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**The Dilemmas of Diffusion: Institutional Transfer
and the Remaking of Vocational Training Practices
in Eastern Germany**

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Abstract

Through a case study of the diffusion of the celebrated West German “dual system” of vocational training to the territory of the former German Democratic Republic, we develop the argument that local sociopolitical relations matter crucially for the successful transfer and implementation of institutional arrangements. Notwithstanding massive levels of government funding, the presence of complementary supports, and the concerted efforts of Germany’s social partners, the dual system is experiencing significant difficulties in the new federal states of the East.

These difficulties are not due simply to the particular politics of unification (the wholesale transfer of West German institutions whether or not they were appropriate to Eastern Germany) nor even simply to the paucity of dynamic private firms capable of and willing to train new apprentices. The difficulties stem also from the underlying weaknesses of the East German sociopolitical infrastructure on which the entire dual system rests. This hypothesis is elaborated and substantiated through a range of data on training in the East and especially through the use of detailed case studies of Leipzig and Chemnitz.

The process of unification, it is thus far clear, is more than a simple transfer of economic and political institutions from West Germany to East Germany. In West Germany, these institutions are embedded in the social structure. In East Germany, without this social structure, these institutions exist as a set of parameters that constrain social and political action. There is no reason to assume that the sum of these actions will produce institutions that are identical or even similar to what we have known in West Germany or that they will not transform the institutions that characterize the Federal Republic as a whole.¹

Introduction²

One of the most important debates in contemporary industrial relations theory and policy is whether or not (and if so, how) institutional practices developed in one setting can be transferred to and implemented effectively in another context. This debate takes place both at the level of company practice -- witness the debate over "lean production" in several manufacturing industries (Berggren 1992; Camuffo and Micelli 1995; Womack, Jones, and Roos 1990) -- and in broader policy discussions over the relevance of works councils in the United Kingdom and the United States (Kochan and Osterman 1994; Rogers and Streeck 1994; Trades Union Congress 1995; Weiler 1990).

Yet there are good theoretical reasons why institutional transfer may be difficult to achieve. No institutional practice stands alone but rather, as many have argued already, each practice is situated in a broader institutional and cultural context which shapes the outcomes it produces (Dore 1973; MacDuffie 1995; Milgram and Roberts 1990; Westney 1987). In addition to the issue of whether or not different practices complement one another and "fit"

together into a coherent system, each of these institutional arrangements also rests on and interacts with distinct sociopolitical relations which shape how these institutions actually work (Locke 1995).

Through a case study of the diffusion of the acclaimed West German "dual system" of vocational training to the former German Democratic Republic, now known as the new federal states (*neue Bundesländer*), we develop the argument about the importance of local sociopolitical relations for the successful transfer and implementation of institutional arrangements. More specifically, we argue that notwithstanding massive levels of government funding, the presence of the same complimentary institutional supports, and the concerted efforts of the country's major social partners, dualistic training arrangements are experiencing significant difficulties taking root in the new federal states. This is due not simply to the particular politics of unification (which entailed the wholesale transfer of West German arrangements regardless of whether or not they were appropriate to Eastern Germany) or even to the paucity of dynamic private firms capable of and willing to train new apprentices, but especially to the underlying weaknesses of the East German sociopolitical infrastructure (e.g., chambers of industry and commerce, local unions, employers associations, etc.) on which the entire dual system rests. In fact, as our case study of two Saxon cities illustrates, localities with well-developed networks of secondary associations and interest groups capable of coordinating efforts, pooling resources, and sharing information (e.g., Leipzig) were able to overcome, or at least compensate for these economic and institutional deficiencies and establish dualistic training arrangements. In other settings with more limited sociopolitical resources (e.g., Chemnitz) these new institutions are still

struggling to develop.

Following unification of the two Germanies in 1990³, West German laws, institutions, and economic arrangements were transferred rapidly and on a large-scale to the East. West German government agencies, banks, employer associations, chambers of industry and commerce, and unions all moved eastward and implanted themselves quickly. As a result, German unification presents itself as a unique "natural experiment" (Offe 1992) through which to explore the problem of institutional transfer. We focus on Germany's vocational training system because this system of initial/youth training is often associated with Germany's strong economic performance in the postwar period (Soskice 1994; Streeck 1987). Moreover, because this system is credited with reducing youth unemployment and producing highly skilled and productive workers, it has often been seen as a model to be replicated in other countries (Hamilton 1990; Jeong 1995; Osterman 1988). Thus, an understanding of the micro-political and social foundations on which the "dual system" of training rests could provide useful insights into both how this system actually works and under what conditions it may be diffused to other contexts.

The remainder of this essay is divided into four parts. The first section sketches in highly stylized terms the key features of West Germany's "dual system" of vocational training. Part two then describes the pre-existing training arrangements in the former German Democratic Republic (GDR) and the process through which the West German model was transferred to what is now referred to as the new federal states. The third section presents evidence documenting the difficult diffusion of West German practices to the East. We will examine both aggregate data for the new federal states as a whole as well as a case study of

two major industrial cities in Eastern Germany: Leipzig and Chemnitz (the former Karl Marx Stadt) in order to illustrate the importance of underlying sociopolitical relations to the development and performance of these institutional arrangements. The final section of this paper will ponder the significance of these findings for not only the German case but also for the way we think about institutions in our analyses of contemporary employment relations.

This paper is based largely on field research conducted in East and West Germany between May 1992 and April 1995. This field research involved archival work as well as over 50 interviews with academic, government, business, and labor leaders at both the national and local levels. We also visited numerous government agencies, business associations, chambers, unions and companies in the former German Democratic Republic. See Appendix for list of interviewees.

Basic Features of the West German Vocational Training System⁴

Approximately 70% of German youth (16-19 years of age) participate in the so-called "dual system" of initial, vocational training. This system is typically seen as an effective way of combining work and learning. By matching youth to prospective occupations and firms, it is also seen as efficient allocative mechanism, critical in not only smoothing the school to work transition but also in reducing youth unemployment. And because the system provides German firms with highly skilled workers, it is often seen as facilitating firm-level adjustment and the introduction of new technologies. In fact, there is an abundance of published material on various aspects of the German system of training, much of it with an eye to replicating these practices in other national settings.

Three key features characterize the German training system: 1) the role of the social partners in developing the content and regulating the implementation of training programs; 2) the shared investment in training made by private employers, the government, and individual apprentices during the training process; and 3) the role of the local chambers of industry and commerce (or craft chambers) in certifying the quality of the portable skills gained through training.

In Germany's "dual system" of training, apprentices attend one or two days a week of public vocational school where they are taught both general subjects like mathematics, history, and languages as well as the underlying "theoretical principles" associated with their future occupation. The remainder of the week is spent working at a firm, where apprentices acquire practical skills by taking part in the ongoing production process. The apprenticeship is based on a training contract between the individual apprentice and the employer. While the required general school training is funded by the state governments, the costs of in-firm training are covered by the firms. As part of their contribution, youth accept wages that are between 25-44% of the skilled wage rate during their three years of apprenticeship.

As in other advanced industrial nations, firms in the Federal Republic choose whether or not to engage in training. Even during normal times, most generally choose not to and only about 20% of West German firms have generally been engaged in training at any one time. A web of laws and regulations set the standards to be met by training firms, develop and periodically revise the curriculum offered in the schools, and institutionalize the participation of the unions and employers associations at several levels (i.e., federal, state, sectoral and local) of the system. According to the Federal Vocational Training Law of 1969,

all youth under 18 are eligible to be trained in any one of the 374 (1991 figure) recognized occupations. The content of the training programs on the shop floor is determined in a tripartite manner at the federal level. Unions, employers associations, and the federal government (through the Federal Institute for Vocational Training -- BiBB) negotiate the curriculum and the types of occupations to be covered by an apprenticeship. At the plant level, training is provided by certified trainers and monitored by the works councils. Standards are maintained nationally through a set of exams that are administered locally by the chambers and which cover both the theoretical and practical aspects of training. Apprentices who pass these exams receive a certificate which is recognized all over Germany. Certification and quality control of training programs ensures the portability of these skills.

Central to the functioning of the German system are the supporting institutions associated with the apprenticeships. Osterman (1988), Soskice (1994), and Streeck (1987) all describe the important role played by the local chambers of industry and commerce (or craft chambers) in this training system. Aside from examining individual apprentices and determining the eligibility of individual firms to train apprentices, these local chambers employ full-time staff to provide an array of services to assist firms in developing and/or improving their training capacities. Representatives from the chambers also meet regularly with union leaders, local school administrators, and officials from the local office of the government employment agency (*Arbeitsamt*) to coordinate activities and ensure both that there are sufficient numbers of apprenticeship slots for each year's youth cohort and that the training provided meets well-established standards. In short, the German system of vocational

training rests on both a dynamic private sector and an articulated network of other organizations and associations (e.g., chambers, unions, employers associations, etc.) in order to function properly.

