



“Summary of article by Birgit Mahnkopf: The ‘Skill-oriented’ Strategies of German Trade Unions: Their Impact on Efficiency and Equality Objectives” in Frontier Issues in Economic Thought, Volume 5: The Political Economy of Inequality. Island Press: Washington DC, 2000. pp. 221-224

Social Science Library: Frontier Thinking in Sustainable Development and Human Well-being

“Summary of article by Birgit Mahnkopf: The ‘Skill-oriented’ Strategies of German Trade Unions: Their Impact on Efficiency and Equality Objectives”

Rapid economic changes in industrialized nations have generated rising wage and income inequality in the U.S. and Great Britain and high unemployment in Western Europe. The exact causes are a matter of much theoretical debate and empirical research. The article summarized here does not attempt to resolve this debate, but rather points to three of the suggested elements - changing skill needs, increased demand for flexible labor and the declining relevance of unions - which can be linked in the German context. The author proposes that German unions could overcome their “dinosaur” image by adopting a positive strategy toward training and retraining their members for emerging skills. By encouraging adaptation rather than resistance to change, unions could hope to stabilize employment for their members by offering a functionally flexible workforce in response to employer attempts to hire for particular skills on an as-needed basis. Some German unions have begun to develop such a skill-based strategy. This project meshes well with Germany’s existing vocational training program for youth, but to be effective will need to extend to underserved groups of workers and to the retraining needs of older workers.

Industrial Restructuring

“Without a doubt, the flexibilization of labour organization, labour-time, labour contracts, wages, etc., stands at the center of efforts to achieve new industrial relations in most of the OECD countries.” [62] However the uncertainty that accompanies such a regime may prove as counterproductive for employers as it is unsettling for their employees. Some firms and unions are coming to the conclusion that upgrading the skills of the workforce is a better strategy. The changing global economy presents unions with two choices. A conservative response would entail vigorous defense of the early post-war industrial regime - its legal protections, division of labor, skill structure and employment opportunities - and resistance to technological and institutional change. An alternative approach would involve an active modernization policy which, in turn presents unions with two options: price orientation or skill orientation.

A union adopting a price orientation would respond to market competition by supporting employers’ efficiency goals either by maintaining wage increases below the rate of productivity growth, or by agreeing to flexibility in the number of workers employed. This strategy allows firms to pursue short term profitability at the expense of developing a skilled, stable workforce. The experience of the United Kingdom is instructive. “[D]espite the decisive improvement in the bargaining position of the employers (due to concession bargaining), the increase in labour productivity is far from being overwhelming....Productivity growth based entirely on cuts in

labour costs, workers' fears for their jobs and a decentralization of collective bargaining to firm and enterprise level may well prove to be a transitory phenomenon." [64] British firms view training as an expendable overhead item rather than an investment. As a result Britain lacks skilled workers in such modern occupations as software programming and engineering and even in more traditional occupations like sales and marketing. Britain is a low quality producer and its profitable electrical and electronics industries are likely to lose ground as the European marketplace restructures.

A union which adopts a skill orientation will focus on functional flexibility so that its members are in a position to acquire new skills and use them singly or in combination in response to changes in production technology or product demand. Such a union should proactively encourage a post-Taylorist regime which is able to employ a highly skilled workforce while at the same time discouraging price flexibility on the part of employers. The German auto industry offers a case in point. The institutional structure governing employment relations prevented the industry from reducing wages or displacing labor in response to competitive pressures. Instead firms were forced to generate internal flexibility grounded in stable employment and "oriented to a diversified output of quality goods based on skilled but expensive labour." [66]

The German environment is conducive to a skill-based employment strategy. The nation's competitive position relies heavily on high-value-added exports in technology-intensive industries like auto and chemicals. Heavy investment in technology reduces the share of labor costs in total costs while increasing the need for a knowledgeable, reliable workforce. German unions support a skills orientation on the part of employers and have a long tradition of demands for training.

Training Issues in Germany

While the general climate in Germany favors a skill-based employment strategy, most efforts have been focused on the initial training required for all students who do not pursue a university degree. Students spend two-thirds of their time with an employer and one-third at a vocational school. Examinations and certifications are the responsibility of quasi-public organizations. Germany's well trained youth, once considered by some to be "overtrained," are proving to be an asset in the competitive global economy.

While policies exist to promote training for adult workers, particularly when their jobs are threatened, programs are fragmented and poorly planned. Private sector training programs are unregulated and vary widely in scope and quality, often providing narrow, sector or firm-specific skills rather than general skill upgrading. Beneficiaries of private training are likely to be male, young, relatively well-educated and employed by large firms. Women, older workers and employees of small and medium-sized firms, groups most in need of skills upgrading, are likely to be left out of existing programs.

Unions are beginning to recognize a need to bargain over further training issues in order to protect older members from the risk of obsolescence. Two cases, one involving a multi-employer agreement in the metal industry, the other a major chemical firm, provide illustrations of steps taken by German unions to bring further training under collective bargaining

agreements. The metal industry union, IG Metal, negotiated a multi-employer agreement which requires the companies to consult the works council on training needs. The works council is empowered to represent workers' interests and to furnish alternatives to company proposals when appropriate. Employers bear all costs of training, which takes place on company time. Employees who are not reassigned based on upgraded skills are paid a bonus for several months. Disadvantaged groups are to receive particular attention. The incentive in this agreement is for employers to reorient production to use employees' existing skills. This agreement has not been extended to other regions, possibly because companies "are concerned that unions and works councils could use plant-level training measures to gain access to firms' decision-making processes concerning investment and technology above and beyond their existing legal rights to information and co-determination under German law." [73]

A very different type of agreement was signed between Shell and several large unions. This contract, effective in 1988, "treats voluntary further training time as an alternative to a reduction of working time; and as opposed to the training programmes [described above] ... it helps no employee to a claim for a higher position and higher wages." [73] This agreement has received favorable attention from employer groups throughout the chemical industry. This approach to training favors white collar and highly skilled technical workers who prefer flexible schedules and advanced training with hopes of promotion. These workers are an increasing share of employment in the industry. The agreement is less compatible with the needs and interests of blue collar workers who work fixed shifts and would derive no increase in pay from increases in training. Training under this regime takes place outside of work hours.

Employment in Germany is very segregated by gender. Even where men and women do the same work, women may make less. Women in the metal industry, for example, make one-third less than men for doing the same work. A few training programs in stable or expanding sectors have targeted women, but firms which employ large numbers of low-skilled women have not made any effort to upgrade women's skills. Collective agreements, generally negotiated in Germany at a multi-employer level, are needed to extend training to unskilled women. However, discussions of discrimination and the status of women are just beginning within German unions. Although firms play an active role, the youth training system in Germany is administered on a public basis where it is appropriate to evaluate programs in light of social justice concerns. The question of further training for adult workers, however, is becoming more and more a matter defined by companies. "Thus private firms can determine, on the basis of profitability considerations, which groups of employees will receive additional qualifications and who must obtain them during or outside working hours by way of a 'voluntary' commitment." [77]

The demand for training is likely to be concentrated among a worker elite who pursue educational endeavors in order to better position themselves economically. This stance, with its expectation of an individual payoff to learning, conflicts with the labor movement's traditional basis in solidarity among workers. Unless there is public intervention on behalf of the unskilled and those whose skills become obsolete, large numbers of workers face exclusion from the formal labor market.