Center for Advanced Human Resource Studies

CAHRS / Cornell University
187 Ives Hall
Ithaca, NY 14853-3901 USA
Tel. 607 255-9358
www.ilr.cornell.edu/depts/CAHRS/

WORKING PAPER SERIES

From "Old Red Socks" to Modern Human Resource Managers?

Lowell Turner

Working Paper 94 – 28

From "Old Red Socks" to Modern Human Resource Managers?

The Transformation of Employee Relations in Eastern Germany

Lowell Turner
School of Industrial and Labor Relations
Center for Advanced Human Resource Studies
Cornell University
Ithaca, NY 14853-3901

Working Paper 94-28

http://www.ilr.cornell.edu/depts/cahrs

Paper prepared for the Center for Advanced Human Resource Studies (CAHRS) at the ILR School at Cornell University. Funding for this research was provided by CAHRS and the Institute of Collective Bargaining, both at Cornell, the German Marshall Fund of the United States, and the Wissenschaftszentrum in Berlin. This is a draft -- comments welcome. This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research, conferences, and projects available to others interested in human resource management in preliminary form to encourage discussion and suggestions.

With the dramatic and unexpected opening of the Berlin Wall on November 9, 1989, began a far-reaching process of transformation in every aspect of society within the German Democratic Republic (GDR, or East Germany). Indeed by October 1990, the GDR had been unified with and absorbed into the larger German Federal Republic (the former West Germany) and no longer existed as a separate political entity.[1] The basic principle guiding German unification was the replacement of East German laws, institutions, and practices with West German laws, institutions, and practices -- in politics, the economy, and civil society.

In the workplace, transformation was rapid, unsettling, and momentous in its implications. Since most of the GDR's economy was owned by a government that had now collapsed, assets were transferred into the hands of a new parapublic institution known as the Treuhandanstalt (THA), or "trust agency." The Treuhand was assigned the task of privatizing, restructuring and/or liquidating the assets of the GDR. While enterprising easterners and westerners quickly established small new firms in the new market economy of eastern Germany, the lion's share of the eastern economy would for many years to come consist of the transformed assets of the former GDR government.

Most of the former GDR economy consisted of huge conglomerates (Kombinate), run from the center in line with state and communist party goals for production and employment. The Treuhand's first task, therefore, was to locate those portions of the conglomerates that showed good prospects for survival as private firms in the new economy. In a minority of cases, the new hived-off firms were acquired by easterners through Treuhand supported management buyouts. In the vast majority of cases, however, western firms or investors bought up the bits and pieces offered by the Treuhand and began the process of transformation from state-planned production to the production of goods and services appropriate and viable in a market economy. By late 1994, as the Treuhand proclaimed its mission complete and prepared to go out of business (to be replaced by a smaller parapublic holding company for the remaining unsold properties), most of the economy of the former GDR had been either liquidated or privatized in this manner.

Western firms and investors now owning assets in the East faced an immediate management problem. Where companies intended to continue and modernize production (as opposed to speculating on the assets for future sale or liquidation), it was necessary to have a core of mid- and upper-level managers trained in cost-accounting, modern production methods, and modern human resource management. In most cases, top managers were brought in from

[1] Thus in this study, the area encompassing the former GDR will be referred to, as in common German discourse today, as eastern Germany or the "new states" of the Federal Republic.

the West, but there was no large western surplus of middle management either available or willing to fill the ranks. Many firms required rising young western managers to serve a tour of duty in the "Wild East," where the services, amenities, infrastructure, and working conditions of a collapsed and newly developing economy were often far short of standards in the West. For the most part, however, new Western owners of eastern companies had no choice but to retain and retrain the former managers from the communist system of production.

Since the surest route to advancement in the former GDR included membership in the communist party (known in East Germany as the Socialist Unity Party, or SED), most of these former managers had also been party members. After the fall of the Berlin Wall and the collapse of the political economy of East Germany, former party members and leaders quickly became known in common parlance as the "old red socks" (die alten roten Socken). The new owners of eastern firms thus found themselves in the strange position of developing market-oriented production and services in organizations run by legions of old red socks.

Was this a recipe for disaster? or could this possibly work? Since there were no ready replacements with managerial experience in either East or West, there was little choice but to liquidate the company or to retrain and ultimately depend upon these old red socks. In the end, rehiring and retraining the former managers is precisely what most companies now operating in the market economy of eastern Germany have done.

Thus the research questions addressed in this paper are the following: Can the old red socks be transformed into modern human resource managers? Can they quickly learn and implement techniques of management appropriate in a market economy? Can they overcome the stigma of their pasts and the resentment that many of their employees feel, as these survivors of the revolution of 1989-90 continue to occupy positions of authority in the workplace? Or is there little hope that most of them can make the necessarily profound personal changes in belief systems and management style? Will the eastern economy simply limp along until this generation of old socks finally retires and is replaced by a younger group uncorrupted by socialization in communist ways and more easily trained in the management practices of a market economy?

These are questions with important theoretical and practical implications. Theoretically, the answers to these questions offer insight into broader questions on today's academic frontiers of institutional and organizational change, especially concerning the development of a functioning market economy in societies where non-market relations have dominated. Practically speaking, these questions directly address concerns of policymakers as well as investors throughout Eastern Europe, the former Soviet Union, and other societies in transformation.

To gain insight into these questions, my associates and I have conducted case studies at ten firms in the metal and electronics industries of eastern Germany, in the period between 1990 and 1994. As part of a broader study of the transformation of eastern and unified Germany, these case studies illustrate a range of outcomes, including the most likely as well as other possible directions of change.[2]

Before presentation of the case studies, a preview and summary of the findings, followed by a background section on the German model of "social partnership," are presented below.

The Findings

The dominant viewpoint on the part of westerners toward the eastern German economy in the early years after 1989, a view typically reflected in the behavior of incoming western owners, managers and investors, was that everything about these old communist-run structures was "kaputt": out-of-date, obsolete, in need of complete replacement by western structures and practices. Indeed western observers, having heard that the East German economy was perhaps the Soviet bloc's most modern and industrially advanced, were shocked at the extent of eastern industry's disrepair, including obsolete equipment, backward production techniques, and extensive environmental pollution. These things were all true. In contrast to the dominant viewpoint, however, the findings presented here are surprising, and to some extent poke holes in the preconceptions of the Besserwessi.[3]

The first finding is that many of the old red socks in positions of authority have indeed proven resistant to change. Authoritarian bosses under the old system all too often prove to be authoritarian bosses under the new system. This is a characteristic, in fact, that some top western managers, in their efforts to discipline a differently socialized eastern workforce, have admired and encouraged. To the extent that employers want to enforce traditional military-style, chain-of-command approaches to personnel management, order-barkers from the old system may be well suited for a similar role in the new system. Such individuals may serve effectively where the company intends only to use eastern production locations as a sort of extended

[2] The broader study is Lowell Turner, Social Partnership in the Global Economy: Crisis and Reform in Unified Germany, book manuscript-in-progress.

[3] "Besserwessi" is a wonderful new post-unification German word, derived from Besserwisser, which means know-it-all (literally, "better knower"). A Besserwessi is therefore a know-it-all westerner, which is how many incoming western managers, government officials, trade unionists, and others appeared to the easterners.

assembly-line operation for production headquarters in the West. People who rose to the top (or near the top) in the old system are generally intelligent and are often quite capable of learning modern cost-accounting methods to supplement strict leadership styles. The problem for such individuals is twofold: first, such leadership approaches are increasingly inappropriate in contemporary European and global markets, in which modern technology and work organization require proactive input from employees and a correspondingly participatory style on the part of management. And second, such individuals often encounter intense hostility from subordinates, who rightly perceive the injustice of receiving orders in the new system from those who oppressed them in the old. Even where such individuals attempt to learn a more democratic management style, there may be little basis for building new relations of trust with a given and understandably resentful workforce.

The implication of this first finding is that communist-era managers should be carefully screened, to remove both those reluctant or unable to change old authoritarian styles as well as those so compromised by past behavior (as, for example, known Stasi secret police agents) as to be incapable of winning the trust of a reformed workforce.

The second finding, however, is that many of the old red socks have proven quite capable of constructive change and adaptation to new management systems when they are properly trained and supervised. The bottom line for many of the former bosses is that they are desperate to keep their jobs in a context of mass unemployment in the new eastern German economy.[4] They will, therefore, do whatever they are told -- even if this means learning new management techniques and a respectful, facilitating rather than commanding role in relation to the workforce. Such individuals do have leadership experience. In many cases, they have learned to mobilize and inspire employees (rather than simply command them) to meet production goals in adverse circumstances of material shortages and faulty equipment. In many cases as well, they have technical competence based on past training as engineers, mechanics, or even computer specialists; the technically trained and competent appear especially capable of adapting to the new system by learning new management styles and techniques. And finally, some of these old red socks have a history of positive, collective experience with employees, affording a genuine basis for relations of trust in a modern workplace. Driven in part by desperation and in part by genuine good intentions and a desire to learn new ways, veterans of

[4] Although published unemployment figures for eastern Germany have ranged between 15 and 20 percent since 1992, it is common knowledge that real unemployment (counting those forced into early retirement, women forced out of the workplace and back into the home, and those in temporary job creation programs and employment companies) has ranged between 30 and 40 percent.

the old production system and its hierarchy have in many cases proven surprisingly capable of learning and then practicing the ways of a modern human resource manager.

In addition to managers, German firms also include works councilors elected by the workforce, with formal rights to information, consultation, and participation in company decision-making processes.[5] Because works council rights are strongest in areas of personnel management, works councilors play an important role in many workplaces, especially at large firms, as virtual "co-managers" of the workforce. The third finding, therefore, is that many works councilors in the new market-oriented firms are themselves old red socks (although most often they were lower level union activists rather than high-level officials in the old communist-dominated unions); and many of these individuals have shown a strong commitment and capacity to learn new methods of workforce representation as well as collaboration with management. Quite often, both the struggle for survival in which firms find themselves in the East as well as past traditions of collaboration and collective effort afford strong incentives for close labor-management cooperation and even constructive co-management on the part of elected works councilors.

The fourth and final main finding is at once the most surprising and significant: collective traditions in the workplace and in society, for both employees and managers from the old system, can and in important cases do provide a basis upon which modern team-oriented production can be built. We look at this-phenomenon in several of the case studies below, most importantly at Opel in Eisenach and Knorr-Bremse in Berlin. For astute managers, the importance of this finding can hardly be overestimated: collective workplace traditions in formerly communist societies may well afford a more suitable basis upon which to build modern team or group structures than the more individualistic traditions of the West. Whether such innovative efforts succeed depends to a significant degree upon whether top managers, whether easterners or westerners, are shrewd enough to see this potential through the smokescreen of past and existing problems with morale, motivation, and productivity.

