

Florian Schramm, Michael Schlese\*

## **Working Conditions under Economic Pressure: The Case of the German Cleaning Industry\*\***

This paper investigates changes in collective bargaining policy in the German cleaning industry in recent years. It uses the Socio-economic Panel (GSOEP) to survey employees on employment conditions and expert interviews with key members of the industry to look at possible new paths of development in the industry as well as the range of attitudes of the players involved. The socio-demography of the employees in the industry was given close attention and, with regard to collective labour agreements in the industry, the role of factors such as temporary employment and the EU eastern enlargement were taken into account in light of a climate of economic difficulties. This study uses Berlin to exemplify the current situation in this industry.

Key words: **Building Caretakers, Precarious Work, Cleaning Industry, German Socio-Economic Panel (GSOEP), Collective Bargaining Policy**

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\* Prof. Dr. Florian Schramm, professor for business administration and human resource management, Faculty Economic and Social Sciences, department economics and politics, Universität Hamburg, Von-Melle-Park 9, D – 20146 Hamburg, Germany, e-mail: [florian.schramm@wiso.uni-hamburg.de](mailto:florian.schramm@wiso.uni-hamburg.de)

Dr. Michael Schlese, research associate at the Faculty Economic and Social Sciences, department economics and politics, Universität Hamburg and managing partner of the Organisationsberatung Schlese & Co. GmbH, D – 10787 Berlin, Germany, e-mail: [organisationsberatung@t-online.de](mailto:organisationsberatung@t-online.de)

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## 1. Introduction

The current changes in the working society are being accompanied by considerable challenges, for employees and for the German industrial relations system alike. In the field of research the cleaning industry, with approximately 900,000 predominantly female employees, is being largely neglected.<sup>1</sup> The service „cleaning” consists of the cleaning of surfaces along with that of glass and building exteriors as well as the cleaning of construction sites, both during and after completion. In addition to this conventional activity some undertakings are also developing more complex proposals in terms of a comprehensive Facility Management.

In relation to this area we will be dealing exemplarily with two questions in the article at hand:

- How did the employment conditions in the cleaning industry look up until the most recent changes in 2003-2004? It is generally assumed that employment conditions in this line of business are especially unfavourable, while some characteristics of the industry, generally binding labour agreements in particular, demand a differentiated evaluation. This question will be addressed in chapter 3 with the data of the Socio-Economic Panel (GSOEP).
- How have the general conditions of the industry and the wage bargaining system themselves changed? Through the handling of this question in chapter 4 we will seek to understand how, in the area of contract cleaning, the change in basic economic and legal conditions have impacted on the industry itself.

The working of the above questions calls for a theoretical and methodical basis, one that will be described in advance in chapter 2.

## 2 Theory and Approach

### 2.1 Research Model

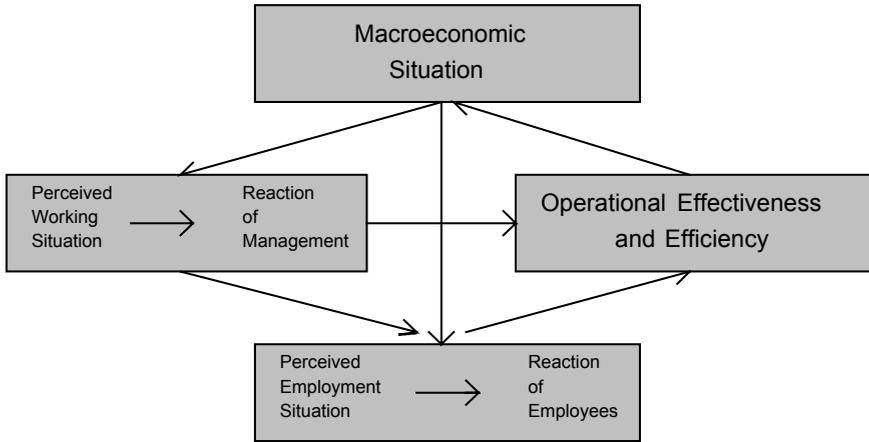
We assume here a three-step model consisting of the overall economy, businesses and employees (see Figure 1.) in which the three levels are linked to one another as follows (see Schramm 1999): the macroeconomic situation, to which we can add the current state of affairs of business sectors, branches or industry-wide institutions, acts on the one hand through the perceived working situation and reactions of management, and on the other through the reactions of the employees and public opinion (e.g., with regard to the perceived employment situation). The reactions of management and employees influence operational parameters such as efficiency, which, taken as a whole, have an influence on the macroeconomic situation.

The reactions of management also affect, among other things, the adaptation of production, technical and organisational innovations or alterations in labour utilisation strategies. The adaptation of a company in an altered overall economic environment depends on a multitude of factors.

