Co-managed versus management-dominated globalisation – The implications of the globalisation of assembly and production in the German and French automobile industry on industrial relations with particular reference to the cases of Volkswagen and Renault

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1. Introduction

The following essay analyses how the industrial relations actors of the German and French automotive industry, exemplified with particular reference to Volkswagen and Renault, mediate the pressure which has been induced through the increasing globalisation of production structures. The point of departure is the question whether globalisation might lead to institutional and procedural convergence or whether national and company specific modes of mediation, which encourage diverging modes of dealing with globalisation, persist. This question seems justified and plausible against the background of increasingly converging collective agreements on employment and competitiveness in virtually all major European car companies. Taking seriously this tendency of *functional convergence* the key question of the essay is whether more market-driven regulation modes under the impact of globalisation (e.g. agreements on securing employment and production) have the same implications for the industrial relations at Volkswagen and Renault.

2. *Globalisation and industrial relations – harmonisation of national structures?*

When analysing the general interdependence between economic globalisation and industrial relations it would be misleading to refer to the relevance of globalisation solely in quantitative terms. Spending too much time on the question whether the economy is currently more internationalised than it was before 1914 (Hirst/Thompson 1996 are with respect to this question 'globalisation sceptics') might obscure the view for ongoing changes in industrial relations caused by qualitative as well as quantitative aspects of globalisation. From an industrial relations perspective, it is common sense today that the controversy over whether globalisation is a "reality or a myth" (Hyman, 1999) is of only minor importance. At least as important as the quantitative dimension of the phenomenon itself is the kind of effect that the *ideology* of globalisation has had on national regulatory regimes in recent years - notably through the increasing locational competition it has engendered between advanced industrialised countries.

The bargaining and regulatory procedures of these countries are condemned to functioning as transmission belts that improve or worsen the conditions for attracting foreign direct investment and employment. This has led to a recasting of industrial relations in Europe which is characterised by the tendency toward increasingly market-oriented relations between capital and labour (Altvater/Mahnkopf, 1993). This kind of market-induced competitive restructuring has been additionally favoured by a system of multilevel regulation of industrial relations in Europe which has relied on the principle of supranational *co-ordination* of national diversity rather than legal and institutional *harmonisation* (Streeck, 1998). Almost inevitably, the principle of co-ordination has been followed by regime competition among national industrial relations where the employers, as the decisive new actors, are capable of achieving comparative advantage by mixing national or sectoral traditions of regulation (path-dependency) and regulatory experiments (path-changes).

Of vital importance is the fact that in the past the recasting of national industrial relations by regime competition has not necessarily presupposed much actual movement of production across national borders (Streeck, 1998: 436). At least as relevant as *real* transnationalisation was in many cases the mere *potential* for firms to leave behind national regulatory systems which, as a credible threat, had become a powerful means to impose their conditions on labour (Dörre, 1996; Streeck, 1998; Cattero, 1999).[1] In accepting the double edged sword nature of globalisation which consists, on the one hand, of the realisation of transnational reorganisation of production, which has become a daily matter in several industries (e.g. automotive, pharmaceuticals), and, on the other hand, its potential feasibility, I perceive globalisation in accordance with Dörre *et al.* (1997) as a "realistic option" that enterprises have (Dörre et al. 1997). It is argued that against the background of high unemployment and increased international competition, the realistic option for enterprises to globalise their activities has considerably destabilised the delicate balance of power between capital and labour by enabling capital to increase the pressure on such factors as wages, social standards, working time and the volume of employment.[2]

The tendency towards a considerable increase of structural power on the side of the employers has led various experts in the field of comparative industrial relations to address the question of whether the potential to internationalise production and firm organisation will further undermine existing institutionalised regulation on a national level. It is interesting to see that the recent emphasis on nationally distinctive adjustment paths to pressures for industrial rationalisation now increasingly competes with the renaissance of modernist assumptions of the 1950s and 1960s. "Convergence theory is back again" (Boyer, 1996). Convergence theory may be back again, but in a modified version insofar as international competition rather than technological determinism is considered to foster the alignment of national systems of regulation.

The ongoing dispute between proponents of convergence and divergence in industrial relations can best be illustrated by referring to Germany. Those theorists who argue for convergence in the case of German industrial relations see a universal tendency from centralisation to decentralisation of wage bargaining which resembles the Japanese version of enterprise unionism (Dore, 1996; Inagami 1996). The ongoing transformation of German industrial relations is perceived as a gradual devolution from "a system of class-conscious

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1 The paradigmatic example for this aspect of globalisation is the case of the German radiator manufacturer ‚Viessmann' whose management exploited its potential mobility to impose an unpaid weekly extratime of three hours in return for not dislocating its production to the Czeck Republic.

