

**REGULATION, POWER AND SCALE: 'REWORKING' CAPITAL-LABOUR
RELATIONS IN GERMAN SMES**

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Abstract

This paper is concerned with recent changes in the way capital-labour relations are regulated in German SMEs. By investigating 28 firm case-studies in the Ruhr Area, it is argued, first, that capital-labour relations in Germany are getting downscaled and decentralised, profoundly changing the traditional power geometry between capital and labour; second, that the regulatory landscape is being 'reworked' in terms favourable to capital during a period in which the latter is in the ascendancy in the labour market; and, third, that there is a peculiar spatial dimension to the rearticulation of power relations and core institutions of the German Model.

KEYWORDS

Capital-labour relations, smes, germany, regulation

JEL codes

D20; J50; J51; J53

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1. Introduction

This paper investigates a group of small and medium firms in the Ruhr Area in the context of recent changes in the way capital-labour relations are governed and regulated in the region and in Germany (see Berndt, 1998a; Berndt, 1998b). It does so from a geographical perspective which links processes across different socio-spatial scales and stresses the importance of relative mobility differences in asymmetric power relations. Transformation processes are deliberately reconstructed from below, starting with the adjustment strategies of actors at the level of the business firm, and only then investigating the implications for regional and national labour institutions.

Applying a conceptual framework which seeks to account for the complex interdependence between the micro-level of social action and macro-structural contexts, the paper draws upon institutional and regulationist views, and adopts an integrative approach which stresses the role of institutional structures in regularising and enabling social interaction. In doing so, this paper follows the ongoing cross-disciplinary convergence in work dealing with institutionalisation and governance between branches of economics, such as institutional, post-Keynesian and post-Marxian economics, and the social sciences more generally (see DiMaggio, 1998; Hodgson, 1988; Hollingsworth and Boyer, 1997). What is referred to as 'social turn' within economic geography is another manifestation of this (see, for instance, Martin, 1999; Storper, 1997; Thrift and Olds, 1996).

Institutions constitute a crucial bridge between structure and strategy, and are understood here as systems of formal and informal rules and norms, brought about by, and at the same time influencing, socially habituated behaviour. The business firm and its stakeholders (manager's, owner's, worker's, supplier's, client's etc.) are

conceptualised as being embedded in a complex web of social relations at the micro-, meso- and macro-level. It is because of this that the metaphor 'context' was selected, accounting for the fact that the 'fabric' as a whole can only be understood as being continuously 'woven' and 'rewoven' by individual and collective actors. From the perspective of the individual business firm this implies that the macro-institutional context is produced and reproduced by the interaction of individual and collective actors. At the same time, however, these structures (including both 'hard' political-economic institutions and 'soft' socio-cultural ones) are relatively 'passive' settings for agents, the contextual fabric of social structures both constraining and enabling individual action (see Berndt 1999).

From this perspective labour markets may be conceptualised as realms in which individual and collective actors interact, giving rise to specific 'power geometries' (Massey, 1993) and to configurations of interrelated institutions (see Boyer, 1993). Three additional points have to be made here. First, the institutionalisation of labour relations is always place bound, regulatory forms varying in space as well as in time. This holds for local and regional labour markets, in particular, which constitute the spatial scale at which a sizeable part of labour is mobilised and reproduced (Peck, 1996, p. 11; Storper, 1995). At the same time the underlying social relations stretch across different spatial scales. There is therefore a need to investigate social processes across the spatial scale 'hierarchy', regulation and institutionalisation involving more than transformation or reproduction of social relations at a given spatial scale. For instance, the particular scale of a given firm's crucial relations in-space may be grounded against political (e.g. the territorial nation-state or subnational entities), economic (e.g. the organisational reach of competitors; product markets) and social spaces (e.g. transnational communities; transregional or transnational coalitions of labour). In this context, the ability to control space and to surmount mobility barriers constitute crucial sources of power (Massey, 1993; Swyngedouw, 1997; Wills, 1996).

Second, stressing the structuring role of institutions and the asymmetric distribution of power in social relations does not mean that actors are agencyless dupes. Rather, the research presented here started from the assumption that individual and collective actors always have some degree of transformative capacity. This includes the acknowledgement that workers actively shape their socio-spatial contexts, being able to produce their own history and geography (Herod, 1997; Martin et al., 1996).

Finally, the approach chosen to reconstruct processes and events, that is, a 'bottom-up' perspective *starting* from the perspective of individual and collective interaction, does not mean that macro contexts can be neglected. This was done predominantly for analytical reasons, that is, approaching the issues in this way allowed me to better come to terms with what are very complex and multifaceted processes. Yet, while I continue to insist that an investigation like this has to take individual and collective actors seriously, this should by no means be understood as a strong ontological statement in the sense that one can neglect more far-reaching structures. However, following Layder (1997) I don't believe in the still wide-spread micro-macro dualism, arguing instead that macro entities such as the nation-state cannot be seen independently from the individuals and groups producing, reproducing and transforming core institutions in daily action and interaction. Individual and collective actors may be confronted with challenges beyond their control, but in acting in order to reduce uncertainty and to adjust they reproduce and transform the 'system', or they bring about new institutions. Given the focus in the German literature on the national level (see, for instance, the collection of papers in Cattero 1998 or in Streeck and Kluge 1999), I deliberately chose to represent events and interpretations of my interviewees in a discourse which moves up a heuristic scale hierarchy, that is the firm, the regional, the national and the international/transnational scale. In sum, this paper attempts to make sense of the re-regulation of German capital-labour relations by investigating social relations at the micro- and meso-level and asks how the geography of scales is changing as a result of this.

After giving a very brief overview of the specific way in which capital-labour relations are regulated and institutionalised in Germany (section 1), the empirical part of the paper starts with processes at the level of the individual business firm looking at changing practices of codetermination within the sample (section 2). Section 3 adopts a scale-by-scale approach, linking developments at the firm level with the (re)institutionalisation of collective bargaining. The paper closes by abstracting from empirical findings, discussing the complex relation between institutionalisation and geography, and speculating about the future of the German Model.

2. The German Model: From ‘Co-operative Conflict Solution’ to Political-economy of Insecurity?

Regulation theorists stress the inherently conflictual and contradictory nature of the distribution of accumulated capital. In order to guarantee a sufficiently stable and sustainable path of development these conflicts have to be regulated and governed. Recurring social relations give rise to specific institutional arrangements, mediating between collective interests and individual accumulation strategies. The social relations at the heart of this paper, capital-labour relations, are generally regarded as a crucial arena of this process.

How can we define the exact configuration of the institutions which underpin capital-labour relations in Germany? There is an extended body of literature on the German Model and the specific ways in which capital-labour relations are regulated in Germany (see, for instance, Kern and Schumann, 1998; Streeck, 1993; Streeck, 1997). It should therefore suffice here to give only a very brief overview. The German Model¹ can generally be seen as a specific national compromise between state, civil society and economy, a compromise in principal being geared towards consensus and stability. Accordingly, firms are regarded as social institutions, not just networks of private contracts or the property of their shareholders, with corporate control being an ‘insider system’, that is, involving all stakeholders as opposed to the Anglo-American ‘outsider system’.

Specific institutional rights, rules and norms are stabilised by an elaborate network of power relations which cushions the system against competitive pressures (Streeck, 1996, p. 12; Streeck, 1997). Here, two institutional configurations are crucial for this paper: collective bargaining and co-determination.

Having its roots in the Rhine-Ruhr coal, iron and steel industry, the system of co-determination is legally enshrined in the 1972 *Betriebsverfassungsgesetz* (BetrVG; Works Constitution Act). Workers in Germany are represented by works councils which are elected every four years. Works councils have legal rights to consultation and co-decision-making on a range of specified matters, their factual strength often exceeding their legal powers. Collective wage bargaining is conducted industry-wide, normally at the regional level. Here, it is the regional sections of both unions and employers associations which act as principal actors, with regional union bosses in particular exerting considerable power within the national union leaderships. Interestingly, labour unions have regularly pursued ‘spatial’ strategies, normally selecting one of the more prosperous regions in southern Germany as so-called pilot regions. Once such a regional agreement is reached it is normally adopted by the remaining regions.

