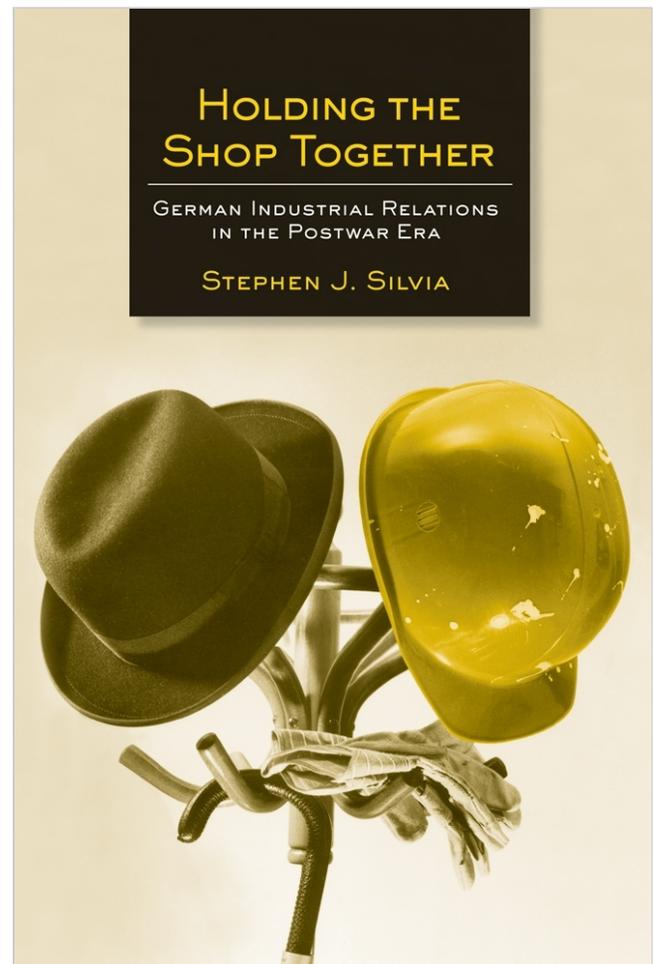


## Understanding the labor-management relationship in Germany

In *Holding the Shop Together*, author Steven J. Silvia unifies years of research to deliver the most up-to-date survey on the state of German industrial relations. Much of Silvia's book is an authoritative weave of historical and qualitative narrative that also displays his impeccable grasp of the German economy. Silvia's narrative coalesces around one central question: Why is union membership declining in Germany despite a fundamentally sound system of labor relations?

The book begins with a two-chapter introduction to the framework of German industrial relations and their main actors: trade unions and employer associations. This context is imperative, not only to include an informative summary to those unaccustomed to lengthy, complex German words and terms, but also to frame Silvia's argument that the system of industrial relations in Germany is fundamentally sound. Still, despite the institutional strength of the "Shop," individual actors within it appear to be in disorder, as manifested by unionization rates that have plummeted drastically in recent decades.

Though brief, one of the strongest parts of the book is the quantitative third chapter. In it, Silvia constructs a model of unionization in Germany since the late 1940s to test the impact of a series of variables on unionization rates. It should come as no surprise that several variables, such as public sector employment and foreign employment, correlate positively with unionization rates and are sufficiently supported by earlier studies. Building upon previous surveys of the system of German industrial relations, however, the author integrates considerably more variables than those earlier studies did—and does so in novel ways, notably by focusing on three new economic



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and social variables: trade as a percentage of GDP, German unification, and social custom/milieu. The inclusion of this extensive array of variables reinforces the author's work as the most significant test of the unions in this postunification period.

The first variable, trade as a percentage of GDP, correlates positively with unionization rates. For the author, this connection suggests a reconsideration of the relationship among industrial relations, international trade, and globalization. As Silvia explains, "In other words, this result suggests that globalization and European economic integration have *helped* to bolster German trade union membership." Second, the German unification dummy variable is a clear indication of a legacy of 40 years of state planning in the former East Germany; the inclusion of East Germany, with its higher rates of unionization, bolstered unionization rates across the board. Yet, it is presumed by the author that this disparity between the two Germanies is vanishing as the former East Germany's rates of unionization continue to fall drastically, keeping them in line with those of the West. The third variable, social custom/milieu, is a measure of the percentage of the population with membership in left-wing parties. This metric proves to be the most significant: membership in left-wing parties is decidedly tied to union membership. This sociological, rather than structural, explanation of the decline in union membership proves the importance of the social affinity and cultural tradition aspect of unionization. Elucidating that aspect throughout the remainder of the book, the author explores the actors' responses to declining union membership through a qualitative study.

