



## Between trust and control

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**Between trust and control**  
– **company-level bargaining on flexible working hours in the Danish and German metal industries**

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**Abstract**

*Denmark is often highlighted as a good example of organised decentralisation in which employee bargaining power remains comparatively strong. However, comparative analysis of the Danish case rarely reflects how the social contracts between management and workers' representatives contribute to the bargaining outcome at company level. Drawing on 10 case studies in the German and Danish metal industries carried out in 2005, this article argues that the social contracts at the Danish case companies allow a more efficient use of company-level agreements on flexible working hours than the social contracts at the German case companies.*

Key words: Company-level bargaining, Flexible working hours, Social contract, European Industrial Relations

Words (including references): 8.556

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## Introduction

Denmark is often mentioned as the prime example of *organised decentralisation* because of its exceptionally high union density, high coverage of collective agreements and broad presence of workers' representatives (Traxler, 1995). This leaves Danish employees with a comparatively strong bargaining power at company level. However, comparative studies of organised decentralisation in Denmark and other European countries rarely touch upon the importance of the *social contract* between employers and workers' representatives at company level. By social contract we here refer to the relationship between the bargaining parties and to whether this relationship can be said to be characterised by trust/consensus or by distrust/conflict (Walton et al., 1994).<sup>1</sup> This is in spite of the fact that several studies suggest that social contracts at Danish companies form a special case of high mutual trust (Due et al., 1994; Campbell et al., 2006).

This article addresses how the social contract at Danish companies contributes to the efficiency of collective bargaining by comparing company-level agreements on flexible working hours in Denmark and Germany. Collective bargaining on working hours has to a wide extent been decentralised in both countries, and today most sector-level agreements contain opening clauses that leave room for the negotiation of a number of flexible working time arrangements at company level. As in Denmark this process has in Germany been characterised as an *organised decentralisation*, because union densities, the coverage of collective agreements and the presence of workers' representatives remain relatively high. This is in contrast to countries like the UK and the US, where the decentralisation process has been accompanied by a drop in union densities and the coverage of collective agreements and accordingly has been characterised as a *disorganised decentralisation* (Traxler, 1995). However, the processes of organised decentralisation in Denmark and Germany also contain important differences. Actually a specific Danish and a specific German ver-

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<sup>1</sup> In this context the term trust refers to what Luhmann has defined as systemic trust, the general trust in people and institutions in the society, which differs from the personal trust constituted between two individuals, and which primarily has an emotional character (Luhmann, 1989).

sion have been described in the literature due to the fact that the social contract at sector level has been more consent-oriented in Denmark than in Germany during the decentralisation process.

Danish researchers have characterised the decentralisation process in the Danish collective bargaining system as a *centralised centralisation* to emphasise that not only the bargaining power but also the consent-oriented bargaining culture are reproduced when bargaining competencies are delegated from the sector-level to the company level (Due et al., 1994). Workers' representatives (Danish shop stewards) are widespread at Danish companies, which suggests that most employees have a solid platform for company-level bargaining. This minimises the trade unions' fear that decentralisation of bargaining competencies on, for instance, flexible working hours will result in a deregulation of working hours.

In the German context the concept of *controlled decentralisation* has been used to underline that the social partners at sector level (especially the trade unions) have been cautious about giving up control when delegating bargaining competencies (Schulten, 2005). Due to declining union densities and a diminishing number of workers' representatives (German works councils) the trade unions cannot be sure that a high bargaining power on the side of the employees can be established at company level, and they therefore fear that decentralisation will lower standards for the employees.<sup>2</sup>

The present article argues that this difference in the social contracts at sector level is reflected in the social contracts at company level, and that it contributes to different outcomes of company-level bargaining on flexible working hours. In other words it argues that the social contracts at the Danish companies are more consent-oriented and allow a more efficient use of company-level agreements on flexible working hours than the social contracts at the German companies.

In this context, the term efficiency will refer to the number of bargaining outcomes on flexible

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<sup>2</sup> Workers' representatives with (certain) bargaining competencies are elected differently in Denmark and Germany. Danish shop stewards (tillidsrepræsentanter) are elected among trade union representatives only. By contrast German works councils (Betriebsräte) can be elected among all employees and do not necessarily belong to a trade union.

working hours that hold advantages for both management and employees, i.e. win-win bargaining outcomes. The article is based on 10 case studies in the Danish and German metal industries, where decentralisation of collective bargaining on flexible working hours has been trendsetting for the rest of the labour market in both countries. It examines how company-level agreements on flexible working hours are negotiated and implemented, the role of the social contracts in that process and the bargaining outcomes (content and effects of the agreements). To limit the scope of analysis, the case studies focus on flexible working hours in terms of variations in the distribution of working hours, i.e. the use of annualised hours (the accumulation of hours over longer periods of time to spend as time off in lieu) and flexitime (the possibility of varying the beginning and end of the working day) through time accounts, and for full-time employees on open-ended contracts only.

