

BAWEU

Business and Welfare. Preferences and collective action in Europe

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Country Report: Germany

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Introduction

The following report represents the analysis of the employers' role and preferences in welfare policies. The report is based on the combination of the main project research steps:

1. The literature review was completed in the first year of the project;
2. The qualitative interview was completed in the second half of the second year (see the methodological appendix);
3. The survey was completed in the first half of the second year (see the methodological appendix).

In the report, all these steps are integrated to have a complete analysis of the role of employers in welfare decisions. Tables related to the survey will be titled with "S" before the number. The survey of medium-sized and large companies was conducted by the CELSI team in Denmark, Germany, Italy, Netherlands, and Slovakia, between May 2021 and February 2022 and, unfortunately, had a low response rate: 1104 companies were contacted, but only 116 answered (hence a response rate of 10%).

The survey has been carried out during the Covid-19 pandemic and it was difficult to get the attention of managers in such a turbulent period. In any case, it is relevant to consider the survey results as they can highlight some tendencies in the relationship between employers, the welfare and the main actors involved. We must be careful in interpreting data because they are not representative, but we can in any case take analytical advantage of the answers.

In the first part of this report, we will describe how the German economy and its structure look like and have evolved over the last decades. Germany's economy has undertaken substantial changes. Since the late 1990s, its industrial sector lost dramatically in size and importance, while consumption services and smart growth sectors substantially increased and are now over EU averages. Similarly, the skill demands have changed, too. Demand for specific skills has substantially decreased (by around 30%) and demand for high general skills has increased substantially (+23%). At the same time, demand for general low skills has remained constant and only increased by 1%. Germany remains to have an over-average group of very large firms (+250 employees), as well as an over-average group of medium-sized firms. Its small firm sector (0-9 employees) remains to be substantially under average. Germany's unions and employer associations remain to be a vital part of its industrial relations and coordination.

In section 2 we will explore how welfare preferences have evolved and how they are covered through employer associations, as well as what is the outcome of the discussion between associations and trade unions. Employer associations and unions agree that there is a large demand for pension reforms due to the demographic structure in combination with the current pay-as-you-go scheme. Both sides can agree on many measures while disagreeing on issues like retirement age. Furthermore, firms rely on associations to articulate their demands for a reformation of education and VET. These policies aren't necessarily opposed by unions, too. While employers remain to disagree with the minimum wage, unions remain to be in favour, despite the introduction infringing their collective bargaining autonomy.

In section 3 we will take into account how and how much companies themselves (engagement) and business associations (involvement) have over time influenced policy making. It becomes clear that all players have altered their behaviour by increasingly building coalitions to increase their political voice and stand out in the discourse. Sometimes even less obvious coalitions between unions and employer associations are found to push for certain policies. Both unions and employer associations remain to be extraordinarily important for the German Political Economy despite fluctuations in their membership numbers.

Section 1 - The who question

1.1 The structure of the national economy by macro-sectors

According to the classification we follow in our research, broadly speaking Germany shares a common pattern with the other EU members. A few elements, however, have to be looked at in more detail. The decline in the industrial sector is comparatively smaller, especially in comparison to other EU core countries: the share in employment remains to be larger than the EU-28 average.

Indeed, the importance of the industrial sector becomes even more apparent when looking at its added value share. It did not substantially decrease in the last 20 years and remains well above the European average. The second most important sector is Consumption services, both in terms of employees and added value. Innovative sectors (smart growth services) grew substantially over time, enlarging their relevance in the economy. Generally, it should be noted that over time - and throughout the economic crisis – Germany had a significant GDP growth (currently above the EU average). It is mainly related to the degree of innovativeness of companies across all sectors. This innovativeness is supposedly partially rooted in a reliance of firms on high skills, which translates into a prevalence of high skills demand in the labour markets.

Table 1. *Employees' distribution in Germany over time (share of total employees; %)*

	Industry		Consumption services		Smart growth sectors		Welfare services and Public Administration	
	1997	2019	1997	2019	1997	2019	1997	2019
EU-28	26.0	19.1	35.1	36.2	11.2	15.4	27.4	29.8
Germany	27.1	21.8	34.8	38.6	10.7	15.9	25.7	28.6

Table 2. *Gross value-added distribution Germany over time (share of total macro-sectors; %)*

	Industry		Consumption services		Smart growth sectors		Welfare services and Public Administration		Average yearly GDP growth in the previous 10 years	
	1997	2019	1997	2019	1997	2019	1997	2019	1997	2019
EU-28	22.8	18.7	38.2	38.9	18.3	21.7	17.7	18.6	2.7	1.6
Germany	25.5	24.2	36.4	35.4	19.0	20.0	17.3	18.8	2.2	2.0

As explained in more detail in the literature review, current literature distinguishes three profiles in the labour market: workers with high general skills (managers, professionals, technicians), workers with specific skills (craft and related trades workers, plant and machine operators and assemblers), and workers with low general skills (clerical support workers, service and sales workers, employment in elementary occupations). Germany fits in the “balanced” model that we propose there, based on its industry- and the smart-growth-macro-sector. For example, in 2019, Germany reached a comparatively high share of generally skilled workers (44.5%). The

composition of the labour force in the industrial macro-sector is interesting: along with a strong presence of skilled workers (40.9%), typical in this sector, there is also a relatively strong presence of general high-skill workers (35.5%), which indicates that the industrial macro-sector has taken a high-productivity path, based on innovation and knowledge. Economy-wide, in the years between 1997 and 2019, the increase in general high skills workers almost fully compensated for the drop in specific skills workers. Women play an important role in the labour market, although their share remains below the EU-28 average. Generally, labour shortages are more significant than the EU-28 average in all economic macro-sectors, while the unemployment rate is much lower for all types of workers (the average unemployment rate in Germany in the period 2015-2019 was less than half of the EU average rate for the same years).

Table 3. *Workers' profiles required in Germany (1997)*

	Employees by skills' type			Employees by skills' type in the industry (ex. Construction)			Female employment (women as a share of total)		Unemployment in the previous year by skills type			Unemployment rate (5 years-average)
	GH	SK	GL	GH	SK	GL	Employees	GH empl	GH	SK	GL	
EU-28	33.7	28.8	37.5	24.2	57.4	18.4	46.3	49.6	3.8	9.3	10.3	9.2
Germany	36.3	29.2	34.5	28.1	50.5	21.4	44.6	48.7	6.6	14.3	11.3	9.0

GH: General high skills; SK: Specific Skills; GL: General Low skills

Source: authors' elaboration on Eurostat online database

Table 4. *Workers' profiles required in Germany (2019)*

	Employees by skills' type	Employees by skills' type in the	Female employment (women	Job vacancy rate (by economic sector)	Unemployment in the previous year by skills' type	Unemployment rate (5

				industry (exc. Construction)			as share of total)									years-average)
	GH	SK	GL	GH	SK	GL	Employees	High empl	Total	Ind.	Cons	Smart	GH	SK	GL	
EU-28	42.5	19.8	37.8	29.2	51.1	19.7	48.5	51.4	2.2	1.7	2.0	2.8	2.8	6.3	8.5	7.7
Germany	44.5	19.6	35.9	35.5	40.9	23.6	48.2	52.0	3.3	1.8	3.2	3.1	1.5	3.1	3.8	3.8

GH: General high skills; SK: Specific Skills; GL: General Low skills

Source: authors' elaboration on Eurostat online database

Observing the size of companies in Germany is key to understanding its growth model and its industrial relations model. The share of small enterprises in the German economy is almost ten percentage points below the EU average, which is an astounding difference and consistent across all macro-sectors. At the other end of the spectrum, Germany scores higher in the big players (companies with 250 employees or more): in this case, the value higher than the EU average is entirely due to the prevalence of big companies in manufacturing. More than 55% of firms in this sector fall in this category, compared to the 46.6% EU-28 average.

Generally, there are very different opinions within the literature around the most sensible differentiations of firm sizes. For example, the German Institut für Mittelstandsforschung (Institute for Small and Medium-Sized Enterprises) suggests a more comprehensive definition for medium-sized firms at 499 employees, instead of 249 employees. Furthermore, they suggest a combined definition of size and annual revenues for SMEs. This guides towards very different understandings within economies. Although this second definition is very useful for understanding and interpreting data on Germany, it is, however, less useful to apply different definitions for comparing countries.

Table 5. *The size of companies in Germany (share of total employed) (the year 2017)*

	Size of companies – Total business economy*				Size of companies in the industry (without construction)				Size of companies in consumption services				Size of companies in “smart growth” services**			
	Ma x 9 em p	10-49 em p	50-249 em p	250+ emp	Ma x 9 em p	10-49 em p	50-249 em p	250+ emp	Ma x 9 em p	10-49 em p	50-249 em p	250+ emp	Ma x 9 em p	10-49 em p	50-249 em p	250+ emp
EU-28	28.5	19.9	16.7	34.9	12.1	17.4	23.9	46.6	36.4	21.0	13.0	29.4	29.3	16.0	16.1	38.6
Germany	19.1	23.9	20.2	36.8	5.8	14.5	24.7	55.1	24.0	29.1	17.7	29.2	21.9	20.4	20.4	37.3

* Except financial, insurance activities, welfare state services and public administration

** Except for financial and insurance activities

The survey tried to replicate the composition of sectors (cf. table S1) and type of workers (S2). The survey has been designed to include mainly large companies, but when associations were subsequently involved in the submission also some companies with less than 250 employees answered. However, as can be seen in Table S1, the firms that employ more than 250 people are still overrepresented compared to the economy. However, within the sample, the picture is similar to the one presented on previous pages: the majority of people have general-high skills (cf. table S2). Therefore, although the sample is not representative in terms of response rate, the composition of the respondents is in line with the general German economic structure.

