Center for European Studies
Program for the Study of Germany and Europe
Working Paper Series 05.3

Why Are German Employers Associations Declining? A Challenge to the Conventional Wisdom

by

Dr. Wolfgang Schroeder
Director, Social Policy Department
IG Metall
Lyoner Str. 32
60519 Frankfurt am Main
Germany
Tel. 202.885.2462
Wolfgang.Schroeder@igmetall.de

Dr. Stephen J. Silvia
Associate Professor
School of International Service
American University
4400 Massachusetts Ave., NW
Washington, DC 20016-8071
USA
Tel. 202.885.2462
Fax 202.885.2494
ssilvia@american.edu

JEL Classification: J5, L1, P48
Keywords: Labor-Management Relations, Collective Bargaining; Market Structure, Firm Strategy; Other Economic Systems: Legal Institutions

Abstract

This paper challenges the conventional explanation for declining density of German employers associations. The dominant account asserts that German trade unions have taken advantage of increased globalization since the 1980s – which has made internationally active enterprises more vulnerable to production disruptions – to extract additional monopoly rents from multinational employers via aggressive collective bargaining. Small firms have responded to the

increased union pressures by avoiding membership employers associations, which has produced the density declines. Data, however, disconfirm the conventional explanation; compensation increases have actually become increasingly smaller over the decades. This paper presents an alternative explanation that is consistent with the data. We argue that it is the large product manufacturers rather than the trade unions that have greatly increased price pressures on parts suppliers, which has led to a disproportionate number of suppliers to quit employers associations. The paper also discusses these findings in light of the "varieties of capitalism" literature. It points out that this literature has depicted national models as too homogeneous. The decision of several German employers associations to offer different classes of membership represents an accentuation of variety within national varieties of capitalism.

1. Introduction

Employers associations rank among the most important institutions in the German economy. They have been instrumental in creating and preserving the famous postwar "social partnership" between German labor and management that has minimized industrial conflict and brought stability to German industrial relations. In particular, the high density of employers associations in terms of employment has been crucial in extending the coverage of collective agreements far beyond what trade unions acting alone could ever have accomplished. German employers associations have nonetheless been shrinking for two decades. In particular, the membership rates of small and medium-sized enterprises (SMEs) have fallen off precipitously. Efforts to stem the deterioration have thus far proved unsuccessful. The decline has become so pronounced that the capacity of German employers associations to continue to play their traditional stabilizing role has come into question.

This article investigates the causes and implications of the decline of German employers associations. It challenges the conventional explanation for the decline. The conventional wisdom (e.g., Thelen and Wijnbergen 2003) is that employers associations have responded to the increased sensitivity of their member firms to industrial action as a result of globalization by acquiescing to more generous collective bargaining agreements. Large firms have reacted to the rise in compensation by accelerating productivity growth. Small firms, however, have not been able to follow suit and substantial numbers of them have instead dropped out of the employers associations. Data do not substantiate the conventional depiction, however. Increases in compensation have actually become progressively smaller over the past twenty-five years, which breaks the conventional wisdom's causal chain.

The article presents an explanation that is consistent with the data. We concur with the conventional wisdom that the decline of employers associations in Germany is largely the result of a drop in the propensity of SMEs to belong to them. Our dispute is over the cause. We find that large firms have stayed in employers associations because these organizations continue to deliver the principal benefits of interest to them: industrial peace and regionwide contacts that preclude unions from extracting a premium wage from individual firms. Small enterprises, in contrast, have not been seeing the productivity increases that were their traditional payoff in the bargain. As a result, they have been dropping out of employers associations.

The flight of SMEs has prompted some employers associations to experiment with restructuring their organizations and even redefining their mission. The article concludes by examining the content, efficacy and implications of these efforts.

2. Previous Research on German Employers Associations

Before the 1990s, employers associations were "chronically unexplored" (Abromeit 1987: 417) and "disproportionately disregarded" (Traxler 1985: 51) in academic literature. Much has changed since. Upheaval within the economies of numerous high-income countries highlighted the role of employers and their associations. Newer investigations of the formation of the welfare state and collective bargaining regimes during the twentieth century moved beyond simplistic one-sided analyses to "bring capital back in" to the picture in a much more nuanced and sophisticated fashion (e.g., Swenson 1989). Thelen and Wijnbergen (2003) identify two schools within this literature. The first argues that transnational economic integration is producing *convergence* around a deregulated neo-liberal "Anglo-Saxon" model (e.g., Friedman 2005, Katz and Darbishire 1999, Ross and Martin 1999). This analysis sees little place in contemporary economies for institutions that have traditionally "mediated" markets, such as employers associations and trade unions.

The second school asserts that stable market niches within the world economy and multiple equilibria regarding institutional arrangements permit "varieties of capitalism" to coexist (e.g., Hall and Soskice 2001). For example, some countries configure themselves to focus on low-end mass production, whereas others concentrate on making quality high-end products. High-end producers maintain "coordinated market economies" (Soskice 1999), in which employers associations and other intermediary institutions play an active role mitigating market failures that must be resolved for this approach to pay off in practice (e.g., the under-provision of skills). Proponents of the "varieties of capitalism" approach claim that deepening globalization is far more likely to sharpen cross-national differences and shore up existing national models than to promote convergence, because the transnational integration of markets increases the number of viable niches available for high-end production.

Most scholars of German political economy have shown considerable sympathy for the varieties of capitalism school (e.g., Fichter, Turner and Wever 2001; Schroeder 2000; and Traxler 2004). Yet, others noted deterioration in the membership and density of German employers associations that ultimately proved too large and persistent to dismiss (e.g., Silvia 1997).

Thelen and Wijnbergen (2003) have presented the most sophisticated analysis accounting for the membership decline in employers associations. As a result, their analysis has become the conventional wisdom. Thelen and Wijnbergen base their analysis on a case study of how *Industriegewerkschaft Metall* (IG Metall, Industrial Union of Metalworkers) was able to win a 1995 strike despite declining membership and Germany's increased international economic integration. Along the way, they address "characteristic blind spots" in the varieties of capitalism approach, in particular, a tendency "to see all feedback as operating to sustain and reproduce existing systems" (p. 860).

Thelen and Wijnbergen argue that globalization splits the German employers' camp in two: larger, export-oriented firms and smaller enterprises that serve primarily the domestic market. Greater transnational economic integration renders the export-oriented firms more vulnerable to economic disruption than they had been in the past. Their supply and sales chains have become considerably longer and they face formidable competition from foreign rivals both at home and abroad. Large, export-oriented firms are therefore far less willing to engage in industrial conflict. The result, Thelen and Wijnbergen assert, is that the large firms have increasingly influenced the employers associations in their sectors, which negotiate wage agreements for most of the German economy, to accept hefty wage hikes in order to avoid shutdowns in production (pp. 868-70).

