

Globalisation and Industrial Relations

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1. The process of globalisation is actually much more ambivalent than the very polarised opinions (strong globalisation thesis – globalisation sceptics) would suggest, and consequently allows for a variety of different political responses. An analysis of the literature indicates on the one hand that in the context of the welfare state and industry, the globalisation process offers businesses an increased number of exit options, compared with politicians and trade unions, which enable them to remove themselves from the national context and thereby circumvent the existing regulatory systems for social welfare, the environment and wages – last not least the systems of industrial relations. On the other hand, these exit options are not unlimited – not all capitalists are able to choose them and not all who might be able to choose those exit options do so – and choosing to use them can also involve high opportunity costs. Moreover (and this will be my main argument) – capitalists or single capitals, seen as social actors in the process of globalisation – are facing a paradox situation: on the one hand their mobility (and by this their exit-options) are increasing rapidly, on the other hand they are confronted either rapidly increasing instabilities forcing them to develop strategies for more stability or “zones” of stable expectations.
2. If you follow the strong globalisation thesis the corporate governance structures and the there built-in forms of industrial democracy in the countries of “trust based” or “corporatist” capitalism will be under pressure because now short term market strategies and corporate cultures such as “shareholder value” – capitalism would become more and more important. Under this perspective the corporatist links or relations between banks and enterprises, suppliers, dealers, governments and core firms and between employers and employees/trade unions as well would turn out as structural rigidities to be turned down by disembedded world markets. Especially that applies to the countries of the “Rhineland capitalism” and to those of “statist” and “social democratic capitalism” as well (i.e. Germany, Benelux, France, Sweden and more or less Japan). Under these preconditions the structures of “industrial democracy” – for example the German system of “Mitbestimmung” (codetermination) as a implicit part of Human Resource Management (HRM) – would turn out to be only a disruptive element in short termed and cost-minimizing corporate strategies.
3. There are a lot of good reasons for the assumption that the process of globalisation will not have those results the strong globalisation thesis is telling

us about. I will try to point out some arguments against the strong globalisation thesis before I will give some conclusions on the relationship between corporate governance and industrial relations in the “trust based” and “Rhineland capitalism”. Doing this I will concentrate on the role of the firms and the regions and the forms of restructuring of capital. Of course there are some strong arguments in favour of a globalisation process on the level of world trade, FDI and world financial markets, but those tendencies are very ambivalent and contradictory and the results of the empirical analysis do not support the strong globalisation thesis. For example: As to the world trade more than 90 % is concentrated on the countries of the “triad” (European Union, North America/NAFTA, Japan and South East Asia) and those countries are mostly high-wage economies. The trade of the EU-countries with countries outside EU in the 90s reached a share of 8 to 10 percent of EU – GDP. On the other hand the structure of world trade has changed becoming more and more substitutive instead of being complementary and by this competition becomes intensified. As to the FDIs, the in- and outflows are still concentrated on the countries of the “triad” as well; for Germany empirical research have shown that more than 80 percent of the motives to do FDI are those of market-securing and market-expansion - and not those of taking advantage of low wage economies. And till the time being globalisation has had a minor impact on employment in the OECD-countries. Of course there is the very strong argument in favour of the globalisation thesis if we think of the development of financial capitals and markets – turning capitalism more and more to a “casino capitalism” (Susan Strange) and forcing capitalists cultures to take over shareholder value attitudes we will have to discuss later.

