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1. The 1998 collective bargaining round at a glance

The 1998 collective bargaining round in Germany was characterised throughout by three features:

1. The pay bargaining round, accompanied by high hopes on the part of workers, led to substantially moderate pay settlements which, though higher than in the previous year, still failed to fully exploit the available room for manoeuvre. The numerous agreements geared to employment and social policy goals focussed in the main on improvement of training provision and the arrangements governing part-time work for elderly workers.

2. The change of government resulting from the elections to the *Bundestag* on 27 September led not just to certain correctives to earlier measures designed to dismantle welfare state provision[1], but also to a repeat attempt to place the “Alliance for Jobs” on the agenda, with implications for the collective bargaining process.

3. In the run-up to introduction of the euro at the beginning of 1999, the German trade unions also paid more attention than in the past to the prospect of the europeanisation of collective bargaining, their central concern in this respect being to achieve better coordination of national wage policies with a view to preventing transnational efforts to use the bargaining process to undercut pay in the effort to improve competitiveness.

After years of moderate pay developments, which invariably represented reductions in purchasing power, it was intended that the 1998 pay round should rise above mere compensation for inflation. Though the slogan “an end to modesty” (“*Ende zur Bescheidenheit*”) launched by IG Metall leader Klaus Zwickel set the tone for the whole round, the results fell very far short of expectations, in spite of favourable developments in the economy at large. For 1998 the economic research institutes had forecast real economic growth of 2.8% – as against 2.2% in 1997 and 1.4% in 1996 – while corporate profits had in many cases continued to show significant improvement in 1997. Another undoubtedly positive factor was that conduct of the pay round was not affected by other bargaining disputes running in parallel, as had been the case in 1997 with the controversy over sickness pay.

Initial pacesetting for the 1998 bargaining round was established very early on because, in a number of sectors (including banking, insurance and steel), by the summer of 1997 the two sides of industry had reached settlements that were to run to the end of 1998 and in some cases beyond (see Table 1). In addition, the 1997 round comprised a certain number of two-year agreements that included phased increases for 1998 and which also operated to some extent as pacesetters (engineering, textiles and clothing). In the 1998 round proper, the public service agreement was one of the first to be concluded. Here, after a difficult arbitration procedure, the ÖTV settled for a 1.5% pay increase to run for 12 months. There can be no doubt that this modest settlement – measured against the overall economic situation – had a dampening effect on subsequent bargaining in other

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[1] The cut in sickness benefit from 100% to 80% was reversed, thereby transferring to the workforce as a whole the success of efforts deployed in the collective bargaining arena.

sectors; even so, in the end this agreement did not set the trend for others because the economic situation in some sectors was simply too good. This applies in particular to the flourishing west German chemicals industry where IG BCE secured a 3%[2] increase. All in all the range of pay settlements was significantly broader than in previous years.

In east Germany the process of equalisation of pay with western levels continued to make some progress. Over the last year pay levels in some sectors were raised in a series of small steps to the western levels. As a result the overall east/west pay ratio is now 90.8%.

The controversy over the further development of the regional sectoral collective agreement (*Flächenvertrag)*, waged in recent years, particularly in the engineering sector, calmed down to some extent. In March 1998 the employers' organisation *Gesamtmetall* made *IG Metall* an offer for a "new partnership" and a summit meeting between the two organisations was held on 30 September. In September, well in advance of the 1999 bargaining round, an agreement was reached between the two sides that the bargaining results in western Germany would be taken over by the east German sector. Meanwhile, the trend towards differentiation and decentralisation of collective bargaining procedures and gains continued. Large numbers of multi-employer or company-level agreements either renewed hardship, opening or differentiation clauses or introduced such clauses for the first time. However, the actual content of such agreements and the mode of settlement continue to display considerable variety and the real significance of such provisions in industrial and workplace relations practice ranges between a symbolic policy stance and regular use.[3] It is to be noted also that in a growing number of cases it is the trade unions which succeed in securing respect for collectively agreed provisions and the renewal of the corresponding agreements. Amendments and company-level agreements clearly have an important role to play here.

The coalition agreement between the SPD and Alliance 90/Greens gave prominence to a new "Alliance for jobs and training". A statement issued after the first meeting on 7 December included the following commitment:

> "There is a need for effective contributions from the state, from the corporate sector and from the trade unions, as well as for restraint by the social partners. It has been jointly accepted that actions agreed between parties to the alliance – e.g. the social partners and the government – will be directed towards the goals of the Alliance and will support the agreements concluded in this context."

Any practical consequences entailed by this statement for the 1999 bargaining round remained a matter of controversy among participants, and even within the trade unions opinions tend to diverge.

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2 Pay increase of 2.4% for 14 months plus one-off supplementary payment of 1.1% of annual pay.

3 For more detail see Reinhard Bispinck, WSI-Tarifarchiv, Tarifliche Öffnungsklauseln 1998, Elemente qualitativer Tarifpolitik, Nr. 37, Düsseldorf, February 1999.

