

The collective agreement '*Zukunft in Arbeit*' in the Metal and Electro Industry of North-Rhine Westphalia – An innovative instrument for facing the crisis?

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1 Introduction

Bipartite autonomy in collective bargaining has an outstanding value within the political and economical system of Germany. The institutional disjunction between this autonomy in collective bargaining and labour management regulation (*duality*) can be described as the central attribute of the social dialogue. As collective actors trade unions and employers' associations thereby negotiate and arrange sales terms of labour (wages and salaries, working time, general conditions of employment relationships etc.). In contrast workers' councils and business management regulate working conditions on company level – excluding measures of labour disputes. Collective agreements are legally binding as long as they keep in line with the statutory minimum standards. They are usually concluded at the branch level by the appropriate trade union and employers' association and hence cover one branch (or parts of it) and either a region or the entire country. Due to path dependency from the post war area, social order and economic governance in Germany is not characterized by the strength of the state to date, but by a politically managed balance of power between social partners and corporatist patterns of social organisation.¹ This framework enabled the fine-tuning of the relative power of unions and employers' associations, which is essential for the German model of social partnership.

This model includes established structures of workers' participation and co-management in Germany (and especially in the federal state of North Rhine-Westphalia (NRW)) which offer particular options in terms of product and process innovations as well as in regard to the creation of new collective contractual regulations.² The following case study demonstrates in an excellent manner that the social dialogue in NRW is based on established forms of consensus finding as well as the approved utilisation of instruments for political and economical problem solving strategies especially in times of crisis. Moreover, an innovative collective agreement between the employers' association METALL NRW³ and Germany's biggest sectoral trade union 'Industriegewerkschaft Metall' (IG Metall) was negotiated for the metal and electro industry in NRW in February 2010. Since that time it has been adopted by many other federal states in Germany. The emphasis of the social partners has been the protection of employment during the crisis period. The collective agreement, named '*Zukunft*

¹ STREECK and HASSEL 2003

² ZAGELMEYER 2010

³ 'METALL NRW' represents 20 to 25 per cent of the German metal and electro industry. About 1,500 companies plus 200 without collective bargaining coverage are members of 'METALL NRW' (a total of 5.000 enterprises). The association is a consortium of 26 alliances in NRW, dominated by mid-sized companies (in contrast to Baden-Württemberg and Bavaria). It does not represent companies of the steel industry.

in Arbeit⁴ can be divided into three components (regulation of working time as a measure in terms of crises management, future-orientated educational opportunities, (slight) wage increase) including the following central solutions:

- establishment of a new type of short time working including subsequent possibilities of working time reduction with (a partially) wage adjustment
- improved possibilities for a 36-month hiring of former trainees combined with the option of accumulating money for their own qualification within the first third of this period⁵
- single payment of 320 € for jobholders and 120 € for apprentices including a low percental increase in 2011

All in all the current crises situation shows that the breakdown of the labour market can be avoided by the use of broad based stimuli, on side of labour market tools as well as with instruments implemented by collective bargaining ⁶ Nevertheless all of the outlined tools and instruments would have been restricted if the crisis had lasted for a longer time.

1.1 Profile of the sector

With about 3.6 million workers the metal and electro (M+E) industry is the largest industrial sector in Germany. In January 2010 the chairman of the IG Metall, Berthold Huber, said that about 700,000 jobs are located in NRW. The M+E industry in NRW is dominated by medium-sized companies. More than three-quarters of the companies have fewer than 200 employees. Large companies are for example the Ford plant in Cologne, Opel in Bochum or the automotive supplier Hella, having six plants in NRW.

Ten fields of industries are covered by the metal and electrical industry in NRW (e.g. the mechanical, electrical, automotive, steel forming industry). The M+E industry in North Rhine-Westphalia achieved a turnover of around EUR 144 billion annually. Much of it is earned in exports. Overall, nearly two thirds of M+E jobs are directly or indirectly dependent on exports. On the other hand, nearly half of the German market for M+E products is already provided by foreign suppliers.

