

ARITAKE-WILD

Joint European Level Social Partners'
Work-Programme 2009 – 2010

Joint Study on Restructuring in the EU27
- Final phase

Germany

Summary note of the meeting that took place in
Berlin on 31st March and 1st April 2009

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ARITAKE-WILD
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Introduction

The twenty-second seminar in the joint European level social partners' project, “Joint study on restructuring in the EU27” took place in Berlin, Germany on the 31st March and 1st April 2009. It was attended by the German social partners, European social partners and experts – an attendance list is attached as appendix one.

The Project coordinator, Alan Wild, opened the meeting explaining the background to the project in the context of previous social partners' work programmes and the work already undertaken on restructuring in 21 Member States. He explained that the current phase of the project would facilitate a review of restructuring in every member state of the EU. A major conference will be held in January 2010.

He stressed the importance of good and open debate in helping assure a high quality contribution to the overall project from Germany.

German national dossier – section one

The project expert for Germany, Antonio Dornelas presented the first section of the German National Dossier – “A macroeconomic review of restructuring in Germany” (slides attached as appendix two). At the end of the presentation he left the German social partners with the following questions;

1. Are the current demographic and immigration trends sustainable into the long run?
2. What can be done to improve educational attainment and the skills structure in Germany?
3. What changes, if any, on the flexicurity patterns are desirable for the near future in Germany?

Following the presentation, the points summarised below were made by those present to further explain the context in which the report had been drafted, to add new information and, to help shape conclusions in order to contribute to the content of the final national dossier. In the event a number of comments related to the role of the social partners in the prevailing economic and financial crisis;

- ✧ Germany's specialisation in high quality manufacturing industry is not a weakness but the country's longer term source of competitive advantage;

- ✧ Real educational attainment information and data using only measures of formal qualifications is unreliable and misleading as much of Germany's education strength is based on apprenticeships and training inside the typical German SMEs, well known as "Mittelstand";
- ✧ The data on pages 10 and 14 of the report need to be checked for accuracy - it appears that the data on page 10 adds to more than 100%;
- ✧ Productivity growth comparisons with Central and Eastern European countries are not particularly helpful given the low point of departure in the comparator countries. In real terms Germany continues to be highly competitive as it is one of the export champions of the world – which is why the country is being damaged severely by the financial crisis;
- ✧ The dossier draws attention to pay moderation and real wage reductions in recent years. It should also make the point that income inequality has increased over the same period;
- ✧ The German approach to the crisis in focussing on job retention makes good historical sense. There was a major problem following the last recession with the upswing being slowed by hiring difficulties;
- ✧ To date Germany has been less severely affected by the economic crisis, partly through the intensive use of the partial unemployment scheme "Kurzarbeit", but this may simply be a time lag and may not continue;
- ✧ The German workforce may be characterised by older people and relatively high long term unemployment, but there is some light at the end of the tunnel. The new Harz laws have increased employment flexibility and things are moving in the right direction. The labour market is becoming better equipped to deal with current and upcoming challenges;
- ✧ The report uses generic data in describing the nature and extent of restructuring. In fact there are substantial sectoral differences that could be highlighted in the report. This would enable more meaningful conclusions to be drawn;
- ✧ The German economy has a series of inbuilt stabilisers which assist in mitigating the effects of the crisis and hence the money spent on crisis management is much higher than seems on the surface from demand generating initiatives. At the cornerstone of the anti crisis strategy are negotiated agreements to protect jobs through the more flexible use of working time;
- ✧ It would be useful to capture the enormous amount of internal restructuring that has taken place within organisations. Internal restructuring to maintain competitiveness is a key part of Germany's long term economic success;
- ✧ The report should highlight the size of public utilities and the significance of their contribution to the German economy;

- ✧ The report should pick up the role of the state as an employer where there are close to two million workers.

The German national dossier – section two

Antonio Dornelas presented the second part of the German dossier “The role of the social partners in restructuring” (slides attached as appendix three). The social partners were asked to consider the following questions;

1. What can be done to further improve the role and the effectiveness of social dialogue at national, sectoral and enterprise level in restructuring?
2. How can the social partners influence restructuring behaviours in smaller organisations where works councils do not frequently exist?
3. What are the expected effects of the current crisis on the German model of social market economy and what new initiatives are crisis hit companies taking?
4. What changes, if any, do the social partners see as being necessary on the public policy front to tackle the current crisis?

Following the presentation, and in similar fashion to the discussion of section one above, the points summarised below were made by the seminar participants. Again much of the discussion centred on anti-crisis actions. It was also felt that the section on collective bargaining needs to be reviewed and revised taking into account the comments below;

- ✧ The role of trade unions in influencing works councils in the “dual system” should not be underestimated. For the most part the experts that advise works councils are trade union officials;
- ✧ In reality, in the German dual system (pay bargaining and restructuring system) there are strong linkages between the two elements. Sectoral collective bargaining agreements provide considerable flexibility for local adaptation within their terms and give room for manoeuvre at the local level;
- ✧ The report does not capture the extent to which restructuring is a part of normal everyday life in Germany. Sometimes certain forms of restructuring are more frequent at certain times but change is an underlying constant in the German workplace;
- ✧ Care needs to be taken on the definition of restructuring. Restructuring is often seen as incorporating only those events that have a significant quantitative employment effect. In Germany, the concept is much broader and takes internal restructuring into account. Internal restructuring in Germany reduces the need to resort to restructuring involving job loss;
- ✧ Restructuring in the public sector is very important with the government employing around 1.8 million workers. In this case the restructuring most often takes place without recourse to major job loss – but it is nonetheless substantial restructuring;

