“Time is Ripe” Bargaining Round: Globalisation, Employers and the German System of Industrial Relations

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Abstract:

Despite literally thousands of studies of how globalisation affects national political economy, we still know remarkably little about how and to what extent trade and foreign direct investment (FDI) affects industrialised-country bargaining institutions and outcomes. We have theoretically-informed and empirically rigorous scholarship supporting the full gamut of possibilities: that globalisation constrains, strengthens, or has nothing to do with labour market politics. An important problem with all these entries, however, is the tendency of empirical work to focus on correlation between variations in flows of trade and/or direct investment (nationally-aggregated or by sector), and variations in labour market policy outcomes. This discounts the role of threatened or feared exit in shaping labour market polities and preferences - even if flows remain unchanged.

To improve our understanding of how globalisation affects labour market policies, I study the general effects of economic openness for collective bargaining by examining the 2003 bargaining round for the equalisation of conditions between East and West Germany, involving IG Metall and national and regional employers’ organizations Gesamtmetall and VSME. I argue that globalisation impacted on the bargaining outcome via four different channels. First, the upcoming eastern EU-enlargement (May 2004) influenced the timing of IG Metall’s working time equalisation initiative. Second, employers’ vehement opposition to equalisation built on a labour cost argument emphasizing potential losses in international competitiveness and/or jobs to low wage countries. Third, employers’ rhetoric, characterized by massive exit threats, was instrumental in splitting workforces by inducing fears of job losses and instilling an anti-union mood among the public. Finally, the bargaining round set a precedent in German industrial relations in that the largest firms, under the auspices of the umbrella association VSME, openly questioned the industry wide bargaining institution—and with it the social peace function that this instrument of labour governance entails—in order to defeat IG Metall. The changing preferences of the large firms, I will contend, have to do with ‘globalizing pressures’.
Announcing the demise of the strike supposed to establish the 35 hours week throughout IG Metall’s organisational area on June 28 2003, the president of the powerful metal union Klaus Zwickel spoke of a “historical defeat”.\(^1\) To be sure, it was the union’s major setback in fifty years.\(^2\) This was all the more surprising given that prior to the event there was a general belief among academics and practitioners from both sides of the political spectrum that IG Metall could not lose any industrial dispute. Under new production regimes (e.g. just-in-time) employers cannot afford themselves interruptions in production, hence increasing their vulnerability to industrial action. Simultaneously, and for similar reasons, employers lose one of their strategic offensive tools—the lockout. What went wrong then?

The significance of IG Metall’s debacle in the East goes far beyond mere regional implications, and beyond the issue of working time. Head of IG Metall coast district Frank Teichmüller’s comments on the day following the calling off of the strike are telling: “this is a serious defeat, which will also have consequences for industry wide bargaining in West Germany”\(^3\). Working time extension made an immediate and formidable comeback on employers’ agenda, with Gesamtmetall making use of the political momentum to demand a working time ‘opening clause’ at the beginning of the new pay bargaining round in November 2003, and over weeks it seemed as if nothing could come in the way of employers achieving their objective.\(^4\) At the same time, working time policy in Germany is seen as the quintessence of inflexible and costly labour market institutions, increasingly causing individual firms to opt out from collective agreements, and thus links up to the broader debate on the sustainability of industry wide bargaining.

The purpose of this paper is to examine the reasons which account for the union’s debacle and for the accompanying loosening of the collective wage bargaining coverage in the East.\(^5\) Much of the first hand evidence seems to point to the same direction, namely that the conflict was foremost about domestic politics. And for good reasons. There is indeed a strong case to be made for the thesis that the union’s defeat was of its own making, reunification overstretching the union’s organisational capabilities and de-industrialisation wiping out entire sections, mostly highly organised, of the industrial basis, both processes significantly weakening union’s power in relation to employers. The grand exercise in institutional transfer engineered in 1990-1991 and conceived to foreclose any negative impact of unification on the West German social order strained the financial and organisational resources of the social partners to such an extent that by the end of the decade some observers were debating whether or not East Germany had become a laboratory of a new, distinct model of industrial relations.\(^6\)

The swift de-industrialisation over the period 1992-1998, which cost the East approximately 200’000 jobs in the metal industry alone, went hand in hand with a massive decrease in (net) union membership as the rate fell from 92 per cent to 53 per cent between in 1993 and 1998.\(^7\)

Moreover, the vehement opposition of employers to the introduction of the 35 hours in the

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\(^1\) The author would like to thank the participants of the ASSR graduate IPE club meeting held at the University of Amsterdam on March 12, 2004 for constructive comments on a first draft of the present paper.

\(^2\) IG Metall last lost a strike in the mid-1950s (EIRO, 2003. DE0307204f).

\(^3\) Handelsblatt, 30.6.2003.

\(^4\) Handelsblatt, 7-8.11.2003. Interestingly, IG Metall leaders publicly warned Gesamtmetall that they should not believe that the union had become unable to act (i.e. undertake new industrial action) as a result of the defeat in the East German strike, thus unambiguously illustrating the defensive position of the union (Handelsblatt 8.1.2004 and 30-31.1.2004).

\(^5\) This paper argues that there is a link between single firms opting out from collective agreements in the East and the union’s defeat. See pp. 17-23.

\(^6\) See for instance Schroeder 2000.

\(^7\) The 1992 figure, 514’698, was down to 337’350 in 1998 (Statistisches Bundesamt, Fachserie 4; Reihe 4.1.4). Data for union membership are from Schroeder 2000.
East can similarly be explained by domestic power struggles, with West German employers seeking to prevent a full unification of the labour movement across the national territory.

This paper, however, provides a different explanation for the collapse of the ‘time is ripe’ bargaining round. I will argue that globalisation played a central role and that the effects of globalisation played out in more subtle ways than what the bulk of the globalisation literature teaches us. International political economists have gained great analytical insights and scholarly rigour by studying the impact of different faces of economic openness (trade, foreign direct investment (FDI) and portfolio), but their empirical work mainly focuses on correlation between trade, investment or financial flows, and bargaining institutions and outcomes, thereby largely ignoring how threats of exit and competition may affect industrial relations even without showing-up as flows. Indeed, the mere prospects of increased trade competition might be sufficient to curve union’s demands or determine its agenda. And employers might combine exit and voice related to perceived or future increases in trade competition and/or outgoing investment patterns to influence centralised collective bargaining.

The present study identifies four ways in which globalisation influenced the ‘time is ripe’ bargaining outcome. First, the historical enlargement of the EU towards the East (due May 2004) determined to a large extent why IG Metall put working time equalisation on the agenda in 2003. Foreseeing that enlargement and the ensuing increased competition might definitely doom any future attempt to equalise working hours on a 35 hours basis, the union felt compelled to launch the campaign despite conflicting signs over the likelihood of success. Second, employers’ main argument against working time equalisation in 2003 built on a cost argument whereby reference to losses in competitiveness and/or jobs to low wage countries was central. Third, employers’ rhetoric on the eve and during the campaign, massively threatening with investment and job relocations in a seemingly co-ordinated fashion, succeeded in splitting workforces by inducing fears of job losses and in instilling in the public opinion the view that IG Metall was the true spoilsport. Fourth, the industrial conflict sets a precedent in German industrial relations in that the VSME (Verband der Sächsischen Metall- und Elektroindustrie e.V.), backed by its large member firms, openly questioned the Flächentarifvertrag (industry-wide bargaining), and with it the social peace function that this instrument of labour governance entails, in an offensive move to better defeat IG Metall’s equalisation objective. The changing preference of the large firms, I will contend, has at least partly to do with pressures related to globalisation.

Thus, this paper links up to the broader debate on the sustainability of non-liberal capitalist institutions in the face of deepening economic globalisation. Despite numerous studies of how globalisation affects national political economies, we still know remarkably little about how and to what extent trade and FDI affect industrialised country centralised bargaining outcomes and institutions. Existing scholarship can be broken down in three major perspectives: that FDI and trade openness constrains, strengthens or has nothing to do with centralised bargaining outcomes and institutions. For instance, Streeck argues that the specific German labour market institutions are unlikely to resist the double challenge of increased mobility of production factors (i.e. capital outflows) and inflows of immigrants inherent to the full integration of eastern Europe into the EU. On the other hand, working in the “varieties of capitalism” literature, Thelen and others argue that in the context of increased economic interdependence, employers are likely to preserve and deepen coordinated labour market institutions that provide labour peace and sustained productivity gains. Finally, the

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9 Streeck 1997. For empirical work corroborating this perspective see for example Rodrik 1997.
10 Thelen 1999. See for instance Golden and Londregan 1998 for some (modest) evidence of a positive correlation between globalisation and union organizational concentration (i.e. union cohesion).
most common view among comparative politics specialists is that globalisation doesn’t matter much for organised labour and centralised bargaining institutions. The main reason here is that compared to other domestic political economy factors globalisation is of little significance. The contribution of this paper, then, is to point out the likelihood that existing studies have systematically underestimated the general tendency of actual and threatened trade and FDI to undermine union power and labour market institutions in the industrialised countries.

In her seminal work on German industrial relations, Kathleen Thelen has drawn our attention to previously understudied actors and their interests in an attempt to explain the sources of resiliency of the traditional bargaining structures. Her story is that to understand the formidable resiliency of industry-wide bargaining institutions one must consider employers’ vested interests in that system, with the benefits of coordination including social peace and control of competition among firms for skilled workers. In this paper I build on Thelen’s intuition in the sense that I will argue that the key to understand the strike disaster is to focus on employers’ changing interests and strategies. Where I part company with Thelen is that whereas she tries to trace the sources of institutional stability, I am concerned with explaining institutional change, or at the least institutional erosion. Thelen rightly emphasises the ambivalence of employers when it comes to decentralisation of bargaining institutions, the line of cleavage being between small and medium-sized firms on the one hand and large firms on the other, with the large firms being the major beneficiaries of coordination. Her analysis, however, takes the interests of the large firms for granted. These firms supposedly have a ‘continuing interest’ in the existing arrangement, irrespective of time and place. The present paper shows that her argument doesn’t hold water, as it identifies circumstances under which the interests of the large German firms actually shift away from an unconditional support of the industry-wide bargaining institution.

The paper presents the four arguments following a chronological account of the ‘time is ripe’ campaign. The two first sections 1-2 argue that the EU eastern enlargement worked as a sword of Damocles pushing the issue of working time equalisation on union’s agenda. Section 3 reviews employers’ argumentation against equalisation, pointing out the dominant theme of a globalisation-related cost story. Sections 4-6 emphasise the unprecedented verbal violence characterising the campaign (threatened exit and other intimidation) and traces back its influence on union power. Sections 7-10 stresses the VSME’s unprecedented strategy, backed by its large members firms, of openly questioning the Flächentarifvertrag in order to enhance the likelihood of IG Metall debacle. Sections 11-12 provide some second order reasons on the union’s defeat. A section concludes.

(1) The issue and its history

Working time equalisation between East and West has been on the agenda ever since the social partners decided to follow the path of institutional transfer and gradual equalisation of conditions between the eastern and western Länder in 1990-1991. The transfer of the West German industrial relations institutions to the East represented a formidable challenge given

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11 Golden and Londregan 1998 analyse a cross-sectional time series panel of 16 OECD countries for as many as 42 years and conclude that conventional measures of trade and FDI openness (i.e. imports and exports divided by GDP; a measure of restrictiveness to FDI) have no statistically significant effect on either union density or centralization of collective bargaining. Similarly, Wallerstein, Golden and Lange 1997 show that, at least so far, little change occurred in wage setting institutions in North and Central Europe.