Background Sketch: Social Partnership in the German Workplace

German management practices, in personnel as in other areas, are in many ways quite different from approaches typical at U.S. firms. This is true because of diverging national patterns of organizational history as well as contrasting incentive structures -- economic, social,

[5] See below for a brief description and discussion of German social partnership and codetermination, including strong employer associations, industrial unions, and elected works councils at the company and plant level.

political -- faced by German firms in what is known loosely as the "social market" economy. To understand the transformation underway today in eastern workplaces as well as the prospects for adaptation by the red socks, it is necessary first to understand the essentials of "social partnership" as it developed in West Germany in the postwar period -- the model that policy-makers, employer associations, and labor unions have very deliberately attempted to transplant to the East in unified Germany.[6]

Most importantly, social partnership means that interests are strongly organized, recognize each other, and negotiate the terms of growth and development at both the firm and the industry level. Thus most employers (around 80 percent in western Germany, including virtually all large employers) belong to industry employer associations, powerful organizations that provide a range of services to members, from legal assistance to business contacts and supplier networks to advice concerning matters of personnel use and industrial relations, including financial support in the event of a strike.

Basic wage and salary levels for both blue and white-collar employees are set in regional, industry-level collective bargaining between employer associations and encompassing labor unions. Because most employers belong to the association, basic compensation levels and standards are thus set outside the firm, in a framework that to a large extent removes considerations of compensation from competition. Strikes are rare (West Germany's postwar strike rate is only a fraction of the strike rate in countries such as the United States and Great Britain); when they do occur, they tend to be large, regional or national, and short (since costs are high on both sides). Because collective bargaining is comprehensive (setting standards for the entire economy through pattern bargaining and comprehensive employer membership in the associations), negotiations are highly public events; and settlements typically incorporate company needs, employee desires, and national economic considerations.

At the firm level, compensation and other working conditions are typically adjusted upward (although not downward except in exceptional circumstances) by negotiation between management and works council. In all firms of five or more employees, the workforce (including middle management) is entitled to elect a works council, whose members have a legal right to information, consultation, and in certain areas of personnel use codetermination. German firms are thus required to plan in advance, carefully and strategically, to explain the plans to the works council and attempt to win the agreement of this important body. In some cases, this

[6] For useful English language presentations and discussions of German social partnership, see Adams and Rummel 1977: Streeck 1984; Berghahn and Karsten 1987; Katzenstein 1987: Turner 1991; and Thelen 1991.

means renegotiating plans in important areas such as working schedules, hirings, apprentice training, layoffs or reassignment, and work reorganization. Works councils and managers are required by law to work together in a spirit of "trustful cooperation," and in most cases this is exactly what they do. Although works council negotiations do sometimes slow down management decision-making processes, the agreement of the works council provides management with a powerful ally to prepare the workforce (white as well as blue collar) for necessary changes. In personnel and human resource management, works councilors serve to a significant extent as "co-managers" of the workforce (Streeck 1984).[7]

In addition, German law requires the election of workforce representatives to the supervisory boards of firms with 500 or more employees. This is an important source of information for employee representatives (who are typically also works councilors or union officials); but because the boards only meet quarterly, this is a less important locus of codetermination and social partnership than either the works councils or industry-level collective bargaining.

It is this dense network of interest organization and negotiation that is the hallmark of social partnership. Both outside the firm and inside the firm, employer representatives, including personnel managers, meet regularly with employee representatives to negotiate the conditions of compensation, work, and necessary change (such as production reorganization or "re-engineering"). And it is this dense network of organization and negotiation that the "social partners" (powerful employer associations and large industrial unions) have attempted, with considerable success so far, to transplant from western to eastern Germany (see, for example, Jurgens, Klinzing and Turner 1993; Soskice and Schettkat 1993). The reorganization of firms, including the introduction of modern innovations in personnel and human resource management, can only be understood in eastern Germany within the context of this broader framework of social partnership relations and structures.

Case Studies of Innovation in Eastern Germany

Within a few months of the collapse of the Berlin Wall, both employer associations and unions were moving actively to organize social-partnership-style regulation of new eastern markets. Although it is beyond the scope of this study to examine this broader process in detail, it is important to know that (1) employer associations are now solidly established in eastern Germany, with the membership of most large firms, but also membership levels among small

[7] For case studies of works council-management negotiation and a discussion of why German employers like the works councils, see Wever 1994 and 1995.

and medium-sized firms that are considerably lower than in the West[8]; (2) the 16 major German industrial unions that belong to the central labor federation (DGB) moved quickly into the East in 1990-91, to establish membership levels there that remain even higher than levels in the West[9]; and (3) comprehensive collective bargaining, beginning already in 1990-91, has been solidly established in the East as the decisive standard-setting procedure determining firm compensation levels. Although social partnership is still new and somewhat shaky in eastern Germany, these institutions of representation and negotiation appear to have taken root in new soil in a remarkably short period of historical time (1989-1994).

Case studies presented below are based on firm- and plant-level studies in the metal and electronics industries.[10] These industries were chosen because these are typically the pattern-setting industries for pay and personnel matters in both western and eastern Germany. Employers in these industries typically belong to a regional branch of the metal employers federation (Gesamtmetall); employees, both blue and white collar, are represented by the 3-million-member metalworkers union (IG Metall). Most elected works councilors in these industries belong to the IG Metall, as do many shopfloor supervisors and even some middle managers.

Although definitive conclusions cannot be drawn from a limited number of case studies, the presentations below serve to illustrate a range of alternative scenarios in processes of company reorganization. In each case, the basic elements of the story of production, personnel, and employee relations reorganization are told, to establish the context in which key findings concerning "old red socks" and new employee relations can be presented and understood.

[8] Although membership information for the employer associations is confidential, rates are typically estimated to be around 80 percent in the West but far less in the East (where estimates range from 30 to 60 percent).

[9] About 35 percent in the West; between 40-50 percent in the East.

[10] Case study presentations are based on plant visits, interviews, and documents collected between 1990 and 1994. Hella in Meerane and VW-Chemnitz were first visited in 1994; the other eight firms were visited at least three times each between 1990 and 1994. In-depth interviews were conducted with works councilors, managers, and union representatives; interviews ranged in length, from one to four hours. Some of the plant visits and interviews in Berlin and Rostock I conducted alone, others were conducted together with Larissa Klinzing of Humboldt University: for the cases in Saxony, Ulrich Jurgens of the Wissenschaftszentrum and I made research trips together to those plants in 1991, 1992, and again in 1994. Additional interviews were also conducted at several of the plants by research associates Owen Darbishire and Aline Hoffmann.

ABB Kraftwerke Berlin (Bergmann-Borsig)

Located on the border between East and West Berlin in tree-lined Pankow, Bergmann-Borsig was considered a model plant in the former German Democratic Republic. As the flagship for a larger conglomerate known as VEB Bergmann-Borsig, this plant had a long and venerable history. A brass plaque on one of the main buildings still proclaims:

> At this spot in the November revolution of 1918 Karl Liebknecht called the workers of Bergmann Electrical Works out in support of the movement against militarism and reaction . . . . The working class today carries on toward fulfillment the work of our earlier class heroes.[11]

Producing power plant machinery such as turbines and generators, this sprawling complex employed 4800 when the Treuhand took over in 1990. In September of that year, Bergmann-Borsig was fully privatized when it was purchased by the large multinational firm ABB (Asea Brown Boveri). Downsizing -through layoffs, early retirement, resignation (especially of highly skilled workers who found better paying jobs in west Berlin), and placement in an employment and training company[12] located on the premises -- continued through the end of 1994, at which time 950 employees remained. By 1993, having lost the production of generators and much other equipment, the plant produced mainly turbines and had become, in the eyes of many of its employees, an extended assembly line for the main western German plant at Mannheim. New top management came in from the West, signed Bergmann-Borsig up for membership in the regional branch of the employer association Gesamtmetall, and signaled its intent to follow western patterns including cooperative relations with a newly elected works council and to accept regionally bargained pay arrangements including phased-in wage and salary parity for eastern employees.[13]

Most middle managers kept on the books were managers/functionaries from the old system, the so-called "old red socks," many of them former communist party members or leaders. As at most other privatized firms in eastern Germany, former managers were re-employed, in spite of their political histories, because the new owners lacked alternative

[11] Author's translation.

[12] Employment and training companies (ETC's) are a labor market policy innovation widely used in eastern Germany, in which surplus labor, unused firm resources such as plant and equipment, and government job creation and training subsidies are combined to keep employed and retrain displaced workers.

[13] Phased-in wage parity refers to the agreements reached throughout eastern Germany in 1991 between Gesamtmetall and IG Metall, to bring eastern employees up to western wage and salary levels in a multi-year, phased-in process. original agreements called for nominal parity by 1994; subsequent agreements extended the time period until 1996.

sources for new management. As one works councillor put it, shopfloor workers, especially those laid off, were bitter at the sight of their old bosses still on top; some said the revolution had been too peaceful. on the other hand, according to the same source, many of these people had been "Scheinkommunists" (phony communists); they were opportunists who could just as well adapt and manage under the new system as they had under the old.

Incoming top ABB management made a commitment to train the remaining workers, bring in new technology, and transform Bergmann-Borsig into a smaller but viable firm in a market economy. Forced to compete with other ABB companies for orders and long-term survival, Bergmann-Borsig was nonetheless given a quasi-monopoly within ABB for its products in eastern Germany, to improve prospects for short-term survival by providing the time necessary for restructuring. Managers and other employees were sent to Mannheim to learn modern management and production methods, some of them for up to six months. The employees who remained after downsizing were, according to management, highly skilled and eminently trainable in the latest technology and work organization.

Although prospects for firm survival and the remaining jobs were good, employees bemoaned the changes that had taken place in their workplace and community. No longer the core workforce of a conglomerate, they felt decidedly subservient to the needs of the Mannheim plant. They claimed to have lost much of their product range so as not to threaten the viability of Mannheim. Proud of rising productivity and product quality and hopeful that their production would be allowed to increase, they nonetheless felt hemmed in by internal (especially east-west) company politics. While the old socialist "brigade organization" remained to some extent in place, especially its leadership structure (based on the Vorarbeiter, or advanced worker who takes the lead in production), employees claimed that the team spirit of the old problem-solving "musketeers" had broken down. Modern production organization at Bergmann-Borsig seemed to these employees to bring a shift away from teamwork, as each employee and manager sought to do his or her own job well, to shore up personal employment security, to survive in the new capitalist "elbow society." Female employees felt especially hard-pressed, as their numbers dropped from 40% (in the old days) to 10% of the Bergmann-Borsig workforce by 1993. And everyone bemoaned the loss of the extensive community relations and network that had surrounded this once large and prominent plant.

