CHAPTER
10

Labour Negotiations and Industrial Conflict

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Introduction

Of all the negotiations in which firms engage, those with their own employees are the most continuous, the most regulated and often the most public. Wages, working hours, job security, the pace of work and the introduction of new technology are negotiated every year in thousands of workplaces, sometimes individually, more often collectively through trade unions and works councils. When these negotiations fail, the result can be a strike, a lockout or a dispute that halts production, disrupts public services and attracts national attention, as the cases of Hollywood in Chapter 1 and Boeing in Chapter 7 have shown.

This chapter examines labour negotiations in four steps. Section 10.1 asks why employers and workers come into conflict and what is at stake in their negotiations. Section 10.2 explains how collective bargaining works and what economic theory says about wages, employment, strikes and the bargaining power of each side. Section 10.3 examines how industrial conflict can be prevented or contained, through institutions of social dialogue, works councils and codetermination, and through the practical measures that management teaching has long recommended. Section 10.4 turns to Poland and Central Europe, where union membership is low but conflicts over pay, public services and the minimum wage remain significant, and where new European rules are changing the framework of collective bargaining.

The chapter completes Part II and the first pillar of the book's framework, **profit**. Labour negotiations are, at bottom, negotiations over the division of the value employers and workers create together, but they also show the other pillars at work: the **power** arising from the ability to strike or to relocate production, and the **persuasion** union leaders and managers must exercise over their

own constituencies and the public. The Deal File follows one of the most significant labour agreements in recent European history, reached between Volkswagen and the German union IG Metall just before Christmas 2024, in which the company and its workers agreed to cut tens of thousands of jobs without a single compulsory redundancy.

DEAL FILE

Volkswagen and IG Metall's Christmas Agreement

In 2024 Volkswagen, Europe's largest carmaker, faced a crisis. Its sales in China, once its most profitable market, were falling under competition from domestic producers; demand for electric cars in Europe was weaker than expected; and its German factories, built for a larger market, had high costs and spare capacity. In the autumn, the company's management terminated its long-standing job-security agreement, raised the prospect of plant closures in Germany and demanded an immediate flat cut in pay of 10 per cent (IG Metall, 2025). Volkswagen has a long tradition of cooperation between management and labour: the union IG Metall negotiates a company-level collective agreement for its main German plants, the works council has extensive rights of codetermination, and the state of Lower Saxony is a significant shareholder.

The union responded with a counter-proposal and, when negotiations stalled, with warning strikes. On 2 December 2024 work stopped for two hours per shift at nine of Volkswagen's ten German plants, and a central rally was held in front of the headquarters in Wolfsburg (DGB, 2024). According to IG Metall, about 100,000 employees took part on each of the two days of warning strikes (IG Metall, 2025).

The agreement. On 20 December 2024, after more than 70 hours of negotiations, the parties reached an agreement which both presented as a success. Management dropped its demand for a flat cut in pay. Instead, the pay increase of about 5 per cent agreed for the wider metal industry was suspended at Volkswagen, and the money was used in part to finance measures for surplus staff, such as shorter working hours with partial pay compensation; profit-sharing payments would be reduced for several years. Compulsory redundancies were excluded until the end of 2030 (IG Metall, 2025). More than 35,000 jobs in Germany would be cut by 2030 in a socially responsible way. Production capacity would be reduced by 734,000 units: the Wolfsburg plant would focus on two assembly lines instead of four, production of the Golf would move to Puebla in Mexico from 2027, vehicle production at Dresden would end in 2025, and Osnabrück would build its current model until mid-2027 while other uses for the site were explored (Volkswagen, 2024). The union side stressed that no plant would close and no