There are a number of problems currently facing Germany's vocational training system, including a mismatch between existing apprenticeship slots and youth increasingly interested in pursuing an *Abitur* (high school matriculation certificate) (Casey 1991); a significant reduction in the number of apprenticeships slots, including in the leading metalworking sector⁵; a predominance of training slots in smaller, more artisanal firms where the quality of training and prospects for long-term employment are mixed (Casey 1991; Osterman 1988); a need to adjust the craft/occupation focus of the current system to the requirements of both high tech and service firms demanding completely different skills (Baethge 1995) and to manufacturing enterprises which must restructure along new, more flexible lines -- lines which blur traditional craft boundaries (Sabel and Herrigel 1994); and finally the tremendous difficulty and lengthy process (due to drawn-out negotiations between the social partners) required to reform outdated training programs (Casey 1991). Certainly, the West German training system has been through (and weathered) a number of business cycles the past. But almost all of the managers, union officials, academic experts, and government representatives we interviewed over the course of this research project made clear that they believed the current system was in flux.

Notwithstanding these various challenges, Germany's dual system of training, like many other social, political and economic institutions of the Federal Republic, was transferred wholesale to the East. In fact, since unification in 1990 West German employers

associations, chambers of industry and commerce, government institutions, and unions have all invested enormous resources in recreating dual training practices in the new federal states. Ironically, the various difficulties and dilemmas that have arisen from this process of institutional transfer -- especially the insistence on reproducing a set of arrangements which appear poorly matched to the needs and interest of private firms and youth -- have exposed some of the latent problems facing West German training arrangements. Before examining this process of institutional transfer and its consequences, the next section will briefly outline the pre-existing training arrangements in the former German Democratic Republic.

Vocational Training in the "Other" Germany

The central feature of the East German system was state authority over training, which led to important differences with the "dual system" in the West.⁶ The German Democratic Republic developed a hybrid form of training that was essentially a compromise between traditional German dual apprenticeship arrangements and the COMECON practice of unified firm-based training.

GDR vocational schools had two principal forms : the *Betriebsberufsschulen*, which were located within the firms and enrolled about 68% of the GDR apprentices in 1982, and the *Kommunaleberufsschulen*, which were controlled by local communities and taught 32% of the apprentices in the same year. Essentially, small firms, especially in sectors which could not afford their own training facilities, sent apprentices to the community schools (Zimmerman 1985: 333). Over the course of the 1980s, training became increasingly concentrated in the *Betriebsberufsschulen* so that by the final years of the GDR, about 80%

of all vocational training was located within large firms (Degan, Walden, and Becker 1995).⁷

Most East German youth entered vocational schools after successful completion of the ten-grade universal *Politechnische Oberschulen*. Apprenticeships usually lasted two years and like in West Germany, were regulated by training contracts between individual youth and training firms. As in the Federal Republic, the GDR had a constitutional clause about free choice of occupation. But unlike in the FRG, GDR citizens also had a constitutional duty to finish at least a partial apprenticeship (Zimmerman 1985: 330). Although central planning heavily restricted the range of vocational choices available to East German youth, individual preferences played a greater role in determining vocational patterns than many accounts have implied. Beginning in the 1970s, local governments developed offices dedicated to advising youth about their choices. In fact, by the late 1980s, about 50% of East German apprentices received training in their first choice occupation or a related field. Thus, although there was substantial channeling of trainees into vocations which were priorities of the state, youth in East Germany still had some choices. Surveys indicate that the occupational choices made by East German youth, like those of their peers in the West, were influenced much more by family and friends than by the state (Anweiler 1990: 305).

Firms that trained in the GDR were generally much larger, trained many more apprentices, and were far more concentrated in industry than is the case in West Germany. Small firms engaged in craft and artisanal work were over time increasingly denied access to apprentices in the GDR. Thus, while 80% of all East German apprentices were trained in small firms in 1950, in 1989 the figure was only 3% (Degan, Walden, and Becker 1995: 16).

In the Federal Republic, by comparison, 35% of all apprentices in 1989 were trained in small craft enterprises. Moreover, while at the end of the 1980s, 80% of GDR apprentices were trained in industrial firms, only about 52% of West German youth received their training in industrial enterprises. Finally, while 20% of GDR apprentices were trained in service occupations, 48% were trained in these occupations in the West (Degan, Walden, and Becker 1995: 36).

As in West Germany, curricular changes were a major focus of training policies during the 1980s, and by 1988-89, 92% of the apprenticeships had been revised. And similar to the FRG, the reform process in the GDR brought about a dramatic decline in the number of vocations offered: from 922 in 1957 to 318 in 1984.⁸ The content of the training included both general knowledge and more specialized applications linked to the particular occupation. Despite curricular reforms, however, the prohibitive costs of technologically sophisticated training equipment, especially following the microelectronics revolution, clearly affected the content of training in the former GDR. Moreover, throughout the 1970s and 1980s, spending on vocational training actually represented a declining share of East German GDP (Burkhardt 1990: 9). As a result, only about 20% of the apprenticeships (official estimates) experienced curricular change in light of the "scientific-technological revolution" represented by microelectronics (Anweiler 1990). In the metalworking industry, apprenticeships with training in CNC machinery and hydraulics were virtually nonexistent.

Thus, by the time of German unification, the essential differences between the West and East German vocational training systems lay first, in the GDR's much higher concentration of training in large firms and its relative neglect of training in small artisanal

and craft firms; second, in the GDR's focus on training for industry and not for service occupations; third, in the technological backwardness of much of the training; and finally, in the obligation by East German citizens to take-up an apprenticeship (Cott 1991: 5). These differences would later come to play a significant role in shaping the process of institutional transfer and reform in the years immediately following the unification of the two Germanies.

German Unification

A brief rehearsal of the process leading towards German unification contextualizes the background for vocational training reform in the East. Faced with growing external debt, stagnant economic production, and declining support by its own population, the East German state faced an immediate crisis in the autumn of 1989 when thousands of its citizens began seeking to leave the GDR by way of Hungary and Czechoslovakia. The subsequent collapse of the Berlin Wall in early November led to a series of unsuccessful efforts by the Communist Party (SED) to retain its leading role in East German society. Meanwhile, East German immigration surged into West Germany. In February 1990, the West German government offered East Germany an "economic and monetary union," ostensibly to forestall the step toward political union. However, on March 18, 1990 national elections in the German Democratic Republic returned large majorities for the Christian Democratic Union (CDU)-dominated "Democratic Alliances". The election results were widely interpreted as a mandate for reunification from the East German population. A partial step was taken with the Treaty for "German Economic, Monetary, and Social Union" (GEMSU), which was signed on May 18, 1990 and took effect on July 1, 1990. When the economic decline of

East German firms and the migration of East German citizens continued more or less unabated after the initiation of GEMSU, Bonn decided to move quickly toward full political union under article 23 of the Federal Republic's "provisional" constitution of 1949, known as the "Basic Law." The choice of article 23 reflected a fundamental commitment to remake Eastern Germany in the image of West Germany and represented a rejection of article 146 which foresaw the dissolution of the Basic Law and the writing of a new, all-German constitution. The subsequent "Unification Treaty," negotiated between representatives of the FRG and GDR, was signed on August 31, 1990 and took effect on October 3, 1990.⁹

Between the implementation of the currency union in July 1990 and April 1991, East German production collapsed to less than one-third of 1989 levels. Only now does it appear that parts of the East are in recovery but economic stagnation continues to characterize most sectors of the ex-GDR economy. As a result of this collapse, employment has fallen dramatically. The number of persons in paid employment has dropped from just under 10 million in 1990 to around 5.5 million in 1995.¹⁰ Registered unemployment has risen to 1.2 million, although the actual unemployment rate is twice the official rate of 15% with the undercounting of unemployment in the new federal states due to the massive deployment of labor market policies. A significant volume of labor migration (including commuting) to the West has also eased pressure on Eastern German labor markets. Moreover, by the end of 1992, as a result of short-time work arrangements, a reduction of overtime, and cuts in work hours, those people still employed in East Germany were working 56% less than in 1989. Had it not been for the huge transfer of funds from the West, estimated to be about 166 billion DM in 1994 alone, the situation in the East would have been even more dramatic.¹¹

The implications of this economic situation for the process of institutional transfer have been enormous. Certainly, the collapse of major industrial sectors and the on-going difficulties facing both newly established and recently privatized enterprises has restricted their ability, let alone willingness to train new apprentices. Moreover, the various secondary associations and interest groups that play key roles in the dual system (e.g., the chambers of industry and commerce, local unions) have experienced tremendous difficulty in establishing themselves and thus are not always able to assist in the implementation of the new training arrangements (Boll 1994; Dininio 1994; Fichter 1994; Lehmbuch 1994; Silvia 1994). As a result, the establishment of a West German-style "dual system" is struggling to take root in the new federal states. As the following sections will illustrate, new training arrangements are indeed being established in Eastern Germany but because of its weak economy and poorly developed sociopolitical infrastructure, and notwithstanding the government's (federal and state) strong financial and political commitment to replicating West German practices, these training arrangements are highly dependent upon government funding, not well-liked to private firms, and often training youth for occupations with weak prospects for long-term and stable employment. We now turn to a more detailed analysis of this process of institutional transfer and its consequences. We will examine first, the particular politics of institutional transfer and its consequences; then the problems created by the paucity of private firms willing to train in the new federal states; and finally, to the consequences of Eastern Germany's weak sociopolitical infrastructure.

