

## Unions between class and enterprise: the speculative observations of a novice

Dore, Ronald

Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:

Rainer Hampp Verlag

### Empfohlene Zitierung / Suggested Citation:

Dore, R. (1996). Unions between class and enterprise: the speculative observations of a novice. *Industrielle Beziehungen : Zeitschrift für Arbeit, Organisation und Management*, 3(2), 154-171. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-356510>

### Nutzungsbedingungen:

Dieser Text wird unter einer Deposit-Lizenz (Keine Weiterverbreitung - keine Bearbeitung) zur Verfügung gestellt. Gewährt wird ein nicht exklusives, nicht übertragbares, persönliches und beschränktes Recht auf Nutzung dieses Dokuments. Dieses Dokument ist ausschließlich für den persönlichen, nicht-kommerziellen Gebrauch bestimmt. Auf sämtlichen Kopien dieses Dokuments müssen alle Urheberrechtshinweise und sonstigen Hinweise auf gesetzlichen Schutz beibehalten werden. Sie dürfen dieses Dokument nicht in irgendeiner Weise abändern, noch dürfen Sie dieses Dokument für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen.

Mit der Verwendung dieses Dokuments erkennen Sie die Nutzungsbedingungen an.

### Terms of use:

This document is made available under Deposit Licence (No Redistribution - no modifications). We grant a non-exclusive, non-transferable, individual and limited right to using this document. This document is solely intended for your personal, non-commercial use. All of the copies of this documents must retain all copyright information and other information regarding legal protection. You are not allowed to alter this document in any way, to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public.

By using this particular document, you accept the above-stated conditions of use.

Ronald Dore\*

## Unions Between Class and Enterprise\*\*

### The speculative observations of a novice

A paper which is half about German industrial relations, written by someone whose background of general ignorance of the German scene has been alleviated by a mere ten days of interviewing in German factories and chambers and union headquarters, (in July 1994, the „at present“ of the notes which follow), perhaps requires some explanation. The only justification for its publication is that it represents the impressions of one who (a) has spent most of his life studying that other leading exemplar of „Rhenish“ capitalism<sup>1</sup>, namely Japan, and who (b) began his serious reading about capitalism, class, and the direction of history in the late 1940s when it was still possible to believe that some version of the Marxist paradigm – the success, either through revolution or the ballot box, of a „labour movement“ which would replace capitalism by some form of socialism – represented the future course of Western history.

We now know better. The SPD decided it knew better already at the Bad Godesberg Convention; the British TUC and Labour Party have taken a little longer. But, for us English speakers at any rate, the term „labour movement“ is still with us, even if the question „movement towards what“ does not always have an answer. It might be useful as a preface to the narrative which follows, to begin with a number of definitional distinctions.

I think it would help in clear thinking if we confined the term *labour movement* to: *An organizational complex of unions, political parties, study groups, educational societies, etc. which share:*

- (a) some sense of class-solidarity – both, (i) a sense that its members have individual material interests (self-interests) in common which are at variance with, and are indeed threatened by, those of other identifiable groups – capitalists, industrialists, financiers, landlords, judges, peasants, lawyers, or whatever – but especially capitalists, and (ii) some sense of fraternity with all other members of the movement which can sometimes activate altruistic behaviour (e.g., in sympathy strikes) not explicable by self-interest.
- (b) the belief that by political action – street demonstrations, insurrections, or use of the ballot box – the movement can *change* society in such a way that its

---

\* Professor Ronald Dore is Senior Research Fellow at the Centre for Economic Performance, The London School of Economics and Political Science, and Adjunct Professor at MIT.

\*\* This paper was provoked by my first ever ten days in German factories. I am enormously indebted to Isabela Mares, both for setting up the interviews and interpreting throughout. Also to those who have read a draft and set me straight on various things: John Dower, Mari Sako, David Marsden, Werner Pascha, Wolfgang Streeck.

<sup>1</sup> To use the categories of Michel Albert (1991).

members' share of society's income, wealth and dignity is enhanced. Nowadays these beliefs rarely extend to holistic notions about „capitalism“ being replaced by „socialism“ and are more likely to centre on ideas for marginal reforms – in pension systems, corporate governance, taxation, welfare – which change income distribution, and alter the power of workers in the workplace, etc.

When either of these two conditions – class consciousness and an agenda for structural change – ceases to be fulfilled, I think it is best to stop using the word „movement“. Britain still has the vestiges of a movement, and so do France and Italy. I am not sure how far German unions have a concerted agenda for social change – I suspect rather little – but certainly the class-solidarity has remained, as exemplified in the central role of inclusive class-representative unions in both industrial relations and corporate governance. In Japan, by contrast, as in the United States, it is hard to discern in union activity either an agenda for change or manifest signs of nation-wide class solidarity.

I would suggest that we no longer speak of a *labour movement* in these countries, but rather, for Germany, of a *system of class-conscious labour representation*, and for Japan, simply of a *system of labour representation*.

But there was a time in both countries' history – Germany in the 1920s and early 1930s, for instance, and Japan in the years 1945 to 1951 – when they had what was undoubtedly a labour movement in the full sense of the term – organizations deeply imbued with a sense of working class solidarity and deeply committed to wholesale social change. The transformation of Japan to the enterprise-union „system of labour representation“ of today has been complete. The transformation of Germany to a system which still formally puts class-solidarity ahead of enterprise loyalty has been less radical – less radical in fact than in Britain or Sweden where the devolution of bargaining to the enterprise level has been a salient feature of the development of industrial relations in recent years. What accounts for the difference?

