

Foreign Labor Developments



West German labor unrest: are unions losing ground to worker councils?

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In the years following World War II, West Germany has emerged as one of the world's strongest industrial powers. Traditionally, the German economy has enjoyed a strong rate of economic growth and high levels of productivity, coupled with low inflation and unemployment.

A great deal of the credit for this "economic miracle" has often been attributed to the cooperative labor relations system in West Germany. Rejecting the adversarial industrial relations framework which has evolved in the United States, the Germans have relied on a cooperative partnership between government, labor unions, and employers to foster a strong shared commitment to economic growth. Labor conflicts have been minimized and days lost to strike activity are among the lowest in the world.

Components of the system

By law, industrial relations in West Germany is practiced within the framework of two separate sub-systems. On the one hand, national legislation has provided for a comprehensive and participatory structure for representing worker interests at the company or plant level, which is specifically referred to as codetermination and uniquely characterizes the German approach. At the industry level, on the other hand, a system of collective bargaining exists which is similar yet reduced in scope to that found in the United States.¹

The legislated codetermination structure provides for representation of worker interest at three distinct levels: worker councils, labor directors, and worker-elected members on the board of directors. In practice, the German system functions as follows. Worker councils are required in all plants having five employees or more, with the size of the council based upon the number of employees. These councils have rather broad, far-reaching powers, which include an equal say with management in (1) job evaluation, (2) overtime, breaks, and holiday schedules, (3) recruitment, selection, and dismissal, and (4) training and safety. Strikes over

these matters are prohibited by law, and disputes are usually resolved through binding arbitration.

The second level of the codetermination structure involves the labor director who, as a member of the company's management team, is in charge of day-to-day operations. As a representative of the interests of the workers, the labor director is responsible for the personnel and social policies and practices of the company.

Finally, the third level of representation in the codetermination structure consists of worker-elected members of the company's board of directors. In many instances, boards are made up of an equal number of worker and stockholder representatives. Boards are charged with electing a chairperson who, in the event of a tie, votes twice. If the board is deadlocked on the choice of a chairperson, a simple majority of the stockholders' representatives is sufficient for election. Thus, while parity board representation is often championed as an important feature of the German system, the provisions for electing a chairperson and breaking ties effectively ensure that stockholders' interests will prevail even when the board as a whole is deadlocked.

The second major component of the German industrial relations framework is the collective bargaining system, which takes place primarily at the state and national or industry-wide level. Labor-management negotiations are concerned exclusively with two issues, wage levels and a rather nebulous area called "general conditions of employment." Only for disputes relating directly to these two negotiable issues can strikes legally be called. While relatively influential at the national level, German unions are by comparison very weak at the plant level. In fact, unions have no legal right to represent workers locally and thus defer power and control over plant issues to worker councils.

In summary, in terms of formal structure, industrial relations in West Germany is conducted in two seemingly separate spheres, with unions playing a far less influential role than they do in the United States. However, in practice, there is substantial overlap and coordination between the codetermination components and the collective bargaining system. For instance, more than 80 percent of all worker council representatives are union members. Therefore, unions tend to play a more important role in the industrial relations framework than is evident on the basis of the formal structure of the system.

Recent developments. The strong economy and relative labor peace experienced in West Germany have been

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seriously threatened by the recent worldwide recession. The economy has been confronted with a dramatic decrease in the growth of gross national product, higher inflation, and an unsettling increase in unemployment.

Labor unions were forced to accept minimal wage increases and modest programs to guarantee job security to senior workers. The general conciliatory stance of German labor changed dramatically in the summer of 1984, when I G Metall, the country's largest union with more than 2.5 million members, staged a bitter and protracted 8-week strike in an effort to win a 35-hour workweek with no decrease in pay. The stated union objective was to reduce national unemployment by 1 percentage point to 8 percent of the labor force.

The strike was resolved with a reduction of 1.5 hours in the workweek and no corresponding reduction in pay. However, the long strike had a devastating impact on the German economy. Involving more than 350,000 workers, the strike cost German auto companies more than \$75 million per day in lost production and reduced gross national product by an estimated 2 percent. A number of firms laid off other workers in an effort to cut costs and make up for sagging productivity rates. Finally, the union's action generated a great deal of adverse public opinion.

Why had I G Metall broken with past tradition and bargained in an uncharacteristically antagonistic and unyielding manner? Surely, the projected economic costs of the impending strike were known to union leaders prior to their action. Why then did they risk upsetting the fledgling German economic recovery from the recent recession?

A glimpse into the possible dynamics of this scenario can be obtained by addressing the perceptions of German workers as to the relative usefulness and necessity of the union and codetermination components in representing labor interests. A comparison of the perceptions of these institutions could shed light on the secondary position occupied by German unions as they begin to lose their influence among German workers.

Scope of the study

The present study is part of a larger research effort which involved three major components: (1) questionnaire development, (2) questionnaire administration, and (3) questionnaire analysis.² The development of the questionnaire was a collaborative, cross-cultural effort involving both the German and American members of the research team. It was designed to collect the following information from German workers: (1) basic biographical data, (2) job satisfaction indices, and (3) attitudinal/perceptual measures concerning the various components or participants in the codetermination system—unions, management, worker councils, labor directors, and worker representatives on corporate boards.

Questionnaire administration was a coordinated effort involving the German labor unions, company managements, worker council representatives, and the German member of

the research team. Questionnaires were distributed to five large firms in the automobile and metal industries in the Munich area of West Germany. Responses were entirely voluntary and a total of 135 completed questionnaires were collected, for a response rate of 40 percent.

