

Short Summary – Germany: Social Dialogue in Times of the Crises

Challenges and Effects of the Crises in Germany

Because of its strong export orientation, Germany's economy was more affected by the economic and financial crises in 2008/2009 than other European countries. The gross domestic product decreases rather 6.5%, only Italy reported similar declines.

On the contrary, labour market trends proceeded significantly moderate so that unemployment figures did not escalate. This success can be traced back to the implementation of several efficient labour market tools, such as state-aided short-time work or the claiming of balances on existing working time accounts. Above-named instruments have been noticed particularly by a broad public. But also numerous arrangements in conjunction with collective labour agreements (job security contracts, mutable working hours) as products of the social dialogue opened possible courses of action.

Social Dialogue – Main Facts

In Germany the social dialogue is based on established forms of consensus finding as well as the approved utilisation of instruments for political and economical problem solving strategies. It is characterised by several designated essentials, like duality, intermediary and representativeness.

The institutional disjunction between autonomy in collective bargaining and labour management regulation (*duality*) can be described as the central attribute of the social dialogue. As collective actors trade unions and employers' associations thereby negotiate and arrange sales terms of labour (wages and salaries, working time, general conditions of employment relationships etc.). In contrast workers' councils and business management regulate working conditions on company level – excluding measures of labour disputes.

While *intermediary* contains a certain pragmatic mediation between interests of labour on the one hand and company funds on the other hand¹, *representativeness* means that trade unions as well as works councils are able to act independently from the compliance of their members. Even works councils as legal representatives of the total staff are not bounded to the interests of their electorate, but rather compelled to the complete development of a company. Therefore works councils own a multitude of rights to information, consultation and co determination. In essence these include rights to legal remedy, social and personal affairs as well as the organisation of operational procedures or places of work.

Against the background of the considered essentials (*duality*, *intermediary*, *representativeness*), trade unions all in all play a minor role within the social dialogue in Germany compared to other European countries. However, trade unions are important players within the social dialogue in Germany – not least they are the only association on employee's side, which is able to conclude labour agreements.

Generally labour agreements apply to certain sectors (e.g. of the industry) and businesses or rather parts of them.² In addition to collective agreements, company agreements also exist. Those are concluded with companies, which are not members of an employers' association.

¹ The consideration of company objectives in course of the representation of employees' interests is meant here.

² Their area of application either covers single regions or the whole of Germany (in case of a collective agreement).

Practices of the Social Dialogue in Times of the Crises

In order to stabilise the labour market in times of the crises the German government introduced and supported additional tools, like “short-time allowance plus”, the claiming of balances on existing working time accounts or economic stimulus packages. These provisions should help small, medium-size, and larger firms to ride out the slump in demand and sales, which resulted from the economic downturn, without having to release workers. Valuable employee know-how can thus be retained and is available again as soon as the order books recover. Later on there is no need to initiate a time-consuming search for new employees who, although qualified, would still have to be worked into the specific job profiles.

Employees also benefit from short-time work in a way. Beside the safeguard of their jobs, the Federal Employment Agency provides financial support for further education measures during the phase of short-time work. Thus, employees can participate in further education programmes and acquire important additional qualifications during short-time work. Short-time allowance for employees amounts to 60 percent of their foregone net wages. If the worker's household includes a child, 67 percent are paid. Employers calculate the short-time allowance and pay it to employees. The employers are then reimbursed for short-time allowance by the appropriate local employment agency.

For employers, short-time work and measures for training and skill development are better alternatives (also in financial terms) compared to dismissals of employees. The local employment agency assumes the burden of short-time allowance for foregone wages. Employers pay only the wages due for public holidays and vacation time. Moreover, for the working time lost as the result of short-time work, social insurance contributions decline to a level of 80 percent. They are beard half-and-half by the local employment agency and the employer. The employment agency will in future take on this responsibility in full as of the seventh month. If the employees undergo training and skill development during the period of short-time work, the contributions are beard in the amount of 100 percent by local employment agencies.

Short-time allowance may be requested by companies of all sizes in all sectors, for example: a graphics art agency employing five persons, the automotive supplier encompassing 500 employees, or the construction conglomerate with 50,000 workers on its payroll. All of them can benefit from short-time work. A precondition is that their works council agrees to short-time work.

Effectiveness of Additional Tools

In which dimension the reduction of labor time per capita made a contribution to the currently observed assurance of employment so far, can be estimated by a segmentation of the gross domestic product's rate of change in its components.

At a steady number of hours worked per labor force with a continuous hourly productivity of labor (gross value per working hour a year), a 5,6 % decrease of the gross domestic product in the first seven quarters of the economic crisis would have caused a purely calculative based decline of 2,2 million employees. Assuming an inconstant hourly productivity of labor, which is in- and not decreasing 1,7% in those seven quarters in accordance to its trend, the dip in employment would have been even more dramatically with 2,9 million persons.

The actually slight growth of the number of employees during the observed seven quarters is generated by the sketched political arrangements in the labor market. Purely calculative regarded, the 3,0 % shortening of the work schedule prevented the downsizing of almost 1,5

million jobs and the maintaining of work, in other words the decrease of the hourly productivity of labor saved at least almost two million jobs.

Outcomes Produced by the Social Dialogue

In companies not having a works council or collectively agreed provisions concerning short-time work, short-time work may be applied for if all of the affected employees state their consent and all of the corresponding requirements are met. The application submitted to the local employment agency for short-time allowance has also been greatly simplified over the course of the present crisis. The goal is to ensure quick and nonbureaucratic relief.

The IG Metall (Industriegewerkschaft Metall), Germany's biggest sectoral trade union, has installed a so called "Task Force" for crisis intervention. The aim of this task force, composed of a selected consulting network, is to make companies crisis-proofed. Several consulting steps are offered, e.g. an initial economically consultancy to check the actual crisis situation of the enterprise, to identify the reasons and to show long-term perspectives for job security, a consultancy to manage the crisis from the perspective of the employees. This includes the development of alternative concepts in contrast to measures planned by the management. If required, a following consultancy is offered to evaluate the economical situation of the enterprise in depth. Therefore instruments, like tools for diagnosing the innovation potential of enterprises, checklists for the installation of a economic information system in the company or strategic workshop for employee representatives are inserted.

Innovations, Limits and Perspectives

Moreover, an innovative collective agreement between the employer association and the IG Metall for Nord Rhine Westphalia was negotiated for the metal and electro industry in February 2010. Since that time it has been adopted by many other federal states in Germany. The emphasis of the social partners has been the protection of employment during the crisis period. This collective agreement, named "Future in Work" concludes among others following solutions:

- Wage rise for trainees
- Take over guarantee (for 12 months) for trainees
- Collective agreement "Future in education"
- In companies which work at least since 12 months in shorttime, their employees received the guarantee that there will be no dismissals for the next 12 months.
- No tariff increase was arranged but therefore a single payment of 320 €

All in all the current crises situation shows that the breakdown of the labour market can be avoided by the use of broad based stimuli. Nevertheless all of the outlined tools and instruments are restricted. E.g. balances on existing working time accounts cannot secure a long-term or even permanent employment guarantee. As soon as balances are exhausted and prescriptive limits of time debits are reached, working time returns to its regular level. Although special designs, like so called "Korridormodelle" allow a reduction of working time over a longer period of time, they are restricted because of missing wage adjustment. Especially for the multitude of people, which are receiving low wages. They only seem to be conditionally useful, because of expected expenses of public monies.

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