2. Collective bargaining results : some figures and facts

2.1. Pay

Table 1 : Selected pay agreements in east and west for 1998

Date concluded	Sector	Pay settlement for 1998	
		Increase	As from for how long
Agreements from 1996/97 including (phased) pay increases for 1998			
12/96-3/97	**Metal industry** West and East	**2,5 %**	1.4.98 for 9 months
09.01.97	**Woodworking** Westphalia	**1,7 %**	1.4.98 for 12 months
17.01.97	**Textile and clothing** West	**2,1 %**	1.7.98 for 11/10 months
28.05.97	**Banking** West	**2,0 %**	1.12.97 for 13 months
24.06.97	**Volkswagen AG**	**2,5 %**	1.8.98 for 12 months
04.07.97	**Insurance** West	**2,0 %**	1.12.97 for 13 months
20.10.97	**Steel industry** NRW, Lower Saxony, Bremen	**2,6 %**	1.3.98 for 12 months
Agreements 1998			
08.01.98	**Steel industry** East	**2.6 %**	1.1.98 for 13 months
10.02.98	**Motor industry** NRW	**2.4 %**	1.3.98 for 12 months
20.03.98	**Motor industry** Saxony	**1.3/0.8 %**	After 3 zero months 1.4.98/1.1.99
16.03.98	**Textile industry** East	**2.25/1.0 %**	1.3./1.11.98
27.03.98	**Public services**	**1.5 %**	1.1.98 for 12 months
25.06.98	**Energy and public utility sector** (AVEU) East	**1.75 %** [1]	1.5.98 for 12 months
04.05.98	**Foreign trade** Bavaria	**2.5 %**	After 2 zero months 1.5.98 for 11 months
09.05.98	**Chemicals** West	**2.4 %** [2]	1.3.98 [3] for 14 months
16.04.98	**Construction industry** West	**1.5 %**	1.4.98 for 12 months
13.05.98	**Printing industry** West and East	**2.0 %**	1.4.98 for 12 months
17.05.98	**Deutsche Bahn AG** West and East	**1.5 %** [4]	After 1 zero month 1.6.98 for 11 months
20.05.98	**Construction industry** East	**1.5 %**	1.10.98 for 6 months
10.06.98	**Rubber industry** West East	**2.0 %** [5] **3.0 %**	1.7.98 for 12 months 1.11.98 for 14 months
17.06.98	**Paper processing** West	**1.75 %** [6]	After 6 zero months 1.10.98 for 6 months
22.06.98	**Retail trade** Bavaria	**2.1–2.5 %**	After 2 zero months 1.7.98 for 10 months
22.06.98	**Foreign trade** Saxony-Anhalt	**2.5 %**	After 2 zero months 1.7.98 for 10 months
21.08.98	**Rhine coal industry**	**1.4 %**	After 2 zero months 1.9.98 for 12 months
02.09.98	**Hotels and catering** Bavaria	**1.8 %** [7]	1.9.98 for 7 months
01.12.98	**Chemical Industry** East	**3.7/2.3 %** [8]	1.1.99/1.1.00 for 6 months

1 125 DM a month for 3 and 4/98.
2 Additional one-off payment of 1.1 % of annual pay.
3 In individual regions as from 1.4. and 1.5.
4 East: from 86 to 87 or 88 % as from 1/99 or 1/00.
5 Additional single payment of 12 % of monthly pay.
6 Plus pay adjustment for 1-hour working time reduction as from 1.4.98.
7 200 DM single payment for 4 to 8/98.
8 Single payment of 60 DM for each of 10 and 11/98.

Source: WSI collective bargaining archive 1998

The DGB trade unions concluded, over Germany as a whole, pay agreements covering a total of 13.2 million employees, 10.8 million of them in the old and 2.4 million in the new *Bundesländer*. For a further 5 million employees, increases agreed in 1997 or even earlier now came into force. Some 2.2 employees whose pay agreements expired in 1998 had not (yet) had them renewed by the end of the year.

The average rate of settlement – in the old *Bundesländer*[4] – was 1.9%. This figure does not include various forms of one-off payment, but it does include increases taking effect later than 1998. If account is taken only of the increases coming into effect in 1998, the average rate of settlement becomes 1.8%.[5] Actual figures range between 1.5% in the building trade, financial services and public services and 2.4% in the trading sector.

In 1998 "zero months" once again played a significant role in collective agreements. Some 5.2 million employees – i.e. just half of those covered by new agreements – suffered delays in the implementation of settlements. Some 35% had to wait for 1-2 months and 12% for 3-6 months before receiving the agreed regular pay increase. By way of compensation for the delays, the trade unions negotiated special payments on behalf of about a quarter of these workers, amounting to an average of DM 67 a month.

The average duration of the pay agreements in the old *Länder* is slightly more than a year (12.7 months), significantly shorter than in the previous rounds (1997: 16.8 and 1996: 16.2 months). For 9.7 million workers (81.3%) the agreements run for one year, for 1.3 million (12.4%) for 13-14 months, while the rest are of varying durations.

A more useful figure than the rate of settlement is the annual collectively agreed pay increase, since this can more easily be compared with other economic data (e.g. prices, productivity). Calculation of this indicator involves adjusting the rate of settlement figures in the light of the duration of the agreement, which rarely overlaps precisely with the calendar year, and also taking account of any increases resulting from agreements concluded in earlier years and any special payments negotiated to compensate for delays in the implementation of settlements. The average annual pay increase thus calculated, i.e. increase in 1998 as against 1997, amounted to 1.8% for Germany as a whole. The highest annual increase was 2.3% in the trading sector and the lowest was 1.3% in the building trade. Average rates were 1.7% for western Germany and 2.5% for eastern Germany. The figures for 1997 were 2.7% (east) and 1.4% (west).

Table 2 : Annual collectively agreed pay increases for 1998 [1]

Sector	East		West		Total	
	WF	%	WF	%	WF	%
Horticulture, agriculture and forestry	102	2,5	105	1,7	207	2,0
Energy and water supply, mining	73	2,6	244	1,2	317	1,5
Raw materials and capital goods	74	2,2	1.006	2,0	1.080	2,1
Investment goods energy	405	1,8	4.060	1,8	4.465	1,8
Consumer goods industry	134	2,1	1.145	1,5	1.279	1,6

