Globalization and the future of central collective bargaining: the example of the German metal industry

Hassel Anke & Schulten Thorsten

Published online: 28 Jul 2006.

To cite this article: Hassel Anke & Schulten Thorsten (1998) Globalization and the future of central collective bargaining: the example of the German metal industry, Economy and Society, 27:4, 484-522, DOI: 10.1080/03085149800000031

To link to this article: http://dx.doi.org/10.1080/03085149800000031

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the “Content”) contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden. Terms & Conditions of access and use can be found at http://www.tandfonline.com/page/terms-and-conditions
Globalization and the future of central collective bargaining: the example of the German metal industry

Anke Hassel and Thorsten Schulten

Abstract

The paper deals with the relationship of the German model of capitalism and the role of centralized collective bargaining within it. It is assumed that the system of central wage bargaining – leading to a relatively egalitarian wage structure and the absence of a non-union wage sector – is one of the major pillars of the national institutional framework of the German economy. Pressures towards the decentralization of collective bargaining will therefore not only affect the distribution of wages and the patterns of social equality, but also have a profound impact on the functioning of the German model of capitalism.

The first part of this paper links the system of collective bargaining and industrial relations with the wider macro-economic and political features of German capitalism. It defines three major challenges to the institutional framework of the German economy: structural challenges since the early 1970s, the impact of unification since 1989 and the impact of European integration and globalization since the mid-1980s. It concludes that not globalization as such but a complexity of different pressures might lead to drastic institutional changes.

The second part of the paper analyses collective bargaining development in the metal industry in the early 1990s. It looks at the conduct of the bargaining rounds, the institutional set-up and the position of the collective bargaining actors respectively. It will be argued that collective bargaining in the German metal industry has become extremely pressurized in the early 1990s. We argue that pressure on collective bargaining stems from two sides: first, from the membership problem of trade unions and employers' associations and, second, from the narrowing scope of flexibility within the given system of wage determination. We will define three ways of achieving wage differentiation within and outside centralized bargaining structures and look at their changing role during that period. Finally, the paper presents two scenarios of collective bargaining in the future and discusses their implications for the German economic model.

Keywords: globalization; German model of capitalism; industrial relations; collective bargaining.

Economy and Society Volume 27 Number 4 November 1998: 486–522
© Routledge 1998 0308-5147
Leibinger, B. (no date) 'Fallbeispiel Maschinenfabrik Trumpf GmbH & Co.', provided by Trumpf in 1996.
--- (1996) Personal communication, 29 November.
Siemens (no date) Standortpolitik/Ausland.
The German model under strain

All capitalist post-war societies are based on a complex structure of economic, political and social institutions whose interactions over several decades have led to political stability and remarkably successful economic development. The ‘golden age of capitalism’ (Hobsbawm 1994) was determined by a historically unique constellation of prosperity. Major features of this mode of ‘Fordist’ capitalism were a growth model led by mass production and mass consumption as well as the establishment of welfare states supported by stable patterns of industrial relations. The latter can be seen as an ‘historical compromise’ between capital and labour which enabled an ‘institutionalization of class conflict’ and ensured the corporatist integration of the labour movement and trade unions into the system.

The role of collective bargaining in German capitalism

This process of integration moulded the German model, which is in essence an arrangement of interconnected economic institutions in which the representation of employees’ interests had a prominent place. Against the backdrop of the economic crisis of 1929–33 and the experience of German fascism, on the one hand, and increasing competition with the socialist camp, on the other, the basic approach of the ‘social market economy’ was to ‘combine a market economy based on private property and profit orientation with the principle of social justice, meaning the correction of perceived unjust results of stability and distribution’ (Rurup 1996).

The German model of capitalism has been widely regarded as a successful synthesis between a high level of international competitiveness, a comparable level of wages and welfare and a relatively low level of social inequality. A relatively low earnings dispersion between the different income groups is thus a particular feature of German capitalism. According to an OECD study, only the Scandinavian countries and Belgium have a lower earnings dispersion (Table 1). Obviously, there is a strong connection between earnings dispersion and systems of collective bargaining. Countries with more centralized bargaining systems usually have a lower income dispersion, which underlines the solidarity function of centralized collective bargaining.

German collective bargaining is mainly conducted at the sectoral level between representative employers’ associations and trade unions. German constitutional law guarantees the collective bargaining partners an ‘autonomous’ regulation of labour relations. The collective bargaining law ensures that collective agreements are legally binding. At the same time it gives the government the possibility of declaring collective agreements legally binding for all companies in the sector. Sectoral ‘central or association-level collective agreements’ (Flächentarifverträge) are usually negotiated at the regional level. In some sectors (building sector, public sector, banking and insurance) collective bargaining
Table 1 Earnings dispersion in OECD countries

<table>
<thead>
<tr>
<th></th>
<th>D5/D1 (%)</th>
<th>D9/D5 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway (1991)</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>Sweden (1993)</td>
<td>34</td>
<td>59</td>
</tr>
<tr>
<td>Denmark (1990)</td>
<td>38</td>
<td>57</td>
</tr>
<tr>
<td>Finland (1994)</td>
<td>40</td>
<td>70</td>
</tr>
<tr>
<td>Belgium (1993)</td>
<td>43</td>
<td>57</td>
</tr>
<tr>
<td>Germany (1993)</td>
<td>44</td>
<td>61</td>
</tr>
<tr>
<td>Netherlands (1994)</td>
<td>56</td>
<td>66</td>
</tr>
<tr>
<td>Switzerland (1995)</td>
<td>59</td>
<td>71</td>
</tr>
<tr>
<td>Japan (1994)</td>
<td>63</td>
<td>85</td>
</tr>
<tr>
<td>Portugal (1993)</td>
<td>64</td>
<td>147</td>
</tr>
<tr>
<td>France (1994)</td>
<td>65</td>
<td>99</td>
</tr>
<tr>
<td>Italy (1993)</td>
<td>75</td>
<td>60</td>
</tr>
<tr>
<td>United Kingdom (1995)</td>
<td>81</td>
<td>87</td>
</tr>
<tr>
<td>Austria (1994)</td>
<td>101</td>
<td>82</td>
</tr>
<tr>
<td>USA (1995)</td>
<td>109</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: OECD Employment Outlook 1996

D = earning deciles, D1: lowest earning decile, D5: fifth earning decile, D9: ninth earning decile

takes place at the national level. In addition, there are ‘company agreements’ (Firmen.tarifr"aGE) which are negotiated between a company – usually not a member of an employers’ association – and a trade union. At the end of 1996, there were more than 45,000 collective agreements in Germany, a third of which were company agreements (Table 2).

The overall coverage of collective agreements remained still very high. According to the results of a company survey by the Institut für Arbeitsmarkt und Berufsforschung (IAB), in 1995 about 62 per cent of companies and 83 per cent of the employees were covered by a collective agreement in west Germany (Table 3). The overwhelming majority of employees (72.2 per cent) were covered by association-level agreements at sectoral level. In addition, about 10 per cent of employees were covered by company agreements. The German collective bargaining system has not thus far permitted the emergence of a major non-union sector as is the case in Anglo-Saxon countries. Although more than 38 per cent of west German companies are using no collective agreement, these firms are mainly small and medium-sized companies covering only about 17 per cent of west German employees altogether.

The implementation of central collective agreements is organizationally dependent on strong and active associations which are able to ensure the acceptance of agreements by their membership. A centralized structure of associations developed in Germany after the Second World War: on the workers’ side, industrial trade unionism was established in which the individual trade unions aimed at organizing all employees of a particular industry regardless of their politics and religion. Although union density in Germany never went above 40 per cent,
Table 2 Number and structure of collective agreements in Germany (1997)

<table>
<thead>
<tr>
<th>Type of collective agreement</th>
<th>Registered collective agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In total</td>
</tr>
<tr>
<td>Association-level agreements</td>
<td></td>
</tr>
<tr>
<td>Company agreements</td>
<td>30,779</td>
</tr>
<tr>
<td>In total</td>
<td>47,334</td>
</tr>
</tbody>
</table>

Source: German Ministry of Labour, Register of Collective Agreements

Table 3 Collective bargaining coverage of companies and employees in west Germany in 1995

<table>
<thead>
<tr>
<th>Percentage of companies</th>
<th>Percentage of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Association-level agreements</td>
<td>53.4</td>
</tr>
<tr>
<td>Company agreements</td>
<td>8.2</td>
</tr>
<tr>
<td>No collective agreement</td>
<td>38.4</td>
</tr>
</tbody>
</table>

Source: IAB company survey (Kohaut and Bellmann 1997)

the DGB-affiliated trade unions succeeded in establishing a monopoly of representation which was massively supported by the involvement of those unions in social security functions and court rulings. The employers' side developed, in a parallel way to the trade unions, on sectoral lines with even a higher number of all companies being members of employers' associations. The level of organization on the company side is high by international standards and supports the view of a traditionally broad acceptance of the German system of collective bargaining by employers.

Central collective agreements follow trade union demands for relatively uniform wages and terms and conditions. For the employees they therefore have the function of protection and participation. They define the minimum terms and conditions which have led to relatively small differentiation in the income structure and have secured a relatively 'equal' participation of the employees in the economic growth. At the level of the economy, they have the function of acting like a cartel, by taking the price for the labour factor out of competition in the labour market and creating the same conditions for all companies. From the viewpoint of employers, this system of wage determination was very efficient, in particular during the 1950s and 1960s under the condition of high growth rates and full employment, in controlling the general development of wages. Indeed, until the mid-1970s, wages in Germany rose in line with the general growth rates of the economy (Afheldt 1994: 31).