Thelen and Wijnbergen maintain that the larger and more sophisticated German firms responded to the acceleration in compensation costs by undertaking a thoroughgoing restructuring to ratchet up productivity growth. Smaller firms, in contrast, do not have the capacity to do the same because they lack the resources and economies of scale to restructure. This, according to Thelen and Wijnbergen, has produced the vicious cycle within German employers associations. SMEs that cannot adjust shirk membership in employers associations. The firms remaining in the association become increasingly unrepresentative. They are both disproportionately conflict adverse and cost insensitive. Consequently, German employers associations have become ever more reluctant to engage in industrial action. After each new expensive wage settlement, a fresh wave of cost-sensitive firms to quit their associations (pp. 870-71).

The strength of Thelen and Wijnbergen and other work by Thelen (e.g., Thelen 2000 and Thelen and Kume 1999) is the analytics. They deploy stylized institutionalist arguments, at times supplemented with a rational-choice approach, to elucidate their claims. The weakness, however, is the empirics. This approach provides us with no systematic evidence. In some instances, single anecdotes are provided that are not representative of the longer trend (e.g., wage developments). In other cases, no evidence at all is given (e.g., productivity trends). Other scholars making similar arguments share this shortcoming (e.g., Streeck and Hassel 2003/2004).

This failure to use data is in part understandable. Employers associations are not mass organizations. They tend to keep organizational data and internal communications confidential. Still, there are relevant aggregate data available on compensation and productivity that even the more sophisticated studies of German employers associations have not used. This article takes the extra step of employing available data to test the claims of the existing literature. We find that some of the assertions of the conventional wisdom stand, but others do not. In particular, aggregate data confirm the anecdotal findings of previous authors that German firms are far more reluctant to engage in industrial action, in particular, lockouts. They also show, however, contrary to the stylized claims of the conventional wisdom, that real compensation growth has been flagging in Germany and productivity developments have been mixed. Our alternative explanation is both simpler and consistent with the data. Large firms have still been getting the labor quiescence and relative wage restraint that they wanted from employers-association membership. In contrast, the deceleration of productivity growth in Germany, which manifested in the 1980s, made it far more difficult for SMEs to stay in employers associations and remain profitable. So, small firms increasingly shirked membership.

In order to assess the merit of our claims versus those of others regarding the causes and consequences of change within German employers associations, it is essential first to understand the profile of German employers associations as well as their economic, legal and political environment. The following section provides this context.

3. A Profile of German Employers Associations

Unlike most countries, Germany has three types of business associations, which since the Second World War have maintained a strict division of labor: employers associations (*Arbeitgeberverbände*), trade associations (*Industrieverbände*), and chambers of industry and commerce (*Industrie- und Handelskammer*). Employers associations specialize in the fields of collective bargaining, labor law and social legislation. Trade associations focus on business law, marketing abroad, product and process regulation, subsidies, trade and tax policy. The chambers of industry and commerce coordinate training and provide many of the services that better business bureaus perform in the United States. So, it is important to remember that German employers associations are not operating alone. They are specialized organizations that provide a subset of services relating to employment and coexist (mostly harmoniously) along side two other types of business associations (Burgmer 1999; and Weber 1977).

The structure and approach of German employers associations have evolved significantly since they were founded at the end of the nineteenth century. German firms established employers associations initially as purely anti-union organizations ("*Gegenverbände*"). Their sole mission was to help firms keep out trade unions (Leckebusch 1966). The early German employers associations did not engage in collective bargaining. They instead assembled and distributed multi-firm "blacklists" of pro-union workers and helped to coordinate lockouts to crush strikes. Early German employers associations also maintained discipline among the ranks by fining members that poached business away from striking firms or that hired workers on strike elsewhere. Coordinating strategy and tactics through employers associations gave German firms more power in the labor market, but it also contributed to centralizing and to routinizing industrial relations by taking decisions away from individual firms and placing them under the purview of collective actors (Hartwich 1967; and Knips 1996: 101).

During and after the First World War, trade unions gained more rights. Employers associations adjusted in response, taking on a number of new tasks, including political lobbying and regional collective bargaining at the sectoral level. Some German employers associations also continued to help firms avoid unions during the interwar years. The National Socialists, after coming to power in the 1933, gradually stripped employers associations of autonomy, reducing them to subordinate bodies under the Nazi state. After the Second World War, German business gradually reconstructed a new network of business associations that can largely to resemble a streamlined version of the interwar structures. The legacy of business collaboration and trade union suppression under National Socialism tainted union avoidance as a tactic. The new "basic law," which served as Germany's constitution, protected the right to organize. Court rulings and legislation promoted autonomous collective bargaining between trade unions and employers associations. As a result, employers associations focused on collective bargaining and no longer assisted member firms in union avoidance (Braunthal 1965; Erdmann 1966; Moser 1990).

There are almost 1,000 employers associations in Germany today, most of them regional organizations covering a single sector. The vast majority of these belong to the national federation for their sector, such as the General Association of Metal-Industry Employers associations (*Gesamtverband der metallindustriellen Arbeitgeberverbände*, Gesamtmetall) or the Federal Employers association of the Chemical Industry (*Bundesarbeitgeberverband Chemie*, BAVC). Fifty-four sectoral federations belong to the peak association of employers associations, the Federal Organization of German Employers associations (*Bundesvereinigung der Deutschen Arbeitgeberverbände*, BDA). The internal structure of employers associations has resembled that of the unions. The collective bargaining department has traditionally been the most important. Other departments typically include international relations, labor law, media relations, research, personnel policy, social policy and training. Employers associations are relatively small. The staff of most regional employers associations and sectoral federations ranges between two and twenty. Trade unions have many times that number (Plumpe 1996).

A certain degree of distrust has always characterized the relationship between the management of employers associations and member companies; it may be (at least in part) simply an inevitable product of any principal-agent relationship. To minimize distrust, employers associations use a "dual" leadership structure consisting of a board of directors (*Vorstand*) and a managing director (*Geschäftsführer*). The board of directors sets the policies of an employers association. Firms elect the board of directors from among their ranks, ensuring that board decisions have a maximum degree of legitimacy. Great care is taken to make certain that representation is achieved in terms of size, specialty and region. Board members are not paid, underscoring the notion that sitting on the employers association board is a form of service to the business community (Traxler 1986: 31).

Recruitment is rarely an easy task for any membership-based organization and employers associations are no exception. Employers associations confront organizational challenges that trade unions do not. The membership of employers associations is extremely heterogeneous, ranging from small enterprises to transnational giants. As a result, the objectives and resources of member firms vary widely. Many members of employers associations are highly intertwined economically. Some are economic competitors; many buy from or sell to other association members. Nonetheless, employers-association members place a high value on preserving autonomy. These vast differences in the size, resources and objectives of member firms make it difficult for employers associations to reach common positions and to pursue them with consistency and discipline. Economic hard times and ideological differences accentuate the divisions.

Employers-association officials have learned to attract and to retain heterogeneous firms by providing selective incentives. Selective incentives include legal services, personnel advice, strike insurance and lobbying for member firms. Membership in employers associations has also provided individual employers with an invaluable social network for finding and keeping business. These selective incentives have traditionally helped employers associations both to bind companies closer to the associations and to strengthen the associations' hand *vis-à-vis* individual member firms. The most important single "product" that German employers associations have traditionally provided is the regionwide sectoral collective bargaining agreement (*Flächentarifvertrag*, FTV). FTVs reduce transaction costs for individual firms by eliminating the need to retain staff skilled in labor negotiations. They also have reshaped the German labor market by dampening competition on the basis of labor costs within sectors (Traxler 1986: 174).