⁴ The purpose of the collective agreement 'Zukunft in Arbeit' (Engl.: 'Future in Work') was to open up new perspectives of labour and employment by means of a new scheme of short time work agreed through collective bargaining.

⁵ The collective agreement 'Zukunft in Bildung' (Engl.: 'Future in Learning') is an additional contract to the collective agreement 'Zukunft in Arbeit'. It focuses on educational measures and provides the opportunity of accruing money, which can be invested in further approved business qualification and learning.

⁶ MÖLLER 2010, p. 326

1.2 Purpose and methodology of this case study

The aim of this case study is to analyse and demonstrate the consensus way in which employers and workers representatives passed through the crisis in order to avoid redundancies and to keep the highly skilled workforce in employment until the shrinking economy reached its turning point and started growing again.

Situation prior to the action taken by the social partners

Social dialogue and social partnership play a prominent role in Germany. The principle of partnership is normally implemented on different levels and by the creative interaction between employers and employees, employers' associations and trade unions with the aim to resolve conflicting interests through consensus politics.⁷ In this context, collective bargaining in Germany is a success story and has become a mainstay of the social market economy. Like none other, employers or employers' associations and trade unions are in a position to assess the economic situation of their industry or their company and make arrangements acceptable to both sides.⁸

The industrial relations have also contributed to a high degree of social harmony. For example, comparatively few hours were cancelled because of strikes in Germany in the past. In the European neighbourhood, there have been less industrial disputes only in Switzerland. In Britain, however, were six times more hours of strikes, in France 20 times more and in Spain even 35 times more.⁹ Within the context of our case study one special phenomenon of the past years must be recognized. Employers, trade unions and works councils in the German metal and electrical industry have made in recent years more and more companies agreements that deviate from collective sectoral and territorial agreements and allow an individual framework for structural adjustment at company level. Already since the middle of the 1990ies sectoral collective agreements provide opportunities for companies which are in an endangered economic position to renegotiate wages and working conditions at company level on the basis of "opening clauses" within the collective agreements to secure employment.¹⁰

Based on the established structure of this partnership, the crisis had led to an intensification of social dialogue between the union and the employer side as well as to information and consultation processes with the federal government on the question of adapting existing labour market instruments to face the crisis (short-time-work). Moreover new instruments for the support of certain sectors, like the automotive industry have been developed. One of

⁷ BODEGAN, HERZOG-STEIN, KLENNER 2009

⁸ SCHMID, KOHLER 2008

⁹ LESCH 2009, p. 12

¹⁰ GROß 2009

these instruments has been the environmental bonus (becoming popular as the so called “scrapping bonus”) for preventing a market downturn in the automotive industry.

After extended consultations with employers’ associations and the trade unions the collective agreement ‘Zukunft in Arbeit’, a package of economic measures, was appreciated by the government within the upcoming crisis. On national level the short time working compensation was extended in a first step from 12 to 18 and later on till 24 months by the federal government for example. The social partners agreed on a national “pilot-agreement” within the Metal and Electro industry, which was signed in the federal state of Baden-Württemberg. The agreement signed in 2008 includes a clause that the wage increase might be delayed up to seven months in consideration of the economic situation of a company by using voluntary work agreements on company level.¹¹

On the basis of sincere and the well-established structures for negotiations between the trade union IG Metall and the employer association Metall NRW this case study illustrates the consensual and short term process of reaching a successful agreement with an effective outcome. It documents how to deal with the crises in addition to the measures that were implemented by the federal government, implicating the points of view of the social partners, the employees as well as the companies.

Steps of research

The researchers identified responsible negotiators on side of the trade union as well as on side of the employers’ association. Based on first information that could be found in literature, the world wide web and two explorative telephone interviews a guideline including the core questions for the interviews was developed. In addition to the interviews with the representatives, a further meeting with an academic expert on questions of collective agreements in Germany was arranged. In this way the results of the two interviews could be reflected.

