

Effects of Trust on the Preference for Decentralised Bargaining. An Empirical Study of Managers and Works Councillors

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1 Research questions and background

Does trust between works councils and managers effect their preferences for plant-level negotiations compared to industry-wide or multi-employer bargaining? This is the question our paper deals with. Currently in Germany quantitative working conditions (e.g. number of working hours and, above all, pay) are primarily negotiated at the supra-plant level (sectoral and supra-regional) between unions and employers' associations. With regards to the plant level the Works Constitution Act (of 1972) gives works councils enforceable codetermination and bargaining rights in social and personnel issues such as pay systems, working time and holidays. The results of such negotiations between works councils and management are documented in works agreements. But it is illegal for works agreements to deal with remuneration and other conditions of employment that have been or are normally fixed by collective agreement (except a collective agreement expressly authorising the making of supplementary works agreements). This is the current situation. However, in recent years there has been an increasing discussion on the decentralisation of bargaining - a shift of bargaining from the supra-plant and collective level to the plant level. Critics of the German "multi-employer collective bargaining agreement system" regard the supra-plant negotiation of wages, working hours, etc. by unions and employer associations as inflexible (cf. Zohlhöfer 1996; Berthold and Stelles 2001; Schnabel 2003; 2006). According to this position, multi-employer collective bargaining agreements should, at most, encompass framework regulations, because through decentralised bargaining better consideration would be given to company-specific circumstances, which, in turn, would increase efficiency. Some demands call for multi-employer bargaining agreements to be completely replaced by works or plant agreements (cf. Bispinck 2004). Interestingly, we know very little of the preferences of the central actors responsible for bargaining at the plant level, in particular, works councils and human resource managers. This is surprising because a clear break from the multi-employer bargaining system would mean they would have to bear the entire positive but also the negative consequences. One of our main theoretical assumptions here is, that the preference for plant-level bargaining is influenced by the level of trust between the bargaining parties. To put it simple: Low (mutual) trust has a positive effect on a preference for industry- or sector-wide bargaining; a high level of (mutual) trust furthers a positive preference for plant-level bargaining. To test these assumptions we draw on data from a questionnaire study about the opinions of 1,000 managers and 1,000 works councillors involved in joint bargaining relations regarding their position vis-à-vis decentralised bargaining. We also measured the mutual trust of these protagonists using a well-tested trust scale. Specifically, we ask: How high or low is the *level* of trust, i.e. the extent of trust one places in the respective other bargaining party? How frequent are configurations of mutual mistrust, unilateral trust and mutual trust? How do the level of trust and trust

configurations *impact* on the preference for decentralised bargaining and a specific bargaining partner?

Our study draws on country-specific data, but it aims to answer a more general question by analysing the relationship between trust relations and bargaining processes at the plant level. Although the data refers to the German bargaining system, the research question and the results should be transferable to countries with different systems, particularly to countries with works councils, but also to other bargaining relationships, for example, to plant-level bargaining between unions and management or industry-level collective bargaining between unions and employer associations as well.

This paper is structured as follows: first, we sketch the state of (theoretical and empirical) research on trust relations between management boards and works councils as well as on preferences of these actors in terms of decentralised bargaining (Section 2). Subsequently, we formulate our hypotheses (Section 3). The data and the operationalisation of the variables are described in Section 4. The results of our analysis are described in Section 5. The paper concludes with a discussion of the findings and conclusions for further research (Section 6).

2 Previous research

Why does trust play such an important role in industrial relations (Fox 1974) and particularly in relationships between management boards and employee representatives? Trust can be of benefit to bargaining (Kerkhof et al. 2003). A high degree of trust in the other (corporate) party increases the probability of integrative bargaining and reduces the probability of distributive bargaining (Walton and McKersie 1965); the protagonists define their respective situation less as a zero-sum game and their willingness to compromise increases (cf. Butler 1995; Ross and LaCroix 1996; Kramer 1999). In turn, mutual trust between management boards and works councils should therefore also influence preferences as to whether working and pay conditions are negotiated at the plant level or, alternatively, at the supra-plant level – thereby effectively delegating bargaining and reducing the potential for conflict at the plant level. Our hypothesis is: When a high degree of mutual trust exists, both parties are likelier to show a preference towards the plant level, or at least demonstrate less preference for the supra-plant level.

