Straight to the Core — Explaining Union Responses to the Casualization of Work: The IG Metall Campaign for Agency Workers

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Abstract

The existing literature provides different accounts on the strategies of unions regarding marginal workers. It has been argued that under increasing labour market segmentation, unions have either to prioritize their core constituencies and to seek compromises with management, or to adopt inclusive strategies towards peripheral workers to counterbalance eroding bargaining power. This article shows that both strategies represent equally viable options to protect the interests of unions’ core members. The strategic choice depends on the (perceived) competition between core and peripheral employees related to employers’ personnel strategies; this affects the possible alignment of interests between unions’ core members, on the one hand, and either management or peripheral employees, on the other. Our historical analysis of union strategies towards agency workers in the German metal sector illustrates this mechanism, and identifies institutional change towards liberalization as the trigger for aggressive segmentation strategies by employers and for inclusive union strategies.

1. Introduction

Atypical, precarious and low-wage work has been growing in Western political economies over the last 30 years (Gautié and Schmitt 2010; Houseman and Ōsawa 2003). This phenomenon has challenged the ability of traditional class actors, such as trade unions, to represent workers (Gumbrell-McCormick 2011). A broad body of literature has pointed out the factors that make the union representation of atypical workers difficult, such as the heterogeneity and vulnerability of these workers and their dispersion along

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the value chain (e.g., Doellgast 2012; Holtgrewe and Doellgast 2012; MacKenzie 2009). Still, a controversial research issue remains the willingness of unions to engage in the representation of atypical workers.

The dualization literature claims that unions contribute to the labour market marginalization of atypical workers. Under increasing economic pressure, unions are said to use atypical workers as a buffer in order to protect their core constituencies from market fluctuations and cost-cutting pressure (Hassel 2014; Palier and Thelen 2010). Theories of union revitalization argue that unions increasingly seek to recruit atypical workers and bargain on their behalf. Their inclusion has been interpreted as a reaction to an increasingly hostile environment for labour. In order to regain bargaining power, unions strengthen their recruiting and mobilization efforts (Frege and Kelly 2004; Greer 2008; Turner 2009).

While these contradictory perspectives have often been set up as a debate (Clegg et al. 2010), some authors have framed them as a dilemma that unions face in dual labour markets (Goldthorpe 1984; Olsen 2005). Goldthorpe argued that both inclusion and exclusion are viable strategies for unions to maintain their labour market power: Confronted with employers’ segmentation strategies, unions can ‘strive to uphold class orientation, which must entail as far as possible opposing dualism’, or they can ‘accept dualism and fall back on the defense of the specific sectional interests of their enrolled members, in the hope that these interests may be then as much protected as undermined by dualism through the “shock absorber” function that the secondary-workforce performs’ (Goldthorpe 1984: 339).

Still, little research exists on the conditions under which unions decide to undertake the one or the other strategy. Ultimately, this decision relates to the issues of how unions define their boundaries and constituencies. We argue that the inclusion of peripheral workers into unions depends on the changing perception of potential alignment of interests between the union and its core members, on the one hand, and either management or peripheral employees, on the other. Segmentation can provide mutual benefits to employers and core workers because it allows cutting productions costs while protecting the core workforce. Thus, unions and employers may potentially enter a coalition of interests that excludes marginal workers. Alternatively, however, segmentation may also threaten core workers through increasing competition with the peripheral workforce. This makes the interests of core union members more interdependent with peripheral workers, while those of core workers and management progressively diverge. We identify institutional change towards liberalization in the labour market as an important condition for unions’ strategic reorientation, as it reconfigures the constraints and opportunities for actors. Labour market liberalization lifts constraints to the employers’ discretion (Baccaro and Howell 2011: 527), who can adopt more aggressive segmentation strategies threatening unions’ power and collectively agreed standards for the core workforce.

This article illustrates this argument through a historical analysis of how the German metalworkers’ union IG Metall has approached the issue of...
agency workers. This form of contingent work has become quantitatively and qualitatively important in Germany during the last 10 years, reaching the peak of almost one million workers in 2011 — one fifth of which are concentrated in metal occupations (Bundesagentur für Arbeit 2013: 8–12). The case of IG Metall is critical because German unions, especially in export manufacturing sectors, are often argued to focus on their core constituencies (Hassel 2014; Palier and Thelen 2010). However, since 2007, IG Metall has been running a campaign aimed at recruiting agency workers and promoting their equal treatment and pay. Moreover, agency work was a central issue in the most recent bargaining rounds, which reduced the wage gap between agency and standard workers, and set rules for their permanent hiring.

The progressive opening of IG Metall boundaries to contingent workers points to a redefinition of union’s constituencies. We will show that the catalyst for this strategic reorientation was institutional change through the reform of the Temporary Employment Act in 2003, which deregulated the use of agency work. The union’s inclusion of agency workers was a reaction to the resulting threat to the working conditions of union members posed by employers’ increasing use of ‘peripheral’ workers. Our findings demonstrate that actors’ perceptions regarding the impact of institutional change are important for their strategic responses — in this case, how unions draw their organizational boundaries.

