

# ETUI Policy Brief

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### Extending solidarity rather than bargaining concessions: the IG Metall campaign for agency workers

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## Policy recommendations

Trade unions are expected to represent the interests of the entire workforce at both sectoral level and company level. Under threat of outsourcing, downsizing and increasing competitive pressure, workers' representatives sometimes agree to concessions at workplace level at the expense of the peripheral workforce (e.g. fixed-term workers, agency workers) in order to protect the jobs and/or working conditions of the core workforce. Existing research has shown that this is not a sustainable bargaining strategy because the increasing presence of 'second-class' workers in workplaces also undermines, in the long run, the standards of the core workforce. Unions therefore need to take steps, through organising and bargaining activities, to include peripheral workers in their constituencies. In particular, unions are invited to set a common bargaining floor across companies and to engage actively with workplace representatives to prevent concessions from being agreed at the expense of the marginal workforce.

## Introduction

The increasing pressure on labour costs, the threat of outsourcing to cheaper locations, and the progressive decentralisation of collective bargaining, have contributed to the spread of concession bargaining at workplace level across Europe (e.g. Pulignano 2006; Greer and Hauptmeier 2015). While this practice was initially used to deal with organisational or economic crises requiring short-term employment-restructuring, it has now become a common instrument of co-management and its outcomes include provisions – e.g. longer shifts and lower wage levels – that will continue to affect the workforce in the longterm. In order to protect the core workforce from deteriorating wages and working conditions, labour representatives have sometimes agreed on concessions regarding the employment of workers through subcontractors or staff agencies at lower wages and working conditions (e.g. Doerflinger and Pulignano 2015).

This Policy Brief argues that this is not a sustainable strategy because concession bargaining at the expense of the peripheral workforce contributes to inequalities between different workforce groups, while serving to undermine also, in the longer run, the wages and working conditions of core workers. The focus here is the campaign on agency work conducted by the German metalworkers' union IG Metall. The Policy Brief will highlight the strategies used in this campaign by unions in an effort to reverse the downward wage spiral and to set sectoral and national standards that cover the

workforce as a whole. Their success in this respect was dependent on their ability to (re)gain control of workplace bargaining by shoring up bargaining at sectoral level, as labour can be more easily put under pressure at workplace level through the threat of outsourcing or plant closure. At the same time, union representatives and works councillors engaged in recruiting and bargaining initiatives dedicated to agency workers.

The empirical evidence derives mainly from fieldwork conducted in the German metal sector between 2011 and 2013. The findings derive from interviews with works councillors and union representatives in the German automotive and machine tool building sector. More detailed findings have been published in Benassi and Dorigatti 2015 and in Benassi 2015.

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## Increasing pressure on works councils: decentralised bargaining and deregulation

In the German manufacturing sector concession bargaining on wages and working conditions has become increasingly widespread in the last fifteen years. From a policy perspective the German metal sector is a relevant case for studying concession bargaining and its consequences for workers and the bargaining power of labour: in view of Germany's export successes despite the recent economic crisis, policy makers and academics have suggested the possibility of transferring its industrial relations system to Southern European countries (e.g. Dustmann et al. 2014). However, as some studies suggest, the competitiveness of the German export model has up to now depended also on concessions at sectoral and workplace level – at the expense of both the core and the peripheral workforces – which have contributed to a compression of labour costs (Hassel 2014; Dustmann et al. 2014).

Over the last twenty years the German collective bargaining system has become increasingly decentralised. Membership of the employers' associations has been declining in the last twenty years, leading to erosion of the collective bargaining coverage rate in both the manufacturing and the services sector (Bispinck and Schulten 2014). In addition, opening clauses have spread since the beginning of the 1990s, serving to amend the working time and wage provisions of sectoral agreements. Such clauses were initially a response to the request for more flexibility from German (manufacturing) employers who were facing financial difficulties due to the collapse of the East German economy and the economic crisis in Western Germany. Even though these agreements were initially legitimised as responses to exceptional economic situations and covered a maximum period of three years, since the late 1990s they have become an institutionalised instrument of co-management and contain long-term provisions aimed at preventing outsourcing and downsizing of German production sites. These agreements usually include concessions on wages, working time and other aspects of working conditions, as well as the use of temporary work and subcontractors.

IG Metall tried to retain control over workplace bargaining through the Pforzheim agreement (2004), according to which union representatives were required to be present during negotiations between management and works councils on provisions amending the sectoral agreements. Even so, employers' use of the marginal workforce in the workplace, e.g. temporary workers and agency workers, remained difficult to control especially after the Hartz reforms of 2003. These labour market reforms deregulated the use of agency work as they allowed the hiring of workers on agency contracts without justification for such non-standard contracts, and lifted any obligation to hire permanently after a certain period of time. Furthermore, the reforms allowed the amendment of the equal pay principle by collective agreements, which indeed set wages at a lower level in the agency sector than in the metal sector. As a result, in 1996 45% of companies in core manufacturing sectors employed, on average, 2% of their workforce on agency contracts and by 2008, before the crisis, the rate of the companies doubled and agency workers constituted on average 8% of the company workforce. In spite of this still relatively low average, in some companies

the percentage of agency workers has risen as high as 20-30%. Bargaining decentralisation and labour market deregulation placed works councils under great pressure for concessions. Until the mid-2000s many company-level agreements included provisions that reinforced segmentation between different categories of permanent workers and contingent workers in terms of working time (e.g. overtime and unsocial working hours) and pay (e.g. no access to company-level bonuses and benefits).