Table 10.1

The Volkswagen and IG Metall agreement at a glance

Parties	Volkswagen AG; the trade union IG Metall; the general works council of Volkswagen
At stake	Pay, jobs and the future of Volkswagen's German plants; the company's competitiveness and its long tradition of social partnership
Timeline	Management's demands in autumn 2024; warning strikes in December; agreement on 20 December 2024 after more than 70 hours of negotiations
Outcome	More than 35,000 jobs to be cut in Germany by 2030, with compulsory redundancies excluded until the end of 2030; German production capacity reduced by 734,000 units; no plant closures, but vehicle production in Dresden to end in 2025; the industry-wide pay increase of about 5 per cent suspended at Volkswagen to finance measures such as shorter working time; labour costs cut by €1.5 billion a year; total savings of more than €15 billion a year in the medium term

Note. Author, based on IG Metall (2025) and Volkswagen (2024).

one would be dismissed; the company stressed lower capacity, lower labour costs and competitive development costs.

Questions to keep in mind. Why did a company with a long tradition of co-operation come so close to an open conflict with its workers? What did each side give up, and what did it gain? How did the institutions of German industrial relations shape the negotiation and its outcome? And would a similar agreement have been possible in a country with weaker unions and fewer rights for works councils, such as Poland? The chapter answers these questions in turn.

10.1 Why Do Employers and Workers Clash?

The Issues at Stake

Employers and workers depend on each other: the employer needs labour, and workers need jobs. Their interests overlap, since both gain from a successful firm, but they also conflict, since every euro paid in wages is a euro not retained as profit, and every hour of rest is an hour not worked. Labour negotiations typically cover five groups of issues, set out in Table 10.2.

The weight of these issues changes over time. In periods of high inflation, such as 2022 and 2023, pay dominates; in periods of restructuring, as at Volkswagen, job security comes to the fore; when new technology arrives, as artificial intelligence did in the Hollywood strikes of Chapter 1, the terms of its introduction become central. Working time, as the agreement between Deutsche Bahn and its train drivers in Section 10.2 shows, has returned as a major issue in several European countries.

Table 10.2

The main issues in labour negotiations

Issue	Workers' typical interests	Employers' typical interests
Pay and benefits	Higher wages, protection against inflation, pensions, bonuses	Competitive labour costs, pay linked to performance
Working time	Shorter hours, predictable schedules, rest	Flexibility to match production to demand
Job security	Protection against dismissal and relocation	Freedom to restructure, relocate and reduce staff
Conditions of work	Safety, health, workload, respect	Productivity and discipline
Technology and change	A share in the gains, retraining, protection from replacement	Freedom to introduce new technology and methods

Two Faces of Trade Unions

Freeman and Medoff (1984) argued that trade unions have two faces. The **monopoly face** describes their ability to raise wages above the level that a competitive market would set, by controlling the supply of labour to an employer. The **voice face** describes their role in giving workers a collective channel through which to express discontent and propose improvements, instead of simply leaving the firm. Voice can benefit employers too: it reduces the costs of turnover, brings information about problems that managers might otherwise miss and makes change easier to agree. Which face dominates depends on the institutions within which unions operate and on the relationship between the parties.

The asymmetry of power between an individual worker and an employer is the classic justification for collective bargaining. An individual worker who refuses an employer's terms can usually be replaced; a union that withdraws the labour of a whole workforce cannot. Collective bargaining thus changes the alternatives of each side, which Chapter 4 identified as the main source of bargaining power.

KEY MOVE

Before a labour negotiation, identify which issues matter most to each side at this moment. Pay, time, security and technology rise and fall in importance with the economy, and a settlement that addresses the issue of the moment is more likely to hold.

10.2 How Does Collective Bargaining Work? The Economics of Wages and Strikes

The Process

Collective bargaining is the negotiation of terms and conditions of employment between an employer, or an association of employers, and one or more trade unions acting on behalf of workers. It can take place at several levels: within a single company, as at Volkswagen; across a whole sector, as in much of German and Scandinavian industry; or at national level, through agreements between confederations of employers and unions. The level matters, because sectoral and national agreements set common standards for many firms and take wages out of competition, while company agreements allow terms to reflect each firm's circumstances.

