

## PROLOGUE

### *The East in Open Conflict: The Great Strike of 1993*

When on November 9 and 10, 1989, hundreds of young Germans danced atop the massive and once impenetrable Berlin Wall, the world was forever transformed. The collapse of communism, the changes in eastern and central Europe and the former Soviet Union, and the agonizing efforts to construct a “new world order” have become defining political dramas of our era. At the center of these events stands a most remarkable and significant story: the peaceful and largely successful unification of the two postwar Germans.

Countless books and articles have been written describing the collapse of communism in East Germany and chronicling the events leading up to formal German unification on October 3, 1990. Other writings emphasize the protracted difficulties and continuing conflicts and tensions (especially between easterners and westerners) in unified Germany in the 1990s. This book aims to round out the story by demonstrating that despite all the problems, the unification of Germany has been on the whole a rather remarkable success.

In a nutshell, German unification succeeded thanks to inclusive institutions and processes of negotiated adjustment. As a “social market” economy, West Germany maintained a dense web of regularized negotiations that shaped domestic policy in areas ranging from macroeconomic policy, to intergovernmental and industry-bank relations, to vocational training and company-level codetermination. When East and West Germany were unified on the one-sided basis of West German law and practice, West German institutions of negotiation were transferred wholesale to the East. Although fraught with difficulties and shortcomings, institutional transfer provided a new and surprisingly flexible framework for the transformation of economy and society in eastern Germany, and for the successful unification of modern Germany.

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Because it is impossible in one book to examine all German institutions of negotiation, this book focuses on one important set of relations at the heart of social market regulation: the “social partnership” between labor and management. “Social partnership,” a term widely used throughout the European Union but little known in the United States, refers to the nexus—and central political and economic importance—of bargaining relationships between strongly organized employers (in employer associations) and employees (in unions and works councils) that range from comprehensive collective bargaining and plant-level codetermination to vocational training and federal, state, and local economic policy discussions.

To some extent, I use “social partnership” in this book to represent other, parallel processes of regularized negotiation throughout the German political economy. From the perspective of economic citizenship and democratic participation, however, social partnership itself is the most critical of social market mechanisms of negotiation and inclusion. And what is most remarkable, social partnership has not only coexisted with but proactively facilitated the strong export-oriented economic performance of the Federal Republic of Germany ever since its founding in 1949.

## BACKGROUND TO THE STRUGGLE

With the demise of communist trade unions in East Germany in 1990 and the subsequent collapse of the eastern economy in 1990–91, prospects for a western-style social partnership in the East appeared highly problematic. Many observers predicted that market liberalization in the East would bring the beginning of the end for strong labor unions, and hence social partnership, in unified Germany.

In a race to fill the vacuum of collapse, the sixteen unions of the western German Labor Federation (*Deutscher Gewerkschaftsbund*, or DGB) moved rapidly into eastern Germany to sign up new members and establish a presence in the eastern workplace. At the same time, western investors, employers, and employer associations moved rapidly into eastern Germany to establish ownership and influence. It was not long, of course, before these representatives of management and labor were face to face as each sought to secure influence in the new federal states.

Would the employer associations and the unions establish a strong presence, respecting each other’s influence in western-style relations of social partnership? Or in the fluid and highly uncertain new situation would conflict break out, leading to predominantly conflictual relations in the East and perhaps even to a breakup of the social partnership back in the West, and in Germany as a whole? Would the unification of Germany result in an extension and expansion of strong interest representation and social partnership, or would it mean the beginning of the end for these institutions and practices?

The first great watershed for German social partnership in the post-unification era came in the spring of 1993, when employers in the metal industries of eastern Germany unilaterally refused to honor a previously negotiated collective agreement to raise workers' pay 26 percent. In a high-stakes effort to beat back the employer offensive, IG Metall (the German metalworkers' union) responded by calling eastern workers out on strike. The ensuing conflict and its outcome were to have major consequences for the future political economy of the East.<sup>1</sup>

The opponents in this confrontation were Gesamtmetall, the powerful employer association that encompasses a range of metal industries including automobile assembly and parts, machinery-building, shipbuilding, and electronics, and IG Metall, the equally powerful industrial union that represents the workforces, both blue and white collar, in each of these same industries. Throughout the postwar period in West Germany, collective bargaining agreements between Gesamtmetall and IG Metall (signed at regional levels but coordinated nationally) have both covered these industries comprehensively and set the pattern for negotiations in other sectors of German industry.