And how permanent is it? The underlying question of this paper is the following, a question which doubtless has been asked many times before: given what seem to be universal forces in modern capitalist societies to devolve wage bargaining and worker-representational activity to the enterprise, how is it that Germany alone seems to have withstood these pressures? And can the explanation lie primarily in the inertia of deeply entrenched institutions – which inertia will eventually be eroded by the forces which have wrought similar change elsewhere? But first a brief account of the Japanese transformation.

### **The brief flowering of Japan's „Labour Movement“**

It would have been hard, in Japan, in late 1946, to imagine the rapidity with which those forces were to destroy the Japanese labour movement – hard, that is, if one were observing the union leaders of the time (some of them, ironically, men who are today just graduating from the Presidency to the Chairmanship of giant Japanese companies.) Militant, sweat-banded and vociferous, for ever waving red flags and

working up visionary rhetoric about a new Japan, all their efforts were focussed on plans for a General Strike which was going to topple the reactionary government and create a new and better Japan.

That general strike never took place. General MacArthur, as head of the Occupation Forces, stepped in and forced the main union leader to call it off in a tearful broadcast a few hours before it was due to begin. From there on it was downhill for the „movement“ all the way to its final demise in the defeat of the Mitsui Miike coalmine strike in 1960.

The pre-war unions were by no means lacking in „movement“ characteristics, at first largely supplied by the middle-class intellectuals, lawyers, writers, temperance workers, who were inspired by socialist and communist ideologies as well as by pro-underdog charitable sympathies. By the 1920s unions were producing their own working class movement activists, but even at the peak membership point in the 1930s (400,000 members), the organization of the national movement was fragmented, and none of the fragments had anything like the organizational strength and resources of, say, the British Trades Union Congress of 1910. For all their participation in industry federations or – more commonly – federations based on ideological allegiance, the effective units were enterprise units, and the effective leaders were only part-time activists who had to keep their enterprise jobs to live.

From the beginning of the thirties, too, the (foreign, alien) socialist and communist inspirations of the movement were challenged by the even stronger inspirations of an almost equally egalitarian, and almost equally radical – but home-grown – fascist Japanism, articulated most clearly by the young army officers whose assassinations toppled two governments between 1932 and 1936. By the time worker organization had developed to the point at which it was possible to elect men who were explicitly worker representatives to the Diet in significant numbers (the election of 1937), „Japanist socialism“ had become the dominant ideal – not just „socialism in one country“ but socialism as a way of making Japan fit to take on the task of defeating Western Imperialist Capitalism.

So there was little opposition when, three years into the China war, the increasingly totalitarian state, in 1940, absorbed all existing unions into the Sampo, the Society for Service to the Nation Through Industry, and at the same time gave the branches of that Society – the ex-unions where there had previously been unions, new bodies where there had not – the right to organize worker representation in works councils in every factory. These bodies were not entirely ciphers. They had no strike power, of course, but illegal strikes and go-slows did actually take place and these committees probably had, on average, more power to resist managerial unreasonableness than unions in Eastern Europe and Russia during the communist period, because they did not have the competition of factory Party committees.

Come the defeat in 1945 and the total discrediting of Japanism. Egalitarianism, the demand for justice, resentment against privilege, utopian dreaming, frustration at the real hardships of a suddenly impoverished society, all got channelled back again

into their original Europe-inspired socialist and communist moulds. (And the sympathy the Occupation Labour Affairs officials seem to have for those ideals made them seem an answer to lingering nationalism, too; socialism might actually be a way for Japan to regain respect in the eyes of New Deal America. It took some time for the message to sink in that ex-New-Deal America was now preoccupied with preventing the spread of communism. It was, indeed, the banning of the General Strike which drove it home<sup>2</sup>.) And to respond to this ferment of ideas, in the Sampo cells, there was already in place a structure ready to be transformed into a system of enterprise-based closed shop (post-entry closed shop) unionism. The blue-collar unions thus formed were soon joined by white-collar (including younger managers) counterparts, frequently led by university graduates who had been „Marx-boys“ as students, before they learned to conform, sometimes to lip-serving, but more often (alas for their later selves, when there were records to prove it) to enthusiastic and vociferous Japanism. It was their leadership, at first, which brought the factory-level amalgamations between blue and white collar unions which created today's single enterprise union structure. (Though separate blue and white collar unions still exist in a tiny minority of firms.) And they were most frequently the delegates to – or went on to become full-time officials in – the national union organizations which grew rapidly together with the socialist and communist parties. Within a few months in late 1945, Japan had a „movement“.

The communists were the stronger, better organized, less frequently had a Japanist past to live down, were more determined and had a clearer idea of the goals the movement ought to move towards. They were particularly strong in the public sector unions whose members suffered most in 1946 from the collapse of the economy. But by the end of that year, in the private sector, too, there were many enterprise-level activists whose main goal in life – while they continued to drive tough bargains with their own employers – was the transformation of Japan through „the movement's“ victory. There were enough of them at least, and they had enough support from their members, for the Communist Party's national federation to dominate the other national organizations and create the organizational basis for an effective general strike.

Which MacArthur stopped with a single order. Thereafter, „movement“ activists in the enterprise unions could only nibble at the system from within – by an unrelenting, „if our demands destroy the company, that's just one more nail in the coffin of capitalism“ bargaining stance. They steadily lost ground to „moderates“ who might acknowledge the possibility of a better, socialist, order in the long-run future, but did not see that as altering the fact that their members' welfare depended, for the moment, on the prosperity of the firm – men who, in any case, (for long-term job tenures were already the norm) often had a stronger sense of loyalty to the firm than they did to any of the organizations of the „movement“. The decline of the class militants and the rise of the enterprise-first group was sealed by the so-called Red

---

<sup>2</sup> The best source on this period is the splendid book by Theodore Cohen (1987).

