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SMEs in the crisis: Employment, Industrial Relations and local partnership

The case of Germany

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Content

Abstract

To date research results have only provided initial insights into the effects of the global and financial crisis on SMEs in Germany. Especially in sectors strongly affected by the crisis, i.e. export-oriented industries and manufacturing, comparatively high employment levels have been maintained by adopting short-time working schemes and other measures. Whilst the government and social partners have set up initiatives and taken action to help SMEs at the regional or national level, constructive solutions have also been presented by collective bargaining partners.

1 Evolution of SMEs

1.1 Number of SMEs operating and size class (1-9, 10-49 and 50-249)

Data presented in Table 1 stems from the employment statistics of the Federal Employment Agency (Bundesagentur für Arbeit, BA). Please note that the available data refers to the size of establishments (and not enterprises). This trend data shows that around 80% of establishments employed 1 to 9 staff between 2006 and 2009. Another 15% of establishments employed 10 to 49 and nearly 4% of establishments employed 50 to 249 workers.

Table 1

Number of SMEs operating, size class (1-9, 10-49 and 50-249) in absolute numbers and share in the national economy
Around 80% of German establishments employ less than 10 employees.

	2006		2007		2008		2009	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
1-9	1,637,020	80.71	1,653,759	80.59	1,660,200	80.33	1,668,627	80.30
10-49	306,696	15.12	311,505	15.18	317,018	15.34	321,090	15.45
50-249	71,844	3.54	73,890	3.60	76,165	3.69	75,260	3.62

Source: BA data referring to number of establishments on the reporting date 30 June 2006 to 2009.

1.2 SMEs: Estimated share of employment by size class and economic activity

Employment figures by establishment size are also available from the BA dataset, which only covers employees liable to social security contributions. Looking at the absolute figures, employment decreased in establishments with 50 to 249 employees between 2008 and 2009. In this period, the number of employees liable to social security contributions fell from 7,623,548 to 7,507,284.

Table 2

Estimated share of employment by size class 2006 to 2009 Around 2/3 of employees liable to social security contributions work in SMEs.								
	2006		**2007**		**2008**		**2009**	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
1-9	4,729,812	17.95	4,768,792	17.76	4,793,181	17.46	4,821,214	17.61
10-49	6,137,469	23.29	6,248,794	23.27	6,372,828	23.21	6,452,000	23.56
50-249	7,184,942	27.26	7,399,448	27.55	7,623,548	27.76	7,507,284	27.42

Source: BA data referring to the reporting date 30 June 2006 to 2009.

The company register also provides insights into employment in the single sectors. Figures are in this case available for companies with qualifying turnovers and their employees liable to social security contributions. Due to the different methods of collecting data, figures from the company register differ from the BA data. As Table 3 indicates, most employees liable to social security contributions are employed in manufacturing, trade and repair of motor vehicles and in health and social work in SMEs with 0 to 249 staff.

Table 3

Companies and employees by sectors in 2006*								
	Total		**0-9**		**10-49**		**50-249**	
Nace section	**Companies**	**Employees**	**Companies**	**Employees**	**Companies**	**Employees**	**Companies**	**Employees**
B	2,640	80,146	1,970	4,222	538	11,223	112	11,140
C	270,277	6,550,660	206,125	399,221	45,365	960,439	14,989	1,583,707
D	15,666	238,743	14,545	3,242	532	12,811	421	43,181
E	13,549	229,642	10,206	18,198	2,440	52,744	773	75,051
F	382,736	1,487,728	348,204	561,443	31,636	566,519	2,705	241,239
G	737,182	3,926,231	679,892	838,635	48,156	924,193	7,772	742,615
H	128,431	1,311,515	111,286	156,631	14,043	282,296	2,643	257,547
I	270,864	743,387	258,308	277,954	11,011	208,772	1,393	125,727
J	125,329	831,458	115,945	90,019	7,223	148,380	1,772	179,828
K	60,025	1,034,641	55,944	66,350	1,982	44,434	1,330	158,678
L	297,423	227,245	294,048	83,205	2,838	54,980	472	43,844
M	459,606	1,335,217	436,380	409,852	20,329	370,457	2,490	248,056

Companies and employees by sectors in 2006*								
	Total		0-9		10-49		50-249	
N	158,070	1,481,489	142,565	152,726	10,630	228,587	3,998	428,071
P	68,628	783,585	58,187	92,237	8,568	161,621	1,496	152,607
Q	229,921	3,039,102	199,749	578,084	21,625	435,846	6,860	687,578
R	97,340	193,130	94,616	52,483	2,183	41,691	442	45,849
S	233,553	866,984	222,958	243,932	8,537	160,114	1,715	174,063
Total	3,551,240	24,360,903	3,250,928	4,028,434	237,636	4,665,107	51,383	5,198,781

