

# Conflict partnership

*the German model of industrial relations*

**S**outh African trade unions have grown strong in their battle against apartheid. Today, new challenges have to be met. South African society is extremely fragmented. Building an efficient industrial and service economy will be a slower process than was initially expected. The new political and economic situation presents unions with opportunities and risks that cannot be properly evaluated at this point.

On the one hand, government and tripartite bodies like Nedlac offer channels of influence. On the other, participation in such bodies, especially in the context of the government's economic policy (GEAR) and the high unemployment rate, can cause tension between the union base and its union leadership.

An intensive debate is raging in South Africa as to how the relationship between integration and influence mobilisation ought to be structured in order to maintain the unions' strength under new conditions. The main fear is that union leadership will cease to be accountable to membership and that it will have a negligible influence on the transformation process. The unions must make a sustainable contribution towards the consolidation of democracy which corresponds to their own understanding of a social movement drawing a huge part of its identity from its struggle against apartheid. It must also secure its influence

*Wolfgang Schroeder argues that, if unions maintain their organisational strength and independence, social partnership need not mean the end for the labour movement.*

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and authority in other social strata.

Social and economic policy-making pose their own contradictions: jobs and social benefits must be defended against government and employers, but the unions must also consider the long-term growth orientation of South Africa. This requires co-operation with government and business.

## Partnership

In his article on 'Social partnership: a dead end for labour', (*SA Labour Bulletin* vol 22 no 1, February 1998) Glenn Adler uses the German unions as an example. He claims that, in Germany and other parts of Europe, co-operation is no longer a way of transforming capitalism, but the actual purpose: 'The familiar institutions of European social democracy - co-determination, corporatism, the welfare state - became ends in themselves rather than means for transformation.'

## The German model

It is inadequate and misleading to reduce the German model to the ideology and practice of social partnership. German capitalism and the role of the unions can only be understood if the interrelation of ideas, interests and institutions is understood, and if the logic of this structure and its historical appearance are appreciated.

Social partnership and conflict are not opposites in Germany, but two sides of the same coin. This is why we speak about an institutionally integrated conflict-partnership in Germany.

## Structures

German capitalism is a nation-specific relationship between a growth model and a social project. It is characterised by a combination of extraordinary international competitiveness, comprehensive social security systems and high salary levels. Its institutional foundations were laid in imperial times, but it was only after 1945 that this model was built on a genuine democratic platform. Five structural dimensions are of crucial importance in understanding German capitalism:

- *Markets are not simply the results of a free play of forces.* They are politically instituted and regulated by society. In Germany, there is comparably low industrial concentration, with vast areas of social reproduction such as health care, education and social insurance not regulated through the market. Competitive markets do co-exist in the comprehensive social welfare state. The fact that the government expenditure as a proportion of Gross National Product in Germany currently ranges above 50% is an expression of the strong political regulation of the market.

- *Companies are not only private undertakings to increase the wealth of their owners.* They are also social institutions. The internal operation of companies is subjected to public interest. This is reflected in laws and wage agreements. In particular, big companies are incorporated in networks. They have to deal with highly organised capital and labour markets. They have to justify their actions in public. This means that decisions must be constantly negotiated.

Since German companies secure their financing less through their own capital than through long-term bank loans, and since the banks are major shareholders, they have an important steering function. Not only are banks represented on the companies' boards of directors, but also the employees through their right of co-determination. Together with collective bargaining agreements and statutory regulations, co-determination supports an employment system that makes it more difficult for employers to dismiss employees.

- *The most important requirement of the political economy of German capitalism is its network-penetration.* Capital as well as labour has been organised to a wide extent. There is organisational co-operation between competing companies as well as conflict co-operation between capital and labour.
- *The German state is neither a 'laissez-faire' nor an interventionist state for political parties.* The voting system assures a high degree of continuity. State action is accompanied by independent institutions such as the Federal Bank or the Federal Cartel Office. Major conflict areas are left to the affected social actors to sort out. The most important field for such practice is wage policy,

where employers' organisations and unions negotiate independent of government. The state's primary function is to set the framework in which negotiations happen.

