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## **Different worlds? Trade unions in the European crisis**

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### **Abstract**

While the landscape of European trade unionism has always been multifaceted, differences across borders appear to be aggravating towards contrasting developments in the course of the present crisis. The measures taken by European governments to curb the ongoing Eurozone crisis have polarising implications for economies, labour market institutions and trade unions. In the so-called periphery countries, trade unions are facing a dramatic dismantling of labour standards and institutions such as sectoral collective bargaining which impacts substantially on the institutional potentials of future interest representation of labour. In spite of impressive efforts regarding general strikes and mass demonstrations, trade unions in southern Europe, for the time being, are cut off any of their traditional possibilities to influence the course of government action. In contrast to these crisis losers, unions in Germany and the few other alleged core countries of the Eurozone may give the impression of crisis profiteers. In the aftermath of what has been labelled as 'crisis corporatism', the focus appears to be put on primarily cooperative measures geared to moderate wage increases and the safeguarding of jobs in their respective countries. Given the widening cleavage between the national 'battlegrounds' of trade unions in EU countries, the paper is to discuss the respective strengths and weaknesses of Spanish and Greek unions on the one hand and German unions on the other, and to assess the potentials of a new European solidarity amongst trade unions.

### **1 Introduction**

International solidarity plays an important role in trade union ideals and rhetoric. However, their activities are concentrated primarily within the nation states in which they achieved their most significant successes in the 20<sup>th</sup> century. Thus even the much-vaunted 'European social model' is not a collective European achievement but a reduction of the existing national welfare states in Europe to an imagined or desired common denominator. The same can be said of collective bargaining systems, the right to strike and the various possibilities for the establishment of representative bodies at plant or company level. These national achievements are now being undermined, if not directly by then at least with the aid of the EU and its institutions (Wickham 2012). Since 2010, the countries worst affected

by the financial crisis have been pushing through the most radical dismantling of public services and the welfare state in the EU's history, all in the name of Europe.

In Germany and the shrinking group of so-called 'core countries' in the Eurozone, on the other hand, as well as (and indeed especially) in Northern Europe, trade unions and the bulk of their members may still have the impression they are living in another world. The national areas of conflict for trade unions are drifting apart. However, the policies adopted in the EU to combat the crisis - which are in fact exacerbating it - are increasingly bringing the traditional model of trade union policy up against the national boundaries by which it is constrained. This is the subject of the present article.

In order to show the extent to which European crisis management policy is linking the fates of trade unions in different countries with each other, I shall focus in what follows on the trade unions in a number of countries affected by the crisis, on the one hand, and on the German trade unions, on the other. European policy is currently dominated to such a great extent by the decisions of the Berlin government and the interests of the German economy that the development of German politics will play a key role in determining the 'change of course' in Europe that trade unions are demanding at conferences or in resolutions. For the German trade unions, this raises the question of what *practical* contribution they can make to this change of course.

## **2 Trade unions and labour market institutions**

Trade unions' ability to exert pressure on employers or governments depends ultimately on the size of their membership and the possibilities they have to bring production processes and service provision to a temporary halt. These two sources of trade union power are known in the literature as 'organisational' or 'associational power' and 'structural' or 'labour market power'. The latter may depend on a high rate of unionisation (union density) among workers in certain key functions (e.g. train drivers) who are difficult to replace at short notice, but basically hinges on whether a high employment rate increases the market power of workers and their trade unions more generally (on the so-called power resources approach, see Brinkmann et al. 2008).

In the course of the 20<sup>th</sup> century, trade unions succeeded in extending these two power resources by seizing institutionally safeguarded opportunities for exerting influence, that is

they acquired 'institutional power'. It is this indirect, derivative source of trade union power that lies at the heart of the present article. It can be won or defended only if a fourth, less frequently considered power resource comes into play, namely the ability of trade unions to mobilise their own members or even sections of the wider society for political ends.

Institutional power is linked above all to the existence of national or industry-wide collective agreements — reinforced by the practice of declaring collective agreements generally binding, which increases the incentive for employers to join employers' associations with a mandate to engage in collective bargaining. The existence of statutory minimum wages and the level and type of unemployment benefit, which influence the level of the 'reservation wage', are indirect influences. Basic labour market regulations, such as the nature and extent of statutory dismissal protection and legal minimum standards (e.g. equal pay for agency workers and the regulation of fixed-term employment contracts), are additional factors that need to be taken into account. Statutory rights to information or even codetermination also have a direct or indirect influence on trade union bargaining power.

Self-evidently, the organisation and strength of these institutions – and indeed the very fact of their existence - differ from country to country. Whatever their configuration, however, it is the strength or weakness of trade unions' institutional power resources that determines whether the quality of employment conditions depends primarily on power relationships in the labour market or whether the commodification of labour can be limited to some degree. Only by exerting their institutional power can trade unions contribute directly to the generalisation of labour standards.