Findings relating to trust *relations* (e.g. mutual trust, unilateral trust or mistrust) between management boards and works councils are rare. Kerkhof et al. (2003) used a shortened form of the Organizational Trust Inventory (Cummings and Bromiley 1996) in the Netherlands (in two surveys) to measure the degree of trust that over 300 works councils placed in their respective management boards. On a scale of 1 to 5 (high degree of trust = 5), both surveys produced a value of 3.3, with a standard deviation of 0.75 in the first and 0.69 in the second survey. These findings indicate a relatively high level of trust, but also quite considerable differences from company to company. The question remains open as to how management trust in works councils, and what impact this has on a preference for decentralised bargaining.

Only a few surveys explicitly deal with managers' preferences for decentralised bargaining, but these studies do not explain the causes for differences in the answers. Bahn Müller (2002) carried out a survey of managers and works councillors in three sectors that also addressed the fundamental evaluation of the multi-employer bargaining system. Only the results of companies bound to collective agreements were included in the report. 23% of managers believed there was no need for change, 60% that although the system had proven itself, changes were required, while 14% thought the system had not proven itself and bargaining should only take place at the plant or company level. Around 3% were of the opinion that only individual agreements should be concluded and that collective bargaining agreements should be done away with altogether. Thus, the proportion of managers who

believed the multi-employer bargaining system has proved successful consequently stood at 83%.

At a first look, and maybe not very surprisingly, members of works councils massively reject decentralisation of bargaining. This is repeatedly shown in surveys of works councils (see Bispinck 2005: 305). Only 12% of those interviewed believed that decentralised bargaining should be “welcomed”, while almost a third (30%) were “undecided” and 53% thought it would prove to be “generally problematic”. But if we take a closer look, we also see that the picture is not so clear: 49% thought that the works council would have more freedom of scope, and that through decentralised bargaining, circumstances at the respective company could be better taken into account (48%). In the Bahnmüller (2002: 409) survey, on the one hand 56% of works councillors believed the multi-employer bargaining system had proven itself and required no change, and only 4% thought the system had not proven itself and bargaining should take place at the plant, company or individual level. But on the other hand a sizable 40% thought it had proven itself but required changes.

In summary: First, there are no reliable results relating to the level and configuration of trust between management and works councils. Second, no study exists that *simultaneously* ascertains the preference for decentralised bargaining and other characteristics of both corporate bargaining parties within the same company. Third, the influence of trust on the preference for decentralised bargaining has not been investigated. This study aims to close these research gaps.

3 General theoretical ideas and hypothesis for further analysis

Our *general theoretical idea is simple*: The preference for decentralised bargaining is dependent on trust, and also on the objective situation of the company and the perceived consequences of decentralised bargaining.

3.1 Hypotheses on trust

Our main *hypothesis* is that each respective corporate party (management or works council) will take a more positive (or less negative) stance as regards decentralised bargaining if it deems the other party trustworthy. The less trust afforded to the other party, the lower the acceptance level of that party in terms of decentralised bargaining, that is, the more it will be rejected. In addition, we also anticipate that the preference for decentralised bargaining will be stronger in a situation in which both parties trust each other. Expressed in statistical terms, we expect both a main effect and an interaction with respect to trust. In a configuration characterised by trust, both sides should more likely to regard plant-level bargaining as a win-win situation. Contrastingly, a party that mistrusts the other respective party would focus more strongly on the relative benefits of supra-plant bargaining, for instance, the externalization of conflicts (or transaction costs) and be less inclined to support decentralised bargaining.

Primarily, our interest is focussed on the effects of trust; however, other potential influencing factors are also taken into account in the form of control variables.

Objective factors (like economic context or firm size) do not exert their assumed impact on both corporate parties to an equal extent and in the same direction. We hypothesize, that managers in a company experiencing an unfavourable *economic situation* would perceive the benefits of decentralised bargaining to a greater extent and, in such a situation, would more likely be in favour of decentralised bargaining. Conversely, the same economic situation could have the opposite effect on the position of a works council if it fears a greater level of decentralised bargaining could result in wage reductions and/or longer working hours. The effects of *company size* also require differentiation: in larger companies, the management position on decentralised bargaining is expected to be one of sceptical opposition for the reason that the savings effect of multi-employer collective bargaining