For employers, central agreements also have the function of order and peacekeeping. They offer to companies secure planning with regard to labour costs and ensure that industrial action is confined to a short and calculated period of time.
Before the expiry dates of collective agreements, trade unions in Germany are subjected to a peace-keeping obligation which enables them to take industrial action only after negotiations have broken down. The system of central collective agreements is aimed at a high degree of consensus and co-operation and has contributed to strike rates which are among the lowest in the Western world. The production factor ‘social peace’ is therefore another trade mark of German capitalism.

Finally, the German system of collective bargaining has led to a production structure which is based less on ‘price-competitive production’, than on ‘quality-competitive production’ (Streeck 1995: 13ff.). Its strength lies in defending its competitive position of quality and innovation in technologically advanced capital goods. At the plant level this corresponds with the focus on the skilled worker in a ‘diversified quality production’ process (Streeck 1995: 13; Wittke 1995) again institutionally supported by the system of vocational training. A company which aims at improving its competitiveness by lowering its labour costs has to operate within very tight boundaries of centrally agreed minimum wages. Companies are forced to counteract a lack in competitiveness by an increase in productivity. Therefore, central collective agreements also have the function of increasing productivity and innovation. ‘One of the major advantages of the German collective bargaining system ... lies in the fact that it does not allow the gap in innovation between companies to become too big and that it gives incentives for plant-level structures to develop uniformly and within acceptable periods of time in the plants’ (Bahnmiiller and Bispinck 1995: 149).

Challenges of the German model

While the German model was based on a complex and differentiated structure of institutions, it was also dependent on a range of socio-economic preconditions:

• **Stable economic growth** Only sufficient growth rates enabled the German model to achieve full employment and simultaneously create sufficient scope for redistribution, which then could be used for real wage growth and to sustain the fundamental consensus between capital and labour.

• **Compatible international environment** The export-led growth model is dependent on a stable and compatible international environment. The high degree of integration into the world market has made the German economy dependent on the dynamic development of the world economy which creates a sufficiently large market for German capital goods.

• **High rate of productivity and profitability** The relatively low wage disparities in the German model are based on an appropriate level of productivity and capital profitability. On the side of companies this requires a capacity for ongoing innovation which leads to a continuing process of modernization of work and production processes.
• High capacity for innovation: The broad range of high-quality capital goods requires a high level of innovation capacity in German society. This is based mainly on a qualitatively high-level system of vocational training which produces a large number of highly skilled workers. In addition, there needs to be an equivalent infrastructure of research and development in order to maintain top-level technological progress. German companies are required to achieve a fast-developing system of product innovation in order to remain internationally competitive.

Structural changes in the German model since the mid-1970s

The particular set of socio-economic preconditions for the German model has been subject to erosion ever since the world economic crisis of 1974–5. A drastic reduction in economic growth rates and a clear reduction of capital profitability, as well as the reappearance of mass unemployment, indicated that the long period of prosperity after the war had come to an end. The phenomenon of crisis was not confined to Germany alone, but was accompanied by a parallel development in most Western industrialized countries. The historical turning point of the German system of capitalism was also the beginning of debates on structural adjustment and the future of the German model.

In 1975, the unemployment rate in Germany went beyond the figure of one million unemployed for the first time since the early 1950s. The 'Modell Deutschland' had reached its limits. The transition from the Brandt government to the Schmidt government introduced a fundamental political shift in strategies in order to adjust the German model to the changing framework of the world economy (Esser 1982: 76ff; Bonder et al. 1992: 156ff.). In essence this meant a replacement of the principle of Keynesian global demand policy by an active concept of structural policy for the 'modernization of the economy' (Hauff and Scharpf 1975). The encompassing state-run policy on infrastructure and technology was aimed at increasing the labour productivity and capital rentability of export-oriented industries in order to maintain and improve their competitiveness in harsh international competition.

The social democratic strategy on modernization of the late 1970s was based on the assumption that the high level of wages and welfare could be maintained by strengthening the traditional strong sectors of the German economy. Although the trade unions walked out of the tripartite talks of the 'concerted action' in 1977, after the employers had showed their opposition against the codetermination law in 1976, they stayed within the modified overall regulatory set up of the German model, in which the corporatist structures were increasingly moving from the macro level to the meso and micro (sectors and regions) level (Esser 1982). In addition, the social democratic concept of modernization also gave up the role of an active employment policy in order to implement an austerity policy which was focused on stability. As a consequence, mass unemployment became a continuing structural problem of German capitalism. Since the economic upswing of the late 1970s only led to marginal employment effects, the
unemployment figure increased to more than two million during the economic recession of 1981/2.

When the newly elected conservative-liberal government took power in 1982 (CDU/FDP) it could continue the political change of paradigm of the 1970s from a Keynesian employment policy towards a neo-liberal supply-side policy. Despite its rhetoric of a so-called ‘Wende’, the German version of neo-liberalism never achieved the radical tone of its US or British counterpart, but aimed at a slow transformation of the ‘model Germany’ without questioning its fundamental structures (Esser 1989). The high stability of its institutional structures – including its system of labour relations – was one of the most remarkable features of German capitalism until the early 1990s.

This continuity of the German model of regulation had its price however, which was paid with what Traxler called the transition from a Keynesian demand corporatism to a world-market-oriented ‘supply corporatism’ (Traxler 1993). The institutional regulatory capacities were increasingly subordinated to the primary goal of international competitiveness and functionally modified in order to serve an export-dominated macro economic structure. At the same time, its fundamental structural problems, like mass unemployment, exhaustion of social security systems and increasing public deficit, remain unsolved and have become a burden to the German model. On top of these structural changes to the German economic model, the 1990s presented two further challenges for the German economy: the costs of German unification and the increase in economic internationalization.

The impact of German unification

Obviously, the ‘shock of unification’ (Streeck 1995) indicates strong pressures for the further development of the ‘model Germany’. Even if the potential economic power of German capitalism is expected to become stronger in the long run, first of all, the unification process seems to create some serious challenges for the German model. One major problem is that, for the foreseeable future, East German economic development will depend heavily on massive financial support through the West. Between 1991 and 1996 about 900 billion German Marks (DM) of public expenditure were transferred into the five new ‘Länder’ (Wegner 1996: 20f.). More than half of the payments were related to labour-market activities and social-policy measures which became necessary after the adoption of the West German social security system and the sharp rise in East German unemployment rates. In addition to that, about 40 per cent of the expenditure was given to improve the infrastructure and to support new investments in the East. The latter could be interpreted as an enormous Keynesian demand-creating programme, again primarily benefiting West German capital and creating a huge West German trade surplus of nearly 200 billion DM per year (Vesper 1996).

On the other hand, the immense financial transfers to Eastern Germany were one major source for the sharp rise in the German public deficit. In 1996, the
budget deficit was more than 140 billion DM leading to an overall public deficit of more than 2,000 billion DM or more than 60 per cent of the current GDP (DIW et al. 1996b). To handle the 'costs of the unification' the German government first adopted a special 'solidarity tax' ('Solidaritätszuschlag') for East German recovery. But, when it became clear, that this tax would not solve the budget problems, the German government decided to make further cuts in particular in welfare programmes and social benefits. The culmination of this policy so far has been the so-called 'programme for further growth and employment' from 1996 which contains a wide range of social cuts and worsening of employment rights (e.g. in the field of sick pay or protection against dismissals). The programme was heavily criticized and led to a new wave of social protest in Germany. The fact that the financial burden of German unification was mainly put to the employees as well as on those depending on public transfer payments has serious implications for the political climate in Germany. Therefore, more and more observers see German unification as a possible starting point for the erosion of the German model of social consensus (Streeck 1995).

Collective bargaining in eastern Germany was from the beginning overshadowed by the broad expectations of the east German people of reaching the same standard of living as in the West. After unification in autumn 1990 the average gross income of an east German employee was only 35 per cent of that of his or her western counterpart (DIW 1996a). Both the employers and the trade unions agreed that an assimilation of income levels would be necessary within a certain period of time. In some sectors (e.g. the metal industry) collective agreements were signed with a phasing-in plan, which fixed a step by step increase of East German wages until they reached western levels (Bispinck 1995a).

In the mid-1990s collective bargaining unity for the whole of Germany is still far away. In 1995 the average gross income of an east German employee was 72 per cent of the western level (DIW 1996), while the differences vary between 60 and 100 per cent from sector to sector. Additionally, there were still some substantial differences in working time and further social benefits (Bispinck 1995a). Although since 1991/2 the speed of alignment of wages and salaries has decreased from year to year, in the current German public debate it is very common to blame the supposed 'high labour costs' for the still poor economic recovery in east Germany. Indeed, for political reasons mentioned above, east German wages have to grow relatively faster than productivity, which leads to an increase of unit labour costs. But the main problem seems to be that German capital is trying to use east Germany as a low-cost and low-wage area and thereby is failing to improve the eastern productivity level. In the end, there is a clear danger 'that a low wage regime in the East might erode the high-wage and high-skill regime in the West by opening up opportunities for low wage production that might lure German firms away from the upgrading path of industrial virtue' (Streeck 1995: 21).

The experiences of the post-war West German growth model showed that its success was based on a 'quality-competitive' strategy. Even for east Germany it
is rather unrealistic to assume that it could succeed in pure price competition against other countries with rather lower income and social welfare levels. On the other hand, since unification German capitalism seems to have more and more problems in preserving or even renewing west German competitiveness and in rescuing east German economic recovery at the same time.

The impact of globalization

Western post-war societies were identified by Fordist capitalism primarily based on a national growth model which concentrates itself mainly on the development of national single-market performance. From a historical perspective, Fordist capitalism could be characterized as the constitution of a 'real national economy' which at the same time produced the basic requirements for a highly politically and socially regulated market economy (Krebs 1996: 23f). Since the 1970s, as one major reaction to the structural crisis of Fordist capitalism, there could be observed again a growing internationalization of economic activities, such as an intensification of transnational trade relations and investments as well as an accelerating international flow of financial capital. From the beginning of the 1990s the notion of 'globalization' has become the dominant feature in political and economic debates.