The process typically follows the phases described in Chapter 4: preparation, in which each side gathers information and consults its members; the exchange of demands and offers; bargaining, often punctuated by warning strikes or other pressure; agreement in principle; and ratification by members, which, as the Boeing case showed, cannot be taken for granted. Walton and McKersie (1965), whose distinction between distributive and integrative bargaining was introduced in Chapter 8, developed their theory from studies of labour negotiations, and both forms are present in almost every round.

Wages and Employment

Economists have developed several models of how collective bargaining affects wages and employment. In the **monopoly union model**, the union sets the wage and the employer then chooses how many workers to employ; higher wages lead to fewer jobs. In the **right-to-manage model**, the parties bargain over wages, but the employer alone decides employment. McDonald and Solow (1981) showed that both arrangements are inefficient: if the parties bargain over wages and employment together, they can reach agreements making both better off, accepting, for example, lower wages in return for more jobs, or the reverse. This **efficient bargaining** approach explains why so many labour agreements trade pay against job security, as the Volkswagen agreement did.

Strikes, Lockouts and Their Costs

The **strike**, the collective withdrawal of labour, is the union's main source of pressure; the **lockout**, in which the employer closes the workplace to its employees, is the employer's counterpart. Both are costly to the party using them as well as to the other side: strikers lose wages, and employers lose output, customers and reputation. Chapter 1 introduced the Hicks paradox, the question of why rational parties strike at all when both would gain by agreeing at once on the final

DEAL SNAPSHOT

Deutsche Bahn and the Train Drivers' Union GDL, 2023 and 2024

For five months in 2023 and 2024, the train drivers' union GDL and Germany's national railway, Deutsche Bahn, fought one of the most disruptive disputes in recent German history, during which strikes cancelled most long-distance trains and many regional services. The central issue was not pay but time: the union demanded a 35-hour week for shift workers without loss of pay. After five months of negotiations the parties reached an agreement, to run until 31 December 2025. From 2029 shift workers would choose their own working week within a range of 35 to 40 hours, and those who chose to work more would earn more. Pay would rise by €420 in two stages, and an inflation adjustment bonus totalling €2,850 would be paid (Deutsche Bahn, 2024). The flexible clause was an integrative solution of the kind described in Chapter 8: it met the union's interest in shorter hours for those who wanted them and the employer's interest in keeping enough drivers at a time of staff shortage.

terms, and the answer of modern theory: strikes are a way of revealing information about each side's true limits and resolve (Hicks, 1932; Kennan & Wilson, 1993).

The threat of a strike shapes negotiations even when no strike takes place. The bargaining power of each side depends on how much it would lose from a stoppage and how long it could endure one. Unions are stronger when labour markets are tight, when their members are hard to replace and when a stoppage would quickly harm the employer, as in transport, health care or just-in-time manufacturing. Employers are stronger when demand is weak, inventories are high and production can be moved elsewhere. Volkswagen's ability to move production of the Golf to Mexico, and IG Metall's ability to stop the company's German plants, defined the bargaining range of the Deal File.

KEY MOVE

In a labour negotiation, put pay, jobs and time on the table together. Agreements that trade among them, as efficient bargaining theory suggests, usually leave both sides better off than a fight over wages alone.

10.3 How Can Industrial Conflict Be Prevented? Social Dialogue in Europe

Practical Measures for Prevention

Management texts list a range of measures that organisations and governments can use to prevent industrial conflict. A widely used classification, drawn largely from the experience of Indian industry, identifies eight:

1. **A labour welfare officer**, who advises management and workers on health, safety, working conditions and welfare, and acts as a mediator and channel of communication between them;
2. **tripartite and bipartite bodies**, which bring together government, employers and workers, or employers and workers alone, to consult on labour matters in a spirit of cooperation;
3. **standing orders**, written rules defining the conditions of employment, from classification and hours of work to discipline and dismissal, so disputes over these matters are less likely to arise;
4. **a grievance procedure**, which allows individual complaints to be raised and resolved quickly, before they become collective disputes;
5. **joint consultation**, in which management discusses matters of common concern with workers' representatives before decisions are taken;
6. **labour co-partnership and profit sharing**, which give workers a direct stake in the firm's success;
7. **strong trade unions**, able to represent workers responsibly and to make agreements stick;
8. **collective bargaining**, through which the terms of employment are agreed rather than imposed.

