Summary – German Industrial Relations

German industrial relations is often referred to as either a coordinated market or a highly regulated system. In both instances the emphasis is on state regulation. It is here, though, that some degree of confusion arises. To overcome this it is useful to apply the game metaphor. Like in the case of a game of football German industrial relations involves competing actors, a set of rules that players have to abide by and a referee. Concerning the rules of the game and the adjudicator, here state mechanisms play a key role as both a legislator and prosecutor. Unlike in the early days of an emerging industrial relations system, specifically in the 1920s, the state cannot compel employer and employee representatives to utilize legislation at their disposal to enter into collective bargaining or to set up a works council. First and foremost it is down to IR actors and their constituents whether they want to enter the game of interest representation – even when they do, there remains much room for maneuver concerning the form such representation takes. In short, German industrial relations is characteristic of an “option regime”. By passing laws, the state indirectly encourages IR actors to undertake collective bargaining, and should they decide to take this course of action certain parameters prevail regarding say industrial action. On the whole, though, the state refrains from activities that would influence outcomes. For this reason, autonomous collective bargaining is sacrilege in Germany, salaries and employment terms and conditions remain the domain of either collective bargaining parties or individual employees and employers.

The “option concept” is key to comprehending the diverse nature of German industrial. It demonstrates the system is susceptible to change, even erosion in recent years. For example, although the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA- Association of German Employers) lobbies on behalf of around 1 million firms, employing in the region of 30 million employees, the spectrum in terms of collective bargaining is vast. For example, the BDA’s affiliated member, Gesamtmetall, a body closely associated with collective bargaining has had to contend with varying demands of its affiliates. Although, 3358 of its members (firms) are covered by collective agreements, the majority of firms represented by Gesamtmetall, just under four thousand, prefer Ohne-Tarifverbindung (not covered by collective bargaining) status. Such a discrepancy applies to the Deutsche Gewerkschaftsbund DGB (DGB- Confederation of German trade unions), too. Although its two main affiliates, the IG Metall (Metall union) and Ver.di (Public sector and service union), organizing 2 million and 1.9 million workers respectively, remain key collective bargaining actors, other unions such as the NGG (Food, Beverages and Catering Union) have to contend with employers refusal to enter into any form of collective bargaining.

A closer look at the collective bargaining landscape highlights its diverse nature in terms of density, form and spread. Regarding the last point, geographical differences and company size factors play a big role. Concerning density, German collective bargaining has declined drastically since turn of the new millennium, the number of employees benefitting from such negotiations down from 73 to 52 percent from 1998 to 2019. The majority of these, though, 62 percent, involve company level collective bargaining - the number of companies reliant on such a procedure growing from around 2,500 in 1990 to just under 12,000 in 2019. Even sectoral negotiations, which accounts for just over 38 percent of the total agreements signed, have built within them a decentralized element. This represents regulated decentralization. Here, central agreements possess so-called “open clauses”, clauses that allow companies under the supervision of trade unions to customize terms and conditions. It is also worth considering that geographically sectoral collective bargaining is higher in the west than the east of the country, 53 and 43 percent respectively. As for company size, that is, the number of people working at a company, in both the old (BRD) and new (DDR) Bundesländer, the chance that an employee will benefit from collective bargaining is much higher in firms employing more than 500 employees, 84 percent in the west and 72 percent in the east.

Finally, the other key institution, the works council, has seen a decline in coverage, too. Again, it is worth considering geographical differences. Whilst the number of employees with access to works council declined from 51 to 41 percent in the west between 1996 and 2018, in the east it fell from 43 to 35 percent in the same period. Moreover, the works council is a fine example of the “optional character” of German IR. The foundation of such an institution is down to the discretion of the workforce, i.e. employees have to initiate the process of holding a works council election and electing a board of representatives. An increasing number of employees forfeit this opportunity.

In sum, it appears wrong to talk of a German system of industrial relations. The room to maneuver predicated by German legislators, neither compels potential IR actors to participate in the game of regulating employment nor stipulates what strategy they need to apply when negotiating (one influenced by the balance of power). This fact suggests there might be more than one German system of industrial relations. Three to be exact. The first concerns what could be termed *the traditional arrangement*, strong trade union and employer bodies involved in sectoral collective bargaining as in the case of the metal and chemical industries reliant on skilled workers. The next option, the dominant option, involves employers still committed collective bargaining and the German spirit of social partnership, but here the emphasis is on customized agreements – hence the proliferation of company level collective bargaining. Companies in the east of the country, employing between 99 and 499 employees, medium size firms, seem to prefer this arrangement. This scenario is what we term Modell Deutschland Light. Finally, there is the IR wasteland scenario, the result of employers’ unwillingness to countenance either collective bargaining or works council representation. This option is prevalent in sectors, mainly private, dependent on women and migrant workers, i.e. care work and food and beverage.