Table S1: *Sectors and Size of company*

	Industry (excluding construction)	Consumption services (including construction)	EU2020 “smart growth” services	Welfare state services and public administration		N

0-249	18.50%	44.40%	25.90%	11.10%	100%	27
250-499	35.70%	25.00%	23.20%	16.10%	100%	56
500-999	29.40%	47.10%	17.60%	5.90%	100%	17
1000+	33.30%	16.70%	25.00%	25.00%	100%	12
Total	30.40%	32.10%	23.20%	14.30%	100%	112

Table S2: *Type of workers according to the company's sector*

	Industry (excluding construction)	Consumption services (including construction)	EU2020 “smart growth” services	Welfare state services and public administration		Total
Highly qualified workers	38,7%	22,2%	84,6%	73,3%	49,1%	38,7%
Craft, sales services and clerical workers (medium qualified)	35,5%	69,4%	11,5%	26,7%	39,8%	35,5%
Manual workers (low qualified)	22,6%	5,6%	3,8%	0,0%	9,3%	22,6%
Others	3,2%	2,8%	0,0%	0,0%	1,9%	3,2%
N	31	36	26	15	108	31

1.2 The employers’ associations map and recent trends

Business associations in Germany are mainly of two types: associations representing enterprises in industrial relations and associations representing enterprises in their economic interests. It is a functional subdivision that also characterizes different degrees of lobbying (as we will see).

The most recent data shed light on the following table as well, as it enhances the relevance of these figures: the share of big companies belonging to employer associations is larger than the EU average (58% - 54%). On the contrary, in all the other size classes, the corresponding number is lower than the EU average.

However, representation of employers' interests also takes place, at least in part, through the Chamber of Industry and Commerce (IHK). Since membership is compulsory for all German self-employed persons and businesses, except for freelancers, craftsmen and agricultural businesses, the actual coverage of interest representation is larger.

Table 6. *Share of companies that are members of employer associations in Germany (percent for each type of company) (2013)*

	Companies with at least 10 employees	Companies with 10-49 employees	Companies with 50-249 employees	Companies with 250+ employees
EU-28	26	24	37	54
Germany	23	19	34	58

Source: own elaboration on Eurofound ECS microdata

Table 7 lists Germany's employer associations. Even though they do not provide figures on the number of individual members (they only publish figures for the organizational members), the literature assumes that membership has declined in recent years. Indeed, against this decline, most employer organisations offer membership without a binding obligation to apply collective agreements.

The economy-wide peak associations are the Federation of German Industries (Bundesvereinigung der Deutschen Industrie-BDI) and the Confederation of German Employers' Associations (Bundesvereinigung Deutscher Arbeitgeberverbände - BDA). These two encompassing associations cooperate closely to represent a wide range of industries and sectors (with a sort of underrepresentation of the private

service sector). The other type of association is chambers of industry and commerce (Industrie- und Handelskammern) with compulsory membership. These different ways of interest representation perform a variety of public and semi-governmental tasks which are outside employment relations. Multiple memberships by enterprises in different associations are a frequently observed consequence of this organizational structure, and membership in peak associations is always of an indirect nature. Within the two peak associations, interests are organized according to branches or sectors (Fachprinzip), as well as regions or territories (Regional- or Territorialprinzip). The sectoral member associations, not their peak association BDA, are responsible for collective bargaining (Keller, 2004).

Germany is one of the European Countries with the higher exit options for employers in business associations. This is especially true for the growing decentralization of collective bargaining, as we will see (Colombo and Regini, 2014).

Table 7. *Employer associations in Germany*

Long name	Abbreviation	Members	Year	Involved in collective bargaining
Bundesvereinigung der Deutschen Arbeitgeberverbände (Employers' (con)federation)	BDA	48 sectoral employer organisations, 14 regional employer organisations	2018	No ¹
Zentralverband des Deutschen Handwerks	ZDH	53 Craft Chambers; 36 professional organisations	2018	No
Vereinigung der kommunalen Arbeitgeberverbände	VKA	16 regional organisations	2018	Yes
Tarifgemeinschaft deutscher Länder	TdL	15 of 16 states	2018	Yes
Gesamtverband der Arbeitgeberverbände der Metall- und Elektroindustrie	Gesamtmetall	22 employer organisations	2018	Yes

¹ BDA doesn't bargain itself but supports sectoral- and regional membership organisations in doing so by collecting data on current progress in negotiations and briefing members.

Bundesarbeitgeberverband Chemie	BAVC	10 member organisations	2018	Yes
Bundesverband Großhandel Außenhandel Dienstleistungen	BGA	23 regional organisations, 45 sectoral/professional organisations	2018	Yes

Source: <https://www.eurofound.europa.eu/country/germany#actors-and-institutions>

Table S3: *Member of any employers' association by Sectors*

	Industry (excluding construction)	Consumption services (including construction)	EU2020 “smart growth” services	Welfare state services and public administration	Total
No	45,8%	45,7%	50,0%	35,7%	45,3%
Yes	54,2%	54,3%	50,0%	64,3%	54,7%
N	24	35	22	14	95

Table S4: *Type of Employers' association*

	Responses		Percent of Cases
	N	Percent	
Sectoral/industrial	30	38.00%	63.80%
Regional/Territorial	4	5.10%	8.50%
National/peak	18	22.80%	38.30%
Professional	26	32.90%	55.30%
I do not know	1	1.30%	2.10%
Total	79	100.00%	47

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Table S5: *Reasons for not being a member*

	Responses		Percent of Cases
	N	Percent	
We think we can pursue our companies' goals by ourselves	12	12.8%	22.2%

Employers' association does not sufficiently address our needs	10	10.6%	18.5%
We don't know the services provided by the employer's association	8	8.5%	14.8%
We don't know the added value of the membership	25	26.6%	46.3%
A lack of financial capacities	7	7.4%	13.0%
A lack of personal capacities	14	14.9%	25.9%
No relevant employer's association in the field	18	19.1%	33.3%
Total	94	100.00%	

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

In the survey, the majority of respondents (approximately 54%) are a member of an Employer Association (see table S3). This figure is comparatively high (cf. Table 6) but can be explained by the over-representation of large firms in our survey. Particularly firms of the Industry and Consumption service are members of associations, and they are mainly sectoral and Professional associations (see table S4).

Despite the majority of our sample being a member of an association, there is a large group of firms (43) that are not a member of an association. 94 firms named reasons for why they Are not part of an employers' association (see table S5). The most given answer was (26.6%): "We don't know the added value of the membership" followed by (19.1%): "No relevant employers association in the field". Particularly, the former answer is interesting as it directs to a fundamental problem in the communication by associations, especially in an ever-changing economy.

The diversification of economies is often claimed to be problematic for employer associations as they have to represent an increasingly diversified group of members (e.g., broad stretch of business models in the metal industry). However, interviewees (2, 3, 4, 7, 8) do not agree with this claim. For example, interviewee 2 argues that

associations have always had the challenge to bring very different firms together and that the current situation is no different in that regard. They added that this also depends on the topic. Given that employer associations usually tackle very general issues like the regulation of working time, their members can form easily behind a position. Furthermore, the relationship between employer associations and unions is stable, maybe even better, too. Except for interviewees 4 and 9, all interviewees said that the relationship is either constantly good or has even improved over the last 10 years.

However, some interviewees (e.g., interviewee 7) mentioned that the increasingly important group of NGOs is very difficult to counter and becomes more and more problematic. For example, employer associations usually have a self-imposed mandate for non-aggressive public campaigning, making it difficult to counter-protest actions, etc. by NGOs. The INSM (Initiative Neue Soziale Marktwirtschaft) is an exemption here, as they publicly campaign for their goals.

1.3 The role of transnational companies in the economy

The role of transnational companies in Germany's economy must be assessed in the context of German insertion into global value chains. A first fundamental element to be considered is that Germany is one of the leading countries in the EU in terms of investment abroad: considering the size of its economy, 40.9% of its GDP flows in foreign direct investment toward other countries and thus, makes for a huge financial movement. On the contrary, as a recipient of foreign direct investment, Germany's figures are just a little more than a third of the EU average.

Table 8. *Foreign direct investments: Outward and inwards FDI stocks in Germany (as % of GDP)*

	Outwards	Inwards

EU-28	45.8	63.7
Germany	40.9	24.2

Source: Eurostat online database

We can make a connection between the mentioned massive investment abroad coming from Germany and the fact that its home enterprises rely heavily on foreign sourcing. In fact, a 43.7 share of this type of sourcing is extremely high within the context of other EU countries.