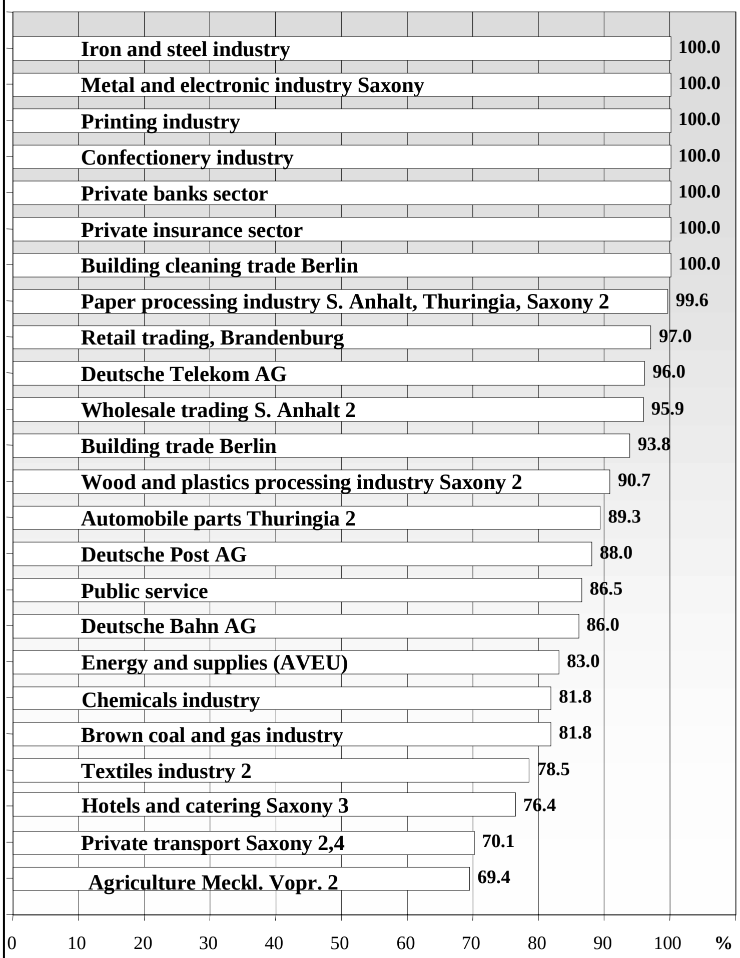
[4] For the new *Bundesländer* the calculation was not made because the combination of independent new agreements, phased increases and taking over of western agreements make comparison extremely difficult.
[5] Here too one-off payments are excluded from the calculation.

Food and tobacco industry	40	5,9	530	1,7	570	2,0
Building trade	426	0,8	1.032	1,5	1.458	1,3
Wholesale and retail trade	488	3,7	2.805	2,0	3.293	2,3
Transport and communications	186	4,3	921	1,5	1.107	2,0
Banking and insurance	53	3,1	649	1,4	702	1,5
Private services to businesses	332	1,6	1.396	1,5	1.728	1,5
Local authorities and social security	820	2,9	2.280	1,5	3.100	1,9
Whole economy	**3.133**	**2,5**	**16.173**	**1,7**	**19.306**	**1,8**

1 Annual increase in 1998 as compared with 1997. Size of workforce covered (WF) in 1000.
Source: WSI collective bargaining archive 1998

The stage reached in the approximation of agreed wages to the western German level can be demonstrated first of all by the trend in agreed *basic* pay. Taking 31.12.1998 as the reference date, the following picture emerges on the basis of the selected core sectors (see chart below): the top groups with 100% (for some time already virtually unchanged) are the iron and steel industry, engineering, printing, building cleaning

Level of East/West pay equalisation in %



* average group, final level
1 average western pay
2 wage only
3 initial levels
4 new agreement not yet concluded
Situation 31.12.98

WSI
Collective bargaining archive 1999

industry Berlin, paper processing (waged workers 99.6%), insurance and banking. Way ahead are also the confectionery industry (98.8%), retail trade (97%), the building trade (93.8%) and wholesale trade (waged 95.9%, salaried 91.7%.) A considerable number of sectors lie somewhere between 80 and 90%, including public services (86.5%), the chemicals industry (81.8%), the brown coal and gas industry (81.8%). In the lower third of the list are sectors such as hotel and catering in Saxony (76.4%), textile industry (wages 78.5%), private transport Saxony (wages70.1%) and agriculture in Mecklenburg-Vorpommern (69.4%).

In some sectors further pay increases have already been agreed for 1999 in the framework of the phased plans. In the chemicals industry pay levels rise at the beginning of the year to 84.8%; in the woodworking industry in Saxony they rise on 1 April to 92.4% (wages) and 77% (salaries). In retail trading wages and salaries rise to 100% (as from 1 April). The railways (Deutsche Bahn AG) raise pay at the beginning of 1999 to 87%, the post office (Deutsche Post AG) to 90%[6] and telecom (Deutsche Telekom AG) to 100% (from October 1999).

Taking 31 December 1998 as the reference date, the average rate of equalisation in the 22 bargaining sectors or branches is 90.8%. At the end of 1997 the east/west ratio was 89.8%; at the end of 1996 88.7%; at the end of 1995 86%. These figures do not take into account the extent to which the agreed pay provisions are actually observed.

Contrary to what was expected a year earlier, the average annual increase in collectively agreed pay for Germany as a whole in 1998, 1.8%, is higher than the inflation rate of 1%. Accordingly, trade union collective bargaining policy was successful in achieving more than keeping pace with the rising cost of living. Even so, the full room for manoeuvre – consisting of price increases (0.9%) plus productivity increases (2.8%) totalling 3.7% – was once more far from exhausted.

Looking at actual pay developments in Germany as a whole, the following picture emerges: the gross pay bill per worker increased in 1998 by 1.6%; adjusted to take account of rising prices, the increase was 0.7%. The net pay bill grew at a nominal rate of 1.5%. The real net income per worker increased by 0.6% in the last year. Given the significant productivity gains (2.8%), unit labour costs fell by 1.3% and in eastern Germany by 1.8%.