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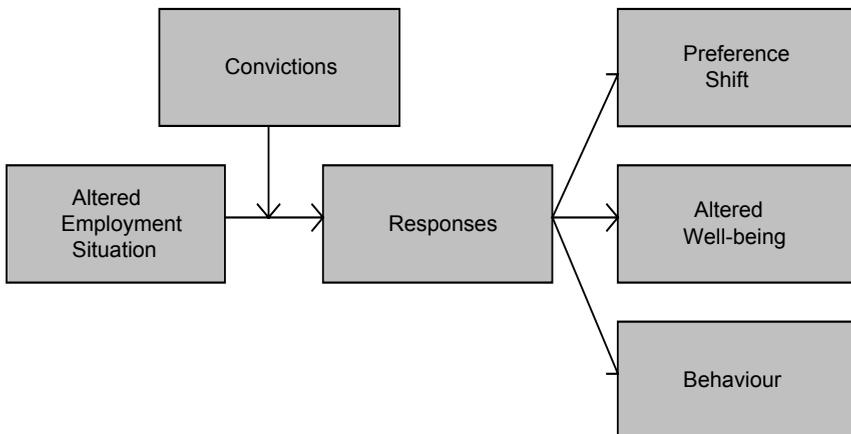
<sup>1</sup> Compare Mayer-Ahuja (2003); Duda (1990); Odierna (2000); Ehrenreich (2003); Brück/Haisken-De New/Zimmermann (2002).

**Figure 1: Three-Step Circular Research Model**



The responses of the employees are influenced by the perceived employment or earnings situations. Certain employment situations, depending on varying socio-demographic factors, are perceived by those affected in light of their convictions and general expectations and lead to definite responses, particularly with respect to preferences and well-being as well as notions of behaviour. Preferences, well-being and notions of behaviour influence one another and only a certain part of the notions is transferred into actual behaviour. This behaviour in turn influences the perception of the employment situation. The circulation of a perceived and altered situation can solidify typical employment circumstances that sustainably affect behaviour. In view of a changing situation employees have the possibility to respond in various ways: they can be satisfied or unsatisfied with the situation, and where applicable they can shift preferences or do something in favour of them or something against them. They can also try adapting their convictions, such as “the world just works that way“, to changing experiences.

**Figure 2: Employees’ Responses**



In principle we are assuming the same decision-making situation for the collective players such as management, works committees, guilds and trade unions. Especially the collective players in our analysis are represented through individual players and their respective descriptions. We have nevertheless based our deliberations on a model of rational behaviour (Matiaske 1999).

## **2.2 Research Approach**

### *The GSOEP in the Analysis of Employment Conditions in 2002*

The GSOEP is a recurrent survey of private households in Germany that has been carried out annually since 1984. More information can be obtained from the home page of the German Institute for Economic Research (DIW) in Berlin under: <http://www.diw-berlin.de>. With the help of the GSOEP political and corporate changes are able to be monitored and analysed. This is achieved through the use of data records which are comprised of elements such as information on working and employment conditions and their subjective perception, as well as assessments of job satisfaction (see also Schramm 1999). To be more precise it is concerned with information on occupational expectations such as job insecurity and the degree of economic worries. Furthermore, information on working times and income are also incorporated into the GSOEP. In the previous to last available survey (2001) working conditions were additionally measured with the help of a scale. Of relevance to this position is information on the employer (e.g., the size of the business). As far as individual criteria are concerned, this survey also takes into consideration variables such as age, sex, and nationality. In the research group concerned it has proven to be an advantage that the Socio-economic Panel surveys a disproportionate number of foreigners living in Germany. As a consequence the panel makes it possible on the one hand to monitor job satisfaction, especially with regard to satisfaction with the state of health, and on the other behavioural intentions and, as the case may be, behaviour patterns. Of particular interest in the monitored behaviour patterns are the employee turnover tendencies and the fluctuations in behaviour.

The strengths of the GSOEP lie above all in its special analytical possibilities through a longitudinal section design; the household context (surveying all adult household members); and the possibility of comparisons within Germany and the disproportionate foreigner sample group.

From 2002 there were 23,892 respondents available to us who were questioned about their employment status. They produced a projected population of 67 million citizens from the age of 17 upwards. Forming the basis of our analysis are 13,896 respondents who represent 36,436,817 gainfully employed people. These consist of employees, civil servants, freelancers as well as apprentices and trainees. From this sample group the partial samples of cleaners were distinguished from the comparison groups. If necessary, the data from 2001 will be fallen back on.

### *Expert Interviews in the Analysis of Collective Bargaining Policy 2003/2004*

This quantitative analysis (Schlese/Schramm 2004a) has been completed through a qualitative study based on Berlin with the help of eight expert interviews. Members of the industry such as the management of companies in the cleaning trade, works committees along with guild functionaries and trade unions were surveyed as experts for the study. The confinement to the federal state of Berlin allowed for a very in-depth analysis (additionally Schramm/Seidel 2003). The expert interviews were related to largely similar circumstances so that relationships of the statements could also be established among themselves (Bogner/Littig/Menz 2002).

The object of the interviews, apart from the description of the state of affairs and the possible development paths, was the identification of ranges of attitudes. These are of great importance for the further development of the industry and also for the employment conditions of the employees. On the basis of this information propositions can be deduced on the possible development of the industry and the assessment criteria for this development.

