

Germany: industrial relations and national development

[Countries](#), [Germany](#)



Historical and theoretical perspectives on industrial relations, labour productivity and national development

Industrial relations grew out of the need for workers to join forces and present their grievances to the employers as a unified force. Kuhn (2006, p. 23) suggests that everyone who earns income through work or is involved in the management of workers is immersed in the practice of industrial relations. Changes in industrial relations and the quality of employment relationships have an effect on the productivity of an organisation. In addition to this, the terms and conditions of employment have a direct effect on the workers' quality of life both in and out of the organisational premises. If the quality of life lead by the workers is poor, then this will be transferred to their productivity at work as they will not be able to perform at the highest level regardless of the mechanisms that the employer puts in place to maximise production (Kuznetsov, Dahlman, & World Bank Institute 2008, p. 31).

Generally most people get to know the meaning of the term industrial relations long before they even get into employment. This knowledge partly comes from its daily use by friends, family and the media both of which try to present industrial relations as events that involve trade unions and conflict incidents. However this meaning is not the right one because it makes people perceive industrial relations as a rebellious movement which is not actually the case. This is why it is necessary to first ascertain a clear and useful definition of ' industrial relations' before considering the debate in more depth. . Korres (2008, p. 21) defines industrial relations as the interaction of people and organisations in the work place. Industrial relations

is concerned with how people, groups, institutions and organisations make decisions that regulate or shape the relationships between employees and employees, employees and employers, and trade unions and employers. Therefore industrial relations are concerned with the working life, society and the national economy.

The main purpose of industrial relations is to provide a conceptual framework for ensuring that the different relationships at the organisational level run smoothly. Welfe (2009, p. 56) asserts that industrial relations can be analysed using three major theoretical perspectives namely unitary, pluralist and Marxist. All of these perspectives interpret workplace conflicts, role of trade unions and variations in job regulations uniquely in order to generate solutions. The unitary theory perceives organisations as an integrated unit with all the members working towards the achievement of common objectives. There is only one source of authority which is the management, trade unions are perceived as being unnecessary (Kuznetsov, Dahlman, & World Bank Institute 2008, p. 88). The pluralist theory regards organisations as being comprised of powerful and divergent groups which are the trade unions and the management. These two groups have their own legitimate loyalties and objectives.

The pluralists consider the conflict of interest and disagreement between the two groups as inevitable. Trade unions are therefore regarded as legitimate representatives of workers charged with the responsibility of bargaining for their interests. The Marxist theory sees fundamental divisions of interest between labour and capital in organisations. The inequalities of economic

wealth and power are products of the capitalist system (Kattel & Kalvet, 2006, p. 38). The Marxist perspective stresses that organisational conflict is necessary and it arises from the inequitable distribution of resources.

The political economy of industrial relations, labour productivity and national development

Leydesdorff (2006, p. 99) says that trade unions have had inextricable links with political parties and movements in different countries. Although some states have over time managed to decentralise trade unions from national politics, others are still struggling to do so. Even in countries like India where labour movements and politics have had intricate associations in the past, independent unions are now increasingly emerging (International Conference on Computer Processing of Oriental Languages, Li & Molla?-Aliod 2009, p. 95). Owing to the historical relationship between politics and trade unionism, labour strikes seem to increase during periods of political instability. During these periods, the unions often have a tendency of displaying increased militancy as a way of offering assurance to the members that their demands will be met using all possible means. Such an assurance acts as an added incentive for the employers to join the unions.

The trade unions however, in most cases distance themselves away from any acts of militarism terming it as a media ploy to negatively present their motives. Most trade unions hold the view that the media should clearly differentiate individual criminal acts from the violence that is sponsored by the unions (Llerena, Matt, & Avadikyan 2005, p. 121). Regarding the opinions held by the employers that the trade unions are heavily politicised, the trade

unions believe that their employers use their political connections as leverage against workers with dissenting opinions. The unions believe that even before the employers sit down with the unions to listen to their grievances, they always have a tendency of finding out the political inclination of the dissenting workers and then hold talks with the relevant political heads. Such tendencies make it difficult for the negotiation process because collective bargaining is often compromised. Menkhoff (2011, p. 77) asserts that politics and unionism have always gone together but the effects of the association are gross in unstable political environments as they in most cases lead to industrial disputes.