Table 3 : Income distribution, Productivity und unit labour costs in 1998

- Percentage change in comparison with previous year -

	Total	**West**	**East**
Gross pay bill per worker	1.6	1.6	1.4
Net pay bill per worker	1.5	1.4	2.2
Real pay bill per worker	0.7	0.7	0.5
Real net pay per worker	0.6	0.5	1.0
Labour productivity per worker	2.8	2.8	2.5
Unit labour costs	-1.3	-1.1	-1.8

Source: Federal Statistical Office

[6] To rise to 100% by 2002 in two further stages.

2.2 Working time

In terms of collectively agreed weekly working time there was little change on the virtual standstill recorded also in the previous year. Average weekly working time in 1998 in Germany as a whole was 37.7 hours (West 37.4 and East 39.2). At the end of 1998 17.9% of collectively covered workers in Germany had a working week of 35 hours, 52% of between 37 and 38.5 hours and 15.4% of 39 hours. That leaves 11.3% with a working week of 40 hours or more (see Table 4 below).

Table 4 : Average collectively agreed working time in 1998

Collectively agreed provision	**East**	**West**	**Total**
Weekly working time (hours)	39.2	37.4	37.7
Percentage of workers (in %) with:			
35	-	*21.9*	*17.9*
36 – 37	*5.1*	*12.5*	*11.1*
37.5 - 38.5	*26.5*	*47.9*	*44.1*
39 – 40 and more hours	*68.3*	*17.6*	*26.7*
Days off	1.4	2.1	1.9
Holiday (working days) [1]	28.3	29.2	29.1
Annual working time (hours)	1,735.5	1,643.2	1,659.5

1 Average holiday entitlement

Source: WSI collective bargaining archive Situation: 31.12.1998

At the end of 1998 some 3.7 million employees in Germany had benefited from a working time reduction in the form of 1.9 days off. This form of working time reduction is particularly widespread in some sectors, e.g. energy and water supply, mining and transport and communications.

Average holiday entitlement in Germany as a whole is 29.1 days (west 29.2 and east 28.3). Basic entitlement varies between 24.4 days in horticulture, agriculture and forestry and 30 days in banking and insurance. Total holiday entitlement ranges between 27.9 and 30.1 days, with an average of 30.0 days.

If collectively agreed annual working time is computed on the basis of these and other components, the average for Germany as a whole is 1,659.5 hours, for western Germany 1,643.2 hours and for eastern Germany 1,735.5 hours.

In terms of equalisation of other collectively agreed entitlements and gains (e.g. holiday and Christmas pay, profit related bonuses), some progress has been made on a number of different points.

3. Maintaining and extending collective bargaining guarantees

Public discussion about recent collective bargaining trends has focused predominantly on the signs of crisis and tendency towards erosion displayed by the established system. Failure to respect collectively agreed provisions and a reluctance to retain membership of federations and engage in bargaining are rife. Even so, it should not be overlooked that, all the unmistakable signs of crisis notwithstanding, regulation by means of multi-employer or regional collective agreement remains the overwhelmingly prevalent approach to the fixing of working and pay conditions in the Federal Republic. The figures to emerge from the survey of companies conducted by the Labour Market and Occupational Research Institute (IAB) show this quite unequivocally. In western Germany in 1998 47.7% of workplaces and 67.8% of workers were covered by a sectoral pay agreement. For eastern Germany the figure was 25.8% of workers and 50.5% of employees. Actual levels differ significantly from one sector to another. Additional coverage is provided by company-level agreements (in western Germany for 4.8% of workplaces and 8% of employees and in eastern Germany for 7.6% of workplaces and 12.7% of employees)(see Table 5).

Even if for western Germany taken as a whole a regressive trend is observable[7], there are counter-movements. In many – and in some cases important – individual instances, the trade unions have also successfully managed to secure and extend collective bargaining guarantees. In other cases the controversy has so far led to no outcome. The following examples illustrate the diversity of procedures and results.

Table 5 : Trends in collectively agreed regional coverage of workplaces and employees

Sector	West Germany				East Germany			
	1995		1998		1996		1998	
	Companies	Employees	Companies	Employees	Companies	Employees	Companies	Employees.
Agriculture	44.6	65.0	48.6	71.6	13.7	29.3	24.9	24.3
Mining/Energy	89.3	81.5	62.6	76.4	63.6	90.2	58.1	87.3
Processing of raw materials	61.4	80.2	51.0	75.2	21.7	50.6	24.4	48.8
Capital goods	58.8	81.0	60.3	74.0	34.7	49.5	27.8	40.0
Consumer goods	68.7	79.1	60.4	75.9	37.4	50.1	32.2	38.2
Building trade	79.3	91.0	70.6	83.0	38.9	52.1	39.5	50.3
Wholesale and retail trade	52.7	70.8	48.5	64.6	23.0	45.8	19.0	40.7
Transport/Communications	54.9	54.3	32.6	52.5	26.2	47.0	28.2	39.3
Banks/Insurance	68.8	91.2	62.2	85.5	49.2	90.6	66.0	90.0
Other services	40.5	57.8	37.2	55.2	17.4	51.2	15.5	45.6
Non-profit-making organisations	50.3	63.7	39.6	57.1	44.0	45.8	36.2	39.8
Local authorities/ Social insurance	88.1	88.6	76.4	88.7	94.7	92.1	90.9	90.0
Total	53.4	72.2	47.7	67.8	27.6	56.2	25.8	50.5

Source: IAB-Betriebspanel, 3. Welle West 1995, 1. Welle Ost 1996, 6. Welle West/3. Welle Ost 1998.

[7] No corresponding data is available for eastern Germany.