However, if institutional power is not buttressed by organisational and structural power and by the capacity to act politically and to mobilise their members, it will in the long term become eroded and fragile. And trade unions that have lost their institutional power resources become trapped in a 'Münchhausen-like position from which they can escape only through a new or, even better, a new type of power display' (Müller-Jentsch 2006, 1243). This then requires a quantum leap in the quality of the remaining power resources if social marginalisation is to be avoided.

### **3 On the crumbling margin**

The significance of the mutual interplay between trade unions' various power resources for the future of the trade unions in the Eurozone becomes clear if we examine how the unions in a number of Southern European countries went into the present crisis.

#### **3.1 Strengths amid weakness**

For all the differences in detail, the trade unions in the Southern European "peripheral" countries do have at least one characteristic in common, namely the uneven or one-sided distribution of their power resources. Thus the Italian trade unions still have relatively strong structural and organisational power resources but apart from the public sector they are largely confined to the traditionally highly industrialised northern part of the country. The organisational and structural powers of the Iberian and Greek trade unions are largely concentrated in large companies and in certain sectors (such as the public transport system).<sup>1</sup>

One important weakness common to the Southern European trade unions can be traced back to the segmentation of the labour market in these countries. The gulf between permanent employees and those in precarious employment is wide and the trade unions derive most of their membership from comparatively well-protected core employees, and particularly those in the public sector. The broad "margins" of the labour market are populated by workers on fixed-term contracts or in informal jobs, mainly women and young people, which is an extremely problematic situation for the future of trade union organisational power. Thus to cite the most extreme example, the Greek trade unions, according to their own figures, have virtually no members under 35 years of age (Prokovas 2011).

Nevertheless, until very recently, trade unions in these countries enjoyed a considerable degree of institutional power. This can be illustrated here by taking the example of the two countries that will be the focus of attention in the following sections, namely Spain and Greece. Spanish trade unions played an important part in negotiating the strategic compromises on structuring society and the labour market during the transition from the

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<sup>1</sup> Cf. on union density and coverage by collective agreement ICTWSS Database; on union density in the public sector European Commission 2006.

Franco dictatorship to democracy (cf. Banyuls et al. 2009). Thus despite their weak presence in the workplace (except in large companies) and low overall density of just 16%, they enjoyed extensive bargaining rights at sectoral and national level. On the basis of the *erga omnes* principle, industry-level collective agreements laid down minimum social standards for all dependent employees, such that in 2010 85% of workers were employed in firms bound by collective agreements (Schulten 2012). The limited power of trade unions in negotiations with private employers was partially offset by negotiating power vis-à-vis national government based on their capacity for political mobilisation. This power was frequently revitalised by large demonstrations and general strikes whenever government sought to exclude the unions from having any political influence on labour market and welfare state reforms (Hamann et al. 2012). Since the mid-1980s, the two main Spanish trade unions had been oscillating between two conflicting strategies: on the one hand, mass mobilisation against neo-liberal labour market reforms and, on the other, compromises on the flexibilisation of the labour market in the form of 'social pacts' agreed with both social democratic and conservative governments (Rohlfers 2012). Ultimately, despite the absence of a number of pillars of trade union power, they were able, with the aid of generalising institutions such as a high level of coverage by collective agreements, to put in place or defend minimum social standards for broad swaths of the dependent employee population.

In Greece too, there is virtually no bargaining at company level, even though trade union density is on average somewhat higher than in Germany (cf.: Karamessini 2009). In contrast to Spain, sector-specific as well as intersectoral minimum standards were agreed largely through negotiations in those areas of the public sector with the highest rates of unionisation (union density of 36%). In comparison to employees in many parts of the private sector, but particularly the large numbers of workers in precarious employment, employees in the public sector enjoyed significantly higher levels of social protection and the trade unions' attention was always focused primarily on the bastions of their influence and the immediate interests of the core workforce in them. At the same time, however, even on these relatively weak pillars of union organisational and structural power, it proved possible to erect a protective shield of basic standards that even extended to a national minimum wage (Kretsos 2011). The political basis of this institutional power was both the proximity of the largest national unions to the clientelistic governing parties, primarily the social democratic PASOK party, as well as their ability to mobilise members, particularly in public

transport and energy companies, a power reflected in the fact that Greece was the EU member state with by far the largest number of general strikes.<sup>2</sup>

It is here that a Southern European model manifests itself most graphically. Underdeveloped bargaining practices at company level were offset by the trade unions' ability to exert pressure on the government and to press home their advantage in order to gain acceptance, in top-level negotiations with employers' associations or in trilateral social pacts, for minimum standards that could be made generally applicable through the institutional system. Thus the Southern European trade unions' ability to deploy their greatest strength, namely their capacity for political mobilisation, was the basis for the very different country-specific variants of bi- or tripartite cooperation at national level.

