Gerhard Bosch

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

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Prof. Dr. Gerhard Bosch
Institut Arbeit und Qualifikation
Forsthausweg 2, LE, 47057 Duisburg
Tel.: +49 203 / 379 1827; Fax: +49 203 / 379 1809,
Email: gerhard.bosch@uni-due.de ; http://www.iaq.uni-due.de/
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. Voluntaryist 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 entreprise 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 from 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

Quelle: IAB-Panel
1.6 Hourly wages (Base=1995)

Anteil an allen abhängig Beschäftigten (in %)

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

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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)

Quelle: OECD; IW Köln
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

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

<table>
<thead>
<tr>
<th>Industry</th>
<th>Standard working time</th>
<th>Working-time reductions</th>
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<tr>
<td></td>
<td>In hours</td>
<td>To ... hours</td>
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<tr>
<td>Banking</td>
<td>39</td>
<td>31</td>
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<td>Printing industry</td>
<td>35</td>
<td>30</td>
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<td>Iron and steel industry</td>
<td>35</td>
<td>28</td>
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<tr>
<td>Wood and plastics Westphalia/ Saxony</td>
<td>35/38</td>
<td>32/30</td>
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<tr>
<td>Motor trade and repairs Lower Saxony</td>
<td>36</td>
<td>30</td>
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<tr>
<td>Metalworking industry Baden-Württemberg/ Saxony</td>
<td>35/38</td>
<td>30/33</td>
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<tr>
<td>Local government East</td>
<td>40</td>
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<tr>
<td>Paper processing</td>
<td>35/37</td>
<td>30/32</td>
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<tr>
<td>Travel agencies</td>
<td>38.5</td>
<td>30</td>
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<td>Textile cleaning services</td>
<td>38.5/40</td>
<td>33.5/35</td>
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<tr>
<td>Insurance</td>
<td>38</td>
<td>30</td>
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<tr>
<td>Clothing West</td>
<td>37</td>
<td>6.75</td>
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<tr>
<td>Textile industry Westphalia/ East</td>
<td>37/40</td>
<td>6.75</td>
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<td>German old-age insurance</td>
<td>39</td>
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<tr>
<td>Energy NRW (GWE)/ Used(AVEU)</td>
<td>38</td>
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<td>Confectionery industry West/ Used</td>
<td>38/39</td>
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<td>Transport industry NRW</td>
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Source: WSI-Tarifarchiv as at April 2009
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:** “Rentention” 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