Table 9. *Share of enterprises by type of value chain (sourcing) in Germany (%) (2018)*

	Domestic sourcing	Foreign sourcing
Germany	56.3	43.7

Source: own elaboration on Eurostat online databases

Table 10 shows figures on the activity of German Multinational companies under foreign control (Inward) and domestic control located abroad (Outward). As a country where the production model has shifted towards innovative firms, the weight of multinationals on total companies shows a substantial balance between the Inward and Outward activities. Further evidence of a type of economy that is particularly suitable for attracting capital, but also exporting it. The bulk of both inward and outward multinational companies is active in manufacturing: there, those companies employ 16,8% of the German labour force at home and 32,8% in foreign countries. From the table, it is also evident that multinational companies' establishments tend to be big.

Tab 10. *Main indicators for Multinationals by industry in selected European Economies (%) (2016)*

	<i>Inward [5]</i>				<i>Outward [6]</i>			
	Industry (excluding construction) [1]	Consumption services (including construction) [2]	EU2020 “smart growth” services [3]	Total Multinationals (% total enterprises)	Industry (excluding construction) [1]	Consumption services (including construction) [2]	EU2020 “smart growth” services [3]	Total Multinationals (% total enterprises)
Share of Multinationals on total Enterprises	2,6	1,1	1,4	1,3	3,1	0,8	0,8	1,1
Share of number of employed people in Multinationals on total employment	16,8	7,1	11,0	10,8	32,8	13,0	11,0	18,5
Value-added at factor cost in Multinationals (% total value added)	25,2	20,0	20,4	22,2				

Source: own elaboration on Oecd and Eurostat online databases

[1] Using the NACE classification, this sector includes mining, manufacturing, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities.

[2] Using the NACE classification, this sector includes construction, trade, transportation and storage, accommodation and food service activities, real estate activities, arts, entertainment, recreation and other service activities.

[3] Using the NACE classification, this sector includes information and communication, professional, scientific and technical activities, administrative and support service activities, and financial and insurance activities.

[4] Using the NACE classification, this sector includes public administration and defence, education and human health and social work activities.

[5] This table contains figures on the activity of affiliates under foreign control by industry.

[6] This table contains figures on the activity of affiliates under domestic control located abroad by industry. Outward data are less refined and have many missing values. No data is available for value-added, Italy and the Netherlands.

The sample in the survey reflected this landscape. As can be seen in Table S6, most companies that took part have domestic private ownership. 21 of them have foreign private ownership, and the survey showed us that among them many have production facilities in Germany (see table S7), while it is less the case for designing and developing products and services (see table S8). Looking at the survey data, Multinationals are present in Germany and carry out mainly their production activities in the German divisions.

Table S6: *Type of Ownership and geographic areas*

	Domestic private ownership	Domestic public organisation	Foreign private ownership	N
Northern Europe (Austria, Belgium, Denmark, Finland, Luxemburg, Netherlands)	35.70%	0.00%	64.30%	14
Eastern Europe (Czechia, Hungary, Latvia, Lithuania, Slovakia)	100.00%	0.00%	0.00%	1
Western Europe (France,	83.30%	7.30%	9.40%	96

Germany, Italy, Ireland)				
Extra-EU (Japan, UK, USA)	0.00%	0.00%	100.00%	2
Others	0.00%	0.00%	100.00%	1
Total	75.40%	6.10%	18.40%	114

Table S7: *Production of goods, assembly of parts or delivery services according to the type of ownership*

	Domestic private ownership	Domestic public organisation	Foreign private ownership	N
Yes, this is mainly carried out in collaboration with one or more other companies	62.50%	0.00%	37.50%	40
Yes, this is mainly carried out internally within our company	86.40%	3.40%	10.20%	59
No	50.00%	33.30%	16.70%	12
Total	73.90%	5.40%	20.70%	111

Table S8: *Design of development of new products or services according to the type of ownership*

	Domestic private ownership	Domestic public organisation	Foreign private ownership	N
Yes, this is mainly carried out in collaboration with one or more other companies	69.20%	0.00%	30.80%	39

Yes, this is mainly carried out internally within our company	78.40%	2.70%	18.90%	37
No	80.80%	15.40%	3.80%	26
Total	75.50%	4.90%	19.60%	102

Section 2: The ‘what’ question. Employers’ preferences and positions over social policy

2.1 The characteristics of the welfare state in the country.

In the political economy literature, Germany is conceived as being part of the “Corporative-Conservative” –Bismarckian - welfare system (Esping-Andersen, 1990). This welfare regime is based on the support of the family and, in particular, the “breadwinner” - whose coverage depends on the socio-occupational category he belongs to, and consequently results in a high degree of institutional fragmentation of the system. Alongside the principles of the centrality of work and the solidarity of the socio-occupational categories, there was the Catholic vision of the centrality of the family and the subsidiary role of other institutions (such as the State) that supported it. Germany is defined as a “State-Coordinated” economy (Amable, 2003) with a welfare system based on a “dualization” of social risks – protection of the core workers (Thelen, 2004).

An important issue of the German Welfare regime and the coordinated economy is the investment in a high skilled workforce, where the state, employers and employees are engaged in investing in skills, especially industry-specific, portable skills (Fleckenstein and Lee, 2017).

Since its origins, the German welfare state relied largely on semi-public social insurances and subsidiaristic social services through welfare associations. Although the state sets the main conditions by law, the principle of parity financing by employers and employees as well as self-administration provides the social partners

with an institutionalized role in shaping social policymaking (Ebbinghaus et al., 2011). “Germany has received much attention in the comparative political economy literature, and its welfare state has been used to illustrate employer interests in generous social protection” (Fleckenstein and Lee, 2017: 160).

As in other Continental welfare regimes, Germany started having problems financing its social security system in the early '70. Reforms were negotiated with social partners until the '90 (the so-called “alliances”); but in 1997, with a Conservative-Liberal coalition, Germany started a period of policy reforms without the involvement of social partners. The main reforms have been related to the introduction of a two-tier pension scheme, the introduction of the Minimum Wage and labour market reforms.

2.2 Main employer associations’ positions in relation to social policy: *Pensions; Unemployment; VET; Family policies.*

To many extents, Germany has anticipated other European countries in reforming labour market and welfare policies, with the implementation of the Hartz reforms at the beginning of the Millennium. Therefore, the period we are looking at in this report (2008 onwards) has been characterized by minor adjustments or interventions, which are relevant but only loosely connected to our fields of interest (such as the introduction of a minimum wage). In the following paragraphs, we will highlight a few remarkable elements, based on the summary provided by the *European Foundation for the Improvement of Living and Working Conditions*², secondary literature and interviews conducted for this project.

The four policy areas relevant for the project are pension policy, vocational education and training (VET), active and passive labour market policies, and work-family

² <https://www.eurofound.europa.eu/country/germany>

reconciliation policy. Each of these fields has been analysed through the lenses described in the following table.

Table 11. *Key dimensions for assessing the preferences of employer associations on welfare policy*

	OPPOSITE EXTREMES	
WELFARE EFFORT	Increase	Cost-containment
WELFARE PROVISION	Public	Private
WELFARE BOUNDARIES	Universal	Occupational
WELFARE ORIENTATION	Social protection	Social investment

The first dimension captures the *welfare effort* considered appropriate: the continuous goes from the need of increasing welfare spending to a cost-containment preference. The second dimension is about the role of the State and the Market in *welfare provision*. *Welfare boundaries* refer to the fact that welfare measures may be inspired by a universalistic logic (targeted to the entire population and financed through general taxation) or be inclined towards the occupational extreme (targeted to specific groups, usually with an occupational criterion, and financed through social contribution). Finally, welfare policy may be *oriented* to the protection of fragile individuals and groups or to the prevention of social risk through investment to enhance workers' skills and employability (social investment). It is obvious that the four dimensions are not mutually exclusive: in fact, they overlap and interact. In addition, usually, they cannot be described by one of the two extremes of the continuum: in the real world, preferences tend to situate (and swing) somewhere between the two poles.

2.2.1 Labour market policy

Flexibility in working time has been a major issue in public debate for a long. Focussing on the prominent German metalworking and electrical sector, in the aftermath of the global financial crisis' outburst, unions and business associations successfully lobbied the government to extend short-time work opportunities, allowing companies to reduce labour costs without making workers redundant and letting them go, while at the same time workers received state benefits for in compensation for their lowered income. Furthermore, the Federal Employment Agency relieved employers from social security contributions for short-time workers. Hence, according to Bispinck & Dribbusch (2011), in May 2009, about 912,000 workers (1/4 of those employed in the sector) were on short-time work.

More generally, in recent years employer associations continued in the demand for more flexibility in working time and a 40-hour week. Recently, different agreements have been reached at the sectoral level, which offers workers to choose between a wage rise or reduced working time. However, employer associations continue to be unhappy as the current regulations have “fallen out of time” (interviewee 8). On the one side, there are jobs where people want (and do) work substantially more than they are legally allowed to and thus, continuously break the law (e.g., high service sector). On the other side, associations are calling for a flexibilization of working time, not an extension (interviewees 5 and 6). This is particularly relevant for craftsmanship and construction workers who could work more efficiently if they could fulfil their weekly hours in three days and firms/workers located in the tertiary sector. Especially over the last years with the pandemic, demand for work from home and increased flexibility of working hours is hard to meet under the current regulations (interviewees 5 and 8). It is worth mentioning that the current working time regulations in Germany are substantially stricter than demanded by the EU.