When the opportunity was presented in 1990, over 90% of the workforce joined the incoming western IG Metall. In the first works council elections that same year, twenty-three works councilors were elected and provided training for their new representation work by the IG Metall (which all of them had joined). The new works council was composed of a mixture of former union leaders and new faces from the rank and file, and was headed up by Herr Schaffenberg, a veteran of the old union leadership (the Betriebsqewerkschaftsleitung, or BGL) at Bergmann-Borsig. Schaffenberg, a lifetime employee of the plant, was in some ways typical of the type of person who often stepped forward into leadership positions in the new eastern Germany. Although he had served on the BGL for many years, he had never joined the communist party (SED) -- because, as he put it, he liked to play organ music in church on Sunday. In 1989, as the corruption of national union leadership became known, Schaffenberg resigned his position on the BGL in protest; his election as head of the first works council at Bergmann-Borsig reflected both the services he had provided and the trust he had won in his past BGL work as well as his principled stand in 198990 and the way in which he, so to speak, joined the revolution. He served as head of the works council until his retirement in 1992, at which time he was replaced by a younger, soccer-playing skilled worker named Wolfgang Bayer, a "new face" who had played no leadership role in the former plant union hierarchy.

Although works councilors spoke harshly about some of the "old red socks" in management (and claimed to have better working relations with top management from the West who at least understood codetermination rights), works council and management worked closely together to improve production, secure orders, and save the remaining jobs. Both sides viewed collaboration as essential to facilitate changes in production and organization that would increase the prospects for continuing western investment in the plant as well as secure new markets for their products. But even in 1994, elected works councilors still criticized the authoritarian leadership style of many (old red sock) middle managers, who in this view needed both better screening and more retraining in modern leadership styles.

As at many eastern plants, the imperative for collaboration caused tensions between works council and. union in the years immediately following unification. Bergmann-Borsig works councilors in the early 1990s complained that western union leaders and organizers did not fully understand the life-and death situation faced by eastern firms and workforces. Union calls for militance, mobilization, and long-standing demands against weekend and night-shift work fell to some extent on deaf ears for a works council in need above all of western investment. Extensive negotiations were required before the IG Metall would approve management-demanded three-shift work to justify the costs of new machinery. But here as in many other cases in eastern and western Germany, the union proved flexible when faced with economic necessity and company willingness to protect jobs.

Works council-union relations at the plant, as a result, were quite good. Bergmann-Borsig workers were among the first in eastern Germany to establish a working shop steward structure in 1990. Although the size of the steward group dropped with employment numbers, active stewards continued to play an important shopfloor role in cooperation with the works councilors (calling problems to the attention of the works council, working out shopfloor problems with management, communicating with the local union). The steward group, in fact, became an important source of innovation when the first steward leader, Gerd Seidel, established an employment and training company in 1991 to train and re-employ laid-off Bergmann-Borsig workers. One of the more successful of its kind, this ETC kept hundreds of workers in the labor market and by 1994 had spun off two innovative production ventures, employing a total of 500 former Bergmann-Borsig employees.

One of the biggest changes for this plant in the transition to a market economy and the *accompanying process* of privatization was the shift from core-plant status in a large conglomerate to the much reduced status of one among many, competing for orders within a large multinational corporation. Earlier, the works council at the German "mother" plant in the West had secured an agreement that protected production and jobs in Mannheim. But this worked to the detriment of the workforce at the former Bergmann-Borsig, a new player within the multinational, who watched Mannheim get the production orders. In 1994, the head of ABB Berlin's works council, now also a member of the company supervisory board, viewed negotiation of an employment security agreement for the remaining 950 employees as a top priority.

To summarize, the picture at ABB Berlin is of a much streamlined firm fighting for survival within a large multinational corporation. Although managers and employees have been retrained and technology upgraded, the old red socks in management have not yet either been allowed by top western management or proven capable of leading processes of innovation that would carry the firm beyond its turbine-producing, "extended assembly line" position. Potential is clearly there -- in middle managers willing to do whatever is necessary to allow the firm to survive, in young and active works councilors eager to play a co-management role, and in a vibrant ETC and well developed training center, both located on the firm's premises. But this potential has only been partially exploited, leaving many former bosses in traditional, top-down style personnel management roles.

Knorr-Bremse Berlin (Berliner Bremsenwerk)

When Germany was divided after the second world war, Berliner Bremsenwerk in East Berlin split off from its parent firm in Munich, Knorr-Bremse, a brake parts manufacturing firm dating back to 1910. For much of the postwar period, Berliner Bremsenwerk produced mainly locomotive brakes for markets in Eastern Europe and the Soviet Union, employing 1600 blue and white-collar workers in 1990. In February of 1991, Berliner Bremsenwerk was privatized through repurchase by its old parent, Knorr-Bremse, still based in Munich but now a multinational concern.

As was the case at many eastern manufacturing firms, the new eastern Knorr-Bremse branch faced two critical problems: the collapse of eastern markets, and, by western standards, obsolete technology and production organization. Between 1990 and 1994, Knorr-Bremse in eastern Berlin was modernized with new machinery, employment dropped from 1600 to 400, and production was reoriented toward markets in the West, especially for locomotive brake production required by the Bundesbahn and other western firms. By 1994, the former Berliner Bremsenwerk was hardly recognizable, having moved to a new location where modern production techniques relied on new equipment -- 94 percent of it under five years old (contrasted to 86 percent of the machinery over five years old in the former plant). Productivity levels had risen dramatically, as 400 workers delivered approximately the same total production in 1994 as 1600 workers had produced in 1990. And new production levels included a continuing commitment to training and retraining: Knorr-Bremse Berlin in 1994 counted 40 apprentices among its workforce.

Top managers from the West came in to oversee production reorganization and to rehire and retrain many of the former "old red socks" managers: by 1994, these high-level managers had returned to the West, confident that the easterners themselves could manage Knorr-Bremse's operation in the East. As elsewhere, workers resented the old bosses and their positions of power in the new system. By 1994, however, this tension appeared to have eased as both workers and managers internalized their new rights and responsibilities and worked together to raise productivity and keep investment flowing into the plant.

According to management, an important element of stability in labor-management relations at this plant was derived from the election of the former head of the BGL, Bodo Krause, as chair of the new works council in 1990. Although referring to himself as an "old red sock" and admitting that he would never have the full confidence of the workforce, Krause changed with the times, argued for the interests of employees during the transition to the new system (as he claimed to have done under the old system), and won enough trust from the rank and file to get elected and re-elected to lead the works council through the traumatic years of downsizing, relocation, and reorganization. In May of 1994, Krause was re-elected works council chair by a 74 percent vote.

An energetic and engaged leader, Krause passed *information* back and forth between management and the workforce, pushed management to reorganize and accept new ideas and policies, and helped to mobilize the workforce for the new commitment to high production levels now expected. His efforts variously brought him into conflict with the union as well as particular managers and workers. Krause, for example, in 1990-91, pushed the workers as well as the old red socks in management to meet production levels demanded by the western parent firm; this meant working three shifts and weekends to make the investment in new machinery pay off, and to demonstrate that such investment in the future would be worth it. The willingness of the works council to accept such long working hours, however, brought it immediately into conflict with the IG Metall, which Krause and most of his fellow workers had joined in 1990. Although resentful of union pressure, Krause fought his way through to win union support for the short to medium-term expansion of working hours at Knorr-Bremse.

With downsizing, the works council had dropped from fifteen to nine members by 1993, including four white-collar and five blue-collar employees and a mix of old red socks and new people. Both works councilors and managers claimed to have close working relations with each other and a good ability to resolve problems both formally and informally. Works councilors were particularly proud of the substantial "social plan" payments secured for laid off employees; based on age, years of service, and pay level, these payments averaged DM 11,000, with some employees getting up to DM 30,000. Of the original 1600 employees at Berliner Bremsenwerk in 1989, 400 were temporary foreign workers (from other socialist countries such as Cuba, Mozambique, Poland and Vietnam) who were the first laid off (many to return home); the rest left for better jobs in the West, took early retirement, or were laid off with social-plan payments. As a result, argued works councilors, there had been no need for an employment and training company at Knorr-Bremse in eastern Berlin. In January of 1994, the works council and management signed an agreement guaranteeing the remaining 400 jobs through 1996.

In 1993 and 1994, management and the works council at Knorr-Bremse Berlin signed several agreements to establish and regulate a new structure of group work, to include all 400 employees by July of 1994. Groups included 8 to 10 members and a group leader jointly selected by management and the works council. Extensive negotiations concerning pay levels for group members proceeded on two principles: that no one should receive less pay than before when placed in a group, and that bonuses would be based on group (not individual) performance. The group work experiment here was viewed by the company as a pilot project for the 6,000 KnorrBremse employees worldwide.

On the eve of full-scale implementation in 1994, managers and works councilors alike were hopeful and enthusiastic about the coming of group work. Krause claimed strong workforce support for this partial return to a more collective form of work organization, building on the spirit of the old brigades. The Berlin workforce, he argued, could adapt to this new structure much faster than workers at the Munich flagship plant, accustomed as the latter were to more individualistic traditions in the workplace.

The legacy of a collective spirit and history, joined to modern skills, technology, and work organization, placed this plant in a potentially forerunner role for coming group structures of production. Of the cases considered in this study, Knorr-Bremse Berlin provided the most explicit and comprehensive example of modern production organization building not from scratch but upon practices inherited from the pre-existing system of organization.

By 1994, Knorr-Bremse Berlin could be characterized as a modern plant with advanced technology and work organization, run fully by eastern management and a highly skilled and productive eastern workforce, with close and cooperative labor-management relations, a moderate level of union membership density with reasonably good relations between works council and union, and good prospects for future market success as the economy climbed out of recession. The main elements of both successful production and firm-level social partnership appeared to be in place. Developments here seemed to support Krause's prediction that the East would in time be the site of unified Germany's most modern industrial production.

Knorr-Bremse Berlin provides strong evidence for the potentially modern and constructive role of reformed red socks, both as managers and as "co-managers" on the works councils, especially in a context of innovation based on group structures of work organization.

Niles

The 7 Oktober Kombinat, based at the "Niles" plant in East Berlin's Weissensee district, was a highly regarded producer and exporter of modern machine tools. The flagship plant, known commonly throughout the GDR's history by its earlier British name Niles, employed 2250 people in 1989. When the core plant was separated from the Kombinat to become a Treuhand enterprise in 1990, it was officially renamed Niles and employed 1750. Because most of its export markets were in the West and in Japan and other Asian countries (with only 35 per cent of its export markets in Eastern Europe and the Soviet Union), this plant was considered a good prospect for continued success in a market economy. Nonetheless, Treuhand negotiations with various groups of western investors dragged on, fell through, and started up again, so that Niles was not finally privatized until May of 1993.

During the three-year Treuhand period, uncertainty about future ownership made it difficult for the company to secure credit for new machinery or to find new markets for its products. Waves of workforce reduction accompanied prolonged negotiations with prospective buyers, so that by 1994, total employment at Niles was down to 410. Although little new machinery had been added since 1990, most of the equipment was reasonably up to date (since this flagship plant had secured major investment in GDR days), and the remaining workforce was highly skilled. Although worldwide demand for Niles products had fallen in half (with recession and the collapse of eastern markets), the company continued to sell machines in 35 countries while actively attempting to locate and open new markets.

