Note to readers:

This is paper intended to become a book chapter in a larger DFG-funded project on corporatism in crisis led by Bernhard Ebbinghaus and Timo Weishaupt as PIs. The planned edited volume includes a total of 8 country-case studies (DE, DK, ES, NL, IE, IT, PL, and SL) a comparative chapter, an EU-level chapter, and an fsQCA analysis.

Comments very welcome.

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CASE STUDY GERMANY

Two worlds, one vision: making policy in a concerted way?

I. Introduction¹

Germany was hit by the effects of the global financial crisis relatively late and for most observers unexpectedly hard. Until the autumn months of 2008, the government – just like most observers – considered the crisis a US problem, which would not significantly affect the German economy. By November, however, a recession was clearly on its way as the output in Germany’s export-dependent manufacturing sector fell by more than a fourth between the third quarter of 2008 and the first quarter of 2009 (ILO, 2011). As the backbone of the German economy – the export-oriented manufacturing sector – was hit particularly hard, Chancellor Angela Merkel (Christian Democratic Union, CDU) called for a crisis summit in the Chancellor’s Office to which the leaders of core social partner organizations, the CEOs of the largest German firms, key ministers of her cabinet, and a small handful of economic experts were invited. At this meeting, a shared understanding about the causes of the crisis and its solutions was developed and subsequently a national “labour hoarding” strategy announced. The key players were from the metal and electronics (M+E) sector, where a succeeding trajectory of social partnership revitalization can be observed. In the private and public service sector, in turn, joint solutions were never agreed on and social concertation never manifested. Rather, the year 2009 was characterised by heavy strike activity and the

¹ I thank Lukas Drögemeier-Keren and Friedrich Paun for their research assistance and constructive comments.
trade unions solidified their US-inspired path of conflict-prone organizing and campaigning. Nevertheless, the state became an increasingly sought-after partner, finding its climax in the launch of a national statutory minimum wage (SMW) in 2015.

The German case is particularly interesting for several reasons. First, as the archetypical co-ordinated market economy (CME), it might be less puzzling why the industrial partners operating in the diversified quality production (DQP) sector agreed on hoarding labour. Yet, it remains important to identify the mechanisms through which this strategy was agreed upon, communicated, and implemented nationwide. In particular, light needs to be shed on the politics behind this strategy as well as the ways in which reluctant, if not hostile, CEOs and investors of especially small and medium-sized enterprises (SME) were mobilised to support the more often than not unwanted labour hoarding strategy. Second, what explains the diametrically opposed trajectory in the service sector, where strikes and conflict predominate? Third, and relatedly, how can an increasingly confrontational labour agenda in the service sector be reconciled with an inclusive political process? Fourth, what were the effects of these diverging sectoral trajectories on industrial relations in both sectors? And finally, in conclusion, how do we interpret the overall state of German neo-corporatism roughly ten years after the height of the crisis?

The following book chapter is organised as follows: First, in section II, I offer some basic information about key background factors leading up to the government’s decision to seek a neo-corporatist pathway out of the crisis, including the political and the economic contexts as well as a brief summary of Germany’s industrial relation system’s key features. Subsequently, in section III, I first trace the processes that have led to the joint crisis management and explain how the labour hoarding strategy was implemented nationwide. While this section is limited to the first cabinet under Chancellor Merkel, the following section covers Merkel’s next three terms and focuses – in the absence of further crisis summits – on the main developments with regard to neo-corporatist policy-making institutions and the relations between the government and the social partners. In section IV, a brief assessment whether or not the “neo-corporatist turn” has had any lasting effects on the system of industrial relations is provided. Section V concludes with some key lessons and an overall interpretation of the state of neo-corporatism in Germany. The evidence of this chapter is based on a triangulation of sources, including the print media (especially newspaper reports), reports and statements by the social partners as available on the Internet, academic publications and a series expert interviews, conducted over the last ten years with representatives of the social partners, the public employment service (Bundesagentur für
Arbeit, BA) and the Ministry of Social and Labour Affairs (BMAS). Most of these interviews were conducted face-to-face on basis of semi-structured questionnaires. The results were paraphrased and the interviewee had the opportunity to comment on, edit or correct the scripts.