A decline in the relevance of collective agreements is however to be mentioned. For instance, business associations in the private automotive sector reported recently that 71% of their members were not implementing the sectoral collective agreement as

approved by Gesamtmetall and IG Metall. The former claims that sectoral agreements shall be made flexible to be attractive for employers. Indeed, the main concern of the national employers' association was a fundamental reconfiguration of collective bargaining, based on the "pyramid model", in which basic parameters would only be subject to mandatory regulation while most conditions would be determined at the firm level (Bispinck & Dribbusch, 2011). Paster et al. (2020) performed a series of interviews with representatives of German employers' associations and a review of publications from organisations close to business associations, to find out that the statutory extension of contracts is considered a threat to a virtuous wage competition – from outsiders, which would ensure the appropriateness of a collective agreement. It is important to underline here that in Germany employers can veto extensions.

2.2.2 Pension policy

In the early 2000s, pension and labour market reforms reinforced Germany's institutional dualism as its system differentiates between social protection insiders and outsiders (Seeleib-Kaiser, 2016, pp. 230-1). Insiders are individuals who are typically employed in standard employment relationships. They are "covered either through comprehensive statutory social protection or by statutory entitlements, complemented or supplemented by private/occupational social protection to a level that maintains living standards" (Ibid.). On the other side, outsiders are "defined as the (working) poor that would have to rely on modest (largely means-tested) public provision, primarily intended to ameliorate poverty" (Ibid.). The reforms implied that they were effectively shifting unemployed workers from the unemployment insurance programme onto the unemployment assistance programme (Ibid.). Moreover, according to the author, employers' associations promoted the idea of expanding private and occupational pensions voluntarily to compensate for the benefit reductions in the statutory scheme.

Pension policy remains to be the top issue for unions and employer associations alike. All (!) interviewees said that a reform of the system is a very or the most important

issue of the time. The system traditionally consists of three pillars: statutory pension (pay-as-you-go scheme), company pension and private provision. Traditionally, the first pillar is the largest and most important one, with the other two playing a crucial role, too. At the root of the interviewee's analysis lies the demographic development that has taken place in Germany over the last decades. With increasing life expectancies, ever fewer newborns and the large generation of baby boomers slowly retiring, the traditional pay-as-you-go scheme has come under pressure. In the debate, there are a broad array of reform proposals that differ between unions and employer associations. Unions (interviewees 1 and 3) pledge for a stronger intervention by the state in the sense that the (currently modest) subsidisation of the pay-as-you-go scheme through taxes should be increased. Employer associations see this point as critical as it wouldn't stabilise the system but only cover up its current instability (interviewee 8). Generally, most interviewees find the pay-as-you-go scheme in its structure good but argue that due to the demographic shifts it needs a strengthening of the two other pillars. Employers would want to increase private provision that may be incentivised through tax benefits (e.g., no capital tax). Furthermore, they want to strengthen the company pension system (that is co-financed by firms) (interviewee 2). This policy is supported by unions, too (interviewee 1). Beyond the strengthening of the pillars, employer associations argue that to stabilise the pay-as-you-go-scheme it is necessary to increase the retirement age and make it more flexible (interviewee 2, 4, 7). A flexibilization of the retirement age would in their argumentation allow persons with physically demanding jobs to retire early and those with less demanding jobs to work longer (interviewee 2, 9). Furthermore, they call for more immigration to counter the strong demographic tilt (interviewee 7).

2.2.3 Vocational education and training (VET)

Since late 2014, a trilateral alliance on vocational training is in place under the responsibility of federal bodies. The objective of the alliance has been to substantially raise the number of apprenticeship posts and internships and to cooperate with the Federal Employment Agency concerning school leavers and unskilled, unemployed,

foreign workers and refugees. It sums up multilateral alliances on skilled labour, which operate at regional and local levels. These measures stand in stark contrast to a declining trend in the use of the instruments of training and apprenticeship: according to Busemeyer (2012), employers relate it to the increasing deficiencies of young school leavers in terms of basic skills, the lack of vocational orientation in general schools as well as the public underfunding of vocational schools.

The same author emphasises the presence of a conservative cross-class coalition, composed of both unions and business associations, defending the autonomy of intermediate bodies in vocational training against a more direct intervention by public actors. “Substantively, it aims at preserving the status quo, that is, the superior and privileged status of firm-based apprenticeship training vis-à-vis statist alternatives such as school-based vocational education. Thus, the underlying cleavage is a conflict about the extensiveness of state intrusion into the autonomy of corporatist institutions in the realm of vocational training.” (Busemeyer 2012: p. 695) However, this coalition breaks when it comes to the type of training which should be provided: employer associations would like it to be less collective and centred on firms instead. It is to be highlighted that in Germany vocational training is based on voluntary participation by firms, which set the number of available training slots (as opposed to statist or school-based education systems, in which they are set by the Government). Thus, policymakers try to incentivise firms to offer enough training spots. In this field of welfare, the state and the unions depend fundamentally on the cooperation of businesses for the provision of this service. Busemeyer adds that “business actors do not pursue a radical neoliberal reform agenda and do not support the transformation of the training system to a market-based system. This is because firms also derive concrete benefits from participating in apprenticeship training. [...] The goal is not to abolish the institutional framework altogether but to get rid of those institutional impositions that do not provide economic benefits” (p. 697).

In addition, employer associations and unions alike want to improve the conditions of providing further training to employees. Since skill demands continuously change,

further training is necessary to keep employees up to date (associations) and improve employees' position vis-à-vis employers (unions) (interviewees 1, 3, 4, 5, 6). These measures are summarised under the term lifelong learning. In addition, employers, and associations would like to standardise school education (currently contents are defined at the Länder level) at the state level to increase the comparability of degrees.

2.2.4 Work-family reconciliation policy

With respect to work-family conciliation, a new parental allowance scheme was introduced (*Elterngeld Plus*) in 2014, to encourage parents to share childcare more equally: mothers are incentivised to go back to work sooner (moving to part-time employment), while fathers are incentivised to reduce working hours in order to increase their family duties. As a whole, this policy is meant to promote a double-earner model for families in Germany. It is noteworthy that, in the words of Fleckenstein & Seeleib-Kaiser (2011),

“German employers were not only “consenters” in the drive for the expansion of employment-oriented family policies but became “promoters” with the first-order preference to change the previous family policy framework. Employers actively promoted the expansion of childcare facilities for children below the age of three years and proactively supported an earnings-related parental leave benefit [...] The business support for employment-oriented family policy expansion appears almost “universal” insofar as employers’ associations representing different types of businesses expressed their principle support” (p. 145).

The idea is to encourage parents to go back to work as soon as possible; in fact, business associations have been demanding greater generosity for full-time working parents, proposing that the Government introduces monthly benefits for parents who wanted to engage full-time, whereas parental leave should not be extended.

Nonetheless, in 2017 the maternity leave regime has been extended to workers who were previously not included (such as those involved in vocational training, or internship...). Furthermore, evening work (20:00-22:00) for mothers was liberalised, being conditional on the authorisation by public authorities. Furthermore, collective agreements allow various forms of working time flexibility in terms of weekend work, overtime and shift work.

Beyond these measures, employer associations call for a revision of working time regulations to further improve work from home and sharing childcare responsibilities. In addition, some associations argue for kindergarten places to be free of charge to pave the way for more women to go back to work instead of staying home (interviewee 8).

2.2.5 Further notes

A national minimum wage has been in place since 2015 (following the 2014 Minimum Wage Act, *Mindestlohngesetz*). The minimum wage does not apply to young workers (18 or under) trainees in vocational training or interns (for mandatory internships and those shorter than three months), and long-term unemployed in the first six months of employment. The Minimum Wage Commission, which is a bipartite body, debates the rise of the minimum wage level every two years, based on the rise of the index of agreed collective agreements. The introduction of a minimum wage constitutes a remarkable break in the work of unions and employers. For a very long time, both unions and employers weren't keen to give up their autonomy to bargain wages. However, this thinking eventually changed on part of the unions, and they began to lobby for the introduction.

This section of the report can be closed by quoting at length the remarks by Seeleib-Kaiser (2016):

“the debates on globalization were strategically interwoven with arguments emphasizing the need for more personal responsibility, private provision and

market reliance. These interpretative patterns guided much of the labour market and pension reforms of the late 1990s and early 2000s. [...] They [i.e., employers] argued that the main goal of social policy reform must be the reduction of social insurance contributions, i.e., costs, while at the same time it was necessary to increase the incentives for the unemployed to take up jobs. [...] Some representatives of employers' organizations were even calling for further cuts, such as limiting the duration of unemployment insurance. [...] Employers were able to effectively push for a new interpretative pattern, whereby the primary aim of social policy was no longer to maintain status protection and provide earnings-related benefits at a level supporting the achieved living standard, but cost control with the aim of reducing the social insurance contributions as a necessity to stay competitive in a globalized world" (pp. 232-4).