Even if the use of the term 'globalization' is mostly rather vague, it more or less stands for the notion of a qualitatively new stage in international capitalism. It focuses mainly on a fundamental change in the relation between transnational capital and the nation state. Following the globalization thesis, the nation state is losing more and more its traditional capacity to regulate its economy.

Market-modifying and market-correcting political intervention in the economy, including publicly associational self-regulation, can take place only within nation states, because it is only here that the public power necessary for the purpose can be mobilised. Economic globalisation therefore erodes the conditions for such interventions and... leaves only de-politicised, privatised and market-driven forms of economic order.

(Streeck 1995: 27)

Because of the new mobility of capital, national social and welfare regimes stand in competition to each other in attracting investment to safeguard social wealth and employment. In this situation, the principal function of the state has to change from its traditional post-war role as a 'Keynesian welfare state' to a new 'Schumpetarian competition state' (Jessop 1992).

In Germany, as well as in other countries, the debate on globalization has a major influence on current developments in industrial relations. Under the new circumstances of a globalized economy, the high-wage and high-productivity performance of German capitalism seems to lose its traditional efficiency. 'Standort Deutschland' (Germany as a location for economic activity) became widely accused of being too expensive and too over-regulated to compete on world markets. In particular, the system of central collective bargaining might have to
Globalization and the future of central collective bargaining

give up its principal functions of determining general binding wage and working conditions, because capital is more and more able to switch its activities to other countries (Soltwedel 1996). In this perspective, the growing number of German foreign investments (FDI) in recent years are interpreted as an 'emigration' of capital from the less profitable production possibilities in Germany.

Looking to the regional distribution of German trade and foreign investments (Table 4) one cannot speak of a truly globalized economy. In 1995 about two-thirds of all imports and exports and foreign investments were related to other Western European countries. Since the mid-1980s, with the adoption of the European Single Market programme, there is a strong tendency for German capital to concentrate its foreign activities even more on Western Europe. So far, the internationalization of the German economy has mainly taken the form of European regionalization.

In addition to that, the proportion of German FDI going to low-wage countries is still very low, while the biggest amount of German investment goes to other highly developed industrial countries. In particular, the stock of FDI in Eastern European countries, which in the current public debate plays the most prominent role as the major 'threat' for the 'Standort Deutschland', still lies below 3 per cent of all German FDI and has, therefore, only a very limited meaning for the German economy (Dorrenbecher and Nuding 1996). The regional distribution of German FDI also makes clear that its main motivation lies not in the costs argument, but more in the aim of developing and safeguarding new markets (Hartel et al. 1996; Köddermann 1996). Of course, there are a (probably growing) number of single firms, which switch their production to low-wage countries, but so far they are still a minority, while the overwhelming amount of FDI seems to strengthen the job performance of the German economy. Altogether, from a macro-economic perspective, German capitalism is still primarily benefiting from its highly internationalized economy. Therefore, one cannot say that globalization as such is undermining the principal foundations of the German model including its system of centralized collective bargaining.

Table 4 Regional distribution of German trade and foreign direct investments (FDI) in 1995 (in %)

<table>
<thead>
<tr>
<th></th>
<th>Trade</th>
<th>FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export</td>
<td>Import</td>
</tr>
<tr>
<td>Developed countries</td>
<td>76.5</td>
<td>76.6</td>
</tr>
<tr>
<td>Western Europe</td>
<td>65.0</td>
<td>62.4</td>
</tr>
<tr>
<td>USA</td>
<td>7.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Japan</td>
<td>2.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Former socialist countries</td>
<td>9.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Developing countries</td>
<td>13.7</td>
<td>12.0</td>
</tr>
<tr>
<td>All countries</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Sources: Statistisches Bundesamt; Deutsche Bundesbank.
The actual challenge of globalization for German collective bargaining can, however, be grasped in a micro-economic perspective. The relationship between globalization and collective bargaining assumes different forms according to different degrees of international interconnectedness in different industries and enterprises. A large number of transnational companies have established cross-border production chains in which sites in Germany compete directly with locations in other countries. New information and communication technology makes continuous comparisons of relative costs and productivity levels possible, and therefore intensifies competition within transnational enterprises. The internal logic of the organization of cross-border production chains lends itself to the emergence of enterprise-bound collective bargaining which increasingly contrasts with central collective bargaining (Marginson and Sisson 1996).

There are two aspects of transnational production networks and 'value-added chains' that contribute to the erosion of industry-level collective agreements (Flächentarifverträge). First, the 'cartel function' of central collective bargaining, which is limited to regions or nation states, is being undermined by growing exit options available to companies. Second, intensified competition and growing mass unemployment enable companies to compensate for the traditional 'peace-keeping and productivity functions' of industry collective agreements by way of 'modernising and competition coalitions' (Streeck 1996).

In the long run it is doubtful whether the detachment of regulation at company level from the societal environment is viable. So far, the 'footloose' enterprise, independent of regulations by nation states and endowed with unlimited exit options, remains largely a fiction (Dörre 1996). Even transnational companies are still embedded in social and political networks of their country of origin, and they realize the larger part of their sales in their home country or (global) home region (Ruigrok and van Tulder 1995). Consequently, there are still certain constraints on exit options from nation-state regulations (e.g. through cross-border relocation of production). The increasing need for coordination of transnational production networks leads to a higher degree of potential vulnerability, thereby making a stable social environment more crucial (Dörre 1996).

Finally, the viability of industry-level collective bargaining in times of globalization is also a political question. The emergence of cross-border production networks has contributed to a marked shift in power relations between transnational capital and local labour organizations. Recently there has been a growing number of cases where management has forced concessions from works councils by way of threatening (cross-border) relocation of production. Sometimes these concessions are already below the collectively agreed standards and, actually, in a formal sense must be claimed as illegal. Since more and more companies are using globalization as an option (Dörre 1996), new forms of 'wildcat co-operation' have been developed which clearly undermine central collective bargaining.

In conclusion, there are clear signs that a complexity of different economic pressures might lead to drastic institutional changes: structural challenges since
the early 1970s, the impact of unification since 1989 and the impact of globalization since the mid-1980s. Given the embeddedness of the German system of industrial relations in an historically defined German model of capitalism, two questions emerge: how can the German institutions of collective bargaining deal with the difficult adjustment process in the 1990s? What are the mechanisms of relating collective bargaining to economic adjustments and why and to what extent have they reached their limits? In order to give tentative answers to these questions and an indication as to where the German model might be heading, the following sections look in more detail into the economic institutions governing the German metal industry.

The case of the German metal industry

The German metal industry has always played a prominent role in the German model, not only since it is the main export-dominated industrial sector of the German economy, but also because of its institutional set-up. Given its importance in terms of size and economic power, collective agreements in the metal industry often had the function of role models. Major innovations in collective agreements such as the 35-hour week originated in the metal sector and then spread to other sectors. The metal-sector union is by far the biggest trade union within the German trade-union movement, accounting for almost a third of all union members. Also, compared with other economic sectors, collective bargaining in the metal sector is particularly centralized.

First, the structure of actors is very simple: on the one hand, one employers' confederation, Gesamtmetall; on the other hand, one trade union, IG Metall. There is no other major player involved in collective bargaining, as both organizations have almost complete monopoly over the industry.

Second, collective agreements in the metal industry cover a very heterogeneous group of different economic branches and a vast number of employees. One agreement per region generally covers all branches in the metal sector, including the car industry, the computing industry, the electronic industry and the machine tool industry. In total, the collective bargaining arena in the German metal industry covers about 3.5 million employees. According to IG Metall (1997a) about 66 per cent of all metal workers in west Germany and 57 per cent in east Germany are covered by a central collective agreement. Another 10 to 15 per cent of metal workers are covered by a company agreement. The overall collective bargaining coverage in the metal industry is still about 80 per cent.

Third, the regional set-up of collective bargaining in fifteen collective bargaining regions does not lead to different wage agreements. The wage agreements of the regions follow the pattern of the first region which concludes an agreement. Decisions about regional collective agreements are co-ordinated by the central executive bodies of both organizations. The regional autonomy of the organizations is relatively small.
Collective bargaining parties as organizations

The two collective bargaining parties in the German metal industry, IG Metall and Gesamtmetall, are both entirely voluntary organizations. Membership for companies or employees in their respective interest associations is not compulsory under any circumstances. In this respect, as organizations they both have to rely on the support of their membership for their collective bargaining outcomes in order to maintain membership levels.

On both sides, the commitment towards central collective agreements in the post-war period was not only high but also remarkably stable throughout the 1980s, when increasing economic difficulties led to a rapid decrease in confidence in interest associations in a number of countries such as Italy, UK or the Netherlands (Traxler 1995). In 1985, about 45 per cent of all employees in the German metal industry and 55 per cent of all companies were members of an association.

In the course of unification, trade unions and employers’ associations were set up in eastern Germany in the period 1990/1. For the west German trade unions there was first of all the question how to deal with the old Communist unions of the former East German regime. Paradoxically, some of the more conservative and traditionally strongly anti-Communist unions (like the chemical union IG Chemie) decided to take over the whole apparatus and most of the functionaries of the old eastern unions, while other more ‘leftist’ unions (like the metal union IG Metall) went to build up totally new structures from the ground (Kreißig 1992). In any case, the trade unions were quite successful in setting up their organizations reaching a similar or even higher degree of membership in a relatively short time.