The interviews were conducted according to particular guidelines. At the same time the results of the GSOEP, which are depicted in chapter 3, were commented upon; circumstances that are linked to pay structuring, temporary work, regional wage differences and the EU eastern enlargement were assessed; and remarks on the appropriate field of work and continuative perspectives were asked for.

## **3 Employment Conditions in the Year 2002**

### ***3.1 Socio-Demography***

In the field of cleaning projected figures from the GSOEP show that the number of employees active in 2002 stood at more than 900,000. These work in the commercial cleaning trade, public sector cleaning, non-industrial commercial cleaning (in domestic cleaning style) as well as other private companies (e.g., the housing sector). The mostly illegal cleaning in private households is not included in this figure. The public service as an employer is still a significant factor (approx. 170,000 cleaners). Cleaning jobs, like retail jobs, are predominantly performed by women (Mayer-Ahuja 2003: 119). Over 90% of cleaners are women, while the proportion of women in other occupations amounts to only 40% (see Figure 3). This proportion is consistent with the corresponding information from the micro-census (Mayer-Ahuja 2003). According to Duda (1990: 13 ff.), cleaning is the third most common occupation carried out by women after office and retail work. The socio-demographic characteristics of cleaning workers are related to those of sales people and other employees in the table below. With reference to marital status, cleaning work can be classified as a typical occupation that is supposed to supplement an already existing family income (Duda 1990: 19). The marital status of the employees provides the first clue to this assumption – an assumption that is connected to considerable implications of a human resources strategy and socio-political kind. In the comparative analysis it is shown that, in fact, the proportion of married workers in the cleaning industry is much higher than in other fields of work. This difference is also particularly noticeable if one looks at the percentages of unmarried employees: only every

twentieth cleaner declared being single, while among the other occupations every third worker is unmarried. The other three stages „after marriage“ (namely separation, divorce and widowhood) also appear more frequently among cleaners than in the comparative groups. This is explained through the percentage of married employees and also the age patterns (see below).

The age patterns of cleaning employees are different from those of other occupations: In the youngest age group we see a miniscule percentage of cleaning workers, whereas in the eldest two groups there is an over-representation of cleaners. Particularly large differences between occupational groups are indicated in the eldest age group: while almost a quarter of employees involved in cleaning are 57 years of age or over, the same can be said for only every tenth case with sales clerks and other occupations.

**Figure 3: Socio-demography of Employees 2002** (Source: GSOEP, own calculations)

<b>Proportion of Respondents as a %</b>	<b>Cleaners</b>	<b>Sales Clerks</b>	<b>Others</b>
Men	8.5	16.6	56.6
Women	91.5	83.4	43.4
<b>Marital Status</b>	<b>Cleaners</b>	<b>Sales Clerks</b>	<b>Others</b>
Married, living together	70.5	63.4	54.6
Married, living apart	3.4	2.1	2.2
Single	5.2	24.3	32.6
Divorced	14.1	7.3	8.8
Widowed	6.8	2.9	1.8
<b>Nationality</b>			
Germans	74.1	93.8	92.8
Foreigners	25.9	6.2	7.2
<b>Age in years</b>			
17-26	3.3	17.7	14.0
27-36	20.5	16.2	23.7
37-46	21.9	28.5	29.7
47-56	30.9	26.5	22.1
57 and older	23.4	11.1	10.5

In the three areas of the cleaning business – private households, commercial cleaning, and public sector cleaning – the employees without German citizenship are over-represented (Mayer-Ahuja 2003: 127 ff.). Citizenship provides an ambivalent picture in the GSOEP. Contrary to the prevalent stereotype, only a quarter of cleaners are foreigners on this note. In comparison to the employees in other industries the proportion is indeed over-represented.

In 2002 the proportion of male cleaners in eastern Germany amounted to 18.9% while in western Germany it was only 7.1%. Eastern and western companies are not only differentiated with regard to gender percentages but also concerning job tenures and age patterns. Men make up a total of less than 10% of the cleaning workforce. Due to the small number of cases only conservative conclusions can be made. Men earn approximately 40% more per hour than women. Their monthly income is significantly higher than that of women due to the fact that they also work twice as long.

This more favourable position is reflected in job satisfaction as well. In all considered dimensions men are by far more content than women. Here it is obviously a matter of employment contracts as those of women are basically different from those of men. On the one hand, part-time semi-skilled women are often employed in maintenance cleaning work. In the language of segmentation theory of the labour market (Lutz 1987) they find themselves in the public job market in which, comparatively close to the functionality of the commercial markets, labour supply and demand are brought into unison with the help of the regulation of wage levels. On the other hand a small group of men exists who, in their standard employment contract of skilled work, primarily pursue a trade in glass or facade cleaning. In segmentation theory these men would be allowed to belong to the sub-operation market in which the workforce is in a constant state of flux and permits their specialist qualifications to be introduced.