➢ Ravensburger AG

The toy manufacturer Ravensburger AG introduced, in May 1997, an "alliance to strengthen competitiveness and secure the production location". This involved – in contravention of the collective agreement – an unpaid two-hour increase in weekly working time from 36 to 38 hours. After individual questioning by supervisors, 90% of the workforce voted in favour of this arrangement. Soon afterwards the company left the employers' federation. In the works council elections held in the following spring, *IG Medien* managed, after intensive preliminary canvassing, to win 7 out of 15 seats on the works council. The union then summoned the company to engage in collective bargaining procedures, and in May 1998, just before the workplace collective bargaining committee was due to be elected, offered to the company the conclusion of a company agreement in which it (once again) recognised the regional agreement for the paper industry.

➢ German airport companies

In compliance with EU legislation the ground services at airports, previously the exclusive preserve of the airport authorities, have been opened up to tender from other suppliers.[8] Since the beginning of 1998 handling services may be supplied by the airport companies and since the beginning of 1999 they may also be sub-contracted. This has brought rates of pay for airport employees under considerable pressure. After several rounds of bargaining on behalf of employees in the German airport companies, who were covered by the agreement for the public services, the ÖTV and the employers' side concluded an agreement on employment guarantees and preservation of competitiveness. Basically it contains provision for opening clauses which become effective only subject to the conclusion of additional local agreements.

➢ Sinitec

In May 1997 it became known that Siemens-Nixdorf AG planned to hive off services, to shed its commitment to collective agreements and, having done so, to extend working hours from 35 to 40 a week, among other changes. After protracted negotiation – accompanied by demonstrations, national action days and token strikes by the employees concerned – in June 1998 *IG Metall* succeeded in concluding with the regional employers' federations an additional collective agreement preserving collectively agreed coverage for all (hived off) Sinitec companies. Its provisions include a 37-hour week (diverging from the multi-employer agreement) and a guarantee of no redundancies for the period of the agreement until October 2001. Before the agreement runs out, talks are to be conducted to ascertain whether working time can be adjusted to comply with the framework agreement for the engineering industry.[9]

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[8] These services include luggage preparation, refueling and cleaning planes, provision of passenger facilities, and other services supplied inside or in the proximity of the airport buildings. Currently the value of the market totals DM 5 billion.

[9] Cf. On the collective bargaining situation in the information and communications sector in general the contribution by Armin Schild and Hilde Wagner, 'Auf dem Weg zur Tarifbindung im Informations- und Kommunikationssektor. Ein Beispiel der Tarifpolitik der IG Metall im Bereich industrieller Dienstleistungen', *WSI-Mitteilungen* 2/1999.

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After months of negotiations *IG Metall* concluded with the employers' federations and debis AG, a subsidiary of Daimler Chrysler, an additional collective agreement which extends collective bargaining coverage from 2,400 to some 5,000 employees. The agreement guarantees previously covered workers and also regular shiftworkers a 35-hour week. Other workers have a 40-hour week.[10] Pay is based on an annual target salary which is dependent, among other things, on an assessment of performance and achievement of planned output. The agreement also includes provisions covering further training, protection against dismissal and income security.

4. Collective bargaining policy and the euro

In relation to the introduction of the euro an intensive discussion has taken place over the last year among the European trade unions concerning the possible nature of a European perspective on the hitherto strictly national collective bargaining policies.[11] Since introduction of the euro will do away with the possibility of the buffer function performed by exchange rate adjustments, the pressure on national labour and pay standards will increase. The obvious conclusion is that without cross-border coordination of pay bargaining, it will be impossible to prevent competitive undercutting in pay policy. Already in the 1980s a fundamental change in the collective bargaining paradigm could be observed virtually everywhere in Europe. This change could be described as the transition from a collective bargaining policy geared to productivity to one geared to competition. Since then the European trade unions have succeeded in rare instances only in exhausting the "cost-neutral" room for manoeuvre resulting from productivity gains. The result has been a massive shift in distribution from labour to capital income and a general reduction in the share of wages in GDP. German collective bargaining policy is no exception to this picture. The long-term development of unit labour costs in Germany is, on the contrary, far lower than the average for the other industrialised countries.

In this situation, the recent trade union initiatives designed to achieve close European coordination of national collective bargaining policies are of the utmost importance. One of the most significant examples is the cooperation among the Belgian, German, Luxembourg and Dutch trade unions which found expression in the "Doorn declaration".[12] On 4 and 5 September 1998 leading representatives of the confederations and sectoral unions from these countries met in Doorn in the Netherlands to discuss the future prospects for and background to collective bargaining after introduction of the euro and the possibilities for closer cooperation. The resulting "Doorn declaration" contains the first concrete points of guidance for a transnational coordination of collec-

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[10] Between the ages of 40 and 54 this is gradually reduced to 35 hours. In addition, all workers who have been with the company for at least ten years are entitled to a 35-hour week without loss of pay.

[11] Cf. on what follows Bispinck, R. Schulten, Th., 'Gewerkschaftliche Tarifpolitik in Europa – zwischen nationaler Konkurrenz und internationaler Solidarität', *Blätter für deutsche und internationale Politik* 2/1999 and Schulten, Th. and Bispinck R. (eds.) *Tarifpolitik unter dem Euro. Perspektiven einer europäischen Koordinierung: das Beispiel Metallindustrie*, Hamburg 1999.

[12] See J. Kremer-de Fries, 'Tarifkooperationen der Gewerschaftsbünde DeNeLux-Deutschland: Die Erklärung von Doorn' in Schulten and Bispinck 1999:186 ff.

tive bargaining policy. The trade unions involved aimed for collectively agreed pay gains corresponding to the sum of price developments and growth in labour productivity. This was a way of simultaneously seeking a strengthening of overall purchasing power and job preservation measures (e.g. by working time reductions). The formula is intended to give clear guidance on the appropriate level of pay increase, in a manner flexible enough to allow for differences between countries, the goal being to forestall, among the countries concerned, the employers' wish to achieve competitive undercutting of collectively agreed rates of pay. This pay policy coordination can be viewed as a step on the path to European cooperation in the collective bargaining area. It thus provides, for the first time in this form, a yardstick that can serve as the basis for a systematic discussion of the cross-border effects of national pay policies. How such a first step can be taken further is shown by the example of the European Metalworkers' Federation (EMF).