The article is structured as follows. Firstly, the core concept of the study is outlined in the section *The social contract*. Secondly, *Decentralisation of collective bargaining on flexible working hours* presents a short analysis of the decentralisation process regarding working hours in the Danish and the German metal industry, respectively, as well as a short analysis of the general prevalence and effect of flexible working hours in the two countries. *Collective bargaining of flexible working hours at company level – an analytical framework* introduces a general framework for analysing collective bargaining at company level, which was used in the selection of cases to focus attention on social contracts (as described in detail in the *Methods* section). The analysis of the cases is presented in two parts; *Negotiating company-level agreements on flexible working hours; union relations and their influence on content and effects*, which focuses on the collective bargaining of company-level agreements on flexible working hours, and *Implementing company-level agreements on flexible working hours: employee relations and their contribution to the effects of the agreements*, which focuses on the implementation of the agreements in everyday practice. The

*Conclusion* summarises the findings, whereas the *Discussion* elaborates on their limitations and provides more general reflections on the conclusion.

### **The social contract**

The concept of the social contract was originally formulated by philosophers during the Enlightenment who tried to explain social order. In their view the state of nature of man is a state of ultimate freedom, but he/she chooses (voluntarily) to live in agreement with a *social contract* in society, because the state of nature causes severe problems (Hobbes, 1991; Locke, 1980). The concept has been applied to industrial relations theory in order to capture the relationship between the actors involved in collective bargaining, which may have very different qualities. The concept has particularly been applied and further developed within American literature on industrial relations, most prominently in the book *Strategic Negotiations* by Walton, Cutcher-Gerschenfeld and McKersie (1994), which addresses the changes in collective bargaining in the United States during the 20<sup>th</sup> century. Like it was the case for the philosophers of the Enlightenment, the social contract is here understood as a result of choice, more precisely as a result of management's strategic choices, to which workers' representatives and employees respond. The social contract refers to the shared understanding of the labour-management relation. It addresses the fundamental "rules of the game", including roles, rights and mutual obligations that have developed during collective bargaining and will frame future collective bargaining processes (Walton et al., 1994, 3-11). Although the concept puts an emphasis on choice, it also emphasises the constraints of the structure created. The social contract might not be in accordance with all managers involved in collective bargaining, but all of them (including those who disapprove) need to acknowledge the rules of the game if they want to reach bargaining results. Similar to Giddens's synthetic theory of *structuration* (Giddens, 1984), the notion of the social contract is conceptualised as facilitating and constraining at the same time. It is

also perceived as a dynamic phenomenon, one that is reproduced in everyday bargaining processes and therefore constantly exposed to possible change.

Walton, Cutcher-Gerschenfeld and McKersie (1994) argue that company-level bargaining is more than just collective agreements. Bargaining should be conceptualised more broadly and include all negotiations at company level. They identify two different levels of negotiations, and thereby social contracts, at companies: 1. Institutional-Level negotiations, which draw on management's *union relations*, and 2. Individual-Level negotiations which draw on management's *employee relations* (Walton et al., 1994, 3-11). Employee relations have also been described in some labour market research as the *psychological contract*, but we shall here remain within the framework of the social contract in order to underline the fundamental social character of not only union relations, but also employee relations (Rousseau and Tijoriwala, 1998; Rousseau and Schalk, 2000). In the Danish and German contexts, *union relations* will, unlike in the US, where single-employer bargaining predominates, often refer to both sector-level and company-level bargaining. As sector-level bargaining is not the focus of this article, the concept of union relations will be applied only to company-level relations; union relations will in this sense refer to bargaining relations between management and workers' representatives (shop stewards or works councils), while employee relations will apply to the bargaining relations in everyday practice between management and employees (including the implementation of company-level agreements).

In what way does the social contract vary and what does it mean? In their early work *A Behavioral Theory of Labor Negotiations* (1965), Walton and McKersie differentiate between two types of collective bargaining, *integrative* and *distributive* bargaining. They use these concepts to distinguish between collective bargaining that improves conditions for both management and employees ("win-win" bargaining outcomes) and collective bargaining that improve conditions for either management or employees at the others expense ("win-lose" bargaining outcomes). In their



later work Walton and McKersie take this argument one step further and describe how not only union relations but also employee relations can vary along these lines. Union relations can stretch from *cooperation* (win-win negotiations) to *arm's-length accommodation* (win-lose negotiations) or even to pure *avoidance* (no negotiations), while employee relations vary between *commitment* (mutual engagement) and *compliance* (employees follow management's orders) (Walton et al., 1994, 3-11). Using these parameters, they document in a thorough empirical analysis how union relations and employee relations in the American labour market have changed dramatically during the 20<sup>th</sup> century and how they vary across sectors (ibid. 251).

It is the main argument of this article that *union relations* and *employee relations* also vary across countries. More specifically, it argues that union and employee relations vary from Danish to German companies in the metal industry due to different forms of organised decentralisation (centralised decentralisation vs. controlled decentralisation). The hypothesis is that *cooperation* and *commitment* are to a larger extent found in the Danish case companies than in the German ones, and this contributes to more win-win bargaining outcomes on flexible working hours for Danish management and employees than for their German colleagues.

## **Decentralisation of collective bargaining on flexible working hours**

### *Flexible working hours – definition, prevalence and effects*

Working time has a long history as a core area of collective bargaining in the Western world. However, the focus of the social partners within this field has changed over the years. Whereas the negotiation of the normal working hours (number of weekly working hours) has always been of concern to employers' organisations and trade unions, the exact timing of hours at the single workplace did not become of interest until the last decades of the 20<sup>th</sup> century. Here, intensified international com-

petition, new technologies and new work organisations increasingly turned employers' attention to the introduction of more flexible working hours. New work organisations like team-based work also increased employees' interest in working flexible hours.

