

**THE IMPACT OF UNIFICATION ON
THE GERMAN MODEL OF
INDUSTRIAL RELATIONS**

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PhD Thesis**

June 1999

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A thesis submitted in partial fulfilment of the requirements of the University of North
London for the degree of Doctor of Philosophy

JUNE 1999

Abstract

The aim of this thesis is to assess the impact of German Unification on the German Model of industrial relations. Other external pressures are also placing pressure on the model such as increased integration of the world economy, trends towards financial de-regulation and the onset of new production methods. These other pressures are recorded and analysed.

In attempting to achieve the research objective a theoretical overview of institutional adaptation and change is presented, drawing in particular on Marxist analysis of base and superstructure. It is also considered that pressure from below, from organised labour, is a key potential ingredient of institutional change. An analysis of industrial conflicts generation and its containment or otherwise within the institutional framework is, therefore, assessed.

The research methods used are to gather evidence of change and to construct a model of institutional continuity, adaptation, change and breakdown. A short case history of the auto industry and a long case study of the eastern secondary education sector utilising primary data supplement the analysis. Indicators of change are related to the theoretical model to produce conclusions.

The thesis concludes that Unification has exacerbated previously discernible trends to fragment key aspects of the model. However, employers are still likely to benefit from preserving some of the consensus-based features of the model. Consequently the model is undergoing a process of sharp adaptation, which may, in the foreseeable future, not be enough to prevent breakdown.

CONTENTS

	Page
ABSTRACT	
INTRODUCTION, OBJECTIVES and RESEARCH METHODOLOGY	1
PART ONE	
INSTITUTIONS and INDUSTRIAL RELATIONS	6
1.1 Introduction	6
1.2 The Role of Institutions in Industrial Relations	7
1.3 Liberal Pluralism and Industrial Relations ‘Systems’	9
1.4 Corporatism	15
1.5 Technology based paradigms	21
1.6 Market based paradigms	24
1.7 Classical Marxism: Base and Superstructure	30
1.8 Régulation Theory	35
1.9 The Persistence of National Diversity and Resistance to Change	39
1.10 Discussion: National Institutions and Economic Development	52
PART TWO	
LABOUR, CONFLICT and STRIKE PRONENESS	57
2.1 Conflict within industrial capitalism	58
2.2 The Causation of Conflict	60
2.3 Other Determinants of Conflict	67
2.4 Types of Conflict	72
2.5 Worker Consciousness and Strike Proneness	75
2.6 The Development of Consciousness	79
2.7 The Role and Influence of Trade Unions	81
2.8 Political Economy Approaches	102
2.9 Other Structural Explanations	107
2.10 Micro-approaches	110
2.11 Overview and Summary	119
PART THREE	
THE GERMAN ‘MODEL’	122
3.1 Co-Determination and Social Partnership	122
3.2 History and Philosophy	123
3.3 Post War Restoration of Co-determination	127
3.4 Implementation of Co-determination in the new Bundesländern	139
3.5 Contemporary Pressures on <i>Modell Deutschland</i>	145
3.6 The example of the German auto industry	158

PART FOUR	
UNIFICATION	167
4.1 Theoretical problems of unification	167
4.2 The Economic and Social impact of unification	173
4.3 Industrial relations in the GDR	196
4.4 Post unification industrial relations in the east	207
4.5 Disputes	216
4.6 Areas of Tension in East-West Industrial Relations	223
4.7 The Case of Secondary Education	233
PART FIVE	
ASSESSMENT	252
5.1 Introduction	252
5.2 A Model of Change and Continuity	254
5.3 Pan-German Indicators of Change	260
5.4 The Eastern Scenarios	280
5.5 The Impact of Unification on <i>Modell Deutschland</i>	289
SOURCES and ACKNOWLEDGEMENTS	295
REFERENCES	298
APPENDICES	
1] RECORD OF EASTERN LABOUR DISPUTES	
2] RESEARCH NOTES: EDUCATION CASE STUDY	

INTRODUCTION

OBJECTIVES and RESEARCH METHODOLOGY

The aim of this thesis is to determine the impact of German Unification in 1990 on the German 'model' of industrial relations. The model has been celebrated since the war by many commentators as a contributing factor to the relative success of the (west) German economy. Streeck (1997) also claims that it is the only example of a European post war political settlement that has survived into the 1990s. Yet there has been considerable academic debate in the recent past on the future durability and viability of the model given changing and intensifying international competition, new production techniques, financial deregulation, widening and deepening of the European Union and, uniquely in this case, the impact of Unification on previously stable institutional arrangements. The thesis therefore attempts to disentangle the various external and internal pressures for change within a framework of institutional theory, industrial conflict theory and political economy. The questions asked in the analysis are summarised as follows:

- 1] What are the key characteristics of the German 'model' of industrial relations ?
- 2] What are the pressures for continuity, adaptation, change and breakdown in the institutions of the model in the 1990s ?
- 3] What is the balance of these pressures ?
- 4] What has been the impact of Unification on these pressures ?

Whilst these are 'primary' questions of key interest there are 'secondary' questions covered in the study relating to changing worker expectations in the west and east and

employer and state behaviour in a newly fashionable neo-liberal environment of economic management.

Theoretical Approach and Perspective

The study begins with a theoretical overview of institutional change and breakdown and follows with an overview of industrial conflict. The logic to this approach is determined by a need to (i) review and understand existing alternative perspectives to the question of institutional development and change and, (ii) to provide a critique set within the author's own preferred perspective; one which bases itself on a dialectical materialist approach from the classical Marxist tradition emphasising the concepts of totality, contradiction and change in societal development (see Rees, 1998, for an outline of this approach).

The concepts of totality, contradiction and change assume that change and continuity must be set in an overall (total) context, that change is not necessarily in a linear direction as many forces for change are contradictory, and that these contradictions are reflected in both ideological and real battles between class forces that form the basis of societal change. For this reason it is deemed necessary to examine prospects for breaking with 'norms of behaviour' and their associated institutions 'from below' by the conscious action of labour as well as 'from above' by the conscious action of capital and state. Part One of the study, therefore, provides a theoretical overview and critique of institutional theory as it relates primarily to industrial relations and Part Two reviews industrial conflict theory and its (industrial conflict) capacity to alter, amend or break the *status quo*.

The theoretical sections hopefully provide a set of hypotheses which help the process of disentanglement and give understanding to the effects of Unification when set against other forces for change. Proving one hypothesis cannot claim to be valid research. However, the collection of evidence which supports a related set of hypotheses, grouped around an individual theoretical perspective, will have some validity and give robustness to the overall research. A tool of analysis is provided in Part Five whereby a hierarchy of hypotheses are given relating to continuity, adaptation, change and breakdown. It is from relating this hierarchy to the gathered evidence that general conclusions are drawn.

Research Method

A triangulation approach is adopted providing an impact assessment model with analysis concentrated on past state (pre Unification), current state (the 1990s), and future state (1999 +). The *past state* analysis, given mainly in Part Three, attempts to trace the core philosophical aspects of the model as it has been formed by historical and cultural developments. It is not intended to be a detailed description of the model but rather a preparatory examination. Most analysis is concentrated on examining the *current state* in Parts Three and Four and uses a variety of research methods:

- a] Analysis of data and trends in data (industrial disputes, trade union membership, employer associations etc.)
- b] Benchmarks in terms of new production techniques, groundbreaking collective agreements etc.

c] Interviews and long case study (secondary education in the former east) and short case history (the automobile industry). The purpose of these case studies is to provide some evidence from exploratory research adopting a phenomenological approach. The short case study on the auto industry supplements the gathered evidence on *current state* and provides a framework for testing indicators of continuity, adaptation and change in an important, market exposed industry. The long case study on the eastern secondary education sector is partly constructed from primary data and partly from secondary data. Its intended purpose is to examine the process of transformation of industrial relations in the former east as a result of Unification with respect to one sector. The education sector is of some special interest - it has been less affected by job losses and redundancies than the private sector and so presents greater opportunities to research continuity and change. As part of the public sector it has also been subject to changes in the ideological framework, and so allows research into social and political aspects of change.

Primary research supports the case study utilising round table discussions, participant observation as a teacher for one year in an East Berlin secondary school, interviews with union representatives, and semi-structured individual interviews with a range of active teachers. Secondary data, supporting the auto case history and the various analyses of disputes, comes from Government and union statistical publications and newspaper reports. The data presented is thus mainly qualitative.

Assessment of *future state* is given in the concluding Part Five. The model of institutional continuity, adaptation, change and breakdown hopefully has some

transferable value which adds to existing theoretical interpretation of the wider subject area.

Problems and Limitations of the Research

The study crosses a wide spectrum of academic discipline embracing political economy, industrial sociology, economic history and industrial relations. As such the wideness of the brief attracts difficulties of maintaining an academic focus within the confines of industrial relations. However, this a common problem of industrial relations as a 'discipline' and hopefully the associated problems are not too distracting. The study also lacks comparison with case study research set within the new east of Germany. This is because it was only recently that *industrielle Beziehungen* (industrial relations) established itself as a 'discipline' within German academia (most other work being carried out by industrial sociologists or political economists), and there has also been a general lack of case study tradition within Germany compared to the tradition established for many years in Britain.

PART ONE

INSTITUTIONS and INDUSTRIAL RELATIONS

1.1 Introduction

This first theoretical review examines the various debates surrounding the role, development and changing nature of institutions of labour regulation. In particular, the question of the likelihood of institutional change and breakdown is explored from the perspective of the overall relationship between state, labour and capital and the abilities or otherwise of the associated institutions to contain and control industrial conflict. The question of labour organising itself as a subjective force, in conjunction or opposition to national institutional structures, is left to the next chapter. The study of 'institutions', beyond the narrower scope of industrial relations, has been subject to much debate within sociological and political theory. In particular the relationship between *human action* and *social structure* counterposes the degree to which human activity can shape social institutions and vice versa. 'Symbolic interactionism', for example, stresses the former whilst Marxism (at least some 'variants') emphasises the constraining role of institutions on human action. A second major debate concerns the relationship between *consensus* and *conflict* in modern industrialised society with 'functionalist' approaches assuming a tendency towards stability and consensus and Marxist or Weberian accounts emphasising conflict. Thirdly, despite convergent moves in the international world economy (world regional trade pacts, monetary union, market deregulation) there is a persistence of national *diversity* in institutional patterns. The concrete relevance of these debates and

issues are explored below with respect to industrial relations in general and *Modell Deutschland* in particular.

1.2 The Role of Institutions in Industrial Relations

'Industrial relations' is a social relationship (under capitalism) between the agents of capital and labour. This relationship is constrained by legal intervention from the State and shaped in distinctive fashion by historical and cultural forces (Crouch 1993 ch.1). This social relationship manifests itself in norms of behaviour, conventions and mutual understandings that either remain voluntary or are enshrined in a legal framework. The fabric of behaviour, rules and governing agencies that arise from this process are generally called the 'institutions' of industrial relations.

Theoretical departures concerning the formation and shape of industrial relations institutions depend to a large extent on political perspective. Thus, a **liberal pluralist** perspective has been developed (Dunlop, 1958) that sees institutions as a stabilising force within a 'system' of industrial relations that adopts a 'biological' tendency of adaptation and self reform in order to both *accommodate* capital-labour conflict and *resolve* that conflict within the institutional framework. Trade unions and employers are seen as competing interest groups giving rise to a regulatory framework (which can be statutory or voluntary) governing the power relationships. In the workplace pluralist studies thus concentrate analysis on the forms and scope of collective bargaining arrangements and the joint regulatory procedures such as discipline, disputes and grievance. Studies in

corporatism, in contrast, are more likely to view capital and labour as distinctive ‘blocs’ enabling co-operative arrangements at the level of ‘peak’ organisations in association with the state. The degree of participation in tri-partite decision making leads to some debate on the consequences of such arrangements for the power of organised labour, with some commentators (e.g. Panitch 1981) arguing that corporatism demobilises the rank-and-file and enhances class collaboration whilst others (e.g. Stephens 1979) suggests that corporatism represents the highest point of power for organised labour within capitalism. A **Marxist** framework relies on distinction between economic base and socio-political superstructure to highlight the *ideological* role of institutions as legitimising (or seeking to legitimise) the exploitative relationship between capital and labour. Institutions in this model are inherently unstable, prone to change as internal dissent places strains on the institutions because of the *contradictory* nature of capitalism as a model of production. Various interpretations of Marx’s approach to ‘base and superstructure’ have provided different versions of the original approach. **Régulation Theory**, for example, of both American and French variants, concentrates on describing alternative ‘regimes of capital accumulation’ which are assumed to adopt particular institutional forms linked to matching historical-epochal dominant methods of capital accumulation (e.g. Fordism and post-Fordism).

The purpose of this section is thus to describe different approaches to the question of ‘institutions’ and industrial relations; to determine how institutions are formed; to assess how institutions constrain and shape behaviour; and to seek to understand how

institutions might 'fail' in their task or give way to new forms. This last question is crucial to the German case and is of recent interest to the British case, for example, which has been described as having experienced a 'De-institutionalisation' of industrial relations (Purcell, 1993). The method used is to describe and critically assess alternative approaches to the development and change in institutional frameworks. These are defined as *pluralist systems approaches*; *corporatist approaches*; *technology based approaches*; *market based approaches*; *classical Marxist* and alternative neo-marxist approaches such as *regulation approaches* as they relate to industrial relations.

1.3 Liberal Pluralism and Industrial Relations 'Systems'

It has already been recorded in the introductory section that institutional variations have been argued to have some effect on strike prone-ness through the ability of 'actors' within the institutional framework to control and contain conflict through 'orderly' and regulated resolution. The study of such regulatory machinery therefore deserves analysis. Foremost in terms of theory has been pluralist approaches to the concept of an industrial relations 'system'.

Systems Theory

Systems theory has its roots in functionalist sociology which tends to 'treat societies or social wholes as having characteristics similar to those of organic matter or of organisms' (Cohen 1968, p14). The approach is pluralist in that conflict is accepted within society but the mechanics of the *system* are such that there is an inbuilt tendency towards stability as

different interest groups conduct consensual bargaining to resolve their differences. This pluralism, or functionalist sociology, emphasises the contribution each social unit makes to the whole of society and follows the Parsonian premise that there exists a common set of societal norms and values (Parsons, 1937). Such a liberal view of societal conflict can also be termed *Industrialism* after the work of Clark Kerr (1960) and fellow authors (including Dunlop) in 1960 who argued the demise of conflict was nigh as the populations of industrial societies (both east and west) adopted similar technological values and accepted norms as economies expanded to an apex of natural industrial order. As such the approach is different from classical Marxism in that there is a denial of *fundamental* class conflict and a reliance instead on conflict as a mere expression of difference within a commonly valued system of social order.

In terms of industrial relations and industrial conflict, systems theory has established itself as an important source of textbook teaching. The book written by J.T. Dunlop (*Industrial Relations Systems*) in 1958 became extremely influential in the western world in the 1970s and 1980s. However, because systems theory concentrates on *conflict resolution* it cannot claim to be a valid predictor of conflict. The systems of inputs and outputs in a model such as Dunlop's concentrates instead on the rules, regulations, institutions and substantive agreements within the industrial relations field. In addition the systems approach has been harshly criticised for being too restrictive in scope and ahistorical in its reliance on a shared value system. Richard Hyman (1989) , for example, describes Dunlop's essay as drawn from:

"...idealism, formalism, conservatism - very convenient for the task of rationalising and legitimising a field of inquiry which had developed primarily to assist capital in ensuring the productive, predictable, and profitable exploitation of labour". Despite such harsh criticisms the systems approach remains dominant in industrial relations theory and teaching as a framework for understanding and a testing ground for comparative research.

The elements of systems theory

Although Dunlop is credited with attempting to develop a general theory of industrial relations based on systems analysis there are earlier examples of systems approaches. J.R.Commons in the U.S.A. was, for example, an academic and practitioner much associated with the development of the labor legislation in the Roosevelt 'New Deal'. His work, according to Jack Barbash (1991) was imbued with :-

"incrementalism, professionalism, bargaining, pro-capitalism, and power dispersion...aimed at gaining consent of the chief actors and thereby defusing the likely explosive reactions to his social justice equity goals".

In the time of his major writings (1919-1934) he was determined to influence US government policy in such a way as to avoid what he saw as the pitfalls of the European pattern where class conflict was dominant. He was also attempting to form a buffer to the Taylorite industrial methods of organisation much hated by workers and thus merged historically with the parallel *human relations* school of management after the works of Elton Mayo. Commons' approach, and that of many theorists of similar persuasion since, including Dunlop, included the following principles: 1) the system should be based on

voluntarism with both parties in industry free to organise. 2)there is an underlying assumption of *reasonableness* on behalf of parties towards each other. 3)the imbalance of bargaining power between employer and employed should be corrected by State *protective legislation* on behalf of organised labour.

In addition Commons argued strongly for the merits of collective bargaining which would be of mutual benefit to the employer as it promoted good human relations and greater efficiency. The pluralist nature of Commons's works expresses itself in two ways. Firstly, there is an acceptance of conflict at the workplace (rather than a *unitarist* denial) and an acceptance of the role of unions as the expresses of the collective worker grievance against the employer. Commons writes in 1919 of:-

"a basic solidarity of interest..... (where) the labourer is bargaining while he is at work and his tacit offer to the employers is the amount of work he is turning out".

The role of the unions, however, was thought to be ideally limited to the creation of a 'constitution for industrial government' engaged in collective bargaining with the employers. The role of collective bargaining and the *institutions* created in the process later dominated the ideas of Dunlop (1958). His system was built around the stable relationship established between the various actors in the industrial relations theatre, namely - management, Government and a plurality of worker representatives in separate unions. The stage varied according to the external contexts of industrial environment, marketing and budgeting constraints, and the distribution of power in the wider society. All of these

internal and external factors were bound together by a shared set of beliefs (or ideology) which created rules, regulations and institutions to resolve conflict within the system. It would be possible, Dunlop argued, to predict the substantive outcomes of conflict (wages, hours of work etc.) once the other factors are known and understood. The major factors to be understood were the procedures for settling disputes such as collective bargaining of agreements, dispute and disciplinary procedures. This concentration on the *institutional* arrangements thus becomes central to understanding Dunlop's ideas. The central implication being that once the institutions are accepted by all parties as legitimate then the opportunity for conflict resolution is formed.

As such the approach has no validity as a *predictor* of conflict but finds its use instead as an explanation as to why conflict might be contained and reduced according to the extent and degree of institutionalisation. Such a model has parallels with Gramsci's description of the *fortresses and earthworks* existing within the capitalist superstructure that serve to deflect workers away from open struggle. It is not difficult, therefore, to understand why most of the criticism of Dunlop and other systems theorists has come from those of Marxist perspective. However, claim and counter-claim aside, there is a general recognition amongst theorists that procedures such as disciplinary, grievance and dispute procedures agreed between employer and union are designed to contain and regulate conflict by channelling conflict into a orderly arrangements as an alternative to industrial action. This point was well rehearsed by the Donovan Commission in Britain which recommended as a priority the establishment of agreed disciplinary procedures (backed up by an ACAS Code

of Practice and Industrial Tribunals) precisely to *reduce* the number of factory walkouts over discipline. In practical terms, when joint procedures operate, the argument between employer and employed shifts from one of a *matter of interest* to one of a *matter of right*. Thus the degree and extent of institutional arrangements or joint regulation will affect the degree of strike action, but only if these institutional arrangements are a) supported by legislative arrangements (to encourage employer compliance) and b) effectively policed by the trade union official machine (to encourage employee compliance). It is in this respect that Dunlop assumes an *ideological acceptance* of the regulatory framework for the 'system' to work. It is not surprising, therefore, that many studies of industrial relations from the *systems* tradition concentrate on the operations of 'joint regulations' contained within the institutional framework. A good example of this is the study of the West German car industry of the 1970s by Wolfgang Streeck (1984). In the book Streeck compares the *pluralist* system of Britain with the *neo-corporatist* system of West Germany, arguing that the political-cultural framework of West Germany has shaped a system "... to denote the German syndrome of encompassing trade unionism and collective bargaining, institutionalised power sharing between management and representatives of the workforce, and 'social partnership.'" Streeck notes the differences in the British system which are explained by "... a given historical situation depend(ing) on the outcome of a complex interplay of many different forces and factors" (p155).This point is of extreme importance to the post-Unification German case whereby the West German system of industrial relations legislation, rules and procedures was imposed on the east.

1.4 Corporatism

The Anglo-American tradition of pluralist interpretation of industrial relations processes contrasts with the corporatist or neo-corporatist approach prevalent in the North and West European countries. An understanding of corporatist theory is, for this reason, of some importance when analysing the (west) German system. Instead of a plurality of interests and competing labour organisations corporatism assumes a monopolistic and all embracing labour interest that suppresses the craft orientation of unions (Olson 1965, Schmitter 1974). The monopolistic or 'encompassing' (Olson *ibid*) nature of labours' interest is integrated into consensus *politiking* with the peak organisation of employers and with the state and mediated by juridified frameworks which protect the interests of labour. Crouch (1993) also introduces the notion of 'articulateness' whereby the central labour organisation has different degrees of ability to represent the interests of local union power, without which the corporatist framework would exhibit instability. The resulting institutional structures are therefore more likely to be legally based, recognise the authority of national rather than diverse interests, and legitimise the role of labour organisations in a manner which would not be expected in a pluralist framework. The corporatist approach to describing the role and function of the institutions of industrial relations is a more realistic tool of analysis for describing the *actualité* of countries such as Sweden, Norway, Germany and Austria where the assumed 'voluntarism' of the employer-employee relationship associated with pluralism makes little sense.

Post-War Settlements, Corporatism and Neo-Corporatism

More recent literature on comparative industrial relations has placed emphasis on the effects of the establishment and subsequent break-up of the various post-War political settlements, and the general relationship between Government, Capital and Labour in terms of the presence or otherwise of corporatist arrangements. The nature of the various post-war settlements has been described by Crouch (1993) in developmental terms whereby the 1940's represents a watershed in the dominant relationships between labour, employers and Governments. Those countries with strong trade unions prior to the War (primarily in Western Europe) recorded high strike rates before 1940 but low rates afterwards as the labour movement became involved in social partnership approaches to Government (e.g. West Germany, France). Those countries with weaker unions prior to the War recorded higher conflict afterwards as capital allied with Government to attempt to freeze out labour (e.g. Greece, Italy). Strains and tensions within these post-War settlements have come from two sources. First, a shift from keynesianism to monetarism as economic orthodoxy in the 1970s led to a decline in the corporatist/tri-partist approach to State economic management as full employment as an economic goal was gradually abandoned. Second, the increased internationalisation of the world economy since the 1970s has led to more intense competition in the trading sector (predominantly private manufacturing). This in turn has led to a decline in national collective bargaining frameworks and an increase in company level bargaining

based on ability to pay. The prime employer motive in pay bargaining has thus been to minimise costs rather than to *equalise* wage costs with competitors as under multiemployer collective bargaining. This shift in national bargaining climates has affected different countries in different degrees. In Britain, for example it has been accompanied with an ideological Government offensive in the 1980s against union organisation. In West Germany, in comparison, the bargaining shifts have so far been largely contained without altering the dominant *social partnership approach* of co-determination (see later section for a full discussion).

The influence of corporatism as a model of *conflict containment* has been explored in detail by authors such as Goldthorpe et al (1984), and Streeck (1984). Goldthorpe counterposes an alternative view to two strands of theory which saw the influence of corporatism as *either*

a) a non-revolutionary mode of transition from capitalism to socialism whereby the power of organised labour reaches its apex as it is admitted into decision making within the State apparatus (see for example, Stephens, 1979) or,

b) as the highest form of social control of labour under capitalism whereby the potential militancy of labour is totally emasculated as trade union leaders create accommodating deals with Government and employers. (see for example, Panitch, 1981).

As an alternative Goldthorpe suggests that a study of corporatism in practice provides a contextual understanding for the process of conflict generation and containment but that the outcomes of the process are dependent on the mobilizing capacity of the partners. Part of this mobilizing capacity for the trade unions is dependent on resolving the tension between *trade union leaders*, who are willing to offer wage restraint in return for legal or social policy concessions and the *rank-and-file* who may be able to block wage restraint deals by organised pressure from below. Thus corporatist arrangements, or at least outcomes, are capable of being broken by the trade unions and can be a *precursor* to conflict (as evidenced in the collapse of the British *Social Contract* in 1978/79). Similarly Governments or employers can withdraw from such understandings should circumstances change or if promises once made prove too hard to deliver. Regini (1982), for example, cites the example of the failure of the deal between unions and Government in Italy in the late 1970s whereby promises to inject more State cash subsidies into the *Mezzogiorno* were not kept and as a consequence the Italian union federation withdrew offers of wage restraint. The analysis of industrial relations in terms of political economy necessarily places emphasis on the role of the State and the contrast between Britain and Germany is worth outlining in more detail. The *voluntarist* tradition of British industrial relations until the 1970s essentially left the two parties in the workplace to come to their own arrangements without legal intervention. This encouraged an *adversarial* approach from both employers and unions and a general long term historical antipathy on behalf of unions in Britain

towards the idea of State help or intervention in industrial relations matters. Only when inflation became a central problem did post-War British Governments act through incomes policies to regulate the determination of wages (sometimes with and sometimes without union consent). Attempts to legalise collective bargaining agreements were tried but failed under the Heath Government in 1970-74 and were mooted but then forgotten by the Thatcher/Major Governments of the 1980s and 90s.' It was after the Donovan Commission Report in 1968 that large scale individual protective legislation was introduced, primarily to bring some order to the growing number of disputes over disciplinary matters. The restrictive union legislation of the 1980s and 90s can also be seen as an attempt to introduce more regulation of trade union workplace behaviour and to give employers added bargaining power in a recessionary economic environment. The degree to which such legislative State intervention is a *direct* cause of the marked reduction in British strike activity, for example, (as opposed to the effects of continued recession and structural changes in the economy), is subject to much debate. However, it is evident that the *availability* of legislation to place barriers in the path of lawful strike action has increased the total weaponry of employers to be potentially used against organised labour, and as such strike action is likely to have been less than it otherwise might have been. To this extent the hostile actions of the State towards trade unions has tempered and modified trade union behaviour and consequently the propensity to strike.

The activities of the British State contrast with that of Germany where the pre-unification *social partnership* or "German model" has been given credit for stabilising industrial relations and keeping strike levels low. The essential characteristics of the German model - a juridified system with rights of association and representation enshrined in the Basic Constitutional Law and a system of Co-determination and Works Councils to encourage joint regulation - *is* fundamentally different in its orientation.(A full discussion of the workings of the West German system is found in Part 3). The State, rather than being openly *antagonistic* to unions as in 1990s Britain, assumes an *accommodationist* approach whereby unions are integrated into formal collective bargaining arrangements as legitimate partners. The line drawn between capital and labour is distinct but made obscure at the edges by the assumption placed upon both sides (and particularly the unions) that they should play by the implicit rules of the game in order to preserve the constitutionally guaranteed relationship. State support to the unions in terms of legal rights of representation and funding for training has reinforced the role of the trade union leaderships at the expense of the rank-and-file, enabling the bureaucracy of the unions to more effectively control strike activity. The scope for locally inspired unofficial strikes is lower than in Britain due to the guaranteed rights of consultation under the Works Council system (with associated legal penalties for those that overstep the mark) and a centralised system of legally enforceable wage bargaining that outlaws local dispute over pay.

Caution still needs to be applied in making direct connection between State attitudes to unions and the levels of strikes. In West Germany a healthier economy and more State support for training and social welfare dulled the edge of worker combativity as real earnings and employment opportunities have grown in the years of the 'economic miracle' and as recession has hit the whole German economy in the 1990s strike activity has increased despite the collaborative relationship of the social partnership model (again, see concluding sections).

The degree to which the contrast between Britain and West Germany can be explained by the influence of corporatist arrangements is much harder to determine. The fact that a greater degree of corporatism has been evident in West Germany and over a longer period of time has its origins in longer term socio-political factors further examined in a later chapter. Similarly the potential tenacity of the corporatist model to survive in the face of economic 'globalisation' and employers' need for labour flexibility must also face further analysis in the wake of general discussion of the centrality or otherwise of co-determination to German industrial relations.

1.5 Technology based paradigms

These approaches share in common the view that institutional change follows substantive breakthroughs in technical innovation that has a fundamental effect on the production process. Thus the application of steam power can be associated with the 'Industrial

Revolution' and its attendant reformation of the key relationships between State, Labour and Capital. Schumpeter (1979) has reformulated Kondratiev's theory of 'long waves' to suggest that every 50 years or so a new technological paradigm is reached as old methods give way to new in periodic episodes of 'creative destruction'. Freeman and Perez (1988) have similarly argued that qualitative changes have taken place in capitalist production methods due to the introduction of low costs methods as a result of technological breakthroughs. Such breakthroughs are likely to have consequent effects on industrial organisation which then lead to an 'equally profound transformation of the institutional and social framework' (Freeman and Perez, *ibid*, 57). In recent times, they argue, new information technologies have reshaped industrial production to a new period of harmonious growth requiring new responding institutional forms. The new technology, in other words, has acted as a *social innovation* that coexists with the technical innovation.

Such a view has been criticised for both its *technological determinism* and its inability to explain fully the alleged links between the technological and social aspects of innovation. Of particular concern are the related debates centred on the impact of *Toyotaism* as practised by the Toyota car company with new forms of machine-computer linked production which allegedly undermine traditional mass production techniques (see Elam, 1994 for a critique). Proponents of a 'new paradigm' have argued that the new production methods on the Japanese model such as lean production, *kaizen* (Continuous improvement), and just-in-time inventory control have allowed more autonomy for the individual worker that has been sufficiently important for competitors to have to emulate in order to survive (e.g. Monden, 1983). However, critics of the 'non-Taylorist'

explanation of Toyota's production methods, far from citing the methods as a complete break with Taylorism or Fordism, argue that they are a refinement or even a continuation of older methods that maintain close surveillance of the workforce and tight control of the labour process (e.g. Wood, 1989; Danford, 1997). As such the prime example of low cost new methods of work cannot be argued to be of 'paradigmatic' proportions but are simply a continuation of employer efforts to intensify work by other means. The deterministic nature of such approaches can also be criticised for failing to appreciate the social dynamic between employer and employed that allowed Taylorist (and non-taylorist) production methods to dominate. Burawoy, in his *Politics of Production* (1985), for example, offers a critique of Braverman's *Labor and Monopoly Capital*, in which he (Burawoy) challenges Braverman's contentions of the all embracing nature of Taylorism without asking the question as to 'why' such production methods were introduced when they were. Burawoy, in asking this question, seeks to place on record the class nature of the employer-employee relationship and to caution against technical determinism. The same question 'why' needs also to be addressed by those of the 'flexible specialisation' school who argue that it is for purely *technical* reasons that Taylorism/Fordism has allegedly broken down without considering the *social* limitation and advantages of Taylorism at the point of production.

1.6 Market based paradigms

'Flexible Specialisation'

An alternative approach, but one still based on the concept of paradigmatic breakthrough, is attributed to analyses of changing product markets and the associated feedback into production systems. Piore and Sabel (1984), for example, in their *Second Industrial Divide*, attribute the necessity for institutional change to the breakdown of 'Fordist' methods of mass production and their gradual replacement with 'flexible specialisation'. The explanation for change is rooted in the development of more unstable market conditions that has dislodged the logic of Adam Smith's original concept of *division of labour* (Piore, 1980). Smith postulated that a division of labour was the most efficient method of production on the basis that increased skill and practice at smaller tasks would both allow greater and more dedicated worker dexterity as well as knowledge to improve their own work performance¹ In addition time would be saved in moving between tasks - a concept later utilised by F.W Taylor in his principles of *Scientific Management*. However, Piore and Sabel have argued that as a result of economic crisis in the 1970s and 1980s the 'mass' market has firstly 'saturated' and then fragmented as more refined tastes have developed very much on the continental European model of diversity (as opposed to the American model of sameness). In order to accommodate this change in tastes and increased demand for diversity then production methods will need to be more market responsive and workers will need to be functionally flexible. This 'flexible specialisation', concentrated on emergent niche markets, has a human dimension in that

jobs become more humane as workers utilise a wider range of skills. Sabel (1989) has also added a spatial dimension by arguing that regionally based *industrial districts* with groupings of high tech, high skill and flexible labour firms based on innovative networks (an example of *local* institutional development) will secure above average economic growth outside the (declining) influence of the nation state. Particular examples of the Japanese local industrial networks, together with European examples such as Emilia-Romagna (textiles) in northern Italy or Baden-Württemberg (engineering) in west Germany are cited in support of the case.

'Disorganised Capitalism'

A further variant of the market based approach is provided by Lash and Urry (1987) who argue that a new epoch of 'disorganised' capitalism (as opposed to Hilferding's monopoly based 'organised capitalism') has arrived in advanced capitalist countries as a direct result of 'post-modernist' trends in consumer market preferences. The Post-Modern approach claims, in the field of industrial relations, that a fragmentation has occurred of class and political alliances signified by an absolute and relative decline of the 'working class' and a rise of managerial professional classes. This is evidenced by the rise of 'catch-all' political parties in the political field and the demise of Taylorite production processes and its replacement with a need for more flexible forms of work organisation². Combined with the decline in importance of national, as opposed to an 'international', division of labour this has led to a break-up of national forms of collective bargaining and a corresponding decline in the role of the 'peak' organisations representing organised

labour and employers (characteristics of '*organised*' capitalism). The consequence of these forces, Lash and Urry argue, is that forms of neo-corporatist industrial relations will give way to fragmented and 'disorganised' arrangements of labour regulation. Hence institutional change will be apparent. In support of their case Lash and Urry cite the 'failure' of neo-corporatism in Britain in the 1970s and the withdrawal of parties from the period of 'concerted action' in West Germany³. The case is given support in the case of West Germany by Esser and Hirsch (1989) who cite a new emergent *mode of accumulation* based on new information and communication technologies giving a boost to service oriented tasks away from 'traditional' industrial locations. They also suggest a change has taken place in orientations to work, with new technologies inducing an 'individualisation' effect and a 'pluralisation of life styles' and a consequent relaxation in the disciplining effects of standardised wage work and the 'sociopsychological' process of redundancy. In the West German context this has meant the development of:-

'.....*new corporate forms*, which are characterised by a close interweaving between the state and industry in the technology sector, a *selective* inclusion of privileged sectors of the workers in corporate arrangements ('selective-decentralised corporatism')

Such a process is then argued to have implications for the federal system in Germany as it allows for the development of *Land* based forms of regulation (rather than national) in which an interventionist municipal or regional administration can achieve competitive advantage by restructuring its local/regional institutions in order to better place the area in

the new competitive markets. Baden-Württemberg and Nordrhein-Westfalen are given as examples of such 'technocorporate' alliances between state (local) , economy and science.

Some criticisms of the 'market-based' and Post-Fordist approach

Approaches which adopt an explicitly post-Fordist or post-industrial perspective based on changing markets and production methods are problematic for a number of reasons.

First, the nature and degree of influence in the past of 'Fordist' production methods has been much disputed. Houndshell (1984), for example, suggests that the 'classic' Fordist approach began to decline even as early as the 1920s when General Motors under Alfred. P. Sloan jnr. introduced the concept of colour alternatives (the first Model 'T's' were always black) in order to entice and shape customer preferences. GM's competitive strategy was to 'keep the consumer dissatisfied' by constant introduction of new ranges. As such consumer choice became *producer* led rather than *consumer* led and the role of large scale manufacturers was to create rather than to respond to market preference. Production methods needed to become more flexible and the notion of mass production and mass markets in its 'classic' Fordist sense was altered as a result. The alleged dichotomy between craft and mass production (or post -Fordism and Fordism) has also been disputed by C. Smith (1989) as it ignores more important distinctions of batch, mass

and process production that tend to shape production methods and processes. Littler (1982) draws attention to the fact that in most factories there are also internal distinctions between Taylorite and non- Taylorite methods whilst Sayer (1985) and Clarke (1988) claim that many whole industries were never Fordist in the first place. Finally although there might be some validity in claiming a breakdown of Taylorite/Fordist methods in *manufacturing* there is much evidence supporting a growth of mass production methods based on division of labour in the *service industries* (banking, retailing etc.).⁴

Second, there are arguments to suggest a great geographical variability in the spread and onset of 'Fordism' which undermine the validity of the *after-* Fordism debate. For example, the 'transference' of Fordist methods outside America has been claimed to have produced different variants in different countries for institution specific reasons (e.g. Peck and Tickell, 1992). Thus 'classic Fordism' is confined to the USA whereas 'flex-Fordism' is dominant in West Germany; 'blocked' Fordism in the UK; 'delayed Fordism' in Spain and Italy and so on. Outside the advanced west European states there is even evidence to suggest the *emergence and growth* of both Taylorite and Fordist methods of production accompanied by a massive increase in the number of 'traditional' manual workers (Kellog 1987); whilst even in the heartland of Fordism (Los Angeles, California) an examination of both manufacturing and service industries by Davis and Buddick (1988) exposes a turn *back* from Fordism to 'Bloody Taylorism'.

Third, there is the argument that should 'flexible specialisation' now be the new dominant mode of production (niche markets, flexible production systems) then there is a contradiction in that not all markets can be 'niche' (Hyman 1988). In a competitive world economy of limited elasticity of demand some producers would emerge as winners and some would emerge as losers . For this reason flexible specialisation can not be a *universal panacea* as some (e.g. Altshuler *et al* 1984) would have us believe.

These various critiques (and others) have led many commentators to argue that it is more accurate to describe changes in production processes as a *development* rather than a *break* with Fordist and Taylorite methods (in parallel with the debate over Toyotaism). Thus Altmann and Düll (1990) consider 'the modification of taylorism'; Berggren (1989) refers to 'flexible Taylorism'; Coriat (1981) to 'automated Fordism' and Aglietta (1979) to 'neo-Fordism'. The difficulties surrounding the debates have centred on changes in the *nature* of the production process. The links between production change and *institutional* change become more difficult to ascertain as a result. In general the flexible specialisation school assume a collaborative relationship between capital and labour (Piore and Sabel 1984: 278) that stresses company specific skills (rather than occupation specific) and which assume flexibility in the contractual relationship between capital and labour. These assumptions would predicate less reliance on national or sectoral forms of collective bargaining and employment regulation and more reliance on local or regional or enterprise specific forms. It is this logic which presupposes a change in institutional forms as the national based institutions associated with mass production and consumption give way to disaggregated institutional forms.

1.7 Classical Marxism: Base and Superstructure

Marx used the terms 'base' and 'superstructure' in his *A Contribution to the Critique of Political Economy* in 1857 to attempt to explain how social and political life interacts and responds to changes in the economic structure of society. It was part of his dialectical materialist outline of historical development in which he laid down both his method of political analysis and his central position of the importance of revolutionary change in shaping the course of history. Marx therefore describes the importance of the economic base (or the *forces of production*) and its dominant but contradictory relationship to the superstructure (*relations of production*).

'In the social production of their life, men enter into definite relations that are indispensable and independent of their will, *relations of production* which correspond to a definite stage of development of their material productive *forces*. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but on the contrary, their social being that determines their consciousness.'

(Preface to *A Contribution to the Critique of Political Economy*, *Selected Works*, Marx and Engels, 1968p182)

The contradictions manifest themselves in continuous arguments and organised disagreements between sections of society which will serve to make institutions (as expressions of ruling ideology) unstable rather than stable and likely to change in response to dominant economic forces once one faction (or class) organises successfully to suppress the influence of another. Ideology, as part of the superstructure, then becomes a vehicle of the ruling group to spread ideas and beliefs that serve to enhance the status quo at the expense of change. As Jakubowski (1976) suggests it is difficult to define in precise terms the nature of the 'superstructure' as,

'All we can do is make a very general *paraphrase* of the concept of "superstructure". It cannot be determined *concretely*, and it certainly does not mean that a comprehensive tabulation of all social relationships is possible' (ibid: 37).

In the field of 'industrial relations' the political and legal framework together with norms, expectation and forms of job regulation in the workplace provide the institutional mix. In Marxist terms everyday exploitation would need to be 'justified' by ruling ideology but is likely to be challenged from below only if an alternative working class consciousness is developed and acted upon. Thus the 'contract' of employment, in marxist interpretation, would seek to justify and mystify the everyday exploitation by the employer in the workplace by creating a 'false consciousness' and sense of justice in the mind of the worker. Transcending this 'falsity' requires a *recognition* on behalf of the worker of the basic *injustice* of the employment relationship and a willingness to challenge that injustice. Often, of course, the two levels of consciousness can sit side-by-

side in contradiction and whilst the worker might recognise injustice this will be tolerated as the overall tenets of the capitalist mode of production remain unchallenged. There may therefore be a difference between purely economic, or trade union consciousness, and class consciousness such that the difference, whilst allowing for struggle over the terms and conditions of employment, negates activity against the centrality of the capitalist system.

The problems of the development of worker and class consciousness are discussed in a later section, particularly as they relate to trade union membership and willingness to challenge the existing order. However, within the Marxist 'tradition' of analysis there have arisen differences of interpretation of 'base and superstructure' which deserve further discussion.

Mechanical' Materialism

First, there exists the problem of 'mechanical materialism' that has been associated with the German SPD leader Karl Kautsky. Kautsky argued an 'inevitability' of the transition from capitalism to socialism linked solely to changes in the economic 'base':-

'The direction of social development does not depend on the use of peaceful methods or violent struggles. It is determined by the progress and needs of the methods of production.'(Kautsky, 1923).

Such determinism, combined with the Russian Marxist Plekhanov's assertions that the development of production *automatically* resulted in changes in the superstructure

(Plekhanov, 1940) were part of Stalinist orthodoxy from the late 1920s onwards that sought to justify the inevitable transition from socialism to communism irrespective of hardships faced by the population in the Eastern Bloc. The excesses of Stalinism in the 1930s, however, were partly a cause of the reaction to such determinism by Louis Althusser and his proposition that 'society' in fact consisted of different structures (political, economic, ideological and linguistic) that developed at their own speed and interacted with each other but were not immediately dependent on the 'economic'. As such the economic struggle at the workplace would not *necessarily* have an impact on institutional structures and the shape of society. Other factors may be just as important and institutions would change largely as a result of 'voluntarist' activity within any one of society's structures.

Political Hegemony

Second, there has been much debate within the Marxist and neo-marxist left, on Gramsci's contributions on the development of civil society and the struggle for *hegemony*. Writing in the 1920s in the aftermath of the failure of the Italian factory occupations, Gramsci (1978) sought to explain the process he thought necessary to develop revolutionary worker consciousness and challenge ruling class ideology. He describes 'civil society' as a network of voluntary organisations and institutions within capitalism that deflected direct attacks from the centrality of capitalism by their ideological hold on workers. In this respect (and in 1920s Italy) the church, trade unions, and mass education were all institutions that acted as 'fortresses and earthworks' to

protect the core of capitalism and maintain ruling class ideological hegemony. In order to break this ideological hold it was necessary to undertake both a 'war of manoeuvre' (a frontal battle more directly suited to conditions where ruling class institutions were generally repressive - i.e. as in Tsarist Russia) or a 'war of position' which would be a long-drawn battle of ideas in which the working class would need to develop ideological hegemony. It is this latter point which has led some commentators to argue that such a 'war of position' would mean the development of class alliances and the infiltration of ruling class institutions if a left wing project were to be successful (e.g. Laclau and Mouffe, 1985). It underlies the search for 'historic compromise' favoured by the 'Euro-Communist' left in the 1970s and 1980s both in Italy (under the PCI) and elsewhere whereby the CP had sought alliances with bourgeois parties (rather than the worker-peasant alliance favoured by Gramsci in 1920s Italy).

Capitalist Diversity

Whilst there are clearly difficulties in interpreting 'base and superstructure' there remain pointers in Marxist approaches which might explain the *diversity* of capitalist 'models' within different countries. First, the relationship between economic forces and their political and ideological counterparts is not necessarily fixed but is subject to internal dissent and struggle. This is important in understanding differences in institutional formation between, for example, France and Germany. Whereas in France workers in 1789 absorbed ideas of liberalism (equality and fraternity) from the liberal bourgeoisie in Germany (post 1848) the failure of the liberal bourgeois revolution left workers estranged

from the ruling class but nevertheless strong enough after the 1918 Revolution to force concessions (in a juridified form) from a weak and divided ruling elite (Jakubowski, *ibid*: 45). Similarly the variety of political conditions facing west European states after World War Two led to various models of integration and distance between capital and labour - integrated in Germany, distanced in Italy (Valenzuela, 1992). Second, the international nature of capitalism enables both combined and uneven development of states as late developers can 'borrow' and replicate aspects from earlier developers even though the forces of production in that state are generally under-developed in international terms (Trotsky 1928; Lowy 1981). Thus it is possible to talk of states as *developmental* in terms of their willingness and ability to construct institutions designed to encourage the accumulation of capital (e.g. South Korea - Evans, 1995).

1.8 Régulation Theory

In an effort to explain what has been perceived as a 'lack of progress' from capitalism to socialism within Marx's framework, régulation theory attempts to explain how capitalism has 'survived' with the use of institutional adaptation. The Régulation School is a group or network of individuals prominent of whom in France are Michel Aglietta and Alain Lipietz (the 'Parisian School'). There are also claims to a German 'School' and an Amsterdam 'School' as well as American variants centred on the work on *factory regimes* from Michael Burawoy. Much of the régulation theory approach accepts the Marxist analysis of the tendency of capitalism to enter crisis as a result of internal tensions and contradictions. These contradictions flow from the internal logic (or rather

illogic) of the free market in terms of price fixing and the inherent capital-labour conflict based on capitals' need to accumulate and exploit. However, as its name suggests, the Régulation School then concentrates on capitalism's ability to refocus its institutional arrangements to both contain and suppress its contradictions. Each period of crisis is then theoretically capable of stabilisation with a new *regime of accumulation* (which links in with changes and developments within the world economy) and a new *mode of regulation* which materialises the means by which new regimes act to regulate the norms, habits and laws (i.e. the 'institutions') of the production and reproduction. In this respect new production or technological paradigms may usher in new regimes of accumulation and modes of accumulation. As such, regulation theory remains abstract and tells us nothing more than capitalism is capable of adopting different patterns to suit different and changing circumstances. It assumes, therefore, a voluntarist approach to change. However, many régulation theorists have attempted to concretise the abstractions by relating the theory once more to the alleged Fordist/post-Fordist debate and the breakdown of mass consumption patterns and Keynesian economic management . Thus Lipietz (1986) refers to these changes as 'historical contingent discovery'. In the 1970s and 1980s regulation theorists point to the new dominance of Japanese style production methods (*Pax Nipponica*) over the global Fordism espoused by the USA under the previous regime of *Pax Americana*. This is evidenced again by the adoption of flexible production methods as a new mode of production (Aglietta 1979; Lipietz 1987).

Whilst the French *régulationists* in particular have concentrated on new forms of general regulation of the capitalist economy, Michael Burawoy (1979, 1985), has written on parallel changes in the workplace. From a labour process perspective Burawoy attempts to describe *factory regimes* which have become ‘hegemonic’ rather than ‘despotic’ under advanced capitalism as owners of capital have attempted to overcome the problem of converting *labour power* to *labour*. In other words managerial attempts to increase labour productivity have in general become, according to Burawoy, more subtle and less coercive in more advanced capitalist states⁵.

Régulation Theory thus shares with Marxism the concept of economic and political crisis. However, in concentrating on the means by which capitalism seeks to regulate itself, and thus overcome crisis, the theories imply the prospect of periods of stability emerging from the general instability of capitalism. In industrial relations such ‘stability’ is linked, it is argued, to new institutional norms and arrangements. The role of flexible production within this process of change, once again, appears crucial.

State Theory

The alleged break between Fordism as a dominant mode of production and ‘post-fordism’ again provides the background for theories of transition of advanced capitalist states (e.g. Jessop 1992, 1994). Such theories associate the shrinking attachment of states to Keynesian economic management to the decline of mass production and dominant patterns of mass consumption in favour of supply side economic management and

employers' need for flexible labour skills and contracts. In particular, Jessop (1994 *ibid*: 260), argues that the 'post-Fordist' state might well be characterised by a crisis of labour market institutions as national forms of more stable regulation are forced to give way to more flexible forms. In turn states are inclined to re-orientate their welfare regimes away from Keynesian all -embracing types to more selective types that promote flexibility of skills and swift market adjustment. The resulting 'Schumpeterian workfare state' - a state with reduced 'responsibilities' - might then exhibit both a marketisation of welfare (privatisation etc.) as well as the encouragement of more local and regional based involvement of interest groups outside the usual capital-labour nexus in an effort to form innovative networks of flexible production (e.g. the concept of 'industrial districts would , in this scenario, once more prove appropriate). In terms of wider political economy this mix of globally enforced reasons for change (entailing the need for flexible specialisation and attachment to niche markets), coupled with local and regional initiatives, encapsulates the 'global and local' rather than 'national' approach to institutional directions (Amin and Robins 1990).