**Includes companies with employees liable to social security contributions and/or qualifying turnovers from the NACE sections: B = Mining and quarrying, C = Manufacturing, D = Energy, E = Water supply, waste disposal etc., F = Construction, G = Trade and repair of motor vehicles, H =Transport and storage, I = Hotels and restaurants, J = Information and communication, K = Financial services and insurance, L= Real estate and renting, M = Academic or technical, freelance activities, N = Other business activities, P = Education, Q = Health and social work, R = Recreational, cultural and sporting activities, S = Other services*

Source: Company register (Unternehmensregister) as of reporting date 31 December 2008

The number of employees liable to social security contributions and working in SMEs rose from 13,892,322 in 2006 to 14,182,583 in 2007. More recent data is not yet available.

Table 4

Companies and employees by sectors in 2007*								
	Total		0-9		10-49		50-249	
Nace section	**Companies**	**Employees**	**Companies**	**Employees**	**Companies**	**Employees**	**Companies**	**Employees**
B	2,559	76,600	1,902	3,891	523	10,779	112	11,084
C	268,451	6,612,627	203,609	394,680	45,672	971,596	15,269	1,618,752
D	19,451	244,168	18,258	3,928	586	14,455	436	45,989
E	13,484	221,268	10,170	18,027	2,467	52,930	729	72,302
F	383,564	1,468,641	349,863	551,320	30,805	554,970	2,687	240,714
G	733,772	4,027,392	675,287	837,020	49,030	945,828	8,037	771,666
H	129,388	1,367,016	111,636	160,123	14,435	292,199	2,830	273,810
I	268,347	769,989	255,202	281,572	11,511	218,115	1,473	134,857

Companies and employees by sectors in 2007*								
	Total		0-9		10-49		50-249	
J	132,486	837,366	122,549	96,054	7,642	156,306	1,904	189,234
K	67,182	1,033,383	62,929	71,435	2,123	46,907	1,366	161,573
L	302,211	225,292	298,760	85,559	2,902	56,256	487	44,855
M	471,155	1,395,194	447,132	417,355	20,885	383,655	2,710	269,366
N	160,749	1,643,418	144,117	158,434	11,310	242,045	4,304	454,403
P	69,646	802,964	59,169	93,324	8,574	163,153	1,513	154,009
Q	231,381	3,114,264	200,319	578,677	22,281	448,858	7,034	705,440
R	100,603	192,690	97,808	54,424	2,243	43,056	455	46,776
S	236,836	856,631	226,175	242,998	8,614	162,089	1,731	175,735
Total	3,591,265	24,888,903	3,284,885	4,048,821	241,603	4,763,197	53,077	5,370,565

**Includes companies with employees liable to social security contributions and/or qualifying turnovers in the following NACE sections: B = Mining and quarrying, C = Manufacturing, D = Energy, E = Water supply, waste disposal etc,, F = Construction, G = Trade and repair of motor vehicles, H =Transport and storage, I = Hotels and restaurants, J = Information and communication, K = Financial services and insurance, L= Real estate and renting, M = Academic or technical, freelance activities, N = Other business activities, P = Education, Q = Health and social work, R = Recreational, cultural and sporting activities, S = Other services*

Source: Company register (Unternehmensregister) as of reporting date 30 September 2009

1.3 The crisis impact: Recent sectoral developments in SMEs

Figures from the IAB show that in 2009 8.8% of all establishments belonged to the most strongly affected sectors, i.e. manufacturing of consumer, industrial and capital goods (Hohendanner, 2010). They employed 21.5% of employees liable to social security contributions. In contrast, over 70% of establishments with more than two thirds of employees liable to social security contributions did business in the services sector, which was less affected by the economic crisis.

Several cost-cutting measures, such as the reduction or expansion of working time accounts, new schemes for paid leave, and cuts in benefits and pay, have helped to spare the German labour market a steep decline in employment (Dribbusch, 2009). The introduction of short-time work has also contributed to this development (Vogel, 2009/Stettes, 2009).

The IAB Establishment Panel (IAB-Betriebspanel) covers around 16,000 establishments and conducts a survey at regular intervals in establishments with more than five employees. Its data allows an analysis of the prevalence of short-time work, e.g. for the recession years 2003 and 2009. As indicated in Table 5, short-time work was more prevalent in 2009. The use of this expedient also increased with establishment size, i.e. from 3% in establishments with 1 to 9 employees to 20% in establishments with 250 and more employees.

Table 5

Share of establishments using short-time work in 2003 and 2009
Short-time work was greatly expanded in 2009.