II. Contextualizing the crisis

a. Political context at the dawn of the crisis

Germany had been seen as the “sick man” of Europe during the 1990s due to sluggish growth, persistent levels of (long-term and youth) unemployment and spiralling payroll taxes. In a first concerted attempt to tackle the economic impasse, the centre-right government between the Christian Democrats (CDU/CSU) and Freedom Democrats (FDP) called for tripartite alliance in 1996, which however fell quickly apart given irreconcilable reform ideas, especially between the trade unions and the market-liberal FDP (Weishaupt, 2011). In 1998, the political tides turned after 16 years of centre-right governance when the Social Democrats (SPD) under the leadership of Gerhard Schröder formed a coalition with the Greens. Like their predecessor, they called for a tripartite Alliance for Jobs to engage in substantial reforms of the German welfare economy (Ebbinghaus, 2010). Even though the Alliance did produce some important outputs, it fell short of a major overhaul and unemployment remained stubbornly high. In 2002, Chancellor Schröder (SPD) was re-elected for his second term, this time on the basis reform ideas in the spirit of the third way as produced in Tony Blair’s Britain. At the forefront of his reform plan were the so-called Hartz reforms and the associated Agenda 2010, which had come about in an expert commission in which also the social partners were present. After the launch of the reforms, in particular the so-called Hartz IV law that took effect on 1 January 2005, the Social Democrats plunged into a deep crisis as many voters – and the trade unions – accused the Schröder government of taking the reform too far, indeed beyond the ideas agreed about in the Hartz Commission (Weishaupt, 2011). A large share of the electorate, many SPD members and the trade unions claimed that the reforms were dismantling the German welfare state, breaking with traditional social democratic values, and causing unnecessary economic hardship for countless benefits recipients. The height of this discontent was reached on 22 May 2005, when the Social Democratic government of Germany’s largest state, North-Rhine Westphalia, lost – after forty years in government – to the CDU in regional elections. Subsequently, the Chancellor

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2 A separate publication co-authored with Jan Weckwerth that focuses primarily on the role of employers in the metal and electrical sector is forthcoming in the Zeitschrift für Sozialreform (Weckwerth and Weishaupt, forthcoming 2019).
announced early federal elections in a last attempt to regain legitimacy for his reform plans and to help him reigning in dissenting voices within his own party. However, Schröder underestimated the political influence of his former SPD colleague and finance minister Oskar Lafontaine. Lafontaine had founded his own party, the Elections Alternative Work and Social Justice (Wahlalternative Arbeit und Soziale Gerechtigkeit, WASG) in June 2005 and re-emerged as a prominent political figure in the anti-Hartz IV, anti-Agenda 2010 movement. Despite a surprisingly close election in September – the SPD received 34.2 percent, while the CDU received 35.2 percent – the Chancellor had to admit defeat and step down. When Schröder resigned he left a divided Social Democratic party behind, which struggled with finding a new profile that would do justice to both wings within the party, including the reform-oriented one that continued to support the Hartz reforms and the traditional one that sought to distance the party from the reform agenda and challenge the WASG on their own turf.

The Christian Democrats, in turn, also suffered from the move to the economic right which had been outlined on the annual party convention in Leipzig in December 2003. In autumn of 2002, the party had embraced a rather radical market liberal course, which Merkel hoped would allow her to garner an absolute majority in parliament. On election day, however, the CDU/CSU had not only lost three percentage points when compared to the previous outcome, but also failed to gather a large enough majority to govern with the Free Democrats (FDP). The CDU/CSU concluded from these disappointing results that the market liberal course was highly unpopular amongst voters and that it had alienated the workers’ wing within the party (Schroeder and Neumann, 2010, 274). Given the political impasse, the very second Grand Coalition government between the Christian Democrats and the Social Democrats in the history of the Federal Republic of Germany was formed in 2005 under the leadership of Chancellor Merkel.

b. Economic context

When in the autumn of 2005, the CDU/CSU-led Grand Coalition took office they inherited a significantly restructured German welfare state and a friendly economic climate. The previous Red-Green government had – with the support of the Christian Democrats – pushed through the highly unpopular Hartz-reforms, which entirely revamped the German unemployment

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3 WASG subsequently formed a formal alliance with the Party of Democratic Socialism (PDS), the successor of the East German Socialist Unity Party (SED) before merging into the Left Party in 2007. Until the elections of 2017, the Social Democrats categorically ruled out forming a coalition with the Left Party, both for personal and ideological reasons.
insurance and social assistance system (Ebbinghaus and Eichhorst, 2006, Weishaupt, 2010). The effects of the reforms, coupled with an economic upturn during 2005 and 2007, had led to rapidly falling numbers in unemployment – from a peak of 5.29 million in February to the lowest point of 2.99 million in November 2008 – while reaching an all-time high of more than 40,000,000 persons in employment (Bundesagentur für Arbeit, 2010, 4-5). With an expanding tax base, also the overall public deficit continuously shrank and 2007 public revenues were higher than expenditures. As such, the German government’s budget appeared solid, interest rates on public debt were significantly lower than in previous decades, and government bonds enjoyed superior ratings from financial markets (Leaman, 2010, 28). Moreover, due to the positive labour market trend, the German PES was also able to generate multi-billion Euro budget surpluses.

**Graph 1: Unemployment rate and GDP growth in per cent**

![Graph 1](image)

Source: Eurostat
Graph 2: Public debt (% GDP) and annual public surplus/deficit (% GDP)

