

Risking relegation or staying in the first league?

industrial relations and enterprise restructuring in Germany under the impact of globalisation and financialisation

Jürgen Kädtler

Jürgen Kädtler is the director of the Sociological Research Institute (SOFI) in Göttingen in Germany.

ABSTRACT

The 'dual system' of industrial relations has formed a crucial component of the 'German Model' of post war capitalism. However it has come under severe pressure since the ending of the 'Golden Age' of Fordism and both nations and companies have been forced to engage with the new demands of globalisation. The focus of this article is on one important aspect of this development: the impact of organisational globalisation in large companies on industrial relations and on employees' bargaining power, drawing on research in the German chemical, pharmaceutical and automotive industries. It is argued that whether employees' primary power will erode, persist, or even increase depends critically on companies' product strategies. The article draws attention to ways in which employees' bargaining positions may be eroded either because the traditional strategies of unions and works councils make it difficult to draw on primary power at a local level or because primary power is shifting to new groups of employees who were traditionally not well organised. However it also points to some ways in which bargaining has been successful under these new circumstances.

Introduction

Germany's unique industrial relations system has indisputably played a crucial part in sustaining the model of post war capitalism that many scholars have characterised as the 'German Model' (Schlupp, 1979; Schroeder, 2000; Schroeder & Esser, 1999), 'Rhineland Capitalism' (Albert, 1991) or a variant of 'Mesocorporatism' (Amable, Barré & Boyer, 1997). Germany's 'dual system', combines a legal system of cooperative 'codetermination' ('*Mitbestimmung*'), whereby works councils, elected by all employees, are responsible for employee representation at the workplace level (Schmidt & Trinczek, 1991; 1999), with a collective bargaining system, known in German as '*Tarifautonomie*', whereby trade unions and employers' organisations have exclusive jurisdiction over the negotiation of general labour standards, such as wages, working hours and the conditions laid down in employment contracts across whole sectors of the economy. This exclusivity of jurisdiction also implies the exclusive right to enter into open conflict to bargain for these standards – but only for these standards (Kädtler, 2003). This dual system proved in the past to be highly efficient in several ways. It significantly improved the living conditions of employees

in general; it contributed to bringing about major structural change in the economy whilst avoiding major social conflict; and it provided a high level of social integration and stability at company level, sectoral level and across society as a whole. In large companies, the representation of employees and trade unions on supervisory boards supplied an additional mechanism for achieving social integration by looking for collaborative solutions in cases where there were clashing interests, but always with the alternative back-up option of more conflictual bargaining if this did not bring results (Streeck & Kluge, 1999; Müller-Jentsch, 2003).

This system is regarded as a core element in the German version of 'coordinated capitalism' by Hall and Soskice (2001). It has also been widely regarded internationally as a particularly efficient and stable combination of employees' representation with the regulation of political and societal functions (Markovits, 1986; Silvia, 1993; Silvia & Markovits, 1995; Silvia, 1999; Katz & Darbishire, 2000). Indeed, the economic strength and stability of the welfare system and of democratic relations in post-war West Germany have been largely attributed to the industrial relations system, institutionalised as the 'Social Partnership' (Kädtler & Hertle, 1997). This system can be seen as a specific balance between conflict and cooperation, which Walther Müller-Jentsch has summed up in the term 'conflict partnership' (Müller-Jentsch, 1993).

However it is equally indisputable that both the German industrial relations system in particular and the 'German model' in general have come under pressure in the wake of the decline of the 'Golden Age' (Marglin & Schor, 1990) of Fordist regulation (Streeck, 1995; 1998a; 1998b; Dörre, 1997; 1999; 2001). Both trade unions and employers' organisations have seen sharp falls in membership (Schnabel & Wagner, 1996; Schnabel, 2003; Schroeder & Ruppert, 1996; Ebbinghaus, 2003; Visser, 2006), which has led to a decline in the coverage of sectoral collective agreements (Kohaut & Schnabel, 2003). A further symptom of this development has been a relativisation of those general standards that still exist by a proliferation of loopholes created through the casualisation of regulation, site agreements etc. (Rehder, 2003a; 2003b; Bispinck, 2007). The overall outcome has been a major shift in the distribution of social income from labour to capital¹. One of the central tenets of Regulation Theory holds that that perfect match between societal subsystems should be understood as the outcome of a highly contingent historical instance (*'trouvaille historique'*) (Coriat, 1994) that is limited in time. Taking this seriously, we argue that the question of whether and how a constellation of comparable coherence and stability can be recaptured, should not be taken as the leading question for an analysis of current developments in industrial relations. Rather, we should be asking how actors and organisations can maintain their room for manoeuvre and capacity to act under conditions of continuing contradictions and uncertainty, and on what resources they can draw whilst doing so. For this reason, in this paper, I do not consider all those aspects of the crisis of industrial relations in Germany that have resulted from the disintegration of the Fordist regulation regime, especially the impact of general mass unemployment on union strategies that are strongly linked to full

¹ As an important point contributing to this result, reforms in social and labour markets policies have also to be taken into account, because they indicate a significant loss of unions' formerly very strong position in these policy arenas.

employment as their precondition (Kädtler, 1986). Instead, I focus on specific bargaining situations in order to find out what resources might enable trade unions and employee representatives to gain power and use it under these conditions.

I will focus in particular on works councils in large companies, especially companies that are reorientating themselves transnationally, looking especially at the significance of locally-embedded positions and the power resources that are available in these local bargaining situations. As companies become more transnational in their organisational layout, both national units and individual production sites lose their weight and autonomy, at least at the level of formal organisational structures. Large companies have always played a decisive role in shaping industrial relations in Germany and, we submit, will continue to do so. This means that studying the distribution of power within large transnational companies can provide useful insights into several important aspects of possible future developments in industrial relations. It should be emphasised, though, that this focus does not give the whole picture. It leaves out many other important aspects of the ongoing transformation of companies, industry structures, and industrial relations. One important omission here is the question, whether the loosening of sectoral collective agreements by means of site agreements and other exceptions to what were previously universal rules, should be understood as always constituting an erosion of collective regulation or whether – as I would argue – these site agreements also open up at least the potential for a strategic restructuring of collective bargaining that could improve the position of labour where these developments occur (Wendl, 2002; Schroeder, 2003; Rehder, 2003; Bispinck, 2007).

The first section of this paper briefly outlines the connection between institutional arrangements and locally based power positions in the context of German industrial relations. The second section discusses the possible repercussions of 'organisational globalisation', a term which is used here to refer to developments within internationalised corporations, whereby business processes, business units and reporting lines are organised transnationally, and where, as a result, management and decision making is, at least in principle, equidistant from any one of the company's sites, regardless of location². The third and fourth sections present some evidence on restructuring in the chemicals and pharmaceuticals industry and in the automobile industry. The final section presents some tentative conclusions about future developments in industrial relations in the context of the tension that is currently emerging between the production side of the economy and the increasing weight of financial markets.

Industrial relations between local embeddedness and organisational globalisation

In a framework of 'social partnership' the weight of employees' collective representation rests finally on the ability to exercise pressure by means of selectively refusing to co-operate with the employers. Where it can be based on 'primary power' (Jürgens, 1984), that is where companies are dependent on particular groups of employees and where works councils or trade unions are in a position to use this dependence as a tool of power³, it thus has a

² This makes it possible to take up aspects of what Bartlett & Ghoshal (1989) and Dunning (1992, 1993, 2000) refer to as 'transnational', without having to enter in a more detailed discussion of their concepts for our purpose.