Establishments with … employees	2003 (in %)	2009 (in %)
1 to 9	2	3
10 to 49	4	7
50 to 249	5	15
250 and more	5	20
Total	2	5

Source: IAB Establishment Panel 2009, IAB analysis: 20 years after the reunification. A comparison of western and eastern German establishments in the year of crisis 2009

Looking at the variation in use between sectors, the IAB analysis indicates that, at 17%, short-time work was most often applied in manufacturing, followed by construction (12%), transport and storage (7%), mining, energy, water supply and waste disposal (6%), information and communication (4%), other business activities (4%), trade and repair of motor vehicles (2%) and agriculture, forestry and fishing (1%). The study does not offer a further breakdown of the sectoral data by establishment size.

1.4 Types of contractual arrangements used for the workforce

In another short analysis, the IAB looked at the development of workers' employment contracts and companies' human resources policies during the crisis (Hohendanner, 2010). Table 6 illustrates the changes that took place between 2008 and 2009. Only in establishments with 1 to 10 employees did the share of newly concluded fixed-term contracts stay unchanged (at 25%) in the first half of 2009. This may be because the thresholds for redundancies are lower in these establishments.

In the first half of 2009 establishments with more than ten employees concluded an increasing share of fixed-term contracts. The IAB analysis notes that fixed-term contracts were used to avoid the higher costs associated with dismissing employees with permanent contracts.

Table 6

Share of newly concluded fixed-term contracts A rising share of fixed-term contracts were concluded in the first half of 2009.		
	First half of 2008 (in %)	**First half of 2009 (in %)**
1 to 10	25	25
11 to 49	41	44
50 to 249	49	59
250 plus	60	67

Source: IAB Establishment Panel, IAB short analysis No. 14/2010 entitled:

Fixed-term employment contracts in times of economic downturn and upswing

Table 7 completes the picture: not only rose the share of fixed-term contracts concluded in the first half of 2009, but also fewer fixed-term contracts were changed into permanent ones. Between 2008 and 2009, the strongest decline was seen in the manufacturing of consumer, industrial and capital goods sector. As was to be expected, establishments in the worst affected sectors tended to employ more staff on a fixed-term basis due to economic uncertainties. Interestingly enough, these sectors were also characterised by the highest numbers of employees giving notice. Therefore, the analysis concludes that the negative effects of the economic crisis were not borne solely by employees with fixed-term contracts. However, please note that this data is derived from the IAB Establishment Panel, which only captures changes within a single establishment. This means that employees with a fixed-term contract who succeeded in securing a permanent contract with another employer are not shown by the data.

Table 7

Fixed-term contracts being changed into permanent contracts Fewer employees with fixed-term contracts were asked to stay on a permanent basis in the first half of 2009.		
	First half of 2008 (in %)	**First half of 2009 (in %)**
1 to 10	58	47
11 to 49	64	53
50 to 249	48	44
250 plus	47	40

Source: IAB short analysis No. 14/2010 entitled: Fixed-term employment contracts in times of economic downturn and upswing

1.5 Common work organisation in SMEs

The Federal Statistical Office (Statistisches Bundesamt Deutschland, destatis) offers the following insights: In October 2006, monthly working hours for employees working in a company with 10 to 49 staff amounted to 171.6 hours. Monthly hours decreased with the size of the company in 2006: 170.31 hours in companies with 50 to 99 employees, 169.14 hours in companies with 100 to 249 employees, 167.20 hours in companies with 250 to 499 staff, 165.76 hours in companies with 500 to 999 workers and 163.42 hours in companies with 1,000 employees and more. The same holds true to paid extra hours which amounted to 3.31 hours per month in companies with 10 to 49 staff, 3.74 hours in companies with 50 to 99 staff, 3.5 hours in companies with 100 to 249 employees, 3.03 hours in companies with 250 to 499 workers, 3.01 hours in companies with 500 to 999 employees and 2.32 hours in companies with 1000 or more workers.

1.6 SMEs involved in networks of enterprises

To our knowledge, there is no overview available which would allow for a general assessment of SMEs' involvement in networks of enterprises.

2 Government action for SMEs to weather the crisis

The federal government is currently using several measures to support SMEs. In March 2009 it passed a third law to relieve the burden on SMEs (*Dritte Mittelstandsentlastungsgesetz*, MEG III). The law sought to reduce the burden of red tape. The Federal Ministry for Economics and Technology (Bundesministerium für Wirtschaft und Technologie, BMWi) also supports the following measures that affect SMEs:

1. To avoid a credit crunch, a special fund, called 'Economy fund – Germany' (*Wirtschaftsfond Deutschland*), has been set up. The fund contains a total of € 115 billion to be used for loans or loan guarantees. The ministry announced that 16,471 applicants were granted around € 13.5 billion by the end of July 2010. Around € 7.2 billion, were spent on medium-sized companies . Please note that SMEs are in Germany usually defined as companies with less than 500 employees.