Emulating the West : The Redesign of East German Vocational Training

Following the establishment of GEMSU in July 1990, the GDR parliament adopted the West German *Berufsbildungsgesetz* (BBiG) of 1969, the West German *Handwerksordnung* (HwO), and the West German provisions for training in the professions and in agriculture. The BBiG provides for the legal framework governing training in industry and commerce while the HwO regulates training in the artisanal and craft occupations, which include most construction trades along with vocations like bakers, auto mechanics and the skilled trades. With these steps, the most important legal basis for the harmonization of vocational training arrangements were taken. The West German Federal Institute for Vocational Training (BiBB) took over much of the personnel from the GDR's *Zentralinstitut für Berufsbildung* and extended its responsibilities to Eastern Germany. Thus, even before the political unification of the two Germanies, the reconstruction of vocational training in Eastern Germany was dominated by efforts to reproduce the actors and institutions found in West Germany.

Following unification, this process entailed establishing a new legal foundation for training, transferring formal competencies, and creating actors capable of exercising oversight. There was no effort to accommodate particular individual East German approaches to training, nor to address problems which had long vexed the West German training system. For example, the close cooperation between vocational school teachers and the in-firm trainers which characterized the East German system was seen by West Germans as an outgrowth of centralized training and thus incompatible with West German-style training. In reality, however, closer cooperation had long been a desired goal in the FRG but because

most training in West Germany takes place in many smaller firms, coordination with schools was simply too difficult to achieve. The East German practice of allowing some youth to integrate academic and vocational credentials in one apprenticeship, a step which West German employers' associations have now publicly demanded, was then opposed by the West German chambers of commerce and damned as a political tool for privileging an SED elite. West German training authorities did initially agree to recognize some thirty East German vocational profiles, although in most cases the process stalled before official regulations were ever written.¹² In short, the overwhelming thrust of efforts to reform East German vocational training was geared toward reproducing West German structures and practices as closely as possible.

With the unification of the two Germanies on October 3, 1990, the five new East German states (*Länder*) were established. Each state placed representatives on the expanded governing board of BiBB, while representatives of the unions and employers from the new states also took their places in BiBB's corporatist governing body. Authority for the vocational schools was transferred to the newly established state and municipal governments. In practice, this meant that physical facilities located inside the large East German conglomerates were given over to local authorities. In the first year of unification, over half of these schools were then reorganized as branches of larger community-run schools.¹³

While state and local authorities were acquiring control over the vocational schools, the municipalities began transferring their role of overseeing in-firm training to the craft chambers and the chambers of industry and commerce.¹⁴ The craft chambers had existed during the GDR period but had overseen only the training of the master craftsmen while the

chambers of industry and commerce had been completely dismantled by the end of the GDR regime. An enormous cooperative effort on the part of West German chambers along with substantial investment subsidies from the federal government led to the relatively rapid establishment of formal competence by these chambers (Johnson 1995: 12-14). No systematic evidence exists on the extent to which personnel from the municipal governments carried expertise in training oversight into the chambers, but anecdotal evidence suggests that virtually every chamber received at least some such personnel.

The FRG and GDR regimes had negotiated a number of special provisions aimed at officially recognizing GDR certificates (important because of the system of prerequisites for further training in West Germany), and for the continuation of ongoing apprenticeships.¹⁵ Youth who were already in training during the unification process¹⁶ were given a choice of continuing under the GDR curriculum or switching to a new curriculum adopted from the West.¹⁷ Much more important were a series of ad hoc programs designed to ease the transition toward a West German-style dual system. The programs were directed, first, at building training capacity in Eastern Germany and, second, at providing training for youth for whom traditional in-firm training was not available. The first kind of measures included the bundling of European Union, federal, and state monies to provide incentives for firms which already had training facilities to maintain and renew these capacities. Total spending on physical infrastructure from the federal government alone equaled 450 million DM from 1990-1994.¹⁸ In addition, a variety of programs were developed to encourage other firms to train youth. A high priority was assigned to training in the craft and professional (tax advising, legal assistants, medical technicians) areas. Each state developed programs which

provided between 4000 and 10,000 DM for each new apprenticeship offered by small firms, usually consisting of under 25 employees. By contrast, industrial and commercial firms received relatively less public funding. For example, between 1991 and 1994, firms in industry and commerce received just over 10% of public subsidies in Saxony with the rest going to craft, artisanal and white collar employers.¹⁹

Developments in Vocational Training Since Unification

A combination of economic crisis plus targeted policy initiatives from both the state and the social actors engaged in West German training programs have fundamentally shifted the structure of training in Eastern Germany. The sheer volume of change in Eastern German vocational training since unification is striking. A massive reduction of industrial training in large firms has been accompanied by vigorous efforts to promote training both among small and medium sized firms in a variety of industries, and in the public sector in administrative and service occupations. Whereas in 1989 only 3% of the GDR youth cohort were trained in craft firms and over 80% in industrial firms, by 1993 49% of the youth in the new federal states were being trained for careers in industry and commerce, 38% in crafts, 5% in professional occupations and 2% in agriculture. When one disregards extra-firm training, the shifts appear even more stark: 50% in crafts, 30% in industry and commerce (18% and 12%, respectively), 11% in the public sector, and 5% in the professions (Schober 1994: 5).

Carsten Johnson has attributed the increase in craft-based training to three factors: First, there was pent up demand from the GDR period for craft and artisanal work -- demand

that had never been accommodated because of the shortage of craftsmen. Second, the boom in craft training has continued in part because the boom in the craft economy has continued. Especially in the construction trades, the rebuilding of Eastern German cities, housing stock, commercial properties and transportation networks has resulted in a demand for skilled labor. Finally, targeted programs by both the federal and states governments have favored the creation of new apprenticeships in the smallest firms. Craft firms have made an enormous contribution to easing the shortage of firm-based apprenticeship opportunities, although, on the negative side of the ledger, construction firms are more dependent than any other branch on state subsidies (Degen and Walden 1994: 2073). Such programs have offered payments from about 3000 to in some cases 10,000 DM for the creation of extra apprenticeships.

Along with the substantial shift away from training for industrial occupations and toward crafts, a significant number of non-firm based apprenticeships have been created in Eastern Germany. The original unification statutes foresaw both the use of the standard West German provisions for the training of educationally disadvantaged youth at "extra-firm" sites along with the creation of a special program which aimed at promoting extra-firm training through the 1992-93 school year. The original hopes of Germany's policy-makers that substantial extra-firm training would be limited to the first three years have now been shattered. Extra-firm training did decline from 37,000 slots in 1990 to 20,700 in 1991 and only 13,200 in 1992. But as these special provisions neared their expiration dates, it became clear that extra-firm training was still needed, especially to cope with larger cohorts in the near future as a result of both strong birth rates in the mid-1970's and the appearance of youth who had earlier stayed in school due in part to a lack of training opportunities.

Each spring, German newspaper headlines have trumpeted the huge gaps between the number of youth seeking apprenticeships and the number of apprenticeships advertised by firms at the local labor offices. As the figures in Table 1 demonstrate, extra-firm training made a substantial contribution to total training in each of the first five years of unification. Further, the demographic figures suggest that youth cohorts, after rising from an average of about 175,000 per year during the first four years of unification, will, from 1994 through 2000 run at an average of 210,000 per year (Johnson 1995: 17). In other words, state efforts to retreat from financing the non-school portion of vocational training is colliding head on with firm recalcitrance and with demographic developments which have exacerbated the shortfall of apprenticeships.

Table 1

The Composition of Apprenticeships in Eastern Germany

YEAR	1990-1991	1991-1992	1992-1993	1993-1994	1994-1995
Applicants	145,700	138,300	145,600	171,100	203,000
Total apprenticeships	99,700	95,800	97,200	114,600	n.a.
Extra-firm slots	37,000	20,700	13,200	27,100	n.a.
Firm-based slots	62,700	75,100	84,000	87,500	n.a.
Ratio of firm-based slots to applicants	.43	.54	.58	.51	n.a.

Source: Karen Schober, "Der Schwierige Weg zum dualen System," in Materialien aus der Arbeitsmarkt-und Berufsforschung, 3, 1994: 4; Berufsbildungsbericht, various years.