As at other surviving eastern plants, downsizing occurred through early retirements, layoffs that included social-plan payments, and attrition as workers left for better paying jobs in the West (mainly western Berlin). Works councilors spoke proudly of their successful efforts to apportion social-plan payments upward and downward from a base of DM 5,000, according to years of service, skill levels, and other criteria.

In addition to clearing out the "non-productive" service workers (in areas such as food service, library, recreation and administration), eastern management at this plant studied advanced production techniques, paid for advice from western firms such as McKinsey, and pushed the productivity of its remaining workforce steadily upwards. Turnover per capita increased from DM 60,000 in 1991 to DM 100,000 in 1994, with plans on the books to raise it further to DM 200,000 by 1996.[14] The productivity-enhancing reorganization of work included new concepts such as production islands and group work, among a well informed and highly skilled workforce bound together in a common struggle for survival in a market economy. Managers and works councilors alike claimed that new group-based organization functioned well on the base of the former brigade spirit.

In contrast to Bergmann-Borsig and Berliner Bremsenwerk, Niles was not taken over by a western parent firm. Throughout its Treuhand years and even after it was purchased by a group of investors in 1993, this company retained eastern top management along with a consciously "eastern" labor-management collaboration intent on proving itself in the new circumstances. Works councilors expressed faith in the remaining eastern top management and personnel directors, people with long plant histories and good technical skills. The former head of the union BGL now worked in personnel, an example a reformed communist leader who knew the company and its workforce well and with whom works councilors now claimed to have good working relations. In a case study of Niles that focused on production organization, Gerlinde Dorr and Stefan Schmidt identified the "production intelligence" of these technically skilled plant veterans as a major asset in the transformation to new work organization (Dorr and Schmidt 1992). A successful transformation, they argued, such as the one at Niles, must not only clear out the obsolete but must above all build on the strong "innovation and know-how potential" of the inherited skilled workforce. Although uncertainty and lack of investment during the Treuhand years had undermined much of the potential, Niles continued to find strength in the surviving managers who had come up through the skilled ranks and understood the shopfloor potential for innovation and teamwork. The original works council elected in 1990 had fifteen members, three of them full-time. As a result of substantial downsizing, new elections in November 1992 established a council of nine members, only one full-time. Although all works councilors belonged to the IG Metall, relations between the Niles works council and the Berlin IG Metall proved difficult. The works council saw its main mission very clearly as working with personnel, top and middle management as well as the workforce to ensure the survival of Niles as a company in the market economy. Although respectful of the union and its broader perspective, the works council commitment to IG Metall and its policies clearly came second after the close relationship to the company.

Relations between the company and its works council, by contrast, remained close. Although conflicts arose regularly and were hammered out in negotiations, the relationship continued to be characterized as collaborative, held together by a common interest in company success. By 1994, the CEO and works council chair had established a pattern of regular weekly meetings to discuss company and workforce concerns. With its world market position and its highly skilled and motivated workforce, Niles appeared a good prospect for future success as a streamlined plant reorganized around advanced production techniques.

As at Knorr-Bremse, Niles offers surprising evidence for the reform and innovation potential among former communists in the ranks of management and works council.

<u>El Pro</u>

Pulled together from several pieces of a large electronics company in East Berlin's Marzahn district (part of the former Kombinat named VEB Starkstrom), EL Pro survived the obsolence of many of its industrial electronics products as a much streamlined company specializing in plant construction (especially hot and cold rolling mills).

Siemens and AEG, two large and well established western firms, each negotiated with the Treuhand for a possible purchase of EL Pro in 1990-91. When both efforts came to naught,

[14] Figures supplied by the company in April of 1994.

these companies, as potential competitors, left EL Pro employees convinced that they had been used: Siemens, in particular, in the eyes of many, had used the time to delay other possible investment at EL Pro, to learn all about the company, and to lure away some of the best managerial and skilled talent, before purchasing a competing VEB Starkstrom plant in Rostock (see the Siemens section below) instead of EL Pro in Berlin. After an employee effort to organize a management buyout failed to win support from the Treuhand, EL Pro was finally sold in 1992 to an investment group organized by the McKinsey consulting firm and restructured as a so-called "Holding," subdivided into a Control and Power group, another group called EL Pro GmbH., and other smaller groups including two outside firms added to the new complicated structure.

With total employment down from 7400 to 1600 by 1994, EL Pro's workforce was a highly qualified mix of skilled workers, engineers, and a streamlined staff of clerical employees and administrators. As for most eastern manufacturing firms, this company faced immediate market problems as a result of the collapse of eastern markets, recession in the West, and the unsuitability of many of its products for western markets. Sales dropped dramatically from 1991-92, before rising substantially again in 1993. Employment has stabilized since privatization, while sales have shifted from Eastern European markets to eastern and western Germany. Major efforts have been made to develop new markets in countries such as China, South Korea, Russia and Ukraine.

High-level managers were hired from the West to help turn the company around, especially by reorganizing production and developing new market strategies. As everywhere in the East, however, the great majority of middle managers and some top managers as well were in the beginning the same people who had run things under the old system. In the eyes of incoming western managers, elected works councilors, and the eastern managers themselves, these people proved adaptable, above all because of their professional competence: they were for the most part engineers and/or highly trained technicians.

In the two years prior to privatization, however, considerable tension developed between these remaining managers and the newly elected works councilors. The latter, made up mainly of highly trained employees who had not been part of the communist union structure, criticized the "old red socks" in management for their willingness to go along with whatever Siemens, AEG, or other potential western investors demanded. Some works councilors, by contrast, from new bases in the IG Metall and the local Social-Democratic Party, pushed in the broader political arena (especially city government) for a state-supported industrial policy that would develop a modern electronics sector in eastern Germany. Such activists supported the idea of a management buyout and a broad vision of the company's future size and market position.

Works councilors claimed that by the time privatization took place, these efforts had failed for a number of reasons: lack of support for such industrial policy from the federal government in Bonn; the efforts of Siemens and AEG, working through the Treuhand, to prevent the rise of strong, competing firms in the East; the failure of IG Metall to develop a strong politics of industrial policy for the East and lead mobilizations in defense of eastern jobs: the passivity of EL Pro managers in negotiations with western investors; and the inadequate codetermination rights granted the works council under western law. By 1992, highly motivated works councilors with an expansive vision for the company's future expressed great disappointment at their inability to influence the company's strategic development and direction. In particular, the works council resented its marginalization from key negotiations and decisions by the Treuhand concerning the company's future.

The "old red socks" problem was finally solved in a distinctive way at El Pro. As a result of corporate downsizing, a considerable number of western managers from competing AEG became available (either because of layoff or the fear of layoff). Top management at El Pro decided that, although El Pro middle managers were trainable, the company would do better to buy them out (in effect, sweetened layoffs) and hire AEG people, who were already fully trained and experienced in the cost-accounting techniques of a capitalist enterprise in a market economy. In a one year-period, most of the former managers were replaced in this way, so that by mid-1994, top management as well as the ranks of upper middle management consisted with only a few exceptions of experienced western managers.

By 1993-94, works councilors, managers, and remaining employees appeared to have accepted the company's slimmed down size and market aspirations. Future employment and sales prospects were enhanced by the commitment of the western owners to construct a new plant at a new location, scheduled to open for production in May of 1995. Sales continued to rise as the recession in the West ended and the development of new markets continued.

Although the distinctive solution to the red socks problem here by way of mass replacement with westerners has not been widely replicated in eastern Germany (for reasons discussed above), continued downsizing in the West may well tempt other eastern firms to follow a similar course.

Siemens in Rostock

The new Siemens branch in the northern port city of Rostock was formed by combining two established plants from the former GDR, one specializing in electrical installation, the other in radio and telecommunications installation. Like El Pro (above), these plants had been part of the East German conglomerate VEB Starkstrom. After a brief period as Treuhand firms, both plants were taken over by Siemens in the fall of 1990, with the purchase completed by March of 1991. Where before these plants employed 2200 between them, the total by 1994 had dropped to 870 blue and white-collar workers, employed in the preparation, installation, and servicing of electrical systems for factories and office buildings.

For the highly skilled workforces at these two Siemens plants, the biggest problem in 1994, as for so much of eastern industry, was business: forced to compete for orders with modern Siemens plants in the West, the Rostockers found their low-cost and location advantages undercut by much lower costs to the east in Poland and south in the Czech Republic. To head off further layoffs in a continuing economic recession, the works council embarked on negotiations with management in 1994 for a new agreement (following the widely publicized "VW model") to reduce both working hours and pay temporarily in exchange for employment security.

The big story at Siemens in Rostock, however, and a continuing source of pride for the works councilors, was the successful strike action of May 1993. As at many other eastern workplaces, the strike here was the first major test since German unification of the ability of the IG Metall to mobilize the workforce, as well as a test of the relationship between works council and union.

Elected works councilors at Siemens in Rostock included several blue and white-collar employees who had played activist roles against the old company leadership during the economic and political transformation of 1989 and 1990. Some of the newly elected works councilors had been unionists under the old system, but none of them had been BGL leaders. They had all joined the IG Metall and developed close relations with the local union office. At the same time, their primary tasks had been to work with management for the benefit of the firm, to promote the upgrading of workforce skills, and to negotiate the terms of large-scale downsizing. As all successful works councilors must, they had learned to work with and acquire information from multiple sources, including plant management, the local union (where they had secured elected representation on the executive committee), the company supervisory board (where they also had representation under codetermination law), and the Siemens general (company-wide) works council, to which their works council chair had been elected. At a time of major restructuring during which they had to learn their new responsibilities under fire, the works councilors found themselves in highly stressful jobs from the very start in 1990.

One of their few secure anchors was the three-year wage-parity agreement negotiated by the IG Metall and Gesamtmetall in 1991. When that agreement was unilaterally broken by the employers' association in early 1993, when Siemens, an active member of Gesamtmetall, announced its intention to offer a much reduced pay raise on April 1 (down from 26 per cent to nine per cent) with no supplemental plant premium (as Rostock shipyard workers, for example, had been offered), the works councilors along with most of the workforce at Siemens in Rostock reacted with anger and disillusionment. What was the point of all their information, discussion, planning, and negotiation, they asked, if such a pivotal agreement could so easily be broken? Siemens, they knew, was a highly profitable firm with a strong voice in Gesamtmetall. The works councilors in Rostock, several wearing new hats as strike committee members, channeled their frustration and anger into preparations for the coming warning strikes, strike votes, and full-scale strike action.

Because this was a first-time event for all of them -- there had been no legally sanctioned collective bargaining strikes in eastern Germany since Hitler's rise to power in 1933 -- the strike organizers at Siemens rally had no idea what kind of support they could expect from their members. They stood before the main door on April 2, 1993, a few minutes before the scheduled 11 a.m. warning strike, having heard that top management that morning had tried with thinly veiled threats to persuade employees not to participate, wondering if their colleagues would in fact come out on strike. In the event, around 250 employees emerged at the appointed hour to join the march to the shipyards and subsequent mass demonstration. According to works councilors a year later, this event and the subsequent strike tied workforce representation at Siemens in Rostock to the IG Metall in a relationship of loyalty and mutual commitment far exceeding that found at most western Siemens plants (given typical relative union weakness in the electronics industry).