2.3 Main companies' positions in relation to social policy: Pensions; Unemployment; VET; Family policies.

In this section, a few elements of large firms' preferences in the four fields relevant to the project are described. It draws on the results of the survey and a few hints that emerged from the interviews, especially with respect to MNCs. As expected, many remarks are coincident with what is already analysed in detail when dealing with business associations; however, to some specific issues large firms and MNCs attribute outstanding emphasis: this section focuses on such topics.

Before going through single policies, it is worth noting the survey results on the main public policy priorities. Reminding that most companies in the sample are large size, Table S9 shows that the highest medium score (8.50) has been given to the VET policies ("Ensuring adequate Education to the Youth). For German companies, this

seems to be a very important point, since all over the report the issue of skills lacking is emerging, and demand is indicated. In opposition to what we have seen in the Employers' associations position, the lowest scores for companies are related to childcare (only 5.47 means in the category "Ensure sufficient childcare services for working parents") and pension policy (only 5.59 mean in the category "Ensure a reasonable standard of living for the old").

Furthermore, companies also call for labour market policies mainly for disadvantaged groups (mean score of 7.96) and work-life balance (mean score at 7.49). These results suggest that companies are asking the government to "innovate" its policy agenda, less considering social security transfers and improving instead services.

Table S9 - *How much responsibility companies think governments should have (mean of the score 0 to 10)*

	Mean
Ensure sufficient childcare services for working	5.47
Ensure a reasonable standard of living for the old	5.59
Ensure a reasonable standard of living for the	7.41
Ensure better work-life balance for workers	7.49
Ensure labour integration of disadvantaged groups	7.96
Ensure an adequate education for the youth	8.5
N	69

Table S10 - *Opinion on the effect of welfare (number of companies that agree on the two sentences)*

	Responses		Percent of Cases
	N	Percent	
Cost businesses too much in taxes/charges	19	54.30%	73.10%
Make people lazy	16	45.70%	61.50%
Total	35	100.00%	26

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

The survey gave us also some insight into the main policies companies would like the government to invest in. Table S11 shows the answers of almost half the sample on which policies the government should spend more on. Responses are again concentrated on VET policies and general Education together with labour market programs.

Table S11 - *More precisely on which policies the government should spend more?*

	Responses		Percent of
	N	Percent	
Unemployment benefits	7	3.40%	13.70%
Old-age pensions	15	7.30%	29.40%
Social assistance to the poor	23	11.20%	45.10%
Vocational education and	43	20.90%	84.30%
Education in general	46	22.30%	90.20%
Labour market programmes	36	17.50%	70.60%
Pre-school and early	36	17.50%	70.60%
Total	206	100.00%	51

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Section 3 - The ‘how’ questions: the ways employers attempt to influence social policy

3.1 The characteristics and role of the IR in the country model in general and in the social policy fields analysed

The German system of industrial relations is characterized by a dual system of worker representation through trade unions and works councils, extensive juridification (including co-determination at the establishment and company level), encompassing organizations on both sides of the labour market, and a system of predominantly industry-level collective bargaining (Keller 2004).

The basic structure of Germany's industrial relations was shaped in the post-war period in West Germany and has only marginally altered its formal structure since its inception. As learning from its authoritarian past, the legislator gave public authorities a rather limited role in industrial relations. The constitution (*Grundgesetz*, GG) and the Collective Agreement Act (*Tarifvertragsgesetz*, TVG) guarantee the autonomy of trade unions and employer organisations/single employers in concluding binding collective agreements. Subsequent legislation regulated the interest representation of workers: most notably, in establishments with five workers or more, all workers are entitled to take part in elections for work councils or to become members of the works council. They do not have to be a trade union member to do so. Work councils have co-determination rights as well as consultation and information rights regarding social, health and safety issues; however, they have no power with regards to issues which are part of collective agreements (unless specified differently within the agreement). Furthermore, they enjoy extended autonomy and protection for fulfilling their mandate properly. For example, employers must free them from their work if required and can't fire them. Oberfichter and Schnabel (2017 p.5):

The concrete implementation and monitoring of industry-level collective agreements are increasingly relegated to company management and works for councils. According to the German Works Constitution Act, works councils are mandatory but not automatic in all establishments exceeding a size threshold of five permanent employees. They are not automatic in that they must be elected (by the entire workforce in the establishment). While works councils are formally independent of unions, in practice the majority of works councillors are union members.

Works councils have fairly extensive rights of information (on all matters related to the discharge of their statutory functions) and consultation (on issues such as planned structural alterations to the plant and manpower planning) prescribed by law. German works councils have co-determination rights on what is termed "social matters". These include remuneration arrangements, the regulation of overtime and working hours, and health and safety measures. In contrast to unions, works councils may not call a strike, and they are excluded from reaching an agreement with the employer on wages and working conditions that are settled or normally settled by collective agreements between unions and employer associations at the industry level (unless the latter explicitly authorize works agreements of this sort). However, their extensive rights of information, consultation and co-determination on many other issues mean that works councils have considerable bargaining power which can be used for rent-seeking, and unsurprisingly effective wages have been shown to be higher in establishments with works councils

Collective bargaining between East and West has taken on different characteristics over time. The gap in bargaining coverage at the regional district level, which was not

significant in the first few years after unification, has grown significantly recently (in 2009 in the east only 38% of workers were covered by collective bargaining as against 56% in the west). In the East, the share of firms registered in employers' associations has gradually declined over time (in the metalworking sector only 20% of firms are in the category as against 70% of firms in the West). Interest associations have therefore sought to stem the loss of bargaining power through 'controlled decentralisation', i.e., by accepting derogations in agreements with several employers. These involve shifting skills from the sector to the company and thus successfully broadening the scope of the works councils in their cooperation with management (Gartner et al., 2010).

The transfer of West German industrial relations to the eastern part of the country after reunification has remained a challenge, as the East is characterised by a lack of large manufacturing companies and a dominance of small and medium-sized enterprises. Collective bargaining coverage, as well as work councils' coverage, has stayed significantly lower in the eastern part of the country. In 2017, 57% of West German workers were covered by a collective agreement compared to 44% of East German workers; the share of workers in establishments with a work council stood at 40% in West and 33% in East Germany. Looking at the sectors, collective bargaining and work councils' coverage is still strong in the core zone of the industrial relations system – large manufacturing companies – and considerably weaker in the private service sectors. In western Germany, as of 2016, approximately 41% of all manufacturing workers are covered by a collective agreement and are also represented by a work council – compared to only 19% of all West German service workers and only 11% of all construction workers. Also, coverage varies strongly by firm size. Only 9% of establishments with up to 50 workers have worker representation compared to 86% of establishments with more than 500 workers. Over the past decade, work council coverage in medium-sized establishments has decreased.

The autonomy of the collective bargaining partners is protected by the law if the outcome “serves the good of the economy and the workers”. The concluded

agreements are binding and are to be applied by all members of the employer organisation (unless the organisation offers membership without a binding obligation to apply the agreement). The agreements cover all trade union members in an establishment; in practice, they are typically applied to all workers of an establishment. Due to Germany's federal structure and the regionalised structure of trade unions and employer organisations, the main pattern is horizontal coordination within a sector across different regions. Single-employer agreements are of minor importance and their share has only slightly increased in recent years. Collective agreements reached in the metal and electrical sector serve as a pattern for many other sectors, but pattern bargaining has been affected by a growing gap between the more stable industrial relations in the export-oriented manufacturing sector and the more difficult and conflicting private service sectors which depend on private demand. Instead, in the service sectors, public sector bargaining plays an important role.

Collective agreements can be extended in two ways:

- under the Collective Agreements Act: the federal, as well as the regional labour ministers, may extend an agreement if the extension is approved by a bipartite wage committee.
- under the Posted Workers Act: the federal labour minister may react to a plea by the collective bargaining partners and extend a sectoral agreement to the national level.

Facing a decline in the number of extended agreements, in 2016 the Government amended both Acts to simplify the extension mechanism. According to the new regulation, sectoral agreements can be extended if this is "in the public interest", whereas previously they had to cover at least 50% of the sectoral employees to be eligible.

In July 2015 the rule of one collective bargaining agreement per business (Tarifeinheitgesetz) came into force which constituted nothing less than a tectonic shift in power between different trade unions. Collective bargaining unity means that

only the collective agreement of one single, the largest, trade union is valid in a company. In addition to the major DGB unions, there are other unions such as the German Train Drivers' Union (GDL). These unions represent the interests of their members outside the DGB. This can lead to conflicts over which workers may represent which union, often to the detriment of the smaller unions.

Historically, this is nothing new. The above-mentioned fundamental rights guaranteed by the constitution (actually) allow different trade unions to negotiate collective agreements in one location/company. However, the Federal Labour Court ruled in 1957 that an employer could not be expected to comply with several collective agreements in its company because different working conditions (working time, salary, etc.) could then apply to different employees. Therefore, the principle of one enterprise - one collective agreement shall apply. The sectoral unions accused the court of violating the constitution by doing so. Consequently, the judges changed their ruling in 2010 and abandoned the principle of collective bargaining units. From then on, several collective agreements could apply side by side in a company - the so-called collective bargaining plurality.