2Background information

Main elements influencing the social dialogue

The M+E industry in NRW consists of several lines of business, like automotive, metal processing or mechanical engineering, which can be regarded as key sectors for the nationwide as well as regional economy. Since decades a global demand can be noticed for its highly innovative products and processes. According to the innovative character of the mentioned sectors dependencies on exports have been occurred, so that the financial and

¹¹ ELLGUTH, KOHAUT 2008

economic crisis has hit the M+E industry notably. As a consequence, during the crisis 20 per cent of the work volume has fallen out of this business. Moreover 150,000 jobs (of 700,000 nationwide) have been at risk temporarily. At last the crisis proceeded far-reaching on the one hand, but not long-lasting on the other hand, so that new instruments for crisis management had to be developed, but were not utilized.

Strategies of the social partners, challenges and controversies

Due to the crisis, the IG Metall installed a so called 'Task Force' for crisis intervention. The aim of this task force, consisting of a selected consulting network, was to make enterprises crisis-proofed. Several consulting steps, like initial economically consultancy for checking the actual crisis situation of enterprises, showing long-term perspectives for job security, developing alternative concepts in contrast to the measures planned by the management or deeper evaluations of the economical situation of enterprises have been offered.

Therefore, innovative instruments e.g. tools for identifying the innovation potential of the enterprise, checklists for the installation of an economic information system in the company or strategic workshop for employee representatives were inserted. Furthermore the IG Metall gave multiple recommendations how to deal with the crisis. These ranged from strategic suggestions, like more political regulation of the financial markets or changes of the stock corporation law to concrete instruments e.g. the installation of a 'public equity fond' established by the government, that should contain 100 billion € for reducing the liquidity problems of enterprises or the continuation of short time working, enhanced by the state.

As a principal item and central instrument for the crises management the collective agreement 'Zukunft in Arbeit' can be regarded as an output of the negotiations between the two social partners, the employers' association METALL NRW on the one side and the sectoral trade union IG Metall on the other side. Although there were differences and slight tensions concerning the contractual arrangement between the social partners, no industrial action was taken. After only two rounds of negotiation the agreement was bargained for the metal and electro industry in February 2010. Efficiency, transparency and comprehensibility made a contribution to the high level of acceptance on employer's and employee's side.

Looking back at the negotiations, their efficiency based on the fact that the agenda of both sides merged into the agreement. According to the expectations of employers' representatives an expansion of the short time working, combined with a reduction of residual costs,¹² was adopted. Otherwise employees' representatives achieved establishment of a new type of short time working including subsequent possibilities of working time reduction with (a partially) wage adjustment, improved possibilities for a 36-month hiring of former trainees and single payments for jobholders and apprentices. The instrument of short time working

¹² Residual costs do not have to be paid for free periods.

was chosen to reach job security in the M+E industry,¹³ because it can (not has to!) be implemented with the agreement of workers' councils within seven days.

3 Detailed description of the case

3.1 Implemented processes in terms of the social dialogue

Actors involved

Besides the two social partners, that signed the collective agreement, the federal government plays a role in the setting up of instruments for crisis management. According to the results of the negotiation, the social partners appeal to politics to synchronise the length of entitlement of short time allowance and the refunding of the social security contributions. The federal government met these concerns of social partners. Because of the fact that the social partners developed measures and instruments autonomously, the allocation of duties can be regarded as a shifting of competences from public authorities to the actors involved.

Influences of the crisis related to the negotiations

In February 2010 the board of the IG Metall NRW officially decided to enter into early negotiations with the MET-employers. Compared to previous bargaining rounds, the negotiations went different because of the financial and economic crises. For the first time in its history, IG Metall refrained from starting negotiations with a wage claim and the announcement of industrial action. This has been judged as a clear signal and has shown the willingness to continue the successful crises management within the metall sector. From the point of view of the employers' association 'METALL NRW' the strategy has been regarded as a departure from previous years, when the union focused its demands on wage increases.