A second warning strike in mid-April yielded a similar result in numbers and an even more impressive effect: warning strikers this time drove their cars to the shipyard rally in an enormous traffic-blocking, horn-honking parade, followed by a march on foot through the neighboring coastal town of Warnemunde, to the widespread spontaneous applause of local residents. Now viewed as a bastion of IG Metall strength, the Siemens workforce was rewarded with a high spot on the union A list for the upcoming strike. After a strike vote of over 90 per cent (according to works council estimates[15]) in late April, the Siemens workforce was called out on May 4 for a strike that would last here for twelve working days until the return to work on May 19.

About two-thirds of the Siemens workforce joined the strike, with the overwhelming majority of these remaining on strike until the end. Crucial to the success of the strike was a massive demonstration of 300 employees in front of the main door on the first day, followed by daily displays of spirited picketers wearing bright red strike mantels. Since several of the leaders of this strike were women, they made a point of standing each morning directly in front of the entrance, reasoning that it would be harder for strike breakers to push women out of the way than men. To the very end, the personnel director stood directly behind them, attempting to persuade people to come back to work.

In spite of what was widely perceived as a victory for the IG Metall but a mixed outcome for employees (with wage parity for eastern workers defended but stretched out from 1994 to 1996), the strike clearly cemented union loyalty among activists and works councilors while solidifying their base among the rank and file.

By the summer of 1994, however, the luster of strike victory had worn thin in the eyes of works councilors, in the face of two so far intractable problems. The first of these was the continuing prevalence and insensitive authority of the "old red socks" throughout the ranks of middle management. Works councilors spoke favorably of top managers from the West who pushed reorganization and a modern logic of proactive participation and teamwork for the workforce. Although they also claimed to work well with younger western managers sent to prove themselves in troubled locations (such as Eastern Europe, developing countries, and Rostock), they resented the temporary, "carpet-bagging" nature of these assignments in which authority at their plant was given to 25-year-olds. But above all, they resented the authority of the former communist bosses who had managed to hang on at Siemens. These men had been shaped in a system in which they received and passed on orders; works councilors claimed that this is what they continued to do in the new system, thereby undermining attempts by top managers, workforce representatives, and employees to build a new participatory culture on the remains of the old.

The second and most serious problem was continuing market weakness and a corresponding downsizing that had knocked off another 20 percent of the workforce in 1993-94 (bringing it down to the 870 level). Although the works council promoted social-plan payments

[15] Strike votes are tabulated by region rather than plant or firm: this figure is therefore based on "informed speculation."

and insisted that people had to leave voluntarily, the pressure of continuing workforce reductions took a heavy toll on employee morale. To stop the hemorrhaging of a skilled workforce and preserve an adequate core upon which to build for the future, management entered into negotiations with the works council in 1994 for an employment security agreement. For 300 of the remaining workers, the idea proposed was that management could reduce working hours by up to 20 percent along with pay by a corresponding but somewhat lower amount. In return, workers would have their jobs protected for a two-year period: if they were laid off after that time, they would receive the total amount of foregone compensation in a lump sum. This new employment security agreement at Siemens, a possible forerunner of a future region-wide framework agreement, was based on both the reduced working-time agreement at VW of fall 1993 and the employment security provisions of the western metalworking settlement of spring 1994. Viewed as the best possible outcome by Siemens works councilors in 1994, the agreement was nonetheless a bitter pill to swallow for employees facing a reduced income. While the union and works council pursued these negotiations in order to save jobs, they would also share responsibility with management for resulting lower incomes.

The Siemens-Rostock case provides perhaps the most pessimistic case in this study for the difficulties encountered when management from the old system gets carried over into the new.

Volkswagen in Saxony

One of the more dramatic and highly publicized western investments in eastern Germany was the early move by Volkswagen to establish a major new production site in Saxony. Starting with plant and equipment from the old VEB Sachsenring, producer of the now discontinued Trabant automobile, as well as former Trabant plant workers, VW aimed to play a major role in the development of a modern industrial area centered around the city of Zwickau (between Dresden and Leipzig). The state government of Saxony, as well as the federal government, the IG Metall, and the industrial workers of Saxony, had high hopes for this investment.[16]

[16] See, for example, Roger Thurow, "Volkswagen Brings Hope to a Community in Eastern Germany," Wall Street Journal, December 10, 1991, p. 1. The pledged VW investment in Saxony was reputed to be the single largest private investment in eastern Germany -approximately $2.9 billion, backed by an additional $1 billion in subsidies from federal and state government and Treuhand sources. VW purchased the old Trabant plant at Mosel from the Treuhand, which had taken over VEB Sachsenring (itself a part of the Kombinat IFA, which included the entire East German auto industry, from the Trabant based in Zwickau to the Wartburg based in Eisenach). VW then set up its independent subsidiary VW-Sachsen, alongside the Treuhand's SAB (Sachsische Automobilbau). The latter was to subsidize production, hiring and training at Mosel until the new plant was completed in 1994. At that time, SAB

As East Germany began to open up in late 1989, VW had moved quickly to establish a joint venture with the East German producers of the Trabant. Included in this investment was a new plant, scheduled to open in 1994 in the town of Mosel, just outside Zwickau, to produce small VW's (Golfs) for western and eastern markets. In the meantime, at an adjacent older plant, Volkswagen, by June 1991, had rehired 1250 former Trabi workers to begin final assembly of VW Golfs and Polos from bodies supplied by the flagship VW plant in Wolfsburg.[17] Because the original low labor-cost strategy was undermined by currency union in 1990 and by the Gesamtmetall-IG Metall's wage-parity agreement in 1991, plans for success at the Mosel plant were soon founded on planned innovations in production and work organization.
Both management and labor viewed the Mosel experiment as a sort of German NUMMI or Saturn -- two GM projects in the U.S. designed to prove that advanced organizational innovation based on labor-management cooperation is possible with domestic workforces.[18] VW management at Mosel was quite explicit in its intent to introduce at this semi-greenfield site innovations that would be much more difficult at western plants, where established practices and interest representation are entrenched. Management planned early on, for example, to outsource as much possible, and to hire only skilled workers, organized from the start in production teams of 8-12 members.[19]

Communist union structures at the Trabi plant collapsed in 1990; and in April 1991, the smaller, rehired workforce elected its first works council under provisions of the Works Constitution Act. Prior to the election, rehired union activists from Trabi days joined the western IG Metall (as did most of the workforce) and sought an experienced VW works councillor to assist them in negotiations with experienced VW top management brought in to Mosel from the West. Through IG Metall sources, the union group in the plant located Dieter Riemann from the

---

would be folded into VW-Sachsen, and the Treuhand would be out of the picture. In the meantime, the continuing Treuhand role at Mosel represented a major government subsidy for the new VW production site.

[17] Of the 7,000 workers formerly employed at the Trabi plant in Mosel, some took early retirement, others found new jobs in the West, and still others remained for a year or more on paid "short time" status, found job creation or training positions at local employment companies, and/or finally faced unemployment. Many of the unemployed hoped to get rehired at Mosel, as the workforce expanded in the future.

[18] NUMMI is actually a GM/Toyota joint venture, run by Toyota management (see Turner 1991a, pp.53-62), while Saturn is a homegrown GM-UAW project. The Mosel experiment is therefore probably more akin to Saturn than to NUMMI.

[19] This is not as difficult as it might sound, since most former Trabi workers had completed apprenticeships and were classified as skilled workers.

VW Kassel plant, who impressed them with his knowledge and non-authoritarian style. Mosel management was persuaded to put Riemann on the books; he was elected to the new works council in 1991 with the highest number of votes (about 600 out of 800 total cast).

The remaining elected works councilors were all former workers at the Trabi plant, most of them former union activists from the middle and lower ranks, some of them former party members and some of them not. This mixed group, including both blue and white collar workers, elected Riemann as head of the works council and set out to build an effective bargaining team. Working in a plant receiving major new investment from the West, they were optimistic at the start (1991-92) about their prospects for the future. They supported VW's modernization strategy (with elements of "lean production" including an advanced stamping plant for quick die changes) and saw in it the opportunity not only for rising workforce wages and future employment security but for better, more humanistic working conditions. They supported, for example, management's intentions to establish plant-wide teamwork; but they planned to use the IG Metall's 12 principles of group work (Muster and Wannoffel 1989, pp.39-54: Turner 1991a, pp.113-14) to push for the human-side benefits of innovative work organization. They expressed commitment to the concept of an "engaged worker" (mitwirkender Mitarbeiter) with shopfloor autonomy and problem-solving responsibility.

There were elements in management's strategy, however, that they did not like. Management, for example, planned to run the plant round-the-clock on three-shift production, which would mean night work and no hiring of women.[20] This was an important issue both because West German unions have long fought against night and weekend work and because about half the workers in the old Trabi plant were women, many of them skilled. In subsequent negotiations, the Mosel works council, with IG Metall support and after securing concessions on break time and night premiums, gave its consent to rotating three-shift production.[21] As elsewhere in eastern manufacturing, however, the percentage of rehired women remained disproportionally small.

Works councilors were also opposed to the continued presence in management at the Mosel plant of so many "old red socks." VW management, for its part, claimed that many of the old middle managers did well on assessment tests and showed the capacity to learn, adapt and manage in the new environment. Workforce representatives disagreed, claiming that too many

[20] Since German law at the time did not allow women to work nights, although this provision was subsequently challenged by a European court and then amended in German law.

[21] Rotation was made fair in the view of works councilors and personnel managers as every worker rotated through a night shift once every three weeks.

of the rehired bosses lacked both the trust of the workers and the capacity to develop non-authoritarian relations and innovative labor-management practices. This perception on the part of works councilors appeared just as strong in 1994 as it had in 1991 and 1992; elected works councilors remained convinced that order-dispensing old red socks in middle management were undermining the democratic potential of modern teamwork.

By far the biggest problem for the plant, however, was the decision made at VW headquarters in Wolfsburg in late 1992 to delay full production at Mosel until 1996. This decision meant that by 1994 there were still only 2500 employees at Mosel, with planned hiring of the total 4500 deferred for at least two years, contingent upon final assignment of a new VW model for the Mosel plant.[22] Although workers at Mosel experienced this decision as a betrayal by the western "mother" at Wolfsburg, the postponement was clearly linked to deep recession in the West, including a major economic crisis for Volkswagen and the urgent search for ways to cut costs, production, and investment on all fronts -- a cost-cutting effort which would include a reduction of the working week to 28 hours at all western VW plants by 1994. In the Wolfsburg view, it would have been unfair to continue hiring at Mosel while laying workers off or involuntarily reducing hours at other plants.[23]

The crisis of deferred expansion at Mosel shows the concrete link between recession in the West and continuing economic crisis and slower-than-expected growth in the East. Another consequence of this recession/slow-growth dynamic was the eastern metalworking strike of 1993. Saxony turned out to be the pivotal region where the strike was waged and the final pattern-setting agreement was reached. At IG Metall-Saxon headquarters in Dresden, it was clear that a successful strike would require the active participation of large and highly organized plants such as (and perhaps above all) the VW plant at Mosel.

