

MICHAEL WHITTALL

EUROPEAN ECONOMIC INTEGRATION

The Threat to Modell Deutschland

1. INTRODUCTION

Faced by the advent of neo-liberal market forces, epitomized by the austerity character of EMU (Buda, 1998; Ferner and Hyman, 1998), Germany like other European Member States is having to contend with a radically new macroeconomic regime (Grahl and Teague, 2003). With the advance of European economic 'integration', a byword for production transparency, low unit costs and labour flexibility, governments and corporate interests are increasingly committed to improving economic performance by promoting a deregulation of labour markets (Marginson and Sisson, 2001; Lane, 2003). The following chapter contends that the aforementioned neo-liberal agenda is having far reaching repercussions on the dual system of employee representation, the heart *Modell Deutschland*. The forward march of decentralization is unsettling the historical equilibrium between plant level co-determination and sectoral collective bargaining, i.e. that a conflict of interest is occurring between works councils (WC) and trade unions. Certainly, the potential 'historical tension' between these two industrial relations actors cannot be ignored, with employee representation marked by the dilemma of unifying the particular (the place of work) and general (class affiliation). In the case of Germany, as will be shown below, the Adenauer government attempted to exploit this division when passing the Works Constitution Act in 1952 (Thelen, 1991; Artus, 2001). The dormant micro-corporatist tendencies of WCs, what Streeck (1995) terms 'plant egoism' (WCs placing plant interests above of the wider company and sector), are certainly something German trade unions have had to continually contend with.

Favourable economic conditions (Streeck, 1995) and the exertions of trade unions to monopolize WCs and conflicting legislative tendencies, however, helped to neutralize the micro-corporatist leanings of WCs in the past 50 years. In fact, WCs served as an important extension of trade union influence in Post-War Germany, both as an agent for winning new union members and as a control mechanism (*Tarifpolizei* – collective bargaining police) for ensuring employers adhere to

collective agreements (Müller-Jentsch, 1995). The question remains, though, whether such an arrangement is sustainable in an economic environment marked by intensified product market competition and an EU economic policy guided by free-market principles. Should German firms, in the face of intensified competition and greater geographical choices, reject the high cost diversified quality production paradigm; WCs will be under increasing pressure to concede various concessions. Although such measures might ensure short-term job security, they would represent an undermining of *Modell Deutschland's* cohesive nature.

In addressing the implications of EMU on *Modell Deutschland* this chapter focuses on the dual institutions of WC and trade union employee representation. The hub of German industrial relations, it is here (the geometric relationship between WCs and trade unions) that the impact of European economic integration is most likely to be felt. To this end evidence is drawn from the metal working industry, a highly internationalized sector, and BMW, a company both covered by metal working agreements and a leading promoter of working time flexibility in the last 20 years.

A case study of the German metal sector, in which 15 respondents, 9 BMW WC delegates and 6 *IG Metall* officers, were interviewed, the chapter is structured as follows. In Section 2 the research design is discussed. This is preceded by an understanding of the impact of EMU on labour markets, in particular the existence of a new macroeconomic regime and its consequence for German corporate governance. Section 4 offers a brief outline of *Modell Deutschland*, with particular attention given to the legal relationship between plant level and sector level employee representation. The paper then turns to consider the introduction of flexible working time practices at BMW between 1988 and 1996. This is followed by a general review of data relating to WCs in the metal working industry, particularly the development of *Öffnungsklauseln* (open clauses). In the concluding section the paper considers the condition of *Modell Deutschland* in light of evidence presented in this paper.

2. ECONOMIC MONETARY INTEGRATION:

INTERNATIONALIZATION OF *MODELL DEUTSCHLAND*

Grahl and Teague (2003) rightly note that EMU represents the most advanced attempt to integrate the European Union to date. It is somewhat axiomatic today to note that the Maastricht Treaty (1991), the key juncture in the transition towards a unified monetary sphere, is having far reaching repercussions for industrial relations in Euro and non-Euro zones (Buda, 1998; Marginson and Sisson, 2001). Endorsing EMU in Maastricht, Member States abdicated their responsibility over key economic variables central to governing national labour markets. Interest and foreign exchange rates, essential tools used by national governments to protect and encourage labour demand in the past, are now strictly guided by