On the employers’ side, regional employers’ confederations were rapidly set up, mainly by western managers with the support of the Treuhandanstalt (Henneberger 1993; Ettl and Heikenroth 1996). Already in 1990, the first regional metal employers’ associations were founded in Thuringia and Saxony. However, the West German employers’ organizations had many more difficulties in building up their structures, because, with the exception of a few small companies, there was no private capital in the former GDR. Nevertheless, the western employers’ federations tried to transfer their institutional structure to the East, but up to the present the east German employers’ organization have been much more fragmented. The level of organization of east German companies is still substantially lower than in the West, varying between 75 per cent in the chemical industry to around 35 per cent in the metal industry (Artus and Schmidt 1996). In the latter the number of companies which are members of an employers’ organization declined from 60 per cent in 1992 to 35 per cent in 1994. While most of the big companies still belong to an employers’ federation, most of the newly established small and medium-sized companies reject such membership (Schroeder 1996). Therefore, from the employer’s side the institutional basis for central collective bargaining is quite weak.

In both cases, the eastern associations developed with great assistance from the west, usually in the form of ‘god-parenting’ relationships between a western
region and an eastern region. The western regional association was meant to provide technical knowledge and practical help and was also expected to ‘lend’ officials and material to their eastern partner region. The rapid creation of trade union and employers’ associations could however not conceal the fact that the basis for these associations was not only weak, but also volatile. For both, union and employers, unification turned out to weaken their membership base in the longer run and prevented the organizations from discovering and – maybe – countering long-term trends in their membership which had been visible since the late 1980s.

As was and is the general tendency in labour organizations in most Western countries, the IG Metall membership in the 1980s began to age and to include increasing numbers of pensioners (early retired workers) as well as unemployed workers in its membership records. Also, historically underdeveloped membership groups such as women and white-collar workers did not manage to catch up in the organization, but remained underdeveloped during the 1980s. The structural unevenness in its membership started to worry the leadership in the late 1980s and several recruitment campaigns were set up.

Unification, then, brought an influx of membership of nearly one million new members which not only increased overall union density, but also the relative share of white-collar workers and women workers, since those workers were much better organized in the new eastern states. This new influx of members however soon turned out to be an illusion: not only did membership decrease rapidly in the following five years down to near pre-unification levels. Also, those of the newly organized members who remained members swiftly joined the ranks of the unemployed and the proportion of non-working members increased dramatically (see Table 5). Already in 1992 the unemployed membership of IG Metall in the east outweighed the employed membership.

For Gesamtmetall, the structural membership problem also started to show in the late 1980s: already between 1985 and 1990 membership density of

<table>
<thead>
<tr>
<th>Year</th>
<th>Members, west</th>
<th>Members</th>
<th>Non-working members</th>
<th>Metal-sector employment</th>
<th>Union density (gross)</th>
<th>Union density (net)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>2,622,069</td>
<td>322,514</td>
<td>4,975</td>
<td>52.7%</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>2,553,041</td>
<td>456,994</td>
<td></td>
<td>52.6%</td>
<td>44.9%</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>2,681,253</td>
<td>ca. 650,000**</td>
<td>5,058 *</td>
<td>53%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>2,681,346</td>
<td>3,625,428</td>
<td>5,246 *</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>2,638,248</td>
<td>3,394,282</td>
<td>931,306</td>
<td>5166 *</td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>2,528,188</td>
<td>3,146,437</td>
<td>1,013,867</td>
<td>5482</td>
<td>57.3%</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>2,450,448</td>
<td>2,995,738</td>
<td>1,013,867</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>2,869,469</td>
<td>1,013,867</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>2,752,226</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*only west Germany ** estimated
Anke Hassel and Thorsten Schodt

Gesamtmetall had decreased from 54.6 to 46.5 per cent for companies and from 73.8 to 70.3 per cent for employees (see Table 6). After unification this drastic decline in density continued further. Within the five years between 1990 and 1995 the density of the employers' organization decreased from 70 to 63 per cent in respect of employees involved. The underlying cause for the rapid decrease in employers' density was not a wave of resignation from the associations, but a drastic increase of new companies being set up, from the late 1980s onwards, which did not join the employers' associations any more. Between 1985 and 1992, the number of companies in the metal industry increased from 15,333 to 18,348 in western Germany (Schroeder and Ruppert 1996).

In the east, the major problem of the employers' confederation was at first the lack of real 'capitalists' in the sense of owners or managers of private companies. The main employer during these early years was the Treuhandanstalt which, however, did not take part in collective bargaining. The Treuhandanstalt perceived itself as part of public policy making and less as an employer, and therefore would try not to be involved in collective bargaining. In later years however, the Treuhand encouraged its companies to join employers' confederations (Henneberger 1993). Those representatives of employers' associations who did take part in collective bargaining were often representative of western employers' confederations or western managers employed by eastern Treuhand companies. They were not genuine representatives of the interests of eastern private companies.

The weakening of the membership base of both associations in the first half of the 1990s shifted the focus of concern on both sides towards the dissatisfaction of its members. Under the pressure of decreasing membership figures — in real terms both sides lost almost 10 per cent of their membership between 1990 and 1995 — both organizations had to redirect their collective bargaining policy more towards the interests of its constituencies rather than other demands of economic policy. In other words, both sides of the bargaining table were in need of a drastic solution for their membership crises.

Table 6 Density and membership of the metal employers' confederation Gesamtmetall

<table>
<thead>
<tr>
<th>Year</th>
<th>Companies No.</th>
<th>Density (%)</th>
<th>Employees No.</th>
<th>Density (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>9,594</td>
<td>57.5</td>
<td>3,264,598</td>
<td>73.3</td>
</tr>
<tr>
<td>1980</td>
<td>9,108</td>
<td>54.6</td>
<td>2,950,325</td>
<td>72.7</td>
</tr>
<tr>
<td>1985</td>
<td>8,374</td>
<td>46.5</td>
<td>2,817,186</td>
<td>73.8</td>
</tr>
<tr>
<td>1989</td>
<td>8,116</td>
<td>42.8</td>
<td>2,890,687</td>
<td>70.3</td>
</tr>
<tr>
<td>1993 east &amp; west</td>
<td>8,863</td>
<td>44.0</td>
<td>2,663,123</td>
<td>63.1</td>
</tr>
<tr>
<td>1995 east &amp; west</td>
<td>1,111</td>
<td>35.7</td>
<td>204,458</td>
<td>60.0</td>
</tr>
<tr>
<td>1995 west</td>
<td>7,094</td>
<td>33.2</td>
<td>2,210,541</td>
<td>63.3</td>
</tr>
<tr>
<td>1995 east</td>
<td>792</td>
<td>21.5</td>
<td>141,748</td>
<td>63.3</td>
</tr>
</tbody>
</table>

Source: Gesamtmetall, Statistisches Bundesamt, own calculations.
One could say that the first signs of an approaching change in German collective bargaining appeared in the recession years 1992/3. The years 1990 and 1991 were the last collective bargaining rounds under the traditional regime of collective bargaining and economic adjustment in Germany in which highly centralized forms of negotiations provided higher wages and social progress for the employees concerned. In the collective bargaining round of 1990 for west Germany the final step of working-time reduction was introduced: working time was to be shortened to 36 hours per week from April 1993 onwards and to 35 hours per week from October 1995 onwards (see table in Appendix). In 1991 the union managed to raise the wages for lower-paid workers in the industry, which has also been a long-standing collective bargaining aim of the union.

In eastern German, the first bargaining round in 1990 led to a transfer of the western agreements to the eastern partner regions, which resulted in a first increase in wages for the metal workers. In 1991, the union and employers agreed to fix the wages in the east to 62 per cent of the western wages, which was then supposed to rise step by step until a 100 per cent parity should be reached in April 1994. Both sides argued that a long-term step-by-step agreement would increase the planning security of management and companies during an economically insecure period and would help to set the foundations for new economic success. Also, given the implementation of other social policy measures, wage policy should not lag behind and a quick raise of eastern wages should stop people from eastern German moving to the west.

In both parts of the country the real difficulties started in 1992. In 1992 IG Metall had to mobilize 1.5 million workers in warning strikes in order to reach an agreement which lasted almost two years and which was considerably lower than anticipated by the trade union. In 1994, the employers took the initiative for the first time in German post-war history to repudiate wage and holiday agreements. Rather than the traditional pattern of the trade union side asking for more, the employers countered by cancelling the existing agreements and asking for a whole range of concessions regarding holiday pay, working-time arrangements and a wage freeze. In the general atmosphere of job losses and the biting recession, the solution centred around employment security. It was found after the car-manufacturer VW set a pattern of allowing companies to cut hours and wages simultaneously when guaranteeing job security for a limited period of time (Rudicher and Seifert 1994). The same principle was then transferred to regional collective agreements. The employers committed themselves to cutting hours and paying for their employees rather than making workers redundant. In turn, the union agreed to a very moderate wage increase in line with inflation.

In the east, the step-by-step agreement which was settled in 1991 was cancelled by the employers in 1993 when it became clear that the position of the east German metal companies was nowhere near comparable to their western counterparts. A revision of the wage policy in the east was however not possible, since the public expectation was focused on the comparison of wage levels between...
the east and the west and the union staged a two-week strike in Saxony and Mecklenburg-Vorpommern in May. It resulted in a delay of the adjustment of eastern wages to western wages by two years and the step-by-step agreement was extended to July 1996. For the first time in German collective bargaining, the new collective agreement also included a hardship clause which would allow companies to be exempted from paying the agreed rates if it could prove its economic difficulties.

Since then the situation has become increasingly antagonistic between both sides. The wage round in 1995 resulted in strike action in Bavaria and an agreement which left both parties dissatisfied and with the feeling of being hard done by. In order not to be too much on the defensive, IG Metall launched the so-called ‘pact for jobs’ at its conference in autumn 1995 which aimed at an exchange of employment creation with union concessions (Bispinck 1997a). The pact failed after the first peak-level talks in January when the government responded with a list of cost-saving measures which included deep cuts into social security budgets. The union withdrew from the peak-level talks and also withdrew from talks with employers when it was apparent that they would come to nothing.