India illustrates how such measures are embedded in law and how the law evolves. For decades, Indian legislation required large factories to employ welfare officers and industrial establishments to adopt certified standing orders, and created works committees and tripartite consultation on the model recommended by the International Labour Organization. Since 21 November 2025, these rules have been consolidated in new labour codes: the Industrial Relations Code of 2020, which replaced the Industrial Disputes Act and the Standing Orders Act and requires establishments with 20 or more workers to set up grievance redressal committees, and recognises a union with the support of at least 51 per cent of workers as the sole negotiating union where several exist (*Industrial Relations Code, 2020*; Ministry of Labour and Employment, 2025). Chapter 5 described the corresponding changes in the system of labour tribunals.

The European Model of Social Dialogue

Many European countries have developed institutions that go further, giving workers a formal voice in the governance of firms and in economic policy. **Social dialogue** refers to the negotiation, consultation and exchange of information between representatives of employers, workers and, in tripartite forms, governments. At European level, social partners are consulted on employment legislation and may conclude agreements that become directives. At national level, tripartite councils discuss minimum wages, pensions and labour law.

Germany offers the most developed form of worker participation within firms. **Works councils**, elected by all employees, may be set up in private workplaces with at least five employees and have rights of information, consultation and, on matters such as working time and the introduction of technical monitoring, codetermination. Under **board-level codetermination**, employee representatives hold one-third of the seats on the supervisory boards of companies with 500 to 2,000 employees and half of the seats in companies with more than 2,000, although the chair, appointed by the shareholders, has a casting vote (ETUI, n.d.). In 2023 works councils existed in only about 10 per cent of workplaces with five or more employees, but they covered 43 per cent of the employees in such workplaces, because they are concentrated in larger firms.

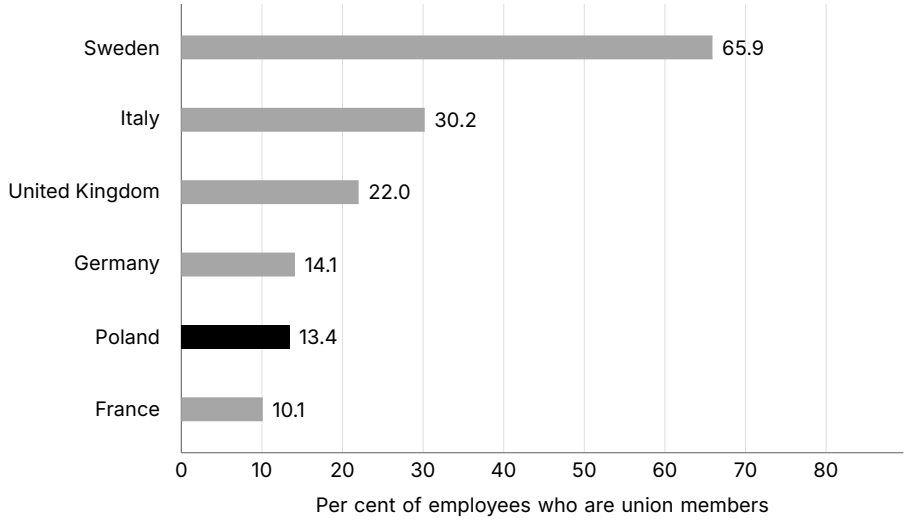
Research suggests that codetermination changes the conduct of negotiations more than their outcomes. Studying a reform that gave some German companies board-level representation and others not, Jäger et al. (2021) found little evidence that worker representation on boards reduced investment or profitability, and some evidence of increased capital investment. The Volkswagen case shows its effect on negotiation: the works council and the union were involved in the restructuring from the start, had detailed information about the company's position and negotiated a solution that spread the costs of adjustment over six years.