The legislature then sought to create a compromise between companies and trade unions that would resolve this long-running conflict. As a result, the Collective Bargaining Act was revised to include the new Collective Bargaining Unity Act. This is meant to "avoid collective bargaining conflicts in the workplace". Generally, an employer can be bound by several collective agreements in a company. However, if the areas of application overlap, only the collective agreement of the trade union with the largest number of members in the company shall apply, resulting in stark competition between trade unions for members.

Supporters (especially larger trade unions) see this as a strengthening of solidarity in the workplace: individual occupational groups should not be able to improve their position without the other employees sharing in it. Critics condemn a massive restriction of fundamental rights. For the small trade unions, the law is a problem: why

should anyone remain a member of the minority who has no power to act anyway? Consequently, the small unions filed a constitutional complaint against the law but were ultimately unsuccessful in 2017.

3.2 The direct political weight of employers and self-employed in the country.

Self-employed persons play a vital role in Germany's economy. Table 11 shows the share of self-employed among workers and the adult population. The latter data can be used as a proxy of the direct electoral weight of employers as voters. We present information on self-employed persons with employees, which can be strictly defined as employers, but also three other types: family workers, self-employed in the industrial and consumption macro-sectors and the self-employed in the welfare and smart growth macro-sectors. First, (small) employers' role within the labour market is not negligible: 4.5%, just below the EU average, if we also consider family workers. Second, they play also a not irrelevant role in socio-political dynamics, representing around 3% of the electorate and reaching around 6% of the total potential electorate, if we include the self-employed without employees in the industrial and consumption macro-sectors, in welfare and smart growth sectors.

Table 11. *The role of employers in the labour market and society in Germany (2019)*

	Share of employment				Share of the adult population			
	% self-employed with employees	% self-employed with employees + family workers	% self-employed without employees		% self-employed with employees	% self-employed with employees + family workers	% self-employed without employees	
			Industry, Consumption	Welfare Smart growth			Industry, Consumption	Welfare Smart growth
EU-28	4.0	4.9	6.8	3.5	2.3	2.8	3.9	2.0
Germany	4.3	4.5	2.6	2.5	2.7	2.8	1.6	1.6

Source: own elaboration on Eurostat data

In Germany, the gap between employer associations' density rate and the same rate for trade unions is extremely wide: while the former is in line with the EU average, the latter is almost ten percentage points lower (cf. Table 12). This is reflected in the number of business confederations (higher than the average) and union confederations (lower). However, the sectoral organization of employment relations in this country can be defined as strong in terms of joint institutions between employer associations and trade unions.

Table 12. *Employers and workers' collective action in Germany (average 2010-2017)*

	Employers' organisation density rate	Union's density rate	Sectoral organization of employment relations	Number of Employers' Confederations	Effective Number of Union Confederations
EU-28	60.8	27.0	1.4	3.4	2.6
Germany	60.0	17.8	2.0	4	1.6

^a Workers and salaried employees in firms organised in employers' organisations as a proportion of all wage and salary earners in employment

^b Workers and salaried employees in private sector firms organised in employers' organisations as a proportion of all wage and salary earners employed in the private sector

^c 2 = strong institutions (both employers and unions, some joint institutions); 1 = medium (only one side, no joint institutions); 0 = weak, or none

Source: own elaboration on ICTWSS database (version 6.1)

Over the last years, the articulation of interests has changed for most employer associations. Interviewees almost unanimously say that they form coalitions for articulating their interests as otherwise, they would not have enough political weight to be heard by governments. Such coalitions can be very broad and depend on the policy issue at hand. In some cases, they can even include unions. While the articulation of interests by employer associations usually takes place through personal channels like meetings or sending of information brochures etc., some associations increasingly use (or feel forced to use) social media channels to articulate their policy preferences. However, this has remained a marginal phenomenon.

The reason associations began using these channels is that increasingly NGOs join the debate on policies and try to influence public opinion through social media and public channels to increase the pressure on the government. Hence, some associations feel the need to publicly argue against them. However, as this issue only affects some sectors and industries, not all associations feel the need to use these channels. Some interviewees mentioned the INSM (“Initiative Neue Soziale Marktwirtschaft”) as an example of an association that actively campaigns. The mission of the INSM is to strengthen/lobby for the idea of a social market economy and not to represent sectoral interests (the INSM is, however, financed by the metal and electronics industry). The INSM regularly launches public campaigns, for example in favour of TTIP or during the federal elections in 2021.

The relationship between employer associations and unions is claimed to be very good according to both sides. Interviewees said that the relationship is one of trust and mutual interests since they both have similar goals in the sense that firms must be successful in order to provide jobs and stability for employees. Furthermore, relationships between bargaining partners may last for decades and both sides know each other well so normally employer associations and unions get along well. Some interviewees said that both sides must underline their differences in public to be heard and signal to members that they are “fighting strong”.

In the survey, which consists mainly of large firms, most participants answered that they were consulting the government and parliament on policies (cf. table S12 and S13). Since large firms are often invited to a public hearing in the expert committees there might be an overrepresentation in our sample.

Table S12 - *Level of direct Government consultation of companies in policy making*

	Responses		Percent of Cases
	N	Percent	
Small extent	417	82.20%	408.80%
Great extent	59	11.60%	57.80%
I don't know	31	6.10%	30.40%
Total	507	100.00%	102

Note: this is an aggregated frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Table S13 - *Level of direct Parliament/Legislators consultation of companies in policy making*

	Responses		Percent of Cases
	N	Percent	
Small extent	430	85.00%	421.60%
Great extent	46	9.10%	45.10%
I don't know	30	5.90%	29.40%
Total	506	100.00%	102

Note: this is an aggregated frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

3.3 Type of engagement and involvement in policy making by employers and employer associations

Traditionally, Germany’s ‘Rheinish’-coordinated capitalism and welfare regime has been based on:

- a) Strong coordination of interests by employers’ associations and trade unions alliance and co-determination (cross-class coalition in industry sector). A sort of “stakeholder model” of sectoral and corporate governance;
- b) Strong investment by Banks via firms’ credits;
- c) Strong support of interest associations and other business-related bodies to public investment in social protection and VET (and generally human capital development policies).

Until the end of the millennium, companies relied on public welfare, especially those supporting long-term employment relations (passive shock absorbers) (not only during economic downturns to externalize restructuring costs). But also, in the sphere of vocational training, firm-based occupational pensions and early retirement, public welfare was something to rely on.

Recently, this model had some shifts toward increasing support by companies and governments (the red-green coalition) for the occupational pensions' "privatization". Moreover, the employers' associations and other business-related support to public welfare started to stagger higher critics on labour costs and public expenditure (Ebbinghaus et al., 2011).

3.3.1 Engagement: the role of company/sector-level (occupational welfare); social partners' and Governments alliances³

At the end of 1960s/60's, the economic crisis was tackled with an important labour market reform particularly supported by employers and political parties. The Employment Promotion Act was established with the aim to pursue full employment, productivity, and economic growth by investing in human capital to cope with the consequences of structural changes in the economy. This aim was also pursued by protecting workers with a prescription for companies to set working conditions meeting the minimum standards of collective agreements.

At the end of the 1970s, the worldwide economic crisis led to increased unemployment, especially in the industrial sector. The centre-right government of Christian Democratic Chancellor Helmut Kohl (1982-98) promoted large-scale early retirement (welfare-without-work strategy), largely supported by the cross-class coalition between employers' associations and unions, because 1). The measure enabled large firms to externalize the cost of laying off older employees when restructuring to increase productivity, accelerating the process of deindustrialization; 2) Companies' restructuring strategies, received broad support from trade unions in affected industries because their members benefited from publicly subsidized early

³ This part is based on a relevant historical reconstruction: Fleckenstein, T., & Lee, S. (2017), The politics of labor market reform in coordinated welfare capitalism comparing Sweden, Germany, and south Korea, *World Politics*, 69(1), 144-183.

retirement. In any case, this support was partial: among unions, it was undertaken by Cristian Democrat unionists; among employers' associations, the most neoliberal wing was against these measures.

The political landscape changed in the aftermath of Germany's reunification in 1990, which was sided by a massive increase in unemployment in East Germany. Germany increasingly lost its economic momentum and fell back in comparison to other European nations. Increasingly, it was the (self-proclaimed) "sick man of Europe" that would need substantial reforms. Employers started being openly hostile toward the German model of welfare. They were asking for a reduction of benefit generosity: they proposed a merging of unemployment and social assistance, improving the relevance of the latter. Changed business preferences in Germany undermined the cross-class coalition underpinning the Bismarckian welfare state.

In the political environment, the social democrats effectively accepted a shift in power towards businesses which influenced their political relevance a lot. The cross-class alliance for Bismarckian unemployment protection continued to crumble under the social democratic leadership that replaced Kohl. The social democrats in Germany changed their approach to social welfare (as happened in Sweden, the party changed ideologically to adapt to economic global imperatives).