### 3.2 Working Hours

The structuring of daily working hours, as regards circumstances and duration, represents an important dimension. In the following table weekly hours are depicted according to our survey:

**Figure 4: Average Weekly Working Hours of Employees**  
(Source: GSOEP, own calculations)

Weekly Hours	Cleaners	Sales Clerks	Others
Agreed Working Hours	18.0	28.3	35.2
Full-time	33.9	38.2	38.5
Part-time	16.8	22.3	22.3
Marginally Employed	10.1	9.0	11.8
Actual Working Hours	19.3	29.2	39.3
Full-time	40.7	41.5	44.2
Part-time	17.1	23.1	23.8
Marginally Employed	9.7	9.9	13.1
Desired Weekly Working Hours	22.7	28.3	35.0
No Agreed Working Hours as a % of Employees	16%	13%	19%

In recent years the variety of working hours structuring has risen. These variations can be found particularly in the services sector and in workplaces occupied by women. The agreed working hours of cleaning employees who state that they are fully gainfully employed is, at 34 hours, lower than the standard agreed working hours and also clearly lower than the actual 41 weekly working hours. This special situation of cleaners becomes clear by way of a comparison with full-time sales people and the remainder of employees across the board who quote agreed weekly working hours as being 38 and 39 respectively. The agreed working hours of part-time cleaners is also well below average with a total of 17 hours per week. Employees from other industries generally wish for a moderate reduction in their actual working hours, whereas for those in the cleaning industry an increase is desirable. This difference reflects a common problem in practice: namely that due to organisational reasons, individual employees are offered fewer working hours a day than they require to safeguard income needs.

At the same time the actual weekly working hours vary greatly. On the one hand cleaning employees report weekly working hours in single digits and on the other isolated cases refer to totals exceeding 40 hours per week. According to statements around 300,000<sup>2</sup> cleaning personnel work a 10-hour working week. With the agreed designated gross wage of €8 per hour for cleaning employees at that time we are dealing with an employment agreement which is below the lower earnings limit which, as a general rule, involves reduced social security. Furthermore, there are approximately 200,000 cleaning employees working between 12.5 and 22.5 hours per week. In light of the current social legislative situation this can be viewed as employment in the bracket where employees pay a reduced rate of social security and this certainly applies to these employees. For the approximately 200,000 employees who work 22.5 hours and over, full insurance obligations are assumed.

Due to the large range of weekly working hours one should approach interpretations of average working hours and remuneration with caution. The field of cleaning is not characterised by frequently changing daily volumes of work or work days. The large majority of cleaners work four to five days a week and over 300,000 are active up to three hours a day. A further 200,000 hold down part-time jobs with three to five hours a day, while only 200,000 employees work what would be considered as full-time hours.

### **3.3 Income**

The income of cleaning employees is generally speaking not much higher than what one on social welfare receives. Thus there exists little room for reductions in working hours and wages. At the same time gainful employment in the cleaning industry is often experienced as a source of necessary supplementary earnings or as a supplementary base income by transfers. From the approximately 620,000 people that can be projected from our analysis, around 250,000 declare an hourly wage of between €6.50 and €9.50. With hourly wages of below €6.50 the standard wage is not being adhered to. Those workers who are affected here are fewer than 150,000. It can be inferred here that the collective labour agreement can prevent a fall in standard wages as a mass phenomenon and in this area the reservation wage is achieved.

Publicly employed cleaners receive a gross hourly wage of €11.70 whereas those privately employed earn on average €8.90 per hour. Above average incomes are attained by specialists and freelancers.

Taking into account the typically paid wages in commercial cleaning, from which social insurance and taxes are to be paid (where applicable by married employees with a relatively high tax rate), about 400,000 cleaning workers earn a net income of less than €400 per month. These are generally viewed as marginally employed employees. A further 200,000 have incomes of between €400 and €800 at their disposal. Only a minority of clearly fewer than 200,000 employees earn net wages of €800 or more per month. One must keep in mind, however, that net incomes in the area of gross wages made an improvement of €300 to €900 between 2002 and 2004.

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<sup>2</sup> Due to partly missing statements on working hours and wages the sum of the projected sub-population may diverge from the population of 900,000 cleaning workers.

### ***3.4 Subjective Perception of Employment***

Employment conditions are predominantly perceived by those surveyed as unproblematic if anything. This finding is noteworthy because it is not consistent with conventional evaluations. From our analyses a majority of 54% of all employees are not of the opinion that they perform a physically demanding task. In fact, only every seventh worker declares that the work they perform is physically arduous. In contrast to this the situation of cleaning employees is portrayed as being somewhat less favourable. Only 30% regard their job as not being physically strenuous, while 23% have an assessment to the contrary. In this point cleaning workers are similar to the comparison group of retail sales clerks.

Only a comparatively small contingent of cleaners consider their occupation as being diversified. This total of 20% is on the contrary to 48% among sales clerks and 65% among other industries. Self-perception shows, nevertheless, a more favourable picture than one would suspect when considered externally and taking into account pertinent literature (Duda 1990; Ehrenreich 2003; Mayer-Ahuja 2003).

The stress of employees depends significantly on individual capabilities to avoid or minimize the heavy demands placed on them. Relatively little monitoring of job performance and independent work structuring as well as an unproblematic social environment (a good relationship with colleagues and little conflict with superiors) militate in favour of the possibility to be able to effectively control the immediate task and its demanding factors. Thus 79% of cleaning employees report having a good relationship with their colleagues. As far as the mentioned variables are concerned, cleaners do not differ so much from other employees in the workforce. In comparison with the retail sales clerks surveyed they feel they possess even more possibilities concerning independent work structuring. In reference to the monitoring of their job performance all three surveyed groups bear similarities. However, conflicts with superiors occur particularly seldom among cleaning workers.

