



Membership in Employers' Associations and Collective Bargaining Coverage in Germany

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Introduction

Many OECD countries have experienced a decentralization of collective bargaining or decline of collective bargaining coverage in the last decades (OECD 2017).

This also holds for Germany where collective bargaining is centralized at the industry level.

The share of firms covered by industry-level agreements declined from 47.9% in the year 2000 to 32.9% in the year 2011 (Addison et al. 2017).

The share of firms covered by firm-level agreements remained small.

Thus, Germany experienced a marked growth in the share of firms without collective agreements of any kind.

Some authors have diagnosed an exhaustion, erosion or even demise of the German industrial relations system.



Introduction

Against this background, a series of studies have examined the determinants of collective bargaining coverage of firms.

However, exclusively focusing on collective bargaining coverage may only partially reveal the pattern of changes in industrial relations.

A more complete picture can be obtained if we expand the perspective and also consider the membership of firms in employers' associations.

Of course, there is a strong overlap between membership in employers' associations and collective bargaining coverage.

However, the overlap is far from being perfect.

Therefore, it is important to consider the various constellations of membership and collective bargaining coverage.



Institutional Framework

In Germany, multi-employer collective agreements are negotiated between employers' associations and unions on the industry level.

As membership in an employers' association is voluntary, coverage by an industry-level agreement usually depends on the firm's membership decision.

Firms may avoid collective bargaining coverage by withdrawing from employers' associations.

Thus the typical constellations are:

1. Membership in an employers' association and coverage by industry-level bargaining.
2. No membership in an employers' association and no coverage by collective bargaining.



Institutional Framework

However, there are also other (albeit less frequent) constellations:

3. No membership and coverage by industry-level bargaining
 - a. Mandatory extension of collective agreements to non-member firms by the government.
 - b. Even after withdrawal from the association the collective agreement has still validity.
4. Membership and no collective bargaining coverage
Some associations offer a membership status freed from collective bargaining coverage.
5. Coverage by a firm-level agreement with membership in an employers' association.
6. Coverage by a firm-level agreement without membership in an employers' association (bargaining-free membership).



Data and Descriptive Statistics

The empirical analysis is based on data of the research project "Profit Sharing and Share Ownership of Employees in Germany".

The project was conducted by Chemnitz University of Technology and University of Flensburg in the year 2007.

The population of the survey consists of firms with at least 150 employees.

The analysis focuses on commercial firms.



Data and Descriptive Statistics

The descriptive statistics show that all of the constellations of membership and collective bargaining coverage can be found in the data.

- | | |
|---|-----------------|
| 1. Membership and coverage by industry-level bargaining: | 46.23% of firms |
| 2. No membership and no collective bargaining coverage: | 23.44% of firms |
| 3. No membership and coverage by industry-level bargaining: | 6.39% of firms |
| 4. Membership and no collective bargaining coverage: | 9.02% of firms |
| 5. Firm-level bargaining and membership: | 7.38% of firms |
| 6. Firm-level bargaining and no membership: | 7.54% of firms |

Number of observations = 610



Determinants of Membership and Bargaining Coverage: Theory

The question now is: What are the determinants of collective bargaining coverage and membership in an employers' association?

The decision to join an employers' association and, hence, to be covered by an industry-level agreement depends on the benefits and costs to the firm.

Benefits:

1. Influence on political decisions (e.g. on the regulation of apprenticeship training)
2. Advice and support from the employers' association
3. Networking (information sharing and coordination of HRM among firms).

Costs:

1. Membership fees
2. Coordination among firms entails restrictions on the firm's flexibility



Determinants of Membership and Bargaining Coverage: Theory

To the extent membership in an employers' association implies collective bargaining coverage, there are further benefits and costs.

Benefits:

1. Reducing transaction costs (the firm does not directly negotiate with the union).
2. Commitment value: Firm commits itself to specific minimum standards in order to foster trust.
3. Signaling: The firm sends a signal to applicants that it is a good employer.
4. Reducing distributional conflicts at the firm level fosters cooperation.

Costs:

1. Higher labor costs.
2. Even more severe restrictions on the firm's flexibility.



Determinants of Membership and Bargaining Coverage: Theory

The benefits and costs are likely to depend on circumstances and type of firm.

Ownership: Foreign owners vs. domestic owners

Employee voice at the firm level: share of union members, presence of a works council

Flexible production: Teams, delegation of decisions, quality circles

General firm characteristics: Firm age, firm size

Location: West Germany vs. East Germany



Determinants of Membership and Bargaining Coverage: Empirical Results

The results of the multivariate analyses can be summarized as follows:

Subsidiaries of foreign MNCs

Foreign-owned firms are less likely to comply with the traditional industrial relations regime characterized by membership in an employers' association and coverage by industry-level bargaining.

Worker representation

The presence of a works council and a high unionization of the firm's workforce increase the likelihood that a firm conforms to the traditional industrial relations system.

Works councils make it less likely that a firm withdraws from an employers' association (and ends up in a situation in which the industry-level agreement is still valid).

Determinants of Membership and Bargaining Coverage: Empirical Results

Flexible work organization (delegation of decision rights, quality circles)

The estimates provide some evidence that a more flexible work organization is associated with a decentralization of collective bargaining.

While I find no evidence that flexible production entails a complete turning away from collective bargaining, I find that flexible production increases the propensity for firm-level bargaining.

The results also provide some indications that this decentralization occurs without involving employers' associations.

General establishment characteristics and location

The results confirm that smaller, younger, and East German firms contribute to the erosion of the traditional industrial relations regime in Germany.

These firms are less likely to belong to the regime with both membership in an employers' association and coverage by an industry-level agreement.

East German firms are more likely to be characterized by non-membership and the absence of collective bargaining coverage of any kind.



Conclusions

This study shows that firm-level worker representation is an important factor leading firms to comply with the traditional German industrial relations regime characterized by membership in an employers' association and coverage by an industry-level agreement.

The opposite holds true for smaller and younger firms, firms with a flexible organization of work, and firms in East Germany.

This suggests that employers' associations aiming at representativeness should give more attention to the needs of these firms.

The study provides some evidence that foreign ownership is a challenge to the German industrial relations system.

The behavior of foreign-owned firms follows the transnational logic of multinational companies.

Thus, it is an open question whether or not employers' associations will be able to integrate foreign-owned firms into the German industrial relations system.