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Industrial Relations, Trade Unions and Social Conflict in German Capitalism

Relations professionnelles, syndicalisme et conflits sociaux dans le capitalisme allemand
Relaciones laborales, sindicalismo y conflictos sociales en el capitalismo alemán

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Traduction(s) :
Relations professionnelles, syndicalisme et conflits sociaux dans le capitalisme allemand

Résumés

English
Ten years ago the German economy was regarded as the “sick man of Europe”. It was during the current financial crises that this view has changed dramatically, since Germany has seemingly performed better than most other European countries since 2008; this is why the German economy is nowadays presented as a role model for reforms. The article analyses the transformations in the system of Industrial Relations in German capitalism since the reunification in 1990. It focuses on the changing structure of employment and the rise of precarious work which is regarded as a result of institutional deregulations by significant labour market reforms in 2003. Precarity is rising since and the German model of capitalism is slowly disintegrating. Trade unions’ actions and their specific integration into German capitalism are now following modified patterns – while the unions are still searching for matching strategic adaptations to the new circumstances.

Il y a dix ans, l’Allemagne était perçue comme le « malade de l’Europe ». C’est au cours de la dernière crise financière que cette image a fondamentalement changé puisque l’Allemagne a apparemment mieux réussi que la plupart des autres pays européens depuis 2008 ; c’est pourquoi l’économie allemande est aujourd’hui présentée comme un modèle à suivre en matière de réformes. L’article analyse les transformations du système de relations professionnelles dans le capitalisme allemand depuis la réunification de 1990. Il se concentre sur les modifications structurelles du système d’emploi et sur la montée du travail précaire, considérées comme le résultat des profondes
Hace diez años, a Alemania se le percibía como “el enfermo de Europa”. Sin embargo, durante la última crisis financiera esa imagen cambió en lo esencial porque, al parecer, desde 2008 Alemania ha salido mejor librada que la mayoría de los demás países europeos; de tal forma que actualmente la economía alemana es presentada como un modelo a seguir en materia de reformas. En este artículo se analizan los cambios del sistema de relaciones laborales en el capitalismo alemán desde la reunificación en 1990. El análisis se centra en los cambios estructurales del sistema de empleo y en el aumento del trabajo precario, considerados como el resultado de la profunda desregulación institucional del mercado laboral en 2003. La precariedad va en aumento y el modelo alemán se va desmoronando lentamente; la acción sindical y la integración original de los sindicatos al capitalismo alemán se han modificado radicalmente. Y los sindicatos siguen buscando estrategias para enfrentar la nueva situación.

Entrées d’index

Mots-clés : Alemagne, relations professionnelles, marché du travail, syndicats, emplois précaires, corporatisme
Keywords : Germany, Industrial Relations, Labour Market, Trade Unions, Precarious Employment, Corporatism
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Texte intégral

Introduction

1 Times have been changing. German capitalism, the former “sick man of Europe” in the late 1990s recovered from the financial crisis after 2008 very well. Indeed, the German labour market performed better than most of its European counterparts and during spring 2012 it reached the lowest level of unemployment since German reunification. The German press as well as significant parts of the leading political discourse are bursting with pride about a new German “labour market wonder”. During the first months in 2012 there have been a lot of debates on the specific macroeconomic configuration of the European monetary union with Germany as the current high-performer regarding labour market and export performance. Certainly: the fact that – though highly productive – the German export industry does not face a monetary revaluation plays an important role (Cesarotto/Stirati 2010; Lehndorff 2012). It profits from the common currency and the implications of the restraints for national monetary responses to exchange, credit and trust crises. But – and this is essential to the argument provided in this text – there is an underlying mechanism that complementarily supports this configuration from the industrial relations level.

2 Germany is the main exception in Europe in terms of social conflict, too. Since 2010, Europe has experienced a wave of mass-, and even general strikes: France, Greece and Portugal were centres of social conflict. Germany, however, remained calm, despite a sharp economic downturn and in spite of a cuts program by the government. Yet there were different historical experiences, too: In post-war Germany big and occasionally spectacular strike movements repeatedly took place – i.e. in 1956/57 for continued payment of wages in case of illness (sick pay), the unauthorized strikes 1969 et seq. or the major strike in 1984 for the 35-hours-week. But still, compared to international standards Germany is considered a “low-strike country” (Dribusch 2007).
This article focuses the main developments of the German industrial relations, that contributed to the recent developments of the German economy in general, and the labour market in particular. We are starting with further factors that should be taken into consideration when debating the low level of social conflict in Germany. In general, German capital has gained new strength while trade unions have been forced onto the defensive since the 1990s. Furthermore, the changing forms of corporatist integration and the reconstruction of the German production and employment model have played a significant role in weakening trade union power resources.

