

Crucial moments

European states are confronted with the shift from an industrial to a service-based economy and the need to deal with an ageing society. The high levels of unemployment in many of them make it more difficult to meet these twin challenges. Unions and employers' associations are heavily involved in both these areas. How have they used their influence in Germany?



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The 1980s and 1990s saw a revival of national level social pacts between governments, trade unions and employers' confederations in a number of European countries. These tripartite agreements were aimed at dealing with the mounting problems of high levels of unemployment, a static labour market and high welfare costs. As a general rule, they included a long-term commitment to wage restraint, a lowering of non-wage labour costs and a higher degree of flexibility in the labour market¹. The Dutch trade unions started the process of jointly agreed deregulation and limitations on the cost of the welfare state when they signed the Wassenaar Agreement in 1982. Since then, they have been joined by a number of Western European countries, including Ireland and Denmark in 1987 and Italy in 1992. While the agreements in these countries have led to a stable working relationship between the government and trade unions, other countries have found it much more difficult to find a compromise on labour market and welfare reform.

¹ See generally on social pacts in Europe, Hassel and Hoffmann (1999); Hassel and Ebbinghaus (2000).

In Germany, there have been two attempts to strike a deal between the government and trade unions at the national level. Tripartite bargaining on welfare reform in Germany began when the president of the metal sector trade union, Klaus Zwickel, presented his vision of a political exchange on a trade union congress in November 1995 – and ended five months later, when the trade unions pulled out of the 'Alliance for Jobs and Safeguarding the location of production (in Germany)'². The new Schröder government re-launched tripartite concertation soon after it took office in September 1998.

² For an overview of the failed first attempt to create an Alliance for Jobs in 1995/1996, see Bispinck (1997); for a more detailed account of the second Alliance for Jobs since 1998, see Bispinck and Schulten (2000).

³ There are 14 participants in the new Alliance for Jobs. On the government side, it consists of the Ministers for Employment, Health, Finance and Education and the Chancellor himself. On the side of the employers and unions, it includes the presidents of the following organisations: the Confederation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA), the German Federation of Trade Unions (Deutscher Gewerkschaftsbund, DGB), the Confederation of German Industries

After the first meeting in December 1998, it presented a list of 11 major topics which were to be dealt within the tripartite negotiations³. The trade unions put issues such as overtime, part-time working, training, early retirement and employment schemes for young unemployed on the agenda, while the employers' associations added wage moderation, company tax reform, venture capital and profit sharing. In addition, welfare reform has been a major topic, in particular the reduction of the non-wage labour costs and a structural reform of the various systems of social and welfare

(Bundesvereinigung der deutschen Industrie, BDI), the Metalworkers' Union (IG Metall), the German Association of Chambers of Commerce (Deutscher Industrie- und Handelstag, DIHT), the Mining, Chemicals and Energy Union (IG Bergbau, Chemie, Energie IG BCE), the Central Association of German Crafts (Zentralverband des deutschen Handwerks, ZDH), the Public Services and Transport Union (Gewerkschaft Öffentliche Dienste, Transport und Verkehr, ÖTV), and the German Non-Manual Workers Union (Deutsche Angestelltengewerkschaft, DAG). See a detailed description of the agreements, topics and working groups on the web page of the Alliance for Jobs (www.buendnis.de) and Bispinck/Schulten (2000).

for 'social capital'



benefits. The intention is that the topics should be prepared and discussed in nine working groups which are chaired by the appropriate Ministers.

Focus on early retirement

Despite this highly institutionalised structure and the high level of public attention, the Alliance for Jobs has not yet produced agreement on a major substantial reform proposal, nor has there yet been any form of political deal between the participants.

Early in its period of office the Schröder government carried through a number of reforms, which fit within the context of the topics being discussed by the Alliance for Jobs. In April 1999, it introduced a new environmental tax on non-renewable fuel which permitted the payroll taxes to be lowered and so cut non-wage labour costs. The government also restored some aspects of employment protection in small firms, which had been removed by the previous administration, and extended social security to cover more part-time workers. The government followed this up by looking at company taxation with the aim of introducing lower tax rates for companies.

By enacting these reforms, the

government has mainly acted in the interest of the groups represented in the talks, first in the interest of the trade unions and then in the interest of the employers. The union and employers themselves have engaged in lengthy discussions and have produced some rather vaguely worded joint policy documents on the role of wage bargaining in the Alliance for Jobs, despite the fact that they disagree strongly on the impact of wages on employment. Neither side has made concessions, although they have grudgingly accepted legislative changes in favour of the other.

Early retirement was the first and most contentious issue discussed. The trade union side, led by IG Metall, proposed that the retirement age should be reduced to 60 (Rente mit 60). The unions suggested that this new early retirement scheme should be financed by a wages fund, jointly administered by unions and employers. Both sides would each pay 0.5% of gross wages per employee into the fund. In return, IG Metall was prepared to offer several years of wage restraint. The response of the employers' associations, on the other hand, was to reject lower retirement ages and an individual's right to early retirement as a matter of principle. The government was initially interested in reaching agreement and offered to help towards a compromise, but it then established that there would be additional costs to the public pension scheme. It was impossible to reach agreement either at a meeting of the Alliance for Jobs in December 1999 or at one that followed in January 2000. As a result the chancellor sent the two sides away to find a solution in the collective bargaining round.

