

Gerhard Bosch

Industrial Relations in Germany – Institutions, Changes and Experiences in the Big Recession

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Structure of presentation

1. Industrial relations in Germany
2. IR in DE compared to other countries
3. IR in DE in the big recession 2008-9

1.1 IR in Germany – main characteristics

1. Voluntarist system – low state intervention
2. Unions: Density around 22%
 - DGB more than 6,15 Million members in 8 national unions (IGMetall and ver.di more than 2 Million)
 - DBB 1,2 Million members (civil servants and professional unions)
 - Christian unions (yellow unions)
3. Employers: Density between 50-60%
 - Industry-wide employer organizations in all industries – also for SME's
 - Strong coordination through umbrella organization – Taboo-catalogue

1.2 IR in Germany – main characteristics

4. Industry-wide bargaining
 - IG Metall mostly set pattern agreement – industries with weaker unions followed
 - no general minimum wage
 - low wage inequality until 1995

5. Coverage above trade union density
 - because of high membership of employers
 - some extension of agreements
 - Coverage until 1990 80%

1.3 IR in Germany – main characteristics

6. Co-determination:

- plant-level- works councils (elected by all employees) – strong legal rights of co-determination – main actor of enforcement of laws and collective agreements at enterprise level
- Company level (supervisory boards)

7. Corporatist governance (apprenticeship-system, social insurances)

1.4 IR in Germany – changes since 1990

1. Decrease of coverage from 80% to 60%: Reasons_

- outsourcing into non-covered industries or SME`s
- Deregulation (no equal pay for temp agency workers, mini-jobbers, cut of unemployment benefits)
- privatization of public utilities
- Posted workers form other EU countries
- decreasing membership of unions and employers

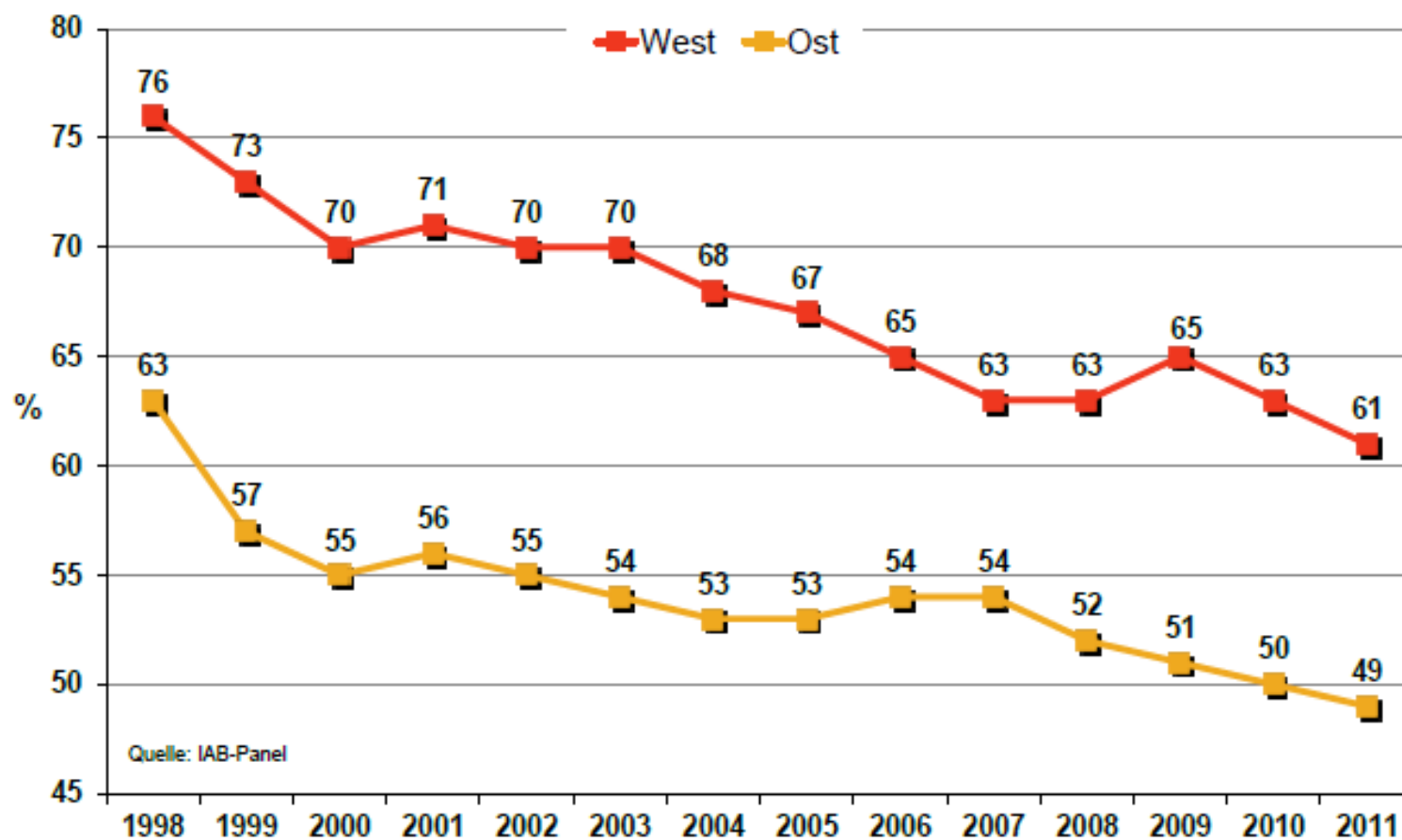
2. German wage system open to outsider competition –