Purge which had started in the public sector in the post-General Strike crack-down on unions (which included legislation to curb their bargaining power, even in public enterprises such as the railways) and was extended to the private sector after the outbreak of the Korean War. The war gave MacArthur the chance to authorise the Japanese government to move in on the communists. Activist union leaders were dismissed under a special dispensation from the labour laws enacted a few years earlier. Some summarily, others gently. (The Communist members of Toshiba's union executive were given the capital to found a distribution company for Toshiba products, and ended up as millionaires.)

The last few pockets of activist militancy were finally cleaned out over the next ten years – especially in the two epic strikes at Nissan in 1954 and Miike in 1960-61. A residual sense of class solidarity remained after all hopes of revolution or a ballot-box passage to socialism had disappeared; the leadership of many unions remained committed to support of the Socialist Party, though that party never developed a very convincing social programme, and never came close to being the majority party able to form a government. (Its bitterest disputes with the ruling party were over matters of foreign policy (the American alliance versus Russia/China-leaning neutralism), and over issues it interpreted as conservative attempts to return to a prewar Japanist Japan such as the ideological content of education.) The Socialist-Party-affiliated unions developed, too, in the mid-1950s, the „Spring Struggle“ pattern of coordinating annual wage negotiations. Bargaining continued to be conducted almost exclusively at the individual enterprise level, but strategy reflected a „brother should help brother“ ideology – the phasing of bargaining and strike threats was coordinated between firms in ways that strengthened the hands of individual enterprise unions trying to get their managers to increase the size of the wage „take“ out of the firm.

But gradually, the attenuation of sentiments of class solidarity reached the point at which it could not, even to that minimal degree, win out over „enterprise egotism“. One by one, the private-sector unions fell away from this Socialist Party sphere of influence, left the Sohyo national federation (in which the Socialist Party shared influence with a communist minority, represented primarily in a few public sector unions such as the teachers) or the Churitsu federation (in which the Socialist minority shared influence with the purely apolitical) and linked up with the IMF-JC (International Metal Federation; Japan Congress) dominated by the „labour aristocracy“ of the steel, electrical and automobile workers unions, or with Domei which was affiliated with the Democratic Socialist Party, a party not easily distinguished in ideology and style from the conservative ruling party.

The Spring Struggle declined in importance as the solidarity, and tactical capacity for bargaining coordination of the managers, came to surpass that of unions – and successive crises (the oil shock, the Nixon shock, the yen shock) together with the sense of common destiny and enterprise loyalty shared by managers and the leaders of their enterprise union, diminished the willingness of the latter to push their demands „unreasonably“. Strikes (not irreconcilable fights-to-a-finish of the Nissan or Miike kind, but selective fixed-term strikes as a calculated bargaining tool) had

been an important element in the bargaining process until the early seventies, but their incidence declined steadily thereafter. As the rightward-drift of the private sector unions began to affect the public sector too, the amalgamation attempts by IMF-JC and Domei national centre gradually gained momentum, and as a result of several organizational transformations they finally absorbed most of the rump Sohyo membership in 1991 to form a single eight-and-a-half-million-member national centre.

Rengo, as this organization is familiarly known, was able to leave intact the organizational links of a minority of its constituent unions with the Socialist Party or the Democratic Socialists – minor differences which, out of respect for tradition, as it were, could easily be accommodated. As for its own political activity, Rengo succeeded, in areas where union membership was strong enough to be used for electoral purposes, in gaining a handful of seats in the Upper House, but its political agenda was obscure and anything but radical. Rengo's pronouncements on political and economic issues have seemed more often to reflect industry-sector interests rather than class interests – as when its pronouncements on the issue of a shift to indirect taxation, which the Socialist Party vehemently opposed, were made delphic by the automobile industry's enthusiasm for abolition of the luxury tax on cars as part of the imposition of a general sales tax. And the attenuation of that Socialist Party's own commitment to anything that can be called socialism was finally demonstrated when, in the summer of 1994, it entered into a tactical coalition to form a government with the former conservative ruling party and finally, on the 20th September, reached an accord on fiscal policy with that party, accepting, precisely, that shift from direct to indirect taxation.

### **An enterprise-based industrial relations system**

The employment system and the union-management relation system was thus entrenched and institutionalised through the very process of eliminating all „movement“ characteristics from labour organization – both the class-consciousness and the society-transforming pretensions. It is a more thorough-going enterprise-focussed system than that of any other industrial nation.

It was a significant legacy of that history, however, that the Japanese corporate enterprise on which the system centres is – thanks to a more complete divorce of ownership from control than is found anywhere else – one which is aptly described as a „community firm system“, or, as some would put it, an „employee sovereignty rather than shareholder sovereignty system“. The main characteristics of the system are well-known and can be briefly listed.

- Managements, including boards of directors, almost entirely composed of lifetime employees, who for the first decade of their careers have been members of the firm's union.
- Uniform conditions of service and pay structures for all regular, full-time (i.e. not temporary or part-time) workers, including blue collar workers, differentiated only by pay levels.