KEY MOVE

Build the channels for voice before a crisis. Grievance procedures, joint consultation and works councils make it possible to negotiate restructuring rather than fight over it.

Figure 10.1

Trade union density in selected European countries (per cent of employees)



Note. Author, based on ETUI (n.d.), reporting the OECD/AIAS ICTWSS database. Figures relate mostly to 2023 or 2024; the figure for Poland is the OECD estimate for 2017. National estimates for Poland range from about 10 to about 15 per cent, depending on the method.

10.4 Labour Conflict in Poland and Central Europe

Weak Unions, Strong Conflicts

Labour relations in Poland and much of Central Europe differ sharply from the German model. Trade union membership is low, collective bargaining is fragmented and mostly limited to individual companies, and multi-employer agreements are rare. Figure 10.1 compares trade union density, the share of employees who are union members, in several European countries.

In Poland, three union confederations, NSZZ Solidarność, OPZZ and the Trade Unions Forum (FZZ), account for about 85 per cent of union members. Collective bargaining coverage is among the lowest in the European Union: the OECD and AIAS estimated it at 13.4 per cent in 2019, and an estimate based on registered agreements suggests about 11 per cent in 2024. Works councils, introduced in 2006, have largely disappeared, with fewer than 400 thought to exist, and there is no right to board-level representation in private companies (ETUI, n.d.).

Low membership does not mean an absence of conflict. Disputes are concentrated in the public sector and in a few large employers, and when they occur they can be very large. Table 10.3 shows the volatility of strike activity in Poland, which is dominated by occasional large stoppages in education.

Table 10.3

Strikes and collective disputes in Poland, 2017 to 2021

Year	Number of strikes	Working days lost per 1,000 employees	Collective disputes registered by the labour inspectorate
2017	1,556 (1,520 in education)	420	9,492
2018	7	400	254
2019	9,835 (9,673 in education)	4,610	19,708
2020	27	100	384
2021	7	1,350	n.a.

Note. Data from Eurofound (n.d.), based on Statistics Poland (GUS) and the National Labour Inspectorate (PIP). In Polish statistics each striking establishment counts as a separate strike, so a national teachers' strike appears as thousands of strikes.

The pattern reflects the procedure for collective disputes described in Chapter 5: negotiation, mediation and only then a strike, preceded where necessary by a warning strike of no more than two hours. Cross-border competition adds another dimension, as the blockade of the Ukrainian border by Polish hauliers in Chapter 1 showed: conflicts over the terms of work can involve not only employers and employees but also governments and foreign competitors.

Tripartite Bargaining over the Minimum Wage

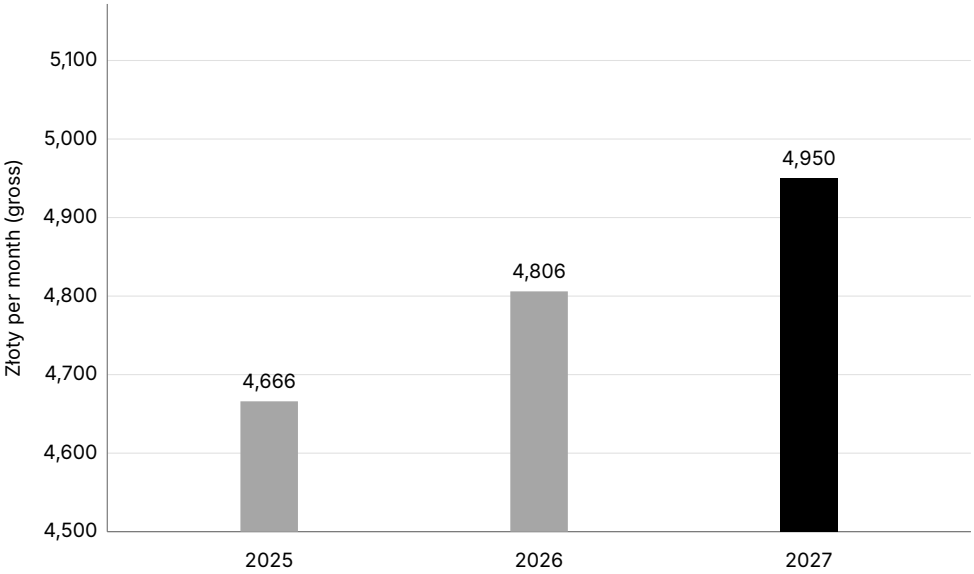
The most visible labour negotiation in Poland takes place each year in the Social Dialogue Council (Rada Dialogu Społecznego), a tripartite body established in 2015, in which the three union confederations, employers' organisations and the government are represented. Its main task each summer is to agree the minimum wage for the following year. The government presents a proposal; the Council has 30 days to agree a joint position; and if it fails, the government sets the minimum wage by regulation, which must be published by 15 September, at a level not lower than its own proposal (*Ustawa z dnia 10 października 2002 r. o minimalnym wynagrodzeniu za pracę*, 2002).