³ Our theoretical point of reference is the concept of strategic organisational analysis developed by Michel Crozier and Erhard Friedberg (Crozier & Friedberg, 1993; Friedberg, 1993; Chazel & Favereau, et al. (1994).

solid basis. Provided it is a credible threat, the severity of this threat of refusing to co-operate is determined by the degree to which companies are forced to rely on this co-operation, and the extent to which they rely on it in practice. The double role of collective employee representation in being able both to guarantee cooperation in normal circumstances and simultaneously to threaten to withdraw it in exceptional circumstances was a basic precondition for the relatively high power of regulation in the conflict-partnership model of German industrial relations in the past.

The regulatory effects of the German system of industrial relations are therefore essentially a function of their deep-seated basis in local bargaining, even though national statutory and organisational structures and the organisational capacities of employers' associations provide the context and preconditions for this local power. This can be seen clearly in negotiations over collective agreements, where unions' bargaining power would not be effective without the ability to mobilise support by employees for strike action if necessary. But it is also the case in the collaborative forms of employee representation covered by the term 'codetermination'. The extent to which employee representatives can use their statutory rights of participation in company decisions or their powers of veto when they are participating in works council business depends crucially on the support that they can muster from employees. Because the vast majority of works council representatives are union members, the reputation that they build when using their statutory codetermination rights at the works council becomes a key factor in the success of union attempts to recruit and mobilise members.

Proximity to relevant decision-makers plays an important role in these processes in the local context. The local power of trade union representatives depends strongly on the room for manoeuvre and scope for decision of their management counterparts. Continuous personal contact between employee representatives and company management representatives also provides an additional channel of influence, which may play a more important role than all the statutory regulation of participation rights. The presence of employee representatives, usually works councillors and union members, on the supervisory boards of large companies is equally important. The way in which these different arenas are related and interlinked to one another (often through personal contacts) determines both the type and the extent of the influence that can be brought effectively to bear on companies by unions, as well as the overall balance of power between them.

Within this nexus of statutory codetermination rights, internal company power positions, and informal relationships of communication and trust, a range of different configurations can be observed. In some companies, employee representatives hold strong primary power positions on the shop floor, but only marginal positions on supervisory boards, while in others the two levels complement and strengthen each other. Others are characterised by intense and highly informal contacts with the board of directors, and the results that are achieved by this means play a crucial role in legitimising works councils members in the eyes of a rather passive work force. The next section of this paper will demonstrate that these established configurations of power and influence strongly affect the way that bargaining develops when companies start becoming active on a global scale.

I refer to the globalisation of companies, rather than the globalisation of markets or even globalisation without further specification, in order to take into account the fact

that company strategies are more than direct reflections of market conditions. Several factors, including the elimination of trade barriers, the falling costs of transportation and the dynamic development of information and communication technologies, have placed new options on the bargaining table that cannot simply be ignored in a competitive environment. These options remain the background for behaviour under the conditions of bounded rationality (Simon, 1949; 1995; 1982). This means that they simultaneously define the limits and provide the backdrop for decision-makers' assumptions about the certainties they face when devising their corporate strategies. The implications of this changing environment for the companies thus becomes a component of their choice of strategy (Child, 1972; 1997). Prevailing product and market conditions, existing skills and opportunities, the influence of different actors and maybe even their guiding ideas are all important factors that influence these choices. In the best cases, this results in business strategies that are feasible, but these are by no means inevitable or irreplaceable. Quite different alternative strategies would, in principle, have been possible. To the extent that there is pressure to adopt 'best practice' business models and corporate strategies, this does not come from the inevitable imperatives of the production economy, but from the guiding principles and fads of the financial markets.

Financial markets in this context should not be seen as anonymous markets, but as an institutionalised public realm (Kädtler, 2005)⁴. Since the 1990s, large publicly traded companies in Germany have not been financing their businesses by issuing new shares, but have been heavily buying back their own shares instead. The power exerted by financial markets on business strategies is thus not the outcome of financial dependence but derives from the financial community's ability to define the norms, visions, and even fashions, that then become decisive for business strategies (Kädtler & Sperling, 2002; Orléan, 1999). These come into effect when top management refers to them in order to develop and/or legitimise its business strategies. There is no simple answer to the question to what extent top managers should be seen as driven by, as opposed to actively promoting those requirements of the financial markets (Froud, Haslam et al., 2000; O'Sullivan, 2000; Erturk, Froud et al., 2005). On the one hand it can be argued that the more these ideas become generally adopted, the more difficult it is for individual managers not to follow them. On the other hand, because increases in managers' income are strongly linked to shareholder value management, there is no really strong motivation for managers to dissent from them either (Froud, Sukhdev et al., 2006). In any case, financial markets do not provide unambiguous and binding guidelines that can be implemented in only one way in business strategies.

One important general trend can be singled out in the current development of large German industrial companies in this new business environment. This is a decline in the importance of business strategies solely relating to the national context, i.e. to the export of domestically made products (Beyer, 2001). This is accompanied by a

⁴ Against the background of the theoretical debate on the social constitution or embeddedness of markets (Swedberg, 2003; Callon & Muniesa, 2005; Knorr-Cetina & Preda, 2005; Sassen, 2005) this is of course a very simplistic opposition. However we think it is sufficient for the argument presented here.

trend for (multi)national organisations and governance structures to be replaced by transnational ones. In the formal organisation of companies, particular locations in national contexts are increasingly becoming little more than intersections, or local suppliers within business areas that operate internationally, optimise costs and revenues autonomously on this global scale, and make investment decisions solely on the basis of this kind of optimisation, rather than taking into account particular national or local interests. The term 'organisational globalisation' is used here to describe this trend.

This challenge for the significance of specific locales, already evident in the formal organisational structures of companies, in fact implies a declining role for locally based bargaining. However the magnitude of this effect depends on how important particular locally specific resources and skills still are – or should be – for the firm, and whether such resources can be used to the advantage of the company's employees. Five possible scenarios can be identified. The first of these is that local bargaining power is being eroding, because the resources on which it relies are losing their importance or can be obtained more inexpensively elsewhere within the firm. The second is that local negotiators are losing their influence, despite the fact that the resources on which their power is based remain very important, because global organisational structures and decision making prerogatives are restricting the scope of local influence. A third possibility is that local negotiators are losing their significance, even though the location remains very important, because other resources of that location are becoming more and more important, and these new resources, unlike the ones that used to be crucial, offer no basis for the collective representation of employees' interests. A fourth scenario sees local power positions maintaining and even extending their importance because the complexity of global production networks makes the company increasingly vulnerable to disruptions in the flow of production, and the smooth operation of every single production location is thus becoming ever more important for the overarching scheme (Veltz, 1996). Finally it is possible that local bargaining strength remains intact, because employee representatives play an important role in the 'dominant coalition' (Child, 1972) that makes the decisions about business strategies, or, conversely, that this strength is lost, because the influence of employee representatives was based solely on their membership in that dominant coalition and, because of a failure to mobilise their resources, they were unable either to prevent a loss of this membership or to compensate for that loss.

This is not an exhaustive list. It is possible to imagine still more scenarios, or combinations of those summarised here. The next section presents an analysis of the development of employee representation in a few large companies whose importance extends beyond their own individual cases, because of their position as core companies of the two largest industrial sectors in Germany, which also stand for alternative German industrial relations models. The metal-based manufacturing industries can be taken as the archetype of the 'conflictual partnership' model which is often thought to apply to German industrial relations in general. The chemicals and pharmaceuticals industries, by contrast, represent a more co-operative model, described by the trade union and employers organisations themselves as a 'chemical partnership'. The aim is to identify the factors that governed and may still govern the evolution of the

local bargaining positions of employee representatives in these two sectors. All the companies studied have been operating on a global scale for a long time.