Ever since the 1970s the EMF has been reiterating the need for a coordination of national collective bargaining policies. In 1993 it formulated its discussions and activities for the first time in a fundamental collective bargaining statement and in 1995 decided on a first series of measures to implement its coordination (including development of an information system on collective bargaining developments, regular meetings of tax experts, involvement of foreign trade unionists in national collective bargaining, synchronisation of national collective bargaining, development of European campaigns on specific topics).[13] In its collective bargaining policy guidelines of 1996 binding regulations were decided for the areas of pay and working time, providing for example that member organisations faced with reductions in real earnings in three consecutive years must report to the EMF. In its working time charter of June 1998 it formulated a European minimum standard with a maximum annual limit on working time of 1750 hours. Finally, at its 3rd collective bargaining conference held in Frankfurt in December 1998, the EMF adopted a "European coordination rule" according to which all metalworkers' unions in Europe undertake to make compensation for inflation and the equal participation of workers' income in productivity gains into a collective bargaining policy guideline.[14]

An important instrument for implementation of this coordination rule is meant to be the further development of cross-border collective bargaining partnerships at regional level. A current example of such cross-border collective bargaining cooperation is the cooperation between *IG Metall* in North Rhine Westphalia and the Dutch and Belgian metalworkers' unions.[15] All together it is quite evident that in this three-country region communication and cooperation between the metalworkers' unions has increased in volume and intensity. This corresponds to the underlying philosophy contained in the EMF coordination rule, which thus represents an attempt to broaden the foundation for joint collective bargaining positions and to give their practical implementation a more binding character.

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13 Schulten and Bispinck 1999: 489ff.

14 European Metalworkers' Federation (EMF) 'Collective bargaining with the euro', Resolution of the 3rd EMF collective bargaining policy conference held on 9 and 10 December 1998 in Frankfurt.

15 Cf Harald Schartau, 'Von den nationalen Interessenvertretungen zur Euro-Gewerkschaft', *Frankfurter Rundschau*, 8 October 1998 and J. Gollbach, Th. Schulten, 'Grenzüberschreitende Tarifpartnerschaften - am Beispiel der deutsch-belgisch-niederländischen Metallindustrie', *WSI-Mitteilungen* 7/1999.

5. A policy of pay restraint

The 1990s brought the most overwhelming changes to collective bargaining policy since the war. The unification of the two Germanies and the ensuing process of transformation of the new *Länder* faced the trade unions and their collective bargaining policy with major challenges with which they have not yet come fully to grips. The end of the unification boom plunged the (western) German economy into its hitherto deepest recession, bringing in its wake a further dramatic rise in unemployment. This collapse took place simultaneously with the continuous process of an increasing internationalisation of the economy and globalisation of competition. At company level the continuing collapse of labour, production and organisation systems led to an intensification of the process of rationalisation with contradictory consequences for the working conditions of employees and the terms of action open to their representatives at company level. The deregulatory policies conducted by the Conservative/Liberal federal government were the final nail in the coffin where opportunities for successful collective bargaining policy were concerned.

Pay policy in the 1990s shows a contrasting outcome: though the trade unions in the old *Länder* proved able, in a prospering economy, to win significant increases in real pay, the onset of crisis led to a “turnabout” in collective bargaining policy for which the employers’ federations had long wished.

1993 saw the deepest recession of the post-war period in the (old) *Bundesländer*. The economy shrunk, GDP was 1.9% down on the previous year, leading to drastic shedding of workers in nearly all sectors of the economy, with the numbers of registered unemployed rising to more than 2.5 million, more than half a million more than a year earlier. The depth of the recession, which made the collective bargaining conditions ever more difficult for the trade unions, was compounded by growing political pressure on the parties to collective bargaining (i.e. the trade unions) to take account of the difficult situation by concluding “moderate” pay agreements. This was also connected with the controversy at the beginning of 1993 over the “solidarity pact”, by means of which the federal government wished to commit all social groups to the idea of developing eastern Germany and restoring the state finances to better health. Though the trade unions attempted to extricate the collective bargaining process from involvement in such an approach, the political discussion did not fail to exert an influence on public opinion and workers’ expectations. As the gravity of the economic recession was gradually recognised, there developed also a new discussion about Germany’s viability as a production site, which on the employers’ side was conducted almost exclusively in terms of arguments about labour costs. They attempted to account principally for the “costs crisis” of the German economy by reference to the steep rises in unit labour costs since the beginning of the 90s. All in all, 1993 showed a declining collective bargaining curve. In the economy as a whole and on an annual average real pay levels were not secured by collective agreements.

The 1994 collective bargaining round one again took place, in the old *Bundesländer*, under the continuing impact of the deepest recession in the post-war period. It is true that in the course of the year the economy underwent a sudden unexpected upturn, but on the labour market the negative developments continued. On annual average the unemployment figure was up 300,000 on the previous year. Therefore the trade unions’ collective bargaining policy was conducted under growing pressure not from the employers alone but from broader sections of political opinion. The demand was for a policy geared to pay restraint, with productivity developments representing the upper limit. The employers' campaign for a turnabout in collective bargaining gathered momentum. Indeed, for the first time the employers openly demanded a reduction in agreed pay levels. Unlike in the previous year the employers' federations linked their demands to the question of principle concerning continuation of the collective bargaining system. Only if, with the help of cost reductions, it proved possible to curb the allegedly dramatic deterioration of the competitive position of companies and, by means of flexibility (of working time in particular), to give individual companies more freedom of action and room for manoeuvre, did the regional collective agreement – so the employers' argument went – have any enduring chance of survival.