12 For instance Wallerstein 1998 argues that high unemployment, rather than globalisation, has strengthened employers and might account for the weak erosion of centralised bargaining institutions.
the state of the East German industries after reunification. Within a few weeks the last illusions regarding the East German economy evaporated as it became obvious that a large section of the industrial sector had been kept artificially alive. The collapse of the ailing metal industry was remarkable: employment contracted from 1.5 million to 985 thousands between 1988 and 1991, and productivity lagged behind the western level by more than half, all this in spite of much longer hours worked.\(^{13}\)

Given the economic backwardness of the East metal industry, it was far from evident that institutional borrowing accompanied by a gradual alignment of conditions would find favour in all the relevant actors’ eyes. At least three different scenarios could have materialised.\(^{14}\) Given the political conditions and expectations surrounding reunification, however, it quickly turned out that the solution of a staged equalisation involving the social partners was the only viable pathway. The reasons are threefold. First, the social partners were unwilling to give up influence on their own terrain, and as they were effectively speaking with one voice, the government could not easily disregard them. Since the early stages and throughout the entire decade, IG Metall strived vigorously for the equalisation of conditions referring to the political necessity of such equalisation.\(^{15}\) More surprisingly, this approach was supported by business in the second half of 1990 and early 1991.\(^{16}\) What united the union and employers was the “fear that a low-wage regime in the East might erode the high-wage and high-skill regime in the West”, thereby undermining product innovation, constitutive of the German quality-competitive production model.\(^{17}\) The pilot agreement concluded in Mecklenburg-West Pomerania on March 1\(^{\text{st}}\) 1991 (later extended to the other regions), including amongst others pay equalisation as of 1.4.1994, 30 days of holiday (as in the West) as of 1.1.1996, and the reduction of working time to 38 hours as of 1.10.1996 (39 hours week by 1.4.1994), was unanimously celebrated as a “victory of reason”.\(^{18}\) Second, the government was willing to devolve a regulatory function to the social partners so that all state agencies and private enterprises could concentrate on the implementation of the Economic-, Monetary-, and Social union. Third, the social partners in the East metal industry were put under pressure by their colleagues in the government and service sectors who had been first to negotiate a plan for the gradual equalisation of wages in two small regions in 1990.\(^{19}\)

Developments towards equalisation didn’t unfold as smoothly as the social partners had planned. Against the background of collapsing trade between ex-DDR and eastern Europe, the reluctance of western businessmen to invest in the East, the mounting debate on globalisation in the West, and the deep economic recession, all seriously straining the economic viability of east German firms, employers in summer 1991 started criticising the

\(^{13}\) In the late days of the DDR (Deutsche Demokratische Republik), the nominal weekly working hours was 43,75 and the average annual holiday amounted to 21,8 days (Schroeder 2000, p. 274).

\(^{14}\) Idem. Pages 360-361. The two alternatives were the following. First, regulation of conditions are momentarily decentralised to the company level, thus suspending the collective agreement legislation, a solution building on the actual developments taking place during the transition year 1990. Second, the ‘Tarifautonomie’ was replaced by a state-led incomes policy.

\(^{15}\) IG Metall privileged an active policy disregarding actual productivity levels, the calculus being that a rapid alignment of conditions – in early 1990 the union counted with five years – would bring along equalisation of productivity between East and West (Schroeder 2000, pp. 279; 371).

\(^{16}\) The Saxony employers’ association VSME expressed its vision and hopes in the following terms on June 15 1990: “The social partners set the highly demanding goal of reaching the productivity and real income levels of Republic Federal of Germany within a period of five years”, Joint Declaration of IGM and VSME made in Chemnitz, quoted in Schroeder 2000, p. 294.

\(^{17}\) Streeck, 1997, p. 251.

\(^{18}\) Schroeder 2000, pp. 298-299. In particular, the metal employers stressed their satisfaction by underlining the advantages of a four-year deal allowing for ‘reliable planning’, the ensuing ‘social peace’, and the enduring cost advantage in relation to the West stemming from the difference in working hours (35 vs. 38 hours/ week).

\(^{19}\) Schroeder 2000, p. 294.
policy of catching up by propelling the idea that the East should become a locus for industrial relations distinct from that in the West. Put differently, whereas the historical compromise of a staged equalisation had been designed and supported to a great extent by Gesamtmetall to serve its own political interests, it had now to pass the legitimacy test of the eastern member firms and thus to confront the economic reality on the ground. In fact, during the revision process (1991-1993), Gesamtmetall took a tougher bargaining position than most eastern employers’ organisations. Simultaneously, the VSME came to the forefront as one important locus of political controversy. During the negotiations, the VSME pleaded for a consensual revision of the earlier agreement (22.5.1992) and openly criticised Gesamtmetall’s request for an opening clause in the collective agreement. As VSME president Erwin Hein put it, when “every firm, depending on its gusto, can decide alone on wages, the proliferation… [can] no longer be controlled”. And when VSME president Hein and IG Metall chief Düvel came close to strike a deal, foreseeing the delaying of the wage equalisation by only nine months (instead of more than two years in the final accord), Gesamtmetall withdraw its support. The consensus-oriented attitude of VSME’s president Hein spurred such outrage within the organization’s ranks that he was forced to resign. This internal struggle reinforced the neoliberal wing within the VSME.

One commentator described the years 1993-1999 as the period of the blocked equalisation. With the deepening of privatisation, deindustrialisation and rationalisation, the union lost its role as the bearer of ‘progress’ and as the social and political ‘stabilizer’ of the early years of reunification, which increasingly shifted the balance of power away from the union to employers. During this period, employers and their associations tried much more assertively to align the equalisation process with their own interests, the tie binding their reasoning and behaviour being that IG Metall’s policy of equalisation, in particular its chosen sequencing, hollows out the industry-wide agreement in the East. On the other hand, the union questioned the associations’ real commitment to collectively agreed wages and industry-wide bargaining in general, which they were accused to undermine, or at least not actively defend. As a result, heated exchanges and reciprocal blaming predominated, and no stable and serene negotiating environment came into being—a situation that lives well into the present. This confrontational relationship, involving in particular the VSME, can be illustrated by two examples. In the 1996-1997 bargaining round, the VSME refused to take over the pilot agreement reached between IG Metall and the VME (Verband der Metall- und Elektroindustrie in Berlin und Brandenburg e.V.) on 6.2.1997, rejecting a provision stipulating an increase of the Christmas bonus by five per cent as of 1.1.1998. And the conclusion of the collective agreement “Phönix” between Ostmetall and Christian union

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20 A ‘revision clause’ had been built into the compromise of March 1991. After the employers’ associations in the East, starting with Saxony’s VSME on 18.2.1993, announced the extraordinary termination of the step-by-step plan – a step described by IG Metall as ‘glittering breach of the law’, which ‘represented a unique case in the ‘Tarif’ policy of the post war period – negotiations led to a revision accord signed on 14.5.1993 which entailed a postponement of wage equalisation by two years (1.7.1996 instead of 1.4.1994) and the introduction of a ‘hardship clause’ allowing to deviate from the collective agreement in cases of hardship (Schroeder 2000, p. 323).

21 Schroeder 2000, p. 307. For example, the VSME was first in terminating the equalisation plan paving the way for new negotiations.

22 Quoted in Schroeder 2000, p. 312.


24 An organizational split unique of its kind, unprecedented in West German history (Schroeder 2000, p. 325).


26 Schroeder 2000, p. 341.

27 The extension of the employment securing agreement (‘Beschäftigungssicherungsvertrages’), part of the negotiated package, was not a controversial issue. By 2003(?) employers in Saxony paid only 50 per cent of monthly wage as Christmas bonus, compared to 55 per cent in Berlin-Brandenburg and in the West.
(CGM, *Christliche Gewerkschaft Metall*) in Mai 1998 was clearly aimed at undercutting the power base of IG Metall.\(^{28}\)

(2) Working-time equalisation (2003): why now?

Prior to 2003, IG Metall had two opportunities to equalise working-time, but each time, for different reasons, it postponed the launch of a campaign. First, in summer 1998, IG Metall gave priority to the extension of the pay agreement to the East in order to enforce uniform wage bargaining across Germany. In return, IG Metall agreed to prolong the ‘hardship’ clause and to renounce any new working time initiative until 31.12.2000.\(^{29}\) Against the background of clashing views about the way to go ahead—the union pushing for a course of forced equalisation and employers opposing a de-coupling strategy—the agreement led to temporary appeasement. Moreover, at this particular moment in time, workers at highly organised firms were not willing to put up pressure and risk a confrontation. The fact that it was clear in everybody’s mind that working time reduction could only be achieved by means of a strike put the union in a defensive position.\(^{30}\) Second, the union didn’t call for the termination of the working time provisions in 2000 because of a heavy negotiation package including bargaining over a new early retirement scheme (‘Beschäftigungbrücke’) on top of wages. Finally, IG Metall put working time on the agenda in 2002. Given that the issue was under peace obligation, the union could not convince Gesamtmetall to start negotiations. Nonetheless, a ‘negotiating obligation’ (‘Verhandlungsverpflichtung’) in the districts Berlin-Brandenburg II, Saxony and Thuringia ensued, which later would fuel the union’s claim that employers should have been expecting a termination of the framework agreement on working-time.\(^{31}\)

Why then did the union terminate the framework agreement in 2003? It should be stressed that the working-time provisions could be legally terminated by either of the two parties to the agreement for the first time since 2000 in April 2003. The year 2003 presented the advantage of being a year with no wage bargaining round.\(^{32}\) The union invoked several reasons which worked against any further postponement.\(^{33}\) First, the 2002 nationwide introduction of the pay framework agreement (‘Entgelt-Rahmentarifvertrag’, ‘ERA’) which abolishes the traditional distinction between white and blue collar workers entailed a clause stating that a certain due would be levied from the 2004 wage settlement to finance ERA. IG Metall was thus concerned with not overburdening that year’s bargaining round. Second, IG

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\(^{28}\) Ostmetall, the peak business association of employers’ associations in Thuringia, Saxony and Saxony-Anhalt, created on 17.3.1998 was an attempt to institutionalise cooperation and strengthen the regionalisation of industrial relations—that is focus on East German conditions. Developments reached a standstill, as the union IG Metall didn’t recognise the entity as a bargaining partner and as member firms didn’t identify with it (Schroeder 2000, p. 345).

\(^{29}\) The accord was negotiated by IG Metall and Gesamtmetall on 21.9.1998 (Schroeder 2000, p. 347). It seems (?) that the wage increase was a component of the wage agreement signed in the western metal industry on 5.12.1996 in Lower-Saxony.

\(^{30}\) Schroeder 2000, p. 347.

\(^{31}\) Union leaders insist that employers knew that a campaign for equalisation would be launched (Quote Hermann von Schuckmann, 2003, p. 8).