**German Capitalism and elite discourse since the reunification**

German capitalism has been described a “coordinated market economy” (Hall/Soskice 2001). The production model was characterized as a “diversified quality production” (Streeck 1991) combined with a “high wage and high skill” employment model (Streeck 1997). While the system of social protection focused on the normal working conditions, the socio-political compensation for the rising unemployment however was relatively high. The state intervened heavily in the regulating conditions of the labour offer (through further training, system of early retirement). Since the operating labour markets were protected by the welfare state, a robust protection against dismissal and a strong regulation of the labour law, the mechanism of the “reserve army” of wage labourers became only slightly effective despite rising unemployment. The normal employment relationship remained the central element of social integration (Holst/Nachtwey 2010).

The “golden age” of capitalism was – referring to the 20th century – an extraordinary occurrence. In the post-war era, the period of Fordist capitalism, steady economic growth and social elite consent led to a constellation known as “organized modernity” (Wagner 1995). Although given the relatively limited time interval from 1945 to 1973, this concept until today serves as a blueprint of the “good society” in Germany. Mixed economy, legitimate high state activity and the expansion of the welfare-state in particular contributed to a so far unknown level of “de-commodification” (Esping-Andersen 1998). Labour as a mechanism of social integration changed its character. Securing mechanisms were related to employment, meant to fight insecurities caused by exhaustion. Extended consumption and the participation in social life as such were upgraded (Castel 2002).

The exclusion of the private property from the means of production, described by Marx as a characteristic of the working class, was compensated by the production of “equivalent” social security benefits. Those are not organized on the basis of the logic of the market, but by means of “socialization of wage” (Castel 2003). The expansion of the welfare-state, but also wage agreements, health protection, labour law, employment protection and – over time extended – rights of co-determination deliberate the grown institutional power resources of employees and trade unions (Dörre 2010b, Brinkmann/Nachtwey 2010). At a time like this “normal employment” (Mückenberger 1985) with a permanent contract, guarded by employment protection and within the scope of national insurance, enabled many, especially male skilled workers, to independently plan their lives. Thus, in this era de-commodification constituted its own normality and normativity. In social capitalism ’s time there were precarious employment situations, too, but basically marginalized to spheres outside the influence of collective wage agreements. Compared to the dissemination of normal employment it has been “marginal precarity” (Dörre 2009a).

Since the economic crisis of 1973 the “long down turn” for the German economy began (Brenner 1998). In the aftermath the Fordist configuration has bit by bit lost its stamping power (Dörre/Brinkmann 2005). Postwar social capitalism, with its dense network of state regulations, a mixed economy and long-term business strategies – with particular intensity since the 1990s - stepped aside to the regime of financial market capitalism (Windolf
2005, Dörre 2009a). The crisis of German industrial relations has been developing for decades now (Upchurch 2000). However, it was German unification, which triggered the evolution of German capitalism. East Germany was since the early 1990s an avant-garde of later developments in the rest of Germany.

Following the victory of the market-idea the East German transformation was enforced according to the principle of the “market test” as the only indicator accepted for the assessment of the survivability of the East German economy (Sachverständigenrat 1990), i.e. all East German state-owned firms had to prove their effectiveness and marketability by finding a buyer for the enterprise.¹ Finding no buyer meant for them: no survival. Thus after the failure of the centralized and planned economy the marketization-idea remained as the only enforceable alternative, rather quickly spread throughout society and affected not only the future transformation of the enterprises (many of them were consequently shut down or developed towards “low-road”- and low-trust workbench-organizations with traditional work organization and even de-qualification-tendencies predominating, see Brinkmann 2011). Moreover it affected the shape of the industrial relations by forcing organized labour onto permanent defensive and by making concession bargaining a central experience for works councils and unions in East Germany.

Certainly, two decades after the unification the East German wage level determined by collective bargaining is closer to the West German (see WSI 2012). But since the degree of firms and employees under the collective wage agreements is under the West German standard and since the average firm size in East Germany is due to the transformation process significantly smaller (the smaller the firms the lower the income in general) the general average wage in East Germany is still about 17 percent below the West standards².

Graphic 1: Employees covered by collective agreements in Germany

![Chart showing employees covered by collective agreements in West and East Germany from 1998 to 2010]

Source: WSI-Tarifhandbuch 2012 (Data: IAB-Betriebspanel)

Today only one in five enterprises in East Germany is covered by collective agreements (either on the sector or the organization level) resulting not only in smaller average wages but also in longer effective working hours in the East compared to the West (2011: weekly 38.8h – 37.5h; yearly 1714h – 1649h) and in less vacation.

Looking back one can clearly identify the strategic debates of the German political and economic elites in the 1990s. An important faction of this group regarded East Germany as a test field and the East German enterprises and employees as “laboratory mice” for future changes in the West, too. Two examples of typical participants’ positions in this debate (for further information see Brinkmann 2003):

1) Since the early days of the transformation period Lothar Späth (Prime minister of Baden-Württemberg and later CEO of the “Jenoptik”-enterprise) demanded a “fruitful competition of the systems” – meaning the systems of the post-1989 West and East Germany. In his 1998 published book (Späth 1998) he noted:
“The paradigm of welfare state based claims has to be overcome! The new Länder will be the pioneers and contribute to crack encrusted structures. (...) The competition of the systems which has never existed before 1989 can soon become real: as a competition between a lethargic-apologetic West and an aggressive-ambitious East society. Today the East is a kind of ‘mine dog’ of the West.”