2. Greater information on foreign markets is to be provided in future by different actors and programmes.

3. The federal government has appointed a mediator to help SMEs with their credit problems.

4. SMEs are supported in their research and development (R&D) activities to foster innovation and long-term growth. The government has increased the funding of a research initiative called the Central Innovation Programme for SMEs (*Zentrales Inno-*

vationsprogramm Mittelstand, ZIM) by € 1.5 billion for 2009 and 2010. At the beginning of September 2010, BMWi presented new evaluation results on the programme provided by the two research institutes Fraunhofer ISI and GIB *Gesellschaft für Innovationsforschung*. Their analysis shows that by 30 June 2010, 13,899 applications were submitted to the programme. All in all, 8,795 approvals were made worth € 1.11 billions. The researchers concluded that the programme is wide spread amongst SMEs. Especially, small companies with up to 10 or 10 to 49 employees profited from the programme. This means, that about 75% of the grants went to these companies.

5. SMEs are supported in their efforts to train and secure skilled labour for the future. The federal government seeks to prolong the Pact on Apprenticeships (*Ausbildungspakt*) beyond 2010.

Other national measures include various short-time working schemes. The government has also prolonged the regular entitlement period for short-time working allowances granted due to a temporary shortfall in orders from six months first to 18 and finally to 24 months for the duration of the crisis (Vogel, 2009).

3 Recent developments of social dialogue in SMEs

3.1. Evolution / recent developments in social dialogue

SMEs are organised in different organisations. The umbrella organisations whose members also conduct collective bargaining are the Confederation of the German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA) and the German Confederation of Skilled Crafts (Zentralverband des Deutschen Handwerks, ZDH).

Other social partners not engaged in collective bargaining but also representing SMEs are trade and business associations such as the German Confederation of Small and Medium-Sized Enterprises (Bundesvereinigung mittelständische Wirtschaft, BVMW) and the Association of German Chambers of Industry and Commerce (Deutscher Industrie- und Handelskammertag).

In this section, I will focus on developments in collective bargaining. As shown in Table 8, the collective bargaining coverage of western German establishments remained stable for establishments with 1 to 9 employees. A rising share of establishments with 10 to 49 or 50 to 199 employees was covered by sectoral collective or company-level agreements in 2009. Only in establishments with 200 to 499, were fewer establishments covered by sectoral collective agreements in 2009 than in 2007.

Table 8

Collective bargaining coverage by establishment size, 2007 and 2009 (%)								
	Share of establishments in western Germany covered by …				Share of establishments in eastern Germany covered by …			
	Sectoral collective agreement		Company-level agreement		Sectoral collective agreement		Company-level agreement	
	2007	2009	2007	2009	2007	2009	2007	2009
1-9	30	30	2	2	16	16	3	2
10-49	46	48	4	5	28	27	7	8
50-199	54	56	8	9	44	46	14	12
200-499	68	64	12	12	54	51	20	19
500 and more	77	75	10	13	68	60	22	28
All	36	36	3	3	20	19	4	4

Source: IAB Establishment Panel 2007 and 2009

The picture is somewhat different for establishments in eastern Germany. For establishments with 10 to 49 employees, collective bargaining coverage for sectoral collective agreements decreased slightly from 28% in 2007 to 27% in 2009. However, the share for company-level agreements increased at the same time. The share of establishments with 50 to 199 workers covered by a company-level agreement decreased by 2%, but rose by 2% sectoral collective agreements. Only in the 200-to-499-employee category were fewer establishments covered by a sectoral collective or a company-level agreement in 2009 than in 2007.

3.2 Social partners' actions and initiatives to support SMEs in the crisis

As the data from the IAB study in Table 5 show, 15% of establishments with 50 to 249 employees had used short-time work in 2009. This compares to only 5% in the recession year 2003. Short-time working schemes were also considered by social partners, to help SMEs through the crisis. For example, the North-Rhine Westphalian branch of the German Metalworkers' Union (Industriegewerkschaft Metall, IG Metall) and the North-Rhine Westphalia Employer Association for the Metal and Electrical Industry (Verband der Metall- und Elektroindustrie Nordrhein-Westfalen, Metall NRW) concluded an agreement called 'Future in work' (*Zukunft in Arbeit*, ZiA) in February 2010. It should be noted that, Metall NRW states that nearly 70% of the member companies in its affiliated associations that are covered by a collective agreement have less than 200 employees.

Moreover, 90% of member companies in its affiliated organisations that are not bound by a collective agreement have also less than 200 employees.

The mentioned agreement allows an extension of the duration of short-time work to 24 months in those establishments that have already implemented short-time work for at least 12 months. In such cases, a voluntary company agreement must be concluded. In this period, an establishment is not allowed to make redundancies on the same grounds as for conducting short-time working. ZiA covers around 700,000 employees. The package also includes a pay agreement with moderate wage increases and lump sum payments and another agreement on training. They run until spring 2012 (Krämer, 2010a/ Dribbusch, 2010b).