Much literature differentiates between three forms of variations in working hours for full-time workers on open-ended contracts (Seifert, 2005; Marginson and Sisson, 2004). Firstly, variations in the *duration* of working hours, the number of hours worked per week/year, which has the longest history (as mentioned above). Secondly, variations in the *scheduling* of working hours, i.e. working shifts, nights and weekends, which grew in importance in the 1970s, and thirdly, variations in the *distribution* of working hours over the day, week or year through time accounts, which came about in the 1980s and 1990s. As the focus in this article is on variations in the distribution of hours (i.e. annualised hours and flexitime), the term flexible working hours will refer to this form only. Today, half of German and Danish companies (51% of companies in each country) make use of flexible working hours in the form of flexitime according to the latest Establishment Survey on Working Time and Work-Life Balance from 2004/2005 (Riedmann, 2006, 4; Bielenski and Riedmann, 2006, 58). Nearly half of the companies covered by collective agreements in the German private sector have closed agreements on flexible working hours (flexitime or annualised hours), whereas this applies for a third of the companies in the Danish private sector covered by the Industrial Agreement (Dribbusch, 2005).<sup>3</sup>

Most companies (and employees) seem to benefit from introducing flexible working hours. For example, according to the Establishment Survey on Working Time and Work-Life Balance, many German and Danish managers, when asked about positive effects of flexitime, report a better adaptation between working hours and workloads and higher job satisfaction among employ-

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<sup>3</sup> The figure for the Danish companies was obtained during an interview in June 2005 with a representative from The Confederation of Danish Industries (DI), which performed an internal survey on the matter among companies covered by the Industrial Agreement in spring 2005. The Danish figure therefore is only applicable to the industry and not to the private sector as a whole.

ees (Bielenski and Riedmann, 2006, 62). However, some managers also report negative effects such as increased costs or communication problems. German managers in particular experience communication problems related to variations in working hours (16%), and less so Danish managers (5%) (ibid.).

### *Flexible working hours in the Danish metal industry*

In the Danish metal industry decentralisation of working hours gained a foothold in the 1990s, where a number of opening clauses on flexible working hours were introduced in the Industrial Agreement. This agreement covers not only the metal industry but also a number of other manufacturing industries represented by The Central Organization of Industrial Employees in Denmark (CO-industri) on the employee side and The Confederation of Danish Industry (DI) on the employer side. The opening clauses introduced had the character of *option clauses*, leaving some but limited scope for collective bargaining of company agreements on flexible working hours between the local management and the local shop steward (Jacobi, 2003, 35-36). However, company-level bargaining on flexible working hours also existed before the introduction of the first option clause. Indeed, decentralisation within this area of collective bargaining can be interpreted as a response to earlier developments at company level, where an increasing number of practices and closet agreements (i.e. agreements more or less hidden from the sector-level partners) were deviating from the sector-level agreements.<sup>4</sup>

In 2000, the so-called Pilot Scheme was introduced. This opening clause had the character of a *location clause* as it allowed more radical deviations from the sector-level agreement (ibid.). The scheme increased the scope for company-level bargaining dramatically by allowing management and shop stewards to ignore up to four chapters of the sector level agreement, includ-

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<sup>4</sup> According to a representative from CO-industri, who was interviewed in June 2005.

ing the chapter on working hours, if they could conclude company agreements on these issues. In 2004, management and shop stewards no longer had to seek approval from the sector-level partners when using the Pilot Scheme. At the same time a new option clause was added to the Industrial Agreement offering the possibility of concluding local framework agreements for individual bargaining on working hours.<sup>5</sup> Recent statistics from the social partners show that 46 agreements using the Pilot Scheme (mostly on working hours), had been concluded by spring 2006, whereas one in 12 companies had concluded framework agreements for individual bargaining by spring 2005. The high prevalence of agreements on flexible working hours in the Danish industry is therefore mainly ascribable to the use of the older option clauses.

According to a representative from CO-industri, the union accepted this strong decentralisation on working hours through the sector-level agreement, as it proved possible at the same time to introduce supplementary benefits like labour market pensions and extra holidays for everyone covered by the sector-level agreement.<sup>6</sup> However, the primary reason why the union could approve of the decentralisation on working hours was the continuing high bargaining power among employees at company level. Union density in Denmark is close to a level where 8 in 10 wage earners are organised, and 8 in 10 are covered by collective agreements (LO, 2005; DA, 2005). Furthermore, in a recent survey, 77% of companies covered by the Industrial Agreement reported having one or more shop stewards (Ilsøe, 2008). Even among small companies (20-49 employees) a relatively high proportion of 60 % reported having shop stewards (ibid.).

### *Flexible working hours in the German metal industry*

As in Denmark, the decentralisation of flexible working hours in the German metal industry was introduced through *option clauses* that left a certain but limited room for company-level bargaining

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<sup>5</sup> Details on the opening clauses in the Danish metal industry can be found in the *Industrial Agreement 2004-2007*.