As early as the decade before the crisis, declining union density, segmented labour markets and the drive to 'flexibilise' labour market regulation were already causing the institutional framework of trade union power to crumble. Nevertheless, it was still shaping the trade unions' role in the early days of the crisis. During the great recession of 2008/2009, the unions were still in some cases involved in consultations through the usual channels at central level on the emergency measures required to deal with the economic slump. However, these discussions did not lead to the identification of "a clear direction or way forward" (Banyuls/Recio 2012, 216). At company level, efforts to deal with the crisis consisted largely of adjustment measures taken unilaterally by employers (Glassner et al. 2011). However, as the crisis entered its second phase with the emergence of an existential crisis in the Eurozone in 2010, the leeway for this model of trade union interest representation began to disappear. A process of "institutional disempowerment through an attack on the institutions of labour law" was set in motion (Lanara 2012, 8). The Great Recession gave way to the Great Aggression.

### **3.2 From the Great Recession to the Great Aggression**

One fundamental difference between the phases of the ongoing crisis is that in the first phase, during the economic crash and the threatened collapse of the global financial system,

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<sup>2</sup> Hamann et al. 2012 define general strikes as a nationwide withdrawal of labour by workers in different sectors that is directed against measures being taken by central government. Of the 118 general strikes in Western Europe between 1980 and 2011 listed by the authors, 50 took place in Greece. In second place was Italy with 22, followed by France with 13 and Spain and Belgium with eight general strikes each.

most European governments took active measures to combat the crisis. In many countries, the trade unions were able to contribute to these measures, albeit to varying degrees. In the second phase, however, as the crisis in the Eurozone worsened, governments switched to policies that further aggravated the crisis. Instigated to a large degree by the German federal government, drawn up with great commitment by the EU Commission and implemented in coordination with the IMF and the ECB as members of the so-called Troika, a policy of authoritarian intervention was adopted that put massive cuts in government expenditure and further deregulation of product and labour markets at the heart of a new form of economic governance (Bieling 2011; Leschke et al. 2012). It is based on a plan that incorporates every single element of the familiar neo-liberal “structural reform” programme and has absolutely nothing to do with the urgent need for economic and structural reform, particularly in the so-called peripheral countries (cf. the country analyses in Lehndorff 2012).

In the view of the EU Commission (European Commission 2012, iii f.), “labour market reforms that are ex-ante likely to increase employment” include the weakening of dismissal protection, cuts in statutory or collectively agreed minimum wages, the loosening of all restrictions on the use of fixed-term employment contracts, less “generous” unemployment benefits, cuts in social insurance contributions, the reduction of income tax progression and the raising of the statutory pension age. Of particular importance to the EU Commission (ibid., iv., 51, 104) are reforms to collective bargaining systems that “result in an overall reduction of the wage-setting power of trade unions”. These include reductions in statutory or collectively agreed minimum wages, a reduction in coverage by collective agreements (e.g. by tightening the rules on declaring agreements generally binding) and the decentralisation of collective bargaining systems, e.g. through the introduction or expansion of possibilities for derogating from area-wide collective agreements at firm level and negotiating separate company agreements.

This plan was implemented in EU member states through numerous measures, albeit to varying degrees (for surveys see Clauwaert/Schömann 2012; Hermann et al. 2012). In Portugal and Italy, where the changes to date have tended to be selective, possibilities have been created for concluding company agreements that undercut collectively agreed minimum standards. The Portuguese government has also given the Troika an undertaking that it will restrict the practice of declaring collective agreements generally binding (Schulten

2012).<sup>3</sup> In Greece and Spain, on the other hand, the measures that have been taken are so far-reaching that they could result in the years to come in the de facto destruction of these countries' collective bargaining systems. Thus in implementing the Troika's demands, the Greek government has abrogated the favourability principle for area-wide collective agreements, such that company agreements now generally take priority over area-wide collective agreements. In companies with no trade union presence, company agreements can also be concluded with 'other employee groups'. Furthermore, all processes for declaring collective agreements generally binding have been suspended. In 2012, the statutory minimum wage, which was based on a national collective agreement, was cut by 22% (and by 31% for under-25s). In doing so, the government did away with the established practice whereby the minimum wage was negotiated between the parties to collective bargaining at central level, thereby eliminating one of the few mechanisms through which trade unions could exert influence over general minimum labour standards.

In Spain, the dismantling of the collective bargaining and interest representation system has in some respects gone even further. Here too, the abolition of the favourability principle means that company agreements now generally take precedence over area-wide agreements. Moreover, employers who record losses in two successive quarters are now able to opt out of applying the minimum standards laid down in area-wide collective agreements. If no agreement can be reached on the application of or amendments to collective agreements, compulsory arbitration involving a trilateral commission is initiated by the Ministry of Labour. Finally, employees can now be dismissed without consultation with the employee representative body. This combination of weaker dismissal protection and disempowered works councils has robbed the trade unions of a fundamental institutional power resource.