The questionnaire responses were analyzed from the perspective of implications for German unions in particular and the national labor relations system in general. Specifically, mean responses to the items comprising the union scale were computed and compared with similar items on the three scales representing the codetermination structure—worker councils, labor directors, and worker representatives on corporate boards. In this manner, the psychological perceptions of employees as to the relative usefulness and merits of the various components representing worker interests in the German industrial relations system can be examined.

The findings

The results of this study are summarized in tables 1 and 2. In table 1, the individual items on the four scales measuring worker attitudes towards the union, worker council, supervisory board members, and the labor director are presented. All items were measured on a 1 to 5 scale, from "strongly disagree" to "strongly agree." Item means and standard deviations are also provided in table 1.

The data in table 1 indicate that German workers place relatively little value on the labor director component of

Table 1. Attitudinal measures of German workers toward unions and three codetermination components

Item	Response rating ¹	Standard deviation
Union:		
The union is essential in representing worker interests	4.25	1.13
The union is concerned with the worker's welfare	3.91	1.12
The union has done a lot to help workers in this company	3.91	1.22
I participated often in union activities	2.59	1.49
To better promote worker interests, it would be a good idea to increase the power of the union	3.72	1.39
Worker council:		
Worker councils are essential in representing worker interests	4.47	0.93
Worker councils have done a lot to help workers in this company	4.13	1.08
To better promote worker interests, it would be a good idea to increase the power of worker councils	4.18	1.13
Supervisory board members:		
The worker members on the supervisory board are essential in representing worker interests	4.11	1.09
The worker members on the supervisory board have done a lot to help workers in this company	3.16	1.20
To better promote worker interests, it would be a good idea to increase the power of the worker members on the supervisory board	4.00	1.21
Labor director:		
The labor director is essential in representing worker interests	3.40	1.43
The labor director has done a lot to help workers in this company	2.40	1.95
To better promote worker interests, it would be a good idea to increase the power of the labor director	2.70	1.49

¹The response format for all items was: "1" = Strongly disagree
"2" = Disagree somewhat
"3" = Neither agree nor disagree
"4" = Agree somewhat
"5" = Strongly agree

Table 2. Means differences and *t*-tests of worker perceptions by issue

Issue ¹	Union mean	Worker councils mean	Degrees of freedom	<i>t</i> value	Probability
This institution is essential in representing worker interests	4.25	4.47	133	2.93	p. < .01
This institution has done a lot to help workers in my company	3.91	4.13	129	2.12	p. < .05
To better promote worker interests, it would be a good idea to increase the power of this institution	3.72	4.18	133	4.95	p. < .01

¹ For the exact wording of these issues on the union and worker councils subscales, see table 1. The issues were measured using a 1-5 scale in which: "1" = Strongly disagree
 "2" = Disagree somewhat
 "3" = Neither agree nor disagree
 "4" = Agree somewhat
 "5" = Strongly agree

their industrial relations system. In contrast, a higher positive value is associated with unions, worker councils, and supervisory board members. Interestingly, however, in terms of best representing and promoting worker interests, worker councils are perceived as more valuable and effective than unions.

Table 2 provides a direct comparison of means on three similar issues from the union and worker council scales. Correlated *t*-tests of the differences between these means are also provided, along with the associated degrees of freedom and probability levels. The data indicate that in each of the three cases, the worker council is viewed as significantly more essential and useful than the union.

The results of this study are suggestive of a hypothesis which warrants further investigation—namely, the assertion that German labor unions are responding to an erosion of support among rank and file members by bargaining more aggressively and antagonistically in an effort to justify their existence. From the perspective of German workers surveyed in this study, the worker council emerges as the most important institution representing worker interests, with unions occupying a secondary position.

Ironically, the situation which has developed in Germany is not unlike that which has evolved in the United States over the last few years. During the 1980-82 recessionary period, the trend towards union "givebacks" and concessionary contracts led to increasing disillusionment among union members. This in turn has significantly contributed to an increase in the number of decertification elections and the percentage won by management.

In West Germany, no formal legal procedures exist to certify or decertify a union. However, the right to organize is guaranteed in the constitution, and it is assumed that company management will negotiate with an existing employees' union over the mandatory bargaining issues.

Individual workers are free to join or not join a company union and thus an "open shop" is required throughout the country. In addition, all company workers, including both union and nonunion employees, are covered by the terms of an existing labor contract. Given these conditions and the standard union dues rates of 2 percent of total wages, it is not surprising to find that total union membership in West Germany is declining.

It should be noted that this study is cross-sectional in nature and is further limited by the relatively small sample size of 135. Thus, generalizations based upon the obtained results should be made cautiously. Furthermore, in the notable absence of comparable, scientifically collected historical data,³ it is not possible to delineate a trend towards growing disillusionment with labor unions in West Germany. Future research should focus on the collection of longitudinal data which would allow for the identification and charting of general trends in worker perceptions and attitudes. □

—FOOTNOTES—

¹ For an overview of the German system, see J. Schregle, "Codetermination in the Federal Republic of Germany: A Comparative View," *International Labor Review*, Vol. 117, 1978, pp. 81-98.

² For a more complete description of the methodology, see J.B. Dworkin and others, "How German Workers View Their Jobs," *The Columbia Journal of World Business*, Vol. XVIII(2), 1983, pp. 48-54.

³ B. Wilpert, "Research on Industrial Democracy: The German Case," *Industrial Relations Journal*, June 1975, pp. 53-64.