- Implicit guarantee of lifetime employment for all regular workers
- Pay determined primarily by the speed with which employees move up the career pay scale appropriate to their „level“ (largely determined by their entering educational attainment), that speed being determined more by their performance in the jobs they have, over their career, been assigned, rather than by the job function they presently perform.
- What is, therefore, a career incentive system – that is to say one which rewards good performance not by short-term cash payments (of a contractual performance-related pay type), but by faster movement up the appropriate pay scale, and/or up the organizational hierarchy (which, contrary to common opinion, is not flat but, in terms of titles at least, if not of „reporting“ relationships, elongated to give more frequent opportunities for promotions which are sometimes more symbolic than functional – i.e., more designed to allocate rewards than to make for a rational division of responsibilities. Promotions sufficiently constrained by seniority to contain high-flyer expectations, and give everybody something to work for.
- A system of job allocation which allows for a great deal of rotation for training purposes, reallocation and job-redefinition with changes in technology, daily-shifting patterns of teamwork which blur individual job definitions – in short for a great deal of „flexibility“ – all thanks to the career pay-system's delinking from job function. (Rejection, that is to say, of the „rate for the job“ market principle which in most other societies is seen also as a fundamental principle of equity.)
- A training system which makes little use of pre-employment vocational training, and takes little account of pre-employment vocational qualifications, except for engineers and other graduate specialists. Individuals are recruited for their putative general learning ability as diagnosed by their school records, on the assumption that both the general and the firm-specific training they need will be provided, on and off the job (but mostly on) within the firm.
- Unions with membership confined to employees of particular firms which operate a post-entry closed shop for all blue-collar workers and the lower (younger) ranks of graduates on management tracks. The union has the function of protecting the interests (with respect to pay, training, work conditions etc.) of those at lower levels of the hierarchy, when they are affected by decisions of managers remote from the effects of their decisions. Wage bargaining is bargaining between the lower-level and less well-paid employees who want more wages now (or at least as much as the newspapers tell them the employees of other firms are getting), and the better-paid, more „responsible“ senior managers, more conscious of the need to conserve the seed corn – to use revenues for investment, for keeping the shareholders reasonably happy, etc. But it is bargaining predicated on the assumption that both sides are dedicated to the „prosperity of the firm“.



The two central characteristics to bear in mind when comparing this system with what happens in Germany are, first, the divorce of the *pay system* from particular here-and-now job functions and from occupational skill qualifications, and secondly, the effect of that divorce, and of the system of training, and of the long and frequently whole-working-life job tenures, on *employee self-identification*. Employees see themselves first and foremost as „people who work for Kaizuka Refrigerators, for Mitsubishi Real Estate“ rather than as electricians or architects – as members of some occupational group.

### **The German industrial relations system**

The radical differences of the German system seem to be attributable primarily to the fact that, as compared with Japan, its labour „movement“ – both class-conscious and aiming at social transformation – emerged at a much earlier period of Germany's history (the 1840s, to be precise, with an estimated eight million union members by 1922), and subsequently became strong enough to achieve some considerable success in the social transformation it sought: first to evoke (what were then called corporatist) class-conflict-healing innovations in the nineteenth century (e.g., works councils in the 1891 Law for the Protection of Labour) and then, in the Weimar period and again after the second world war, to increase the legal powers of unions in matters of wages, recruitment, training, etc.

In short, it was the central organizations – the *national* leaders – of the movement's organizations in both parties and unions (not the firm-level decentralized unions' leaders as in Japan) which played a major part in moulding the institutions of training, employment and wage bargaining. They succeeded thereby, through legislation, in entrenching the power of national and regional – at any rate *extra-enterprise* – union organizations in the working of those institutions.

Ambitions to effect further social transformation may have become attenuated, especially after the SPD made its peace with capitalism at the Bad Godesberg convention. There may for many years now have been a substantial number of CDU/CSU members of the Bundesrat with a union background as well as the larger number belonging to the SPD. It may, in that sense have ceased to be a „movement“. But the union organizations have not lost their – institutionalised – class-representation character and their officials have not lost their class consciousness. Hence the characterisation „system of class-conscious labour representation“ rather than „labour movement“.

The divorce of ownership from control which is a precondition for the existence of the Japanese „employee community firm“ has not gone as far, perhaps, in Germany. The banks, which are both owners and holders of proxy voting rights for lesser owners, probably exert more control than the „committed shareholder“ business partners of Japanese firms – they are more likely to have seats on supervisory boards. But they are still committed, and concerned with the long-term health of the firms they control/influence, and not just with short-term gains –

certainly not with the gains to be made by operating in a market for corporate control which hardly exists. And that (plus the prevalence of private, non-quoted firms in the *Mittelstand*) much reduces shareholder pressure on day-to-day management, vastly reduces the fear of takeovers which affects managers in a stock-market-based Anglo-Saxon system, and thereby increases the possibility of putting the interests of employees ahead of the interests of shareholders.

And that possibility is institutionally reinforced by the presence of employee representatives on supervisory boards and the legally mandated presence in work establishments of works councils, elected by employees and armed with power of veto over certain aspects of work organization.

Job tenures are on average almost as long in Germany as in Japan. Employees tie their career fortunes to the prospects of promotion within a single firm, rather than to spiralling mobility in the labour market, to a much greater degree than in the United States, if not as much as in Japan. This, plus the role given to works councils, serves to strengthen enterprise loyalties, to create the conditions for the „community firm“. But the institutions which foster competing loyalties – loyalties to class and to occupation – are also deeply entrenched. That these loyalties do compete was recognised from the time that enlightened employers first started creating works councils in the 1880s (before the 1891 law), and the insistence of unions in limiting the competence of works councils at the time of the Weimar reforms and again in the late 1940s showed that same recognition. The institutions fostering these wider loyalties may be listed as follows.