With a view to the main organisational actors, the national union federation *Deutscher Gewerkschaftsbund* (DGB, German Trade Union Federation) and the *Bundesvereinigung Deutscher Arbeitgeberverbände* (BDA, Federal Association of German Employers Associations) represent labour and capital interests at the national level. With currently about 2.7 million members, it is IG Metall which is the crucial actor within the German labour movement. On the employer’s side IG Metall is matched by the BDA’s most powerful affiliate, *Gesamtmetall*. Both Gesamtmetall and IG Metall have an elaborate vertical organisational structure. National, regional and local branches coexist and fulfil different tasks within the institutionalised system of labour market regulation.

Yet, as the general international environment increasingly turned hostile, this finely articulated consensus has in recent years been subject to tremendous competitive pressure. Albeit with some time-lag, above all in comparison to Anglo-American economies, the ongoing global restructuring process has, from the 1980s onwards, started to affect capital-labour relations, a process of dynamic change which has clearly accelerated during the 1990s (see Dörre, 1998; Kern and Sabel, 1994; Kern and Schumann, 1998; Müller-Jentsch, 1998). Generally, three familiar underlying processes can be identified:

1. Changing patterns of employment and union membership: This concerns (i) the general trend away from manual to white-collar work, both within traditional manufacturing industries and in newer sectors, and (ii) the privatisation in recent years of strongly unionised public sectors (e.g. telecommunications, railway).
2. Processes of globalisation: Greater mobility of capital, deregulation of hitherto protected domestic markets, or the general ideological drive for flexible labour markets, to mention only a few crucial dimensions of globalisation, have increasingly put pressure on the traditional corporatist compromise between state, labour and capital.
3. A hostile domestic economic environment: Low economic growth, and high structural unemployment have caused serious problems for unions, in principle favouring capital vis-à-vis labour.

In West Germany all this had profound repercussions for the traditional power geometry between capital and labour. Two general trends serve to illustrate this argument. First, this concerns structural unemployment which has steadily increased since 1970, regardless of cyclical up- or down-swings. Second, labour has seen a gradual erosion of its share of the national income, particularly from the early 1980s onwards (Figure 1; for a more detailed picture of current labour market trends).

It is important to note that the challenges posed by the neoliberal project have in Germany come to the fore with considerable time-lag

compared to the experiences of countries such as the US and Great Britain. Here, the events following unification play a crucial role. For it was the euphoria and optimism, accompanied by the resurgence of nationalism, immediately after 1990 that contributed to a post-unification economic boom. This boom sheltered the country from global market pressure and glossed over structural contradictions which many observers had already identified at the end of the 1980s. And after the country woke up to the realities, these contradictions came to the fore with even greater force. As a result, what may be regarded as a severe, but nevertheless cyclical economic downturn (the recession of 1993/1994) had wider implications. It marked the beginning of a period of considerable uncertainty and structural change in Germany, a period which at the time of writing has not come to an end. As an aside, this includes the fact that the state has in certain areas witnessed an erosion of its power to influence the course of developments (see, for instance Mahnkopf 1997, 225). Accordingly, the environment for German capital in general has been one of intensified competitive pressure during the 1990s, pressure which can, from the perspective of small and medium sized companies, be linked to the internationalisation strategies of large capital (see Berndt, 1998c). It is in this context that Beck (1998) hinted at a transition from 'a political-economy of security to a political-economy of insecurity'.

Based on these general observations, I will now look beyond the veil of aggregate data and seek to show how strategic adjustment on the part of firm stakeholders profoundly rearticulates the way in which capital-labour relations are governed in Germany. The following draws predominantly from research which investigated the adjustment strategies of selected small to medium-sized metal and engineering firms in the Ruhr Area (see Berndt, 1998a). The argument is additionally supported by more recent work which has been carried out within the wider Nürnberg labour market (Northern Bavaria), and by extensive analysis of secondary sources with regard to the strategies of key national players (e.g. national union leaders, national employers association representatives, government publications). The

decision to develop the argument through selected case-studies should not be understood in the sense of a celebration of individual differences. Rather, the aim of the research design was to find similar – not identical! – processes and trends by comparing individual cases, and in a further step to link these findings to the wider macro-context. Thus, although one clearly has to be cautious about generalising from the experience of SMEs in a traditional industrial region, I nevertheless seek to show that the empirical material presented in this paper allows conclusions that go beyond the narrow focus on a group of SMEs in the Ruhr Area.

The methods used to sample the firms in the Ruhr Area, and to gather and analyse qualitative and quantitative data, are outlined elsewhere (see Berndt, 1998a). Here, space permits only a brief summary of the main points. The strategies of 28 small and medium sized firms were investigated for the period 1990 to 1996, immediately following unification, and included owners, managers and works councillors.² In addition to this, semi-structured interviews were conducted with political decision-makers, unionists, representatives of employers associations and academics at the local, regional and national level.

All firms belonged to the metals and electronics industry. Within this core industry specific focus was put on mechanical and electrical engineering, including both manufacturing and producer services. The latter were restricted to those firms which increasingly acted as general contractors due to organisational changes in the industry, and those which were involved in consulting work with a view to the introduction of new technology and production concepts. This focus on only a limited – albeit crucial – part of the German economy can be justified on two grounds. First, to the extent to which there is a German model of production, it has been the metals and electronics industry which constituted the main arena in which the core norms and rules of labour relations became institutionalised. Second and relatedly, stressing that there are mechanisms which ensure that developments in the core sectors diffuse to the rest of the economy is not to negate the fact that in a rising number of industries the role of

traditional German corporatism is limited at best. And no doubt, too, that there is a specific geography to this, with the southern Länder (*Bayern, Baden-Württemberg, Hessen, Rheinland-Pfalz*) in particular profiting from a ‘healthier’ sectoral mix. Yet, to make a trivial but necessary point, if one looks for answers to the question as to whether and how the German Model will be able to reinvent itself, these cannot be found in computer software or telecommunications, but within its core sectors.

3. The Fragmented Firm: Segmentation and Coercion into Co-operation

As with German capital in general, the sample firms in the Ruhr Area during the study period (1990-1996) were confronted with governance dilemmas, that is with increasing uncertainty and stress, both in horizontal relations to competitors, and vertical ones to key customers or suppliers.

Intra-firm divisions of labour have been deeply affected by these changes and processes, the firms responding with the reorganisation and restructuring of capital-labour relations. Notwithstanding individual differences, four related trends stand out: casualisation, intensification, ‘Japanisation’ and quantitative adjustment. Table 1 gives an overview of the main developments underlying these processes.

The mechanical engineering firm S.Kuhn³ serves as an illustrative case-study. In response to a difficult competitive situation domestically and abroad, the owner-manager invested heavily in new machinery improving labour productivity considerably. Productivity increases were accompanied by two measures. First, in order to utilise capital investment better, S.Kuhn introduced an additional shift, employed additional skilled labour (that is, engineers or so-called *Facharbeiter*)⁴ and increased output through *intensification* of the labour process. This considerably improved the firm’s capacity to react quickly to demand fluctuations. Second, this in turn meant a

numerical reduction of low-skilled tasks. During a tour of the production facilities immediately after the interview, the owner-manager demonstrated the new production line and pointed out that he needed only one worker to monitor the complex technology where five to six employees were required before. At the same time he increasingly switched to the employment of unskilled temporary workers (*casualisation*) and introduced quality circles for the remaining labour force (*'Japanisation'*).

In the same vein a majority of the interviewees reported a profound shake-up of workforces, pursuing a labour strategy which differentiated and segmented workforces alongside new lines and categories. For some workforce segments this translated into an erosion of established roles and positions within the firms and into a disembedding of traditional capital-labour relations. This casualisation process had two manifestations. The first concerns the increasing use of temporary work and the creation of a 'new' labour force segment. Companies used contingent labour to reduce uncertainty and cushion problems associated with the rapidly changing political-economic environment. Work contracted out in particular affected routine and less skilled activities. The owner-manager of Gagsteiger summarised her strategic response as follows:

"Well, first of all we of course no longer evened out natural fluctuation. Then, we had a relatively high number of temporary labour contracts, that is 12 or 18 months, which we have not prolonged. In 1993 we also had to revert to compensations. *We tried to cut down those [employees] which were the least useful for the firm.* Across the firm hierarchy, from top to bottom."

(Owner-Manager, Gagsteiger, 11.10.95)

The owner-manager of environmental engineer Böckler revealed a similar rationale:

"From our perspective, I would say ... that we, to put it like this, don't want millstone personnel around our neck. We say, we

rather have 100 temporary and contract workers earning good money, but if we have a slump in demand, this would to a large extent be their problem."