As a result of this configuration, in 1994 the trade unions were compelled to accept collective agreements which in previous rounds would have been deemed completely unacceptable. Rates of settlement significantly below inflation, widespread freezing or reduction of collectively agreed special annual bonuses, renegotiation – and in some cases deterioration – of working time arrangements (still in force!) are concessions that become understandable only in the light of the hopelessly defensive position in which the trade unions found themselves at the end of 1993/beginning 1994. That they also managed to secure some gains, particularly in relation to job preservation, lightens the gloom somewhat but is not enough to make the very mixed collective bargaining outcome into a positive sign of collective bargaining policy reform and influence.

Whereas in 1995 the employers hoped to continue along their – from their own point of view – successful course, the expectation of employees and trade unions after three lean pay years was rather different. From these extremely different attitudes and expectations on the two sides of industry there emerged one of the most conflictual bargaining rounds in recent years. After an 11-day strike in the Bavarian engineering industry at the end of February and beginning of March, *IG Metall* achieved a collective agreement in the metalworking industry which, in terms of volume, was once more, for the first time, significantly above the rate of inflation. After one-off payments for the first four months, there was a 3.4% increase from May and further 3.6% from November 1995 to run to the end of 1996. This agreement represented an important pacesetter for other sectors too. Instances of industrial action in a number of other bargaining sectors showed that employees in both the old and the new *Länder* were prepared to put up a fight. This palpable renaissance of strikes for higher pay, which many observers had already written off as an antiquated instrument for the settlement of disputes, not only led to some very tangible results but undoubtedly also represented a gain for the trade unions in terms of credibility and ability to push through their demands. In the employers' camp, however, the engineering agreement unleashed a violent discussion and wave of internal remonstrations. The actual conduct of the bargaining in question, but also the collective bargaining system as a whole, were in the line of fire of increasingly radical criticism from economic, political and academic commentators.

At the end of 1995 *IG Metall* president Klaus Zwickel issued his proposal – initially aimed at the engineering industry – for an "employment alliance" which offered employers a policy of pay restraint in return for guarantees that no workers would be made redundant and that 300,000 jobs would be created. Although this rapidly turned into a political initiative launched by the trade union movement as a whole in the direction of the government, it then promptly foundered on the unwillingness of both the government and the corporate sector to become involved in a concept of cooperative action to combat unemployment. The collective bargaining and social climate hardened, as evidenced by the dispute in the autumn of 1996 over the cut in the 100 per cent statutory sickness pay. Results of the 1996 pay round were very modest with settlement rates of 1.5 to 2%.

1997 was marked by a persistent and increasingly acute employment crisis. On the collective bargaining front, the (successful) campaign to preserve sickness pay was in the forefront of concerns. In return a number of pay and collective bargaining compromises had to be made, the outcome of which was another round of low pay settlements. Over the economy as a whole, for the first time in many years, pay developments fell behind the rise in the cost of living. Yet the resulting demand for “an end to modesty” issued by the *IG Metall* chairman were unable to be translated into pay bargaining reality in 1998. The ratio of pay to GDP fell to an all-time low.

Against this background, a distribution policy balance sheet of the 90s hardly looks very positive. Workers’ income in the 1990s rose 8% less than labour productivity and consumer prices. Gross per capita income per worker in Germany (west and east) between 1991 and 1998 rose by 31.4%, while the (cost neutral) room for distribution (productivity plus prices) rose, during the same period, by 39.2% (see chart below). This moderate income development did not, however, pay off in policy terms: the volume of labour in the economy as a whole fell by 8% in the period 1991-98, from 50.4 billion to 46.2 billion hours.

The policy of pay restraint conducted since the 1992-93 recession accordingly did not represent a strategic element of trade union policy but was substantially attributable to the economic recession and the associated much weakened ability of the trade unions to push through their claims. The only successes gained by the unions during this period were in the field of employment preservation. Thus in the 1994 bargaining round agreements were for the first time concluded in several sectors allowing the possibility of a reduction of agreed working hours (for a fixed term) although this was not achieved without some loss of pay (in certain cases less than proportionate). In return, companies were required to guarantee that there would be no redundancies. In the autumn of 1993 *IG Metall* and Volkswagen agreed on the company-wide introduction of the four-day week (28.8 hours), albeit accompanied by a corresponding drop in earnings. In recent years there were many more instances of such agreements which also spread to other sectors.