Regulatory and institutional frameworks for labour and national productivity

Industrial relations still has a very significant role to play in the social protection of workers in the 21st century. The adoption of protection tariffs along with restrictions on immigration plays a major role towards the establishment of legal systems for regulating labour in order to help the workers. For instance regulations that are explicitly connected to industrial policies like tariff protection with standards of labour in the form of determining the minimum wage for workers have a direct effect on industrial relations (Weiss & Schmidt 2008, p. 63). The proponents of such mechanisms are in most cases concerned with investment and social protection of workers as well as the profits of the businesses being protected. Therefore this confirms the argument that regulation of labour has both social and economic justifications.

Protection regulations can stimulate labour demands in a country through

policy formulation and successful implementation. Policies that increase the demand for labour also influence the type and pattern of jobs available within a country (Blanpain & Baker 2010, p. 44). Countries like Germany, Japan and Australia pursued protectionist industrial policies in the form of active tariff and non-tariff during their key phases of industrialisation in order to facilitate development (Thornley, Jefferys, & Appay, 2010, p. 55). In addition to this, most industrialised states maintained their tariff protections until the 1980's to help them in maintain social protection systems that include traditional labour laws. Lipsey (2006, p. 54) says that industrialised countries also use extensive procurement systems as another form of industrial policy for regulating labour standards of employees of organisations that benefit from government contracts. Therefore in such countries industrial policies have an influence on labour laws and labour market developments. However such interventions are not limited to the developed countries only because even the developing countries use industrial policies as means of fostering economic development and job growth.

Bamber (2010, p. 33) asserts that industrial regulations have been curtailed by the Washington consensus since the 1980's. This consensus holds that all nation states should pursue industrial development and alleviation of poverty through strategies of trade liberalisation and deregulation of the labour market. This implies that the developing nations should implement free trade and laissez faire industrial policies, introduce greater flexibility in regulating employment to lower the costs of hiring and firing employees to attain economic growth (Moreau & Blas-Lopez 2008, p. 96).

Some people criticise this method as a slower way of attaining economic development in preference for industrial regulation where states pursue development through stimulating economic growth by creating quality jobs in sustainable industry. The proponents of free trade perceive industrialisation strategies that involve active state involvement in promoting economic activities as being detrimental to economic growth. The opponents on the other hand think that active industrial policies are important in attaining economic development and high living standards of the industrialised countries (Blyton, Sage Publications., & Sage eReference 2008, p. 85). Indeed the dominance of trade liberalisation as a strategy for industrialisation is unfair to the developing countries as it denies them the chance to enjoy the benefits that come with cushioning their states against the adverse effects of market exposure as was done by the developed countries in the past. The industrialised countries achieved development under different conditions from those of free trade and without industrial policy.

Srivastava (2007, p. 86) suggests that trade liberation is only one among the many industrialisation strategies that the developing countries might opt to pursue. Most developed and developing countries pursue economic policies that involve active promotion of innovation as a means of attaining industrialisation. However, at this level it is critical to note that the practice and analysis of industrial policy is increasingly becoming very sophisticated. In terms of promoting industrial development, the current industrial policies are less focused on picking winners and tariff protection i. e. the government selection of specific industries that it considers as being more sustainable

and in line with the local conditions of the labour market and business expertise over others . Although this is still prevalent in some countries most current industrial policies are directed through horizontal measures that promote innovation and competitiveness across certain regions or economies rather than being confined to certain specific preferred sectors. Much of debates on the role of industrial policy in both the developing and industrialised countries are concerned with the selection of an appropriate path to economic development. According to Singh (2008, p. 62), there is a strong correlation between industrialisation strategy, industrial policy and traditional labour laws in the new protection policies of most developing countries. Comparative studies of labour market in southern Africa and East Asia reveal that countries will endeavour to structure their regulations on industrial relations to be in line with the industrialisation strategies that they are pursuing (Dowling, Festing, & Engle, 2008, p. 12). For instance in East Asia most of the states have been able to progress through the industrialisation stages from import substitution to export oriented and finally higher value oriented exports. This implies that the strategies for industrial relations in these countries reflect the different strategies being pursued by the state.