Some caution is needed before going too far in coupling the three factors of Keynesianism, the Welfare Regime, Fordism and emergent localism (as Jessop, 1994 *ibid*.275) acknowledges. In particular the thesis places much emphasis on the 'capital relation' referred to generally in régulation theory as that concerning the regime of accumulation at national, institutional levels. The 'logic' of the process described above (if indeed it exists) can be upset by the 'capital-labour relation' involving , it would be

assumed, an active resistance of workers to change and a consequent reconditioning of state agendas.

1.9 The Persistence of National Diversity and Resistance to Change

Many commentators have sought to identify and explain the sources of differences in institutional structures given the supposed tendencies towards both 'industrialism' and international economic integration. The problem has been approached from differing perspectives beginning with Kerr *et al*'s (1960) version of *Industrialism* which predicted system convergence dependent on technological factors (see earlier discussion). Given the deficiencies of the Industrialisation thesis *Contingency* theorists (e.g Hickson *et al*, 1969, 1979) have attempted to re-examine convergence within business organisations (and by implication national systems) by explanations of progress towards a common organisation structure as best fit technological or organisational structures are introduced at the level of the firm. Continuing differences in structure and organisation may be explained, in this approach, by technological or environmental lags as well as 'cultural' differences specific to the national environment (a 'societal' effect). However, it is from the field of *Culturalist* explanations that most criticism of industrialism and contingency has emerged. Hofstede (1980), for example, in his massive study of multinational managerial practices, claimed to identify distinct cultural/national traits which led to critical differences of perception towards organisation structures and patterns of authority which would render a contingency approach practically inoperable. In other words the culturalist approach places great emphasis on the 'norms and values' of behaviour as an

institutional constraint. The social nature of industrial relations and its links with cultural norms and values have allowed space for an *Institutionalist* approach which stresses the organisational and structural importance of institutions in industrial relations as vehicles of socially transmitted behaviour patterns. There is a closeness to the cultural approach but also a distinctiveness in that institutions themselves rather than national 'traits' are the focus of attention. An example of an 'institutional' approach is the comparative case study of the Japanese and British factory by Dore (1973) in which he describes the links between national employment systems, national culture and everyday workplace experience. Gallie (1978) also sought to explain different levels of social consciousness in comparable French and British oil refineries with reference to the different national institutional arrangements (methods of participation, negotiation, consultation etc.). What has emerged from an institutional approach is the notion of a 'societal effect' which imbues national institutions with certain distinct and nationally based characteristics which may act both to retard, advance or alter common internal and external pressures for change. Thus Lane (1989), in writing on comparisons between France, Britain and West Germany refers to separate 'Industrial Orders' which govern and oversee relationships between state, capital and labour within those different countries and which, when described and understood, offer explanations for institutional rigidity and diversity. Factors such as business organisation, management style, VET, labour movements, welfare regimes and patterns of industrial democracy all vary from nation to nation and hence preclude common response to common problems. West German 'characteristics' of industrial order, according to Lane, include a comparatively superior vocational education

system, a relatively flat but authoritative management structure, transferable and flexible skills inside the workplace, and a high social regard for engineers and engineering in general. In addition, the system of corporate governance, based as it is on regional financial links with the *Hausbank*, ensures corporate stability based on long term maintenance of market share rather than short term shareholder considerations (as in the Anglo-Saxon 'shareholder' culture). Other commentators have highlighted the relatively greater proportion of firms in Germany still under family ownership (including some of the larger and more important ones) and the associated paternalistic management style based on the concept of *Betriebsgesellschaft* (factory community).

Aside from discussions on the relative importance of cultural factors in shaping institutional diversity it is necessary to record *how* the institutions of industrial relations may vary. The following is a summary:

a] *The degree of legal intervention may vary.* For example Britain has traditionally been described as 'voluntaristic' (Kahn-Freund, 1954) with a relative absence of law compared to the more 'juridified' German system (Streeck, 1984). Similarly 'formal' institutions may sit side-by-side with 'informal' institutions - an example being the split between national collective bargaining and shop steward power that has been attributed to 1960s and 1970s Britain.

b] *Institutional arrangements may also be a construct of 'political' factors*, determined by political parties and their relationship with each other and their influence on organised labour. Thus the political split in trade union orientation in France or Spain, for example, is likely to place extra strains on the workings of institutions in comparison to Britain or Germany where union-political party links are more unitary (Visser, 1992).

c] Similarly *the institutional mix is likely to be a by-product of foreign direct investment and the organisational/cultural influence of MNCs*. This is particularly so where countries have a high share of FDI as a proportion of total capital investment. Britain, for example, with its relatively high proportion of foreign based MNC activity, has been argued by Chandler (1976) to exhibit a greater variety of industrial relations processes than average as a result. In addition, there are distinct trends in the strategies of employers to increase labour flexibility that have challenged institutional arrangements based on more rigid labour market structures (van Ruysseveldt, 1995). This force for change is likely to generate more conflict in countries such as Germany, where labour markets are more regulated, than in Britain, where weaker institutions have allowed easier change (Hansen, Madsen and Jensen 1997). Hence debates on the 'appropriateness' of the 'German Model' are likely to be more fiercely fought, and conflict more apparent.

d] Of central importance to these questions is the relationship between market formation and institutions, whereby *institutions shape and regulate the workings of markets* through the development of mechanisms to raise capital for investment (stock exchange, banks,

savings institutions etc.); regulate competition between capital; and provide social goods such as education and health (Boyer, 1996). Thus, even in the example of the USA (referred to as 'extreme' market capitalism) there exist anti-trust laws and rules on stock exchange dealing designed to construct a 'level playing field' between individual capitalists (d'Iribarne, 1997).

e] *Informal norms of behaviour and expectations based on trust and loyalty also vary from nation to nation.* For example business relations in the USA are generally based on fairly short term contractual relationships both within and between businesses that depend on trust between contract partners (d'Iribarne, *ibid*: 163). In Japan, by contrast, client-supplier relationships are longer term and the norm is one of dependence-dominance. Both types of relationship, however, imply the pre-establishment of associative networks which may be formalised or not (e.g. into trade and employers' associations or more informal groups such as golfing circles). In other national regimes the relationships may be influenced by close involvement of the state through public bodies (as in the *dirigiste* example of France) or by the involvement of political parties (such as in the *clientilist* example of Italy).

f] Within industrial relations *institutions will therefore seek to both regulate the employment relationship and to influence the balance of power between capital and labour.* The means to achieve this task are both ideological (in terms of re-inforcing expectations of workplace authority) and legal (in terms of limiting the power of

organised labour and capital). As already discussed this relationship between state, labour and capital has historically involved variations in degrees of *corporatist* arrangements whereby the ‘peak’ organisations of employers’ and organised labour may have been incorporated formally or informally into tri-partite bodies of consensus based decision making. Commentators generally have referred to *neo-* or *quasi-* corporatism in the case of West Germany as a product of the individual post war *political settlement* (Streeck, 1984) where the consensus based politiking is less centralised and more diffuse than the model. Authoritarian forms of corporatism, typified by compulsion rather than voluntarism, have also been associated with fascist or populist based authoritarian regimes such as Mussolini’s Italy, Nazi Germany and Franco’s Spain and Peron’s Argentina. Some distinction has also been made between those authoritarian corporatist regime seeking modernity (the Italian and German examples) as against those wishing to preserve rural conservative values (Spain and Salazar’s Portugal).⁶

g] Finally, expectations and norms of behaviour in the workplace *are shaped by forces of historical development*. Thus, the *laissez faire* and traditional voluntarist approach in Britain can be argued to have stemmed from earlier free trade liberalism in contrast to the co-determinative and juridified German approach rooted in earlier settlements between capital and labour dating from Weimar (a full discussion of these differences is given in a later section)⁷. Some commentators (e.g. Crouch 1993) place some weight on the religious base of the nation which, in the west European case, rests between Catholic and Protestant ‘value systems’.

Poole (1986) has attempted to construct a model of national diversity which is subject to both *environmental* conditions and *intervening factors* which helps to explain the variation in patterns.

Table 1: Poole's model of Institutions and Change in Industrial Relations

Environmental Conditions	<table border="1"> <thead> <tr> <th data-bbox="545 629 914 707">'Subjective' meanings and policies</th> <th data-bbox="1053 629 1191 660">Structures</th> </tr> </thead> <tbody> <tr> <td data-bbox="545 748 868 779">(1) Socio-cultural values</td> <td data-bbox="945 748 1068 779">(1) Social</td> </tr> <tr> <td data-bbox="545 786 843 817">(2) Political Ideologies</td> <td data-bbox="945 786 1121 817">(2) Economic</td> </tr> <tr> <td data-bbox="545 824 837 855">(3) Economic Policies</td> <td data-bbox="945 824 1099 855">(3) Political</td> </tr> <tr> <td data-bbox="545 862 859 893">(4) Public/legal Policies</td> <td data-bbox="945 862 1176 896">(4) Technological</td> </tr> <tr> <td></td> <td data-bbox="945 902 1068 934">(5) Legal</td> </tr> <tr> <td></td> <td data-bbox="945 940 1167 972">(6) Demographic</td> </tr> </tbody> </table>	'Subjective' meanings and policies	Structures	(1) Socio-cultural values	(1) Social	(2) Political Ideologies	(2) Economic	(3) Economic Policies	(3) Political	(4) Public/legal Policies	(4) Technological		(5) Legal		(6) Demographic
'Subjective' meanings and policies	Structures														
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(3) Economic Policies	(3) Political														
(4) Public/legal Policies	(4) Technological														
	(5) Legal														
	(6) Demographic														
Intervening Conditions	<table border="1"> <tr> <td data-bbox="566 1066 899 1137">Organizational structures and processes</td> <td data-bbox="991 1066 1253 1137">Industrial Relations Institutions</td> </tr> </table>	Organizational structures and processes	Industrial Relations Institutions												
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Proximal conditions	<table border="1"> <tr> <td data-bbox="736 1223 1114 1254">Industrial relations processes</td> </tr> <tr> <td data-bbox="597 1308 1253 1379">The marshalling of power resources in interaction, accommodation processes</td> </tr> </table>	Industrial relations processes	The marshalling of power resources in interaction, accommodation processes												
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Choices	<table border="1"> <tr> <td data-bbox="729 1469 1130 1500">Strategic Choices of the actors</td> </tr> </table>	Strategic Choices of the actors													
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Outcomes	<table border="1"> <tr> <td data-bbox="575 1592 1284 1664">Conflict and Consensus in productive and distributive spheres</td> </tr> </table>	Conflict and Consensus in productive and distributive spheres													
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In this framework Poole argues that a reciprocal dynamic exists whereby the processes of industrial relations as they are enacted by the 'actors' (i.e. employers, state and workers) are both shaped by and reshape the industrial relations institutions and organisation structures of enterprises. The initial structures and institutions are framed in national specific environmental conditions which reflect both long term 'values' and changing external contexts. As such his model is similar to the systems approach of Dunlop, dependent on power relationships between 'actors' and external and internal contextual environments. There is also an implicit assumption of common 'values' shared between the 'actors' . These 'values', or the norms and behaviour of industrial relations processes, are, according to Poole (*ibid* 34), a result of Giddens'(1979) suggested process of 'sedimentation' whereby industrial relations forms become embedded in society and are transmitted through the socialisation process from one generation to the next. However, there is some variance with the general Parsonian assumption of systems theory and the assumed tendency towards stability and consensus. Poole argues that the outcomes (including strikes and other forms of conflict) '...have only a limited reciprocal effect (most disputes do not occasion major changes even in established industrial relations processes), in isolated instances their impact can extend to the reshaping of the entire political, economic and social fabric.' (Poole *ibid*; 16). In other words, in this analysis, strikes are either contained within the processes entirely, **or**, are the cause of a major reshaping of institutional form and structure. Thus, in Poole's analysis, it is possible to explain continuance of national diversity by exploring relationships between actors and understanding history. However, a breakdown in

institutional purpose and form is still possible given a major challenge or shock to the system.

An alternative way of approaching the question of national diversity is to ask the question why institutional forms do **not** change when external or internal contexts would suggest that the form is outdated or a hindrance to efficiency. This approach introduces the question of institutional *inertia* or institutional *sclerosis*. Questions of inertia generally concentrate on the ‘stickiness’ of institutional forms (related to the ‘embeddedness’ described by Giddens) whilst references to sclerosis are generally introduced from the neo-liberal right as a criticism of current institutional barriers to more open market and deregulated forms (discussed in a later section).

At first sight it should be no surprise that institutions tend to last as (once examined in detail) they are found to be the product of major events which shaped their purpose (war, revolution, social upheaval) and unless the political settlement, which framed the conditions to establish the institutions, changes there is no need to expect the institutions themselves to change. Thus, Crouch (1993), amongst many others, describes the importance of the particular post war political settlements in western Europe in creating a diversity of ‘European State Traditions’. However, the fact that institutions tend, other things being equal, **not** to change may be explained in a number of ways.

1] One of the purposes of institutions is to lend stability to situations of potential upheaval by providing mediating mechanisms to aggrieved parties. Liberal pluralists in the systems tradition would argue that this is a positive aspect of institutions whilst Marxists would argue that this is an ideological role designed to maintain the political and social status quo. The successful maintenance of institutional forms should therefore come as no surprise even in periods of external or internal change and instability.

2] Once established institutions provide a working environment and a (good) livelihood for those individuals and network of individuals established within it (lawyers, trade union officials, employers' representatives, civil servants etc.) and so there is always likely to be internal resistance to major change from vested interests, political and industrial elites. This is not to say that some agencies may not wish to change the institutional forms - sections of employers, for example, may wish to marginalise the influence of trade unions, but rather that the likelihood of change is tempered by response to the direct attack on the social role and employment of wide sections of leading actors within society.

3] The same is also true of organisations within the institutional structures who become threatened by changes inspired by other organisations. The most obvious example is trade union resistance to employer inspired changes to the institutions of collective bargaining and negotiations. However, it is possible also to imagine divisions within employers' groups and trade associations or differences over resource allocation between region and centre that also act to block reform.

The tendency towards inertia is also validated by analysis of situations when institutions **do** change. These are generally agreed to be **exceptional** periods (in addition to national catastrophe) in which reforms do emerge and can be categorised as follows:

a] Major changes of government from pro-labour to anti-labour positions and vice versa are likely to produce reforms. However, context here is also important as the likelihood of major reforms (rather than minor) will be enhanced if the change of government was associated with major struggles between capital and labour. The case of Weimar Germany in the aftermath of the 1919 Revolution is most striking, as it was this Government which first legitimised co-determinative mechanisms in industrial relations (a fuller discussion of these events and their implications is given in a later chapter). Similarly the anti-labour legislation and 'de-institutionalisation' introduced by the 1979-1997 Conservative Government in Britain must be set against the background of rising power of organised labour in the 1970s and Britain's declining national competitiveness in an increasingly internationalised world economy.

b] a long period of dominant social democratic government (e.g. post War Sweden) may gradually alter the shape of institutions both to enhance the role of trade unions and collective bargaining and to incorporate trade union leaderships into the political elite.

c] extended periods of industrial strike activity (short of revolution) are also likely to lead to an overhaul and radical reform of existing institutions. One cited example is the introduction of the American 'New Deal' following an upturn in industrial disputes in the 1930s (e.g. Goldfield 1989).

The above three examples can be described as internal ‘ruptures’ to the status quo which have a sufficient impact to lead to the reformulation of institutions. The more serious (e.g. war and revolution) the rupture, the greater the likelihood is of the total abandonment of old institutional structures and the development of new ones (rather than reformulation of existing ones). By definition such internal ruptures are likely to be few and far between. Of key importance is the changing power relationship between organised labour and capital, which sets the framework for state legislation and establishes pre-conditions for the transmission of power relationships into workable institutional forms.

Finally, whilst national institutions have capacity to change the **degree** of change may vary from nation to nation given the same or similar external or internal shock. Thus the capacity to ‘rupture’ may vary according to the embeddedness or ‘stickiness’ of the institutions within society. Coriat and Dosi (1998), in deliberately adopting an ‘evolutionary economic’ approach (in contrast to a regulatory approach) , seek to explain such embeddedness to individual properties of institutions and the degree of their *intentionality* (constitutional versus self-organised) and *efficiency* (co-ordinating functions versus ‘carriers of history’). Those countries where institutions are intentionally created for constitutional purpose are likely to have less embedded institutions than those where the institutions are self-organised. Similarly, they argue, those countries where institutions perform simple co-ordinating functions between parties are less embedded than those where institutions are a stable by-product of major historical events.

In summary there are a number of dichotomies to overcome in understanding institutional diversity and capacity to change. First, there is dispute over the importance of cultural traits as opposed to the purely functional purpose of institutions. Second, the variety of external and intervening factors shaping the purpose of institutions may vary. Third, national historical ruptures have shaped institutions in different ways. Finally, institutions have been argued to exhibit both different degrees of embeddedness and different explanations for this embeddedness.

1.10 Discussion: ‘National’ Institutions and Economic Development and Competitiveness

As has been shown much of the literature surrounding industrial relations institutions has centred on comparative analysis of institutional forms and their capacity to assist or shape national industrial competitiveness. This debate is important as it presupposes insights into State and employer behaviour in shaping and supporting one particular institutional form over another (and hence changing preference should external economic factors dictate). As competitiveness has also been linked to industrial peace and stability the literature, again on a comparative basis, also seeks to link certain institutional forms with strike- proneness (or rather lack of strike- proneness). In making comparisons most authors also stick to the corporatism/pluralism dichotomy and make sub-distinctions in the two often using Crouch’s (1983) forms of ‘encompassingness’ (the degree of coverage of union and employer influence through collective bargaining); ‘centralisation’ (the degree to which the

peak organisations of employers and employees are governed from the central bureaucracy or leadership); and 'articulateness' (the degree to which unions and employers organisations represent the views of their membership base).

In the last two decades, however, debate has tended to concentrate on the changing nature of institutions as external pressure produced by internationalisation of the world economy have emerged. Much of this debate has already been discussed and concerns new technological or production paradigms which in turn have allegedly led to a breakdown of national forms of regulation (national multi-employer collective bargaining, for example) and the introduction of pressures for plant or enterprised based systems at the expense of national based systems of regulation.

Another thrust of this debate emerges from neo-liberal circles with ideological concerns to deregulate labour, product and financial markets as a precursor to the increased 'globalisation' of economies. In this respect regulatory institutions are seen as a barrier to further liberalisation and a retarding factor (the *sclerosis* argument). In reality the outcome has been a tendency towards *re*-regulation as much as *de*-regulation of labour markets and institutions in which new forms of regulation are introduced which seek to curb the power of labour and reinforce that of capital. The prime cited example of this process has been the Thatcherite project in 1980s Britain which, it can be argued, utilised mass unemployment through industrial re-structuring to discipline labour and to introduce anti-trade union legislation. However, it has been argued by MacInnes (1987), for example, that the net

effect of Government policies was to *reinforce* rather than reject the 'British Model' of decentralised, fragmented industrial relations based on 'short term' financial profit indicators. In other words, the institutions of British industrial relations were revised to support this model at the expense of those aspects which aided and abetted trade union power and influence (national collective bargaining, immunities in law etc.).

Thus whilst it would be logical to suppose that the influence of global financial liberalisation would be mono-directional towards common institutional forms the reality has been mixed. Smith and Elger (1997), in a review of existing literature, conclude that in contrast to mono-directional tendencies '...that institutional diversity has a degree of resilience but also that operations and calculations of TNCs (*transnational companies*) themselves help to make this diversity, albeit in fresh ways' (*ibid* p 299). In essence, what appears to have occurred, is a *deepening* of some institutional diversity within the context of internationalisation as States and firms seek to reap competitive advantage through regime competition. Thus, debates about the 'high' versus 'low' road have emerged in terms of skill formation and wage cost which have been reinforced by locational decision making of TNCs with increased opportunities for international capital investment. Marginson and Sisson (1996), in a study of MNC influence in European industrial relations, also conclude that pressures of international competition, rather than create convergence of institutional form, are just as likely to create divergence even within individual states as different firms, according to their place within the product market and the relative importance of labour as a production cost, adopt different employment and regulatory practice. Traxler (1996), in a

similar study of practice undertaken between 1980 and 1992, concludes that different degrees of *centralisation*, *disorganised decentralisation*, and *organised centralisation* are apparent as firms exhibit tendencies both to diverge and converge from nationally established patterns of bargaining and wage setting. In other words, in Europe at least, the evidence would suggest that there is a dual tendency for both convergence and divergence, very much dependent on MNC influence through Foreign Direct Investment (FDI). Where FDI has been particularly significant, as in the case of the UK, then the pattern of fragmentation of established industrial relations arrangements is likely to be greater, particularly so as the UK has historically had a 'weak' institutional framework dominated by voluntarism. In Germany and France, by contrast, FDI (particularly Japanese) has been less significant and home based firms more dominant in the economy. Institutional forms have been historically stronger and in consequence change and fragmentation less likely.

Such debates have been overlain with the development of the European Union and efforts to both deepen and widen policy. Whilst tendencies to create a European wide system of regulation through the 'Social Chapter' have been apparent with its associated push towards a floor of social rights, counter tendencies have reinforced the ethos of market liberalisation and as such pressures towards both convergence and divergence have emerged. Programmes of common social regulation have, in fact, been fairly weak (the exceptions within the 'Working Time Directive' provide an example)

Table 2: Institutional Formation, Stability and Change in Industrial Relations

<i>APPROACH</i>	<i>FORMATIVE INFLUENCES</i>	<i>STABILITY / INSTABILITY ?</i>	<i>FORCE FOR CHANGE</i>
Pluralist	'Actors' in industrial relations and joint regulation of employment	Return to stability after institutional resolution of conflict by actors within system	Consensual agreement of actors to new rules and procedures
Corporatist	Political settlements between labour, state and capital likely in periods of national emergency or crisis.	Consensus based resolution of conflict based on incorporation of peak organisations into decision making process	Inability of peak organisations of labour or capital to discipline and represent rank-and-file. Emergence of new political settlement.
Technology Based	Technological innovation	Moving from one era of stability to another after technological revolution	New technological innovation of sufficient importance to determine new production methods
Market Based	Market development towards market saturation	Moving from one era of stability to another following consumer preference	Saturation of market by mass production and alternative development of diverse niche based markets
Classical Marxist	Relationship between forces of production and social relations of production	Tendency towards instability dependent on outcome of inherent conflict between capital and labour	Degree of class consciousness of working class and willingness to challenge for power
'Mechanical' Marxist	Relationship between forces of production	Inevitable breakdown and transition from capitalist to socialist mode of production	Historical development of working class
Régulation	Relationship between forces of production in terms of capital-labour nexus and regime of accumulation	Stable periods or regimes of accumulation following each other	New technological or production techniques
Culturalist	National cultural traits	Inherent stability	Foreign Direct Investment of MNCs
Institutionalist	National Cultural traits combined with historical development of business systems, labour movements and welfare regimes	Dominance of institutional control imposing sense of national industrial order	FDI, external pressures through economic developments
Contingency	Cultural, historical and institutional development	Likelihood of adaptive change at the level of the firm and enterprise	New technological innovation, new organisational structures.

Under the three column headings of 'Formative Influences', 'Stability/ Instability?', and 'Force for Change' the various approaches and perspectives can be summarised. The *inputs* leading to institutional change and breakdown can be divided into those of pluralist and corporatist accounts which place some emphasis on labour movement activity, Marxist accounts, which stress the central importance of political economy and working class consciousness, and other accounts which stress the importance of technological and market innovation. It is the intention in the next section to concentrate on forces for change *from below* in terms of the development of conflict and expressions of working class dissent thus treating labour as subject rather than object in the analysis of development and change. Further discussion of technological and market based change will be left to a later section which examines in more detail developments within Germany itself.

Notes

¹ Although Smith himself also recognises a limitation to the division of labour.

² There is an obvious similarity here with the 'flexible specialisation' argument.

³ However the reasons for the failure of 'concerted action' in West Germany are more complex, and were arguably a product of *strong* rather than weakly organised labour (discussed fully in later section).

⁴ A light but perceptive study is G.Ritzer's *The McDonaldization of Society*.

⁵ However it could be argued that such trends have been reversed in Britain, for example, whereby employers have exhibited a renewed inclination to use coercion and discipline within the workplace.

⁶ See Crouch (1993) for a discussion.

⁷ It is also possible to trace the development of a corporatist, juridified approach in Germany to the post 1848 Frankfurt Assembly, the failure of the development of a confident liberal bourgeoisie, and the strategy of the early SPD under Lassalles.

PART 2

LABOUR, CONFLICT AND STRIKE-PRONENESS

This second theoretical overview examines the question of conflict generation and challenges to state and employer by labour. It is considered here that labour needs to be examined as a subject rather than object of historical development in order to fully understand change and continuity in industrial relations and its associated institutions. Industrial conflict is chosen as a key tool of analysis for the following reasons:

- 1] A rise in industrial conflict, measured most easily through strike statistics, is likely to indicate a refashioning of consensual ideology, which, in both pluralist and corporatist frameworks, is a cementing part of the institutions of industrial relations,
- 2] Strikes and disputes, as Kelly (1988) argues, are a qualitative measurement of increasing worker consciousness which is one necessary precondition of a potential challenge to the institutional *status quo* 'from below'.
- 3] Trade unions, as the institutional 'actors' on behalf of organised labour, need to be analysed with respect to their potential integrative or disintegrative impact on the institutions of industrial relations. and, in relation to this,
- 4] the tensions within trade unions, primarily between the left and right wings and the leadership and rank-and-file which , if manifested in unofficial strike action and challenges to the mediatory role of the trade union leaders, are an indication of potential breakdown in consensual industrial relations.

The question of worker consciousness and its translation into measurable forms of strike proneness is, therefore, assessed in this section in order to identify both qualitative and quantitative challenges from below. Secondly, the literature on the role and influence of trade unions is reviewed. Thirdly, other theoretical perspectives on strike prone-ness and conflict generation are assessed with respect to institutional continuity and change.

2.1 Conflict within industrial capitalism

To begin, however, it is necessary to address an argument as to the role of conflict within industrial capitalism. One prevailing view is that conflict in the workplace is a sign of abnormality from order, that is to say that conflict represents a *pathological* and often non-rational behaviour by workers. Allen(1966), for example, states that strikes are: “ *conventionally described as industrially subversive, irresponsible, unfair, against the interests of the community, contrary to workers' own best interests, wasteful of resources, crudely aggressive, inconsistent with democracy, and, in any event, unnecessary.* ”

More sophisticated, and clearly less prejudiced views, place the role of conflict as part and parcel of the general ebb and flow of bargaining, which after disruption will once more return to a natural order. Such pluralistic views are the mainstream of industrial relations theory, forming the mainstay of behavioural theories of collective bargaining and providing a purely functional view of the role of conflict.¹

From a radical perspective Hyman (1989 p101) has argued that strikes are neither fundamentally irrational or negative and that conflict, rather than being a temporary aberration from order, is endemic in the everyday workplace relationship which is both unstable and a product of the general power relationships in the wider society:

"..the strategies of workers (individually and collectively) and of their organisational representatives are framed within the context of contradictory social pressures and are partly shaped by complex processes of Interaction within and without the workplace. It is highly misleading to posit a simple dichotomy between industrial peace or order on the one hand, and conflict on the other. Rather it is necessary to assume a continuum of modes of interaction within social relations of production and a similar continuum of strategies"

The approach to be believed is important as it shapes the method of analysis. Should we look for pathological indicators to explain, to the absence or otherwise of effective collective bargaining institutions, or do we assume that conflict is endemic and that wider considerations are needed to explain its outbreak (or even its absence)?

It is the author's belief that conflict is indeed endemic within capitalism and a direct product of the social relationship at the workplace, As such there is a living

contradiction inside the workplace between the perceived need of workers to cooperate with management (in order to hang on to their job) and the everyday generation of hostility between employer and employee based on methods of control and compliance. The balance of these contradictory pressures depends on labour and product market considerations and workers, ability to mobilise collective or individual dissent. In other words the inbuilt, tendency for conflict is held in check by external factors often outside of the control of the employer as well as the success or otherwise of the employer's efforts to maintain control and order from within.

2.2 The Causation of Conflict

Microstudies and debates on the 'Labour Process'

The term 'labour process', is derived from Marx's original discussion of the nature of capitalism in the first volume of *Capital*. In essence it is the purposeful activity aimed at the production of use values (*Capital*, Marx, 1976 p290) and describes the distinction between labour and labour power and the capitalists, effort to exploit labour power in the drive for capital accumulation. As such Marx makes a clear distinction between two classes of person, one who by means of ownership and control consciously exploits another for the sake of the competitive need to accumulate capital. Without this exploitation the individual capitalist would not survive competition. In everyday terms the worker can be paid a wage or salary to enter the factory or office door but the intensity of work, the search to convert labour power into use-value, is still subject to mechanisms of control and compliance. It is

this everyday battle to extract the maximum labour power that is the core of inherent conflict as this extra work does not belong to the individual worker.

Furthermore, the drive to accumulate leads the capitalist to either extend exploitation by increasing the working day or reducing wages (absolute surplus value) or to intensify exploitation by changing technology or the social organisation of work (relative surplus value). The relative balance between extensive and intensive exploitation depends on the stage of development of individual capital as well as the balance of bargaining power. In more recent times, in the 1980s and 1990s, it can be argued that tendencies towards longer working hours and lower, de-regulated, wages have been evidence of employers' attempts to return to more *extensive* exploitation of casual and non-contract workers peripheral to the core labour market. The weakened position of labour and its lower level of bargaining power throughout many western capitalist countries in this period has reduced the ability of organised labour to resist such employers' offensives (see, for example, Edwards and Hyman, 1994). Parallel with these trends has been the long term effort to raise the *intensity* of exploitation by the introduction of new working procedures, of which *Total Quality Management*, teamworking, quality circles, cellular working and semi-autonomous working groups are all more recent examples.

In terms of an intellectual framework labour process theory has spawned generations of academic argument and criticism and received a boost In 1974 with the

publication of Braverman's book on *Labor and Monopoly Capital* which sought to expand Marx's theory beyond the factory to the office floor, using examples of office and retail technology to highlight the all-embracing nature of exploitation. The framework permits not only a methodology for examining employers' motives in introducing *Taylorist* work intensification but also a way of seeing more modern *commitment strategies* associated with *human resource management* as an alternative way of extracting more surplus value by commitment/compliance as well as control (Walton, 1985).

Labour process theory has not been without its critics. In particular Braverman's book sparked the so-called *labour process* debate whereby critics of Braverman argued that Taylorist principles of work organisation no longer generally applied in industry, let alone in office or shop work (see Grint, 1991 for a good discussion). Critics point in particular to the *Quality of Working Life* (QWL) movement which sought to humanise work following principles of job redesign in the 1960s and 1970s. Eric Trist, for example, from the Tavistock Institute of Human Relations in London, sought to create a movement arguing for the democratisation of the workplace in which workers' knowledge was more liberally utilised in the production process. Littler and Salaman in 1984 took these ideas further by identifying five principles' of job design which would ensure *QWL*. These were: a) *closure* of the work task whereby the individual worker is given a sense of achievement; b) the incorporation of control whereby the work group assume

responsibility for reliability and quality (and often discipline over timekeeping); c) task variety to make work less boring; d) some self-regulation over work methods and e) restructure of tasks to allow more worker co-operation and social interaction.

Many of these principles reflect much earlier management theory in the 'Human Relations School, referred to earlier and can be identified in specific job redesign systems such as *job enrichment* (following Herzberg), and *job rotation* (enabling a wider variety of tasks to be undertaken). Applications of these techniques were celebrated in the 1970s, entering almost folklore mythology as to their success - the example of the Volvo experiments in Sweden being a case in point. However whether or not they have reduced workplace conflict is open to debate. Kelly (1982), for example, argues that much job design is compatible with Taylorism - intensifying work effort through managerial control even though it does not increase the level of Job specialisation. Neither is it clear that employers' motives for introducing job redesign are humanistic, or principled, the need to reduce labour turnover or to reduce monitoring costs may be a more pragmatic reason for their introduction.

A more recent debate connected with labour process theory is that concerning trends in the *intensification* of work. Much of this debate concerns the effect on workers of *human resource management* techniques. The debate suffers from the difficulties that arise in attempting to measure changes in work effort (measured by the concept of the *Percentage Utilisation of Labour* - PUL). Straightforward measures of labour

productivity (which has been generally increasing in most western countries) are related to the input of technological investment and are not sufficient to identify any increase in workers' *effort-bargain*. Records of management's successful attempts to reduce tea breaks or other rest pauses (another identifiable trend) also fall short of proof of greater intensity of effort because of the discrepancy that often arises between formal rules and informal practices. What is given by one hand is often taken back by another. General observations and surveys of employee attitudes may prove more reliable but are still subject to problems of validation. It should be no surprise if workers be working harder than previously as work effort is a direct function of the balance of bargaining power in the workplace which, as a result of generalised economic recession, has undoubtedly shifted towards the employer. In any case the fact that workers can and do vary the level of effort reinforces rather than disproves Marxist labour theory, and as such this secondary debate is of mere side interest.

Alienation

Of considerably more importance is the interaction between alienation and the propensity for workplace conflict. Marx linked alienation directly with the capitalist mode of production. He was anxious to differentiate between work in itself, which was a core part of human needs and desires, and work under capitalism, in which the worker loses control of work and the products of his or her labour are expropriated. This lack of control and the divorce between labour and its fruits produces the

alienating effects which go beyond the workplace into everyday life under capitalism. Within the workplace the estrangement felt by the worker is the prime source of conflict as work becomes a chore rather than a meaningful activity and the interests of the worker become fundamentally opposed to those of the employer. The fragmentation of work caused by the division of labour further alienates, giving the worker a sense of purposelessness to work. The capitalists themselves, or at least their agents within the workplace, are also alienated, but their material benefits obscure their alienation - or rather they are 'happy' in their alienation.

Marx's original views on alienation have been adopted and reformed by other non-Marxists. Blauner (1964) argues that alienation, rather than being a logical product of capitalism, is primarily the product of the technology of the work process. Blauner takes four aspects of the organisation of work which produce alienation - powerlessness, meaninglessness, isolation and self-estrangement, and relates these to different factory examples. Thus the car factory is likely to be more conflict-prone as it is more alienating than the chemical laboratory due to the higher prominence of the alienative elements in the former (assembly line production and so on). Blauner himself was cautious in generalising too far from the nature of technology and has been much criticised for the lack of attention to the variegated work inside factories and the dynamic effects of the *introduction of* new technology onto existing systems (as opposed to his own static interpretation). Eldridge (1971) has also criticised

Blauner for assuming that measures of job satisfaction will necessarily correspond to measures of alienation.

A similar concept to alienation was formulated as a doctoral thesis by Durkheim (1933) at the turn of the century. Durkheim's concept of *anomie* relates to a dissociation from fast changing modern society whereby old solidaristic certainties of *gemeinschaft* (community) are replaced by mere associations or *gesellschaft*:-

"Every day he (the worker) repeats the same movements with monotonous regularity, but without being interested in them and without understanding them He is no longer anything but an inert piece of machinery, only an external force set going which always moves in the same direction and the same way. Surely, no matter how one may represent the moral ideal, one cannot remain indifferent to such debasement of human nature " (pp371-372).

The resultant anomie was compounded by an artificial division of labour in the workplace which in turn created social inequalities that, if left to an unregulated market capitalism, would cause breakdown of social norms. To re-establish acceptable norms, argued Durkheim, it would be necessary to regulate the system and establish strong reference points amongst the remaining trades and professions within society.

Marx, Blauner and Durkheim all produce a different perspective in their explanations as to why work for workers is unpleasant and therefore a source of conflict. For Marx the social relations of production under capitalism are the key determinant. Durkheim similarly **lays** the blame at the door of capitalism, but reserves his criticism for capitalism in its most unregulated market form. Blauner, by contrast absolves capitalism of total guilt by arguing that technology and work organisation are the key problem. The theoretical weight of the *concept* of alienation has nevertheless dominated sociological thinking as to the cause of workplace conflict. It is still necessary, however, to refer to other explanations of conflict and disorder.

2.3 Other determinants of conflict

Within the realms of labour process theory it is relatively easy to identify in more specific terms the mainsprings of industrial conflict. Hyman (1989), in his study of *Strikes*, lists the following additional aspects of the power relationship that produce conflict (*Income distribution, job insecurity and power distribution*)

Income distribution

As workers are employees there remains a fundamental difference of interest between the employer seeking to maximise profits (or minimise costs) and the employee seeking to maximise wages. Furthermore the balance of income distribution may be constantly disturbed by changes in the cost of living, changed levels of productivity, or arguments over differentials between workers on a sectional

basis. Changes in the balance of bargaining power within the workplace or industry may also lead employer or employees to seek to re-adjust proportionate income.

Job Security

The right to a job does generally not exist but is a determinant of the employer's ability to gain profit from the individual worker or the balance between manual/clerical input and new technological processes. The worker's sense of insecurity will thus lead to conflict and resistance, although this can be mitigated by legal restraints and constraints. In Britain, a TUC survey from September 1995, found that 'insecurity at work' was the main source of industrial conflict, with disputes over redundancy the trigger for 40 per cent of all industrial action.² The drive towards deregulation of the labour market has gathered more pace in Britain than in Germany but similar trends can be detected in Germany as employers seek to introduce more flexible working arrangements and a debate has been started aimed at loosening Saturday and Sunday working restrictions (see late section). The connection between flexibility of working arrangements and workers, fears of job security lay primarily in trends towards global competition for jobs within the transnational companies. For example the moves by Volkswagen in September 1995 to extend the working week by 3.2 hours was placed by management in the framework of production choices between VW's west German factories and those in Belgium and the Mosel plant in east Germany, both of which had lower-rate wage agreements and lower payments for Saturday working (Mickler et al, 1994).

Power and Control

The employer's attempts to increase work effort or to maintain levels of effort is dependent on mechanisms of control and compliance. The *degree* of authority that management has is challengeable within the workplace and as such is a source of conflict. Earlier writers (Beynon, 1973) have described the 'frontier of control' on the shop floor as norms and work procedures become subject to a constant war of attrition between workers and management. This battle for control is partly possible because of the impossibility of management applying control mechanisms throughout the whole of the working day. Thus even in the most rigid work control regimes opportunities exist for resistance. Bendix (1956) has described the actions of inmates in Nazi concentration camps who constantly asked for instructions in order to slow down the work process whilst Scott (1985) has demonstrated how Malaysian peasants negotiated the terms of their subordination.

Gouldner (1970), however, expresses the view that challenges to management's *right* to manage are rare due to the general socialisation process that takes place within society. Baldamus (1961) too, describes the self discipline and work obligation that workers exhibit as a result of the general ideological influence. By contrast explorations of workers' consciousness expose a dynamic relationship whereby workers' questioning of managements' legitimacy can change quite quickly (explored fully in Part 3). This can be largely explained by a contradictory

consciousness in that questioning and challenging of management prerogative can rapidly develop once conflict itself breaks out - old loyalties, to management can then break down as workers take their immediate destiny into their own hands (even if they then slip back to former attitudes once back at work). One further factor to be considered is whether or not managerial authority is generally accepted on an ideological basis. A reading of Beynon's *Working for Ford* (1973) reveals a *constant* hostility between management/foremen and the workforce with an atmosphere that Beynon describes as “*naked aggression met by violent defiance*”

Similarly Fox (1971) argues that:-

"In so far as authority relations do prevail in the industrial organisations of the West they are probably most widely characterised, so far as subordinates are concerned, by a low key acquiescence"

However, both Beynon and Fox referred primarily to manual workers in classic alienating work conditions. A question arises as to whether or not white collar workers or workers in minor supervisory positions are less likely to express conflict.

Most clerical workers, for example, have opportunities for promotion within the organisation denied to manual workers and this can have the effect of binding them closer to management ideology. Nevertheless the pressures to produce are still apparent with clerical work measurement techniques prevalent throughout industry.

The increasing use of computers and word processors within clerical work also begins to obscure the white collar/blue collar divide. The shift from Keynesian to

monetarist economic management from the 1970s onwards has also placed extra pressures on white collar workers in the public sector, intensifying work levels and challenging job security (Winchester and Bach 1995). Competitive pressures in the private sector have also changed the face of much white collar work, opening up opportunities for trade union organisation in sectors such as the banking industry (e.g. Gall, 1997) as old conventions of 'trust' between management and staff are weakened. (This trend is not confined to Britain as a further discussion on strike trends later in this section seeks to highlight).

The picture that begins to emerge is one whereby workers' resistance to management is a product of overall antipathy to management aims tempered by the constraints of management control mechanisms and ideological restraints. The 'frontier of control' shifts between management and workforce at both the individual and collective level. Norms of behaviour will also vary from workplace to workplace and from occupation to occupation, reflecting different ideological pressures and degrees of everyday workplace alienation.

The final question to be tackled is that concerning the role of trade unions in mobilising and generating conflict. The equation here is quite straightforward in that the presence of a trade union will by its very nature articulate *and formalise* conflict in a collective fashion. Expressions of discontent over income distribution and power are *also legitimised* by the presence and/or acceptance of a trade union inside

the workplace and as such the ideological dominance of management can be challenged. However the relationship between unions and conflict is by no means straightforward. As well as legitimising conflict trade unions operating within capitalism can have a moderating role with the leaders acting in C. Wright Mills' phrase as *managers of discontent* ordering and regulating the employment relationship in collaboration with management. This is an area of interest that merits further discussion, and a general survey of the role of trade unions as institutionalises' of industrial conflict is given later.

2.4 Types of Conflict

Most standard textbooks of industrial relations provide a full description of the varieties and types of industrial conflict. It is not necessary to provide great detail of these different types as this study is constrained to a more general overview of disputes in the new *Bundesländern* - and in particular the outbreak of strikes. There are, of course, difficulties of collecting statistics of conflict other than strikes, and even here the method of assembling and presenting data in official government sources varies from country to country. The German Government, for example, only presents 'working days lost' through strikes rather than number or duration, which will tend to give overdue influence to a small but relatively long strike or a large but relatively short one. In many other countries strikes of less than a certain duration or involving a minimum number of workers are excluded or unofficial strikes are not

counted. Official statistics are also prone to the efficiency of the collecting agency or the diligence of employers in reporting them where they are obliged to do so.

One conventional way of ordering conflict is to distinguish between individual action and collective action associated with trade unions. Individual action includes acts of sabotage, 'fiddling', absenteeism-and excessively high turnover. Collective action includes overtime bans, work-to-rule, and strikes. Such distinctions are not particularly useful as they can confuse the subtleties of various expressions of conflict.

For example, absenteeism can be operated on a collective basis by all employees reporting 'sick' on the same day - a tactic used by police officers in the non-union New York Police Department and more recently by British Airways air stewards and stewardesses in their 1997 dispute. Similarly action normally associated with trade union bargaining such as overtime bans and working-to-rule can be applied at an individual level by, for example, refusal to attend meetings or to participate in quality circles and so on.

Secondly, expressions of conflict are not mutually exclusive. High absenteeism may take place at the same time as an overtime ban, one action at the level of the individual and the other collectively organised. Neither is collective strike action without exception organised by unions. Unions offer protection and formalise the

conflict with the employer but there can be instances, such as those involving French lorry drivers in 1994, where strike action was organised informally and without union involvement.

Finally some measurements of conflict, such as high turnover or absenteeism, may be an expression of factors other than conflict. Turnover, for example, is related amongst other things to relative levels of pay, whilst absenteeism may reflect piece-rate pay structures whereby the worker can absent him or herself once sufficient money for the week has been earned.

For these reasons strike patterns are the most appropriate measure even though the method of collecting statistics might be improved. There is *less* of a problem if trend series analysis is confined to one country whereby at least the method of collection and presentation has a fairer chance of being consistent over time. International comparisons prove more problematic but are nevertheless still the most reliable indicator available.

The recording of strikes is also appropriate as a measure of conflict as unlike many of the other indicators there is less ambiguity of intention. The vast majority of strikes are directed at the employer and are a result of grievances at work. 'Political' strikes pose a greater problem if they are directed at Government policy rather than

an individual employers' actions, but even then they remain an expression of conflict and a general register of workers' discontent.

In straightforward terms of procedure strikes are usually taken once **all** other methods of resolving a dispute by negotiation are exhausted. They are undoubtedly a higher form of expression than some other methods of action such as overtime bans or work to rule but in some instances a simple reliance on strike statistics may obscure underlying conflict that, perhaps because of legal restraints on strike action, go unrecorded. Thus in Britain, whilst strikes have fallen in number and duration Ingram et al (1991) have suggested that the use of alternative methods of industrial action has increased in relative terms, reflecting the greater difficulties of conducting strike action under the weight of 1980s legislation. With these provisos and *caveats* about strikes it is now necessary to move away from causation of conflict to examine more specifically explanations of strike proneness.

2.5 Worker Consciousness and Strike Proneness

As already outlined a key variable and recordable statistic in monitoring industrial conflict is the incidence of strikes. The control, containment and processing of strikes is also partly a product of the regulative machinery of industrial relations set against political and economic context and subject to 'actor' behaviour. Before examining the continued efficacy of the 'German Model' of industrial relations in newly unified

Germany it is therefore useful to rehearse some theoretical explanations of strikes and 'strike proneness' as a national/regional/local or sectoral variable.

Explanations of strike proneness and industrial conflict have occupied the attention of a number of different academic disciplines and as a result there is both a richness and a confusion of interpretations. Theories of conflict are also often interlaced with theories of class which invariably adds further complications simply because interpretations of class are framed within political perspectives. As Lipset and Bendix (1951) argue:

"Discussions of different theories of class are often academic substitutes for real conflict over political orientations"

Any discussion of industrial conflict theory will be forced to address both a range of political and academic approaches. Theories of *class* conflict embrace both Marxist and non-Marxist approaches whilst theories of conflict at the workplace base themselves within industrial sociology, social psychology, economics and political economy. Historical tradition and culture also have a part to play, making it necessary to draw comparisons and generalise across time or national boundaries.

The study of workplace conflict cannot be divorced from an understanding of class because the power relationships that exist in any society are bound to be reflected in the power relationship at the point of production. Both Marxist and non-Marxist theorists are generally agreed on this point. However, Marxist theories place

particular emphasis on the study of *class consciousness* and its influence on the propensity for conflict.

Alternatively, many industrial sociologists (loosely defined) have sought to describe industrial conflict either by a structural approach often drawn from case study observation or from a functionalist perspective emphasising the workings of an *Industrial Relations System*. The influence of methods of *labour regulation* have also been examined together with other aspects of the State which have their root in political economy. Some economists, at the level of the firm, have pursued arguments linked to workers, behaviour in *shirking* or simply taking strike action as a result of *imperfect information*. Finally many management oriented theorists have concentrated on group and interpersonal behaviour in the workplace and on aspects of motivation and commitment to work.

There is a need, therefore, to draw together the different theories and approaches if it is to be at all possible to predict the likelihood of conflict arising in any given situation or time. This is attempted by firstly reviewing macro aspects of conflict causation by looking at both the development of worker class consciousness as a prelude to conflict and by examining political economy approaches to the relationship between power in the society, the role of the State, and conflict in the workplace. The studies of consciousness will be overwhelmingly Marxist in origin simply because of the focus marxists give to class and class struggle. The political

economy approaches will be more varied in perspective and will assume elements of comparative or time series methodology.

Micro studies of conflict will be concerned primarily with aspects of the *individual relationship* between management and labour in the workplace and will embrace economic and social-psychological theory. It is also from the level of the firm that many of the modern employer strategies associated with Anglo-American *Human Resource Management* and Japanese based work practices designed to encourage worker commitment will be examined.

Methods of *conflict containment (regulation, resolution and control)* are all issues which cannot be divorced from an understanding of conflict causation. The absence of conflict may be a result of sufficient regulatory or participative mechanisms which resolve the conflict before it becomes open and acted upon. Unfortunately a study of conflict *containment* does not fit neatly into a macro/micro analytical approach and so reference will need to be made to aspects of conflict containment wherever appropriate in the general text. One last analytical problem is associated with different aspects of work and conflict that were found in the East European command economies such as the German Democratic Republic prior to 1989. Despite the collapse of these systems and the attempted transformation to a market economy - past tradition, culture, aspirations and expectations will have an influence

on any predictive model of industrial conflict. An attempt to incorporate the potential differences an effort will be made wherever possible.

2.6 The Development of Worker Consciousness as a Precursor to Challenge from Below

Marxist interpretations

For Marx the process of capitalism itself created the conditions for a *fundamental* conflict of interest in the workplace. Competition between capital and the associated drive to accumulate, means that each capitalist enterprise is forced to exploit its workforce. Without such exploitation the capitalist will not survive competition. In addition capitalism, by concentrating and unifying the production process, creates a class of workers who are collectivised by the very nature of their work. The lack of control each worker experiences in work over the work process also serves to *alienate* the worker from his employment. The conditions are thus established for conflict. However, the *degree* to which conflict manifests itself will depend on the worker becoming conscious of his own interests and the need to fight collectively against the employer to alleviate his lot. Furthermore, a higher level of consciousness (a political, rather than purely economic consciousness) will spur the worker onwards to act together with other workers as a *class* to wrest control of production from the employer. The nature of conflict, its intensity and duration, as well as its aims are thus inextricably bound up with worker class consciousness. For this reason Marxist theorists have not simply studied class *in itself* but have

concentrated theory on the development of consciousness, or *class for itself*. This is not to say that Marxist theory is irrelevant in the study of conflict but simply that the insights provided by the Marxist model at the macro level necessarily confine themselves to the links between conflict and class and the role of organs of worker collectiveness such as the trade unions. At the micro level, labour process theory generated by Marxist writers, studies resistance to control over work exercised everyday by the employer. The power relationship of exploitation and subordination is implicit, as is a degree of worker consciousness of their exploitation.