The negotiations over the minimum wages for 2026 and 2027 illustrate the process. In June 2025 the government proposed a minimum monthly wage of 4,806 złoty for 2026, an increase of 140 złoty, or 3 per cent, on the level of 4,666 złoty in 2025. The Council did not agree a joint position, and by a regulation of 11 September 2025 the government set the minimum wage from 1 January 2026 at its own figure, with a minimum hourly rate of 31.40 złoty (Council of Ministers, 2025). Figure 10.2 shows the outcome of the last three rounds.

The outcome shows the logic of bargaining in the shadow of an alternative described in Chapter 5. Because the government decides if the social partners fail

Figure 10.2

Poland's statutory minimum monthly wage, 2025 to 2027 (złoty, gross)



Note. Author, based on Council of Ministers (2025, 2026). In 2026 and 2027 the government's proposal became the final figure. The vertical axis starts at 4,500 złoty to make the differences visible.

to agree, its proposal acts as a powerful anchor and a default, and the parties' real negotiation is with the government rather than with each other. The round for 2027 followed the same pattern. The government proposed 4,950 złoty, an increase of 3 per cent, which the employers' side of the Council unanimously supported (Employers' Side of the Social Dialogue Council, 2026). Without a joint position in the Council, the government set the minimum wage from 1 January 2027 at its own figure of 4,950 złoty, or 32.30 złoty an hour, by a regulation of 14 September 2026 (Council of Ministers, 2026).

European Rules and Polish Reforms

European law is changing the framework of collective bargaining in the region. The EU's Directive 2022/2041 on adequate minimum wages requires member states in which collective bargaining covers less than 80 per cent of workers to adopt action plans to promote it, a requirement of particular significance for Poland and its neighbours. On 11 November 2025 the Court of Justice of the European Union annulled Article 5(2) of the directive, which listed criteria for

setting statutory minimum wages, and the provision preventing automatic indexation from reducing them, but dismissed the rest of Denmark's action, leaving the provisions on collective bargaining in force (*Denmark v Parliament and Council*, 2025). A new Polish act on collective labour agreements of 5 November 2025, in force since 13 December 2025, simplifies the procedures for concluding them, broadens the matters they may cover to include work-life balance, equal treatment, protection against bullying and the use of new technologies such as artificial intelligence, allows the parties to use a mediator and creates a national electronic register of agreements (Ministry of Family, Labour and Social Policy, n.d.). Whether these reforms will raise coverage substantially remains to be seen.

The author's research on economic relations between Poland and India, and on the role of foreign investment in emerging economies, examines how labour costs, skills and industrial relations affect the decisions of foreign investors, and therefore the bargaining position of workers in host countries (Kumar, 2020, 2024b).

KEY MOVE

In countries with weak unions, do not mistake the absence of collective bargaining for the absence of conflict. Disputes are rarer but can be larger and more political, and the state is often a party to them.