In 1990–91, Gesamtmetall and IG Metall each established a prominent presence in the new states of eastern Germany. Eastern employees joined IG Metall in large numbers, driving total membership in that union up from 2.6 to 3.6 million in the space of a year. Conscious of their pattern-setting role and eager to consolidate and stabilize western-style labor-management relations in the East, Gesamtmetall and IG Metall soon entered into negotiations and in March of 1991 signed similar three-year contracts for each region of eastern Germany, establishing basic pay levels and terms of employment for the metal and electronics industries.

These contracts provided for the phasing in, for eastern blue- and white-collar workers, of nominal wage parity with western workers over a three-year period (from 65 percent on April 1, 1991, to 100 percent on April 1, 1994; Bispinck 1993b, 470). Widely praised at the time, this arrangement offered eastern workers hope (above all to keep them from moving to the already crowded western labor market), promoted social stability in a precarious economic situation, and enabled employers and investors, who stood to gain by getting in early while wage costs remained low, to plan the rebuilding of the East in a rational manner—and at the same time protected western workers and employers from low-wage competition in the East.

The cozy relationships of early 1991, however, had evaporated by 1992 in the face of economic collapse in eastern Germany.<sup>2</sup> Although the pay raise of April 1, 1992, was paid on schedule, many employers, especially small-to-medium-sized ones, complained that the continuing phase-in of nominal wage parity would ruin them economically. Gesamtmetall knew that if it did not make a stand on this issue, its membership density in the East would suffer, since many firms would seek to go it alone in hopes of working out a better deal with their

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own threatened workforces (Silvia 1993, 22; Wever 1995).<sup>3</sup> Employer criticism focused increasingly on the scheduled 26 percent pay raise due on April 1, 1993.

After failed attempts at renegotiation and arbitration in the winter of 1992–93, Gesamtmetall seized the opportunity to “play hardball” in what looked like a sure-win situation in the spring of 1993. A hard-line view came to dominate within the employers’ camp: with 40 percent real unemployment and massive job insecurity in the East, with no recent history of western-style collective bargaining or labor conflict, and with membership in IG Metall quite new and untested for eastern workers, mass mobilization and a successful strike in the East looked unlikely.

The employers announced their intention to cancel the contracts and proceed unilaterally with a 9 percent raise on April 1, instead of the scheduled 26 percent. IG Metall denounced the employer action as illegal and without precedent in the postwar period and filed a formal complaint with the labor court (not scheduled to be heard until May 14; Bispinck 1993b, 475–76). In the meantime, the union announced warning strikes, marches, and demonstrations beginning on April 1, to escalate toward a full-fledged strike throughout the metal industries of eastern Germany if no settlement were reached.

Employers denounced IG Metall as intransigent and out of touch with its membership in a desperate economic situation; the union accused the employers of breaking the postwar social contract and undermining the foundations of free collective bargaining.<sup>4</sup> Employers, backed by the business press and the broader employer community—through the Federation of German Employers (BDA) and the Federation of German Industry (BDI)—appeared unusually confident of victory. Eastern metalworking employees, for their part, obviously felt betrayed by the unilateral reduction of their scheduled pay increases; yet according to numerous journalistic accounts, they were also wary about going out on strike in a period of massive layoffs and economic crisis. Union representatives spoke militantly in public of the need to defend collective bargaining and free trade unionism but more hesitantly in private of their uncertainty regarding the viability of a strike in eastern Germany.

Press editorials called for reason on both sides, especially exhorting IG Metall to avoid leading its new eastern members into a labor-market disaster. In a front-page editorial cartoon, *Handelsblatt*, Germany’s leading business daily, showed IG Metall president Franz Steinkühler sitting at the helm of a small boat, steering his eastern members over the crest of a great waterfall.<sup>5</sup> The *Economist* titled its article on the coming conflict “Mass Suicide.”<sup>6</sup>

Although Gesamtmetall had signed a three-year contract in 1991, the temptation offered by mass unemployment proved impossible to resist. This was, after all, an employer’s dream labor conflict: the new federal states were suffering 40 percent real unemployment (producing massive insecurity on the part of remaining job-holders); the need to hold down costs to preserve jobs was real and desperate; and

the relationship between the (western) unions and their (eastern) members was new and untested. This was the ideal opportunity to show eastern employers (members and potential members of the employer associations) that Gesamtmetall could provide its constituents firm-level support during a labor conflict; a solid and aggressive united front against the powerful IG Metall; reduced labor costs and new wage flexibility as a bargaining outcome; and either a favorably reconfigured social partnership or a broader deregulation for unified Germany, with employers in the driver's seat at last. The stakes were high, but the prospects for victory bright.