2. Constructing union boundaries in segmented labour markets: Employee identities, interests and institutions in Germany

Goldthorpe illustrates the dilemma that unions face in segmented labour markets regarding whether to focus on their core constituencies or organize and represent the peripheral workforce in order to maintain their labour market power (Goldthorpe 1984: 339). This dilemma regards the issue of how unions set their boundaries. Unions define their representation domain according to principles of inclusion, which constitute also elements of distinction and exclusion of other workers (Hyman 1996: 55). Different factors influence union boundaries, including product markets (Commons 1909), skills and tasks (Cappelli and Sherer 1989), identities (Herrigel 1993), and national institutions of labour markets and industrial relations (Ebbinghaus and Visser 1999; Streeck 1993). Our framework investigates the interplay between union identities and institutions on the definition of union boundaries (see also Frege and Kelly 2004; Hyman 2001).

Unions have developed on the basis of salient individual and collective identities among employees (Herrigel 1993; Streeck 1993), following the unions’ ‘perception of special interests within the general interest of (labor) as a class’ (Schmitter and Streeck 1999: 55). The prevalence of one identity over another is associated with particular types of organizational form. For instance, a working-class identity relies on an understanding of contrasting interests between labour and capital, and is associated with industrial unionism.
Industrial unions vertically organize workers and pursue solidaristic policies for reducing status and occupational differences; one of their leading principles is ‘equal pay for equal work’ (Jackson 2009: 72). By contrast, enterprise unions emerge when the identity of the workers is attached to their company and its economic success, and the unions are mainly focused on the companies’ core workforce. Thus, they co-operate with the management in order to pursue their common interests within the company (Streeck 1993: 42ff.). Unions never perfectly reflect one form of unionism—such as the above-mentioned industrial and enterprise unionism or the craft unions; rather, they are caught in a tension among these types and the form they take varies according to changes in the external environment and the issues at stake (Hyman 2001).

Unions’ organizational domain is also shaped by institutions. Institutions define the structure of opportunities and constraints in which union organizations formulate their strategic choices and interact with other actors, such as employers and the state. Institutions ‘influence the success of different forms of union organization’, favouring the persistence of one over the other (Jackson 2009: 72). Institutions and identities have historically developed together and mutually influence each other. Institutions do not just favour particular types of interests, but are themselves the product of actors’ interactions and struggles that have shaped their existing identities. Conversely, institutions are a context where unions formulate their interests and channel the expectations of their members — in other words, where unions form their identities as organizations. Given their close interconnection, institutional change affects the prevalence of one union identity over the other, and ultimately also unions’ representation domain.

The weakening of industrial unionism and the erosion of the solidaristic wage policies in Germany illustrates this connection between institutional change and identity. German unions and collective bargaining institutions have historically represented workers vertically within an industry and supported a homogenous wage distribution. However, the German labour movement has always been characterized by a tension between its industrial and enterprise identity (Streeck 1993) as a result of the dual system of interest representation that encompasses both industrial unions organized across broad industrial sectors and works councils with co-determination rights at the company level. In the 1970s and 1980s, capillary union presence enabled the control over works councils; the unions’ bargaining agenda reflected their working-class identity, which aimed at sharing productivity increases across sectors, reducing inter-establishment and inter-sectoral wage dispersion (Müller-Jentsch 1995; Streeck 1997).

Since the 1990s, these industrial relations institutions have become less inclusive and inequality has risen. Union density and bargaining coverage have declined, collective bargaining institutions have become increasingly decentralized and fragmented, and atypical work has expanded (Artus 2001; Bispinck et al. 2010; Doellgast and Greer 2007). Fragmented bargaining and the increasing competitive pressures have opened up opportunities for the expression of particularistic interests of company-level or even
establishment-level worker interests, thus emphasizing intra-class conflicts (Doellgast 2009; Hancké 2000).

The dualization literature has argued that these developments reflect company-level co-operation between employers and core workers (represented by their works councils), which relies on their common interest of enhancing the company’s competitiveness. These cross-class coalitions support cost-cutting and flexibility measures, but limit these strategies to the service periphery, while preserving the standards for core workers (Hassel 2014; Palier and Thelen 2010). Thereby, works councils have distanced themselves from the broader agenda of industrial unions; instead, works councils in core industries have increasingly supported plant-level co-operation and gained political weight within the labour movement (Hassel 2014). Reframing the analysis of the dualization literature in our terms, unions seem to have abandoned a broader understanding of working-class solidarity typical of industrial unionism, and moved to an enterprise model of interest representation that excludes the peripheral workforce.

On the other hand, a growing literature emphasizing the revitalization perspective has shown that the erosion of industrial relations has opened up new opportunities for employers to circumvent collectively agreed standards, undermining unions’ bargaining power (Doellgast et al. 2009). As a consequence, German unions have increasingly targeted marginal workforce groups through campaign and bargaining initiatives. The inclusion of new workforce groups and the adoption of social movement-style strategies aims at revitalizing industrial institutions and at rebuilding conflict potential towards employers (Greer 2008; Turner 2009; Vandaele and Leschke 2010). In this framework, the interests between management and core unions are conflicting, and a cross-class coalition does not represent a viable option because the existing institutions do not support the balance of power between the parties. Instead, unions need to open their boundaries to new workforce groups, re-emphasizing their identity as industrial unions.

3. Framework and methods: Explaining changing strategies towards contingent workers

The accounts of unions’ strategies towards peripheral workers in Germany are mixed and contradictory, revealing the incompleteness of the present theoretical accounts. While the dualization literature is unable to account for new recruitment strategies towards marginal employees, the revitalization literature falls short in explaining why unions continue supporting existing social partnership institutions in times of labour decline and accept political compromises with management.