(2) Hans Christoph von Rohr was chairman of the Industrial Investment Council, a governmental organization trying to find potential foreign investors for the East German economy which – according to von Rohr – should be the “spearhead of the conversion to a more flexible system” (“Flexibilisierung”). In 2000 he summed up his “experience” with interested buyers: “They are very concerned about the unionization in East Germany.” Von Rohr suggested that the East German employees “should not strive for equal wages and working conditions as in West Germany but to profit from the lower wage level and longer working hours” in direct competition with the West. “Investors should know that in the East less than a third of all enterprises are still covered by collective bargaining. More than 60 percent can adapt the wages flexibly to the productivity and the market. Moreover the number of East German union members has shrunk to less than a half of the level of 1990 and strike tendency is lower than in other European countries or the US.” Like several politicians he pleaded for East German special economic zones (“Sonderwirtschaftszonen”) with less security and protection for employees, too. These “oases of flexibility” should attract entrepreneurial investments and thus be models for the rest of the new Länder and for the West. “The benchmark for the suitability as a special area like this could be the unemployment ratio”. Of course, at the back of his mind there was the direct connection between a comparatively powerless, unemployed workforce and the advantage of the East towards the West starting a downward spiral in wage levels and working conditions.

Both, Späth and von Rohr, like many others aimed at a structural break in the industrial relations and the conditions of employment. Years before the Agenda2010-reforms (cf. the next section) they praised the precarisation process in the East and the obvious loss of union power there as the future model. Thus the East German transformation became the central catalyst for re-commodification in Germany on the whole.

It is no pure chance that in 2003 the IG Metall for the first time in decades lost a strike (promoting the 35 hours working time per week in East Germany). This lost strike deeply shook the self-confidence of the union and thus undermined the traditional power-structure of the industrial relations system in the East and West. As an effect, statements as the following by the later Jenoptik-CEO von Witzleben have become a normality:

“East German cities still have to overcome some prejudice. There are still many foreign investors who suppose a mixture of bad investment conditions in East Germany: a combination of high wages and (infra-) structural weaknesses. (...) An enterprise like Jenoptik however is more competitive than ever, since the wages are lower and unions do not have a say. (...) But there is still scruple among politicians to advocate these advantages offensively.” (Süddeutsche Zeitung, 02.11.2006)

German industrial relations since the 1990s

Financial capitalism has been driven by both, liberalization of financial markets, changing corporate strategies and by the change of the state regulation. The companies pushed rationalization programs, generating new and larger groups of peripheral workforces.

Three interwoven forces rendered the German employment model: (1) the increasing shareholder-value orientation of German multinationals, (2) the privatization and liberalization of state-owned industries in East and West Germany and (3) a series of
welfare state and labour market reforms which culminated in the so called “Agenda 2010”. This reform altered the architecture of German welfare state and labour protection in a number of ways (Bruff 2009). While de-commodification was a central and integral idea of the Fordist post-war period, it was rendered now into a more workfare style “recommodification” (Mohr 2007). First, unemployment benefits were cut and workfare measures introduced. Second, employment protection was reduced and, third, the labour market was deregulated to improve flexibility. The privatization of public companies like telecommunication, postal service and the railway system created huge markets where work regulations and the density of collective bargaining agreements sharply dropped. This led into greater competition and to an often radical policy of cost-cutting. Particularly here new areas of low-wage jobs were created (Streeck 2009).

Especially companies integrated into global markets dedicated themselves to shareholder value-oriented management and strategic short-term profit maximization. To adapt the company to the growing volatility of the sales markets, they focused more and more - promoted by government deregulation - on the use of external elements of flexibility in employment, such as fixed terms, works contracts and temporary agency work.

While precarious employment in social capitalism until the 1970s remained a marginal phenomenon, in financial market capitalism it has experienced a remarkable growth and a functional change at the corporate level. It no longer serves the short-term staff replacement or the cushioning of order fluctuations, but has become a strategic and long-term tool for the stabilization of high returns (regarding the temporary work: Holst et al 2009).

One effect of these two developments is the growing erosion of the collective bargaining system. On the one hand, the range of collective agreements decreases; and on the other hand, their capacity to standardize is shrinking (Streeck/Rehder 2005). More than 80% of employees have worked in companies with a collective labour agreement until the 1990s. Internationally Germany held a leading position (OECD 2004) before the changes described above took place. However, even the existing collective bargaining agreements are undermined by a rising proportion of flexible deviations (Haipeter 2009).

As a highly industrialized country until the 1990s Germany had experienced remarkably low wage dispersion and a relatively small low wage sector (Streeck 1997, Muller-Jentsch/Ittermann 2000). This configuration has changed dramatically. These changes have been fostered by the growing disorganization of the employer associations. More and more employers now withdraw themselves from their associations or change to a membership without the obligation to execute the collective bargaining agreements (so called “OT-Mitgliedschaft”) (Streeck 2009).