The *measurement of consciousness* need not restrict itself to the capacity for revolutionary action. This indeed is the high point of worker consciousness but in intermediary stages the willingness or not to absent oneself from work; to engage in individual acts of sabotage; to join a union and collectively be represented against the employer; to withdraw labour; to affiliate one's union to a general congress or a political party; to strike in sympathy with other workers ; to take political strike action and to participate in a general strike are all stages of worker consciousness or *unionateness* which can be used as measurements of the propensity to engage in conflict. This framework has been applied not only to capitalist industrial relations but also to former Stalinised workplace conditions where absenteeism, informal bargaining and deliberately slow working all formed part of a them and us' workplace attitude (for example Thompson, 1983). The discussion of consciousness thus involves both an examination of the vehicles for collective conflict - the trade

unions - as well as the process whereby individual workers develop class consciousness.

Finally marxists have located consciousness as a potentially *contradictory* animal which can display a 'double-face' both accepting the 'logic' of capitalist ownership but rejecting the implicit control mechanisms of the workplace (see, for concrete examples, Blackburn and Mann; and Cousins and Brown in Blumer (ed.) ,1975). This in itself makes *consciousness* difficult to measure as it is both as likely to advance and recede quickly and spontaneously as environmental factors change or behavioural characteristics of 'leaders' and 'led' oscillate. The idea of *group consciousness* also challenges validity for the same reason, as the sum of the parts at any one time will hide potential qualitative differences between more 'advanced' and less advanced workers. All these pitfalls make survey work on consciousness a potential minefield of disastrous misinterpretation. Firstly it is difficult to utilise attitude surveys as measurements as their *reliability* is questionable over even the shortest periods of time.³ Secondly, the *validity* of surveys can be questioned as workers may not say what they actually mean either as a result of split/dual consciousness (which produces confused answers) or simply because of the social dynamic of the questioning process itself (particularly where questions are asked by academics who engender mistrust or are associated with management).

2.7 The role and influence of trade unions

One easily detectable measurement or indicator of consciousness (and hence the ability to take strike action) might be assumed to be membership of trade unions. However even here there are problems of interpretation which has troubled both Marxist and non-Marxist writings. Firstly membership of a union is in the first instance a *defensive* gesture by an individual with the intention of protecting conditions of work rather than necessarily launching an *offensive* against the power of capital. Secondly the trade unions themselves can perform regulatory functions within institutional frameworks that control and contain conflict (and strikes) rather than promulgating them. The links between trade union membership and consciousness are explored below.

Both Marx and Engels in their writings on trade unions were recording events and interpreting them in the context of the early rise of trade unions in opposition to capitalism. As a result many of their conclusions point to the role of trade unions in the overthrow of capitalism. Thus Engels (1844) refers to strikes as "skirmishes" between labour and capital which are a foretaste of total war against the system. In this respect industrial conflict is firmly placed within the context of class struggle and hence is a direct function of class consciousness.

The revolutionary potential of trade unions was also claimed by Marx and Engels in *The German Ideology* when commenting on the Chartist battles with the police in England and Wales as the campaign for the vote saw a call for a general strike in

both 1838 and 1842: “ ... *even a minority of workers who combine and go on strike very soon find themselves compelled to act in a revolutionary way - a fact one could have learned from the 1842 uprising in England and the earlier Welsh uprising of 1839, in which year the revolutionary excitement among the workers first found comprehensive expression in the sacred month which was proclaimed simultaneously with a general arming of the people.*(Vol6 *Collected Works*:pp210-211).

Such optimism for the role of trade unions as agents of change proved short lived as within the next two decades in England the employers resumed an offensive and the level of class struggle fell. By 1871, preparing material for the Conference of the First International Engels was forced to conclude:

"The trade union movement, among all the big, strong and rich trade unions has become more of an obstacle to the general movement than an instrument of its progress: and outside of the trade unions there are an immense mass of workers in London who have kept quite a distance away from the political movement for several years, and as a result are very ignorant".(Quoted in Hal Draper, 1978).

The change in attitude, which was also reflected in Marx's contribution to the First International at the time, highlighted a problem. Why was it that the newly emerging working class did not recognise its power within the workplace and organise through the collective strength of the unions to overthrow the employers and their system? If it was because they lacked the necessary class consciousness then what were the

obstacles to the development of consciousness? Did this consciousness arise spontaneously or was it a dialectical product of the times, and what, therefore, is the precise relationship between trade unions and class conflict ?

The duality and unevenness of consciousness

The search for answers to these questions has been central to Marxist theory of industrial conflict ever since. Explanations have emerged which attempt to explain the development of class consciousness and its relationship with trade unionism and conflict. Most Marxist theorists recognise that consciousness is not a fixed entity but is rather something which ebbs and flows over time. This ebb and flow may not only be capable of operating for the class as a whole over periods of time (as recorded by Marx and Engels in the previous examples) but will vary between individual workers at the same moment in time (and in the same workplace under the same conditions). The relationship may be further obscured when it is understood that consciousness may develop as *a result* of strike action rather than as a cause. Furthermore some authors, such as Hobsbawm (1981), have argued that the *type* of strike action can have either a negative or positive effect on consciousness - negative if it is purely economistic (over wage militancy) and positive only if it raises political demands. The problems of consciousness were recognised most potently by Lenin when recording and theorising on the "ebbs and flows" of the Russian Revolutionary period from 1905 to 1917. It was translated directly into Lenin's writings on trade unions which, as with Marx and Engels, reflects changed political context and

reframed political tactics. At times of revolution Lenin portrays a much more direct link between trade unions, conflict and political action than in periods of quiescence. At other times, in contrast, workers' consciousness is simply limited to a "trade union" or "economic" level expressing a mere expectation of gaining concessions from the employers in difficult times. Lenin clearly saw different connections between trade unions and worker class consciousness in revolutionary as opposed to non-revolutionary times. However a general omission in his writings is any insight into how class consciousness (and hence the propensity for conflict) develops from the lower to the higher level. Lenin did, however, comment on the effects of "opportunism" whereby a 'labour aristocracy' of privileged workers formed an alliance with the bourgeoisie against the general worker interest. His comments were made in his book *Imperialism, the Highest Stage of Capitalism* (1920) when referring to the ability of employers to bribe their labour aristocracy from the super-profits of imperialism. This privileged layer of workers who more often than not formed the leadership core of the workers' movement thus benefited within capitalism and served to form the political base of "reformist" ideology in opposition to revolutionary ideas.

His ideas on the nature of trade unions became prominent amongst post revolution Bolshevik leaders such Radek and Zinoviev who became dismissive of the western trade unions who in Zinoviev's (1915) words: "*sell their birthright for a mess of pottage and become a tool of reaction*"

In terms of historical judgement the ideas of the reactionary labour aristocracy have not been proven. Within the space of a few years munitions workers (precisely the privileged worker identified by Zinoviev) had become the core of the revolutionary movement in the DMW works in Berlin, in the Putilov works in Petrograd and in Weirs on Clydeside (often while the lower paid workers remained dormant). In later years as well it has often been the case that the better paid and more highly skilled workers have been the most militant (for example the mine workers in Britain or metal workers in West Germany). The link between trade union membership, class consciousness and conflict, even within the Marxist perspective seems much more complicated than early marxists had implied.

Gramsci and the search for hegemony

Further efforts to attempt to explain the barriers to workers, development of class consciousness were made by the Italian revolutionary Gramsci. His experience of syndicalism in the occupation movement in Turin factories in 1919/20 led him to draw the conclusion that workers, even at the high points of struggle, may still lack the intellectual will to challenge state power. Gramsci (1978, *Selections from the Prison Notebooks 1921-26*) used Marxist methodology to locate the problem as one in which ruling class ideology held grip over workers' minds through a variety of means. Essentially he defined the trade unions as part of capitalist society that operated above all within capitalist ideology. In terms of consciousness Gramsci saw

workers identifying themselves primarily with a *section* of their class with whom they shared a common skill or trade. The degree and density of trade union membership would be a simple measure of sectional consciousness. Secondly, workers may identify with the *corporate* interests of the class as a whole (measured by affiliation of the union to a national federation, sympathy action, or affiliation to a political party of labour) and only finally developing a *hegemonic* revolutionary class view. The task thus remained to help encourage hegemonic consciousness through a *war of position* or a battle of ideas as part of revolutionary preparation. This *war of position* had as its chief purpose the challenge to ruling class ideology sustained not just by force but also by an array of institutions which acted to justify the *status quo* in workers' minds despite their explicit and verbal everyday rejection of the employers' values. In western capitalisms such a process may be more prolonged but, in time, as crisis develops even these structures of civil society would begin to collapse as an ideologically educated working class became progressively alienated from them. At this point mass explosions of anger are possible as the war of position moves into a *war of manoeuvre* when workers come out of the trenches to directly challenge the state.

Gramsci's conclusions were undoubtedly revolutionary. However, within his framework there are insights into the barriers to worker consciousness which may explain why conflict can be successfully managed and contained within capitalist society. Not only do the legal and executive institutions hold a cosmetic appeal for

the system but also the institutions of collective bargaining and the dominant role of the trade union leaders within them can be of pivotal importance. Collective bargaining becomes important to legitimise in the minds of workers the every day exploitation of their labour.

As trade unions were a product of capitalism they were destined to become a participant institution. The task thus remained to challenge their social role ideologically by building alternative pre-revolutionary union movements (related directly to Gramsci's factory council experience) which may both challenge the trade union leaders' dominant role and establish rank and file based union structures outside the *fortresses and earthworks* of capitalism. His views need not be confined to western capitalisms but can technically be transferred to former East European states where the official trade unions acted to maintain ideological dominance. The speed with which the regimes collapsed in 1989 helped by pressure from below could, in Gramscian terms, be explained by the overwhelming contradiction between the facade of civil society and the everyday reality of working life.

The problems of the development of consciousness were also tackled by George Lukacs in his series of essays written in 1923 entitled *History and Class Consciousness*. Lukacs was attempting to explain the relative failure of revolutionary movements outside Russia after 1917 and concentrated in particular on why workers so easily appeared to accept the dominant ruling class ideology. His conclusions

have similarity with Gramsci's in that he identified in particular the importance of institutions in legitimising the existing order. The legal and executive machinery appeared as an 'inevitable' series of rulings reinforced by both the power of the press and workers own leaders. In effect, workers accumulated both an imputed consciousness, making them critical of capitalism as a result of the work experience, whilst at the same time having an actual consciousness which accepted the capitalist order as natural. Spontaneous action against employer power would need to be combined with revolutionary theory and organisation if the imputed consciousness was to triumph. As such Lukacs places increased emphasis on the role of the party in transforming worker consciousness.

Both Gramsci and Lukacs concentrate on the stultifying effect of ruling class ideology and its institutional framework, and in doing so they subdue any concentration on the mechanism by which consciousness might *change* either as a prelude or as an adjunct to conflict. Of all the classical marxists it is necessary to turn to the Polish revolutionary Rosa Luxemburg for an attempt to explain the process of transformation from a purely trade union to an overtly political consciousness.

Luxemburg and the Mass Strike

In contrast to the leadership of the German SPD, whom Luxemburg engaged in debate. Luxemburg saw no great barrier between partial struggles for economic

reform and political action for revolution. The link between the two was contained in the dynamic of the *mass strike* which would be the vehicle to change consciousness and take conflict to a higher level.

Her short book (*The Mass Strike*) was written after the experience of the 1905 Russian Revolution and her views attempted to explain the rousing of revolutionary consciousness through the experience of broad industrial struggle which broke through the barriers of sectionalism. The separation of economics and politics during non-revolutionary periods was to Luxemburg the reason for a de-politicisation of workers aided and abetted by the sectional interests of the trade union bureaucracy and Labour leaders who channelled struggle into constitutional avenues. By examining the wave of strikes in Russia from 1896 to 1903 she noted a deeper politicisation as the state repressed early strikes and workers responded by a generalised and more conscious reaction. Thus even in the most dormant periods of worker militancy the mass strike would have the potential via its own dynamic to have an upward 'ratchet-like' effect. Such periods were inevitable as the contradictions of capitalism became more acute and the ruling elite became increasingly unable to keep a grip on their system.

Such a clearly optimistic scenario of revolutionary potential has been criticised since for its denial of both the ability of capitalism to maintain an ideological hold over

workers and for the unsatisfactory criticism of the stabilising role of the trade union leaders. Kelly (1988: 39), for example, states:-

"In retrospect we can see that Luxemburg vastly underestimated the capacity of capitalism to survive - not least by virtue of the support it receives from the working class. She also, characteristically, conflated the State and government: State intervention in disputes was thought to call into question the neutrality of the State itself, but did it? Perhaps in Tsarist Russia, with its virtually non-existent parliamentary democracy, or in Germany with its strong state, this scenario was plausible. But eighty years on, with the development of parliamentary democracy and universal suffrage, State intervention in disputes is likely to call into question the authority of the particular government in parliament, rather than the whole of the state apparatus, and to lead to calls for a change of government rather than the overthrow of the State."

Luxemburg's over-riding optimism has also been called into question by Cliff and Gluckstein (1986) who argue that there can be a difference between the mass strike led *from below* by the rank and file and the mass strike led from above *bureaucratically* by the trade union leaders. Cliff and Gluckstein claim that Luxemburg's model of continually raised consciousness in the mass strike fits the experience of Russia in 1905 and 1917; France and Spain 1936; Hungary 1956 and Poland 1980 but is difficult to apply to Britain in 1926 or in the miners strike of 1984/85 or indeed in the strikes in Sweden in 1909; Belgium in 1913 or the public sector general strikes in Holland and Belgium in 1984 and the general strike in

Denmark in 1985. The difference between the two sets of strikes being the overwhelming influence of the trade union leadership focused in the latter cases by its control over the strikes and its ability to call off the strikes and seek settlement within the confines of the collective bargaining framework.

Indeed the role of the trade union bureaucracy forms the final set of concluding arguments on industrial conflict that come from within the Marxist tradition.

The Trade Union 'Bureaucracy'

The view that the trade union bureaucracy, or senior leadership, has a conservative and politically reformist influence within the unions and hence over the level and intensity of conflict comes from three arguments. a) that the *social position* of the full time officials determines their behaviour; b) that they place the *sectional interests* of their own union (their paymasters) over and above the interests of individual disputes or the wider interests of the movement and, c) that the trade union leaders are overwhelmingly linked to reformist political parties and the institutions of collective bargaining.

The distinct social position of the trade union officials as professional mediators between labour and capital has not been commented upon solely by marxists. As early as the 1850's Sydney and Beatrice Webb (1920) had noted the rising social status of the new 'Civil Service' (full time officialdom) of the trade unions.

In noting the relatively privileged social position of the trade union official in comparison to their members the Webbs were applying a sociological explanation of how officials may come to be divorced from the anger and deprivations of their members and hence be less inclined to steer the unions into conflict with the employers as a result. However, the unwillingness to engage and progress struggle also requires a more thorough explanation (of which the Webbs, too, were aware) based on the role of the officials within the bargaining process. Essentially this primary role is said to be one of mediator between the employers and workers based on acceptance and utilisation of the institutions of collective bargaining endorsed by employers and the State (Lipset 1959).

Whilst liberal commentators such as the Webbs and Lipset have observed the bureaucratic conservatism of the trade union leaders, marxists have taken the analysis further and described explicitly their role as barriers to potential industrial militancy and conflict. Trade union leaders are seen as managers of discontent displaying a *fundamental* tendency whether on the right or left wing of the movement, which leads them, according to Callinicos (1984) to contain conflict and seek compromise . *"Constantly closeted with management, he comes to see negotiation, compromise, the reconciliation of capital and labour as the very stuff of trade unionism. Struggle appears as a disruption of the bargaining process, a nuisance and an inconvenience, which may threaten the accumulated funds of the*

union. Organisation becomes an end in itself, threatening even the limited goal of improving the terms on which the worker is exploited."

For the union leaders the prospect of continued conflict thus raises questions of the financial viability of the union itself as well as threatening their ability *to come to terms* with the employers and hence justify their social position as mediators.

According to Müller-Jentsch (1985) this position is further reinforced by the prospect of a sharp employers' counter-offensive should the unions adopt a high risk strategy of all-out strike in preference to negotiation and compromise. This argument does not say that the union leaders will *always* oppose militant action but rather that they are pulled two ways both by the employers and their members but, at the end of the day, they are inclined to compromise and return to the status quo often at the expense of their members' direct and immediate interests.

Indeed this willingness to return to the *status quo* is reinforced, according to some arguments, by the political attachment they have to the reformist parties within liberal democracy and their ideological ties to parliamentary democracy as the means of settling accounts between capital and labour. This question returns us to the debate raised by early marxists on economic versus political demands within the workers' movement with the trade union leaders historically wedded to a separation of politics and economics. Indeed marxists cite the evidence of the direct organic connection between the labour leaders and the establishment of the Labour Party in

Britain or the long-term close connection and overlap between the leadership of the SPD and the unions in Germany as evidence.⁴ Historically, too, political tensions between the trade union leadership have become acute in periods of social crisis accompanied by acute industrial conflict when, in many instances, workers' self-organisation expressed in terms of rank-and-file movements or directly elected workers councils have been opposed by the trade union leaders in deference to the parliamentary process.⁵ In conclusion the criticisms of the role of the trade union leaders by marxists and others are of interest because they expose a debate about the role of a set of *actors* within industrial relations that can have an important if not crucial influence on the level and intensity of conflict. This debate is of importance because it is also pertinent to alternative perspectives on the development of conflict such as a *systems approach* associated with pluralist perspectives .

Critiques of the Consciousness Approach

Critiques and criticisms of the importance of consciousness have been made by left wing academics of Marxist or marxian persuasion. They are centred mainly on two propositions; firstly, that working class consciousness has been in decline as a result of changing values of solidarity - this is the criticism of Eric Hobsbawm in his *Forward March of Labour Halted?* essay of 1978.

Secondly, a number of commentators, most notably Gorz (1982), point to the post-industrial (or post-Fordist) nature of latter capitalism and its associated decline of the manual working class as a possible terminating element of mass working class

consciousness. Hobsbawm's thesis, directed at the British working class but with relevance to other west European examples, was that the strike wave in Britain from 1968-74 was fundamentally economic and as such represented a final break from earlier industrial struggle which contained a much heavier political element. Hobsbawm argued that the high point of British working class solidarity had been reached 25-30 years earlier but since then had gone into decline as evidenced by membership of, and votes for the Labour and Communist Parties. Hobsbawm was drawing on Lenin and Gramsci to argue that workers only develop a trade union consciousness but he went further in arguing that this consciousness had now become effectively frozen and that new political alliances were needed to bring socialist advance. The writer Bea Campbell, in particular, took up Hobsbawm's arguments from a feminist perspective to call for alliance with the women's movement. His arguments caused much debate and criticism within the Labour movement coming as they did at a high point for the Labour Left within the British Labour Party as Tony Benn narrowly missed election as Deputy Leader in 1981.

An attempt to test Hobsbawm's argument, in the British case, has been made by Kelly (1988) who finds that the strike wave of 1968-74, far from being a moment of decline for working class consciousness had actually recorded both an increase in trade union membership and density as well as increased evidence of rank-and file activity and 'political' strikes and other disputes. Kelly's rejection of Hobsbawm for the period 1968-74 is well substantiated. Hobsbawm's central argument, however, is

that some fundamental change had overtaken the British working class which was bound to affect its capacity to develop consciousness. This proposition stems from the undoubted decline of the relative share of workers employed in industrial production in the major industrial countries since 1960. However, a close examination of the figures shows that, of the ten major economies only four (West Germany, Great Britain, Netherlands and Sweden) show an *absolute* decline in industrial employment. Between 1960 and 1983 there were five million more such workers in the USA; 700 000 in Canada; and seven million in Japan (ILO, 1985 statistics).

Whilst Hobsbawm may have a case for Britain the evidence for other western capitalisms points to a contrary expansion of the industrial workforce. The same is true for both the centrally planned economies and the Newly Industrialising Countries such as Brazil, India and South Korea. Within Eastern Europe, for example, manufacturing employment in the USSR grew from 25 million in 1963 to 37.6 million in 1982. In the old GDR the figures are even more weighted towards industrial production with 60 per cent of all employees in the industrial and building sector in 1982.

Allied with Hobsbawm's arguments (for Britain at least) is the parallel proposition that the manual working class have been replaced within the economy by a new middle class of office based employees who are a block to the development of

working class consciousness. This approach has been given added weight by arguments of a new, post-Fordist, development of modern capitalism whereby the trend towards smaller industrial units and employer strategies emphasising individualism (personalised contracts, sub-contracting, individual merit pay) have all acted to undermine collective solidarity. Evidence of 'no-strike, deals and business unionism are used by commentators such as Adeney and Lloyd (1986), and Bassett (1986) to substantiate such claims.

The thesis of declining solidarity can only stand the test of time if the newer white collar workforce are seen to refrain from union membership or strike activity. The evidence on this question points to the very opposite whereby unionisation has often grown *faster for* white collar workers and many more sections of white collar workers have taken strike action. This is not just true of Britain where teachers, civil servants, local authority workers and bank workers have showed increasing evidence of militancy but also Germany where recent industrial action has embraced public sector workers in ÖTV as well as more traditionally militant engineering workers. One study which may, however, support Hobsbawm's thesis comes from Italy and the debate on the alleged 'tertiarization of conflict' begun with a paper from Accornero (1985). Accornero notes the rise of strike activity amongst the service sector particularly in transport, public administration and social services over compressed wage differentials in the aftermath of flat rate pay settlements. These strikes by the higher paid, argues Accornero are in contrast to the egalitarian and

solidaristic strikes previously seen in Italy in the 1970s and as such represent a move away from class conscious action (reflecting completely Hobsbawm's approach). However, to generalise from this recent experience and to conclude that working class consciousness is on the retreat is misguided. Firstly, many strikes of the manual working class are over differentials and relativity's, and always have been. Secondly, the *relative absence* of manual strike activity may be explained by other factors such as the recession and the defeat of the important Fiat strike in 1980. Thirdly, more recent experience since 1985 has seen the return of political strikes in Italy culminating in a general strike against unemployment in April 1993, and against pensions cutbacks in October 1994.

Finally, many public sector strikes involve solidaristic action of low paid workers over pay or in defence of services and jobs. In Britain, for example, 40 per cent of all strike days lost are now in the public sector, the vast majority not having the preservation of high pay differentials as their cause.

In summary neither Hobsbawm's *Forward March of Labour Halted* or the 'post-Fordist' approaches of Gorz and others provide a satisfactory critique of worker consciousness and the propensity for industrial conflict. At best they relate to *trends* within the changing nature of industrial capitalism rather than an overall explanation of *fundamental* changes in the social psychology or place in the production process

of workers. As such their arguments should be treated with caution as potential predictors of workplace conflict.

Is Consciousness Important ?

The *concept* of consciousness is central to Marxist theory of class struggle. It can be *examined* both in terms of individual and collective development from sectional to hegemonic dimensions and can be assessed at different points and periods of history. At the same time *changes* in consciousness can be explained by individual participation and experience, although here the nature of the experience and the influence of other actors such as the State, trade union leaders or political parties can make a decisive impact. Debate also continues on the link between class orientation, consciousness, and conflict with a body of opinion denying the continued relevance of classical Marxist analysis.

Because consciousness remains a qualitative concept its measurement poses great difficulty. The level and type of strikes, the participation in labour oriented parties and general attitudes are possible indicators but, as Kelly (ibid p89) notes in his survey of measurements:-

"Some may be tempted to conclude that almost every index of class consciousness is so deeply flawed that the phenomenon is quite unmeasurable, or that measurement can only be based on arbitrary choice of highly imperfect indicators. But if we want to talk about class consciousness at all then we must use

the indicators and measures that are to hand and bear in mind their numerous difficulties when interpreting them. The only alternative is a purely speculative or theoretical discussion that will not advance our understanding of strikes and their effects beyond its present meagre state."

It may also be the case that consciousness, in so far as it exists as a predictor of industrial conflict, is subject to the development of leadership and solidarity within relatively small workplace sub-groups that are so isolated or disparate (both sectorally and geographically) that any form of measurement is simply 'hit and miss'. Case study research based on phenomenological evidence, rather than attitudinal surveys, would thus prove more fruitful as a tool of analysis. Fantasia (1989) provides such an approach in his study of 'cultures of solidarity' in modern workplace America. Darlington (1994) also provides example of *The Dynamics of Workplace Unionism* in his studies of Merseyside industry in the UK. Fantasia describes well the influence of leadership within the group as a determinant of workplace militancy whilst Darlington concentrates on the dynamics between union officials and rank-and-file to help explain tensions and the potentially moderating institutional effect of trade union bureaucracies.

To conclude, the *concept* of consciousness provides a base for understanding the propensity of workers at a given time and in a given political environment to take industrial action. The propensity is further tempered by *individual class* orientation which some commentators, such as Hobsbawm, argue has changed over time. Kelly,

amongst others, has attempted to *measure* consciousness but has concluded that this in itself is a difficult task. In essence class consciousness is qualitative rather than quantitative.

2.8 Political Economy Approaches

A number of studies have attempted to establish a link between industrial conflict and the nature of party political government and the State. In institutional form attention has also focused on the distribution of power within society in terms of *corporatist or neocorporatist* frameworks. Such studies mostly assume that conflict is endemic within capitalism but will arise more often in some political circumstances rather than others. Such pluralist approaches were common in the 1960s and early 1970s as strikes within western capitalism had appeared to exhibit a permanent downward trend, leading theorists such as Ross and Hartman (1960) to wrongly predict the "withering away of the strike" as conflict became totally institutionalised within maturing industrial societies. The onset of economic crises from the mid 1970s and the rejection of Keynesianism and the goal of full employment severely dented such theories. Nevertheless, they are important to examine as they produce some insights, particularly for an explanation of the *differences* between strikes and conflict on a country-by- country basis.

Strike Waves and 'Labour Governments'.

The possibility of the existence of "waves" of worker confidence and political expression emerging over time has been examined by Shorter and Tilly (1974).

They examined the incidence of strike waves in France which they described as high points of political expression: " ... *when it becomes apparent to the working class as a whole that a point of critical importance for their own interests is at hand in the nation's life, and when the lattice work of organisation suffices to transform these individual perceptions of opportunity into collective action.*"

The authors present as evidence the 'strike waves' in France of 1890, 1893, 1899, 1900, 1904, 1906, 1919, 1920, 1936, 1947, 1948 and 1968 which they claim were as a result of heightened working class organisation and political unrest. Such a macro-approach presupposes that strike activity would be low in periods of relatively low working class political expression (i.e. when political grievance is low) and in seeking to extend their analysis beyond France, Shorter and Tilly link strikes to the party in political power, concluding that in countries such as those in Scandinavia when the *party of labour* gained power, strike activity consequently declined. This contrasts with the USA where the Government remained hostile to the aspirations of labour. Other theorists, such as Korpi and Shalev (1979), have attempted a similar approach claiming that if labour can be effectively mobilised to gain political power there should be a reduction in strike activity. Their argument is that once *labour* is in power it will renounce the strike weapon as its demands can be more effectively pursued through the political arena.

Both studies can be criticised for ignoring the distinction between the economic and political aims of the labour movement as well as potential political divisions within the movement. For example, the experience of countries with a Labour Government such as Britain and Australia have shown that strike activity can be as great if not greater under these Governments than under Conservative ones. Hibbs (1978) attempted to explain this contradiction by examining the policies of labour supported Governments. In particular the rate at which wealth was redistributed towards the working class via public spending programmes provides a key test of the potential dissatisfaction that may translate itself into strike activity. Hibbs compares eleven countries in the inter-war and post-war periods and finds strong positive correlation between the percentage of cabinet posts held by labour parties, changes in public sector fund allocation, and the number of strikes. Whilst Hibbs' analysis may have fitted the data in periods of medium term economic growth (and Keynesian orthodoxy) it needs to be tested in the more recession prone post 1970's. The existence of alternative political perspectives within the labour movement will also act to upset such a mechanical approach. For example, the political make-up of the trade union structure differs from country to country, Social democratic domination (Labour type parties) of the labour movement has been the dominant pattern in Britain but this contrasts with a dominant *business model* of unionism in the USA, where the connection between *labour* and the Democratic Party is tenuous and unstable, or a *CP dominated opposition* model such as that in France and to a lesser

extent Italy. The relationship between unions and labour sympathetic parties contains complications and contradictions by which it becomes difficult to use the relationship as an accurate predictor of industrial unrest.

Long Waves and 'Ruptures'

The suggestion that worker mobilisation occurs in historical waves as a function of long term economic development was first put forward by the Russian economist Kondratieff in the 1920s and since expanded upon by the trotskyist Ernest Mandel in his *Late Capitalism* (1975), C.Freeman (1984) and Screpanti (1987). More recently Kelly (1997) has attempted to revive the ideas and incorporated notions of mobilisation and counter-mobilisation linking Kondratieff 'upswings' with both local union organisation (or rather leadership) and attribution theory which attempts to link 'blame' to propensity for worker mobilisation. The break from a long term economic upswing to a downswing and vice versa, in these approaches, is akin to a 'rupture' of paradigmatic proportion which is likely to usher in a new phase of capital - labour relationships which may have increased industrial dispute as a key output. Unfortunately the evidence for the existence of upswings and downswings is somewhat contradictory, dependent on which data are chosen to indicate swings and which countries are chosen as examples.⁶ The reasons for a renewed capital -labour *nexus*, however, is undisputed in relation to the pulse of upswing and downswing as it is generally assumed by all authors that employers will seek to redress periods of declining profitability and declining rates of return on capital by reshaping the labour

process and thus disturbing existing arrangements with organised labour. Thus strike waves, other things being equal, may be assumed to be more likely to occur at disjunctures between upswing and downswing and vice versa. It is generally agreed, by long wave theorists, that the period 1968-74 marked the most recent period of increased labour dispute associated with just such a move from upswing to downswing in the international economy.

John Kelly (1997: 23) has attempted to explain some of the inconsistencies of evidence in long wave theories by refining the analysis and outlining conditions by which worker mobilisation may take shape against the background of 'ruptures' in the economic order. He suggests that workers' must first have a 'sense of injustice or illegitimacy' directed at employers' actions which are perceived themselves to conflict with 'consensual social values' upon which employer power has become legitimised. Secondly (*ibid*: 27), he suggests that four factors are necessary preconditions for mobilisation to manifest itself.

- 1] employers' and state must be concerned with profitability and translate this concern into opposition to workers' demands
- 2] workers must have an *increased* sense of grievance or injustice
- 3] there might be generational shifts in the workforce which aid the formation of new sets of attitudes
- 4] there must be shift in the balance of power towards workers (politically based or through lower unemployment)

The likelihood of worker mobilisation then forming will also depend on the strength and density of worker organisation and the presence of a layer of militant or potentially militant local union leaders who are prepared to lead new and renewed struggles. Such a model is thus designed to *predict* levels of strikes through an increased worker mobilisation and depends on an assessment of shop steward organisation (or its equivalent) and union . There is an explicit link between union membership, new recruitment to unions and strikes which altogether produces a more dynamic explanation than is usually to be found in more pluralist based institutional explanations.

2.7 Other structural explanations

A number of other studies have sought to explain conflict by the absence or entry of some external variable or institutional factor. In a major review of conflict theory Edwards (1992) has identified the evidence associated with three such theories and produced largely negative conclusions on their universality. The three theories identified by Edwards are:

a) *Conflict is more likely to occur in large plants than small ones.*

Marginson in 1984 argued that there is a distinct size effect associated (more greatly) with the size of plant and (less greatly) with the size of company. Reasons for this are related either to the increase in alienation associated with bureaucratisation of large establishments together, most probably, with the increased psychological and

communicative distances between management and workforce. It is also likely to be the case that there are more bargaining groups in larger plants and companies and this fact, as Clegg (1979) argues, will be more likely to produce higher incidence of strikes simply as more negotiations are likely to take place (and hence a greater number of breakdowns in negotiations leading to strikes are likely to occur).

b) *Some industries are more prone to strikes than others.*

Attention was concentrated on this avenue of thought by authors such as Church et al.(1990,1991) in relation to the especially high concentration of strikes occurring in the British coal mining industry. Such industries as dockwork, coal mining and car engineering have dominated British strike statistics over a number of decades and it would seem reasonable to assume that there was either something special about the work process in these industries (alienation and so on) which gave rise to more strikes or there was something special about the workforce which gave rise to a greater class consciousness or solidarity against the employer. On closer examination Church *et al.* found that there was in fact great variation *between* collieries suggesting that the relationship was clearly more complex than originally supposed. Turnbull (1991) also highlights the fragility of propensity to strike of British dockworkers who, after a series of concerted employers offensives in the late 1980s, gave in easily to demands to end the National Dock Labour Scheme in 1991. Changing structural features in the economy and the industry can tip the balance of bargaining power towards employers and thus impact on workers' ability and indeed

willingness to strike, One interesting factor within western European countries (France, Britain, Italy and Denmark especially) is the recent rise of the *public service sector* as a source of industrial conflict. Unionisation within this sector has tended to stabilise in contrast to the more market exposed private trading sector and potential sources of conflict have increased as Governments armed with monetarist ideas have attempted to force greater workloads at lower cost onto public sector employees (see Neale, 1983, for an example of the NHS in Britain and Seifert, 1990 , for the example of teachers).⁷

c) Some communities are more prone to strikes than others

Kerr and Siegel (1954) have elaborated on the observations of the extra strike-proneness of particular industries by suggesting that the location of the worker in society is the key explanatory variable . Workers with a strong sense of local community, often living in relatively self-contained areas, are more likely to exhibit a solidarity against the employer. Kerr and Siegel identified miners, dockers, seamen and lumberworkers (in Finland) as key examples of such workers, This may well explain higher levels of solidarity and strike proneness for these particular workers but is unlikely to be *a general* guide to action. Problems arise when similar communities are compared over time or geography. The speedy collapse of the British dockworkers' resistance to casualisation referred to earlier must be explained by structural factors within the industry rather than any failure of community integration. In the British miners, strike of 1984/5 the different attitudes of miners in

Nottinghamshire who formed the core of the non-striking UDM as opposed to striking with their colleagues in the NUM must also be explained by the legacy of individual productivity deals within the industry and the actions of local officials rather than by an analysis of community (Callinicos and Simons, 1985).

In short *structural* factors explain many aspects of strike activity and give insights to underlying causes of long-term strike proneness intermingled with structural factors, however, are complex changes in *power relationships* between employer and employees and trade union leaders and rank and file. The State, too, has an influence in terms of legislation. Changing economic conditions can shape structural factors and alter the balance of bargaining power in the short term. A complex mosaic of influences exists, all of which needs to be taken into consideration when attempting to predict the likelihood of conflict.

2.8 Micro-approaches

A completely different approach to predicting conflict comes from economists and those schools of analysis which concentrate on *individual choice*. The influence of collective attitudes is downplayed in such studies and, at least in the case of many 'management' theories, a unitarist perspective is adopted which actively seeks to avoid consideration of trade union or worker consciousness. As such many aspects

of *micro* theory have failed to enter mainstream industrial relations theory, remaining either within economic or management oriented journals.

Economists' models

Economists' theories concentrate on the exploration of relationships between strikes, unemployment and the business cycle. Some other subtheories examine *shirking* as a form of workplace behaviour and the effect of *imperfect information*. With respect to the business cycle the general relationship is that strikes occur less frequently when unemployment increases, and also occur with less frequency as real wages increase. Worker bargaining power is undoubtedly affected by high unemployment but this does not mean to say that a corresponding decrease in strike activity will result. Strikes take place *against* job loss even in a recession (e.g. the British miners strike in 1984/5). Labour markets are also complicated with restrictions on entry (and exit) subject to skill levels and demographic factors, thus negating some effects of a reserve army of labour driving down wages. Strike levels generally were also higher in west Europe in the 1970s than in the 1950s or 1960s even though in the later decade unemployment was higher. Even prior to the 1970s (a high spot for industrial disputes) there was, according to Davies' (1981) research, a direct relationship between unemployment and strikes in some countries (e.g. Belgium, Netherlands and Sweden) and a variable relationship in most others.

Real wage growth is also often a product of trade union led disputes rather than a reason for denying disputes. In an economic upturn the restoration of pay differentials or the occurrence of wage drift' as a result of local bargaining is a consequence of a general heightening of negotiating activity, all of which may lead to increased rather than decreased dispute levels. The basic premise of many economic models at the micro level is that workers will make a rational choice not to strike if there is no clear economic benefit in terms of pay from the dispute. However as Hyman (1972) effectively argued the rationality of striking is subject to a number of other factors besides economic determinism which undermine such simplistic behavioural models. The perceived effectiveness of the strike as a weapon against the employer, the possibilities of a peaceful settlement, and the pay strike as a 'cover' for other longer held grievances all play their part. Strikes are also two sided and in many cases the employer may provoke a dispute in attempt to regain some managerial authority or push back the frontier of control, within a workplace (see Cliff, 1970).

Models of *shirking* concentrate on the fulfilment and non-fulfilment of the effort bargain at the workplace between employee and employer (Robertson, 1990 and Willman, 1986). Strikes may be considered here to be a form of collective shirking whereby employees seek to reduce or adjust their obligations to work at a certain rate or under certain conditions. Pay is seen as a reward for working at a certain level of effort and this level is subject to an inherent conflict of interest. Such theories are

certainly of interest at the micro level and can link with an understanding of labour process theory and more general sociological analysis. They admit to an inherent conflict relationship and seek to explain behaviour with reference to power relationships. However, as Edwards (1992:71) observes, rules and norms of behaviour at work are very flexible and sometimes embrace a culture of hard intensive physical work (miners and dockworkers are examples) as well as the deliberate slowing down of speeds and demarcation of tasks. A theory which utilised a shirking thesis as its main premise of strike prone-ness might well fall down once assumptions taken for given at one workplace, or indeed in one industrial or national culture, are transferred to another.

Management and unitarist models

In some ways 'management models' are difficult to define as they are more often described as 'motivation theory, with an implicit neutrality as to their perspective vis-a-vis worker-management conflict. However the vast majority of motivation theories and their variants to be found in management textbooks (Mayo, Maslow, Herzberg, McGregor etc.) concentrate on the need to raise productivity and reduce worker resistance to the raising of productivity by a variety of techniques ranging from job redesign and communications, through to some of the recent *human resource management* approaches. As such they identify problems in the workplace (i.e. the need for workers to work harder) from a managerial stance. Their potential for predicting conflict and strike prone-ness is, therefore, by their very nature limited

due to the insistence that the problem is only seen from the point of view of workers as *objects* within the workplace rather than *subjects* with a role in determining their own behaviour and actions. Thus the commonly held unitarist belief that the workplace is a harmonious institution leads to the notion that conflict and strikes are caused solely by *agitators* from within (and sometimes from without)⁸. However as Hyman (1989) argues such theories:

"reveal a fundamental ignorance of the manner in which industrial disputes typically occur.... The popular theory also fails to explain why it is that agitators are apparently so much more influential in some industrial situations than in others"

In the real world agitators can only agitate if widely held grievances exist amongst the majority of the relevant workforce. Concrete disputes arise from concrete demands and the unitarist concept of the internal agitator fails to address this point. This is not to say that individual workers cannot make a difference to events by the use of argument and persuasion. The role of union activists is often to seek to persuade and to enact local or national union policy. The relationship between shop steward, management, members and union officials is, however, quite complex and reflects a balance of interdependencies. Darlington (op cit:26-41) describes these tensions and interdependencies as between stewards and management (*accommodation- resistance*); between stewards and members (*democracy - bureaucracy*) and between stewards and union officials (*independence- dependence*). At each stage in the bargaining process union stewards, as key players at the

workplace level, are subject to pressure from above and below. From above they are pulled between resisting management and accommodating to the status quo or management's new demands. From below they are under pressure from members both to deliver action demanded by the majority and formulated through meetings and committees and pressure to negotiate and deal with management as co-partners in the management of discontent, (perhaps aided and abetted by privileges of office such as telephones, facility time and so on). Finally there is a tension between local shop steward and national union official, the former seeking to maximise the benefits and influence of his or her constituency base and the latter mindful of the cost of such action to the overall union machine and with the power of withholding strike pay which can also be a lever to negotiate directly with the employer.

In the German context such tensions are also well rehearsed but with different emphasis. The relationship between Works Councillors and management is likely to be more dependent and collaborationist. There is also an added tension between Works Councillors and union activists who may or may not be one and the same, as well tensions between Works Councillors and the union at regional or national level, who may pursue an industry wide agenda rather than be bound by *Betriebsegoismus* (enterprise loyalty) associated with Works Councils in general.

As well as the influence of individuals pursuing policy goals there is also the likelihood of collective rank-and-file organisation arising within the union which

agitates beyond the normal agenda of the official union machine. Such rank-and-file movements, however, still depend on worker support at local level if action is to take place. Such movements were influential in Britain in the 1960s and 1970s. The Communist Party led *Liaison Committee for the Defence of Trade Unions*, for example, instigated and led action against the 1971 Industrial Relations Act whilst in the 1970s *Rank-and-File Groups* led by the IS (now SWP) were effective in various unions such as the NUT, CPSA, NALGO, the NUJ and amongst building workers (Kelly, 1988). Similar groups of militant activists have existed in west Germany under the guise of *the Revolutionäre Gewerkschaftsopposition* and the *Kritiker Gewerkschaften* with one of the primary aims as opposing the collaborationist nature of the Works Councils and arguing for greater democracy in the unions (Millar, 1982).

A second theory flowing from a management perspective is that conflict is the result of bad *communications* within the organisation. Such a view flows from the human relations' school of management theory produced in the USA in the 1930s as a result of Elton Mayo's experiments. The approach has been a core of management theory ever since and has its latter-day expression in commitment strategies associated with new *human resource management*. The basic premise from Mayo is that if workers are treated as 'special' they will respond to management authority, be happier in their work, be less likely to develop conflict attitudes, and work harder. Treating them as 'special' may be by providing more information on work processes and outcomes or

simply by treating them as decent human beings (as recommended in McGregors' Theory X and Y behavioural model). Early studies seemed to confirm Mayo's beliefs. Scott and Homans (1947), in attempting to explain unofficial stoppages in wartime Detroit, claimed that most conflict stemmed directly from faulty communication. Whyte (1951), in a study of a steel container factory, found that a changed approach from a works manager to the workforce to one of more open conciliation reduced conflict. However such studies fail to explain how some industries are more strike prone than others (assuming a mix of both good, and 'bad' management communicators). Neither do they explain differences in strike rates over time within the same country. In short the communications arguments may explain change in conflict levels within one organisation from one short time period to the next, but they are unable to deal with more deep rooted causes of conflict. At a more general level participative arrangements in industry, such as Joint Consultation Committees or Works Councils, do engender a more collaborationist approach and are used as a deliberate management strategy to reduce opportunity for collective /trade union organisation in a particular workplace. As an agent of compliance, however, participative machinery must produce real benefits for the workforce if confidence is to be maintained, otherwise they are likely to face breakdown or boycott by a combination of apathy and employee resistance. Such has been the fate of many *quality circles* in Britain, which have collapsed because of trade union opposition or intransigence from middle management cautious of a potentially reduced or redefined role in what is often an insecure atmosphere for job

prospects (Geary, 1994). In west Germany the experience appears to have been more positive for management. The existing participative/consultative style of *Mitbestimmung* has been sufficiently flexible to enable its introduction and has been favoured with a more buoyant economy able to accommodate the price for changed working practices (e.g. Beisheim, Eckhardstein and Müller, 1991).

A final question is whether or not enhanced schemes of commitment and employee participation can act to change the 'them and us' attitude associated with industrial conflict. Financial participation schemes such as employee share ownership or work participation schemes such as teamworking have been introduced with increasing frequency throughout industry in recent years. There is much doubt about the effect of these schemes on employees' attitudes as many of them are introduced to already compliant workforces or in greenfield situations as new sites are opened, often without unions or on a restricted union basis. One study by Trevor (1988) of a Toshiba plant in Britain found little difference in job satisfaction (and by implication conflict) between Toshiba and similar plants without 'new industrial relations methods. Close control of discipline was more apparent in Toshiba than elsewhere but the plant was also economically successful leading to few fears of job security. Other studies have come to similar conclusions; Tausky and Chelte (1991), for example, report that there is little evidence that workers have been 'hoodwinked' by these schemes. In reviewing some of the studies that have emerged Edwards (1992:388) draws the conclusion that:

"In short.. new work systems reorganised but did not transform the workplace regime"

Finally, Kelly and Kelly (1991) have attempted a similar review of a number of surveys from the USA and Britain and have assessed from sociopsychological theory the ability of new industrial relations practices to transform the worker-boss relationship in attitudinal form. Again they conclude that there is no evidence of a general change in 'them and us' attitudes as a result of such schemes. Workers may actually welcome the opportunity to participate and use a greater variety of skills, but the all important generator of conflict - the everyday exploitation of labour in pursuit of profit remains.

2.9 Overview and Summary

An attempt has been made in this section to give explanations for the outbreak of conflict in the workplace as strikes, and to relate strike statistics as one variable in developing worker consciousness as a pre-requisite to a challenge to institutional order 'from below'. The task is difficult because varying strands of theoretical input from a number of disciplines need to be considered. No one theory appears adequate by itself to offer an all embracing explanation. Instead we have a mosaic of influences concerned with individual and collective consciousness which are in turn themselves tempered by institutional factors. The relationships between worker consciousness, strikes and institutional stability/instability are therefore difficult to clarify.

One set of influences can also have a different set of outcomes in different countries and at different times. Problems therefore also exist of theoretical reliability. In studying the effects of the unification process in east Germany and its consequences for the German model it is therefore necessary to understand both the historical development of institutions and culture as well as the collective psychology of both the east and west German worker. Above all the generation of conflict is part of a *dynamic* whole. Inter-relationships need to be explained and the goals and motives of layers of *actors* within the process need to be appreciated. A phenomenological approach is required, which highlights the tensions and contradictions inherent in the employment relationship, and which takes account of change over time.

Notes

1. See, for example, R. Dubin 'Constructive Aspects of Industrial Conflict' in A. Kornhauser, R. Dubin, A. M. Ross (eds.) *Industrial Conflict*, New York, McGraw Hill, 1954

3. Reported in the *Guardian*, 'Job Fears to bring Rise in Militancy', September 11th. 1995

4. A classic example of this is Goldthorpe's study of Vauxhall car workers in Britain in *Affluent Worker* (1969). While the study was still at the printers and after interviews by Goldthorpe had 'shown' the car workers to be deeply integrated into the system without grudges the factory erupted into strikes, demonstrations and pitched battles with the police. A similar fate befell Andre Gorz in who in his *Farewell to the Working Class* (1982 eng. Edition), had predicted docility of french workers. A few months after the book's French publication french workers conducted in 1968 the longest general strike in history.

4. See, for example, Helga Grebing *The History of the German Labour Movement*, (Wolff, 1969) where she records that during the Weimar Republic of the 156 members of the SPD in the Reichstag in 1928-30, 56 (37 per cent), were, or rather had been before taking up their seats, full time trade union officials (pp128-129)

5. The conflict between the leadership of the SPD allied with the trade union leaders against the workers council movement led by the KPD and Revolutionary Shop Stewards (*Obleute*) in Germany from 1918 to 1923 provides such an example.

⁶ Kelly (1997) reviews the evidence in his own article.

7. A similar pattern of trade union renewal in the public sector has occurred in the 1990s in the USA.

8. Alan Fox (1966) in his Research Paper for the Royal Commission on Industrial Relations in Britain provides the outline for perspectives on industrial relations.

PART 3

THE GERMAN 'MODEL'

Having examined the theoretical approaches to the study of institutions and industrial conflict it is now necessary to explore the German context and offer some description of its model of industrial relations regulation. The analysis presented here is not meant to be fully descriptive of the German 'Model' but is intended to aid contextual thinking. In this way the overview of historical development is intended to provide insights into core philosophy and 'embeddedness' of the associated institutions. Contemporary pressures on the model to adapt and change or even be abandoned by its protectors are then reviewed.

3.1 Co-Determination and Social Partnership

The form and content of the West German system of co-determination in industry (*Mitbestimmung*) are well understood and have been commented upon by numerous authors. The system of industrial relations is a social contract between state, employers and trade unions, designed to provide an "equal participation of capital and labour", incorporated into the Co-determination Law of May 1951. *Mitbestimmung* has so far (shakily) survived the economic shock of unification, despite some employers' attempts to reopen some of the wage agreements in the east. These centralised and co-determined wage agreements were a result of concern over the anticipatory migration of labour from east to west in the period immediately following currency union, the implications of which are fully explored in a later section. At the level of the individual plant in the east, the Works Council system has been utilised by employers to gain workers'

commitment to redundancy programmes. *Mitbestimmung* thus remains central to industrial relations in the new Germany, and it is necessary now to explore its historical origins before examining its everyday workings and relationship with the generation and resolution of conflict.