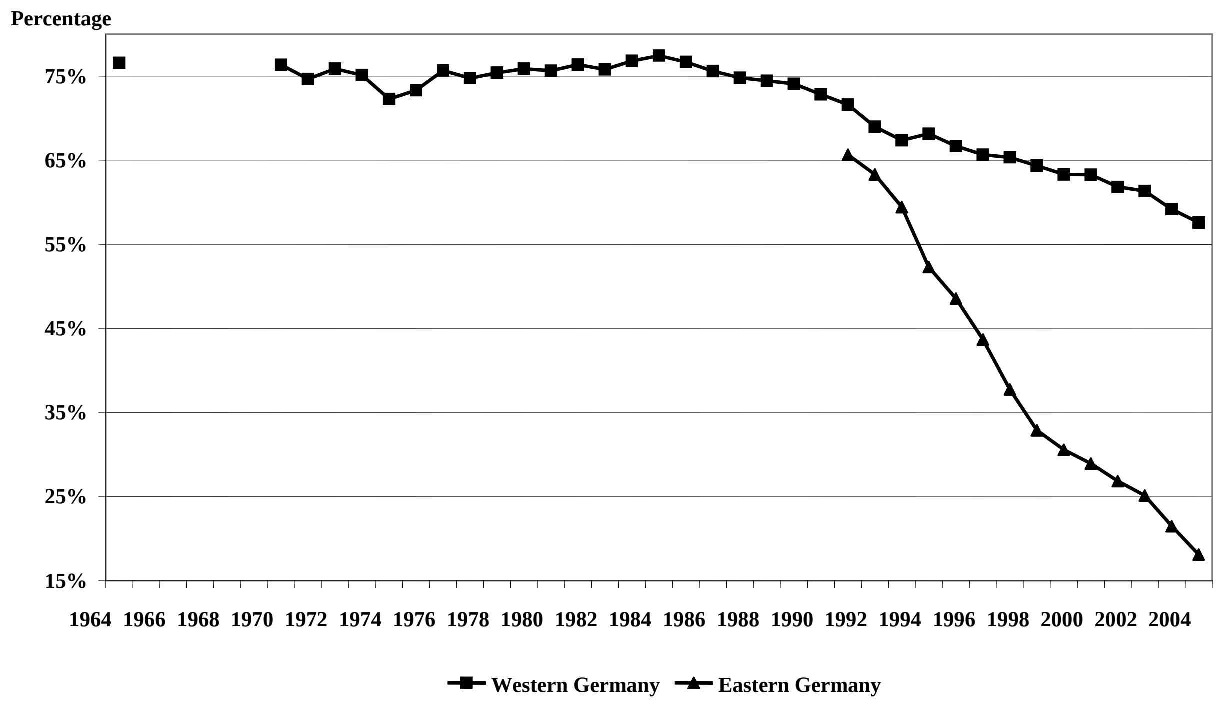
An FTV is only effective when it covers firms that account for the preponderance of employment under its jurisdiction. The degree of coverage, which is known by the technical term "density" in industrial relations circles, therefore provides us with an assessment of the power of employers associations. It serves as the dependent variable for most investigations of German employers associations, including this one. The following section discusses density trends in Germany.

3.1. German Employers Association Density

An important indicator of the influence of the employers associations on labor-market policy is density in terms of employment (i.e., the share of the labor force that works for enterprises that are members of employers associations). Unfortunately, these data are not readily available for the whole economy. Only one sectoral federation of employers associations, Gesamtmetall, has regularly released information about its membership. Scholars have traditionally used the data from the metals sector to gauge trends in employers association density for the economy as a whole. This measure is by no means perfect. Still, a good case can be made for using the data from the metal-industry employers associations as a surrogate because the sector remains at the heart of the German economy, and it has a broad mix of firms ranging from small shops to transnational giants. A comparison by Völkl (2002) of employers associations across sectors supports this practice. It finds variation in the membership trends of employers associations across sectors, but places the metal industry in a middle range.

Density gauges the coverage of German employers associations. Employment density measures the share of employees at member firms of employers associations as a percentage of total employment. Before German unification, density in terms of employment of the western Germany metals industry remained remarkably stable, fluctuating only within a few percentage points of 75 percent over the twenty-five years for which we have data (see figure 1). Two trends in pre-unification density data stand out. First, employers association density slopes upward slightly for ten years starting in 1974 and begins to fall off after the first contracts that instituted weekly working time reduction below forty hours in 1984 (Gesamtmetall).

Figure 1: **German Metals Industry Employers' Association Density in terms of Employment** (Source: Gesamtmetall)



Employment density in the western associations fell by almost twenty percentage points, from 77.4 percent in 1984 to 57.6 percent in 2004. The decline in eastern Germany has been even more dramatic. In 1991, employment density of the eastern employers associations amounted to 65.7 percent. This figure was not that different from western density at the time, which was 71.6 percent, but a gap quickly opened up. In 1995, the employment density of the eastern German metals sector had fallen below 50 percent; in 1997, it slipped below 40 percent; in 2000 it dropped below 30 percent; and by 2004, it had reached 18.1 percent.

A cyclical explanation can be ruled out; the data for both eastern and western Germany show a steady decline independent of cyclical economic developments (Schroeder and Ruppert 1996). The *Deutsches Institut für Wirtschaftsforschung* (DIW) has undertaken a survey of density in terms of employment for employers associations in all manufacturing sectors of eastern Germany. These data track closely with those for the metals sector. DIW found employment densities of 76 percent at the end of 1993, 45 percent in early 1998 and 34 percent in the middle of 2000 (*einblick*, 4 December 2001).

What has been the impact of the declining density of German employers associations? Regionwide collective bargaining agreements determine compensation for a significantly smaller share of German employees today than they did thirty years ago. Between the 1970s and 1995, the coverage of regionwide collective agreements in western Germany fell from roughly 80 to 72 percent of all employees. Since 1995, the slide has continued. By 2003, regionwide contracts set compensation for only 62 percent of the western workforce (Institut für Arbeit und Berufsforschung, various).

Some firms that have left their sector's employers association have negotiated single-firm contract with a trade union, which are known as "house" agreements in Germany. The unions typically take great pains to ensure that the contents of a house contract are by and large the same as the regionwide agreement. Still, managers at some enterprises prefer house agreements for several reasons. House agreements can be tailored at the margins to match a firm's specific needs. Firms with house agreements do not have to pay employers association dues and are not dragged into industrial disputes over a regionwide contract. A house agreement also has inherent disadvantages. Firms face unions alone in collective bargaining. They must undertake negotiations themselves and have no strike insurance (Schroeder 1995). Although the number of house agreements has increased markedly since 1990, the share of employees covered by them in western Germany has actually waned, falling from 10.4 to 8 percent between 1995 and 2003, and has remained roughly constant in eastern Germany. So, one cannot conclude that house contracts have filled the void created by the decline in coverage of regionwide agreements.