Since German reunification an enormous wage spread has taken place. Due to the decentralization of the collective bargaining system and the decline in the collective bargaining coverage, wage dispersion especially in the lower third of the society has increased (Lehndorf 2009). In 2010 nearly one in five employees in Germany worked for an hourly wage below the low-income limit of 9.15€. Since 1998, the number of low-wage workers increased by 2.3 million (Kalina/Weinkopf 2012) of a 40.5 million working population (ca. 35 million in the private sector).

In particular, the central pillar of the German employment model, the standard employment has eroded. In 1991 nearly 79% of all employed persons worked in a normal employment, in 2011 this had fallen to 67.0%. The percentage of atypical forms of employment increased during the same time period from 13% to 22% (Statistisches Bundesamt 2012a). There is also a slight increase in self-employment to 11%, which reflects the growing form of precarious self-employment, the so called “Ich-AG” (“Me-Inc.”). Almost half of all atypical workers received an hourly wage near the low-wage threshold (Statistisches Bundesamt 2012b). In 1996, 4.7% of all employment contracts have been non-permanent; in 2008 it was 9.3%. In the crisis, the ratio fell by 0.5 percentages points, representing a decrease of 6%. Meanwhile, 47% (!) of all new
recruits are non-permanent, in companies with more than 250 employees it is even up to 67% (Hohendanner 2010).

Thus, speaking of a German “economic miracle”, as many observers do in recent publications, is just misleading. The strong performance of the German economy and the German labour market during the crisis has some hard material and institutional explanations.

- The German economic model is effectively transformed to a dualistic structure of a high road capitalism in continuity of “diversified quality production” (Streeck 1991) and a growing low wage economy with precarious employment relationships.
- Through the East German transformation and the reforms of the Welfare state, the deregulation of the labour market and the weakening of collective bargaining German wages have been relatively and absolutely decreased compared to its OECD-competitors (ILO 2012).

**Graphic 2: Rate of increase in pay and salary 2000-2009, in % (inflation-adjusted)**

![Rate of increase in pay and salary 2000-2009](image)

Source: ILO 2012, Global Wage Report

- (3) As a consequence of this constellation the increase of German wages is still under the productivity gains level, hence from the perspective of capital unit labour costs have been decreasing (Niechoj et al. 2010; Niechoj 2012).
- (4) The classical strength of the German production and employment model, internal flexibility (“Arbeitszeitkonten”)/ combined with state-corporatist flexibility (“Kurzarbeitsgeld”), during the crises allowed companies to reduce their capacities and labour costs without redundancies (Lallement 2011).
- (5) This has been combined with the new external flexibility of precarious employment.

At the beginning of the crisis especially the temporary workers had been fired so companies could lower pressure to dismiss their qualified permanent staff. When the
global economy finally got going again properly (at least with regards to the demand for German export goods), German companies had been perfectly prepared for this situation. They could meet the growing demand by raising production capacities rapidly and had reduced labour costs through crises agreements with the trade unions (this is analyzed below). Thus, the German economy was in effect strengthened through the crisis and had become more competitive in volatile world markets. The reason for this is the radicalization of its “comparative advantages” (Hall/Soskice 2001) in combination with the – paradoxical – weakening of its own foundations (Streeck 2009)

Trade Union power and integration in Germany

26 The power of trade unions rests on the efforts of wage earners to overcome the competition amongst one another, at least temporarily and limited to certain industries and territories, in order to pursue common objectives on the basis of shared interests and values. The strategic options for action by the trade unions can best be described based on the change of the individual and collective power resources of workers (cf. Silver 2003, Brinkmann et al. 2008, Dörre 2010b, Nachtwey/Brinkmann 2010). Power resources, briefly introduced in the following, are not independent variables, successively following each other, but mutually connected: structural power is determined by the position of certain groups in the labor market and in the production process. High unemployment, industrial change, new technologies and globalisation have sustainably weakened the power resources of many employment groups inside production as well as on the labour market. Organizational power represents membership strength and moreover reflects the ability of workers and trade unions to act in certain logics of collective action in order to be able to modify the control of capital over the application of the means of production.

27 The loss of structural power by the trade unions can be partially compensated by organizational power – nevertheless here, too, German trade unions had to face erosion processes culminating in strike losses (e.g in East Germany) and decline in membership and representation density for almost two decades. The third power source of labour and trade unions is institutional power. The specific feature of institutional power arises from the fact that institutions function as substitutes for those social compromises agreed upon in the past. This way, structural and organisational power is incorporated into societal institutions (Filgstein 2001). In a way it works in analogy to the “duality” of structure (Giddens 1995). Structural and organisational power both are “rules and resources” (ebd.: 45) and – at the same time – means and result of collective action. Thus through this institutionalization of power the preference of collective action of trade unions are preformed.