Thus, notwithstanding the substantial efforts of a number of political and social actors, dualist firm-based vocational training has not yet been firmly established in Eastern Germany -- at least, not in ways that reconcile firm financing of their own labor market needs with the aspirations of Eastern German youth.²⁰

Compounding the challenge to the dual system that arises from the expiration of special transitional programs and a growth in demand for apprenticeships is the much greater danger that East German firms are collectively unenthusiastic about training. Systematic data is hard to find, but Eastern German chambers of commerce and industry routinely cite figures suggesting that only 5-10% of their member firms are engaged in vocational training.²¹ More worrisome still, the firms that currently train appear ambivalent about continuing this activity. A 1994 survey of 1575 East German firms that trained apprentices revealed that in the next three years far more were planning to reduce their training efforts than to expand them (Degen and Walden 1994: 2063-2064). Another study of approximately 100 East German firms that did not currently train youth revealed that they had quite varied reasons for not training. The firms, nearly three-fourths of which were, by their own judgment, either fairly modern or in the process of becoming so, and which 55% claimed that their economic health was "very good" or "excellent," claimed that they did not train because of the time and resources required for training, no need for new apprentices, the lack of training personnel, and the uncertain future of the firm (Degen 1993: 30-31). Both of these studies indicate that the broader problem of training in Eastern Germany is linked to financial assistance from the state. State financing is highly desired by East German firms and without such financing, we might see a substantial drop in the provision of vocational

training.²²

The heavy reliance on public funding to support training in Eastern Germany has become a contentious issue in contemporary German politics. In order to prevent a "training catastrophe" in Eastern Germany, the government has heavily subsidized training in many firms and has also established large numbers of extra-firm training slots. Whereas public funding for extra-firm training in the old federal states amounts to a mere 7000 spaces annually, various reports from the East suggest that between 60-80% of all apprenticeships in the new federal states are either partially or fully funded by the state.²³

Even in Saxony, the most prosperous of the new federal states, Ministry of Economics and Labor officials claim that 47% of all training slots receive partial or complete funding from the government. In short, labor market developments in Eastern Germany have stubbornly refused to conform to the West German practice of private sector funding for apprenticeship training. Whereas German policy-makers envisioned a rapid phasing out of state subsidies for both in-firm and extra-firm training, the need for such funding has remained steady. For the 1994-1995 school year, approximately 35,000 in-firm slots were being subsidized by the federal and state governments at a total cost of 400-500 million DM (Frankfurter Rundschau, January 9, 1995).

Beyond the inability and/or recalcitrance of private firms to train apprentices and the heavy reliance on government funding for much of the training actually taking place in Eastern Germany, another major obstacle to the development of dualistic training is the poorly developed sociopolitical infrastructure of the new federal states. A number of authors (Cohen and Rogers 1992; Coleman 1988; Locke 1995; Putnam 1993) have argued that a

vibrant and well-developed network of secondary associations is important for economic development and institutional performance. According to these authors, contexts with greater numbers of associations, or at least, with associations with particular qualitative features and patterns of interaction (e.g., leadership accountability, inclusiveness of group membership, cooperative modes of interaction with other groups) will be more "civic" and their political and economic institutions will perform better than settings with fewer associations and less engaged inhabitants.

This represents a major problem for Eastern Germany where the former regime as a matter of policy explicitly sought to either control or eliminate all intermediary organizations. As a result, several scholars (Bendix 1991; Offe 1992; Seibel 1992) have argued that civil society was virtually destroyed in Eastern Germany²⁴ and thus, the various secondary associations that normally participate in Germany's numerous corporatist decision-making processes are either absent or very weak.²⁵ This poses a particular problem for training given the important role various associations and groups play in the dual system. In fact, the capacity of local actors to engage in a variety of information-gathering, persuasion, and monitoring tasks -- tasks which are integral to the functioning of the dual system, and to make optimal use of various public and private resources available to promote training is, in turn, dependent upon the underlying sociopolitical structure and pattern of associationalism of the localities in which they are embedded.

In the next section, we investigate further how the current weaknesses of these sociopolitical relations are shaping the process of institutional transfer and development in the new federal states. We analyze the development of vocational training practices in two cities

in the new state of Saxony: Chemnitz and Leipzig. We focused our analysis on Saxony because in many ways it represents a "best case" scenario for the successful diffusion of vocational training practices. Dual vocational training is dependent upon a healthy underlying economy and Saxony is, by all accounts, the new federal state with the highest levels of absolute and per capita economic activity in all of Eastern Germany. We chose to study Leipzig and Chemnitz, two of the largest centers of commercial activity in Saxony, because both cities, although suffering from post-unification deindustrialization, did not experience the massive reduction of industrial employment to the truly insignificant levels found in other parts of Eastern Germany. Our unit of analysis is the labor market district which, in both places, includes a small portion of the rural area around the cities.

Although the two cities were hardly socio-economic peas in a pod in 1989, there were several commonalities in terms of industry structure, demographics, and institutional supports which suggested that they could serve as matched cases to compare and assess the viability of our argument concerning the importance of local sociopolitical relations for institutional transfer and development. The logic of comparison is to see if exceptional local outcomes can be distinguished from rather ordinary ones and explained by underlying sociopolitical relations. Using a range of quantitative and qualitative measures, Chemnitz appears to perform more or less on average with other Eastern German cities in terms of the development of dual system training arrangements whereas Leipzig has performed well above the norm. Closer examination of training practices in these two cities reveals the important role different patterns of associationalism and inter-group relations played in producing these divergent outcomes.

Struggling to Change : A Tale of Two Saxon Cities

Leipzig, the tenth largest city in Germany, is situated in the western part of Saxony. Its position on important trade routes permitted the city to become one of Germany's leading commercial and cultural centers by the early eighteenth century. In the nineteenth century, trade in books, yarns, furs, and textiles continued to dominate the local economy but with the opening of the Leipzig-Dresden railroad in 1839 (the first in Germany), the city's banking, textile, and metalworking industries began to develop. By the turn of the century, Leipzig was a major industrial city and leading center of the German labor movement.

In the last years of World War II, major areas of Leipzig were destroyed. Yet during the GDR regime, the city was rebuilt and once again emerged as a major industrial center. The city's principal industries included book-publishing, large-scale engineering, electrical products, textiles and apparel, chemicals, and machine tools. The Leipzig Fair, held every spring, became one of the most important trade forums between eastern and western Europe.

Chemnitz, the former Karl-Marx-Stadt (1953-1990), is also located in the new federal state of Saxony and like Leipzig, its development was also triggered by its location on two important trade routes. With its early monopoly in textile bleaching, Chemnitz emerged as a major textile and linen center. In fact, the first German spinning mill was operated in Chemnitz. In the nineteenth century, Chemnitz developed other industries as well. The first machine tools and the first German locomotive were built there. During the industrial revolution, factories were built at such a pace and pollution was so great that the city was nicknamed the "Manchester of Germany". In 1871, Chemnitz was the site of the first strikes for the 10-hour day.

The city was severely damaged in World War II, but it was largely rebuilt and held up by the GDR regime as a showpiece of modern town planning. During the GDR regime, Chemnitz was renamed Karl-Marx-Stadt and served as a major center for the production of textiles, automobiles, commercial vehicles, machine tools, and chemicals.

Prior to unification, Leipzig was substantially larger and somewhat less industrial than Chemnitz, although both cities have suffered population losses in recent years. The Leipzig population has fallen from 530,000 in 1989 to about 480,000 in 1994 while Chemnitz's population has fallen from 302,000 to 279,000 in the same years (Statistisches Jahrbuch der deutschen Gemeinden, 1993: 107). Labor participation rates in both cities was comparable (59% in Chemnitz; 54% in Leipzig) (Statistisches Jahrbuch der deutschen Gemeinden, 1993: 153), the demographic profiles of the workforces of both cities was almost identical, and the composition of the two local economies in terms of employment was roughly similar as well. See Table 2.

Table 2

Composition of Two Local Economies (1989)

	Indust	Crafts	Const.	Trans	Trade	Other	E,C,H	Total
Leipzig	34%	4%	8%	9%	13%	6%	26%	100
Chemnitz	42%	3%	7%	8%	11%	7%	22%	100

Source: Statistisches Jahrbuch der deutschen Gemeinden, 1990 : 153; E,C,H = Education, Culture and Health.