BACK TO THE DEAL FILE

Reading the Volkswagen Agreement

The tools of this chapter explain both the crisis and the shape of its resolution.

The issues of the moment were jobs and capacity. With sales falling and plants underused, the central question was not the size of a pay rise but how many jobs and plants Germany would keep. The agreement addressed that question directly.

The agreement was efficient bargaining in practice. The parties traded pay against jobs and time: workers gave up an immediate pay rise and part of their bonuses, which were redirected into a fund for shorter working hours, in return for the exclusion of compulsory redundancies and plant closures. This is the kind of joint agreement over wages and employment that McDonald and Solow showed can leave both sides better off than bargaining over wages alone.

Each side's power was real. Volkswagen could credibly threaten to move production abroad, and did move the Golf to Mexico; IG Metall could credibly stop almost every German plant, as the warning strikes demonstrated. Neither could impose its preferred outcome without severe costs.

Institutions shaped the process. Works council rights, board-level codetermination and the participation of the state of Lower Saxony as a shareholder meant that the employees' representatives had detailed information and a voice in the company's governance. The negotiation was conducted within a framework of social partnership that both sides wanted to preserve.

The costs were spread over time. By reducing jobs gradually until 2030, through retirements and voluntary departures, the parties converted an immediate conflict into a managed adjustment. Whether the savings prove sufficient, and whether the remaining plants remain competitive, is the test of the agreement in the years ahead. Osnabrück shows that the test has already begun: under the agreement its current model ends production in mid-2027, and the future use of the site was left open (Volkswagen, 2024).

MA EXTENSION

Efficient Bargaining and the Contract Curve

McDonald and Solow (1981) showed that when a union cares about both wages and employment, and the employer about profit, the efficient outcomes of bargaining lie on a *contract curve* which differs from the employer's labour demand curve: at any given wage, efficient agreements involve more employment than the employer would choose alone. Agreements that let the employer set employment after wages are fixed, as in the right-to-manage model, are therefore inefficient. Apply this framework to the Deal File. Was the Volkswagen agreement on or near the contract curve? How did the job security guarantee and the working-time fund change the trade-off between wages and employment? Why might efficient agreements be easier to reach under German codetermination than in systems without works councils?

ETHICS CHECK

The Volkswagen agreement protected the jobs of current employees in Germany until 2030, while moving production of the Golf to Mexico and reducing the number of jobs available to future workers. Is it fair for negotiators to protect the interests of those at the table at the expense of those who are absent, such as young people seeking jobs or workers in other countries? How should unions weigh the interests of current members against those of future workers?

Pillar Scorecard

Your Move

This is a constructed teaching case.

You are the human resources director of a foreign-owned manufacturer of car components in a special economic zone near Wałbrzych, employing 1,800 people.

Table 10.4

Pillar Scorecard: Volkswagen and IG Metall, 2024

Pillar	Importance in this case	Evidence
Profit	Very high	Savings of more than €15 billion a year, labour costs, bonuses and the future of German plants were at stake
Power	Very high	The union's ability to stop production met the company's ability to relocate it
Persuasion	High	Both sides presented the agreement as a success to their constituencies and to the public, in a tradition of social partnership

The parent company has told you that orders from two European carmakers will fall by a quarter next year, and it plans to move one production line to a plant in Morocco. It asks you to propose a plan to cut costs by 12 per cent. About a fifth of your employees belong to a company union affiliated with NSZZ Solidarność, and there is no works council. Wages in the region have risen quickly in recent years, and skilled operators are hard to find.

1. Identify the issues at stake for the employer and the employees, using Table 10.2.
2. What is the bargaining power of each side? Consider the threat of relocation, the tightness of the labour market and the procedure for collective disputes under Polish law.
3. Using the logic of efficient bargaining, propose an agreement trading pay, jobs and working time.
4. Which of the preventive measures in Section 10.3 could you introduce to reduce the risk of conflict in future?