In March 2010, representatives of the federal government and the umbrella organisations of German business, i.e. the BDA, DIHK, ZDH and the Federation of German Industries (Bundesverband der Deutschen Industrie, BDI), met with umbrella organisations of German banking institutions for talks in Munich. In a joint final statement, the participants addressed pressing issues and the need for future action . To avoid a credit crunch, companies are to be kept better informed about existing credit and mediation facilities. For example, in 2010 the regional chambers of commerce and the guilds want to conduct 70,000 and 140,000 talks respectively to prepare local companies better for their presentations and negotiations with banks. On 6 May 2010, the DIHK staged a national day of action, offering companies advice in many different forms. Further examples are presented in section 4.2.

3.3 Level and development of SME membership in employer organisations

No data are available on the share of SMEs in the membership of employer organisations. The BDA represents firms of every size. Given the structure of the German economy, which mainly consists of SMEs, SMEs should also constitute an overwhelming share of the BDA membership. The same applies to the ZDH.

3.4 Level and development of union membership in SMEs since 2006

In their study, Biebler and Lesch (2006) presented net union densities for different establishment sizes. According to this data, net union density rises with establishment size.

Table 9

Net union density in western Germany by establishment size (%) Net union density grows with establishment size.		
Establishments with … employees	**1994**	**2004**
1 to 9	12.5	7.6
10 to 49	17.5	14.6
50 to 199	22.4	24.9
200 to 499	38.8	23.7
500 to 1,999	38.2	32.3
2,000 and more	40.0	33.7

Source: ALLBUS and IW as reported by Biebler and Lesch in their 2006 study “Membership structure in unions in Germany”

Table 10 makes clear that the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB) is faced with declining membership (Dribbusch, 2010a).

Table 10

Trade union membership 2005 to 2009		
	DGB	**dbb**
2005	6,778,429	1,275,420
2006	6,585,774	1,276,330
2007	6,441,045	1,278,435
2008	6,371,475	1,280,802
2009	6,264,923	1,282,620

Source: DGB, dbb

However, membership levels in the German Civil Service Association (Deutscher Beamtenbund, dbb) have risen in recent years. The third largest union umbrella organisation is the Confederation of Christian Trade Unions (Christlicher Gewerkschaftsbund Deutschlands, CGB) which claims to represent over 280,000 members.

As well as the public sector, those sectors dominated by formerly state-owned companies, such as railways, telecommunications and postal services, are also union strongholds. Unions face special problems organising in certain private services sectors characterised by a huge number of small workplaces. For example, union density is comparatively low in the private security industry (Dribbusch, 2010c).

3.5 Employee representation at company level (by firm size)

As the data from the European Company Survey 2009 (ECS 2009) in Table 11 show, 36% of firms with 10 to 19 employees have a works council. The same applies to 73% and 93% of firms with 50 to 249 workers and over 250 staff respectively. The likelihood of finding an established health and safety committee or representative also rises with firm size.

Table 11

Incidence of different types of employee representation by firm size in percent				
Type of representation	**Size**	**Yes**	**No**	**Total**
Works council	**10 to 19**	36	64	100
	20 to 49	51	49	100
	50 to 249	73	27	100
	250 plus	93	7	100
Health and Safety representative or committee	**10 to 19**	68	32	100
	20 to 49	86	13	100
	50 to 249	92	8	100
	250 plus	97	3	100

Source: Eurofound European Company Survey, the unit of observation is a single unit enterprises.

The ECS 2009 data is complemented by figures from the IAB Establishment Panel. The IAB also indicates that the share of existing works councils rises with establishment size. Concerning the latest developments, two features of Table 12 are worthy of note:

1. In western Germany, the share of establishments with a works council remained stable between 2007 and 2009. Decreases occurred in establishments with 51 to 100 employees (from 39% in 2007 to 37% in 2009) and with 501 or more staff (from 90% in 2007 to 89% in 2009). The situation in eastern Germany is a little more complex. Here, the share of establishments with a works council rose from 6% to 7% and from 85% to 90% in establishments with 5 to 50 and with 501 and more employees respectively. Lower shares were, however, reported for establishments with 51 to 100, 101 to 199 and 200 to 500 workers in 2009.

2. Whilst no information on other forms of employee representation, such as round tables or staff spokesperson, is so far available for 2009, it is nonetheless of importance that such forms exist, as shown in Table 12.

