German unions & the Great Recession:
positions & responses

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Overview

- Union identity and culture
- The tradition of corporatist crisis management
- Responding to the Great Recession
Union identity and culture
Richard Hyman’s triangle

Society

Market

Class

DGB
Union party links

- Historical link with Social Democratic Party
  - unions motor of Social Democratic reformism
- Marginalisation of communists with start of Cold War
- Socialist tendencies survived as minorities
The privileged partnership with SPD crumbled with the neoliberal turn of SPD
- the severe cuts in social security (Agenda 2010; extension of pension age)

Social democratic dissidents from within the unions help to establish new Left Party (Die Linke)

With SPD in opposition since 2009 new approachment
German unions and globalisation

- Acceptance of the paradigm of national competitiveness
- Belief that competitive advantage can best be won
  - through investments in education to improve productivity
  - and via the pacifying effects of the welfare state with its integration of the unions
At its 3rd congress in 2005 IG BCE adopted a motion on globalisation:

[...] ‘through access to new markets, globalisation offers additional opportunity, particularly to the export-driven German industry. [...] This also benefits and strengthens industrial locations in Germany.’
And it continues:

[...] To make sure this does not lead to a ruinous competition for ever lower standards and wages, global minimum social and ecological standards are required.'
These views are broadly shared by many within the union movement

Differing views between DGB affiliates whether and how to co-operate with critics of neo-liberal globalisation (e.g. ATTAC et al.)
II

Tradition of corporatist crisis management
Preconditions

- Significant union presence
- Disruptive potential of workers
- A shared interest of employers and unions that a consensual restructuring helps to avoid costs and proves to be more effective
Pattern

- Productivity coalition (Windolf)
  / coalition for competitiveness (Rehder)

- Unions mediate restructuring
  - in exchange of limited job guarantees

- Red line: forced redundancies
  - Instead: so-called ‘socially acceptable job reduction’, i.e. early retirement, ‘voluntary redundancy’ with compensation
    - interest of employers in young workforce in conflict with legal protection against dismissal – incentive for negotiated job cuts

- Legislation to support negotiated crisis management

- Adjustment of collective agreements to support these efforts
A long record

- 1960s onwards: coal mining
- 1970s and 1980s: steel industry
- 1980s until mid 1990s: ship building
- 1992/93 onwards: **Alliance for Jobs and Competitiveness**
  - at company level: negotiation of so-called *Pacts for Employment and Competitiveness* (PEC)
- 2008/2009: Great Recession
III

Responding to the Great Recession
Shared analysis

- The financial and economic crisis which escalates in autumn 2008 is largely analysed by German unions as a result of a deregulated financial market.
  - Frequent: dichotomy of ‘real economy’ (‘good’ capitalists) versus ‘financial economy’ (‘bad’ capitalists).
  - Employers and employees both victims of ‘greedy’ investment banks and hedge funds.
Different consequences of crisis

- Unions were differently affected by the crisis
  - **ver.di**
    - financial services only mildly affected in terms of employment
    - mostly affected in transports and logistics
    - not directly affected in public services, health care and commerce
  - **IG Metall**
    - massive drop in incoming orders and production
    - fear of deindustrialisation
    - crisis regarded as threat to its very existence
  - **IG BCE**
    - chemicals heavily hit by slump in car industry
Common goals

Major political demands:

- the crisis shall not be solved on the backs of employees
- to this end it is necessary to protect in various ways the industries concerned
- re-regulation of the financial markets
- further democratisation of the economy
Competing demands

- Neither joint reaction nor joint approach by all DGB affiliates
- ver.di: public investment program to strengthen public service
  - strengthen domestic demand, diminish export dependency
- IG Metall: public equity fund to stabilise manufacturing
  - the fund shall be financed by an excise tax on large fortunes
  - the fund shall be publicly controlled
- IG Metall finds common ground with IG BCE in aim to stabilize export oriented manufacturing sector
Corporatist crisis management:
the case of metal working
M+E industries incoming orders 2008/2009

-1.8
-5.8
-26.5
-35.9

IG Metall December 2008: ‘No dismissals’

Three levels of crisis intervention:
  - state / government action
  - industry / collective bargaining
  - establishment / works councils & management
State

- IG Metall and employers in M+E demand government intervention:
  - a car scrap bonus to stimulate demand
  - extension of short time work
    - from 12 to first 19 then 24 months
Short-time work in M+E by month
Oct 2008 – Dec 2010 (in 1,000)
Production & registration of new cars

Domestic production of vehicles
Registration of new vehicles
Establishment level

- re-negotiation of PECs
  - aims: cost savings and internal flexibility in exchange for maintaining limited job guarantees

- reduction of working time
  - wide spread use of working time accounts
    - concessions of the past now instrumental

- IG Metall organises expert consultancy for SMEs

- in some cases: union brokers state credits to avoid bankruptcy
Industry level

- New collective agreements in 2010 in M+E with special clauses for extended short-time working schemes
Why this revival of corporatism?

- Fear of social unrest on the side of government and employers
  - Union as mediating and stabilizing factor
  - IG Metall is still a power to be recognized
  - the disruptive potential of auto workers is substantial
- Grand coalition government faces national election in 2009
Overlapping interests

- Employers, employees and union share interest in avoiding mass dismissals
  - labour hoarding is a viable option as employers want to be ready if crisis is only temporary slump
  - short-time work and working time accounts minimise costs
  - employees want to keep jobs
  - Union wants to stabilise its membership strongholds
Outcome
Employment in M+E industries in 1,000 by quarter

Source: destatis; IG Metall; figures include self-employed and exclude agency workers
A comparatively mild dip in employment

Employment M+E (W. Germany) annual changes

1992 - 2011
Favoured by a relatively quick recovery

M+E industries incoming orders 2008/2009, change to previous year

-1.8  -5.8  -26.5  -35.9  -19.2  -1.2  22.6  28.5  19.3  22.4  18.5

A win-win situation?
Who paid the bill?

- Employees with fixed term contracts and temporary agency workers – both quickly lost their jobs
  - Not only internal flexibility – work time accounts etc. but also external flexibility was instrumental in stabilising core workforces

- Core workforces paid with various concessions

- All employees are hit in so far as the success of the crisis management is a stimulus for employers to expand non-standard precarious employment
Temporary agency workers in M+E
2005 - 2011, in 1,000, as of 30 June each year

Source: IAB, establishment panel; IG Metall

+ 51.4%
Limits

- None of the more far reaching political demands of neither ver.di nor IG Metall made it on the political agenda
- the mobilisation for these demands remained weak
  - not all employees felt affected by crisis
  - for some employees the ‘crisis’ had begun long before 2008 – ‘crisis’ as daily experience
Outlook
Facing the ‘Euro crisis’

2012:

The economic imbalances within the EU remain

Trade unions face the challenge to deal with their differences and to find a coordinated answer to the current crisis
Economic recovery
GDP, adjusted for prices, 2008q1=100

Source: Eurostat, calculation IMK

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Employment 2008q1=100

Source: Eurostat, calculation IMK.

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Thank you for your attention!

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