28 Institutional power is expressed, among others, in labour law, co-determination and the welfare state. It’s not a primary power source, but a derivative, a secondary power source reflecting and preserving past conflicts and compromises. Once achieved, institutional power is of stable long-term character and will not be immobilized by volatile political economy cycles. Its reliability may seduce trade unions to rely on established institutional powers in the past, when primary powers (structural and organizational power) are decreasing. That is to maintain pretence of stability, while its very foundations are already shaking. To put it another way: In the long term institutional power cannot work without the substantiation of structural and organizational power.

29 The reverse side of institutional power is institutional integration. Trade unions are integrated into different levels of the political system as well as into the governance of capitalism. Institutional integration is broadly differentiated into three forms:
• institutional integration (co-determination in social systems and in the educational sector, welfare-state, political influence on social democracy);
• corporatist integration (tripartite alliances);
• work-place integration (worker participation, productivity coalitions, ideology of social partnership).

The specific institutionalization of class conflict by its separation from the political process is a central precondition of the integration of the unions. The field of action for trade unions is guaranteed by the autonomy of free collective bargaining, but it also limits the scope of trade union policy with regards to conflicts about payment and working conditions. Thus cross-cutting issues, as for example the configuration of the welfare state that have an immediate impact on class relations are partially withdrawn from range of the unions. These are delegated to the political system.

Nevertheless, the welfare state – via the political system – is an institution, which reflects the trade-union power resources, too. As an institution it is a response to the social question. But the welfare state does not suspend the class antagonism; to the contrary, it assumes its existence and avoids it at the same time (cf. Castel 2002: 237). It operates as an asymmetric class compromise and partially integration of the workforce (Oertzen 1984: 21).

The example of the strike for payment during sickness in 1956/57 shows the context of the different power resources - and how the trade unions could influence the configuration of the welfare state. The strike took place in the economic context of the post-war “Wirtschaftswunder” (economic miracle) and against the background of a tense labour market. The Union for Metal, Engineering and Electronics (IG Metall) organized the longest strike in post-war history (114 days) with an innovative permanent informational involvement of the strikers and their families (Kittner 2005: 634). With 34,000 strikers in Schleswig-Holstein they succeeded to enforce sick pay for workers. They resisted large parts of the public opinion as well as the interventions of the government. Universal sick pay was later institutionalized through law. When 40 years later the Kohl-government planned to lawfully restrict sick pay again, the trade unions organized impressive mass-protests in the Hofgarten in Bonn. But it was the structural and organizational power through strikes in key-companies such as Daimler which finally brought down the law – and that even contributed to the downfall of the government (Streeck 2003).

A reason for this is the specific “institutionalization of class conflict” (Müller-Jentsch 2007): The “dual system” of industrial relations is characterized by the legal restrictions of the works councils that are committed to the protection of bargaining peace at the workplace. The councils are electorally legitimized by the total workforce and are institutionally separated from the unions. Thus, since the beginning they are a „boundary institution” between employees, union and management (Fürstenberg 1958). Workplace conflicts that often lead to strike actions in other countries are hereby negotiated in an institutional form at the company level. Moreover the restrictive right to strike in Germany does not provide for political and general strikes. The unions only are allowed to call a strike but their boards by a majority were usually not known as strike-prone. Additionally the principle of an industrial union model standard-union/unified trade union in the past prevented from union competition. The concept of centralized industry-wide multi-employer agreements has a strong pacifying affect, not least because the costs of strikes are very high for the trade unions (Dribbusch 2007, 2009).

**Graphic 3 – Strikes and Lock-outs in international comparison (Working day lost/1.000 workers)**

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Sources: ILO, Federal Employment Agency (BA)

**Neo-Corporatist Integration of Trade Unions**

During the Golden Age of capitalism German trade unions established their functionality inside modern capitalism, preserving its core until today, primarily characterized by the institutionalization of the class conflict. On the one hand, they are the interest organization of wage-earners as a social “counter-power”, on the other hand they transformed into unions due to “antagonistic cooperation” with businesses and state. As an “ordering factor” they helped to shape the economic development (Esser 1982, 2003; Schmidt 1971). Playing their role as “intermediate trade unions” (Müller-Jentsch 2008) they were able to achieve compromises in their members’ interest through collective bargaining. Thus compared with other trade union models, German trade unions act less with “class” as a central point of reference; instead they operate historically between the angles of “market” and “society” with regards to Hyman’s (2001) concept (Hoffman 2010). This means that German trade unions traditionally combine politics of productivity coalitions (market) with social integration (society). This has been the case for most of postwar history.