Organisational globalisation – erosion or realignment of partnerships in the chemicals industry

For decades the three large chemicals companies Hoechst, Bayer, and BASF stood out among German companies as some of the furthest advanced in their global operations. However the German chemicals and pharmaceuticals industry is also noteworthy for its long-established relationships of cooperation and bargaining which have profoundly shaped industrial relations in the sector. The co-option of the works council leadership into the dominant coalitions, as well as substantial margins for intra-company redistribution, have traditionally curbed any militant ambitions amongst works council representatives and, as a result, have also set limits on the mobilising capacity of the trade union as a whole. At the same time, the breadth of the fields in which the large companies in the chemicals industry operate, as well as their regional scope, have generated an exceptionally unified and firmly institutionalised industrial relations system in an industry that is extremely heterogeneous in the size of its companies and areas of operation. This so-called '*Chemiepartnerschaft*' ('partnership in the chemicals industry') model is now seriously challenged by the realignment of business strategies at a global scale and the repercussions of these changes on internal company bargaining arrangements.

Over the past decade, Hoechst AG has been completely split up (Menz, Becker et al., 1999; Kädtler, 2006:89-140). Its former main site has been replaced by a 'Höchst Industrial Park' with employees scattered across several dozen independent firms, most of which are small and medium sized companies. The only large firm that has its headquarters there is a service and infrastructure provider, the repository of most of Hoechst's service functions when the company was divided up. When it was formed in 1998, this company had more than 4,000 employees, a number that has now been reduced to 1,900. The chemicals and pharmaceuticals plants in the domestic location are all parts of global companies with their headquarters abroad. The works council of Hoechst's immediate successor firm, Sanofi-Aventis Deutschland GmbH, now represents around 10,000 employees, within a global company with 100,000 employees worldwide. But because all the important enterprise functions are governed on a global scale and the national company is now only responsible for domestic marketing, the works council finds itself negotiating with a 'king without a country'⁵.

Until 2001 Bayer's top management maintained the profile of an integrated chemicals-pharmaceuticals firm. The company was organised in largely autonomous global business areas, for which the corporation's board of directors had no direct responsibility. Intervention by the board into their strategies were therefore rare exceptions. However because it was responsible for co-ordination and synergies, the

5 However it should be noted that the position of German (and also French) employee representatives seems to have improved somewhat since the emergence of the highly financialised Aventis SA, resulting from the acquisition of the pharma businesses of Hoechst and French Rhone-Poulenc (by means of a hostile takeover in 2004). According to German works council members, the more industrial culture of this new pharmaceuticals group is in some respects more like the 'old Hoechst' (Interview in 02/2006).

board did have the ultimate say on business location and in some cases over-ruled the decisions of top management in these business areas. The traditional pattern of exclusive company-wide agreements negotiated at the top level remained in place for all German production sites, albeit on terms that were steadily deteriorating as far as the employee representatives were concerned. Top management could, and actually did, create synergies across business areas while at the same time emphasising to the employees at a company level the unfavourable bargaining position of any single production unit within its global business area. The first site agreement negotiated for the main site in 1997, the business year with the best result ever, included cutbacks in fringe benefits to the amount of DM 320 million (about 165 million euro), in return for an agreed minimal amount of domestic investment and a promise to avoid forced layoffs for the duration of the agreement. So far it is not clear whether the reorganisation of Bayer as a Strategic Management Holding, begun in 2002, and the splitting off of major parts of its traditional chemicals and business services will – as with Hoechst – be an intermediate step on the way to a complete break-up, or just a further reconfiguration of the chemicals-pharmaceuticals conglomerate structure. In any case, it has led to a further weakening of workers' representation, at least within the traditional bargaining context (Kädtler, 2006:174-197).

In neither of these cases has the deterioration in the influence of workers' representatives resulted from a weakening of the companies' dependence on particular assets caused by intensified globalisation. During the restructuring of Hoechst, employees in research and development (R&D) unit at Frankfurt demonstrated a considerable amount of power when confronted with a rigid schedule of cutbacks, devised by the new management. They not only opposed this, but also encouraged the highly unionised laboratory personnel to do the same. This put the management of both the national unit and the entire company under considerable pressure, particularly as the production staff became involved too and the conflict was widely publicised, as part of a strategy to gain public support. Since the internal institutions of conflict resolution, such as bargaining structures, were already missing in this case, this conflict was widely perceived as a stiff confrontation between top management, important parts of the workforce, and the general public. Without this conflict, as union officials openly admit, it would not have been possible to negotiate the comparatively far-reaching transitional agreements for the whole company that were achieved, or the modifications of the cutback plans in R&D that had initially sparked the conflict. But it is important to recognise that this conflict did not represent a situation in which employee representatives could rely on strongly organised parts of the workforce, but, on the contrary, involved poorly organised, but strategically important, groups of employees⁶.

Some generalisation is possible beyond this specific case. There are strong indications, that the locally based bargaining power at large R&D sites of employees and their

6 It is not quite clear to us whether this special case can be interpreted as evidence for a more general development by which core groups of employees in strategic positions use their primary power exclusively instead of backing the general representation of employees at company or sector level, recently illustrated in Germany by examples including air traffic controllers, flight attendants and train drivers. However it is interpreted, this tendency undoubtedly exists and how such core groups can be (re)integrated is a crucial question for the further development of industrial relations in Germany.

representatives has not declined but has actually increased by becoming part of globally governed networks, and in a similar way, that employees at strategic production sites also have a considerable amount of power within global production networks. In principle, these networks supply the preconditions for internal competition as a means of global governance, but this does not necessarily set in motion an unstoppable race to the bottom. This local strength is all the more remarkable given that it arises from new developments. Traditionally the local reserves of power held by these groups and the bargaining positions of works councils based on them were insignificant.

The real losers from the restructuring processes in both companies are those areas that are left out of the newly constituted global company. At Hoechst, this meant the majority of former employees, but particularly those who were hived off to new small and medium sized service providers. At Bayer the logistics areas were the first to be affected, a group for whom a company agreement was concluded during the outsourcing process. Large parts of technical services followed when the holding structure was established in 2002. As local service providers, they are still part of the global production networks of the newly formed companies, but as external service providers amongst many others – not as insiders. Instead of being able to negotiate for their share of the (historically quite generous) margins for distribution of the chemicals industry, these employees now form part of the local service sector with its much tighter margins. This development has not just had negative consequences for the outsourced workers. It has also been a negative development from the perspective of workers representation within the global chemicals and pharmaceuticals firms themselves, because these traditionally highly organised parts of the workforce are no longer available as a potential power base. At least in the Hoechst case, we would nevertheless argue that there are indications that new forms of workers representation are emerging, following the standard forms of German industrial relations in general. However these conform to standards in the service sector, which fall significantly below the traditional standards of the German chemicals industries with their special '*Chemiepartnerschaft*'

We can conclude that the dramatic loss of influence of formerly powerful employee representatives in the tide of global restructuring at Bayer and Hoechst represents the impossibility of defending a general level of wages and working standards within the traditional German pattern of industrial relations. However it does not demonstrate a decline in the importance of locally-based power positions within global companies, nor does it presage the end of workers representation in these areas, even though these are the localised losers of global restructuring.