4. Although there are increasing exit options on behalf of the single capital it is not true that all (single) capitals would be able or could afford to choose those exit options and even those, who can, will not do so necessarily because of different strategies (i.e. concepts of control) of economic internationalisation. As Ruikrok / van Tulder (in “The Logic of Internationalisation”) have shown there do exist different concepts of control by which core firms are building up bargaining relationships with suppliers, workers/trade unions, dealers, banks (financiers) and governments and there is only the so-called microfordist option (besides macrofordist, toyotist etc. concepts) allowing core firms to practice global economic strategies in the sense of the strong globalisation thesis. And that it is not at all easy for those firms to alter their concepts of control – although for all of them there is an opportunity to threaten the bargaining partners (especially workers and trade unions) to take over globalisation strategies as an possible option – even if this option would turn out as a fake. On the other hand the change in the relationships between financiers, core firms and the labour force – boosted by the shareholder value – culture which is taken over by more and more banks and companies in the “Rhineland Capitalism” – tends to set back

new forms of HRM and seems to bring to an end the “end of division of labour” (Kern/Schumann) by favouring once again neo-taylorist modes of production and pushing back “team work” systems and forms of direct participation on workplace (referring to the results of his recent empirical research in German car manufacturing, Michael Schumann, co-author of the book “The end of division of labour”, is now emphasizing those obviously worsening tendencies in labour politics).

5. In the process of globalisation capital has not become “footloose” at all – as empirical research of capital strategies of so called “global player” have shown, the region and regional networks of SMEs are not at all victims in the process of globalisation (unless they are object to industrial restructuring anyway boosted by international competition); on the contrary: the role of the region and of regional network is becoming more and more important as a stable social and productive base for high quality production (for example in the countries of the Rhineland capitalism) coping with global competition. The Volkswagen-Group for example as a typical German “global player” is developing regional productive networks in those regions all over the world, where production sites of the Volkswagen group have been built up. And by investing in those regions abroad the company is exporting its model of corporate governance and codetermination (“Mitbestimmung”) as well. The increasing complexity of lean production strategies in the context of high quality productions affords stable economic and social environments thus favouring regional networks – although it may be that some labour intensive productions and design works might be object of outsourcing strategies in the sense of “global sourcing”.
6. The conclusion of this outline of some results of research of the globalisation process is ambivalent: On the one hand the system of corporate governance in the countries of the “trust – based” capitalism is under pressure, because the short term, non-corporatist market strategies favoured by disembedded and high velocity - world markets and shareholder-value cultures seem not to fit with long term, cooperative and consensual corporate governance systems and industrial relations. On the other hand those “trust – based” capitalist systems – although under pressure – are still doing well in worldwide capitalist competition achieving the highest growth rates of productivity (i.e. output per hour) and – in the case of Germany – second best in world trade (export quotas). And for example in Germany the legally based system of codetermination is not questioned by most of the capitalists, managers and companies, although there is a strong criticism of the so called rigidities of the employment system from behalf of some fractions of capital – especially in the service sector.
7. The reason for the ambivalence in the capitalist reactions on the globalisation process and on the predominance of shareholder value cultures is to be seen

from a general and specific point of view: Firstly: Increasing insecurities in a global capitalism which tends more and more to become a “casino-capitalism” will make or even force economic actors to develop strategies of security. The corporatist structures and relationships of “trust-based” capitalism including the specific type of corporate governance and – in the German case – codetermination are part of those strategies. Although changing, till the time being those structures are not essentially questioned by most of the industrial capitalists (there are contrary positions – of course – in the stock markets, the service sector and the markets of the “New Economy”). Secondly: those countries we are talking from are mainly dominated by high quality production systems which depend on more or less consensual industrial relations with high stability of expectations for the economic actors. In the position of low-wage economies – screwdriver manufactories, sweatshop and/or warehouse economies - those countries would not have any chance of competitiveness in the world market – you cannot simply “import” an completely different system of production (or “mode of regulation” in the sense of the French “*école de la régulation*”). And even the restructuring of production sites, which is possibly becoming necessary because of intensified global competition, is depending on this social and economic stability of industrial relationships on the level of the company and society. So the specific system of corporate governance and industrial democracy in the countries of trust-based capitalism, modernized by innovative labour politics, might turn out as an island of stability and of high growth rates in productivity in a world of growing instability and uncertainty. But certainly this is not for sure and the defeat of trust based capitalism would certainly be a setback in social welfare and socially embedded economic development...