3.2 History and Philosophy

Two strands of opinion have been traditionally put forward to explain the origins. First, on *Mitbestimmung's* historical roots, there are some writers, such as the historian Wolfgang Hirsch-Weber, who argue that the ill-fated 1848-49 Revolutionary Parliament in Frankfurt provides the first evidence of co-determination as a particularly German approach, whilst the majority view of most other commentators has been that the origins lie firmly within the First World War economic structure, and the ensuing revolutionary years of 1918-19. A second division of opinion concerns the precise nature of the social chemistry which led to the first co-determination laws, enshrined in Article 165 of the 1919 Weimar Constitution. Were the new labour laws a compromise between the forces of parliamentary democracy and revolutionary socialism as argued by such prominent historians and labour lawyers as Franz Neumann (1942) and Otto Kahn-Freund (1981), or were they instead, a defeat for the forces of revolution, and, by implication, a victory for social democratic reform?

Co-determination in the Weimar Republic: Class compromise or Class Collaboration ?

Just six days after the outbreak of the Revolution on 15 November 1918 Hugo Stinnes for the employers and Karl Legian for the unions signed the Stinnes-Legien Agreement aimed at securing peace in industry. The concessions made by the employers included

- 1) recognition of independent trade unions and collective agreements

- 2) disbandment of "yellow" company unions
- 3) cessation of discrimination against union members
- 4) recognition of the 8 hour day (subject to its introduction in other industrial nations)
- 5) establishment of jointly managed employment offices and arbitration bodies
- 6) the recognition of committees to represent all employees in plants with more than fifty workers.

On 4 December the Agreement was complemented by the *Zentralarbeitsgemeinschaft (ZAG)* which created a national Central Joint Labour Committee composed equally of employer and union representatives to advise the government on industrial policy and demobilisation. These agreements clearly cemented the collaborative relationship which had developed between the two sides during the War. They also ran parallel to the Ebert-Gröner Pact designed to raise a militia against internal insurgency. In return for these concessions the trade union leadership agreed not to touch the existing property structure i.e. to oppose the take-over and socialisation of factories.

The framework had thus been set by the SPD, trade union leaders, employers and military for the maintenance of the existing social relationships of production, albeit with the trade unions guaranteed some decision making involvement. The framework represented entirely *the Mitbestimmung* later built into the Weimar Constitution and the Law of Works Councils in 1920. The State, employers and trade unions were united, with military back-up, against the revolutionaries. In this some historians have claimed that the co-determination process established in 1918 to 1920 was a compromise between State, industry and an *offensive workers movement*. The labour historian and lawyer Otto Kahn-Freund (1981) for example, argues that

"the political and social situation in 1919.... led to a temporary state of equilibrium in the balance of power between the bourgeoisie and the working class. This state of equilibrium was reflected both in the creation of new labour law norms and in their underlying ideology."

Similarly Franz Neumann (1942) states that the Weimar Laws were a "codification" of the interests represented in "pluralistic collectivism" whereby all sectional interests **including** those of the workers' councils were included. Richard Comfort (1966:98) argues that the Weimar Constitution in its modified version of works councils represented "an attempt to placate the labour movement and to demonstrate their (the SPD) willingness to compromise with the left."

But it is more the case that the establishment of co-determination, in both its form and content, was a compromise not with the workers' movement *in general* but specifically with the *full-time leadership* of that movement. The leadership of the trade unions and the SPD were able to preserve and reinforce their social position at the expense of the revolutionary elements based within the rank-and-file of the unions and the left wing of the political parties. The employers, for their part, preserved ownership and control of the factories against the threat of socialisation from below. Having secured a victory over the revolutionary elements the victors then proceeded to crush the opposition. Co-determination was the social form of workplace organisation that was the (albeit temporary) result. .

The decline of Co-determination after 1923

The uneasy alliance and collaboration of State, industry and unions began to fracture in 1923. The period up to 1922 had seen a rapid rise in the number of workers covered by collective

agreements rising from 2 million in 1913 to 6 million in 1919 and reaching over 14 million in 1922 (Grebing 1969). In addition by 1922 the 'Free Unions' had gained effective control over the new statutory works councils claiming over three-quarters of the councillor positions (Berghahn, 1989:204) This, combined with the general rise in militancy throughout the period, had pushed back the employers' prerogative in industry. But economic conditions had changed by 1923. The defeat of the German October took place at a time of rising unemployment (up to 23.6 per cent) and hyper-inflation and as a result organised labour was pushed onto the defensive by employers determined to regain authority in the workplace. This period was marked by a wave of lockouts and dismissals but in addition employer pressure on the Centre Party-led Coalition Government led not only to the abolition of the eight hour day but also, in 1924, to the collapse of the ZAG, the banning of the KPD and cuts in welfare payments and public service pay. So by 1924 Co-determination had lost its impetus as the employers withdrew from their part of the compromise. The principles of economic democracy were still central to the SPD, but without consensus with the employers the SPD could only fight a rearguard propaganda exercise. There was some success in maintaining state and union influence over industrial affairs with the establishment of the Law of Labour Tribunals in 1926. These new tribunals had wide jurisdiction over individual and collective labour disputes and included employee representatives within them. However, they had no jurisdiction over disputes of interest in collective agreements and they were still subject on appeal to the State Court procedure and judicial interpretation. They did not, therefore, fulfil the SPD's concept of Co-determination but merely created a framework for the application of the legal process within industry. The continuing economic crisis and the renewed employers offensive meant that by 1930 the SPD's priority was the struggle over unemployment insurance

rather than a defence of Co-determination. The death of Weimar and the economic crisis in Germany had destroyed the SPD's industrial project. Codetermination had been central to the party's view of socialism and they had dragged a sometimes reluctant trade union leadership with them into their vision of economic and social democracy. Denied for so long the offices of State and influence within German society *Mitbestimmung* had become a symbol of a new order albeit *without* challenging the central power of the employers and, more importantly, the social relations of production. The employers' original agreement to the scheme was forced upon them as an alternative to the threat of revolution. Once that threat had receded the employers ceremoniously dumped Co-determination as an unnecessary influence and restraint on their right to manage. By 1933 the tragedy of German history had begun and Co-determination was effectively buried as the labour movement sank beneath the iron heel. However,

the state of affairs that existed in the Weimar Republic in the arena of industrial relations left a lasting impression on the leaders of the SPD and trade unions. Once 'normalcy' returned to West Germany after 1945 Codetermination, for the Social Democrats at least, once more became representative of social harmony and progress.

3.3 Post War restoration of Co-determination

The Emergence of the German 'Model'

The re-establishment of some form of co-determination in the western zones after the war was by no means automatic. Initial proposals to reintroduce a 'social partnership' in industry were turned down by the Allies in 1945. More important priorities concerned the Allied instigated policies of denazification, decartelisation and deconcentration of industry. However, the need to develop a

series of checks and balances within industry to help ensure the success of liberal democracy, together with pressure from the labour movement leaders gradually helped change allied policy. Berghahn (1985), for example, refers in terms borrowed from Habermas (1973), to the perceived need of (west) Germany's elites under US influence to search for 'integrating devices' such as wealth formation plans, co-determination and industrial partnership when the 'masses' began to use their democratic vote to become active in a 'system-destabilising' way. However, whilst the model established politically negotiated institutional arrangements it was never a 'social-democratic' model such as existed in Sweden. Similarly the fact that the 'embeddedness' of the institutions was a form of political settlement between capital and labour makes it different from the nature of Japanese 'embeddedness' which is essentially employer dominated and labour exclusive. The 'success' of the model in bringing industrial peace and economic prosperity is also a direct function of the favourable factors reshaping German Capitalism in the immediate post war period and to this extent it can be difficult to separate the contribution of the industrial relations system to economic prosperity from other factors exogenous to workplace relations.

In reality German capitalism was a relative success in the immediate post war period both as a result of its product market led dynamic and its ability to respond to demand in an expanding world economy. A surplus of labour supply fed the accumulation process with the entry into the west of some eight million mainly skilled ethnic German refugees (e.g. lens makers from the Zeiss works in the Soviet Zone or glassworkers from Czechoslovakia). They gravitated towards the industrial regions of North West and Southern Germany with a strong individual motivation to work hard to make up for their loss of possessions and property. As a result workplace

discipline was relatively easy to enforce. Despite the wartime mass destruction of towns and transport infrastructure the industrial machinery and capital remained relatively unscathed with 90 per cent of metallurgy, 85 per cent of chemicals and 80 per cent of textiles still intact (Grosser 1955:86). Once industry had begun to move again capacity could be readily expanded with surplus labour and without over-riding inflation. With an expanding world economy initially fed by the Korean War, there appeared a ready market for German industrial goods. The rate of growth of the economy in the 1950s was an astonishing 8 per cent average per year, it slowed to an average 4.5 per cent in the 1960s but even then was greater than its major competitors. In the 1960s the ready surplus of labour was no longer ethnic Germans but instead was the *Gastarbeiters* (guestworkers) from countries such as Turkey, Italy and Yugoslavia. However, in these earlier years at least, the 'Model' was characterised more by inequality of income rather than equality. Wage incomes at current value rose some three and a half times between 1950 and 1967 but those of entrepreneurs and the self employed rose by five times and workers' share of private wealth actually fell from two fifths to under one quarter (Kidron, 1970:173). What in effect had been happening during this period was a massive growth of capital accumulation feeding further investment into manufacturing. Contrary to modern day conceptions of the German 'Model' Kidron also notes when writing his 1968 survey *Western Capitalism Since the War* that '....Germany in the sixties has been one of the few countries in the world in which public expenditure on 'social objectives' has lagged behind the growth of output; and to this day its outlay on education is the lowest in the Common Market relative to GNP and only half the proportion spent in Britain' (Kidron *ibid*:173). Whilst many of the reforms and framework of social policy were established in the early 1950s in fact it was not until the mid 1970s that the

share of social expenditure began to increase as the West German State prepared for some fine tuning in the balance between accumulation in human as opposed to physical capital and some of the supposedly 'embedded' features of the German Model accordingly took place.

The unions

As far as the unions were concerned initial post war success was secured in re-establishing membership, particularly in the British sector as early as 1946. By 1947 there were 2.1 million members in the Sector, allowed by the military powers on the basis that no single enterprise had more than one union. A debate had taken place between the British authorities and pre-war leaders of the unions as to how the unions should be reformed. Hans Böckler, an SPD member of the Reichstag in 1928-33 and district secretary of an SPD union organisation before the War, was prominent in the discussions.¹ He put forward four goals for the unions in the new Germany (Bark and Gress:137).

- 1) a single national union organisation to replace the three ideologically divided groups that had existed until 1933.
- 2) nationalisation of large and intermediate industry.
- 3) workers' co-determination in individual factories, and
- 4) national economic planning.

These demands were not unique to Böckler and the emergent unions but received support from the SPD under Schumacher and Kaiser for the 'Christian Socialist' wing of the formative CDU. There was disagreement with the British on the question of 'one big union' which was felt to be potentially too powerful. The official Allied Powers' view was that the unions could perform a

necessary function in a democratic society but that their chief purpose, at that time, should be to aid the process of de-cartelisation rather than overly strengthen the hand of labour. The eventual agreed structure in 1949 (*the Deutscher Gewerkschaftsbund - DGB*) was something of a compromise drawn up essentially by Böckler in conjunction with Will Lawther, President of the British Mineworkers' Union and Jack Tanner of the Engineers' Union. There were to be a total of 16 independent industrial unions with a total membership of five million, of whom 4.2 million were blue collar, 530,000 white collar and 270,000 *Beamte* (administrative grade civil servants). Böckler was elected Chairman of the DGB at its first congress in Munich in 1949. The agreement extended across all three western allied zones. In the Soviet Zone a separate union organisation (*Freie Deutsche Gewerkschaftsbund*) had already been formed. Many of the rules of the affiliated union movement were also drawn up at this time, including disciplinary measures to cut off finance and membership of the DGB if any union defied. These rules effectively placed much power in the hands of the trade union bureaucracy, requiring, for example, that no local union may call a strike without the authority of its executive, and that the executive must not call a strike before all attempts at negotiations had broken down. Before a strike takes place there would also have to be a ballot in which 75 per cent of those voting supported the strike. The ideology of 'peace and responsibility' was also included in the terms of DGB affiliation, whereby unions should 'take into account' the state of business and the 'repercussions of a strike on other sectors of the economy' before actually bringing members out (Crawley, 1973:198). From the very beginning, therefore, the unions in West Germany operated under moderate rules and with a national reformist outlook. Attempts to reassure the Allies of the non-revolutionary aims of the union leadership were combined with reformist caution against the perceived threat of KPD or

left-wing influence from below. Power in the unions was placed very much in the hands of the union bureaucracy, backed up by a tacit agreement with the emerging State of the priority of industrial peace to get the economy moving again.

1951 Works Constitution Law

The question of Co-determination proved more difficult to resolve. It was a central platform point of both the union leaderships and the SPD but caution was expressed by the *pro-Marktwirtschaft* Adenauer as leader of the CDU. The FDP were distinctly hostile, the Americans too, appeared cautious as *guaranteed* worker rights in the form embraced with *Mitbestimmung* appeared on the surface at least to have an aura of socialism. The employers meanwhile had begun by 1949 to recover from the processes of de-cartelisation, dismantling and denazification to reassert themselves in opposition to any form of 'social ownership'.

Nevertheless despite these difficulties a deal was struck between Adenauer and Böckler which paved the way for Co-determination in a restricted form by application in the coal and steel industries. Böckler threatened a national strike to force Adenauer's hand and this seemed enough to win the argument. In return for agreeing to support *Mitbestimmung* in coal and steel Adenauer drew the line at any further socialisation of industry. The Bill itself still received a rough passage.

The French and Americans remained hostile, whilst the British were worried that the proposed worker representatives on the Supervisory Board may become distanced from the rank-and-file and that the experiment would collapse as a result (a similar experiment in Britain with joint union-management *Liaison Advisory Committees* was ill-fated due to union opposition). The

FDP were thoroughly opposed as were the KPD but for different reasons, claiming that the whole idea was class collaborationist and in so doing reviving the old arguments between the left under Weimar. However, with the support of the SPD the bill became law in May 1951 (the *Betriebsfassungsgesetz* - Works Constitution Law), and the scene was set for further battles between the unions and Government to extend *Mitbestimmung* to other areas of the economy. All enterprises in coal and steel with 1000 or more employees were to have workers' representatives on the Supervisory Board. A Worker Director was also to sit on the Board of Directors, with an equal vote in management affairs. A parallel Wages Agreement Act secures the role and rights of unions at national/regional level to collectively bargain with employers organisations, with legally binding agreements as a result. A second Works Council law in 1952 obliged all larger firms to establish a Works Council (employees only) which was entitled to information and consultation about management plans in the area of personnel and welfare. This too, was opposed by sections of employers but in its essence it had the effect of *restricting the* role of unions by incorporating the workforce as a whole into a form of joint decision making at the expense of adversarial negotiations. Bergmann and Müller-Jentsch (1975:42) in referring to the effects on unions of the 1952 Act, claim:

" (The Act) ... *consolidated the power of the entrepreneur and evicted the trade unions from the plant*". What they meant is that the unions as a result of the Act, have no *formal* existence inside the plant, with rights of representation and negotiation given to the Works Council. In 1972 the law was further amended and extended under an SPD Government.

Post-war Co-Determination in Practice

A host of literature, in both English and German, exists detailing the practical operation of Co-determination (Jacobi, Keller and Müller-Jentsch, 1998, provide the most recent). It is not the purpose here to review this literature but instead to concentrate on the essential ingredients of the system as an institution for conflict resolution. Wolfgang Streeck, in his book *Industrial Relations in West Germany: A Case Study of the Car Industry* (1984) compares and contrasts the British and German systems as methods of institutional conflict containment. This is a useful approach as it highlights the cultural and political/economic context of any industrial relations system in the same manner that this study has attempted to do. Streeck places the British system at the *pluralist* end of the interest systems with the German system at the *corporatist* end. The German system exhibits eight essential characteristics:

- a) a restriction in the number of bargaining groups limited by the works Constitution Law. Industry wide unions cover all elements of bargaining (compared to multi unions in Britain)
- b) the same industry is represented by the same union
- c) statutory representation at the workplace through a Works Council, effectively giving representative union rights
- d) little or no inter-union competition
- e) the precedence of industrial agreements (with employer federations) over workplace agreements subject to legal control and enforcement
- f) a clear distinction (and legal obligations) between different levels of employee representatives - union steward; works councillor; union official

g) a legal institutional framework making 'market access' for new or non-specified unions extremely difficult and,

h) a legal monopoly for works Councils over a range of issues, in return for a *peace obligation*.

The system is thus supported by the State with legal guarantees for the unions and a framework laying down how collective bargaining and other industrial relations issues should be conducted. .

The dependence on craft skills, and its translation into a high wage environment backed with social welfare provision thus creates a national based system whereby firms are institutionally encouraged to participate in a high skills/high wage cycle which excludes 'free-riding' by firms wishing to enter on the basis of low wage price competition. In the process a 'culture' of engineering professionalism has developed giving high status to engineers (Lane 1995) within an industrial structure where manufacturing is a much larger sector than other advanced capitalist countries. The workings of the institutional framework at the level of the firm also means that employers' scope for wage flexibility is generally low. Wage bargaining (apart from bonus 'top-ups') is undertaken by employers' federations at a higher level whilst the role of personnel management is largely restricted to interpreting and applying legislation, with any dispute with the Works Council referable to an outside court. The protective advantages gained by the unions are traded for an obligation to accept the strike as last resort under the general peace obligations and, under the Basic Law, to refrain from 'political strike' activity. This neo-corporatist system extends further to give unions access to State training provisions, and from 1972 to allow Works Councils to have an initial veto on plant dismissals pending a Labour Court final decision. As such the system represents a social settlement between the State and leaders of the unions

whereby unions accept restrictions on their actions (subject to legal penalty) in return for restrictions on the actions of employers' ability to dismiss or compete on the basis of lower wage rates.

At a national level the concept of 'social partnership' is more difficult to define. The unions withdrew from explicitly *national* talks to determine pay rises in the 1970s. This period of 'concerted action' bore the hallmarks of an institutional attempt to bind together State, employers and unions. Since then the concept of 'social partnership' has been more appropriately applied at local level through the Works Councils.

Tensions arise within the unions as to the relative balance of power between Works Councillor and union steward. The scales are tipped in favour of the Works Councillor in terms of legal support, and, according to Müller-Jentsch (1995), the functions of the Councils have gained strength over the unions in recent years. This is despite the fact that in many small and medium sized companies Works Councils do not exist. Frick and Sadowski (1995) , for example, have estimated that only one quarter of all eligible enterprises have a Council, covering 60 % of the private sector workforce. Virtually every establishment with over 300 employees has one, but the proportion falls to only 10 % of those establishments with 5 to 20 employees, and 30 % for those with 20 to 50.

One traditional way of unions attempting to resolve the problem of representation has been to run union slates for Works Councillor positions (between 70 and 80 per cent of Works Councillors are

estimated to be union activists - Niedenhoff, 1995). However, the unions are still subject to turmoil from within on occasion by rank-and-file demands for more democracy. Demands which in the past have spilt over into direct criticism of the system of Co-determination itself. The key debate, most prominent in IG Metall in the years of heightened industrial struggle in the 1970s, has been that involving the role of *Vertrauensleute* (shop stewards) vis-a-vis the Works Councillors. The power relationship proved contentious but was eventually effectively resolved (at least temporarily) in favour of the Works Councillors, with the *Vertrauensleute* reduced to collecting subs and distributing union literature. Legal restrictions on strikes have also made unofficial strikes illegal whilst official strikes are subject to the last resort under the *peace obligation* principle. Critics have argued that this reduces the ability of workers to 'let off steam' and may store up further trouble in the future as grievances remain unsettled (Dahrendorf 1969).

Different approaches are also evident at national level between different unions. The textile workers and construction workers' unions have preferred to use the word *Sozialpartnerschaft* (social partnership) quite freely, reflecting a more collaborationist stance, whilst the metal workers and printworkers, traditionally more militant, prefer the word *Sozialpartelen* (Social parties) (Miller, 1982).

Local bargaining at plant level is restricted in scope by law, although as previously mentioned local productivity top ups can be negotiated. There is nevertheless a relative lack of numerical and financial flexibility within the system which was redressed to some extent in the 1980s and 1990s with the passage of the 1985 Employment Protection Act and the 1994 Working Time Act. The

former relaxed labour legislation on dismissal and contract requirements (in favour of employers) and the latter allowed derogations from the 40 hour maximum working week. Collective agreements, however, still place constraints in many instances on these relaxations.

Despite these internal tensions *Mitbestimmung* has proved remarkably resilient due to its relative high degree of functional flexibility, often held up as a 'model' of industrial efficiency explaining in part (West) Germany's industrial success. This success owes itself in part to the *Betriebsegoismus* (enterprise patriotism) that has dominated the actions of the union leaderships when faced with re-structuring or new working methods from employers. Streeck (1989:128-129) describes this *Betriebsegoismus* as a "...productivity coalition between management and labour at the point of production.... generally supported by the full-time union officials sitting on the industry's supervisory boards and giving advice to works councils".

Such a coalition is explained partly by West Germany's traditional exposure to the competitiveness of world markets and in particular the relative success of the economy in maintaining general levels of employment and increasing living standards, thus enabling officials to "hold the line" against dissident rank-and-file members, either by successful negotiations with management or, by utilising the unions own disciplinary rules against the dissidents. This process, claims Streeck, has led to a "virtuous circle" of an industrial strategy of upmarket restructuring and product innovation. In practical terms it has enabled trade unions to absorb moves towards flexible specialisation and the introduction of alternative production methods such as team working and quality circles, trading flexibility for limited job guarantees whilst placing issues of

'humanisation of the work process' on bargaining agendas (Breisig, 1991; Sperling, 1997). Critics of the system have argued that the Works Councillors have in effect been 'bought off' by management with company benefits which, sometimes, have also been extended to the workforce (e.g. Kulke, 1977, Erd 1978). More recent analysis suggests that the juridified nature of the system has acted in favour of employees and unions by protecting them from the worst excesses of employer power in a period when employers' bargaining power had considerably increased (Katzenstein 1989).

In summary the system of Co-determination can be said to be a highly regulated neo-corporatist system based on a productivity coalition between union leaders, major employers and the State. Certain privileges are given to the unions in return for a *peace obligation* that is policed by the union officials through the Works Councils. The system is designed to exclude 'free riding' employers who may be tempted to compete on the basis of low wages and consequently is locked in to a high skill/high wage cycle in the core industrial sectors. Changes in the late 1990s will be considered in the concluding section.

3.4 Implementation of Co-determination in the new Bundesländern

Part of the Unification process entailed a total transfer of the west German industrial relations system to the east, indicating a consensus amongst state, employers and unions of the value of the system and the wish to avoid Unification 'corrupting' or altering the institutional framework. Article 17 of the Treaty of Economic, Social and Monetary Union signed on 18 May 1990

between the Federal Republic of Germany and the German Democratic Republic stated the following:

Article 17

Principles of Labour Law

In the German Democratic Republic freedom of association, autonomy in collective bargaining, legislation relating to industrial action, corporate legal structure, codetermination at board level and protection against dismissal shall apply in line with the law of the Federal Republic of Germany.

In addition Point 4 of the *General Guidelines of Social Union* stated:

Legislation providing for special participation rights for the Free German Trade Unions' Federation (the old GDR 'official' unions), company-level union organisations and union management will no longer be applied.

The West German system of industrial relations, together with its legislative framework was thus transferred totally to the old GDR. The old FDGB unions were unrecognised and the door was opened to the recognition instead of the western based unions and employers' federations.

Works Councils

The first practical test of the transferred system was to cope with the wave of anticipated redundancies following the collapse of the GDR economic system. This period was associated

with a formative period of Works Council development whereby elections were held throughout east German enterprises to elect Works councillors. In many instances the Works Councillors came from the citizens' movements of 1989 who carried an oppositional stance to closures and redundancies but who were later replaced as Works Councillors by more co-operative individuals as a 'normalisation' process within the Works Council-management relationship was established (Martens, 1994). The process of 'normalisation' was conducted in a period of mass redundancies when pressure on company survival were acute and in effect an *Überlebenspakt* (survival pact) was often established between plant management and Works Council (Kädtler and Kottwitz, 1994).

A survey conducted of eastern personnel managers by the *Anglo German Foundation* found that 90% of the surveyed organisations had to make reductions in staffing, and by 1992 90% of these had to resort to compulsory redundancies (Hegewisch, Hanel and Brewster, 1995:6). Selection for redundancies was made through the Works Council mechanism on the basis of age, family status (married women losing out), or the likelihood of obtaining another job. The same survey reports that two years after unification almost all organisations had a Works Council, with two-thirds of personnel managers reporting relations with the Works Council as "good", and indeed less conflictual or obstructive than that to be found in the west (ibid: 11). Similarly productive relationships between Works Councillors and personnel management have been reported in other studies (Jürgens, Klinzig and Turner, 1993: 229-244; Kreißig and Preusche, 1992: 616-620). However, the *Anglo German Foundation* survey found a less appreciative role from Works Councillors themselves in the earlier years, recording complaints about management attempts to

take advantage of workers' lack of knowledge of procedure. Since then all Works Councillors , overwhelmingly union members, have undergone training courses in Works Council procedures and legislation. Help has also been provided by western union members and officials in procedural aspects.

The tensions over job losses are reported in more detail in a later section . It seems likely, however, that in the early post-unification period, anger and frustration at job losses was directed by eastern workers more at the policies of the *Treuhand* than at individual enterprise managements. The Works Council system was used to establish an orderly redundancy programme with participation from the workforce in determining social priorities.

Wage Agreements

Wage agreements were similarly brought under the co-determination umbrella. Concomitant with monetary union the central wage agreements applying to the west were introduced in the east albeit on a phased basis. The pressures for wage equalisation were clear:

- i)* The unification of the labour market meant pressures for equalisation would be inevitable, wage equalisation would also act to stem the potential mass migration of labour from east to west,
- ii)* Social equity, linked to eastern expectations of unification, meant that equalisation would help avoid unrest and future electoral unpopularity in the east as reconstruction took place,
- iii)* Sections of enterprise managers in the west may have been keen to avoid 'social dumping' in the east to take advantage of cheaper labour,

iv) Currency union was associated with the introduction of western goods at western prices in the east; this could not be sustained without enabling consumer demand to also adjust. The alternative would have been a continuation of price subsidies,

v) Union pressure to equalise wages was designed both to meet the aspirations of new eastern members and to avoid wage 'dumping'.

vi) If institutional transfer was to be viable then wage equalisation could not be avoided.

This is not to say that equalisation did not have its difficulties (Bispinck, 1993). Productivity levels were lower in much of the remaining eastern industry (see later section for a full discussion of differences), and this has caused many commentators to call for an abandonment or slowdown of equalisation. The OECD (1992 Survey), for example, has this to say:-

“If wage levels do not reflect the surplus of labour in eastern Germany, prospective levels of profitability for new investment will be lower, reducing the incentives to invest; the viability of existing plant is also affected, reducing output and employment, with consequent burdens on the social security budget, and diminishing the ability of the eastern German economy to generate domestically some of the funds needed for investment”

However, whilst there is clearly a discrepancy between east and west in terms of the wage - productivity equation some other factors need to be taken into account (see Dennis, 1993:103-109). Earnings in the west are than in the east due to local wage drift over basic negotiated rates, which, according to Herr (1992:3-4), can be as much as 20 per cent. In the east wages tend to equal the basic agreements. Many workers in the east also work longer hours than in the west and

often do not receive bonuses such as the 'thirteenth month' payable at Christmas. Despite this the general difficulties of the whole German economy after the post unification boom led many employers to attack equalisation, leading to an corresponding defence by the unions (see later section). For the time being at least the moves towards wage equalisation have continued with over 5.5 million eastern workers affected as a result. Fears of a new *Mezzogiorno* in east Germany, prompted by the prospect of the creation of a low wage, poorer and subsidised half of the country have prompted even CDU politicians such as the Minister President of Saxony, Kurt Biedenkopf, to argue for equalisation albeit on a delayed basis (to 1996), a goal which was achieved after formal discussions with the Saxony based employers and the unions (primarily the *IG Metall*). Some of the implications of the *situativer Korporatismus* (situational corporatism) are more fully discussed in a later section.

In general, the existing studies of the operations of Works Councils in the former east have come to the conclusion that they have been *formally* introduced without much difficulty (e.g. Turner, 1992; Fichter, 1996). Opinion is divided, however, as to whether they are *operating* in the same way as they are in the west, with many researchers (e.g. Jander and Lutz, 1993, Mahnkopf, 1993) arguing that the eastern Works Councillors are proving to be more subservient to management interests than in the west. Cross-country comparative research between east and west has been rare but one study (Frege, 1995) contests the views that eastern based works councillors are behaving any differently than their western equivalents.

3.5 Contemporary Pressures on *Modell Deutschland*

Having described the development of modern co-determination and the 'German Model' it is now necessary to examine some of the external and internal pressures on the Model. Changes in the forces of production are outlined and some assessment of trends in rates of profit and profitability of German industry is made in order to provide a framework analysis to understand employer and state strategic response. These are listed as problems of a) **national economic competitiveness**; b) **international financial integration**; c) **region versus state**; d) **developments within the European Union.**; and e) **new production methods**

a) German Competitiveness

Whilst distinct changes in the German system can be traced in response to declining economic opportunities in the 1970s the pace of change and challenge has been considerably greater in the 1990s. The high value, high quality niche markets based on manufacturing excellence which have been the backbone of German industrial export success have been increasingly challenged by Japanese and other far east competition. Marsh (1996) has also suggested that Unification, and the ensuing two year economic boom in Germany, have masked the need for restructuring of industry already carried out in key competitor nations. Following the post Unification boom Brenner (1998), for example, indicates that 'the growth of capital stock ...fell back, capacity utilization declined, and productivity growth languished, increasing at an average annual rate of only 1.5 per cent between 1991 and 1995'. Manufacturing output fell by 10 per cent between 1991 and 1995, while the manufacturing labour force fell by 16 per cent. Continuing subsidies to the east and a weakening of public sector finances in the post boom period exacerbated the problems of the

German economy which now have to be faced. Arguments supporting the need for change have come especially from market liberalist orthodoxy within German ruling circles at the expense of the regulatory approach. The tensions between the two have been apparent since the 1950s and were compromised as the workings of the social market economy were merged under pressure from unions and the left for social partnership. The post-war 'ordo-liberals' were concerned both to avoid the cartelisation of the pre-war period and to lay down general rules for the economic governance of the country through monetary policy and a well functioning price mechanism (Nicholls 1994). The 'social' aspect of the social market economy was always confined to a sense of 'social responsibility'. It did not mean the provision of an all embracing welfare state or progressive taxation but rather a political will to establish 'social cohesion' by excluding communism from the 'body politic' in line with the 'Christian' core philosophy of the CDU/CSU. Within ruling circles ordo-liberalism was dominant amongst the Council of Economic Experts (*Sachverständigenrat*) which gives economic advice to the Federal Government through special reports and statistical analysis. The power of this form of economic management has generally been held in check by the regulatory tradition of the trade unions and SPD and some degree of vested interest from the elite of Germany's lawyers which has lingered long in Germany expressing itself not only in co-determinative industrial relations but in terms of environmental, transport and retail legislation (including tight restrictions on shop opening hours). However, during the decade from 1980 to 1989 West Germany's annual average GDP growth rate slipped to 1.9 per cent, placing it behind that of Britain, France, Italy, Japan and the United States. The country was also faced with a decline in growth of domestic demand (partly as a result of lower birth rates) which fed through to lower levels of domestic investment and capital accumulation

thus feeding further the seeds of economic crisis (see Leaman 1997). Much has been made within debates in Germany of the various statistics such as unit labour costs which in western Germany had moved to 25 per cent above other OECD competitors by 1995; of total wage costs and manufacturing productivity (see tables 3 and 4); and of the comparative shortness of hours worked and machine running times². In particular non-wage costs to the employer (pensions, sick pay etc.) are reported to be higher than average and West German manufacturing appears to be losing the race to Japanese rivals in terms of labour productivity.

Table 3
Manufacturing Productivity: Japan and Germany
Compared to the USA
 Value Added per hour per worked 1990 (Index: US=100)

	Japan	Germany
<i>Car Assembly</i>	116	67
<i>Motor Parts</i>	124	76
<i>Metalworking</i>	119	100
<i>Steel</i>	145	100
<i>Computer hardware</i>	95	89
<i>Consumer Electronics</i>	115	72

(Reproduced from Callinicos 1994; Source: *Financial Times*, 22 October 1993)

Table 4
Hourly costs in manufacturing in industry in 1995 (US \$)

Country	Wages	Non-wage labour costs, including social security, pensions and fringe benefits	Total labour Costs
Germany (West)	25.08	20.44	45.52
Germany (East)	16.97	12.88	29.85
Switzerland	28.03	14.66	42.69
Belgium	20.01	17.31	38.32
Netherlands	19.80	15.74	35.54
Japan	20.92	14.58	35.48
Sweden	18.31	12.82	29.85
France	15.06	13.98	29.04
United States	17.76	7.42	25.18
Italy	12.27	12.40	24.67
Canada	16.91	6.51	23.42
Spain	12.17	10.16	22.33
Australia	15.97	6.07	22.04
United Kingdom	14.96	6.00	20.96
Ireland	14.73	5.89	20.62
Greece	7.77	5.13	12.90
Portugal	5.20	4.08	9.28

Source: DIW, Berlin

However, despite the evidence of cost presented in tables 3 and 4 it would be mistaken to overstate the relative decline in German competitiveness because as Goodhart (1996:38) has noted even in the recession year of 1992 Germany was still the second biggest exporter in the world and

had retained its share of world export markets thanks to an increasing share in new markets in China and Eastern Europe. In 1996 Germany was still running a trade surplus of \$74 billion compared to Japan's surplus of \$87 billion and Britain's deficit of \$22 billion. Similarly, whilst added value per worker in Germany of £30,200 is less when compared to £31,212 in Japan it is much greater when compared to £17,756 in Britain.³ Nevertheless worries over the state of the German economy and its industrial competitiveness in an increasingly internationalised economy have opened the door for a determined challenge by the ordo-liberals to key aspects of regulation on the basis that Germany is over-regulated in comparison with its competitors and this is therefore a barrier to economic health. The challenges began to gather pace in the 1980s and can be traced initially to politicians such as Lothar Späth, the former CDU minister president of Baden-Württemberg who became renowned for advocating both deregulation of working time and labour law as well as boosting the local technological infrastructure in an effort to encourage innovation and 'flexible specialisation' against what he personally saw as an ossified German regulatory culture (Späth 1985:218; Schabedoth 1991). By the early 1990s the winds of market liberalisation had become well established in Federal Government circles and in the 1993 *Standort* Report 147 measures for liberalisation were listed many of which were later included in the 1994 *Standortsicherungsgesetz* (law to secure the productive competitiveness of Germany)⁴ (Flockton 1996). In the wider public sphere German fears (and scepticism) over the 'threat of globalisation' were made even more explicit in the best selling book by two *Der Spiegel* journalists entitled 'The Globalisation Trap'.⁵ With such a head of steam Chancellor Kohl felt confident enough in his April 1993 speech in the Bundestag to suggest that Germany was currently organised like a 'collective leisure park'.

b) International financial integration

One of the distinctive characteristics of the 'German Model' in wider terms has been the *Hausbank* system whereby local and regional banks act as 'stakeholders' in industrial concerns. The involvement of the banks as investors and actors on supervisory boards has been argued to add to the long termism and financial stability of German companies (e.g Dyson 1996), and has developed on the strength of the exceptionally high savings rates of the West German population (Streeck 1997). As such this system has agued to be a key factor in (west) German economic success and prosperity. However, the 1970s saw the emergence of increased liberalisation of world financial markets with the breakdown of the Bretton Woods Agreement and renewed efforts by major companies to expand production and markets. The Federal Republic, alongside the United States, Canada and Switzerland, was, in fact, one of the first industrialised countries to abandon controls on capital movement in 1970 but it has not been until recently that German financial markets have opened themselves up and integrated themselves fully into world financial markets. The consequences of this process for the stability of the 'model' are considerable and can be summarised as follows:

1] an increased likelihood of hostile or mutual takeover (which has the potential to upset organisational culture and industrial relations strategy). This has largely resulted in German based take-overs of some importance (e.g. VW 's purchase of Audi, SEAT, and Rolls Royce; BMW's purchase of Rover.; GM's merger with Daimler-Benz) as well as German-German take-overs and mergers (e.g. Hoechst-Thyssen).

2] an increased likelihood of German companies investing abroad as opposed to within Germany (thus placing pressure on German unions to involve themselves in concession bargaining). The gap between direct investment abroad and inward investment (by foreign firms in Germany) widened by 1995 to a record 37 million DM (Leaman 1997) and since 1990 investment abroad has outstripped investment at home by a ratio of 9:1 (Marsh 1996). Interestingly, much of the German investment has bypassed not only the eastern *Länder* but also traditional areas such as the US, Latin America and Asia and gone instead to eastern Europe (*Die Welt*, 9.4.1997).

3] an increased likelihood of foreign investment in equity shares through the German Stock Exchange at Frankfurt. By 1996, 40% of investors in Frankfurt were foreign investment banks, pension funds and other finance houses (Leaman 1997: 102). To aid this process the Frankfurt Stock Exchange linked up (electronically) with the London Stock Exchange in 1998. Daimler-Benz, as an example, is now also quoted on the New York Stock Exchange and Siemens are preparing for entry to the London exchange. Firms generally are beginning to adopt internationally recognised accountancy systems such as GAAP and IAS in an effort to increase transparency and attract foreign funding (e.g from US based pension funds). Deutsche Bank has also linked up with the London based Morgan Grenfell merchant bank. These processes have the effect of weakening 'stakeholder' culture at the expense of short term 'shareholder' culture as finance is obtained through equity issue rather than longer term *Hausbank* credit, and is thus likely to leave less room for consensus based company level decision making.⁶

4] the internationalisation of Germany's financial base leaves less room for nationally based policies aimed at maintaining social cohesion and the institutions of the *soziale Marktwirtschaft* (Streeck 1997: 242). This is because policy objectives are more constrained than otherwise by

international exchange rates and financial movements and less influenced by nationally based fiscal and monetary policy frameworks. The egalitarianism associated with the German Model in terms of income distribution, for example, is a product of negotiation between unions and employers within the institutional framework. The opportunities for nationally based outcomes are now less, and consequently the scope of negotiations for the social partners is more restricted.

c) Region versus State

There is evidence emerging since Unification of strains and tensions between the *Länder* over how the costs of Unification should be shared which might begin to seriously challenge the polity between centre and region and lead to a 'permanent loss of substance' of co-operative federalism (Sturm and Jeffrey 1993) and a move towards more orientation upon the federal political centre (Sharpf 1994). Disparities began to emerge between the West German states in the 1980s as a result of the growing economic divergence between the 'rust belt' states of the north and Ruhr and the southern 'blue chip' states with high technology based rather than heavy industry and coal. This placed strains on the system of financial equalisation whereby richer states cross subsidised less rich ones. Unification would have exacerbated the problem considerably as the economic spread of wealth between the states widened considerably overnight. As Paqué (1996) highlights :

....bringing eleven states to the bargaining table to agree a system for the equilibration of fiscal capacities is politically difficult, but not quite impossible when the states in question have per capita income levels that do not deviate by more than, say, something between the five to ten percentage points from the average as was the case in the West

German past. Getting 15 or 16 states round the table to do the same thing will be much more difficult given a situation in which the larger number of them has income levels which are between 30 and 40 per cent higher than those of the others.

A debate on reform of the equalisation process has been taking place within Germany but the room for compromise has been severely severely narrowed and the geo-political possibility of a fracturing of employers' interests comes on the horizon. Within the framework of collective bargaining this is beginning to happen with eastern *Länder*. An example is Saxony, under the leadership of CDU member Kurt Biedenkopf, who was prepared to seek short term alliances with unions and employers in the state in an effort to stave off Federal government inspired cuts and closure programmes (Bluhm 1995)⁷. Metal employers in the east have also established their own employers' association, *Ostmetall*, covering Saxony, Saxony-Anhalt and Thuringia, with one objective to negotiate regional based agreements outside of the main *Gesamtmetall-IG Metall* framework.⁸

e) Developments within the European Union

Developments in the regulation approach of the European Union will have possible impact on a united Germany. There is mixed academic opinion as to the effect of European Union deepening on German regulatory programmes, with particular interest in the possibility of 'social dumping' within the Union away from the 'high cost' and regulated German economy (e.g. Streeck 1992). However, Sadowski *et al* (1994), in a review of these debates, generally discount such fears arguing instead that unification and recession are having a larger effect on German industrial

relations than any single market effect. Even if regime competition emerged as the dominant trend within the EU it could still be argued that the quasi-corporatist system of industrial relations in Germany was an *asset* rather than a liability to employers (see Nagelkerke, 1995, for a discussion of alternative EU regulatory scenarios). Moves towards more European wide regulation might also serve to strengthen the position of German employers *vis-a-vis* their EU counterparts as ‘floors’ of rights are introduced in other countries which narrow differences between non-wage social costs in Germany and the rest of the EU. Evidence of some comfort and support for EU regulatory approaches can be seen in the 1998 on European Social Policy of the German Employers’ Federation (*BDA*), which argues for both uniformity and ‘benchmarking’ of social policy norms throughout the EU as well as an extension of the Social Dialogue.⁹ The establishment of the single currency is also likely to increase transparency of wage differences between member states, placing further pressure on German unions within the (relatively) high wage structure .

Within the political process, however, one problem posed by European Integration is the transfer of powers to European Institutions which have their base within federal states. As yet regional states within the EU lack full constitutional rights and this has led to efforts by the German *Länder* to secure some form of input into EU decision making by way of direct access to EU policy making bodies (Jeffrey 1994) including successful negotiation of a *Land* veto over all future transfers of sovereignty to the EU. Despite this ‘united front’ success of the pan-German *Länder* clear differences exist between states in the west and east (with, for example, the eastern

states only qualifying for EU Objective 1 status). Tensions, therefore, continue to exist within the federal system.

f) New production Methods

New methods of working, in the main associated either with 'Japanese' production methods or US inspired human resource management, might also be expected to place competitive strains on German working procedures. In terms of HRM, or 'participatory management' as is the preferred term within Germany (Jacobi, Keller, Müller-Jentsch 1998:214), there is evidence of generally successful introduction of both teamworking and Quality Circles, albeit with a heavy accent on direct participation utilising the existing employee representation channels. The evidence on Quality Circles would show that after initial difficulties they have now been largely accepted by Works Councils with an estimated 15 % of all manufacturing companies having introduced them (Dreher et al. 1995).

Teamworking has been increasingly introduced in the 1990s after some history of failure in the 1970s. A survey conducted by *IG Metall* indicates that 22 % of auto workers now work in teams (Sperling 1997) whilst a case study of the auto industry by Murakami (1995) indicates a divided opinion of workers as to the effects of teamworking, with one half surveyed believing teamworking acts to aid management but with many believing it helps workers as well. At the very least teamwork discussion meetings appear to have opened up discussions on the effects of Taylorite and Fordist production methods amongst the workforce (Murakami *ibid*). Overall, Murakami concludes that 'acceptance and legitimacy' of teamworking at Opel, for example, is

'quite high'. Sperling (1997 *ibid*) also reports that, in most cases, management and Works Councils have signed agreements on teamworking to provide for extra time for discussions, the right to elect team leaders and better pay for more integrated and complex work tasks. In general, at least in the western states, the evidence would suggest that for both QCs and teamworking successful introduction has occurred on a bargained basis, with some concessions being given to the workforce as the price for their introduction. New skills have also been incorporated into the collective bargaining framework (Lane, 1995).

The evidence concerning some non-participatory new work methods associated with *lean production* is more contentious. Whilst teamworking and quality circles are usually associated with lean production the form of production itself also entails integration (rather than separation) of design and manufacture as well as reductions in stocks and inventory as a means to speed up work and cut down on 'wasteful' time and production. As such there is strong evidence to suggest that lean production has the net effect of intensifying work to the benefit of the employer and disbenefit of the employee. Research by Herrigel (1996) suggests that German unions have resisted lean production on the basis that it blurs and obscures occupational identities and employment practices (particularly with respect to teamworking). However, Müller-Jentsch et al. (1992) assess that trade unions at a national level are managing to contain the problem by reconciling craft skills with new work practices. In terms of the employer strategy, Jurgens (1992 in *ibid*), makes the point that German employers locating abroad invariably establish lean production methods rather than craft based methods (although this would also be a function of the relative lack of craft systems outside Germany).

Further discussion of the effects of lean production on the German 'model' is provided by Teague (1997) who argues that teamworking is likely to be a deep threat to the craft way of working within the model, as well as a potential threat to the associated 'professional' model of skill and status. Skill structures resulting from lean production also reinforce the skills necessary for internal labour markets as opposed to the transferable skills currently geared through training systems to the external labour market. This in turn has implications for the institutional framework of the 'model'.

The net effect of new methods of work on the German system thus remain contradictory. On the one hand there are distinct pressures to intensify work and break down craft divisions by teamworking which have institutional implications. On the other hand it can be argued that so long as new forms of working are negotiated and agreed, and tied in with the existing collective bargaining framework, then they can be contained and could even augment the system of 'product innovation' earlier identified by Streeck. Evidence from individual employers would suggest that, in recent years, there has been an increase in worker productivity associated with new forms of work organisation entailing elimination of waste in production processes as well as work intensification and staff reduction. Siemens, for example, claims a fourfold increase in productivity in its telephone manufacture division as a result of new production methods (*Financial Times*, 29/5/98 'Turmoil and Paralysis'). One of the by products of the new wave of industrial restructuring has been an increase in unemployment caused by the shedding of over 2 million industrial manufacturing jobs in western Germany in the six years between 1991 and the

summer of 1997. The resultant increase in registered pan-German unemployment to approximately 4.5 million (summer 1998) in turn has placed further pressure on the German 'model', both in terms of increasing the numbers of those individuals 'excluded' from its benefits, and increasing pressures on the state to finance the costs of social payouts to the unemployed.

3.6 The example of the German auto industry (short case history).

The German auto industry has long been a key industry in the (west) German economy, employing 900,000 in the country in 1990, and had a substantial base inside the GDR prior to Unification (Trabant and Wartburg). The industry has also been highly exposed both to the pressure of external competition (mainly from Japan and the far East), from currency fluctuations, and from internal changes to work organisation and production methods (just-in-time, lean production and outsourcing).

One of the outcomes of these pressures has been that the individual German based companies have sought to expand their financial base by releasing equity shares on international stock exchanges (e.g. Daimler-Benz in New York) and revising their systems of corporate governance and Supervisory Board powers accordingly. Other companies, such as BMW and Porsche, still remain very much in the hands of individual families. Within (west) Germany the industry has also spanned a cross section of markets, with 'southern' based producers such as BMW, Porsche and Mercedes-Benz traditionally concentrating on upmarket and niche markets, and 'northern' based producers such as VW, Opel and Ford (Europe) concentrating on the family mass market.

For these reasons a review of developments in recent years may add useful insights to the process of change.

Volume Changes and Market Shares

In the period from 1989 to 1994 the number of new registrations of some of the main car producers changed as follows:

Table 5: New Registrations of Selected manufactures of passenger cars in Western Europe, 1989-94

	1989	1991	1994
Volkswagen	1,349,556	1,444,023	1,296,674
Mercedes-Benz	423,423	450,503	416,355
BMW	374,565	411,780	386,370
Audi	358,729	393,873	310,036

Source: Impact on Manufacturing: Motor Vehicles, Single Market Review, Volume 6, Kogan

Page, European Commission, 1997 p 183

Car registrations are particularly subject to the business cycle and the decrease of registrations over this period was a common pattern for all EU car manufacturers. However, the rise in German based manufacturers' registrations between 1989 and 1991 was a distinguishing feature, reflecting in the main the opening up of the east German market and a general consumer preference (backed by marketing access) for west German manufactured cars. Most other non- German EU based manufacturers in similar market segments (e.g. Fiat, Peugeot, Citroën, Rover, Volvo, Lancia, Alfa

Romeo, Saab) all experienced a *decline* in registrations between 1989 and 1991 as well as in the period 1989 to 1994. Only the Japanese and far east based companies (Hyundai and Honda) managed an increase in registrations between 1989 and 1994.

In terms of world market share German marque cars have had a mixed experience between 1989 and 1993 as the following table shows.

Table 6: World market share (%) by selected marque and group, passenger cars, 1984-93

	1984	1989	1993
Audi	1.14	1.11	1.07
BMW	1.40	1.40	1.59
Mercedes	1.67	1.59	1.40
VW	5.41	6.20	6.20
All EU marques	29.99	31.52	28.80
American	38.89	31.09	30.24
Japanese	24.88	29.45	30.83
Korean	0.52	2.47	4.74

Source: (as above) p.185

As can be seen from the above figures two of the major manufacturers, Audi and Mercedes-Benz, lost market share in the period under review whilst two others, VW and BMW managed to

increase share. Continuing (but stabilising) competition from Japanese manufacturers was joined by a small but rapidly increasing share from Korean and a declining share from American manufacturers. To a certain extent German car manufacturers were in crisis in the early part of the decade as the earlier effects of the post Unification boom turned to recession in the face of both a continuing high DM value and with what, the employers perceived to be excessively high wage costs. Unit labour costs, however, remained more favourable to the German manufacturers due to continuing high levels of productivity.