\(^{32}\) EIRO, 2002. DE0211204f. To connect working time reduction with new wage negotiations in one bargaining round, as it had been done in the West, was not a viable option. A pilot agreement entailing a low wage settlement to compensate for working time reduction reached in the East, later to be extended to the West was considered as an unacceptable and sub-optimal solution from the perspective of the union (Hermann von Schuckmann, 2003).

Metall East, especially the regional office Berlin-Brandenburg-Saxony (BBS), came under increased pressure from workforces in highly productive factories of large West German companies to deliver equal working-time conditions. As these plants are disproportionately well organised, a further postponement was perceived as harmful for both membership and overall union acceptance in the East.\(^{34}\)

Third, and most importantly, IG Metall acknowledged that 2003 presented one of the last opportunities to erase the last difference in conditions between East and West, as the German economy and industrial relations together with the rest of integrated Europe were standing on the eve of the historical eastern enlargement (May 2004). The union recognised that the increased competition accompanying the deepening of economic integration with low wage countries was likely to strengthen solidarity and stiffen opposition among employers, thus seriously complicating, if not definitely jeopardizing, equalisation. This message was made clear in the March 2003 issue of the union’s journal ‘Metall’: “Our motto is now or never because we fear that the coming eastern enlargement of the EU will bring us so many new problems, that equalisation (at a later moment) could fall behind”.\(^{35}\) Another quote from an internal document analysing the strike debacle illustrates the agenda-setting power of globalisation: “In addition to this, it was argued that 2003 was the last possibility for working time equalisation, especially because with the coming EU enlargement and the competition situation with respect to the middle and eastern European countries, it was considered that equalisation (at a later stage) could no longer be pushed through”.\(^{36}\) Union representatives at different levels of the organization confirm that eastern enlargement conditioned the timing of the campaign.\(^{37}\) Employers, on the other hand, understood very well that enlargement represented an objective factor constraining the union’s room of manoeuvre. Evidence for this is found in a Gesamtmetall position sheet dated 17.03.2003.\(^{38}\) In this respect, the view of a Gesamtmetall manager is also insightful: “We are facing the process of eastern enlargement; this means increased competitive pressures and internationalisation. If the union wanted to implement this [working time equalisation] one day, it had to do it then [2003]. With EU-enlargement, it will be more difficult, maybe even no longer possible”.\(^{39}\) This latter point found broad resonance among union leaders in the aftermath of the strike.\(^{40}\)

\(^{34}\) IG Metall spoke with one voice about the objective of the 35 hours, but the union was divided on the strategy to follow. This split reached out to the public during the working time conference in late October 2002. On the one hand, IG Metall president Klaus Zwickel declared his preference for negotiating with the employers without terminating the existing framework agreements, backing his position with surveys carried out among union and non-union members in highly organised firms in the period 2001-2003, showing a “low interest in further working time reduction”, in particular in the districts of Thuringia, Saxony-Anthalt and Mecklenburg-West Pomerania. On the other hand, Hasso Düvel, head of IG Metall BBS, under pressure from most productive workforces in East, expressed a readiness to terminate the framework agreement if no progress was made by early 2003 (IG Metall, 2003. Tarifbewegung Angleichung Arbeitszeit Ost 2003: Beschreibung – Bewertung – Schlussfolgerungen, Juli, p. 3).

\(^{35}\) Metall, 2003, März Ausgabe.

\(^{36}\) Emphasis added. IG Metall, 2003, August, p. 5.

\(^{37}\) This is a recurrent point in discussions with union leaders. Some emphasised the increased competition in trade and foreign investment related to enlargement (Interview, IG Metall delegate at BBS district organisation, 13.11.2003; Interview, IG Metall representative at BBS district organisation, 14.11.2003). Another interviewee mentioned the increased mobility of (eastern) labour as a consequence of enlargement (Interview, IG Metall representative in Frankfurt, department of ‘Tarifpolitik’, 21.11.2003).

\(^{38}\) This position paper is in fact a direct response to the three new arguments developed by the union in its March 2003 issue of “Metall” (Gesamtmetall 2003. Positionen Nr. 06).

\(^{39}\) Interview, Gesamtmetall manager, 7.11.2003.

\(^{40}\) For a strong version of that view, see IG Metall, 2003, Juli. For a softer version, see Hermann von Schuckmann 2003. "The implementation of the 35 hours week will be even more difficult in the future, because the employer argues he fears increased competition“ (Interview, IG Metall delegate at BBS district organisation, 13.11.2003).
(3) The arguments

IG Metall launched its campaign under the heading “Die Zeit ist reif” (or ‘Time is ripe’).\footnote{IG Metall, 2003. \textit{Die Zeit ist reif! Arbeitszeit in Ostdeutschland jetzt angleichen! Fragen und Antworten}, Berlin, Februar.} The argument of a ‘just’ equalisation was put centre stage, in line with the union’s long-standing position. Thirteen years after the political union of October 1990, IG Metall believed it was time to put an end to enduring differences in social conditions, which de facto lead to a two classes society.\footnote{According to IG Metall, East metalworkers work on an annual basis approximately one month more than their western counterparts for the same wage. Or, put differently, workers in the East earn 73 per cent of the effective income of western colleagues (IG Metall, 2003, Februar).} Working-time reduction should also help to redistribute work and fight unemployment.\footnote{IG Metall estimates that working time reduction would secure and create 15’000 jobs in the East German steel and metal industry (IG Metall, \textit{Hintergrund-Info 1}).} This second argument builds on IG Metall’s perennial belief that the existing volume of work can be redistributed among more workers through a collective reduction of working time. Third, the 35 hours were seen as an instrument to fight against the intensification of work and thus to alleviate pressures on workers’ health. Finally, the union stressed the multidimensionality of human beings, arguing that work is only one facet of social behaviour. A shorter working week liberates free time for other social activities such as family life, hobbies, involvement in community life and politics.

The union claimed that the cost of a three hours reduction in working-time, estimated at 1.4 per cent of the wage costs per hour, could by no means overstretch the financial health of companies. Quickly growing productivity combined with an enduring gap in real wages had steadily reduced the unit wage cost in the East, and hence continuously improved the regional labour cost advantage.\footnote{According to IG Metall figures, productivity gains were on average 3.2 per cent higher in the East for the period 1997-2001. Simultaneously, the absolute productivity level of the East metal industry lags behind that of the West, at around 73 per cent. In firms with more than 200 employees, however, productivity is much higher, reaching an estimated 90 per cent of the western level. These figures account for the trend of declining unit wage costs in the East compared to the West over the period 1998-2003 (IG Metall, \textit{Hintergrund-Info 1}).} Moreover, as IG Metall aimed at a gradual introduction of the 35 hours week, it insisted that the additional cost would be spread over several years. It should be stressed that with its campaign IG Metall also sought to counter the massive migration flows from East to West. The union was particularly worried about the migration of young and qualified people, which in the long run would worsen the economic situation even further. After a boom following reunification, migration of easterners to the West slowed down in the middle of the 1990s. This trend, however, reversed in the second half of the decade. In the years 1997-2001 the annual migration flows from East to West increased from a mere 28’000, to 46’000, 62’000, 76’000 and 98’000, respectively.\footnote{Statistisches Bundesamt, without Berlin. Data are from IG Metall, 2003, Februar, p.13.}

The employers had a different battery of arguments, turning virtually all union arguments upside down.\footnote{By ‘employers’ I mean here Gesamtmetall.} First, and most importantly, employers categorically rejected any positive correlation between working time reduction and job creation, instead they emphasised a negative correlation.\footnote{Working time reduction in the East would be accompanied by job shedding, estimated at around 20’000 (Gesamtmetall 2003. \textit{Argumente: M+E-Ost: Betriebe brauchen längere Arbeitszeit. Nr.3}). More generally, on working time policy, employers reject the assumption that working time reduction leaves the volume of work unchanged.} To employers, working time reduction with full wage compensation represents a \textit{net cost} for the enterprises. Employers provide their own numbers to back up the rightness of their reasoning.\footnote{There are several points of discord between IG Metall and Gesamtmetall. First, it is important to have the wage unit cost parity East-West right in order to establish whether the eastern metal employers can effectively
working time reduction and labour shedding is the change in the price of labour. In such perspective, there are five scenarios in which reduction of hours leads to employment decline. First (A), a loss in competitiveness (either domestically, or internationally) implies declining contracts and sales, thus contracting production and employment. There are two distinct situations within this scenario. On the one hand (A1), in the case of a domestically oriented firm, the loss of competitiveness happens mostly to the detriment of other domestic producers. On the other hand (A2), the loss in competitiveness of a foreign-oriented firm also implies employment contraction, but here the loss is mostly to the detriment of other foreign producers. In the latter case the job loss is related to globalisation. Second (B), to offset at least part of the declining competitiveness, management decides to substitute capital for domestic workers. Here the same distinction than under (A) applies, so that we have two cases (B1) and (B2). Third (C), management opts to substitute foreign workers for domestic workers (foreign outsourcing) to re-gain the lost competitiveness. Thus, when employers argue that the 38 hours week constitutes an essential comparative advantage of the East German economy compared to the West, that the removal of that advantage would seriously jeopardise the fragile catching-up (with respect to the West), they argue on a cost basis unrelated to globalisation. When, however, they say that eastern Germany would almost certainly lose out in relationship to other European countries, in particular those of Eastern Europe, they make a claim related to globalisation (cases A1; B1; and C).

Second, employers identify a contradiction in the union’s argumentation about reducing stress at work. The union plays the costs of the working time reduction down (4.3 per cent instead of 8.6 per cent) by saying that at least part of the costs would be offset by ‘induced productivity increases’. Concretely, this means that the union’s cost calculation rests on the assumption of an intensification of work—precisely what the union seeks to avoid! Finally, employers fear that the union’s demand might further erode industry wide bargaining. They underscore, for instance, that as many as one third of the firms bound by collective agreement cannot afford to pay the agreed wage rate. This point, it should be noted, is in fact related to the question of the cost of labour. All in all, employers don’t oppose the principle of alignment of conditions across Germany, but they fundamentally disagree

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Gesamtmetall 2003, Positionen Nr. 01.
Gesamtmetall 2003, Positionen Nr. 04.
Gesamtmetall 2003, Positionen Nr. 08.
Gesamtmetall 2003, Positionen Nr. 12.
It is based on an ifo-survey. The union draws on a different source, namely a study conducted at the University of Jena (2002), which shows that around 70 per cent of metal employees in the East benefit directly or indirectly from the collective agreement (IG Metall, 2003, Februar, p. 18).
with IG Metall’s way forward. The union’s logic, so the employers’ argument goes, means putting the cart before the horse.