agreements in terms of bargaining costs is more relevant. Whereas even potential bargaining with individual employees is comparatively straightforward and not overly time-consuming in small enterprises, bargaining regimes that offer more comprehensive cover will generally prove less costly in larger companies. In the case of works councils, the impact could well be the same, but for a different reason. Works councils in large companies potentially have greater bargaining power and thus see themselves better equipped for a shift of bargaining to plant level. *The existence of a binding multi-employer collective agreement* could have a positive or negative effect on the preference for decentralised bargaining, depending on the experience with this type of regulation and the respective protagonist. The *degree of unionisation (of the works council)* can have a negative effect on the part of management because it may well shy away from getting involved in major conflicts with a highly organised and possibly confrontational works council. The effect of this particular variable on the works council is unclear given that it is difficult to interpret. On the one hand, higher unionisation is equated with greater bargaining power and consequently a positive effect on the preference for decentralised bargaining; on the other hand, higher unionisation reveals stronger alignment of union positions that could be accompanied by a negative effect, namely rejection of decentralised bargaining.

An important factor is the influence of the anticipated *consequences of decentralised bargaining*. Essentially, the assumption is that the more the protagonists associate positive consequences with decentralised bargaining, the greater will be the preference for decentralised bargaining.

4 Data and operationalisation

4.1 Data

In 2005, a *representative telephone survey* was carried out (by TNS EMNID) involving *1,000 personnel managers and 1,000 works councils* in as many companies, each with at least 100 employees. In each company, a management representative was identified and interviewed, namely the person who negotiated with the works council. Taking this person as a starting point, the interviewers also then questioned a member of the works council (responsible for bargaining with the management).

A random sample was drawn from the Hoppenstedt database and divided into four size categories (100-199, 200-499, 500-999, and 1,000 or more employees). The survey included all those companies with at least 100 employees from all sectors – with the exception of agriculture and forestry, the fishing industry, and the educational sector. Thus, our results are primarily representative of manufacturing companies as well as large companies with a works council.

4.2 Operationalisation of variables

4.2.1 Trust and trust relations

The following statements (drawing on a questionnaire of Kerkhof et al. 2003) were applied to measure perceived trust (here in the formulations used in relation to management trust in the works council):

- (1) The works council abides by agreements.
- (2) The management can rely on the works council if the company experiences a difficult situation.
- (3) The works council is trustworthy.
- (4) The works council deems the achievement of a mutual solution to be important when bargaining with the management.
- (5) The works council is open to management proposals.
- (6) All in all, the works council and management have a good relationship.

The trust the works councils placed in the managements was also analysed using the corresponding “reverse” formulations.

Factor analyses show a one factor solution for managers and for works councils as well (explained variance: 62% for managements and 63% for works councils). Cronbach’s Alpha was 0.88 for both scales. To ease interpretation, the *trust index* is structured in such a way that it adds the affirmative responses for each respective question. In addition, dichotomous variables have been established that can assume the values 0 (= low degree of trust) and 1 (= high degree of trust); whereby the limits by which “low” and “high” are determined have yet to be established. This point will be addressed later in the study.

Trust *relations* are conceptualised by cross-classifying management and works council trust variables, which logically results in four possible combinations: a mutual low degree of trust, unilateral trust on the part of the works council, unilateral trust on the part of the management, and a high degree of mutual trust.

4.2.2 Position in terms of decentralised bargaining

Positions in terms of decentralised bargaining are directly ascertained using three questions derived from surveys carried out by WSI (Bispinck 2005) and the general debate on decentralisation and decentralised bargaining.

The *first* question relates to the perception that collective bargaining agreements should only function as framework regulations. “In the past, framework regulations were negotiated in many collective bargaining agreements that had to be implemented at the plant level (for example, working hours). This is consequently regarded as a “decentralisation” of pay rate policy and “decentralised bargaining” of work and pay condition regulations. How would you evaluate this development?” (Scale: extremely positive – positive – neutral – negative – extremely negative).

The *second* question seeks to ascertain the position vis-à-vis a greater *shift* of bargaining to plant level and the incorporation of plant protagonists: “There is also increasing discussion about whether collective bargaining should take place less at the supra-plant level between employer associations and unions. Many suggestions call for a greater shift of collective bargaining to plant level, in other words, between managements and works councils. How would you evaluate these suggestions?” (Scale: extremely positive – positive – neutral – negative – extremely negative).