- ✧ It is suggested that around 50% of German companies have undergone restructuring since 2003. This is not a concern but a sign of strength of the system;
- ✧ The question is asked in the dossier whether the German system is under pressure. The evidence to date is that the system has more than proven its worth in the current climate;
- ✧ A key aspect of the German approach to restructuring is the autonomy of the social partners which is enshrined in the country's constitution. Most things are resolved without government involvement;
- ✧ It is rather negative to present data that shows that only 50% of workers work in companies with works councils. The majority of companies without works councils are very small and in these cases extensive dialogue takes place without formal structures. In the smallest companies the owner is a co-worker and in small businesses in the craft sector in particular, trade unions remain strong. Important in this respect are so called "opening clauses" which offer the social partners the opportunity to engage in dialogue and, at the same time adapt collective agreements to specific company circumstances. Social Dialogue is less part of a system than it is part of the German psyche;
- ✧ In Germany there is perhaps not such a great difference in behaviours between small and large companies than in other countries. Large companies establish the models on pay and working practices that smaller ones tend to follow, making appropriate adjustments to suit their particular circumstances;
- ✧ The German mechanism for social dialogue has remained in place over a long period but it has nonetheless adapted very flexibly to changing circumstances. Opening clause have become an important means by which businesses can respond to different degrees of export dependence;
- ✧ The German system is more sophisticated than might first appear. It is too simple to say, for example, that there is no minimum wage. Minimum wages are set and policed by the social partners on a sectoral basis, and where necessary specific arrangements are put in place for more vulnerable workers like in the construction and post industries;
- ✧ There are differences in approach between the East and the West parts of Germany. In the East in 1989 employers' organisations had to form and trade unions had to change. Identical agreements from East to West are not practicable;
- ✧ There may be no formal social pact at the national level in Germany – but every collective agreement contains its own social pact;
- ✧ On page 32 municipal companies in the energy, transport and waste sectors should be referenced;

- ✧ The nature and extent of German collective bargaining agreements need to be reinforced. They are not simply about pay and benefits but also cover qualifications, training and apprenticeships;
- ✧ The growth of single company agreements is a natural development because of differing company interests. Companies are not turning their backs on negotiations, but doing things differently. This should not be seen as a negative phenomenon;
- ✧ Foreign employers looking at Germany from the outside tend to criticise codetermination, but when they live and work in the system they tend to change their mind. They most often see that consensus leads to rapid action and less litigation;
- ✧ The most specific dimension of social dialogue in Germany is the autonomy of social partners without any intervention of the state.

Joint EU social partners work relevant to restructuring

Representatives from the European social partners presented their recent work in the area of restructuring (slides attached as appendix four).

Case study one – Nordoberpflatz

The Nordoberpflatz case study is described fully in the national dossier.

Case study two – Daimler-Benz

The Daimler-Benz case study is described fully in the national dossier.

Case study three - Currenta

The Currenta case study is described fully in the national dossier.

Summary discussion

Following the presentations, discussion and case studies, the European level social partners made the following broad observations;

- Valeria Ronzitti explained that she was very impressed with the emphasis placed on anticipation of change, the maturity of relationships and extent of trust and preparedness to compromise. She would however have liked to have heard a more detailed discussion on more controversial issues like the gender pay gap and the reasons for it or the need for modernisation in work organisation and social dialogue in certain areas of public services,
- Liliane Volozinskis commented that she had learned a lot about the famous “tariff autonomy” and the relevance of the “opening clauses” in providing flexibility at all levels. This filled in a lot of gaps in her knowledge and understanding. She would have liked to have seen a small business case presented. Areas that remained questions for her were the role of the national social partners in anticipating long term changes like ageing, structural unemployment, dependency ratios and education; that there had

been no discussion about the integration of migrant workers; and the role played by other stakeholders outside the social partners such as regional authorities in case of restructuring .

- Maria Helena André reflected on the discussion of the nature of restructuring, saying that for her the definition necessarily involved changes with negative consequences for workers. She said that she had heard a robust defence of the German system and highlighted what she saw as strengths – transparency, trust, willingness to compromise, knowledge and healthy relationships. Finally she reflected positively on the German emphasis on “saving jobs” when there was a substantial debate taking place at the European level associated with not preserving jobs but allowing so called “destructive change” to take place.
- Steven D’Haeseleer was impressed by the consensual atmosphere in which discussions had taken place and also commented that the discussion had enabled him to understand the German system and psyche better. For an outsider the key issues to be addressed were ageing and employment and productivity growth where there is a key role for social partners to influence policy makers. In the short term it was clear that the German approach to flexible working in the crisis was being looked at admiringly from outside. The key short term issue remained the sustainability of this approach if the crisis is prolonged and the effect on social partner relations if companies resort to more job losses.

At the end of the meeting, the social partners were thanked for participation in the meeting and for their positive engagement in the process. Particular thanks were offered to Matthias Thorns of the BDA for his efforts in organising the meeting and to the interpreters for making the discussions possible.

APPENDICES

1. Attendance list for the seminar;
2. “A macroeconomic review of restructuring in Germany” – Expert presentation;
3. “The role of the social partners in restructuring” – Expert presentation;
4. “Joint EU social partners work relevant to restructuring” – presentation by the European level social partners.