Table 12

Prevalence of works councils and other forms of employee representation (%)					
Type of representation	**Size**	**Western Germany**		**Eastern Germany**	
		2007	**2009**	**2007**	**2009**
Works councils	**5 to 50**	6	6	6	7
	51 to 100	39	37	38	36
	101 to 199	64	64	60	57
	200 to 500	79	79	74	70
	501 plus	90	89	85	90
	Total	10	10	10	10
Other forms of employee representation	**5 to 50**	9	n.a.	4	n.a.
	51 to 100	14	n.a.	7	n.a.
	101 to 199	11	n.a.	6	n.a.
	200 to 500	11	n.a.	12	n.a.
	501 plus	10	n.a.	13	n.a.
	Total	9	n.a.	4	n.a.

Source: IAB Establishment Panel 2007 and 2009

Note: Establishments in the private sector with five or more employees (excluding those in agriculture and non-profit sectors)

4 General information on local partnership in SMEs

4.1 Background and overview

To our knowledge, there is no overview available, which would allow for a general assessment of SMEs' involvement in local partnerships.

4.2 Two case studies of SMEs local partnerships aimed at maintaining employment levels or job creation during the crisis

Below I present two examples of local partnerships that seek to safeguard employment in SMEs or industries characterised by a high share of SMEs.

HessenTransfer

In April 2010, the Hessian branch of the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund Hessen, DGB Hessen), the Confederation of Hessian Employers' Associations (Vereinigung der hessischen Unternehmerverbände, VhU), the Ministry for Labour, Family and Health (Hessisches Ministerium für Arbeit, Familie und Gesundheit, HMAFG) of the central German State of Hesse and the BA set up an initiative called 'HessenTransfer' (Vogel, 2010).

In their joint press statement from 8 April 2010, the initiative partners stressed that Hessian companies had suffered from the financial crisis and the subsequent economic recession. Though short-time work was used in many companies, the social partners wanted to give further support to Hessian companies, especially SMEs. The latter were often unfamiliar with public measures or lacked the funds to exploit them.

The initiative therefore offers advice and practical help on how to deal with their labour surpluses in times of economic hardship. HessenTransfer promotes the use of existing labour market instruments and helps SMEs to set up their own, or co-operate with an existing, transitional employment agency (*Transferagentur*) or transitional company (*Transfergesellschaft*). In the case of a transitional employment agency, the agency tries to place employees who are threatened by unemployment, but still employed with their (old) company, in a new position outside the company. In the case of a transitional company, employees are offered a new fixed-term contract with a transitional company after their contracts with their old employer have terminated. The transitional company then tries to place them in new jobs.

The BA and the company which is endeavouring to restructure jointly finance these measures. Workers employed in a transitional company are entitled to the transitional short-time working allowance by the BA. This amounts to 60% or 67% of the employee's former net wage (for a maximum of 12 months). The old employer must still pay the social security contributions of its former employee, the accumulated administrative and consulting costs of the transitional employment agency or transitional company and any costs incurred for further training courses.

To publicise these measures, regional meetings inform Hessian SMEs about the relevant legislation. Experts explain the transitional employment instruments, the legal framework and provide practical examples. Representatives from government departments or the local employment agency also take part in these meetings. An assessment of the outcomes of this initiative is not yet available.

Local collective staffing pool in the metal and electrical industry in the Ruhr region

At the end of 2009, the Employers' Association of the Ruhr Region (Arbeitgeber Ruhr) and the North-Rhine Westphalian branch of the German Metalworkers' Union (Industriegewerkschaft Metall, IG Metall) concluded a collective agreement for workers in the metal and electrical industry (Krämer, 2010b). This agreement provides for a staffing pool for manufacturers.

Under certain circumstances, workers can be temporarily assigned by establishments with a temporary surplus of labour to other establishments that are looking for workers. In this way, layoffs in companies adversely affected by the economic crisis can be avoided. At the same time, companies not affected by the downturn can rely on a pool of trained staff, e.g. to cope with a high order volume. The works councils of the sending and the receiving establishments must agree to such temporary assignments. Different rules apply to different groups of employees.

Employers' organisations in the metal and electrical industry or in related industries that are members of *Arbeitgeber Ruhr* are bound by this agreement. However, other companies can become parties to, and implement, the agreement after joining the Ruhr employers' association. The agreement covers around 350 businesses with up to 70,000 workers. The metal and electrical industry is characterised by a high number of small and medium-sized enterprises.

An initial assessment of the agreement has already been published. On 26 July 2010, the chairpersons of the five employers' organisation affiliated to Arbeitgeber Ruhr reported that many companies had been interested in the staffing pool. Two informative meetings had been held and representatives of 200 companies had attended. However, in the end only 10 companies had registered with the database and only two companies had used the staffing pool. The chairpersons concluded that employers had not had to use the pool because they had tried to overcome the crisis by introducing short-time work in their companies. They expected that short-time work would have been reduced by 90% by the end of 2010 and that there would be no further need for a staffing pool.