change from inclusive to exclusive system

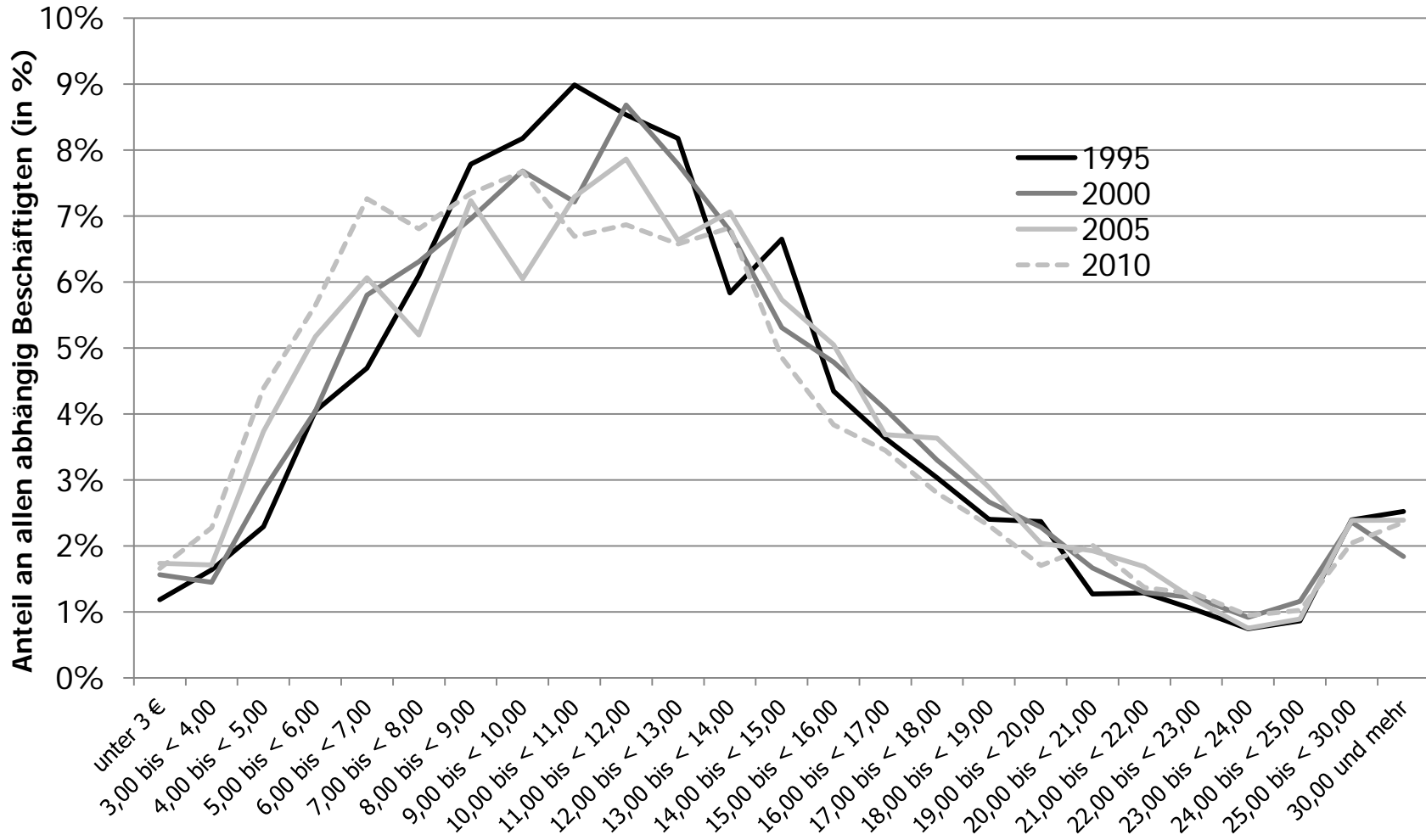
3. Increasing share of low wage earners: Mainly in