<sup>6</sup> This statement was made at an interview in June 2005.

during the 1990s. These clauses were to be used for negotiating *works agreements* (Betriebsvereinbarungen) on flexible working hours between the local works council and the local management. And as in Denmark, a location clause was added around the turn of the millennium. It was the so-called Pforzheim Agreement introduced in Baden-Württemberg in 2004 (which spread quite quickly to the rest of the bargaining regions within the German metal industry) that allowed the conclusion of deviating *company agreements* (Ergänzungstarifverträge), including deviations on all aspects of working time. The Pforzheim Agreement was, however, mainly targeted at reducing costs at company level, for instance, through an increase in the duration of working hours whilst freezing or cutting wages. Further, in 2004 the sector-level parties of the metal industry in Baden-Württemberg also agreed on removing a demand for reference periods on time accounts from the sector-level agreement.

Unlike the Danish Pilot Scheme, the use of the Pforzheim Agreement requires approval by the regional offices of the trade union and the employer's organisation in the metal industry, The German Metalworkers' Federation (IG Metall) and Gesamtmetall, which also participate in the bargaining process together with the works councils.<sup>7</sup> Figures from Gesamtmetall show that 281 company agreements had been concluded under the Pforzheim framework (predominantly on working hours) by October 2005 (Gesamtmetall, 2005, 19). In a more recent study, which includes the year 2006, a larger number is presented. In fact it seems that 850 agreements were closed under the Pforzheim agreement in the years 2004-2006 (Haipeter, 2008, 29). Still, the use of this relatively new location clause can only offer a limited contribution to the total number of company-level agreements on flexible working hours (approximately one in two companies has one). Most of these agreements must therefore be expected to be works agreements using the possibilities of the option clauses on working time.

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<sup>7</sup> Details on the opening clauses in the German metal industry can be found in the *Manteltarifvertrag 1997* and the *Tarifvertrag zur Änderung der Manteltarifverträge und der Tarifverträge zur Beschäftigungssicherung in Baden-Württemberg 2005*.

IG Metall has been sceptical towards decentralisation of working hours and insists on controlling the use of the Pforzheim Agreement. In fact, they have in general been reluctant to decentralise bargaining competencies. Wages are (unlike in the Danish metal industry) still a matter of sector-level bargaining, and according to a representative from IG Metall, they have only agreed to decentralise working hours in order to retain a minimum of control over developments at company level. As in Denmark, deviating practices on working hours had spread at company level in the German metal industry before the introduction of opening clauses, and there was relatively little the trade unions could do to avoid this.<sup>8</sup> In addition, during the 1990s signs of erosion slowly appeared within the German collective bargaining system leaving employees with less bargaining power at company level than before. Union densities, membership rates of employer organisations, the coverage of collective agreements as well as the presence of works councils were declining (Hassel, 1999). Since German works councils are founded on legislation and not on collective agreements, as is the case for Danish shop stewards, declining union densities meant that trade unions no longer had a natural access to the works councils. Today, less than one in four German wage earners is organised, and two-thirds and one half of wage earners are covered by a collective agreement in Western and Eastern Germany, respectively. Further, only one in 10 companies in the German private sector has works councils. The absence of works councils is predominantly a phenomenon among SMEs, while approximately eight out of ten larger companies (200 employees or more) have a works council (Visser, 2006; Ellguth and Kohaut, 2005; Dribbusch, 2005a).

### **Collective bargaining of flexible working hours at company level – an analytical framework**

Comparative studies of collective bargaining on working hours at the sector level have suggested that the *interest* in flexible working hours and the *bargaining power* of the employers' organisations

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<sup>8</sup> This analysis is based on interviews with representatives from IG Metall in Baden-Württemberg and Frankfurt and with a representative from the local office of the employers' organisation in Baden-Württemberg (Südwestmetall) carried out in May and June 2005.

and unions are important factors when explaining differences in the regulation of working hours (Berg et al., 2004). The decentralisation on working hours in the Danish and German metal industries confirms this picture, however, adds to it the *social contract*, i.e. the relationship between the bargaining parties, as a third factor. In Denmark the social partners of the metal industry have developed a consensus on a strong delegation of bargaining competencies to the company level, as unions trust that the bargaining power of employees is high in most companies. This has been more difficult for the social partners of the German metal industry, as the bargaining power among employees is decreasing especially at SMEs.

This article argues that these three factors are also important when explaining cross country variation at company level (see Figure 1 below). The figure illustrates how the interest, the bargaining power and the social contract between management and workers' representatives/employees affect whether a collective agreement on flexible working hours can be reached and with what content and effects.

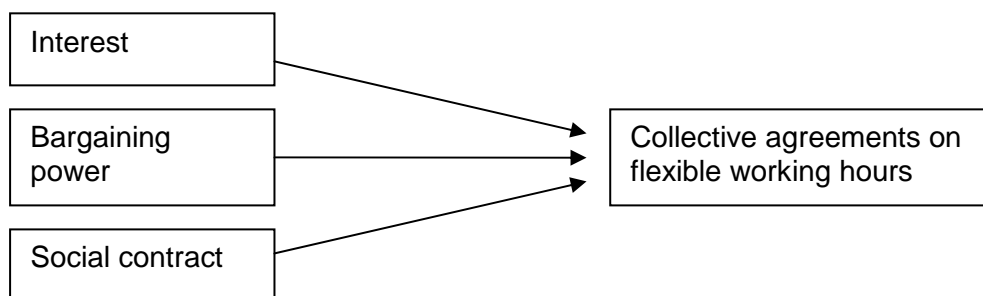


Figure 1: Factors affecting the outcome of collective bargaining on flexible working hours at company level