To illustrate how predominant the globalisation related cost argument was in employers’ minds, I analysed the list of 38 arguments put together by the VSME. The great bulk of the arguments consists of quotes from influential public figures from the economy and politics. These arguments were used during the campaign as one single page adds in newspapers, and they were put on the website of the VSME, thus they were part and parcel of the official line of reasoning of the regional employers association. The striking point is that 31 arguments out of 43 (or 72.1 per cent) refer directly to the cost argument (columns 1-3 in Table One). The single most important argument is clearly that the introduction of the 35 hours is associated with job losses (14 times, or 33 per cent). Most often, the quote refers to a general decline in jobs, making it impossible to analytically distinguish the share of employment loss related to globalisation (i.e. A1; B1; and C) from that related to merely domestic processes (i.e. A2 and B2). At times (two cases out of 14, or around 15 per cent), however, there is an explicit mention of job losses to neighbouring eastern European countries (c.f. appendix One for an example). Twelve arguments (or 28 per cent) stress that the 38 hours is an important comparative advantage of the East German economy. In one third of these cases (or four out of 12) the loss of comparative advantage is contextualised with clear reference to the international economy. Only a small share refers to other reasons such as an inappropriate conjuncture (four occurrences) or workers’ satisfaction with the actual working time regime (survey, one occurrence). To sum up, about 20 per cent (six out of 31, or 19.4 to be exact) of the cost arguments make an explicit reference to globalisation. As for the rest (25 cases), the phrasing of the add/argument is so general that it is simply not possible to know whether globalisation is meant implicitly or not. But knowing that the Saxony metal industry has an export share of 38 per cent in 2001, regional employers cannot easily neglect ‘globalisation considerations’.

Finally, my interviews clearly show how much of a concern increased globalisation was to employers’ representatives. Asked whether the bargaining round ‘time is ripe’ was of particular significance for the VSME, a member answered: “The 38 hours week is the last locational advantage with respect to West Germany. The 35 hours are a burden for employers. The 38 hours are the location advantage that allows still to produce in (East) Germany and not to go to Poland, Hungary, Czech Republic, Slowenia. There are investment decisions that are taken exclusively on the basis of this advantage”. The VME representative’s answer on the question whether East employers are against the equalisation is also significant: “No. But we want it at a time when the firms can afford it… . Eastern enlargement: Poland is 60 kilometres away, there and in the Czech Republic there is the 40 hours week. One of our arguments was: “let us overcome this stage”“. And the following answer was given to the question whether it will be more difficult to introduce the 35 hours in the future: “This has to be seen in international comparison. Germany has the shortest working-time in the world and wage levels are high. The metal industry is depends on exports, it is intertwined with international markets. How can it be so? It worked because of the working time flexibilisation. Longer

52 The idea of the VSME was of course to put forward 38 arguments given that it pleaded for the 38 hours. In fact, I found 39 different arguments.
53 For example: “IG Metall not plays only with many jobs, but with entire production locations [“Standorten”]”.
55 Interview, managing director of VSME employer’s association, 26.11.2003.
56 Interview, member of Berlin-Brandenburg employers’ association VME, 10.11.2003.
working time in the East is clearly a location advantage; in this region there is the need of incentives to create growth, compared to the international competition".  

(4) Working time politics in historical perspective  

It should be recalled here that working time reduction has always been extremely controversial and politicised in German history, where the metalworking sector has played a pioneering role in establishing shorter working weeks. At the centre of IG Metall’s working time policy initiatives has always been a concept of collective reduction of weekly working time.  

The case in point is obviously the 1984 collective bargaining round where after seven weeks of strikes and lockouts the union reached an agreement on the step-by-step introduction of the 35 hours working week, a deal which, in retrospect, can be celebrated as probably the last ‘grand’, visionary, and encompassing societal project of the union.  

There is a deep sense in Germany, living well into today, that the employers never made peace with the 35 hours. The reduction of working time has been imposed upon them coercively, and they have argued over the years that the direction was fundamentally wrong. The recurrent demand formulated by the employers’ association Gesamtmetall for a working-time corridor between 35-40 hours in the western metal industry illustrates the long-standing and profound dissatisfaction of employers with existing working time models.  

Keeping an eye on the historical records, it shouldn’t have come as a surprise that the 2003 bargaining on working time would escalate (see next sections). The essence of working-time is political. As one union leader put it: “it was not only a conflict about economics, but also about politics. When it comes to working-time, it is not only about money, but also about the (free) disposal (“Verfügung”) of the labour force (reference to Marx)” And another to add, “working time: it is never about arguments; it is about ‘availability’ (“Verfügbarkeit”) of workers; time is always limited”. The next section investigates the unusually intransigent strategies developed to respond to the unusually high stakes surrounding working time.

(5) “UK type of capital-labour relations”  

After three months of regional and peak-level talks stretching from mid-February through May didn’t succeed in bringing positions closer by any iota, IG Metall announced the failure of the negotiations on May 21 and scheduled the strike begin on Monday June 2. The strike didn’t unfold peacefully, quite the contrary. At Bombardier in Henningsdorf, Brandenburg, the largest employer in the district with 2,400 employees, industrial action led to heated exchanges. Whereas the preparation work was carried out smoothly, in accordance with legal guidelines—requiring management-labour collaboration to select a handful of employees representing the firm and in that quality entitled to unfettered factory access—the positions quickly hardened with the beginning of the work stoppages. Five gates out of six

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57 Interview, Gesamtmetall manager, 7.11.2003.  
58 EIRO, 1998. DE9805262F.  
59 As one observer put it: “employers haven’t yet recovered from the 1984 defeat” (Interview, IG Metall head of regional office in Chemnitz, 24.11.2003). Also, Interview, IG Metall representative at BBS district organisation, 14.11.2003.  
60 Interview, responsible for press and public relations at Gesamtmetall, 12.11.2003.  
61 Interview, IG Metall representative at BBS district organisation, 14.11.2003.  
63 Paragraph based on: Interview, member of works council and local union leader responsible for strike, 13.11.2003.
were barricaded around the clock for four days in a row (17-20.6.2003), leaving one sole place of passage into the factory. Severe disagreements erupted over whether workers willing to return to work could do so without being prevented by strikers restoring to coercion or intimidation. The conflict escalated when management sought the opening of a second gate, simultaneously threatening the local strike leader with a court case. According to the member of the works council in charge of the strike, “the local clash was clearly harder than in previous situations”.

At ZF in Brandenburg, an automobile supplier of gears employing 930 workers, a conflict over a similar issue turned out even worse, leading to a first judicial sentence. After union members had refused to provide a 3-meter long corridor to enter the factory, a court decision charged president of IG Metall Klaus Zwickel with setting up illegal blockades and sentenced him to pay a fine of €25’000. This was the result of a concerted action by ZF and the VME. Indeed, throughout the campaign the VME was very active in supporting its member companies by providing different kinds of services: legal advice; financial capital to compensate for production losses; and psychological support. In the particular case of ZF, there is evidence that a VME representative was present at the gate, monitoring the development of the strike and showing solidarity with company management.

But the most dramatic action had yet to come. The place of the most spectacular scene was the car parts factory of the US subsidiary Federal Mogul in Dresden during the third week of the strike, more exactly June 17-19. The Dresdner factory employs approximately 330 workers of which 280 blue-collar workers, and produces car parts for a series of automobile manufacturers. In a ballot, the unionised employees, constituting 67.3 per cent of the workforce, endorsed the strike. However, IG Metall’s decision to carry out industrial action at Federal Mogul—a three-day strike on June 17-19—split the workforce, with stories reporting that more than half of the workforce was actually against the strike. Perfectly capturing the plant-level mood, Federal Mogul struck back in a dramatic fashion by using a tactic unprecedented in German industrial history. While union members were barricading the gates, turning back lorries, employers used two helicopters to get around the blockade. Making repeated round-trips, helicopters airlift the piston rings while strike-breakers and a whole range of material such as sleeping bags, blankets, toothbrushes, shaving material, clean underwear and food were flew in on the return-trip. Here too, legal action was enacted. Willi Eisele, head of IG Metall Dresden, is cited as having hired an advocate to check the lawfulness of the helicopter intervention. In any case, the demonstrative behaviour of Federal Mogul managers received a very supportive echo in the German press, which in unison condemned the union’s attitude (i.e. of not letting in those who want to work). This episode was probably the most serious single blow to IG Metall. Indeed, after the strike, an internal document admitted that the developments at Federal Mogul during the third strike week had decisively contributed to turn the public perception against the union.

I do not claim to provide an exhaustive account of all strike developments, but the stories pointed out so far are converging. On June 12 the VSME addressed a complaint about

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64 The judicial consequences with which management threatened ranged from the simple fine to the prison sentence. A Handelsblatt article on June 20-21 mentions that Bombardier management did in fact start a court case against the strike organisers (Handelsblatt, 20-21.6.2003).
65 Interview member of works council and local union leader responsible for strike, 13.11.2003, emphasis added. For instance, it was much stronger than the token strikes (“Warnstreiks”) of 1993.
67 Interview, member of Berlin-Brandenburg employers’ association VME, 10.11.2003.
71 IG Metall 2003, August, p.28.
the carrying out of the ballot to the labour court in Dresden.\textsuperscript{72} In Chemnitz, the head of local IG Metall representation mentions three pending lawsuits initiated by the president of the employers’ association of Saxony.\textsuperscript{73} On the union’s side, there is a clear sense that the hardness of the clash was unprecedented. And the union representative responsible for the planning, mobilisation and coordination of the working-time equalisation campaign in Berlin to conclude: “the authorisation to fly the helicopter (a special authorisation was granted by the Saxony Minister for Interior, member of opposition party CDU, Christlich Demokratische Union); the massive presence of the police; and the interference of politics in the bargaining round (which goes against one of the fundamental principles of the Tarifautonomie): all this, in such a magnitude, had never been seen before in Germany. These were UK [capital/labour] relations”.\textsuperscript{74}

(6) Employer-led intimidation campaign

Reports of employers threatening to relocate production abound. For employers, the 38 hours week clearly is a “location advantage”, an advantage that is crucial to offset the persistent (absolute) productivity gap between East and West Germany and to remain competitive in international markets. If such advantage gets lost, there can be an economic rationale to move production to low wage countries. Here relocation threats are a preventive move made by employers to inform the union and workers about anticipated job losses (threats have an economic rationale). So far, so good. But exit threats can also fulfil other functions. At the plant-level, employers can use such threats to induce fears among employees in a strategic move to split the workforce (divide to reign strategy). Furthermore, by threatening to exit, employers can seek to gain the sympathy of the public by presenting themselves as the victim of a union with unreasonable demands. Here employers seek to influence and win the public opinion for their own cause (victim to blame strategy). Due to obvious limitations on the access to the firms’ books, it is impossible to determine how hard the 35 hours would hit the financial situation of the firms and thus to assess how realistic threats with an economic rationale were. As I will show, however, there is ample evidence that both the divide to reign and victim to blame strategies were massively used in order to maximise success.\textsuperscript{75}

A story told by a VME representative describes how Samsung openly spoke about its plan to close down its Berlin factory and move production to Hungary in case of the coming into force of the 35 hours.\textsuperscript{76} At GKN (Mosel), a supplier to the car industry, the resumption of work after the first days of industrial stoppages was accompanied by massive intimidations and plant closure threats.\textsuperscript{77}

\textsuperscript{72} IG Metall, 2003, August, p. 16. The results of the ballot in the metal industry were as follows: Saxony (Mai 26-28), 79.74 per cent voted for the strike out of 12'094 workers entitled to vote; Berlin-Brandenburg (June 5-7) 78.77 per cent of 4'531. The employers’ complaint focused on the relationship between the low number of union members called to the ballot and the total number of workers in the East metal industry. Meanwhile, opposition parties CDU and FDP are cited to have requested a legal limitation to the strike right.

\textsuperscript{73} Two lawsuits and one preliminary proceeding (Interview, IG Metall head of regional office in Chemnitz, 24.11.2003).