service industries

1.5 Coverage by collective agreements

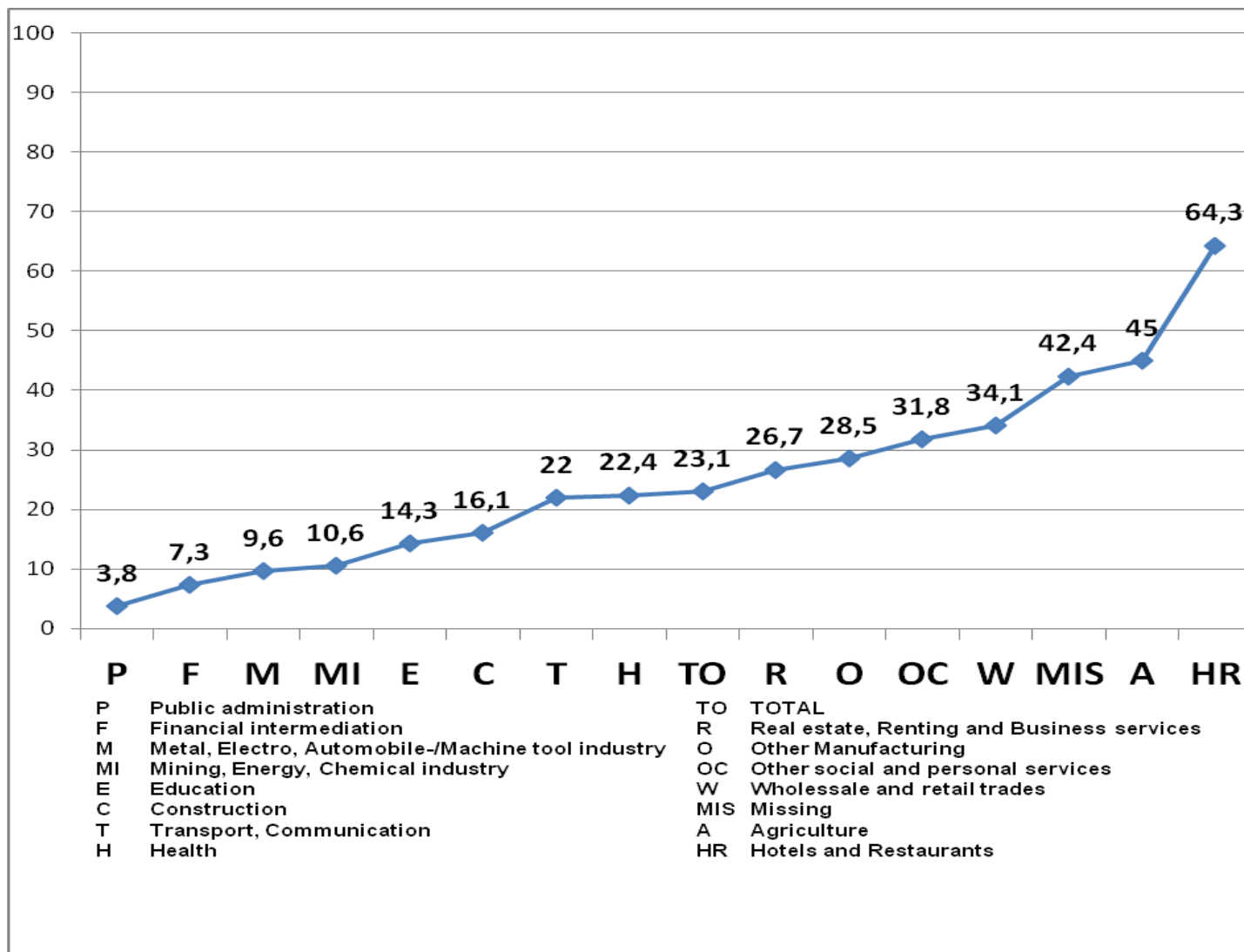


1.6 Hourly wages (Base=1995)



Quelle: SOEP 2010, eigene Berechnungen

1.7 Low pay incidence in various industries, 2010



Source: SOEP 2010, own calculations

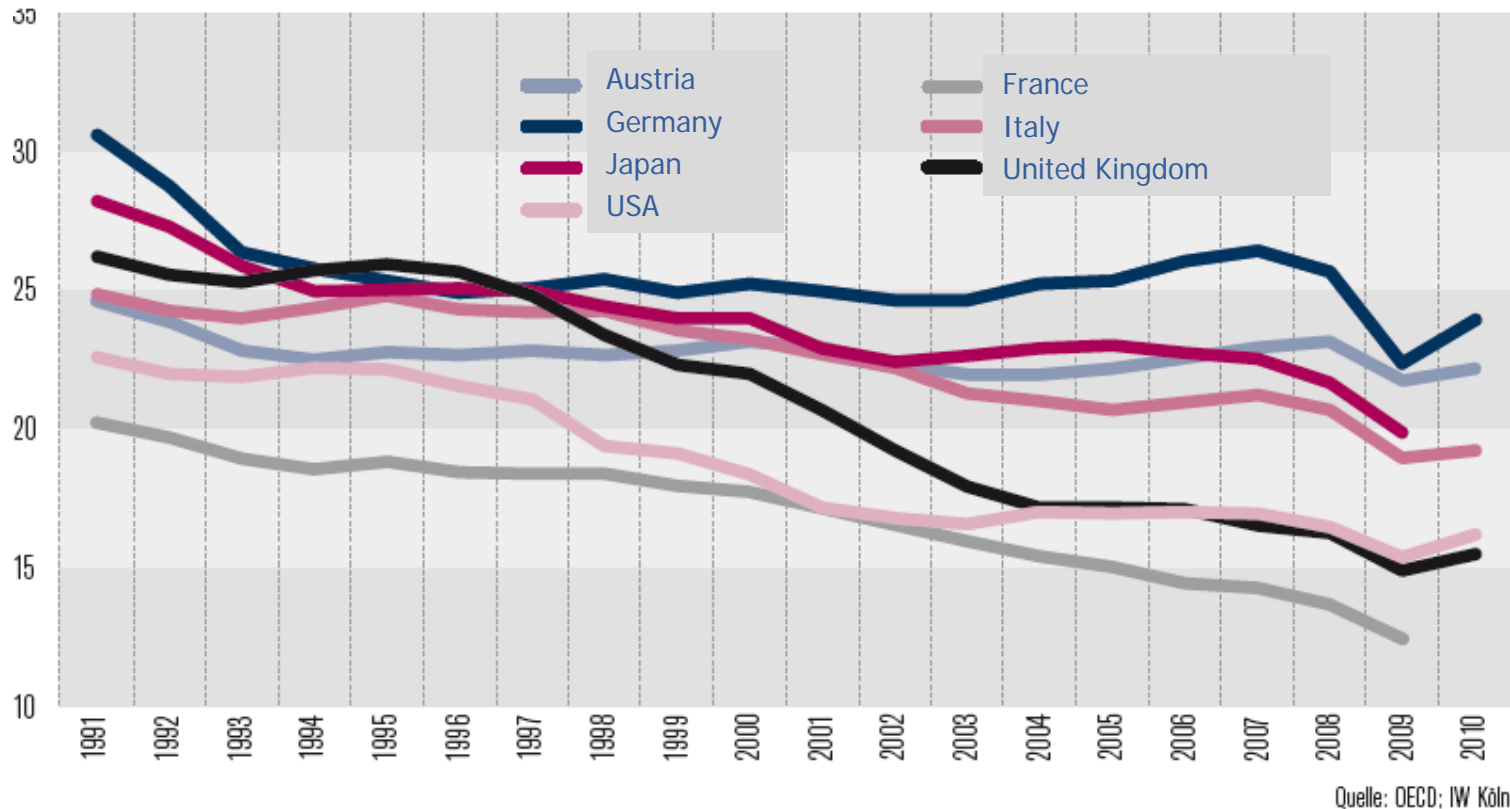
2.1 Collective bargaining coverage, employers' organisations and union density 2006

	1-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
France	U							E		Cov Ex
Netherlands			U					E	Cov Ex	
Denmark						E		U	Cov	
Germany			U			E	Cov			
UK			U	Cov, E						
USA	E	U, Cov								