In Denmark there have been relatively few studies of company-level agreements on working hours, whilst such agreements have been subject to much research (predominantly at larger companies) in Germany. The German studies document how fluctuations in demand, the company's

financial situation and the unemployment rate contribute to whether an interest in flexible working hours can be established among managers and the local works councils (Seifert and Massa-Wirth, 2005). Furthermore, it is emphasised that the presence of works councils is crucial for the engagement in and outcome of collective bargaining on flexible working hours at company level (Haipeter and Lehndorff, 2005; Haipeter, 2004). However, there is only limited knowledge about how social contracts affect the outcome of company-level bargaining on flexible working hours, which is the focus of this study.

## **Methods**

The article is based on 10 case studies at company level carried out in 2005, five in the Danish metal industry and five in the German metal industry. This design was chosen as it allows for the in-depth study necessary to grasp the process character of the social contracts and their impact on the content and effects of collective agreements. The cases were selected to focus attention on the influence of social contracts only (see Figure 1). Firstly, cases were selected in the same sector and among companies that had already concluded works agreements or company agreements on flexible working hours (in the form of variations in the distribution of hours) in order to include employers and employees with similar bargaining interests. Both large enterprises (three Danish; four German) and SMEs (two Danish; one German) were included in the sample from each country (see Table 1).

Secondly, whereas the Danish cases were selected from around the country, the German cases were selected in Baden-Württemberg, a region with an unemployment rate more or less similar to that in Denmark.<sup>9</sup> This made it easier to isolate differences in the social contracts from differences in the economic contexts (and thereby differences in bargaining interests). Further, Ba-

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<sup>9</sup> In 2004 Baden-Württemberg had an unemployment rate of 6.9%, whereas the corresponding figure for Denmark was 6.4% (Berthold et al., 2005, 34, 63; Statistics Denmark at [www.dst.dk](http://www.dst.dk))



den-Württemberg has a special role within the German metal industry, as collective bargaining in this region often has a trendsetting character for other regions. This was for instance the case with the Pforzheim Agreement.

Thirdly, all the companies participating in the study had a high presence of workers' representatives and a high union density – even in the German case – thus enabling a comparison between companies with similar employee bargaining powers (see Table 1). The first five companies, which were included both in an early pilot study and in the final case study, were contacted through the relevant trade unions, IG Metall for the German case and CO-industri for the Danish case. Since CO-industri covers a broader range of industrial workers than IG Metall, the selection of Danish companies also included a manufacturing company outside the metal industry. Contact with the remaining five companies was established through the networks of the workers' representatives of the first five companies.

The objective was to interview the leading workers' representative and his/her counterpart from the management at each company and study all relevant works/company agreements on flexible working hours. This approach allowed access to the broadest information on collective bargaining of working hours including experiences from both sides of the table and from all areas of the company (production, service, administration, etc.). Besides questions on relevant background information, interviewees were asked about the history of the working time agreements in the company (when, how and why the agreements were concluded), the content of the agreements, how the agreements had been implemented and which effects of the agreements they could observe.

In some companies, more than one workers' representative participated in the interview (D1, D5). In other case studies it proved impossible to make personal arrangements to meet the management (DK3, DK5, D5). However, two managers were interviewed over the phone in one Danish case (DK5). Furthermore, explorative interviews were conducted with representatives from

the relevant trade unions and employers' organisations in both countries during the pilot study, after which the final research design was chosen. All interviews took place at the interviewees' workplaces or as phone interviews (DK3 and DK5) and were recorded and then transcribed before analysis. Before the cases were compared, the interviews with the managers and the workers' representative from each participating company were analysed as a pair using two strategies. First, the interviews were coded following the questions listed above. Second, a case story on collective bargaining of flexible working hours was written on the basis of the interviews.

Cases:	DK1	DK2	DK3	DK4	DK5	D1	D2	D3	D4	D5
<b>Number of Employees*</b>	20	100	700	400	6000	700	2000	1500	2000	200
<b>Dominant type of work</b>	Service	Service	Production	Production	Production	Production	Prod./Adm.	Production	Development	Production
<b>Fluctuation in demand</b>	High	High/medium	Medium	High	High	High	High	High	High	High
<b>Company-level agreements on working time</b>	1 company agreement	2 company agreements	3 company agreements	1 company agreement	1 company agreement (frame work)	2 works agreements	2 company agreements	2 works agreements	2 works and 1 company agreement	2 company agreements
<b>Aims of agreements</b>	Avoid hire and fire	Motivate employees, formalise flexibility	Avoid hire and fire, improve health	Reduce costs, avoid hire and fire	Improve productivity and health	Reduce costs, avoid hire and fire	Reduce costs, avoid hire and fire	Reduce costs, avoid hire and fire	Reduce costs, avoid hire and fire	Reduce costs, avoid hire and fire
<b>Lower/upper limits on time accounts (hours)</b>	0 /no upper limit	No limits	-24/+24 or -20/+20	0/29	No limits	-189/+195 (flexitime -28/+35)	-200/+250 (flexitime -40/+20)	-150/+250 (flexitime -14/+14)	- 60/+60 (flexitime -12/+12)	- 50/+100 (flexitime -20/+35 or -10/+35)
<b>Main control of time accounts in service/ production</b>	Individual employee/-	Individual employee & colleagues/-	Individual employee/ Individual employee & colleagues	Individual employee/ management	Individual employee/ Individual employee & shop stewards	Management/ management	Management/ Management	Management/ management	Individual employee & colleagues/ management	Management/ management
<b>Union representation</b>	1 shop steward	2 shop stewards	8 shop stewards	5 shop stewards	70 shop stewards	100% of works council	60% of works council	80% of works council	70% of works council	100% of works council
<b>Member of employer's organisation</b>	No	Yes	Yes	Yes	Yes	Yes	Partly	Yes	Yes	Yes