### ***3.5 Professional Expectations***

Professional expectations particularly reflect the employment situation in which employees find themselves. For this purpose statements were asked for on a probability scale of 0-100% in 2001. According to these statements it is fractionally less likely for cleaners to look for a new position than it is for sales clerks and the remainder of employees surveyed. Job security is estimated to be higher than the other comparison groups and the likelihood of a demotion is regarded as being much smaller. The value among cleaners here is, at 7%, not half as great as that of other employees at 19%. As expected though, cleaners rarely count on a promotion or pay rise and are not concerned with qualifications.

Only a small, diminishing fraction of cleaners regard it as likely that they will become self-employed. The average proportion of cleaners stands at 2% as opposed to 6% among the remainder of employees surveyed. The probability of changing professions is, however, clearly greater among cleaners (16%) than among other employees (10%). A change from a full-time position to a part-time one is expected among cleaners just as much as others with a likelihood of 10%. It is solely among sales clerks that this expectation is slightly higher at 13%.

Approximately 8% of cleaners and miscellaneous employees expect to give up gainful employment. Only among sales clerks is the value higher at 10%, which arguably has something to do with age and gender. This can also be explained in combination with a desire sometimes for a temporary job which is favourable to raising children. The proportion of those who expect to retire, early or otherwise, is in contrast noticeably higher among cleaners (8%) than among sales clerks (5%) and the remainder of employees (5%).

The picture of future expectations of cleaners was therefore quite conservative in 2001. We saw little expected improvement, hardly any worsening, and mere professional change or retirement represent noteworthy options.

### **3.6 Satisfaction**

Within the GSOEP satisfaction was surveyed in view of different aspects of life. Job satisfaction was of paramount interest in our analysis of the employment conditions of cleaning employees. Furthermore, satisfaction is connected to the state of health, household income, living standard as well as social security in an indirect way. Further indicators reflect more the circumstances in general.

In terms of job satisfaction there is hardly a difference to be seen among our three researched groups. This is very surprising considering the documented differences in this report between the groups and the constitutive determinants of job satisfaction. As documented elsewhere, cleaning employees are endowed with a humble income and less than perfect working conditions. The explanation obviously lies in the fact that the subjective processing of objective conditions is very decisive. In comparison with the other groups cleaning employees are disposed to a less-than-average satisfaction with their state of health. Explanations for this difference can be sought in the encumbering working conditions and in the age structure of the employees.

## **4 The Change in Collective Bargaining Policy in the Industry**

### **4.1 Change in the General Conditions**

In recent years there has been a stagnation in turn overs in the cleaning industry. The size of orders has also been reduced as a result of the worsening in the economic situation of many public and private customers. A fall in the number of employees in the cleaning trade is also observable. Serious changes give rise to completed 2003 collective labour agreements on temporary work in the long-standing pay scale arrangements of the cleaning trade. On the part of the Collective Bargaining Association of the German Confederation of Trade Unions (DGB) an industry-wide collective agreement, a general wage agreement for the whole industry, a company-specific wage agreement as well as a collective labour agreement on employment protection were struck with the Association of German Temporary Work Agencies (IGZ e.V.). Additionally, an industry-wide collective agreement, a general wage agreement for the whole industry and a company-specific wage agreement were completed with the Federal Association of Temporary Employment Personnel Services (BZA e.V.), as well as a protocol declaration on employment protection being delivered. Further existing collective labour agreements in this industry (e.g., between the syndicate of

North Bavarian Temporary Work Agencies (INA e.V.) and the Christian Federation of Trade Unions) are of less importance.

The collective labour agreements on temporary employment are in direct competition with the pay scale arrangements of the cleaning trade. The commercial cleaning trade is responding, on its part, with a collective labour agreement that allows for a nominal lowering of wages with a broad effect. For example, the basic wage B of the old collective labour agreement of the cleaning industry for Berlin amounted to €8.03. The new wage rate for workers employed in commercial cleaning (01.04.2004) allows for a comparable job a wage of €7.68 per hour. Of further note are the regional spreads around Berlin. Thus the comparable hourly wage rate in the new federal states amounts to €6.18 at the moment.

The cleaning trade has not been regarded as a full trade (i.e., with Master Craftman's Diploma) since January 1, 2004. Firms in the cleaning industry will be run in future in accordance with Section 1 of Attachment B of the trade code as 'accreditation-free trades', unlike Attachment A ('compulsory accredited trades') and Section 2 of Attachment B ('handcraft-similar trade').