The deep incisions inflicted on the institutional systems in both countries were preceded by a period of seesawing between trade union resistance and (in most cases) tripartite social pacts. In 2010 and 2011, the Spanish trade unions agreed compromises on cuts to social expenditure with the social-democratic government. However, they were already political

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<sup>3</sup> Unfortunately, developments in these two countries that diverge from the patterns observed in Greece and Spain cannot be examined in detail here. On what follows, cf. the sources cited above and on Greece Karamessini 2012 and Lanara 2012, and on Spain Banyuls/Recio 2012 and Vincent 2012. All data refer to the situation in autumn 2012.

light years away from the protests involving mainly young people that were flaring up at the same time (Da Paz Campos Lima/Martín Artiles 2011). In January 2012, a compromise was reached with the employers' association on the decentralisation of collective agreements. At this point, however, the newly elected Rajoy government was no longer interested in compromises. Its policy of reducing social expenditure still further could no longer be implemented with the aid of compromises facilitated by the trade unions but only by brute force.

Similar developments could be observed in Greece. Here too, the Troika's dictates were initially carried out by a Social Democrat-led government. The trade union umbrella organisation GSEE was, as a senior official put it, "at pains to maintain social dialogue and the institutions of social partnership" (Lanara 2012, 10). However, this was no longer possible. Under the pressure of carrying out the Troika's dictates, the traditional de facto alliance of powerful trade union confederations with PASOK began to crumble. Moreover, PASOK is now so marginalised in public opinion polls that the unions had no option but to adopt their own independent and oppositional position.

Thus the trade unions in both countries have been thrown back on their own resources and have had to begin developing their own potential – their organisational power, ability to strike and their capacity for political mobilisation and alliance formation. For all the differences, the situation resembles that in the USA, where well into the 1990s the unions maintained a delusive trust in the stability of the New Deal institutions and never went beyond defensive reactions to attacks by governments and employers (Turner 2009, 310). However, they are stronger than the US unions in that they retain the power of political mobilisation.

Even during the period of seesawing between resistance and compromise referred to above, the number of general strikes increased dramatically. Of the 118 general strikes that took place between 1980 and 2011 in Western Europe, no fewer than 24 occurred in 2010/11 (Hamann et al. 2012). Yet unlike on many occasions in the past, the trade unions are now increasingly hitting their heads against a brick wall. Consequently, since 2012 at the latest,

these general strikes have become mere impotent protests, regardless of how broadly based participation in them is and how much the public sympathises with them<sup>4</sup>.

As a result, the unions find themselves in good but (for them) unaccustomed company. The mass protests in Spain, Greece and other crisis-hit countries had essentially little to do with the unions, at least initially. Young workers, who in Spain and Greece are the ones worst affected by the crisis, are the group with the weakest links with the trade unions. In Greece, there were even public disputes between the ‘movement of the squares’ and the unions. As Hyman (2007, 206) had suspected even before the crisis, the unions were now “outsiders in a terrain where until recently the role of insiders was comforting and rewarding” — they now have to seek “cooperation, often uneasy, with other social movements which have never acquired the respectability gained by trade unions in most countries.”

It takes time to grow into such an unaccustomed role. This is gradually happening as, for example, union members become active in neighbourhood movements, where they are no more able than members of any other social organisation or party to act as representatives of an organisation. Another new development is trade union activity in areas such as the education and healthcare systems, which until now were not among the bastions of trade union influence. However, in the face of the catastrophic reductions in expenditure, large protests are now taking place that do not consist simply of classic strike action but are being organised as part of broader social movements. However, since there is a widespread feeling that public-sector employees are a privileged group, here too building bridges is an essential task (Muñoz de Bustillo/Antón 2012).

In a phase of such deep crisis and adjustment as that in which the trade unions in these countries now find themselves, what Banyuls and Recio (2012, 215) have described as the fundamental political challenge in Spain is particularly applicable: “The absence of a credible [alternative] project has allowed adjustment policies to be presented as the only realistic response”. Spanish and German trade unions may well have the impression that they live in different worlds. However, this is a challenge they both have to face. So let us turn now to the weaknesses that exist amid the apparent strength of the German unions.

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<sup>4</sup> For example, according to a representative survey, 62% of Spaniards regarded the general strike in Spain in November 2012 as “justified”, although 49% also considered it “not well timed”. Forty per cent of workers said they intended to take part in the strike (FAZ 29.10.2012).

## **4 The sleeping giant?**

From the Greek or Spanish point of view, the German trade unions convey a picture of strength. This is only in part due to their size. IG Metall and ver.di are, it is true, the largest European trade union confederations in terms of membership but Germany does have the largest population in the EU and average union density, at 18%, is actually on the low side. The impression of strength is based rather on the trade unions' role within the German institutional system, which appears to give them political influence far in excess of their organisational power. However, in order to obtain a clearer understanding of the challenges facing German trade unions in the crisis, it is necessary to examine the various power resources they have at their disposal.

### **4.1 Weaknesses amid strength**

German trade unions' organisational and structural power resources are concentrated in the large firms in the export-oriented sector of manufacturing industry but extend deep into the so-called *Mittelstand*, although their organisational strength here varies considerably. Trade unions are significantly weaker on average in the private service sector, although there are considerable differences between sectors. It is striking that the organisational gap between the private and public sectors that is typical of the trade unions in various other European countries does not exist in Germany. In the decade before the crisis, overall union density in Germany fell by around ten percentage points, a greater decline than in virtually all other Western European countries. Only in recent years have the unions managed to slow down or halt the decline in membership. Against this background, the strength of the German trade unions cannot be understood without knowledge of their place in the structure of Germany's labour market institutions (on what follows cf. Lehndorff et al. 2009).