#### APRIL WARNING STRIKES: A PARTICIPANT-OBSERVER'S VIEW

On March 31, the day before the first scheduled warning strikes, I was sitting in the headquarters of the employer association in Berlin, listening to the explanations and predictions of a high-level employer spokesman.<sup>7</sup> According to him, and as other employers had explained in interviews in the preceding days, Gesamtmetall's hard line on contract cancellation and the unilaterally imposed 9 percent pay raise were necessary to rescue the eastern economy. Furthermore, IG Metall would come to its senses once it became apparent that easterners had no stomach for a real strike. Yes, there might be a few face-saving warning strikes, but no one could really believe either that eastern workers would vote to strike (with a 75 percent vote in favor required to authorize a strike) or that if they did, that they could hold out in a protracted conflict. From the employers' vantage point, this was the eve of a new era in which their own position would be consolidated in eastern Germany at the expense of IG Metall bargaining power. Although concerned about the imminent labor conflict, this employer spokesman was at the same time slightly flushed with the anticipation of a major victory.<sup>8</sup>

On the telephone that evening, I asked Manfred Muster, chairman of IG Metall for the city-state of Bremen in western Germany, what hope the union could have in such a desperate situation. Victory was widely predicted for the employers, who indeed seemed eager to push the union into a losing battle.

"I don't know what will happen," he replied. "We don't know if our eastern colleagues will strike. This is unknown territory, you know. We are in a position now where we have to fight, even if we may lose."

"What fall-back strategy is there if the strike doesn't work out? What compromise could the union accept?"

"The employers have broken the contract. We are willing to negotiate, but the employers must take back their contract cancellation and reinstate the principle of phased-in wage parity. Otherwise, collective bargaining is dead in Germany."

"But what if the easterners won't strike? So many of them have become disillusioned with IG Metall and other western unions for being unable to stop mass

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layoffs over the past two years. Will they follow you now? The papers say you are leading them into disaster.”

“Listen, I don’t know what will happen. I only know that we have our backs to the wall now and have to fight. Rostock is Bremen’s sister city in the East, and tomorrow I go there to help organize the warning strikes. If you want to see for yourself what happens, meet me in Rostock.”

And so at 6 A.M. on the morning of April 2, I found myself in an industrial district of Rostock, with a small group of IG Metall members and works councillors, shivering in the dark and cold outside a Siemens electronics plant. This group’s job was to leaflet the morning shift at Siemens and other adjacent companies, to make sure that everyone knew about the warning strike scheduled for 11 A.M. Since this was a Friday, the plan was for everyone to walk off the job, march downtown for a rally at the shipyards, and then take the rest of the weekend off. The purpose of the warning strike was to demonstrate collective anger at the employers’ cancellation of the three-year contract with its scheduled 26 percent April 1 pay raise; show worker solidarity with union demands; and give the employers a foretaste of the readiness of eastern workers to go out on strike. A strong showing would bolster the union position heading into a full-fledged strike, as well as increase the likelihood of a favorable settlement. A weak showing would cut the ground from under the union position.

Siemens seemed an unlikely place to produce a large strike turnout. In the first place, Siemens is an electronics firm, the least union-friendly sector that IG Metall organizes. At this particular plant, restructuring since unification (including the plant’s purchase by Siemens) had meant a drop in workforce size from over 2,000 to around 600: the remaining employees were hardly likely to feel very secure about their individual job prospects. Finally, the “plant” here consisted mainly of a long, eight-story office building, occupied largely by white-collar workers, including many professional and technical employees and women, hardly the groups considered most highly organizable in traditional (and contemporary) western industrial relations.

My companions (two men and three women, all except Manfred easterners and members of Rostock IG Metall) handed out leaflets and talked with incoming employees. Most people were polite about taking leaflets and seemed genuinely interested in talking about the pros and cons of a warning strike—and would even stand out in the cold air for a few minutes to do so.

At one point, a Siemens manager (like almost everyone else at this plant an easterner) burst out of the lobby, demanding to know what these folks were doing there, urging his people to walk off the job.

“We are organizing a warning strike!” proclaimed Manfred. “This is our right under Article 9 of the Constitution.”

The manager turned away and reentered the building. Manfred’s eyes sparkled. “We are Germans,” he said with a wink. “You have to tell them it’s

legal. In Italy or France it wouldn't make any difference whether it was legal or not, but here it matters."

"What does Article 9 say about warning strikes?" I asked.

"Freedom of association. We use it all the time. He will probably go look it up. There won't be anything in there about warning strikes, but it should keep him quiet."

The manager never reappeared. Incoming employees continued to take leaflets and talk at length with the IG Metallers. The sun finally came up and warmed the air a bit. When the morning shift was in and two adjacent companies had been leafleted as well, we drove back to union headquarters for breakfast. Rüdiger Klein, an easterner and head of the Rostock IG Metall, reviewed their plans for the day. With a stack of paperwork a foot high—member applications for various benefits, especially those related to unemployment—he never stopped examining and signing documents as he and his colleagues talked tactics and strategy.