BASF AG is – or used to be – different from Hoechst and Bayer in two crucial respects: a very strong union presence in the company and a clear concentration on industrial chemicals based on the '*Verbundchemie*'⁷ principle. Here, the cost efficiency of single products is not the strategic focus, but the aim is to produce an extremely broad range of products with high efficiency. This is a technological option, defined

⁷ *Verbundchemie* (literally: compound chemistry) is a technological paradigm in which by-products and energy resulting from one chemical reaction are taken as inputs for new ones. Under this system, industrial chemical production takes the form of large chains or networks of production facilities, where the focus of economic optimisation is not on the single product but on the efficiency of the overall output of this integrated technology.

by the company as a core competence. At the company headquarters and in the main production units, in particular, the union's strength is based on close ties between the company internal structures of employee representation and the industrial union. In addition, by defining '*Verbundchemie*' as its core competency the company has committed itself to large and highly complex industrial systems which need constant improvement and further development. BASF thus depends on the collective competence of a highly qualified workforce of workers and technicians who are needed to operate and continually optimise this complex technology. About three quarters of the workforce is unionised, and unions are present in an all-encompassing system of communication and representation maintained by an army of shop stewards and works council members. This strong presence creates the basis for a power position of the employees that is very potent politically.

Although the practical business of intra-company social partnership at BASF hardly differed from the one at Hoechst and Bayer, there was a stark contrast between BASF and the other two firms in the workers' reaction when the management challenged the traditional modes of interaction (Kädtler, 2006:198-253). At Hoechst and Bayer rather far-reaching changes could be implemented without major disruption. The BASF workforce, by contrast, from the mid 1990s onward, staged massive protest demonstrations and reacted very strongly even to relatively minor infractions. The management took these warnings seriously. The abolition of a seniority benefit, originally planned in 1994, was revoked and has been considered taboo ever since; an attempt to cut back sick pay had to be abandoned quickly in 1996; and when, in 2001, the management attempted to reduce an extra benefit that had previously been linked to dividend growth, even though in that very year dividends were extraordinarily high, this too led to massive protests. Such incidents triggered attempts to readjust the internal relationship of cooperation and exchange that went far beyond the scope of the events that had provoked the original conflicts. In the most recent dispute, this attempt at readjustment has taken the form of major negotiations with the head of the production site about the strategic further development of this main business site in Ludwigshafen. The creation of this position of head of the Ludwigshafen site, and the appointment to this post of a member of the company's board of directors, was something that the employee representatives had been demanding for a long time as were the recently-initiated negotiations over the future of the site. Furthermore, a new global organisational and governance structure has been introduced, in which production and manufacturing sites are not subordinated parts of global or regional business units, but where these business units have to negotiate the realisation of their respective strategies with production and manufacturing sites that are organised separately on a continental basis. This entails a strengthening of production sites within the global organisation of the group and thereby – at least potentially – also a strengthening of the position of trade unions and employee representatives backed by local primary power. Interestingly, this company also has an active European Works Council and similar institutions are in the process of being developed for Latin America and Asia as well, forming part of an active worldwide network of employee representation.

In striking contrast with this case, the German tyre manufacturer Continental demonstrates that even strong trade union bargaining positions can fade where local

employee representatives cannot rely on a power base of locally-embedded resources and skills on which the company is dependent (Kädtler, 2006:266-281). With over 90% of all its employees in Germany union members, Continental used to be the stronghold of union representation in the rubber industry. But, unlike chemicals, this industry is the classical type of a repository for semi-skilled workers. In its standardised production processes, training times are now, if anything, even shorter than they used to be, and in the areas of higher quality production there has been no increase in skill requirements. As a result, there is a permanent threat of transnational locational competition which creates the all-pervasive context for governance within the company. The traditional high-wage locations do not compete directly with the low-wage locations, but they do compete with one another over the volume of production that remains in their sector, causing a continuous downward spiral in wages and labour standards.

Global Realignments in the Automobile Industry – Stable Conflictual Partnerships?

German automotive companies are the core companies of the German metalworking industries and also dominate the industrial relations in these industries. They can be seen as textbook cases of 'conflictual partnership' (Müller-Jentsch, 1993), combining continuous cooperation between employee representatives and management with conflictual encounters in the realm of wage bargaining, but also, in exceptional situations, at the company level. This 'conflictual partnership' is based on the one hand on statutory rights of codetermination, including representation on the advisory board, and on the other on the company-specific power resources of a highly unionised workforce and its representative institutions. This has resulted in established and reliable bargaining arenas, as well as implicit, and sometimes explicit, productivity pacts. In these pacts high productivity gains combine with wages and social benefits which are well above average standards in Germany.

This pattern of 'conflictual partnership' developed under specific historical conditions. Until the late 1980s, and to some extent even into the 1990s, the major international activities of auto companies in Germany were largely limited to their export businesses. This applied both to the German manufacturers and European subsidiaries of US manufacturers. It was only in the 1990s that the three large German car-makers started to restructure their operations and their strategic business activities with global perspectives that extended beyond this home based export business. At the same time the two German subsidiaries of US car manufacturers, which had always been parts of global systems of production and development, were kept on a much shorter rein. These organisational realignments brought some new pressures to bear on the employee representatives in the majority of these companies, but they did not really jeopardise the established model of industrial relations. There has been a generalisation and intensification of concession bargaining, but this has taken place with the frame of a reconfiguration of bargaining arenas, with intensified interaction between the local or national level and the European level as an important innovation (Pries, 2000; Pries 2002). This outcome can be summarised by the term 'negotiated globalisation' (Kädtler and Sperling 2000; 2002).

The German subsidiary of General Motors provides the most spectacular example of this. Until the 1980s, Opel, like Vauxhall in Great Britain, could be viewed as a paradigmatic example of a multinational company. From the perspective of the Detroit headquarters of General Motors 'these overseas operations largely functioned as independent, parallel industries, rather than integrated divisions of the US parent' (Flynn, 1998:181). The result was that the European production facilities had 'far-reaching autonomy in technological and organisational respects' (Jürgens, Malsch & Dohse, 1989:75). This was true both for the patterns of labour relations and for the room for manoeuvre in these systems, which were adapted to the regulatory frameworks and conventions that prevailed in the countries where they were located. For all practical purposes, industrial relations included, Opel was one German automotive company among others.

This pattern did not change significantly until the early 1990s, when a famous shareholder revolt brought in a new GM top management strongly committed to meeting the demands of the financial markets. This new management implemented a new global governance structure, with all the individual subsidiaries and sites integrated into a highly centralised global network. Cost-driven restructuring was the main driver of this strategic realignment of the company's global activities. In North America this strategy led to plant shutdowns and redundancies and brought about a dramatic deterioration of labour relations in the company, which escalated in the Flint strikes at the end of the decade.

In Europe, the new strategy resulted in an economic disaster. The low cost strategy introduced serious quality problems *per se* but that was not the only difficulty. The Opel development centre at the company's main site in Germany was given worldwide responsibilities outside the USA without any adequate increase in resources and this meant that specialised skills in engineering and production were not available for the planning of products and processes in their original regional markets and brands. This strategy was particularly disastrous because in both national and European markets standard products were losing ground, and there was a growth in demand for customised products, in which competitors were offering extremely innovative products. Market share declined both because of failure to innovate and because of poor quality, dramatically documented in a series of spectacular recall actions. All this caused heavy conflicts between the local and global management, focused precisely on the role of locally-embedded positions of competence and power within a global company. The definition of these positions and roles was strongly contested at many different levels.