Some German manufacturers have altered their market orientation in recent years as a response to increased competition. For example, Mercedes-Benz have successfully introduced its new E-class and are continuing with efforts to launch a downmarket family based A-class car. BMW remains almost a special case, two thirds of its cars sold are 'company' cars and one third sold are in Germany, hence efforts to diversify signified by the purchase of Rover.

Strategic Alliances

The motor industry generally has responded to increased international competition and developing over capacity by a series of joint ventures, mergers and take-overs, prominent amongst which have been German based manufacturers. In particular the German companies have been active in take-overs of former east European car manufacturers, and in establishing licensing arrangements in the far east, thus creating the opportunity to manufacture overseas instead of Germany, and as a consequence employers have placed themselves in a position to engage in 'concession bargaining'

with unions. It is now conventional practice to supply parts to German factories from cheaper countries abroad for all but the upmarket brands. For example the new VW Polo, although assembled in the Wolfsburg plant is now half made abroad (Martin and Schumann 1996). Job cuts have also been prominent in the manufacturers' strategies, with 300,000 jobs cut in the auto sector between 1991 and 1995.

The *VW-Audi Group* (VAG), for example, now has a 70% share in Skoda (Czech Republic), and an 80 % share in Bratislava SPOL-SR (Slovakia) as well as a 25% share in FSR (Poland). Outside East Europe VW has 50% holdings in China Cars, 50% in Auto-Europa (Portugal) and 51% in Autolatina (Argentina) and owns SEAT (Spain). Factories have been opened in Mexico and Brazil although a factory in USA was recently closed down. Within the former GDR , VW has built a new factory producing Golfs at Zwickau employing mainly ex-Trabant workers and GM-Opel has taken over the Warburg site at Eisenach to produce the Corsa. *Mercedes-Benz* has a majority share of Swatchmobile Cars (Switzerland), and has licences to manufacture with agencies in S.Korea, Taiwan, Sri Lanka, India, South Africa, Phillipines , Australia and New Zealand. The *BMW* Group now owns all Rover (UK), and supplies Rolls Royce with engines and components- a continuing arrangement despite VW's successful attempt to buy RR in 1998. *BMW* has also opened a factory in the USA manufacturing sports cars.

Changing Working Practices and Pay Arrangements

A further response to the changed competitive environment has been efforts from the mid 1990s onwards to introduce lean production, just-in-time techniques and to outsource some aspects of

production. Outsourcing of production has also resulted, in some instances, in a revision of the associated branch collective agreement, thus ‘freeing’ employers from the more restrictive negotiating position of *IG Metall* in the metal industry agreement (*see Parts Four and Five for more detailed accounts of changes in wage agreements). A summary of such changing practices is as follows:

Table 7: Changing Work Practices in the German Auto industry

Company	Changes
<i>VW/Audi (100,000 German employees)</i>	Rescheduling of supplier contracts based on cost. Introduction of new working year contracts (the ‘Working Time Shareholding System’). Shift of production to east Germany and Slovakia (VW) and Hungary (engines for Audi) Early retirement at VW Reduction of number of manufacturing ‘platforms’ to just 4 to cover Golf, Audi A3 and Skoda Oktavia.
<i>Opel</i>	Introduction of ‘working time corridors’ to match supply and demand. Holiday bonuses linked to rate of absenteeism (claims to have cut absenteeism by 50%).
<i>Daimler-Benz (210,000 German employees)</i>	Introduction of new M-class built entirely in USA. Large cuts in workforce. Flexible working time including Saturday shifts. Establishment of new ‘lean’ plant at Rastatt Target pricing introduced instead of post production pricing
<i>Ford (34000 German employees)</i>	More holidays in exchange for less pay. Cuts in overtime and Christmas pay. Cuts in costs equivalent to 3 per cent of turnover in 1997. Cuts in retirement pensions
<i>Porsche</i>	Japanese advisers called in to re-engineer production methods.

Source; *Financial Times*, 27/3/98, 18/11/97, 5/11/97, 28/4/97, 23.4/97; *Lean Production in der Automobile Industrie*, 1992

The combination of staff cuts, financial and work restructuring and a recent fall in the value of the DM has resulted in a sharp turnaround in the profits of most of the German based auto manufacturers. Output per employee at Audi rose by 45 % between 1993 and 1996, and that of BMW, VW and Porsche has increased by more than a third (*Financial Times*, ‘Germany Revs

Up' 27/3/98). The threat of moving production abroad has enabled the car employers to gain concessions from the unions on a number of fronts. Daimler-Benz, for example, achieved drastic changes in workforce flexibility when it finally decided after facing down the union to build its new A- class saloon in Germany rather than abroad. The works agreement at VW's plant in Zwickau in the east allows for considerably more flexibility than that at Wolfsburg (see detail in Part Four). Major disputes have arisen over revisions to working time at VW in 1995 and over sick pay at Daimler-Benz in 1997. However, the industrial relations atmosphere remains dominated by fears of job insecurity and the effects of both outsourcing and lean methods of production. This has caused *IG Metall* to engage in a period of wage moderation in the 1996 bargaining round which set pay rates to the end of 1998 (see Part Four and Five for more detailed assessments). The recent upturn in profits and productivity, and with it enhanced competitiveness of the car manufacturers may, however, establish a different bargaining climate for the next round of wage negotiations.

Assessment

The response of the German based auto manufacturers to declining competitiveness has therefore been threefold;

1] To seek to deepen integration into the world auto production market by a process of strategic alliances, joint ventures and take-overs. This has been accompanied with a move to alternative and internationally recognised accounting systems which has necessitated a revision of corporate governance. This has led to a downgrading of the 'stakeholder' approach long associated with the German 'model' in favour of the 'shareholder' approach of the anglo-saxon model of capitalism.

2] To seek to revise working arrangements in an effort to both intensify and extensify exploitation. This had led to confrontation with the unions on a number of fronts.

3] To seek to outsource some production in an effort to emulate 'lean production' methods. This had had the by-product of further fragmenting the collective bargaining framework within the industry.

4] To shift some production eastwards to the new *Länder* or to eastern Europe (e.g Hungary, Czech Republic) in order to cut wage costs. This has placed pressure on (west) German based workers and challenged the consensus approach of industrial relations within the industry .

In effect the above four changes have worked to undermine collective bargaining to the detriment of organised labour and to challenge the consensual approach to corporate governance long associated with the German 'model'. This challenge is a direct response to declining relative productivity growth in German manufacturing in the 1990s, and its associated relative rise in export prices on the world market. The combined effect of these problems, according to Brenner (1998), left little leeway for German manufacturers to solve their problems by raising prices, so a direct attack on labour was inevitable. This attack sought to restore levels of surplus value and company profitability by either extensifying exploitation by lengthening working hours (annualised hours, Saturday working, abolition of overtime payments etc.) or, by intensifying exploitation by the introduction of new working arrangement such as lean production and team working.

Notes

1. Böckler had maintained contact with other former trade union and SPD officials after 1933 in his guise as a travelling lingerie salesman, an ideal cover to travel the country and avoid arrest by the Nazis!

2. A Survey on Germany in the *Financial Times* of 25 October 1993 recorded that in 1992 the average German worked 1400 hours in 1992 compared to 1900 hours in the USA and 2080 in Japan. As regards machine running times these averaged 53 hours a week in west Germany, 74 in the Netherlands and 77 in Belgium. Germany has also slipped down in published 'league tables' of industrial competitiveness in the 1990s. For example the Lausanne based Institute for International Management placed Germany at 14th. place in 1997, slipping from 10th. in 1996.

3. Quoted in 'Let's dig deeper behind this black propoganda' by Will Hutton in *The Observer*, 26 January 1997.

4. The *Standort* Reports refer to the position of Germany as a nation of industrial competitiveness and a location for investment.

5 H-P. Martin and H. Schumann *Die Globalisierungsfalle: der angriff auf Demokratie und Wohlstand*, Reinbeck bei Hamburg, Rowohlt, 1996

⁶ 'Shareholder value revives in Germany's graveyard' *Financial Times*, 20 November 1996

7. The 'Atlas Project' in Saxony was led by Biedenkopf in alliance with local employers and the IG Metall and was designed to change the policy of the Government established Treuhand privatisation agency to allow local state subsidies to be given to local industry to prevent or stave off threatened closure.

⁸ 'Ostmetall and Christian Metalworkers' Union conclude innovative package of agreements' *eironline*, June 1998

⁹ *Europäische Sozialpolitik - Die Perspektive der Arbeitgeber*, BDA, Cologne, 1998

PART 4

UNIFICATION

The purpose of this section is to provide an analysis of the process of unification and its potential impact on the practice of industrial relations in both the east and west. A contextual description of the unification process is given as it is important to understand the underlying economic difficulties of the former GDR in order to appreciate the dynamics of the restructuring process that followed. One aspect of key interest is the development of expectations of easterners in the period following unification, measured in part by evidence of social unrest and disorder. Some theoretical interpretations of the unification process that have emerged since 1990 are then briefly reviewed before assessing key developments in industrial relations in the new *Länder* before and after unification. Finally, a case study based on primary research in the secondary education sector is presented in an attempt to test some of the theoretical approaches.

4.1 Theoretical Problems of Unification

At this point it is necessary to reflect on some of the theoretical issues that have emerged since the unification process, particularly as they regard industrial relations. The various theoretical issues can be grouped into three key areas, these are problems of *uniqueness and colonisation*; *the viability of transference*; and *orientations to work*.

Uniqueness and Colonisation ?

Wiesenthal (1994) has argued that the east German case is 'unique' amongst countries of the former Eastern Bloc in that the population was not prepared for the immediate 'shock therapy' of worsening economic conditions following market liberalisation and industrial restructuring.¹ Instead the expectations of easterners were geared to rapid economic progress as they were to be united with the richest country in western Europe and were given political promises by west German political leaders that nobody would be worse off and most would be better off with unification. As has already been argued the realities of unification have been somewhat different and, to date, the expected improvements in the economy have been confined to a minority of enterprises and sectors; unemployment remains high as the three million (mainly production based) jobs lost in the east since unification have failed to be replaced by new ones in the same or other sectors². The general sense of job insecurity, combined with disappointment at the immediate outcome of unification, has led both to early protest at the policies of the *Treuhand* privatisation agency and frustration with a feeling of 'westernisation' of what might have been perceived to be positive aspects of the former GDR. Some critics of the unification process (if not unification itself) go further and argue that the former east has suffered from 'colonisation' by the Federal Republic and that as a result the experience of unification has been negative and destructive (Behrend *et al*, 1995). With respect to teachers the alteration in status and the negation by the Federal Republic of their former qualifications has also led to some disorientation and self questioning of their role (Lenhardt *et al*, 1992; Koch, 1992; Hoyer, 1996). Such negative views are not necessarily majority opinions within the former east, offset as they are by positive experiences of new opportunities to travel, to

change jobs, to express political views freely and, for a minority at least, to make good money in the open market economy. The Federal Government has also met some of the problems of unification by a programme of subsidies to the unemployed and (latterly) to private industry in an effort to offset potential causes of 'frustrated expectations'. However feelings of discontent represent a considerable undercurrent of opinion that is repeated in numerous attitude surveys whereby the majority of easterners express different views from westerners about a range of issues connected with personal and economic prospects.³

The Viability of Institutions

The economic and political difficulties following unification have led other commentators to question the efficacy and viability of the rapid transference/imposition of institutional arrangements on the east given the different historical and cultural development of the GDR over the previous 40 years (Lehmbruch, 1994: von Beyme, 1994). In industrial relations the system of *Mitbestimmung* is dependent not only on the active participation of peak organisations in collective bargaining but also on the acceptance and understanding of the role of Works Councils (and Works Councillors) at the workplace (Kreißig and Preusche, 1992: Lohr *et al*, 1995). The experience in eastern Germany since 1990 in the private manufacturing sector has been mixed, and has been referred to in some detail. Within the public sector circumstances have been somewhat different as the central privatisation work of the *Treuhandanstalt* has not been an issue. Other concerns have been dominant, such as purges of ideologically 'unsound' functionaries from the old regime and redefinition of the value and usefulness of GDR State qualifications in a unified Germany dominated by West German

approaches and standards. The establishment of local and regional government structures has also proved difficult with problems of shortage of experienced and knowledgeable legal personnel within the east (Osterland,1994). In the initial post-unification period there was an active interest in the new local government by activists within the citizen's movements which came to the fore in 1989. However, the activist spirit of 'Round Table' discussions dominant in 1989/90 soon clashed with the concept of representative democracy required within the west German system and, according to Berking and Nickel (1991), led subsequently to discontent and withdrawal for many as the 'false promises' of politicians amidst the reality of unification began to sink in. Part of the process of establishing local government also involved the drafting in of western officials to run the local councils . By mid-1992, Götz (1995) calculates that some 8400 western *Länder* officials were working in eastern partner administrations, mostly in senior positions. Wiesenthal (1992) describes this as a period of some danger or as a 'representative democracy in an apathetic society', fed by suspicions of 'colonisation' against increasing anger and frustration which could easily feed the growth of an anti-democratic far right.

The difficult transition in local government has many similarities with that of industrial relations. The problems of 'institutional transference' have applied to both the i.r. system and the integration of public sector management which raise issues of 'norms and values' and their applicability in the new eastern Germany. With respect to *Mitbestimmung*, for example, it has already been argued in an earlier section that Matthies et al. (1994) , for example, conclude that it is likely to be difficult to transfer the institutions to the east simply because they are so bound up with the 'normative working relationship' established quite separately under different

historical circumstances in the west. Martens (1994) goes even further in arguing that what might be occurring is an '*easternisation*' of the west (in industrial relations practices) rather than *vice versa* as employers use the east as threat against western workers and press home their bargaining advantage by introducing new working practices and arrangements and attempting to lower growth in real wages in both east **and** west. The evidence for these assertions will be examined in more detail in the concluding section.

Orientation Towards Work

The question of determining any link between the 'normative working relationship' and the acceptance or otherwise of institutional arrangements and political processes is therefore of considerable interest. The 'normative working relationship' is likely in itself to be difficult to describe, consisting as it does of conventions and attitudes which may not be either quantifiable or consistent over time or place. If a link between institutional legitimacy and 'norms' is assumed it also implies a pluralist (or 'Parsonian') perspective whereby the institutions of industrial relations (as procedures of joint regulation) are accepted by the majority of participants and leading 'actors'. This assumption clashes with Marxist interpretation whereby the rules and procedures of industrial relations regulation are little more than a reformist veneer designed to maintain existing property relationships and the authority of collaborative trade union leaderships over the rank-and-file. Debates over 'normative working relationships' therefore must be seen within perspective, as outlined in Part One. Nevertheless it is apparent that attitudes and orientation towards work and authority were *shaped* in different circumstances in the case of the 40 years existence of the old GDR and the FRG, and

consequently eastern *expectations* of westernised workplace relationships and ‘norms of behaviour’ may or may not have been realised after unification. Bluhm (1995), has identified three significant changes that were likely to affect eastern workers in the transformation - *first*, the *concept* of work and its value in society was challenged as unemployment became an everyday experience in contrast to the officially ‘fully employed’ GDR ; *secondly*, the dominance of factory work, and its status within the GDR political culture, was challenged as jobs in the service sector became more prominent in the market economy; and *thirdly*, the quick decline of mass production as a work production method became apparent as many of the old *Kombinate* were closed down or broken up into smaller units. Within the public sector ideological purges of leading officials led to a series of dismissals. In education a number of research institutes have been closed and educators in general (including teachers at the secondary level) have suffered from their GDR based qualifications being refused recognition by the Federal republic (Behrend,H, 1995).

Other studies have concentrated on different perceptions of easterners and westerners towards work in general and to trade unions and have been analysed earlier in this section. For example, the ‘labelling’ of eastern workers as ‘lazy’ and unable to cope with western working methods that arose within the German media prompted an article by Müller (1993) refuting the stereotyping. Irrespective of the validity of this stereotype the series of interviews conducted by researchers (Hondrich et al, 1993) appeared to confirm that ill-feeling had resulted between eastern workers and western trade union officials as a direct result of such labelling. This is not to say that there is a general dissatisfaction or unwillingness to become a union member in the

east, but rather that easterners joining unions have experienced particular problems which have tested their membership resolve. There has also been much written about declining collectivist attitudes and personal retreats into individualism in the new Länder (e.g. Jander and Lutz, 1991) as well as comment on the lack of a voluntary collective tradition amongst (former) GDR citizens (e.g. Eidam and Oswald, 1993). In contrast Frege (1995, 1997) has criticised much of this writing for its lack of empirical evidence and in her own studies of eastern textile workers (compared to their western equivalents) has found a *continued willingness* to participate in trade union activities and a continuing *commitment to collectivism*. Whilst membership of unions has declined in the east since 1990 it must also be remembered that there has been a parallel decline in the west. Outside the specific field of workplace based attitudes numerous other surveys of more general opinion continually highlight differences in attitudes between east and west which clearly indicate problems of acceptance of the effects of unification throughout German society.⁴

4.2 The Economic and Social Impact of Unification

The Motor of Transformation

Many of the difficulties facing the East German economy on unification were associated with the cumulative inefficiencies of the command economy and its associated industrial structure. These difficulties were compounded by the low level of technology and poor infrastructure. In addition, the general decline in the health of the world economy meant that the prospects for recovery were slim. The early decades of economic expansion in the East German economy (when growth rates outstripped the West) were over. The economy was showing signs of strain

by 1980 when earlier growth rates were reversed and the annual GNP growth was estimated by the American Central Intelligence Agency to have fallen from 2.3% (1976-80) to 1.9% (1981-85). In the following years growth rates never exceeded 1.7% and fell to 1.1% in 1989. The GDR official estimates for the same period were higher than the CIA ones but these too showed a decline from 1984 onwards. In order to compete in an increasingly globalised economy, the East European economies, based as they were on a protected market and subsidised price structures, needed to force through a rationalisation and restructuring process similar to that begun a decade or so earlier in the West. Direct competition with the West was inevitable as the logic of the Cold War had meant an emphasis on the accumulation of capital for investment in heavy industry in order to compete militarily with the West. As the world economy also became more interdependent and specialisation of production took place on a world scale through the agency of multinationals, the closed nature of the much smaller eastern bloc also exacerbated the structural inefficiencies, a problem made more acute by the slowly increasing trade that East Germany had made with the West.⁵ Indeed, there is evidence to suggest that such difficulties became all too apparent to sections of the ruling groups within the East European states until, pushed also from below, it became a viable option for some sections of the *nomenklatura* to step sideways from command to market economy, not just in terms of ideology but also in terms of direct personal interest in becoming new owners and entrepreneurs within east-west market capitalism. This "migration of the bureaucracy" has been well documented by Hankiss (1991) and others in the case of Poland and Hungary, but it has not been so easy in East Germany, where absorption into an already existing western power was unique.⁶ Nevertheless, within the GDR the crisis of the 1980s had begun to strengthen the

short term contradictions of the eastern economy; the foreign debt accumulations looked impossible to pay off whilst the GDR was effectively frozen out of large areas of world trade. Even the privileges of the bureaucracy became threatened as cutbacks were made necessary. The jump towards a market economy thus became a serious option, especially when pressed from below during the heady days of 1989. As the bureaucracy had control over decisions within the production process they would be well placed to maintain that control and to use their position to benefit as new owners in any transformation. It is also an enlightening point to note that an estimated two-thirds of the former SED membership - the old Communist Party in the east - voted for the Christian Democrats in the first elections after the Wall fell (*Financial Times*, 27 October 1990). A point from which one commentator (Haynes, 1992) has concluded that, rather than pure opportunism, this process of 'migration' represents a placement by sections of the old ruling class into their 'natural political homes' (although it must also be recorded that 51.2% of "working class" voters in east Germany also voted CDU in the 1990 elections). Within postunification Germany the extent to which the ex-Eastern elite has managed to step sideways has been the subject of much debate. An article by Ferdinand Kroh (1992) draws together some of the evidence and claims a 'network' of old *nomenklatura* continued to operate in the east, centred mainly around the sale of the myriad of former *Stasi* enterprises which subsequently became holding companies to purchase privatised firms from the *Treuhandanstalt*. Despite complaints to the *Treuhand*, the process of investigating such 'business crimes' proved extremely difficult.

Models of Transformation

Two alternative economic models were considered by many analysts to be possible for the united Germany. Firstly, there existed the possibility of a new 'economic miracle' similar to that in West Germany in the aftermath of military defeat and physical devastation. The low level of infrastructure and a slimmed-down industrial base could provide the possibility of an economic take-off fuelled by demand and investment, not unlike that experienced in the NICs such as South Korea or Taiwan.

Secondly, a programme of economic aid combined with some internal population migration from east to west could create a balance in the whole economy, which would sooner or later smooth out, or at least contain, the economic disparities between east and west. This model assumed a process similar to that existing in Italy (a *Mezzogiorno* model) whereby the permanent underdevelopment of the south (or the east in the case of Germany) exists side-by-side with a prosperous region and labour migration from the poor half to the rich half corrects the inbuilt economic imbalance. The consequent relative backwardness of the poorer region is contained by state transfer payments generated within the prosperous region. Although not as optimistic as the first scenario, this second model at least provided a solution to the economic problems of unification, albeit at the expense of a continual barrage of economic transfer payments. The chosen path of the Bonn government leaned towards the former model by including an implicit desire to equalise the wage structure over a phased period, between east and west, in order to prevent labour migration and standardise wage costs. Social security and legal institutions, as well as the twin aspects of Co-determination and Works Councils

associated with the western industrial relations system, were to be directly transferred to the east. Transfer payments directed via the *Treuhand* and other state institutions were aimed at keeping the economy afloat whilst the restructuring period of transformation took place.

It had been anticipated that a wide scale collapse of much of the eastern economy would occur.

Indeed, one role of the *Treuhand* was to instigate a process of rationalisation and supervise closure of unviable state concerns. What was not anticipated was either the sheer scale of the collapse or the extended nature of the transformation period. Industrial output in the second half of 1990 fell by one half from the previous year and continued to fall through to 1992. It had been assumed that between 50 and 70 per cent of east German industry would survive, but so far less than 25 per cent has proved viable.⁷ The difficulties led the Kohl government to rework assumptions as to the expected period of depression. The 'green shoots of economic recovery' in the east have been few and far between confined primarily to the construction and private service industries.

Underlying Structural Deficiencies

At the time of unification four major problems confronted the east German economy.

First, the existence of low levels of productivity associated with backward technology on a factory by factory basis when compared with future western competitors. The Federal Bureau of Statistics estimated that in 1991 labour productivity in east Germany stood at 32 per cent of the level of western Germany. A study by George Akerlof et al (1991:1) at the University of Berkeley, California estimated from former GDR figures that before currency union only 8 per

cent of east German workers were employed in viable enterprises on an average cost basis. Despite the fact that east German productivity levels were high in East European terms, and even were fairly well placed within world terms, they still were not sufficient for firms to compete once the tariff barriers were lowered and East Germany entered the world economy on an unfettered basis.

The problem was compounded by the agreements to raise wages in the east to western levels in a phased period, thus raising unit labour costs. Polish wage costs, for example, are one tenth of west German. The arrangement to equalise wages over a four to five year transitional period was aimed both at preventing skilled labour migration from east to west and creating a 'level playing field for German employers in the unified Germany with respect to the price of labour. The Halle Institute for Economic Research has estimated that in 1991 unit wage costs in east Germany were about 70 per cent higher than in the west. *Actual* wages were between 60-70 per cent of west German levels in 1992, whilst workers in the east worked longer hours and received shorter holidays. In addition, east German workers rarely have holiday, and some other bonuses, common in the west. Taking these elements into account, the east-west pay differential was brought down (in 1992) to approximately 52 per cent (*European Industrial Relations Review*, 225, October 1992). Second, an over-reliance on a protected COMECON overseas market. Prior to unification in 1985 the share of all GDR imports and exports going to COMECON countries was 64 per cent. This had fallen somewhat from a total of 68 per cent in 1960, but it nevertheless posed potential problems when all the East European markets were opened to the world economy without restriction. In terms of employment, the COMECON

concessions were considerable. The East Berlin Institute for Applied Economic Research estimated in 1988 a total of 260,000 workers were directly employed in industrial exports to the Soviet Union, with a further 220,000 or so employed indirectly - accounting for 15% of all GDR employment. Prior to unification and the transformation in the other COMECON countries, the general pattern of trade within the Eastern Bloc had been for the East European countries to import raw materials and energy from the USSR and export manufactured goods. Deals were not struck on the basis of hard currency world market prices, but to a great extent were insulated from world prices. Similarly, the USSR sold its oil and raw materials to its satellites at less than world market price. The deals and effective subsidies both bought political and economic allegiance to the Soviet Union from the Eastern Bloc countries, and artificially maintained industrial production. The opening up of these economies post-1989, and the consequent entry into the open world market both pushed up raw material prices and exposed the Eastern European industrial enterprises to the necessity of restructuring to compete. Not only has the consequence been large-scale deindustrialisation, but also the emergence of large balance of trade deficits. Whilst intra-Eastern Bloc trade has slumped by 20-30 per cent since 1990, there has been the emergence of increased trade with the West. However, in terms of exports from the East, relatively few sectors appeared to have benefited - primarily agriculture and, outside East Germany, iron and steel, and chemicals. Many contracts with the former Eastern Bloc have been terminated.

Third, the autarkic mode of industrial structure, with vertical integration of companies and associated suppliers combined into 126 *Kombinate* (each with twenty to forty plants and an

average 20000 employees) ⁸would be likely to prove inefficient on exposure to the world market. Western competitors placed more reliance on outplacement supplies within the world market. Increasing reliance on lean production and 'just in time' stock supply methods mean that western competitors were concerned primarily with comparing alternative price offers of components and supplies from a variety of competing sources rather than on an in-house supply without regard to relative price. An illustration of the likely consequences for East German firms entering joint ventures or being bought up by western companies was given in an interview to the Financial Times by Volkswagen Chairman Carl Hahn on agreeing a joint venture with East German car manufacturers IFA-Kombinat:

"At present the East German auto industry is vertically integrated to a degree long since unheard of in the West. IFA-Kombinat includes everything from vehicle assembly to virtually the whole gamut of automotive components. This guarantees the highest degrees of inefficiency". (Financial Times, 13 March 1990).

Even when some of the East German firms were successful by East European standards, they were still relatively inefficient when compared to the west. This was particularly so for high-tech firms such as the computer manufacturer *Robotron*, which was advanced and healthy in the standards of the protected COMECON market, but faced almost immediate collapse when exposed to western competition. Without state intervention to subsidise the costs of restructuring, the net result for East German industry has been the prospect of wholesale closure in an attempt to rationalise rather than being taken over or purchased by western firms. The job of the *Treuhand* was thus to finance unemployment as much as it had been to finance

investment. So much so that by 1991 it was estimated that 50 per cent of the GDP of the five new Eastern Länder was made up by transfers from the west with these being spent directly to hold up consumption rather than investment (*Observer*, 31 March 1991).

Fourth, the decision by the Kohl government to value the Ostmark at a 1:1.80M average ratio on currency union in July 1990 was no doubt important for Kohl electorally and east German citizens financially, but in terms of international trade it had the immediate effect of revaluing the price of east German goods on the world market by 300 per cent. The potential market competitiveness of east German firms was severely limited as a result. An examination of some key indicators will highlight the problem.

Unemployment

A 1990 Working Document prepared for the European Parliament, "The Impact of German Unification on the European Community" (Working Document No 1, Research and Documentation Papers 6, 1990), dismissed fears produced from within the GDR that unemployment would rise to catastrophic levels following unification. The EC document forecast: *"More realistic forecasts put the unemployment level at between 500,000 and 1 million for the coming transitional period. It is scarcely reasonable to assume that this will escalate into mass unemployment, since an economic upturn is expected to follow hard on the heels of this transitional period bringing unemployment figures back to a very low level (stabilising at approximately 200,000 - 500,000)"*.

In the event, by May 1991 there were 842,000 unemployed (9.5 per cent of the workforce). Added to this were 400,000 who had taken early retirement and people who had a provisional pension; 120,000 who were working in job creation projects; about 100,000 who were being retrained and about 350,000 who commuted for the day or for the week to the western Länder. In addition there were 2 million working short time with an estimated 1.1 million of those working less than 50 per cent of their usual working hours. Thus, over 2.5 million of 8.8 million workforce were unemployed or on short time working. (*Bundesbank*).

This situation was made worse by the expiry on 30 June 1991 of the protection from dismissal regulations for 1.2 million east German engineering and electrical engineering employees and further dismissals of former east German civil servants. By the middle of 1991 the majority of official and unofficial commentators were agreed that unemployment would get worse before it got better, with predictions of the final level of unemployment reaching as much as 4.5 million before trends were reversed.

The situation was exacerbated further in July 1992 when some 436,000 employees in job creation schemes were due to lose federal government funding for medical insurance costs, forcing many of their employers to either pick up the bill or dismiss workers. In June 1992 official unemployment had appeared to begin to level off at 1.1 million in the east (14.1 per cent), by 1995 (February) registered unemployment was 14.7 per cent but real unemployment was estimated to be at 30 per cent, when those on short-time and job creation schemes were included. In total between 2 and 3 million jobs have been lost in east Germany since

unification, far more than the original official estimates.. In 1993 Franz-Josef Link, a leading economist with the *Institut der Deutsche Wirtschaft*, has also raised the spectre of wholesale deindustrialisation in the east, pointing to the example of the steel, engineering and electrical industries which employed only 450,000 as against 1.5 million prior to unification (Quoted in *The European*, 6-9 May 1993). His pessimistic forecasts were justified 5 years later in 1998, when registered unemployment in the east climbed further to reach a record high of 22 per cent. There is still little sign of the expected turnaround in the fortunes of the eastern economy, and partly as a result of the continually depressing outlook migration has continued. Since unification as many as 1.5 million easterners have now left, mainly to look for work in the west (*Financial Times*, 'Sparkle amid the gloom' , 10 November 1998).

Payment Deficits

By the end of 1998 more than DM1,000 bn. of public money had been transferred to the east.

The cost of unification has been borne by the new German state in six ways:

- i) Social Security and funding for job creation schemes
- ii) Commitments by the Treuhand to fund investment in rescued firms (estimated at DM30bn per year)
- iii) Infrastructural and environmental improvements
- iv) Assuming responsibility for the former GDR trading debts (estimated at DM110bn), in terms of interest payments on corporate debts; and international borrowing deficits, estimated to be DM80bn.

v) Movement of the seat of government from Bonn to Berlin (estimated within a range of DM6bn to DM60bn, according to either pro or anti move sources)

vi) Agreement with the former Soviet Union to compensate for the removal of troops from East Germany (argued by Moscow to pay for rehousing of the 140,000 former Soviet Union troops)

The net cost of these programmes has so far been extremely worrying for the Bonn government budget balance moved dramatically from a 0.2 per cent surplus as a proportion of GDP in 1989 to a deficit of 5 per cent by 1992. At the end of 1994 the budget deficit amounted to DM132 billion (after a surplus of DM77.4bn in 1990), and interest payments on the Government debt had soared to 20 per cent of all Government spending. The trade surplus also narrowed in 1991 to DM20.8bn as compared to DM107.4bn in 1990, with the eastern Länder contributing just 2 per cent to total German trade (*DIW*). The consequent pressure on interest rates remaining higher than expected to finance Bundesbank borrowing has further weakened not only the German economy but the economies of the EU as well. In this respect unification has created an economic and political cost spreading throughout western Europe as well as a rash of social and economic problems within Germany itself. Legislation to increase tax rates was defeated in the *Bundesrat* in December 1991 but in February of 1992, despite opposition from the SPD, a law designed to change aspects of the tax system was approved by the *Bundesrat* with support from delegates from two eastern Länder (Brandenburg and Berlin) who included SPD local government representatives. Value added tax rose from 14 to 15 per cent in 1993 to pay for the job creation measures in the east. In addition there was an increase in the oil tax in 1994

(affecting petrol prices and consequently the rate of inflation) and a series of 'backdoor' tax increases as a result of the abolition of a variety of special tax breaks and allowances.

Net transfers from west to east, to pay for unemployment subsidies and infrastructural improvements, reached a total of DM150bn. in 1992 and in 1995 the *accumulated* debt of the old GDR totalling DM400bn. was transferred to the central exchequer. If the expected upturn in eastern Germany does not take place such federal government transfers will continue as commitment to job subsidies remain in place. This likelihood of increased payments is made more acute by the cessation of the *Treuhand's* sales revenues.⁹ Three quarters of all transferred money has in fact gone to social welfare subsidies and only a quarter to direct capital investment. The return in terms of future tax revenue is likely, therefore, to be marginal.

The cost of improvements to infrastructure and environment were also considerable. Roads and transport links were reopened between the old borders and the east German telephone network was revamped and merged with the western system (involving amongst other things a massive programme of cable laying and alteration of telephone numbers in the east). Water supply and sewage systems also needed to be repaired and a programme of replacing leaking gas pipelines was undertaken. There was also a shortage of office accommodation and living accommodation as well as amenity services like hotels and petrol stations, which has been responsible for some private investment in the construction industry. The cost of environmental improvements has also been high. Standards of emission and control of industrial waste were much lower in the east than the west. Added to this is the dependence on

lignite (brown coal) as an industrial and domestic fuel which has associated acute pollution problems.

In addition to West German legal standards there was also a requirement to meet EU regulations on products and substances, although all existing eastern plant was granted a phase-in period up to 1996. Much of the funding for environmental correction has been the responsibility of the *Treuhand* which in 1991 alone spent DM12bn on the environment and on pollution control. Credit and subsidisation facilities have also been made available through banks and other financial agencies amounting to DM4.5bn between 1991 and 1993. Additional infrastructural investment came directly from *Bundespost* and *Bundesbahn*.

The EU Context

Some of the subsidy programmes associated with unification raised concern amongst Germany's EU partners. As well as British doubts about direct subsidies to the shipbuilding and steel industries, concern was expressed by other member states at the continuation of aid to Berlin and the former frontier areas between the two Germanys (especially the special tax breaks granted to small and medium sized firms). However, with regard to the first problem, Sir Leon Brittan, as EU Competition Commissioner, secured an agreement from Bonn that aid would be phased out in due course. Agreement was also reached among the EC partners in May 1991 that all special aid tax-break schemes would be phased out by the end of 1993. On the question of favourable terms offered by the *Treuhand* to potential buyers of privatised firms it was agreed that these could continue so long as the incentives were offered equally favourably

to German and other member state companies. The Kohl regime had already decided to close down East Germany's environmentally hazardous nuclear installations in advance of EU intervention. Amongst some other minor adjustments to former GDR regulations such as driving licences and road haulage driving hours the other most important change required by the EU was a redefinition of the cod catch quota in the Svalbard area ¹⁰.

The Privatisation and Restitution Programme

The agency created to oversee the transformation process - the *Treuhandanstalt* - proved itself to be a catalyst and focus of east Germany's economic and social problems. Its first director Detlev Rohwedder was assassinated, its offices were subject to demonstrations against eastern unemployment and its policy supervision of property restitution led to the protest suicide of a leading member of the eastern *Neues Forum/Alliance* opposition grouping¹¹.

The *Treuhand's* role in supervising the sale of more than 11,000 enterprises formerly owned by the East German state has been unique but as well as selling off everything from shipyards to small shops the 3000 staff of the agency were also responsible for supervising job creation programmes and sorting out over 1,200,000 claims on eastern property by former western (and other) owners dispossessed by the GDR regime. (Some claims even go back to the pre-war Nazi period when Jews were forced to flee from Hitler).

The cost of the *Treuhand* operation was up to DM45bn annually allocated to either investment programme in existing plants, job creation programmes for redundant workers from slimmed

down or closed workplaces, or environmental improvements to meet western control standards.

Early opposition in the east to the *Treuhand* led the federal government to direct more of its funds to plants with some prospect for survival after rationalisation. In addition, the agency was instructed to work more closely with the new *Länder* primarily to ensure a more even distribution of closures and associated unemployment throughout the east. By May 1992 the *Treuhand*, claiming it was "on course", had sold 7000 companies and was negotiating with 2000 more potential buyers. Completion of the total programme was achieved in 1994, although a number of problem companies remain indefinitely on the books. However, despite the early programme completion the process has been stormy and has roused much opposition within eastern Germany.

The largest individual sale was undoubtedly that of the five large shipbuilding companies belonging to the state-owned *Deutsche Maschinen und Schiffbau* on the Baltic. The proposed privatisation led to a protest occupation of the yards in Rostock, Wismar and Warnemünde. The engineering and shipbuilding industry dominated the Mecklenburg-Vorpommern area, supporting 55,000 jobs. The shipbuilding industry in these Baltic ports was totally associated with the COMECON trading bloc as were the Rostock docks. The rundown of the facilities thus encompassed many of the problems of the transformation in East Germany and the resultant social protest can hardly have been a surprise. The restructuring deal finally established by the *Treuhand* with existing Danish, Norwegian and West German companies involved heavy subsidisation which needed approval from the EU Competition Commissioner. The *Treuhand* agreed with the companies to assume more than DM1bn of debts as well as

much of the DM900m investment needed. Jobs in the three key shipyards were reduced from 10,300 to 7,000.

Elsewhere in Berlin the *Treuhand* was heavily criticised for proposing to sell outright the Narva lightbulb factory to a west Berlin property developer - the deal was eventually cancelled and instead an alternative purchaser was found who would close down the factory but on the agreement to redeploy the 1080 employees for a three year period elsewhere. Such land deals and speculative sales added to the criticism of the *Treuhand* and laid suspicion in the former east at the political motives for unification of the Kohl administration. Indeed, the suspicion towards the *Treuhand* led to union demands to alter the privatisation policy to allow more state or Länder support for east German enterprises in danger of collapse. The government, as a result of its 1993 Solidarity Pact discussions with the unions and under pressure from *Länder* Governments such as the CDU-controlled Saxony, accepted the principle of allowing 'federal industrial properties' - a form of public ownership which amounts, in the words of *IG Metall* spokesperson Jorg Barczynski, to "a 180 degree turn in *Treuhand* policy" (*Financial Times*, 21 January 1993). In effect, it was a tacit acceptance by the government, under pressure from below, of the need to slow down the privatisation process and adopt a more genuine 'social market' approach to transformation similar to that envisaged in the majority of the other former East European states.

The Treuhand

Where deals involving the Treuhand were successful they often included large scale job losses as a condition of keeping the plants open. The break-up of many of the old *Kombinate* into smaller units has been a particular problem. Three basic models of transition emerged with varying consequences for the former eastern enterprises (sourced from various newspaper reports - see Appendix)..

a) Take-over or Joint Venture

This usually involved a process of rapid restructuring and associated job loss. For example, *Pneumat* the former monopoly tyre maker is now owned by the Iranian government. (6000 jobs down to 900).

Werk für Fernsehelektronik which formerly made television tubes under licence from Toshiba has been sold to Samsung of South Korea. (10,000 down to 800).

KWO a cableworks company south of Berlin bought by the British firm BICC. (5,000 down to 1,300).

VEB Carl Zeiss (Jena) optical works taken over by *Jenoptik* - a *Land* owned company backed by the sister *Zeiss* company in the west. (30,000 down to 10,000).

Dalmia of India has purchased *Zellstoff-und Papierfabrik Rosenthal*, a cellulose and paper mill in Thuringia. (550 down to 405).

b) Wholesale closure as firms have failed to find a buyer or deal with potential buyer has collapsed.

For example, the west German engineering giant *Krupps* pulled out of a deal to purchase the *EKO* steelworks at Eisenhüttenstadt. This is an interesting case as the *Treuhand* itself agreed to go ahead with the factory with public money - an example of the new policy that immediately run into problems with EU regulations.

In the motor industry plans by *Daimler-Benz* to build a new plant in Berlin and by *Mercedes-Benz* in Ahrensdorf, Brandenburg also collapsed. *VW*, however, opened a new plant in Zwickau employing 1500 and making 350 Golfs a day. Other firms have not found buyers at all (by end 1995); the Leipzig crane manufacturing combine *Takraf*, and *Sket* Engineering in Magdeburg are examples.

c) Success Stories

There have, of course, been some success stories. In Thuringia *Bosch*, *Opel* and *BMW* all moved into Eisenach. Volkswagen took over the old Trabant plant at Zwickau with the intention of making Golfs. Coca-Cola established a plant in Weimar, and Pilsz opened a high-tech CD factory on the edge of the Thuringian forest. However some criticism has been directed at the investment strategy of some of these companies in the east (e.g Grabher, 1995). The main research and development facilities remain outside the east (Mickler and Walker, 1992:42) and these eastern plants in some cases are second tier suppliers dependant on western based plants (Doleschal, 1991). Elsewhere, the construction industry has done comparatively

well and large numbers of small hotels, restaurants, petrol stations and shops found some success, at least until the market become fully exploited. The terms under which undertakings have been transferred to the private sector also varied. For example, of the 12,142 enterprises passing through the hands of the *Treuhand* up to August 1992, a total of 1,850 were liquidated; 4,348 were successfully privatised; 1,028 were 'reprivatised'; and 312 were taken under municipal control, whilst 3,810 remained to be sold off. (*Monatsinformation der THA*, 31:08:92). More than 1700 enterprises have been subject to 'Management Buyout' which in itself has caused some criticism as this apparently preferred policy of the *Treuhand* has acted to keep out eager western-based business interests at the expense of the easier and less time-consuming option of selling direct to the former managers. Further disquiet surrounding the *Treuhand's* policies came with revelations in February 1995 in *Der Spiegel* that as much as 10 per cent of the money allocated to the east had "disappeared" into the hands of criminals or had been misspent by local officials.

One final point of interest about the privatisation programme has been the dominance of West German firms as purchasers. Of the first 9,338 firms privatised, only 462 were bought by non-German firms. By August 1992 purchases by Swiss-based organisations were top of the list of foreign investors with 85 enterprises. Britain was second with 72, France next with 54 followed by Austria with 52. In terms of total DM invested, the list was headed by the USA. Japanese companies have been prominent by their absence. (*Treuhand Monatsinformation*).

Social Strains and Tensions

State subsidies for housing and nursery provision were drastically reduced. As a result, average rents (to end 1995) had risen by 500 per cent since the *Wende* (the 'change' or 'turning point') and public transport prices soared. The cost-of-living index in the former east rose by 35 per cent in the first four years after unification compared to 11 per cent in the west (*Wirtschaft und Statistik*, Statistisches Bundesamt, 6 June 1994). Women and the retired were disproportionately hit. Womens' unemployment is worse than that of men; by the end of 1991 women formed 61 per cent of the registered unemployed. This reflects the fact that women were unduly concentrated in relatively unskilled jobs which were the first to go and which has also made it harder for them to return to the workforce (Alsop 1992).

As well as strains on the social wage there is evidence of emerging changes in the social fabric of society in the east. Early post Unification newspaper reports from the industrial city of Chemnitz, for example, indicated a fall in the population in the first four years after the *Wende* from 350,000 to 280,000; 46 per cent of the working population became dependent on welfare benefits; an increase in alcoholism and suicide was reported; the marriage rate decreased by one half, and the birth rate fell by two thirds. Chemnitz is not an isolated example. As Kocka (in Parker, 1994) observed:-

"The east German birth rate has fallen by 60 per cent and the marriage rate by 65 per cent between 1989 and 1992. Declines of this magnitude are extremely rare. Only the Great War offers similar examples".

A number of protest movements grew in reaction to the 'colonisation' of many aspects of social life by western influence or western takeover and/or ownership. A prominent eastern academic sympathetic to the at East Berlin's Humboldt University recorded:

"There were (are) many independent associations in the tradition of the GDR civil rights groups, e.g. the Independent Women's Federation, or groups of professionals, pensioners, senior citizens, school and university students, tenants, parents etc., and clubs organising the protest of those whose jobs, research and other scholarly ventures, pensions, homes, summer cottages, child care facilities, schools, clubs etc., were jeopardised. Others might rally to oppose excessive charges for installing, for instance, new sewerage. There were antifascists who opposed the ruthless deleting of names of streets recalling communist and socialist resistance fighters murdered by the nazis, or the plans to raise to the ground memorials to anti-fascists as the Berlin Senat would like to do to the Thälmann memorial in the district of Prenzlauer Berg and had already done to the Lenin memorial. There were those who carried on a deeply committed struggle against the erosion of democratic rights, among them the right of refugees from any oppression to find refuge in Germany. Patients of medical specialists ousted from their posts rallied in protest meetings, and letters of protest were showered on those responsible for sacking popular university professors. Many expressed their outrage against the dismissal of a popular scholar, artist or teacher at meetings or in letters to the press" (Behrend, H. 1995 p28).

Such protests also came to be intertwined with a certain *ostalgie* (nostalgia for the old east) which in the post-unification consumer euphoria manifested itself in a revival in preference for

the familiar (and often cheaper) eastern domestically manufactured products (washing powder, soap etc.) as well as eastern grown food (eggs, milk, beer). Even old children's television programmes have been revived in the east whilst the *Trabi* car has taken on a semi-cult status (enhanced by a popular film on the *Wild East*!). In socio-psychological terms such *ostalgie* combined with the popular political protest represents a reaction to a perceived, and fairly accurate, impression of western take-over and the semi-obliteration of eastern cultural and historical identity. The term *Die Mauer in Kopf* (the Wall in the Head) lingers on. Politically the nostalgia for the old combined with frustration and disappointment at the new resulted in an increasing vote for the *PDS* (to 18 % of the eastern vote in the 1994 elections, and a further increase to 21 % in the 1998 elections), or a strengthening of the position of those mainstream politicians recognised to have stood out against Bonn, such as Manfred Stolpe (SPD) in Brandenburg or Biedenkopf (CDU) in Saxony.

The 1993 Solidarity Pact and beyond

The "Solidarity Pact" deal agreed in 1993 provided for a greater proportion of VAT tax revenues to be transferred to the eastern Länder to service the debts due for recall in 1995. In addition, from January 1995, a surcharge of 7.5 per cent was placed on income tax, together with a rise in the wealth tax. Politically, the rise was felt possible because the expected upturn in the whole German economy by that date would act to soften the blow to the average tax payer. The borrowing limits of both the *Treuhand* and the Bank of Reconstruction were also raised to allow for further west-east transfer payments for environmental and housing improvement. The agreement of the SPD to the deal had been won at the cost of maintaining

social spending programmes (apart from an attempt to penalise social security "swindlers"). Kohl's electoral victory in 1994 was narrow enough to allow the SPD continued negotiating space to preserve the essential elements of the deal. Only the Bundesbank seemed dissatisfied that no clear budget cuts were implied, but should the Government not attempt to make some savings, and if the books failed to balance, then it was always likely that the Bundesbank would insist that the transfer payments to the east from VAT should be reduced. The political consensus, however, was still dependent on the general approval of the public at large, and on the generation of revenue from income led by an economic revival. In the event the failure of economic revival in the east to occur was in large part a cause of great disillusionment leading in turn to the collapse of the CDU vote in the east in the 1998 elections. The new SPD-Green Coalition Government in turn remains committed to some form of continuing subsidy to the east.

4.3 Industrial Relations in the GDR

The 'frustrated expectations' of easterners and the imposition of the (West) German model of industrial relations would clearly form a heady cocktail of events acting to shape and reshape labour relations in the new *Länder*. However, in order to fully understand the development of industrial relations in the post Unification east it is necessary to make some reference to the situation as it existed under the GDR. This will also aid understanding in the following case study.

'Actually Existing Socialism' and the ideology of work under Communism ?

The 'official Marxist' view that emanated from within the Eastern Bloc was that workers owned the means of production and so therefore were working for themselves (e.g. Sukharsky, 1974). As such no credence is given to the existence of alienation or the separation of work skills and the products of labour. This is important as, if it were true, it would mean that the introduction of capitalist work relationships after 1989 would come as a major *shock* to the worker that *in itself* could be predicted to produce conflict. The reality was somewhat different. There are many accounts of the alienating work conditions within these states and the pressures of working to pre-set norms and targets that defy official orthodoxy (Bahro 1977; Haynes and Semyonova 1979; Harman 1988). No such *shock* should therefore have been expected, especially so as in many cases (including the example of East Germany), the same managers were in the factories after 1989 as before.