The two most important institutional pillars of trade union influence are sector-level collective agreements and works councils' rights of codetermination. Since the 1990s, however, and despite the fundamental importance of area-wide collective agreements, the rate of coverage by collective agreements has been in continuous decline. Works councils, on the other hand, have proved to be a relatively stable institution, even though their capacity for action in representing employees' interests has become more precarious as a result of locational competition, pressure from outsourcing and international competition. However, in the German two-pillar system of interest representation, they are not a trade

union institution! For the trade unions, they are a power resource only to the extent that they manage to coordinate or link together the activities of works councils with trade union policy. Klaus Dörres' assessment that "trade unions' organisational power [is] no longer sufficient to take advantage of the opportunities the institutional system offers for representing employee interests" is a realistic one. But precisely because of the potential German labour market institutions still offer the trade unions, these institutions remain at the heart of trade union efforts to revitalise themselves. Whether it be around equal pay for agency workers or employee consultation on proposed derogations from collective agreements, mobilisation and membership campaigns hardly ever take place independently of existing interest representation institutions but rather in association with them (Haipeter et al. 2011). In the past 20 years, however, the institutional structure beyond the works councils has become ever more fragmentary and weak.

The erosion and dismantling of the labour market institutions that were available to trade unions for the promotion of social equality can be seen particularly clearly in wages policy. One of the unwritten rules of the classic German model was that the level of the periodic wage increases across sectors was almost always aligned with those that could be achieved in manufacturing industry – usually the metal and engineering sector. Trade unions in the manufacturing sector, in turn, took as the basis for their 'wage formula' (rate of price inflation plus productivity increase plus a long since abandoned redistribution component) not the productivity gain in the manufacturing sector but rather that recorded for the economy as a whole, in order to avoid increasing wage differentials. Thus the industrial unions were implicitly assuming that wage increases in excess of the sectoral productivity gain could be achieved in other sectors of the economy, with the public sector obviously being of greatest significance in this regard. In order for this to work, additional redistribution mechanisms from sectors with high productivity gains to those with lower gains had to operate. The whole architecture of the German version of pattern bargaining was based on the functioning of a multiplicity of such redistribution processes, in which the taxation system played a key role. However, it is precisely this architecture that was dismantled step by step from the 1990s onwards.

This process had many facets: declining coverage by collective agreements, numerous local derogations from area-wide collective agreements under pressure from outsourcing and relocations, widespread abandonment of the practice of declaring collective agreements

generally binding, the privatisation of public services, considerable reductions in tax receipts as a result of reductions in the tax burden on higher incomes and investment income, deregulation of agency work, promotion of mini-jobs, weakening of unemployment insurance, downward pressure on wages following a lowering of the 'reasonableness' threshold for jobseekers, de facto introduction of a subsidised wage for low earners - many of the institutions that once provided a level of social equality and redistribution that was impressive by capitalist standards were seriously damaged and in some cases destroyed. As a result, Germany now has the largest low-wage sector in the Eurozone (Eurostat 2012) and is the only EU member state where average wages fell rather than increased during the period of economic growth between 2004 and 2008. Trade union wages policy, which had to contend with the head wind created by the debate about locational problems in global competition, the so-called *Standortdebatte*, that dominated policymaking and the media, undoubtedly played a part. However, whereas the increase in average real collectively agreed wages per employee between 2000 and 2012 was 5.5 percentage points less than that in labour productivity, average actual wages per employee fell by an additional 9.3 percentage points (Bispinck 2012), which indicates that the lion's share of the negative wage trajectory is attributable to the dismantling of labour market institutions. The implicit institutional conditions required for the trade union wage formula to function have been largely swept away, while new institutional 'safety nets' appropriate to the times, such as a statutory minimum wage and reform of the mechanism for declaring collective agreements generally binding, have not yet been put in place.

One of the key sources of trade union influence also came close to being axed. In a 2003 speech to the Bundestag outlining the government's agenda, federal chancellor Gerhard Schröder implicitly threatened to abolish the priority accorded in law to area-wide collective agreements over company agreements. The destruction of this centrepiece of the German collective bargaining system was avoided only by the so-called Pforzheim Compromise negotiated between IG Metall and the employers' association (Haipeter 2009, 120). This part of the institutional framework at least was saved from demolition and in the years that followed was even used for important revitalisation initiatives. However, this did nothing to alter the fact that in the decade and a half before the crisis the trade unions were robbed of a significant share of their institutional power resources. A number of important items from

the EU catalogue of employment friendly reforms were implemented during this period, despite the at times impressive but politically impotent protests of the trade unions.