The *third* question relates directly to a *rejection or endorsement of multi-employer collective bargaining agreements*: “All in all, I endorse a more intensive break away from multi-employer collective bargaining agreements.” (Scale: I fully agree – I tend to agree – I tend to disagree – I totally disagree).

Because the above questions target different aspects they are used separately as specific dependent variables.

4.2.3 Context or control variables

The *size* of a company is measured by the number of employees (up to 150 employees (reference category), 151 to 250, 251 to 500, more than 500 employees).

The *form of regulation* was measured via a variable with the following four attributes: 1. Existence of a collective bargaining agreement; 2. existence only of a plant collective bargaining agreement with a trade union; 3. no binding collective bargaining agreement, but a collective agreement is used as orientation; or 4. no existence of a collective agreement and no orientation on a collective bargaining agreement. These statements will also be used as dummy variables (reference category: existence to a collective bargaining agreement).

Industry-sector affiliation is also to be included as a control variable (manufacturing sector (yes=1))

We hypothesize, that managers in *companies located in the newly-formed German states* (=1), *recently established companies* (founded after 1990 =1), and companies in an unfavourable *economic position* (achieved profit = 1, otherwise 0) would tend more towards decentralised bargaining because they would view the anticipated positive consequences of decentralised bargaining (particularly alignment and pay reduction) as more important. Any future *organisational change* could also play a role in terms of the preference for decentralised bargaining (production or products will change within the next two years = 1). In order to control for other potential differentiations in the corporate structure and processes, the variable *proportion of academics, women and skilled workers* are also incorporated.

The *degree of unionisation in the works council* (\geq median 80% = 1) should prove a better indicator than the unionisation of employees. As regards the (perceived) *power of the works council*, both parties were asked: "In your opinion, how much influence does your works council have in comparison with other companies?" (below average/average=0, above average =1). As regards management preference for decentralised bargaining, we draw on the management assessment of power; for the works council's preference for decentralised bargaining, we likewise draw on this protagonist's assessment.

Assessments of the *consequences of decentralised bargaining* are measured by a large number of statements (drawing on Bispinck 2005) relating to the specific consequences involving a greater "break away from multi-employer bargaining agreements – in other words, a more intense use of opt-out clauses and a shift of bargaining to the plant level involving the works councils and managements." The interviewees could express their endorsement or rejection (on a respective four-stage scale ranging from "totally agree" to "totally disagree") of the following statements: 1) would take the different company situations better into account; 2) would lead to conflicts within the company; 3) would result in lower pay; 4) would give more power to the unions within the company; 5) would weaken the power of unions in Germany; 6) could help save jobs; 7) would give the works council more influence and freedom of scope; 8) would give the management more influence and freedom of scope; 9) would unduly expend too much time and effort; 10) would overtax the works council; 11) would overtax the management. In order to eliminate the sequential effects, the order of most of the statements was randomly changed from interview to interview. A factor analysis, the results of which are not reported in detail here, gave rise to a trifactorial solution for both managements and works councils. The first factor can be interpreted as a *cost factor* encompassing transaction costs (conflicts, time consumption) and production costs (primarily pay reductions). The second factor is regarded as an *alignment and workplace effect factor*, whereby the assigned values for the following items were particularly high: greater influence for the corporate protagonists, enhanced alignment in terms of corporate concerns, and a positive impact on jobs. The third factor ascertains the *weakening of the unions* in both a company and supra-company sense. Overall, these three factors respectively account for 55% (management) and 58% (works council) of the variance.

5 Results

5.1 Descriptive findings

On average, the *degree of trust* (Figure 1) is surprisingly high in both parties. The management achieved affirmative response levels of between 83% and 98% in the form of statements indicative of high trust, while the levels attained by the works council were only slightly lower (between 73% and 88% depending on the statement). The summarising statement "All in all, a good relationship" achieved affirmative response levels of around 90%

in respect of both parties (management 92%, works council 88%). The trust index, which principally varies between 1 (low degree of trust) and 4 (high degree of trust), recorded a median value of 3.28 for the management and 3.07 for the works council (standard deviation = 0.52 and 0.54).