The question of managerial control raises a second debate concerning the nature of pre-transformation East Europe. Whilst there can be little dispute as to the alienative nature of work conditions the second question is if the formal collective ownership of the State's assets - and hence the lack of private property ownership - made a difference to workers' position in the social relations of production and as such the *legitimacy* of managerial action? Opinion on this point is divided between those such as Thompson and Smith (1992) who argue that there was such a thing as a *socialist labour process* and refer to the former East European states as *State Socialist* and those such as Cliff (1988) who argues that the East European Communist States were *State Capitalist* exhibiting similar features to western capitalist states at the level of workplace

relations. Thus Thompson states: "*State Socialism shows that there is an alternative to capitalism. Here the labour process is combined with a specific political economy in which a dominant class based on the party-state apparatus appropriates and distributes the surplus product through centralised command planning. The dynamics of that relationship - plan bargaining, shortages and bureaucratic uncertainties - as under capitalism have varied forms and effects. But it does produce distinctive labour process characteristics as the dual control system of managers and party mobilize to meet production targets through a variety of mechanisms including an employment relationship based on a 'social contract' with the workforce; a technical division of labour frequently dependent on high degrees of flexibility and work group autonomy; piece work and normative reward systems.*"

In other words, according to this view, workers were likely to be less aggrieved in the former East Europe as it was possible to achieve a social contract with the managers to reduce work speeds and to have some added control over the labour process. The basis of this difference lay in the fact that private ownership of the plants was absent, and managers and party functionaries were acting as agents of some sort of workers' state (however deformed or degenerated). Cliff, by contrast, reduces the influence of *ownership* in the labour process arguing instead that *control* must be the key determinant of workplace relations. He points to the transformation of workplace relations under the rise of Stalin whereby strikes were banned and the drive for capital accumulation to compete with the west induced everyday exploitation in the factories. For Cliff, writing in 1948, the fact that workers did not have control of production inside the workplace would sooner or later lead to clashes with the bureaucracy that would assume a class versus class dimension:-

"The initial result of the industrialisation and collectivisation in Russia was to strengthen the position of the bureaucracy. After a few years, the opposite process began; now every step forward of the productive forces undermines the position of the bureaucracy.... The bureaucracy increases the working class on the basis of the highest concentration history has yet known. And try as it might to bridge the abyss between concentrated wage labour and concentrated capital, the bureaucracy is bringing into being a force that will sooner or later clash with it."

As such the debate maintained a relevance with the momentous events of 1989. For those such as Thompson who maintained that workers, in some way, were better off in the old East European states before 1989 the transformation to full-blown market capitalism could be perceived as a setback for workers and a somewhat confusing event. Clarke and Fairbrother, (1992:197) also of the *State Socialist* school, in a review of events in Russia after *Perestroika* had this to say:-

*"Although the situation might appear bleak, the demobilisation of the working class was the result not of defeat, but rather of stalemate. Perestroika was, from its inception, a strategy to restructure the relations of production in order to intensify the exploitation of the working class. The project failed because workers' resistance opened up divisions within the ruling stratum, which workers were able to exploit to block any attempt to restructure the forms of class rule at their expense. The growth of the workers' movement **paradoxically** served to reinforce the existing social relations of production, as the state and enterprise administration sought to defuse and contain conflict, and so contributed to the deepening of the crisis of the system. The threat of worker opposition blocked the restructuring of the social relations of production, whose*

preservation was then the principle barrier to the development of independent worker' organisation."

For adherents to the *State Capitalist* theory the events were to be viewed much more as an expression of workers' discontent, with the challenge to the bureaucracies a *step forward* during an uplifting and invigorating period. The attempts to increase the rate of exploitation through the medium of *perestroika*, by contrast, are viewed not so much as a *paradox* but as a *continuum* by other means of long term consistent efforts to do so by the *nomenklatura*. The 'blocking' process referred to by Clarke and Fairbrother would imply that the consensus or 'social contract' had been some form of political settlement between workers and management in the workplace reflecting the nature of the workers' state. The alternative view is that this social contract was essentially a bargaining arrangement reflecting the 'frontier of control', within the factory by which workers challenged the authority of management. Some differences clearly exist between this process and that experienced in western capitalism. Challenges to management authority in the former can become explicit political challenges to the state machine and the Communist Party hierarchy and in some instances temporary alliances may arise between workers and local managers faced with planning targets that are either unrealistic or capable of being distorted by diversionary tactics at local level. Finally whilst independent workers' organisation had suffered a setback this was essentially a problem of political orientation with many of the newly formed workers' organisations deflected into support for the market (Haynes, M. 1992). These subtle differences are important to understand in order to appreciate the dynamic of workers, attitudes in the transformation period.

The trade unions

As in the western occupied zones trade unions in the east were beginning to form as early as 1945.

One of the main instigators of union rebirth was Walter Ulbricht, later to become first leader of the SED in the newly formed East Germany (Grebing, 1969: 186-187). Attempts were made to establish unofficial works councils but these were later suppressed on orders of the increasingly authoritative SED in 1948 (Fricke, 1984). By 1950 the 16 unions affiliated to the FDGB had accepted the leading role of the SED under the principles (albeit distorted and Stalinised) of 'democratic centralism'. The relationship between SED and FDGB is explored more fully in the next section but essentially the unions were given rights to negotiate work norms and annual enterprise agreements (wages etc.) - *Betriebskollektivvertrag*. Until the introduction of the 1961 Labour Code the basic constitutional law included the right to strike. After 1961, and in the 1978 Labour Law, the right to strike was absent.

Wages and wage differentials were subject to early ideological adjustment from pre-socialist conditions and increments could be awarded at enterprise level according to work performance. Taylorite methods of work measurement were introduced to determine performance standards and work norms and the unilateral changing of norms led to the shock uprising in 1953 (Harman, 1988: 63-80). As is the case within other Eastern Bloc countries attempts were made to increase productivity by rationalisation experiments designed to slim down the workforce. The Schwedt Initiative, introduced in 1978, was the major example. Dismissed workers were generally offered

alternative work, the 'disciplining' effect on workers of the threat of unemployment was generally absent (Dennis, 1988:182-183).

Discipline inside the workplace was enforced through local conflict Commissions designed to deal with minor labour disputes which had the power to fine and publicly reprimand but not imprison. The generally participative approach of the relationship between union officials and enterprise management was steered by the SED. The brigade system (a mixture of western-style quality circles and team working designed to meet production targets) also gave some democratic veneer to decision making. Persistent and outright opposition from individual militants was likely to be met with imprisonment or exile to a labour camp.¹²

Despite the possibilities of individual repression pressures to intensify work were unlikely to be as severe as they might have been. De-Stalinisation after 1956 had led to a relaxation of coercion whilst labour shortages and bottlenecks, combined with cynicism from local management over centrally imposed production targets gave workers some bargaining power. This was not to say that workers did not experience the alienative effects of work. A distinct conflict of interest existed between management and workforce over production norms and workplace authority. As the leading East German dissident Rudolf Bahro (1978:205) observed in *Die Alternative*:-

"The basic attitude of the immediate producers to 'their' state is not essentially different, even today, from that of the workers of capitalist society to 'their' corporations. Given the perpetuation of the division of labour, commodity production and money, nothing has altered in the principles of how work performance is assessed. Wages are simply the price that the appropriator state

pays for the commodity labour-power. It is a salto mortale of pure ideology to recognize the commodity nature of material products under actually existing socialism, and at the same time to deny the commodity nature of labour-power which is the other side of the same coin"

Bahro's comments highlight the reality of workplace regimes in the former Communist countries where work incentive schemes were geared either towards production on piece rate or by the continuation of Stakhanovite experiments (see Pollert, 1997 for a review of the parallel case of transformation in Czechoslovakia/Czech Republic)..

The FDGB was an arm of the ruling SED party with close organic links between top FDGB officials and the party bureaucracy. FDGB President Harry Tisch, for example, was also a member of the *Politbüro*. Article 44 of the GDR Constitution described the role of the FDGB as "*..the management and planning of the economy, in the implementation of the scientific-technical revolution, in the development of working and living conditions, health protection and labour safety, cultural working environment, and sports activities of the working people.*"

In practice this meant there was collusion of interests between factory management, local party officials and the union in ensuring the smooth running of individual enterprises and the achievement of planning targets. Lowitt (1982) has identified the relationship of party and trade union as three tendencies:

a) *the institutionalisation of Party Supremacy over the unions* - the leadership role of the Party is built into constitutional text with the Party having *de facto* and *de jure* power to name, dismiss, promote, train and 'educate' union officials.

b) *Supremacy in Union Organisation of managerial personnel over workers* - all staff in the enterprise belong to the union, thus giving a double role to managers and personnel as 'managers' and union activists.

c) *Supremacy of top union officials over Union Locals* - a centralised authoritarian relationship between local union organisation and the union at a higher organisation and party level. As a result union activities in plants are remarkably similar as policy is passed downline from top to bottom.

Any contradiction between these objectives and those of ordinary workers was over-ridden by the ideological assumption that the GDR was a 'workers state' and that all decisions were taken in the overall collective interest. As a result the FDGB officials in the workplace were mostly perceived as the "*Stasi of Workplace*" in that they policed workers discipline and were agents of coercion (Gatzgama, Voß, and Westermann, 1991). The high membership density in the GDR can be largely explained on more practical grounds as qualification for holiday accommodation, kindergarten places and the much- prized travel permits depended on the authority of local union officials. Within the confines of the individual workplace the trade union and its officials encouraged a participative approach to improving the production process and reducing conflict. Ironically a recent study by the *Anglo German Foundation* confirmed that this participative approach bore many similarities to techniques such as quality circles and suggestion schemes to be found amongst the literature of modern western and Japanese 'HRM'. A fact which explains the general reluctance of personnel managers to pursue such methods in post-unification east as opposed to west Germany (Hegewisch, Hanel and Brewster, 1995). Such a model of *trade*

union integration was more common to Czechoslovakia and East Germany than Bulgaria, Poland or Romania where, as Hethy (1991) suggests, the comparative lack of previous trade union discipline may have been a factor in the adoption of a system of participation by *self-management* rather than through union structures.

State sponsored participation through trade union structures in the GDR workplace undoubtedly reduced the scope for independent activity with the unions acting as a vehicle of discontent against management.. This is not to say that workers docilely accepted their lot. Labour shortages in key areas at various times led to forms of unofficial bargaining over norms and privileges and wage drift occurred when labour shortage became acute (Hoß, 1987). As previously outlined some commentators, such as Thompson and Smith (1993), argue that this process of informal bargaining was akin to a form of 'social contract' of tacit agreements between workers and management over norms of output and workplace behaviour. However, other commentators place more emphasis on continuing efforts to establish independent trade union action directly opposed to management and the official trade unions.

Filtzer (1992), for example, describes a mixed process in the former Soviet Union in which workers acted as isolated individuals and dissented with sabotage, absenteeism and high turnover but, in some instances, organised collective strike action tempered with political demands. The example of Polish Solidarity also highlights the underlying discontent with the official unions and a positive desire to participate in independent unions in the former eastern bloc, a demand that was previously raised in Poland in 1956/7, in Hungary in 1956 with the

establishment of the National Federation of Trade Unions, and in Czechoslovakia in 1968. However, within East Germany, notwithstanding the 1953 uprising, attempts to defy the official machinery were more isolated. Strikes and protests did take place in 1977 against Honecker's decision to open up well-stocked State shops to hard currency purchases, which only benefited the elite. After the 1981 strike movement in Poland a group of GDR workers based in four different factories drew up a manifesto calling on workers to revolt and establish democratic rights (Volkmer, 1981). But efforts to emulate the Polish example appear isolated and infected with a cynicism about all things Polish (Woods, 1986: 14-15; Philipsen, 1992). A more common form of protest was to adopt petitioning and letter writing campaigns to the official union leadership. A series of interviews conducted by Philipsen with dissident workers in East Berlin records an incident publicised in the West of an open letter to the FDGB in September 1990 signed by 30 engineering workers from the same factory. The letter of complaint at official union inactivity was left unanswered by FDGB Chairman Tisch but it was revealed by a senior FDGB official that "sackfuls" of similar letters had been received over the years which also went unanswered (Philipsen, 1992:116). It was not until the final days of the Honecker regime that workers began to act independently of the official unions and join the street demonstrations and popular movements. Some efforts were made to set up unions independent of the FDGB on a syndicalist basis in the period from October 1989 to October 1990 (the *Initiative für unabhängige Gewerkschaften*), but the movement collapsed as the superior resources and political weight of the DGB unions entered the scene (Ansorg and Hürtgen, 1992).

The discrediting of the old *FDGB* unions in the aftermath of 1989 should therefore come as no surprise, particularly when the opportunity to join 'ready made' free western unions under the umbrella of the *DGB* became available. Questions arise as to the response of workers to the western based unions and to possible changes in orientation to work in the transformation period.

4.4 Post Unification industrial relations in the east

Trade Unions and Unification

Prior to 1989 almost 98 per cent of the GDR's workforce belonged to one of the 20 individual unions affiliated to the state controlled *Freier Deutscher Gewerkschaftsbund* (FDGB). With the collapse and discreditation of the FDGB in 1990 more than 45 per cent of east German workers joined one of the unions affiliated to the western based *Deutscher Gewerkschaftsbund* (DGB) and in the process boosted considerably the membership of all the western unions. Membership of *IG-Metall*, for example, increased from 2.7 million to 3.6 million in 1990 to 1991, whilst total affiliated membership to the DGB increased by 3.9 million to a total of 11.8 million (Löhrlein, 1993). Since then, however, there has been a decline in membership in the east which in many cases has been greater than the overall decline in employment totals. Total membership of DGB unions in the former east fell by 1.3 million from a high point of 4.2 million in 1991 to 2.9 million at the end of 1993 (compared to a fall of 1.2 million in the numbers employed over the same period.) (Kittner, 1994) . membership continued to fall through the mid 1990s.

The reasons for this decline are primarily linked to the continuing drop in employment but additional problems have also challenged the basis of membership in the east ranging from

- a) disappointment with progress since unification (particularly over job protection),
- b) discontent with the role of the (often western based) trade union leadership, and
- c) confusion over the role of unions at the workplace within the German Co-determination (*Mitbestimmung*) and Works Council framework.

Such frustrated expectations, however, must be placed within the context of the cultural perceptions of unions in the earlier GDR period, and the consequent transfer of these perceptions to the post unification Germany.

The relative success of the western based unions in recruiting in the east reflected a desire on behalf of eastern workers to secure a future against the threat of unemployment in a liberated market economy. A survey conducted by the Institute for Empirical Psychology (IFEP) in March 1991 on eastern expectations of western unions placed the protection of jobs and stabilisation of the economy as the top concern¹³. Expectations of the potential instrumental usefulness of the DGB affiliated unions was also extremely high.

In short workers' readiness to join unions after unification was a defensive reaction to foreseeable problems. Past experience of the ineffectiveness of official unions in the GDR did not transfer itself into negative attitudes towards the new western unions. Criticism was directed at the FDGB leadership and a preference was shown for the perceptively more independent and democratic structure of the DGB unions.

It is only in the years after unification that serious tensions have arisen. Dissatisfaction with the unions is one factor explaining the drop in membership figures but it does not account for all the membership decline when falling employment and east-west migration are taken into account. What is more illuminating are the developments that have taken place *within* the unions, highlighted in either major disputes or through the results of opinion surveys and interviews. The 1994 *IPEP* survey, conducted on behalf of the DGB as an aid to its internal reform process, pinpoints a dramatic change in attitudes in the east since unification¹⁴. For example, since 1992 there has been a decline in willingness to "be a member of a union as a matter of principle" from 28 per cent to 24 per cent, with a greater decline in "willingness" recorded in the east. Similarly differences appear between east and west on the question of "Would you ever consider leaving the union?" - with 40 per cent answering "Yes" in the west compared to 54 per cent in the east. Reasons for the decline emerge in the survey as "lack of information" and general dissatisfaction with union leadership".

Before examining the reasons for this perceived dissatisfaction it is useful to record the process of recruitment to the unions that took place in the immediate post-unification period. It is then important to look at more recent trends in membership to help determine sectoral influences in the overall membership profile.

Recruitment and Organisation in the East:

The rush to join unions in the east was characterised by three factors.

1) a rejection of the old FDGB unions coupled with a willingness to join DGB affiliated unions.
2) a rejection in the vast majority of cases of the former trade union representatives (the "*Red Socks*") and elections of new ones not associated with the ruling regime and,
3) the establishment by the DGB unions of an infrastructure in the east to recruit and organise.

The demise of the FDGB in 1990 and the consequent takeover of eastern membership by the DGB unions has been well documented by Fichter (1993). Dissatisfaction with the role of the FDGB throughout the uprisings and its associations with the former ruling SED Party machinery led to a wholesale rejection of its leadership during the unification period and a consequent distancing of the western based unions from its officials once unification took place. Fichter describes four models of take-over all of which to a greater or lesser degree involved the drafting in of western officials and methods to the east.

Model 1 includes those union who favoured internal reform of the existing *FDGB* unions and then subsequent dissolution, at the same time eliminating the influence of the old guard:- e.g. the Mining (*IG Bergbau*) , Construction (*IG Bau*) and Media (*IG Medien*) unions . *Model 2* followed the first model in the early stages but then created alternative structures and broke with the *FDGB*:- e.g. the Rail (*GdED*), Post (*DPG*) and Finance industry (*HBV*) unions. *Model 3* chose from an early stage to build a new union independent from the *FDGB* :- e.g. the Education and Science (*GEW*), Police (*GdP*), and Public Sector (*ÖTV*) unions.

Model 4 was the *IG Metall* which alone cooperated with its GDR equivalent and later hired some former eastern officials subject to an intensive process of selection.

In the case of *IG Metall* the old eastern officials were vetted before being given (relatively junior) posts in the new unions. Not all of these old officials were totally associated with the old regime, as some of them emerged into leadership positions towards the final days of the GDR, but despite this the overwhelming tendency was for western domination of the key full time posts. The complications of the legal machinery associated with Co-determination and Works Councils also gave western trained officials an immediate advantage in their ability to operate and use the system. After the DGB based unions had transplanted their own union structure and membership spheres into the east in 1990, the establishment of an infrastructure to recruit and organise membership was completed fairly swiftly. The recruitment of four and a half million members within a year was undoubtedly a considerable achievement and some unions, such as the education based GEW actually ended up with more members in the east than they had in the west (see Table 8). Recruitment was also helped by the application of the western labour laws and their integration into the Works Council and Co-determination structures.

Table 8. Union Membership Dec. 31 1991

Union	Total:FRG	East German	% share
<i>IG BSE(Construction)</i>	776,781	330,011	42.6
<i>IGB.E (Mineworkers)</i>	506,640	193,342	38.2
<i>IG CPK (Chemical, Paper,Ceramic)</i>	876,674	209,823	23.9
<i>GDED (Rail)</i>	527,478	221,373	42.0
<i>GEW (Educ.,Science)</i>	359,852	186,903	51.9
<i>GGLF (Agr.,Forestry)</i>	134,980	92,522	68.5
<i>HBV (Commerce, Bank.)</i>	737,075	271,047	36.8
<i>GHK (Wood,Plastic)</i>	239,472	82,860	34.6
<i>GL (Leather)</i>	41,718	10,130	24.3
<i>IG Medien (Printing, Paper,Artists,gusdc.)</i>	244,744	63,496	25.9
<i>IG Metall (Metal)</i>	3,624,380	990,553	27.3
<i>NGG (Food)</i>	431,211	162,256	37.6
<i>ÖTV (Public Service, Transport)</i>	2,138,317	950,364	44.4
<i>GdP (Police)</i>	200,997	55,218	27.5
<i>DPG (Postal)</i>	611,969	151,375	24.7
<i>GTB (Textile,Cloth.)</i>	348,095	104,837	30.1
DGB Unions	11,800,413	4,157,826	35.2
<i>DAG (Salaried Empl.)</i>	600,000	100,000	16.7
<i>CGB (Christian Fed.)</i>	309,000	7,000	2.3
<i>DBB (Civil Service)</i>	1,000,000	200,000	20.0
Total Trade Union	13,789,041	4,464,826	32.4

Sources: M.Kittner (ed.) *Gewerkschaftsjahrbuch 1993*; E.Rubner and H.Rohlfs (eds.) *Jahrbuch der Bundesrepublik Deutschland 1991/1992*

As can be seen from Table 8 the proportionate share of total DGB membership varied considerably between the unions when seen from an east-west perspective. The education and science (GEW); rail (GdED); agriculture and fisheries (GGLF); and public service (ÖTV)

unions all recorded a higher share of membership in the east than the west. In education and many of the public services, the relatively high totals are explained by the achievement of a much higher *density of* membership than that generally found in the west¹⁵. The high totals in agriculture and fisheries are primarily explained by the relatively high weighting of that sector within the old GDR economy compared to the west. The dominant industries in the former GDR were engineering and chemicals, each with a 21 per cent share of total industrial production. Both industries were vulnerable because of the withdrawal of protected COMECON markets and, in the case of chemicals, as a result of huge environmental problems associated with their production methods. Large membership losses were to be expected in these sectors as closures took their toll.

Recent Membership Trends

By the beginning of 1994 total eastern membership of DGB unions had fallen from a high point of 4.2 million to 2.9 million. Proportionate figures for the different unions are as follows :-

**Table 9. Eastern based union membership
1991-1993 (DGB figures)**

Union	% change 1991-1993
<i>GTB (Textile, clothing)</i>	-55.7
<i>GHK (Woodplastic)</i>	-53.3
<i>ERV (Commerce, banks)</i>	-41.3
<i>IG BE (mineworkers)</i>	-39.4
<i>GL (Leather)</i>	-34.8
<i>IG CPK (Chemical, paper)</i>	-34.5
<i>GdO (Rail)</i>	-34.5
<i>IGBSE (Construction)</i>	-32.8
<i>GGLF (AgrIC., YoreStzy)</i>	-32.0
<i>NGG (Food)</i>	-28.6
<i>IG Medien (Media)</i>	-24.7
<i>IG Metall</i>	-23.1
<i>OTV (Public Serv., Transport)</i>	-18.3
<i>DPG (Post, Telecom.)</i>	-17.3
<i>GEW (Educ., Science)</i>	-13.8
<i>Gdp (Police)</i>	- 9.6
Total	-30.1

Comparisons with the decline in employment in associated industries places these figures in context. In the same period employment in many basic manufacturing industries fell catastrophically. Textiles employment, for example, fell by 79 per cent; clothing 80 per cent; chemicals 65 per cent; mining 64 per cent; electronics 65 per cent; shipbuilding 54 per cent; and mechanical engineering by 69 per cent. Whilst in a heavily industrialised town such as Chemnitz (formerly *Karl Marx Stadt*) the number of metal workers in 1991 totalled 80000, by 1994, as a result of closures and dismissals, the total had shrunk to 16000. Membership of *IG Metall* had fallen correspondingly from 64000 to 14000¹⁶. Membership totals fell less

dramatically in the public service industries. Jobs in these industries were protected from privatisation or enterprise closure and hence the prospect of the wholesale elimination of bargaining units. Rationalisation of jobs in the public services remained a threat (see Table 10) but distinct workplace bargaining units were more likely to remain, thus maintaining the opportunity for membership retention albeit on a reduced basis.

Figures to the end of 1993 illustrate the changing patterns of employment, as Table 10 show:-

**Table 10:
Employees Paying Social Insurance 1992-1993
East Germany**

	absolute change	% change
<i>Land, Forestry, Fishing</i>	-54,646	-20.8
<i>Energy, Mining</i>	-36,808	-17.8
<i>Manufacturing</i>	-197,674	-14.9
<i>of which</i>		
<i>Chemicals</i>	-20,301	-22.9
<i>Machine Building</i>	-55,109	-28.0
<i>Electronics</i>	-29,840	-19.9
<i>Building Goods</i>	+1,879	+4.0
<i>Steel, light engineering</i>	+7,497	+6.6
<i>Building</i>	+69,165	+11.0
<i>Service Industries</i>	-104,608	-3.0
<i>of which</i>		
<i>Trade</i>	+7,837	+1.4
<i>Communications, Transport</i>	-32,147	-7.0
<i>Banking, Insurance</i>	+3,289	+3.3
<i>Business Services</i>	+6,972	+4.6
<i>Local Authorities, Health</i>	-128,639	-13.0

Source: Bundesamt Information News

In short, as the above figures indicate, a structural employment shift has occurred whereby the decline in manufacturing industry has greatly outstripped the (relatively) small decline in the service industries. Only the building industry has exhibited any significant growth. Predictions for 1995 and beyond suggested that the gradual improvement expected in industrial production will not trigger extra employment, primarily because of productivity gains in the remaining plants (*IFO Digest*, 3/93). Some employment gains were expected in the small and medium size business sector, which was under represented in the command economy of the GDR. But in the manufacturing, chemicals and mining sectors - the heartlands of previously strong union membership - the issue of job protection will remain a central issue for unions. Having examined the changing patterns of union membership it is necessary to consider the ebb and flow of *issues* that have dominated industrial relations in the east.

4.4 Disputes

1991-1992: New Experiences of Combativeness

The early success of unionisation in the east was followed throughout 1991 and 1992 by a wave of industrial disputes (many of which are recorded in Appendix 1). The heady days of unification were soon taken over by Treuhand initiated closures and privatisation coupled with price rises and raising of rents. The range of issues contained in these disputes expressed the early frustrations of eastern workers. Demonstrations, occupations, and strikes were a reflection of the confidence of eastern workers achieved in the heady days of 1989 and their consequent immediate disappointment at the results. The following chart recording some key disputes illustrates the point:-

Table 11: Key Disputes (Eastern Länder) 1991-92

<i>Date</i>	<i>Causes</i>
<i>January 91</i>	Student protests against dismissals of academics associated with old regime. 30000 postal workers strike for one-off extra cost-of-living payment. Return to work agreed for payments up to DM900. Agree also to reduce working week from 43 to 40 hours.
<i>March 91</i>	60000 demonstrate in Leipzig in new series of Monday evening demonstrations. Demands are against factory closures and for retraining schemes for unemployed. <i>Alliance 90</i> calls for a <i>Peoples March for Jobs</i> on Bonn. DGB calls demonstration against Kohl in eastern town of Erfurt.
<i>April 91</i>	IG Metall announce deal to raise eastern wages to western levels by 1994. Holidays and hours to be equalised by 1996.
<i>May 91</i>	Strikes of savings bank employees in east.
<i>March 92</i>	Thousands of shipyard workers demonstrate against job losses in <i>Nordsee</i> yards.
<i>June 92</i>	Large demonstration outside Treuhand headquarters in East Berlin against privatisation and closures.
<i>Sept. 92</i>	East German works councillors and shop stewards organise rally in Bonn. Rank-and-file Conference in East Berlin organised by eastern shop stewards openly opposed by IG Metall leadership. Factory occupations against job losses in Erfurt and Chemnitz. Steelworkers occupy the airport in Dresden. Local Employers Association gives support to workers' demonstrations in Chemnitz.

The Autumn 1992 Employers' Offensive

By the end of 1992 the atmosphere seemed to have begun to change as the costs of unification were straining the federal budget. In October 1992 the employers, backed by the Kohl Government, took up an offensive against unions in the east when they sought 're-opening' clauses on wage equalisation agreements for metal workers. At the same time Kohl sought to solve the potential political problems of unification (spurred by the prospect of a CDU voting collapse in the east) by initiating a series of discussions with major *actors* in the German political system aimed at establishing a "Solidarity Pact" to control the rising costs of unification. Kohl's approach to the unions (primarily IG Metall) was to trade wage moderation in the west with a change in Treuhand policy to one of extending the life of firms not yet privatised and opening the possibility of local *Land* involvement in their operation. Kohl's additional agenda was to attempt to break the commitment to wage equalisation between east and west in the light of continued disparity in productivity levels between the two sections of the country. However at the *IG Metall* Conference in Hamburg in the same month General Secretary Franz Steinkühler stated that union policy was to oppose such a "Pact" if it involved reneging on eastern wage agreements. Kohl could only regain the confidence of the unions by dropping his insistence on *Öffnungsklauseln* (wage opening clauses) and by agreeing that such reopening of existing agreements could only occur where an enterprise was in severe economic difficulty and both parties agreed. The final version of the understanding between the unions and Kohl was modelled on a case in Saxony where *IG Metall* had worked with the locally governing CDU, employers and the Treuhand to restructure firms which were too important for the local economy to be closed down. By March 1993 the "Solidarity Pact" was agreed

between Kohl and Bjorn Engholm, then leader of the SPD, but at the same time *IG Metall* announced the first official strikes in the east for 60 years in order to defend the attacks by employers on the outstanding issue of eastern wage agreements (see Sally and Webber, 1994). The strikes themselves, organised centrally by the *IG Metall*, were a contrast to the more spontaneous *ad hoc* protests of the previous two years. This was undoubtedly partly a response by the *IG Metall* leadership to pressure from below, particularly from the rank-and-file based eastern *Betriebsräte und Personalräte Konferenz* (shop stewards and works council representatives Conference), but it also reflected the development of a 'stand-off' situation between the Government and Employers on the one hand and the unions on the other. The issue of job protection and wages had now become interlinked with the budgetary considerations of the Bundesbank in the face of growing economic difficulties. The neo-corporatist "Solidarity Pact" between the Kohl Coalition Government and the SPD had left the unions in a more exposed position where future battle lines were now clearly drawn. The strikes lasted two weeks and covered over 100 separate enterprises in the east. Solidarity protests also took place in the west (such as at the key Wolfsburg plant of VW), and in the face of plans to escalate the strikes the Employers Federation finally backed down and agreed to abide by the wage agreement albeit postponing the date of full wage equalisation to 1996 (instead of 1994). The settlement, however, was seen as a victory for *IG Metall*. *European Industrial Relations Review* commented:-

There is no doubt that the accords have boosted the confidence of the metal-working union, since it has proved its ability to conduct the first legal strike in the region for over 50 years, despite an unfavourable context of economic collapse in the east and recession in the west.

Despite the apparent success of the *IG Metall* the employers federation in the metal industry (*Gesammetall*) opened a new offensive over both working time arrangements and the next round of general wage settlements. In October 1993 the precedent for more flexible working arrangements had been established at VW with the negotiated introduction of a 28.8 hour (or 4 day) working week and a 20 per cent wage reduction as an alternative to 30000 job losses. In the following national wage negotiations for the whole metal industry *IG Metall* called out 1.8 million members in a series of warning strikes in pursuit of a 6 per cent claim. This time however, the *IG Metall* leadership backed down and fell short of balloting nationally for an all out strike, agreeing instead in March 1994 to an effective freezing of real wages in return for plant-by-plant talks on hours reductions to preserve jobs - including the right of some plants to go back to a 40 hour week. Such a 'flexible' approach to the question of hours and jobs reflected differences of opinion amongst *Gesammetall*. It is clear that some employers wished to follow the VW example and cut hours and wages as an alternative to job shedding, others, however, would clearly prefer to increase working hours or shed labour. Hans-Peter Stihl, president of the German Chamber of Commerce, commented that the four day week was "*fundamentally a step in the wrong direction..... In the future we must work more, not less, If we want to remain competitive*" (*Financial Times*, 1 November 1993).

The problem is that a simple reduction in hours and wages reduces the absolute wage bill but actually raises unit wage costs, which are already high in Germany compared to competitor nations. Thus the deal, important though it was, did not necessarily achieve the employers' objectives of creating total plant wide flexibility (a demand pressed on *Gesammetall* by many

smaller businesses - the *Mittelstand*). Instead, it seemed that both sides reached agreement and in so doing acted to preserve intact the centralised system of bargaining at a time when Co-determination at a national level was under enormous strain. The other reason for the unions' climbdown was undoubtedly pressure to wait for a hoped for SPD victory in the October 1994 elections whilst the employers achieved *movement* in the direction of more flexibility and at the same time held together their federation¹⁷. The question of working hours bounced back again in August 1995 when VW reversed their previous 'shorter hours' position and proposed to extend working time by 3.2 hours per week, retain the option of a 48 hour week, and reduce Saturday overtime premiums. *IG Metall's* response was to resist the moves by launching token warning strikes and demonstrations at the company's six plants in west Germany. The Mosel plant in the east was excluded from the campaign as it already had a different, and more flexible wage agreement.¹⁸

The 1995 metal industry wage settlement, of 4.5 per cent, was a clear victory for the *IG Metall* in the face of employer threats to lockout. It was won after 11 days of action in 33 Bavarian factories and the final deal was agreed without any associated 'string' previously demanded by the employers' federation. Order books in the engineering factories were full and this, together with the recent 7.5 per cent tax increase to pay for unification, seems to have steeled the mood and determination of union members. The cost of the deal is likely to further fuel disquiet within the employers and in North Rhine Westphalia employers threatened not to ratify the deal, placing more strains on the collective bargaining system.

Outside the pacesetting metal industry similar relatively low wage deals were struck in 1994 in other sectors, with additional attacks by employers on additional wage 'top-ups' such as the *Schlechtwettergeld* (bad weather money) received by building workers in the west since 1959. A demonstration in October 1993 in Bonn of over 100000 building workers was the largest trade union demonstration ever seen in the capital and the protest action succeeded in delaying the abolition of the payments.

Wages and Jobs In the east

In the east, protest action in this period was concentrated on two issues - defence of jobs and the achievement of *Gleichlohn* (equal wages) with western workers. Strikes or other protest action against job losses took place in east Berlin (against the fusion of the two zoos; on the railway network - against rationalisation plans; in the State printing presses; breweries; and kindergartens). Elsewhere in the east protests against mine and factory closures continued, but at a more infrequent rate than in the previous two years. The most notable protests took place in Brandenburg in defence of 'brown' coal mines and in Thuringia where the potash miners of Bischofferode took action including hunger strikes over a year long period against a Treuhand decision to merge the mining company with a western based competitor and subsequently close the mine. Both miners' actions ended in defeats but the ending of the Bischofferode dispute was only achieved with the aid of substantial extra payments to the redundant miners. The dispute became a *cause celebre* during the campaign, which besides the hunger strike, also included a personal appeal to the Pope in Rome by the mine union convenor (a member of the CDU), and a hunger march to Berlin.

On the wages front disputes took place with warning strikes to recommit employers to wage equalisation in the public sector, the wood and furnishing industry, and the retail industry. In education the *GEW* also mounted protest action in June 1994 when 60000 teachers converged on Berlin to demand recognition of their GDR qualifications. Eastern teachers, who had not passed a post 1990 or older type FRG teachers' exam, could receive only a maximum of 80 per cent of the western equivalent in terms of years of service etc., meaning in effect (in 1994) that many received no more than 60 per cent of western pay whilst the general salary level remained at 80 per cent of the western level (see Case Study for more detail).

The issues facing the trade union movement in the east have thus been enormous. Success has been achieved with wage parity, albeit on a delayed basis after a series of strike actions against employers. The protection of jobs has been much more difficult, with only sporadic success in the face of Treuhand policy. The specific problems of eastern workers have had to be addressed by the union leaderships and there is evidence of dissatisfaction with the unions from the shop and office floor. It is such tensions which are now examined.

4.5 Areas of Tension In East-West Industrial Relations

It is difficult to isolate *quantitatively* the causes of trade union membership decline in the east.

A number of factors have influenced the process to a greater or lesser extent:

a) the disciplining effect of the fear of job loss has contributed to worker reluctance to join or remain a member of a trade union. This effect may be exacerbated under unification as workers changed jobs or moved into new areas of work.

b) the high density rates recorded in 1990 as workers joined DGB affiliated unions may have been set at an artificially high level as workers simply transferred their membership from FDGB unions. The reasons for the artificially high levels of density in FDGB unions (access to holiday vouchers etc.) have already been explored in an earlier section.

c) new employer strategies to marginalise or discourage unions in "new start" locations (either greenfield or restructured brownfield sites). This effect, in the German context, is unlikely to be great due to the protection given to union recognition rights in law. In addition it is not the case that inward investment into the former east has been dominated, for example, by anti-union firms typically of US or Japanese origin. Of the 9338 privatised firms sold by the Treuhand up to 1992 only 462 had been bought by non-German enterprises (*Treuhandanstalt Monatsinformation*, September 1992). A notable exception is the purchase of the former television tube manufacture *Werk für Fernsehertechnik* by Samsung of South Korea. The factory in Berlin remains non-union.

d) structural changes in employment are unlikely to have played a particular role in the east German case because of the *generally* high levels of density across the whole industrial structure that existed in 1990.

The *qualitative* changes in attitudes towards trade union membership have, however, been subject to some investigative research within Germany. In particular a number of tensions within the trade unions themselves can be isolated.

East-West suspicions

The western dominance of the unions created two immediate problems. Firstly, the concerns of many of the DGB unions with environmental and socio-technological issues did not immediately fit with the agendas of the newly recruited members and some mistrust developed as a result, due to the preoccupation of officials with such matters developed over the previous years' internal debates within the DGB. This is not to say that these issues (humanisation of work; ergonomic production matters etc.) were not important but rather that as a central part of policy they were perceived to dominate the western officials' work agendas disproportionately. This apparent mistrust was also reflected in comments by officials when referring to their newly won membership, who claimed that the easterners were only interested in instrumental matters of wages and jobs rather than the wider aspects of trade union responsibilities (Kempe, 1990). The potential for mistrust was undoubtedly compounded by the length of time the DGB gave to talking to the old FDGB prior to the collapse of 1989, described by Dieter Wunder, Head of the GEW, as *zu lange mit Harry Tisch am Tisch gegessen*, ("too long eating at the table with Harry Tisch") (quoted in Wilke and Müller, 1991).

Secondly, a perception developed after unification that the eastern workers were lazy and would be unable to cope with western working methods and pace (see Müller, 1993: 251-268 for a

discussion). Irrespective of the validity of this stereotype a series of interviews conducted by researchers from Frankfurt-am-Main University in eastern factories from 1991 through to 1993 appeared to confirm that ill-feeling had resulted between eastern workers and western trade union officials as a direct result of such labelling (Hondrich, Joost, Koch-Arzberger, Wörndl, 1993). A large part of the mistrust appeared to arise from loss of feelings of inter-personal solidarity and community that previously permeated everyday GDR society (Büchtemann and Schupp, 1992). The internal debates concerning democratic reform of the *DGB* have also appeared to pass by the concerns of easterners (Fichter, 1994) creating a 'mood of impotence' (ibid:375) amongst many eastern based *DGB* officials. In addition numerous surveys produced by Government agencies or national magazines or newspapers have highlighted differences in attitudes between easterners and westerners. For example an Emnid Survey conducted in November-December 1992 revealed some resentment from westerners at the cost of unification with 54 per cent agreeing that unification has threatened west German prosperity¹⁹. The same survey recorded that 64 per cent of westerners (*Wessis*) and 74 per cent of *Ossis* thought that 'the wall has gone but the wall in peoples' heads grows'. Within the trade unions such mistrust, it must be emphasised, is mostly directed against the union *Funktionäre* (full-time officials) rather than plant level activists. A study by Turner (1992), for example, of the former Trabant car plant in Saxony taken over by VW, describes how the eastern workers sought out an experienced western shop steward to lead them in their Works Council negotiations (persuading management to take him on the books in the process!). Similarly the long dispute at the Bischofferode potassium mine in Thuringia was marked by anger at the union officials for concluding a redundancy deal rather than at 'western' based unions - many of whom at branch

level had supported the dispute. However the mistrust within the trade unions is also reflective of more general insecurity amongst east Germans in the period since unification. A survey conducted as early as 1990, for example, found that feelings of 'social isolation', 'meaningless' and 'work alienation' all scored higher in the east than the west with comparative scores of 10 per cent to 6% for *social isolation*; 12 per cent to 3 per cent for *meaninglessness* ; and 8 per cent to 4 per cent for *work alienation* (see Dennis, 1993:168).

The results of such surveys point to a general *anomie* within east German society that can help explain a general decline in participation rates in active campaigns in the years immediately following the revolutionary highpoint of 1989/90. Disaffection with trade unions cannot be divorced from this process. However the alleged *anomie* should not be overstated. Union membership has also been in decline in the west over the same period and recent research from 30 textile firms in east Germany by Frege (1995, 1997) would suggest that there is nothing 'special' about east German workers to make them more or less disposed to union membership than their western counterparts.

Nevertheless, it is clear that the union leaderships had not developed appropriate ideas of how to approach the different traditions and cultural attitudes of eastern workers and how these might translate into expectations of union membership. The DGB clearly had a number of priorities.

a)to establish organisational infrastructure to enable eastern recruitment;

- b) to train workplace representatives in the intricacies of Codetermination and the Works Council system of industrial relations;
- c) to avoid 'social dumping' in the east
- d) to try to deal with the expected problems of unemployment, primarily through the establishment of re-training schemes and the maintenance of financial support from the State for the unemployed.

On the question of organisation the union leadership achieved a remarkably smooth take-over, similarly in respect to the achievement of wage parity some satisfaction can be recorded at the eventual outcome. It is the questions of job protection and *Mitbestimmung* where most problems have arisen.

Jobs

The catastrophic decline of jobs in the former east has already been outlined. Job losses have occurred either as a result of Treuhand policy or as a consequence of rationalisation within surviving enterprises.

The Treuhand conducted its own policy of choosing between viable and unviable plants and dealing with the unviable ones either by closure or merger. In the early days after unification this approach led to demonstrations directed against the Treuhand offices in East Berlin and to large demonstrations in other cities such as Leipzig and Chemnitz against the apparent arbitrariness of the Treuhand's decision-making process. Shipyard workers in the northern ports also occupied their yards and demonstrated with limited success in defence of jobs.

Nevertheless, a distinct feeling soon developed that such initiatives were not being fully supported or led by the unions at top level but remained a rank-and-file initiative. (The demonstrations in 1992 in Chemnitz, for example, were organised by a 16 strong representative group of local metal industry *Betriebsräte* rather than centrally from the IG Metall)²⁰. Such *immobilisme* from the union leaderships eventually led frustrated *Betriebsräte* from Rostock and Berlin to call the first *Konferenz Ostdeutscher und Berliner Betriebs-und Personalräte* in July 1992 at which 150 delegates attended (Mickler et al, 1994). The tone of the conference was distinctly hostile to the (western) based union leaderships expressing both disappointed expectations and thoughts of more autonomy for the eastern union movement. The reaction from the union leadership, especially *IG Metall*, was to condemn the Conference organisers either for being PDS (the reformed Communist Party) sympathisers or *Trotskyists* and to distance itself from the demands of the delegates.

However, after the initial period of combativeness most academic researchers have reported a period of quiescence dominated by a 'normalisation' process in enterprises (Jürgens, Klinzing and Turner, 1993). This process can be characterised by a more collaborative relationship designed to protect jobs and obtain local Länd support against plant closure.

Co-determination

Confusion has also arisen in the role of the Works Councillors within the bargaining system. Expectations of a confrontational union position vis-a-vis management having been replaced by gradual awareness of the *Zusammenarbeit* (collaboration) approach demanded of the local

Betriebsrat within the German industrial relations conventions. The learning process of understanding and mastering the regulations of Works Councils and Co-determination was also hampered in many cases by the initial absence of plant management who were knowledgeable of the system. This was because in the immediate post-privatisation period the plants were temporarily run on command principles by authorised Treuhand officials (Kreißig, Lungwitz, Preusche, 1992).

There was, however, no question in the minds of the DGB that the Works Council System should be drafted onto the east. Indeed the DGB had already joined the Employers Federation (BDA) in signing a declaration sanctioning economic, currency and social union in the new *Länder* with its concomitant acceptance of *social partnership* and *Mitbestimmung*. This was in the face of a debate in the east over the possibility of a 'third way' between capitalism and GDR type socialism - a debate that was taking place in the final phase of the GDR when discussions had already begun between the DGB and the FDGB. This preclusion of any alternative to co-determination meant that expectations of direct confrontations with employers over jobs were obscured by the technicalities of the legislation surrounding a joint approach to determining redundancies and dismissals. In many cases newly elected Works Council representatives who were of eastern origin were caught in the position of deciding, on behalf of the employer, who amongst their work colleagues should be the first to go - a procedure in line with Works Council legislation - rather than organising active resistance to the principle of dismissal (Kreißig and Preusche, 1992). Such a restriction on the ability of the union at local level to fully represent its members produced tensions which, according to case study research by

Röbenhack (1992), produced a 'defensive' attitude on behalf of members towards the *Betriebsrat*. Indeed, as mentioned in Part 3, a debate has since arisen amongst German academics about the orientation of eastern Works Councillors compared to their western counterparts. Some commentators such as Jander and Lutz (1993) and Mahnkopf (1993) have argued that the eastern examples are dominated by a more subservient relationship to management such that they have failed to become effective interest representatives. The co-operative relationship, however, is also central to the 'productivity coalition' evident in the west, and is a product of the Works Council system itself. In the east scope for independent action has been considerably less due to fear of job loss and closure (Ermischer and Preusche, 1993) and as such the apparent closeness to management may well have been to ensure plant survival by the conclusion of a survival pact (*Überlebenspakt*). This raises the question of whether or not the behaviour of Works Councillors in the west would have been any different in similar circumstances given the same institutional framework. One factor which might also explain any evident difference between east and west behaviour is the legacy of more co-operative relationships between workforce and management in the old GDR factory via information sharing and the 'collective' need for plan fulfilment (Bluhm, 1992). Lang (1992), on this point, also suggests that there exists a legacy in the east of more respect for authoritative leadership which may have transferred itself to the east in terms of a willingness or more passive acceptance of management or Works Council leadership.

Orientation towards the Union

It has been shown that union recruitment was successful in the immediate post-unification period but that in more recent years membership has dropped beyond that of job loss. There is also some evidence to suggest that a greater divorce exists in the east between Works Councillors and the national union than that in the west (Kädtler and Kottwitz, 1994; Fichter, 1996). This might be explained by more collaborationist arrangements between Works Council and management to ensure works survival or as a direct result of the eastern inheritance and the legacy of shared concern over workplace affairs and a distinct suspicion of outside 'meddling' (Fichter, 1994). Such tensions have, of course, long been a feature in the west but in the east the tensions are more exaggerated leading, as Bluhm (1995), comments to a 'schizophrenic' relationship between councillors to the Works Council and trade union roles. It must be noted, however, that trade union membership amongst Works Councillors is higher in the east than in the west (Martens, 1994: 315), suggesting that such 'distancing' may not be a permanent feature of the future. Finally studies have shown that there is a relative absence of *Vertrauensleutekörper* (union shop stewards bodies) in the east suggesting a more passive rank-and-file union membership (Lohr et al. 1995; Kädtler and Kottwitz, 1994). Once again this may not be a permanent feature once networks have been established and more stability is achieved (if it ever is) in the employment situation in eastern workplaces.

In summary the initial phase of 'works councils from below' that was associated with disputes has given way to 'normalisation' of Works Councils albeit with a more collaborative function in the east than in the west. Union membership has declined after initial healthy recruitment.

This decline may be the result of a number of factors but associated with the decline are some east-west and membership-leadership tensions. Independent rank-and-file organisation appears dormant after the initial attempts in the post Unification period to establish an eastern based Works Councillor Conference.

4.7 The Case of Secondary Education

The case study is based on the secondary education sector with particular reference to the *3.Gesamtschule mit Gymnasiale Oberstufe* in Berlin-Mitte. The detail of this case study is placed in context by a short overview of the transition process as it affected the sector in general. Individual changes are then assessed and categorised into three groups - *changes in education structure; changes in the role and status of teachers; and changes in workplace relations.*

Unification and secondary education

Unification meant considerable change both for the system of education previously existing in the GDR and the associated ideological apparatus. Secondary education in the GDR was based on the comprehensive principle with a polytechnic approach involving provision for school time placements in industrial or agricultural enterprises. Outside the *Polytechnische Oberschulen* a number of special schools existed for intensive learning in languages or music. About 3 per cent of children (mostly sons and daughters of *nomenklatura*) attended special boarding schools (Zimmerman, 1985). The priorities of the schooling system were geared towards placing more 'working class' children into higher education; the development of

'socialist/communist' personality through general curricula study; the formal and compulsory study of Marxism/Leninism and Russian and the development of strong vocational links in theory and practice (leading to an exceptionally high take-up of vocational training after leaving school). In the 1970s Margot Honecker (wife of Erich Honecker) led a campaign to standardise methods of teaching and learning, a product of which was the 'teachers manual' which laid down curriculum, modes of assessment, instruction and Standards of Discipline (see Page, 1985).

Entry to teaching job was primarily via a University undergraduate course. Graduates were then directed to their first job and usually allocated housing accommodation. It was expected that teachers would stay in the occupation for life. This was not because teachers were of a high status or paid relatively well in the GDR (in fact rather the opposite) but because there was a distinct link between training education and job allocation under the GDR system and a general absence of a career change culture within the teaching profession²¹. In the inner cities there was some admittance by the SED of a discipline problem amongst pupils, and this was reflected by a relatively high turnover of experienced teachers between schools and in some cases shortages as teachers sought to move away from unpopular schools . Within each school the maintenance and enforcement of the official GDR political culture was encouraged through SED led party discussions and the dominance of SED party members within senior management positions. The ideological role of teachers within GDR society came not just through the curriculum but also through *Stasi* informants on the school staff - spying not just on fellow teachers but also on pupils who could provide information on the social and political habits of their parents. ²²

Within each school one or more teachers would also be responsible for recruitment to and activities of the official youth organisation *Freie Deutsche Jugend* (FDJ) and teachers would be expected to take their classes to official demonstrations and other shows of support for the ruling regime. Almost all teachers were members of the FDGB teaching union affiliate, perhaps influenced by the fact that membership of the union was necessary for access to some social benefits such as holiday homes and travel vouchers. Trade union activity was also, as with all other former Eastern Bloc Communist countries, subject to party discipline and restricted in scope to supporting the aims and objectives of official State policy (Lowitt, 1982). As already identified earlier most studies of workplace conflict in former Eastern Bloc countries acknowledge the existence of 'informal bargaining' based on the individual or work-group often associated with some worker leverage as a result of labour shortage (Heidenreich, 1991; Voskamp and Wittke, 1991; Thompson and Smith, 1992).