From 01.04.2004 the new, nationwide and largely generally binding basic labour agreement and collective wage agreement apply, among other things as a response to the premium rates of temporary work, to the cleaning industry. These allow for nominal wage drops compared with the Berlin collective labour agreement. The implementation of the new wage group 1 for cleaners means a drop to 95.64% of the previous level in comparison to the old basic wage B. Therefore, losses of income are added through the basic labour agreement. Depending on classification in temporary work agencies, this new wage is still 6-12% above the level of agreed wages of temporary work (collective labour agreement with BZA) and, as the case may be, up to 29% (collective labour agreement with IGZ in the input stage, which ranks Berlin among eastern Germany). If the wage of the cleaning industry had not been adjusted, a difference in level of up to 17% (BZA), or at most 35% (IGZ) would have arisen between the remuneration of cleaners and temporary workers.

In consideration of the wage difference between the cleaning industry and temporary employment a difference can also be seen between intercompany and commercial (i.e., temp-work in its customary sense) temporary employment agency work. In the case of intercompany temporary employment the overhead costs can be offset against the calculative earnings within the entire company. In this the difference in wages, in essence the price advantage of temporary employment, should remain largely intact. In the case of an external service provider these costs are additionally incurred, so that a part of the cost advantage of temporary employment is lost. It is thus left open, whether the pure wage difference offers a great incentive to request personnel from temporary employment agencies instead of hiring staff (albeit short-term) oneself. To be considered is also whether qualitative aspects play a role. These include flexible access to motivated workers who, despite permanent work (in the temporary employment agency), are taken on when necessary for certain contracts or to replace those on sick leave or holidays (compare also Friedrich/Martin 2004; Nienhüser/Baumhus 2002).

#### ***4.2 The Adjustment of the Pay Scale System***

The hitherto portrayed picture shows, until 2003, a stable industry in which there are relatively satisfied employees who do not find their working conditions to be particularly poor. This is surely also the result of free collective bargaining. The question is now, which changing pressures is the pay scale system exposed to and how should it respond to them? Companies bound to the pay scale compete against those which are not and/or against those who no longer have to meet the previous trade standards. On top of this the bound companies are forced to operate within the constrictions of the award statutes. The old collective labour agreement of the cleaning trade, which is valid in Berlin, has been dissolved by means of a nationwide collective labour agreement. It asks the question of the legal and factual consequences of such a change in the agreement for already existing labour agreements, bearing in mind it would be accompanied by a lowering of the nominal wage. Labour conditions in the cleaning industry are still competing with temporary employment agencies that can leave tasks to personnel for particular occasions (holiday substitutions etc.) or to provide relatively inexpensive relief to cleaning companies' own human resources departments. To add to this there is the wage competition between regions in which the workplace principle is necessary for the affiliation to a pay scale area. However, this is easy to avoid in the case of short-term and/or small work orders (without branches in Berlin). Additionally there are changes that should be noted that have arisen due to the EU eastern enlargement. Actually, in Germany the use of employees from the acceding countries is potentially restricted to seven years (and a work permit is required) and a free movement of labour does not exist. However, these conditions do not apply to freelance activities. There are also signals that the free movement of labour will be allowed earlier than stipulated.

The temporary employment industry could grow rapidly in the cleaning sector if it wins recognition not only regarding wage levels but also in a legal view as it is able to buy comparatively cheap labour. This of course would have to be regulated by collective labour agreements. Some companies providing services are getting involved in temporary employment agency work because it holds great hopes for the future (Nienhüser/Baumhus (2002). Thus private businesses in temporary employment agency work emerge within traditional companies providing services (e.g., facility management) and partly in co-operation with experienced temporary employment agencies. These businesses are able to offer both internal and external services.

As a response to the threat of cheaper temporary employment a slide in the pay scale arrangement is possible with consequences for employees and institutions in the industry. This would mean a worsening of the employment conditions for employees and a lasting weakening of the institutions concerned with the pay scale. A downward wage spiral may only end when the supply of labour thins out due to payments from things like social welfare being more lucrative than income from work. The labour supply shortage on the one hand could stabilise hourly wages and on the other could alter the working hours regime so much that it would „pay to work again“. In the case of these engaging conditions leading to a shortage of labour in the domestic market, an influx of labour from the acceding EU countries could make possible a wage

bracket that would be very low but regulated in accordance with collective labour agreements.

The existing age structure and still high proportion of public sector employees mean that various changes can be anticipated in the coming years. For instance, with the retirement of employees there exists the possibility of hiring new staff and/or replacing them with temporary labour. The henceforth existing collective labour agreements on temporary employment open up a considerable range of massive wage declines. The possibility of external processing of benefits offers additional turnover opportunities for the private cleaning trade.

### **4.3 Interpretation of the Results**

In the case at hand the collective labour agreements system in the cleaning trade seemed to be acutely at risk through the appearance of new players bound to the agreements: temporary employment agencies who had struck collective labour agreements with trade unions where the wage levels were lower than those of the cleaning industry (e.g., in Berlin). Additionally aggravating is the discontinuation of cleaning as a full trade and strong wage differentials compared to labour from Berlin's surrounding areas and the new EU countries.

The guild association has carried forward the position of averting the common threat to jobs and collective labour agreements by temporary employment agencies and this position has been taken up by the trade union- in this case IG BAU. The attitude towards the test and information centre of the Berlin cleaning trade (Schramm/Seidel 2003) on the part of the guild indeed shows that it is managing to contain the welfare of the collective labour agreement.