(Owner-Manager, Böckler, 30.11.95)

Large-scale employment of temporary workers has been a relatively new phenomenon for the firms investigated (just as for the German economy as a whole; see below). What these quotes illustrate is the extent to which the hegemonic neoliberal representation of the German social economy (i.e. the discourse of overregulated and inflexible labour markets), filters down to the firm level and gets reproduced as owner-managers act according to this logic. The millstone metaphor, for instance, was used frequently by the interviewees.

In doing so, and this is the second manifestation of casualisation, firms rigorously re-examined the positions and the 'value' of their different workforce segments. This involved changing positions in the firm hierarchy and a radical questioning of established practices 'from top to bottom' as the respondent above put it. Thus, owners and managers unsettled traditional institutional frameworks which are widely regarded as underpinning the high-skill, high productivity performance of the German production model. Crucially, the traditional institution of the industrial Meister⁵ increasingly appears to be a thing of the past in the new production systems. Valuable insights in support of this view from the perspective of labour was provided by the head of the works council at Essen-based GKN-GWB. At tradition-conscious GWB, which was taken over by the British GKN group in the late 1960s, recent reorganisation measures caused much upheaval. Talking about the introduction of new production concepts at the company and the impact this had on middle management, the interviewee commented:

"You have to understand that when they were told that there would be no Meister anymore, a whole world broke down. I myself found it very unfortunate that they did this. I would have

continued to call them Meister. They have then reverted to a trick and called them 'Fachreferenten' [= special expert], not Meister any longer. They had huge problems with this, they couldn't quite see their future perspective ... My view is that this is a long-term process. That workers learn to do things autonomously, this is a learning process, *you can't simply turn a switch ... this has to be learnt.*"

(Head of Works Council, GKN-GWB, 26.09.95)

Overall, institutions long taken for granted were becoming increasingly fragile within the firms. Personal identity and loyalty to the firm are being undermined as traditional material practices (e.g. technology and organisation of production), social relations, knowledge and ways of thinking are challenged by corporate decision-makers (see Schoenberger, 1997). All this resulted in a loosening of the traditional stable ties to the firm and increasing volatility in employer-employee relations at firm level. In addition to the relatively unskilled, this particularly affected middle management.

It appears, however, that the construction of two apparently neat labour segments (skilled/useful vs. unskilled/useless) by the employers does not square with an increasingly complex reality. Workforces are increasingly becoming fragmented and differentiated, employers' strategies giving rise to uncertainty and contradictions. Managers and/or owners were able to exploit the fragmentation and pushed for productivity coalitions at the level of the business firm. These coalitions have become known under the term *Bündnis für Arbeit* (alliance for employment). In these alliances labour and capital enter into formal contracts at firm level (so-called *Betriebsvereinbarungen*), exchanging concessions over labour costs for job security. These contracts are often outside the respective sectoral and regional collective bargaining contracts, and constitute a marked decentralisation of capital-labour relations. The head of the works council at the electrical engineering firm, Parsunke, for instance, referred to such an alliance at plant level, in which workers proposed to reduce working hours without financial compensation in

order to avoid further redundancies. The interviewee justified the move by the ‘economic realities’ confronting the firm (Head of Works Council, Parsunke, 13.05.96). Similar pacts were reported by other firms. To further illustrate this point, asked about the relationship with the firm executive, the head of the works council at Morgott conceded that labour at the mining machinery firm was in a catch-22-position, a situation characterised by a juxtaposition of co-operative and competitive elements. The interests of the employees had to be balanced with unpopular decisions in the face of an unfavourable market situation, making it necessary to ‘consent to a redundancy at times’ (Head of Works Council, Morgott, 13.05.96). This has to be seen in the context of a dire competitive situation and mismanagement, a crisis which eventually resulted in the death of the firm.

Yet, it is necessary here to look at the different social dynamics underlying this development. Rather than the use of outright force, the overall situation may be better described as coercion versus persuasion into co-operation, depending on the degree of asymmetry in power relations. As regards weaker workforces or workforce segments, the norms and rules of interaction are simply redefined and transformed by the relatively stronger actor. On the other hand, there are situations in which workers may find that traditional ways to respond to a changing environment no longer fit either their situation at work or their life outside the domain of the firm. To put it differently, these workers have a vested interest in alliances with capital not only in order to keep jobs or to minimise job losses, but also to alter the rules and norms according to their own interest. This is linked to the wider societal transformation and a general revaluation of the work-leisure nexus.

This illustrates that fragmentation and individualisation of labour relations may actually increase the power of *some* workers. Labour with valuable skills is often able to negotiate a better deal individually than in collective agreements struck between union and employers. Although it is service-oriented and engineering firms, in particular,

which depend greatly on the skills of their employees, skills which are personalised, tacit and thus difficult to substitute, this pattern was found across the sample. Frequent complaints at a time of high unemployment across the sample that skilled personnel (i.e. *Facharbeiter*) were difficult to recruit further supports the labour market segmentation thesis. With the strategies portrayed above firms therefore also faced the risk of alienating the very workers they depended upon.

These qualifications notwithstanding, the general pattern of capital-labour relations at firm-level has been one of labour representatives increasingly appearing to make similar judgements concerning the necessary counter-measures in the wake of external pressure, sharing a similar world view with the management. The examples given above, however, serve as a reminder that there are many ways into co-operation, ranging from fear of negative sanctions (that is, co-operation brought about by outright force, coercion, authority etc.) to interest affinity allowing positive sanctions to work (persuasion, inducement). Stressing the self-evident fact that labour may have a vested interest in co-operation and a collectivist, positive-sum view of power is of course neither to say that capital produced through co-operation (both economic and social) is always distributed evenly nor that we can neglect the question of how consensus is produced socially.

The fact that the majority of firms reported profits during this difficult period shows that from a capital point of view, strategies to by-pass formal representation mechanisms appear to make sense, even if the price for short-term gains may of course be the loss of long-term competitiveness. From the point of view of fragmented labour, we have a potential mismatch between particular interests and collective ones, as weaker members of the workforces increasingly lack the resources of 'voice' and bear the brunt of the costs of restructuring.

In sum, what we have here is a complex and gradual transformation of intra-firm relations, the rules of the game getting redefined and

altered. Before moving on, a note of caution regarding the impact of unification is necessary. It would be futile from a perspective which stresses institutionalisation as a dynamic process to construct an ideal-type before and after unification scenario. Just as there was never some kind of 'golden age' of codetermination – German labour continuously had to struggle and fight for codetermination, the reduction of the working week and so on - it would be equally wrong to sound the institution's death knell.⁶ What can be argued from the evidence presented so far is that the transformation in the way capital-labour relations are regulated and governed at the firm level is a long-term process which in recent years has assumed a new quality, in particular so within small and medium capital.⁷

4. The Geography of Labour Re-regulation: Redrawing of Boundaries, Downscaling and Exclusive Co-operation

Notwithstanding the fact that the developments outlined above are the result of quite different social processes, they combine in having repercussions for the geography of labour regulation in Germany. In what follows I argue (i) that these changes are about to 'rework' the wider 'regulatory landscape' (Hudson, 1996) in terms favourable to capital during a period in which the latter is in the ascendancy in the labour market, and (ii) that in order to understand the ongoing re-regulation of capital-labour relations in Germany one has to look at the peculiar spatial dimension of this process.

4.1. Exclusive intra-firm alliances and the declining power of regional labour market intermediaries

At the level of the individual business firm the production of consensus, be it by coercion into co-operation or resulting from more active interests of labour, clearly aimed at a hostile outside world. In the words of the owner-manager of Meck:

"One declares one's solidarity with each other. One has enemies outside, this concerns direct competition and certainly also

increasingly the state with all its regulations, and then competition from abroad."

(Owner-Manager, Meck, 18.09.95)

Actors look for stability and certainty in the face of competitive pressure, resulting in efforts to distinguish themselves from outsiders and a contradictory pattern of intra-firm inclusion and extra-firm exclusion. Left behind by the various attempts to fend off "the enemy outside" are those who are pushed from insider to outsider positions, that is into casual, insecure employment or into unemployment. By drawing increasingly on temporary agencies or on pools of contract workers as buffers at times of demand volatility, firms socialise the costs of labour flexibility. This view was supported by the interviewee at the Ruhr IGM headquarters (Senior Official, IG Metall Bezirk Dortmund, 07.05.96). Numbers for West Germany and for Nordrhein-Westfalen, the Land in which the Ruhr Area is situated, show that since 1976 temporary work has risen sharply, particularly in recent years (Figure 2).