As part of VW's new strategy in eastern Germany, the company had joined the employers' association in Saxony; instead of the go-it-alone individual firm contract (Haustarifvertrag) which had proven so expensive in the West, VW-Saxony aimed to use the regional contract to help keep costs down. The company was thus fair game, and high on the list, as a strike target in the spring of 1993. To undercut the strike threat, management offered to pay a plant premium that would bring the April 1 pay raise up to the previously agreed upon

[22] Since 1992, only Golfs had been produced at Mosel in the refurbished old plant known as Mosel 1. At the adjacent new plant, Mosel 2, only the body shop was in full operation in 1994; full production capacity for Mosel 2 as well as full workforce hiring awaited a new model assignment to replace the Golf at Mosel in 1996 or 1997.

[23] As a Wolfsburg works councillor put it in an interview in 1994: "We can't let the children eat the mother!"

level of 26 percent. While the workers and works council at Mosel (as well as at VW-Saxony owned supplier plants in Chemnitz and Eisenach) would have been happy with such an arrangement, the IG Metall quickly saw the danger of its activist core being removed from the strike. IG Metall-Saxony announced the following position: if firms wanted to pay the 26 percent, that was fine: but to be removed from the strike list, such firms must sign a separate, enforceable agreement with the union (and not just with the works council). When VW-Saxony refused to do this, since a key part of its strategy in the East was to avoid the expensive Haustarifvertrag, the IG Metall announced that the terms of the pay premium were unacceptable. VW at Mosel took a prominent position on the A list of first round strike targets.

It was left to Dieter Riemann and colleagues on the Mosel works council (all of them IG Metall members) to explain to the workforce why a strike was necessary even though the company had offered to pay the demanded amount. As one can imagine, this was an uphill battle at first. When a busload of western VW workers arrived to support the first warning strike on April 1, management pointed to the western presence as added proof that this was a strike orchestrated in the West, against the mutual interests of labor and management in the East, to impose western unions and their bargaining practices and settlements on a reluctant eastern workforce. Highly organized Mosel shop stewards and works councilors countered, however, with the argument that the western VW colleagues were there on their own unpaid time, to demonstrate solidarity with eastern IG Metallers and aid the struggle to bring strong union representation and enforceable wage parity to the East.

As the strike in Saxony unfolded, the latter point of view won the day at Mosel. On April 1, the shop stewards pulled a substantial majority of the workforce out of the halls and into a warning strike march to the main gate. A year later, stewards still spoke with passion at the sight of distinct groups of workers (in blue uniforms from the body shop, white uniforms from the stamping plant, yellow uniforms from assembly, and so on) marching together for the first time, experiencing firsthand the solidarity of a strike, the support of their seasoned western colleagues, the sense of collective success in a labor conflict that could not be put down by Red Army tanks. After an equally successful warning strike of two hours on April 15, 90 percent of the blue-collar workforce at Mosel (joined by a substantial number of white-collar employees) went on strike on May 3 and remained out until the settlement was reached on May 14. The Mosel workforce thus fulfilled its IG Metall-assigned role as an activist center of strike activity, from which strikers fanned out for support actions at other strike targets in the area.

The terms of the strike settlement were disappointing to the workforce at Mosel, since employees there (as elsewhere in Saxony and eastern Germany) would not reach the previously agreed-upon 26 percent raise until the end of the year, and since wage parity with the West was stretched out from 1994 to 1996. Both Dieter Riemann of the Mosel works council and Hasso Duwell, chief negotiator and head of the IG Metall in Saxony, gave presentations to the assembled workforce at Mosel, emphasizing the accomplishments of the strike: successful mobilization, east-west solidarity, and guaranteed (if deferred) pay raises leading to wage parity within three years -- as opposed to management's offered VW-works council agreement of uncertain duration.

Although ratification votes are tallied not for plants or firms but for regions, Mosel workforce acceptance of the agreement was indicated by (1) union membership that climbed at Mosel from 74 percent before the strike to 91 percent by mid-1994; and (2) the re-election of the works council one month later in June of 1993, with (unofficial) strike-leader Riemann receiving the highest number of votes.[24]

In 1994, therefore, all nineteen elected works councilors at Mosel were IG Metall members. As at VW and other auto assembly plants in western Germany, the works council had consolidated a strong position of codetermination in management decision-making, in a process that was at times conflictual but for the most part cooperative, well attuned to the organizational and market needs of the firm.

The works council, for example, had consistently supported the introduction of innovative work organization at Mosel. With works council support, the workforce was-organized throughout in teams of eight to twelve members, with considerable responsibility in each team for the division of labor, work and vacation scheduling, and continuous improvement of production processes. Three years after the introduction of teams in 1991, however, the works council was still negotiating with management the terms of a plant agreement on teamwork. Team leaders had so far been appointed by management; the works council was demanding democratic election by the team. Management claimed that the existing system (with appointed team leaders) was working fine, while nonetheless professing a willingness to compromise with works council demands and confidence that formal agreement would soon be reached. Works councilors argued that elections would root out authoritarian team leaders who lacked the trust

[24] In his official capacity as head of the works council; Riemann could play no part in the strike, since works councils have no right to strike. As an IG Metall member, however, Riemann could and did play an active role, and was widely perceived as a strike leader.

of their members, and would therefore make the system work better, both for production and for employee morale.[25]

Although Volkswagen had explicitly designed Mosel as a greenfield to take advantage of innovations in production and work organization, legacies of the past continued to play an important role. Most of the workforce, blue collar, white collar and middle management, were eastern veterans of earlier Trabi production. This was problematic in cases where workers perceived their bosses as unreformed order-givers transplanted from the old system into the new; works councilors and shop stewards argued that the election of team leaders by the teams themselves would go a long way toward solving this problem. In addition, top managers and works councilors agreed that collective practices from the earlier time had been harnessed at Mosel: in team production as in union and strike solidarity.

So far at Mosel, the blending of element3 of the VW model (such as strongly organized interests, full information exchange, and cooperative social partnership relations) with advanced production innovations (teams of highly skilled workers, just-in-time delivery) and the collective orientation of the former Trabi workforce had proven successful. Mosel production ranked at the top in quality and productivity comparisons with other VW plants. Long-term prospects looked good here in 1994, pending new model assignments within VW, as management at Mosel professed itself ready to hire an additional 2,000 employees by 1997 to bring the new plant up to full production.

The VW-Saxony story shows both the difficulties for communist-era managers in winning the trust of the workforce in new circumstances and the potential for retraining and leadership in modern production methods such as shopfloor teamwork. As co-managers, works councilors, some of them veterans of leadership positions in the old system (most commonly as lower level union representatives), showed the capacity both to advocate and promote new work organization (including innovative features such as the election of team leaders) and to lead a carefully focused and successful strike effort in defense of phased-in wage parity. Most importantly, perhaps, in spite of accompanying problems and conflict, VW-Saxony represents both a successful transfer of western social partnership and a modernization of production and work organization, as successful shopfloor teams are built upon the foundations of earlier collective practice.

[25] Works councilors estimated that about half of the current team leaders would be re-elected by their teams.

VW Suppliers in Saxony: Sachsenring, VW-Chemnitz, Hella

An important question raised by the VW experience in Mosel is to what extent this investment would stimulate industrial development and modernization in the greater Zwickau area. As the rest of the large VEB Sachsenring collapsed into small parts and liquidation, the pessimistic prediction that outposts such as Mosel would remain "cathedrals in the desert" appeared plausible (Grabher 1992). And Mosel's deferred production and hiring schedule made it possible that even the "cathedral" itself would be of limited size and duration (thus hardly qualifying as a cathedral at all).

After Volkswagen peeled off the Mosel site for VW-Sachsen, workforce representatives and managers at what remained of Sachsenring in Zwickau pursued numerous survival options in negotiations with the Treuhand and various potential investors. The idea in 1990-91 was to survive as a large parts supplier for Mosel and other auto plants in Eastern and Western Europe, such as the Skoda plants in nearby Czechoslovakia and other VW and Audi plants in western Germany, and at the same time to spin off a large employment and training company for displaced Sachsenring workers.

A militant campaign in 1991, supported by both the local IG Metall and the Sachsenring works council and including a lengthy plant occupation by over 1,000 workers, forced the Treuhand to establish and help arrange financing for one of eastern Germany's largest employment companies, SAQ (Sachsische Aufbau- and Qualifizierungsgesellschaft). This company, financed to a significant degree by the Federal Labor Bureau, created jobs and training for thousands of displaced Sachsenring employees for up to three years in areas such as environmental cleanup and the removal of obsolete buildings. For many, SAQ provided a bridge to future jobs at Mosel or elsewhere in the Zwickau area; for many others, however, the employment company provided an important but only temporary respite before the descent into prolonged unemployment.

In the attempt to build a core auto-parts supplier company, however, Sachsenring management and works council were less successful. The sprawling size of Sachsenring (spread across three large plants in Zwickau) made both potential investors and the Treuhand wary. As prolonged negotiations failed to bear fruit, total employment at Sachsenring dropped from 11,500 in 1989 to 6,500 in 1991 to 2,200 in 1992. Reductions took place through early retirement, transfer to SAQ, resignations (as, for example, skilled workers sought better jobs in the West), buyouts, and layoffs with substantial social-plan payments. By 1992, management and works council alike, were proud of the role played by SAQ, which they had helped to found, and still had high hopes of attracting investors to keep Sachsenring alive as a company employing at least 1500 workers.

Even this scaled-down aspiration, however, failed to materialize as neither buyers nor investors could be pinned down. By 1994, one piece had been privatized as Sachsenring Automobiltechnik (SAT), a parts supplier employing 325 workers, projected to hire an additional 100 along with twenty-five apprentices by 1995. About 1,000 remained in the employment company, SAQ, while the remainder of the once mighty Sachsenring remained a Treuhand firm, now employing only 320 workers, facing continuing liquidation while still seeking buyers to privatize more bits and pieces.

Employee relations at the surviving company, SAT, were cooperative as the new firm fought for market success; the new western owners encountered and worked with a highly skilled workforce and active works council. Important in the negotiations that led to the spinoff of this small firm as well as VW-Sachsen, the SAQ, and other pieces still in discussion were the efforts of the Fritz Warth, elected head of the works council at Sachsenring, a self-described "old red sock" (as former head of the BGL), who worked with his counterparts in management to attract western investment, and to create and preserve modern jobs.

Although the old Sachsenring was now set to disappear, the surviving pieces, including VW-Sachsen, SAT, and SAQ, contributed to a reservoir of modern production, founded to a significant degree on the efforts of former communist-era managers and trade unionists.