On the one hand IG BAU has an interest in "remaining in the game" (as a partner in collective labour agreements) and on the other hand it has to fulfil the expectations of its members, maximise wages on a regional basis, and limit a loss of members as a result of unemployment. It must do these things in order to remain capable of acting in the industry. At the same time it is unclear whether a bad rather than a good wage situation is conducive to the development of membership.

Borne from the interest in repressing temporary employment agencies (guild) and in maintaining the pay scale system (IG BAU) one settles on the existing solution in which personal notions and sensitivities have played a role as marginal conditions. The long sceptically regarded peculiar path of IG BAU in collective bargaining policy has been abandoned with a sealed nationwide and regionally differentiated collective wage agreement.

The guild is confronted with the problem that its member numbers dwindle when it can't help to lower business costs. Through the change in the trade regulations the appeal of being a member also shrinks. A substantial weakening of the guild would endanger the unity of the system for IG BAU if, sooner or later, the general bond of the collective labour agreements (basic and wage) is threatened. The result would be a complex landscape of businesses with different collective labour agreement bonds. The consequences for the development of membership are unforeseeable. It could improve because it is necessary to negotiate more often (and to strike more often). It could, however, worsen because the use of the trade union is no longer apparent.

Should the employers arrange the wages individually based on the situation at hand or voluntarily lean towards a collective labour agreement (without sealing a recognised agreement).

For those who are for the preservation of the pay scale system the beneficial adjustment to the level of temporary work is not expected of the members. Therefore a compromise would be found above the incomes in temporary employment agencies in the hope that the gap is too small in order to offer an incentive to change to temporary work. Large companies are responding to this and at the same time are establishing their own temporary employment agencies in order to capitalise on this gap and to minimise the costs for their own personnel allocation.

The expert interviews have contradicted our expectations in two respects: firstly, we presumed a relevant proportion of employees would either take legal action against the lowering of the pay scale or would react with a stealthy refusal to work. However, the resistance of employees seems to have been kept to a limit. Problems with motivation cannot be ruled out, at least if the pay scale decrease has not been strongly communicated within the companies. Secondly, we presumed that temporary employment agencies would break into the area of commercial cleaning more vigorously despite the lowering of the pay scale. It was also presumed that the pay scale decrease would diminish the supply of labour and consequently induce companies more strongly to look for labour from the acceding EU countries. The results of the interviews suggest a correction to these presumptions: the actual relevance of temporary employment and the EU eastern enlargement are estimated to be more moderate than previously thought. For this reason the customers are for the proposition of calling for a price alignment against the background of falling staff costs. The order situation leads to measures such as a shortening of working hours which, in view of the decreased hourly wages, reduces the attractiveness of work even further. In contrast we had expected an extension of working hours as an instrument to compensate income losses.

Should lower prices penetrate the market in view of the costs situation and the fallen volume of orders, then this would aggravate the economic problems of the affected companies and would again suggest aiming at pay scale arrangements since companies without collective labour agreements (and also temporary employment agencies) now appear more attractive.

The initial problem continues to exist whereby the scope for the negotiating partners has simply been diminished. The system-compliant adaptations towards the alternatively perceived basic conditions (growing prominence of temporary work) are noteworthy for a start, and interpretable within the framework of our model of rational behaviour. Only the annulment of the PBSt does not seem to fit, but Berlin's „historical“ peculiarities are possibly to blame here.

The observable system adaptation that is also consciously reflected upon by the consulted participants is, however, not suitable to reorganise the industry. For a start, differences remain in the staff costs of temporary employment compared to those of the cleaning industry which are bound by collective labour agreements; the regional wage differences are considerable; and the influence of the EU eastern enlargement is largely open.

The customers will probably demand their share from the cost-saving which, with perhaps a time delay, will lead to falling prices. Service restrictions and insourcing (where possible with the help of temporary work) will do the rest. Otherwise temporary employment is not the threat that it was first seen as being.

In contrast, loss of motivation and internal conflicts seem, in fact, to be a problem. Reductions in working hours mean that losses of income because of falling wages are not able to be counterbalanced. To what extent this has an impact on the supply of labour (whose income partly and at an increasing rate equals that of social welfare) depends on the future practice of employment agencies.

With the lost of recognition as a full trade and through the collective labour agreement of temporary work additional inducements have been created to abandon the collective labour agreement-bound area of employment. So much so that in the case of the labour supply noticeably decreasing and/or unionisation increasing (commercial cleaning 13%, temp-work 9%), one would have to anticipate a loss of importance in collective labour agreements. This could only be encountered with a universal validity declaration (UVD)<sup>3</sup> or a legal minimum wage. However, this would possibly weaken the union and guild and, in turn, endanger the UVD as it is tied to a virtual, voluntary collective pay commitment of over 50%.

The system adaptation could therefore fail as on one hand it has not gone far enough (remaining wage differences) and on the other because it undermines its own basic principles (consequent price decline). That does not mean now that the alternative of omission would be perceived as being more positive. This would probably have led to a massive abscondence from the collective labour agreement that, along with a delayed withdrawal from the Federation of Employers, would have upended the universal validity.