The crucial point with respect to industrial relations is that there were at least three moments when the intervention of employee representatives had lasting effects on the outcome of these struggles and on the strategy of reorganisation.

The first of these was when employee representatives on the advisory board used their position to wield some influence on management positions and strategic planning and to get an agreement on 'Guidelines for the Cooperation between Adam Opel AG and General Motors Europe', which established that the German management had autonomous responsibility for the activities of Opel. The lever that was used to achieve this was the company's desire for unanimity over the election of a new CEO. Employee

representatives also played an important role in the early resignation of this new CEO and the appointment of his successor. The nomination and election of a German manager with a distinctive background in production management underscored the strategic emphasis on engineering and production competence.

Another decisive intervention came when GM and Fiat created a joint venture for purchasing parts, engines and transmission systems. On this occasion, a local strike at the German site at Bochum, which was the most strongly affected, led to a campaign at the European level that resulted in a binding contract between European management and the European works council, securing the employment status of the employees who would be subject to outsourcing.

A third decisive success for the employee representatives was in January, 2001, when the local management at Luton in the UK withdrew guarantees given to the employees at Luton in exchange for concessions they had made some months before in a plant-centred restructuring contract. The response to this was a local mobilisation campaign which was taken up by employees at other European sites, leading to a day of strikes and demonstrations all across Europe. An important side effect of this was to halt a competitive downward spiral that had been set off by the first of these plant-centred pacts in Germany in 1998.

This prepared the ground for the next stage of negotiations, so that, when in the summer of 2001 the Opel management announced an ambitious restructuring program with a reduction of 15 % capacity, equivalent to 13,000 jobs, among a lot of other measures to increase productivity and efficiency, top management and employee representatives were able to come to an understanding at a European level about a first framework agreement within a remarkably short period of time, even though just a short time before, rumours about plant shutdowns and mass layoffs had been rife. This framework agreement, which applied to all of GM's sixteen European Opel, Vauxhall, and Saab sites, essentially ruled out plant shutdowns and redundancies in the wake of restructuring, and stipulated that measures, to be specified in detail at company, national or plant level, could not be imposed unilaterally by management, but instead must be drawn up in direct consultation and agreement with the relevant employee representatives. A European-level agreement of this scope, embodying the prerequisite for all national negotiations, was a completely new feature of industrial relations. This upgrading of the European bargaining arena did not, however, by any means reduce the local power of employees and their delegates. On the contrary, it was only made possible by this local power and by the ability and willingness of local actors to use it with a European perspective. Perpetuating this European bargaining area remains a challenge, given that site competition is used as a permanent management tool, and there are ongoing tensions, but it appears that the employee representatives are aware of this and are able to find constructive ways forward (Bartmann & Rott, 2008).

The importance of local bargaining as a resource for the representation of employees in transnational organisations is even more obvious in the case of the indigenous German car manufacturer Volkswagen, an extraordinary 'showcase' of the so-called German 'co-operative conflict solution' model of labour relations. Here, bargaining conditions changed significantly in the late 1980s and early 1990s when the company acquired

Seat and Skoda and established new production capacities all over Europe using a new production concept, that of *Global atemendes Produktionsnetzwerk*, which translates loosely as 'globally breathing production network', with 'breathing' being a euphemism for flexibly increasing or decreasing volume and 'global' meaning that this is organised at a global level. This involved integrating different brands under the roof of a single large holding and creating a unified product platform in which the different brands overlapped, thus enlarging the range of possible production decisions and changing the balance of power between company and labour. Continuous internal competition and routinised benchmarking are now used as permanent tools of governance and provide the basis for establishing cost and performance targets, putting local production sites under permanent pressure and increasing competition between them, mainly within Europe (including increasingly Eastern Europe) (Sperling, 2004), but also to a certain extent with non-European sites. This has also intensified competition between parts and component suppliers inside and outside the Group, both at home and abroad.

However, locational competition within the company is also framed by a complex system of social exchanges, interest arrangements and new bargaining arenas that are becoming increasingly important. As units are more closely integrated and intertwined within production networks, there is an increasing need to react to new problems, and this has resulted in extensions and supplements to the traditional institutions and bargaining procedures. The patterns of negotiated globalisation that are emerging within the Volkswagen Group are rooted in the firmly established power and bargaining positions of the general works council at the company's headquarters, buttressed by a highly unionised workforce, strong statutory codetermination rights and long-standing informal contacts within the dominant coalition. By creating a European Works Council in the early 1990s and a world-wide works council later in that decade, Volkswagen enlarged the scope for negotiations over decision-making processes. These institutions provide at least a relative balance between different interests with regard to issues like investment, new models and volume capacities, and establish general standards for social protection and working conditions.

This kind of interest mediation is supported locally by annual 'production site symposia', which provide forums for information and consultation between the local management and employee representatives and often lead to site-specific alliances relating to investment priorities, volume specifications and cost and productivity measures. These strengthen local influence on central decisions, on the part of the employee representatives as well as local management. In fact, the management's potential to exert pressure through transnational mobility options may be regulated, but has not disappeared. However, so far these plant-level arrangements at different Volkswagen sites have not caused a downward spiral or reduced working and social standards below the general level of the German automotive and metal industries. The well-established and proven channels of information and consultation between the local employee representatives in the European (and increasingly world-wide) works councils has enabled a relatively efficient coordination of interests between different locations, which bring into play their own locally-specific resources and skills as part of an integrated production network that is dependent on these competencies. If these well-established bargaining arrangements are currently at risk, this is not because of globalisation or financialisation *per se* but because

of the internal degeneration of works council structures at the German main site, where the union and a new core team still need to re-establish their general legitimacy.

The Future of the local basis of industrial relations in global companies

Two general conclusions can be drawn from the developments of corporate strategies in these cases about the future weight of local bargaining positions in globally active firms.

The first of these is that organisational globalisation does not automatically lead to a decline in the importance of the locally-embedded collective skills and cooperation arrangements that can constitute the power basis of employee representation. Instead, the fate of employees' bargaining positions differs across business areas, depending on several different factors. These include the product strategies that companies follow, the extent to which they are dependent on the employees' skills, the extent to which they need the active engagement of these employees to pursue these strategies, and what factors they will have to take into account (or may be able to avoid) by choosing and following these strategies. The most damaging consequences of increasingly global forms of organisation and activity do not occur in those functions that are subject to structural changes within global companies, but instead in those areas that are selected for outsourcing, because they are no longer perceived as a strategic resource but – if needed at all – as a simple standard commodity.

Secondly, companies' dependence on employees' competencies, skills, and engagement in particular locations (a dependence which is implied in many product strategies) does not by itself constitute collective power for labour at those locations. It can only be made effective as a power resource through organisational consolidation. Whether and to what extent the influence and the leverage of local bargaining positions can be sustained or even strengthened when global corporate restructuring takes place therefore depends crucially on the actors and structures of industrial relations. The German system of industrial relations offers considerable room for manoeuvre in the design and the emphasis of the different kinds of bargaining arenas that exist within it. Beyond the national system, there is further scope, both at the level of European industrial relations and in the way in which these different arenas and levels are connected with each other. How this room for manoeuvre is used will affect the potential for local power positions to be consolidated, the scale at which this can be achieved, and how they can be used in the context of global company structures.