\textsuperscript{74} Quote reconstructed shortly after the interview. Interview, IG Metall representative at BBS district organisation, 14.11.2003.

\textsuperscript{75} This typology is a heuristic device. It should be stressed that the different functions are not mutually exclusive.

\textsuperscript{76} Interview, member of Berlin-Brandenburg employers’ association VME, 10.11.2003.

\textsuperscript{77} IG Metall, 2003, August.
During the run up to the strike the union branch in Berlin was informed by shop stewards how several company managers harassed their employees one by one. The most salient example is Federal Mogul in Dresden. IG Metall reports how prior to the strike employers threatened the workforce with production relocation. These threats induced large-scale fears and defections. “I’m an IG Metall member but I am against this, because it is not appropriate to our situation in the East. I get good money. I get Christmas money, holiday money and bonuses. What the union is doing will not get us more jobs but just the opposite. I don’t want to lose my job”, reacted a Federal Mogul worker.

IG Metall acknowledged *ex post* that it fully underestimated the influence that such threats could have on the perceptions and behaviour of employees, and recognised that it was a major mistake to strike at Federal Mogul. One union representative stresses this same point: “After 13 years of rationalisation and privatisation, leading to record unemployment levels, those who work are the winners of the transition process. This makes them sensitive to relocation threats. At Federal Mogul we made a mistake. According to the analysis, it was an A-firm: good economic situation; good potential for long distances effects; good union membership; the problem lied in the lack of readiness to engage in the conflict (“Konfliktfähigkeit”), due to a seemingly co-management oriented works council, and a split workforce. People were afraid of the conflict. The conflict had to be interrupted because of the actual split, fear and helicopter”.

Asked to comment on the strike in the Federal Mogul factory in Dresden, Alfred Matejka, a long standing union activist and chairman of the factory council at the Federal Mogul plant in Wiesbaden says: “… The decisive factor in any strike is the struggle to raise the consciousness and determination of the workers, and of course capitalists will try to do anything to confuse and demoralise the strikers. Threats to shift production abroad and the obsequiousness on the part of some workers, which still lingers from the old days prior to 1989, have made this defeat possible…”

On June 20, in the third week of the strike, BMW announced through its board member Ernst Baumann that it was re-examining its engagement in East Germany. On the one hand, the statement was a reaction to the coming into force of long distance effects (“Fernwirkungen”). As a result of repeated strikes at ZF Brandenburg, BMW managers anticipated first production stoppages at the Munich and Regensburg factories by June 23 (Monday). Such stoppages did in fact occur at four West German BMW sites during the period June 23-30. On the other hand, there was more to this statement. Two years earlier, in July 2001, BMW had announced after months of suspense involving international benchmarking including the sites of Arras in France and Kolin in the Czech Republic to build...
At the time of the strike, the Leipzig factory was under construction, employing approximately 1'000 employees. It is not surprising that the decision to re-examine one of the largest investment ever carried out by a German car manufacturer in a region devastated by high unemployment triggered widespread unease. On the day following BMW’s statement, fuelling the hypothesis of a concerted action, it was Siemens’ turn to openly question its commitment to East Germany, disseminating fears of job loss among its 10'000 employees.

What can we say about employers’ intentions when they voice such exit threats? What is sure is that such threats found a huge echo in the media. Handelsblatt, the leading German economic and financial newspaper, went on referring to BMW’s threat in its reporting of the last days of the strike. Lothar Späth, chief executive of the high-tech firm Jenoptik AG in Jena between 1991 and 2003, ex-Ministerpresident (CDU) of Baden-Württemberg and would-be Minister of Economy and Labour had the CDU-CSU won the 2002 general elections, also wrote about BMW’s (and Opel’s) critical re-examination of its East German investment in his weekly Handelsblatt column, qualifying it as “serious”.

In smaller, expert circles, there was doubt in everyone’s mind that BMW was seriously questioning its investment. In an interview with Handelsblatt on June 25 2003, Manfred Schoch, chairman of central works council at BMW, was asked to comment on BMW’s public statement: “Given our long-term planning I believe that the factory in Leipzig is urgently needed. I hold this statement for rattles in a ‘Tarif’-conflict”. He adds: “It would be a fiasco if the profitability of the Leipzig plant would depend alone on the 38 hours week”. Even the employers’ side had their doubts, expressed in the following terms by a VME collaborator: “The statement has to be understood as a contribution to the public debate. One must not take it too seriously”. Finally, Wolfgang Schroeder has shown that the decision in favour of the Leipzig was based on several factors, amongst others the financial incentive provided by the EU (covering 30 per cent of the investment), the outstanding transport infrastructure, the cultural infrastructure, and the flexible working-time scheme negotiated with IG Metall. These elements all fuel the hypothesis that BMW’s statement followed a victim to blame logic.

The bottom-line of IG Metall’s self-understanding of exit threats is an attitude of dismissal. First, it denies that shorter working week or wages increases can trigger outward FDI—FDI are foremost market oriented. As a consequence, and second, workers should not fear for their jobs. The 2003 campaign led unionists to recognise, probably as never before, that employers’ rhetoric can act as a very powerful weapon. Several testimonies illustrate this shift in perception. As one union leader put it, “people shouldn’t have been afraid to lose their job due to relocation threats, but fear is a feeling, and is not rational. In fact, they play out very strongly on the psychology and consciousness of the workers.” And another one to

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87 Initial investment is estimated at €1.3bi (Handelsblatt, 20-21.6.2003).
89 For example Handelsblatt, 25.6.2003.
92 Interview, member of Berlin-Brandenburg employers’ association VME, 10.11.2003.
93 Schroeder 2003. ‘BMW und Leipzig: Standortwettbewerb durch Clustering’, in Das neue Deutschland, 16. Juli. The extremely high flexibility of the working-time model was designed to quickly react on changing product demand—with which BMW expects productivity gains of around 20 per cent.
confess, “we have wrongly appraised the relocation threats... we have underestimated the threats and intimidations”. 96

Two remarks conclude this section. The union’s dismissiveness of the relevance of threats, other than pure rhetoric, leaves a puzzle. I can think of one plausible interpretation: by denying a economic basis to relocation threats IG Metall might seek to suppress member fear and embolden militancy in a context of structural decline. Second, the German economy has further internationalised over the last couple of years, both in terms of FDI and trade openness (Table Two and Three). This should not be taken as evidence that capital is fully mobile across borders, but it provides some modest support to the idea that employees’ fears of job losses related to possible outward FDI have a material basis, and are thus, at least to some extent, “legitimate”. To sum up, this section has shown that employers’ intimidation campaign consisting of harassment and exit threats, which reached unprecedented levels for German standards, mattered a lot. 97

[Table Two about Here]

[Table Three about Here]

(7) VSME: enfant terrible of the Wild East

The employers’ association of Saxony, the VSME, is the heavy weight of all the regional employers’ organizations in the East, owing its comparatively large influence to the big size of its industrial complex. The East German metal industry is far from being homogeneously distributed across the territory. The industrial disparities date back to the pre-socialist times as well as to the inheritage of DDR-era industrial policies. 98 In the 1990s, old industrial centres such as Chemnitz, Dresden, Leipzig, Halle, Zwickau, Bautzen or Eisenach —of which most lie in Saxony—have been targeted for new developments by new domestic and foreign investors. Table Four shows the industrial disparity for the metal sector in the five East German Länder. Table Five shows data for membership and density of selected East German employers’ associations. 99

[Table Four about Here]

[Table Five about Here]

Clearly, Saxony hosted one third (34 per cent) of all eastern German firms and slightly more than a third (35 per cent) of total employees in the metal industry in 2002—tendency

96 Interview, IG Metall delegate at BBS district organisation, 13.11.2003.
97 Interview, IG Metall representative at BBS district organisation, 14.11.2003; and Interview, deputy head of IG Metall regional office in Dresden, 25.11.2003.
98 Schroeder 2000, p. 207.
99 It should be emphasised that the Berlin-Brandenburg VME employers’ association was organising both more firms and more employees in 2002. This is partly an effect of West Berlin being counted together with East Berlin and Brandenburg. Indeed, in 1998, the last year for which Gesamtmetall had separated statistics, the VSME and the VME organised 172 and 113 firms covering 36,369 and 19,890 employees, respectively (Gesamtmetall, 1998, Table 1.1 and 4). VSME’s greater importance rests also on two other factors. First, Saxony has a greater share of large firms which tend to be better organised (with higher union membership rates)(see Table Three below). Second, many firms not bound to the collective agreement have negotiated either an own company agreement with IG Metall or a recognition agreement. Still for others, the collective agreement sets guidelines for negotiations. Therefore, the criterion of the number of firms (and employees) in a given region is a good proxy for the power of that regional employers’ association.
increasing—thus highlighting its economic preponderance. But labour politics is crucially dependent on the big firms and union membership within these firms. Table Six shows the regional distribution of big firms for 1998. Saxony clearly dominates the scene with 21 large firms (or 40 per cent of the total). Since then, the importance of Saxony has increased even further with the investments of BWM (Leipzig, July 2001) and AMD (Dresden, late 2003).

[Table Six about Here]

Despite the presence of several large firms, however, the industrial structure in Saxony is characterised by mittelständische enterprises (small and medium sized companies). In 2001, large firms (>500 employees) made up around 2 per cent, medium-sized firms (500>X>100) 18 per cent, and small firms (<100) 80 per cent of total firms.

The view that the VSME is the regional high-profile organization with a peculiar, intransigent identity has developed since the middle of the 1990s. After 1995, the VSME spearheaded the offensive strategy calling for an end to the unconditional and uncritical harmonization with the West and simultaneously emphasizing the willingness to focus more strongly on endogenous development based on the peculiar economic conditions in the East. The VSME radically put the old perception upside down: instead of seeing the East as having invariably to catch up, it was the western labour market institutions that were described as overregulated, inflexible and in dramatic need of reform. The East was suddenly projected centre stage, standing for flexibility, progressive change and modernity.

The attempt to implement such ideas was due to enter a confrontation course with the union. And this is what happened. The VSME tried to circumvent IG Metall by concluding collective agreements with the CGM. To make this possible the VSME created the peak association Ostmetall (17.3.1998) in order to drive forward the regionalisation of collective bargaining, independent from western influences and interests.

Furthermore, the VSME endorsed a blocking position in the aftermath of the “Böblingen compromise” (Baden-Württemberg) concluded in February 1999. After Gesamtmetall decided not to recommend the extension of the pilot agreement on the ground that the compromise didn’t take into consideration the specificity of the East German industry, the VSME first saw itself confirmed in its course of building up distinct institutions in the East. However, when Nordmetall and the VME agreed to adopt the deal for Mecklenburg-West Pomerania and Berlin, respectively, the VSME stood alone. In the midst of token strikes, the VSME was forced to yield to mounting pressure from member firms. The VSME functionaries were unmasked in their attempt to strike a political blow to IG Metall.