Source: Eurostat

c. System of industrial relations

The German system of industrial relations is characterised by several features, including first a dual structure that historically combines sector-wide multi-employer bargaining rounds (mostly at regional level) with firm-based worker representation via works councils (Müller and Schulten, 2019). While the former negotiate conflict-prone issues such as wages, working conditions, sector-wide benefits etc., works councils are important institutions for cooperative exchanges between workers and management. In recent years, however, works councils have also become involved in wage agreements given the increasing trend that employers renegotiate firm-specific deviations. Second, there is only one (main) umbrella for the trade unions, the Confederation of German Trade Unions (DGB), and only one employer association confederation, the Federal Organization of German Employers’ Associations (BDA). In contrast to other countries, the trade union movement in Germany is not divided by religious or political cleavages. The DGB-unions have some six million members, which represent about 80 per cent of all union members (Müller-Jentsch, 2017, 26). The DGB unions thus only compete with the much smaller Christian Trade Union Confederation (CGB) with some 273,000 members and the Civil Servant Federation (Deutscher Beamtenbund, DBB) with some 1.3 million members (Dribbusch and Birke, 2014, 4). The DGB is home to eight multi-sector trade unions, the two largest with about two million members each, namely...
the metalworkers’ union (IG Metall) and the united service sector union (ver.di). While IG Metall is a relatively homogeneous organization, ver.di is a “union so broad in scope it resembles a confederation” (Dribbusch et al., 2017, 353). When ver.di was founded by a merger of various service sector unions, it became a new organization comprising more than 60 sectors, 20,000 wage bargaining contracts, and 13 autonomous organizational units (Reuter et al., 2017, 257). On the employers’ side, the BDA is an umbrella organization of second or third order, meaning employers join their local or regional-based sectoral employer association (first order), which may be united in a federally organised sectoral umbrella organization (second order), which is then a member of BDA.

Third, industrial relations are embedded in the so-called “wage setting autonomy” clause, which stipulates that the industrial partners agree on wages without the interference of the state. This is a core feature of the German coordinated market economy, a type of market coordination in which the state only acts as a regulator (providing order) and not as an interventionist force. From the tradition of also being a social market economy (Schulze-Cleven and Weishaupt, 2015) follows the norm that class-based conflicts are rule-based and social partnership is encouraged. Traditionally, the German system is characterised by medium levels of unionization but high levels of bargaining coverage as employers, who are signatories of collective agreements extend bargaining agreements to all workers, not only union members.

Despite these core common features, there are variations within the industrial relations system, both sectorally and regionally. Indeed, Wolfgang Schroeder and Samuel Greef argue that there is not one but three systems of industrial relations in Germany (Schroeder and Greef, 2014, 142): The first system is largely congruent with the “typical” picture of industrial relations as painted in the Varieties-of-Capitalism (VoC) paradigm. There are strong unions and employer associations in the export-oriented manufacturing sectors and large enterprises are able to generate sectoral wage agreements for large segments of workers, and social partnership arrangements are common. The second system is more ambivalent. In this world, medium-sized firms and public sector enterprises are less unionised, industrial conflict is more typical and collective agreements are on the retreat or are being decentralised to the firm level. In this system, non-DGB trade unions are also present and compete for membership with ver.di. In the third system, there are very low rates of trade union presence and low membership rates in employer associations. This is typical for small and medium-sized enterprises (SMEs) in eastern Germany, but also in the service and the craft sectors more
generally. Collective agreements are not the norm and atypical forms of employment are common.

III. The Crisis Moment and Beyond

The Christian Democrats under the leadership of Angela Merkel (CDU) were in government since before the onset of the Great Recession. In three of the four cabinets, they formed a so-called grand coalition with the Social Democrats; in one legislative period, they formed a coalition with the market-liberal Freedom Democrats (FDP).

Table 1: Political parties in power

<table>
<thead>
<tr>
<th>Cabinet (Prime minister, party and duration)</th>
<th>Percentage of seats in parliament (lower chamber)</th>
<th>Coalition parties</th>
<th>Type of government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merkel I (CDU, 11/2005-10/2009)</td>
<td>CDU/CSU 37%, SPD 36%</td>
<td>Christian democratic &amp; social democratic</td>
<td>Majority (grand coalition)</td>
</tr>
<tr>
<td>Merkel II (CDU, 10/2010-12/2013)</td>
<td>CDU/CSU 38%, FDP 15%</td>
<td>Christian democratic &amp; liberal</td>
<td>Majority (center-right)</td>
</tr>
<tr>
<td>Merkel III (CDU, 12/2013-03/2018)</td>
<td>CDU/CSU 49%, SPD 31%</td>
<td>Christian democratic &amp; social democratic</td>
<td>Majority (grand coalition)</td>
</tr>
<tr>
<td>Merkel IV (CDU, 03/2018-)</td>
<td>CDU/CSU 35%, SPD 22%</td>
<td>Christian democratic &amp; social democratic</td>
<td>Majority (grand coalition)</td>
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a. Merkel Cabinet I (2005-2009; junior partner SPD)

When most of Europe was affected by the consequences of the global financial crisis in the summer and autumn of 2008, Germany remained in a favourable position. Several banks had been saved or stabilised after the onset of the subprime crisis of 2007⁴, economic growth remained stable through the third quarter of 2008, and unemployment continued to decline until November 2008 (Leaman, 2010, 9). Based on these strong fundamentals, Chancellor Merkel and Finance Minister Steinbrück (SPD) believed that the crisis would be limited to the financial sector, without any dire consequences for the “real” economy (Leaman, 2010, 11).