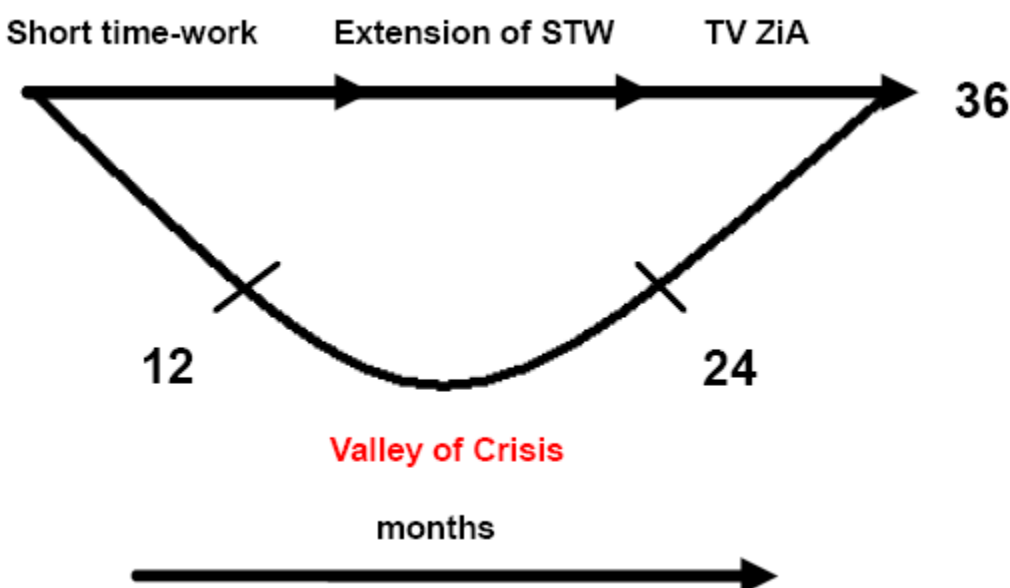
Types of agreement

During the crises bargaining round the top priority was job security. As already mentioned around 700,000 Jobs in NRW within the M+E industry and related branches could be at risk through the end of 2012 because of the effects of the economic and financial crises. Basic part of the negotiations was the so called 'Job-Package', within its scope costs for companies, e.g. fixed costs that have to be paid even if working hours were reduced down to zero (payments during public holidays leave payments ect.) using short time working were

¹³ ERLINGHAGEN, KNUTH 2009, p. 51

reduced. With the help of 'TV ZiA' the short time working compensation was extended from 24 to at least 36 months on national level (see fig. 1).

Fig. 1: Bridging the 'Valley of Crises' with TV ZiA



Source: compiled by the authors

The agreement can definitely be characterised as innovative, because it contains a bilateral approach, which focuses on working hours and the training situation in equal measure. This agreement is not binding for the whole sector, but a voluntary agreement on company level that management and works council can agree on, if the national labour market instruments to face the crisis are not lasting long enough. The other part of this agreement faces the problem to keep well trained and highly qualified employees within the company. So the collective agreement 'Zukunft in Arbeit' includes extended duties for employers concerning the possibilities of taking over apprentices after the completion of their training. Moreover the IG Metall demanded an enlargement of claims of transferences, which was not implemented at the end.

The determination of measures for strengthening training and qualification in collective agreements can be judged as a typical result within the social dialogue in NRW. In 2008 the 'Tarifvertrag zur Förderung von Ausbildungsfähigkeit' (TV FAF) was concluded. It was addressed to school leavers, who do not have the basic education necessary for completing a course of training successfully.

3.2 Outcomes: Main measures of the agreement, implementation

The former collective agreement that phased out in April 2010 was prolonged for eleven months until 31.03.2011 without any additional wage increase. Instead a lump-sum payment of 320 € was paid in two installments of 160 € (to be paid in May and December 2010).

Trainees got 120 € under the same conditions. With the effect from 1st April 2011, there will be a wage increase of 2,7 per cent with a runtime of twelve months until 31st March 2012. By works council agreement (voluntary agreement on company level) the starting point of the wage increase can be postponed or advanced for two months in total, depending on the economic situation of the company.

