to the crisis
- Trends such as trade union or employer organisation membership (upwards or downwards), and how far this can be attributed to the crisis. Any impacts on other actors, such as central and local government, and NGOs, where relevant.

3.1.1 Overall, how severe do you think the impact of the crisis has been on industrial relations actors in your country? Please tick the relevant box.

- very severe
- severe
- not very severe
- not severe at all

3.2 Impacts on industrial relations processes

3.2.1 Please describe impacts in the following areas:

Impacts on:

Collective bargaining arrangements;
- centralisation or decentralisation trends;
- the introduction of opening clauses;
- changes in the extension of collective agreements;
- wage setting mechanisms;
- indexations mechanisms;

Arrangements for employee information, consultation and participation;
- organisation of industrial action;
- procedures for dispute resolution;
- changes in the relationship between the social partners, either leading to closer cooperation or more conflict.

3.2.2 Overall, how severe do you think the impact of the crisis has been on industrial relations processes in your country? Please tick the relevant box.

- very severe
3.3 Industrial relations outcomes

3.3.1 Please describe any impacts on collective agreements at national, regional, sectoral or company level.

3.3.2 Overall, how severe do you think the impact of the crisis has been on industrial relations outcomes in your country? Please tick the relevant box.

- very severe
- severe
- not very severe
- not severe at all

3.4 Severity of impact on industrial relations

Overall, how severe do you think that the impact of the crisis has been on industrial relations in your country? Please tick the relevant box.

- very severe
- severe
- not very severe
- not severe at all

4 Views of the social partners

5 Commentary by the national centre