⁴ IKB Deutsche Industriebank and Sachsen LB (the state bank of Saxony) as well as WestLB and Bayern LB, respectively.
During the second half of October, however, orders for German (export) goods began to massively drop and more and more firms, especially car manufacturers and their suppliers, warned about possible redundancies in 2009 (Dalan, 2008). At that time, temporary employment agencies suffered first as many of these companies began to lay off thousands of their workers. Chancellor Merkel then asked her economics and finance ministers on 21 October to put forward a proposal how to stabilise the German economy and minimise employment losses. Subsequently, most Christian and Social Democratic politicians agreed on a small but targeted stimulus package, albeit without abandoning the medium-term goal of achieving a balanced budget. On 5 November, the cabinet then approved roughly €12 billion stimulus package, which included inter alia corporate tax breaks, tax incentives for private households to make investments in their homes, one-year tax exemptions for newly bought cars, investments for energy-efficient renovations and public funds (for more rapid) investments in regional economic structures (Hagen and Vogel, 2017, 6). A week later, on 12 November, Labour Minister Scholz (SPD) also issued the extension of short-time work, or Kurzarbeit, from 12 to 18 months by ministerial decree. Kurzarbeit is a well-established instrument that allows firms to reduce workers’ hours and thus save labour costs – but employers continue to pay social security contributions according to the full wage –, with part of the wage loss for workers being compensated by the PES. While the government had not consulted the social partners beforehand, Merkel subsequently – in an attempt of “reverse lobbying” – met with the representatives of the leading business and employer associations as well as DGB leader Michael Sommer and “advertised” the contents of the stimulus package (Urban, 2012a).

The economic situation continuously deteriorated throughout November, at a speed that surprised most observers. Especially the car industry and its suppliers struggled with dwindling worldwide demand, but also the mechanical engineering and the metal sectors suffered from drops in orders of over 20 per cent (Deutsche Bundesbank, 2009, Annex p. 63). As firm-internal means to reduce working time – so-called time accounts (Arbeitszeitkonten) – would soon be depleted and many temporary workers had already been laid off, Daimler, BMW, and many car industry suppliers no longer ruled out mass lay-offs. As the state of the economy deteriorated, pressure on the government to issue a second, much larger stimulus package increased daily and various proposals by individual ministers were made public. In order to regain control over the agenda – and positioning her party for the federal elections to

5 For an excellent overview of Kurzarbeit see (Reisenbichler and Morgan, 2012).
6 German social security contributions are calculated as a percentage of the wage and paid in roughly equal parts by workers and employers.
be held in September 2009 – Chancellor Merkel declared the management of the crisis a top priority and invited a select group of high-level personalities including key representatives from the social partners to a crisis summit in the Chancellor’s office to be held on 14 December.

At that meeting, Merkel asked the participants to openly discuss their concerns, while the ministers remained in the background. The most surprising moment of the evening was when Siemens CEO Peter Löscher – a CEO whose executive board had just fought intense battles with the works council over plans to reduce the Siemens workforce in Germany by over 5,000 staff – argued that Germany’s largest companies should pledge not to fire regular workers in 2009, provided there was adequate support from the government and the unions (Bröcker and von Gersdorff, 2008). This gesture was a crucial sign that a consensual path could be taken and industrial grievances be put on the backburner. While no formal social pact was declared that evening, the consultations that followed that evening nevertheless paved the way for subsequent deliberations about the content of a new stimulus package. They also sent a clear message to the public that “the government and the social partners were ready to fight the crisis jointly” (Lesch et al., 2017, 16).

During the following weeks, individual firms and the leading social partner organizations – especially IG Metall and the General Association of Metal-Industry Employers’ Associations (Gesamtmetall) (Lesch et al., 2017, 16) – were engaged in a series of negotiations with individual ministers. While the employers made a promise to safeguard jobs if a second stimulus package was formed and modification to the short-time work scheme were made (Express, 2009), the metal unions agreed to postpone the implementation of the wage increases which had just been concluded during the wage bargaining agreements if firms held their promise to hoard labour (Giezewski, 2009). Given the will to seek joint solutions, it became clear that the M+E social partners and the government had a shared understanding of the crisis and its solution:

Both sides agreed that the sharp drop in demand was of cyclical nature, the industry itself was in good shape, companies needed to be supported until the economic upswing set in and skilled labour would be needed to profit from that upswing” (Lesch et al., 2017, 17).

Against this backdrop, the government then outlined a second stimulus package on 13 January 2009. This second, much larger stimulus package included €50 billion of inter alia direct investments in infrastructure (especially schools, streets, railroads), moderate income tax and payroll reductions, a car “scraping bonus” as well as additional tax incentives to purchase new, environmentally friendly cars, government-guaranteed loans to struggling (small- and medium-sized) firms to enhance liquidity, and further extensions and alterations of the
subsidised short-time work program by covering the 50 per cent payroll taxes (or 100 per cent if the firm offered training during Kurzarbeit).