The first of these points requires us to distinguish the different configurations of locally-embedded skills and cooperative relationships, which will in turn shape the importance and bargaining power of particular production sites with their locally-embedded skills. Here, the work of Robert Salais and Michael Storper (Storper, 2000; Storper & Salais, 1997) and their analysis of the role of conventions in economic life becomes relevant. Based on the categories in their analysis three ideal-typical constellations of products and production strategies can be identified that characterise the position of individual plants as well as the position of particular corporate functions and business areas in large companies:

The first of these is the production of customer-specific speciality products, based on highly specific, but at the same time broadly employable, skills and resources, as well as

industrial standard production on the basis of complex and capital-intensive machinery and skills which are being developed over long periods of time. In the industries discussed here this constellation can be found in R&D, in the manufacturing of the essential part of automobiles in the car industry, in 'Verbundchemie' with its complex production systems, in other parts of the production of chemicals, in which technologically advanced aggregates play an important role in the production process, and in the manufacture of high-tech products in the tyre industry.

The second category is the production of industrial standard products for particular customers or for anonymous markets, where the demanding requirements of the first constellation are missing; areas that fall into this category are simple, non-critical products in the automobile supply industry, the production of simple pharmaceuticals goods, standard products and standardised machinery in the chemicals industry and standard products in the tyre industry.

The third and final category includes maintenance, infrastructure, and supplier services that are specific to a given production site; examples of this are large parts of the logistics function, but also traditional centres of competence, such as centralised R&D in the chemicals industry, at least in companies that concentrate on a small number of core business areas.

Classifying industrial locations according to these constellations produces a hierarchy of three locational 'leagues'. In the first of these leagues there is a concentration of high wage locations to the disadvantage of peripheral locations, except where specific regional wage differentials between economic zones can be exploited, as is the case in Mexico or Eastern Europe. The second league of locations is made up of those that involve business areas in which production can be moved around on a global scale. Locational competition is important within each of these leagues, but hardly exists between them. The third league finally emerges where – and to the extent to which – the necessary skills and resources can be defined *per se* as generic and substitutable standard products.

Two points should be made about this distinction between ideal-typical constellations. The constellations do not describe objective features of production sites and market segments, as becomes obvious when comparing the position of maintenance functions at BASF with those at Hoechst & Aventis and Bayer, or examining the decline of the formerly centralised R&D capacities at Hoechst. Instead of objective characterisations, these constellations capture the roles ascribed to certain functions and business areas in the context of corporate strategies. Accordingly, the distinctions between the constellations are not only quite fluid, but shifts in these distinctions are an important part of the evolution of firms. Many current industrial restructuring activities, for instance, are geared toward splitting off parts of the central high-wage segment and transferring them into the other two 'leagues'. To what extent this can in fact be realised and to what extent restructuring strategies can be built around this pattern depends ultimately on whether this kind of product strategy is successful on the market. To take the example of Opel/GM, a low cost strategy for GM's European subsidiaries will only be successful at all if such low cost products can be sold on the European car market. Other such risks seem to loom behind different

maintenance and logistics strategies in the chemicals and pharmaceuticals industry.

The second important point about the three constellations is that structures of employee representation continue to play an influential role in the strategy choices of corporate management. The influence of employee representatives hits its ultimate limit where there is a descent from the high-wage league into a lower league, where locational competition is strong, and where there is no possibility of escaping this fate by offering a high technology alternative. Insofar as the statutory participation rights and other power positions in the firm can be used at all in such situations, they can only help alleviate the social consequences. There is, of course, nothing new to this, since it has been a constant thread in union politics in Germany that unions do not prevent rationalisation, but instead support it whilst ensuring socially acceptable conditions for the employees along the way (Kädtler, 1986).

In restructuring initiatives where core units of the company do not drift into the low-cost area but firms try to consolidate them into centres of excellence in the context of a global scheme – and the vast majority of the cases presented here are of that kind – then it is not the lack of power resources in general that poses new challenges to employee representatives. Rather, the main problem is how to consolidate and employ these power resources effectively within global companies. This question becomes increasingly important as the ability to draw on locally-based power resources grows. Some of our examples have demonstrated how decade-old stable and influential positions of employee representatives at the top of enterprises can quickly become worthless if the informal consensus on which they were based is withdrawn unilaterally by management, and employee representatives then do not have effective ties to local power resources. Other examples have shown that demonstrations of local power can be used to push forward the development of durable structures of employee representation and bargaining even beyond the cope of national negotiations.

Such international developments require very traditional forms of support from the local workforce. Mobilising and including groups of employees who were traditionally only weakly unionised poses particular challenges as the skills of highly qualified white collar workers become more and more crucial. How far this can succeed in companies which have traditionally lacked a strong union presence and a solidly based works council is an open question, but it is also a decisive one. That local interests play a major role in any mobilisation of local power resources is self-evident. At the same time, however, our examples also indicate that practices of representation that reach beyond the individual production site, perhaps in the form of trying to regulate locational competition, are more likely where the influence of works councils is not solely based on privileged access to informal relationships of consultation and negotiation but is also backed up by a workforce that can be mobilised. This is particularly true at the transnational level. Where we find efficient coordination in European Works Councils, this is always based on such localised strength at important sites, especially the main sites of corporations, and on the conviction of these locally-based actors that investing part of their local strength in transnational structures might serve their own well-defined interests.

In conclusion, we should emphasise that it is not companies' global operations *per se*, but the instability of these global operations that poses the central problem

for employee representation within the new global enterprise structures. Strategic management of the company challenge the realm of production by defending the rationality of financial markets, or, to use Dahrendorf's words, representatives of a new 'global class' challenges the traditional local actors (Dahrendorf, 1999; 2000).

Shared understandings between employees and their representatives, and thus the basis for company-level bargaining, is becoming more unstable as they increasingly face the members of this new 'global class' who challenge the traditional orientation toward long-term growth and intra-company synergies by consistently basing their decisions on the criteria of portfolio management. This situation, in which the bargaining arena itself is unreliable because the operating routines and the codes of behaviour for internal labour relations in the company have to be constantly renegotiated, puts employee representatives under heavy strain. Where management itself does not know what the company will look like two years from now, and individual managers have no idea what their own position in the company will be in the future, then relationships of trust lose their foundations.

At the same time, such instabilities can also open up new opportunities for exerting influence. The greater the distance between strategic top management and the operative areas, the closer the relationship between operative management and employee representatives often is. And since financial management in principle never provides any specific directives for the operative business, the definition and construction of financial indicators is often a contested issue even among top managers. This situation sometimes creates openings for forging alliances across the usual lines of conflict in industrial relations. The main issue, even in these favorable constellations, is the age-old problem of how such selective and situation-specific power resources can be consolidated.

The question of what the consequences of the developments discussed here are for German industrial relations in general must remain open at this point. What should have become clear is that it is not so much local bargaining within global companies that is currently being put under pressure, but rather that which is outside the large firms. This in turn begs the question of what the future role of the large companies, which have in the past been so decisive for German industrial relations, will be in the national context after their global restructuring.

