



BULLETIN

No. 56 (651), 29 April 2014 © PISM

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The Last Hurrah: Why German Strikes Do Not Herald a Return to Old Trade Unionism

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The current wave of strikes in Germany has been described as a return to trade union politics, once a staple of the social market economy. In reality, this is no more than a temporary blip. Unions are squeezed between businesses that negotiate wages directly with their own employees and a state that will soon guarantee workers' minimum wages. Despite appearances, this arrangement actually stands a good chance to be competitive and sustainable. It can also inspire reforms in countries struggling for effective industrial relations.

In early April, striking Lufthansa pilots paralysed German airports. More than 425,000 passengers suffered 3,800 cancelled flights, and financial losses topped €100 million. Moreover, it wasn't an isolated incident. Traffic controllers and public sector employees have been demanding higher pay, and Ver.di—the powerful public sector and transport union—is putting employers under pressure, as are railway workers. With a collective agreement covering over 130,000 jobs at Deutsche Bahn due to expire this July, the number of protesting employees looks set to rise this year.

This growing antagonism is widely seen as a result of Germany's prosperity: after the perilous decade of 2000–2010, in which real wage levels stagnated, employees are now demanding their share of the country's growth. Some analyses indeed go further and point to a broader, systemic context, the demise of neoliberal policy that has dominated in recent decades, and the rehabilitation of a more social and interventionist model; the minimum wage rules and more generous pension system announced by the coalition government mark the beginning; and a resurgence of trade-unionism will follow. The reverse is in fact true.

A Sign of Weakness, Not Strength. The days when Germany was a corporate welfare state, in which collective agreements between branch employer organisations and branch trade unions covered most labour contracts and even framed monetary and fiscal policy, are gone forever. Today, SMEs, the so called *Mittelstand*, tired of a branch-bargaining system that is both expensive and unwieldy, prefer to conclude deals directly with staff. Worse, the minimum wage planned by the government looks set to further reduce the scope of negotiations between social partners. Thus tariff-autonomy, one of the oldest features of German capitalism, will lose its systemic status. It has already declined in Western Germany from 70% in 1996 to 53% in 2012. In the East the fall is even steeper (36%).

This reflects the long-term challenge to trade-unionism posed by changing employment patterns. In the past, employees tended to enjoy full-time jobs and stable career paths. Such workers continue to provide the membership-base for the unions. Yet, of late under the Schroeder reforms, the labour market has become more flexible and once-atypical, short-term and poorly paid contracts have proliferated, mainly amongst smaller companies. As a result, trade-union membership has shrunk to cover the more traditional branches of industry and the public sector. The only booming niche are organisations of small, highly skilled, and influential groups of professionals—pilots and conductors being the best examples. With their ruthlessness, however, they are not a source of fresh air for the trade union movement but a sign of new divisions.

All this has hastened a precipitous decline in union popularity. In the 1990s, about 30% of employees were unionised, compared to less than 18% in 2011. Such trends show no signs of reversal. Predictions of a “second machine age,” entailing new robotics and the digitalisation of work, have already started to reduce employment not only in industry but also in services until recently associated with an irreplaceable human component. There is thus a likelihood that greater numbers of jobs will become flexible and “nomadic,” further eroding the traditional union base.

Towards a New Consensus Culture. The pilots’ strike should be seen as a kind of system error. Until recently, niche trade unions such as the Cockpit Union were not permitted to strike under a valid collective agreement that effectively restricted such activity. In 2012, the Federal Labour Court deemed this rule a breach of the freedom of assembly, leading to a sudden spike in antagonism from smaller unions. However, employer organisations and the larger trade unions are now trying to return to the previous situation. Chances are good since the government, and the Christian Democrats in particular, support this initiative.

This reflects Germany’s status as a country with a tradition of peaceful industrial relations. According to recent data, employers in Germany lose only 15 days per 1,000 workers annually due to strikes, compared to 162 in France. The reluctance to strike can be easily understood given the country’s export dependency and exposure to harsh international competition. German workers know that pay gains could well entail a cost disadvantage and endanger their jobs. This is one reason why strikes in Germany have long been treated as an ultimate option only, and their use is highly formalised.

Another reason is that employers do not actually have the upper hand. They worry about how to find employees with the proper skills and fear the impact of demographic trends. And the younger generation, it seems, wants more than just a high-wage job. Research shows that they want flexibility, interesting challenges and free time. Moreover, if they are not happy with their job, they look for another one. This is why employers are trying to build new ties with them, not least by turning the existing works councils into a forum for communication and experimenting with new forms of co-management, or even co-ownership, with employees.

Conclusions. Although these strikes are driven by highly skilled niche employees and are likely to prove temporary, they may nevertheless leave their mark on German politics. Social issues may well play a prominent role during the last weeks of the campaign for the European Parliament, strengthening the Social Democratic Party in particular. The party may now enjoy a stronger position in the grand coalition towards its lead partner, the Christian Democrats. This is a comfortable situation given the three *Landtag* elections taking place after the summer break, this time in the context of competition from the far-left Linke party, which is very strong in the East.

From an economic perspective, however, the direct effects will be smaller. Niche trade unions may hold on, but mass organisations won’t return to their past power. For years now, German industrial relations have been moving from the old unionism of branch collective agreements to direct negotiations between management and staff. Trade unions must adjust to this decentralisation and shift their activity from branch to firm level. There is no alternative: globalisation and technological progress have forced companies to be flexible. Branch agreements thus constitute at best a minimum standard for them, one from which they can exit if necessary.

The incremental shift in Germany does, however, have implications for the EU. For years Germany has tried, with moderate effects, to strengthen the importance of works councils in other EU member states. Germany is now likely to increase this pressure as its own domestic labour costs become higher and companies think about outsourcing some of their manufacturing abroad. These companies may increase the pressure, demanding familiar institutions in foreign destinations. A renewed drive for EU-wide solutions on works councils and corporate governance should not surprise anybody.

Poland should treat any such initiatives cautiously. On the one hand, stronger social dialogue would be advantageous because it can boost job security and thus commitment and innovation. Indeed, in recent years, the government has introduced mandatory works councils in companies with more than 50 employees. However, Poland is still quite far from German-type industrial relations, and it won’t converge quickly. It is keen to maintain employers’ flexibility when it comes to cost adjustments. It is not going to give this up in the foreseeable future, thus will tend to hinder attempts at top-down convergence towards a “culture of consensus” in European factories.