The collective bargaining round in 1996 was overshadowed by the battle on continued payment remuneration in the case of illness. The government passed a new law which cuts the legally defined minimum of so-called ‘sick pay’ from 100 down to 80 per cent of regular income. While the employers immediately tried to introduce the new provisions, the trade union – forced by spontaneous workers’ protests – announced their resistance to any cuts in sick pay. Finally, the collective bargaining parties reached an agreement which safeguarded the 100 per cent sick pay in exchange for moderate wage increases and cuts in yearly bonuses.

To sum up, during the first half of the 1990s, collective bargaining in the metal industry has taken more and more the form of ‘concession bargaining’. As the number of employees in the German metal industry was reduced about 1.5 million down to 3.5 million between 1991 and 1996 the trade union was under growing pressure to accept employers’ demands for cost reductions and further flexibilization of working conditions.

Differentiation and decentralization of collective bargaining

In the following we will argue that in the early 1990s the traditional mechanism to ensure wage differentiation between companies – the wage gap – has been diminishing, while two new ways of differentiating have been introduced, which are, however, designed to transform the existing institutions of industrial relations into a new, much more decentralized model of wage determination. The first one refers to the efforts of the collective bargaining partners to open central agreements to company bargaining, the second one to the complete opt-out of individual companies from the central collective bargaining framework.
Central and uniform agreements covering several million employees and different industrial branches set employment conditions which are relatively independent of the specific needs of single companies and sub-branches. Employers are expected to meet certain standards in order to pay a certain amount of wages. However, high-performing companies are in a much better bargaining position. Therefore, collectively agreed wages have always been seen as minimum wages which could be improved at company level depending on the economic performance of the company. Within the German manufacturing sector, and in particular within the German metal sector, the wage drift was the means of differentiating between high-performing companies and low-performing companies. This gap was traditionally filled by a wage drift between big and powerful companies and smaller companies, which was unofficial but accepted by all sides.

In particular, big car manufacturers were not only paying 'above the going rate' (über Tarif), but also had a range of special provisions for their workforces, such as special bonuses, special holidays for family reasons and special allowances for housing. For the employers this was a certain element of the prerogative of management that they could unilaterally decide on wage developments in the industry and make a bargaining offer vis-à-vis the works council.

For the German trade unions also, the informal and often secret nature of local wage bargaining was a way of building a bridge between the political aim of a solidaristic wage policy and the real differences between companies in ability to afford certain wage levels. While they officially rejected wage differentials and demanded the same wage for the same job, the ability to pay in big companies was always a factor in wage bargaining (Streeck 1981: 159).

Although informal and often secretive, the wage gap was a factor to be taken into account in wage bargaining. In the annual report of the council of experts (Sachverständigenrat) 1989/90, the experts were already recommending open wage agreements in order to allow for wider wage differentials. At the time, the German employers' confederations rejected the idea by arguing that the wage drift between collectively agreed wages and real wages was sufficiently large to cope with existing pressures.

However, it was a major feature of the recession 1992/3 that big companies started to cut down on their wages above the going rate. During these two years, for example, every major car manufacturer decided to cut wage increases by reducing the share which was paid above the rate.

Getting statistical data on the wage gap is not easy, since studies are rare. The government office on statistics deals only with wages for manual workers in manufacturing. However, one study which looked at the differential between collectively agreed wages and effective wages has shown that the wage drift narrowed between 1973 and 1992. While, in 1973 average real wages were 12.68 per cent higher than collective agreement wages, in 1992 the gap was only 7.95 per cent (Schnabel 1994: 41). Overall, there are some indicators which hint at a
narrowing wage drift in the early 1990s which coincided with an increasing restructuring of supplier relations between companies at the same time. The precarious balance of uniform labour costs for all companies in the same sector and additional bonuses according to the ability to pay had been distorted to some degree.

Regulated decentralization

Given the presence of a two-layer system with collective bargaining at the associational level and works councils at the plant level, there is some scope for delegating the regulation of terms and conditions from the level of collective bargaining to individual companies. The collective bargaining parties can delegate issues to the plant level, but, if they do not do that, the plant-level actors cannot circumvent collective agreements. If the collective bargaining parties want to delegate something to the plant level, they have to state this explicitly in the collective agreements through the introduction of so-called 'opening clauses' which have to define the scope and limits of plant-level regulations.

This form of delegation from collective agreements to plant agreements can be called 'regulated decentralization' since it means that the collective bargaining partners ask the plant-level actors to find a plant-specific solution to a problem which they do not want to regulate at a central level. In the meantime, several forms of regulated decentralization have been introduced in German collective bargaining:

- When the metal sector collective agreement of 1984, containing the step-by-step introduction of the 35-hour week, was concluded, it maintained not only that a group of workers could be exempted from the working-time reduction, but also that the distribution of working time could vary between companies. In order to allow for company-specific solutions, the agreement had an opening clause which allowed for plant-level negotiations on the distribution of working time. Over the years, this has led to a rather flexible use of working time, which nowadays allows for annual working-time schemes in which workers might work 45 hours per week in summer but only 30 hours per week in winter or even more varied hours depending on the order books of the company. The decision about how to distribute working time would stay with the plant-level actors.
- The collective agreement on employment security settled in the bargaining round in 1994 entails provisions for individual companies to vary the standard working time for their employees rather than making them redundant (Rosdörfer and Seifert 1994). If an employer runs into economic difficulties he or she can now cut working time down to 30 hours for a certain period of time in order to reduce labour costs. The decision to cut working time and pay can be taken by the employer and the works council. According to a survey commissioned by Gesamtmetall in September 1994, about 10 per cent of those
companies which replied to the questionnaire, employing 16 per cent of all employees covered by the survey, made use of the provisions. Gesamtmetall estimated at the time that, on average, working time had been reduced by 10 per cent, saving up to 50,000 jobs in the industry.

- In 1993 the collective bargaining parties agreed on the introduction of so-called 'hardship clauses' in the east German metal industry, which enable companies to apply to be exempted from the collective agreement if they are close to bankruptcy (Hickel and Kurtzke 1997; Schulten 1997a). The company would then be asked to demonstrate that it had a strategy for economic viability. The collective bargaining parties would then decide on whether the company could be exempted from paying the agreed rates for their employees. If no agreement is found between the collective bargaining parties, the original collective agreement is upheld. Between 1993 and 1996 more than 180 companies made an application for a case of hardship. About half of them were accepted by the collective bargaining parties (Hickel and Kurtzke 1997). The introduction of a ‘hardship clause’ was an important step towards decentralizing the German collective bargaining system, since it took into account the differentiation between companies as an official category. In the meantime there exists a broad debate within IG Metall as to whether or not hardship-clauses should also be introduced to west German collective agreements (Schulten 1997a). However, in practice it has always been possible for companies which were in serious economic trouble to diverge from the collective agreement even with support of the trade union side.

The examples show how the collective-bargaining actors have carefully avoided delegating to the plant level decision-making rights which would include a decision on the going rate for a particular job. Instead, they have been more generous with the distribution and the reduction of working time at a standard hourly rate. Where companies might be enabled to cut down in hourly pay – as in the east German example – the final decision-making right still rests with the collective associations.

Non-regulated decentralization: opting out

A complete opt-out from the collective-bargaining system for individual companies is not easy, but nevertheless possible and increasingly used as a tool of attaining more flexible labour conditions. It is also increasingly used for making a point in the public debate that companies are not only unhappy with collective bargaining, but also willing to stand up against it.

In essence, there are two ways of opting out: either the company resigns from the employers' association or it finds an agreement with its works council (and the workforce) to undercut the going rate provided by the agreement. While the first way is only a long-term solution – for reasons given above – it is nevertheless the only viable legal solution. Agreements with works councils which violate
collective agreements are not only legally questionable, but also meet fierce opposition from trade unions if the details became available.

As was demonstrated above, the share of companies which are members of employers' confederations has been decreasing since the mid-1980s with the pace of decline higher after 1990. At the same time, the fact that there is a growing number of companies and employees which are not part of the centralized collective-bargaining system, does not automatically mean that there is a growing share of employees who are not paid the going rate of the collective agreement. Some companies might have settled a company agreement with the union providing similar—and often better—conditions than the collective agreements. Other companies might not be part of the employers' association, but still pay the going rate. Paying the going rate is a means to keep the union out of the company and also to prevent industrial action or the necessity to get involved in collective bargaining for those companies which are not members of an employers' association.

The computer company IBM, for example, resigned from the metal sector employers' confederation in 1990, because it wanted to achieve better and more flexible working-time systems for its computing experts and not in order to achieve better wage relations. Similarly, surveys covering east German companies have shown that 42.8 per cent of all companies which do not belong to the employers' confederation still pay wages at the level of collective agreements (Scheremet 1995: 154; Ettl and Heikenroth 1996: 148). Since more than 98 per cent of all companies with more than 500 employees pay the going rate and above, the proportion of employees who receive wages which are lower than the collective agreement provides stays at 13 per cent in east Germany.

On the other hand, companies which might still be members of the employers' confederation increasingly opt out of collective agreements and find, either openly or secretly, agreements with their workforces or works councils for doing so. The survey on eastern German companies mentioned above also showed that, in the category of companies with 500 to 1000 employees 100 per cent of the companies were members of the employers' association, but only 78 per cent paid the going rate (Ettl and Heikenroth 1996: 150).

In the west, companies tend to ask longer working hours from their employees for the going rate since cuts in pay are not easily accepted. A survey organized by the Association of Medium-sized Companies (VMU) has showed a third of the companies stating that they do not strictly follow the collective agreement—mainly regarding working-time arrangements. A prominent example of this tendency is the radiator manufacturer Viessmann which asked its workforce to agree to a working-time model which includes an unpaid working-time increase of three hours per week. In a vote about the contract which was offered to all employees, more than 90 per cent of the 3,760 in three plants voted in favour of worse employment conditions. In exchange, the company committed itself not to make employees in Germany redundant and not to set up a manufacturing plant in the Czech Republic. The offer of the contract had been made by the works council after the management decided to set
up a plant in the Czech Republic and to transfer the production of gas heaters there.