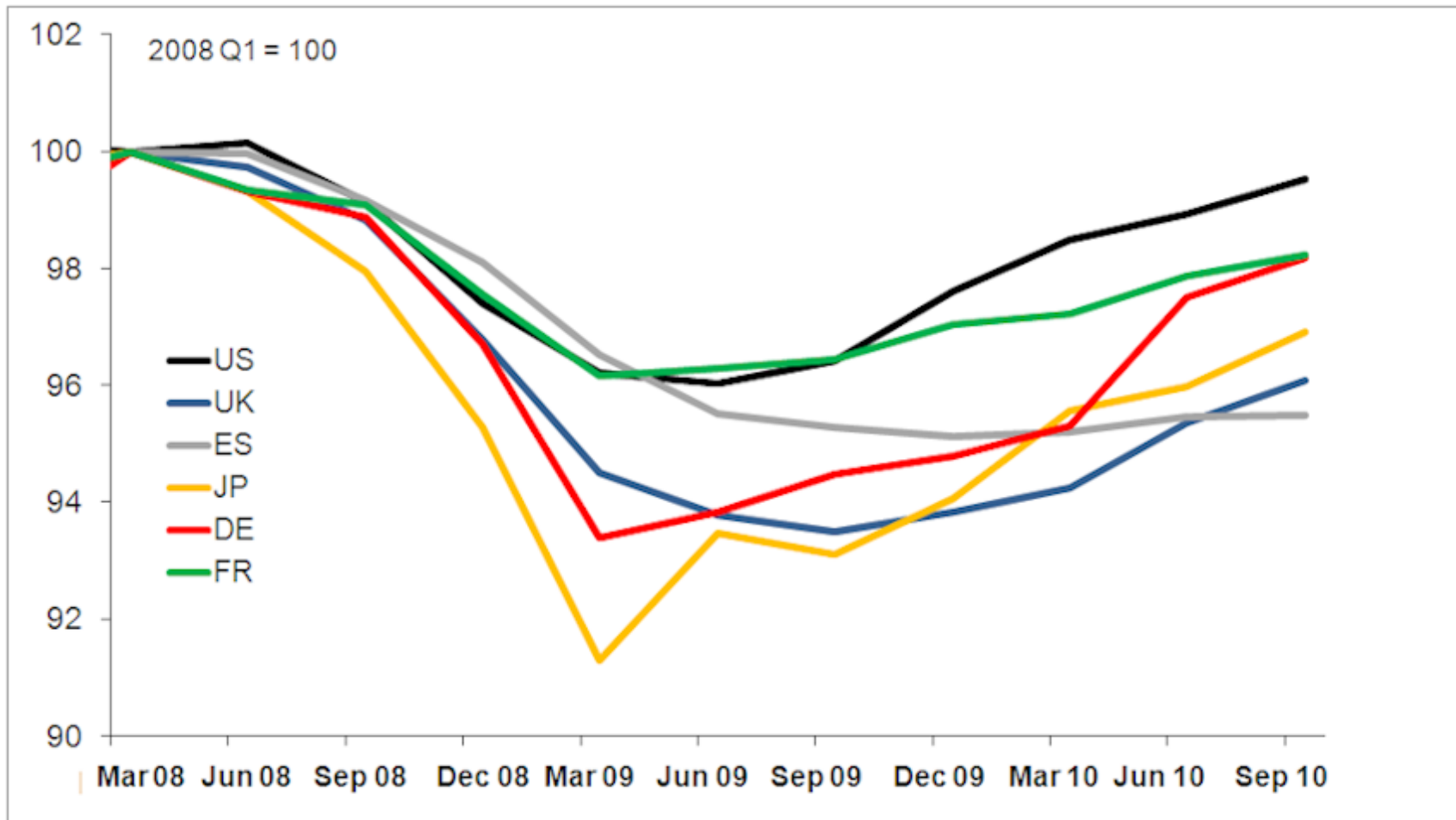
Cov = Bargaining coverage non-standardised;
 Ex = Extension of collective agreements
 E = Employer organisation rate (private sector);
 U = Union density rate

Source: J. Visser 2011, ICTWSS database, own calculations

3.1 Shares of manufacturing in GDB in international comparison (1991-2010)

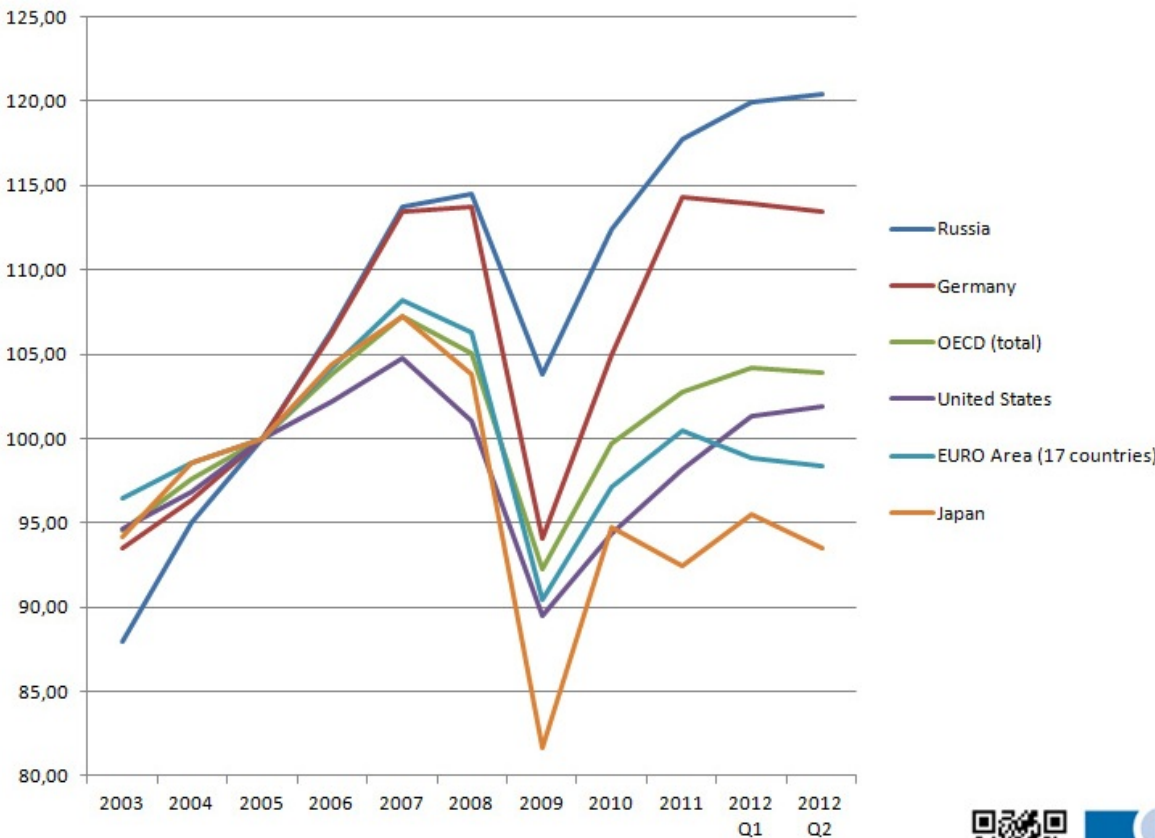


3.2 Evolution of gross domestic product in constant prices in five countries, Germany, 2008-2010 (1st Quarter 2008 = 100)



Source: Reuters-EcoWin; OECD; GDP Data national Statistical Offices; Calculation by IMK Düsseldorf.