Our framework does not present these strategies as alternatives, but rather as equally viable responses to increasing labour market segmentation. We conceptualize unions’ strategic options in regard to contingent workers on a continuum, ranging from exclusion to subordination, and finally to
inclusion. Our conceptualization follows Heery’s typology of union strategies towards contingent workers. Heery’s framework encompasses both internal representation, which refers to the recruitment of contingent workers into the union, and external representation of contingent worker interests into the bargaining agenda at the workplace, sectoral and national level. An exclusive attitude is associated with policies aimed at removing contingent work from the labour market — either through legislation or bargaining — and refusal to organize and support agency workers. Subordinated representation implies the acceptance of contingent workers on the labour market and as union members, even though the representation of their interests is subordinated to their core constituencies. Finally, the attempts to recruit contingent workers and policies aiming at their equal pay and treatment reflect the adoption of an inclusive strategy (Heery 2009: 430ff.).

We claim that subordinated representation and inclusion are both strategies that can help unions secure their institutional and organizational power resources when these are declining. We argue that the strategic choice depends on unions’ perception of potential alignment of interests between those of core workers with either management or peripheral employees. If the power resources deriving from past institutions are still available even in the face of erosion, unions are likely to adopt a subordinated model of representation and respond to these pressures by trying to strengthen co-operation with management. Even if at the expense of broader working-class solidarities, the perception of labour movement weakness makes alliances with the management more attractive. Unions will not seek to represent new workforce segments as long as the negative consequences of eroding bargaining power can be externalized to the peripheral workforce.

However, unions’ perceptions regarding the function of the peripheral workforce are likely to change with the increase of contingent work. Unions will perceive contingent work as a threat to the interests of core employees and as a managerial attempt to undermine traditional labour management co-operation. Under these conditions, unions regard the interests of employers and core workers as increasingly diverging, and those of core and peripheral workers as interdependent. Thus, unions are likely to abandon their co-operative approach with the management and to pursue instead broad working-class interests. They enlarge their representation domain and try to increase their bargaining leverage through membership mobilization and campaigning.

Besides the content of union strategies, the level of conflict also signals the shifting alliance of interests: Coalition strategies with the management, based on a narrow understanding of workers’ interests, tend to be co-operative. Strategies pursuing broad working-class interests are associated with high levels of conflict with the management — for example, membership mobilization and campaigns.

In our analysis, institutions are crucial because they define the structure of opportunities and constraints in which the interest alignment takes place. The liberalization of industrial relations and labour market institutions lifts
constraints on employers’ discretion (Baccaro and Howell 2011: 527), allows the growth of contingent work and undermines employers’ incentives to rely on co-operation with core workers. As liberalization progresses, unions are likely to shift from an enterprise union logic, characterized by co-operation with the management, to a more confrontational industrial logic. We argue that the unions’ perception whether their interests are aligned with employers or peripheral workers mediates the causal relationship between declining institutional power resources and union strategies.

As Section 2 illustrates, German industrial relations have been eroding over the last 20 years. However, we identify in the labour market reforms in 2003 — the so-called Hartz reforms — the trigger of IG Metall’s inclusive strategies towards agency workers. While the Hartz reforms have often been interpreted as instrument of flexibilization at the margins, Section 4 shows that they changed employers’ use of agency work, putting the core workforce under pressure (see also Eichhorst and Marx 2011). Section 5 illustrates how this influenced IG Metall strategies towards agency workers.

The data on agency work rely on research reports of IG Metall and the Hans Böckler Foundation, and on the statistics of the German Federal Employment Agency and of the Institute for Employment Research (IAB). Our analysis of changing perceptions and strategies within IG Metall relies on the IG Metall surveys conducted on work councillors and union representatives, the resolutions of union congresses, position statements, and internal magazines. Furthermore, we conducted 10 semi-structured interviews with DGB and IG Metall officials at the local and federal level both by phone and in person. Our interview partners were involved in the campaigns and in the bargaining rounds on agency work. They were conducted between September 2009 and September 2012, and analysed using Atlas.ti.

4. The Hartz reforms as a turning point for the use of agency work

In 1972, the Temporary Employment Act allowed the use of agency work in Germany, which has been progressively deregulated over the last 20 years. The duration of assignments was extended from a maximum of three months in 1972 to 24 months in 2002. While companies were not allowed to re-hire the same agency workers on agency contracts, a legal provision introduced a one-time exception in 1997. The principle of equal pay was amended in 2002, and it was introduced only after completing 12 months of assignment (Bundesagentur für Arbeit 2013: 5).

The labour market reforms in 2003 represent a turning point for the use of agency work as they fully deregulated it. They lifted any limitation to re-hiring agency workers on agency contracts and to the duration of their assignment. They lowered dismissal protection for agency workers as they allowed the staffing agencies to employ workers on contracts of the same duration as their assignment at the hiring company. Additionally, since 2003, companies do not need to specify the reason for hiring agency workers. The
reforms also reintroduced the application of the equal pay principle from the first day of assignment unless specified otherwise by collective agreement (Bundesagentur für Arbeit 2013: 5).