Despite the social partners’ commitment to overcome the crisis jointly, the early months in 2009 were characterised by great uncertainty and a constant fear of industrial conflict. Not only did other European countries experience high levels of strike activity at that time, also ver.di and a number of smaller, non-DGB unions continuously demanded wage increases of eight to ten per cent (Giezewski, 2009). Accordingly, further concerted action was necessary to make sure the summit’s agenda would be communicated and implemented nationwide in the crucial M+E sector. Communication – besides media releases – entailed three elements: First, more than two dozen of Germany’s largest firms as well as numerous SMEs formalised their “jobs promise” by signing a pledge not to dismiss (permanent) staff that was sent to both Chancellor Merkel and Labour Minister Scholz (Die Welt, 2009). Second, the representatives of the employers’ associations’ headquarters in the M+E sector informed their respective regional and local associations about the new rules and opportunities of the short-time work program, and encouraged them to advertise the scheme to their firms (Interview, BDA 2010). Third, the tripartite Federal Employment Agency, which could readily draw on a multi-billion Euro surplus, informed their employers’ services in all of the local offices about the changes such that they could encourage firms to utilise the altered scheme and to quickly respond to employers’ inquiries (Interview, PES officer 2013). As the social partners and PES staff sent the same messages to local employers and worker representatives, this “dual communication strategy” was crucial for spreading the information about the improved Kurzarbeit scheme and gaining its wide-spread acceptance – also and especially among (foreign-owned) SMEs – and its subsequent use (Interview, PES officer 2013; IG Metall 2017). And fourth, IG Metall warned that if firms prioritised safeguarding profits over jobs, then “massive conflicts will be the consequence” (Roth, 2009a). IG Metall also installed nation-wide “task forces” to support works councils’ job-protection strategies (if necessary with strikes) and to provide information about available instruments (Schwarz-Kocher, 2014). Subsequently, applications for Kurzarbeit skyrocketed from an average of 70,000 in 2007 to peak at over 1.5 million workers in May 2009 (Bosch, 2011, 255).

In April 2009, Chancellor Merkel then announced that she would hold a second crisis summit to elicit how the political steps taken thus far had affected firms’ performance and discuss if adjustments were needed to existing policies. At the summit, which was attended by mostly the same people as the one held in December 2008, uncertainty about the future remained high. Nevertheless at the summit, almost everybody agreed that a third stimulus
package was not needed as the first two packages were still ongoing. Only the trade unions demanded more interventions and remained on guard. While DGB leader Sommer threatened that riots and strikes could be the result of rapidly increasing unemployment, *IG Metall* – after the summit – reiterated that they would be “ready to fight” with any company that decided to let workers go (Roth, 2009b). The unions’ confrontational stance was not, however, only a reaction to the non-issuance of a third stimulus package. During the early months of 2009, the government also clearly indicated that the interventionist actions were only temporary and that it was necessary to pave the way for future budget consolidations during times of extraordinarily high expenditures. Shortly after the summit, a parliamentary super-majority then pushed through new debt rules in May and June 2009 that would put a legal end to excessive federal deficits, while ruling out the right of the Länder to accrue debt starting in 2020 (Zohlnhöfer, 2011, 234).

While significant strikes in the M+E sector never materialised, several service sector unions engaged in a number of large-scale industrial conflicts in 2009. In comparison to M+E, the service sector suffered comparatively little from the economic crisis and especially the public sector seemed largely unaffected. This is not to say that the (public) sector was not struggling. Rather, it had been affected by austerity measures well before the crisis, which had negative effects on both wages and working conditions (Keller, 2013). At the beginning of the year, about 100,000 teachers went on strike for higher wages, the first such strike in German history. These strikes were organised by the union for education and science (GEW) as well as DBB unions. Similarly, embedded in a broader union campaign in “favour of a financial upgrading of social work and child care”, ver.di mobilised a large strike wave – also the first such a national strike ever – in these sectors in June (Dribbusch et al., 2017, 209).\(^7\) The strikes lasted until the end of July and were generally supported by the public. Even though ver.di, in contrast to IG Metall, can be described as a “bystander in the national crisis management” (Dribbusch et al., 2017, 209), these large-scale nationwide strikes as well as a significant number of smaller, often firm-based strikes clearly showed that the (service sector) unions were able and willing to strike even during heydays of the financial crisis, which in turn send a clear signal to employers (and the state) that mass redundancies would not be tolerated. As such, ver.di was a force to reckon with, even if they could not be expected (to be able to) negotiate a social pact.

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\(^7\) In the autumn, IG BAU called for the first national strike of cleaners, which also received widespread public support (Dribbusch et al., 2017, 10). The year 2009 was thus a year in which the service sector continued to strike – indeed, 95 per cent of all strike participants and 95 per cent of all working days lost were in the service sector (Bewernitz and Dribbusch, 2014, 396) – albeit with the general support of the public.
What have we learned from the German case thus far? First, the formation of this first social concertation summit can best be explained by two factors: First, with a view to political explanatory factors, it is crucial to understand the pre-crisis developments: the Christian Democrats had learned from their “neoliberal” mistakes in 2005 and embraced the Social Market Economy instead (Schulze-Cleven and Weishaupt, 2015). This led to a pragmatic approach that allowed the issuance of temporary “extraordinary emergency measures” (Zohlnhöfer, 2014, 160) and included the clear message by the Chancellor that her government will consult the social partners to tackle the crisis. Second, considering economic and institutional factors, it is crucial that the crisis mainly affected the export-oriented M+E sector. This sector not only represents the very backbone of the German (value-added) economy, the M+E sector also continues to exhibit core features of a CME: strong, regionally organised unions and employer associations. IG Metall was able to not only negotiate concessions; their firm-based representation also allowed them to directly negotiate with resistant managers and monitor compliance with the federally agreed “pledge” not to dismiss workers. Employer associations, in turn, could inform their members about ongoing changes to the short-time work scheme, while advising (SME and foreign-owned firms) about the advantages of short-time work. Of course, this sector also had particularly large expected gains from social concertation with the aim to hoard labour: For the trade unions, this strategy secured their members’ jobs – even if members with well-protected jobs only grudgingly agreed to temporary wage losses. At the same time, (large) employers had not only learned from their past mistakes that letting go skilled workers will slow down production when the economy rebounds; they also welcomed an opportunity to infuse industrial peace during a time when other countries experienced massive strike waves (Eichhorst and Weishaupt, 2013).