The German state is a federal system - what Josef Esser refers to as a 'fragmented but functionally networked negotiation state'. A balance must always be achieved between the various levels of the state.

- *German economic culture is tradition-linked in many areas.* An expression of this historical dimension, which guarantees a high degree of quality and continuity, is the system of social security and quality-related training systems. Both have their roots in the 19th century. Both are in need of reform today.

## Challenges

Out of a population of 81 million, about 5 million people are unemployed (this translates to an unemployment rate of about 11%). Social security systems and taxation are affected by this situation. Unemployment weakens the unions and the ability of the state's policy options. Competition ideologists are encouraged - solidarity policy is weakened. National seal-off tendencies can be observed, which also result in increased aggressiveness.

In Germany, 43 638 collective bargaining agreements are currently valid. About 60% of all businesses and 90% of all employees are covered by agreements. Collective bargaining agreement features are at the centre of the German model. They are negotiated between the employers' associations and the unions. Through these agreements, a higher level of equality has been created in Germany, as compared to most other Organisation for Economic Co-operation and Development (OECD) countries.

In the past years this system of wage policy has been under increasing pressure. Many employers want to abolish central bargaining and replace it with company agreements.

Some observers believe that the German model has reached its limits. There are others who claim that the highly flexible performance capacity of the German model can provide new answers.

The following are the challenges which employers and unions have to face at the moment:

- *Internationalisation*

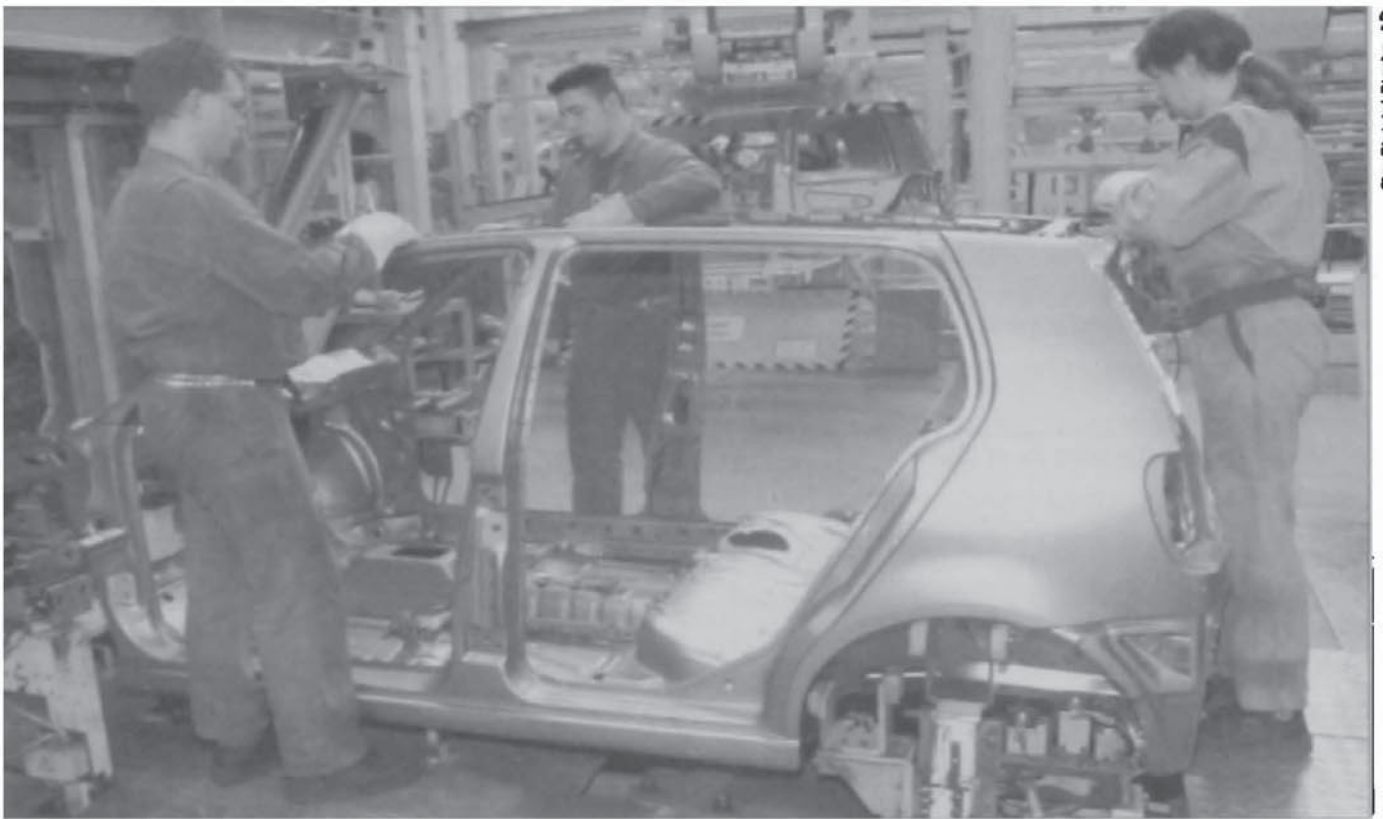
The fall of communism and globalisation have led to increased competition and increased opportunities for entrepreneurs. Options for investment outside Germany have increased. Within the framework of globalisation the relationship between the big and small industrial sector has been under considerable pressure. This is particularly visible in the relationship between final producers and suppliers. In addition, there is an ideological shift that perceives the impact of employers' associations and unions to have decreased.