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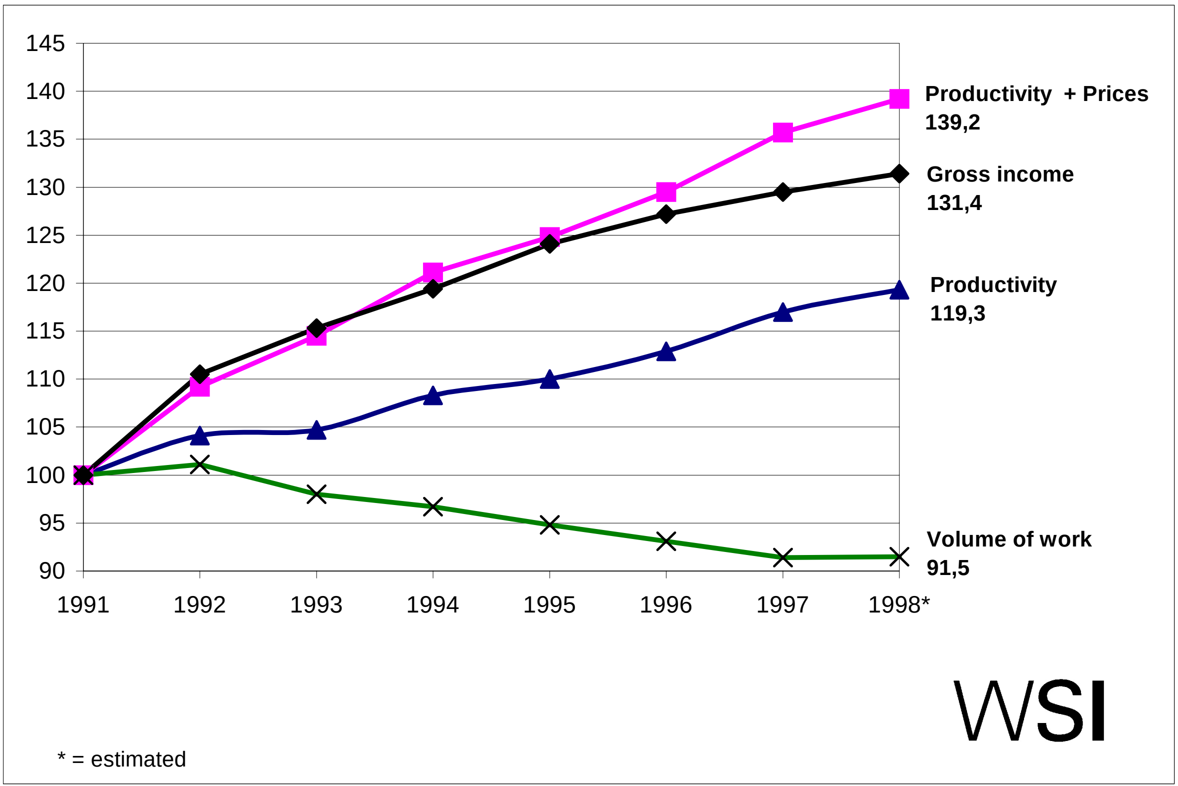
(Index 1991 = 100)



6. The 1999 bargaining round

The 1999 round represented a significant turning point in collective bargaining developments. For the first time in many years it brought agreements that were in all cases significantly above the inflation rate and in most cases also came close to fully exploiting the productivity-linked room for manoeuvre (see Table 6).

The 1999 collective bargaining round differed from its predecessors in many respects. Thus, once again, but differently from in 1998, the engineering industry played a leading role because the pay agreements ran out at the end of the year and the negotiations had begun in December 1998. Then there were the banking and insurance and public services whose agreements also ran out at the end of 1998. These were followed at the end of February by the west German steel industry and, a month later, the building trade, the printing industry, part of wholesale and retail trading and a series of further bargaining sectors. In the chemicals industry the agreements expired at the end of April or May.

Table 6 : Selected pay agreements in West and East for 1999

Date	Sector	Terms of pay agreement for 1999		
		Increase	Date implemented and duration	One-off payments
01.12.98	**Chemicals industry** East	3.7 %	1.1.99 for 12 months	
18.02.99	**Metal industry** Bad.-Württemberg Pilot agreement	3.2 %	1.3.99 for 12 months	350 DM for January and February 1999 [1]
25.02.99	**Automobile trade** NRW	3.0 %	1.3.99 for 12 months	
27.02.99	**Public service**	3.1 %	1.4.99 for 12 months	300 DM (West), 259,50 DM (East) f. Jan. – March 1999
19.03.99	**Iron and steel industry** Lower Saxony, Bremen, North Rhine-Westphalia	3.3 %	1.6.99 for 12 months	500 DM for March to May 1999
19./20.03.99	**Insurance trade**	3.2 %	1.4.99 for 12 months	350 DM for January to March 1999
30./31.03.99	**Energy supply industry** North Rhine Westphalia	3.1 %	1.6.99 for 12 months	350 DM for April and May 1999
13.04.99	**Confectionery industry**	3.0 %	1.4.99 for 12 months	
21./22.04.99	**Building trade**	2.9 %	1.4.99 for 12 months	
06.05.99	**Printing industry**	3.3 %	1.4.99 for 12 months	
01.06.99	**Chemicals industry** North Rhine Pilot agreement for West Germany	3.0 %	1.6.99 for 12 months	200 DM for May 1999

1 additional one-off payment of 1 % of annual pay.
Source: WSI collective bargaining archive 1999

WSI

In the major collective bargaining sectors the trade unions' pay demands ranged between 5.5% (ÖTV) and 6.5% (IG Metall, HBV). For the building sector IG BAU has already announced a lower claim, not least because there are also other matters on the bargaining agenda (e.g. bad weather payments, pension questions). The ambitious claims put forward, for example by *IG Metall*, are also based on the explicit argument that after the lean bargaining results of earlier years, which led to perceptible drops in purchasing power, the prospective room for distribution of 1999 should not simply be used up but also that the missed opportunities for distributive gains in past years should be at least partially made good.[16]

The engineering employers did not only – as expected – reject these demands out of hand, but they made it clear, at the same time, that they were aiming for a new differentiated structure for a collective agreement. They want to agree, alongside percentage pay increases for all workers, a one-off payment which at company level, with the consent of the works councils, can be reduced or not paid at all.[17] In addition, the amount of the Xmas bonus is to be linked to the profit situation of the company. *IG Metall* rejected such ideas from the outset because in this way the basic function of regional collective

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[16] IG Metall (ed.) *Tariffunde 1999 – Sozialökonomische Rahmenbedingungen*, Frankfurt/Main, September 1998, p. 15.
[17] On 22 January they offered, in the course of the negotiations, 2% pay increase and a one-off payment of 0.5% of annual salary.

agreements, namely to define uniform pay levels for the whole pay sector, would be gradually eroded. After a major token strike *IG Metall* reached agreement in mid-April.
This year's collective bargaining round was significantly complicated by the fact that it was overshadowed by the parallel talks between government, workers and trade unions on an alliance for jobs. While the employers demanded that pay policy questions should be included in the talks for an alliance, the majority of the trade union representatives rejected this demand and the 1999 collective bargaining round was in fact conducted without pay policy being discussed in the talks for the alliance. Pay increases in most sectors were between 3 and 3.3% and the duration of agreements was between 12 and 15 months.