Summary - Industrial Relations in the German Aviation Industry Pre-Covid

Industrial relations in the German aviation industry falls into the two above mentioned categories, Modell Deutschland Light and the wasteland scenario. As in other EU countries, the process of market liberalization, specifically the entry of Low Cost Carriers (LCC) and state sponsored carriers such as Qatar Airlines, has had far-reaching consequences on the topography of the German aviation industry. Although privatization helped boost the market prior to Covid, the number of passengers flying from German airports rising from 140 million to nearly 248 million between 2001 and 2019, reflected in these figures is the increase in price competition for passengers. What is more, such a price war has had a major bearing on salaries, employment terms and conditions as well as the German industrial relations system.

For example, in response to competition from LCCs such a Ryanair, the Lufthansa Group has become a complex web of network carriers, i.e. former legacy airlines such as Swissair, and LLCs such as Germanwings. Add to this the Wet Lease option; such a business strategy has led a compartmentalization of industrial relations. Even though Lufthansa is a member the Arbeitgeberverband Luftverkehr (which it can call upon for support when in negotiations), an organization it helped set up in 2010, recognizes trade unions and is supportive of collective bargaining, it favors company, or rather brand as against sectoral procedures to regulate salaries and employment terms and conditions, namely the Modell Deutschland Light scenario. By default, this promotes internal competition between pilots, cabin crew and ground staff working for the different carriers that make up the Lufthansa Group. For example, pilots at Lufthansa and Eurowings are privy to different agreements. This differentiation is also reflected in the fact that Lufthansa is not home to the principle of one union one site, the traditional arrangement in German IR, but three, the Vereinigung Cockpit Gewerkschaft (VC - Pilots Union), the Unabhängige Flugbegleiter Organisation (UFO - Independent Cabin Crew Organization) and Ver.di (Public Sector and Service Union). A differentiation that occasionally results in inter-union competition. For example, whilst VC organizes pilots within Lufthansa, Ver.di negotiates on behalf of Eurowings cockpit employees. Lufthansa’s push to cut costs also resulted in a spike in industrial action between 2008 and 2016, quite uncharacteristic for the industry and German IR generally. The union’s density rates, between 50 and 90 percent, plus the fact they have the status of functional elites, a term applied to demonstrate union’s ability to bring companies to a standstill, went some way to cushioning Lufthansa’s cost cutting demands. Nevertheless, these periods of turbulence appear to have created a degree of mistrust between management and trade unions.

The mosaic that makes up IR inside Lufthansa is even more complex within the airport value chain, this the result of airports either setting up subsidiaries to provide services, or outsourcing tasks to third parties. In the first case, for example, Munich airport has an in-house provider in the form of Areoground, which not only provides amenities in Munich but in Hamburg and Berlin, too. Such a strategy has been applied by third party companies such as WISAG as well, a holding home of various subsidiaries. Such complexity means that Ver.di, which organizes ground-handling staff, is required to negotiate not only numerous agreements in one company, namely site agreements, but faces the challenge of having to negotiate agreements with a multiplicity of contactors at each of the individual airports where it has members. Ver.di, however, is committed to reestablishing sectoral collective bargaining. To this end, it has been successful in convincing third party ground-handling providers, specifically AHS, Losch, Swissport-Losch, Wisag, Aviapartner and Acconia of the need to set up an employer association. In 2019, these firms founded the Arbeitgeberverband der Bodenfertigungsdienstleister der Luftverkehr. Today the Arbeitgeberverband der Bodenfertigungsdienstleister der Luftverkehr sees sectoral collective bargaining as an important means of creating a united front against airlines and airports set on externalizing cost pressures brought about by increased competition.

Any attempt to overcome company, brand and site level collective bargaining has seen VC, UFO and Ver.di, even with the support employer associations as in the case of the Arbeitgeberverband Luftverkehr, to try address the aggressive employment strategies of LCC such as Ryanair. The second largest LCC after Eurowings, Ryanair pilots have often been forced into self-employment, that is, bogus employment. With the exception of Berlin and Hamburg, Ryanair mainly flies out of regional airports such as Frankfurt Hahn and Munster, airports where union organization has traditionally been weak. Moreover, prior to 2018, Ryanair often threatened to abandon these regional routes when faced by union attempts to organize workers. A strategy that caused trepidation amongst the workforce as well as local politicians. Between 2018 and 2019, however, VC and Ver.di made some noticeable inroads, Ryanair respectively agreeing to recognize unions and sign collective agreements to increase salaries as well as guarantee employees a set number of working hours per year. Moreover, employees are now in possession of a German contract, which means they are covered by German employment law.

In sum, privatization, specifically access to the German market, resulted in a degree of competition that has had a lasting effect on employment conditions and industrial relations within the aviation branch. The impact has been far from lineal, though. At one level German employers, airlines and the airports’ push to cut costs has led to a dismantling of sectoral collective bargaining. Furthermore, this shift in the balance of power has seen unions agree to concessions as in the case of pension rights they would never have countenanced in the 1990s. Acceding to management’s demands would appear to have won the unions’ valuable time, though, time they have used to regroup and reassess the situation. For example, the three unions in question, VC, UFO and Ver.di, not only continue to organize the majority of the employees within German aviation companies, but they have made key inroads in organizing employees working for non-German LCCs such as Ryanair.