Following unification and the collapse of the GDR's major export markets in Eastern Europe, the local economies of both cities went into severe crisis, leading to massive

unemployment and numerous plant closures. For example, in the all-important metalworking sector, Leipzig had about 79,000 jobs in 1989 while Chemnitz had about 80,000. By 1993, metalworking employment in Leipzig was reduced to around 5000 jobs while in Chemnitz it levelled off at about 15,000 (Karrasch 1995: 103). The current official unemployment rate in Leipzig is 12.4% while in Chemnitz it is 15.7%. (The East German average is 15.5%.) Underemployment in the two cities is comparable, at about 33%.²⁶

These economic developments have posed dramatic challenges for both public and private officials as they seek to establish vocational training in both cities. As in other parts of Eastern Germany, previous conglomerate-based training centers have been converted into public-funded vocational schools, and thus the school-based component of training is relatively well-established in both cities. But the massive plant shutdowns and industrial bankruptcies that have taken place elsewhere in Eastern Germany have not spared Leipzig and Chemnitz, thus rendering the firm-based component of vocational training difficult to develop in these two cities as well.

Like in other parts of Eastern Germany, efforts to establish dualistic training arrangements in Leipzig and Chemnitz have encountered serious difficulties. Private firms are reluctant to invest scarce resources in training youth, especially when their own economic viability is uncertain and there is an abundance of underemployed skilled workers already available in the local labor market. Youth are wary of committing themselves to a three year apprenticeship program that may not result in stable employment afterwards. And the chambers, employers associations, local unions, and local labor offices are still struggling with their own, internal organizational issues and thus, are not yet up to the tasks assigned to

them in the dual system. Notwithstanding these shared difficulties, interesting differences in training outcomes have emerged between Chemnitz and Leipzig. Closer examination of these divergent outcomes and their sources illuminates the important role sociopolitical relations play in facilitating the process of institutional development and performance.

Recent Developments in Leipzig and Chemnitz

The indicators available to gauge the performance of the dual system in individual labor office districts in Eastern Germany are limited by the statistics collected by the Federal Labor Office, the Federal Institute for Vocational Training (BIBB), and whatever data are collected by local actors for their own use. Given the political valence of this issue, caution must be used when using these data. For example, the official ratio of supply (of apprenticeship slots) to demand (by youth for these places) in each local labor office district is reported to be about 1:1. But this is a statistical artifact which both inflates the number of adequate training slots and camouflages regional differences. As we saw earlier, since the government is committed to provide an apprenticeship for every youth desiring one, in-firm training slots have been supplemented by large numbers of extra-firm slots. Government funding is especially targeted to regions where the supply-demand ratio is particularly poor, thus further masking regional differences. Moreover, the official ratios reflect dampened demand by counting only those youth who have actually found an apprenticeship or are still searching for one at the end of the apprenticeship year. Youth who had originally sought an apprenticeship but then returned to school or simply got a job are not counted as part of the demand. In 1992, for example, 27% of the original youth cohort who had expressed an

interest in an apprenticeship, decided six months later to put off their training until a later date (Schober 1993: 1).

Notwithstanding these limitations, a number of indicators do exist which allow us to assess the progress of efforts to establish dualistic training arrangements in the new federal states. One measure of performance is the absolute number of youth whose efforts to find an apprenticeship can be accommodated. In absolute terms, the Leipzig labor office district offers more apprenticeships than any other in Eastern Germany. Even after controlling for the size of the population in the district, it has shown an impressive and steady rise in the number of firm-based apprenticeships offered : from 4,769 in 1992 to 6,364 in 1993 and rising again to 7,482 in 1994. By contrast, total supply in Chemnitz has remained stagnant, falling from 4,536 in 1992 to 4,035 in 1993 and climbing back up to 4,564 in 1994. Thus, whereas total supply in Leipzig has increased 59% over the period for which data are available, supply in Chemnitz has grown less than 1%.²⁷

In both cities, youth who have not found apprenticeships have continued on in school and Leipzig officials linked much of the recent growth in demand to pent-up demand from previous years. Increases in the supply of in-firm apprenticeships presumably has meant that the backlog of youth waiting in the schools is now relatively less in Leipzig. In Chemnitz, however, officials now estimate that over 38% of all 12th and 13th graders will enter a dual system apprenticeship and speculate that many of these youth have continued on toward an Abitur only because they have not found attractive opportunities in the dual system (Arbeitsamt Chemnitz, 1995: 3).

A second indicator of the development of vocational training arrangements is the

range of apprenticeships offered. The assumption underlying this measure is that youth who confront a broader range of career choices are better off than those who have fewer choices. As with supply-demand ratios, here too local differences are not easy to disentangle. Indeed, the official supply-demand statistics per occupational category suggest that this ratio is within a few decimal points of complete balance almost everywhere in Eastern Germany -- a picture obviously belied by actual developments in labor office districts. Nevertheless, of the 50 occupations listed in the Federal Labor Office statistics for 1992 and 1993, Leipzig offered, after controlling for the size of the districts, substantially more opportunities than Chemnitz in 14 occupations while Chemnitz offered advantageous conditions in only four vis-a-vis Leipzig (Ausbildungsstellenmarkt 1994). Leipzig's supply advantages thus come from a number of different sources in the economy. Service and construction apprenticeships make up more of these advantageous occupational groups than do industrial jobs, but Leipzig has also expanded industrial apprenticeships as well. In fact, whereas in Chemnitz, the number of industry and commerce apprenticeships offered fell by 600 between 1992-1993, they rose by the equivalent amount in Leipzig during the same time period. BIBB data from 1994 confirm this picture of an almost across-the-board advantage in the availability of training opportunities in Leipzig. Of the thirteen occupational categories listed, Chemnitz offered a better supply-demand ratio in only two (interestingly, both are service sector occupations). Leipzig led in all other occupational groups. Leipzig's overall ratio was the best of any district in Eastern Germany while that of Chemnitz was slightly above the average (BiBB Erhebung, September 30, 1994: Table 1/1).

A third measure of how well West German-style training practices are performing is

the relative reliance on extra-firm training to accommodate the demand for training by local youth. The basic assumption underlying the German dual training system is that in-firm training is better (for youth, because it links them to potential employers; for employers because it permits them to recruit, screen, and train future employees; and for the government because it splits the costs of training with the private sector) than extra-firm training. The limit to this assumption, however, is that there be sufficient numbers of firms willing to train. Given that this is not the case in Eastern Germany and that the labor offices have an immediate concern to place youth in some form of training program, extra-firm training in Eastern Germany has grown in recent years. Stories abound of youth being trained to be florists, auto mechanics, and hairstylists in numbers that the local labor markets will clearly be unable to absorb. Even the trade unions, which bitterly denounce what they perceive as employer efforts to shift the costs of skill formation from the private to the public sectors, have generally supported extra-firm training with the agreement that "some training is better than none at all". Nonetheless, the dangers that youth are being trained for jobs that do not and perhaps will not exist is clear. IAB data show that in November 1993, 62% of youth in in-firm apprenticeships gauged their an employment chance after completion as "good" or "very good" whereas only about 47% of those in extra-firm training responded in this same way.

Leipzig was, at one point, head and shoulders above other labor market districts in Eastern Germany in the percentage of total training slots that were firm-based. In 1992, 98% of Leipzig's apprenticeships were firm-based. The corresponding figure for Chemnitz was 88% and the East German average was 81% (Berufsbildungsbericht 1993: 46). However, in

subsequent years, Leipzig's distinctiveness vis-a-vis Chemnitz on this dimension has disappeared. Yet Leipzig has still relied less than most other East German districts on extra-firm training at a time when it has dramatically increased the number of apprenticeships available, whereas most other districts, including Chemnitz, have built up much more slowly. See Table 3.

Table 3

City	<u>In-firm as Percentage of Total Supply</u>			Total Supply Growth 92-94	In-firm Supply Growth 92-94
	1992	1993	1994		
Leipzig	98%	90%	87%	59%	41%
Chemnitz	88%	90%	88%	1%	2%
EG avg.	81%	n.a.	n.a.	6%	16%

Source: Berufsbildungsbericht 1993 : 46; Carsten Johnson, "Die Rolle intermediärer Organisationen beim Wandel des Berufsbildungssystems," in Helmut Wiesenthal, ed., Einheit als Interessenpolitik : Studien zur sektoralen Transformation Ostdeutschlands, (Frankfurt : Campus-Verlag, 1995): 18.

Thus measured along several dimensions, the differences in vocational training outcomes in Chemnitz and Leipzig appear quite striking. Although both cities have, by East German standards, an above average percentage of in-firm training slots, the actual number and range of new training opportunities in Chemnitz is much more limited than what we observe for Leipzig. How do we explain these differences, especially given that both cities are embedded in the same institutional and cultural environment?