Table 1: Overview of main characteristics of the Danish and German case companies.

\* At the site(s), where the company-level agreements on flexible working hours were binding.

## **Negotiating company-level agreements on flexible working hours: union relations and their influence on content and effects**

Working time accounts, and thereby variations in the distribution of working hours, were an integrated part of the company-level agreements on working hours across all the Danish and German cases. All the participating companies were struggling with medium or high and, to a large extent, unpredictable fluctuations in demand, and most of the agreements on flexible working hours were concluded to avoid firing and short-term hiring of employees (see Table 1). Even in the eyes of management, hiring and firing strategies were insufficient to cope with fluctuations, since this meant having to dismiss experienced employees one month and hire inexperienced employees a few months later. In other words, the introduction of time accounts (annualised hours and/or flexitime) through company level agreements seemed to imply a win-win situation for both management and employees, as both groups would gain from agreements that could increase job security. Often separate agreements were concluded for employees in service and production, respectively, since the fluctuations in demand operated somewhat differently in these two job categories (DK2-3, D1-5). These general tendencies concerning the content of the agreements were not unexpected since they correspond with a number of other European studies on company-level bargaining on working hours (Ozaki, 1999; Haipeter and Lehndorff, 2005; Seifert and Massa-Wirth, 2005).

The similarities between the Danish and German cases regarding the content of the agreements were also reflected in the effects of the agreements. The agreements on working hours showed positive effects for both management and employees in almost all the participating companies, although with a somewhat varying degree of intensity. Often the flexible working hours would increase productivity, allowing more employees to be hired on open-ended contracts or allowing a reduction of planned firing rounds (DK1-4, D1-4). Sometimes the introduction of flexible working hours would even lead to the hiring of new employees (D2). In some companies other aspects were

included in the agreements as well, creating complex compromises with a number of different positive outcomes (D2). The varying intensity of the positive effects among the case companies did not, however, seem to be related to country-specific differences in the social contracts. The *union relations* framing the bargaining process were characterised by *cooperation* in all companies, except for one German case company (D5), where *arm's-length accommodation* dominated the picture. As the selected companies were chosen only among highly organised companies with agreements on flexible working hours, none of the participating companies had union relations that could be characterised as *avoidance*. Furthermore, the union relations showed great persistence in all the case companies and had changed relatively little over the last 10 to 15 years.

The highest degree of *cooperation* was found in one of the larger German companies (D2). Their history of agreements on flexible working hours dated back to the 1990s, when the demand for the company's products started to decrease, and in 1995 the management and works council for the first time agreed to introduce flexible working hours through time accounts to avoid firing employees. However, the demand for the company's products continued to decline, and almost two years later, management informed the works council that the company had to reduce costs if it was to attract new investments and stay competitive. As the management trusted the works council and had an excellent channel of communication with it, they suggested that they all engage in a series of brainstorming sessions, where both parties could discuss and develop solutions to improve productivity and avoid firing employees. After several rounds of negotiations they concluded a very comprehensive agreement on working time including a few other elements that were to be implemented during a five-year period. The agreement was renewed in 2001 — and again in 2005, where the management, the works council and the trade union exploited the possibilities of the Pforzheim Agreement recently concluded at sector level. Today, the company agreement comprises annualised hours, flexitime, longer weekly working hours, job security, vocational training, health schemes,

pension schemes and profit-sharing. Over time it has had a wide range of effects including increased productivity, the creation of new jobs (25% more employees in 2005 than in 1995) and 50 hours paid vocational training per employee per year. In many ways the agreement means a win-win situation for both management and employees, but most importantly it has had a positive effect on job security – an aim of both sides of industry. According to the management and the works council, these outcomes are a result of the mutual trust and open communication between the two parties. Following the theory of the social contract, union relations in this company can be regarded as very close to complete *cooperation*.

### **Implementing company-level agreements on flexible working hours: employee relations and their contribution to the effects of the agreements**

Although the agreements on flexible working hours and their effects on productivity and saving/creating jobs in the German and Danish case companies were rather similar, the implementation and the management of time accounts differed significantly across the Danish and German cases. The administration of flexible working hours was first and foremost characterised by managerial control in the German companies and by employees' self-management of working hours in the Danish companies. This was true both for service and production workers.