1. First and foremost, a system of wage bargaining through legally binding industry-by-industry agreements between regional employers associations and regional unions, with careful national coordination among the regions. These agreements cover hours and conditions of work and certain principles of work organization as well as wages. The adversarial class-conflictual nature of these negotiations may in fact be tempered by a shared consideration with the health of the national economy, but that does nothing to diminish the sense that the workers' welfare is protected by negotiations outside the firm, not primarily (as in Japan) within it, and the fact that there are, occasionally, strikes of traumatic proportions – such as the hours dispute of 1984 – serves to keep alive the sense of society as a never-to-be-taken-for-granted product of balance between opposed class forces.
2. This wage bargaining system has served to preserve a job-related, rather than a Japanese-type person-related, wage structure, in which jobs are, if loosely, tied to skill qualifications. This serves, and is intended to serve, to enhance the inter-firm portability of skills (portability without loss of wages) and so lessens the employee's dependence on any particular firm and also, consequently, his or her tendency to identify with it.
3. The broad structure of the training system which certifies these portable skills is controlled outside the firm by consortia in which the unions play a dominant

(veto-wielding) role. They have consistently used this power to ensure that skill training (which is predominantly post-employment, though at the apprenticeship level with a good deal of out-of-firm schooling – the „dual system“) is primarily concerned to impart general, rather than firm-specific, skills. This serves to increase the worker's sense of membership in an occupational group which extends beyond the firm.

4. The importance of the unions and the agreements they negotiate for the welfare of employees, and the existence of fuzzy boundaries between what is within works councils' sphere of competence and what in the sphere of unions' collective bargaining, makes good relations with the unions essential for works councils, and this has allowed union-sponsored candidates to dominate in most firms' works councils.
5. The ability of the unions to secure a high and rising level of union dues (as a fixed percentage of wages, rising with wage levels) and the prestige attaching to the unions in general, have enabled them to create large and efficient bureaucracies and to recruit able individuals. Hence the national unions have leaders of a stature which enables them to treat as equals with employers' representatives and to take full advantage of, and to use their standing to preserve, the voice that unions have in the „Establishment“ – particularly in the tripartite structures (social insurance, employment agencies, etc.) in which unions take part, and also in politics. This prominence of national leaders gives the unions a „hearts and minds“ advantage in the competition with firms for employees' loyalty.
6. The „stature“, ability-to-deal-with-top-bosses, factor explains why, especially in large corporations, the employees elect to the supervisory boards of large corporations, not one of their own number, but a union leader whose career has been entirely outside the firm (though often one who, as a union negotiator, has dealt with the firm or its local industry). This is another factor organizationally tending to foster the sense that the „employee body“ has more in common with the employee bodies of other firms than with its own management.

### **An enterprise-focussed system struggling to get out?**

A recent survey of trends in the German system sums up:

*During the 1980s a gradual transition has taken place as the bargaining process has shifted from the industry to the firm level. Attempts to deregulate and increase the flexibility of employment, developments in wage policies, a new framework for performance evaluation in factories, changes in enterprise decision-making, and the new rationalization strategies have all contributed to this steady progression. Increasingly, works councils, rather than the unions, are assuming the primary role in interest representation and are being subjected to the pressures of new problems and intensified negotiations (Baethge/Wolf, forthcoming).*

Germany, in other words, has finally proved to be not immune to those gravitational forces of decentralization which have brought an end to national bargaining over most sectors of British industry, have made the institutionalization of enterprise-level bargaining the central agenda item of Italian national negotiations, have fundamentally weakened the central bargaining power of unions in Sweden and Denmark, and ... The list could go on.

Well before the 1980s there were characteristics of the German system which served to modify the effect of the factors listed above as nurturing union and class, as opposed to enterprise, loyalties.

### **Wages**

The first was the nature of the wage system. The factors at work in other societies to produce large wage differentials between larger and smaller firms (size being quite highly correlated with technological complexity, degree of oligopoly, social prestige, etc.) were at work in Germany too. Major, high-prestige firms which used careful testing to make sure that they got the quickest learners as apprentices, were able to pay a premium wage to help ensure that they could keep good workers and wanted to do so. (Hewlett-Packard, near Stuttgart, said that twenty years ago they were told that it was their social duty to recruit some of the less bright youngsters coming out of Hauptschule and not only the Realschule graduates. So they did, if only to a token degree. Then ten years ago they were told that it was their social duty to leave the Hauptschule youngsters alone and not steal potential workers from the small lower-wage firms which were suffering from a shortage of labour.)

This need has long since been accommodated in the recognition, in the regional contracts, that firms might – at the employer's discretion – pay supplementary premia – the *Haustarif*. At Hewlett-Packard this averaged 20 percent for manual and white collar workers, at MAN Roland in Frankfurt, 10 percent for (the majority of) manual workers on piece-work, 20 percent for other manual and white collar workers. The premium in some firms is said to reach 30 percent, but generally, there had been an erosion of such differentials in the last two years of recession.

The existence of these factory-specific wage premia – and the fact that they fluctuate with the fortunes of the firm – are in themselves a factor promoting the worker's attachment to the enterprise.

But so, also, is the way they are distributed, and integrated with the general wage system – which is a matter over which the works council has control. As the technical tasks performed by workers becoming increasingly diverse and complex with technological advance, they also become more industry- and firm-specific. It therefore becomes increasingly difficult in any regional-level agreement, (even one confined to an industry like chemicals, and *a fortiori* to an industry as diverse as the *Metallindustrie*) to tie particular wages to particular jobs. The agreement specifies the wage for job *grades*, and specifies a job evaluation points system which should guide the assignment of particular jobs to particular grades. But over the crucial outcomes

of that essentially subjective job evaluation process – the actual assignments of individual jobs to grades – the works council has veto power. Moreover, even in factories of 3,000 workers, works councils required to decide, say, whether a change in the responsibilities attached to a job justify an up-grade, are not averse to discussing the personal merits of the individual who will benefit. (Just as, when discussing management's proposals for keeping some and dismissing other apprentices, they do not hesitate to discuss their personal merits.) In other words there is scope for person-related elements to creep into what is ostensibly a strictly job-related, „rate for the job“ system.