What does this mean for collective wage bargaining in the region? Both sides of the collective bargaining partnership, the employers' associations and the labour unions, have seen a continuous erosion of their power. To start with the employers side, regional capital representatives have come under increasing pressure from individual firms accusing them of being too lenient with the labour unions. An important catalyst in this context was, in 1995, a controversial wage deal struck in the Bavarian metals and electronics industry. The Bavarian pilot wage deal, which other regional Gesamtmetall affiliates adopted only after acrimonious discussions, was generally regarded as favouring larger companies.

Hence, after the responsible wage bargaining commission (*Tarifkommission*) at the NRW employers' association decided to accept the deal, there were major conflicts between small and large firm representatives, culminating in formal and informal forms of resistance. The former strategy involved resignations and defections

by small and medium firms from the employers' association⁸, a move which in principle means that wage negotiations have to be conducted at plant level. The latter, more frequently used strategy of resistance has been a conscious breach of the agreement, companies simply not implementing wage increases and other agreed measures (Official, Verband der Metall- und Elektroindustrie NRW, 30.04.96). The owner-manager of Reinhold, for instance, said regarding the employers' performance:

"They were absolutely too soft. There have been many defections because of this, above all by the industrial small and medium-sized firms, which did not agree to these contracts, which would have rather been prepared to fight a strike."

(Owner-Manager, Reinhold, 06.11.95)

Evidence from the 16 case-study firms which were members of the employers' association at the time of interviewing⁹ further supports the conclusion that industrial relations in Germany are becoming increasingly decentralised. While outright defection has not occurred in the sample, we have already seen that firms have struck special agreements with the workforce, owners and managers in part being able to coerce workers into co-operation in the face of 'economic realities'. In other words, the growing number of firm-level alliances for employment mentioned earlier has to be seen as direct strategic response to the 1995 wage round.

As major rifts surfaced amongst employers across the country, regional employers' associations were put under pressure to adopt a more confrontational attitude. This also affected employers in traditionally more consensus-oriented Nordrhein-Westfalen and the Ruhr Area, as the interviewee at the regional employers headquarters in Düsseldorf confirmed (Official, Verband der Metall- und Elektroindustrie NRW, 30.04.96). That this development would clearly not be in the interest of the regional IG Metall was illustrated by the respondent at the Ruhr Area IG Metall headquarters:

"This is a very difficult situation for us because we are obviously not at all keen on having weak employers' associations. This is because we would of course lose our negotiation partner and because agreements which we strike in negotiations are [then] extremely difficult to implement. A horrible situation for us. But we have said to ourselves, 'if there is no other way we simply have to go from plant to plant'."

(Senior Official, IG Metall Bezirk Dortmund, 07.05.96)

Strikingly, this shows how the traditional corporatist actors are locked together, each party's power position being inextricably linked to the legitimisation of the other. This results in a common interest to defend the traditional wage bargaining system and resistance to change. Overall, pressure from below, most notably from small and medium firms, played an important role in changing the attitude of employers representatives.

Pressure stemming from the actions of the 'represented' also built up in the labour unions. Again, the firm-level alliances for employment played a crucial part, given that in these contracts individual works council members are increasingly in conflict with the official union line. The owner-manager at the metal goods producer Schraml, for instance, mentioned special agreements with the workforce and commented:

"This had to do with the flexibilisation of working time. We think that there remains much to be done with regard to direct labour costs and you can't find anything on this issue in [the collective wage agreements] for Nordrhein-Westfalen. *We try to reach special agreements* [with the workforce]."

(Owner-Manager, Schraml, 26.10.95)

A note of caution is appropriate here. The widespread view to the contrary notwithstanding, collective wage agreements in Germany have in recent years significantly widened the scope for flexible time management. Like the interviewee cited above, employers in general

often lack knowledge of the provisions laid out in the agreements. We are faced here with a collective reinterpretation and negation of the facts which serves as a justification to 'go informal'. The fact that labour representatives within the firm go along with this demonstrates the extent to which the power geometry within the firms has changed and unions have been silenced.

More generally, the weakening of IG Metall's position is linked to additional factors. Crucially, there has been a significant drop in membership in recent years. At the local level IG Metall saw its membership in Gelsenkirchen, a Ruhr city in which 14 sample firms are located, decline from about 18,000 in the early 1980s to just over 15,000 in 1990 and 13,000 in 1996 (Senior Official, IG Metall Gelsenkirchen, 10.06.96). While much of this reduction is commonly attributed to a growing dissatisfaction amongst workers, it is in fact a result of more complex processes. Undoubtedly, the significant reduction of employment in traditional manufacturing industries plays the major role. The decline was further exacerbated by reorganisation measures, that is, the trend towards outsourcing and disintegration. As a result, many now independent or quasi-independent units no longer fall under the jurisdiction of IG Metall, belonging instead to less tightly regulated service sectors. As pointed out earlier, it is important to note that this also affects labour at large firms. What is striking is that, once unemployed, most members appear to decide to leave the labour union (Senior Official, IG Metall Gelsenkirchen, 10.06.96). Since membership fees are linked to income and membership is not dependent on permanent employment, the fact that so many workers opt for exit suggests a crisis of representation, workers apparently feeling that their interests are not adequately represented once they are made redundant.

Consequently, faced with the pressures outlined earlier and with the fear of redundancy, the IG Metall works councillors, like the individual employers, exerted pressure on their representatives to change their negotiation positions. In contrast to the employers, however, IG Metall was forced to adopt a more conciliatory policy.

These changes are a reflection of the shifting power geometry between capital and labour. But these processes do not stop at the local or regional level, I will now turn to national, inter-regional dimensions of the transformation process.

4.2. "You can't get people on Sundays": unification and the East as laboratory for 'flexible' regulation

The plant engineering firm Fähmel is an interesting example of the extent to which unification influenced developments in the Ruhr Area. This successful firm acquired production facilities in East Germany in October 1990 and has continuously expanded its workforce there. More recently, a modest decline of the Ruhr workforce during the period 1996 to 1998 was accompanied by an increase from 35 to 41 in the East during the same period. At the time of interviewing, the owner-manager mentioned internal competition from the production site in the East, hinting at lower wages (at the time of interviewing 85% of the West German equivalent) and a longer working week (40 instead of 35 hours). He regarded these conditions as competitive advantages and argued that workers in the East:

"... have got a completely different degree of motivation, the people have a need to make up. This is different [in the Ruhr Area]. Here leisure time counts as much [as time at work], *you can't get people on Sundays*. The next step is, if we could decide this again, we would move 100 km further [east]."

(Owner-Manager, Fähmel, 23.11.95)

There is an emerging division of tasks between regional production systems such as the Ruhr Area and those in the new Länder or Eastern Europe, eight sample firms having established subsidiaries in the former, three in the latter. West German firms in general very quickly relocated production to Eastern Germany and used the East as laboratory for labour conditions and production methods which would have been resisted in the west. Accordingly, as smaller firms suddenly

had the option of pursuing cheap competition strategies at the domestic level, this fed back to the old Länder. For instance, while 65.3% of West German employees across industries are covered by collective wage agreements, this holds only for 43.9% in the East (numbers for 1997; source: Bispinck, 1999, p. 82).

The mass exit of existing, and the refusal of new, firms to join forced employers associations in the East to revert to voice, Gesamtmetall in 1993 being the first association to terminate a collective bargaining agreement without giving notice (Müller-Jentsch, 1998, p. 147). This conscious breach of rules by the employers constituted a clear sign of the changing situation. What is important in this context is that many firms would only be able to make the move to the east with high financial and social costs. Those firms instead actively used this option as a threat to discipline their local workforces. This qualifies some of the statements made by the interviewees and sheds light on the extent to which labour has been weakened. Overall, for many regional production systems in the West, unification therefore meant a profound change of the position in the inter-regional division of labour.