Trade liberalisation strategies that are export oriented often have different effects for labour regulation and practices of industrial relations compared to the more protective import replacement strategies. Therefore states rely on export oriented strategies when selling products that are labour oriented where low costs of labour and production are the main sources of competitive advantage (Thornley, Jefferys, & Appay, 2010, p. 87). For

instance the export oriented industrialisation strategy of Singapore compelled it to promote workplace flexibility by placing restrictions on aspects like enterprise bargaining and containing industrial disputes by restricting the employees' right to strike.

Bhatia (2008, p. 71) notes that the states that have pursued more inward oriented industrialisation strategies often have tolerance for stronger labour protections. However it should be noted that many variations of these simplified categories exist and as such it is not possible to make the conclusion that export oriented strategies are associated with low labour standards and downward pressure on labour protections than the policies that are inward oriented. However, one thing that remains certain is that there are connections between industrial policy of a country and the labour law settings.

In the context of labour management regulation, industrial policy contributes to both the constitution and regulation of labour market through its effects on labour supply and demand as well as the industrial working conditions. Additionally, from a normative perspective the settings of industrial policy have a great significance on economic development of a state and consequently the social protection and quality of life. Therefore the impact of regulation of labour on industrial relations is dependent on the nature of policies chosen by the nation states. For instance states that opt to pursue government delivery of goods and services whether through monopolies or as competitor with the private sector will offer the workers more secure jobs than those of the private sector (Thornley, Jefferys, & Appay, 2010, p. 74). However, a large amount of these public jobs often have negative impacts

on the working conditions across the economy. It is therefore recommended that states should use regulations that will maintain the existing structures or facilitate structural adjustments through assisting the industries that will open up new opportunities by attracting new investments and innovation. Impact of science, technology and innovation on industrial relations, labour productivity and national development

The industrial relations system pursued by a state has a direct effect on all the four elements of innovation which are: motive, content, process and outcome. The intentions behind innovation may include reduction of costs of production through decreasing the amount or quality of labour, promoting more flexible and creative use of labour and encouraging management control over labour. Dinius (2010, p. 66) claims that the contents of the innovation process itself may call for changes in the level of skills and need to accommodate the prevailing structures of industrial relations. The innovation process needs to consider the social organisation, trade unions, work groups and the physical form of the production process. In essence the outcomes of innovation are functions of industrial relations at both the individual and collective levels.

Innovation on the other hand affects all the five features of industrial relations which are: work, tasks, pay, work organisation, employment levels and union organisation (Dowling, Festing, & Engle, 2008, p. 38). Innovation leads to an increase in the level of skills required for completing tasks more than it reduces it. Innovation may also result to an increased responsibility especially if the increased value is closely monitored by equipment and is

meant to increase organisational competitive advantage. Innovation may require the employees to widen their level of skills in order to be able to adapt to the new tasks. In most cases it calls for expansion of intellectual skills and manual skill reduction due to automation of most of the processes. The overall effect of innovation on industrial relations is that it mostly leads to an increase in the proportion of skilled workers in the labour force especially in private manufacturing.

Globalisation and corporate governance: the dynamics of industrial relations and labour productivity in national development

Howell (2005, p. 75) asserts that globalisation leads to the liberalisation of world economies. The liberalisation of economies has made many organisations to make structural adjustments for improving operational efficiency. The increased pressure from the public has forced business enterprises to operate within higher ethical standards and take more social responsibility. The organisations from the developed economies are in most cases required by law to observe non-discriminatory policies in hiring, treatment and paying of all workers (Kattel & Kalvet, 2006, p. 33). However as far as recruitment is concerned, globalisation is pushing organisations into recruiting managers and workers with high skills conforming to the international standards in their host countries.

Globalisation and corporate governance have led to certain structural adjustments in terms of diversifications and restructuring both of which have resulted into cutting off of some jobs and recession in the job industry. The trade unions then started to raise concerns about job losses and the adverse

effects on work dynamics and their rights in some countries like India (Blyton, Sage Publications., & Sage eReference 2008, p. 52). The same wave was echoed in countries like Japan and South Korea where workers formed industrial unions to counter the impacts of globalisation on their economies. These unions managed to negotiate for employment terms and working conditions as well as the payment rates. Generally, globalisation and corporate governance came into existence at a time when trade unionism was fading off in most countries. However globalisation has contributed to the deterioration of labour standards and strengthened the capital bargaining power while reducing the bargaining power of labour.