And, as for the criteria which guide the evaluation of persons, there is one other consideration besides performance on which both managers and works councils can agree – seniority, the principle with the triple interpretation:

- i) a sound „rate for performance“ principle on the assumption that accumulated experience makes workers more effective,
- ii) an effective incentive system – see the discussion of the Japanese seniority-constrained promotion system above,
- iii) a „reward for loyalty“ based on recognition that the firm is in some sense a community.

The distribution of the *Haustarif* also provided a means of rewarding seniority. So much so that the principle has been „captured“ and incorporated into some regional wage arrangements. The Bavarian agreement, and the Saxony agreement which followed it under the West-East *Länder* twinning system, have a single wage for each of the 10 manual worker grades, though there are four wage-steps within grades for white-collar workers. In other regions, however, there are wage-steps for each job-grade of manual workers too – six in Hesse, for instance and twelve in Baden-Württemberg. Under the 1994 agreement in the latter region, step one paid  $105.25\%x$  –  $x$  being a notional basic rate for the grade – steadily rising to  $123.5\%x$  in the twelfth step. (One refinement: the average pay of workers in the grade should not be less than  $116\%x$ .) This allows for individuals to be given pay rises without any change in job – and it appears that the choice of giving annual increments – pure seniority supplements – or using discretionary increments as an incentive device is largely left to managers.

One more factor pushing towards a more „person-related“ than „job-related“ wage system, is the current fad for „team-work“. The „lean production“ movement has revived notions of team-work originally promoted as a means of job-enrichment by the unions fifteen years ago – part of the Quality of Working Life movement which swept Europe and North America. If the team is made up of workers all of the same pay grade, it loses the supposed advantage of being a vehicle for the transmission of skills from more to less experienced workers. If the team is mixed, and the tasks are, say, some grade 7 tasks, some grade 8, some grade 9, how can you get the flexibility advantages if a grade 7 worker is not allowed to do the grade 9 job? Or, alternatively, avoid endless disputes, given the ingrained rate-for-the-job principle? (Relevantly reinforced, in this case, by the fact that the regional wage

contracts often have a stipulation that, e.g., if a worker does a job of higher grade he gets the pay of that higher grade if the assignment continues for a month.) The dilemma is apparent to many managers; one said that the ideal system would be 80 percent of the pay packet to be determined by the worker's „basic“ job grade, 10 percent by the team's overall performance, and 10 percent by an evaluation of the individual's contribution to it. But obviously, where the relation between pay and job becomes thus blurred, the tendency for that „basic“ job grade to rise with seniority will be increased.

The result of all this is that the personnel managers can often quite easily sketch their manual workers' age-wage curve and identify the point of inflection – when annual percentage increases, having been on a rising trend, start to decline – at age 35, according to the managers of MAN Roland. This is the point at which upward promotion from grade to grade becomes less frequent and increases come more from step-to-step increases within grades. At a 1,000-employee machine-tool factory near Stuttgart where the bulk of the manual workers have completed an apprenticeship, a typical career was described as follows. Coming out of an apprenticeship a worker would be getting, on present scales, something like DM 3,160 a month. If he stayed in the manual worker grades the top rate – the twelfth step on the top scale – would be a few marks below 5,000. But it is far more likely that he would move on up into the technician or the *Meister* grades and would be likely to be in the top-grade but one, getting something close to 5,000, by age 35. That would still leave him the possibility of one more grade promotion, the top grade of the technician scale with twelve steps from 5252 to 6102, or of the *Meister* scale, 5799 to 6959.

At that particular representative of the *Mittelstand* backbone (Alfing) the average age was 40, and the average tenure 20 years – closer than most Japanese firms get to a lifetime employment system. Vacancies were internally advertised, and seniority as well as ability was acknowledged to be a factor taken into account. Job rotation had training intentions; they selected the teams sent out to set up assembly lines at their customers' firms, bearing in mind who needed to build up experience in dealing with customers. The managing director visits retirees on their 75th birthday; when he holds outings – for 25-30 workers at a time – he painstakingly learns the first names of all the men, so that their wives can be impressed by their husband's familiarity with the boss.

### **Training**

The extent to which the training system serves to dilute enterprise loyalties by inducing a competing sense of identification with an occupational groups is also frequently much exaggerated. There may indeed be something of this kind in the artisan/small industry trades whose training is organized by the *Handwerkskammern*, rather than by the *Industrie und Handelskammern*. The butchers and the bakers and the architects are organized as an *Innung*, a guild with traditions in direct continuity from medieval times, and the small proportion of their apprentices who survive for a lifetime of butchering and baking (i.e., not the majority who, in good times, go off

and man the unskilled assembly lines in the car factories), may well have a strong sense of craft. If they finally make it to owning their own shop, the *Innung* is still something of importance to them – for negotiations over government regulations – and as an arena for seeking the rewards of public office. (I say „a small proportion“ because these are the apprentices-as-cheap-labour zones, par excellence; one union leader claimed that in Baden-Württemberg 35 percent of the hairdressing labour force were apprentices.)

But in manufacturing, for all the role of unions in creating and monitoring the system, and for all the emphasis on apprenticeship giving the individual portable skills which is deeply in-built in the system (one personnel manager spoke of how much more useful to the firm a tailor-made training would be, but they were not able to do that. „And so it should be, because there is the social policy function of performing our duty to the younger generation. Young people must be protected for social reasons.“) Nevertheless, it seems that the extent to which the system induces a craft/occupational sense of identification is a good deal less than it was until recently in, say, Britain.

