

Industrial Relations in Germany – an Empirical Survey

The German system of industrial relations is characterised by three central elements: the duality of company-level and supra-company (trade union) interest representation; bargaining autonomy, which enables trade unions and employers' associations to negotiate minimum standards for working and income conditions with practically no intervention on the part of the state; and codetermination as a legally guaranteed right of influence on the part of works councils – and sometimes also of trade unions – on conditions at company level. With certain restrictions, the same applies to the public service sector, where works councils (Betriebsräte) are called staff councils (Personalräte).

The dual system of representation of employee interests is made up of trade unions, which are chiefly active on supra-company level (bargaining policy and strike decisions), on the one hand and works or staff councils at company level on the other (company-level agreements and the obligation to maintain industrial peace). This system is well established and can be considered effective in comparative international terms with regard to its economic and social productivity. This effectiveness is also generally recognised by the employers, who accept the trade unions and works councils as “co-agents” (Schäfer, Keller/Schnell).

In recent years, there has been a trend towards the external and internal erosion of the collective agreement system as a result of “flight from collective agreements” (employers no longer join the bargaining associations or withdraw from these associations) and violation of collectively agreed standards (where employers ignore collectively agreed norms, particularly in east Germany). This development has led to an increase in the status of agreements made at company level with trade union involvement (in the form of in-house or company-level collective agreements) or without trade union involvement (in the form of company-level agreements with the works council), and this has in turn signalled a latent trend towards the independence of the grass-roots actors at company level from the trade unions (Bispinck/Schulten). Thanks to its stability and flexibility, however, as well as the separate legitimisation for the two cornerstones of industrial relations, the German system of labour relations still on the whole guarantees efficient problem resolution, not least due to employers' and employees' high willingness to compromise as well as the division of labour between works councils and trade unions.

The instrument of bargaining autonomy as a system of free negotiation of pay levels and working conditions between employers' associations and trade unions has also proven itself to be productive and flexible – despite the occasional attempts to integrate it in government-controlled “employment promotion alliances” (Bündnisse für Arbeit). At the same time, however, the traditional German system of collective bargaining is coming under pressure from globalisation, increased international competition, and new corporate strategies. As a result, the sector-level collective agreements have changed considerably in recent years. In particular, there has been increasing differentiation of the contents of collective agreements, and this has been accompanied

by “opening-up” of collective agreements to meet requirements at the company level. Much of the flexibility provided for in association-level collective agreements is still not utilised at company level; either that, or there is apparently no need to exploit this leeway to solve problems at company level.

What is true, however, is that the simultaneous decline in membership numbers in both employers' associations and trade unions poses a risk to the collective bargaining system (WSI Collective Agreement Archive). In particular the process of structural economic change in the direction of private services (and hence towards companies that are not or hardly bound by collective agreements) and the huge problems with transformation in east Germany are negatively impacting the efficacy of sector collective agreements. The resulting trend towards decentralisation of collective regulations results in the strategic upgrading of companies and of the institutions that are active at this level, and – under certain circumstances – a continuation of this development could pose a general threat to the instrument of the association-level collective agreement. This makes the statutory instruments to support the collective bargaining system and the extension of the scope of validity of minimum agreed standards – which, in the German system, include the declaration of “extension” of collective agreements – all the more important (Bispinck/Kirsch).

The legally guaranteed right of codetermination is traditionally geared above all towards the company level. In the recent reform of the Works Constitution Act, the German parliament and government made these rights even more extensive in the private sector. The explicit “fields of action” and participation options of the works councils now also include employee qualification, gender issues, and environmental protection within the company. The reforms have not remedied all the deficits in the field of codetermination, however. As a result, the players in the system of industrial relations need to focus their attention on topics such as direct codetermination rights of employees at their workplace (Seifert) or the expansion of European economic and structural policy.

In the years to come, complex highly developed societies like Germany will have to realise and accept that their system of labour relations and the closely associated issue of employee motivation represent a “social productive force” of the highest order (Behrens, Klenner/Lindecke). Social peace and economic efficiency in Germany will depend on whether we can succeed in strengthening the bridge between productivity and codetermination or whether this bridge will be destroyed by the pressures of neo-liberal deregulation and the predominance of shareholder value. In view of the economic weight of Germany and its political influence within the EU, these developments will have considerable effects on all other countries in a unified Europe and on the convergence of their national systems of labour relations. “Social productivity” could become the hallmark of a European model of labour relations and thus one of the key elements that distinguishes Europe from its neo-liberal competitors in the world market.