Combining the data on regionwide and house collective agreements shows that the reach of collective bargaining in western Germany has slipped from approximately 90 percent of the workforce during the heyday of the 1970s to 70 percent today. Coverage still remains relatively even in western Germany. In most regions and sectors, a majority of the employees are essentially under the same collective agreement. An exception in western Germany is business services. Coverage in this sector has dropped to 35 percent of the workforce (Ellguth and Kohaut 2004).

The eastern German record resembles the west, but the swing has been more pronounced. The coverage of regionwide agreements has shrunk faster and farther. In the first few years after German unification in 1990, regionwide agreements set compensation for roughly four fifths of eastern German employees, just as they had in western Germany up to the early 1980s. The firms under the control of the *Treuhandanstalt* (THA, Trust Holding Agency), which was a public entity established to manage the economic assets of the former German Democratic Republic until they were sold off, routinely joined employers associations. The THA liquidated most of its holdings within five years. Many of the new private owners failed to maintain memberships in employers associations. As a result, the share of the eastern German labor force covered by a regionwide collective agreement fell to 56.2 by 1996. This trend continued. In 2003, regionwide contracts determined wages and benefits for only 43 percent of all eastern German employees.

The share of employees covered by house agreements has always been higher in eastern Germany. In 1996, this figure amounted to 17.2 percent. By 2003, however, it had fallen to 11 percent, despite an increase in the actual number of contracts. Between 1996 and 2003, the combined coverage of regionwide and house agreements in eastern Germany fell from 73.4 to 54 percent. Most sectors of the eastern German economy do not have coverage that surpasses fifty percent, which means they are not eligible to apply for AVEs. Only banking, communication, energy, insurance, mining, transportation and public services exceed the threshold.

Membership declines among employers associations have resulted in German employers associations losing their capacity to carry out their core mission, namely, the determination of compensation in the labor market. In both eastern and western Germany, the percentage of wages set through collective bargaining has fallen by roughly twenty percentage points from the peak level. Why have these declines taken place?

4. Why Has German Employers Association Density Declined?

Thelen and Wijnbergen claim that acceleration in the growth of compensation starting in the 1980s has been the cause of the declining density of German employers associations. An examination of compensation trends shows the opposite, however. Mean annual change in real hourly income in both the German economy as a whole and in the western German metalworking sector has grown smaller in each successive decade since the 1960s (see table 1). As a result, personnel costs have progressively become relatively easier for firms to bear, not harder. Western German personnel costs calculated as a percentage of total sales have declined from 33.5 percent in 1974 to 22.2 percent in 2004. Eastern German labor costs fell even farther, dropping from the equivalent of 40.9 percent of total sales in 1992 to 20.9 percent in 2004 (Gesamtmetall). Something else besides a surge in labor costs must be causing the decline in employment density of German employers associations.

Table 1: Mean Annual Change in Real Hourly Income

Period	Germany	Western Metalworking
1961-1970	5.9%	5.9%
1970-1980	3.6%	3.7%
1980-1990	1.5%	1.7%
1990-2000	1.3%*	1.5%
2000-2004	0.6%	0.6%

* United Germany as of 1991.
Sources: Gesamtmetall and OECD Main Economic Indicators

Productivity data provide a clue, although the developments are not uniform. For the German economy as a whole, the pattern of productivity growth tracks with that of income, which is to be expected. Productivity grows over the last forty-five years, but at an increasingly slower pace (Table 2). The 1990-2000 period stands out as a marginal exception, but it can easily be explained by the one-time surge in eastern German productivity immediately following German unification. The dominant trend of decelerating productivity growth for Germany resumes in the subsequent period. The pattern of productivity growth differs in the metalworking sector, however. Metalworking productivity decelerates along with the national pattern (although at a slightly higher average rate) during the 1980s (table 2), but breaks with the national trend thereafter. Metalworking productivity growth rebounds dramatically in the 1990-2000 period and then settles in the subsequent period at a rate substantially higher than productivity growth for Germany as a whole (3.9 percent vs. 1.5 percent).

Table 2: Mean Annual Change in Real Hourly Productivity: Germany (Productivity = GDP per hour worked))

Time Period	Germany	Metalworking
1960-1970	4.8%	
1970-1980	3.7%	4.4%
1980-1990	2.4%	2.9%
1990-2000	2.5%*	5.1%*
2000-2004	1.5%	3.9%

* United Germany as of 1991.
Sources: Gesamtmetall and OECD Productivity Data Base.

The recent acceleration in productivity combined moderation of income growth in the metalworking sector explain why labor costs as a percentage of total sales have dropped precipitously, particularly over the last decade. In other words, the data show that cost pressures owing to wages have become increasingly *less* severe in recent years. The picture for the German economy as a whole is neutral regarding cost pressures owing to labor. Productivity increases have tailed off, but so has income growth. The data clearly demonstrate that the causal chain theorized by the conventional wisdom does not exist in practice. What then has caused the decline in employer association density?

4.1. Alternative Explanations for the Decline in German Employers Association Density

A multitude of explanations have been proffered for the decline in employers association density. Some of the broader explanations, such as generational change, can be dismissed out of hand because they cannot explain the divergence between large and small enterprises in the propensity to belong to an employers' association. Three potential explanations do exist that are consistent with the data: (1) divisive pressure of greater global competition on German manufacturing, (2) changes in firm size, and (3) poor provision of employers association services to SMEs. We will discuss each in turn.

4.1.1. Divisive Pressure of Greater Global Competition on German Manufacturing

Germany's original equipment manufacturers (OEMs) – that is, the predominantly large firms that assemble manufactured goods – first began to face significant competition from East Asia at home and in third-country markets in the late 1970s and early 1980s. They responded by borrowing production techniques from Japan – such as just-in-time parts delivery and "continuous improvement" (*kanban*) – that put unprecedented quality and price pressures on their parts suppliers (Silvia 1988). This trend hit small suppliers particularly hard because most did not have the depth to adjust easily. Small suppliers began to look for ways to cut costs that were previously unthinkable; this included dropping membership in employers associations.

The recession of the early 1990s led to a ratcheting up the pressure on suppliers by several notches. One man came to symbolize this development: Volkswagen's chief of parts purchasing, José Ignacio López de Arriortua. Ignacio López demanded that all suppliers cut their prices by at least 25 percent. Any firms failing to comply would lose Volkswagen's business. This aggressive approach became known in Germany as the "López effect." The López effect spread quickly throughout the German manufacturing sector, but it remained especially severe in the automobile industry. Parts suppliers complain that a second wave of across-the-board double digit price cuts is currently underway. As a result, the return on productivity improvements in the auto parts sector has gone primarily into cost cutting rather than profits. Profitability in terms of sales among German automobile parts suppliers has deteriorated over the decades. Lately parts supplier profitability has failed to break the five-percent mark. This pressure on parts suppliers has bifurcated the German automobile industry. The return on investment for the OEMs has been double that of the suppliers and the gap between the two has continued to widen (*Direkt*, 31 March 2004; A.T. Kearney 2002; Ernst and Young 2003; Lay and Wallmeier 1999; and Kinkel and Lay 2004; Roth 2002).