This exception clause opened up opportunities to circumvent the principle of equal pay. To this aim, agencies were willing to bargain a collective agreement — which is applied now by more than 90 per cent of the agencies — and negotiations between the employers’ association and the German Trade Union Confederation (DGB) started immediately after the Hartz reforms were passed (Vitols 2008: 197ff.). The DGB set up a special bargaining body, which substituted the sectoral unions in the negotiations with the two main agencies’ associations. However, a third agencies association started bargaining with the Christian Federation of Trade Unions,1 breaking up the traditional monopoly of DGB unions (Dribbusch and Birke 2012: 6). The collective agreement of the Christian trade unions set low wages and working conditions. Furthermore, the presence of another union and employers’ association represented for the agencies an exit option from the DGB collective agreement, and weakened the bargaining power of DGB unions. Eventually, the DGB body signed a collective agreement with the two biggest employers’ associations, which reflected the poor outcomes of the Christian unions’ agreement. As a result, the pay differential between an agency worker and a regular employee in the metal sector was between 30 per cent and 40 per cent in 2009 (Weinkopf 2009). As hiring companies pay agency fees, the labour costs are higher than the actual wages for agency workers. However, low wages and the absence of a flexibility bonus — provided for instance by French collective agreements — contribute to maintain the costs under the level of standard workers. Moreover, employers do not have to factor in the ‘shadow costs’ of dismissal when they hire agency workers (Holst et al. 2010: 110; Seifert 2011: 76).

As Figure 1 shows, agency work dramatically increased after the Hartz reforms. While agency workers amounted to 328,000 in 2003, their number

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**FIGURE 1**


Source: Bundesagentur für Arbeit (2012).
exceeded 700,000 in 2007. Due to the economic crisis in 2008–2009, it sharply decreased by 100,000 jobs, but two years later it reached the peak of over 900,000. The rate of agency workers on the whole workforce more than doubled between 2004 and 2011, rising from 1.3 per cent to 2.9 per cent (Bundesagentur für Arbeit 2013: 8).

Regarding the sectoral distribution, 21 per cent of agency workers are employed in the metal sector (Bundesagentur für Arbeit 2013: 12), making up 5.3 per cent of the sectoral workforce (Gesamtmetall 2012).

After the Hartz reforms, the use of agency work has not only increased but also changed its original function of filling in short-term gaps in the workforce. Employers traditionally hired agency workers in response to seasonal production peaks or in substitution for workers on holidays or maternity and sick leave. Thus, short contract tenure and fluctuations due to seasonal cycles characterize this use of agency work (Seifert and Brehmer 2008: 337). However, data show that contract tenure has extended over time: In 2002, 44 per cent of agency workers had a contract longer than three months, while 10 years later the figure rose to 54 per cent (Bundesagentur für Arbeit 2013: 18). Moreover, seasonal productive cycles cannot explain the increasing trend, especially since 2003.

In Germany, agency work has often been presented as a stepping stone in the labour market, especially for unemployed people (Hayen 2005: 9; Vitols 2008: 144). However, data on the transition from an agency contract to a permanent position do not fully support this claim. According to the dataset on individual employment histories of the Institute for Employment Research (IAB), the transition rate to a permanent contract for individuals who worked in a permanent position for 180 days before getting an agency contract is less than 20 per cent, while 42 per cent remain employed as agency workers. More than half of individuals employed as agency workers 180 days before the survey date were still hired on an agency contract three months later (Crimmann et al. 2009: 86). According to a survey conducted among works councils in the metal sector in 2007, 16 per cent of the companies had not hired any agency worker on a permanent basis in the previous two years, and almost half of the works councils claimed that only 5 per cent of agency workers were hired on standard contracts after their assignment (Wassermann and Rudolph 2007: 12).

The flexibilization of the employment relationship affects also the new hires. According to an IG Metall survey that was conducted among more than 5,000 works councils in 2010, the majority of new hires had a temporary agency contract in 43 per cent of the companies, while they were offered open-ended contracts only in 15 per cent of the companies. One fifth of the works councils reported that their companies substituted the jobs lost during the crisis in 2008–2009 through agency contracts (IG Metall 2010). In support of this evidence, the Federal Government’s 10th Report on Agency Work reports that ‘considering the growth of agency work, it has to be said that these are not always new jobs. Particularly in big firms there are trends indicating the substitution of stable workers through agency work’ (10th
Report on Agency Work in IG Metall 2007a: 16). Also, the high percentages of agency workers in some companies suggest that standard positions were substituted by agency contracts. Bellmann and Kühl analysed the IAB establishment-level panel data, showing that the use of agency work changed: While the percentage of companies using up to 5 per cent of agency workers on the total workforce decreased from 65 per cent to 54 per cent between 1998 and 2006, the number of companies making an intensive use of agency workers (over 20 per cent) more than doubled, increasing from 4.8 per cent to 10.4 per cent (Bellmann and Kühl 2007: 32).

Agency work has been expanding also in workforce segments characterized by middle and high skills. Agency workers are still more likely to be employed for easy and standardized tasks, such as at the assembly line or in logistics (Gesamtmetall 2010). However, recent studies have shown that agency workers are hired also in skilled positions and even at the engineering level (Bromberg 2011; Dudenhöffer and Büttner 2006: 32ff.). A survey of the metal employers’ association Gesamtmetall confirms that in 2010, 73 per cent of metal companies had agency workers in production, but 21 per cent also employed them in research and development (Gesamtmetall 2010). Holst et al. found that agency workers in the automotive industry are hired at every qualification level in some companies, and have become a structural component of staff because the core workforce, reduced to its minimum, cannot satisfy the production requirements for normal demand. In this way, the management has built a ‘security net’ for companies, which can quickly reduce personnel costs in case of economic downturns (Holst et al. 2010: 110).