Trust (respective percentage of affirmative responses)	Management	Works council
The works council (management) abides by agreements.	98	88
The management (works council) can rely on the works council (management) if the company experiences a difficult situation.	85	76
The works council (management) is trustworthy.	87	81
The works council (management) deems the achievement of a mutual solution to be important when bargaining with the management (works council).	90	87
The works council (management) is open to management (works council) proposals.	83	73
All in all, the works council and management have a good relationship.	92	88
Trust index	3.28	3.07

Figure 1: Trust in the respective bargaining partner (management, works council)

Consequently, a problem arises if a distinction is to be made between more trustworthy and less trustworthy relations.

We calculated two different dichotomised trust variables for each party. For *trust variable 1* trust is coded as high 1) if all six questions receive an affirmative response; otherwise the value of the variable will be zero. For *trust variable 2* a high value is allocated (=1) if at least four questions receive an affirmative response (0 otherwise).

Both trust values are then cross-classified. The four possible combinations are shown in Figure 2.

Trust constellations (n = 947)	Works council trust	Management trust	Trust: version 1	Trust: version 2
1. Low degree of mutual trust	Low	Low	17.4	4.6
2. Unilateral trust on the part of the works council	High	Low	9.5	4.9
3. Unilateral trust on the part of the management	Low	High	23.5	12.5
4. High degree of mutual trust	High	High	49.5	78.0

Figure 2: Frequency of occurrence of various trust constellations

Nearly all the cases (947 of 1,000) can be typified. If a high trust level value is allocated only when all the statements receive an affirmative response, then “only” 49.5% of cases fall into the “mutual trust” constellation. If the threshold is lowered and a high trust level value is allocated in the case of four affirmative responses, then the extent of industrial relations characterised by mutual trust rises to 78%.

5.1.1 Preference for decentralised bargaining

Managers and works councils differ in their degree of preference for decentralised bargaining (Figure 6). Only between 20% and 31% of works councillors endorse decentralised bargaining, while the corresponding percentages for managers constitute 65% and 85%.

Overall, this provides a clear picture: managers take a negative position vis-à-vis the multi-employer collective bargaining agreement system and show a high degree of preference for decentralised bargaining. And the evaluations of the *works councils* are largely a mirror image of the manager evaluations. Only a minority of works councils (20%) were in favour of a break away from multi-employer collective bargaining agreements, compared to 83% of the managers

Preference for decentralised bargaining (Percentage of affirmative responses/positive evaluations)		Management	Works council
<i>Collective bargaining agreements as framework</i> “In the past, framework regulations were negotiated in many collective bargaining agreements that had to be implemented at the plant level (for example, working hours). This is consequently regarded as a “decentralisation” of pay rate policy and “decentralised bargaining” of work and pay condition regulations. How would you evaluate this development?”	Positive Neutral Negative	80.8 14.8 4.4	30.6 30.6 38.8
<i>Shift of collective bargaining to the plant level</i> “There is also increasing discussion about whether collective bargaining should take place less at the supra-plant level between the employer associations and the unions. Many suggestions call for a greater shift of collective bargaining to the plant level, in other words, between the managements and the works councils. How would you evaluate these suggestions?”	Positive Neutral Negative	65.0 16.9 18.1	22.1 9.9 67.9
<i>Rejection of multi-employer collective bargaining agreements</i> “All in all, I endorse a more intensive break away from multi-employer collective bargaining agreements”	Affirmative responses	83.0	20.4

Figure 3: Position on decentralised bargaining (management and works council)

The general question is: can we explain such differences? We hypothesize that trust relations between the works councils and the managements (independent of other company characteristics and the consequences of decentralised bargaining) will have an impact.

5.2 Determinants relating to the preference for decentralised bargaining

The following is an analysis of the determinants relating to the position vis-à-vis decentralised bargaining. Although the focus is on the impact of the trust relationship, we also want to know whether, and to what degree, other (contextual) factors may also have an effect. We estimate a binary logistic regression model.

The results are portrayed in the following two tables, which encompass a total of six regression analyses.

To begin with, let us look at the effects relating to the managers' preference for decentralised bargaining (Figure 4).¹ *Trust has no statistically significant effect on the preference for decentralised bargaining in terms of managers; the impact is negligible.* The only non-significant effect coefficient worth reporting on, due to its intensity, does not concur with our hypotheses: in a situation where there is a low degree of mutual trust, the chance that a manager will endorse a break away from the multi-employer collective bargaining agreement system is higher by a factor of 1.602.² As such, our hypotheses are not corroborated in relation to the first three core aspects of the preference for decentralised bargaining (collective bargaining agreements as a framework, shifting of bargaining to plant level, and endorsement of a break away from multi-employer collective bargaining agreements).