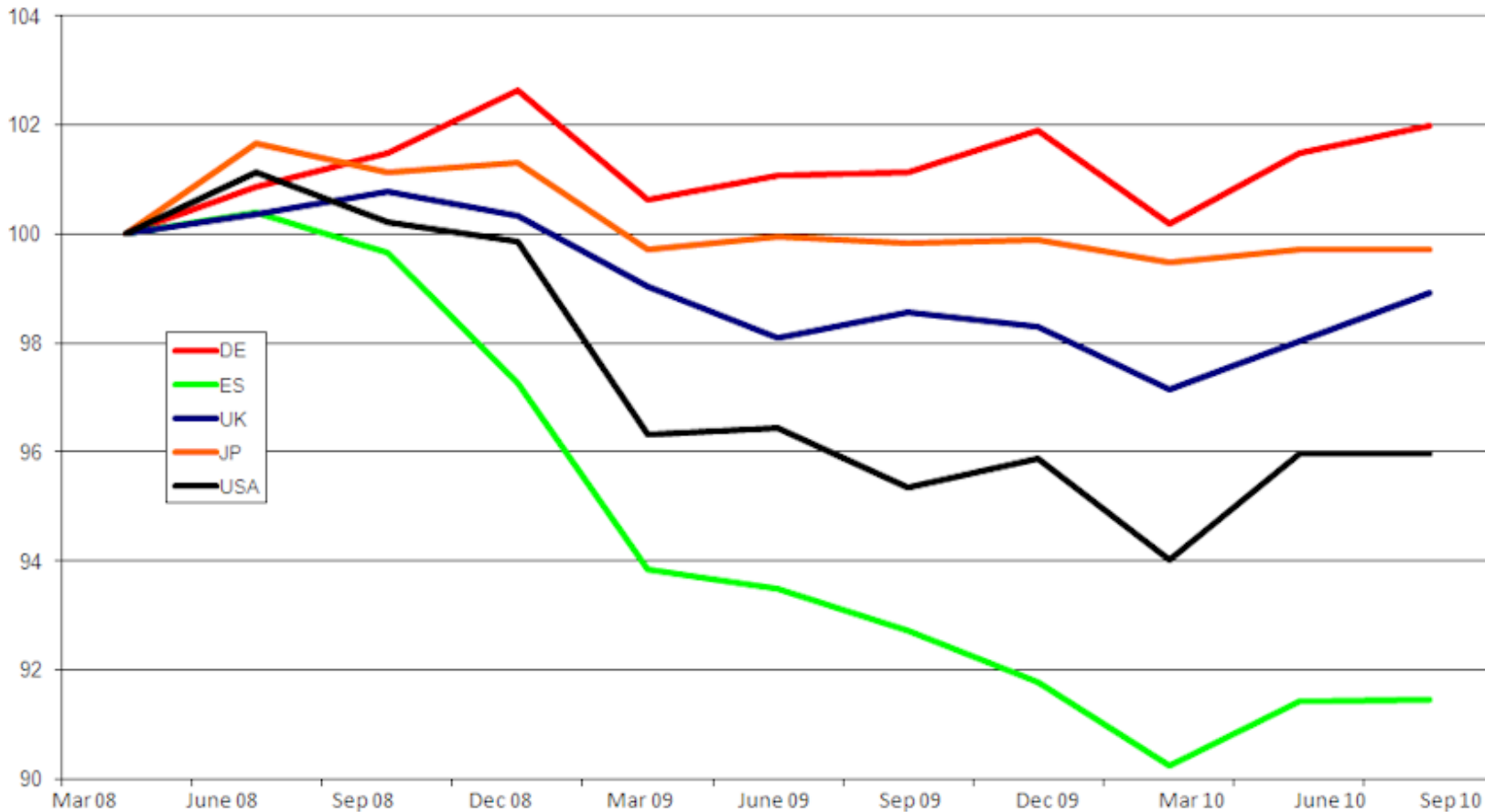
3.3 Production of manufacturing sector (2005=100)



Quelle: OECD 2012, Production and Sales (MEI)