Even though the evidence is fragmented, it suggests a change from a reactive use of agency work characterized by ad hoc assignments to a more strategic use, making agency work a structural component of the workforce. The next section shows that the increasing use of agency work changed IG Metall’s perceptions of the phenomenon, and therefore its strategies towards agency workers.

5. IG Metall strategies towards agency workers

Relying on Heery’s typology, we distinguish three phases in the strategy of IG Metall towards agency workers: exclusion, subordinated bargaining and inclusion. Given its dramatic effects on the use of agency work, we identify in the Hartz reforms the institutional change that triggered the redefinition of unions’ interests.

First Phase (1972–1996): Exclusion

The refusal of agency work altogether characterizes the first phase. Immediately after the Temporary Employment Act in 1972, the DGB publicly advocated a ban on agency work, which was introduced in its statute in 1981 (Hayen 2005: 9). In this phase, the initiatives of the unions focused on
lobbying political actors in order to reintroduce the ban against this form of employment instead of trying to regulate the sector (Vitols 2008: 150). In the 1989 Congress, IG Metall deliberated not to sign any collective agreement with staff agencies because that would have weakened the unions’ opposition to that form of ‘modern slave trade’ (IG Metall 1992). This radical opposition to agency work had the consequence to leave agency workers unrepresented, as a former IG Metall secretary in North-Rhine Westphalia explained: ‘For a long time we (the unions) have been of the firm opinion that agency work had to be banned and therefore we have not taken care of the issue’ (Weigand, cited in Mulitze 2006).

Also, IG Metall considered it unrealistic to mobilize works councils and the core workforce for enforcing the ban at the plant level given the low impact of agency work on the workforce in the hiring companies (Aust et al. 2007: 243; Bode et al. 1994: 365). In this first phase, IG Metall strategy was exclusive and characterized by a laissez-faire attitude. Around the mid-1990s, IG Metall realized that politics was never going to support the ban, and was instead progressively deregulating its legal framework. Thus, the request for the ban was cancelled by a DGB statute in 1996 (Wölfle 2008: 39).


Given high unemployment levels at the end of the 1990s, DGB unions started considering agency work as a useful instrument for reintegrating into the labour market marginalized groups, such as elderly people or long-term unemployed. The DGB in North-Rhine Westphalia set up the staff agency ‘START’, which aimed at facilitating the transition into the labour market of those disadvantaged groups (Vitols 2008: 152). At the same time, unions and agencies signed collective agreements aimed at securing adequate working conditions to agency workers. Together with other unions, IG Metall bargained collective agreements with some major agencies, but the coverage was low and the wages of agency workers were below the salary levels of workers directly employed by the hiring company (Linne and Vogel 2003: 18; Weinkopf and Vanselow 2008: 15).

As unions considered agency work an instrument for job creation, they were more willing to accept its deregulation (Wölfle 2008: 39). In 2002, also under pressure from the Social Democratic Party (Vitols 2008: 189–93), the DGB agreed to partly deregulate agency work under two conditions: equal pay should be applied, and union bargaining power in the agency sector had to be guaranteed and strengthened by law (DGB in Aust et al. 2007: 244). The new legal provisions included both requests, but they also allowed the amendment of the equal pay principle by collective agreement. Still, even though the resulting collective agreement *de facto* abrogated equal pay, a union official at the DGB headquarter reported that the bargaining round was considered a success because the agency sector could be partly regulated.

Around the mid-2000s, most works councils had not engaged with agency workers and felt responsible only for the core workforce (Aust et al. 2007: 263).
A works councils’ survey, which was conducted in 2007 in 80 companies with over 25 per cent of agency workers on the workforce, reports that only 12 per cent of the works councils had developed initiatives specific for agency workers, such as special office hours or extra meetings (Wassermann and Rudolph 2007: 18). According to Promberger’s case-study analysis at the plant level, works councils were not aware to have co-decisional rights regarding the motivation and the extent of the use of agency workers. Thus, they did not fully exploit their co-determination rights (Promberger 2006: 138ff.). IG Metall was also responsible for their lack of preparation because the union did not provide any specific training for works councils, ‘leaving them alone for years’, as a works councillor said (Wassermann and Rudolph 2007: 9).

There are several reasons for this passive attitude towards agency workers. The additional efforts required by their presence exceeded the capacities of many works councils. Even though the reform of the Works Constitution Act in 2001 established that agency workers could vote for works councils after three months of assignment in one firm, the size of works council is still calculated according to the number of permanent workers. This lack of staff resources led works councils to follow a strict interpretation of their representative mandate and to leave the issue of agency work to the union (Wassermann and Rudolph 2007: 26ff.). Furthermore, works councils were not concerned about the presence of agency workers. According to an IG Metall internal research project in the district of Berlin-Brandenburg-Saxony, 75 per cent of the interviewed works councillors rejected the claim that agency work could undermine the working conditions of core workers (IG Metall study reported in Aust et al. 2007: 263).