Industrial relations and labour productivity: challenges and opportunities for defence and national security

Industrial relations often affect the labour productivity because it contains the attitudes of the management and workers towards each other and the work itself. As such, industrial relations affect organisational productivity both directly and indirectly through variables like motivation of workers, managerial competence and institutional backup. The concept of industrial relations encompasses the interactions that occur between the employees and the employers in an organisation. The nature of this relationship has an effect on the production process because poorly motivated workers for instance have an increased tendency of not performing at their optimal levels (Kuznetsov, Dahlman, & World Bank Institute 2008, p. 61).

McCallum (2008, p. 72) claims that organisational productivity is a function of the morale of the workers. For this productivity to remain on the higher

side, it is important that the morale of the workers be kept at the highest possible level. Failure to motivate the morale of the workers will result in a drop in both quality and quantity of organisational productivity. In fact Hardy (2011, p. 13) supports this position by suggesting that employee morale and productivity always go together. Therefore industrial relations as a factor that affects organisational productivity influences the production process in many ways. For example during times of industrial disputes or when the employees are on a go slow, productivity will not be affected in terms of loss of labour alone because there are other incessant work stoppages, machines and other variable and fixed capitals will not be fully utilised and this will result in low level of output and raise the average cost. The refusal to work in overtime by the trade unions also results in loss of revenue because overtime is meant to increase organisational production capacity.

Strength, weakness, opportunities and threats of Germany

The SWOT analysis is a strategic management tool used for identifying and categorising the significant internal (strengths and weaknesses) and external (opportunities and threats) factors that face an organisation, territory, city or even a country (Bhatia 2008, p. 55). The analysis provides strategic data that can be used in matching organisational resources with the competitive environment in which it is operating. This matching is of importance in making strategic decisions for optimising organisational performance. Struck (2011, p. 31) suggests that the SWOT analysis is important in helping the organisations to direct their actions to match the strengths with opportunities presented by the environment and ward off the

threats as well as seek ways of overcoming the weaknesses. Then analysis is not a foresight approach but just a good starting point for strategic decision making which organisations can use in designing and positioning products and services .

The following section analyses the SWOT of Germany. The findings reveal that despite its strength in areas like ability to innovate, great willingness to engage in self-directed training and good infrastructure, the country still has some serious weaknesses to overcome. These problems arise mainly from the education sector such as schools adoption and use of new information and communication technology tools and high levels of unemployment.

Germany has its own strong areas especially regarding the implementation of knowledge in the society. The country has a flexible, well trained and innovative workforce. In addition to this the society has very little income disparities and good quality of life. However because of the aforementioned weaknesses, the country runs the risk of having a poorly educated workforce in the future which could negatively impact its innovation ability and economic strength. Furthermore, the high rates of unemployment will continue to prevent economic growth.

Strengths

Ability to innovate

Good access to broadband

Flexible terms of work which is acceptable to many

Weaknesses

A weak education system that is lagging behind in terms of adapting and

using new information technology tools

Rising rates of unemployment

Opportunities

Good quality of life

Flexible and well trained workforce

Little income disparities

Threats

High rates of unemployment is limiting economic growth

The new generation workforce is poorly educated

Conclusion

This paper has discussed the importance of industrial relations and its effects on the production process and the economy of a country. The findings reveal that good industrial relations are a prerequisite for industrial development because in its absence, the workers will lack the necessary motivation and the morale that they require to be able to produce at the optimal levels.

Globalisation and corporate governance are changing industrial relations across the globe and as such it is wise for countries to invest in education and innovation so that their employees can meet the demands of the international labour standards.

Recommendation and implementation strategies

With the continued advancement of the effects of globalisation, past mechanisms like labour regulations are increasingly being rendered

irrelevant. Therefore countries need to invest in empowering their workforce with the appropriate skills required for innovation and productivity through their education systems. The school system should be well integrated with information and communication tools so that the students engage actively with technology and in the process be able to innovate and bring forward ways of improving the production process.

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