Conclusion

Labour negotiations divide the value employers and workers create together, and they are shaped by the issues of the moment, by the power each side derives from its alternatives and by the institutions within which they take place. Trade unions have a monopoly face, which raises wages, and a voice face, which gives workers a channel for improving the firm. Collective bargaining can take place at the level of the company, the sector or the nation, and economic theory shows that agreements covering both wages and employment are usually more efficient than bargaining over wages alone. Strikes and lockouts are costly ways of revealing each side's limits, and their threat shapes every negotiation.

Many measures can prevent conflict, from grievance procedures and joint consultation to works councils and codetermination, and the European model of social dialogue offers the most developed examples. In Poland and much of Central Europe, unions and collective bargaining are weaker, but conflicts over pay and public services can be large, and the state plays a central role, as the annual negotiation over the minimum wage shows. The Volkswagen agreement shows what a strong system of industrial relations can achieve in a crisis: a painful adjustment negotiated rather than imposed. With this chapter, Part II and the analysis of profit are complete. Part III turns to the second pillar of the framework, power, beginning in Chapter 11 with the sources of bargaining power and the concepts of alternatives, dependence and the zone of possible agreement.

Exercises

A. Objective Questions

1. According to Freeman and Medoff (1984), the "voice face" of trade unions refers to:
   a) their ability to raise wages above the competitive level
   b) their political campaigns
   c) their role in giving workers a collective channel to express concerns and propose improvements
   d) their control of pension funds

2. In the monopoly union model:
   a) the employer sets wages and employment
   b) the union sets the wage and the employer chooses employment
   c) the parties bargain over wages and employment together
   d) the government sets wages

3. McDonald and Solow (1981) showed that bargaining over wages and employment together:
   a) can produce agreements that make both sides better off
   b) is always impossible
   c) always reduces employment
   d) is illegal in most countries

4. Under the Volkswagen agreement of December 2024, jobs in Germany were to be reduced by:
   a) 3,500 by 2026
   b) more than 35,000 by 2030
   c) 100,000 by 2027
   d) none

5. In German companies with more than 2,000 employees, employee representatives hold:
   a) half of the seats
   b) one-third of the seats
   c) one-tenth of the seats on the supervisory board
   d) all of the seats

6. The agreement between Deutsche Bahn and GDL in 2024 provided for:
   a) an immediate 32-hour week
   b) the abolition of the right to strike
   c) no change in working time
   d) a reduction to 35 hours in stages, with the option to work up to 40 hours for higher pay

7. If Poland's Social Dialogue Council does not agree on the minimum wage, it is set by:
   a) the trade unions
   b) the employers' organisations
   c) the Constitutional Tribunal
   d) the government, by regulation

8. Under the agreement of December 2024, compulsory redundancies at Volkswagen's German plants were excluded until the end of:
   a) 2025
   b) 2027
   c) 2030
   d) 2035

B. Short-Answer Questions

1. Name the five main groups of issues in labour negotiations and explain why their relative importance changes over time.

2. Explain the monopoly and voice faces of trade unions.

3. Compare the monopoly union, right-to-manage and efficient bargaining models.

4. What determines the bargaining power of a union and of an employer in a dispute?

5. Describe four of the measures for preventing industrial conflict listed in Section 10.3.

6. Explain the role of works councils and board-level codetermination in Germany.

7. Using Figure 10.2, describe how Poland's minimum wages for 2026 and 2027 were decided, and explain why the government's proposal acted as an anchor.

C. Long-Answer Questions

1. Analyse the Volkswagen and IG Metall agreement of December 2024 using the concepts of efficient bargaining, bargaining power and codetermination. Would a similar agreement have been possible in Poland?
2. "The threat of a strike shapes negotiations even when no strike takes place." Discuss with reference to Volkswagen's warning strikes of 2024 and the dispute between Deutsche Bahn and the GDL.
3. Compare the institutions of industrial relations in Germany and Poland, using Figure 10.1 and Table 10.3. How do they shape the frequency and character of industrial conflict?
4. Evaluate the measures for preventing industrial conflict described in Section 10.3, with reference to the experience of India and of European countries.

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