At 10:00 A.M., the union office emptied out as groups headed off in different directions for various workplaces around Rostock. Back at the Siemens plant, the head of the works council, clearly concerned, met us with the news that top managers had gone through the offices, threatening employees with "dire consequences" if they joined the warning strike.

Manfred jumped into the IG Metall van and drove around to the side of the building. He turned on the loudspeaker. "This is IG Metall speaking," he said. "Today we are going out on a warning strike. 11:00 A.M. This is our right under Article 9 of the Constitution."

I looked up to see faces appearing from behind the curtains, windows opening on all floors. "The employers have illegally canceled the contract. You were supposed to get a 26 percent raise yesterday; instead you got 9 percent. This is a historic moment when we get to decide whether to accept such demeaning treatment or whether to fight back. The warning strike is the first step in standing up for what is rightfully yours. Without this step, no further steps are possible. If we let the employers walk over us now, there will be no stopping them. Colleagues, you have the legal right to join the warning strike, and we all have the duty to do so if we value collective bargaining and free trade unions in the Federal Republic of Germany."

Manfred paused for air and then continued. More faces appeared at the windows. "It doesn't matter if some boss runs through the building telling you not to join us. You won't defend your rights behind the curtains. You won't get a 26 percent pay raise by sitting at your desk today. Our peace obligation expired yesterday when the employers canceled the contract. Our warning strike rights are protected under the law. Come join us, colleagues, come join us!"

Manfred drove around to the other side of the building and repeated his exhortation, loudspeaker blaring. Again, heads appeared in the windows. But what weight could Manfred's words carry against the real threat of job loss? Could this be any more than Don Quixote against the windmills?

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At 10:45, the lawn in front of the building was still empty except for a few anxious works councillors. At 10:50, two or three warning strikers (or just curious onlookers?) appeared. Manfred drove back and forth, from one end of the building to the other, escalating the intensity of his exhortations. At 10:55, a few more emerged, a small handful for what looked like a very lonely march into town.

And then something quite surprising happened. At 11:00 A.M., as punctual as the German trains, the white- and blue-collar employees of Siemens streamed out through the main door. There were twenty, then fifty, then a hundred, two hundred, and still the numbers grew. As the sidewalks overflowed on to the lawn, what was happening came suddenly into focus: these workers, despite the threats and uncertainty, and at great personal risk had in fact stood up for what they believed was right and shut their company down.

The crowd appeared quite uncertain about what it was doing. People tensed up noticeably as two police cars sped around the corner and pulled up next to the IG Metall van. Manfred flipped the loudspeaker on again and declared: "We greet the colleagues from the police department who have arrived to join the warning strike and escort us into town." People cheered, the police shrugged and waved back, and a squad car moved forward to clear traffic for the march. Manfred spun the van around and eased down the street, followed by a long line of warning strikers turned marchers, now several hundred strong.

Along the route, small crowds from several other workplaces waited to join the march. The sun blazed down on a cool but beautiful April day. An IG Metall youth group joined at the front of the march with a wide red banner calling for wage solidarity East and West. Spirits rose as the numbers grew, and by the time the columns passed under an elevated subway station and swung into the main corridor to the shipyards, there were a good one thousand marchers. At the approach to the square in front of the shipyards, our march was joined by an equally large group from another part of town. Columns approached from other directions, the workers had already spilled out from the shipyards, and there they were, about five thousand eastern workers (according to union and press reports) milling around in the crisp sunshine in front of a lashed-together stage, participating together in this history-making event: the first legally sanctioned collective bargaining work stoppage in eastern Germany since 1933.

TV cameras rolled as union leaders (Frank Teichmüller, head of IG Metall for the northern coastal region, Rüdi Klein of Rostock, and Manfred Muster from Bremen) gave speeches. The crowd roared at the announcement that twenty-thousand warning strikers in greater Rostock had shut down the metal, shipbuilding, and electronics industries of the area until Monday.<sup>9</sup>

In the aftermath, at a press conference in the shipyards, back at the union office, and later that evening over Rostocker beer in a smoke-filled tavern, these union leaders were quietly ecstatic. Although they recounted over and over the

potential dangers ahead, they knew now that they had more support behind them than they had dreamed of. From that day on, the employers knew it too. The Rostock story was repeated in successful warning strikes all over eastern Germany on April 1 and 2. From then on, for the next six weeks, this first great eastern labor conflict since German unification, and the first major collective bargaining conflict in eastern Germany since the Weimar Republic—which Hitler had eliminated sixty years earlier along with free trade unions, codetermination, and collective bargaining—became a test of will and staying power.