The crisis of representation within NRW and Ruhr intermediaries outlined above is thus symptomatic for problems nation-wide. The organisation rate in the metal and electronics industry, decreasing only slightly by 2 percentage points from 1964 to 1984, has subsequently fallen from 74.4% in 1984 to 64.3% in 1997 (Schroeder and Ruppert cited in Heinze, 1998, p. 135; Gesamtmetall 1999). Recent membership trends illustrate that this decline has accelerated since the mid 1980s (see Table 2). Similarly, between 1991 and 1997 the DGB lost almost 3.2 million members or about 27% of its membership base, IG Metall suffering an equally dramatic decline of almost 1 million (26.5%; sources: Statistical Yearbook of the Federal Republic of Germany, various volumes). Although this decline has to be seen in connection with an inflated membership size in the wake of unification, it has profound consequences, not least with regard to union finances.

This was the context in which the national leadership of IG Metall proposed a national alliance for employment plan in November 1995. Originally, this proposal aimed at a national level contract between labour unions, employers associations and the state and as such effectively at the restoration of the power of the collective bargaining institutions in the face of the erosion portrayed earlier (for a detailed account of this, see Bispinck, 1996).

Within the employers camp, this proposal caused friction and revealed conflicts of interest. Put simply, the BDA cautiously welcomed the idea of a national-level alliance for employment. This is not surprising if one recalls the fact that the BDA has a vested interest in maintaining the collective bargaining mechanism. Industrial pressure groups and sectoral business associations¹⁰ (e.g. the *Bundesverband der Deutschen Industrie*, BDI), however, clearly campaigned for an overhaul and shake-up of the traditional system. It was because of the pressure from individual firms and their sectoral interest groups that Gesamtmetall, the metal employers' association, rejected this ambitious plan, advocating instead a more decentralised and flexible system, a move justified with expected positive employment effects (see Hundt, 1996).

As the experience of the sample firms and general trends in NRW and the Ruhr Area after the collapse of national talks illustrate, the firms appear to have got their way. The Gelsenkirchen IGM representative confirmed the decentralisation of industrial relations, arguing that after the failure of the alliance for employment at the national level unions were forced to seek regional and local deals (Senior Official, IG Metall Gelsenkirchen, 10.06.96). Again, this further trend towards flexibilisation and decentralisation of wage bargaining was not solely due to the employers. Parts of the labour union movement appear to have changed their attitude as well. Strikingly, the apparently traditionalist Ruhr and NRW IG Metall played an active role in this strategic repositioning, as indicated by the interviewee at IGM Gelsenkirchen, who commented on the future of collective wage bargaining:

"Well, I think there will be more [but] regulated options for different areas. The labour unions are not always the ones which have to be pushed, we accept the need for change. *Besides, our members demand this ...* The metal industry is extremely differentiated. One could envisage introducing ... options for single sectors and regions ..."

(Senior Official, IG Metall Gelsenkirchen, 10.06.96)

At the regional level, the former leader of the Dortmund District and current head of the NRW IG Metall, Harald Schartau, has in recent years acquired a reputation as a reformer within the national IGM executive, arguing in favour of – controlled – decentralisation and flexibilisation (see Schartau, 1995; Zeit, 18.4.97). In sum, there are conflicts and tensions between traditionalists and modernisers at all levels, and IG Metall is undergoing a period of decisive change.¹¹

Gradual as they may be, these changes in the national and regional regulatory landscape further aggravate the impact of individual firm strategies on vulnerable segments of the labour force. As a result, there appears to be a shift from a dual to a 'triadic' labour market, with a very mobile global elite (the actors making up global expert systems, for instance, managers in transnational firms), a more or less regionally bound group of producers of goods and services in secure employment (including both capital owners, for instance in small firms, and labour) and, finally, those who are marginalised either suffering from unemployment or only able to find casual employment. Ruhr and German labour market trends support this assumption. A closer look at the recent development and composition of temporary employment, reveals that this particularly affects unskilled manual workers, in Germany and in NRW in particular. With a view to the whole economy, temporary workers throughout the skill categories have since 1980 seen their share of average monthly income being significantly eroded. And, what is more, there is a striking gender dimension to this, the male share of temporary labour during the period 1976 to 1995 increasing from 68.9 to 80.8% (compare Figure 3 and Tables 3 and 4). A similar pattern holds for the

position of disadvantaged segments of the unemployed in the Ruhr Area, NRW and Germany. Overall, the long-term unemployed, older workers and '*Gastarbeiter*' fared particularly badly (see Berndt 1998a).

What is important in this context is that in addition to having seen much legal protection removed by the state, marginalised workers in addition lack adequate institutionalised representation of their interests. The increasing number of union members made redundant who resigned their membership testifies to the fact that, for the unemployed, unions such as IG Metall are not regarded as representing their interests. After all, with their emphasis on striking contracts with employers the unions primarily aim at securing *existing* employment, but do little to improve the position of people out of work. Consequently, there has been a response by alternative social movements, which for instance formed the *Bundesarbeitsgruppen der Initiativen gegen Arbeitslosigkeit und Armut* (federations of initiatives against unemployment and poverty; BAG-Erwerbslose). Arguing that people without jobs are regularly bypassed and have no voice, criticism is in addition to the state and capital also directed towards the official unions (BAG-Erwerbslose, 1996). While neglect of marginalised workers by labour unions in corporatism is not a new phenomenon (for an earlier critique, see Offe and Hinrichs, 1977), their recent rise in absolute numbers and the simultaneous cuts into the national welfare system by the government clearly makes the representation issue a particularly critical one today.

4.3. Defensive resistance against globalisation: societal contracts in the name of competitiveness

Finally, from an international perspective, the national alliance for employment proposal was seen by the traditional corporatist actors as a device to respond to the challenges of globalisation. The IG Metall leader linked his proposal to international competitive pressure on working conditions and labour regulation in Germany, seeking a national societal contract against globalisation (see Altvater and

Mahnkopf, 1997, p. 59; Bispinck, 1996). This means that labour representatives explicitly based their strategic efforts on territorialised resistance within national 'container' space.

This attitude is in stark contrast to the one in the employers camp. The president of the BDA, for instance, pointedly refers to an 'alliance for employment and competitiveness' (Hundt, 1998; my emphasis). Consequently, the various groups representing the interests of capital have exerted pressure on the Federal Government to adopt regulatory changes which aim at a US- and UK-style 'flexibilisation' of the labour market. These policy changes were seen as essential in the light of international competitive pressure and global integration (for instance, see Henkel, 1997)

The Kohl Government always regarded the alliance for employment as a programme for employment and growth (see Federal Government of Germany, 1996). After the collapse of the alliance for employment at the national level, the Conservative-Liberal Federal Government implemented first steps in this direction. In September 1996 the Government majority in the Bundestag finally passed the so-called *Wachstums- und Beschäftigungsförderungsgesetz* (Law for the Promotion of Growth and Employment) which in addition to cuts in the social insurance system (e.g. an increased female retirement age, cuts in health care) included three laws directly related to labour market regulation. The first reduced the legal sick pay requirement from 100 to 80 per cent of the nominal wage. Secondly, the rules governing temporary work were further relaxed, especially for newly established small firms. Thirdly, from October 1997 the threshold at which employees enjoy legal protection against dismissal (*Kündigungsschutz*) was raised from firms with five to those with ten employees. The proportion of companies excluded from this regulation thus increased from 67 to 83 per cent and the numbers of employees from 6.8m (24% of total employment) to 8.4m (30%) (source: *Süddeutsche Zeitung* 8.6.96), with profound implications for the labour market. Federal Government deregulation was mainly directed at enabling numerical flexibilisation strategies and at

reducing labour costs. In other words, regulatory change followed the logic put forward by business interests, further contributing to the shift in the power geometry between labour and capital. Again, those workers on the ‘long side’ of the labour market are particularly disadvantaged.

The role of the state is obviously a complex and an ambiguous one. While austerity policies and decisions to ‘renovate’ the German welfare system, as it is euphemistically put, contribute to an erosion of the state’s regulatory capacities, the state at the same time reasserts itself, for instance, all but abolishing the right for asylum and limiting immigration. As an aside, recent events illustrate that there are only small differences between the new ‘centre-left’ and the old, conservative-liberal government in this regard (compare the current problems regarding the ‘new’ national alliance for employment, asylum and ‘immigration’ policy, or tax policy). Yet, both contradictory trends are two sides of the same coin. The state needs to make up for sovereignty lost to mobile (large) capital, both by tightening its grip over those ‘insiders’ who are relatively less mobile (e.g. domestic workers, small firms) and by reducing the freedom of movement of undesired ‘outsiders’. All these dilemmas testify to the increasing difficulties in maintaining a ‘territorial container’ in the context of globalisation, and in my view are far too complex to be reduced to either simple ‘death of the nation-state’ theses or routine evocations of a continuing salience of the national level.