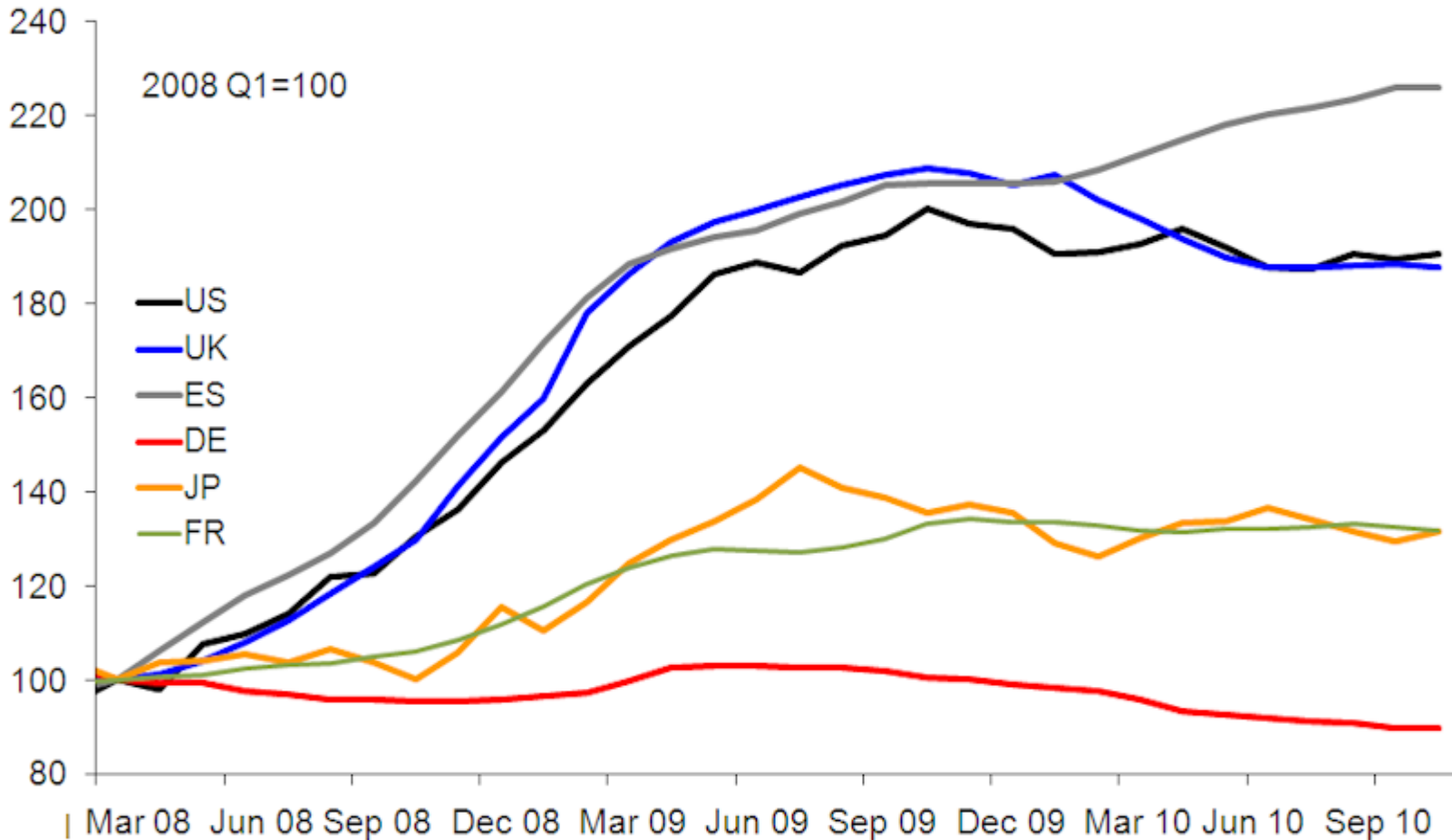


3.4 Evolution of number of employees in five countries, Germany, 2008–2010 (1st Quarter 2008 = 100)



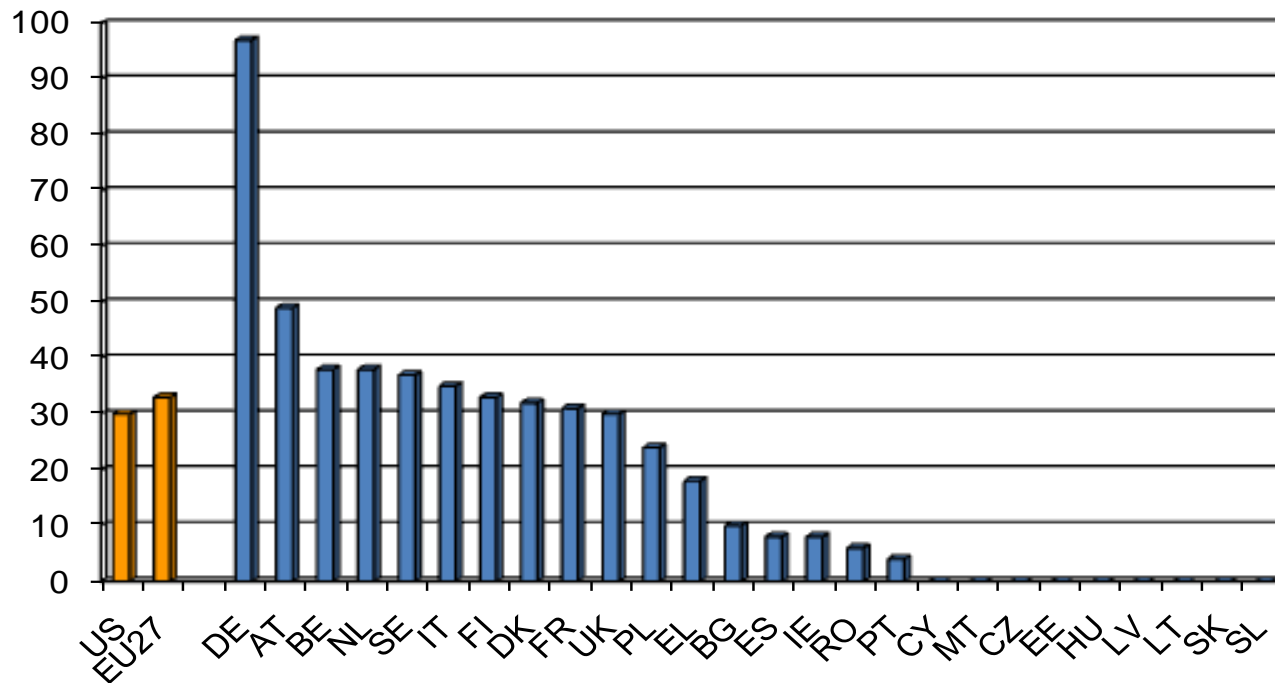
Source: Reuters-EcoWin; OECD; GDP Data national Statistical Offices; Calculation by IMK Düsseldorf.

3.5 Evolution of unemployment in five countries, Germany, 2008-2010 (1st Quarter 2008 = 100)



Source: Reuters-EcoWin; OECD; GDP Data national Statistical Offices; Calculations by IMK Düsseldorf.

3.6 Percentage of fall in total labour input due to fall in working hours per employee, Germany, 2008–2009



Source: <http://www.conference-board.org/economics/database.cfm> EUROSTAT (2010a).

3.7 Tool box for internal flexibility in Germany

- Short-time scheme dating back to 1924 - improved in 2008 (up to 2 years, no social contributions after 6 months)
- Model case: 1993 Volkswagen WT reduction from 35 to 28,8 hrs per week to save 30 000 jobs
- All major collective agreements allow for working time reductions without wage compensation to save jobs
- New agreement in engineering (wt down to 26 hrs)
- Agreements on working time accounts in 50% of enterprises – well filled in upswing 2005 - 2008
- High functional flexibility due to high share of skilled workers