Beyond the immediate Zwickau area, Volkswagen also made a substantial investment in the. purchase from the Treuhand in 1992 of a motor plant in Chemnitz (known in GDR years as Karl-Marx-Stadt), one hour away on the autobahn. Here again, the decision was made to use advanced innovations in production organization, including outsourcing, just-in-time production, and shopfloor group work. Down from a peak of over 4,000 employees, VW-Chemnitz in 1994 employed 483 blue and white-collar workers in the production of engines for VW in Mosel as well as for VW-owned SEAT ~n Spain. In addition, another 400 former motor plant workers were employed on the premises in numerous small supplier and service companies for the surviving VW engine plant.

Managers and works councilors at VW in Chemnitz were convinced that they had reached a recession-induced trough in production and employment numbers. In their view, innovations such as group work based exclusively on skilled workers, along with high productivity and product quality, put the plant in good position for the anticipated economic upswing. At this plant, representatives of both labor and management claimed that their past history together, including the tradition of collective working relationships, contributed to the success both of group work in production and close cooperation in works council-management relations. So close were these relations, in fact, that the works council had opposed participation in the 1993 strike (and was therefore not called out on strike by the IG Metall). Nonetheless, along with 87 percent of the workforce, all works councilors were IG Metall members and claimed to need a strong union presence for plant-level representation and relations of social partnership with management. Here at Chemnitz, works councilors saw a direct line from inherited collective practices from GDR days to effective labor-management cooperation in a market economy, high levels of union membership and loyalty, and successful modern group work organization.

At another VW supplier, the Hella plant in Meerane about ten kilometers from Mosel, employees and managers saw the same connection between earlier collective practices and modern work organization. Ominously for the IG Metall, however, this connection did not include high levels of union membership or even any works council at all. With only 43 employees. Hella is nor atypical of small firms, which even in western Germany usually have low union membership and often do not have works councils.

Hella is a well known western auto supplier that was approached by VW about setting up front-end assembly and delivery for the Mosel plant. In 1991, Hella began construction of a brand new plant in Meerane, followed by production start-up in August of 1992. The plant produces only for Mosel, in tightly scheduled and orchestrated just-in-time production and delivery. The orders come at three-minute intervals for each front-end assembly (including bumper and headlights), each order received by computer print-out exactly 440 minutes before the part is required on the Mosel assembly line. As at Mosel, the Hella plant operates round-the-clock, three-shift production.

The core workforce for each shift is a team of seven workers and a foreman, with job rotation and full quality responsibility within the team. All employees are skilled workers, and all of them including the plant manager are easterners. In a 1994 interview, the plant manager was emphatic that the eastern tradition of Zusammenarbeit (working together, or common effort), as opposed to the western preoccupation with rights and status, was well suited to the needs of modern team production. In an increasingly common perspective on the part of eastern managers and works councilors in the mid-1990s, this Hella plant manager saw the East as the coming most modern part of Germany. He also predicted a continuing important role for unions, works councils and social partnership, in spite of the reluctance so far of any of his Hella employees to step forward for a works council election at this small plant.

The biggest problem facing the Hella plant was the deferred production schedule at Mosel. Producing 400 pieces per day in 1994, and limited to this number through the end of the model run in 1996, the plant had been built with a capacity of 800-1,000 pieces per day. Expansion at Hella, as with much of production around Zwickau, awaited the end of recession in the West, upswing in the East, and a firm VW commitment to expanded production at Mosel.

The supplier plants at Chemnitz, Hella, and even Sachsenring nonetheless show a process of modernization occurring in eastern Germany, in this case linked through supplier networks to the new VW production site and future expansion at Mosel. The big danger for industrial development in this area is that Mosel production will remain small. The larger (and more "cathedral"-like) it gets in the years ahead, the more knock-on effects are likely in Saxony for employment, modernization, and social partnership.

At smaller eastern supplier firms such as the ones considered here, old red socks both in management and works council have shown a strong capacity to facilitate labor-management cooperation and lead production reorganization and workplace innovation. In the initial stages, Western management input at the top has been important in transferring know-how about modern methods. Thus Hella in Meerane was run at first by a Western plant manager until the company decided that his eastern counterpart was ready to take over (which he has since done quite successfully); and at VW-Chemnitz, the personnel director works closely with and under the direction of his western counterpart at VW in Mosel. Where appropriate training and screening have taken place, western managers have confidently handed over authority to easterners with good results; eastern managers, especially ambitious, reform-conscious ones, may well have an advantage in efforts at team-oriented modernization and collaboration with employees, works council, and union.

Opel in Eisenach: NUMMI-East

Even more so than VW in Saxony, Opel's new plant in Eisenach (in Thuringia, not far from the old east-west border) launched production in 1991-92 to great media and public relations fanfare.[26] Quite explicitly from the start, Opel-Eisenach was designed as a showcase of high-productivity lean production, to show the way for Opel at other plants in Germany as well

[26] See, for example, Timothy Aeppel, "Opel Designs Car Plant on Japanese Lines: Eastern German Facility Seen as Test for Europe," Wall Street Journal, January 21, 1992, p.A16; "General Motors in Germany: The Lean Machine," The Economist, September 26, 1S92, pp.78-80; "GM's German Lessons: Will the Eisenach plant's lean production transfer to the U.S.?" Business Week,. December 20, 1993, pp.67-8.

as for General Motors plants Europe- and worldwide. According to Peter Enderle, Opel's executive directive for manufacturing:

> Opel combined the know-how of its Technical Development Center, the experience from the Model Shop [pilot projects at West German plants], and the knowledge acquired by General Motors in various joint ventures with Japanese manufacturers in North America, to plan and establish its new plant in Eisenach. This resulted in an automobile plant in the federal state of Thuringia which is one of the most modern in the world in terms of environmental protection, production technology, and systems. Eisenach is showing the European automobile industry the way to the future.[27]

Until 1991, Eisenach was the production site for the East German Wartburg automobile. Along with Zwickau's Trabantproducing VEB Sachsenring, Automobilwerke Eisenach (AWE) belonged to the huge IFA Kombinat, which produced both East German automobiles (the low-cost Trabi and the slightly upmarket Wartburg). Although reorganization had made it possible that Wartburg production would be in the black by mid-1991, the Treuhand announced the decision to liquidate AWE, in what was widely seen as a political decision to prevent overcrowding in the German auto market (and thus reduce the pressure on low-cost competitors such as VW, Opel, and Ford).

After having agreed to a joint venture with AWE in March of 1990, Opel bought a piece of AWE land, built an all new, state-of-the-art assembly plant, hired former AWE workers, and built up to full production speed by early 1993. Producing Corsas and Astras for western and eastern markets in processes based on just-in-time parts delivery and shopfloor teamwork, Opel-Eisenach claimed to have reached world-class (i.e. Japanese) levels of productivity and product quality by 1994.

The 10,000 former AWE workers faced early retirement, layoff, relocation, and for the lucky ones new jobs in the Eisenach area. Less than 1,000 of them would find jobs at the Opel plant; former AWE employees comprised 40-50 percent of the workforce of 1,800 in 1994. Those hired had to go through a lengthy assessment test that evaluated not only formal training, experience, and skill levels, but the capacity for teamwork and group problem-solving as well. So selective was the assessment process that Opel could not find enough workers for its new team production in the Eisenach area; the company advertised throughout eastern Germany and even recruited a small number of workers (about twenty) from the West.

The first 200 hired workers elected a works council of seven members in March 1991, with former AWE skilled maintenance worker Harald Lieske chosen as council chair. As workforce numbers expanded, a larger works council of fifteen, all easterners, was elected two years later in March 1993, to hold office until 1998. Four of these were full-time, including Lieske, who was reelected as chair. From early on, Lieske and his colleagues on the works council played an important role in building the new production system at Opel-Eisenach. In a refrain that has become increasingly familiar throughout eastern Germany, works councilors at Eisenach claimed to build on eastern legacies in the development of the most modern team production. As Lieske put it in a remarkable public talk in October of 1992,

> . . . in many respects, the post-Fordist production system developed at Eisenach is based on a skillful extension of long-practiced methods of auto production in the GDR. Technical and organizational characteristics of automobile production in the GDR, necessarily viewed from a western perspective as constraining for productivity growth, are now proving themselves extremely advantageous for the implementation of teamwork concepts. Auto factories in the GDR were not nearly so Fordist in structure as their western counterparts.[28]

Lieske then elaborated on the characteristics of GDR production useful as a foundation for modern, post-Fordist production, including long cycle times (5-6 minutes at AWE) and highly skilled and experienced workers used to conditions of flexibility and problem-solving (due largely to chronic production problems in the GDR resulting from obsolete equipment and material shortages).

At the same time, according to Lieske, the new team organization represented a radical break with the old authoritarian and hierarchical structures of the past. Teams of 8-12 members scheduled their own work, rotated among jobs, held regular team meetings, pushed productivity constantly upward in processes of continual improvement, and standardized and documented each task, in practices quite similar to new work organization at other "lean" plants such as the NUMMI GM-Toyota model plant in Fremont, California.

At first, team members also elected their own team leaders. Management soon decided, however, that in many cases the most competent workers were not being elected; in some cases, in fact, workers who were at odds with management were elected. As a result, management and the works council set up a parity commission to appoint team leaders. When parity proved too time-consuming, a management committee, with one or two works council members, took over. Although management rescinded the opportunity for workers to select their leaders in open, democratic processes, the works council supported the change and in 1994

[27] "The Opel Production System," booklet issued by Adam Opel AG Public Relations, 1993 edition, p.3.

[28] Harald Lieske, "Vom Kollektiv zum Team: Neue Strukturen in Eisenach," public talk, Opel Eisenach, October 1992; p. 6 (author's translation).

claimed to have full input into team leader selection, maintaining also that the process was successful in locating the best team leaders and had been widely accepted or. the shopfloor.

Both works council and management professed to have close, cooperative relations, in which the woks council received full information from management in time to contribute its voice to all major and minor decisions (except for those made at Opel headquarters in Russelsheim, GM-Europe headquarters in Zurich, or at General Motors in Detroit). The works council appeared to view its role as both representing the workforce and co-managing the plant. Nonetheless, Opel works councilors as well as union officials at the local IG Metall headquarters complained about excessive performance pressure from middle managers, especially from the former AWE old red socks. Workers resented such pressure, in the name of lean production, from their former communist bosses. One union official suggested that such men had slipped over from a command communist to a market economy with well-studied images of brutal, early capitalism in mind—images that their authoritarian past had made them well suited to carry out in the present.

Relations between labor and management at Opel-Eisenach were tested during the strike of 1993. Hoping to undercut potential union militance, the company joined the employers' association in March and announced its intention to pay the going rate. In addition, management offered the works council a plant premium that would bring Opel workers up several percentage points above the April 1 nine percent raise. Because this was considerably less than what employees had expected, however, the Opel workforce and works council reacted with anger to management's intention. Although the strike in Saxony and Mecklenburg-Pomerania was settled before it reached Thuringia, workers in the Eisenach area voted overwhelmingly in favor of striking (and the pressure of this and other strike votes in Brandenburg and Saxony-Anhalt helped force the May settlement). In the face of conflicting pressures for militance and cooperation, the Opel works council tread a careful line in April and May of 3993 between a desire to support the new team-based work organization and a desire to protest against scaled-back pay raises.