In the German cases (D1-5), managerial control was predominantly practised through a distinct separation of time accounts for annualised hours and time accounts for flexitime, where only the latter were managed by employees themselves (see Table 1). These findings correspond well with the results of a number of other German case studies on flexible working hours (Haipeter, 2004; Hildebrandt, 2006). Typically the management (often in consultation with the works council) had the main control over the time accounts for annualised hours. In the German cases these time accounts were characterised by large spans between the upper and lower limits of hours (for in-

stance +250/-150 hours in case D3) and had the role of regulating weekly/monthly changes as well as whole days off. The employees would then have the main control over the flexitime accounts, which were characterised by narrow spans between the upper and lower limits of hours (for instance +14/-14 hours in case D3) and enabled employees to decide if they occasionally needed to arrive or leave one or two hours earlier or later. However, the use of flexitime had to be reported to and approved by the management in advance.

In most of the Danish companies (DK1-3, 5) the employees had only one time account (comprising both annualised hours and flexitime), which they partly or fully administered themselves (see Table 1). This self-management of time accounts included the scheduling of time off in lieu as whole days or weeks off. Nevertheless, employees still reported the changes in their working hours to the management and/or the shop stewards (for instance at the end of the week/month), but would seldom need their approval in advance. In some cases the working time planning would take place in teams, where the employees had to agree on who should work when and where. According to a shop steward interviewed, this could occasionally limit the time sovereignty of the individual employee (DK3).

The marked difference in the employees' time sovereignty at the Danish and German case companies seemed to reflect a difference in *employee relations*. The managements' strategies differed since they expected different behaviour from the employees and therefore also got different reactions in return. Most managers in the German cases did not trust their employees to consider the needs of the company and argued that if management delegated the control of time accounts to the employees, it would leave the company less well off (D1-4). In their experience employees generally had difficulties finding a proper balance between family and company needs when using flexitime, mainly because employees often adjusted their working time to their family lives and not vice-versa. It could therefore result in a severe decrease in productivity if the employees gained control

over time accounts in general (too long/too short operating hours; more stop-and-go's; discrepancies between the need and presence of labour). In one of the larger German companies, where they had had flexitime since the 1980s and annualised hours since the 1990s, the manager today regretted having introduced flexitime in the first place because of the employees' behaviour (D3). As he explained:

“Flexible working hours are controlled by the company, whereas flexitime is controlled by the employee... [This is] because every worker prioritises his own interests over the interests of the company. It is difficult to change, because in situations where the interests of the company dominate the scheduling of working hours, the workers are bothered, and this affects their future attitude towards the company. Not all workers react like this, but naturally a lot of them do.” (Manager, D3)

In the Danish companies the managers would tend to reason differently. They often trusted the employees to adjust their working time both to the needs of the company and to the needs of their private lives, and they were happy with the results (DK1-3, 5). The employees' self management on one hand paved the way for further efficiency and cut back on administration, since it allowed an adjustment of working hours to the exact time needed in production (less stop and go's, reduction of unproductive working time) and a reduction of the number of lower-level managers. On the other hand, employees were able to combine their working hours and time off in lieu/holidays more adequately to adjust to the needs of modern family life. This self-management meant that the flexible working hours not only enhanced job security, but also the work-life balance for employees and thereby their job satisfaction. These results were confirmed by both managements and shop stewards. The effects of the agreements at the Danish companies not only reflected a win-win situation of increased productivity and job security but included additional benefits for employees and man-



agement as well. One of the Danish managers from a smaller company stated that although he was aware that some employees misused the system, he still preferred the employees to manage their own working time (DK1), since this would, at the end of the day, reduce costs on line managers:

“That means less figure head managers. They do no harm, but actually they don’t participate in any active work.... We have cut it right to the bone. We have cut it till there is nothing left. They [the foreign owner] have asked me if the management is understaffed, but I say no, it’s working all right. We have some clear figures on the bottom line, and they are good. That was the end of that discussion.” (Manager, DK1)

The employee relations in the Danish case companies seem to display a higher degree of *commitment* than the employee relations in the German case companies. The participating Danish managers often allow their employees to administer their own working time, because this appears more profitable for the company than to hire line managers to control them. Control is, however, not fully absent in the Danish case companies (the managerial prerogative is still the general principle, and the manager is free to interfere if he/she wants to). Hence, the general notion is that most employees are able to manage their own working time efficiently. In other words the Danish employers make the strategic choice of trusting their employees’ working time management in contrast to the German employers, who choose to control most of the employees’ working time, because they find that more profitable. However, it appears to be too rigid a conclusion to say that the employee relations in the German cases should be categorised as mere *compliance*. Considering the existence and use of flexitime (although with certain limitations), a lower degree of commitment seems to be a more adequate description.

## Conclusion

The case studies of company-level bargaining on flexible working hours in the German and Danish metal industries partly confirm the hypothesis that the social contracts at the Danish companies allow a more efficient use of company-level agreements than the social contracts at the German companies. It is not possible on the basis of the case studies to confirm the hypothesis regarding the *union relations* and how they influence the collective bargaining of company-level agreements on flexible working hours, as both the Danish and most of the German cases display union relations of a *cooperation* character. However, the findings suggest a difference in the *employee relations*, leaving the Danish case companies with a competitive advantage with regards to the implementation of the agreements in everyday practice. Mainly due to the high degree of *commitment* in the Danish cases, management allows employees to manage their own working time and thereby facilitates a close adjustment to both employee-specific and company-specific needs. This seems to enhance the scope of win-win outcomes from introducing flexible working hours, as Danish employers and employees experience additional effects with respect to their work-life balance and job satisfaction compared to their German colleagues. Due to a lower degree of commitment in the employee relations in the German case companies, time sovereignty among employees is limited by a distinct managerial control. This control is predominantly performed through a separation of narrow flexitime accounts from broader time accounts on annualised hours. Furthermore, the usage of flexitime is restricted by the obligation to ask management for approval. This limits the possibility of generating additional win-win outcomes of agreements on flexible working hours in everyday working life.