¹ We focus on the significance of effects, without ignoring the effect strength.

² Positive effects are characterised by a coefficient greater than 1, negative effects by a coefficient lower than 1.

In contrast, the *form of regulation* has a relatively strong impact. When compared with the situation in companies bound to multi-employer collective agreements, the chance of a manager endorsing a break away from this multi-employer bargaining system is around eleven times higher in the case of managers at companies not bound to collective agreements and not using such agreements for orientation (effect coefficient = 11.322). That the anticipated consequences of decentralised bargaining have a relatively strong and significant effect is compellingly evident: those who anticipate higher costs in relation to decentralised bargaining are likelier to reject it or, in the case of managers, endorse it to a lesser extent. Those who perceive enhanced alignment as a consequence are likelier to endorse decentralised bargaining.

Independent variables (effect coefficients: exp(b))	Collective bargaining agreement as a framework	Shifting of bargaining to plant level	Endorsement of break away from multi-employer collective bargaining agreement
<i>Trust constellation (reference category: mutual trust)</i>			
Low degree of mutual trust	0.945	1.161	1.602
Unilateral trust on the part of the works council	0.891	0.983	0.850
Unilateral trust on the part of the management	0.835	0.914	0.933
Works council power from a management perspective	0.872	0.904	1.052
Degree of unionisation of works council ($\geq 80\% = 1$)	1.362	1.286	1.030
<i>Form of regulation (reference category: Existence of a binding collective agreement)</i>			
Only group or company collective bargaining agreement	0.541+	2.769**	3.651*
No binding collective agreement, but multi-employer collective agreement as orientation	0.676	1.614+	2.984*
No collective agreement, no orientation	0.665	2.822**	11.322**
<i>Size (reference category = up to 150 employees)</i>			
151 to 250 employees	1.220	1.027	1.267
251 to 500 employees	1.420	0.546*	0.799
More than 500 employees	1.185	0.523*	0.647
Future organisational changes (large scale = 1)	0.883	0.868	1.126
Achieved profit (yes=1)	1.577*	1.198	1.308
Company founded after 1990 (yes = 1)	2.505*	1.459	1.160
Company in eastern part of Germany (yes = 1)	1.059	0.884	0.651
Manufacturing sector (yes = 1)	1.185	1.617+	0.857
Proportion of academics (percent)	0.998	0.984**	0.987+
Proportion of women (percent)	1.001	1.007	0.999
Proportion of skilled workers (percent)	0.996	0.999	0.997
Consequence of decentralised bargaining: cost increases	0.537***	0.407***	0.331***
Consequence: enhanced alignment	2.081***	1.836***	2.719***
Consequence: weakening of unions	1.052	1.324*	1.515***
Constants	3.831***	1.544	9.016***
-2 Log Likelihood	599.859	735.597	439.308
Cox & Snell R Square	0.127	0.233	0.246
Nagelkerke R Square	0.206	0.323	0.419
N =	729	728	728

Figure 4: Effects of the trust constellation, plant structure and situation on preference for decentralised bargaining (management) – logistic regression