## THE MAY STRIKE

Successful warning strikes throughout the new German states April 1–2 and again April 14–15 shattered western preconceptions of eastern worker passivity. Even Michael Fichter, an astute, Berlin-based observer of eastern German industrial relations since 1989, had referred to “the widespread instance of lethargy and passive expectation . . . after years of being watched over, taken care of, and having favors and social improvements—when forthcoming—doled out to them, East Germans seem to be particularly prone to such behavior” (Fichter 1991, 35).<sup>10</sup>

For Gesamtmetall, the comfortable illusion that easterners, after sixty combined years of Nazism and command communism, would no longer stand up for their own interests when forcefully challenged vanished. For IG Metall, the demonstrative shattering of this same troubling preconception cast new light on the union’s bargaining position in eastern Germany.

For a few days, an early settlement looked possible. Kurt Biedenkopf, prime minister of Saxony, offered his services as a mediator, leading to discussions between IG Metall and the employer association (VSME in Saxony) on April 4 and 5. An agreement was reached between the two sides, reinstating the scheduled April 1 pay raise but extending the timetable for full parity by one additional year. IG Metall headquarters in Frankfurt indicated its willingness to accept the compromise; Gesamtmetall headquarters in Cologne, however, turned it down, forcing the Saxon employer association chairman to resign his position. IG Metall pointed to this failed effort at compromise as evidence of Gesamtmetall’s unreasonableness.<sup>11</sup>

Rumors of further behind-the-scenes discussions and possible compromise solutions circulated throughout the month of April and into May.<sup>12</sup> Publicly, however, both sides hardened their positions. After the second round of warning strikes on April 14–15, the first strike votes were scheduled for late April. Demonstrations of support for the eastern metalworkers organized by the DGB drew about 200,000 participants in both eastern and western Germany on April 24 and 25. The first strike votes, held April 26–28, yielded votes of 85 percent in favor in Saxony (the southern part of eastern Germany) and 90 percent in favor

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in Mecklenburg-Pomerania (the northern part, including Rostock). A parallel vote in the eastern steel industry, also organized by IG Metall but negotiating separately, yielded a vote of 86 percent in favor (Bispinck 1993b, 477).

The strike began in Saxony on May 3, with 7,000 workers at twenty workplaces, and in Mecklenburg-Pomerania on May 4, with 12,500 workers from twenty-four workplaces. The union raised the numbers gradually, so that by the second week, 30,000 workers from seventy-five workplaces had joined the strike (Bispinck 1993b, 477). Solidarity among the strikers, who received an average of DM 220–250 (about \$150) per week in strike benefits from the union, appeared strong.<sup>13</sup> There were no signs at all of what the employers had expected: an early return to work by dispirited eastern workers.

On May 10–12, IG Metall escalated the stakes by holding strike votes in the remaining regions of eastern Germany, which produced votes of 81 percent in favor in Berlin-Brandenburg, 86 percent in favor in Saxony-Anhalt, and 85 percent in favor in Thuringia (Bispinck 1993b, 477). On May 12, 400,000 workers and their supporters demonstrated throughout Germany in support of the strikers, including over 50,000 western workers who briefly laid down their tools in solidarity.<sup>14</sup> On May 13, the IG Metall national executive board announced its decision to spread the strike to all of eastern Germany. By the end of the second week (May 14), 50,000 eastern metalworkers were on strike.<sup>15</sup>

Intensive negotiations resumed in Saxony, again with the mediation of Kurt Biedenkopf, finally yielding a settlement on May 14. The terms of this agreement served as a closely followed pattern for the other regions of eastern Germany and the steel industry as well. The parties agreed to the principle of phased-in wage parity for eastern workers but established a new timetable. In a symbolic but important gesture for the union, the 26 percent raise was reinstated retroactively to April 1. Effective April 16, the raise was dropped to 9 percent (plus anything else that individual firms had agreed to), then raised again in June, September, and December, so that the 26 percent level was reached by the end of the year. Further raises in 1994–96 were scheduled to bring wage parity between East and West by July 1, 1996. The employers issued a statement conceding that the extraordinary contract cancellation, used in this case only, was not an appropriate solution to collective bargaining problems.<sup>16</sup>

The union thus secured its main demands: a reinstatement of the 26 percent pay increase, an admission by the employers that the contract cancellation was inappropriate and could set no precedent for future labor conflicts, and a defense of phased-in wage parity for eastern workers. In addition, the union resisted the introduction of an “opening clause,” which would allow easy downward wage adjustment at specific firms (see below). Most important, perhaps, the union discovered in its new eastern membership a highly mobilizable force capable of conflict, solidarity, and personal sacrifice.