After Unification the three tier West German system of secondary education was introduced including provision for *Gymnasium* (the equivalent of Grammar Schools for the better academic children). During 1989/90 there was considerable pressure from teachers and others interested in secondary education in the reform process, with a strong body of opinion (from political parties active in the revolution and the *Gewerkschaft Unterricht und Erziehung* - GDR union for teachers) which argued for a more pluralistic education curriculum which also retained many aspects of the vocational training of the GDR system (Hoyer, 1996). Despite this pressure the western system was imposed. Collective bargaining takes place at sectoral level with the *Gewerkschaft Erziehung Wissenschaft (GEW)* as the representative teachers union

since November 1990. The *GEW* also represents others in the education sector such as University lecturers and kindergarten workers and was highly successful in recruiting 186,903 members in the east (as against 171,679 in the west) by the end of 1991 (*DGB* figures). By the end of 1995 membership had already fallen in the east to 141,041, reflecting in the most part the drop in education related employment.

The situation in East Berlin and the 3. Gesamtschule

At the time of unification in East Berlin there were 344 *Oberschulen* and 68 special and other secondary schools (*Statistisches Jahrbuch Berlin* 1991). In Berlin-Mitte (the central city area of East Berlin) there were three secondary schools which were converted to *Gesamtschule*. The *3. Gesamtschule* incorporated a *Gymnasiale Oberstufe* (top tier level for teaching the university entrance *Abitur*). There were approximately 60 full time equivalent teaching staff with a senior management of one Head Teacher, one Deputy Head and three Departmental Heads. Both the Head Teacher and Deputy Head Teacher had retained their positions from GDR times. Two of the Departmental Heads were recruited from West Germany. There were only two other western teachers on the staff, both of whom were language teachers (French and English). The catchment area of the school included children from 'problem' areas of the inner city as well as the sons and daughters of former state officials living in central East Berlin. Many of the pupils of the school appeared to have suffered personally with unification due to newly absent fathers (either moving to the west to find work, or, in a significant minority of cases, from suicide in the immediate post-unification period²³). Seventy five per cent of the teaching staff were women, the head teacher was male and his deputy head was female. As with all schools in the

east, those teachers with Russian language as one of their subjects were required to retrain to secure their future job prospects. All staff had to undergo an examination process into past possible connections with the *Stasi*. One member of staff had been revealed as a former informer during this process. Practically all the staff had joined the *GEW* and membership had been retained through to 1996. Within the staff a core of seven or eight 'activists' organised on behalf of the *GEW* for the 1994 dispute and other demonstrations. From interview notes it is clear that this same group of staff were also 'activists' during the upheavals of 1989²⁴. The staff members had elected a *Personalratin* who represented staff in personal cases to the Head Teacher. The individual concerned was also the *GEW* representative at the school for recruitment purposes. The profile of the *GEW* in the school appeared high, with noticeboards and a union 'table' centrally placed within the school where *GEW* literature could be obtained. One of the two Deputy Presidents of the Berlin *GEW* was also based at the school (with facility time off) and this again helped raised the union profile.

Changes in the Education Structure

The key changes affecting the structure of education in the post-unification period can be listed as :-

i]The introduction of the three tier school structure of the FRG concentrating on the establishment of *Gymnasium* as well as provision for private education.

ii]The closure and rationalisation of some schools as catchment areas were redrawn in unified Berlin and as a response to a declining school aged population (particularly in East Berlin).

iii]The introduction of budgetary cuts and 'New Public Management' within the education sector of the Berlin City administration and,

iv]Revision of the old GDR curriculum, the introduction of new textbooks, the downgrading of Russian as a foreign language, and the investigation of all teachers for past *Stasi* connections.

There were a number of consequences and issues of potential grievance and dispute which flowed from these changes. Firstly the proportion of publicly paid teachers per head of population in the GDR was considerably higher than in the FRG. This was a result of the absence of private education within the GDR and the relatively shorter hours and lower class sizes that had previously existed. Götz (1995) has calculated that based on comparative ratios in the west there existed a 'surplus' of 25,000 teachers in the new *Länder* at the time of unification. This led administrations in the east to consider ways of cutting down the numbers of teachers. In addition, under particular threat were Russian language teachers who were required to retrain in order to preserve their job prospects. Funding cutbacks within Berlin had by 1994 led to a severe shortage of some key textbooks leading the Head teacher at the school to remark during a review of funding that "*it's worse than before the Wende*"²⁵ The response to these threats and issues in the school was organised at one level by the Berlin *GEW* who led a campaign against the Berlin administration to reverse its savings plans culminating in a 6000 strong Berlin wide demonstration in January 1996 (12 of the schools staff of 60 attended the

demonstration). The core group of 'activists' within the school also planned and successfully got the support of the school's *Gesamtkonferenz* (General Conference) for a series of school 'open evenings' and press releases advertising the schools's achievements when the threat of amalgamation appeared real.²⁶ There was some further feelings of insecurity that arose as part of the investigations into former *Stasi* involvement. The process involved filling in a detailed questionnaire and the individuals' job could not be confirmed until the process had been successfully completed. A number of studies (Lenhardt *et al*, 1992; Zapf,1992; Koch,1992; Hoyer, 1996) have highlighted the problems of decline in self-worth and self confidence that eastern teachers felt as a result of these changes. The situation for eastern teachers was also clearly worsened by changes in their role and status and the absence of recognition for their GDR qualifications. These issue are now examined below.

Changes in the Role and Status of Teachers

The changes can be summarised as follows:-

- i] The non-recognition of GDR teaching qualifications after unification.
- ii] Restrictions on the process of 'wage equalisation' with western salary equivalents and proposed rescindment of the agreement to stage wage equalisation to achieve 100 per cent parity by 1994.
- iii] Revision of contracted teaching hours to increase teaching hours of eastern teachers to western equivalents and additional proposals in Saxony and Brandenburg to increase further teaching hours from 23 to 25 per week.

iv] Introduction of various measures to reduce numbers of full time teachers in the east including moves to part time working (with corresponding salary reductions) on a voluntary basis (compulsory in Brandenburg). Proposed ‘sabbatical year’ for teachers in Berlin (*Beamte* status only) in return for individual agreement to reduce teaching hours and salary for a specified number of following years.

v] Limited offer of *Beamte* status to eastern teachers with appropriate qualifications and experience.

vi] Revocation of GDR School Discipline standards

It is in these substantive areas of change that most resentment and concern has arisen amongst eastern teachers. At a collective level the *GEW* leadership was successful in mobilising support for a series of ‘warning strikes’ against the effective ‘second class’ status of eastern teachers as a result of the non-recognition of their qualifications. At school level some resentment was directed against western teachers who might be paid more for the same job but with less experience or even lower qualifications.

“ I have been teaching English for 20 years and I have a degree from one of East Germany’s good Universities yet I am paid less than this western teacher in our school who has only taught for half the time (FW)”²⁷ .

The rescindment of the wage equalisation agreement also led to a successful one -day strike called by the *GEW* in June 1994. Within East Berlin the union claimed 80 per cent support for the strike and in the *3.Gesamtschule* the strike was supported by 95 per cent of the teaching staff. A picket line was mounted from early morning and achieved a reasonably high degree of

involvement with one half of the school's 60 staff attending the picket at one time of the day or another (personal count by the participating author). The strike was the first strike experienced by the staff and quickly assumed many of the features associated with picket line 'camaraderie' with posters and placards being hand produced by the core 'activists' within the school. The issue of offers of *Beamte* status (central state employees with job security status, enhanced pay and pension benefits but no legal right to strike) proved more contentious. The feelings of group solidarity were clearly threatened and formed the basis of much staff room discussion.

" Why should we become Beamte and give up our sense of collective solidarity ? This is a western 'thing' and I don't know what we ordinary teachers should do " (KB)²⁸

There was some confusion over the role of the *GEW* with respect to the *Beamte* question. The official position of the (Berlin) union leadership was that the *Beamte* approach to employment was a relic of the authoritarian (i.e. Bismarckian) state that had no place in a modern democratic society.²⁹ However the *GEW* continued to attempt to represent and recruit *Beamte* (despite them not having the right to strike) and in the perception of the eastern teachers had acted to promote the interests of their western members in becoming *Beamten* over and above the interests of those eastern teachers with personal doubts. Despite these concerns by the end of 1996 only one teacher within the school eligible for *Beamte* status had held out against application.

Changes in Workplace Relations

There were many changes in the atmosphere of workplace relations in the school but the most significant ones in their impact upon industrial relations were as follows:-

i] Recruitment of members by the *GEW*

ii] Introduction of co-determination in wage bargaining and *Personalrat* (the public sector equivalent of the Works Council) representation at area (*Bezirke*) level.

iii] Formal participative structure of the *Gesamtkonferenz* (General school conference) held once a month within the school (for all teaching staff with student representatives).

The key issues that arose with the introduction of the school based variant of *Mitbestimmung* undoubtedly concerned the division of responsibilities between the *GEW*, the *Personalrat*, and the school *Gesamtkonferenz* (together with the higher tier School Council). The development of the *GEW* within the school has already been described. One point of issue quickly arose, however, as to the limits to which the *GEW* could act as representatives of their members within the school. In effect it was soon apparent that the Head Teacher would only deal with the *Personalratin* and would deny recognition (in the procedural sense) to *GEW* representatives. To a large extent this was not a problem as the *Personalratin* herself was the key representative of the *GEW* within the school, but it did cause problems of role interpretation when issues of conflict arose between the senior management of the school and the ordinary staff within the arena of the *Gesamtkonferenz*. This formal participative forum (attendance was out of school hours and compulsory) was chaired by the Head with one of the (western) deputy heads acting as 'guardian' of the Conference Constitution with reference to the official Procedural Rule Book. On a number of occasions, over such issues as staff timetables, extended working week, and break duties the staff were clearly exasperated at the constant reference to the Rule Book as to procedural issues and limits of authority. The *Personalratin* was also denied authority to speak in this arena on behalf of staff , with the head emphasising the 'consensual' nature of the

Conference procedure. Voting did take place within the Conference but it was generally reserved for integrative issues (e.g. the scheme of decoration in the new school cafeteria) or pedagogic issues. Rights of collective representation in the distributive sense were legally reserved for contacts between the Berlin Administration and the *Personalrat* within the geographical *Bezirke*. At the informal level, however, the *GEW* core activists organised amongst themselves and the amongst the more passive members to intervene in the Conferences with the *Personalratin* taking a lead role. Conflicts between senior management and staff were thus **formally** channelled into the consensual arrangements of the *Gesamtkonferenz* whereby the authority of the head was backed by the juridified nature of the Conference. At the **informal** level there was some factionalising and development of opposition led by the *GEW/Personalratin* which occasionally broke the consensual base of the Conference and forced some more minor issues of substance to a vote (e.g. frequency of break duty). In this sense some of the cynicism apparent amongst the staff (interview notes) to the *Gesamtkonferenz* was offset as it was seen to be possible to influence events on a collective basis if prepared and organised.

Discussion

The changes forced upon secondary teachers in eastern Germany in the post-unification period have been particularly severe. These changes have embraced both substantive changes to conditions of service and changes to their role and status due to the ideological sensitivity of the occupation. Their response to these changes as a group of workers would clearly depend on changes in perception of their worth and status. However is difficult to assess whether or not

they see themselves as 'winners' or 'losers' in the material sense as a result of unification. Whilst as a group they clearly have benefited from wage increases this needs to be offset at the individual level by increases in transport and housing costs and, for those with children, the loss of free kindergarten places and free school meals.³⁰ Family circumstances will also have an effect on post-unification feelings of well being, especially if one spouse or partner in the household is newly unemployed. As regards feelings of *colonisation* and *frustrated expectations* the modest evidence from this case study would suggest that many of the disappointments of the post unification period were to be directed at the actions to cut back on the education budget within the context of the unified Berlin's funding problems. There was little evidence to suggest that teachers felt either that their working environment or educational provision had improved. Many of the environmental problems within the school had not improved or had even worsened. In this case it was the economic and social priorities of the Bonn Government and the Berlin Education Committee that were immediately 'blamed' rather than any abstract 'western' interests. With respect to the *viability of institutions* there was clear evidence of attachment to the union in terms of participation and knowledge of issues and a *continued willingness* to participate during the period under survey. Levels of 'activist' participation were confined to a about one fifth of the school's *GEW* membership, and there was a dependent relationship with the Berlin *GEW* leadership, showing little evidence of independent rank-and-file initiative apart from one instance of informal activity within the *Gesamtkonferenz* over the issue of threatened school amalgamation. The general willingness to participate in union called activity *may* have been a product of the particularly high profile of the *GEW* within the school and the presence of a committed core of individuals. Other schools

may have produced different results; but in general the key areas of collective dispute over wages and cuts in jobs were well supported throughout the new *Länder*. It may also be the case that this continued attachment to the unions was more likely to be found in the public rather than the private sector. Public service workers, whilst experiencing job cuts since unification, were much more likely to have retained their workplace as a unit as opposed to the general experience of wholesale closure in private manufacturing. Identity with the union for these public serviceworkers was therefore a more feasible outcome, and public sector unions in the east have held on to their membership rather better than their counterparts in the private sector as a consequence (see Fichter, 1997, for an analysis). This is a similar outcome to post 1989 developments in both Hungary and the Czech Republic where public sector union membership, especially in education, has proved more resilient than that in the private sector and has been translated into a greater frequency of disputes (Hegewisch and Tóth, 1997). The success of the *GEW* in defending wage equalisation during the period in question undoubtedly also added to the *perceived effectiveness* of the union in instrumental terms. The levels of *participation* in union led campaigns might also explain the continued resilience of *GEW* membership levels. One interesting by-product of this continued membership resilience in the east has been the election of three eastern based women teachers to the national leading positions of the *GEW* in 1997 following the resignation of the union President, Dieter Wunde.

There was some initial confusion over the lines of authority between *GEW* and the *Personalrat* and the school structure from relationships with senior management and the *Gesamtkonferenz*. Over time it would appear that this confusion had given way to some resentment at the

limitations of the participative framework which was partially overcome by informal activities led by the key activists in the school (Cf. Morgenroth *et al*, 1994, for a comparison with west Germany). Feelings of 'them and us' were instilled despite the juridified consensual framework that was likely to raise possibilities of collective action (as outlined by Kelly and Nicholson, 1980; Stagner and Eflal, 1982). Finally new *orientations to work* had proved to be a difficult adjustment area for many teachers. The role and status of *eastern* teachers had clearly been threatened and it was in this area that any feelings of resentment against western interference were apparent. However it was noteworthy that in the post unification period very few of the teachers in the school had left teaching or indeed changed jobs to another school. This was undoubtedly in part due to shrinking alternative opportunities but in large part appeared also to be due to feelings of solidarity and security within the workplace that would be difficult to replace (see Kelly and Kelly, 1992, for a description of related social identity theory). This would suggest a continuing commitment to collective interest and the potential for further development of union oriented activity. The fact that there was continuation in activity since 1989/90 to current times of a core group of activists indicates that it was possible to develop a 'culture of solidarity' based on a local leadership that gradually gained experience and utilised this new knowledge to progress the union (see Fantasia, 1988, for a discussion of such 'cultures of solidarity'). It might also suggest a role for unions as a magnet of dissent in the unresolved difficulties of post unification east Germany.³¹

Notes

1. The concept of 'shock therapy' is attributed to the former Harvard economist Jeffrey Sachs who has been advisor to both the Bolivian and Polish Governments in their respective periods of economic 'transition'. The 'therapy' advised by Sachs was a rapid programme of market liberalisation which would inevitably leave many casualties in its wake as protection given to former state subsidised or tariff protected industries was withdrawn. See also Sachs (1993) *Poland's Jump to the Market Economy*.

2. Numbers of people in employment in the new Bundesländern fell from 9.75m. in 1989 to a low of 6.21m. in 1993. In the first quarter of 1995 the numbers employed had risen slightly to 6.42m. (Statistisches Bundesamt).

3. An example is the series of interviews in both east and west that has been undertaken since unification by the Institut für empirische Psychologie (Cologne) which has consistently reported differences between east and west. In 1994, for example, the Institute's survey reported that 47 per cent of easterners surveyed considered their economic prospects to be good/very good compared to 59 per cent of westerners. 16 per cent of easterners worried over the immediate future of their jobs compared to 8 per cent of westerners (Trendbarometer Juni 1994).

4. A good 'survey of surveys' can be found in M. Dennis (1993) *Social and Economic Modernisation in Eastern Germany from Honecker to Kohl* (p160) and Niedermayer and von Beyme, 1994.

5. Much of this trade had taken place with West Germany, which had agreed with the GDR not to impose tariffs or levies.

6. Hankiss quotes this example "...it is not unusual today (1988) to meet a family belonging to the Kadariste oligarchy where the father is a high ranking party or state official, the daughter owns a town centre clothes shop, the eldest son represents a western company in Hungary, the son-in-law is Chairman of a recently created company or a western bank, and the grandmother owns a family hotel on the edge of Lake Balaton". Ironically Hankiss himself also joined this process and is now head of Hungarian TV.

7. Deutsche Bank Economics Department, Unification Issue 51, June 24 1991

8. Institut für angewandte Wirtschaftsforschung, 1990)

9. For example, the last major deal secured by the Treuhand for the purchase of shipyards in Mecklenburg-Vorpommern on the Baltic Coast involved the Treuhand assuming responsibility for more than DM1bn. (£320m) in shipyard debts as well as assuming much of the DM900m. investment needed.

10. More detailed information on the EU transitory arrangements can be found in *Enlargement Without Accession: The EC's Response to German Unification*, Spence and Wallace, 1991).

11. On March 4th. 1992, Detlef Dalk, the leader of Neues Forum/Alliance on Brandenburg Council committed suicide in protest at the restitution policy.

12. As the GDR was technically considered to a workers' state consistent opposition in the workplace would have been considered to have been both anti-social and contrary to the interests of the State (if not 'counter-revolutionary'). Records of instances of repression can be found in *Stalin's DDR - Berichte politische Verfolgter*, (Forum Verlag, Leipzig, 1992) whilst a personal history of a worker militant covering the Weimar period, Nazism and the GDR, is given in Oscar Hippe's '*.....und unsere Fahne ist rot*' Hamburg, 1979 (English edition '*...and red is the colour of our flag*' (Index Books, London, 1991).

13. Institut für empirische Psychologie, (Umfrage über die Haltung zu Gewerkschaften), April/June 1992 in *Sammlung Gewerkschaften und Verbände*, Zentral Institut für Sozialwissenschaftliche Forschung, FU Berlin.

14. See *Berliner Zeitung* 25 July 1994 and *Neues Deutschland*, 29 July 1994 for reports of the DGB commissioned questionnaire.

15. In the unified city of Berlin, for example, the teachers union *GEW* recorded density figures in 1994 of 90 % in eastern located secondary schools as compared to only 15 % in western located schools (Information obtained from *GEW* officials in Berlin).
16. Interview notes.
17. It should be noted that VW remain outside of *Gesammetall*.
18. 'Volkswagen hit by strikes in trial of strength as union rejects longer working hours' (*Guardian*, 30 August 1995).
19. 'Erst vereint, nun entzweit', *Der Spiegel*, 18 January 1993.
20. Interview notes with *IG Metall* representatives in Chemnitz.
21. Interview Notes
22. In one interview with a teacher (BW) I was told " One teacher when I was at school always used to ask us what we saw on television the night before. I foolishly mentioned that I had been watching a particular programme that was on 'forbidden' western tv. As a result the police came to my house and arrested my mother".
- ²³ Information gathered from interviews with school staff.
24. During a meeting in the school in 1994 of a campaign to save the school from threatened amalgamation staff members listed the names of 17 opposition groups of which they had personal contact during the period leading to 1989. None of these groups were still functioning in 1994.
25. Interview notes.
26. Partly as a result of this campaign a neighbouring school's Abitur classes were transferred to the 3. Gesamtschule.
27. Interview notes.
28. Interview notes.
29. Reported in an article by Berlin *GEW* President, Erhard Laube, in *GEW* Berlin magazine *blz*, August 1996 p26.
30. Between the end of 1990 and the end of 1992 house rents had risen by 300 per cent in the east and energy costs by 113 per cent (Statistisches Bundesamt). However these are average increases which may obscure larger increases in the centre of East Berlin. One interviewee informed me that in the three years since unification her rent had increased from 40DM to 400DM per month, whilst tram fares had increased fivefold. Such cases were by no means untypical. It is also the case that consumer spending habits changed after unification with a greater proportion of household expenditure on household goods (see Dennis, 1993 p111).
31. Unfortunately no objective evaluation was made of the teachers' political preferences, although from observation of comments by the 'activists' it is evident that support for the PDS and Bündnis 90/Greens was most prominent. Potential support for the SPD was restricted by the party's role as one of the governing parties in the Berlin coalition Government.

Table 12: Changes in Education Structure

Change Agent	Consequences	Individual Response	Collective Response
Introduction of FRG School Structure	Introduction of <i>Gymnasium</i> at expense of Comprehensive <i>Gesamtschule</i> .		Campaign of 'Open Evenings' launched at 3. Gesamtschule
Closure/Rationalisation of existing schools	Threatened merger or closure of East Berlin secondary schools (also prompted by declining school age population in East Berlin).	One member of staff (out of 60) took advantage of move to West Berlin school linked with sabbatical. Individual complaints at lack of textbooks.	<i>Gesamtkonferenz</i> to progress school campaign (initiated by <i>GEW</i> activists).
Budgetary Changes and 'New Public management'	Devalued budgets to schools. Cutbacks in school funding and employment of teachers. Introduction of temporary contracts, jobrelease schemes and sabbaticals.	Russian language teachers all took course in alternative foreign language in order to preserve job prospects. Former <i>Stasi</i> informer revealed within school.	<i>GEW</i> Demonstration in January 1996 against berlin spending cuts supported by one fifth of 3. Gesamtschule teaching staff.
Curriculum and Personnel Changes	New textbooks in place of GDR ones. Downgrading of Russian as foreign language. Upgrading of English and French. Investigation of all staff for former <i>Stasi</i> connections.		

Table 13: Changes in Role and Status of Teachers

Change Agent	Consequences	Individual Response	Collective Response
<p>GDR teaching Qualifications not recognised as equivalent to FRG Qualifications.</p>	<p>Teachers with GDR quals. receive only 80 per cent of western salary equivalent.</p>	<p>Individuals opt to take FRG exam (often linked to day release at Berlin's Universities).</p>	<p>GEW regional demonstrations and warning strikes in 1994.</p>
<p>Contacted weekly teaching hours increased in some eastern <i>Länder</i>.</p>	<p>Weekly contact hours increased from 23 to 25 in Saxony and Brandenburg. Threat of same in East Berlin.</p>	<p>Some staff volunteer on basis that they will avoid redundancy.</p>	<p>Formal opposition from GEW.</p>
<p>Compulsory and voluntary part time work for teachers in Brandenburg, Sachsen and Thuringia.</p>	<p>Working time reduced to 80%withcorresponding salary reduction (voluntary, but compulsory in Brandenburg).</p>		<p>Agreement reached between GEW and relevant <i>Land</i> administrations.</p>
<p>Wage Equalisation Agreement challenged by Berlin Administration.</p>	<p>Full wage equalisation delayed until end 1996.</p>		<p>One day strike in East Berlin schools in July 1994 with claimed 90% support. Demo. in Berlin attended by 50000 eastern based teachers.</p>
<p><i>Verbeamterung</i> - limited offer to convert to <i>Beamte</i> status.</p>	<p>Higher pay and greater job security for those opting for <i>Beamte</i> status. All <i>Beamte</i> forfeit right to strike.</p>	<p>Much debate amongst staff. Some 'principled' resistance followed by general acceptance and take-up.</p>	<p>GEW retains members who take up <i>Beamte</i> status.</p>
<p>GDR School discipline standards no longer apply</p>	<p>Vacuum of disciplinary 'norms' in school.</p>	<p>Confusion and contradictory responses. Complaints over decline of discipline standards</p>	

Table 14: Changes in Workplace Relations

Change Agent	Consequences	Individual Response	Collective Response
<p><i>GEW</i> recruits in east from 11 November 1990</p> <p>System of Co-determination introduced with <i>personalrat</i> representation at <i>Bezirk</i> level within east Berlin.</p> <p>Formal participative structure of <i>Gesamtkonferenz</i> introduced at school level.</p>	<p><i>GEW</i> recruits 187,000 members in east (greater in total than in West Germany).</p> <p>Elections take place. <i>GEW</i> members dominate <i>Personalrat</i>.</p> <p>Familiarisation necessary with legislative framework.. Reinforcement of authority of head teacher as 'facilitator' of conference. <i>GEW</i> or <i>Personalrat</i> denied right to speak in union or councillor capacity.</p>	<p><i>Personalrat</i> takes on personal casework within schools by representation to head teacher.</p> <p>Compulsory attendance at <i>Gesamtkonferenz</i> cause of complaint (meetings take place at end of working day in out of school time). Some complaints also voiced at restrictive nature of agenda.</p>	<p>90 per cent of secondary teachers in east Berlin join <i>GEW</i> compared to density rate of 10 per cent in west Berlin).</p> <p><i>GEW</i> organises union meetings within east Berlin at <i>Bezirk</i> level. Occasional union meetings called within 3. <i>Gesamtschule</i> to progress campaigns and 1994 strike.</p> <p>Resistance to senior management in school organised informally through <i>GEW</i> activists. <i>Personalrat</i> takes lead role as opposition spokesperson 9but in capacity as ordinary staff member).</p>

PART FIVE

ASSESSMENT

5.1 Introduction

The research objective of this thesis has been to attempt to establish the impact of Unification on the German 'Model' of industrial relations. A theoretical overview of different approaches to industrial relations institutions, their capacity for change, and the propensity of disruption by external events and from pressure from below by workers has been given. Secondly, the particularities of the German model have been discussed within the context of external and internal pressures for change. Finally, the context and process of Unification has been analysed and developments in industrial relations in the former east since Unification have been reviewed. Some theoretical implications of the Unification/transformation process have been tested with reference to a case study.

In attempting to determine the impact of Unification it is first necessary to restate the underlying approach of this thesis. First, change, adaptation and continuity in institutional form and structure (as it defines the 'German Model'), is subject to external contextual developments rooted in the economic base. Second, change, adaptation and continuity are subject to pressure from within by individual actors or collective groups of actors in the form of interest associations. Third, the resultant mix of pressures is not necessarily in the same direction, contradictions exist within

particular interests and conflict exists between interests. Change is therefore not necessarily linear, from one position to another, but is equally likely to be non-linear and the result of a balancing out of the various contradictions and conflicts. Part of this process will inevitably involve an ideological battle for ideas and influence that are shaped by economic forces sometimes beyond the direct control of the individual/collective groups of actors¹. Outcomes will thus point to different conclusions according to the weight given to the individual outcome. For example, one section of employers may be keen to dispense with consensual based patterns of industrial relations whilst another section (or faction) might be keen to continue to utilise consensus as a vehicle for change. Thus a rise in disputes in one industrial sector (or firm), used as a measurable outcome of change and breakdown, might merely reflect a sectoral or firm specific change rather than an *overall* change. Caution is therefore needed in interpretation.

In addition, there may be a separation between developments in the former east and those in the west, which need to be understood and identified before concluding on a *pan-* German basis. A review of purely eastern developments must therefore be recorded and the spread of new developments to the west must be assessed before final conclusions can be made.

The remainder of this section thus has three distinct tasks to fulfil:-

1] to identify those forces for change, adaptation and continuity and to produce indicators by which the balance of change and continuity can be assessed,

2] to record specifically eastern developments in industrial relations and to assess how far they depart from the German 'Model' and,

3] to conclude by judging the impact of eastern change produced by Unification relative to other forces for change, adaptation and continuity present within a pan-German context.

5.2 A Model of Change and Continuity

Various theoretical approaches to the study of institutions and industrial relations were reviewed in Part One. Those approaches which emphasised **continuity** and **diversity** are located primarily within historical or cultural interpretations emphasising national distinctiveness and established political settlements. Some continuing competitive advantage is likely to be obtained from the peculiarities of the institutional regime. In (West) Germany's case this has arguably been the capacity of the industrial relations system to create the conditions for product innovation based on high skills and a consensus based collective bargaining framework and enterprise level Works Councils. The networks of business, conducted through Chambers of Commerce, employers' and trade associations, have also been favourable to the diffusion of technical knowledge producing efficient incremental diffusion of technological innovation (Weiss 1998). Within the wider environment the relative 'long termism' and stability of the financial structure has aided investment in new plant and technology. Arguments which assume the continuation of the infrastructure and institutions of the 'German Model' would, therefore, emphasise these advantages and, in industrial relations terms, would predict the continuing usefulness of the 'dual system' from both an employers' and employees' point of view. The peak

organisations of capital and labour would thus be expected to continue to operate on a consensual basis, and even though conflict would arise, it would be contained within the institutional structure. No significant rise in industrial disputes based on a widening expectation gap between capital and labour would be expected. The discipline of both employers' and employees' peak organisations would be expected to be maintained, with little to no drift away from membership experienced by either side.

An approach which emphasised **adaptation**, on the other hand, will differ in that it accepts some need for change due to external and/or internal contextual pressures but that change would be anticipated within the institutional structure by an assumed degree of elasticity within the 'model'. Thus it would be accepted, for example, that competitive pressures on German industrial performance necessitate an employer review of labour costs but that such a revision could be obtained by agreement within the framework of existing collective bargaining. Some revision of what existed before would be likely (e.g. pay, hours, non-wage costs of employment) but *in general* these changes would be bargained rather than imposed. A predicted outcome (such outcomes were reviewed in the theoretical section on Strike-proneness in part 2) of the adaptation approach is a rise in the expectations gap between employers and employee that was partly filled by an increase in the number of industrial disputes over the key issues of wages and job security. However, in all likelihood these industrial disputes would be settled within the institutional framework under the discipline of the leaderships of employers' and employees' peak organisations. Some revision of the collective bargaining structure would be anticipated, such as a greater

degree of flexibility (upward or downward) in framework agreements by renegotiation at regional, enterprise or plant level, together with a break away from peak organisations of some of the associated interest groups (either employers or unions). However, the anticipated degree of *Tarifflicht* ('flight' of employers away from collective agreements), although significant, would not be large enough to destroy the institutional structure. It would be assumed here too that the system of skill provision would be adaptable enough to accommodate to new skill needs, perhaps by some revision of the VET arrangements. With this scenario it can be argued that the institutional framework is capable of change by *learning* in that institutions are utilised to diffuse new knowledge and create new 'habits of thought' in response to changing environments and, as such, they continue to provide a useful purpose within the revised terms of the capital-labour *nexus*. The *stability* provided by the institutional network thus creates the possibility for change to take place positively and without serious disruption. It might, therefore, be possible to detect a *retreat* from some aspects of the 'model' but despite this partial retreat the core essentials of the model remain intact.

The third scenario, that of institutional **change** or **breakdown**, has in the past been associated with major 'ruptures' to the national economic system that constitute a major crisis. It has been argued in Part One that war and revolution are the two most significant likely ruptures that can be identified historically. The post World War Two political settlements between state, labour and capital in most west European countries have been argued to have established *state traditions* forming the core of national economic systems and associated institutional frameworks. Similarly in

eastern Europe the relationship of states towards the Soviet Union and its initially post war Stalinist leadership shaped the pattern of industrial relations (or at least what could be narrowly defined as industrial relations). The German example is particularly significant. In Part Three the roots of co-determination in Germany were traced to both the Frankfurt Assembly (and the failure of the 1848 Revolution) and the Weimar years following the 1918 Revolution. The revival of co-determination after World War Two in the west has also been argued to have reflected both earlier experiments in German history as well as the specific instance of denazification, decentralisation and decartelisation under Allied political influence. It is arguable whether causes other than war and revolution are enough to create a significant rupture likely to lead to new institutional arrangements. New technological or market paradigms were discussed in Part One but argued not to be either proven or of enough significance to create an immediate effect on institutional form and content. It also remains unclear as to whether or not there is enough evidence to suggest that the decline in German industrial competitiveness is of sufficient scale to have created a major crisis within the system. What is clear, however, is that the crisis of competitiveness facing German manufacturing has been met with a change in the forces of production which has had ramifications on the social relations of production to the clear detriment of labour. The rise of global competition, however, has given space for neo-liberal political agendas and their associated drive towards deregulation (or rather re-regulation of labour markets in favour of the employer). There certainly are crises of political and economic dimensions within Unified Germany but as yet these have not produced a complete breakdown of institutions. Rather they have forced considerable change and created debate (at least amongst politicians, the media and some

employers) as to the *future* usefulness of the institutions. Neo-liberal arguments also identify here the concept of *industrial sclerosis* as institutional structures act to block the development of 'free market' reforms argued to be necessary to compete in an increasingly and necessarily de-regulated world economy.

Change or breakdown would imply, for example, a *Tarifflicht* of major significance that involved the majority of employers. Similarly, the widening expectation gap between employers and employees would be likely to create the conditions for either an employer offensive against trade union influence and power **and/or** a dramatic increase in industrial disputes and an accompanying breakdown of discipline within the peak organisations, again signified *Tarifflicht* but inspired by either employers, splits in the unions, or dissident rank-and-file workers breaking from the control of the trade union leaderships. The system of VET might also be expected to collapse as it outlived its usefulness in terms of skill formation or simply suffered from withdrawal of support of state, employer or union interest and involvement.

On the wider front the change/breakdown scenario is likely to be associated with other aspects of breakdown such as a dramatic and irreversible organisational and cultural shift from *Hausbank* financing (or 'stakeholderism') to equity share financing (or 'shareholder value') and the introduction of more short term financial considerations. There would also likely to be a crisis of 'product innovation' observed by a decline in investment or a decline in some other measurable indicator such as German based patent registrations.

Table 15 below begins to outline some of the key features of the alternative scenarios

Table 15: Major Features of Continuity, Adaptation and Change

CONTINUITY	ADAPTATION/CHANGE	CHANGE/BREAKDOWN
<p><i>Prominent Contributory Features</i> Institutional Stability</p> <p>Historical and Cultural Embeddedness</p> <p>VET system of craft based skill training</p>	<p><i>Prominent Contributory Features</i> Institutional Learning</p> <p>Flexibility of co-determinative framework</p> <p>Adaptability of VET system to new skill needs</p>	<p><i>Prominent Contributory Features</i> Institutional Ridity; Institutional Sclerosis (neo-liberal)</p> <p>Inflexibility of co-determinative machinery</p> <p>Inability of VET system to reskill workforce</p>
<p><i>Reasons for Underlying Continuity</i> Continuing German Industrial Competitiveness</p> <p>Common or dominating vested interests of elites and peak organisations</p>	<p><i>Reasons for Underlying Adaptation</i> Response to international competition in key sectors (e.g. Japan).</p> <p>Negotiated agreement between elites and peak organisations on change</p>	<p><i>Reasons for Underlying Change or Breakdown</i> Persistently declining German competitiveness. New technological or market paradigms.</p> <p>Rupture (e.g. War, Revolution).</p>
<p><i>Likely observable or measurable outcomes</i> Continued level of participation in framework of co-determination</p> <p>Continued relative low level of industrial dispute</p> <p>Continued relative high level of German patent registration</p> <p>Continued low wage dispersion and high (relative) income equality</p> <p>Smooth working of VET</p>	<p><i>Likely observable or measurable outcomes</i> Continued participation in co-determinative framework but with negotiated revision of terms</p> <p>Rise in industrial conflict orchestrated and contained by peak organisations</p> <p>Moderate widening of wage differentials</p> <p>Adaptation of system of VET to meet new skill needs</p>	<p><i>Likely observable or measurable outcomes</i> Withdrawal of employers from co-determination framework</p> <p>Attempts by other employers to redefine terms of continued participation (a new capital- labour <i>nexus</i>)</p> <p>Breakdown of discipline within peak organisations combined with challenge to status quo 'from below' and sustained rise in industrial disputes</p> <p>Decline in patent registration</p> <p>Significant widening of wage differentials</p> <p>Mismatch of skills produced by VET</p>

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5.3 Pan- German Indicators of Change

Various indicators of change have been discussed in this section which can now be examined against the background of the Unification process. Assessment is centred on three key indicators in accordance with the models of change outlined in the commentary to Table 15. First, the process of actual and potential *Tarifflicht* and other employers' responses in terms of attempts to change working arrangements will be placed in a pan-German perspective. Second, the level and nature of industrial disputes will be examined and some analysis will be offered as to both the underlying nature of quantitative and qualitative change with respect to the theories of strike -proneness outlined in Part 2. Third, the evidence of the response from the German State will be examined in terms of implications for the German 'model'. Some other more minor indicators of change, such as developments in the system of VET, and patent registrations, will also be discussed. Finally, a judgement will be made on the importance of Unification in forcing adaptation and change will be offered.

Employers' Responses

As already outlined in Part 3, debates can be traced from the early 1980s whereby sections of employers have demanded cutbacks in public expenditure, a lowering of non-wage employment costs, and a less regulated labour market in an effort to 'restore' German industrial competitiveness. The real issue, in respect of the future of the German consensual based 'model' of industrial relations, is whether employers wish to utilise the machinery of co-determination to achieve their objectives or to attempt to

abandon co-determination and adopt a confrontationist approach to the unions as an alternative. It is the essence of this particular dilemma which focusses on the superstructural aspects of consensus based industrial relations as an ideological tool of German competitiveness. Lying between these two scenarios is a possible middle way whereby employers organise an **orderly retreat** from the less favourable (to them) aspects of the 'model' whilst leaving some of its core aspects in place.

The argument presented in this thesis, from an examination of the available evidence, is that the general response of employers so far has been to push the system of collective bargaining and industrial relations to its limits rather than make a full scale attack on co-determination and its associated philosophy. This has been accompanied with attempts to 'delegitimise' those parts of the co-determinative framework (e.g. regulated wage agreements) that are advantageous to organised labour (see Schröder and Ruppert, 1996, for a discussion of the 'delegitimation' theme). This has meant a considerable offensive against labour on four fronts:

- (i) a drive to push down direct wage costs by revising working arrangements, attacking bonus payments, shedding jobs and introducing 're-opening clauses' to wage agreements
- (ii) a drift away from the discipline of peak organisations
- (iii) an attempt to utilise changes in Federal legislation to reduce indirect wage costs such as sick pay and,
- (iv) the utilisation of the east as a 'testbed' for new working practices and agreements sometimes outside of sectoral wage bargain.

Points (iii) and (iv) have already been discussed above. The process of restructuring associated with attacks on agreements and employment security in point (i) has the net effect of encouraging *negative* wage drift from established collective agreements as opposed to the *positive* wage drift so long associated with the typical enterprise level 'productivity coalition' described for an earlier period by Streeck and others. The process of bargaining reform can be most acutely judged in the pace setting metal industry where, in June 1996, *Gesamtmetall* presented a document *Reformprojekt Flachentarif* in which the employers' association proposed to reduce the scope and content of agreements as they pertained to:

- a] percentage increases to wages, salaries and vocational training pay
- b] the level of basic pay
- c] working hours and holidays
- d] bonus payments
- e] conflict resolution procedures (including arbitration arrangements).

Secondly in November 1997 proposals were issued to introduce company based clauses outwith the main agreements; working time 'corridors' and; performance related pay. Such a decentralisation of agreements towards the company level is clearly intended by the employers to enable some level of '**organised**' or **regulated decentralisation** as opposed to the alternative of a more unstable and unpredictable 'disorganised decentralisation' that would also run the risk of breaking up the discipline of the peak organisation. In response *IG Metall* have emphasised the primacy of the collective agreement without ruling out some provision for company level provision. In this respect both sides continue to be willing to recognise the value of codetermination but differ in terms of its interpretation and implementation at a disaggregated level. One

particular point of issue remains that of the 'opening clause' whereby the employers would wish to rescind the collective branch agreement on a company basis in special circumstances (similar to the 'hardship' clauses in the east). On this point, following a 500 strong Conference in November 1997, *IG Metall* are fundamentally opposed and the potential for serious conflict thus exists². The increasing tensions within the metal sector are highlighted by the parallel call by the leaders of *IG Metall* for an 'end to modesty' in pursuing pay claims in 1998, reflecting a turn away from the compromising approach evident in the 1996 and 1997 pay period.

In addition, there are a number of examples of the larger German firms beginning to outsource and contract out many functions and to concentrate on core activities. This, in turn, has an effect on the 'model' as it opens up opportunities for employers to break up existing bargaining groups and collective agreements and to renegotiate new ones on terms less favourable to organised labour. Silva (1997), for example, in his survey of new employers' approaches, quotes the cases of IBM and Hoechst who have both engaged in a process of 'sector shopping' by switching some newly financially separate technical divisions away from 'metal industry' classification into other sectors and renegotiating new collective agreements with unions other than *IG Metall*.

An example of these processes of change has also been shown in the short case history of the auto industry (Part 3). New working arrangements have been introduced despite union opposition against the background of company restructuring and efforts to internationalise production through the establishment of strategic alliances and by take-overs. Systems of corporate governance have changed as a result. Shifts of production to

plants in east Germany and further east (e.g. Hungary and the Czech Republic) have also been used to apply pressures on western based workers to accept alterations to pay systems and working conditions.

Employers in the west have also been engaged since the 1980s in the process of *Tarifflicht*, which has acted both to weaken the discipline of the peak organisations and to create the conditions for a less cohesive and embracing 'model' of industrial relations. During the 1980s an increasing gap was observed between some highly profitable companies such as Daimler-Benz, Bayer and Hoechst and others which allowed the more profitable to grant concessions through pattern bargaining that were less affordable in other enterprises. In addition some leading firms, such as IBM and Volkswagen have traditionally remained outside of *Gesamtmetall* and have continued to do so. Finally, the onset of lean production, and the associated offloading of many risks and costs from large firms to their smaller contract suppliers, has meant that the smaller firms have less scope for matching pay agreements dominated by larger firms in their sector. Pressures to leave the umbrella of the employers' associations have thus increased and the appeal of the centralised collective bargaining framework has lessened (Gottschol 1993). This gradual process of association weakening has thus been partly a response to increased competitive pressures and partly a response to new forms of organising work. The association 'flight' and lack of discipline in the east would clearly have exacerbated the problem. Of key significance is the weakening of the ability to impose high wage/high skill discipline on all employers and to prevent 'free riding' and wage based competition. This has been argued for a number of years to be the cementing aspect of the 'model' and so any weakening in this area would have implications for the its future.

One further indicator of employers' increasing level of unwillingness to be disciplined by the sectoral collective agreements has been the decline of 'extension agreements' whereby collective agreements are legally 'extended' to firms outside the main peak organisation umbrellas. Within German labour law provision exists for the Labour Minister to issue a 'declaration of general applicability' (*Allgemeinverbindlichkeitserklärung*) requiring non-participating firms to enact the collective agreements so long as it (the agreement) has been signed by parties representing a majority of employees and it is deemed (by representatives of the social partners) to be in the 'public interest'. This is designed to prevent 'free-riders' and to preclude competitive strategies of employers based on low wage competition. However, figures published by the Federal Ministry of Labour in 1997 showed that between 1991 and 1997 the number of Orders had decreased from 615 in 1991 to 537 in 1994 and 391 in 1997³.

There is, therefore, some clear and substantial evidence of employers' weakening attachment to some of the more centralised and disciplined features of the co-determination mechanisms. This is not to say that all employers are willing to sacrifice membership of associations and the attached benefits of associative interest. There remain substantial advantages in maintaining collective employer cohesion, not least of which is the convenience of centralised negotiations in administrative terms (savings on personnel functions etc.), access to central strike and lock-out funds, and the continuing avoidance of over or undercutting competition based on the price of labour. The benefits of consensual approaches to the unions, as opposed to conflictual approaches, may also

continue to tempt employers to stay within the association fold. Far more likely, with these caveats, is a continuation of employer efforts to attempt to redefine the parameters of co-determination in their favour through a process of 'delegitimisation' of the labour friendly aspects of the model. In this they can expect *some* level of co-operation with trade union leaders, who will also continue to benefit in social terms from a continuation of *some* form of co-determination, especially if this maintains their authority over their membership base. Such a scenario would reproduce the current situation of intensified and more bitter disputes nevertheless which are, from the trade union side, bureaucratically organised and controlled albeit on a larger and more frequent scale. In this respect the industrial relations outcome can be described as a period of 'stand-off' between employers and unions contained within the institutional and procedural framework of the 'model'. With neither side wishing to challenge the central core aspects of the 'model' this would be akin to an **adaptation** or **change** scenario, with the institutions aiding the process of adaptation and change by focussing the parties on the perceived need for change and by finding ways to bring this about.

Key features of the 'consensus' based system, such as unified collective bargaining and employer associability are therefore already becoming casualties of restructuring and as a result the solidaristic low wage dispersion identified by Streeck (1997) as central to the 'model' appear also to be threatened. In fact the most recent evidence points to a new trend of disparity and social polarisation as atypical employment contracts increase in proportion and pay differentials widen for the employed⁴

The capacity of the model to adapt would depend on the balance between the employers' success in redefining the parameters to their advantage and the willingness

of organised labour (at both leadership and rank-and-file level) to continue to accept and grant concessions to the employers' arguments and demands. A move by a substantial section of employers to break with the consensual approach, however, would necessarily amount to a **full frontal assault** on the power and privileges granted within the Basic Constitutional Law to trade unions. The outcome of this second half of the equation, that of labours' response, is discussed in the following section.

Labours' response, worker consciousness and industrial disputes

The response of labour to the employers' offensives is a product of both material and ideological forces for change, and is a direct function of the developing consciousness of German workers (as outlined in Part Two). Two important indicative signs of increasing consciousness are an increased number of disputes and a rise in unofficial action organised by rank-and-file members outside or in opposition to the control of trade union leaderships (a third would be increasing membership/activism of left wing and labour oriented political parties - Kelly, 1997). Whilst in this section evidence on industrial disputes is discussed as yet there is no clear evidence of an increase in rank-and-file organisation within the unions (as existed in the 1970s), the one exception being the miners' protest in Bonn in early 1997. This is not to say that increased bitterness is not being felt, but rather that this increased bitterness remains channelled against employers by the trade union leaderships through official, institutional channels. As such the trade union leaderships, as key institutional actors, are playing the social role of *managers of discontent* and preserving the consensual ideology within the institutional framework. In the process any threat to the 'model' is controlled and contained. The degree of bitterness is also a function of *attribution for blame*, and the collapse of the

Kohl Employment Alliance and union announcements of an 'end to wage modesty' for the 1998/99 pay rounds will have acted to shift attribution from external events ('globalisation etc.) to employers. Employers' reluctance to engage in a new Employment Alliance under Schröder's SPD-Coalition is also likely to further affect the core ideological aspects of consensus within the model. The fact that employers, rather than external events, are blamed will also have an effect on workers' ability to *mobilise* simply because, as Kelly (1997) argues, there is a clearer link between workers' organisational capacity and an identifiable target.

Within the east the evidence from the case study of the secondary education sector suggests the potential for continued trade union resilience and attachment as well as the creation of an eastern identity which enmeshes trade union membership with eastern employment. However, the research is limited to the public sector where job cuts have been less and so such conclusions may not be valid beyond the sector studied. Nevertheless continued trade union attachment evident in the east across all sectors will have the potential to enable organised labour to act as a force for resistance to change of the solidaristic elements of the industrial relations model.

However, as has been argued in Part 2 the measurement of consciousness is generally difficult and so any attempt to predict developments has problems of validity. However, should such change take place in the direction outlined then the model would be severely strained and the change scenario could well be replaced by one of **breakdown**. Table 16 shows the spread of industrial disputes in Germany in recent decades measured in terms of establishments affected and working days lost.

Table 16
Strikes and Lockouts

Years (Annual average/actual)	Establishments Affected (of which eastern Germany)	Working Days lost(of which eastern Germany)
1950-54	1,467	1,098,126
1955-59	552	868,089
1960-64	113	483,333
1965-69	218	148,117
1970-74	486	1,251,466
1975-79	376	1,078,085
1980-84	321	1,172,065
1985-89	123	47,617
1990	777	363,547
1991	367	153,589
1992	2466	1,545,320
1993	413 (186)	592,995 (508,737)
1994	868 (41)	229,436 (12,742)
1995	361 (13)	247,460 (16,059)
1996	200 (29)	98,135 (3,038)

Source: *Statistisches Bundesamt* and *Bundesanstalt für Arbeit*

As can be seen from this table the *quantitative* evidence indicates that in each of the years since Unification (apart from the 'Employment Alliance ' year in 1996) the number of establishments affected by disputes has exceeded the average for the whole 1980s decade; has at its minimum level been close to the average of the 1970s; and has been considerably greater than the 1960s. Only in the 1950s were, on average, more establishments affected. Since 1993 the data includes eastern Germany, no pre 1989 data is available for the old GDR. If the 1990-92 data for the east had been included it

would have shown a considerable increase as this was the key period in the east for post Unification disputes (see Appendix 1 for a separate record of disputes taken from newspaper reports by the author). For working days lost the evidence is less clear. A sharp rise was recorded in 1992 and days lost in the 1990s have in general exceeded the number lost in the second half of the 1980s. However, the numbers of days lost in the 1970s and through to the first half of the 1980s are still higher, although the inclusion of the eastern figures from 1990-92 may have changed the picture. Figures are not presented here for 1997, when there were a number of significant disputes in mining and the building industry, which may be reflected in an upturn in the figures for that year.