In the elections of autumn of 2009, the market-liberal FDP emerged victorious with almost 15 per cent of the vote share. The FDP’s strong electoral performance allowed the Christian Democrats to form a coalition with them, despite their own electoral loss of about one percentage point. The main electoral losers were the Social Democrats, who lost more than 11 percentage points, resulting in the worst election result since the formation of the party. As the German economy had already shown solid signs of recovery, the newly formed government
abstained from any more “crises summits” with the social partners, yet passed a third (and final) stimulus package to accelerate economic growth in December 2009. This package was comparatively small, highly controversial, and included mainly tax cuts and some incentives to support investments in renewable energy. Kurzarbeit, in turn, was only very gradually scaled back as both the trade unions and employers continued to lobby jointly for the measure (Dribbusch and Birke, 2014, 18). In the years to follow, the German economy – in stark contrast to many other European countries – remained robust. For Germany, the economic crisis was practically over by 2010 and crisis management was mainly an issue relegated to the European level. The elections 2013 and again in 2017 confirmed Merkel’s chancellorship, albeit both times in the context of a grand coalition with a continuously weak SPD.

While there were no more tripartite crisis summits, the relations between the government and the social partners remained close and constructive – even during the years of the Christian Democratic-Liberal government (2009-2013). Moreover, not only the SPD sought to tighten their relations with the unions by advancing many of their policy priorities, also the Christian Democrats engaged with the unions and supported much of their agenda. The following developments are cases in point:

First, all political parties have stressed the social partners’ constructive assistance in overcoming the crisis and subsequently embraced a pro social partnership position. Analysing all parliamentary debates held from 2005 to 2013, Zeihn (2018) has shown that all parties not only made more references to the social partners, but that the used frames have changed in favour of positive, in contrast to negative or neutral, ones. These changes are most apparent for the Social Democrats and Christian Democrats, but even the FDP has become less critical of collective bargaining and co-determination. Similarly, the party manifestos of the Social Democrats and the Christian Democrats have seen a significant increase of the (positively connoted) use of the term “social partners” or “collective bargaining partners”. While the Christian Democrats referred to these terms between 0 and 2 times in between 1994 and 2009, they used both terms 18 times in 2013 and still 9 times in 2017. Similarly, but perhaps less surprisingly, the Social Democrats not only referred 22 times to the trade unions in 2017, but referred to the “social/collective bargaining partners” 9 times in 2013 and 8 times in 2017, compared to between one and three times from 1994 to 2005 (and seven times in 2009).

Second, during and immediately following the crisis, the social partners were treated as privileged and sought-after partners by the government, which has been interpreted as a form of “inverted lobbying” (Schroeder, 2010, 197, Urban, 2010, 4). This privileged relationship has continued since, especially in the manufacturing sector, where several neo-
corporatist forums have been institutionalized. Examples include sectoral platforms (e.g. the National Platform for Electric Mobility) and working groups (e.g. on digitalised manufacturing or on work in an age of digitalization), the annual high-profile “Deliberations on the Future of German Industry” in Meseberg since 2009 and, most recently, the “Alliance for the Future of German Industry” and an associated network (Schroeder, 2016). In the service sector as well, the government has repeatedly called for alliances, special summits and even concerted actions. Prominent examples include the numerous tripartite long-term care summits held by many regional governments and most importantly the “concerted action” for long-term care initiated by the Labour and Social Affairs Minister Hubertus Heil in July 2018. Another case in point is the repeated renewals of the multi-annual “Alliance for Vocational Training” between the state and the social partners at national as well as regional level. These pacts have not only been crucial instrument in stabilizing the number (of previously declining) vocational training places since their introduction in 2004, but they were also a significant element in preventing an increase in youth unemployment during the Great Recession (Bosch, 2015, 226).

Third, the trade unions’ image significantly improved in the public’s eye (see graph below). Researchers argue that the changes in perception can be – at least in parts – be attributed to their role in tackling the crisis. The unions are not only associated with successful lobbying for the stimulus packages and the issuance of Kurzarbeit, but are also regarded as “successful crisis managers that helped Germany to overcome the crisis without major social disruptions” (Schulten and Bispinck, 2014, 9).