The deterioration of the economic environment for German supplier firms because OEMs greatly intensified cost and quality pressures in the wake of globalization is the main explanation for the overall decline of membership in German employers associations and the disproportionately large drop in SME density. The timing is consistent with this explanation and the scope of the pressure is by far the largest of all potential explanations. The explanation is also in step with the data on wages, productivity and the pattern of membership loss (Silvia 1999).

Secondary explanations help to account for some dimensions of declining density in German employers associations that the divisive pressures of globalization on German manufacturing alone cannot. Let us now turn to these.

4.1.2. Changes in Firm Size

The changing demographics of German business also helps to account for the decline in employers associations association density throughout Germany, but it is a particularly important explanation for the disproportionately large decline in eastern Germany. Smaller firms have always had a lower propensity to join employers associations, so a decline in median firm size would reduce density in terms of employment. OECD and German national data on firm size reveal a shift toward smaller firms. Employment data also reflect the shift. From 1991 to 1999, net employment at firms with between twenty and ninety-nine employees expanded by 900,000, but at firms employing 100 or more the net number of jobs fell by 1.8 million (OECD 2002). The dismantling of and privatization of the eastern German economy during the 1990s reduced the proportion of the workforce employed at large workplaces far below that of western Germany. This is precisely when employers association density in terms of employment fell precipitously in eastern Germany (see figure 1). One might think that the divergence between eastern and western employers association densities would be the product of the very different economic and historical trajectories of the two regions, but empirical analysis shows otherwise. Schroeder and Ruppert (1996) found that eastern and western German firms of the same size had *the same* propensity to join employers associations. In other words, the gap in firm density between eastern and western Germany is the product of the dearth of large workplaces in the east rather than differences in acculturation or conditions on the ground (Schroeder 2000).

4.1.3. Poor Provision of Employer-association Services to SMEs

Case studies and interviews show a belief among rising numbers of owners and managers of small businesses that employers associations are not sufficiently considering the specific interests of SMEs, particularly in comparison to the concerns of the larger members (e.g., Max-Planck-Institut 2002). Research has not yet indicated whether this belief is simply a manifestation of divisive pressure of greater global competition on German manufacturing (which was discussed above), or service provision has actually deteriorated, or SMEs are asking for new services that the employers associations have been slow to provide.

It is important at this juncture to distinguish briefly between our explanation and the claims of the conventional wisdom for the decline of German employers associations, since they are subtle yet significant. The conventional explanation asserts that German trade unions have exploited a greater sensitivity and vulnerability of larger transnational firms that is a product of greater global competition to extract additional monopoly rents from German firms. Large companies have been able to adjust relatively easily, but the SMEs have not, prompting them to flee employers associations in an effort to cut costs. The weakness of this explanation is that it is inconsistent with the data on wage increases, which have grown more moderate over time and thus show no evidence of greater rents accruing to union members. Our explanation also begins with greater global competition, but it is more direct. Large internationally active firms have shifted costs onto SMEs as a part of their response to greater global competition. Increasing numbers of SMEs have reacted by fleeing employers associations. The unions are not beneficiaries of these developments. To the contrary, they have found their ability to advance wages diminished.

The changing environment does raise an additional question, which we have yet to address: how have German employers associations responded to membership decline and the new, challenging demands of individual firms? The next section provides an overview.

What has been the impact of these trends? Declining membership and the erosion in the coverage of collective bargaining since the 1980s have contributed to a deterioration in solidarity among employers and a discarding of the German employers associations' most potent weapon in industrial disputes: the lockout.

5. The Impact of Declining German Employes Association Density

The data on compensation presented above show that declining density has not thus far weakened the hand of German employers associations in collective bargaining, but there is

Table 3: Use of the Lock-out in German Industrial Relations

Period	Striking and Locked Out Employees*	Locked Out Employees*	Locked Out as a Percentage of Total Striking and Locked Out Employees	Working Days Lost due to Strikes and Lock-outs*	Working Days Lost due to lock-outs*	Lock-out Days as a Percentage of total days lost
1950-59	1,395,898	38,238	2.7%	9,831,075	791,183	8.05%
1960-69	815,967	308,717	37.83%	3,157,249	1,371,377	43.44%
1970-79	1,982,781	679,278	34.26%	11,647,753	6,224,646	53.44%
1980-89	1,395,903	172,119	12.33%	6,098,410	2,698,875	44.26%
1990-99	2,151,507	275	0.01%	3,378,265	2,591	0.08%

*Actual participating and affected workers and actual lost working days without double counting.
Source: Statistitisches Bundesamt; Bundesagentur für Arbeit. Authors' calculations.

strong evidence that declining density has effectively removed perhaps one of the most controversial tactics from the repertoire of German employers, namely, the lockout. The lockout has a long tradition in German industrial relations. Employers and their associations frequently resorted to lockouts in the nineteenth and early twentieth centuries regularly in order to raise the cost of strikes for workers and their unions. At times, the lockout was used to break unions.

The Nazis eliminated autonomous collective bargaining, so there was no need to use lockouts. Employers were slow to revive the controversial tactic in the immediate postwar years (see table 3) in large part because collaboration with Nazism had tarnished the reputation of German business and the onset of the Cold War led many in the business community to seek reconciliation with organized labor in order to demonstrate that a mixed capitalist economy was superior to Soviet-style central planning. In the early 1960s, however, aggressive new leaders among the ranks of the employers revived the lockout as a weapon in industrial disputes. Employers associations began to expel firms that refused to participate in lockouts. Expulsion from an employers association was a serious punishment in the 1960s. It deprived an expelled employer of participation in the association's collective bargaining deliberations, strike insurance, opportunities to serve on tripartite quasi-governmental bodies and assistance when dealing with banks, other businesses and government officials. Expelled employers were also shunned in the business community (Noé 1970: 315). The get-tough policy yielded results. From 1960 to 1969, for every 100 striking workers, 37.8 were locked out; and for every 100 workdays lost because workers were on strike, 43.4 were lost because workers were locked out. Employers continued to use the lockout regularly during the 1970s and 1980s. The percentage of locked-out employees to strikers began to wane during the 1980s, but the ratio of lost days owing to lockouts vs. strikes remained high, reaching 44.3 percent.

During the 1980s, leading German firms began to adopt new manufacturing methods imported principally from Japan, such as just-in-time parts delivery and lean production, in response to intensifying international competition. The new techniques cut costs and enhanced quality, but they simultaneously increased the speed and intensity of a strike's impact on production. As quality became ever more crucial to success in international markets, German workplace managers increasingly came to value a close, cooperative relationship with their employees. Nothing poisoned plant relations more than a lockout. Consequently, local managers increasingly began to resist demands by their employers associations to lock out employees. On the other side of the coin, the value of joining an employers association had fallen since the 1960s. Firms were increasingly relying on in-house personnel service and legal advice. Direct connections with politicians and other businesses had become far more common. Shunning lost much of its impact, because most local business communities had become far less close knit (Silvia 1988).