5. Concluding Remarks: ‘Spatial Incongruence’, Institutionalisation and the Future of the German Model

The task now is to combine the points raised above and to make sense of the ongoing re-regulation process. Here, the link between institutionalisation and space deserves more scrutiny. The main argument so far is that re-regulation of capital-labour relations in Germany can be interpreted as the result of individual and collective action in response to ‘external’ pressure. Adjustment strategies redefined and rearticulated core institutions of the German Model, or -

to put it differently - social rules, norms and personal ties which create trust and tie actors together. The ambivalent nature of institutions (labour market institutions as well as the state) means that they help to define both a sense of 'togetherness' and identity as well as 'outsider images of the other', drawing and redrawing boundaries (material-territorial, social or cognitive) between insiders and outsiders (Newman and Paasi, 1998, p. 196). It is exactly this dialectic which helps us to understand the Janus-faced nature of globalisation, a diminishing importance of boundaries and territorialisation on the one hand, and a simultaneous reassertion of difference, the production of new boundaries on the other. Boundaries conceptualised in this way are at the same time the product and the symbol of power relations and processes of institutionalisation.

With a view to the business firm and capital-labour relations, the question of who acquires insider and outsider status assumes a new quality at times of increasing global competition. Who belongs to the firm? Who is covered by collective bargaining agreements? Who profits from re-regulation? And who loses out? By laying off segments of the regular workforce, by hiring temporary labour or by restructuring the labour force qualitatively, decision-makers constantly draw and redraw boundaries, and in doing so loosen and strengthen personal ties. Evidence from the Ruhr Area, but also from other regional contexts illustrates that these processes clearly have profound repercussions for everyday life and consequently for the way spatial representations of the 'region' are constituted socially and culturally (see, for instance, the collection of essays in Kreibich et al., 1994).

The marginalised and the forgotten losers of these processes are the relatively 'unskilled', the unemployed, people who are permanently or temporarily excluded from the labour market.

In this vein, one could conceptualise institutionalisation as a finely articulated compromise between inclusion and exclusion, a power compromise which is linked to mobility differences and to the

capacity to influence the movement of labour, capital or information. Some of the spatial scale contexts produced by these institutionalisation processes are territorially 'fixed' (e.g. the nation-state), others are more porous, for instance corporate organisational spaces or spaces produced by movements of people or ideas. All of them are, however, deeply intertwined with each other.

We have seen that the re-regulation of capital-labour relations in Germany stretches across different socio-spatial scales of interaction (for an illustrative summary, see Figure 4). From a more abstract perspective, the spatial reach of actions differs increasingly in the wake of globalisation, unsettling a distinct and historically evolved national regulatory compromise. The emerging 'new' power geometry is linked to different abilities to move in-space, to control organisational space and to surmount mobility barriers. While firms, above all large companies, increase their organisational reach and create new economic spaces which go beyond the territory of the nation-state, place-bound and more immobile actors desperately look for ways to stem the tide. In this context, concerted efforts between capital, labour and the state, be it the national alliance for employment or firm-level productivity coalitions, are too often confined to the formation of defensive coalitions, seeking to protect and conserve traditional benefits.

Power resources of certain individual or collective actors are more place dependent, and as such more difficult to substitute than those of others (see Cox, 1996; Storper, 1997). As the spatial reach of decisions and activities differs increasingly in the wake of globalisation, this 'spatial incongruence' disadvantages those actors whose social relations make them more place dependent. In this context, the case-studies show that it is often enough to rhetorically invoke the threat of movement in order to enforce concessions in-situ. The organisational capacity to control space allows dominant actors to impose social practices, norms and rules at a particular spatial scale (Swyngedouw, 1997, pp. 146-147). All this is however neither a simple question of large firm dominance over small firms, or capital's

hegemony over labour. The empirical findings make evident the extent to which actors in seemingly similar positions may react differently to institutional ‘constraints’ and shifting power relations.

However, boundaries erected in defence – be they material, social or cognitive – have ambivalent effects. In helping to create collective identities, and as such exerting a co-operative impulse (always acknowledging the different ways in which power sources are used to that effect!), they may facilitate adjustment. At the same time boundaries shield actors, obstruct interaction and exchange with the ‘outside world’, and may as such block from view alternative ways of dealing with new challenges.

In the face of this, what future is there for co-determination and collective bargaining in Germany? Is Germany simply catching up with the Anglo-American example, entering a completely new institutional trajectory? Although there are differences in opinion between optimists and pessimists, observers generally agree that the situation in Germany cannot be compared to the one in the UK or in the US (see Dörre, 1998; Kern and Sabel, 1994; Müller-Jentsch, 1998). Capital-labour relations in Germany will continue to be regulated by distinct institutional compromises. It is important here to point at the still considerable strength of the labour movement and to the fact that the situation is more stable within large firms. Moreover, the regionalised nature of the ‘German Model’, and a general mistrust against the neoliberal market dogma further mitigate against full convergence. On the other hand, the case-studies show that the German Model of industrial relations is clearly under pressure to adjust and the rules of the game have in my view already been ‘reworked’ considerably. This concerns above all the rescaling of labour regulation. The simultaneous decentralisation and individualisation (i.e. personalisation) of the rules and norms governing codetermination and collective bargaining in Germany have enabled capital to adjust to the requirements imposed by a world of free markets and competition. Ironically, and paradoxically in the light of the developments outlined above, codetermination has thus

continued to play a decisive role in safeguarding productivity and competitiveness of German capital, at a time when many employers appear to believe they could dispense with institutionalised representation.

At the time of writing it is not at all clear codetermination and collective bargaining will look like in the future. What changes and adjustment will be necessary to enable these institutions to survive in an increasingly hostile context? And will the ‘result’ still justify the label *codetermination* and *collective* bargaining (without pretending the existence of a somehow ‘golden scenario’ in the past)? Optimists like Müller-Jentsch (1998, p. 152) appear to envisage a ‘flexible three-tier system of governance’, where (i) labour unions and employers associations will continue to negotiate and agree upon sectoral framework agreements, with regional wage bargaining continuing to play an important role; (ii) detailed regulation of pay and working conditions will increasingly be negotiated at the individual firm level, the legal framework underpinning co-determination being changed accordingly; and (iii) this may be accompanied by more direct participation, for instance through team work, for workers in day-to-day affairs. Whatever the outcome, any new configuration will be the result of negotiation and mediation between individual and collective actors, with the degree of asymmetry in underlying power relations playing a crucial role. This scenario would leave it mainly to the unions to resist potentially regressive policies which appear to aggravate the spatial incongruence between regulation and accumulation, by scaling down the geography of labour institutions to the level of the business firm, creating an ‘intra-firm welfare state’ to borrow a phrase coined by Esping-Andersen (1992, p. 145; see Figure 4). The extent to which IG Metall and other unions will continue to play a progressive role in the coordination of capital-labour relations will, however, depend on their ability to change their policies. We have seen that unions and worker representatives applied their considerable power predominantly in a defensive and exclusive manner, at all scale levels, be it the firm, the region or the nation-state. As such labour representatives routinely

reverted to, and fell back on, the strategies which have become institutionalised throughout the successful post-war era.

In their efforts to counter this downscaling process, union representatives must however look beyond defensive protection solely based on national or regional affiliation and beyond exclusionary policies serving only the narrow interests of those already in employment. Interregional and international co-operation of labour representatives plays a crucial role here. And there is evidence for a rethinking. German unionists in 1997 institutionalised annual meetings with colleagues in neighbouring Netherlands, Belgium and Luxembourg, aiming at countering the spatial arbitrage strategies on the part of capital. Interestingly, while the remaining single union delegates at the last meeting on 4-5 September 1998 were affiliated with the respective national headquarters, the IG Metall was represented by their regional NRW leader Schartau. This illustrates the crucial role of the NRW branch in initiating the co-operation (source: DGB 1998). Even earlier - in 1995 - a similar scheme was established between the Bavarian IG Metall and colleagues from the Czech metal union KOVO (Süddeutsche Zeitung 11.8.98). And at the level of larger companies, there is an increasing role of European works councils, not so much for direct representation and involvement, but as facilitators and mediators of informal transnational contacts and networks. To close with a quote from the German DGB leader Schulte (1998; my translation):

"The overcoming of national traditions should become the guiding line of our European strategy. In 'Euroland' we will otherwise no longer have the power to influence things, let alone the power to resist."