In 1998, a red-green coalition invited the social partners for talks aimed at revitalizing the alliance for jobs to overcome a sort of reform deadlock. But the red-green alliance for jobs did not prove to be particularly successful because of divergent positions on political economy. Employers and trade unions were not prepared to make any meaningful concessions, the chancellor did not show sufficient political leadership or authority to facilitate exchanges between the parties.

In early 2002, a scandal involving manipulated placement statistics at the federal employment service provided an opening for comprehensive labour market reform. In response, Schröder set up the well-known "Hartz commission" to develop reform proposals. This commission did not exactly suggest cutting benefits' generosity, but in fact, the Hartz laws produced the merger of unemployment and social assistance

(benefiting the latter), a reduction of the duration of unemployment benefits, and deregulation of employment protection for temporary workers and the promotion of atypical employment.

“Providing momentum for radical reform, the employment agency scandal allowed organized labour to be side-lined, which is apparent in the composition of the commission. Of its fifteen members, only two were from trade unions whereas eight, including the commission's chair, were associated with business interests. This marginalization exceeds the experience of Swedish trade unions, which also faced problems with the social democratic party moving toward the political centre. The new environment made possible comprehensive workfare policies that had not been politically feasible in the first red-green government” (Fleckenstein and Lee, 2017: 165). The new political stance of German employers is reflected in the New Social Market Initiative, established in 2000 as a well-funded think tank with the mission to influence the economy and social policymaking. This came as an initiative of the metalworking industry's employers' association: this industry, relying on industry-specific skills, should not have been interested in cutting the German welfare model but these interests became hard to be pursued in welfare politics (at least in the employers' perceptions).

Recently, the relevance of skills promotion has renewed the need for social partners' alliance. To tackle the challenges faced by the dual VET system, an Alliance for Initial and Continuing Education and Training (Allianz für Aus- und Weiterbildung) was forged between 2015 and 2018, led by the Ministry of the Economy. A new alliance for 2019-2021 was signed between the Government, the social partners and other key stakeholders in August 2019. The alliance involved a large number of governmental and non-governmental key actors such as the Ministry of Labour and Social Affairs, the Ministry of Education and Research, the Integration Commissioner, the Federal Employment Agency, business representatives, trade unions, coordinating commissions in the area of education policies (which is the responsibility of the Länder). Actions included: i) increasing the number of dual vocational training places registered with the Federal Employment Agency and information campaigns; ii)

sector dialogues to promote initial dual vocational training; iii) new approaches to promote the taking up of VET training by disadvantaged youth (Assisted Training, see above); and iv) improving access of young refugees to VET through the adoption of the integration law (OECD, 2020).

Firm-level provision of welfare has always been at the core of Germany’s welfare system. Especially company pensions are a key pillar of the pension system and have become more and more important for employees and employers alike. Since the early industrial days, firms provided company pensions to bind employees and become more attractive. However, they have always been a supplement and not a replacement for the public-funded pensions.

With the reforms of 2001, company pensions have become better situated through tax benefits. Although they are still not mandatory for firms to provide to employees, since 2002, employees have the right vis-à-vis the company to build up a company pension, insofar as they finance it themselves through deferred compensation.

Over the years firm involvement has substantially increased with firms ever more participating in providing benefits to employees such as further training, flexibilization of work and soft benefits like cultural or sports benefits.

The results of the survey are in line with this. Table S14 shows that approximately 68% of all companies in the sample provide their employees with welfare benefits, and 25% to all or more than 50% of their employees. These figures are substantial and show the deep involvement of firms in the provision of welfare benefits to employees.

Table S14 - *Coverage of Company level policies*

	Responses		Percent of Cases
	N	Percent	
No	424	31.80%	471.10%
Yes, to all employees	209	15.70%	232.20%
Yes, to less than 50% of employees	568	42.50%	631.10%
Yes, to more than 50% of employees	126	9.40%	140.00%

I do not know	8	0.60%	8.90%
Total	1335	100.00%	90

Note: this is an aggregated frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Table S15 shows a very nuanced picture of the different welfare measures firms is spending money on. In particular, firms responded that they're supporting the integration of persons with disabilities, childcare and different kinds of education/life-long learning. Furthermore, extra paid-off days are also very popular in our sample.

Table S15 - *Policies decided Exclusively on company initiative*

	Responses		Percent of Cases
	N	Percent	
Premiums paid to voluntary (not compulsory) occupational pension schemes	19	4.50%	22.60%
Premiums paid to voluntary (not compulsory) unemployment allowances schemes	33	7.80%	39.30%
Participation/funding of dual system of education or apprenticeship programmes (at-school- education combined with train	21	5.00%	25.00%
On-the-job or continuous training	3	0.70%	3.60%
Extra statutory maternity/paternity leave	49	11.60%	58.30%
Job creation scheme	41	9.70%	48.80%
Sheltered employment/Employment scheme for people with disability	45	10.60%	53.60%
Requalification scheme or life-long learning	36	8.50%	42.90%
Employer subsidised child- care (on-site or off-site)	54	12.70%	64.30%
Flexible work arrangements (e.g., job sharing, flexitime)	11	2.60%	13.10%
Teleworking or telecommuting	5	1.20%	6.00%
Part-time work	5	1.20%	6.00%
Additional paid days off/extra paid vacation days	40	9.40%	47.60%

Study leave	41	9.70%	48.80%
Leisure benefits (sport, culture)	21	5.00%	25.00%
Total	424	100.00%	84

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shoat the responses in percentage of the number of cases.

The interaction of Multinationals with the institutional and traditional system of cooperation with unions has become clear in our survey, too. Around 44 Multinationals answered the question on the influence of the headquarters on company welfare. The Multinationals that answered highlighted that the headquarters influence the company welfare decision-making only to a small extent (see table S16) of all the policy categories we considered (see table S17).

Table S16 - *Influence of Headquarters on company welfare (only if the Company is a Multinational)*

	Responses		Percent of Cases
	N	Percent	
Small extent	81	46.00%	184.10%
Great extent	53	30.10%	120.50%
I don't know	42	23.90%	95.50%
Total	176	100.00%	44

Note: this is an aggregated frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Table S17 - *In which policy the influence of headquarters on company welfare is less relevant (only if the Company is a Multinational)*

	Responses		Percent of Cases
	N	Percent	
Pension Policy	27	33.30%	100.00%
VET	15	18.50%	55.60%
Family policy	17	21.00%	63.00%

Active Labour market policy	22	27.20%	81.50%
Total	81	100.00%	27

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

The survey also considered the possible influence of EU policies on a company’s welfare (Table S18). Almost two-thirds of the sample answered, and most responses were related to the legislation, but an almost equally large group indicated that the EU has no impact on company welfare.

Only a very tiny number of companies also indicated EU funds. This suggests that companies mainly consider the EU for the limits and constraints EU directives impose, and only a few also for the possibility of being supported financially. This result has been probably affected by the “New Generation Europe” programme established to help countries (and companies) in recovering from the Covid crisis. This picture can be extended in Table S19.

Table S18 - *Impact of EU policies on Company welfare*

	Responses		Percent of Cases
	N	Percent	
No role	37	39.80%	47.40%
Influence through legislation	42	45.20%	53.80%
Influence through the European social dialogue	11	11.80%	14.10%
Influence through EU funds (e.g., European Social Fund)	3	3.20%	3.80%
Total	93	100.00%	78

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Although most firms expressed that they are not exposed to interactions with EU-level policies, interviewees draw a different picture. Almost all interviewees said that the EU becomes an ever more important level for their articulation of interests, independent of their role as a union or employer association. Some expect a 50/50 split in the next years, while others expect the majority of association employees to be in Brussels and only a small minority to remain in Berlin, as opposed to the current situation where there are usually one or two employees in working in Brussels (sometimes even none). Hence, there is the feeling that interest articulation is on the edge of a substantial shift from the national to EU level (at least on the union/association level).

Table S19 - *How companies are exposed to possible interactions with EU-level policies*

	Responses		Percent of Cases
	N	Percent	
Not exposed	46	51.70%	56.10%
Through EU employers' organisations	16	18.00%	19.50%
Through our company headquarters	9	10.10%	11.00%
Don't know	18	20.20%	22.00%
Total	89	100.00%	82

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shoat the responses in percentage of the number of cases.

3.3.2 Involvement: social pacts, collective bargaining, other forms

In labour relations, the principle of autonomous collective bargaining (Tarifautonomie) between the employer associations and the encompassing trade unions limits the scope for direct state intervention. However, several co-determination laws provide employees with works councils with information and

consultation rights vis-à-vis employers, and unique for a market economy, the parity representation of employees' stakeholder interests on the supervisory boards of larger companies: first in the coal and steel sectors (1951) and then for stock market listed companies (1976). Although employer associations and trade unions have suffered from membership losses in recent years, sector-wide agreements (though in some cases with decentralised amendments) are still very common and state intervention remains rather exceptional. While the social partners are thus relatively autonomous in wage bargaining and participate in the self-administration of social insurance, there has been a clear division between state intervention in public social security and voluntary firm-based occupational welfare (Fleckenstein and Lee, 2017). In Germany, the share of agreements between social parties, regulated at the company level only, is almost 24%, which is a high value among other EU countries. On the contrary, the share of agreements at higher levels only is comparatively low, but more than 28% of employers' collective bargaining actions are regulated both with firm-level and higher-level agreements.