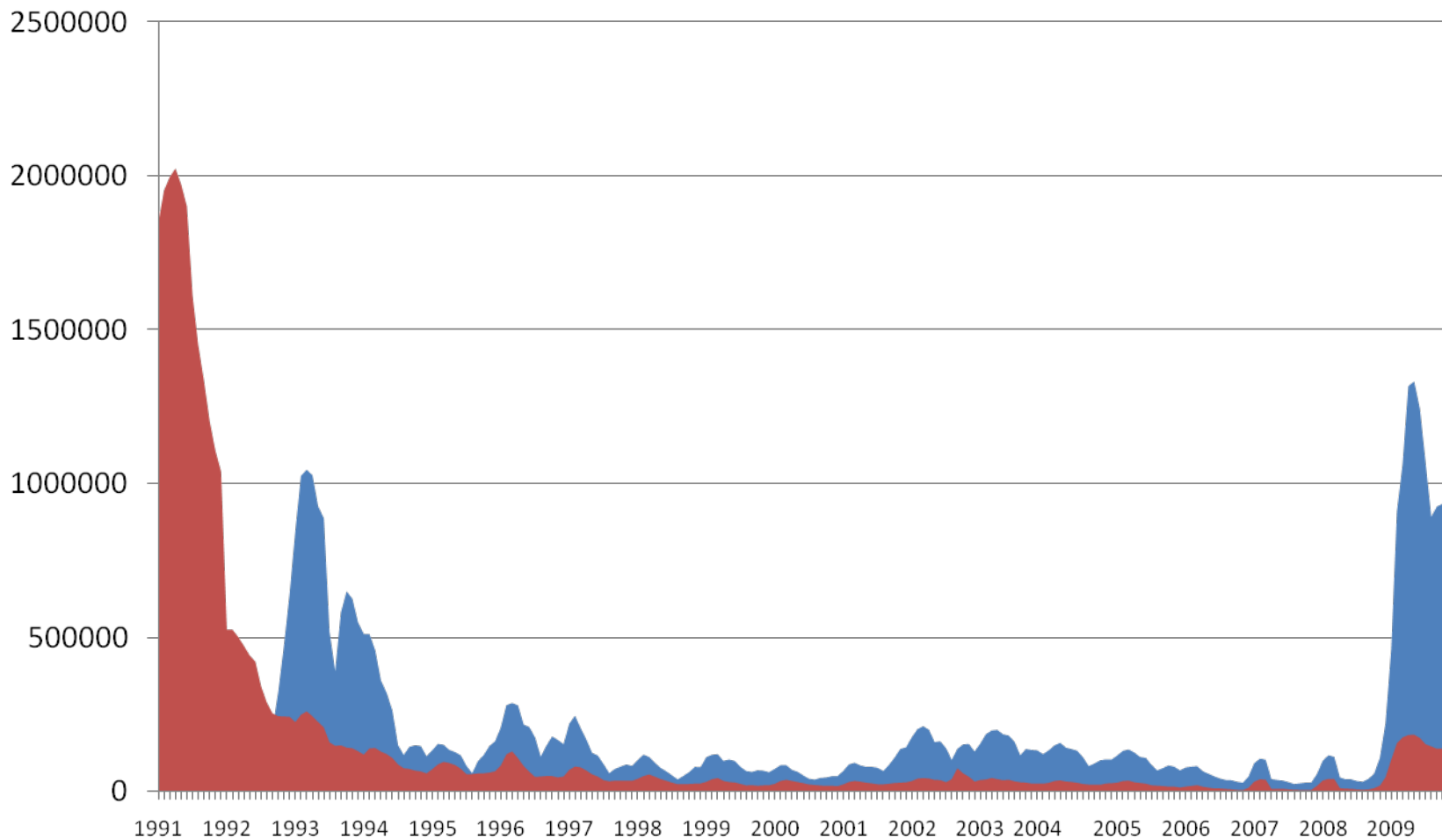
3.8 Collective agreements on possible temporary working-time reduction in different industries DE

Industry	Standard working time	Working-time reductions
	In hours	To ... hours
Banking	39	31
Printing industry	35	30
Iron and steel industry	35	28
Wood and plastics Westphalia/Saxony	35/38	32/30
Motor trade and repairs Lower Saxony	36	30
Metalworking industry Baden-Württemberg/Saxony	35/38	30/33
Local government East	40	80-75% of standard working time
Paper processing	35/37	30/32
Travel agencies	38.5	30
Textile cleaning services	38.5/40	33.5/35
Insurance	38	30
		by.... per cent
Clothing West	37	6.75
Textile industry Westphalia/East	37/40	6.75
		possible
German old-age insurance	39	x
Energy NRW (GWE)/Used(AVEU)	38	x
Confectionery industry West/Used	38/39	x
Transport industry NRW	39	x

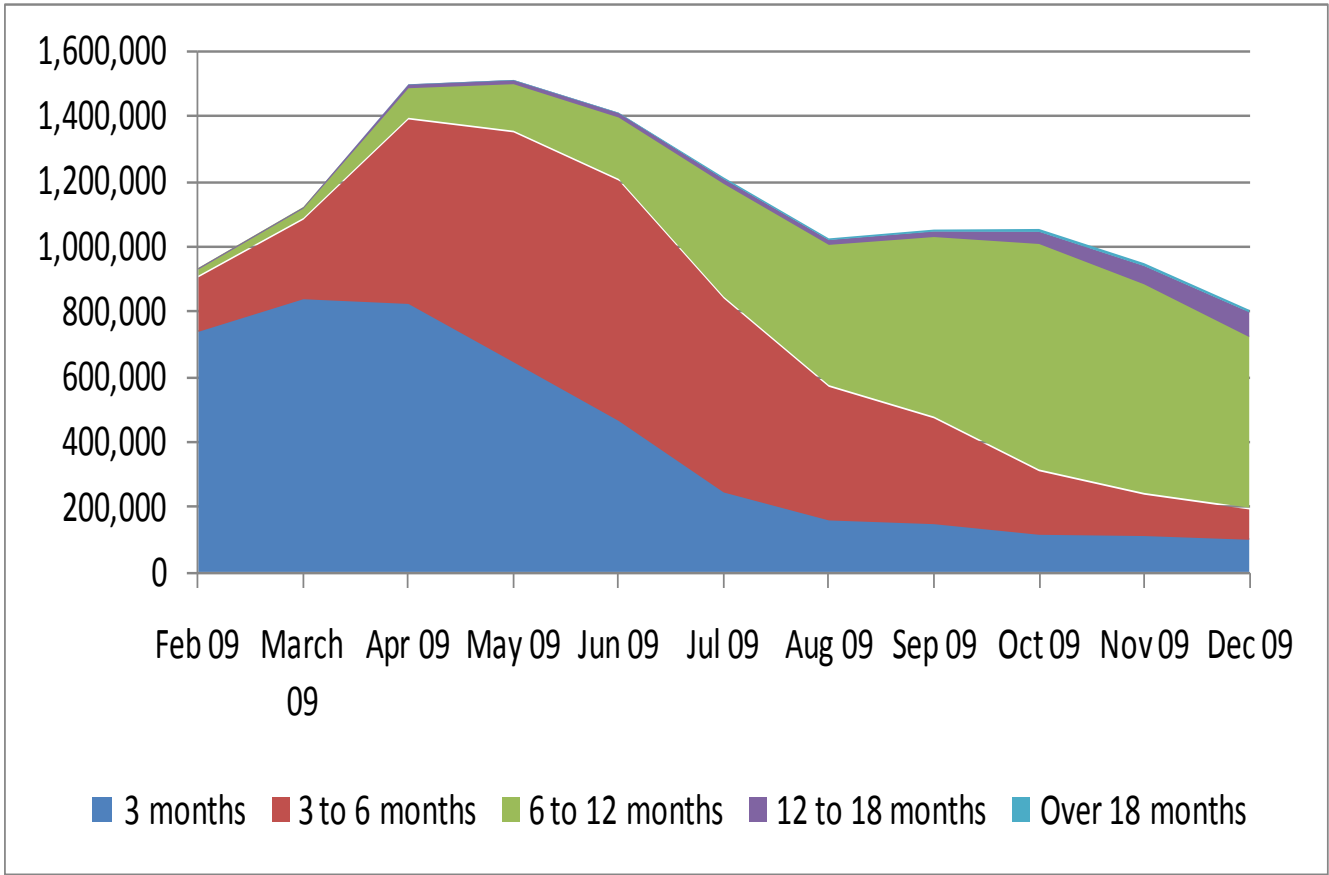
Source: WSI-Tarifarchiv as of April 2009