Instead, empirical studies conducted in the mid-2000s found that works councils understood agency work as an instrument for coping with employers’ flexibility needs without undermining the working conditions of core workers. According to the above-mentioned IG Metall study, the majority of the interviewed works councillors suggested that the main function of agency workers was to secure core workers (Aust et al. 2007: 263). In the works councils’ survey conducted by Wassermann and Rudolph, 43 per cent of the works councillors agreed on using agency work as a flexibility buffer, while only one out of four shared the DGB position of eliminating agency work. Only one out of three works councillors pursued equal pay and equal treatment as bargaining aims, and only 8 per cent of the workplace agreements signed in those years contained equal pay provisions (Wassermann and Rudolph 2007: 15–24). The qualitative studies reported by Weinkopf and Vanselow show that works councils signed agreements shifting risks and costs from core to agency workers, strengthening the workforce segmentation within the company (Weinkopf and Vanselow 2008: 30). According to an evaluation of plant-level agreements of the Hans Böckler Foundation’s archive, the majority of these provisions regarded the organization of work — such as holidays and shifts — and flexibility arrangements in terms of overtime and work during unsocial working hours. Most of the agreements included a maximum quota for agency workers, specifying that they should
contribute to secure the standard workforce. They generally made reference to sectoral agreements for setting the pay and working conditions of agency workers (Zumbeck 2009: 15–40).

In this phase, agency workers were not fully integrated into the IG Metall representative structure. The regulation of agency work was delegated to the DGB bargaining group and was exclusively focused on agencies, both for setting standards and for creating representation structures. IG Metall did not undertake initiatives in hiring companies and left the issue to the works councils, which subordinated its regulation to the interests of the core workforce and accepted managerial cost-cutting strategies at the periphery. Agency workers’ representation can be described as subordinated, and the first attempts to bargain on their behalf did not raise any major conflicts with employers.

**Changing Perspectives on Agency Work**

After the Hartz reforms, works councillors, core workers and IG Metall started perceiving agency work as an attempt of ‘conscious creation of cheap workforce’ (IG Metall 2007a: 23). IG Metall portrayed the use of agency work as a strategy for weakening collective agreements and workers’ representation, and for circumventing dismissal protection. According to the IG Metall vice-secretary, ‘while agency work in the past has been an instrument for managing production peaks, its character has deeply changed since the Hartz reforms. Agency work is now aimed at establishing a permanent low-wage sector inside the firms’ (Wetzel in IG Metall 2008a: ii). This quote from an IG Metall official from North-Rhine Westphalia illustrates these concerns:

> Our core workers feel threatened by agency work — by the instrument of agency work not by the workers themselves — because agency workers have nothing to lose while our core workers do, as their working conditions have come under pressure. The more agency workers you have (in a company) the more likely employers are to think about challenging the collective agreements for the core workforce.

Agency workers are often used as benchmark for measuring the performance of permanent employees because they tend to work harder and at a faster pace in order to be hired on a permanent contract. According to a works councillor of a major automotive company, ‘agency workers are lured with the promise of permanent hiring so that they outperform stable workers. However, they are not hired. Instead, core workers are questioned as to why they cannot increase their performance to the agency workers’ level’ (IG Metall 2007b: 6).

The presence of agency work has a disciplining effect on core workers and undermines their mobilization potential. A high presence of agency workers affects the effectiveness of labour struggles, lowering the impact of strikes on production. Furthermore, stable workers who are afraid of being replaced by agency workers are difficult to mobilize. Qualitative studies showed that core workers in companies with a high rate of agency workers develop a so-called
feeling of substitutability (Dörre in IG Metall 2007a: 8). Indeed, more than half of the 5,000 works councils involved in an IG Metall survey claimed that agency work was used in their companies to substitute standard job positions (IG Metall 2008b).

Accordingly, the union agreed on a stronger intervention on the issue (IG Metall 2008b: 15). At the 21st IG Metall Congress, the secretary, Bertold Huber, stated:

Agency workers cannot be treated worse than the core workforce. We cannot allow agency work to keep creeping into stable jobs. This threatens our collective agreements and us all in the long run. Where we cannot stop agency work, there must be equal pay. For this principle we will stand up — plant by plant. This is what we understand as solidarity! (Huber 2007).

Even though the government has not been responsive to the requests of re-regulating agency work, IG Metall thinks that there is room for action: ‘We will not wait until the legislator acts, instead we’ll strive together with the works councils inside the companies for better conditions and better regulation until we achieve the “same wage for the same work” ’, a union official from the IG Metall headquarter told us.


As agency work kept growing, IG Metall started perceiving previous strategies as unsuccessful — especially sectoral bargaining because of the unions’ lack of bargaining power in the agency sector. Works councils existed only in the biggest agencies, such as Adecco and Randstad, and even in those firms the triangular relationship among staff agency, hiring company and agency workers made the organization of agency workers difficult, as they could rarely enter in contact with their representatives and their colleagues (Vitols 2008: 15; Weinkopf and Vanselow 2008: 26).

Therefore, IG Metall decided to focus its efforts in the hiring companies — where the union still had bargaining power — and to integrate the issue of agency work into IG Metall’s activities at the sectoral and company levels (Wetzel 2011). Furthermore, the union understood that the hiring companies determine working standards over the value chain, dictating the conditions for providing services to the staff agencies. Several working groups of standard workers, agency workers and union officials were founded at a regional level in order to promote the unionization of agency workers and to mobilize the works councils in the hiring companies (Weinkopf and Vanselow 2008: 23ff.).