Each employee signed an individual contract in which he or she had to accept parts of the existing collective agreement of the metal sector being void since a worsening of employment conditions cannot be concluded in a plant agreement (Betriebsvereinbarung). While the works council was in favour of this deal, the local IG Metall took the company to court, but lost the case, since it was neither part of nor affected by the change in individual contracts.

Another example of an opting out of valid central collective agreements can be found in the German battery industry. In 1995, when the battery industry was in deep economic trouble, the works council of the battery producer Varta agreed to an unpaid extension of working time. After that the works councils of other battery producers were put under enormous pressure by their management to accept a similar working-time arrangement and some of them also agreed an unpaid working-time extension. There was a clear danger that the whole battery sub-branch would break out of the valid collective framework agreements for the metal industry. In that situation IG Metall tried to coordinate the policy of the works councils in the battery industry. For the majority of the battery plants, the union finally succeeded either in preventing further working-time extensions or in bringing already extended working time back to the collectively agreed standards.

In all cases, where terms and conditions were undercut in contradiction to the existing collective agreements, the existing works council played a crucial role. In the case of Viessmann, the works council was non-union and from the start in opposition to union protests. At IBM, the management was able to exploit the divisions between the works council majority which was IG Metall and the minority which belonged to the white-collar union DAG. The DAG was then prepared to agree to a company agreement including longer working time. Works councillors are the crucial link when implementing collective agreements and linking the views of the workforce to union committees. At the same time, as union members they also have two loyalties, towards the company and towards the union. Under the existing arrangement, this loyalty conflict was balanced by the rigidity of framework agreements with limited freedom for plant-level regulation. Without this framework, loyalty to the company increasingly outweighs the commitment to the union. However, the example of the battery industry shows that it is always also a political question, if the trade union is able to defend the provision of collective agreements against the pressures of the companies to realize short-term advantages in competition by undermining collectively agreed standards.

Proposals for a reform of collective bargaining in the German metal industry

The German system of centralized collective bargaining has always been criticized from both sides of the political spectrum. While conservatives and radical
neo-liberals have blamed the German system for privileging trade-union power, more leftist groups have criticized it as an instrument of the corporatist integration of German trade-union leaders into the capitalist system. Until the late 1980s, however, all main political parties, and the overwhelming majority of employers and trade unionists as well, not only supported the system but saw it as a major precondition for the overall economic success of the German model.

Nevertheless, since the early 1990s the critique of the system has increasingly shifted from the political periphery to the centre of relevant political and social players. Radical neo-liberal views on collective bargaining have become more and more popular among economic journalists, economists and even managers and employers. In particular, the Frankfurter Allgemeine Zeitung (FAZ), one of Germany’s leading daily newspapers, is at the forefront in criticizing the German model of centralized collective bargaining as ‘out of date’ and calling for a radical shift to plant-level bargaining (see, for example, Barbier 1997; Hank 1996a, 1996b; Soltwedel 1996). The FAZ newspaper’s chief economic editor has even prophesied that ‘within ten years it will be part of the culture of successful companies not to be covered by a centralized collective agreement.’ (Barbier 1996).

Even if the majority of the German collective bargaining parties – not least for their own organizational interest – do not want to abolish the basic principles of German central collective bargaining, the earlier broad consensus about the German collective bargaining system has been replaced by a general agreement on the necessity to modernize the system. In the case of the German metal industry, however, the collective bargaining parties, the employers’ association Gesamtmetall and the metalworkers’ trade union IG Metall, have rather different concepts on how to modernize the existing central bargaining system.

The position of the employers’ association Gesamtmetall

In recent years the employer’s association Gesamtmetall has been confronted with growing criticism of their member companies on the existing collective agreements which have been accused of being too high in their standards and too inflexible for company-specific provisions. Hence, Gesamtmetall has taken the view that, under the conditions of structural changes in the economy and increased international competition, the existing collective agreements need some fundamental reforms in terms of scope, content and bargaining procedures. On the other hand, Gesamtmetall also made clear that it wanted to continue with the basic principles of central collective bargaining mainly because of its peace-keeping function. During the duration of a collective agreement the trade unions and employers are placed under a peace obligation which forbids any industrial action and therewith guarantees a relatively stable production process with no interference. Therefore, a change from central to company bargaining might also bring industrial action back to the company level.

In June 1996 Gesamtmetall presented a first comprehensive document called
‘project to reform central collective agreements’ (Gesamtmetall 1996). In that document the employers’ association proposed to reduce the scope and content of branch-level collective agreements on seven core elements:

1. increases of wages, salaries and vocational training pay in percentage terms
2. determining the level of the basic pay rate (Ecklohn)
3. determining number of working hours which correspond with the basic pay rate (on the contrary, actual working time should be determined at company level)
4. determining the number of holidays per year
5. provisions, forms and level of special bonuses
6. collective-agreement norms for adopting legal provisions such as periods of notice or leaves of absence
7. new forms of binding conflict regulation and arbitration.

In addition, all other issues negotiated at branch level are to take the form of framework agreements in which a general opening clause allows the management and the works council to conclude company-specific provisions which might also differ from what has been agreed at branch level. Gesamtmetall’s reform project foresees a split of future branch-level collective bargaining, including one part which still has a binding character for the companies and a second part which includes only non-binding advice.

More recently, in November 1997, Gesamtmetall came forward with a new document called ‘Declaration of Frankfurt to reform branch-level collective agreements’ which contains concrete proposals on at least four main topics (Gesamtmetall 1997):

1. The introduction of a general ‘company clause’ which should allow companies with particular economic problems to diverge from collectively agreed standards for a limited period of time in exchange for safeguarding jobs. According to Gesamtmetall, this could mean, for example, a limited extension of working time without wage compensation. The use of the ‘company clause’ should be determined by the management and the employees and if necessary with binding support of the collective bargaining parties. In the event of disagreement among the bargaining parties a new instrument for a quick arbitration should be created.
2. Further flexibilization of working time through the introduction of a working-time corridor between 30 and 40 hours per week. The actual working time should be determined at company level between management, works council and the individual employees.
3. The introduction of performance-related pay by relating the payments of special bonuses, such as holiday bonuses, Christmas bonuses or capital-forming payments, to the economic performance of the single company.
4. The introduction of new ways of conflict solving. In the view of Gesamtmetall, strikes are out of date and out of place in an area of an internationally linked...
Anke Hassel and Thorsten Schulten

The economy. Therefore strikes should be avoided by new forms of ‘peaceful’ conflict solving as they have already been agreed in other European countries.

To sum up, the employers’ associations’ proposals would lead to a major transformation of central collective bargaining following the path of ‘regulated decentralization’ which, in the view of Gesamtmetall, seems to be the only way to safeguard the main features of the existing bargaining system.

The position of the trade union IG Metall

In 1997 IG Metall relaunched a broad campaign on ‘defending and reforming’ central collective bargaining. In a document called ‘Collective bargaining autonomy and branch-level collective agreements’, the union gives its own analysis on the current pressures of the bargaining system and elaborates its proposals for further reforms and modernization (IG Metall 1997a).

As a starting point for analysis, IG Metall sees branch-level collective bargaining under political attack by an increasing number of neo-liberal politicians and employers. These forces are trying to destroy the branch-level collective bargaining system with the clear perspective of weakening the political position of the union. IG Metall sees clear tendencies towards an erosion of the binding character of branch-level collective agreements at company level where the employees were often forced, or even blackmailed with the threat of redundancies, to accept working conditions which were below the collectively agreed standards. In the meantime, the latter has become a major day-to-day experience of many works councils and local union representatives. Therefore, among IG Metall’s membership there is a strong scepticism about further decentralization of collective bargaining because this might mean a change for the worse in terms of working conditions as well as bargaining power at company level (Bergmann et al. 1998). Consequently, as a first step, IG Metall called for the need for a political defence of branch-level collective agreements in particular by a strengthening of trade-union counter-power at company level.

However, IG Metall did not limit itself to the defensive position but also presented its own concepts for reform of branch-level collective agreements. Thereby the union distinguishes between reforms on the content of collective agreements and reforms on the structure of bargaining procedures and levels. Regarding the content of collective agreements, IG Metall discerns that many provisions in existing collective agreements are still based on the principle of Tayloristic work organization. The most prominent example of this is the existence of different wage agreements for white- and blue-collar workers. In 1991, IG Metall presented a comprehensive concept called ‘reforming collective agreements 2000’ (Tarifreform 2000) in which the union developed several proposals for new provisions in collective agreements to make them correspond with a modern form of work organization, for example new provisions on group or team working or new grading systems (Lang and Meine 1991). Since then there
have been various talks between IG Metall and Gesamtmetall on these issues, but, so far, these talks have shown no substantial results (Bahnmüller 1998). Nevertheless, IG Metall insists that there is a growing need to reform these more qualitative aspects of existing collective agreements.

Regarding the structure of bargaining procedures and levels IG Metall is still in an internal ongoing discussion process. Even if it is the principal position of IG Metall to keep branch-level collective bargaining as the binding norm for all major bargaining topics, the union also recognizes, to a certain extent, a need for more company regulation. The latter is widely accepted as a consideration of qualitative aspects of collective agreements but more disputed when it comes to quantitative aspects such as the level of wages or the duration of working time.

In its recent document on branch-level collective agreements IG Metall presented two possible paths for greater involvement of the company level in collective bargaining (IG Metall 1997a):

1. The introduction of equal modules in branch-level collective agreements (Tarifbausteine). The collective-bargaining parties at branch level conclude a certain number of different modules, with each of them providing a mixture of certain provisions (for example, payments and working time). Afterwards, it could be decided at company level which module fits in best with the specific need of the company and its employees.