(8) VSME’s active defence strategy

Before examining the specifics of VSME’s strategic behaviour shortly before and during the strike, I shall briefly discuss the flexibilisation of associational membership. In the 1990s, the setting up of non-binding “OT” organizations (“Ohne Tarifbindung-Arbeitgeberverbände”) parallel to the traditional, official employers’ association generalised

100 Interview, managing director of VSME employer’s association, 26.11.2003.
102 Schroeder 2000, p.254.
103 Ostmetall and CGM 2002 (3rd edition). Tarifvereinbarungen zwischen Ostmetall und CGM.
104 Schroeder 2000. As of 2002, Ostmetall consisted of the three regional employers’ association of Saxony, Saxony-Anhalt and Thuringia.
105 Schroeder 2000, pp. 349-351.
across Germany. In the East, the Thuringian and Berlin-Brandenburg employers’ associations were frontrunners, setting up the first “OT” associations against the background of the revision conflict in 1993. They were relatively successful in dragging a large number of firms within a short time period. The VSME followed one year later by establishing the AGS (Allgemeiner Arbeitgeberverband Sachsen e.V.), a mixed peak association organising both metal and non-metal companies. Membership at AGS was double that of the VSME in late 2003 (140 and 70, respectively). Member firms tend to be smaller at the AGS.

What are the reasons for the mounting success of these non-binding, pure service providing organizations? The creation of the parallel association was first an answer to falling membership in the official branch, in other words an effort to re-boost the visibility and increase the legitimacy and authority of the employers’ association itself in relationship to firms. More fundamentally, by making the exit option of single firms more credible without compromising the financial basis of the organization, dual associational membership was supposed to help keeping union’s demands low. In the employers’ view, it is IG Metall that bears the responsibility for the growing popularity of “OT”-type of memberships.

How did employers prepare themselves to confront the powerful IG Metall with its impressive record of quasi fifty years of invincibility? Was there a special strategy designed to maximise solidarity and resistance? At first, employers deny that any special effort to concerted action was put in place. The immediate answer provided by one VSME representative is that a united front of determined employers came about almost spontaneously as a result of the essence of the conflict—working time (historically and politically very charged in Germany – see section 4). The same official recalls how solidarity in the employers’ camp cemented, how it reached a grade that he had never thought of, and how it translated into general mobilisation with all firms turning up at the meetings organised by the employers’ association. This was completely at odds with anterior bargaining rounds on pay where companies, including the large ones, didn’t always feel concerned and where rivalries among competitors undermined collective action efforts. Did this spectacular outcome of summer 2003 really reflect the mere working of the ‘invisible hand’?

In fact there was more to it. After a second thought, the VSME interviewee recognises that a particular strategy was developed and implemented with high degree of discipline. This strategy consisted in an explicit and aggressive popularization of the theme of exit option from employers’ association among both member firms and the general public. To let the door open for single firm exits allowed to kill two birds with one stone: on the one hand, single firms were able to withdraw from the industrial conflict and hence limit plant-level production stoppages; on the other hand, and more importantly, the exit of larger firms served to remove pressure on the employers’ association and thus reduce the likeliness of sectoral breakthrough.

107 Interview, managing director of VSME employer’s association, 26.11.2003. The decline in VSME membership is consistent with the decreasing secular trend observed for the 1990s (435; 421; 334; 315; 249; 205; 184; 172; 159; 153 for the period 1991-2000), but the figure for 2002 might be somewhat low. According to Gesamtmetall figures, 110 firms were member of Saxon employer association VSME in 2002. For sure, the campaign for working time equalisation led to numerous new exits.
109 Collective agreements are too costly (Interview, managing director of VSME employer’s association, 26.11.2003).
110 Interview, managing director of VSME employer’s association, 26.11.2003.
111 Idem.
112 Idem.
113 Idem.
114 Idem.
An extract from a joint declaration ("Leipziger Erklärung") made by the five East employers’ association at the beginning of the third strike week illustrates this strategy: "We call upon the firms in our associations to continue exercise solidarity. We won’t put obstructions in the way to anyone striving for own solutions in view of the escalating conflict. We offer confidential consultations in the run-up to such a decision". Although employers presented a united front, it was the VSME and its president Bodo Finger that first thematized the active “OT”-strategy in the run-up to the strike in Mai 2003. To sum up, the VSME applied a new, unprecedented strategy, of which the passage to the “OT”-association, popularised actively and with high coherence, played the key role.

(9) VSME- Gesamtmetall relationship: a thorn in the flesh?

Individual firms did leave the employers’ association VSME. A few did so shortly before the beginning of the strike. Examples of such firms include ISE Industries Hainichen GmbH in Chemnitz (400 employees), Behr Kirchberg GmbH in Zwickau (642) and SASIT Industrietechnik GmbH in Zwickau (110). In these three cases IG Metall was successful in forcing the conclusion of company level agreements on the gradual introduction of the 35 hours week. The motives for these firms to opt out from the employers’ front include fear of production stoppages and a sense that the introduction of the 35 hours week was inevitable due to highly unionised workforce and/or broad employee involvement in warnstrikes.

A second group of firms signed a company agreement on the 35 hours with IG Metall during the conflict, thus de facto loosening membership in the employers’ association VSME. GKN, the largest car supplier to have signed a 35 hours week agreement (approximately 1’000 employees), played a central role in IG Metall’s strike strategy. The union’s strike concept consisted in a flexible strike tactic where firms were brought in and out of the strike with the aim to attain maximum long-distance effects and avoid lockouts. GKN was subject to strikes in the very first days of the conflict (June 2-June 3) and again for four days in a row at the end of the second week (June 12-15). One day prior to the resumption of industrial action in the second week of June, there were signs of nervousness among management related to the fact that it looked increasingly unlikely that GKN could

119 IG Metall 2003. Metallnachrichten, Nr.11; IG Metall 2003. Metallnachrichten, Nr.12; IG Metall 2003. Streiknachrichten, Nr.2. The Federal Mogul firm in Dresden also quit the VSME at that time, but no company agreement was signed with the union.
120 Firms include Buderus Heiztechnik GmbH (265 employees, agreement signed on 4.6.2003); Nerva Speziallampen GmbH Plauen (548, 10.6); TAC Umformtechnik GmbH Cainsdorf (47, 17.6); Karosseriewerk Dresden GmbH (407, 17.6)(IG Metall 2003. Streiknachrichten, Nr.4; IG Metall 2003. Streiknachrichten, Nr.8; IG Metall 2003. Streiknachrichten, Nr.14, and material kindly provided by IG Metall Berlin-Brandenburg-Sachsen district organisation). At most of these firms no strike took place, but the mere threat of a coming strike was enough to set in motion the negotiation and finally the conclusion of a works agreement (e.g. union members at Karosseriewerk in Dresden were willing to enter the strike)(IG Metall 2003. Streiknachrichten, Nr.14).
121 IG Metall, 2003, August.
122 Probably on June 4-5 as well.
123 Streiknachrichten, various issues.
deliver its products on contractual terms.\textsuperscript{124} In the union’s strategic calculations the firm had only one option, as the head of Berlin-Brandenburg-Saxony district organisation H. Düvel put it: “If GKN wants to supply its cardan shafts in time to the automobile producers, it has only one option: it has to exercise pressure on the Saxony employers’ association, so that finally an offer for equalisation is made”.\textsuperscript{125} GKN management decided differently. It changed its membership to the “OT” association and negotiated the gradual introduction of the 35 hours in a plant level agreement on June 18. Production at GKN resumed shortly after.

There was a reverse side to VSME’s strategy. The VSME categorically refused a change in working time regulation in the industry collective agreement. By claiming that membership in VSME was of second order priority compared to the necessity to hinder the coming into force of the shorter working week, the VSME was in fact openly questioning the industry wide bargaining (‘Flächentarifvertrag’). The hard line of the VSME meant that firms that could not bear the high cost of the conflict were recommended to leave the employers’ association, thus further undermining the already weak collective bargaining coverage rate in the East German metal industry.

The question of whom to blame for the jeopardizing of the industry collective agreement is actually a controversial one, the social partners rejecting responsibility on each other. On the one hand, IG Metall accused the VSME of defining the function of the industry wide collective agreement in an exclusive, self-interested way, and thereby imposing a political trial of strength to the IG Metall.\textsuperscript{126} The predominant view among the union was that the gradual introduction of the 35 hours-week was payable for the companies and consequently stories of a breaking down of the industry collective agreement were unrealistic and wrong.\textsuperscript{127} On the other hand, employers blame the union. The fully excessive and timely inappropriate demand of IG Metall is seen as threatening the existence of the industry collective agreement as never before, in that the 35 hours in the Fläche would be financially unbearable for many enterprises, leading to a massive exodus from the collective agreements.\textsuperscript{128}

But how does Gesamtmetall, the service provider of the Flächentarifvertrag, perceive the behaviour of the eastern employers’ association and in particular the critical stance of the VSME towards the industry wide bargaining arrangement? Interestingly, when asked about this issue, the immediate and unanimous reaction of employers’ representatives at both Gesamtmetall and VME was that there had been no internal division within the employers’ camp (VSME vs. Gesamtmetall) during the campaign.\textsuperscript{129} But all the interviewed representatives were also quick to acknowledge differences in the form, in the manners to proceed or strategy. While the VSME’s behaviour was described as “hot-blooded” and “hart”, Gesamtmetall in comparison was more “moderate” and somewhat more “compromise oriented”.\textsuperscript{130}

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{124}] IG Metall, 2003. Streiknachrichten, Nr.8. Only Daimler-Chrysler and VW have their own production of cardan shafts, but even VW seems to a certain extent to be dependent on GKN’s production (Handelsblatt, 16.6.2003).
\item[\textsuperscript{125}] IG Metall, 2003. Streiknachrichten, Nr.8.
\item[\textsuperscript{126}] IG Metall, 2003, August.
\item[\textsuperscript{127}] Interview, IG Metall representative at BBS district organisation, 14.11.2003; Interview, IG Metall head of regional office in Chemnitz, 24.11.2003; Interview, deputy head of IG Metall regional office in Dresden, 25.11.2003.
\item[\textsuperscript{128}] Interview, Manager at Gesamtmetall, 7.11.2003.
\item[\textsuperscript{129}] Interview, Manager at Gesamtmetall, 7.11.2003, Interview member of Berlin-Brandenburg employers’ association VME, 10.11.2003, and Interview, responsible for press and public relations at Gesamtmetall, 12.11.2003. It should be mentioned here that an organization such as the peak employers’ association has a political interest in not disclosing publicly internal divisions among its members.
\item[\textsuperscript{130}] Interview, Manager at Gesamtmetall, 7.11.2003, Interview member of Berlin-Brandenburg employers’ association VME, 10.11.2003.
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According to one observer, one explanation for different behaviours between the two main regional employers’ association VSME and VME has to do with the fact that Berlin-Brandenburg is a so-called ‘zebra’ district, encompassing areas that are subject to both the collective agreements of the old (Berlin-West) and new (Berlin-East and Brandenburg) Länder, whereas Saxony is not. The firms established in West Berlin, at a cost disadvantage compared to their East Berlin and Brandenburg competitors, would favour a levelling of the playing field to 35 hours. This internal tension weakens the VME. In contrast, the fact that the Saxony area is unitary is seen as one of the reasons for its “hard-line” stance.

Scratching under the surface, however, nuances in the respective positions taken by Gesamtmetall and VSME emerge. As one VME representative noted, the VSME’s active “OT” strategy is dubious because the Fläche preserves many advantages for the firms under the condition that costs are kept down, and also because IG Metall might simply strike back via the conclusion of company collective agreements.