Notes

1. The ‘German Model’ should be seen as an ideal-type construction, a heuristic device rather than a concrete, observable fact. This conceptualisation acknowledges that there may be many ‘production models’ in Germany (see Herrigel, 1996), and has been another reason for choosing an approach which links adjustment strategies across socio-spatial scales, seeing corporate actors as being embedded in a complex web of social relations in different contexts.
2. At the firm level, interviews were conducted with owner-managers, general managers, human resources managers and works councillors depending on the size of the business in question, and whether employees had set up a works council. Semi-structured interviews centred on two broad ‘recurring relations’: (i) inter-firm relations (vertical: suppliers, customers; horizontal: competitors, including the role of associations) and (ii) intra-firm relations. Special emphasis was put on how changes in both sets of crucial relations were interrelated and implicated in each other. The evidence presented by the interviewees was where possible ‘double-checked’. Statements, for instance, made by employers were balanced against the statistical data available for my firms, checked with works councillors from the same firms and – most importantly – with the respective local union representative who normally has a good knowledge of what is going on in ‘his/her’ firms.
3. The names of the small and medium firms have been altered.
4. After successfully completing their apprenticeship or after having gained several years of practical experience, employees in industry and manufacturing normally receive a certificate giving them the status of a *Facharbeiter* (lit. specialist worker). *Facharbeiter* are a product of the ‘dual system’ and as such embody its unique combination of theoretical knowledge and

practical experience, giving them a pivotal role as experts on the shopfloor.

5. Originating from the Latin word *Magister*, the *Meister* (master) title constitutes the final step of a traditional professional career in the craft sector and in industry. With regard to the latter, employees are required to hold a *Facharbeiter* certificate, have an additional period of practical experience, participate in further theoretical education (usually several years) and to successfully pass an examination held by the local chamber of industry and commerce. *Meister* traditionally make up the ranks of middle management supervising and organising workers on the shopfloor, and generally display strong professional ethos and pride.
6. I am indebted to an anonymous referee for alerting me to this point.
7. The development of the share of workers formally represented by works councils at the national level supports this view. While during the period 1981 to 1990 this share decreased from 50.6% to 45.4% (numbers for West Germany), in 1998 less than 36% of employees worked in firms with works councils (Spiegel 1998, 78). As an aside, while the codetermination system is certainly more stable within large capital, there is evidence for ‘institutional erosion’ as well. Factors here are the shift away from the most far-reaching type of codetermination (*Montanmitbestimmung*) in the wake of the recent merger of Thyssen and Krupp, or the massive reorganisation currently underway more generally involving the outsourcing of activities and the formation of smaller units, on the one hand, and a ‘tertiarisation’ process with obvious consequences for the regulation of capital-labour relations, on the other.
8. It is extremely difficult to gather reliable data on this issue, above all with a view to regional variation. With regard to

NRW, it was not possible to retrieve statistical data from the regional employers' association.

9. Note that to this number one has to add those firms which do not formerly belong to any employers association, but have signed so-called *Anerkennungstarifverträge*. These concern formal contracts over the recognition of collective wage agreements with the unions, the firms committing themselves regularly to recognise and implement the result of the collective wage negotiations. Five sample firms reported this practice.
10. It is important to distinguish between employers associations and business associations. The latter are classical lobbying groups, while the former represent firms in wage negotiations.
11. This includes increasing competition between single unions as a result of the changing nature of employment. In Nürnberg (Northern Bavaria), for instance, the white collar union DAG and IGM have been embroiled in a bitter dispute to organise labour at a local Lucent subsidiary in order to get a foot into the telecommunications and media sector. Given that there has traditionally been a tacit 'non-aggression pact' between different single unions, this shows the extent to which labour institutions are changing in Germany. Arguing for a consensual solution, the respondent at the Nürnberg IGM headquarters said: "*We need a contractual solution [at Lucent]; without this there will be war.*" (Official, IG Metall Nürnberg, 1.12.98).

Table 1: The labour strategies of the 28 sample firms, 1990 to 1995

Strategy	Measures
Casualisation/contingent labour (23 firms)	<ul style="list-style-type: none"> ➤ Temporary workers in production; contingent labour as buffers; increasing reliance on contract workers ➤ Temporaries in administration ➤ Using subsidised labour
Intensification (13 firms)	<ul style="list-style-type: none"> ➤ Acceleration of turnover time through mechanisation
New production concepts ('Japanisation') (13 firms)	<ul style="list-style-type: none"> ➤ Quality circles, team-work, reorganisation ➤ De-hierarchisation
Quantitative adjustment/ numerical flexibility (13 firms)	<ul style="list-style-type: none"> ➤ 'Downsizing'; overall reduction of the workforce
Individualisation (6 firms)	<ul style="list-style-type: none"> ➤ Bonuses, performance-related wages ➤ Individual contracts ➤ Innovative time concepts ➤ Profit participation

Table 2: Organisation rates within the metal and electronics industry, West Germany

	Percentage share of all firms	Percentage share of all employees
1980	57.4	72.7
1985	54.6	73.8
1990	46.4	69.4
1994	43.1	64.9
1997¹	35.2	64.3

¹ preliminary figures.

Sources: Müller-Jentsch, 1998, page 145; Gesamtmetall 1999; own calculations.

Table 3: Structure of temporary labour in West Germany, 1976-1995

	Total temporary workers	Temporary labour quote*	Male	Female	Percentage share male
1976	16858	0.08	11618	5240	68.9
1977	21186	0.11	14952	6234	70.6
1978	26408	0.13	18625	7783	70.5
1979	36318	0.18	26712	9606	73.6
1980	47021	0.22	34819	12202	74.0
1981	43058	0.21	31921	11137	74.1
1982	29117	0.14	19280	9837	66.2
1983	25702	0.13	17582	8120	68.4
1984	32976	0.16	23652	9324	71.7
1985	48707	0.24	36731	11976	75.4
1986	70376	0.34	56059	14317	79.7
1987	73083	0.35	58427	14656	79.9
1988	87743	0.41	71380	16363	81.4
1989	104930	0.49	85761	19169	81.7
1990	123378	0.55	99755	23623	80.9
1991	133734	0.58	107698	26036	80.5
1992	135827	0.58	108830	26997	80.1
1993	115058	0.50	91983	23075	79.9
1994	128577	0.57	104351	24226	81.2
1995	161995	0.72	130845	31150	80.8

* = Temporary labour share of all employees within the social insurance system.

Note that differences between Figures 2 and 3 and Table 3 are due to different ways of measuring temporary labour.

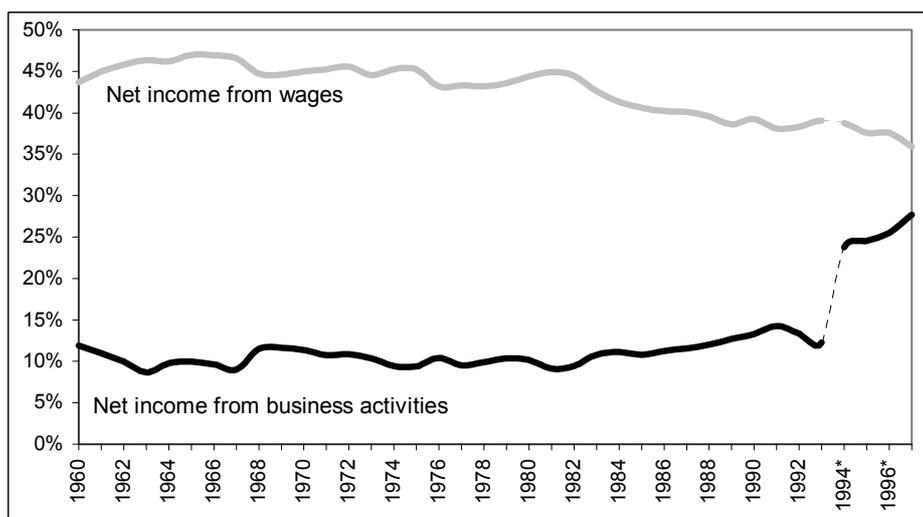
Source: Rudolph and Schröder, 1997, page 106.