Given the importance of economic activity for the functioning of dualistic training and the fact that Eastern Germany has experienced a severe economic crisis since unification,

one's first instinct is to attribute differences in the performance of training arrangements in Leipzig and Chemnitz to differences in either the overall levels of economic activity in the two cities or the composition of their local economies. Certainly economic differences exist between these two cities. As we saw earlier, in 1989 Chemnitz was a slightly more industrial city than Leipzig and since unification, a combination of de-industrialization and new investment in banking and services has continued to make Leipzig less industrial than Chemnitz. The current unemployment rate in Chemnitz (15.7%) is also somewhat higher than in Leipzig (12.4%).²⁸

Yet these economic differences do not translate directly into different opportunity structures for training in the two cities. A quick look at a breakdown of apprenticeship slots in Leipzig and Chemnitz reveals that notwithstanding certain differences in their local economies, the basic composition of training opportunities is basically the same in the two cities. (See Table 4).

Table 4

Breakdown of Apprenticeship Slots by Sector

Major Sector	Leipzig		Chemnitz	
	1992 (%)	1993 (%)	1992 (%)	1993 (%)
Industry and Commerce	52	47	57	49
Crafts	33	42	28	39
Administrative/Office Work	03	04	03	05
Agriculture	02	05	02	03

Source: Our calculations based on Federal Labor Office Statistics.

Thus, economic vitality and/or structure alone can not account for the divergent training patterns manifest between Leipzig and Chemnitz.

A second possible explanation for the differences observed focuses on policy differences between the two cities. Perhaps Leipzig benefitted more from particular public policies and subsidies than did Chemnitz. Yet the most important programs affecting vocational training promotion come from either the federal government or the individual states. And given that both Leipzig and Chemnitz are located in the same federal state (Saxony) and thus are eligible for the same programs and funds, policy differences between the two cities are also controlled for. Even if Leipzig had obtained more government funding than Chemnitz (we were unable to collect data on this question), the issue to be explained would not be the amount of funding received by each city but rather why Leipzig was more capable than Chemnitz of tapping into funds available to all cities in Eastern Germany and/or Saxony. In other words, closer examination of local politics and not federal

and state level programs would be required.

A third possible explanation centers around the underlying sociopolitical relations of the two localities. Earlier we discussed how a vibrant and well-developed network of secondary associations is important for both economic development and institutional performance. As a result, we would expect that contexts with greater numbers of associations and/or with associations with particular qualitative features (e.g., internal democratic procedures, inclusiveness of potential group membership, cooperative modes of interaction with other groups) would possess more developed and effective political and economic institutions than settings with fewer and more parochial secondary associations.

A quick glance at the associational patterns of our two cities reveals some interesting differences. Since 1990, 2455 organizations and associations have registered in Leipzig's Landkries.²⁹ Chemnitz registered about 1700 groups in those same years, but for reasons that remain obscure, a high number of these groups have subsequently disbanded.³⁰ Thus, even when controlling for population differences, Chemnitz appears to suffer from a paucity of associational life, at least in comparison to Leipzig.

But perhaps as important (if not more) than the actual number of associations, are the qualitative features and patterns of interaction between the different groups. In other words, because none of these groups is especially well-developed in Eastern Germany, their modes of interaction (cooperative vs. competitive) and the way they aggregate and represent interests could have a tremendous impact on local patterns of political and economic behavior. This is especially true in the case of the dual system of training which, as we saw earlier, relies heavily on an articulated network of organizations and secondary associations

to function properly. Cooperation and coordination among these local associations are key in ensuring that there are sufficient numbers of apprenticeship slots for each year's youth cohort and that the training provided meets national standards. Given the reluctance of private firms to train in Eastern Germany and the diffidence with which East German youth view this system, cooperation among these local groups is all the more important in the new federal states.

Indeed it was along this dimension that Leipzig and Chemnitz appeared most different. Although in both localities, secondary associations and interest groups were struggling simply to establish themselves, let alone a dualistic training system, local groups in Leipzig transcended both their own organizational concerns and, in a certain way, the minimalist institutional roles assigned to them, and began cooperating with one another in new and important ways -- ways that had a direct consequence for the development of vocational training. In contrast, local groups in Chemnitz, while diligent in performing the institutional duties required of them, did little to extend these roles nor to cooperate with one another in order to facilitate the development of training institutions in their locality. A review of these alternative patterns of interaction reveals how they contributed to the divergent training outcomes manifest in these two cities.

Cooperative Institution-Building in Leipzig

Of the many labor market districts we visited in Eastern Germany, Leipzig clearly took the most comprehensive approach towards convincing youth to consider a training position and encouraging firms to train these youth. In every labor office district throughout

the Federal Republic, the tripartite "vocational advising committee" discusses issues of supply and demand for apprenticeships in its district. But the main task of this organization is to negotiate local interpretations of broader guidelines, and the organization actually has few levers for addressing the most pressing problems (e.g. creating in-firm training slots) in Eastern Germany. In Leipzig, however, local actors have begun experimenting with new forms of cooperation aimed at addressing these problems. For instance, the regular meetings of the local "vocational advising committee" are augmented by a biweekly meeting of a "Coordination Round" that includes both regular members of the committee and also more "practitioners." Together, members of this Coordination Round seek to encourage local firms to train by engaging in five intensive weeks of firm and school visits. Labor office officials and training specialists from the respective chambers visit local firms together, armed with information about state subsidies, sermons about the need for sound long-term personnel policies, and lists of local youth appropriate for the firms. They also visit local schools in order to stimulate demand among youth for available training opportunities.

According to a member of the Leipzig labor office:

The motivation for the Coordination Round was that we were tired of wasteful duplication of efforts to match youth to apprenticeships they found desirable. For us in the labor office, the advantage is that we can visit firms with the training experts of the chambers -- the people who really know the firms and their personnel plans.³¹

Another participant in the Leipzig Coordination Round, a representative from the local Chamber of Industry and Commerce, also lauded these efforts and spoke of possible spill-over effects from them.³²

The composition of the Coordination Round includes representatives of the labor

office advising staff, the chambers of industry and commerce, the crafts chamber, and the office of schools. The participation of the latter is interesting in two ways. First, the inclusion of school representatives is an attempt to recapture one of the strengths of the former GDR training system, which included close communication between teachers and firm-based trainers. Although such communication is much more difficult to sustain in a network of smaller training sites than in a large industrial conglomerate with its own vocational school, virtually all vocational training personnel from the GDR regret the incapacity of the West German system for such communication. Second, and perhaps more importantly, the school officials in Leipzig are able to use their ties to the Ministry of Culture to fund worthy local projects.

Local actors in Leipzig have also undertaken extensive efforts to counter the messages that youth receive from parents and the media that suggest that industrial work has no future in Leipzig. For the last three years, the Leipzig chamber of industry and commerce has held a one day event in which they have invited all of the youth who have sought an apprenticeship through the local labor office but have yet to find one. Firms who have available apprenticeship slots are also invited to introduce their companies at this event. The chamber hopes to promote the mindset among firms that they need to engage in public self-promotion as part of a long-term strategy for reproducing their own labor market needs. Thus, the relentless flow of bad news from the industrial labor market is now being countered in small ways. In addition to the metalworking firms which are strongly represented at these annual events, the chamber allows employers from outside its jurisdiction to compete for the attention of the youth still seeking an apprenticeship. The

police, for example, also use the event to recruit apprentices. During the 1994 event, about 800 Leipzig youth participated, and about 300 of them actually signed an apprenticeship contract.

Thus, local actors in Leipzig have sought to compensate for their own organizational weaknesses by coming together to share information, pool resources, and organize a series of initiatives aimed at fostering dualistic training.³³

"Politics as Usual" in Chemnitz

Chemnitz too has experienced some interesting new forms of collaboration. A few years ago, for instance, the local metalworkers' union (IG Metall) organized the Interessenverband Chemnitzer Maschinenbau (ICM), an association which brought together local unions and business interests in an effort to prevent the liquidation of the local machine tool industry (Bluhm 1995). Yet, with the decision to exclude controversial issues like vocational training from the agenda of the ICM, local coordination of training has taken a somewhat different turn in this city. The main sustained effort has been the development of a "trainers working group", the *Ausbildungsleiterarbeitskreis* (ALAK). Begun in early 1992 by representatives of a training corporation run by employers in Saxony, the thrice-yearly meetings have been geared toward securing the continued participation of those firms already training. The ALAK has won the consistent cooperation of the chamber of commerce and industry in Chemnitz as well as of the state labor office for Saxony which is located in Chemnitz. These connections, along with a series of visits to training sites in West and East German firms considered by the employers to be model trainers, has no doubt had some

benefits for the 20 or so firms who have participated. But there is no evidence that the lessons learned by the participants have spilled over into the overwhelming majority of Chemnitz firms who are still not training. Moreover, the structure of the organization has been one in which union representatives have been excluded from the beginning. The ALAK has attempted to enlist the participation of the schools, but has by its own admission not been notably successful on this dimension (Schmidt and Günther 1993: 17-27).