Since many German firms were already questioning the value of membership in an employers association, the threat of expulsion lost much of its disciplinary power. As a result, in the 1990s employers associations all but abandoned the lockout. During the 1960s, 1970s and 1980s, German employers locked out at least 100,000 employees (see table 1). German firms only locked out 275 workers during the entire decade of the 1990s, even though the number of strikers for the decade exceeded two million, which was an all-time high. The share of locked out employees calculated against the total number of striking and locked out employees fell to an astounding 0.01 percent. Days lost owing to lockouts as a percentage of lost days due to strikes and lockouts dropped to an equally astounding 0.08 percent.

The terrain for German employers associations has shifted considerably. Declining density and the loss of one of the traditionally most powerful weapons in their arsenal poses an unprecedented change to their place in the German economy. How have they responded?

6. Employers Association Responses

German employers associations have reacted to falling membership the way any business would to declining sales. They have been altering their existing product to bring it more into line with perceived customer needs and developing new offerings. Organizational survival ultimately trumps unswerving fealty to past practice, although vested interests both inside and outside of the associations may resist even sound reforms for particularistic reasons. On the other hand, rash or ill-conceived innovations can even hasten decline, because they alienate existing members while failing to attract new ones. Experimentation by German employers associations began incrementally, but it has accelerated in recent years, since the smaller steps have not staunched membership loss.

6.1. Hardship and Opening Clauses

Starting in the 1990s, German employers associations have striven at the behest of their members to make regionwide collective agreements more flexible, departing from a "one size fits all" approach. Specifically, many employers associations have successfully inserted "opening clauses" (*Öffnungsklauseln*) and "hardship clauses" (*Härtefallklauseln* or *Härteklauseln*) into collective agreements to provide some flexibility at the level of the workplace for the determination of compensation. The differences between opening and hardship clauses are slight. Many do not use the terms consistently, which adds to the confusion. Both are types of escape clauses that, when included in a collective agreement, give the manager and works council at an individual workplace the option of developing abrogations from a regionwide collective agreement.

Hardship clauses are specifically intended for firms experiencing serious economic difficulty. To qualify for a hardship clause, however, a firm must open its books completely. As a rule, hardship clauses require both the employers association and the trade union with jurisdiction over the workplace in question to ratify any agreement reached by workplace management and the works council before it can go into effect. Firms that are only temporarily experiencing difficulties but are otherwise sound are the ones most likely to receive approval to use a hardship clause at one or more workplaces. In contrast, the collective bargaining parties usually do not approve contractual abrogations for firms that are performing so badly that even cuts in compensation will not save them because propping up hopeless enterprises can force other companies on the margins out of business.

Opening clauses are more general and are not just for firms in economic trouble. The principal purpose of opening clauses is to increase flexibility in the German labor market. Firms wishing to invoke an opening clause usually must provide some economic justification, but they typically do not have to open their books. Most opening clauses also require the collective bargaining parties to ratify an abrogation before it can go into effect, but a few do not. The majority of opening clauses in current contracts permit greater flexibility in weekly working time, or temporary reductions in wages and benefits either for new hires to promote employment, or for the whole workforce to avoid layoffs. Opening clauses may also be used to permit practices such as performance-based pay and lower compensation scales for small enterprises (Bundesministerium für Wirtschaft und Arbeit 2004).

Hardship and opening clauses have spread relatively quickly to collective agreements throughout the German economy, and workplaces are using them. Bispinck and Schulten (2003) estimate that one third of all workplaces in the private sector have individual agreements that diverge from the regionwide contract. Most employers have nonetheless found escape clauses to be insufficient because they are intended for firms in economic distress. As a result, employers associations have worked on additional alternatives.

6.2. Quick Notice

In the late 1980s and early 1990s, increasing numbers of managers from firms leaving employers associations said they were doing so because they feared getting trapped in a bad contract. German law requires any company that leaves an employers association continue to adhere to all contracts signed by that association when the company was still a member for the duration of those contracts. For example, if an employers association approved a two-year wage agreement and a member firm quit the association on the following day, the member firm would still be legally obligated to pay the contractual rates for the two years that the contract is in force, even though the firm is no longer a member of the employers association, because it was still a member on the day the contract was ratified. Managers particularly worried about the cost of a settlement left their employers association when a union put a high opening offer on the table, even though the final agreement amount to only a small fraction of the initial demand.

In response, a few employers associations have begun to offer something called "quick notice." Before the introduction of quick notice, it took several weeks at a minimum for a firm to leave an employers association. Employers associations with quick notice allow member firms to leave the association immediately whenever they wish, simply by sending a postmarked letter to that effect to the association. This way, nervous managers are able to let negotiations unfold considerably farther without fear of being locked into an expensive contract. In many instances, firms can even withdraw during the period after a provisional agreement has been reached, but before the employers association has officially ratified it, because the agreement is not yet legally binding. Quick notice has alleviated some of the anxiety of nervous managers about being trapped in a bad contract, but it has not arrested the employers associations' membership slide. Few of the firms that have the option of using quick notice have actually used it and the membership declines of employers associations that have quick notice are not noticeably less than those that do.

6.3. OT Membership

A more radical response by employers associations to dissatisfaction and flight has been to offer a whole new form of affiliation called membership "without collective bargaining ties" (in German, *ohne Tarifbindung*, or OT). OT members are not involved in the collective bargaining activities of their employers association, but may avail themselves of the association's legal, lobbying and personnel services. OT members are not obliged to pay the wages and benefits spelled out in the regional collective agreement of their employers association. Unlike full members, however, OT members are not shielded from union efforts to obtain a house collective agreement directly from them, which could include a strike. OT members typically pay lower dues, but are not eligible to collect strike insurance from an employers association.

OT membership is widespread in the metals, plastics, textiles and woodworking industries. It is particularly popular among small firms. Slightly more than one-quarter of the member firms in the metalworking industry have an OT membership. These firms employ one tenth of the workers in the sector. Fully one third of the 1,500 firms in textile employers associations are OT members. In eastern Germany, a majority of the members in many regional employers associations have OT status (*Handelsblatt*, 30 September 2004).

OT membership accomplishes several objectives for employers associations. It provides an alternative to quitting an employers association for disgruntled members, particularly those firms upset by the results of a specific collective agreement or fearful of an upcoming bargaining round. OT membership permits the employers-association officials to stay in touch with the managers of firms that otherwise would have left altogether and to continue to collect at least some dues from them. The existence of the OT option also gives employers associations more leverage in collective negotiations, because they can argue that a costly settlement will lead more firms to switch to OT membership.

Regional affiliates of metal-industry employers associations in Baden-Württemberg, Hesse and eastern Germany pioneered OT membership in the late 1990s as an alternative to full membership. They did so with reluctance and even embarrassment. For decades, the principal task of employers associations has been negotiating regionwide collective bargaining contracts. The resort to OT membership could be perceived as an admission of failure. It remains to be seen whether a tipping point exists at which flight out of full membership undermines the viability of the regionwide collective agreements that cover full members in German employers associations.