The “golden age” of capitalism did not last long. In 1967 the German economy already turned into the first slight post-war recession. Subsequently the trade unions had to face new serious problems. The previous concept was based on the representation of the interests of the labour force in normal employment. The core of this model was preserved, however changing its character successively, as we will see later.
During the crisis of 1967ff. a form of neo-corporatist politics established, including the trade unions into overall economic governance (Scharpf 1987). Union integration in the late 1960s and 1970s comprised participation in the *concerted action* ("konzertierte Aktion", a corporatist integration over national economic policy in "exchange" for wage restraints) and the associated social policy compensation (state-institutional integration), but also expansion of co-determination. At the same time changed human resource strategies on the company level ensured a sustainable shift and transformation of the boundaries between the companies and the labour market: During the 1960s and 1970s even in the sector of low-skilled work, there were restrictions in the openness of internal labor markets and by that a development of relative closed "segments". Their members were broadly de-commodified, i.e. disconnected from the external labor market (Sengenberger 1987). Semi-skilled workers were offered long-term employment prospects, employee training and advancement opportunities by their management – not least in exchange for the employee’s operational knowledge. Nevertheless in most large firms a group of flexible marginalized workers existed, comprising low-skilled workers, women or migrants (Köhler/Sengenberger 1983), for whom the Fordist promise of long-term employment was never kept.

The aim of concerted action following the 1960s crisis was a coordination and cooperation of the state, central bank, employers and trade unions – a German tradition, already realized during Weimar Republic (Schönhoven 2004; Schroeder 2001). The trade unions were first of all sceptical about the concerted action. They were not only concerned about free collective bargaining, but about relative wage levels, too. Besides, they did not achieve their original goal to take far-reaching part in economic-political decisions. Free collective bargaining was not undermined in the end, but the distribution of wealth deteriorated. The national wage share and real wages declined to the lowest level since WWII (Abelshauser 2004: 415). Nevertheless, the socio-political balance of the grand coalition had a "positive" outcome for the unions, too. Despite their relative losses in wages it was still an unequal exchange of “mutual benefit”. The employees in return gained social status and political influence to push through a massive expansion of the social welfare state and a significant improvement of the co-determination rights (Schroeder 2001, Abelshauser 2004).

On the other hand the trade unions’ involvement in the concerted action was harshly criticised for being too close to representing state and capital, too. This lead to the largest “wild strikes” in Germany in the late 1960s and early 1970s (Birke 2007; Schumann et al. 1971). Trade union leaders tried to quickly contain this movement, which was partly a rebellion against them, too, and in the next few years, they took a turnaround by focussing on massive pay rises instead of practising neocorporatist social partnership too ostentatiously (cf. Scharpf 1987: 158f; Schroeder 2001: 36f). The trade unions were an integral part of this modernization strategy by focusing the interests of the core workers, while the peripheral workforce often got excluded. In his study of 1982 Esser already stated that the trade unions were no organizations for the “whole class” anymore, but rather representatives for the interests of the “still-job owners” (Esser 1982).

But these changes in the social and economic context have not led to fundamental strategic adjustments of the trade unions. Although there were partial and incremental changes, the central logic of the model – the representation of the core workers and the focus on institutional power resources – continued. The increase of the peripheral workforce was perceived, but nevertheless the traditional model of action remained. One cause for this can be found in the strong representation of “privileged” groups (such as permanent employees), who, contrary to the underprivileged groups, can gain more influence by promoting their specific interests (Müller-Jentsch 2008) due to their strong bargaining power. Precarious workers on the other hand can only fall back on little resistance resources (Bourdieu 2000, Dörre 2009b). This is why in divided labor markets, it is difficult to organize them.
This strategic hysteresis, the persistence of the trade unions model of action, even after the steady erosion of its operating conditions, was founded in the relative success of the model. Within the path of a “selective corporatism” (Esser 1982) especially the skilled workers could be protected. Until the mid-1990s, the unions succeeded, in spite of the crises, to achieve immense wage increases for skilled workers through their model. The income of blue collar workers (adjusted for inflation) increased by three and a half times, that of white collar workers by more than four times since the 1960s (Müller-Jentsch/Ittermann 2000).

Rising unemployment, the internationalization of production, corporate restructuring, industrial change, the growth of the service sector and the growth of precarious employment relationships – to name but a few factors – lowered the union density since the early 1980s. In the post-war era Germany has been a country with modest degree of unionization. In 1980 33% of the workforce has been unionized. Now it has shrunk to 19%.

In the end the increasing weakness of the unions led to a loss of institutional power. The failure to build up a late corporatist “alliance for jobs” (as a form of corporatist integration) made the red-green government break with the old patterns of corporatism by introducing the Agenda 2010 (Streeck 2003). The result was the restructuring of the welfare state, cutting down the institutional power resources, thus reducing the institutional integration of the unions. With regards to the welfare state especially the Agenda 2010 reforms meant the weakening of institutional power resources of the trade unions (Urban 2010b): Thus, the cuts of the duration of unemployment benefits, the weakening of employment protection, the liberalization in the regulatory levels, the limited participation of the Federal Employment Agency and the amendment of the Temporary Employment Act. The amendment of the Workplace Labour Relations Act 2001 made it easier to establish works councils, but in sum the reforms amounted to a reduction of industrial citizenship rights. Reductions of institutional power resources led to mass protests by the unions and the establishment of the Left Party, which then received strong support by the trade unions (Nachtwey/Spier 2007). But these were fights in the institutional-political and not in the basic structural and organizational fields. The unions, traditionally committed to the export model Germany, renounced corporate disputes or even strikes in support of these goals.