Employers secured considerable total labor cost savings for the period 1993–96 during the lengthened phase-in of wage parity.<sup>17</sup> In addition, Gesamtmetall was able to demonstrate a new bargaining aggressiveness on behalf of its members as well as to provide support services during a strike, to help convince skeptical eastern employers to join or remain in the association. But the employers, in the end, were forced to give in to the central union demands, including the concept of phased-in eastern wage parity; and they were forced to back down in the face of unexpectedly determined employee militancy.

Instead of an opening clause, Gesamtmetall settled for a new “hardship clause.” While both allow for downward wage adjustment at designated firms, the distinction is critical. An opening clause puts the power to negotiate lower wage levels in the hand of firms and their works councils. In a period of economic crisis and mass unemployment, works councils would find themselves under great pressure to make substantial concessions. A hardship clause, on the other hand, puts the power of approval in the hands of a union-employer commission, effectively giving IG Metall the power to veto any attempt by an employer to defect from a settlement.<sup>18</sup> While the employers heralded this as a breakthrough in the direction of greater wage flexibility, the union vowed to use the new instrument selectively, to monitor and control carefully all temporary adjustments—a promise IG Metall has kept.

Striking workers clearly viewed the settlement as a victory. With only a 25 percent favorable vote required for ratification, yes votes totaled 78 percent in Saxony; a similar 61 percent in Mecklenburg-Pomerania, Thuringia, and Saxony-Anhalt; 46 percent in Berlin-Brandenburg; and 78 percent for the eastern steel industry.<sup>19</sup>

#### EXPLAINING THE UNEXPECTED

Why did the employers provoke this labor conflict, which even they (at least off the record) admit that they lost? Why were they willing to gamble with the established system of social partnership, one that had worked so well for them for so long? The employer view, supported by many economists, was that economic collapse in the East had forced them into this strategy, given the uncompromising attitude of IG Metall. The survival of individual companies, especially the small and medium-sized, as well as the growth of the eastern German economy, required lower labor costs.

In itself, this argument rests on shaky foundations. As in the West, large firms typically dominate the employer associations in the East, and this is certainly true for Gesamtmetall. Most large firms in the East were owned either by western companies or the Treuhand (the government-established trust agency for industries formerly owned by the East German state, discussed further in Chapter

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2) and had downsized drastically in the preceding years, thus substantially reducing the impact of any scheduled pay raise (medium-sized firms had also downsized drastically). Numerous large firms made this clear by promising their own works councils a premium over the imposed 9 percent April 1 raise; large firms in fact typically told works councils that they would like to pay the 26 percent but could not break ranks with the employer association and would match or exceed the final bargained settlement. As for the broader economic crisis and future development in the East, wage levels were hardly the dominant problem. Outstanding property claims, a weak infrastructure, and general economic uncertainty inhibited western investment in the East, even as unit labor costs dropped. With mass layoffs and the introduction of western production techniques, unit labor costs in eastern Germany, despite bargained wage raises, were on a rapid downward curve (Bispinck 1993a, 324–25).

A more plausible and complete explanation for the employer strategy highlights two factors. First, Gesamtmetall had not yet consolidated itself organizationally in the East, where membership levels remained considerably lower than in the West (Wiesenthal, Ettl, and Bialas 1992; Silvia 1993, 3, 22). Above all, it was the small and medium-sized firms who were not joining in the East, which not only undermined the association's membership base but also threatened its long-term finances and influence. Thus Gesamtmetall was more vulnerable to the demands of these firms than in the West, where companies had long experience with the benefits of membership, especially in the event of a strike.

Gesamtmetall therefore needed to show that it could be forceful, and wage restraint and downward wage flexibility were the handiest issues to be forceful about. And perhaps the association even welcomed a widespread strike as an opportunity to demonstrate to eastern firms the benefits of membership (including valuable financial and legal support for potentially isolated firms in the event of a strike). In addition, the chances of not only winning such a strike but strengthening permanently the position of German employers within or even beyond the social partnership seemed excellent. Given massive unemployment and near desperate job insecurity on the part of eastern workers, the temptation to go for a major win must have been irresistible.<sup>20</sup>

Neither of these conditions alone would have been sufficient to drive employers to their rather drastic course of action, the first midterm contract cancellation in the history of collective bargaining in the Federal Republic. Both conditions—labor market circumstances (massive unemployment) and institutional preservation (the need to expand and consolidate membership in eastern Germany)—appear necessary to explain the employer choice of strategy.