Although the Opel plant was never at the top of IG Metall's strike list (given extremely cooperative relations at the plant and the corresponding uncertainty about whether workers here could be counted on to strike), protest expressed itself here in unusual and contained ways. Workers at this Opel plant, for example, wear white shirts, so that any dirt will be quickly seen, and taken as a signal that either more clean-up is necessary or something is wrong with production processes. On April 1, although Opel workers did not participate in IG Metall warning strikes and demonstrations, workers nonetheless protested inadequate pay raises by wearing brightly colored clothing, guided by the homegrown slogan "Anders kleiden, weiter streiten!" --- translated roughly as "Wear different clothes, continue to struggle!" Later in the campaign, workers at Eisenach did participate in two brief warning strikes, one of which they agreed to end early so as not to embarrass the plant manager on the occasion of a visit from Louis Hughes, the head of GM-Europe.

Close labor-management relations at Opel-Eisenach thus survived the conflict of 1993. At the same. time, the conflict provided a first bridgehead for slowly increasingly unionization. From the start, although all Opel works councilors were IG Metall members, the local union had looked askance at the overly cooperative stance that appeared to privilege company-works council relations at the expense of works council-union relations. The deputy chairperson of the local IG Metall was formerly the elected head of the works council at AWE, in the period between unification and the liquidation of AWE; he knew the works councilors at Opel, many of them former AWE colleagues, and was disappointed that this large local auto plant could not be counted on for strong strike participation. At the same time, the local union was committed to organizing the plant. By the summer of 1994, union membership at the plant was up to about 50 percent, with the first shop steward elections scheduled for the fall. The local union had become increasingly optimistic about prospects for building a strong union structure at the plant, aided above all by growing worker resistance to management's intense production pressure.

In the face of such pressure, even the cooperation-minded Opel-Eisenach works council had by 1994 become advocates for a stronger union presence, accompanied by a stronger workforce capacity for mobilization. The works council chair, who earlier had emphasized close labor-management relations and indeed was still committed to such an approach as a foundation for Opel's success in eastern Germany, now spoke with disappointment about the passivity of his workforce, the tendency .for workers here to expect the works council and/or union to deliver, without the need for workforce mobilization. Lieske spoke enviously of the twelve-day strike at VW in Mosel, which had mobilized and unionized that workforce in a way that had not yet occurred at Eisenach. At the same time, he looked forward to shop steward elections, a closer relationship to the local IG Metall, and the coming of stronger unionization to back up the efforts of the works council at the Opel plant.

Management, for its part, was quite pleased with the Eisenach experiment and continued to view it as a model for new production and work organization in the auto industry. Eisenach was clearly seen as the European NUMMI: a demonstration plant that both showed the way forward and proved that such success was possible with local workforces. GM and Opel management were doubly pleased with success at Eisenach, which had been accomplished without the benefit of NUMMI's Japanese management; Opel-Eisenach managers were Germans and Americans who had learned the lessons of NUMMI, CAMI (a joint venture plant in Canada), and other Japanese-run, lean plants. Opel management had thus quite explicitly used eastern Germany as a greenfield from which to influence work organization at its western plants. As early as 1990, works councilors at Opel plants in Russelheim, Bochum, and Kaiserslautern began to hear in their negotiations with management about the need to make major changes to match planned (and later achieved) productivity and quality at the Eisenach plant.

Although the Eisenach plant's successful production figures would continue to result in increased production pressure in western plants, and corresponding reorganization, relationships at Eisenach appeared capable of incorporation within a framework of social partnership that included strong employer associations and unions. At the same time, Opel-Eisenach demonstrated clearly the strong potential for advanced industrial modernization in eastern Germany.

Implications for Theory and Practice

For theories of workplace and organizational change, there are several interesting implications of this study.[29] First and most fundamentally, behavior in organizations, although resistant to change, can and does change substantially under pressure of new external circumstances, especially where new structures and leadership are provided. Thus even a personal change as radical as that from communist-era production leader to modern human resource manager can become commonplace when the broader organization is changed accordingly. The concern that it would be necessary to wait for a generation of old red socks to die out for the transition to a market economy to be completed is unfounded. As American cases such as NUMMI have demonstrated, where management and organization structures are thoroughly changed, many if not most individuals, even those conditioned in a completely different system, can and do readily adapt.

It is also true, however, that there is great resistance to change among individuals and within organizations, and this is probably especially true for those who have held positions of power. Thus the old red socks in several of the above case studies are identified as major stumbling blocks to innovation, and especially to the building of relations of trust with employees. Hierarchical habits die hard. Such individuals should be carefully screened, thoroughly retrained, and presented with an ultimatum from top management: either adopt appropriate modern participatory styles or lose your job. In the German case, managers have the great advantage of an independently elected works council to provide regularized feedback on employee perceptions of particular managers; where firms are fortunate enough to have such reliable feedback, it should be carefully considered and tested against other available evidence.

Institutions can indeed be transferred from one society to another. But this must be carefully done, in a way that allows the new institutions to take root in the new soil. There is probably no such thing as a pure greenfield; this is certainly not the case in Eastern Europe. Where the transfer of institutions and innovation succeeds, this is made possible by careful, trial-and-error adaptation to local circumstances and life histories. Thus in many cases the old red socks at the top as well as collective traditions at the middle and lower levels provide fertile ground for the development of new patterns of teamwork and collaboration. As we have seen at Knorr-Bremse and Opel-Eisenach, communist-era patterns of socialization may even provide a foundation, more appropriate than the individualistic traditions of the West, for modern shopfloor team- or group work as well as labor-management cooperation at higher levels (e.g., management-works council).

The rapid development of a market economy in eastern Germany is an extraordinary social experiment still very much in progress. If the conclusions suggested here are right, however, there may even be a much larger fertile ground for innovation across the former Soviet bloc, ripe for the development of advanced organizational methods.

[29] Theoretical implications are further discussed in Turner 1994.

References

Adams, Roy J., and C.H. Rummel. 1977. "Workers' Participation in Management in West Germany." Industrial Relations Journal, 8:1 (Spring), 4-22.

Bayliss, Thomas A. 1993. "Transforming the East German Economy: Shock without Therapy." In Huelshoff, Markovits and Reich (eds.), 77-92.

Berghahn, Volker R., and Detlev Karsten. 1987. Industrial Relations in West Germany. Oxford: Berg.

Busch, Ulrich, Michael Heine, Hansjorg Herr, and Andreas Westphal (eds.). 1991. Wirkschaftspolitische Konsequenzen den deutschen Vereinigung. Frankfurt: Campus Verlag.

Dorr, Gerlinde, and Schmidt 1992. add full reference.

Employment Observatory: East Germany. Numbers 1-10, 199294, European Commission, Directorate-General V/B/1.

Fichter, Michael. 1991. "From Transmission Belt to Social Partnership? The Case of Organized Labor in Eastern Germany." German Politics and Society 23 (summer), 21-39.

Grabher, Gernot. 1992. "Eastern Conquista: The 'Truncated Industrialization' of East European Regions by Large West European Corporations." In H. Ernste and V. Meier (eds.). Regional Development: A Contemporary Response. London: Bellhaven, forthcoming.

Hitchens, D.M.W.N., K. Wagner, and J.E. Birnie. 1993. East German Productivity and the Transition to the Market Economy. Aldershot: Avebury.

Huelshoff, Michael G., Andrei S. Markovits, and Simon Reich (eds.). 1993. From Bundesrepublik to Deutschland: German Politics after Unification. Ann Arbor: The University of Michigan Press.

Jurgens, Ulrich, Larissa Klinzing, and Lowell Turner. 1993. "The Transformation of Industrial Relations in Eastern Germany." Industrial and Labor Relations Review. 46:2 (January), 229-44.

Kadtler, Jurgen, and Gisela Kottwitz. 1990. "Betriebsrate zwischen Wende and Ende in den DDR." Berliner Arbeitshefte and Berichte zur sozialwissenschaftlichen Forschung, Nr. 42 (October), Zentralinstitut fur sozialwissenschaftliche Forschung, Freie Universitat Berlin.

Katzenstein, Peter J. 1987. add full ref.

Kern, Horst. 1991. "Die Transformation der ostlichen Industrien: Soziologische Reflexionen iiber die Ex-DDR." Die Neue Gesellschaft: Frankfurter Hefte 38:2, 114-121.

Knuth, Matthias- 1993. "Employment and Training Companies: Bridging Unemployment in the East German Crash." Institut Arbeit and Technik, Gelsenkirchen, manuscript.

Muster, Manfred, and Manfred Wanndffel. 1989. Gruppenarbeit in der Automobilindustrie. Bochum: Joint publication of the IG Metall Verwaltungsstelle Bochum and the Gemeinsame Arbeitsstelle Ruhr-Universitat Bochum.

Niedenhoff, Horst-Udo. 1990. "Der DGB baute seine Position aus: Die Betriebsratswahl 1990 in den Betrieben der Bundesrepublik Deutschland." Gewerkschaftsreport, 24:6 (September), 5-17.

Soskice, David, and Ronald Schettkat. 1993. "West German Labor Market Institutions and East German Transformation." In Ulman et al. (eds.), 102-127.

Streeck, Wolfgang. 1984. "Co-determination: the fourth decade." In Bernhardt Wilpert and Arndt Sorge (eds.), 391-422.

Thelen, Kathleen. 1991. Union of Parts: Labor Politics in Postwar Germany. Ithaca, NY: Cornell University Press.

Turner, Lowell. 1991. Democracy at Work: Changing World Markets and the Future of Labor Unions. Ithaca, NY: Cornell University Press.

______. 1994. Social Partnership in the Global Economy: Crisis and Reform in Unified Germany. Book manuscript in progress.

Ulman, Lloyd, Barry Eichengreen, and William T. Dickens. 1993. Labor and an Integrated Europe. Washington, DC: Brookings.

Voskamp, Ulrich, and Volker Wittke. 1991. "Aus Modernisierungsblockaden werden Abwartsspiralen: Zur Reorganisation yon Betrieben and Kombinaten der ehemaligen DDR." Berliner Journal der Soziologie 1, 17-39.

Wiesenthal, Helmut, Wilfried Ettl, and Christiane Bialas_ 1992. "Interessenverbande im Transformationsprozess." Arbeitsgruppe Transformationsprozesse in den neuen Bundeslandern an der Humboldt Universitat, Max-Planck-Gesellschaft, Working Paper AG TRAP, October.

Wilpert, Bernhard, and Arndt Sorge (eds.). 1984. International Yearbook of Organizational Democracy. Vol. II: International Perspectives on Organizational Democracy. New York: John Wiley & Sons.