In terms of EU policy, this shift in power had one noteworthy consequence. Before the establishment of the Eurozone, the fear was sometimes expressed that within the currency union jobs in one country could be put at risk by wage dumping in other countries, since wages policy would become the only remaining macroeconomic adjustment mechanism that could be used to influence price competitiveness (Altwater/Mahnkopf 1993). This fear turned out to be absolutely well founded, but in a completely different sense to that originally envisaged, since the social dumping actually originated in Germany. The periphery countries, starting from a lower level of social protection, are now being forced to go down the route taken by Germany and in doing so to adopt considerably more stringent measures.

Thus the defeats suffered by the German trade unions up until the middle of the first decade of the 21<sup>st</sup> century and the considerable weakening of their institutional influence have become a problem for trade unions in the other Eurozone countries. The institutions of social protection are being dismantled in a seesawing 'race to the bottom' that will eventually come back to haunt the German trade unions and further weaken their ability to exert institutional influence. At the moment, this may seem a remote prospect. There is calm in the eye of the storm that is wreaking havoc in Southern Europe. The German trade unions are not only enjoying the prestige they have regained among large sections of the population but, as a result of their pragmatic cooperation during the efforts to overcome the crisis of 2008/2009, have also re-established themselves as valued social partners in the eyes of the government and the employers' associations. Or is this impression deceptive?

#### **4.2 Crisis corporatism and its limits**

Up until the crisis summits in the German chancellery in the autumn of 2008, the trade unions were the great pre-crisis losers. Suddenly they were in demand as partners in the development of economic stimulus programmes that until a few weeks previously had been rejected as 'wasting money on untargeted measures'. The 2009 federal elections were imminent and, in view of the billions expended on saving the banks and providing them with guarantees, any delay in saving the 'real' economy would have been a political disaster for both of the major governing parties. Based on active cooperation from both the employers' associations and the trade unions, a 'crisis corporatism' (Urban 2012) emerged and led to a

renewal of the social partnership on all levels – from the close ties between individual union leaders and Chancellor Angela Merkel to the thousand emergency associations established at company level (on what follows cf., with differences of emphasis, Dribbusch 2012; Haipeter 2012; Urban 2012). The trade unions contributed not only their power of legitimation and organisational and planning capabilities but also their own ideas and initiatives, with this latter function being fulfilled much more effectively than by trade unions in other European countries that were involved in comparable top-level consultations.

The role played by the works councils in this new social partnership received less attention (Schwarz-Kocher 2012). They were the coordinating point on the employees' side for efforts to prioritise use of the instruments available to companies for increasing their internal flexibility, in particular working-time accounts and short-time working. They played this key role in close cooperation with the trade unions. This is perhaps the most important reason why the trade unions played such a significant part in the so-called 'German employment miracle'. Tripartite consultations were held in many countries, but the relatively successful crisis management at firm level in which works councils and trade unions were actively involved and indeed often initiated and which, despite a few problematic aspects, was typical of Germany in the 2008/2009 crisis was the exception rather than the rule.

To put it bluntly, the fact that the labour market and the economy were stabilised during the crisis, thereby creating the conditions for economic recovery from 2010 onwards and the ensuing increase in employment levels, was due to a reactivation of precisely those elements of the German model that had survived the neo-liberal inspired destructive zeal of the years before the crisis.

This irony of history also reveals the limits of crisis corporatism and the contradictory nature of the revitalised social partnership. In the private sector, social partnership is based essentially on the institutional power of the *industrial* trade unions at *company* level. It is underpinned by the reinvigorated self-confidence displayed by employee representatives at company level, combined with experience and assertiveness. Certainly, many works councils have not involved the work force in their crisis management policies to the same extent as they had begun to do prior to the crisis, particularly in disputes concerning derogations from collectively agreed standards. Nevertheless, there are good reasons for the question mark in the title of the analysis produced by Detje et al. (2011) — "Krise ohne Konflikt?/Crisis

without conflict?”. Firstly, many employers had to learn to take the works council and the local trade union seriously again as equal negotiating partners. Secondly, even during the crisis there was a significant labour dispute, namely the week-long strike by nursery nurses. This strike was the most extensive trade union action taken during the crisis but in the public perception – which in the main was surprisingly positive – it had nothing to do with the crisis. This is in itself remarkable, yet the strike was a harbinger of future disputes about the consequences of the so-called “debt brake” and fiscal compact. However, this was not evident, at least not to outsiders. In this respect, an exclamation mark should be added to the question mark, since fear of the perception of a socio-political mandate is one of the weaknesses that exists amid the strength of the German trade unions. This was also demonstrated by IG Metall’s failure to gain acceptance for its more far-reaching demands – such as that for a public equity fund – at the top-level talks (Urban 2012). Deppe (2012, 87) sums up the situation by saying that although the speeches and publications of leading trade unionists contained both general criticisms of the “system” as well as demands for a “change of direction”, “caution prevailed when it came to the political mobilisation of members and the organisation as a whole”.