5 Social partners' views on employment, organisational trends and measures available to help SMEs to weather the crisis

On 13 August 2010, DGB board member Mr Claus Matecki commented on the latest economic developments . Figures published by destatis show that in the second quarter the German economy grew by 2.2% in comparison with the first quarter of 2010. Whilst the economy was recovering from the global economic crisis, Mr Matecki emphasised that the positive trend was the result of export-oriented industries profiting from Asian and Arab economic stimulus packages.

However, private consumption was still low due to stagnating pay levels and a growing proportion of low wage earners. Mr Matecki called for a strengthening of the German domestic market. This could be done by introducing minimum wages and a great expansion of public investment in infrastructure and the educational and social security systems. Such measures could also help to stimulate economic growth. In other press statements (published on 12 July and 4 June 2010) the union IG BAU similarly stressed that public spending on housing projects in German cities should not be drastically cut since only with these projects could employers in the skilled trades and construction sector recover from the economic crisis.

In a position paper, the BVMW has described the 3.3 million SMEs in Germany as the backbone of the German economy (BVMW, 2009). Concerning future steps, the federation calls for taxation to be simplified and eased in certain areas. Similarly, the BVMW wants red tape reduced in many ways, e.g. by exempting companies with up to 20 employees from statistical reporting obligations.

In view of the current financial and economic crisis, the federation also emphasises the need for a functioning capital market. When loans and credit facilities are granted, SMEs should be considered on equal terms with banks and huge companies. Concerning employment in SMEs, the BVMW warns of a future shortage of skilled labour and calls for a flexibilisation of labour law. In this context, the association also advocates greater integration of SMEs into research programmes and subsidies for SMEs' R&D activities. Only in this way can companies stay competitive in a global market. Finally, public funds should be invested in infrastructure projects in order to stimulate orders in the skilled trades and the construction sector.

6 Commentary

Please outline your views and comments on the issue of SMEs, local partnerships and responses to the economic crisis. Please also include any other relevant issues that have not been covered by this questionnaire.

Initial research results indicate that SMEs are affected by the global economic crisis to varying degrees. Whilst many export-oriented industries have seen a steep decline in their order volumes, other businesses have fared comparatively well. Short-time work and other measures, such as the reduction of hours banked in working time accounts and a greater use of fixed-term contracts, in establishments with 11 or more employees have so far helped to maintain employment in SMEs.

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Annex – Final Questionnaire for Eiro-Car SMEs in the crisis: Employment, Industrial Relations and local partnership

Aims of the CAR

The overall aim of this CAR is to present information across the EU Member States about the current situation in SMEs, relating particularly to trends in the level of employment and the structure of SMEs, and to identify various actions and measures implemented to help SMEs during the crisis.

The CAR would also aim to outline the impact of the recent crisis on SMEs, which are likely to have found it more difficult to weather the effects of the recession than larger companies. The CAR will present an overview of measures to help SMEs that have been implemented by national governments and will include information on the role of the banks, particularly in terms of granting access to credit, which is an important consideration for SMEs. When available, the assessment of the effectiveness of these measures should also be analysed.

The CAR will identify recent developments in the area of interest representation in SMEs, including all aspects of collective organisation and social dialogue. It would aim to build, where appropriate, on the findings of the two CARs already carried out on industrial relations and employment relations in SMEs (see below). Overall, as stated above, trade unions are less likely to play a significant role in SMEs than they do in larger companies. However, the CAR will attempt to explore all kinds of interest representation and will also look at the role played by social dialogue in helping SMEs to face the consequences of the crisis.

Furthermore, the CAR should enable an assessment of the relevance of local partnership in supporting SME development and job creation. National correspondents will be requested to give evidence of cases of local partnership, including local and regional networks with other companies and other organisations such as public institutions, research and development bodies and social partner organisations. The focus will be on partnerships that have managed to maintain the level of employment in SMEs. The role of the social partners in these partnerships should be a particular focus.

Finally, the CAR will map the positions of the social partners and explore the views of the national centres on these topics.

Questionnaire

The accompanying questionnaire seeks information from national EIRO correspondents on a number of key themes, including:

- general information on the presence and operation of SMEs
- levels of employment in SMEs and any structural changes that have taken place since 2007
- measures that the government has taken to help SMEs to withstand the crisis
- interest representation in SMEs, including any social dialogue initiatives that have taken place, if these exist
- successful cases of local partnership in terms of maintaining employment
- views from the social partners

Block 1: Please provide general information about the evolution of SMEs in your country, focusing on:

In order to answer the following questions, please use secondary statistics, any specific or ad-hoc surveys, as well as qualitative information. Please outline any major trends regarding the operation of SMEs or the functioning of their workforce that have taken place since 2007 (consider the aspects mentioned below), including the impact of the economic crisis.