© Jürgen Kädler, 2008

REFERENCES

- Albert, M. (1991) *Capitalisme contre capitalisme*, Paris: Éditions du Seuil
- Amable, B., R. Barré & R. Boyer (1997) *Les systèmes d'innovation à l'ère de la globalisation*, Paris: Economica
- Bartlett, C. A. & S. Ghoshal (1989) *Managing across borders. The Transnational Solution*, London: Century Business
- Bartmann, M. & V. Rott (2008) Cooperation versus Competition. Union and Works Council Strategies in Delta Site-Selection Process at General Motors Europe. European Works Councils as Transnational Organisations, in L. Pries, L. Rampeltshammer & M. Hertwig
- Beyer, J. (2001) 'One best way oder Varietät? Strategien und Organisationsstrukturen von Großunternehmen im Prozess der Internationalisierung', *Soziale Welt*, 52, 7-28
- Bispinck, R., (Ed) (2007) *Wohin treibt das Tarifsysteem?*, Hamburg: VSA
- Callon, M. & F. Muniesa (2005) 'Economic Markets as Calculative Collective Devices', *Organization Studies* 26(8):1229-1250

- Chazel, F., O. Favereau & E. Friedberg (1994) 'Symposium sur Le Pouvoir et la Règle', *Sociologie du Travail*, 36(1):85-111
- Child, J. (1972) 'Organizational structure, environment and performance: the role of strategic choice', *Sociology - The Journal of the British Sociological Association*, 6, 1-23
- Child, J. (1997) 'Strategic choice in the analysis of action, structure, organizations and environment: retrospect and prospect', *Organization Studies*, 18, 43-76
- Coriat, B. (1994) 'Ecole de la régulation: origines, spécificités et perspectives' in M. Aglietta, F. Sebai & C. Vercellone (eds), *Ecole de la régulation et critique de la raison économique*, Paris: L'Harmattan:102-152
- Crozier, M. & E. Friedberg (1993) *Die Zwänge kollektiven Handelns. Über Macht und Organisation*, Frankfurt/Main: Anton Hain
- Dahrendorf, R. (1999) 'The Third Way and Liberty', *Foreign Affairs*, 78(5):13-17
- Dahrendorf, R. (2000), 'Die globale Klasse und die neue Ungleichheit', *Merkur*, 54(11):1057-1068
- Dörre, K. (1997) 'Unternehmerische Globalstrategien, neue Managementkonzepte und die Zukunft der industriellen Beziehungen' in U. Kadritzke *Unternehmenskulturen unter Druck: neue Managementkonzepte zwischen Anspruch und Wirklichkeit*, Berlin: Edition Sigma:15-44
- Dörre, K. (1999) 'Industrielle Beziehungen im Spannungsverhältnis von Globalisierung und europäischer Mehrebeneregulation', in W. Müller-Jentsch *Konfliktpartnerschaft*, München und Mering: Hampp:297-324
- Dörre, K. (2001) 'Globalisierung - Ende der rheinischen Kapitalismus?' in D. Loch & W. Heitmeyer, *Schattenseiten der Globalisierung*, Frankfurt/Main, Surkamp:63-90
- Dunning, J. H. (ed) (1992) *Multinational Enterprises and the Global Economy*, Workingham: Addison-Wesley
- Dunning, J. H. (1993) *The Globalization of Business*, New York: Routledge
- Dunning, J. H. (2000) 'Regions, Globalization and the Knowledge Economy: The Issues Stated' in J. H. Dunning, *Regions, Globalization, and the Knowledge-Based Economy*, Oxford New York: Oxford University Press:7-41
- Ebbinghaus, B. (2003) 'Die Mitgliederentwicklung deutscher Gewerkschaften im deutschen und internationalen Vergleich' in W. Schroeder & B. Weßels, *Die Gewerkschaften in Politik und Gesellschaft der Bundesrepublik Deutschland*, Wiesbaden: Westdeutscher Verlag
- Erturk, I., J. Froud, S. Johal & K. Williams (2005) 'Pay for Corporate Performance or Pay as Social Division? Rethinking the Problem of Top Management Pay in Giant Corporations', *Competition and Change*, 9(1):49-74
- Flynn, M. (1998) 'The General Motors Trajectory: Strategic Shift or Tactical Drift?' in Freyssenet, M., Mair, A., Shimizu & K. Volpato, G. (eds) *One Best Way?*, Oxford & New York: Oxford University Press:179-210
- Friedberg, E. (1993) *Le pouvoir et la règle*, Paris: Éditions du Seuil
- Froud, J., C. Haslam, et al. (2000) 'Shareholder Value and Financialization: Consultancy Promises, Management moves', *Economy and Society*, 29(1):80-110
- Froud, J., S. Johal, A. Leaver & K. Williams (2006) *Financialisation and Strategy: Narrative and Numbers*, London & New York: Routledge
- Hall, P. A. & D. Soskice (2001) *Varieties of Capitalism*, Oxford & New York: Oxford University Press
- Jürgens, U., T. Malsch & K. Dohse (1989): *Moderne Zeiten in der Automobilfabrik. Strategien der Produktionsmodernisierung im Länder- und Konzernvergleich*. Berlin, Heidelberg & New York: Springer
- Kädtler, J. (1986) *Gewerkschaften und Arbeitslosigkeit. Zwischen Vollbeschäftigungsziel und selektiver Besitzstandswahrung*, Göttingen: Sovec
- Kädtler, J. (2003) 'Tarifpolitik und tarifpolitisches System in der Bundesrepublik' in W. Schroeder & B. Weßels, *Die Gewerkschaften in Politik und Gesellschaft der Bundesrepublik Deutschland*, Wiesbaden: Westdeutscher Verlag
- Kädtler, J. (2005) 'Finanzmärkte - zur Soziologie einer organisierten Öffentlichkeit', *SOFI-Mitteilungen*, 33:31-37
- Kädtler, J. (2006) *Sozialpartnerschaft im Umbruch. Industrielle Beziehungen unter den Bedingungen von Globalisierung und Finanzmarktkapitalismus*, Hamburg: VSA