In Britain, after all, even after craft unions had grown into industrial unions, the apprentice-trained „craftsmen“ had a special division within them and a different colour membership card; wage agreements were framed in terms of skill status; job-control unionism had as one of its major objects the reservation of skilled jobs for skilled men, and the use of unskilled men to do jobs once reserved for the skilled was known as „dilution“ and though it was allowed to creep in in wartime it became the subject of bitter battles. Nothing of that kind happens in the German system. Agreements fix the entry point on the job-grade scale for those who have completed their apprenticeships, but thereafter, promotion up the job and wage scale, and even accession to new jobs via the external labour market, are not subject to any union/occupation-group regulation. It is a function of demonstrated skill, accumulated experience and managers' and works councils' evaluation thereof.

Moreover, „crafts“ disappear. The 48 trades in the metal-working industry have recently been amalgamated into six and those six have a common first year – a reflection of the extent to which the skill content of jobs changes with technology, and that turning out „completely trained“ workers, trained only in a narrow skill does not breed the sort of expert worker that firms need. More of the actual skill workers' use is likely to be acquired on the actual job, and apprenticeship becomes more a matter of acquiring general understandings as a basis for later flexible adaptation – more theory. The change, in other words, while increasing the portability of qualifications at the immediate post-apprentice stage, is a recognition that the operative skills of older and more valuable workers are more enterprise-specific and less portable than they used to be. Much is made in the recent academic literature of the supplanting of the old *Meister*-certificated foreman by a new breed of „system regulator“. These are not people who are experts in „system-analysis“ or „system-maintenance“ in the abstract. They may have a good deal of general, and partly black-board-taught theoretical, knowledge, particularly of electronics, sensors, transducers,

computer programming etc., which they share with their fellows in other industries. But their expertise – the expertise essential to their job within the firm – is expertise in the particular, immensely complex production systems of their particular firm.

Moreover, the apprenticeship system can serve as a kind of enterprise-membership probation. This is particularly the case in the larger, higher-prestige firms. If you have passed the tests and got an apprenticeship in Siemens, you are likely to think that you have „done well“. (Though less so in the last few years since mass redundancies have given almost every youngster from the sort of families which normally produce apprentices some personal knowledge of the insecurity of manufacturing employment. One of Siemens apprentices in Dresden explained a bit morosely why he was there: „my German literature marks weren't good enough to get a bank apprenticeship.“) And if your apprenticeship is in a „good“ firm, you try very hard to be one of those taken into permanent employment. The works council at MAN Roland were very concerned in 1994 to maximise the number of apprentices retained, primarily out of concern for the general unemployment problem in the recession; the chance of ex-apprentices getting another job might be small. But they were also concerned with *who* should be kept on; they wanted to be sure that it was people who deserved it and who would make good colleagues.

There has traditionally, too – though again the recession and the pressure to downsize has brought changes – been a pattern of „looking after their own“ when workers interrupt employment for training. One standard route to middle and often upper management has started in the *Gymnasium*, the selective schools for brighter pupils. They came to their apprenticeship later than those coming from the *Realschule* and *Hauptschule* – after gaining their *Abitur*. After a couple of years working in the factory they would then leave for the *Fachhochschule* – perhaps spending summers working in their old firm, and the firm would often make every effort to take them back, four years later, when they had graduated.

These school-based qualifications – of the *Fachhochschulen* and of universities and other tertiary institutions – do, of course, have validity across the market, and for many graduates who have done an apprenticeship in a smaller, low-prestige, firm the last thing they want to do is to go back to it after they have graduated. But on the whole, there is very little in the training system which actively militates against enterprise consciousness. Employees' reference groups are found primarily within the firm, not in some group of occupational colleagues which cross-cuts the firm's boundaries.

### **The behavioural expression of enterprise-identification**

These features of wage systems and of training systems have been dwelt on at length as factors which might seem to favour „enterprise consciousness“ and dilute the effects of the „class-consciousness-preserving“ institutions listed earlier in fostering competing loyalties. The emergence of some of these features in recent



years can also be seen as an expression of, or as a concession to the existence of, enterprise consciousness. There are other features which can be similarly interpreted.

For example, one surprise was to discover the extent of piecework in German factories, even for skilled workers. Piecework has, it seems, often been the way wage premia (rates above the contract *Tarif*) have been organized, and the idea of rewarding speed *and* quality of work seems to gain general consent. There were managers who wanted to abolish it. MAN Roland with 1,500 workers on piecework had 20 people engaged full-time in the work of monitoring the system and working out wages. Also a large, if fluctuating number of highly qualified man-hours were spent on the planning – working out the standard times for particular new parts or operations. There were also frictions over the definition of minimum quality required for work to count, and over the measuring of downtime for machine break-down, and too much of supervisors time was spent on sorting them out. But many managers still thought that the incentive effects outweighed these costs, and there was certainly no consensus for abolition, such as developed in Britain in the 1960s and led to the almost universal abandonment of piecework.

What happened in Britain was that the adversarial nature of shop-floor relations added significantly to the costs of maintaining the system. Setting standard times was a „battle of wills“ between the rate-fixers and shop stewards. The frictions just referred to – over quality and the measurement of downtime – were magnified by prevalent opportunism. Quality was rarely a *shared* value; what you could get away with you did, because beating the bosses was the name of the game. Moreover, the scheduling of work was often thrown into confusion by the habit of banking work tickets – partly to conceal the existence of „loosely-timed“ jobs that the rate-fixers might pounce on, partly to smooth out the averages – because down-time was paid at a rate determined by average piecework earnings over a period of weeks. Managers finally decided that the „aggro“ was not worth the pay-off.