Basic part of the 'Crises Package 2012' is the collective agreement 'Zukunft in Arbeit'. It consists of two essential modules – wages as well as job security. In addition to the two existing crises instruments short time working and the 'Tarifvertrag zur Beschäftigungssicherung' (TV Besch)¹⁴, the social partners agreed on two new options (reduction of the residual costs of short time working, reduction of working time with wage adjustment¹⁵) companies can use by works council agreements. This clearly marks the voluntariness of works councils and enterprises that are able to decide on their own, if they make use of the agreement 'Zukunft in Arbeit' or not.

One of the main goals of the employers' association was to reduce the costs for companies using short time working. The new agreement provides the possibility for the social partners on company level to agree on a reduction of the residential costs of short time working resulting from special payments. From 1st March 2010, companies can divide special payments (Christmas and holiday bonus) into twelve equal parts. The effect is that the special payments will be considered for the short time benefits. Depending on the duration and extend of the short time working used in the company, high cost savings are possible. Without this new option, which is only applicable for companies having used short time working for longer than twelve months, employers would have to pay the total amount of all special payments. In addition, the works council agreement must have a minimum runtime of six months. During this runtime, dismissals for operational reasons concerning workers on short time working are not possible.

Another new option was passed by the extension of the 'TV Besch'. On company level, social partners can agree on a further reduction of working time but with partial wage compensation. This second option can only be used as follow-up of the first option. Thus the conclusion of a works council agreement on the reduction of the residential costs of short time working is precondition for a further agreement on the reduction of working time. That means, companies must first make use of short time working, which is more favourable for employees. The maximum duration for the working time reduction is twelve months, in general a reduction is possible down to 28 hours per working week. With agreement of the social partners on regional level (i.e. basically with accordance of the IG Metall) a further

¹⁴ The 'Tarifvertrag zur Beschäftigungssicherung' is a special collective agreement on job security, which contains tools for the prevention of job losses in times of economic crises. Its most important instrument is the possibility of short time work in conjunction with job security on the one hand and a reduction of monthly earnings on the other hand.

¹⁵ The wage adjustment is a new aspect, not the reduction of working time itself. Working hours could be reduced for a reduction of income already before 'Zukunft in Arbeit'.

reduction down to 26 hours is possible under certain conditions. The partial compensation of the employees is related to the number of working hours reduced – e.g. the partial compensation will be higher, if more working hours are reduced.

3.3 Effectiveness and sustainability

The instruments presented could be regarded as effective, because negative impacts concerning labour market developments could have been prevented in spite of heavy decreases of incoming orders.¹⁶ In fact, there is no proof, if the collective agreement 'Zukunft in Arbeit' would have contributed to job security, because it was only utilized by a very few companies.¹⁷ The reason therefore is, that the financial and economic crisis has hit several companies and branches hardly indeed, but was not that maintaining as many experts for commerce and economy expected.

The collective agreement 'Zukunft in Arbeit' can be judged as sustainable in different aspects. From the trade unions' and employees' point of view, the agreement even focuses on job security as well as the improvement of the training situation (collective agreement 'Zukunft in Bildung') besides wage development. This way of thinking and acting can be regarded as sustainable and long term-orientated indeed, pointing out that job protection and maintenance, which have far reaching psychological effects for the employees, are the central goals within the collective agreement.

Otherwise 'Zukunft in Arbeit' has been a sustainable instrument, because it was transferred to other federal states during the crises. E.g. 'Nordmetall'¹⁸ adopted this instrument for the crisis management in other federal states, like Hamburg, Bremen, Schleswig-Holstein, Lower Saxony and Mecklenburg-West Pomerania. This example shows, that similar instruments for job security could be developed and implemented in case of a new economical disclaim.