Regardless of all the problems, both crisis corporatism and firm-level crisis management based on social partnership, as well the greater willingness in some cases to initiate disputes as demonstrated by the nursery nurses, contributed to the strengthening of the unions’ political weight. The confrontational policies and rhetoric directed towards the trade unions in the first decade of the 21<sup>st</sup> century have stopped for the time being. Since 2010, the circumstances have been more favourable for unions seeking to adopt a more active wages policy. Their demands, such as that for a statutory minimum wage and the re-regulation of agency work, have been sympathetically received in many quarters, such that IG Metall ventured to make equal pay for agency workers one of the main planks of its agenda in the 2012 bargaining round.

This is a fairly favourable context in which to prepare with some confidence for the disputes that are likely to be forced upon the unions in the years to come. The agency work and minimum wage campaigns being pursued by ver.di and IG Metall target key elements of the “new order in the labour market” (Bosch 2012). This re-regulation cannot be achieved through collective bargaining alone, but it has become so urgent precisely because the unions’ institutional power resources have been undermined to a very considerable degree.

Unless the labour market is re-regulated, there can be no hope of reversing the trend in income distribution. If pay policy is to be the means by which “the service sector is to be reconnected with the export sector, like a wagon that has become uncoupled from its locomotive” (Sterkel/Wiedemuth 2011: 31), the trade unions have an essential role to play as autonomous *political* actors. This role goes considerably beyond that of consultation partners that they were accorded during the period of crisis corporatism.

The nature of this challenge becomes all the clearer if we visualise the problems that can be expected to arise as the fiscal compact is implemented in Germany. There is no possibility of achieving the growth rates that would make it possible to strengthen public services without conflicts. Rather it is likely that the problem that is already exercising very many local authorities will become a major political issue at national level, namely the unbridgeable gulf between the growing social (and economic) demand for high-quality public, primarily social services, on the one hand, and, on the other, the shrinking of the welfare state as a result of job losses in the public sector, the elimination of social programmes and reductions in service provision that are inescapable consequences of the fiscal compact. This will bring taxation policy on to the agenda through the back door and the industrial unions will have to ask themselves whether this is a matter for the service-sector union ver.di alone.

The Agenda 2010<sup>5</sup> made the conflict around primary income distribution more political and the fiscal compact is now increasingly forcing the trade unions to confront the question of whether they should enter the already political conflict around secondary distribution. An aggressive redistribution policy would put the spotlight on the federal government’s revenue and expenditure policy, the starting point for such a policy being the fact that employees in manufacturing industry are also users of the public services that will go to the dogs as a result of the fiscal compact. The struggle for high-quality public services would then be a matter for all sections of the trade union movement. In fighting against the effects of the fiscal compact, the trade unions can expect little support from the mainstream political parties, which not only adopted it for Germany but also ensured that it was foisted upon the other countries. The problem of how to ‘build bridges’ is not one that has to be faced just within Europe but is also an issue within Germany itself, where the interests of workers in manufacturing industry have to be reconciled with those of public-sector employees.

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<sup>5</sup> A series of measures planned and implemented by the SPD/Green coalition government aimed at reforming the German social security system and labour market.

The shift in the crisis management process that is now emerging is of the greatest significance for the development of European trade union solidarity. If, until now, the prevailing impression has been that workers in Germany have not been directly affected by the social misery that has been spreading across Southern Europe, the pendulum is now beginning to swing back. In policy documents such as ver.di's "Manifesto for a European Policy", IG Metall's "Changing course for solidarity in Europe" and the DGB's "Marshall Plan for Europe", these reciprocal effects have already been identified and alternatives proposed. However, nobody knows what the relevance of these programmes might be for trade union action, i.e. how the gap between them and everyday union practice might be bridged. Only one thing is clear: they are beyond the scope of crisis corporatism in Germany, since Frau Merkel will not be asking trade union leaders for their advice in this matter.

Consequently, all the more importance should be attached to recent developments such as that in the metal and engineering industry, where for the first time the interests of "peripheral workers", who are often also poorly organised, became a campaigning issue in the 2012 pay bargaining round. Equal pay affects the interests of core workers as well. Solidarity is not based solely on sympathy but also on self-interest. In principle, European solidarity between "core" and "periphery" operates in just the same way, but is considerably more difficult to achieve. Solidarity in one's own interest – which appears at first sight to be a challenge for European policy – is increasingly turning out to be a challenge at home as well. However, the move from recognition of the problem to practical action requires a high level of willingness to engage in political conflict.

## **5 Future prospects: from general criticism to criticism of government**

The trade unions in a number of Eurozone countries are now looking back at years of damage wreaked on their institutional power resources. The big losers in the pre-crisis period were the German trade unions. The weakening of the German collective bargaining system and the defeat in the struggles around the Agenda 2010 had far-reaching consequences that surfaced dramatically in today's Eurozone crisis countries in 2010 – exactly on time. A currency union whose largest economy has virtually frozen its own domestic market, thereby depriving its "partner countries" of export opportunities, and at the same time uses its surpluses to finance booms in other countries driven by credit bubbles – such a currency union will inevitably come sooner or later to the edge of collapse.