- *Decentralisation*

Technological change has led to far-reaching changes, which push established wage policy to the limit. Smaller businesses are the norm. Cost is being decentralised and cost-transparency centralised. Companies are no longer primarily interested in reducing competition between businesses through similar social conditions. It is more about company-specific solutions.

- *Individualism*

The relationship between the works councils and the unions is also becoming more difficult. The number of 'classic' works council chairpersons,



Pic: Christof Staehle, AP

VW factory at Wolfsburg, Germany.

who have shaped events over the years and been linked with their union through many functions and offices, has decreased dramatically. Instead, the coalition between younger craftspeople and white-collar workers has gained increasing importance. Union influence is reduced not only because companies have other priorities, but also because white-collar workers are less prepared to associate themselves with the union. This makes it more difficult to set collective norms.

□ **German unity**

The enormous pressure on the German model can also be ascribed to the results of German unification. The transformation of the East German planned economy into a market economy along West German lines has run parallel with the world-economic crises of the 1990s. So far, the former Federal Republic has invested about DM700-billion in social transfers just to stabilise the unification process.

The construction of a performing economy which is able to create adequate numbers of jobs, has not succeeded yet. With the collapse of the Soviet Union, the most important trading partner of the former GDR was lost. Despite massive investment in individual sectors East German industry has not recovered. The average unemployment rate lies at 22%. Collective bargaining agreements are accepted much more rarely (40% of companies) than in West Germany (60% of companies).

□ **Weakening of collective actors**

Relatively strongly organised unions and employers' associations are the key factor for the stability of German capitalism. The erosion of classical industrial branches within big companies, the increasing number of employees, tendencies towards small business and individualism are a core challenge for the organisational capacity of the collective bargaining parties.

A look at the member unions of the German Union Confederation reveals a relatively high stability of members (see table).

The unions have so far not been in a position to incorporate the increasing number of employees and to enforce their influence in the new information and communication branches. However, the level of organisation has remained relatively stable.

A different picture is revealed when one looks at the employers' associations. Taking the metal and electronics industry as an example, in 1964 the degree of entrepreneurial organisation was 66%. In 1984 it stood at 56% and in 1994 at 43%. This decline continues.

### Union response

In order to re-achieve or continue the success of the German model - high employment levels, high and equal wage levels and comprehensive social security systems - trade unions cannot simply continue with the given structures and policy patterns. New forms of solidarity policy provide the basis for measures to facilitate sustainable relations between company level bargaining and collective

bargaining agreements. This will involve more competencies for the stakeholders in companies, new forms of co-determination at the workplace and solidarity work-policy.