Why did IG Metall prove willing to strike against what even many unionists considered impossible odds? Newspaper editorials and employer and government rhetoric implied that the union's only interest was in its own power and the

pay levels of its employed members. They accused the union of demonstrating a reckless disregard for the future of the eastern economy and catering only to the short-term interests of an eastern audience while defending the long-term interests of established western members (whose job security and pay levels could be undermined by lower wages in the East).

If this had been the case, however, the appropriate strategy would have been to find a face-saving compromise with employers, to avoid a possibly losing strike which would have had major negative repercussions in both the East and the West. A better explanation for what many saw as a counterintuitive (not to mention counterproductive) union strategy again highlights institutional preservation. IG Metall saw the contract cancellation as a possibly precedent-setting threat to the very rules and framework under which it had built up its influence in the German political economy. In choosing to strike, the union recognized that its own position in society was jeopardized if it failed to defend its institutional underpinnings, including collective bargaining and the binding nature of signed contracts. Even more important, the union was defending itself as an organization. In the wake of mass layoffs, there were already clear signs of eastern disillusionment with the promises of western-style unionism. If IG Metall had not been willing to fight to defend its contract and the principle of phased-in wage parity, a major hemorrhaging of eastern membership could have been expected. And if employers could go non-union (or weak-union) in the East, there was no reason to think they would not later move toward such an "Americanization" of industrial relations (as Germans put it) in the West.

The stakes were therefore high enough for the union to make gambling on a high-risk strategy worthwhile; institutional preservation was important enough to risk major defeat, which seemed quite likely at the time. In a way, the union needed a major strike in the East, just as the employers did, to demonstrate its commitment to the interests of its new eastern members and to mobilize eastern members behind a commitment to popular union demands. Even in defeat, such a mobilization could integrate eastern workers and forge an identity for them as union members in a way that no other activity could. And since unionized works councillors could be expected to play leading roles in organizing strike preparations at the plants, a strike could have the added benefit of solidifying union commitment on the works councils, drawing these important bodies more fully into the union orbit.<sup>21</sup>

And where did the eastern workers find such unexpected resolve and readiness for conflict? Why did they choose to go out on strike in large numbers in a high-risk situation? Their interest in higher pay was clearly an important factor. Expectations had risen dramatically after unification; and although living costs had risen rapidly toward western levels, income had not. For similar work, easterners were paid far less than western workers, and the 26 percent raise scheduled for April 1 was seen as a major step in the long-term move toward parity.

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Wage interests alone, however, are clearly not sufficient to explain this high-risk choice. Periods of mass unemployment are typically times when union and worker bargaining power is low and the strike threat is least credible; at such times, worker militancy is typically restrained, despite interest in higher pay (Flaherty 1983; Katz and Kochan 1992, 222, 232).

There are, therefore, two other necessary parts to the explanation for eastern militancy. Worker mobilization in this case was fueled by extraordinary passion, a product of the combined frustrations and disillusionment that German unification had produced for eastern Germans.<sup>22</sup> In the rush to unification and the political campaigns of 1990, easterners had been promised prosperity to go along with their newfound freedoms. Instead, they found themselves plunged into an economic crisis complete with mass unemployment, rising prices, and great job insecurity and dispossessed by an invasion of western employers and government officials. For easterners in the metal industries, the unilateral employer cancellation of the scheduled pay raise was the straw that broke the camel's back. The bitterness and rage of what was in some ways a colonized people (Weiss 1991; Knuth 1993; Baylis 1993, 87) was channeled into this strike, much to the benefit of IG Metall.

The final necessary condition to explain eastern mobilization was the existence of a framework of credible institutions into which the passion could be funneled, with reasonable prospects of success. These institutions were largely imported from the West: codetermination based on elected works councillors who could, in their capacity as union members, provide strike leadership, and a system of comprehensive regional collective bargaining, which included the participation of a powerful, conflict-tested metalworkers union. The presence of these proven institutions, and the reassuring words of IG Metall that strikes were appropriate, legal, and winnable, provided the structure necessary for easterners to channel their passion into appropriate action (as opposed to either passive disillusionment and withdrawal or inappropriate action such as attacks on foreigners or other scapegoats).

Still unanswered, however, is the question, why did IG Metall and its eastern membership win? The employers were certainly quite sure, for good reason, that they and not the union or workers would win. The analyses of perceptive academics such as Mahnkopf (1991, 1993) and Armingeon (1991) pointed clearly toward declining union influence in unified Germany. If this were the case, it would hardly lead one to expect a major IG Metall victory in eastern Germany in 1993. Underestimated in such analyses, however, were two important factors: the passion and potential militancy of eastern workers; and the resilience and adaptability of the institutions of industrial relations in the Federal Republic, in particular codetermination and the system of comprehensive collective bargaining.