Independent variables (effect coefficients: exp(b))	Collective bargaining agreement as a framework	Shifting of bargaining to plant level	Endorsement of break away from multi-employer collective bargaining agreement
<i>Trust constellation (reference category: mutual trust)</i>			
Low degree of mutual trust	0.404**	0.785	0.614
Unilateral trust on the part of the works council	0.929	1.216	1.537
Unilateral trust on the part of the management	0.766	1.169	1.037
<i>Works council power from a works council perspective</i>			
Degree of unionisation of works council ($\geq 80\%$ =1)	1.371*	1.208	1.244
<i>Form of regulation (reference category: Existence of a binding collective agreement)</i>			
Only group or company collective bargaining agreement	0.765	1.292	0.932
No binding collective agreement, but multi-employer collective bargaining agreement as orientation	1.179	2.862**	2.847**
No collective bargaining agreement, no orientation	0.899	2.003*	1.423
<i>Size (reference category = up to 150 employees)</i>			
151 to 250 employees	1.051	1.219	1.179
251 to 500 employees	1.706*	0.752	1.434
More than 500 employees	1.097	0.727	0.942
Future organisational changes (large scale = 1)	1.004	1.189	1.484
Achieved profit (yes = 1)	1.107	1.270	0.962
Company founded after 1990 (yes = 1)	0.938	0.562	0.762
Company in newly-formed German states (yes=1)	0.924	2.754*	1.955
Manufacturing sector (yes=1)	0.772	0.406**	1.200
Proportion of academics (percent)	0.998	0.983*	0.998
Proportion of women (percent)	0.996	1.000	1.010
Proportion of skilled workers (percent)	1.001	1.000	0.990
<i>Consequence of decentralised bargaining: cost increases³</i>			
Consequence: enhanced alignment	1.553***	3.909***	7.377***
Consequence: weakening of unions	0.858+	0.461***	0.353***
Constants	0.541	0.193**	0.038***
-2 Log Likelihood	811.976	455.229	361.164
Cox & Snell R Square	0.109	0.335	0.418
Nagelkerke R Square	0.156	0.524	0.651
n=	741	744	744
+/**/*** = Significance at least 10/5/1/0.1 percent level			

³ Essentially, the works council factors and the management factors have an identical structure.

Figure 5: Effects of the trust constellation, plant structure and situation on preference for decentralised bargaining (works council) – logistic regression

The *effects of trust* are clearly evident in the case of *works councils*, and the coefficients are also indicative of the anticipated direction of effect. Furthermore, where a low degree of mutual trust prevails, the numbers endorsing a break away from the multi-employer collective bargaining agreement system (effect coefficient = 0.614) and preferring collective bargaining agreements only in the form of a regulatory framework (effect coefficient = 0.404) are significantly lower than is the case in a situation of mutual trust.

An interesting fact is that the preference for decentralised bargaining – in relation to the shifting of bargaining to the plant level and a general break away from the multi-employer collective bargaining agreement system – is consequently significantly stronger on the part of works councils in companies that use collective bargaining agreements merely for orientation than on the part of works councils in companies bound to collective bargaining agreements.

To recapitulate: trust only has an effect in the case of works councils in the regression analyses. No effect is distinguishable in the case of managements. A check must now be carried out to observe whether these findings are indeed sound, for example, via the inclusion of further variables and other operationalisations. This issue is dealt with below.

6 Discussion and conclusions (for research)

To summarise: in terms of the management, the effects of trust on the preference for decentralised bargaining in relation to the level of regulation are not verifiable; however, they are verifiable in relation to preferring the works council as a bargaining partner. From a works council perspective, mutual trust has a positive effect on the preference for decentralised bargaining as well as the preference for bargaining at the plant level. This fact notwithstanding, a number of questions and problems still have to be addressed: these are discussed in the following.

(1) *Overestimation of the level of trust?* There is evidently a high degree of trust; and the assumption that the level of trust has been overestimated has already been pointed out. As stated, we have subsequently pursued the question as to whether only companies in which a high degree of trust prevailed actually responded. No information is available to us in relation to companies in which the managements were not willing to respond. In this situation the potential basis for overestimation cannot be definitively clarified. The fact that we used established and only slightly modified items for measuring trust, and have illustrated plausible correlations with other variables (for example, trust and preference for a specific bargaining partner), means that few measurement problems are likely to arise. Ultimately, the assumption in terms of overestimation can only be clarified by further surveys. Perhaps the very reason why trust is so important in industrial relations, which are characterised by contrasting interests and latent or manifest conflicts, is because it is so fragile. This is conceivably a reason why the protagonists are more likely to provide affirmative responses to the generally positively formulated trust-item answer alternatives. Other comparative measuring procedures should now be employed to measure the extent and different constellations of trust.⁴

(2) *Preference for decentralised bargaining.* In conformance with other studies, the preference for decentralised bargaining on the part of works councils is marginal. Conversely, managements show a strong preference for decentralised bargaining. There is

⁴ It would also be practical not merely to use a single variable (trust), but to identify more complex constellations in terms of industrial and trade relations between managements and works councils. We will attempt to explore this in broader analyses.

no consequent evidence of measurement problems. As the correlations relating to the consequences are contextually plausible in practically all instances and are also sufficiently high, we conclude that the measurement was valid.