Unless unions demonstrate a greater accountability to their members, especially the company representatives, sustainable mobilisation cannot be achieved. Such mobilisation is a pre-condition if the employers' associations are to maintain an interest in seeking negotiated solutions with the unions. From the perspective of area collective bargaining, the employers' associations represent the Achilles' heel of the German model of industrial relations. When companies are no longer prepared to transfer part of their decision-making to employers' associations, there will be no collective wage setting. Unions will have to mobilise their members to force employers' associations towards a negotiation policy that emphasises area agreements.

In view of the decentralisation challenges for companies, employers' associations favour a 'wild opening', where area wage policies will not apply. IG Metall, the largest German industrial

### Member development and level of organisation (in millions) in the German Trade Union Confederation

Year	Gainfully employed	Employed persons	Union Federation members	Unemployed persons	Organisation groups ad (%)
1965	26 887	21 756	6,754	0,85	30,9
1970	26 668	22 246	6,713	0,93	30,9
1975	26 110	22 467	7,365	1,005	33,1
1980	27 059	23 397	7,883	0,823	33,4
1985	26 593	23 559	7,719	2,152	32,9
1990	28 486	25 460	7,937	1,883	31,2
1991	36 563	33 139	11,800	2,602	35,6
1993	35 215	31 682	10,29	3,419	32,5
1995	34 831	31 209	9,355	3,612	30,0
1996	34 421	30 770	9,007	3,965	29,3

From 1991: All of Germany

Source: Statistical paperback edition (BMA) 1997; DGB, own calculations (BwP)

union (2.7 million members), is calling for controlled decentralisation of area agreements. The regulations on 'worst cases', were agreed on in 1993 after a two-week strike in East Germany. They allow economically weak companies to pay salaries below the collectively agreed level. The criteria for 'worst-case' solutions to be applied are avoiding insolvency, securing jobs, avoiding job reductions and improving the chances for rehabilitation. This procedure allows sector peculiarities to be taken into account, but maintains protection for workers and increases the chance of stabilising industrial relations in East Germany.

A further example of solidarity wage policy is the job-securing collective bargaining agreement that was concluded as an area collective bargaining agreement for the first time in 1994. This was initiated through the company bargaining agreement at VW (1993) which prevented the dismissal of 30 000 staff. It allows for a reduction in working time to 29 hours a week in the event of economic difficulties, in order to avoid retrenchments. In contrast with the 'worst-case' clause, consent between the bargaining parties is not required, only that of the works council. Currently, there is no clear perspective on how frequently and with what results this contract has been applied. Its regular promulgation suggests that it is a widely accepted instrument of crisis management.

### Training

The unions are also aware that, without increases in productivity and innovation, the high wage-structure of the German model cannot be sustained. This is why they are asking for accelerated vocational training and education for quantitatively changed forms of work. In order to develop perspectives in the regions and

areas being disadvantaged through structural change, unions co-operate with companies and national institutions.

### The state

Without the support of the state, there will be no sustainable stabilisation of the German model. This is why the unions favour a change of politics at government level. It would be the function of the state to re-organise the social security and taxation systems as a solidarity project, to practice interventionist industrial policy in co-operation with companies and unions and to develop framework agreements for wage policy reform.

### Independence

To pursue the interests of their members, unions must always be conflict orientated. The basis of a strong union is strong member organisation, which represents long-term interests and which is in a position to institutionalise any gains made. Without institutionalisation, all successes are short lived. That is why there must be joint long-term targets with the state and the employers that can be clearly separated from the current divergence of interests.

To achieve their goals, union movements must remain independent of government and political parties. They can co-operate with the state and the employers, but co-operation should always allow participants to quit at any particular time. Unions must have a clear vision of their own targets and permanent communication with their members.

Social partnership does not mean the end of the labour movement. Rather, it could be a platform to move towards changing the *status quo*. ★

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