Under adverse circumstances, IG Metall won this strike because (1) it made the strategic and rather risky decision to strike, at a time when the most prudent course of action might have been some face-saving compromise; (2) eastern work-

ers in large numbers made the courageous decision to risk future employment prospects for an issue in which they deeply believed (phased-in wage parity); and (3) western institutions of industrial relations, transplanted and adapted to conditions in the East, afforded a viable framework in which the strike could be fought and won. Codetermination law meant that most works councillors had received union training and thus provided a union base in most plants; comprehensive collective bargaining made it possible to mobilize widespread solidarity.

Not only was a union victory far from inevitable, the evidence suggests that a union victory would have been exceedingly difficult in the absence of any one of these three conditions.

### IMPLICATIONS AND CONSEQUENCES

For IG Metall, successful mobilization of the eastern membership provided a much needed boost to union fortunes in the new federal states of eastern Germany. Precisely when generalized eastern disillusionment was broadening out to include the incoming western unions that so many had joined with high expectations but which had proven incapable of preventing mass unemployment, the strike solidified union commitment, at least in the pattern-setting metal industries. Here, at least, was an organization that would fight for eastern interests; here, at least, was a set of institutions that could offer some leverage for those interests. For many eastern workers, in fact, this strike may well prove to have been a formative experience. In the first major collective bargaining conflict in eastern Germany in sixty years, workers discovered that they could mobilize and defend their interests successfully. IG Metall became the beneficiary of this mobilization, in the organizational commitment both of eastern members, especially activists, and the works councils. Mobilizing works councils into bases of union support may have been the most important single effect of this strike for the union.

For Gesamtmetall, the hard-line strategy and effective dominance in the East that employers had sought was no longer viable, at least in the short run. But there was consolation in defeat for the employers. Because they were willing to provoke and sustain a strike, they did secure considerable labor cost savings over a three-year period. The hardship clause afforded a limited opening for downward wage adjustment. Most importantly, however, Gesamtmetall showed its members and potential members in the East that it would stand up to the union, fight for employer interests, and provide useful services in the event of a labor dispute.

What did the strike and settlement mean for the eastern economy? This is harder to gauge. Employers claimed, as a rule, that they could sustain the costs of phased-in wage parity, especially with the time period deferred. Union sources have presented persuasive data to indicate that labor costs were not the primary

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cause of economic problems in the East (Bispinck 1993b, 472–74). The new contract brought stability to employer planning and investment strategies in eastern Germany, since in the wake of the settlement firms could now plan labor costs several years in advance. The consolidation of the principle of phased-in wage parity weakened the prospects for an economic and labor-market “polarization scenario” between East and West in Germany and strengthened the prospects that employers, if they invested, would take a modernizing, high-skills, high-quality approach to production organization in the East (Jürgens, Klinzing, and Turner 1993, 241–43). Whether the dominant reality in the coming years would be modernization or deindustrialization still depended on many factors, including government policy, economic growth in the West, the settlement of property claims, the development of infrastructure, and the opening of new markets in central and eastern Europe (as those countries either grow or stagnate).

For other sectors of the eastern economy, the settlement in the metal industries set an important pattern. In interviews in eastern Germany in March and April of 1993, I heard time and again from representatives of non-metal sectors that they were waiting to see what would happen in the metal industry conflict. Union representatives at ÖTV (the public sector) and DPG (postal and telecommunications workers), for example, said that if IG Metall lost the strike, their own bargaining partners could be expected to follow a similar hard-line, union-challenging strategy. For those unions, comprehensive collective bargaining contracts were set to expire within a few months of the metal conflict; as it turned out, IG Metall’s victory established a pattern around which to negotiate settlements based on the principle of phased-in wage parity.

The conflict and settlement in the metal industries, in other words, were pattern-setting events that led to a widespread consolidation throughout the eastern economy of (1) nominal wage parity for eastern workers in the medium term,<sup>23</sup> and (2) western-style institutions of industrial relations, including considerable union influence along with comprehensive, region- and sector-based collective bargaining.

Although the crisis of social partnership was far from over, this strike and its settlement greatly increased the prospects for continuing social partner-style relations between employers and unions in eastern Germany.<sup>24</sup> It is still possible, however, that the union victory was a Pyrrhic one.<sup>25</sup> Much depends on economic and industrial development in eastern Germany as well as the outcome of future labor conflicts in both eastern and western Germany.

For Germany as a whole, however, the strike settlement of 1993 appears to have pushed forward the long-term development of a country truly unified, not just territorially, but economically, socially, and politically as well.