The employers' representatives describe relations among the local actors in Chemnitz as "peaceful" while the unions describe it as a "war of all against all". By all accounts the tripartite advisory commission does nothing to increase the number of available apprenticeships, indeed they only meet a few times per year. Chemnitz also has a "Coordination Round", but it meets only once a year, in February, as opposed to every two weeks as in Leipzig. If cooperative measures are not widespread, individual actors are also hard pressed to help increase the supply of training on their own. For example, this past spring the Chemnitz chamber of industry and commerce invited 120 firms to an event on vocational training. Only one company actually attended.³⁴ Of course, the Chemnitz chamber helps advise firms on state-level subsidy programs. But still, the local chamber's activities generally consist of rather isolated efforts to address supply and/or demand issues. In short, both the style and the outcomes present a striking contrast to Leipzig, where efforts to promote coordination appear to have helped generate a sizable growth in firm-based training.

Again, the key point is not so much that the Leipzig chamber and/or its local labor office is more capable or industrious than the local labor office or chamber in Chemnitz but

rather that this process in Leipzig is better coordinated in the sense that the various local actors physically go together to do it. This coordination appears to correlate with more positive training outcomes observed in Leipzig. Why local actors are more able or willing to cooperate in Leipzig than in Chemnitz is a very interesting and important issue but not one that can be taken up in this paper.³⁵ For our purposes, the point of the comparison is simply to further illustrate the important role local sociopolitical relations play in the process of institution building and development in the new federal states.

Conclusion

This essay has examined recent efforts to remake the vocational training system of Eastern Germany in the image of West Germany's dual system. Given that both East and West Germany share the same institutions, culture, language and now well-endowed government, this study on the reconfiguration of training practices in the new federal states presented itself as an interesting case through which to explore the politics of institutional transfer more generally. What we found was that notwithstanding massive levels of government funding, the presence of various institutional supports, and the concerted efforts of the country's major social partners, this process of institutional transfer and change is experiencing significant difficulties. Although new training arrangements are indeed being established in the new federal states, they are often poorly linked to private firms, highly dependent upon government funding, and at times, providing youth with training programs which will not necessarily translate into stable employment opportunities in the future.

Through an overview of recent developments in the new federal states as a whole as

well as a more in-depth case study of two cities in the new state of Saxon, Chemnitz and Leipzig, we have argued that the current difficulties confronting this process of institutional transfer are the product of three factors : first, the general politics of unification and institutional transfer which led to the wholesale transfer of West German arrangements, regardless of the problems these same institutions were facing in their established setting and/or whether they were appropriate to Eastern Germany; second, to the paucity of dynamic private firms willing and able to train in the new federal states; and finally, and perhaps most important, to the weaknesses of the underlying sociopolitical infrastructure on which institutions like the dual training system rest. In fact, as our analysis of recent developments in Leipzig made clear, notwithstanding a variety of economic difficulties it shares with other localities in Eastern Germany, the city's vibrant network of local interest groups and secondary associations played a major role in facilitating the diffusion and development of the new training institutions. In other words, cooperative efforts by local sociopolitical groups were able to compensate for a variety of economic and organizational shortcomings and thus successfully promote dualistic training arrangements in Leipzig.

This case study suggests that institutional transfer is certainly possible but that for it to succeed, we must be attentive to the important role of local sociopolitical relations. Localities with rich patterns of associationalism and inter-group cooperation appear to provide more fertile soil for institutional transfer and development than do other settings with fewer and/or more parochial secondary associations. This finding has important implications for both policy-making and future research.

Yet it also has implications for the way we think about institutions and their role in

our analyses of contemporary employment relations. Traditionally, analyses of industrial relations practices like vocational training describe (in highly stylized terms) the way things are supposed to work, that is, the way the institutions are designed, as opposed to how they actually operate in the real world. As an academic convention, this style of presentation makes sense. It is parsimonious and lends itself more easily to comparison. But as a way of enriching our knowledge and furthering a variety of policy-related debates concerning training, skill formation, work reorganization, etc., this approach has some serious shortcomings. Often these highly stylized accounts take on an ahistorical and noncontextual quality by focusing primarily on the institutional design and structural features of the industrial relations institutions themselves -- frequently slighting or ignoring the broader social, political and economic contexts in which they were developed and embedded (Locke and Thelen 1995). As a result, this approach often jumps too quickly to normative and prescriptive analyses by concluding that certain institutional arrangements with particular organizational features are more "efficient" than others and either prescribes the active replication of these "best practices" or assumes their inevitable diffusion across national boundaries.

This essay has followed a somewhat different course by focusing instead on recent strains and difficulties encountered during the process of remaking the vocational training system in the former GDR in the image of the West German system. In pursuing this alternative strategy, we hoped to provide greater insight into how key features of this system interact with and depend upon other local sociopolitical actors and resources. Bringing civil society back into our analyses of institutions is absolutely necessary if we are to fully grasp

the nature of the changes and challenges facing contemporary employment relations. The hope is that this paper will convince others to move in this direction.

Appendix: Selected List of Interviewees

1. Prof. Martin Baethge, Sociologisches Seminar, Göttingen
2. Heidi Becherer, DGB Chemnitz
3. Herr Becker, Handwerkskammer, Leipzig-Bosdorf
4. Sieghard Bender, IG Metall, Chemnitz
5. Herr Klaus Boldorf, Treuhandanstalt, Berlin
6. Dr. Gerhard Bosch, Institut Arbeit und Technik, Gelsenkirchen
7. Kurt Bradatsch, IG Metall, Schwerin
8. Hans Joachim Buggenhagen, Innovationstransfer-und Forschungstelle, Schwerin
9. Dr. Burkand, BiBB, Berlin
10. Ulrich Degen, BiBB, Berlin
11. Herr Dornberger, Vocational Advisor, Labor Office, Leipzig
12. Helmut Ernst, Innovationstransfer-und Forschungstelle, Schwerin
13. Dr. Ulrich Göhler, Treuhandanstalt, Berlin
14. Wolfgang Handschuh, Labor Office, Chemnitz
15. Klaus Hermann, IG Metall, Frankfurt
16. Stephan Ittner, Handwerkskammer, Chemnitz/Sachsen
17. Prof. Horst Kern, Soziologisches Seminar, Göttingen
18. Herr Eberhard Koch, Fahrzeugguss Leipzig GmbH, Leipzig
19. Gerhard Korb, Chamber of Industry and Commerce, Chemnitz
20. Harst Kowalak, DGB Education Department, Dusseldorf
21. Ms. Eva Kuda, IG Metall Education Department, Frankfurt

22. Dr. Gerhard Leminsky, Hans Bockler Stiftung, Dusseldorf
23. Steffan Lemme, IG Metall Youth Department, Erfurt
24. Manfred Melzer, Metalworking and Electronics Employees Association, Erfurt
25. Herbert Michel, Schwerinerausbildungszentrum, Schwerin
26. Klaus Muller, Verband der Wirtschaft Thuringen, Erfurt
27. Karla Nowak, Erfegau Entwicklungsgesellschaft Arbeit und Umwelt, Erfurt
28. Prof. Dr. Martin Osterland, Universität Bremen, Bremen
29. Katharina Pistor, Harvard University and Chamber of Industry and Commerce, Dresden
30. Herr Rackow, Association of Construction Employees of Mecklenburg-Vorpommern, Schwerin
31. Dr. Rolf Raddatz, German Chamber of Industry and Commerce (DIHT), Bonn
32. Herr Bernd Repke, Niles Werkzeugmaschinen GmbH, Berlin
33. Dr. Jurgen Riedel, Aufbauwerk im Freistaat Sachsen, GmbH, Dresden
34. Prof. Hedwig Rudolf, WZB, Berlin
35. Dr. Axel Sanne, Dresdner Bank Gruppe, Dresden
36. Johannes Saver, Ministry of Education and Science, Bonn
37. Bernd Schlichting, Chamber of Industry and Commerce, Chemnitz
38. Hans-Peter Schmidt, Chamber of Industry and Commerce, Leipzig
39. Klaus Schmidt, Bildungswerk der Sächsischen Wirtschaft
40. Dr. Wolfgang Schroeder, IG Metall, Frankfurt
41. Herr Wolfgang Schwegler-Rohmeis, LASA Brandenburg, Potsdam
42. Karen Shober, Institute for Labor Market Research, Federal Labor Office, Nürnberg

43. Gerhard Sonntag, Works Council, Heckert Chemnitz Werkzeugmaschinen GmbH, Chemnitz
44. Andreas Streitberger, IG Metall, Youth Department, Chemnitz
45. Herr Tuschke, Minister of Education and Science, Bonn
46. Richard von Bardeleben, Federal Institute of Vocational Training (BiBB), Bonn
47. Dr. Reinhold Weiss, Institut der deutschen Wirtschaft, Cologne
48. Herr Willfgang, Handwerkskammer, Vocational Education, Leipzig-Bosdorf
49. Frau Wittman, Schweriner Arbeitsamt Berufs Informationszentrum
50. Claudia Wolfinger, Institute for Labor Market Research, Federal Labor Office, Nürnberg
51. Herr Wunderlich, Geschäftsführer der IHK Bildungszentrum, Schwerin
52. Sabine Zimmerman, DGB, Sachsen