3.4 Strengths and weaknesses of the agreement

The collective agreement 'Zukunft in Arbeit' can be regarded as an innovative tool, based on a massive solidary effort, to overcome the crisis. It is addressed to both companies/employers and employees or rather trainees. All in all it marks an option to secure employment and incomes in the M+E industry. Furthermore, it offers new opportunities concerning the training and subsequent employment of apprentices. In this

¹⁶ BURKHARD 2010, S. 38

¹⁷ From the point of view of the IG Metall only nine cases in which 'Zukunft in Arbeit' was utilised have been registered.

¹⁸ 'Nordmetall' is an employers' association in Northern Germany, acting for more than 250 enterprises of the M+E industry.

manner skill potentials can be kept up, which means a benefit for employers as well as for employees/trainees.¹⁹

4 Analysis of the case according to institutional approach theory

4.1 Effects of the crisis concerning negotiations and process of the social dialogue

Reinforcement or weakening of the social dialogue

Since Harald Schartau became chairman of the IG Metall NRW more than 15 years ago, the business relationship between the employers' association METALL NRW and Germany's biggest sectoral trade union IG Metall can be characterized as a conflict partnership, marked by a cooperative handling. This makes clear that the relationship between the social partners is notably dependent on individuals and their mutual agreement.

The extraordinary comprehension as well as the equal perception of the problem led to the fact, that an efficient and innovative labour agreement in respect of content was achieved. Based on this consensual appreciation, the crisis and the efficient negotiations involved had a strengthening effect on the relationship of the social partners. But according to representatives of both sides, primary the collective bargaining round in 2012 will show in what way the previous negotiations have influenced the dialogue between the social partners.

Changes in terms of measures agreed

'Zukunft in Arbeit' is an operative agreement for cushioning a beginning economic crisis. It is based on voluntary bargaining company agreements as well as on flexible premiums and special payments. Thus it offers bridging structures, which are specifically fitted to the demands of the employees and their company. Anyway 'Zukunft in Arbeit' is not an instrument for a strategic, anticipation of prospective crises and processes of change.

4.2 Effects of the crisis concerning the focus on target groups

The collective agreement discussed is a regional and sector-orientated instrument, which is – besides apprentices – limited to standard employment relationships. It was implemented crisis-induced and marks a pure instrument of crisis management.

¹⁹ IG METALL BEZIRK NORDRHEIN-WESTFALEN, METALL NRW 2010, p. 4

This might lead to think that in case of a “common” economic development the tariff debate will probably focus on monetary aspects again. But current debates within the IG Metall with focus on improved hiring of former trainees, the regulation of temporary employment and (especially in NRW) work life balance are valid arguments against this assumption.

5 Conclusion

One of the conditions of success for the future is the development of solution-orientated ways of thinking as well as strategies, which require a trustful relationship between the social partners.²⁰ In NRW this relationship was marked by a positive tenor of controversy in the past, when the conflict of interests focused on wages most of the time. The corporate development of methods of resolution led to a shared diagnosis in reference to labour market policy challenges within the framework of the financial and economic crisis. As a well structured and well organised sector, the metal and electro industry was in close and regular contact with the political decisions processes to deal with the crisis and could extend the possibilities of short term work due to this voluntary collective agreement on company level. As a matter of fact, the agreement was signed at the beginning of 2010 in the perspective that national short time work allowances probably would not last long enough. But the German economy reached its turning point just a few weeks later and starts growing again. As an effect of that trend just a very few companies need to establish the agreement “Zukunft in Arbeit”. That is why a scientific and quantitative evaluation of this tool cannot be presented.

The collective agreement ‘Zukunft in Arbeit’ does not follow socio- or labour market-political discussions in Germany. These have focused on topics, like skilled labour needs, the achievement of a women quota of board members, the compatibility of family and working or minimum wages during the last months.

In spite of the fact, that ‘Zukunft in Arbeit’ is a more reactive instrument besides socio-political debates named above, it can be judged as a suitable instrument for the crisis management. The possibility of a temporary extension of short time working in case of a long(er) lasting crisis especially has a psychologic effect in this respect, that jobs in the M+E industry are secured for a longer period of time (until 2012).

²⁰ MÖLLER, WALWEI 2009, p. 10

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