Question 1.1: the number of SMEs operating, size class (1-9, 10-49 and 50-249) in absolute numbers and share in the national economy; number of SMEs operating, size class (1-9, 10-49 and 50-249) in absolute numbers and share in the national economy

Question 1.2: their estimated share of employment by size class and economic activity (NACE 1 digit) – Please provide one table for each NACE code and the whole economy.

Question 1.3: recent developments in SMEs in those sectors where they have been more affected by the crisis (major restructuring, new technologies, big job losses, etc.)

Question 1.4: types of contractual arrangements used for the workforce: for example, the ratio of standard (open-ended, full time contract) / atypical (long fixed-term, long part-time, temporary agency work) / very atypical (fixed-term contracts of under 6 months, part-time contracts of under 10 hours a week, on call working, work without a contract) per size of enterprises (1-9, 10-49 and 50-249).

Question 1.5: the type of work organisation that is common in SMEs. This could include working patterns, shift work, flexible working, remote working, and could also look at whether subcontracting is a widespread practice. The information should be provided per size class and in comparison with companies having more than 249 employees.. Differences between economic activities should be taken into account.

Questions 1.6: How far are SMEs involved in networks of enterprises? Please provide information by size of company and sector as far as possible.

Block 2: Has your government undertaken any targeted measures to help SMEs to weather the crisis?

If yes, which ones:

- financial measures (access to credit/loans, provision of direct subsidies/credits)
- commercial opportunities (help with finding new markets, help with exports)
- support through the provision of consultants or other help
- simplification of administrative processes (i.e.: cutting red tape, simplification of hiring and dismissal rules)
- supporting job creation, (for instance, through reducing labour taxes)
- enabling temporary reductions in staff levels or in the overall working time of the workforce (temporary short-time working), eg through financial subsidy
- support for training
- other measures targeted at SMEs

Please also indicate whether the measures were 1) targeted to and/or 2) accessible and/or 3) actually taken up by SMEs. Please also indicate whether this referred to specific size classes of SMEs, or whether there was any sectoral or other demarcation.

Block 3: Please provide information on recent developments of social dialogue in SMEs, taking into account the employee representation arrangements in SMEs in your country.

Question 3.1.Please detail the evolution / recent developments in social dialogue with regard to SMEs and their employees (new agreements, new interest organisations and employee representations, etc.). Also, specify the relevant social partners.

Question 3.2: Please list any particular actions or initiatives that social partners have taken to support SMEs in the crisis or initiatives coming from the social dialogue.

Question 3.3 What proportion of SMEs are members of employers' organisations, and has this proportion changed since 2006?

Question 3.4 What is the level of union membership in SMEs, and how has this changed since 2006? What are the sectors of relative union strength and weakness?

Question 3.5 Please report on the existence and type of employee representation at company level, broken down by firm size.
Please insert the table on the incidence and type of employee representation by company size from the European Company Survey and comment on the figures, and/or

supplement it with further national data (also regarding the firm size 1-10 employees). If there is diverging information in your country about percentages of companies with trade union presence, with work councils and employee representatives please include it here and comment on the differences. If possible provide the information by company size 1-9, 10-49, 50-249.

Block 4: Please provide general information on local partnership in your country and describe two cases of SME local partnerships with a social dialogue aspect aimed at maintaining employment levels or supporting job creation during the crisis. These could include cases of sectoral, regional or local networks with other SMEs, or partnerships with public institutions, research and development bodies and social partner organisations. Please note that the focus should be on the social dialogue aspects of local partnerships.

Question 4.1: Background information: Before describing the cases, please briefly provide information about the importance of local partnerships in your country: What are the main characteristics? Are they new developments because of the crisis? If so explain the goals and what the new patterns are. Are SMEs normally involved in local partnerships? And are social partners usually involved?

Question 4.2: Describe two case studies of SMEs local partnerships aimed at maintaining employment levels or job creation during the crisis, focusing on the social dialogue aspect and the involvement of the social partners.
The cases selected should include the involvement of social partners unilaterally or social dialogue. Please try to answer – where possible – each of the bullet points separately.

- Type of measure – heading for the case
- Region, sector, types of companies involved, company size.
- Period of initial establishment of the partnership
- Actors involved in the local partnership
- What was the trigger for the specific action?
- Which specific actions have been taken to maintain employment levels/support job creation during the crisis?
- What was the role of the social partners or social dialogue?
- To what extent has the initiative proven to be successful?
- Which governmental/social partner support measures/general policies deemed to be successful and crucial for the outcome?

Add any other relevant information you find interesting for the success of the case.

Block 5: What are the main views of the social partners in your country regarding the functioning of SMEs in your country, the particular issues they face, the main employment and organisational trends in SMEs and the measures available to help them to weather the crisis.
Please provide views from employer and employee representatives.

Commentary by national correspondents:
Please outline your views and comments on the issue of SMEs, local partnerships and responses to the economic crisis. Please also include any other relevant issues that have not been covered by this questionnaire.