2. The conclusion of additional company agreements (betriebliche Zusatztarifierträge): in addition to existing branch-level collective agreements, the management and a newly established company-related collective bargaining commission to conclude additional company agreements on issues which either have not been regulated at branch-level or could put certain provisions at the branch level in a concrete form.

IG Metall has not yet decided which of the two alternative paths of structural reform it prefers. In any case, in the union’s view the level of regulation through collective agreements should increase rather than decrease. Following that line, IG Metall has sharply rejected the recent proposals made by Gesamtmetall in its ‘Declaration of Frankfurt’. In particular, IG Metall refused the introduction of a general opening or company clause which might open the door to an even more accelerated erosion of branch-level collective bargaining. Hardship clauses, as they have been agreed in the East German metal industry, were seen not as a progressive element to reform collective agreements but as an instrument for companies which are in danger of bankruptcy.

In addition to that, IG Metall also rejected the introduction of a working-time corridor between 30 and 40 hours per week, because the employers might use it for a working time extension and thereby undermine the current 35 hours week. IG Metall is also quite sceptical about the employers’ proposal to relate the yearly special bonuses to the economic performance of the company. According to the union, performance-related pay also needs new systems of controlling the company’s results. Finally, IG Metall sharply rejects all forms of limiting the
union's ability to take industrial action. The right to strike is seen as a basic democratic right which the union considers to be inviolable.

To sum up, the recent proposals of the collective bargaining parties Gesamtmetall and IG Metall show a rather ambiguous picture. On the one hand, both parties declare their wish to continue with the basic principles of branch-level collective bargaining as well as their readiness to reform the system. This reflects the fact that branch-level collective bargaining is in their own organizational interest. On the other hand, at the moment the proposals of IG Metall and Gesamtmetall seem to be incompatible. While IG Metall basically wants to increase the level of regulation of collective agreements, Gesamtmetall wants to decrease it by shifting bargaining competence to the company level. This reflects the change of power relations between capital and labour at the company level where under the conditions of mass unemployment and growing international mobility employers increasingly have the opportunity to push their workforce into company-specific employment systems. However, IG Metall and Gesamtmetall agreed on joint talks for a reform of the existing central bargaining system which were to start at the beginning of 1998.

The future of collective bargaining in Germany: three scenarios

The German model of capitalism as it has been developed in the post-war period is based on a fine balance of corresponding relationships between a particular economic growth model and a specific system of industrial relations and labour market institutions. This balance has already been questioned since the mid-1970s with the structural crisis of Fordist capitalism, but has further led to a relatively successful adaptation of 'model Germany' during the 1980s. German unification as well as a growing internationalization of capital together with the political implications of the neo-liberal globalization ideology, however, puts the model under pressure to which it might not be able to adjust, but might have to alter the previously successful institutions fundamentally. Using the example of collective bargaining in the metal industry as a major pillar of the German model, we have argued in this paper how the traditional mechanism of industrial adjustment has moved increasingly towards opting out of the system thereby challenging the central collective bargaining system.

Since the beginning of the 1990s German collective bargaining has entered a period of change and has already become more differentiated and decentralized. For the future, we can envisage three possible scenarios of how collective bargaining might develop. Each scenario would have different implications for the German model.

In the first scenario, the negotiations between Gesamtmetall and IG Metall are successful and both sides at the bargaining table agree to a major reform of collective agreements. The negotiations will lead to a framework agreement which provides various opting-out and hardship clauses with which companies can
lower their wage bill following the path of regulated decentralization. Decision-making rights will be delegated to the works council with the union having veto rights. The new framework agreement aims at a resurrection of the traditional concerted and corporatist steering of wage policy. Gesammtmetall will have to put its full organizational weight into these negotiations. The success of this concerted effort in order to bind companies to central agreements will also depend to a large degree on the government support they might get as well as on the strength of trade unions to develop their organizational power to avoid informal opting out of individual companies. This scenario corresponds best with the interests of the collective actors, because it could maintain their prominent role as organizations and, at the same time, relieve them of responsibility by delegating decision power to the company level. To sum up, the path of ‘regulated decentralization’ will lead to the new stability of a more flexible central collective bargaining system.

The second is a medium scenario, in which the collective bargaining role of Gesammtmetall will be taken over by the relevant business associations which then decide to conduct collective bargaining at the level of their membership domain. Rather than having one major metal employers’ confederation, the employers’ interests will then be represented by the automobile association (VDA), the machine-tool association (VDM), the electronics association and so forth. These business associations are willing to negotiate collective agreements on their terms and at a much lower level of complexity than before. This will lead to higher wage dispersion between the sectors and also to a low-cost niche in metal manufacturing.

In the third scenario, the collective bargaining parties are not able to agree on any major reform of the bargaining system. Collective bargaining in the metal industry will stick to its traditional form. This leads to one or two more bargaining rounds in which the union will fight for the conservation of its past gains and Gesammtmetall tries to lower labour costs across the board. The bargaining rounds will remain difficult and might lead to industrial action. The lack of reforms will lead to further density losses on both sides and after a while a separate sector will emerge in which some companies have company agreements with the union, some companies have agreements with their works councils and some companies are completely outside the system. This will lead to a low-cost niche in the German economy, with increasing wage differences, which eventually undermines the model of diversified quality production. In summary, the third scenario leads to non-regulated decentralization of collective bargaining with incalculable consequences for the social and political stability of German industrial relations.

Taking into account the different concepts of Gesammtmetall and IG Metall, as they have been analysed above, the first scenario does not seem to be very likely. Both parties will maybe find some compromises in reforming certain bargaining procedures towards an even greater influence of company bargaining. However, since there is no agreement on major reforms on the content of collective bargaining, the misbehaviour and dissatisfaction with the existing
bargaining system is very likely to continue. Finally, in the long run the concept of 'regulated decentralization' is questionable because it cannot really neutralize the shift in power relations from the collective organizations to the company level. Recent experiences in the German metal industry showed that measures of regulated decentralization are not avoiding forms of non-regulated decentralization, but there were both forms of decentralization at the same time. Sometimes proposals for 'regulated decentralization' are just following the pattern of already existing 'opting-out practice' and trying to bring it back into the legal framework of collective agreements. To sum up, it seems to be very doubtful if 'regulated decentralization' as such could help to stabilize central collective bargaining.

Similar problems are connected with the second scenario: considering the rapid structural changes in the economy which are breaking down traditional sectoral demarcations it becomes more and more difficult to find homogeneous sub-branches. Furthermore, from an employer's perspective central collective agreements at the sub-branch level do not tackle the problem that there are growing differences of economic performance even within the single sub-sectors. However, what might happen in the near future is that there will be new collective agreements for newly established branches within traditional metal industry companies such as telecommunications or industry-related services.

From a rather sceptical perspective the third scenario of a further erosion of central collective bargaining seems to be the most likely one. As a consequence the structural power balance between capital and labour, which has been a major pillar of the German model, will be destroyed and German capitalism will follow more and more the path to an even stronger neo-liberal mode of regulation. The above analyses of structural changes in German capitalism are obviously pushing in that direction.

However, there is no economic determinism that says that, for example, a globalized economy automatically leads to universal convergence on one single type of Anglo-Saxon style of capitalism. Even though there are clear tendencies of change the traditional institutional rigidities of German capitalism are still embedding social and economic relations. In particular, trade unions such as IG Metall persist as powerful organizations which are to influence the further developments of German industrial relations. Therefore, the future of central collective bargaining still remains a political question.

Anke Hassel
Max Planck Institute for the Study of Societies
Cologne

Thorsten Schulten
Institute for Economics and Social Science
Hans Böckler Foundation, Düsseldorf
<table>
<thead>
<tr>
<th>Year</th>
<th>Demands</th>
<th>Bargaining</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Wage increase: 8–9%; working time reduction to 35 hours per week</td>
<td>118 bargaining rounds in 14 regions; warning strikes including 956,496 workers</td>
<td>Wage increase of 6% from 1 June 1990 onwards; flat rate of DM 215 in April/May 1990; working-time reduction from 1.4.1993 36 hours per week; 1.10.1995 35 hours per week</td>
</tr>
<tr>
<td></td>
<td>More working-time flexibility including individual working time up to 40 hours per week; daily working time up to 10 hours and regular Saturday working</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>Wage increase: 10%; better increase for lower wage groups</td>
<td>68 bargaining rounds in 14 regions; warning strikes including 1,017,165 workers</td>
<td>Wage increase: +6.7%; flat rate of DM 290 in April/May 1991; regional variations of wage increases in low-paid categories</td>
</tr>
<tr>
<td></td>
<td>65 bargaining rounds in 14 regions; warning strikes including 1,563,531 workers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>Wage increase 9.5%</td>
<td>50 bargaining rounds in 13 regions; warning strikes including 1,904,053 workers; wage freeze for one year</td>
<td>Agreement on employment security wage increase: from 1.6.1994 +2%; reduction of bonus by 10%; reduction of working time and pay in exchange with employment guarantee possible</td>
</tr>
<tr>
<td></td>
<td>Repudiation of agreements; cut in holiday pay; worsening of holiday provisions; wage freeze for one year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Appendix Table 1** Collective agreements in the west German metal industry since 1990
Table 1 Continued