Silvia expands on the literature of the German trade union system in the postwar era and reveals a fascinating divergence: there are, in fact, two major postwar trade movements in Germany. This divergence is the result of a series of mergers made by unions to remedy the interconnected issues of dwindling finances and declining membership. For much of the postwar era, the German trade union situation remained static, with a number of legacy unions dating back to the 1940s. This state of affairs changed drastically in the 1990s and the early 2000s as a result of a dizzying array of mergers. Thus, by the early 2000s, the number of large individual trade unions had dwindled from a previously stable 16 to a mere 8, with 2 unions accounting for a full two-thirds of all members. In practice, a new trade union system emerged, and the divergent strategies pursued by the 2 dominant unions offer insight into the divergent outcomes that ensued.

The largest German trade union, the Industrial Union of Metal Workers (*Industriegewerkschaft Metall*, or IG Metall), drew inspiration from the United States to resolve the issues of dwindling finances and plummeting membership that the union faced. This approach may seem puzzling, given the recent decline of the U.S. labor movement; however, few other countries in the world have such a storied history of labor organizing. Using the American experience as an example, IG Metall sought to make it worthwhile to recruit new members for the union and simultaneously play a constructive, value-adding role to German firms. Specifically, the union sought to change its incentive structure in order to increase its membership. As a result of its efforts, IG Metall is now the only German union with any reported growth in members actively at work within the last decade. Still, Silvia hesitates to pass judgment. Is IG Metall simply harvesting low-hanging fruit in advance of an encroaching frosty decline in the natural labor milieu? By contrast, his examination of the second-largest trade union in Germany, the United Service Employees Union (*Vereinte Dienstleistungsgewerkschaft*, or ver. di), illustrates the complexities and challenges of multisectoral union integration. Per Silvia, this behemoth merger of five different public and private sector unions demonstrates what happens to a trade union without any clear, identifiable strategy. Further, the institutional vigor of the industrial relations system in Germany appears unable to aid ver. di and its continued hemorrhaging of members; Silvia's narrative conveys the idea that, although ver.di may not break up, its future is less than rosy without a viable plan to recruit more members. Most of the other trade union members are split

among six smaller trade unions: IG BCE (mining, chemicals, energy), EVG (railroad), GEW (education, science), IG BAU (construction, agriculture, environmental products), NGG (food processing, hotels, restaurants), and GdP (police).

Employer associations and trade unions, although similar, differ in that firms or their components (such as a plant), rather than people, are members of employer associations. Among employer associations, Silvia identifies a divergent and murkier pattern of membership rates. Historically, Gesamtmetall, an employer association in the metal and electrical engineering industries, is the one with the best public member firm data. Its numbers paint a bleak picture of declining membership, with firms leaving the association each year. Yet, an examination of the Federal Employers Association of the Chemical Industry (*Bundesarbeitgeberverband Chemie*, or BAVC) paints a different picture of stability. Compared with Gesamtmetall, BAVC experienced only minor variations in membership levels. The author speculates that the concentrated nature of the chemical sector is a contributing factor. Either that, or BAVC labor management simply did a better job.

On the basis of his quantitative analysis, Silvia concludes that the decline in the natural labor milieu is the predominant factor contributing to the decreased unionization rates. Furthermore, the author's investigation of Germany's largest employer associations conveys the importance of sector structure. Looking ahead, Silvia sees no great reversal in union membership: Industrial relations in Germany clearly remain an integral part of the German labor market for the foreseeable future, retaining their important role as collective bargaining continues to affect German wages, benefits, leave, etc., on a daily basis.

Despite the formidable complexity of German industrial relations, the book delivers an exhaustive introduction to readers unaccustomed to the subject. The complicated nature of the quantitative study of declining union membership should afford sufficient incentive to encourage other specialists to investigate the topic as well. With that in mind, a familiarity with the German labor system would certainly be helpful in understanding this work.

I highly recommend this engrossing book to those interested in European labor relations, the structure of the German economy, and a broader understanding of the European economic situation. If nothing else, perfecting your pronunciation of *Montanmitbestimmungsgesetz* is guaranteed to impress your German-speaking friends.