In *qualitative* terms the potential significance of the marginal but identifiable upturn in disputes is more revealing. One important development in 1996 was the creation of the *Bündnis für Arbeit* (Employment Alliance). Throughout 1996 the ensuing new mood of compromise could be traced in a number of new agreements, which had a threefold intent (*WSI Collective Agreements Archive 1996*):

- 1] to introduce working time measures which preserved unemployment i.e. compensation for overtime working in the form of time off (e.g. Rhineland Palatinate pilot Chemicals Agreement; western Banking Agreement):
- 2] to introduce flexible working time i.e. working time accounts (e.g. western Textiles and Clothing Agreement); partial retirement (e.g. Chemicals; Rubber and Banking Agreements): and,
- 3] to effect low pay increases in return for job security (e.g. Coal mining - wages and salaries unchanged for 1996; western Paper manufacturing - initial 4 month wage freeze;

Metalworking - provision for companies to reduce weekly working time as an alternative to redundancies in return for wage moderation).

Employment Alliances and 'consensus' under Kohl and Schröder

The willingness of the trade unions to press for such deals was clearly a response to increasing unemployment throughout Germany in the period immediately following the post Unification boom, and was a sign of some considerable concession in ideological terms to the employers (H.Behrend 1996). However, even with the background of such deals the overall Employment Alliance collapsed in March 1996 after the Kohl Government announced its "programme for further growth and employment" which included several cuts in social benefits and some deregulation of dismissals legislation in favour of the employers.

The Kohl Government's '50 Point Programme' included many proposals from the 1993 *Standort* Report including legislation to allow employers to cut sick pay from 100 per cent to 80 per cent of gross salary for the first six weeks off and 70 per cent for the next 78 weeks, after which state paid disability payment takes over. The 'right' to full sick pay was won in West Germany after a long and bitter industrial dispute in 1957, and as such has been regarded by unions as an integral part of the employment contract. In addition to the legislation introduced in June 1996 relaxing dismissal rules were plans to raise the retirement age for men and women to 65 from the year 2000 (from current provision of retirement at 60 for women and 63 for men). Some minor adjustments were made to health charges (e.g. prescription charges were raised by one Mark) and entitlement to free health spa treatment was reduced from four weeks to three. The

programme was equivalent to a reduction of spending equivalent to 2 per cent of GDP (*IDS Employment Europe* 414 p 5). Outside of the 50-point programme new legislation was introduced relaxing retail trading hours and both Lufthansa and Deutsche Telekom have been privatised by the sale of Government stock.

Whilst the new programme of legislation under Kohl clearly marked a move to neo-liberal economic management it was also an austerity response to the continuing costs of Unification. After the initial post Unification boom of 1990/91 the east was plunged into recession which has effectively been financed by massive transfer payments from west to east and a consequent ever increasing budget deficit. Gross public transfers (mostly to finance infrastructural developments and unemployment benefit) have averaged DM205 billion annually and have had to be partly paid for with a 'solidarity' income tax of 7.5 per cent and increases in VAT and petrol tax. In the four decades from the 1950s to the 1990s the Federal Republic had only recorded a current account deficit in seven years but since Unification the budget appears to have moved into permanent deficit amounting at the beginning of 1998 to 3.3 per cent. This, of course, was still over the 3 per cent hurdle of the Maastricht criteria for entry into the Single Currency and the resulting rush to try and meet the terms of entry meant a series of deflationary measures that further dampened the economy and see unemployment rise to the highest levels since the 1930s. As the Deutschmark rose in response to tight monetary and fiscal control German goods in turn became more expensive on the world market which further encouraged a net outflow of FDI (Flockton, 1996:213). By 1997, however, a period of relative Deutschmark weakness had led to a temporary surge of export growth which nevertheless has failed to have any impact on unemployment, with an all-time all

German high of 4.82 million reached in January 1998 (11.4%). Unemployment in the east has actually started once again to increase rising from 15 % in mid 1996 to 22.1 % in early 1998 (*DIW*, Berlin). What amounted to a severe economic crisis was met with a political response from the Kohl regime to shift the cost burden to workers in terms of austerity programmes aimed to cut the social wage and an industrial response from employers to reduce wage costs both directly and indirectly. Manufacturing unit labour costs fell by 10 per cent in the year to February 1997 reflecting both moderate pay settlements in 1996 of an average 1.5 per cent and an increase in manufacturing productivity of 8 per cent over the year (*IDS Focus*, 430: 11). However, one direct casualty of this process, as the 1996 'Employment Alliance' collapsed, was a series of disputes over the new sick pay regulations. Disputes over sick pay were also joined early in 1997 by a dispute over the withdrawal of coal subsidies and in the building industry over job cuts and pay.⁵

The collapse of the 1996 'Employment Alliance' would seem, therefore, to indicate some difficulty in continuing a consensus based approach involving unions and employers' associations. Significantly, the coal miners dispute also showed a return to independent initiatives from rank-and-file coal miners outside the initial leadership of their union, which forced a reaction from SPD leaders to broker a deal with Kohl. In most cases the employers were also forced to back down on taking the opportunity to implement the new legislation at enterprise level designed to reduce sick pay. Within the metal industry the new legislation was immediately acted upon at Daimler-Benz (outside the industry agreement) where existing contracts were rescinded and sick pay at an 80 per cent (rather than 100 per cent) level introduced. The employer's

announcement provoked an immediate response from the *IG Metall* leadership with strikes involving 100,000 workers taking place on October 1st 1996. The Daimler-Benz strikers were joined by workers from within other companies in the industry taking strike action in support, whilst 700 delegates from the public service union *ÖTV* demonstrated outside D-B's Untertuerkheim factory gates. The reaction from *IG Metall* in fact forced Daimler-Benz to back down and agree to include the issue of sick pay in the next round of wage negotiations. At Volkswagen the management announced it would honour existing contracts and not reduce sick pay whilst at Siemens an earlier decision to implement the cuts was later reversed. Further strikes and walkouts took place on October 24th. after talks between *IG Metall* and the employers broke down. Elsewhere 187,000 workers struck in the North Rhine Westphalia industrial region and more than 400,000 staged walkouts throughout the steel and metal industry in both west and east (*Süddeutsche Zeitung*, 25 October 1996). In other sectors of the economy varying responses to the changed legislation emerged, from employer reluctance to impose the changes to negotiated agreements as in the banking and insurance industry whereby sick pay has been retained at 100 per cent at the expense of some other concession such as a reduction in Christmas or holiday bonus. Employers clearly suffered a setback in the sick pay disputes, and one side effect is likely to be a further questioning by sections of employers of the value of the consensus based approach.

As recognition of this division between unions and employers and between employers are the proposals for a new 'Employment Alliance' from the incoming SPD-Green Coalition Government under Schröder, which has rescinded Kohl's earlier sick pay and unfair dismissal legislation. The Schröder regime are making public statements designed

to place 'consensus' back on the political map and are using the idea of a new Employment Alliance to this end, emphasising both job creation and tax reform as well as talks with unions and employers to "see consensus re-institutionalised" ('Schröder begins search for jobs consensus' *Financial Times*, 7th December 1998). Plans are also included to reduce non-wage labour costs such as social security contributions in the interests of 'competitiveness'⁶. However, this time round it is the employers federations who are hostile to entering a new alliance that is not based on some form of wage restraint and which includes increases in corporation taxes as a central plank⁷. The standoff continues, albeit this time round with the employers taking the more defensive position. In advance of the new Government's efforts to restore consensus both employers' associations and unions had together earlier in 1998 published a report on the future of co-determination (Kommission Mitbestimmung 1998) under the joint umbrella of the Hans Böckler Stiftung and the Bertelsmann media corporation. The Commission noted the persistent decline in those workplaces and employees covered by the workings of co-determination (Works Councils, Supervisory Boards) and expressed concern at such developments. The usefulness to employers of co-determination as a form of corporate governance and gateway to productivity coalitions was also recorded, and hence a need to revive co-determination was signalled. Steps towards allowing more decentralised bargaining within the existing system were proposed and the trade unions and DGB accepted these proposals. However, the employers' associations have, to date, kept silent on the report. Stalemate continues.

In terms of assessment, and in relation to some of the theoretical issues identified in Part Two, it is clear that some of the key ingredients likely to fuel an increased level of industrial conflict are emerging in the new context of post Unification Germany. The restructuring currently taking place throughout German industry has produced increased fears over *job security* and the employer offensive on wage costs has also made *wage demands* an important organising issue, especially after the difficulties of establishing an Employment Alliance. The general fracturing of some parts of the collective bargaining agreements has also threatened *matters of interest* of trade unions. Should employers wish to redefine collective agreements further, or abscond from them partially or completely, then disputes with unions over *matters of rights* will emerge that will prove a severe test of the 'model's' potential for survival as opposed to its capacity for adaptation.

The State Response and other Indicators of Change

The role of the state in industrial relations under capitalism is to attempt to create a framework to encourage national economic competitiveness and a minimal level of industrial disputes. This is achieved through both legislation and through ideological agenda setting pursued through political statements and actions. The state's role in establishing the German 'model' in the post war years has been outlined in Part 3. Since the 1980s, however, moves towards a more neo-liberal agenda can also be traced which both alter and extend the dominant 'ordo-liberal' approach of the West German political elites (Schabedoth 1991, Jessop 1994). An increased attachment to neo-liberalism has been apparent in the 1990s (H.Behrend 1996, Leaman 1997) reflecting a response to the

German *Standortdebatte* (Flockton 1996). The measures taken by the Kohl Government during the 1990s, which mark a shift towards neo-liberalism, include *inter alia*:

- 1] the introduction in 1996 of the '50 point' austerity programme designed to reduce welfare costs and legislation to reduce non-wage employment costs (e.g. sick pay)
- 2] legislation to deregulate working time in retailing
- 3] legislation to relax the laws governing employers' right to dismiss
- 4] legislation to privatise tranches of Deutsche Telekom and Lufthansa
- 5] introduction of proposals to reform the taxation system by reducing both personal tax rates and pension contribution rates (for employers).
- 6] proposals in 1997 (temporarily blocked by industrial protest) to reduce and withdraw subsidies to the coal mining industry.

Alongside these substantive measures both ex-Chancellor Kohl and President Herzog issued statements on numerous occasions which have urged the need for change. Kohl talked of Germany as a 'collective leisure park' and likened the nation to a football team who, unless change takes place, will not participate in the World Cup Finals.⁸ President Herzog, in more serious mood, has argued that Germany "is facing its biggest challenge for 50 years" and needed a "jolt" to break out of a vicious circle of "resignation, blocked reform and lost economic dynamism". ('Turmoil and Paralysis' *Financial Times*, 29 May 1997).

However, despite the evidence of the above there are also serious barriers to the state's willingness or ability to push through reforms which is in itself a reflection of the same contradictions facing employers already outlined. First, the deleterious effects on

ordinary German workers of the reform measures made the issue of reform an election issue and, therefore, subject to opposition from the main election rivals the SPD as well as, in the east, the reformed Communist PDS⁹. Any major change to the highly juridified co-determination machinery, for example, will mean a revision to the Collective Bargaining Act enshrined within the Basic Constitutional Law, an unlikely scenario under an SPD-Green Coalition Government.

Second, the fear of organised labour responding by increased militancy also will have a limiting effect on the state's ability to redefine the German political *modus vivendi*. The same dilemma faces Government as those facing employers in that the German 'model' has served German capitalism well in the period since the War through its consensus approach and its ability to produce 'product innovation' at the level of the enterprise. It is a potential gamble to risk this competitive advantage by the adoption of alternative strategic goals. This dilemma is exacerbated by the onset of high unemployment on a pan German scale that highlights the risks of deregulation as well as the (potential) claimed benefits of a more neo-liberal agenda.

Germany's political leaders are, therefore, faced with critical decisions of key strategic importance on the future direction of the German 'model' whilst at the same time facing the issue of continuing European Integration and the aftermath in financial and political terms of the shock of Unification. This means that whilst moves towards a more determined neo-liberal form of economic management are apparent it also will remain the case that contradictory responses from the Government to the perceived value and continued need for the German 'model' are likely to be forthcoming. New efforts to

restore a consensus approach (through a new 'Employment Alliance') by the SPD-Green Coalition are notable for the difficulties of bringing the employers 'on board' in the newer, more labour hostile industrial relations climate. The sudden resignation of Oskar Lafontaine, deputy Chancellor and Chair of the SPD, in spring 1999, was clearly a reflection of these contrary pressures as his avowed 'keynesianism' clashed consistently with the liberalising agendas of employers and the European Central Bank combined.

Evidence is also available to suggest that with some other indicators of change problems are arising in maintaining some key aspects of the 'model'. Increasing unemployment in both west and east has created problems not only of declining social cohesion but also problems in finding enough *Lehrstellen* (training places) within the apprenticeship scheme. Hanesch (1990) estimated a cumulative shortage of such places in (west) Germany by the end of the 1980s. Evidence that employers are beginning to drift away from a commitment to training is further compounded by a 1996 Survey by the Federal Employment Bureau which found that only one-third of all companies are currently training apprentices (*German News*, 1996). Unification undoubtedly compounded the problem by creating some imbalances in the national labour market. In the east 100000 school leavers were without a job in 1996 (German Federal Statistics Office), while upwards of 500000 workers commute daily/weekly to the west for work. The problems of youth unemployment led to a response by the *DGB* claiming a 'Crisis of the Dual System', with corresponding approaches to Government and employers to make good the deficiency and to draft a federal law to impose a solidarity penalty on those companies who do not train (*DGB-Bundesvorstand*, 1994). As a response to these

pressures in November 1996 Chancellor Kohl met with representatives of the Chambers of Commerce (the 'guardians' of the VET schemes) to discuss the deteriorating situation within the framework of a Government launched 'apprenticeship initiative'. This approach has in turn met criticism from within sections of the labour movement who claim that repeated moves by the Kohl regime and employers to deregulate the labour market and introduce more flexibility at the workplace have undermined the basis on which the 'productivity coalition' can continue and as such the interests of the ordinary worker are being ignored (Haenisch 1995). Longer term criticism has also centred on the potential usefulness to students of 'education' as opposed to 'training' (*Bildung statt Ausbildung*) which has some resonance in criticisms that social science and management subjects are taught and learnt less effectively than science and technology within the higher education sector. (e.g. Porter 1990). As unemployment increases companies have less reliance on internal labour markets employers and are tempted to consider training skills as company rather than sector specific, thus avoiding the shared costs of the current VET schemes. In the process company 'free -riding' is likely to emerge in the process undermining one of the 'solidaristic' aspects of the model. Evidence is also emerging of companies placing more emphasis on company specific skills in response to changing market demand, thus further reducing the perceived need for sectoral solidarity with consequent negative implications for the skills base within collective bargaining (Mahnkopf 1992).

Finally, the question of Germany's continued ability to produce 'productive innovation' (a key indicator of likely continuity in the 'model') has been questioned by the Munich based Ifo economic research unit in 1998. The Institute reports that German patent

applications are now lagging behind international competitors in growth sectors such as biotechnology, semi-conductors, aerospace, pharmaceuticals and optical equipment ('Turmoil and Paralysis', *Financial Times*, 29 May 1997). R & D investment, an essential pre-condition for innovation, is said by the Institute to be deficient in Germany partly, it is argued, as a result of the relative high non-wage labour costs.

5.4 The Eastern Scenarios

Continuing Economic Problems and the Wage Equalisation Issue

As already outlined, at the time of unification there was an uneasy consensus amongst employers and Government that wages should be equalised in the east with those for the same jobs in the west within the relevant collective agreements. The expected scenario of a strengthening eastern economy converging to western levels over a five year period allowed scope for such a programme and was supported by western employers fearful of the growth of a low wage sector in the east with unrestrained competition over the price of labour.

However, by late 1992 it was becoming clear that the optimistic forecasts were not going to be fulfilled. After a brief post-unification (western) boom the whole economy moved into recession. Unemployment dipped at 4.2 per cent in 1991 but rose to 6.9 per cent by the end of 1994, whilst the rate of growth of GDP peaked at 4.7 per cent per year in 1990 but then declined and recorded negative growth of 2.2 per cent in 1993¹⁰. In the east, unemployment, far from dipping to a half million or below, has remained

persistently high. In 1992 more than 2.5 million of the 8.8 million labour force were unemployed or on short time working and in 1996 (January) the rate of unemployment had actually increased over that in 1992 and was recorded at 16.8 per cent.¹¹

A direct consequence of the continuation of economic difficulty was a change in the general approach of employers towards wage equalisation. The failure of the economies to converge has led sections of employers to address the problem of lower plant productivity in the east by suppressing wage growth and creating two tiers of wage levels. The programme of wage equalisation was consequently challenged in an offensive launched in October 1992 designed to create opening clauses in existing agreements. Kohl supported the employers but at the same time made a direct approach to the unions offering a deal seeking wage moderation in the west in return for a 'pact' in the east which would effectively revise *Treuhand* policy to allow local *Land* involvement in saving threatened jobs through local subsidies. (see Sally and Webber 1994). The pact was rejected by the *IG Metall* leadership who instead organised the first official strikes for 60 years in the east in defence of the existing wage equalisation agreements. The strikes lasted two weeks and covered more than 100 enterprises in the east and were eventually settled by an agreement with the employers to delay full wage equalisation to 1996 (rather than 1994) . This was clearly a partial victory for the unions in that it showed its ability to successfully organise in the east in the face of both recession and the relative lack of strike traditions of eastern workers over the previous half century. In the wake of this dispute the employers' side moved away from further attempts to revise the wage agreement and instead concentrated on efforts to lower unit wage costs in the east by way of changes in working arrangements. The 'productivity

gap' could be bridged in this way by more intensified working in the east rather than agreement on lower nominal basic wages.

This revision of Government (and employer) policy detected from the autumn of 1992 has partly resulted from continued argument within the context of *Standort Deutschland* about low levels of productivity in the east and partly because of a distancing of many employers from the co-determination mechanism. However, there is some misrepresentation of the true picture of eastern competitiveness. Whilst average levels of productivity remain lower¹², overall wage costs (despite moves towards equalisation) are also lower on an industry-by-industry comparison (Bispinck, 1993a, 1993b). This is because of the delay in wage equalisation, plus lower holiday entitlement and greater working hours in the east and the general absence in the east of holiday and christmas payments paid to workers in the west. Unit wage costs, therefore, show less difference between east and west than measurement of output per head. In addition there is evidence that some new industrial plants in the east are more productive than in the west. An example of this is the Opel plant in Eisenach opened on the site of the former Wartburg works. Opel's head of production, Peter Enderle, has been quoted as saying that as a result of new production methods started in Eisenach the factory '...is now the nucleus for General Motors in Europe' (*Independent*, June 21st. 1993). Management of the plant claims that it takes just over 18 hours to make an Opel Corsa or Astra in the plant as compared to the high 20s in Bochum in west Germany and the low 30s at Zaragoza in Spain (unit wage costs are also claimed to be equal between Eisenach and Zaragoza despite lower wage rates in the Spanish plant). Elsewhere in the car industry the prospect of a shift of production to the east has undoubtedly been used as a

disciplining effect on western workers in disputes over substantive issues. The 1995 pay and hours dispute at Volkswagen was marked by a statement by the Finance Director during the dispute - 'The result of the negotiations will show if we can afford to produce it (the new EA 42 model) in Wolfsburg'. (The *Guardian*, 9th. September 1995).

Changes to Agreements and Working Practices

Such examples highlight the fact that some employers have applied different production and industrial relations strategies in the east from those in the west. There is evidence that employers have used the east as a 'testbed' with a view to attempting to impose revised working arrangements on their enterprises in the west. One of the outcomes of the wage equalisation disputes (primarily in the engineering sector) was the creation of 'hardship clauses' in the wage agreements allowing the opening of agreements if both parties agreed to defer their case to a specially appointed Commission.¹³ As highlighted in the case study, in the public sector job sharing has been introduced and changes in working time have included reductions in working hours with corresponding wage reductions and, in the teaching service, increases in teaching hours without corresponding increases in pay (cf. Tondorf, 1995). In all these cases new arrangements have been imposed initially in the east, and have been subject to dispute with the unions concerned (*IG Metall*, *ÖTV* and *GEW*).

One key test for the likely introduction of new working arrangements has been the employer attitude to dealing with the key union *IG Metall*. A deal has been negotiated between an eastern based regional group of metal industry employers (*Ostmetall*) in Saxony, Saxony-Anhalt and Thuringia, with the Christian Metal Workers' Union

(CGM), which introduces a wide range of new working and time arrangements. The *Phönix* deal includes *inter alia*:

- * variation in weekly working time between 31 and 42 hours
- * annualised working hours
- * long term working accounts and part time work for older employees
- * performance related pay instead of seniority
- * a lower rate (95%) for new entrants on probation
- * profit sharing
- * the opportunity to cash in up to ten days holiday for pay
- * a joint dispute resolution procedure whereby consultants are utilised to establish pay trends and alongside compulsory arbitration prior to industrial action by either side.

The deal itself covers only 15000 workers in the east but is clearly meant to set agendas for future dealings with the much larger *IG Metall* and to provide an alternative collective agreement for those metal industry employers in the east not wishing to be 'closed in' by the general agreement with the larger union. The approach contained within the deal has been rejected by *IG Metall* but welcomed in principle by *Gesamtmetall* who are already discussing extending the deal into west Germany¹⁴. Significantly in late 1997 *Nordmetall*, the northern based metal employers federation (from both the east and west) with 350 enterprise members, also declared that it would not be bound by the industry wide collective agreements.

Tarifflucht?

Even more significantly there is evidence of a drift away from the machinery of co-determination by employers. Ettl and Heikenroth (1995) estimate that while 80 per cent of western workers are in enterprises who are members of the employers' federation, the

figure in the east is 60 per cent and falling. In such instances collective bargaining between peak organisations does not take place. Furthermore, many enterprises still notionally tied to collective agreements are actually paying less than the agreed rate, and are unchallenged in this practice by unions or local *Land* administrations due to an unwillingness to upset the already precarious prospects of survival and the threat of closure (or withdrawal of subsidy). Three surveys by the *DIW* in 1994, the *IfW* (Institut für Weltwirtschaft) in 1995 and the *IWH* (Institut für Wirtschaftsforschung Halle) in 1996 have also shown a continued fall in eastern employer association membership as well as the emergence of separate eastern agreements. Companies owned by west German or foreign employers are more likely to be members of employers' associations than those starting up from within the east. Key statistics from the surveys show that, in 1996, only 54 % of enterprises (covering 72 % of workers) paid as much as agreed in collective agreements whilst 5 % pay more and 41 % pay less (23 % of workers). The proportion of enterprises paying less was 35 % in 1994, giving clear evidence of a downward trend and drift from the main agreement. From the employers' point of view this drift invariably marks a shift towards lower wage costs as a strategy which is possible to pursue given the weakened trade union position in the east as a result of continuingly high unemployment. It is also the case that industry is more heterogeneous in the east than the west, with a greater variety in ownership patterns and productivity, particularly when greenfield developments are compared with older eastern origin enterprises. Companies may also be wishing to use this unique set of circumstances to introduce new forms of working which, as a secondary motive, can also be used as a disciplinary exemplar to employees in the west.

There is also evidence of a different approach to co-determination from the union side, with a greater distance between works councillors and unions in the east than is normal in the west (Ermischer and Preusche, 1993; Kädtler and Kottwitz, 1994). This is not to say that union membership amongst works councillors in the east is any lower than in the west (in fact the case is often the reverse) but rather that the works councillors are exhibiting more intensive collaboration with management in the east primarily to ensure enterprise survival through 'survival pacts' (*Überlebenspakete*) or by creating 'unholy alliances' with employers in some of the highly profitable greenfield 'cathedrals in the desert'. However such experiences are likely to be confined to the private sector where the fear of enterprise survival is prominent. As the case study suggests, in the public sector such collaboration is likely to be less in evidence. Indeed in secondary education the collaborative nature of co-determination, as it manifested itself in the *Gesamtkonferenz*, proved to be a source of concern and contention for the staff.

Thus, whilst co-determination exists formally in the east, and the associated legal framework of *Mitbestimmung* is part of the 1990 Unification Treaty, there are signs of a fracture within employers either as a result of withdrawal or informal *de facto* avoidance of agreements. If such trends continue the question arises as to the likelihood or not of the survival of western style co-determination in the east.

Implications

On this point some commentators, such as Koch (1995) and Sesselmeier (1991) have argued that co-determination is *elastic* enough to take account of differences between east and west and that the collaborative nature of the Works Councils will ensure

continuing strategic benefits to employers and hence its survival (the **adaptation** scenario). An alternative view is that the workings and institutions of co-determination are so inextricably bound up with the 'normative employment relationship' that has grown up in the west that it would be difficult if not impossible to transfer these arrangements to the east (Matthies *et al* 1994). Without economic convergence between east and west (an increasingly unlikely prospect) then a two track system of industrial relations is likely to emerge and the resulting tensions in co-determination in the east may be a foretaste of things to come in the west (Hyman, 1996). The sheer weight of the west in economic terms means that conditions in the west would remain the key to co-determination's future development but it would be conceivable for there to be serious fracture of the system in the east, with perhaps only a minority of private enterprises or 'cathedrals in the desert' and the public sector staying within the co-determination machinery. Such an alternative takes cognisance of the difficulties of institutional transfer without parallel redefinition of norms of behaviour, and reflects the general difficulties of establishing new and viable institutional frameworks in transforming economies (Offe, 1995; Thirkell, Scase and Vickerstaff, 1995). The logic of this more likely scenario is, as Martens (1994) suggests, an *easternisation* of the west rather than the other way round, with employers imposing new and more intensive working practices in the east in advance of threatening the same in the west.

Such a prospect would suggest a revision of the consensual base of collective bargaining as the system fractures and divides under pressure from employer withdrawal (akin to a **change** or **breakdown** scenario). It would mark a shift in the collaborative nature of the Works Council as eastern patterns of survival through concessions in working

arrangements (*Überlebenspakete*) overtake the traditional west German 'productivity coalition' and concession bargaining over pay. Such debates have been given further conclusions in the recently launched German industrial relations journal *Industrielle Beziehungen* with an article by Ronald Dore (1996) going so far as to predict a *japanisation* of industrial relations in Germany as the *Betriebsegoismus* (enterprise patriotism) so long associated with the west is overtaken by 'company unionism' and a consequent shift in the balance of power towards the employer. However, this would imply an abandonment of the union and employer roles of fixing centralised wage agreements and a consequent collapse of union authority and control. Dore is taken to task for suggesting such a scenario in the same journal by Wolfgang Streeck (1996) who takes time to explain the chameleon like nature of the bargaining system insisting on its capacities to remain both *centralised* and *decentralised* in its separate functions, and drawing on the special orientation of the German worker to the *Beruf* (occupation) rather than to the firm suggesting that the prospects for increased company orientation will continue to conflict with class and union loyalties. The direct challenge to the union leadership's *raison d'être* as mediators between capital and labour implied in such a change would also undoubtedly force them into a strong defence of centralised bargaining which might even be at the expense of the advantages employers themselves secure from the system's potential for conflict containment in the Works Council. In this respect the 'dual system' of collective bargaining and Works Councils has now become so mutually dependent that an attack on one is seen as an attack on the other. The room for manoeuvre becomes less and less with employers and union leaderships sharing an interest in seeking a way out of the impasse, thus reinforcing tendencies for hesitant

rather than outright offensives and for (eventual) negotiated compromise rather than continuous belligerence.

5.5 The Impact of Unification on *Modell Deutschland*

It has been argued in the above sections that external and internal pressures on the German 'model' are forcing adaptation to the model that tip the balance of power towards the employer. However, the strains and tensions caused by this process may be enough in the future to create a breakdown in discipline within the peak organisations which in turn would cause a breakdown in the model itself. In the east it has been argued that what is emerging is a two-track system of co-determination with distinctly different patterns of work organisation and interest representation that employers are tempted to use as a 'testbed' to encourage further change in the west. The main external force for change in both cases is the debate over German competitiveness and the net outflow of FDI, whereby the previous security of a nationally based institutional framework is increasingly under strain in an increasingly internationalised world economy where freer movement of finance and capital has challenged the central assumptions of the 'model'. A reflection of the perceived need for change can be judged by employers' and state response as attacks on workers' living standards and the introduction of austerity measures in public spending have fractured the solidaristic nature of the model and began to widen income disparities within German society generally (Streeck 1997). Many of these indicators of change can be traced (in the west) to the period pre-dating Unification. For example, the process of *Tarifflicht*, as Silva (1997) argues, was begun in the west in the 1980s. It is also evident that there was a tri-partite interest at the time of Unification to 'transfer' the western 'model' of industrial relations directly to the east,

in order both not to upset what was perceived as a 'beneficial' model and to meet the wage and other aspirations of eastern workers still in a post revolutionary mood.

Whilst, as expected from such a revolutionary 'rupture', there has been complete institutional breakdown in the old east following Unification the evidence would not, as yet, suggest that the same could be said of the 'western' system as it now exists in unified Germany. However, as shown in Part 4 (Unification), the expected convergence of the eastern and western economies has not taken place. In fact the latest evidence would suggest that there is now *divergence* between the two parts of the country that is likely to have an increasing impact. Firstly, it has been argued by Marsh (1996) that the actual event of Unification has preoccupied the minds of business and political elites and acted to postpone some of the perceived restructuring of industry deemed necessary for German industry to maintain its competitive edge. This restructuring has been widespread and of some significance since the mid 1990s as evidenced both by continuing high levels of unemployment, the ideological pursuit of more neo-liberal agendas, and by the concrete examples taken from the automobile industry and presented in Part 3. Second, as H.Behrend (1995) and Flockton (1996) have suggested, the continuing costs of Unification, made worse by the failure of the east to converge, has meant continuing budget restraint that has exacerbated the already widening disparities between rich and poor and upset the 'social' aspect of the social market economy. Thirdly, within the federal constitutional structure, the wealth gap between German *Länder* has widened following the absorption of the eastern states subsequently further straining the 'solidaristic' nature of the model to the point where local political

and industrial elites question the value of federal solidarity against the value of regionalism within a more open market economy.

Central to this thesis has also been an assessment of the development of workers' consciousness and its potential ability to challenge the 'model' from below. In the long case study and in other gathered evidence presented in Part 4 it was suggested that there have been two phases of development in the behaviour of organised labours' behaviour in the east since Unification. First, in the immediate post 1989 period up until 1992, discontent manifested itself in a wave of disputes, demonstrations and workplace occupations that has, secondly, since subsided to a period of 'normalcy' and adaptation to co-determination and Works Councils. Different patterns of behaviour appear to exist in the east that may begin to establish themselves in the west (collaborative pacts based on plant survival) in the manufacturing sector whilst a greater degree of union density and membership is apparent in the eastern public sector to that which exists in the west (although this might be tempered in the future by increasing *Beamte* status). Eastern trade union agendas also take on a different edge, with more concern over job security, and some concern and disaffection with 'western' based leadership intentions. Despite these problems there is a degree of resilience of trade union membership in the east (even despite falling totals) which could continue to act as a focus of eastern discontent should the economic situation not improve (as evidenced in part by the long case study). However, even without Unification some of the key predictors of future strike - proneness outlined in Part 2 have become stronger in significance in Germany. Issues of lessening job security, and declining real wages due to collaborative or enforced wage moderation have tested the resolve of the trade union leaders and created the conditions

whereby protest is necessary to justify trade unions' existence and rights of interest within the co-determination machinery. To repeat, Unification has thus had the net effect of fracturing key elements of the 'solidaristic' and cementing aspects of the 'model'. Unemployment is higher on a pan-German scale, personal taxation is higher for working people as a result of the 'solidarity' taxes, perceived differences between *ostis* and *wessis* persist, and differences in working arrangements and conditions between east and west have breached the national cohesiveness of the collective bargaining framework. This fragmentation adds to recent evidence, which points to a widening of income disparity within the whole of Germany after many years of stability¹⁵. The prospect of conflict is now evenly balanced with the prospect of continued restraint and consensus, and as a result the 'model' could either continue within the adaptation scenario or move towards breakdown. Such a scenario would entail an ideological shift in employers' aggregate valuation of the consensus based model.

Notes

¹ This is a restatement of the base and superstructure approach to be found in the classical Marxist tradition.

² *aironline* December 1997 'New Proposals for Reform of Collective Bargaining in Metal Working' - T. Schulten, *WSI*

³ *Bundesministerium für Arbeit und Sozialordnung: Verzeichnis der für allgemeinverbindlich erklärten Tarifverträge - Stand I*

⁴ A 1997 Report from the WSI (*Verteilungspolitik; Chronik eines angekündigten politischen Selbstmords*- Claus Schäfer, in *WSI Mitteilungen* 50, No.10) finds that the number of employees in full time socially insured employment has fallen from 85% to 67% in the last 20 years and the number of 'working poor' with incomes less than 50 % of average income has increased from 10.5 % to 11.7 % between 1975 and 1990.

⁵ At the beginning of March 1997 demonstrations including a 220,000 strong 'human chain' and unofficially organised pit occupations took place in coal mining regions as miners protested at the proposed withdrawal of subsidies and the consequent threat to jobs. Chancellor Kohl meanwhile broke protocol and refused to talk to the miners' leaders in a pre-arranged meeting, only to back down two days later and agree to an SPD brokered deal to delay the proposed pit closures and retain subsidies. Whilst the streets of Bonn were occupied by protesting miners the prestige Potsdamer Platz building project in Berlin was occupied by striking construction workers in protest at a new wave of joblessness in the building industry. By the beginning of

1998 the unemployment situation had worsened, with a record 4.82 million registered unemployed and a jobless rate that had risen to 21.2 per cent in the east, over twice that of the west. Organised protests of the unemployed in February were designed to emulate the earlier demonstrations in France.

⁶ *Aufbruch und Erneuerung - Deutschland's Weg ins 21. Jahrhundert*, SPD-Green Coalition Agreement, 20 October 1998

⁷ Hans-Olaf Henkel, president of the German industry federation, has described the Government proposals as "shocking". ('German business balks at Schröder's "poison"' (*Financial Times*, 13th November 1998)

⁸ "In football language I would say we are now playing in the World Cup. If we do not do what is necessary we will not be able to play there anymore -it is that simple"(Helmut Kohl in an interview in *Time* magazine, September 30th. 1996)

⁹ In statements and in response to questions during 1998 Gerhard Schroeder, new leader of the SPD, has promised to repeal Kohl's dismissals legislation and sick pay legislation should the SPD form a Government after the 1998 Election.

¹⁰ Eurostat

¹¹ Bundesbank Monthly Reports

¹² The following indicators show a narrowing productivity gap between east and west.

'Output per head' was 28 per cent of western levels in 1991 but 50 per cent in 1994.

'Wages per head' were 40 per cent of western levels in 1991 and 62 per cent in 1994.

'Industrial unit labour costs' were 145 per cent of western levels in 1991 and 120 per cent in 1994

(Commission Services, *Statistisches Bundesamt*, recorded in EC Annual Economic Report for 1995 'European Economy' No.59, 1995)

¹³ In Saxony 24 cases (from 60 applications) have been successful in securing an opt-out. In Berlin-Brandenburg 2 out of 12 cases have been successful (reported in *Tagesspiegel*, 11th. August 1995).

¹⁴ 'Ostmetall and Christian Metalworkers' Union conclude innovative package of agreements' *eironline*, June 1998

¹⁵ A 1997 report from the WSI (*Verteilungspolitik; Chronik eines angekündigten politischen Selbstmords* - Claus Schäfer, in WSI Mitteilungen 50, No. 10) finds that the number of employees in full time socially insured employment has fallen from 85% to 67% in the last twenty years and the number of 'working poor' with incomes less than 50% of average income has increased from 10.5% to 11.7% between 1975 and 1990

Primary Sources of Data

GEW Officials and office, Wilhelmstraße, Berlin (interviews and membership data).

IG Metall Officials and office, Chemnitz (interviews and membership data).

Interviews (semi-structured or informal) with the following individuals:

Professor Karl Koch (Surrey University)

Jani Natz (*GEW* rep. and *Personalratin*. East Berlin)

Birgitte Wesker (as above)

Barbara Fuchs (as above)

Werner Halbauer (Journalist)

Helen Davis (*ÖTV Betriebsratin*, West Berlin)

Eva Kolinsky (as above)

Dr. Stefanie Haenisch (Soziologie Abteilung, Uni. Frankfurt-am-Main)

Dr. Michael Fichter (ASTGEWPOL, Freie Uni. Berlin)

Dr. Katharina Bluhm (Max-Planck Institute, Transformation group, Humboldt Uni.)

Gabi Schmidt and Eide O'Callaghan (*JUSOS*, Chemnitz)

Ulrike Blödorn, (*PDS*, Berlin- Prenzlauer- Berg)

Tomas Hencke (*PDS*, Berlin-Lichtenberg)

Dr. Carola Frege (LSE)

Gareth Dale (PhD student, University of Manchester)

Acknowledgements

I would like to acknowledge the help and encouragement to explore the former GDR that I received from my friends and colleagues at the 3. Gesamtschule, Berlin-Mitte during my year working there in 1993/94. I would also like to thank individual members of the *SAG*, *SPD* and *PDS* for much political and practical advice and for introducing me to contacts. Finally my thanks are due to Liz and Jamie for putting up with my bad moods.

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RECORD OF LABOUR EVENTS

2 January 1991

Institute and University departments in the east deemed to have been too politically corrupted by the former regime were closed amid student protests. Staff affected, who generally came from Marxism-Leninism, history, education, law, philosophy or economics faculties, would receive 70% pay for six months. During December and January several thousand students staged sit-ins and marches. At Berlin's Humboldt Universität the rector contested the reforms through the courts.

Keesings News Digest for January 1991

Postal workers in the eastern Länder, whose salaries were 60% lower than their western counterparts, went on strike on Jan. 24 in support of demands for a one-off payment equivalent to 13th. months salary to compensate for increased living costs. The 130000 postal workers agreed to return to work three days later when the Interior Ministry agreed to make a payment of DM650-900 per employee. Both sides had agreed before the strike to reduce the working week from 43 and a half to 40 hours.

Keesings Record of World Events January 1991

18 March 1991

60000 march in Leipzig (part of a series of Monday evening demonstrations). Reinhard Bohse, city administration spokesman, "Our local factories are being shut down, our infrastructure is crumbling, and in the town hall we are constantly faced with the prospect of bankruptcy, everything has been turned upside down. No-one knows where they stand anymore".

Rallies are organised by local trades unions and citizens rights movements with the demands of 1) ending of the policy of factory closures 2) retraining programmes and job-creation schemes for those already made unemployed 3) the creation of favourable conditions for would be investors in the region.

Independent 21 March 1991

Werner Schulz of Alliance 90 calls for a Peoples March for Jobs from all over the east to converge on Bonn. DGB calls on 200000 to demonstrate against Chancellor Kohl in Erfurt on 21 March. Ralf Wollrab, public service union official in Leipzig refers to fact that local University in Leipzig could not honour signed agreements on wages and conditions because it had run out of money.

Guardian 19 March 1991

5 April 1991

IG Metall announce deal to raise east German metalworkers wages to western levels by 1994. Working hours will remain higher in east (40 down to 38 per week by 1996). Holidays are to be equalised to 30 days per year from 1996. The deal concluded with Gesamtmetall regional employers association covers 1.1 million workers in the new Länder. Parity for some other sectors is 55% (chemicals) and 65% (retail).

IRS Employment Trends 485, 5 April 1991.

2 May 1991

Strikes reported by savings bank employees in east Germany.

Guardian 3 May 1991

1 July 1991

Wave of redundancies in east as former job protection agreement comes to an end (covering more than 1 million workers). Most severely affected are former east German civil servants (c.40000) whose temporary contracts following unification were not extended. According to Dieter Lange of the Berlin based *Institute for Applied Economics*, 90% of the 2 million short time workers will have been laid off by 31 December. Central Government in 1991 (to July) had spent DM25bn. in job creation and support schemes.

Independent 1 July 1991

4 March 1992

Thousands of east German shipyard workers demonstrate against job losses in Nordsee shipyards. 13000 jobs at risk depending on Treuhand plans for sale, closure or privatisation.

Independent 4 March 1992

9 March 1992

Treuhand announces that three of the five large shipbuilding companies are to be sold. Kvaerner (Norway) is to buy the Warnow and Neptun yards in the Rostock area. Bremer Vulkan is to take over the MTW shipyard in Wismar and DMR, the diesel engine producer in Rostock. The deal involves state aid depending on EC approval for restructuring and the number of workers in the three shipyards is likely to be reduced from 10300 to 7000.

Financial Times 9 March 1992

9 March 1992

500 public service workers in Berlin demonstrate over pay.

Financial Times 9 March 1992

30 June 1992

East German trade unions call a demonstration outside the Berlin Treuhand headquarters against job losses. The latest round of dismissals will push up unemployment in the east above the official 14.15 or, 1.1 million people. Real unemployment, including those on job training and short time working is estimated to be 30%.

Financial Times 30 June 1992

9 September 1992

East German works councillors held a rally in Bonn and met with Chancellor Helmut Kohl to discuss the crisis affecting the east. Earlier this year a group of 140 works councillors from 80 east German companies and public authorities held a conference, at which they formulated a list of demands directed at the Treuhand. The demands included an end to redundancies and a guarantee that existing jobs would be safe guarded, the initiation of a massive job creation programme, the preferential treatment of east German companies in tenders for public contracts, and full participation of the works councillors in Treuhand decisions.

The works councillors efforts have been hampered by the official trade unions. Despite verbal statements of sympathy, no union has offered assistance, while the IG Metall has openly opposed the campaigns. Union head offices are apparently wary of developments towards an 'east union' outside the framework of the present all German union structures.

European Industrial Relations Review, October 1992

21 September 1992

A number of factory occupations breaks out in the east in protest at job losses. In Erfurt, the works council at a plant manufacturers has set up barricades. In Dresden, steelworkers are occupying the airport, in Leipzig, Robotron workers have locked the management out and in Chemnitz mechanical engineers are staging a sit-in. In Chemnitz the local employers association are backing the protest as well as local politicians. In the clash over the future of the Freital steelworks, the Saxon Land government was in full agreement with the unions. Indeed, as the *Sächsische Zeitung* saguily noted, the state government took over the protest movement.

Die Welt, Bonn, 21 September 1992

10 October 1992

IG Metall leader Franz Steinkühler at union congress in Hamburg rejects attempts by Government and employers to introduce 'opening clauses' into eastern wage agreements. Union policy is to enter negotiations for an east-west solidarity pact only if such opening clauses are excluded.

Die Zeit, Hamburg, 16 October 1992

23 February 1993

Eastern based employers federations attempt to reopen wage agreements. IG Chemie, representing chemical workers and many non-organised employees accept 9% instead of promised 26%. IG Metall, however, continue resistance to any breaking of wage agreement.

Berliner Zeitung, 24 February 1993

30 March 1993

IG Metall calls first officially organised strikes in East Germany for over 60 years in defence of wage agreement. The strikes would centre on selected targets in the steel and engineering industries in the east. The employers federation *Gesammetall* offered 9% as against the 26% produced by the wage agreement formula of 1991. Some individual employers have already offered rises above the 9%, but *IG Metall* are urging rejection of such individual offers.

Financial Times, 31 March 1993.

11 May 1993

After 11 days of strike action more than 40000 workers from among 90 separate enterprises are continuing with the dispute of the implementation of the 1991 wage agreement formula. A further 15 plants in East Berlin and 9 in Thuringia are due to join the action in a weeks time.

Financial Times, 14 May 1993

Hundreds of thousands of workers demonstrated in support of the strikes in east Germany and a number of solidarity protests took place throughout west Germany. Solidarity action took place at the Volkswagen plant in Wolfsburg and in the industrial town of Duisburg as well as dozens of smaller actions.

Independent, 13 May 1993

More than 20000 car workers at four Daimler-Benz plants near Stuttgart struck for four hours in solidarity with eastern workers on 10th May. On 12th May up to 300000 engineers joined an hour and a half's strike across east and west with more than 100 demonstrations in the western *Land* of Hesse.

Socialist Worker, 22 May 1993

13 May 1993

German unions yesterday declared themselves 'very happy' with a deal by which east German workers in the engineering, electrical and steel industry will receive a 22% wage rise by the end of this year followed by full implementation of the 1991 wage agreement in stages by 1996 (two years later than originally agreed). Unions are pleased that the original contract remains.

The deal was struck with employers in *Sachsen* and will now be under discussion to be extended to other eastern *Länder*.

Independent, 14 May 1993

25 August 1993

10,000 East German workers in Saxony, Lower Saxony, and Thuringia demonstrate against cuts in Social welfare schemes.

Neues Deutschland

22 September 1993

1340 Brewery workers (*Schultheiss*) in East Berlin and Frankfurt an Oder have one day warning strike over Tariflohn.

Neues Deutschland

22 September 1993

Coalmines in the west German Ruhr occupy mines in protest at possible closures (one day protest).

Neues Deutschland

4 October 1993

IG_Bau-Steine-Erden plan mass protest in Bonn against proposed loss of *Schlechtwettergeld* (bad weather money), which would mean lay-off without pay during bad weather. Deal was originally established West Germany in 1959.

Neues Deutschland

7 October 1993

Browncoal-miners in Brandenburg begin public protest in Potsdam against job losses following decision to buy Russian gas as cheaper substitute.

Neues Deutschland

15 October 1993

Coal miners blockade coal towns in west in protest at job losses.
Neues Deutschland

26 October 1993

OTV organises protest campaign against the fusion of Berlin Tierpark (east Berlin's Zoo) and west Berlin's Tiergarten Zoo.
Berliner Zeitung

27 October 1993

S-Bahn railway workers in Berlin strike for two hours in protest at potential job losses.
Berliner Zeitung

28 October 1993

120,000 building workers blockade Bonn over *Schlechtwettergeld*. Union leaders jeered. Kohl given 'Rote Karte'.
Neues Deutschland

10 November 1993

SEAT workers in Spain strike for third time in protest at Volkswagen plans to close Barcelona factory. (VW own SEAT).
Financial Times

2 December 1993

2 hour protest strike in *Berliner Bundesdruckerei* (State printing press) against proposal to dismiss 1600 staff nationwide. 700 to be dismissed from 3200 in Berlin. Unions call for early retirement and an end to privatisation plans.
Berliner Zeitung

18 December 1993

11000 post office workers register dispute over proposed new work plans likely to lead to 60,000 job losses from a workforce of 240,000.
Berliner Zeitung

3 January 1994

Bischofferoda potash miners dispute ends with compromise - alternative job training and improved redundancy money is offered to workers.
Neues Deutschland

13 January 1994

100 trainee Telecomm. workers occupy premises in Magdeburg in protest at lack of continuing job guarantees.
Neues Deutschland

Appendix Two

Notes on Research Method: Education Case Study

1] Participant Observation

The author worked for one academic year (1993/94) as a full time teacher of English at the 3.Gesamtschule in Berlin-Mitte. During this period the author was a member of the *GEW* and participated in meetings and activities including two demonstrations and a one day strike.

2] Interviews

Interviews were undertaken throughout the period from September 1993 to January 1996 with a variety of members, activists and full time officials from the *GEW* in Berlin and *IG Metall*. Individual structured interviews with *GEW* representatives utilising the attached pro-forma. Interviews were also undertaken with full time officials of the *GEW* in Berlin (at the head office in Wilhelmstraße, 92) in May 1994 and at the regional HQ of *IG Metall* in Chemnitz in April 1994. Semi-structured round table discussions with up to 8 members of the *GEW* from a variety of east Berlin secondary schools were undertaken on four occasions in the period from January 1994 to January 1996. Personal interviews with other union and political activists were also conducted throughout this period, in order to establish contextual frameworks. These included interviews with members of *ÖTV*, the public service union; Prenzlauer berg and Lichtenberg *PDS*; and east Berlin *JUSOS* (Young Social democrats). Discussions were also held with academics in the field, most notably Dr. Michael Fichter of the Freie University, Professor Karl Koch, then of Surrey University, Katherina Bluhm of Humboldt University and Dr. Carola Frege of the London School of Economics.

3] Library Work etc.

Membership data of the *GEW* was extracted from files at the Wilhelmstraße office of the *GEW*. Data on schools and the education sector were taken from material held at the library of the Max-Planck-institute (Transformation Group) attached to the Humboldt University in Berlin.

11. Tariflohnpolitik

-Erfolge seit 1990/1

12. Rückblick

Zufriedenheit oder Enttäuschung:

- mit dem neuen Management
- mit dem neuen Betriebsrat
- mit dem neuen Gewerkschaft ?

Wurden Probleme erlebt ?

zB. kein Vertrauen in eigene Initiativen

kein Vertrauen in Gewerkschaften

kein Vertrauen in Management

keine Erfahrung von unabhängigen Gewerkschaften

keine Erfahrung von Mitbestimmung

usw.

13. Hätte mehr erreicht werden können ? Wie ?

Wenn möglich, an Bekannte weitererreichen. Antworten bitte an folgende Adresse zurückschicken:

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