OT membership, moreover, is not without its risks for employers associations. It is far from certain that employers associations would survive if bargaining shifted to the company level, because the main reason most individual firms have traditionally joined an employers association – the provision of collective security in industrial disputes – would disappear. A transition to OT membership could cost the employers association a great deal. Even if only half of the current membership in terms of employment in an individual German employers association changed their memberships to the OT variety, many privileges and protections provided under German labor law would fall away. Employers association could also lose their tax-exempt status if a majority of firms joined as OT members, because the primary mission of the associations would be personnel consulting rather than collective bargaining. Employers associations are nonetheless attracted to this new form of organization because it may be the key to their survival in a bifurcated economic environment.

The employers associations in the textile and woodworking sectors were the first to permit OT memberships. Small employers comprise a much larger share of the membership in these sectors. As a result, recruitment and retention of members has always been more challenging. The intensification of transnational competition since the 1970s took a heavy toll on membership in the two sectors. Desperate officials in the two associations relented and decided to permit OT membership (Schroeder 1999).

Initially, the peak confederation in the metalworking sector, Gesamtmetall, also reluctantly tolerated OT membership arrangements among its regional affiliates primarily because it was not in a strong enough position to mete out effective discipline to stop it. This changed in 2005 when Gesamtmetall's leadership decided fully to embrace OT membership. In March of that year, Gesamtmetall picked a 39-year-old lawyer who had been chief of personnel at the Knorr brake company by the name of Eva Maria Kunstmann to become the new director-general of the organization. A month later, Gesamtmetall explicitly sanctioned OT membership as an alternative to the traditional form. Gesamtmetall adopted a new mission statement announcing this transformation explicitly as its first point. At the top of Gesamtmetall's webpage it currently reads, "The Peak Association for Enterprises bound and unbound by collective bargaining."

None of these measures has so far stopped the slide of German employers' associations. They nonetheless represent a reconstruction of German capitalism that has implications for how we understand the political economy of high-income countries.

7. Implications of Findings for Varieties of Capitalism Literature

The results of this research also has implications for the "varieties of capitalism" (VoC) literature. The VoC school emphasizes the differences in national models of capitalism, but ironically underplays heterogeneity within individual countries (e.g., Hall and Soskice 2001). At times some VoC authors stress the necessity of retaining all of the components within a nationalist model with a fervor that borders on functionalism. Recent developments in the German case show increasing fragmentation between manufacturers and suppliers. German manufacturers have been able to retain much of the so-called German model. They have only been able to do so, however, by forcing parts suppliers to abandon large pieces of it. Similar gulfs have opened up within the German economy between services and manufacturing, and between the public and private sectors, resulting in variety within the varieties of capitalism. The coordination of capitalism reached unprecedented levels in some sectors, such as the chemical industry, whereas it has broken down in others, such as construction, depending on economic conditions and political economic dynamics within individual sectors. Other industries, such as metalworking, have divides within the sectors themselves.

This increasing heterogeneity makes the task of interest groups exceedingly problematic because it has become increasingly difficult to find a common denominator among members. Some, such as Gesamtmetall and the employers associations in the textile and woodworking industries, are experimenting with two-tiered memberships. It remains too soon to tell whether this approach (or any other) will successfully bridge the gaps that have opened up. Increasing heterogeneity also poses a challenge to the VoC scholars, because many of their studies identify distinct homogeneous *national* systems of economic regulation as the principal explanation for the rise and persistence of variation among national "models" of capitalism. The VoC school cannot account for how fragmentation within a single national regulatory framework could take place, yet this is precisely what we are seeing in Germany.

8. Conclusion

The conventional wisdom on German employers associations correctly describes membership developments within German employers associations. Membership density is declining primarily because small firms are increasingly shirking membership. The conventional view misspecifies the cause. Its authors claim that German trade unions have been taking advantage of the greater vulnerability of German firms that are more deeply engaged internationally to extract additional monopoly rents. Evidence does not support this assertion, however. German wage increases have become increasingly moderate over successive decades.

Our evidence shows that German multinational enterprises have been increasingly aggressive in shifting costs onto the smaller domestic suppliers in order to strengthen their position in international markets. As a result, ever larger numbers of SMEs have fled employers associations to reduce costs. German trade unions are neither the motor nor a beneficiary of these developments. They have instead weakened organized labor's collective bargaining clout.

The decision of growing numbers of German employers associations to accept multiple forms of membership, including some that do not include collective bargaining, demonstrates a rise fragmentation and heterogeneity within the German economy. The VoC school, which relies heavily on distinct national regimes of accumulation to explain the persistence of distinct national models of capitalism, cannot account for the fragmentation. In other words, we are beginning to see increasing variety within national varieties of capitalism. An explanation for the rise of fragmentation supported by evidence appears to be a fruitful avenue for future research.

Bibliography

Abromeit, Heidrun. 1987. "Interessenverbände der Unternehmer." *Journal für Sozialforschung* 27, 3/4: 417-22.

A. T. Kearney. 2002. "Automobilzulieferindustrie muss jetzt handeln. Ein Drittel der Automobilzulieferer ist existentiell bedroht. " News Release. Vienna. 16 July 2002.

Bispinck, Reinhard, and Thorsten Schulten. 2003. "*Verbetrieblichung der Tarifpolitik? – Aktuelle Tendenzen und Einschätzungen*." *WSI-Mitteilungen* 56,3 (March).

Braunthal, Gerard. 1965. *The Federation of German Industry in Politics*. Ithaca NY: Cornell University Press.

Bundesministerium für Wirtschaft und Arbeit. 2004. "Tarifvertragliche Arbeitsbedingungen im Jahr 2003." Bonn: BMWA, February.

Burgmer, Inge Maria. 1999. *Die Zukunft der Wirtschaftsverbände am Beispiel des Bundesverbandes der Deutschen Industrie e.V.* Bonn: Institut für wissenschaftliche Publikationen.

Ellguth, Peter, and Susanne Kohaut. 2004. "Tarifbindung und betriebliche Interessenvertretung: Ergebnisse des IAB-Betriebspanels." *WSI-Mitteilungen* 57,8 (August): 450-54.

Erdmann, Gerhard. 1966. *Die deutschen Arbeitgeberverbände im sozialgeschichtlichen Wandel der Zeit.* Neuwied/Berlin: Luchterhand.

Ernst & Young. 2003. *Finanzierungsdilemma. Automobilzulieferer vor weiterer Fusionswelle?* Stuttgart: Ernst & Young.

Friedman, Thomas. 2005. *The World Is Flat: A Brief History of the 21st Century*. Farrar, Straus & Giroux.

Gesamtmetall. Various. *Die deutsche Metall- und Elektro-Industrie in Zahlen*. Cologne/Berlin: Gesamtmetall.

Hall, Peter A., and David Soskice, eds. 2001. *Varieties of Capitalism : The Insitutional Foundations of Comparative Advantage* . Oxford University Press.