(3) *Determinants relating to the preference for decentralised bargaining.* Overall, our multivariate regression analyses confirm the results of the tabular analyses. In terms of the preference for a specific level of bargaining, in the case of managers, trust has no significant or notably strong effect on the preference for decentralised bargaining. On the other hand, the preference for the works council as a bargaining partner is extremely dependent on trust. For this reason, in the case of works councils, we tend to regard our hypothesis on the positive effects of mutual trust as corroborated. The question remains open as to why such an effect is evident in this case and not in the case of the managers. One assumption is that works councils are less powerful; it follows that industrial relations, and consequently the differences in trust relations, have a greater significance for them than for the management. Those who have less power have to rely more on interpreting the actual and anticipated behaviour of those with the greater power. Accordingly, trust also comes to the fore. The party with the greater power can also impose its will on the other party – consequently defining power – and has no need to trust. It may show trust; however, it is not obliged to show trust. Moreover, differences in trust are irrelevant in terms of the more powerful party imposing its will. The relationship between power and trust would be an important subject for further research.

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Appendix

Descriptive statistics of central variables (n= minimum of 914)	Arithmetic mean	Min/max.	Standard deviation
<i>Trust constellations</i>			
Low degree of mutual trust	0.174	0-1	0.3795
Unilateral trust on the part of the works council	0.095	0-1	0.2934
Unilateral trust on the part of the management	0.236	0-1	0.4245
High degree of mutual trust	0.495	0-1	0.5002
<i>Management preference for decentralised bargaining (each respective affirmative response = 1)</i>			
Collective bargaining agreement as a framework	0.808	0-1	0.3943
Shifting of bargaining to the plant level	0.650	0-1	0.4772
Endorsement of break away from multi-employer collective bargaining agreement	0.830	0-1	0.3757
Works council the preferred bargaining partner	0.734	0-1	0.4423
<i>Works council preference for decentralised bargaining (each respective affirmative response = 1)</i>			
Collective bargaining agreements as a framework	0.306	0-1	0.4611
Shifting of bargaining to plant level	0.221	0-1	0.4152
Endorsement of break away from multi-employer collective bargaining agreement	0.204	0-1	0.4030
<i>Power/degree of unionisation</i>			
Works council power from a management perspective	0.273	0-1	0.4455
Works council power from a works council perspective	0.365	0-1	0.4817
Degree of unionisation of works council (metric)	68.33	0-100	33.67
<i>Form of regulation (each respective affirmative response = 1)</i>			
Existence of a binding collective agreement	0.579	0-1	0.4940
Only group or company collective bargaining agreement	0.110	0-1	0.3131
No binding collective agreement, but multi-employer collective bargaining agreement as orientation	0.160	0-1	0.3668
No collective bargaining agreement, no orientation	0.125	0-1	0.3309
Plant size (number of employees)	686.41	100-52000	2501.10
Future organisational changes (large scale = 1)	0.610	0-1	0.4879
Achieved profit (yes =1)	0.689	0-1	0.4631
Company founded after 1990 (yes = 1)	0.158	0-1	0.3646
Company in newly-formed German states (yes = 1)	0.113	0-1	0.3172
Manufacturing sector (yes = 1)	0.797	0-1	0.4024
Proportion of academics (percent)	17.84	0-100	18.44
Proportion of women (percent)	32.14	0-100	21.63
Proportion of skilled workers (percent)	32.31	0-100	22.35
<i>Consequences of decentralised bargaining from a management perspective (index values):⁵</i>			
Cost increases	2.203	1-4	0.5555
Enhanced alignment	3.334	1-4	0.4914
Weakening of unions	2.904	1-4	0.6058
<i>Consequences of decentralised bargaining from a</i>			

⁵ Not only includes factor values used in the regression models, but also values from additionally formed indices. Accordingly, variables are added that have the highest loading on the respective factor and the resulting value is then divided by the number of items per index. The reference point is formed by the factor structure in relation to the manager, thus allowing a comparison of the index values despite the other marginal structure of works council responses.

<i>works council perspective (index values):</i>			
Cost increases	3.033	1-4	0.6891
Enhanced alignment	2.732	1-4	0.5564
Weakening of unions	3.252	1-4	0.6646

Figure 6: Variables and descriptive statistics