Table 10. *Employers' collective bargaining actions. Percentage of employees covered by a collective agreement in the private sector in Germany (2019)*

	Agreement at company level only	Both agreement at the company and higher level	Agreement at higher level only
Germany	23.9	28.4	47.8

Source: own elaboration on OECD data (Negotiation our way up)

The share of employers willing to preserve the Industrial Relations system in Germany is larger than the EU average, and, contrary to the latter, has increased since 2006 (cf. Table 11).

Tab 11. *Employers' willingness in preserving the Industrial Relations systems (% of responses on trust in IR scale 0-10). (2019)*

	2006-07	2010-11	2017-18
Eu-28	4.9	4.7	4.9
Germany	5.0	5.3	5.3

Source: own elaboration on OECD data (based on Eurobarometer survey)

Following the report on the quoted Eurofound website, in recent years, collective agreements have gained importance in setting new working time arrangements or in providing options to do so at the establishment level. The trend is due to the employers' call for more flexibility in working time and the trade unions' demands for more autonomy. For instance, in 2016 workers employed in the Deutsche Bahn were allowed to choose between a wage increase, a reduction of weekly working hours or additional six days off. From 2017, an opening clause is allowed in the chemical and mining sector, according to which particular units or groups of workers can deviate from weekly working hours at the establishment level; shifts of up to 12 hours are also allowed. Finally, in the metal and machinery sector, a 2018 opening clause gave all workers the choice to reduce their working time to a minimum of 28 hours for a fixed period and to return to full-time afterwards; on the other hand, firms were allowed to raise the share of overtime working.

Statutory tripartite bodies are rare in the German system. When a sectoral collective agreement is in the process of extension, labour ministers cooperate with a sectoral bipartite wage committee. Both the Collective Bargaining Act and the Posted Workers Act stipulate that the Federal Labour Ministry in cooperation with a wage committee composed of three representatives of the trade union and three representatives of the employers may declare a sectoral agreement generally binding. In 2014, in the framework of the introduction of a minimum wage, a permanent Statutory Minimum Wage Commission was set up. It decides on the increase in the minimum wage and is composed of three trade union representatives, three employer representatives and two

academic experts. The members appoint a chairperson who needs approval from the federal labour minister. All individual members are appointed every five years, while the decision on the increase is taken every two years. The Commission recommends the level of the statutory minimum wage to the labour minister and the Federal Cabinet takes the final decision.

It is worth mentioning that recent trade union membership figures show diverging trends: membership increased for occupational trade unions in the public sector and privatized companies, stayed stable for metal and machinery, and only slightly decreased for United Services Union (ver.di). Instead, membership in unions representing sectors with high shares of foreign and posted workers has been decreasing, as well as in sectors undergoing restructuring (e.g., construction, chemicals and mining). It has also emerged a competition from small occupational trade unions.

Our survey showed that approximately 66% of our observed companies participate in collective bargaining of which most firms operate in consumption services. At the same time, firms of consumption services are also the ones most likely to not be involved in collective bargaining.

Table S20 - *Involvement in collective bargaining by Sectors*

	Industry (excluding construction)	Consumption services (including construction)	EU2020 “smart growth” services	Welfare state services and public administration	Total
No	21.74%	33.33%	23.81%	23.08%	26.67%
Yes	78.3%	66.7%	76.2%	76.9%	73.3%
	25.6%	36.7%	23.3%	14.4%	90

Germany's tradition of a very decentralised organisation and bargaining of collective agreements is represented in our survey, too (cf. Table S21). The vast majority of

firms participating in collective bargaining are involved at the company level, followed by the industrial/sectoral level.

Table S21 - *Level of collective bargaining*

	Responses		Percent of Cases
	N	Percent	
Company	56	56.00%	83.60%
National	12	12.00%	17.90%
Industrial/Sectoral	26	26.00%	38.80%
Regional/Territorial	5	5.00%	7.50%
I do not know	1	1.00%	1.50%
Total	100	100.00%	67

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

The survey showed some details on the relationship between companies and employers' associations. Table S22 shows that respondents do not consider their company as being involved in policy discussions by employers' associations. Those firms that are involved in the process are most involved in issues on VET and active labour market policies (cf. Table S23)

Table S22 - *Members of Employers'' associations. How much they are involved in a discussion on Policy*

	Responses		Percent of Cases
	N	Percent	
Small extent	158	52.00%	259.00%
Great extent	99	32.60%	162.30%
I don't know	47	15.50%	77.00%
Total	304	100.00%	61

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

Table S23 - *Members of employer's' associations. In which policy they are more involved in the discussion (among those who answered "Great extent")*

	Responses		Percent of Cases
	N	Percent	
Pension Policy	18	18.20%	62.10%
VET	28	28.30%	96.60%
Family policy	21	21.20%	72.40%
Active Labour market policy	23	23.20%	79.30%
Passive labour market policy	9	9.10%	31.00%
Total	99	100.00%	29

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shows the responses in percentage of the number of cases.

This mediocre involvement is consistent with the declared level of satisfaction with the employers' associations' policy action. Table S24 shows a good proportion of respondents, and we can see that for the majority of them the policy action of associations does not make any difference (they are neither satisfied nor dissatisfied), or they are satisfied. This shows that associations have to be better at communicating their role and importance to their (potential) members to convince them to rely on them.

Table S24 - *Level of satisfaction with the Policy action of Employers' associations*

	Responses		Percent of Cases
	N	Percent	
Not satisfied	177	21.90%	173.50%
Satisfied	235	29.10%	230.40%
Neither satisfied nor dissatisfied	396	49.00%	388.20%
Total	808	100.00%	102

Note: this is a multiple response frequency report. Respondents could answer more than one category. The percentage of responses shows the percentage of responses on the total number of responses, while the percentage of cases shoat the responses in percentage of the number of cases.

The process of interest articulation has generally remained stable for both unions as well as employer associations. Unions use both the public protest as well as their political ties while the employer associations stick to their political ties and only marginally use the public debate for an articulation. A tectonic shift has, however, taken place concerning alliances. Both unions and employer associations realised that their voice was not loud enough to get the political attention they required to pursue their goals. While such alliances usually take place within the obvious political camps, they sometimes bring up coalitions that aren't obvious at first. For example, the BVMW (Federal Association of Small and Medium-Sized Businesses, Entrepreneurs' Association of Germany) cooperated with Ver.Di to lobby against TTIP as the BVMW argued that SMEs would suffer under it. Hence, they joined forces to prevent it. While such alliances remain to be the exception, coalition and alliance building has become the daily business of all associations.

METHODOLOGY

Research questions:

In the debate and in the welfare reforms at what level of action are companies placed? How much does the business-unions-governments model still exist? How much are they willing to support a 'socialisation of risk' and for what reasons?

How much do companies support the need for collective action? Concerning social policies, are multinationals becoming rule makers in terms of individual action or some cases (which ones?) they also prefer to act collectively?

Concerning social policy preferences, are there differences between manufacturing and the service sector and within these sectors? What is the role played by the EU level as a field for companies to foster their social policy preferences and to discuss

with institutions and trade unions? In this respect, how does the interaction among different national business associations work at the EU level (e.g., Business Europe)?

To address the above-mentioned research questions, the online survey of medium-sized and large companies was conducted by the CELSI team in Denmark, Germany, Italy, Netherlands, and Slovakia, between May 2021 and February 2022. The survey aimed to explore companies' welfare preferences and their political action on these issues, especially (1) what policies the companies implement; (2) companies' preferences regarding social welfare policies and (3) the level and characteristics of involvement of companies in social dialogue. In this respect, the survey focused on (1) pension policy; (2) vocational education and training; (3) family policy and (4) active and passive labour market policies. The survey involved 35 questions, identified based on the desk research and with close cooperation with all the project partners. The survey was distributed via email directly to the companies with an invitation to participate in the survey. The survey was originally designed in English and translated into Danish, German, Italian, Dutch, and Slovak, to increase the response rate. In Germany, the survey was completed by 116 respondents. The sample of the survey among the company representatives should not be treated as representative of country structures. Instead, the survey results should be perceived as a novel and complementary source to evidence collected via qualitative research methods.

Interviewees:

Finding interview partners has proven to be extraordinarily difficult. The combination of the Covid pandemic that resulted in a substantial increase of work from home in combination with federal elections and subsequent long coalition talks made it very difficult to find appropriate candidates. Response rates were extraordinarily low, and interviews were often only possible through personal contacts. Interviewees sometimes told us that “this is the worst possible time to conduct such a project” since everyone in the public policy field was busy with the election and coalition talks.

Interviewee 1: union representative

Interviewee 2: representative of a trade association

Interviewee 3: union representative

Interviewee 4: employer association

Interviewee 5: employer association

Interviewee 6: representative of a trade association

Interviewee 7: employer association

Interviewee 8: representative of a trade association

Interviewee 9: employer association

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