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8 How durable this Alliance is, needs to be seen as two industry associations left it again in October 2017.
When it comes to policy, there have been several social policy initiatives that were union friendly, if not based on union initiatives. Hardly any of these can be considered tripartite, however, as employers hardly supported them. The most important of these laws includes the introduction of the Statutory Minimum Wage (SMW), which was introduced on 1 January 2015 in the context of a larger law entitled “Act on Strengthening the Autonomy of Collective Bargaining”. While the crisis is not causally related to the government’s agenda to support the trade unions’ initiative for an SMW, the Christian Democrats’ turnaround must be seen as a gradual evolution to which the neo-corporatist crisis management certainly contributed. In the period succeeding the crisis, the Christian Democrats at first continued to reject an SMW as demanded by the Social Democrats and the trade unions. Over time, however, their stance shifted, mainly due to the persistent campaigning of Karl-Josef Laumann, leader of the Christian Democratic Workers (CDA). Laumann was able to persuade the party’s base of the necessity of “fair competition” in a social market economy and that “good” employers were underbid by “dirty” ones, paying low wages and engaging in dubious work practices. Moreover, he was able to offer a feasible pathway to the party as it was not the state that would set the wage floor, but the social partners. Such a procedure was in line with the Christian Democrats’ faith in the “collective bargaining autonomy” (Weishaupt, 2018) and was described by the Labour Minster Ursula von der Leyen (CDU) as a “logical progression of the Social Market Economy”, which is founded on the principle of social insurance and social partnership (Hemmelmann, 2017, 419).
In addition to the SMW, the government pushed through several other union-endorsed policies such as the possibility to retire early under certain conditions, higher pension payments for mothers, re-regulations of agency work, long-term care improvements or rent controls (Schmidt, 2014, Voigt, 2019). Even though the social partners, especially the unions, were a crucial actor in the evolution of these policies, they followed the traditional patterns of clientele and pressure politics rather than social (consensus-based) concertation.

IV. Neo-corporatism and bilateral relations

While it has become quite clear that the post-crisis era has been characterised by a number of political changes in favour of neo-corporatist policy-making, it remains highly controversial if there have been any lasting effects on the system of industrial relations. Even with respect to the “most likely” manufacturing sector, there are some scholars, who stress that the phase of cooperative “crisis corporatism” (Urban, 2012b) was only “short-lived” (Dribbusch and Birke, 2014, 21) without any lasting effects on the social partners’ strategies (Ohl, 2011), the state of social partnership (Streeck, 2016), or collective bargaining trends (Hagen and Vogel, 2017, 140). Others, however, point to a complete “turnaround” in firms’ views of both collective bargaining and trade unions as partners (Behrens and Helfen, 2016). In order to assess whether or not the concerted crisis management has had a lasting impact on industrial relations in the M+E and service sectors, I apply a differentiated view, distinguishing between the relations between the social partners as well as some structural variables such as their organizational strength measured in terms of strike activity, membership, and the reach of collective bargaining agreements.

With regard to the relationship between the social partners in the M+E sector, the evidence collected for this chapter suggests a “normalisation” of relations in recent years. Put differently, the period immediately following the crisis had been characterised as unusually cooperative and peaceful (see graph below), which has translated into a large majority of firms perceiving social partnership as an asset and the trade unions as reliable partners (Helfen, 2013). However, over time the traditional “conflictual partnership” (Müller-Jentsch, 1999) in which both sides “dance and box” with each other (Kuhlmann, 2004) has re-emerged since 2013 and found a temporary climax in an emotionally charged bargaining round in the winter months of 2017/18, which resulted in industrial strife in early 2018. Unsurprisingly, when asked about the impact of the crisis on social partnership in 2017/2018, the interview partners unanimously argued that “social partnership has not fundamentally changed. […] We
always have and always will fight with each other, but we have always also been able to pull our acts together and work out compromises” (Interviews 2017, employer association Lower Saxony; similarly employer association Hessia, Gesamtmetall, BDA). Despite the social partners engaging in rule-based industrial conflict, both sides also reiterate that the crisis has shown that when need be, conflicts can be set aside and joint solutions are within reach.

In the service sector, the developments have been somewhat different. As the empirical section showed, the service sector was never really part of the concertation efforts and the trade unions continued, if not intensified, their strike activities during and after the crisis (see graph below). However, the unions have been largely supported by the public and the government, especially the Social Democrats. This is to say, while the crisis has had no effects on service sector unions or their strategies – campaigning and organizing – their increasingly confrontational approach has not jeopardised their political influence. Rather, the Social Democrats have been eager to engage with the unions and supported many of their key demands, including the introduction of the SMW, a re-regulation of fixed-term contracts or the partial reversal of the pension reform that increased the statutory retirement age to 67.