Precarious work society and crisis corporatism

The trade unions are facing a new kind of work society with work and life changing at high speed. The tight coupling of management control to the markets constrained many workforces into alliances with the management on the factory level as forms of workplace integration (Massa-Wirth 2008, Rehder 2003, Streeck 2009), too, where they had to make unpleasant concessions (“concession bargaining”). Many works councils took over the role as “co-managers”, which often questioned their legitimacy and partly the legitimacy of the unions linked (Rehder 2006).

The traditional trade-union policy to stabilize the core work force continued during the recent crisis. Though numerous institutionally secured legacies of the traditional German corporatism can still be found its substance and form has changed since the implementation of the Agenda 2010; “crisis corporatism”(Urban 2010a; Dörre 2010b) developed since the financial crisis of 2008. Run by the Social Democrats the department of employment extended the short-time compensation and the state “scraping premium” – a proposal by the IG Metal – provided a subsidized demand, so that the automobile industry – the German leading economic sector – could be stabilized. The unions have mastered the crisis successfully by transacting collective agreements on employment security, thereby – not only but primarily – consolidated the employment of the core
working force. This crisis corporatism is much more informal and more fragile than the previous integration of trade unions in economic management. But by its success has also led to reintegration of trade unions in the institutional and state system. The overall social results were some individual protests, but no social conflicts after the economic crisis in Germany. The crisis corporatism is a temporary phenomenon, which is based on “borrowed power” (Urban 2010a), because the political and business elites were dependent on the involvement of the unions in the crisis. While the former neo-corporatism still was a product of union strength, the crisis corporatism is a product of a double weakness: of the elites and of the labour unions.

The consequences of precarious employment for the union power resources are far-reaching. The example of the temporary employment may again illustrate this well. A constant presence of temporary workers in the work process has a disciplining effect on the formal hedged permanent staff (Holst et al. 2009). The “permanently” employed temporary agency workers, though only employed until dismissed, form a “internalized reserve army” (Holst/Nachtwey 2010). By then, the high pressure on the external labour market, resulting from high unemployment and re-commodification of labour force, is brought into the operation. Producer knowledge is validated and the permanent staff is confronted with their potential substitutability. In several low-wage service industries temporary agency workers were even used to undermine strikes. The discount market Schlecker has put it to a test to transform, whole workforces, which had fought for works councils, into interest-representation-free, temporary workforce.

Precarious employment is not only an uncertain, poorly paid, - form of employment equipped with few rights. It threatens more than just indirectly, the post-war model of social integration and trade union representation – and not least of solidarity. To the formally secured permanent staff, temporary employees symbolize the latent threat of relegation, the possibility of their own future. In this situation the permanent employment has become privilege worth defending. During crisis temporary workers were the first to be laid off. There were few protests, hardly any resistance. The institutional power in co-determination is eroded: The structure of temporary work, requirements for the works councils, at the same time undermines resource allocations. Although the temporary employees may be allowed to vote for the council, if they are longer than three months employed in a company, but they will not be taken into account by law when calculating the numbers of seats, exemptions and facilities of interest groups: the more temp workers are employed in a firm, the smaller the works council committee is in relation to the whole workforce. In the sector related to the IG Metall this organizational form has led to a deterioration of participation structures in companies with a use of temporary agency workers recently (Wassermann/Rudolph 2007).

In sum, the capacity of the councils is reduced by the use of temporary agency work. The temp workers interests genuinely. In terms of policy of interests they are fragmented (because they only work for a limited time and separated in different companies), as they are politically assigned to their rental business. The permanent staff’s resources of representation are diminishing, too, due to the fact that the works councils need to moderate the latent conflict of interest and the competitive relationship between core workers and contract workers, activated by the management.

Works councils’ and trade unions’ strategy during the crisis to accept concessions led to an undermining of their own power resources in the long-term through the extension of temp and other forms of precarious work.

The underlying problem is related to the institutional basis: Institution stabilizing policy, although leading to short-term stability, in the long term, however, leads to further institutional destabilization (Streeck 2009). The permanent staff is even becoming weaker, because increasing insecurity dissolves the separation of core and peripheral workforce to the extent that precariousness spreads to the formally hedged, but increasingly small core staff and becomes a normality itself (Bourdieu 1998, Hürtgen 2008). This is why the IG Metall has shifted its focus in the direction of regulating this
complex. In their recent collective bargaining agreement the union has managed to win some, although still limited, co-determination rights for the use of temporary agency work. This gives the works councils a leverage to slow down the extensive use of temp work.

In essence, the recent phase of trade union policy is still based on the stabilization policy of the traditional German union model. But normal employment, the unions still fight for, is continuously eroding even after the crisis. The focus on the core workers, who are forceful and simpler to organize, leads to a short-term stabilization of the situation, but undermines the size and the power of the core workforce and therefore the unions already in the medium term.