Something of the same problems do occur in Germany, obviously. A works council chairman went out of his way to refute the allegation that workers banked cards in the way just described; „we're not cheats!“. But he did so in passing, not as if it was a hotly contentious issue, and the manager in the same factory who was critical of piecework, and spoke of quality and downtime sometimes giving problems, did not mention card-banking. It seems a reasonable conclusion that the difference between Britain in the 1960s and Germany now is that in Germany, workers and managers are much more likely to share a sense of a common interest in the prosperity of the firm and the reputation for quality its products have; and more likely to be willing to play by the agreed rules. Cheating in Germany is cheating for workers as well as managers; in Britain in the sixties what the managers might call cheating shop stewards might call „chalking one up against the bosses“.

The clearest manifestation of the sense of the enterprise as a community came at a machine-tool manufacturer called Heller a short distance from Stuttgart. They were badly hit by the recession – sales over 30 percent down 1992-3 – and had reduced their work-force from 1,660 to 1,300 – primarily by voluntary early retirement under

very costly schemes, but also partly by even more costly dismissals which managers had to fight hard to get the works council to accept. By the end of 1993 they were still in trouble, but hopes of an upturn were growing. Managers persuaded the works council to accept a wages-for-jobs deal. They promised that there would be no more redundancies in 1994 if the workers would agree (i) to give up holiday pay; (ii) to replace the usual 13th month bonus as a proportion of the monthly wage (usually at least 60%) by a flat-rate DM1000 per person from the managing-director down. By the time managers started trying to sell this deal to the works council, they had cut their own monthly salaries by 15 percent.

The arrangement – amounting to what Streeck once neatly described as „wildcat cooperation“ – was flatly contrary to the regional *Tarif* agreement. The whole works council here had been elected on an IG Metall ticket, and the regional office vigorously opposed the deal. The works council, however, decided to accept. The firm waited to see whether the regional IGM office would take them to court for infringement of the agreement as they were legally entitled to do. They did not. The firm offered its resignation to the employers federation, but was told that it was forgiven.

In other places, clearly, managers' appeals to a shared interest in the firm's prosperity – sharing in sacrifice and sharing in times of plenty – fall on deaf ears. At the much larger factory of MAN Roland, in Frankfurt – not a family firm like Heller, but a firm owned by Allianz and the banks – the capital costs of re-equipment and the intensification of competition made it imperative, managers judged, to run the plant for the maximum number of hours a week. That would mean shift arrangements which would involve weekend working – something allowed for in the flexible working hours agreements which came out of the 1984 strike. But the works council was refusing to agree to such arrangements. The firm might be in trouble; the profits of its owners might be endangered, but the worker's right to enjoy his free time at the weekend and not in the dead mid-week was sacrosanct.

### ***Trends?***

It is obvious that the German system is not by any means as enterprise-focussed as the Japanese, and the extent to which loyalty to the firm-as-community has won out over competing class loyalties is far from reaching Japanese levels. But the pressures making for a greater devolution of bargaining from the national to the enterprise level seem likely only to accelerate. IBM is one large firm which has decided that the flexibility it would gain was worth more than the benefits it received and withdrawn from Gesamtmetall<sup>3</sup>, the metal industry employers' organisation. The gradual attrition of the membership of the most powerful union, the IG Metall, with the contraction of the manufacturing labour force, is bound to weaken its power at the bargaining table, its power to resist employers' attempts to make wage levels more responsive to enterprise productivity, and its power to bring the works councils into

---

<sup>3</sup> with its service division (Anm. der Redaktion).

line when they are persuaded into save-the-enterprise deviations from national standards as at Heller. (In one factory's works council elections, recently for the first time IGM union members stood as individuals, not as members of an IGM list – presumably to make it more difficult for managers to argue that the IGM position represented only x% of the employees.) The weakening power of the unions will also have a long-run effect in weakening their ability to recruit able leaders of the stature of the immediate post-war generation. The absorption of the new *Länder* and the strike over the progressive East-West equalization of wages led to a compromise in which the unions accepted the principle of „opening clauses“ allowing low-productivity firms to survive by paying lower wages, while retaining a union veto over particular applications of that derogation. The disputes over applications for resort to this opening clause (of 60 cases in Saxony, the union – entirely guided by remote unsympathetic IGM headquarters in Frankfurt according to an employers' representative – approved only 16, in two cases giving its consent only after the firms had gone bankrupt) have probably strengthened the employers' resolve to press hard at the next round for an extension of such measures.

In the long run, it seems that Germany will probably continue to follow the rest of Europe on the road to a decentralization of effective bargaining from the national and regional to the enterprise or establishment level. To use the categories with which this paper began, Germany may well be on the road from a „system of class-conscious labour representation“ to – the category suggested as apt for the US and Japan – a plain „system of labour representation“. It will not be a full Japanese version thereof (though by that time individualizing tendencies may well have made the enterprise focus of the Japanese system much less productive of self-sacrificing enterprise loyalties, anyway.) But it is likely to be more like the Japanese than the American version; that is to say the stronger enterprise focus will probably imply a stronger sense of the firm-as-community, because many of the characteristics which support that sense – in wage and training systems and particularly in the works council system of all-employee representation – are already in place.

## References

- Albert, M. (1991): *Capitalisme Contre Capitalism*.
- Baethge A./Wolf, H. (forthcoming): Continuity and Change in the 'German Model' of Industrial Relations. In: R. Locke, R./Kochan, T./Piore, M.: *Employment Relations in a Changing World Economy*, Cambridge.
- Cohen, T. (1987): *Remaking Japan, The American Occupation as New Deal*, New York.