In the press, there is also some evidence of the more conciliatory stance of Gesamtmetall. In the midst of the conflict, a speaker of Gesamtmetall qualified a company agreement signed at Buderus Heiztechnik GmbH in Neukirchen as “exemplary”. The agreement, concluded on June 4 2003, makes the introduction of the 35 hours in 2007 conditional upon the economic situation of the firm, more exactly upon reception of a certain quantity of orders. Although it is unclear whether “exemplary” here refers to a model to be followed by other single firms or whether it should be understood as a solution for the ‘Fläche’, it shows that Gesamtmetall positively assesses solutions that respect the economic situation of the firm.

Differences between Gesamtmetall and VSME become evident when seen from the perspective of the Saxony employers. Between the two alternatives of stabilising the industry wide bargaining and conceding the 35 hours on the one hand and staying firm in the debate on the 38 hours while running the risk of dissolving the institution of the Flächen.tarifvertrag on the other hand, the VSME clearly chose the second path. The VSME’s open questioning of the maintenance of an industry wide agreement in Saxony was no bluffing. In the eyes of the VSME, in times of deepening economic globalisation the cost advantage reserved to the East German metal industry is more paramount than the preservation of the industry wide bargaining arrangement. A VSME delegate provides some insights on the internal tension between Gesamtmetall-VSME: “what would have become out of the VSME”, “what about the existence of the VSME” or “are you serious” were some of the questions Gesamtmetall addressed to the VSME.

Moreover, Gesamtmetall expressed concerns about the dwindling financial contributions that such strategy unavoidably entails. All in all a union leader summarises well the ambivalent relationship between the VSME and Gesamtmetall: “The VSME does politics that does not always please Gesamtmetall. But Gesamtmetall is also pleased with the VSME.”

131 Interview, Manager at Gesamtmetall, 7.11.2003.
132 Interview member of Berlin-Brandenburg employers’ association VME, 10.11.2003.
133 Handelsblatt 17.6.2003.
134 IG Metall 2003. Streiknachrichten, Nr.4. According to a firm speaker, sales have to be increased by approximately 10 per cent for the working time reduction to come into force (Handelsblatt, 16.6.2003).
135 The industry wide bargaining institution finally didn’t completely break down because of a strong employers’ front and because the union interrupted the strike unexpectedly at the end of the fourth week. It should be remembered, however, that this outcome was not known to the employers at the start of the strike, and that the risk of a collapsing industry agreement was thus real. Interview, managing director of VSME employer’s association, 26.11.2003.
136 Interview, managing director of VSME employer’s association, 26.11.2003.
137 Idem.
(10) Attitude and role of large firms

It is well known that large firms benefit more from the industry wide bargaining institutions than smaller ones. This brings up the following question with regard to the behaviour of the VSME: whose interests did the association primarily represent during the equalisation round? Did its position reflect the preferences of the big German firms (headquartered in West Germany with subsidiaries in the East)? If so, why did these firms suddenly play with fire, risking the dismantlement of the Flächen.tarifvertrag in the East? Or was the decision making within the VSME characterised by some degree of autonomy, allowing to keep at bay specific interests?

It should be recalled that the structure of the metal industry in Saxony is mittelständisch, implying that the VSME is predominantly representing the interests of small and medium-sized enterprises. Like in other region of Germany, the conflict between small and medium sized firms on the one hand and large ones on the other hand has intensified over the last few years, the dividing line being essentially a cost issue, leading many smaller firms to exit the employers’ association.\(^{139}\) That is related to the fact that in similar, past disagreements between the social partners, large firms tended to adopt a low profile and give in to the union’s demands (for example on wage increases), as securing the industry-wide bargaining institutions was of paramount importance.\(^{140}\)

But this long-standing position of the large firms in the East fundamentally changed during the ‘time is ripe’ equalisation round. According to a close observer, there was no cleavage between small and large firms within the employers’ association during the entire campaign, but total solidarity. From the onset, the big firms supported the VSME’s controversial concept of letting those firms under increased pressure leave the organization.\(^{141}\) In fact, the big firms not only supported but also developed the active defence strategy.\(^{142}\) They were the masterminds behind the strategy, making it possible in the very first place, because they showed readiness to bear the cost of a collapsing industry-wide bargaining institution in Saxony and other parts of eastern Germany. The large car manufacturers in the West played the key role. By allowing suppliers to opt out from the system of collective bargaining (the eight company collective agreements concluded by IG Metall are at supplying firms to the automobile end producers), the car manufacturers actually increased their vulnerability to future industrial stoppages as the value added chain in the automobile industry is no longer secured by a peace obligation encompassing all producers and suppliers.\(^{143}\) This paper argues that the changing preference of the large companies has to do with globalisation pressures. On the one hand, at the dawn of a new EU-enlargement round, which will increase competitive pressure on EU producers, there is simply no room for enhancing total labour costs. On the other hand, large German car manufacturers but also other large firms such as Siemens AG have a strategic interest in keeping a divided labour movement in their home market. This allows them to keep constant pressure on the union and works councils based in the West, by playing out the workforces in the West against those in the East (i.e. by threatening to shift investment). This simply provides them with more leeway to attack the

\(^{139}\) Idem.  
\(^{140}\) Idem.  
\(^{141}\) Idem.  
\(^{142}\) Also supported by unionists’ views. Interview, IG Metall representative at BBS district organisation, 14.11.2003, and Interview, IG Metall representative in Frankfurt, department of ‘Tarifpolitik’, 21.11.2003.  
\(^{143}\) In times of globalisation firms have actually become more dependent than ever on the social peace function of the industry wide bargaining institution. Members of Gesamtmetall believe that if this institution were ever to collapse, the only alternative for an industry like the car industry would be to set up collective bargaining encompassing the entire value added chain in the sector, which would in turn secure the social peace (Interview, responsible for press and public relations at Gesamtmetall, 12.11.2003.).
high wage/high labour provisions in the West, which, German managers have been arguing for many years, are too expansive in an integrated global economy. The episode of the working time equalisation round of 2003 thus illustrates a spectacular volte-face of the large firms, unprecedented in the history of German industrial relations.

(11) What else was at stake besides working-time reduction

As mentioned earlier, the German history of industrial relations shows that working time policy has always been fought very hard between union and employers. In the case of the conflict analysed here, employers (much more than their union counterpart) were very aware of the nature of the conflict and of the high stakes involved. In an employers’ leaflet published during the third week of the strike, one reads: "The strike over working-time equalisation is not a normal (/usual) ‘Tarif’ conflict. The West German ‘Tarif’ history since the foundation of the Federal Republic shows: struggles over working time have traditionally had a different quality than the annual or bi-annual wage bargaining rounds". Not only did they perceive the specifics of the issue, but they also organised and mobilised accordingly to defeat the union. One testimony recalls how in March 2003 Gesamtmetall and VSME met at Federal Mogul in Dresden to take position against IG Metall’s demand and lay the foundations of a coordinated resistance strategy.

During the bargaining round, the union started realising that the conflict was about more than the mere reduction of working time by three hours for the more than 300’000 employees of the eastern metal industry, and this intuition turned into a firm conviction towards the end of the campaign. This awareness appears in a press release disclosed after the high-level summit of chairmen of central works councils of the automobile industry: “The industrial conflict led by IG Metall also concerns the interests of the workers in West Germany. Different working times in the East and West grant the employers the possibility to play East and West production locations against each other”. As one observer’s put it ex post: “What was at stake was something else than a staged introduction of the 35 hours week for 100’000 employees—which is risible in a country of 80 million people! There was more at stake. Their [employers’] goal was to weaken the IG Metall”. The fact that the East is also an experiment field for the introduction of new employment conditions seems to fuel this point. For example, Porsche has introduced the payment method MTM (Method-Time-Measurement) at its new plant in Leipzig, whereas in Stuttgart remuneration is still determined by piecework system, which makes one senior unionist to believe that Leipzig is only a pilot project for the broader (i.e. West Germany) application of this new measurement system.

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144 Gesamtmetall 2003, Positionen Nr. 18.
145 Interview, managing director of VSME employer’s association, 26.11.2003.
146 The press was present at the meeting. The choice of FM, a supplier to the car industry, was not a coincidence, because this was the vulnerable spot of the employers’ camp. Indeed, if strikes could be implemented in these firms, long distances effects would appear immediately, increasing the likelihood of a quick success. The “OT” strategy was probably discussed during that meeting (Interview, deputy head of IG Metall regional office in Dresden, 25.11.2003).
147 IG Metall 2003, June 23.
Second order reasons for a failed strike

The present analysis highlighting the changing interests of the largest firms as the major reason for the failed strike makes a strong case for studying employers as the key actor to understand contemporary change in labour market politics and institutions. This paper does not pretend, however, that employers’ behaviour is the sole important factor. To many observers sympathetic to the union agenda, this was a defeat of its own making. In this last section, I will highlight three secondary reasons accounting for the union’s defeat, all referring to different aspects of IG Metall’s weakness.

First, there was a solidarity deficit between workforces in the East and West. This has to be understood in the light of the strike concept. As indicated earlier, a ‘Flexi-strike’ was devised in order to avoid as much as possible long distance consequences and keep the conflict at the regional level. During the third week of industrial action, however, the tactic was changed to seek maximum long distance effects, as it became clear that pressure in the East alone was insufficient. From that moment on, several firms witnessed unlimited strike, causing first production stoppages in the West. It is at this moment that IG Metall convened a meeting (Frankfurt June 23) of leading shop stewards and central works council chairmen of the car industry to organise and coordinate solidarity.

Against most expectations, the meeting did not produce the unconditional support and solidarity upon which some union leaders had counted. This outcome goes to the heart of probably the most disputed issue in the union’s ranks after the debacle. To cut a long story short, president Klaus Zwickel accused vice president Peters and head of BBS office Düvel of deceiving (“Täuschung”) the board. The implementation of a different strike tactic was justified ex post, leading to a de facto imposition of solidarity duty on western colleagues. The Peters clan objected, recalling that in the run up to the strike, colleagues had repeatedly argued that “long distance consequences shouldn’t be a goal, but at the same time there is no strike concept which can avoid such effects in all cases. The industrial dispute has to be won in the East, but it must also be carried in the West.” In any case, the dominant opinion was that the meeting, if anything, had accentuated the internal division in the union camp. The main reason for this were the comments made by Opel’s chairman of central works council, Klaus Franz, publicly criticising the escalation of the conflict. Vice-president J. Peters was left with no choice but to confess publicly (three days before the end of the strike) “I am very disappointed with such a lack of discipline”. The public reception of the meeting and the comments by Franz clearly weakened IG Metall’s bargaining position.