Notes

1. Wolfgang Seibel, "Necessary Illusions: The Transformation of Governance Structures in the New Germany," The Tocqueville Review, Vol. 13, N. 1 (1992) : 190.
2. For helpful comments on earlier drafts of this paper, we would like to thank Peter Berg, Martin Behrens, Martin Baethge, Horst Kern, Thomas Kochan, Gary Herrigel, Robert McKersie, Michael Piore, Chuck Sabel, David Soskice, Kathleen Thelen, Lowell Turner, and participants at both the Special Seminar on "The Political Economy of the New Germany," held at the International Industrial Relations Association World Congress, Washington, D.C., May 29-June 2, 1995; and the Workshop on "Institutional Analysis and Political Economy of Europe," Wissenschaftszentrum, Berlin, June 18-19, 1995.
3. And especially the terms (i.e., Article 23 of the Basic Law) under which it occurred. For more on this, see Konrad Jarausch, The Rush to German Unity, (New York : Oxford University Press, 1993).
4. This section draws on Streeck, *et. al.*, *op.cit.*, 1987; Paul Osterman, *op. cit.*: 1988; Bernard Casey, "Recent Developments in the German Apprenticeship System," British Journal of Industrial Relations, Vol. 29, N. 2, (June 1991); Lisa Lynch, "A National Training Agenda: Lessons from Abroad," report to the Economic Policy Institute, Washington, DC, July 1992; Gerhard Bosch, "Vocational Training and Change in Patterns of Labour Relations in Germany," unpublished manuscript, Institut Arbeit und Technik, Gelsenkirchen, 1992; Soskice, *op. cit.*: 1993; Dietmar Harhoff and Thomas J. Kane, "Financing Apprenticeship Training: Evidence from Germany," unpublished manuscript, Cambridge, MA, October 1993; and Kirsten Wever, Peter Berg, and Thomas Kochan, "The Role of Labour Market Institutions in Employee Training: Comparing the United States and Germany," Economic Policy Institute Working Paper, N. 114, December 1994.
5. The dramatic decline in the number of industrial apprenticeships can perhaps best be appreciated through the following example. In 1987, 51,637 new training contracts were signed for metalworking occupations. In 1993, only 27,490 new contracts were signed in the same occupations. Declines in other industrial sectors (e.g., electronics) appear even more severe. For more on this, see Martin Baethge, Volker Baethge-Kinsky, and Robert Hendrich, "Die Zukunft des Facharbeiters -- im Kontext neuer betrieblicher Produktions und Ausbildungskonzepte, veränderter beruflicher Ansprüche und neugeordneter Ausbildungsberufe," unpublished manuscript, Göttingen, June 15, 1995.
6. For an interesting comparison of the West and former East German training systems, see Oskar Anweiler, ed., Vergleich von Bildung und Erziehung in der Bundesrepublik Deutschland und in der Deutschen Demokratischen Republik, (Bonn : BiBB, 1990).

7. In addition to the two forms of part-time vocational schools, full-time *Fachschulen* were also an important part of the GDR system. Some students went to *Fachschulen* after their apprenticeship for more specialized or advanced certificates while others went directly to the *Fachschulen* from the *Politechnische Oberschulen* to learn a school-based vocation.
8. This number includes all the sub-specialties in the 28 broad occupational groups. Zimmerman, 1985: 330.
9. The Implementation Articles of the Unity Treaty were not actually signed until September 18; the Four Power Treaty on Germany was signed on September 12, 1990 and also took effect on October 3.
10. Labor market statistics are from the Federal Labor Office in Nürnberg, specifically IAB Werkstattbericht, Number 13, March 15, 1995.
11. Commission of the European Communities, Employment Observatory, no. 10, February 1994 : 3.
12. Interviews; See also Carsten Johnson, "Die Rolle intermediärer Organisationen beim Wandel des Berufsbildungssystems," in Helmut Wiesenthal (ed), Einheit als Interessenpolitik: Studien zur sektoralen Transformation Ostdeutschlands, (Frankfurt: Campus-Verlag 1995) : 8.
13. Gesetz über Berufsschulen. See the report of the Bund-Länder-Kommission für Bildungsplanung, Forschungsförderung und Entwicklung der Berufsausbildung in den neuen Ländern, February 1992 (draft version): 8, for details.
14. For sake of simplicity, the *Handwerkskammern* will be translated as "craft chambers" and the IHK as "chambers of industry and commerce."
15. See IG Metall, "Informationen zum jetzt geltenden Recht der beruflichen Bildung in den neuen Bundesländern," January 1991; this document lists seven minor rule changes designed for transitional purposes.
16. With a contract signed before August 13, 1990.
17. Interview partners suggested that youth overwhelmingly chose to switch to the West German curriculum offered for their occupation.
18. Combined spending from ministries of education and economics. In some cases, these facilities could also be used for further training of adults. See Degen, Walden, and Becker, 1995: 136.
19. Interviews.

20. Interestingly, it appears as if Eastern Germany now suffers from particularly acute versions of ills that had increasingly plagued the West German training system. Firms increasingly view training as a cost to be controlled while youth increasingly see higher education as necessary insurance against unpredictable labor markets. The fundamental dilemma is that policies designed to make training more attractive for firms almost invariably make vocational training less attractive for Eastern German youth. To the extent that the federal and state governments try to transcend this dilemma with financial incentives, they run the risk of being forced to permanently assume financial responsibility for a sizable portion of vocational training.
21. Interviews; Statements of IHK officials at the Second South Thuringen Workshop on Vocational Training, December 1994. This number applies to all firms; the numbers for firms large enough to be listed in the *Handelsregister* appears to be around 20%.
22. Degen and Walden's data show that about 70% of firms presently training say they would continue to train even without financial support. 30% say they would cease training. Among firms that appear "dependent" upon state subsidies for their willingness to train, small firms with under 20 employees and firms belonging to the crafts chambers (as opposed to industry and commerce or the professions) are strongly overrepresented; see Degen and Walden 1994: 2072-2073.
23. Frankfurter Rundschau, February 18, 1995 reported 60%. In a Landtag speech in Potsdam on March 23, 1995, Brandenburg's Minister of Labor, Regina Hildebrandt, claimed the figure was about 80%. In 1994-95, Brandenburg will spend about 84 million DM to promote vocational training.
24. For a somewhat dissenting view which claims that not all forms of civil society were destroyed in the GDR but rather that in certain localities, various groups managed to survive, perhaps only in latent or subterranean forms, and now they are re-emerging and shaping the current transformation process in interesting ways, see Richard Locke, "The Rebirth of Civil Society? : Historical Legacies and Local Politics in Eastern Germany," manuscript in progress, MIT, August 1995.
25. For more on Germany's corporatist style of decision-/policy-making process, see Peter J. Katzenstein, Policy and Politics in West Germany : The Growth of a Semisovereign State, (Philadelphia : Temple University Press, 1987); and various chapters in Peter J. Katzenstein, ed., Industry and Politics in West Germany, (Ithaca, NY : Cornell University Press, 1989). For more on the problems various interest groups secondary associations are experiencing in Eastern Germany, see Boll, 1994; Fichter, 1994; and Silvia, 1994.
26. IAB Werkstattbericht, No. 13, March 15, 1995 : 11.
27. 1992-1993 data are from Ausbildungsstellenmarkt 1994. 1994 data were provided by the Landesarbeitsamt Sachsen.

28. IAB Werkstattbericht, N.1.3, March 15, 1995: 11; Karrasch, 1995: 115.
29. Vereinsregister, Leipzig, February 1995. The Landkreise include areas larger than the labor office districts, but as it turns out, about 90% of registered groups are located in the cities.
30. Vereinsregister, Chemnitz, February 1995.
31. Interview with Herr Dornberger, Vocational Training Advisor, Federal Labor Office, Leipzig.
32. Interview with Hans-Peter Schmidt, Chamber of Industry and Commerce, Leipzig.
33. The efforts by local actors in Leipzig to build new institutions resemble in interesting ways the mutual learning and monitoring processes described in Charles F. Sabel, "Learning by Monitoring: The Institution of Economic Development," in The Handbook of Economic Sociology, Neil J. Smelser and Richard Swedberg, eds., (Princeton: Princeton University Press, 1994): 137-165.
34. Interview with Zimmermann, DGB.
35. These different patterns of associationalism and intergroup relations appear to be the result of divergent historical legacies in which local groups in Leipzig were able to maintain and develop their organizational capacities even during the previous regime. These organizational capacities have resurfaced in recent years and have influenced the current transformation process in interesting and unexpected ways. For more on this, see Richard M. Locke, "The Rebirth of Civil Society?", op. cit.

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