Hartwich, Hans-Hermann. 1967. *Arbeitsmarkt, Verbände und Staat 1918 - 1933: die öffentliche Bindung unternehmerischer Funktionen in der Weimarer Republik*. Berlin: de Gruyter.

Institut für Arbeitsmarkt- und Berufsforschung. Various. *IAB-Betriebspanel.* Nürnberg: IAB.

Katz, Harry C. and Owen Darbishire. 1999. *Converging Differences: Worldwide Changes in Employment Systems*. Ithaca NY: Cornell University Press.

Kinkel, Steffen, and Gunter Lay. 2004. "Automobilzulieferer in der Klemme. Vom Spagat zwischen strategischer Ausrichtung und Auslandsorientierung." Frauenhofer Institut Systemtechnik und Innovationsforschung. Mitteilung aus der Produktionsinnovationserhebung, no. 32. Stuttgart: Frauenhofer ISI.

Lay, Gunter, and Werner Wallmeier. 1999. "Automobilzulieferer – Quo vadis?" Frauenhofer Institut Systemtechnik und Innovationsforschung. Mitteilung aus der Produktionsinnovationserhebung, no. 16. Stuttgart: Frauenhofer ISI.

Leckebusch, Roswitha. 1966. *Entstehung und Wandlungen der Zielsetzungen, der Struktur und der Wirkungen von Arbeitgeberverbänden*. Berlin: Duncker & Humblot.

Knips, Achim. 1996. *Deutsche Arbeitgeberverbände der Eisen- und Metallindustrie: 1888 – 1914*. Stuttgart: Steiner.

Moser, Eva. 1990. *Bayerns Arbeitgeberverbände im Wiederaufbau. Der Verein der Bayerischen Metallindustrie 1947-1962*. Stuttgart: Steiner.

Max-Planck-Institut für Gesellschaftsforschung. 2002. *Arbeitsbeziehungen in Deutschland: Wandel durch Internationaliosierung*. Cologne: Max-Planck-Institut für Gesellschaftsforschung.

Molina, Oscar, and Martin Rhodes. 2002. "Corporatism: The Past, Present, and Future of a Concept." *Annual Review of Political Science* 5: 305-31.

Noé, Claus. 1970. *Gebändigter Klassenkampf. Tarifautonomie in der Bundesrepublik Deutschland. Der Konflikt zwischen Gesamtmetall und IG Metall vom Frühjahr 1963*. Berlin: Duncker-Humboldt.

OECD. 2002. Firm-level data – Western Germany, http://www.oecd.org/data_oecd/22/51/2767596.xls, 15 October.

Plumpe, Werner. 1996. "Industrielle Beziehungen," in Gerold Ambrosius, Dietmar Petzina, and Werner Plumpe, eds., *Moderne Wirtschaftsgeschichte. Eine Einführung für Historiker und Ökonomen*. Munich: Oldenbourg, pp. 389-419.

Roth, Siegfried. 2002. "Lage in der europäischen Automobilindustrie." European Metalworkers Federation Autombile Committee. 15 October. Luxemburg.

Schroeder, Wolfgang. 1995. "Arbeitgeberverbände in der Klemme. Motivations- und Verpflichtungskrise." In Reinhard Bispinck, ed., *Tarifpolitik der Zukunft. Was wird aus dem Flächentarifvertrag?* Hamburg: VSA-Verlag, pp. 44-63.

Schroeder, Wolfgang. 1999. "Arbeitgeberverbände sind nicht gleich - Die Spitzenverbände der Arbeitgeber in der Metall-, Holz- und Textilindustrie," in Hans O. Hemmer, ed., *Bilanz mit Aussichten*. Opladen: Westdeutscher Verlag, pp. 121-144.

Schroeder, Wolfgang. 2000. *Das Modell Deutschland auf dem Prüfstand. Zur Entwicklung der industriellen Beziehungen in Ostdeutschand*. Wiesbaden: Westdeutscher Verlag.

Schroeder, Wolfgang and Burkhard Ruppert. 1996. *Austritte aus Arbeitgeberverbänden. Gefahr für das deutsche Modell?* Marburg: Schüren.

Silvia, Stephen J. 1988. "The West German Labor Law Controversy: A Struggle for the Factory of the Future." *Comparative Politics* 20,2 (January): 155-173.

Silvia, Stephen J. 1997. "German Unification and Emerging Divisions within German Employers associations: Cause or Catalyst?" *Comparative Politics* 29,2 (January): 187-208.

Silvia, Stephen J. 1999. "Every Which Way but Loose: German Industrial Relations since 1980," in Andrew Martin, George Ross, et al. eds., *The Brave New World of European Labor: European Trade Unions at the Millennium*. New York: Berghahn.

Soskice, David. 1999. "Divergent Production Regimes. Coordinated and Uncoordinated Market Economies in the 1980s and 1990s," in Herbert Kitschelt et al., eds. *Continuity and Change in Contemporary Capitalism*. Cambridge University Press.

Streeck, Wolfgang, and Anke Hassel. 2003/2004. "The Crumbling Pillars of Social Partnership," in Herbert Kitschelt und Wolfgang Streeck, eds. *Germany: Beyond the Stable State*. London: Frank Cass.

Swenson, Peter. 1989. *Fair Shares: Unions, Pay, and Politics in Sweden and West Germany*. Ithaca, NY: Cornell University Press.

Thelen, Kathleen. 2000 . "Why German Employers cannot bring Themselves to Dismantle the German Model," in Torben Iverson, Jonas Pontusson, and David Soskice, eds. *Unions, Employers and Central Banks: Macroeconomic Coordination and Institutional Change in Social Market Economies*. Cambridge: Cambridge University Press.

Thelen, Kathleen, and Ikuo Kume. 1999. "The Effects of Globalization on Labor Revisited: Lessons from Germany and Japan," *Politics & Society* 27, 4, December.

Thelen, Kathleen, and Christa van Wijnbergen. 2003. "The Paradox of Globalization: Labor Relations in Germany and Beyond." *Comparative Political Studies* 36, 8, October.

Traxler, Franz. 1985. "Arbeitgeberverbände," in Günter Endruweit et al., eds. *Handbuch der Arbeitsbeziehungen*. Berlin: de Gruyter.

Traxler, Franz. 1986. *Interessenverbände der Unternehmer. Konstitutionsbedingungen und Steuerungskapazitäten, analysiert am Beispiel Österreichs*. Frankfurt am Main: Campus-Verlag.

Traxler, Franz. 2004. "Employer Associations, Institutions, and Economic Change." *Industrielle Beziehungen* 11, 1 and 2.

Völkl, Martin. 2002. *Der Mittelstand und die Tarifautonomie. Arbeitgeberverbände zwischen Sozialpartnerschaft und Dienstleistung*. Munich/Mering: Peter Hampp Verlag.

Weber, Jürgen. 1977. *Die Interessengruppen im politischen System der Bundesrepublik Deutschland*. Stuttgart: Verlag W. Kohlhammer.