Table 4: Temporary workers' share of average monthly income, Germany

Position	1980	1990	1995
Total blue collar workers	79.3	73.2	65.4
Low skilled workers	74.3	67.6	59.7
Facharbeiter	82.8	77.5	71.4
Total white collar workers	89.2	85.8	78.2
Low skilled	73.4	67.7	59.4
Skilled	82.3	76.5	70.0
All employees/workers	77.4	71.7	63.4

Source: Rudolph and Schröder, 1997, page 117.

Figure 1: Income distribution, share of national income, Germany 1960 – 1997

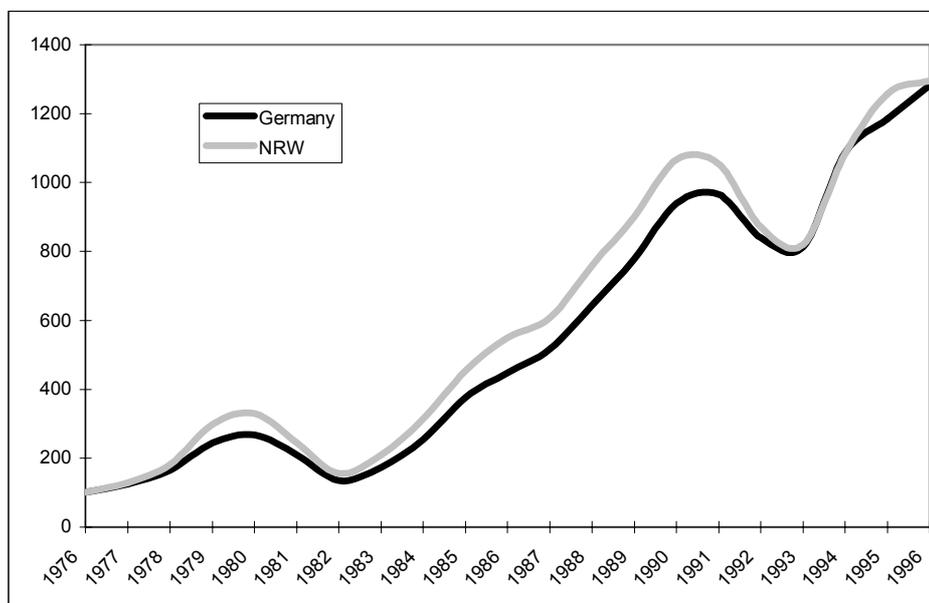


*Numbers including Eastern Germany

In the wake of European-wide statistical harmonisation this aggregate is no longer being reported. There are therefore no numbers for 1998 and 1999.

Data source: Bundesamt für Statistik, Zeitreihenservice 1998; own calculations.

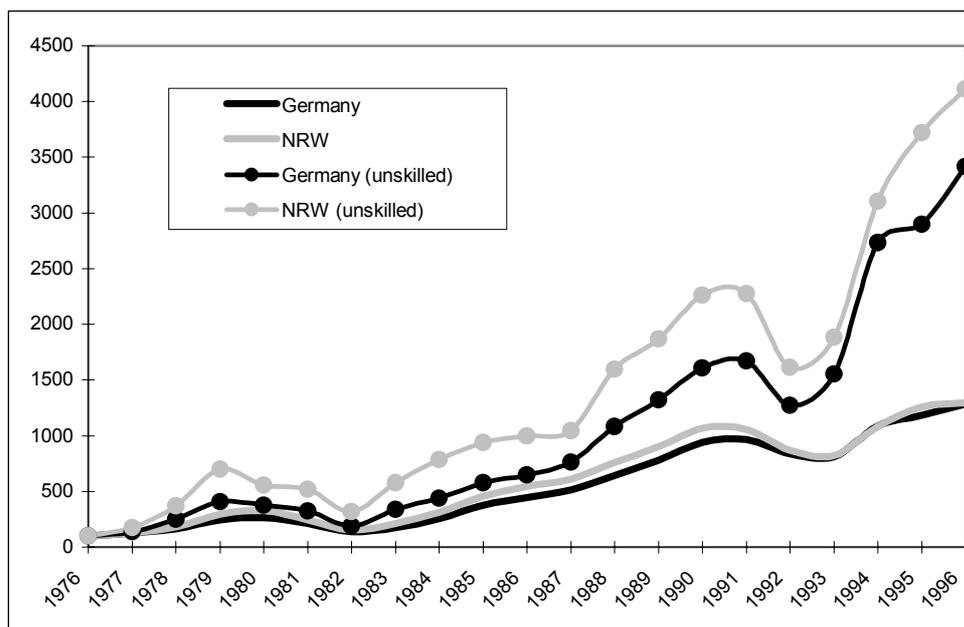
Figure 2: Temporary labour, West Germany and Nordrhein-Westfalen, 1976-1996



Notes: Index 1976 = 100; numbers for December; temporary labour as defined in the *Arbeitnehmerüberlassungsgesetz*.

Data source: ANBA, various volumes; own calculations.

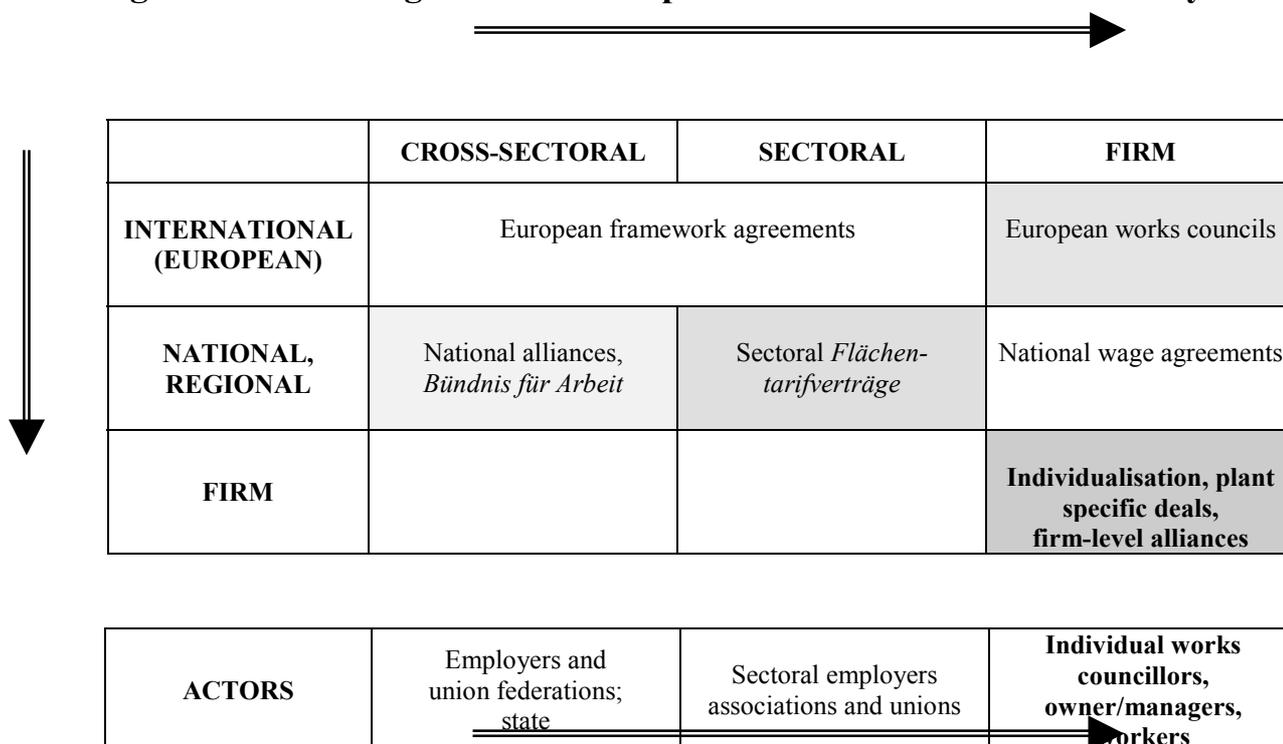
Figure 3: Temporary labour, total and unskilled, West Germany and Nordrhein-Westfalen, 1976-1996



Index 1976 = 100

Data source: ANBA, various volumes; own calculations.

Figure 4: The re-regulation of capital-labour relations in Germany



Source: adapted from Schulten 1998, page 491.

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