In 2004, IG Metall Berlin-Brandenburg started the initiative ‘Human Agency Work’, and two years later IG Metall North-Rhine Westphalia launched the campaign ‘Same Work — Same Wage’. While these initiatives were local, the real turning point was the 21st IG Metall Congress in Lipsia, which approved the launch of a national campaign. The 2008 national initiative ‘Same Work, Same Wage’ aimed at recruiting agency workers and at integrating them into the traditional structures of representation. The

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campaign raised awareness among works councillors and union officials about agency work and their responsibilities towards this category of workers. It also built the pressure of public opinion on employers and the government, which were to blame for the working conditions of agency workers. The campaign was conflictual, as ‘improvements for agency workers will not be given away, they have to be gained through the conflict against employers’ (IG Metall 2008a: 20). This strategic choice reflects the new orientation of the union since 2009, that is recruitment-oriented, participation-oriented and conflict-oriented (Wetzel et al. 2008).

The new strategy was developed at two levels. First, IG Metall focused on collective bargaining at the firm and sectoral levels. At the firm level, IG Metall provided works councils of hiring companies with information about the legal framework and their co-determination rights in regard to agency work. IG Metall wanted works councils to fully exploit their co-determination rights in order to influence the deployment of agency workers and to achieve equal treatment agreements (IG Metall 2008a: 30). Works councils were also pushed to adopt a proactive role towards agency workers and to organize them. This implied a deep change for works councillors, who had to understand themselves as the representatives of agency workers as well, even though they are not formally employed by the firm (IG Metall 2009: 15). According to vice-secretary Wetzel, this required the development of ‘a political and not juridical concept of the firm’ (Wetzel 2008).

Second, IG Metall put efforts into political lobbying for improving legal regulation. This strategy was supported by a confrontative media campaign: Agency work was represented as an unfair strategy of greedy employers, who make profits by producing negative externalities for the whole society and by breaking the social contract characterizing the economy of postwar Germany. The initiatives included a campaign truck that was sent to different German cities, a postcard action that made visible people’s support to the initiative, and several bill boards highlighting the wage differentials between agency workers and regular employees and the ‘trap effect’ of agency contracts. These initiatives publicly blamed employers in order to increase unions’ bargaining leverage.

A union officer in Berlin-Brandenburg explained how the work with the works councils and the name-and-shame campaign belonged together:

Many (works councilors) let themselves be put under pressure, often they had already experienced layoffs; and hence the mixed calculation: ‘We can keep our core workers, we are happy to keep this reserve, and if something happens, then . . .’. There still is this little ambiguity. And this is the reason why we need to achieve this awareness (. . .). We had to publicly blame the whole issue as it has been experienced in the company, with employers’ abuses (. . .). As works councillor, I am either part of the scandal or of the solution but I am ready to disclose what’s going on when such a fundamental scandalization is taking place.

IG Metall considered the outcomes of this campaign very positive (Schwitzer 2012). After little more than five years, 35,000 agency workers had
become members of IG Metall, and more than 1,200 firms had signed agreements setting better working conditions for agency workers. The main contractual results were first achieved in September 2010, when the equal pay principle was successfully included in the collective agreement of the steel sector. In May 2012, the new collective agreement for the metal and electronics industry was signed, which contains two important provisions in regard to agency work. First, it strengthens works councils’ co-determination rights in hiring companies by defining specific cases in which agency workers can be hired. Second, it sets regulations for securing the permanent hiring of agency workers: If company agreements do not state otherwise, after 18 months of continuous assignment, metal firms have to take into consideration the permanent hiring. After 24 months, the hiring is compulsory. The unions bargained in the same year a collective agreement with the agencies’ associations. It sets branch bonuses for agency workers in metal companies, which aim to close the wage gap between agency and core workers. The bonuses start from a level of 15 per cent additional salary after six weeks of continuous assignment and increase gradually up until the level of 50 per cent after nine months (Schwitzer 2012).

During the crisis, the attitude of the union and the works councils towards agency workers changed. The so-called crisis corporatism between works councils and management prevented the dismissal of core workers by using short-time working schemes and working time accounts. At the same time, the interests of agency workers were marginalized in the union agenda, as the strategy of labour hoarding implied the massive layoffs of agency workers (Lehndorff 2012: 89ff.). Even though the union set up some counselling services for agency workers and asked to extend short-time work arrangements to them as well, they were mainly used by managers and works councils as a flexibility buffer.

This strategic change was caused by economic contingencies, which affected the structure of opportunities for the interest alignment between labour and management. Still, the renewed bargaining efforts towards agency workers in 2012 demonstrate that the long-term strategic orientation of IG Metall remains the extension of its representation domain to agency workers and the achievement of equal pay. In this latter phase, the attitude of the union towards employers was inclusive and overall more conflictual.

6. Conclusions and implications

Given the conflicting accounts of unions’ responses to increasing labour market segmentation, this article has sought to explain how unions define their identity and interests vis-à-vis peripheral workers. While past literature has focused on either union exclusion or inclusion of the peripheral workforce as alternative scenarios, our longitudinal analysis has considered them as subsequent phases of a strategy in constant evolution; this has allowed us to explore the conditions under which unions choose an exclusive strategy.
that centres on the enterprise-based interests of core employees or an inclusive approach that reflects the ideals of industrial unionism. Here, the key factor relates to the strategic options that unions have for aligning their interests with external actors, which proves critical in explaining this strategic choice. These strategic options are, in turn, shaped by changes in the institutional setting, which reconfigure constraints and opportunities for actors.