<table>
<thead>
<tr>
<th>Year</th>
<th>IG Metall Demands</th>
<th>Gesamtmetall Demands</th>
<th>Bargaining Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Wage increase: 6%; insisting on the introduction of the 35 hours week on 1 October 1995</td>
<td>Continuation of employment security agreement; cost reduction through more working-time flexibility; lower wages for long-term unemployed; and more opening clauses</td>
<td>31 bargaining rounds in 12 regions; warning strikes including 1,157,913 workers; strike ballot in Bavaria with 88.36% yes; strike from 24.2-10.3.1995 involving 21,895 workers; second ballot 73.5% yes votes</td>
</tr>
<tr>
<td>1996</td>
<td>Safeguarding 100% continued payment of remuneration in the case of illness; 2% wage increase to compensate inflation; 3% wage increase used to save and create jobs; agreement on partial retirement</td>
<td>Using the new legal provision to pay only 80% continued payment of remuneration in the case of illness; reduction of yearly bonuses</td>
<td>Protest actions against a possible reduction of continued payment of remuneration in the case of illness</td>
</tr>
</tbody>
</table>

Wage increase: January to April lump sum of 152,500 DM 1.5.1995 to 31.10.1995: +3.4% 1.11.1995 to 31.12.1995: +3.6%; 35-hour week from 1.10.1995; continuation of agreement on saving funds for employees until 31.12.1999 Flat-rate payment of DM 200 wage increase: from 1.4.1997: 1.5% from 1.4.1998: 2.5%; a 100% continued payment of remuneration in the case of illness; as compensation a 5% reduction of yearly bonuses

Source: EMF (1996), own composition
<table>
<thead>
<tr>
<th>Year</th>
<th>Demands</th>
<th>Bargaining</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Acceptance of western collective bargaining structures; employment security and training 40 hours week; 20 holidays per year; wage increase of DM 500</td>
<td>16 bargaining rounds in 5 regions, warning strikes involving 380,000 workers</td>
<td>Acceptance of bargaining structure from 1.4.1991; temporary redundancy protection and training when restructuring; 40 hours week; 20 holidays per year; 1.7.1990 wage increase of DM 250 from July 1990 onwards, of DM 300 from October 1990 onwards</td>
</tr>
<tr>
<td>1991</td>
<td>Increases of wages to 65% of the western wage levels; transfer of all other western terms and conditions to the east</td>
<td>30 bargaining rounds in 5 regions</td>
<td>Step-by-step agreement for the adjustment of eastern wages to western levels (regional variations) from 1.4.1991 62% from 1.4.1992 71% from 1.4.1993 82% from 1.4.1994 100% step-by-step plan for bonuses, holidays, holiday pay, working time; working time from 1.4.1993 = 39 hours from 1.10.1996 = 36 hours new plan from 1.6.1993 75% 1.9.1993 78% 1.12.1993 80% 1.7.1994 87%</td>
</tr>
<tr>
<td>1993</td>
<td>Repudiation of the step-by-step agreement; reduction of agreed wage increases (term 1 year); opening clauses for company regulation</td>
<td>Bargaining failed in all regions, arbitration failed, strike ballots in: Mecklenburg-Vorpommern = 89.9% yes; Saxony = 84.9% yes strikes from 4.-19.5.1993</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Demands</td>
<td>Bargaining</td>
<td>Results</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td>IG Metall</td>
<td>Gesammetall</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>involving 13,117 workers in Mecklenburg-Vorpommern and 14,145 in Saxony; warning strikes involving 888,767 workers; second ballot in Mecklenburg-Vorpommern = 60.6% yes; Saxony = 77.66% yes</td>
<td></td>
<td>1.7.1995 94% 1.7.1996 100% of the western agreement, hardship clauses</td>
</tr>
<tr>
<td></td>
<td>Wage increase: from 1.4.1997: 1.5% from 1.4.1998: 2.5% extension of the hardship clause arrangement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: EMF (1996), own composition
Notes

1 This does not mean, however, that there is no low-wage sector in Germany. On the contrary, recent studies find even in Germany a growing number of ‘working poor’ (Pohl and Schäfer 1996).
2 An important exception to this is Austria which has a rather highly centralized bargaining system and at the same time one of the highest earnings dispersions.
3 The method of measuring unit labour costs is still quite controversial. The figures of East German unit labour cost varied between 15 (Hofmann 1996), 35 (Wegner 1996) and 70 per cent (DIW 1996) above the level of West Germany.
4 With only few exceptions: heating industry, fine can packing industry, jewellery and watch industry, fountain pen industry (Bispinck 1995b: 63).
5 The increase of companies in the metal sector is not due only to the setting up of new companies in the computing industry, but also to a great extent to the restructuring of traditional companies in the sector.
6 Although the wage gap is usually not talked about, it became a topic when the trade unions started to compare eastern and western wages and calculated in some cases a general wage gap of 10 per cent for some bargaining districts (Schnabel 1994; Meyer and Swijter 1997).
7 This is mainly referring to pay and working time. On issues where the collective agreements do not make any regulation, the companies are free to find their own devices, i.e. regarding work organization and team work.
8 For an overview, see Bispinck (1997b); Schulten (1997b).
9 In particular, to get away from the 35-hour week.
10 See Frankfurter Rundschau 10 January 1996.
11 For the following details, see IG Metall (1997b).
12 The main parts of this section have been drawn from Schulten (1997c).

References

—— (1995b) Tarifliche...
Lohnstrukturanalyse, Düsseldorf:
Hans-Böckler-Stiftung, Graue Reihe
—— (1997a) ‘The chequered career of the “Alliance for Jobs”’ in G. Fajertag and
P. Pochet (eds) Social Pacts in Europe,
Brussels. ETUI pp. 63–78.
—— (1997b) ‘Deregulierung, Differenzierung und Dezentralisierung des Flächentarifvertrages: Eine
Bestandsaufnahme neuer Entwicklungstendenzen in der
Bonner, M., Röttger, B. and Ziebura,
G. (1992) Deutschland in einer neuen
Weltordnung: Die unumgängliche Herausforderung,
Opladen: Leske & Budrich.
Deutsches Institut für
Wirtschaftsforschung (DIW) (1996)
‘Löhne und Gehälter in Ost- und
Westdeutschland gleichen sich an,
Lohnstückkosten jedoch nicht’, DIW-
Wochenbericht 8.
Deutsches Institut für
Wirtschaftsforschung (DIW et al.)
(1996a) ‘Gesamtwirtschaftliche und
unternehmerische Anpassungsforschichte
in Osteuropa’. 14. Bericht, DIW-
Wochenbericht 26.
—— (1996b) ‘Die Lage der
Weltwirtschaft und der deutschen
Wirtschaft im Herbst 1996’, DIW-
Wochenbericht 44.
Unternehmen – ein
Desintegrationsszenario? Zu den
Auswirkungen grenzüberschreitender
Unternehmensaktivitäten auf die
industriellen Beziehungen’, SOF1-
Mitteilungen 24: 15–27.
Dörrenbecher, C. and Nuding, H.
Internationalisierungsmanagement deutscher
Unternehmen und seine Auswirkungen’,
Informationen über Multinationale
Konzerne 4.
Esser, J. (1982) Gewerkschaften in der Krise,
die Anpassung der deutschen Gewerkschaften
an neue Weltmarktbedingungen, Frankfurt
—— (1989) ‘Neokonservatismus und das
modell Deutschland’ in Heinrich
Eskamp, Jurgen Hoffmann, Ulrich
Mückenberger and Sibylle Raasch (eds)
Die neokonservative Verheißung und ihr
Preis: Zukunft der Arbeit und der
Gewerkschaften, Köln: Bund-Verlag, pp. 153–75.
‘Strukturwandel, Verbandsstabilität,
Tarifflucht: Zur Lage der Unternehmen
und Arbeitgeberverbände im
ostdeutschen verarbeitenden Gewerbe’,
Industrielle Beziehungen 3(2): 134–53.
European Metalworkers’ Federation
Europe without Frontiers, Report for the
2nd EMF Collective Bargaining
Gesamtmetall (1996) Reformprojekt
Flächentarif, Positionsansprüche beschlossen
vom Vorstand des Gesamtverbandes der
metallindustriellen Arbeitgeberverbände
am 20. Juni, Freiburg i.Br.
—— (1997) Frankfurter Erklärung zur
Reform des Flächentarifvertrages,
Positionspapier beschlossen vom Vorstand
vom Gesamtverband der
metallindustriellen Arbeitgeberverbände,
17 November.
Ende?’ Orientierungen zur Wirtschafts- und
Gesellschaftspolitik 64: 56–60.
—— (1996a) ‘Lohnfindung vor Ort’,
Frankfurter Allgemeine Zeitung 25 Juli.
—— (1996b) ‘Die Chancen der
Ungleichheit’, Frankfurter Allgemeine
Zeitung 16 September.
Härtel, H.-H., Jungnickel, R. et al.
(1996) Grenzüberschreitende Produktion
und Strukturwandel – Globalisierung der
deutschen Wirtschaft, Baden-Baden:
Nomos-Verlag.
Hauff, V. and Scharpf, W. (1975)
Modernisierung der Volkswirtschaft.
Technologepolitik als Strukturpolitik,
Köln/Frankfurt a.M.: Europäische
Verlagshaus.
Organisationsdynamik und
Strukturveränderung von westdeutschen
Unternehmeverbänden – Aktuelle
Entwicklungen unter besonderer
Berücksichtigung des Aufbauprozesses in
Sachsen und Thüringen’ Politische
‘Tarifliche Lohnpolitik unter Nutzung
der Härtefallregelung. Ergebnisse einer
Globalization and the future of central collective bargaining


— (1997b) ‘Opening clauses’ increase in branch-level collective agreements’, European Industrial...
Relations Observatory (EIRO), Eironline September,
http://www.eiro.eurofound.ie/cgi-
bin/eiro/ptconvert?de9709229f
—— (1997c) ‘New proposals for a reform of collective bargaining in the German metal industry’, European Industrial Relations Observatory (EIRO), Eironline December,
http://www.eiro.eurofound.ie/cgi-
bin/eiro/ptconvert?de9712240f.