Collective bargaining 2000

The first major collective agreement was reached in March in the chemical industry. A moderate wage increase (4.2% over a period of 21 months) was accompanied by improvements to an

existing scheme for partial early retirement⁴. The trade union side calculated that these improvements were equivalent to about a 0.5% increase in wages. The settlement was based on the willingness of the government to adopt new legislation on early part-time retirement, which extended the lifetime of the existing regulations until 2009 and increased the period for compensation payments to up to six years. IG Metall had to give up its demands and subsequently reached a similar agreement.

These developments indicate that early retirement was the only topic on which a compromise between trade unions and employers' federations could have been feasible. Public subsidies for generous early retirement schemes evaporated in the late 1980s, but employers' associations and trade unions still have an intense interest in reviving some sort of government funding for the ongoing practice of laying off older workers. Both sides therefore have initially and so far primarily tried to use the Alliance for Jobs as a new way of funding these schemes. All other topics on the list, other than those unilaterally introduced and financed by the government, have not been addressed either by the unions or the employers. From a government point of view, the Alliance for Jobs has therefore delivered little progress on welfare reform. In fact, in terms of pension reform, it represents a step backwards rather than forwards, as all major political groupings expect the future debate will be on raising the retirement age, not lowering it. Any programme which aims at providing early retirement (whether or not it is partial) from the age of 55, makes the

Tripartite top-act in Berlin: Dieter Schulte, president of the German trade union federation DGB, Chancellor Gerhard Schröder and Dieter Hundt, president of the employers' association BDA (from left).

⁴ Wages of older employees who were willing to work part-time were topped up to 85% of their previous wage. Since part-time wages also result in lower pensions, companies committed themselves to further lump sum payments at the time of retirement to compensate for this. (Press release of the IG BCE; www.igbce.de).

options for thorough pension reform more difficult, rather than easier.

Valuable instruments

At the same time, both the current and former governments have tended to keep the Alliance for Jobs separate from the parliamentary process and have pursued reforms simultaneously in both arenas. In the first attempt, this government strategy led to the collapse of the Alliance for Jobs because the trade unions would not accept the changes which had resulted from parliamentary legislation. In the second Alliance for Jobs, the government started actively to pursue its pension reforms once the collective bargaining round in 2000 had finished. As with the previous government, the present administration is pursuing strategy where its fallback solution is based on its parliamentary majority rather than reaching a consensus with the unions and employers. The Alliance for Jobs could contribute to that process, since the results of the collective bargaining round in 2000 have made it more difficult for unions and employers to oppose government policy.

This could become a valuable instrument for the government, since in the German political system it is not only powerful bodies in the industrial relations arena who have the potential to block government plans. The government also faces a complicated system of decision-making, which on many issues requires agreement between central government and the federal states. Most of the new legislation in the area of welfare and employment has to



ALLIANCE FOR JOBS AND FOR SAFEGUARDING THE LOCATION OF PRODUCTION (1995-96)

November 1995: IG Metall offers wage restraint in exchange for welfare and jobs guarantees.

January 1996: Meetings with the government (Kanzlergespräche) lead to a list of measures; at the same time, government proposes welfare cuts in its Annual Economic Report.

February 1996: New part-time retirement scheme agreed in meeting with the government.

March 1996: Three state elections (liberal party gains unexpectedly).

April 1996: Government proposes welfare cuts at meeting. Unions pull out. Moderate wage round.

be approved by the upper house in which the ruling parties – the social democrats (SPD) and the greens – do not have a majority. Therefore, on key issues the government has to find a compromise with the conservative opposition party, CDU. If employers and unions are already in agreement with government policy, they can put considerable pressure on the opposition party via their established links. For instance, the Federation of Industry (BDI) has been lobbying the CDU in favour of accepting the government's tax reform in the upper house. In the same way, the Alliance for Jobs might lead the trade unions broadly to accept further welfare reforms. They too could then bring some pressure to bear on the CDU, through the party's so-called 'workers' wing'.

For the trade unions themselves, involvement in the Alliance for Jobs has been a difficult process over the past 20 months. While this year's bargaining round has followed a traditional pattern with moderate wage increases being accompanied by developments in early retirement policy, most of the issues which are still on the Alliance's agenda present more problems for organised labour. So far, German unions have been able to minimise the general tendency of social pacts to move towards welfare cuts, labour market flexibility and an increase in low-paid employment. In the future, the Alliance will have to deal with precisely these issues. There are few signs that the unions have made up their mind to

ALLIANCE FOR JOBS; TRAINING AND COMPETITIVENESS (1998 – ?)

September 1998: Change of government. December 1998: First meeting of tripartite talks agrees on topics.

January 1999: Government takes back a number of welfare cuts of the Kohl government.

Spring 1999: Above average wage round.

April 1999: Eco-Tax introduced to finance lower social security contributions; new programme for young job seekers.

December 1999: Tripartite meeting fails to agree on wages and early retirement.

Spring 2000: Moderate wage settlements and further extension of part-time early retirement legislation.

what extent and in which form they will accept labour market and welfare reform in order to promote employment growth. Trade union leaders are divided on issues such as working time, pension reforms and low pay.

If the Alliance survives over the next two years, it will involve a painful learning process for the trade unions as they adjust their policies to a less regulated, more liberal and international economy. The crucial moments are still to come. ■

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