- Kädtler, J. & H.-H. Hertle (1997) *Sozialpartnerschaft und Industriepolitik. Strukturwandel im Organisationsbereich der IG Chemie-Papier-Keramik*, Opladen: Westdeutscher Verlag
- Kädtler, J. & H.J. Sperling (2000): 'Bargained Globalisation in the German Automobile Industry', GERPISA, International Network conference, *The World that Changed the Machine: The Future of the Auto Industry for the 21st Century*?, 8th International Colloquium, Paris, Palais du Luxembourg, 8.-10. June 2000. Also available from [http://www.sofi-goettingen.de/index.php?id=573&no_cache=1&tx_drblob_pi1\[downloadUid\]=737](http://www.sofi-goettingen.de/index.php?id=573&no_cache=1&tx_drblob_pi1[downloadUid]=737)
- Kädtler, J. & H. J. Sperling (2002a) 'After Globalisation and Financialisation: Logics of Bargaining in the German Automotive Industry', *Competition and Change*, 8:149-168
- Kädtler, J. & H. J. Sperling (2002b) 'The Power of Financial Markets and the Resilience of Operations: Arguments and Evidence from the German Car Industry', *Competition and Change*, 8, 81-64
- Katz, H. C. & O. Darbishire (2000) *Converging Divergence. Worldwide Changes in Employment Systems*, Ithaca:ILR Press
- Knorr-Cetina, K. & A. Preda (eds) (2005) *The Sociology of Financial Markets*, Oxford and New York: Oxford University Press
- Kohaut, S. & C. Schnabel (2003) 'Zur Erosion des Flächentarifvertrags: Ausmaß, Einflussfaktoren und Gegenmaßnahmen', *Industrielle Beziehungen*, 10(2):193-219
- Marglin, S. A. & J.B. Schor (eds) (1990) *The Golden Age of Capitalism: Reinterpreting the Postwar Experience*, Oxford: Clarendon
- Markovits, A. S. (1986) *The Politics of the West German Trade Unions: Strategies of Class and Interest Representation in Growth and Crisis*, Cambridge: Cambridge University Press
- Menz, W., S. Becker et al. (1999) *Shareholder-Value gegen Belegschaftsinteressen: Der Weg der Hoechst-AG zum 'Life-Sciences'-Konzern*, Hamburg:VSA
- Müller-Jentsch, W. (ed) (1993) *Konfliktpartnerschaft. Akteure und Institutionen der industriellen Beziehungen*. München & Mering: Rainer Hampp
- Müller-Jentsch, W. (2003) *Mitbestimmungspolitik. Die Gewerkschaften in Politik und Gesellschaft der Bundesrepublik Deutschland*. W. Schroeder & B. Weßels. Wiesbaden: Westdeutscher Verlag:451-477
- Orléan, A. (1999) *Le pouvoir de la finance*, Paris: Éditions Odile Jacob
- O'Sullivan, M. (2000) *Contests for Corporate Control - Corporate Governance and Economic Performance in the United States and Germany*, Oxford and New York: Oxford University Press
- Pries, L. (2000) 'Globalisierung und Wandel internationaler Unternehmen. Konzeptionelle Überlegungen am Beispiel der deutschen Automobilindustrie', *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, 52:670-695
- Pries, L. (2002) '5000x5000: Ende gewerkschaftlicher Tarifpolitik oder innovativer betrieblich-tariflicher Sozialpakt?', *Industrielle Beziehungen*, 9(2):222-235
- Rehder, B. (2003) *Betriebliche Bündnisse für Arbeit in Deutschland. Mitbestimmung und Flächentarif im Wandel*, Frankfurt am Main & New York: Campus
- Sassen, S. (2005) 'The Embeddedness of Electronic Markets: The Case of Global Capital Markets' in K. Knorr-Cetina & A. Preda, *The Sociology of Financial Markets*, Oxford & New York: Oxford University Press:17-37
- Schmidt, R. & R. Trinczek (1991) 'Duales System: Tarifliche und betriebliche Interessenvertretung in K. Knorr-Cetina & A. Preda, *Konfliktpartnerschaft*, München und Mering: Hampp:167-200
- Schmidt, R. & R. Trinczek (1999) 'Der Betriebsrat als Akteur der industriellen Beziehungen' in K. Knorr-Cetina & A. Preda, *Konfliktpartnerschaft*, München und Mering: Hampp:103-128
- Schlupp, F. (1979) Internationalisierung und Krise - das 'Modell Deutschland' im metropolitanen Kapitalismus, *Prokla*, 7, 12-35
- Schnabel, C. (2003) 'Determinants of Trade Union Membership' in J. T. Addison & C. Schnabel, *International Handbook of Trade Unions*, Cheltenham & Northampton: Edward Elgar:13-43
- Schnabel, C. & J. Wagner (1996) 'Ausmaß und Bestimmungsgründe der Mitgliedschaft in Arbeitgeberverbänden', *Industrielle Beziehungen*, 3(4):293-306
- Schroeder, W. (2000) *Das Modell Deutschland auf dem Prüfstand*, Wiesbaden: Westdeutscher Verlag
- Schroeder, W. (2003) 'Die Transformation einer bundesdeutschen Basisinstitution - oder:

- warum Bob Dylan Recht hatte. Eine Replik auf Michael Wendls konservative Verteidigung des Flächentarifvertrages in PROKLA 129', *Prokla* 33(1):147-158
- Schroeder, W. & Esser, J. (1999) Modell Deutschland: Von der Konzertierten Aktion zum Bündnis für Arbeit, *Aus Politik und Zeitgeschichte*, 49:3-12
- Schroeder, W. & B. Ruppert (1996) *Austritte aus Arbeitgeberverbänden: Eine Gefahr für das Modell Deutschland?*, Marburg: Schüren
- Silvia, S. J. (1993) *Holding The Shop Together: Old and New Challenges to the German System of Industrial Relations in the Mid 1990s*, Berlin: Zentralinstitut für Sozialwissenschaftliche Forschung
- Silvia, S. J. (1999) 'Every Which Way but Loose: German Industrial Relations Since 1980' in A. Martin & G. Ross, *The Brave New World of European Labour*, New York: Berghahn
- Silvia, S. J. & A. S. Markovits (1995) 'The New World of German Trade Unions: Still Essential Pillars of "Modell Deutschland"?' *Business and the Contemporary World*, 7:52-66
- Simon, H. A. (1949) *Administrative Behavior: A Study of Decision-Making Process in Administrative Organization*, New York: Macmillan
- Simon, H. A. (1995) 'Bounded Rationality and Organizational Learning', in Cohen, M. S., L. S. Sproull (eds) *Organizational Learning*, Thousand Oaks, London & New Delhi: Sage:175-187
- Simon, H. A. (ed) (1982) *Models of Bounded Rationality*, Cambridge, Massachusetts: MIT Press
- Sperling, H. J. (2004) 'Going East - A Volkswagen Version of Globalisation', in M. Faust, U. Voskamp & V. Wittke, *European Industrial Restructuring in a Global Economy: Fragmentation and Relocation of Value Chains*, Göttingen, SOFI:181-200
- Storper, M. (2000) 'Globalization and Knowledge Flows: An Industrial Geographer's Perspective', in J.H. Dunning (ed): *Regions, Globalization, and the Knowledge Based Economy*, Oxford & New York: Oxford University Press:42-62
- Storper, M. & Salais, R. (1997) *Worlds of production. The action frameworks of the economy*, Cambridge, Massachusetts & London: Harvard University Press
- Streeck, W. (1995) 'German Capitalism: Does It Exist? Can It Survive?' *MPIfG Discussion Papers*, Köln: Max Planck Institut für Gesellschaftsforschung
- Streeck, W. (1998a) 'Industrielle Beziehungen in einer internationalisierten Wirtschaft. Politik der Globalisierung' in U. Beck, *Politik der Globalisierung*, Frankfurt am Main:Suhrkamp:169-202
- Streeck, W. (1998b) 'The internalization of industrial relation in Europe: prospects and problems', *MPIfG discussion paper*,98:2, Köln:Max Planck Institut für Gesellschaftsforschung
- Streeck, W. & N. Kluge (eds) (1999) *Mitbestimmung in Deutschland. Tradition und Effizienz*, Frankfurt/Main & New York: Campus
- Swedberg, R. (2003) 'Economic and Sociological Approaches to Markets. Principles of Economic Sociology', in R. Swedberg, *Principles of Economic Sociology*, Princeton: Princeton University Press:104-130
- Veltz, P. (1996) *Mondialisation villes et territoires: L'économie d'archipel*, Paris : Presses universitaires de France
- Visser, J. (2006) 'Union membership statistics in 24 countries', *Monthly Labour Review*, 129(1):38-49
- Wendl, M. (2002) 'Jenseits des "Tarifgitters": Krise und Erosion des Flächentarifvertrages in Deutschland', *Prokla*, 32(4):537-555

ACKNOWLEDGEMENTS

Most of the empirical research for this paper was carried out as part of a research project on 'Globalisation and Industrial Relations in Germany', funded by the Deutsche Forschungsgemeinschaft (DFG) and realised together with my SOFI colleague Hans-Joachim Sperling, who contributed a great deal to the quality of this paper but could not rectify all of the author's errors, for which he is not responsible. I am also grateful to the anonymous reviewers and especially to editor Ursula Huws, who did more for the paper than any author has the right to expect. They are responsible for significant ameliorations, but not for any shortcomings which are the author's sole responsibility.