The success in crisis management by short-time work and flexible employment, however, now tempts many companies to rely strongly on precarious employment as flexibility-instrument. This is changing gradually the structural and organizational power. The proportion of permanent staff in relation to temporary workers or other precarious workers decreases, who generally have a much lower level of organization and a weak readiness to fight. In the companies employment protection still holds for the individual employee, for the total workforce, it is effectively becoming inoperative.

**Strategy Development in Polycentric Organizations**

The picture of the German trade unions drawn above is nevertheless one-sided. The intermediate union of the German type, heavily relying on the security of core workforce, is only one element of trade union politics. On the other hand they are still the genuine organisations representing the interests of workers. Only if they fulfil this function sufficiently they will recruit new members and stay their legitimate representative. The two biggest trade unions, IG Metall and Ver.di⁷, managed to recruit new members and stopped the organisational downturn of the last decades through tougher recruitment tactics. However, if you widen the picture to the federation of German trade unions, the DGB, the decline is continuing.

In Germany we observe the same paradox as in many other countries: The acceptance of trade unions in general is growing. People express their wish that trade unions have more influence, but they are sceptical about their ability to achieve more power (FAZ 2006). Even now, with an improved and renewed image, trade unions still face this strong negative attitude among workers.

In recent years and even more during the crisis contradictory attitudes among workers have originated. On the one hand (permanent) workers view society as a whole as “bad”, but on the other hand the company as “good”, because for them it is the only place offering them a sense of security and identity (Dörre et al. 2011). These attitudes of course complicate opposite conflict strategies for the unions. Moreover many workers experienced the crisis of 2008ff not as a single and dramatic experience, which led them to more willingness to participate in work conflicts. Quite contrary, for them the category “crisis” corresponds to a permanent experience in the last two decades, when they perceived themselves and the unions as relatively powerless (Becker et al. 2010, Detje et al. 2011). Strike and conflict are mayor resources for membership growth (Dribbusch 2011). But in recent years German trade unions avoided large-scale confrontations. As mentioned above the leadership is not very strike prone, but the lost strike in East Germany in 2003 for the IG Metall, the uncertainty about the willingness of their members to fight a large dispute and the fragmentation of their organisations reduced the confidence even among the more conflict orientated union leaders.

Unions are capable of learning, polycentric organizations that can act strategically (Brinkmann/Nachtwey 2010). As “loosely coupled” (Luhmann 2000) systems they sometimes act simultaneously un-simultaneously. While improving corporatist solutions
on the one hand, on the other hand they develop approaches for a revitalization of their political organization. This is why in many unions the organizing-concept is discussed intensely, which sets out to strengthen the organizational power of unions (Brinkmann et al. 2008, Dörre 2008). This comes as a partial strategic change, because the organizing-approach re-emphasizes the organizational power as a precondition of institutional power.

The service sector union Ver.di has launched several organizing projects, for example a strike at the airport complex in Berlin-Brandenburg International, organizing mainly the low-wage workers and to improve their economic situation. In the IG Metall deputy chairman Detlef Wetzel aims for a model of a “member centered trade union”, which is actively trying to win new members in traditional and new fields. Furthermore, the IG Metall should get more conflict-oriented in collective bargaining according to Wetzel (2009). After the IG Metall has recently organized more than 30,000 temporary workers in a campaign, they managed to improve their conditions significantly but still with a wage and status differential to permanent employees. The divisions between core workforce with normal employment and precarious employment can sometimes cause obvious conflicts of interest. But at the same time with the precariousness spreading to the core workforce it can create new solidarity opportunities, too.⁸ If the unions succeed to win over these groups, they can gain new organizational power. It would have a strong pressure potential on the just-in-time economy that is vulnerable to occurring disorders. However, the union efforts to revitalize are still in their infancy – and the institutional integration of trade unions is still very high.

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Notes

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1 In the period between 1990 and 1997 the German market for corporate control expanded enormously – due to the “shock-therapy” directed by the Treuhandanstalt (the state agency which was in charge to privatize the formerly state-owned companies of the Ex-GDR) – since nearly 15,000 enterprises had to be sold in this (until then) rather underdeveloped institutional context.


3 Part of the explanation for the above-average growth and performance is the specific power-relation in international exchange. It is obvious that apart from goods the German economy is strong enough to export unemployment, too. Moreover it is clear that this comparative and export-led strength originates in lower wage increases that can be interpreted as a weakness of labour and labour unions.

4 The “Konzertierte Aktion” was a tripartist form of neo-corporatism (state, employer associations and trade unions). In the late 1960s trade unions agreed to moderate wage rises in exchange for investment and employment commitments by the employer associations and expanding welfare state programs by the state.

5 Workers and business representatives together approached the Federal Government in case of these actions.

6 Streeck even assumes that there are “tipping points”, when institutions through continuing undermining forfeit their ability to function or even change their whole function.

7 Ver.di is a trade union merger of five different unions in service industries and according to membership the second biggest union in Germany.

8 Inter alia, when the permanent workers realize that also for them their function as a utilization of capital resources becomes more precarious (Marx [1867] 1995: 699).

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**Table des illustrations**

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