## Reversing the trend: The IG Metall campaign on agency work

The attitude of works councils and unions towards agency workers started to change a few years after implementation of the Hartz reforms. The increase in recourse to agency work challenged works councils when it began to undermine their ability to set standards on wages and working conditions for the core workforce within the company. Employers benchmarked the performance of agency workers against the performance of permanent workers in order to question the wage level set by collective agreements insofar as agency workers were performing similarly to permanent workers but were being paid lower rates. Furthermore, the increasing presence of agency workers limited the potential for labour mobilisation because, first, core workers are afraid of being replaced and, secondly, it is difficult to organise agency workers to go on strike. Finally, the intensive use of agency work reduces the overall impact of strikes as it can mean that work stoppages are prevented.

While until 2008 the responsibility for regulating agency work laid with works councils, their success in this respect was limited. It was for this reason that IG Metall started the 'Same work same wage' campaign for the purpose of recruiting agency workers into the union and, at the same time, setting a common bargaining floor across companies regarding the employment conditions of agency workers. The campaign was aimed at raising awareness about agency work among works councillors and union members. It also sought to gain the support of public opinion and therefore included informative billboards on the wage gap between agency workers and regular employees, as well as a postcard action campaign for better regulation of agency work, aimed at lobbying the members of local and national parliaments. Above all, IG Metall actively pushed for bargaining with employers in order to achieve equal pay for agency workers and to introduce limitations on the possibilities of renewing agency contracts.

The campaign produced positive results. At company level works councils achieved agreements gaining better working conditions for agency workers and by 2011 over 1,200 companies were covered by such agreements. Furthermore, by 2012 over 50,000 agency workers had joined the union. In the collective bargaining arena, an industry-wide agreement on equal pay for agency workers was signed in September 2010 in the steel sector, followed, after less than two years, by a collective agreement for the metal and electronics industry. This agreement strengthened co-determination rights in the hiring companies, enabling works councils to bargain with management over the reasons for hiring agency workers and the length of assignment. Moreover, it made the permanent hiring of agency workers compulsory after 24 months (though encouraged

already after 18 months). Also in 2012, IG Metall negotiated an agreement with the employer associations of staff agencies setting wage bonuses for agency workers, with the aim of reducing the wage gap between agency workers and permanent workers. Wages were to increase by 15% after six weeks of continuous assignment, gradually increasing to 50% after nine months. Furthermore, IG Metall negotiated the new collective agreement in the agency sector together with the other sectoral DGB unions; this agreement set a sectoral minimum wage of 8.50 €/h and a 9.6% increase in wage levels in Western Germany and 12.8% in Eastern Germany.

## Lessons from the IG Metall case and beyond

The findings concerning the IG Metall case suggest that concessions at the expense of the peripheral workforce represent only a short-term response to the challenges posed by the increasing pressure on workers' representation and collective bargaining. Though concessions at the expense of the marginal workforce seemed to protect the core workforce initially, the effect was only short-term as the growth of agency work soon began to undermine the working conditions of the workforce as a whole. The case study suggested that the key strategy for preventing concessions was to regain control over workplace bargaining, i.e. the level at which negotiations over the use of agency workers were principally conducted (if at all). To this end, IG Metall took steps to train works councillors on the practices and implications of agency work, issuing them with bargaining guidelines; furthermore, it actively engaged in negotiations with employers at sectoral level in order to establish a common bargaining floor for works councils. In order to further improve bargaining power at sectoral level, IG Metall made strategic use of the media, exposing employers' casualisation strategies to public discussion; furthermore, it recruited agency workers and organised demonstrations for equal pay, which were attended by both agency and permanent workers.

Existing research confirms that the revitalisation of sectoral bargaining institutions and the proactive inclusion of marginal workers in the bargaining domain are successful strategies for preventing concession bargaining; that they contribute to limiting both workforce inequality and the erosion of collectively agreed standards (e.g. Doellgast et al. forthcoming; Turner 2009). For instance, in their study on the effect of liberalisation in the telecommunications sector across ten OECD countries, Doellgast, Sarmiento-Mirwaldt and Benassi (2016) found that concession bargaining over restructuring led to deteriorating working conditions for the core workforce at the ex-telecommunications monopolist in the following cases: AT&T in the US, British Telecom in the UK, Deutsche Telecom in Germany and TDC in Denmark. In these cases, union representatives at workplace level were not successful in resisting the employment of subcontracted workers and agency workers at wage rates lower than those of the core workforce. Even though the workforce groups 'outside' the boundaries of the former monopolist might have initially served as a cost and flexibility buffer for the internal workforce, they were subsequently used to obtain pay concessions applicable to the core workforce. As a result, the core workforce too experienced, over the years, a progressive deterioration of its working conditions. By contrast, employment

restructuring in countries with strong sectoral bargaining institutions – e.g. Austria and Sweden – did not have negative effects in terms of pay on either core or peripheral workers because employers could not exit existing institutions. Furthermore, at the Italian former monopolist Telecom Italia (TI) unions played a decisive role in improving low-end working conditions by adopting proactive and inclusive strategies towards the workers on precarious contracts in subsidiaries and subcontractors. Indeed, the subsidiaries and subcontractors of TI employed, on freelance and agency contracts, workers who had lower wages and working conditions than the core workforce. The Italian unions managed to shift most of these workers on to standard contracts, while at the same time managing to avoid concessions about wages and working conditions of the core workforce.

## Conclusion

The increasing pressure to compress labour costs, together with the erosion of sectoral bargaining and deregulation of the labour market, have frequently pushed labour representatives at workplace level to agree on concessions at the expense of marginal workforce segments. However, evidence has shown that this strategy is not sustainable because employers can, in the longer run, use the marginal workforce in order to obtain concessions on the wages and working conditions of the core workforce. For this reason, unions should take active steps to counter labour market dualisation by extending their representation boundaries in order to take in marginal workers and by re-establishing strong sectoral collective agreements setting standards and limitations regarding the employment of contingent workers.

## Further reading

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