**Graph 5: Strike activity in the M+E sector**

[Graph showing strike activity in the M+E sector]

Source: Gesamtmetall

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9 Gesamtmetall draws in their annual reports on the official PES statistics but exclude, due to data protection guidelines, the information on very small firms. In addition, the data includes on strikes with at least ten participants and lasted at least one whole day or caused losses of a total of 100 working days.
With regard to membership numbers, IG Metall – in contrast to most other trade unions – has stabilised, if not slightly increased, their membership base since 2010 (from 2,239,588 in 2010 to 2,274,033 in 2016). While this cannot necessarily be attributed directly to the management of the crisis, it goes along with a more general trend of improved societal reputation of trade unions in recent surveys (Schroeder, 2014). Similarly, the number of firms in M+E employer associations has continuously grown since 2004, even if the increase is entirely attributable to OT-membership options, i.e. membership without the obligation to adhere to collective wage bargaining results (Gesamtmetall, 2018). While in both cases there is no clear effect of the crisis, the continuity of the upward trend in membership numbers in both IG Metall and M+E employer associations suggests an end of the long-proclaimed and inevitable “erosion” of social partnership (Streeck, 2009) and a consolidation of the coordination capacity in the M+E sector. The membership trends for ver.di, in turn, are negative. Despite large campaigning and organizing efforts, ver.di continues to struggle with a steady membership decline. The reach of collective agreements has – with exception of the retail sector – also continued to decline, albeit the downward trend seems to somewhat slow down.

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10 Included are the retail, public administration/defense/social security, education and health sectors. 
12 For more information about OT-membership, see e.g. Haipeter (2016) or Weckwerth and Weishaupt (forthcoming 2019).
In sum, the effects of the crisis management are a bit of a mixed bag. On the one hand, industrial relations in the M+E sector have become “normalised” in the sense that industrial action has picked up again and “boxing and dancing” returned as the modus operandi. Moreover, associational membership is increasing (in the metal sector) and the decline in
collective bargaining coverage is rather moderate. Overall, the IG Metall and Gesamtmetall present themselves as collectively strong, resourceful and rather (internally) homogenous organizations. On the other hand, industrial relations in the service sector are more confrontational. This is partly due to internal heterogeneity of the sector, but also a sign of a rather fragmented trade union landscape, a large number of workers with atypical contracts (which are less likely to be union members) and a rather diverse set of employers. The result is a large variety of outcomes, ranging from a struggling retail sector to a well-organized public sector.

V. Final conclusions: key findings and the state of neo-corporatist Germany

This chapter has offered several key findings. First, Germany, in contrast to many other European countries, has re-emerged from the crisis with a strong economy and growing employment. This rather stellar performance can only be explained with a reference to the concerted approach agreed upon by the government and the social partners. Without a nationwide labour hoarding strategy – which was mainly implemented in the manufacturing sector – German employment would have contracted much more and the economic recovery would have been slower. The government was able and willing to seek concertation for various reasons. Certainly, electoral considerations were key. Not only did the crisis hit Germany less than a year before national elections, but both large parties had previously suffered from electoral setbacks due to a shift to the economic right. As such, both parties tried to reclaim the political middle grounds and both parties wanted to claim credit for managing the crisis. Moreover, the government could reach out to and rely on social partner organizations that were strong enough to engage in negotiations and able to enforce a subsequent transposition of the agreement on the ground. Finally and relatedly, the crisis mainly affected the manufacturing sector, the very backbone of the German growth model, while the service sector remained largely unaffected. Supporting manufacturing was not only crucial to stabilise the economy, a common problem definition and solution could also be identified rather easily.

Second, this chapter challenges common arguments in the literature that the crisis corporatism was short-lived and without any lasting effects (e.g., Haipeter, 2012, 395). While it is true that the government abstained from holding additional tripartite “crisis summits” after 2009, the evidence in this paper has shown that the crisis management has affected the political climate: social partnership and trade unions have gained public trust and all political
parties have endorsed a more positive viewpoint of social partnership. Traditional features of the “old” economy are no longer seen as obsolete and outdated, but are regarded as an asset and crucial pillars for the future of Germany’s global competitive edge. This is evident not only in the setting up of various neo-corporatist institutions, including various tripartite forums and platforms as well as the Minimum Wage Commission, but also in the very policy-making style that can be characterised as (especially labour) inclusive and cooperative during the post-crisis era.

Third, this chapter offers novel insights to recent developments in industrial relations. On the one hand, the evidence brought forward in this paper relativizes the rather “harmonious” portrayal of industrial relations in the metal sector (Helfen, 2013). In contrast to the overly positive results of the 2012 survey, this analysis and the supporting interviews show industrial relations have returned to the pre-crisis era, where strikes were “a regular part of [the unions’] repertoire of action” (Dribbusch, 2016, 353). While this could be used to argue that the effects of the crisis were short-lived, it has become equally clear that the trust in social partnership has been solidified and membership trends have been consolidated if not reversed, at least in the metal sector. Hence, a more nuanced interpretation is necessary that acknowledges more conflictual labour relations (in the service sector) and yet an overall cooperative, largely neo-corporatist climate at the political level.

While only time will tell, the evidence in this chapter certainly sheds doubt on overly pessimistic portrayals of the state of Germany neo-corporatism (e.g., Streeck, 2009). Rather, it reminds us that social partnership is a political choice that is not pre-determined by structural forces (Kädtler, 2017, 343). Hence, as trust is built, the continuation if not revival of industrial democracy continuous to be a viable scenario.

VI. References


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