Our empirical analysis has shown that the strategies of IG Metall have shifted over the last 30 years, from exclusion to subordination, and finally to inclusion of agency workers. Its attitudes towards the management have also shifted in turn away from co-operation towards greater confrontation. In the first two phases, IG Metall mainly focused on core workers’ interests. First, IG Metall advocated the ban of agency work and did not commit to its regulation. Successively, the advent of differentiated collective bargaining agreements with temporary agencies and the wage gap between agency and standard workers increased. Meanwhile, works councils in the larger core companies increasingly consented to hiring agency workers as a buffer for protecting the core workforce. As agency work was understood as a marginal phenomenon used for managing production peaks, IG Metall did not intervene in the workplace co-operation between management and works councils, thus neglecting the specific interests of agency workers. In other words, IG Metall allowed greater scope for union strategies based on the logics of enterprise-centred employee interests.

The third phase is dominated by the strategic shift of IG Metall, marked by their campaign that publicly challenged employers, and used the media to increase pressure regarding agency workers. The campaign also aimed at recruiting and mobilizing agency workers, and pushed local unions and works councils to represent their interests, shifting their appeals to broad class solidarities. This phase is characterized by a conflictual approach towards employers, which indicates diverging interests between labour and employers. Even though the economic contingencies of the global crisis led to a revival of cross-class coalitions at the workplace level, IG Metall tried to extend the short-time work arrangements to agency workers and offered them support services; since 2012, agency work has become central again for the union bargaining agenda. Overall, in this latter phase, IG Metall strategies aim at including all workers into its bargaining domain, reflecting a shift back towards its identity as an industrial union.

We have shown that this strategic change is linked to the perception of possible alignment of interests between the actors. This was shaped by the broader context of institutional change. In particular, the Hartz reforms represented a ‘turning point’ for employers’ use of agency workers. Unions have increasingly perceived agency work as a threat to collective agreements and union position. Under these conditions, the interest alignment between labour and the management that supposed employers’ segmentation strategies in the previous phase eroded as it became unacceptable to the union. We argue that the inclusion of agency workers by IG Metall was driven by concerns regarding the interests of core employees, which were now perceived
to be threatened by employers’ strategies. As liberalization and labour market deregulation undermined even its traditional strongholds, the union enlarged its boundaries of representation in an effort to more effectively represent its constituencies. Table 1 summarizes our analysis.

Our article contributes to the broader literature on unions’ role in (increasingly) segmented labour markets (e.g., Adler et al. 2013; Doellgast 2012; Lillie and Greer 2007). In particular, our findings question the arguments of the dualization literature, which describes dual labour markets as stable outcome of the institutional compromise between management and labour. The (perceived) competition between standard and agency workers and the following change in the interest alignment make this emphasis on stability problematic. Liberalization opens up loopholes that employers can exploit for circumventing legal and collectively agreed standards, also in the so-called core of political economies. By doing so, in the long run employers challenge the boundaries between core and periphery, and undermine labour bargaining power. Under these conditions, the alignment of interests between unions (and their core workers) and the management is not sustainable. Our findings suggest that adopting broad working-class solidarities and encompassing bargaining goals might be the only possible way to protect core constituencies under the liberalization processes that all political economies have recently experienced.

It appears that our argument can be generalized to apply to other groups of workers, sectors and countries, where unions have engaged with the so-called outsiders in response to core periphery competition. For instance, in 2007, the service union Ver.Di ran a campaign for statutory minimum wages in the postal sector. The campaign aimed at reducing the wage differentials between employees of the former incumbent and those of newly

| TABLE 1 | Evolution of IG Metall Strategies towards Agency Workers |
|-----------------|-----------------|-----------------|
| Institutional framework | Introduction of agency work but tight regulation | Moderate liberalization (until 2003) | Full liberalization |
| Identity | Prevalence of class (with exclusion of agency workers) | Prevalence of enterprise | Prevalence of class (with inclusion of agency workers) |
| Union perception of agency workers’ function | Residual | Buffer | Substitution |
| Coalition and alignment of interests | No coalitions | Cross-class coalition (alignment with the management) | Class coalition (alignment with peripheral workers) |
| Strategy | Exclusion and inaction | Subordinated bargaining | Active inclusion of agency workers |
| Union boundaries | Core workers | Core workers | Sectoral (including agency workers) |

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established competitors, which put the German Post employees under pressure and instigated a downward spiral in the entire sector because employers used these differences strategically to their favour (Brandt and Schulten 2008: 84ff.). In Finland, unions bargained on behalf of posted workers in order to stop the pressure experienced by their rank-and-file (Lillie 2012: 149); French unions have supported pro-outsiders’ labour market reforms in order to prevent outsiders from replacing their core constituencies (Vlandas 2013). While the competition between core and peripheral workers has been demonstrated to be a critical variable in the analysis, more research is needed to extend this perspective and thereby explain how variations across countries or sectors — different institutional contexts, production strategies and skill structures — are likely to affect employers’ strategies and the competition between labour market segments.

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Note

1. The Christian unions are renowned for undermining DGB collective agreements, and the special body of the Christian Unions on agency work has been declared as unable to bargain collective agreements since 2003 through the rulings of the Berlin Labor Court and Federal Labor Court in 2011.

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