## 5. Conclusion

In the following conclusion the fundamental results of the analysis of the Socio-Economic Panel (GSOEP) as well as the expert interviews will be summarised. Possible future developments will subsequently be pointed out.

The aim of the analysis of the GSOEP was to describe the current employment conditions in the field of cleaning and to do so on a representative level, and to explain their context. The most important results of this quantitative study are as follows:

Firstly, the field of cleaning is an extraordinarily intensive employment industry that operates in secrecy. Secondly, its social structure is more differentiated than the prevalent clichés suggest. Thirdly, tightly interwoven income and working hour structures predominate, whose responsible configuration appears reasonable and necessary by management even in view of its proximity to social welfare, particularly to the income level of unemployment benefits. Fourthly, the established prejudices regarding the industry can be put into perspective as up to now the collective labour agreement

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<sup>3</sup> A universal validity agreement struck between a trade union and employers' association applies not only to those businesses which are members of the employers' association but to all businesses in the industry regardless of membership.

conditions as well as the working conditions in the self-descriptions of the employees have not looked so adverse. Of course this can also be owed to the subjective handling. Furthermore, the previous collective labour agreement system apparently operated in a stable way. Fifthly, the excess of age in the industry is becoming noticeable. And finally, a potential for outsourcing of rendered cleaning services in the public sector exists.

The aim of the expert interviews was to comprehend the development of collective labour agreement policy in the industry. Firstly, we were able to show that temporary employment unfolds quite considerable effects beyond its direct ambit. The collective labour agreement of the cleaning industry, resulting from the agreement struck on temporary employment, contains significant changes for the worse for a large number of employees, particularly regarding the federal state of Berlin. In doing so collective labour agreement policy seems to be seen as something of a novelty in Germany.

Secondly, with the loss of recognition as a full trade additional inducements have been created to abandon the collective labour agreement-bound area of employment. However, the interviews gave clear indications that some initially presumed connections are to be considered more differently. The eastern enlargement of the EU plays a smaller role than expected and temporary employment has so far been utilised less expansively in the cleaning industry than we had expected. Finally, through the new collective labour agreements the considerable cost reductions have shown themselves to lead to an increased pricing pressure.

A loss of importance of collective labour agreements could be met with a universal validity declaration (UVD). However, as already stated, this would possibly weaken the union and guild and, in turn, endanger the UVD as it is tied to a virtual, voluntary collective pay commitment of over 50%. In view of the pay scale adjustment we can count on further adjustments (downwards) or with an attempt to undermine the pay scale arrangement until the declining labour supply would put this to an end. At this juncture there is considerable downward scope which is comprised of varying causes (regional differences, EU eastern enlargement, pressure on the unemployed, and also accepting poorly paid and unskilled activities). A minimum wage would then be of the utmost importance in this industry (Peter/Kempen/Zachert 2004). On the one hand a national minimum wage would create comparably minimal cost conditions and therefore work against a further erosion of wages. On the other hand the interest of the bargaining parties to strike wage agreements for activities in this area would possibly diminish. The question is, of course, whether the minimum wage should be geared to available wage agreements or to state aid money and, furthermore, how it is to be implemented.

Two possibilities for the provision of a minimum wage suggest themselves, for which we presently deem between €4.50 and €6.20 to be realistic:

- The minimum wage is the result of negotiations with the concerned trade unions, similar to a UVD. This action may weaken the trade unions. The „downward“ development will possibly be restricted but it will depend on assertiveness. It

could additionally weaken the demand for labour because wage costs are kept artificially high.

- The minimum wage is determined by the state (e.g., in relation to social transfers and available wage agreements). This action weakens the trade unions. The provision of the wage level will additionally initiate conflict. In this case as well the minimum wage could weaken the demand for labour.

Without wage agreements (possibly with subsequent UVD) or a minimum wage a downwards-directed wage spiral is to be expected, especially when there are alternative labour supplies (e.g., temp-work) or when the labour supply no longer runs short by means of combined wages or pressure from employment agencies (or EU foreign workers). At any rate this stable industry will be further placed under pressure if customers let wages follow the path of falling labour costs or they reduce the labour supply. Time will tell if our very grim prognosis is right or if contrary factors such as a shortage of motivated employees and quality problems and, as the case may be, an increased interest in product quality get the upper hand. These factors come into play with the cyclical recovery of employers.

## 6. Summary

Despite its quantitative importance in the labour market, the cleaning industry is comparatively little researched. Its example provides evidence for the consequences that changing economic and legal conditions have on employment conditions and work relations. Two years ago there were relatively stable employment conditions along with a collective labour agreement that worked. After 2003 legal and collective labour agreement changes occurred in relation to the originally unknown sector of temporary employment and almost simultaneously changes to basic conditions in the cleaning trade itself arose. In response to these changes a new collective labour agreement was struck for the cleaning industry in 2004. We investigated the federal state of Berlin to exemplify the development in the industry. Through the already-mentioned adjustment in the industry a „downward“ development for the employees has taken place that has presumably not yet reached its conclusion.

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