By 2010 that point had been reached. The virtual catastrophe was exploited to dismantle trade unions' sources of institutional influence in other countries as well. In Spain and Greece this is taking place with a degree of radicalism that goes far beyond the German model. In both countries, trade unions are today being robbed of a large part of their institutional resources and since the social democratic parties to which they were traditionally close continue to be weakened, they now depend more than ever on the mobilisation of their own political power resources.

The initial consequence of this transnational interplay that has seen trade unions lose both institutional and political power is a simple but largely disregarded one: there is no longer an adequate institutional basis for effective coordination of collective pay bargaining, which for good reasons is very high on the agenda of trade unions in the Eurozone. Trade unions in countries with an unbroken tradition of declaring collective agreements generally binding may still have effective means of wage coordination at their disposal. However, as at the beginning of 2013, this applied to only seven of the 17 Eurozone countries. In the case of Germany and most of the other Eurozone and EU countries, the sober assessment must be that trade union pay policy is merely the second or even third most important factor influencing the evolution of average wages. The main role is played by largely unregulated market forces, and political decisions such as that on the level of the minimum wage may be more important than collective bargaining in some countries. Obviously this does not make the coordination of collective pay bargaining unnecessary, but the battle for politically determined minimum standards across the EU is equally important.

The second consequence of the transnational toing and froing in the process leading to the loss of the trade unions' institutional power resources is that the market competition between the Eurozone economies and states has intensified so much that it has already to some extent become predatory. The application of the principles of market competition to states in the construction of the European currency union is positively absurd (Troost/Hersel 2012). In practice, it has caused the Eurozone countries to drift apart economically and socially at an alarming rate. There is an enormous gulf between the problems confronting trade unions in the individual countries and transnational movements aimed at building broadly-based solidarity are virtually unimaginable today (which of course does not make attempts to develop such movements any the less necessary).

Strategically speaking, it is obvious that certain fundamental changes of course that might halt or even reverse this divergence are necessary and possible, particularly at EU level. In view of the EU Commission's attempts to include the trade unions in their destructive "structural reform" policy, e.g. by engaging in a "trilateral exchange of opinions on the evolution of pay", the challenge facing the unions now is to adopt an unambiguously oppositional stance at this level as well and to conduct their Europe policy outside "the preserve of the professional trade union diplomat" (Hyman 2011, 67). However, that will not resolve the problem of how they might bridge the gap between this level and the areas of conflict they have to confront at national level. When Händel/Puskarev (2012, 15) demand that "the development of an integrated plan for a democratically controlled future for Europe [...] should not be left to an EU Commission task force", they are drawing attention to the Achilles' heel of all EU policies, namely their democratic foundation.

For the unions, taking up the democratic challenge means making what was hitherto an elite project into a matter for their members by incorporating their approach to Europe into their core policies. This is being increasingly forced upon them by circumstances. The crisis management policies that are merely exacerbating the situation have made the disempowerment of one union into a problem for the others and may eventually cause them all to be marginalised, some sooner than others.

For all the national differences, the challenges posed by this situation are surprisingly similar. Unions in the individual countries have no choice but to fight the crisis management policies at national level. This applies to Germany as well. The boomerang the German government has hurled at the crisis countries in the Eurozone will very soon drop at the feet of German workers in the shape of increasing wage competition, unless it is countered by a re-regulation of the labour market. Furthermore, the effects of debt reduction policies and the fiscal compact will be felt ever more painfully in the years to come, so that an active redistribution policy based on tax reform will move to the very top of the political agenda.

This will require political autonomy on the unions' part. It will mean going beyond the defence of earlier gains and developing their own alternatives. In doing so, their aim will not be to replace the political parties; rather they will be acting out of the conviction that politicians will have to be forced into taking account of trade union concerns and ideas. This is the role of "*constructive veto wielder*" (Urban 2012), which is not necessarily part of the tradition of the Southern European trade unions. The German unions, on the other hand, are

much more accustomed to playing a constructive role. However, they are less adept at mobilising political support for a veto than their Southern European sister organisations.

In view of the greater political influence and public esteem that the German unions have acquired in recent years by being both cooperative and willing to engage in disputes, they could find it easier to enter this new territory. In recent years, they have been more forceful than previously in their general criticism of economic and social policy and have put forward some important ideas on the changes of course that are urgently necessary. To embark on the (undoubtedly difficult!) task of mobilising support for a major redistribution initiative and a new labour market regime would be a radical next step: from general criticism of the “system” to practical and constructive criticism of the government.

In other European countries, trade union members will immediately understand what this has to do with their own working and living conditions and with Europe. The German trade unions must not conceal this connection from their members. A change of course in Germany will give all the others more room to breathe. For the time being, political changes in Europe will be triggered or encouraged by changes in individual member states. And for very good reasons all eyes are on Germany. Social reforms in Germany are not the be all and end all for Europe, but without them nothing will change.

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