Abb.1

■ West-Germany ■ East-Germany

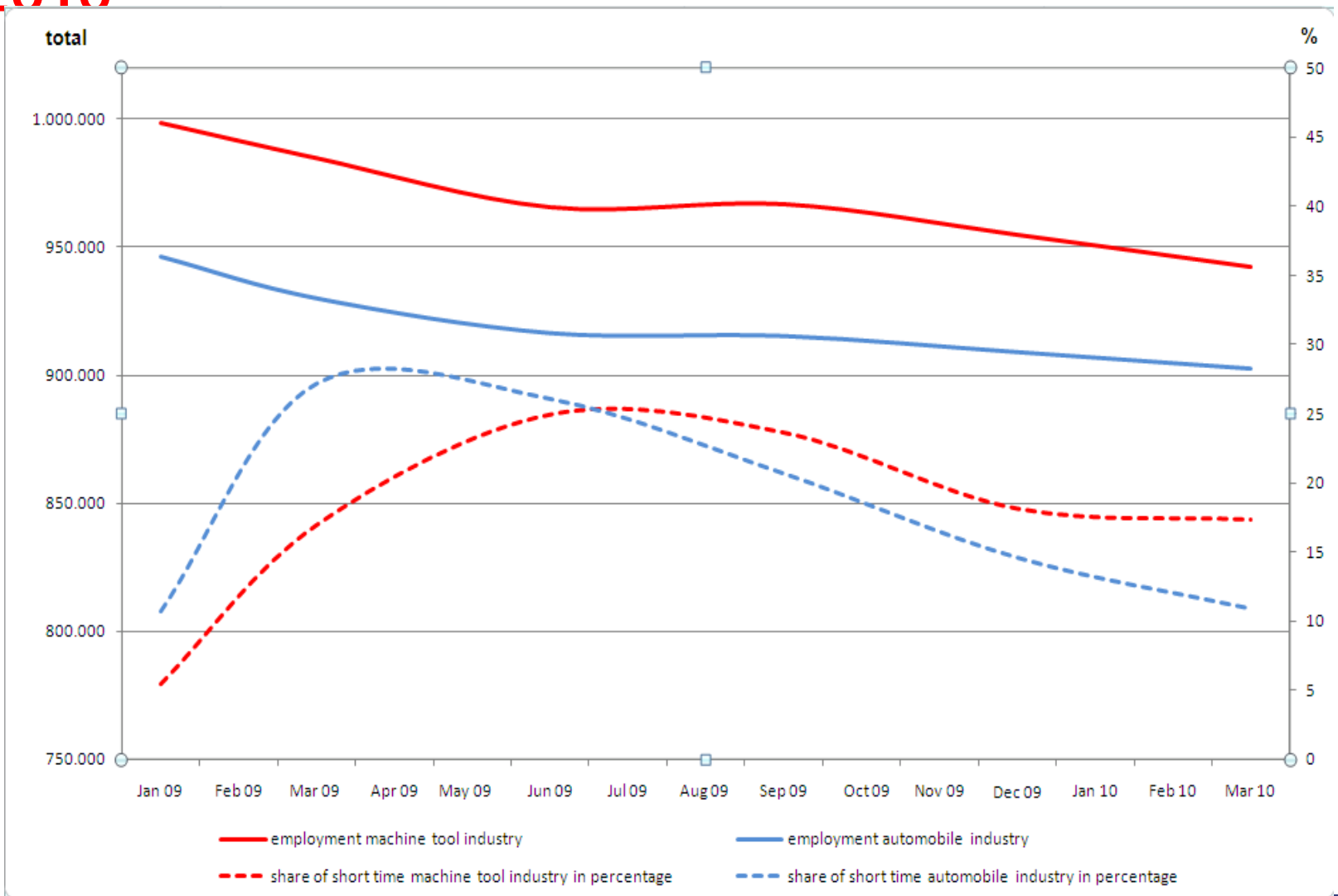


3.11 Short-time working by duration in months, Germany, February 2009–December 2009



Source: Brenke, Rinne and Zimmermann (2010).

3.12 Employment and short time in machine tool and automobile industries, Germany, January 2009 – May 2010



Source: own calculation

3.13 Conditions supporting work-sharing in the crisis with high impact on LM

- High competitiveness of companies
- High employment protection – supports internal flexibility
- High share of skilled workers
- Flexible working hours with time accounts
- Strong social partners – negotiating industry wide agreements
- Support through public short-time schemes

Conclusion

- Traditional inclusive system of IR has been weakened since 1995
- Old corporatist system still strong in manufacturing industry and in VET system
- Good policy: “Retention” of workers maintained production capacity and allowed for fast recovery afterwards
- Luck: BRIC economies not affected by financial crisis – allowed for high exports
- Dualisation not so visible in the crisis, but in the recovery – recruitment of precarious workers

Conclusion

Main political issues:

- Organizing low wage industries
- Strengthening trade union organization in manufacturing
- Minimum wage
- Equal pay for temp agency workers, mini-jobbers, posted workers
- Extension of collective agreements

Publications

- Bosch, Gerhard**, 2011: The German labour market after the financial crisis: miracle or just a good policy mix? In: Vaughan-Whitehead, Daniel (ed.): Work inequalities in the crisis? Evidence from Europe. Cheltenham [u.a.]: Elgar, pp. 243-277
- Bosch, Gerhard / Mayhew, Ken / Gautié, Jérôme**, 2010: Industrial relations, legal regulations, and wage setting. In: Gautié, Jérôme / Schmitt, John (eds.): Low-wage work in the wealthy world. New York: Russell Sage Foundation, pp. 91-146
- Bosch, Gerhard**, 2009: Le travail faiblement rémunéré dans cinq pays européens et aux Etats-Unis. In: Revue Internationale du Travail 148 (4), pp. 365-387