One union leader emphasised the dramatic aspect of that moment: “This has never happened, that a chairman of central works council (Opel) takes position for the termination of the strike, in a firm which is not even hit by the strike and who finds himself in a region that is not the region where the strike takes place”. Another leader was simply stunned that a leading union member dares to stab workers in the back. This declining solidarity within

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150 Head of IG Metall Berlin-Brandenburg-Dresden Hasso Düvel made this point on a board meeting on June 17, 2003 (IG Metall 2003, June 23, p. 8; IG Metall, 2003, August, p. 25).
152 IG Metall, 2003, August, p.22.
156 This was acknowledged ex post in: IG Metall, 2003, August, p.50.
157 Interview, IG Metall delegate at BBS district organisation, 13.11.2003. Also Interview, IG Metall representative at Berlin-Brandenburg-Saxony district organisation, 14.11.2003 on the uniqueness of such a statement through the press and during a conflict.
the union’s ranks can be at least partly related to globalisation. Economic openness enhances the loyalty dilemma faced by union members posted as chairmen of central works councils of large companies. Asked to comment on the lack of solidarity of these works councillors, one union representative explains: “these chairmen have become co-managers, they think in the same categories as managers, concerned primarily with increasing (world) market shares, and productivity”. In such worldview, there is little room for solidarity with fellow union workers if that involves production interruptions in one’s own company. The lack of solidarity was all the more amazing, given that workers in the West were entitled to Kurzarbeitgeld.159

Second, the strike had to be interrupted because it was clear, well into the fourth week of industrial conflict, that an “escalation through the drawing of more companies into the strike was not possible” .161 This is clearly related to the organisational weakness of IG Metall in the East.162 Although union density was still high in the East in 1998 (net union density of 52.6%, higher than in the West), there was a swift decline in the period 1998-2003. Today, estimations lie between 25-30%. These figures also hide the fact that there is disproportionately high percentage of union members who are unemployed or retired. Moreover, there is a big membership deficit at most greefield sites created in the 1990s (e.g. in the chips industry; Infineon Technologies, AMD). Employers, and the VSME in particular, were very much aware of these organisational weaknesses prior to the 2003 working time campaign, as can be seen from the very detailed study on union membership trends elaborated by the VSME in February 2002.163

Last but not least, the more the campaign evolved, the more the political climate turned against the union. The agenda 2010 announced by Chancellor Gerhard Schröder on March 14 2003 in the midst of unemployment and protracted economic stagnation unleashed a pro-reform dynamic in which the unions were portrayed as the blockaders of necessary reforms. The unions were unable to propose a viable alternative to the programme of social cuts designed by the grand coalition encompassing all major political parties. The campaign for the 35 hours suffered from this macro-economic climate, as it was increasingly difficult ”to find coalition partners, to portray the demand positively, and to put employers under pressure”. In fact, the union was completely isolated in the struggle for the introduction of the shorter working week in the East. Even the red/green government coalition depicted the strike as stupid and unreasonable.165

Conclusion

This paper has addressed scholarly controversy about the relationship between globalisation and centralised bargaining institutions and outcomes by considering IG Metall’s campaign for the equalisation of working time conditions between East and West Germany in the first half of 2003. It has emphasised some simple but hitherto neglected manners in which globalisation affects labour market politics. The paper has argued that globalisation

159 Quote reconstructed shortly after the interview (Interview, head of IG Metall regional office in Eisenach, 27.11.2003).
162 Based on Schroeder 2003, pp. 216-230.
165 IG Metall, 2003, August, p. 45.
significantly contributed to the union’s debacle in multiple ways, which remain largely understudied by both comparative politics specialists and globalisation analysts. First, IG Metall sought to complete the last stage of the equalisation process between East and West Germany before the coming into force of the historical EU-enlargement towards the East (due May 1st 2004). Here, globalisation forced IG Metall’s agenda, as the union understood that increased competition might render any equalisation on a 35 hours basis more difficult, if not simply impossible. Second, employers’ vehement opposition to equalisation built on a labour cost argument emphasizing potential losses in international competitiveness and/or jobs to low wage countries. Third, employers’ rhetoric (exit threats, intimidation) was instrumental in splitting plant-level workforces by inducing fears of job losses and instilling an anti-union climate in society. Fourth, the ‘time is ripe’ bargaining round set a precedent in the history of German industrial relations in that the largest firms, under the auspices of the umbrella association VSME, openly questioned the industry wide bargaining institution—and its social peace function—in an offensive move to better defeat IG Metall. I argued that the changing preferences of the large firms have, at least partly, to do with pressures emanating from globalisation.

The present analysis of ‘globalisation effects’ on national political economies has stressed more subtle ways in which globalisation might affect labour market politics, thus challenging most of the traditional work in political economy of globalisation focusing on relationships between trade and investment flows and centralisation of bargaining and outcomes. I have built an argument showing how threats of exit and (increased) competition affect industrial relations even without showing-up as flows. Such analysis has far-reaching consequences for the study of contemporary change in advanced industrialised countries. Where some see the forces of high unemployment, low growth, de-industrialisation or technology-, and/or gender-induced changing labour market structure at work, there might actually be a globalisation logic underpinning. The offensive of the metal employers in late 2003 and early 2004, demanding a working time ‘opening clause’ that would have practically paved the way for a generalised working time extension, is a good example. Without the political momentum gained by the globalisation-induced debacle of the union in summer 2003, Gesamtmetall would have never launched such a staunch assault on the power base of IG Metall.

How can the large West German car manufacturers live with an institution that no longer fulfills one of its most important mission, namely securing through a peace obligation the entire value added chain in the sector? Will employers apply the tactic and strategy deployed for the first time in the East to the West? And if so, what will be consequences for the West German system of industrial relations? It is too early to give final answers to these questions, but it is certain that German employers will have a major say in future developments. But assessing the future on the actual conducts of employers, the prospects for stability look rather bleak. Analysing the causes of IG Metall’s historical defeat, Gesamtmetall stresses that “our organisational and political reaction to the strike has made attacks on us more difficult”, adding that it reserves itself the right to behave identically in the West (i.e. using the “OT”-strategy). IG Metall is aware of the danger, and seems to get prepared to face it. Furthermore, Siemens (170'000 employees in Germany in 2003) mentioned the possibility of quitting the employers association in the week following the new agreement in the metal industry in February 2004, saying that the deal “was a step in the wrong direction”. Knowing that Siemens did this for the first time ever, and that the firm is known as a long-standing supporter of the Flächentarifvertrag, it is a pretty alarming signal.

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Interview, member of works council and local union leader responsible for strike, 13.11.2003.
Interview, IG Metall representative at Berlin-Brandenburg-Saxony district organisation, 14.11.2003
Interview, IG Metall representative in Frankfurt, department of ‘Tarifpolitik’, 21.11.2003
Interview, IG Metall head of regional office in Chemnitz, 24.11.2003
Interview, managing director of VSME employer’s association, 26.11.2003.
Interview, head of IG Metall regional office in Eisenach, 27.11.2003.
Table One: Thematic breakdown of the 38 arguments presented by VSME, 2003

<table>
<thead>
<tr>
<th>Loss of Jobs</th>
<th>Loss of Comparative Advantage</th>
<th>Hindrance to Catching-up</th>
<th>Inappropriate Conjuncture</th>
<th>Survey – Workers’ Opinion</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 (33%)</td>
<td>12 (28%)</td>
<td>5 (12%)</td>
<td>4 (9%)</td>
<td>1 (2%)</td>
<td>7 (16%)</td>
</tr>
</tbody>
</table>

Source: Website of VSME employers’ association
Note: The total number of arguments is 43 and not 39, because some leaflets entail more than one argument.

Table Two: Share of Foreign Employment as a Percentage of Total (Foreign and Domestic) Employment, Metal Industry, 1995-2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23</td>
<td>24</td>
<td>26</td>
<td>29</td>
<td>30</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Statistisches Bundesamt, Produzierendes Gewerbe, Fachserie 4; Reihe 4.1.1., various years; Deutsche Bundesbank, Kapitalverflechtung mit dem Ausland, Statistische Sonderveröffentlichung 10, various issues.

Table Three: Trade Competition in Metal Industry (Exports+Imports/Production), 1995-2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94</td>
<td>98</td>
<td>104</td>
<td>106</td>
<td>111</td>
<td>118</td>
<td>121</td>
</tr>
</tbody>
</table>

Source: Statistisches Bundesamt, Produzierendes Gewerbe, Fachserie 4; Reihe 3.1., various years; Statistisches Bundesamt, Fachserie 7; Reihe 7, Aussenhandel nach Länder und Güterabteilungen der Produktionsstatistiken, various years.

Table Four: Employees and firms in the East German metal industry, 1995 and 2002

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Firms</th>
<th>Employees</th>
<th>Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Berlin-Brandenburg</td>
<td>123,531</td>
<td>35</td>
<td>880</td>
<td>28</td>
</tr>
<tr>
<td>Mecklenburg-West Pomerania</td>
<td>20.633</td>
<td>6</td>
<td>157</td>
<td>5</td>
</tr>
<tr>
<td>Saxony</td>
<td>105,840</td>
<td>30</td>
<td>1,020</td>
<td>33</td>
</tr>
<tr>
<td>Saxony-Anhalt</td>
<td>51,224</td>
<td>14</td>
<td>514</td>
<td>16</td>
</tr>
<tr>
<td>Thuringia</td>
<td>53,243</td>
<td>15</td>
<td>561</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Gesamtmetall, Betriebe und Beschäftigte in der Metall- und Elektro-Industrie, 1995 and 2002
Note: Berlin includes Berlin West and East.
Table Five: Density and Membership of East German metal employers' association, 2002

<table>
<thead>
<tr>
<th>Region</th>
<th>Org.</th>
<th>Total</th>
<th>Density</th>
<th>Org.</th>
<th>Total</th>
<th>Density</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nr.</td>
<td>Nr.</td>
<td>%</td>
<td>Nr.</td>
<td>Nr.</td>
<td>%</td>
</tr>
<tr>
<td>Berlin-Brandenburg</td>
<td>59.897</td>
<td>96.660</td>
<td>62</td>
<td>228</td>
<td>958</td>
<td>24</td>
</tr>
<tr>
<td>Saxony-Anhalt</td>
<td>7.982</td>
<td>44.453</td>
<td>18</td>
<td>70</td>
<td>611</td>
<td>11</td>
</tr>
<tr>
<td>Saxony</td>
<td>30.758</td>
<td>125.211</td>
<td>25</td>
<td>110</td>
<td>1.384</td>
<td>8</td>
</tr>
<tr>
<td>Thuringia</td>
<td>15.133</td>
<td>71.844</td>
<td>21</td>
<td>67</td>
<td>846</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Gesamtmetall, 2002, Table 1.1 and 4, own calculations. Data not available for Mecklenburg-West Pomerania

Key: Org.: organised in employer association

Table Six: Regional distribution of the largest firms (>500 employees) in the East German metal industry, 1998

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
<th>%</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berlin East/ Brandenburg</td>
<td>10.715</td>
<td>19.3</td>
<td>9</td>
<td>17.0</td>
</tr>
<tr>
<td>Mecklenburg-West Pomerania</td>
<td>7.589</td>
<td>13.6</td>
<td>8</td>
<td>15.1</td>
</tr>
<tr>
<td>Saxony</td>
<td>23.835</td>
<td>42.8</td>
<td>21</td>
<td>39.6</td>
</tr>
<tr>
<td>Saxony-Anhalt</td>
<td>4.573</td>
<td>8.2</td>
<td>6</td>
<td>11.3</td>
</tr>
<tr>
<td>Thuringia</td>
<td>9.000</td>
<td>16.2</td>
<td>9</td>
<td>17.0</td>
</tr>
</tbody>
</table>

Appendix One:

Anzeige der Arbeitgeber in der Chemnitzer Freien Presse, Juni 2003 (VSME advertisement in the newspaper Chemnitzer Freien Presse, June 2003).