## Discussion

Since the cases were selected among highly unionised companies, the overall conclusion on the union relations might be too optimistic on the German side. Due to declining union densities, the bargaining power of works councils (which must be expected to interact with union presence) is weakening in many German companies. Furthermore, the coverage of works councils at SMEs is low, leaving many smaller companies without representatives at all. Nonetheless, this seems to strengthen the conclusion regarding the employee relations. The fact that Danish and German companies with similar union relations (and from similar sectors and with similar economic contexts) reveal significant differences in employee relations supports the notion of country differences.

However, only a limited number of cases within the same sector were examined, which questions the extent to which the differences in employee relations reflect a general trend distinguishing Danish and German companies. Nevertheless, results from the most recent European Working Conditions Survey indicate that there might be a difference at a more general level between the two countries. Danish employees report the highest level of autonomy at the workplace in the EU, whilst German employees are well below EU average (European Foundation, 2007, 51-52).<sup>10</sup> These differences do not seem to be explained by variations in work organisation, as the same survey finds a similar prevalence of team work among Danish employees (58 %) and German employees (59 %). The Danish employees also report higher autonomy than their German colleagues, when asked if they are free to decide when to take holidays or days off. Here 65 % of Danes, compared to 35 % of Germans, report that they often or almost always have this option.<sup>11</sup>

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<sup>10</sup> The level of autonomy is here measured as a score generated on the basis of employees' answers to five questions: 1. If they are able to choose or change the order of tasks, 2. If they are able to choose or change methods of work, 3. If they are able to choose or change speed of work, 4. If they have influence on the choice of working partners, and 5. If they are able to take a break when desired (European Foundation, 2007, 51).

<sup>11</sup> Author's own calculations. Access to data from the European Working Conditions Survey was established through [www.esds.ac.uk](http://www.esds.ac.uk).

If there is a general difference in employee relations between Germany and Denmark, how can this be explained? From an industrial relations perspective, the variation could be interpreted as a reflection of the institutional set-up in the industrial relations system, i.e. high levels of trust between employers and employees can be generated if their relations are embedded in institutions that provide employees with high bargaining power (high union densities, coverage of collective agreements and presence of workers' representatives). High bargaining power for both bargaining parties enhances the trust that formal and informal agreements will be implemented in practice. The difference in employee relations could thus be explained by the fact that employees have less bargaining power in the German context (leading to a controlled decentralisation) than in the Danish context (where a centralised decentralisation has been possible).

Nevertheless Dunlop (1993: 53-54) pointed out in his theory of *Industrial Relation Systems* that even though the set of beliefs, the *ideology*, of a national industrial relations system must be distinguished from the ideology of society in general, it must correspond to, or at least be consistent with that ideology if the system is to be operational. Accordingly, one could expect the high degree of commitment found in the Danish cases to correspond with the general ideology of the Danish society. Researchers have labelled the Danish economy a *negotiated economy* to underline that not only the Danish industrial relations system but coordination in Danish society in general is characterised by negotiations based on a high degree of trust (Campbell et al., 2006). Recent surveys on the distribution of trust/social capital seem to support this argument, as Danes report some of the highest levels of trust in the world and stand out in comparison both with third world countries and other European countries, like Germany (Svendsen and Svendsen, 2004; [www.europeansocialsurvey.org](http://www.europeansocialsurvey.org)).<sup>12</sup> The social contracts found at the participating Danish companies

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<sup>12</sup> In the latest round of the European Social Survey (2004/2005) many Danes expressed high levels of trust in political parties (47%), parliament (52%), other citizens (64%) and the legal system (71%). Fewer Germans expressed similar levels of trust in political parties (7%), parliament (18%), other citizens (26%) and the legal system (37%). In this com-

may therefore be a result both of institutional developments in the Danish industrial relations system and of the general prevalence of trust in Danish society. In other words, social contracts based on trust might be a more profitable strategy for Danish than German managers owing to the fact that the overall level of trust is higher in Denmark, and Danish employers can expect their employees to be more trustworthy.

Although the social contracts at company level are perceived as dynamic phenomena that are subject to possible change in everyday reproduction, the suggested country differences in employee relations raise the question of the general transferability of social contracts between countries. It is therefore not unlikely that employee relations based on high levels of trust, if persistently reproduced, will become more important in the future. As the number of sector-level framework agreements and of national laws/EU directives increases (including the number of topics covered), a stronger demand for regulation at company level can be expected. Employee relations based on high mutual trust seem to offer a pronounced reduction in regulation costs, which can only be welcome in times of intensified regulation. By contrast, employee relations based on low mutual trust seem to be related to higher regulatory costs, as managerial control requires more bureaucracy and more employees in administrative and managerial functions.

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parison, answers between 7 and 10 on a 0 to 10 scale are calculated as high levels of trust. ([www.europeansocialsurvey.org](http://www.europeansocialsurvey.org)).

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