2 In a second step of the argument, however, we take distance from a purely structural understanding of power which in our eyes equates the increase of potential mobility too simplisticly with the increase of bargaining power on the side of the employers. The other face to globalisation which has to be taken very seriously is the increase of relational power on the side of the employees due to the "employers' heightened dependence on stable and predictable relations with labour at the plant level, in the context of tightly coupled production networks and the demands of producing at high quality on a just-in-time basis" (Thelen/Kume 1999: 478; see also Streeck 1998).

labour representation to (...) a plain system of labour representation“ (Dore, 1996: 172). Workplace-based industrial relations represent according to this view the new centre of gravity. Opponents of convergence or ‘Japanisation‘ have a more optimistic view on the resilience of German institutions. These authors maintain that the workplace has always been the centre of gravity of German industrial relations and that the German example is the ideal-typical case of centralised industrial relations on top of enterprise-based ones (Streeck, 1996). Further, it is argued that German industrial relations consist of an institutional setting which is resilient enough to adapt to new circumstances (Müller-Jentsch, 1995).

This brief summary of the German controversy reveals the obvious explanatory deficiencies of convergence and divergence as explanatory categories for the comparison. Since both tendencies are simultaneously present within and across industrial relations regimes in Europe (Visser 1996; Katz/Darbishire 2000) the plausibility of one or the other of the two tendencies will always depend on the particular details one is willing to include in the picture. In the following, I propose a slightly different perspective on the relationship between economic globalisation and industrial relations which attempts to avoid the relative ‘subjectivity‘ linked to the exclusive use of the notions of convergence or divergence. The point I intend to make is that a differentiated discussion of the impacts of globalisation on industrial relations must overcome the dependence on these categories.

2.1 The coexistence of structural divergence and functional convergence

One crucial shortcoming of the debate between convergence theorists and those in favour of divergence is their implicit neglect of the differentiation between *results* and *mechanisms* of mediation. Depending on the assumption authors intend to advocate, the argument will focus either on results or on mechanisms of mediation as the central aspect of analysis. Advocates of convergence would stress increasing national similarities in the responses to pressures for globalisation disregarding the kind of institutional mediation by which they are produced. Conversely, advocates of divergence would reply that the responses are in accordance with their institutional legacy and, thus, can be seen as path-dependent adaptation to external pressures.

The *empirical evidence* can, in fact, be interpreted from either exclusive perspective. Let us first outline the case of increasingly similar results. Examples of converging responses to the demands for flexibility and competitiveness in industrial relations all over western Europe can be found at company as well as at national level.

A tendency of international convergence at company level can be seen in the increasing number of agreements dealing with securing employment and production location that have been concluded in several European companies in recent years notably in the automotive industry (Zagelmeyer 2000). In one way or another, these agreements are all concerned with securing employment and production locations in exchange for efforts by the labour unions to make working time more flexible. The origins of these new company agreements can be traced back to the Volkswagen agreement of 1993 which as the first and most innovative of its kind linked the temporary reduction of weekly working hours to wage concessions (Hancké 2000). This type of convergence coincides with the "revival of neo-corporatism" (Ferner and Hyman, 1998) on national level which has led to the conclusion and implementation of several 'new social pacts' in western Europe. The shared commonality between these new social pacts lies in their aim to improve national competitiveness through the establishment of a national mode of "competitive corporatism" (Rhodes, 1997) which, in the case of industrial relations, imposes the framework for moderate collective bargaining results inferior to the level of productivity (Schulten, 1998).

Against the argument of convergence, however, it can be replied that the panoply of existing company agreements as well as the different variants of national social pacts reflect persisting national diversity. Not surprisingly, in the case of securing employment and production location through company agreements, works councils are the relevant actors in German industry whereas trade unions are the relevant actors in most other countries. Also, in the case of neo-corporatism on a national level there is an obvious diversity among the new social pacts. Most visible are the differences regarding initial timing and intent. The only real congruency between, for example, the resurgence of corporatism in the late 1980s in Ireland and the Dutch 'Agreement of Wassenaar' in 1982 is the tripartite agreement on wage moderation.

Sitting uncomfortably within contributions which emphasise increasingly similar results, is mainly the underlying assumption that convergence toward best institutional practice is the natural outcome of rationally behaving economic agents trying to design optimal co-ordination mechanisms. More convincing on first examination is the argument that different mechanisms of mediation reflect the ‘stickiness’ of specific institutional arrangements which cannot be transformed or even be abolished simply by rational choice. Theorists in favour of this position assume that there are different ways of responding to common competitive pressures. In their eyes, different national systems of mediation operate as “functionally equivalent“ institutions capable of achieving the same results through different mechanisms (see for example Boyer, 1996). Those who argue in even starker contrast to the convergence perspective go a step further by demonstrating the competitive virtue of the institutional means. In this case institutional specificities are held responsible for providing crucial comparative advantages (see for example Soskice, 1997).

Despite empirical evidence for diversity and the obvious plausibility of the argument for the capability of industrialised countries to solve the same economic challenge through very different institutional arrangements, I do not intend to close the case in favour of persisting divergence by simply referring to institutional differences. I doubt whether paying more attention to nationally differing mechanisms of mediation, rather than to increasingly similar results proves appropriate for a critical understanding of the current state of industrial relations in Europe.

To put it another (more provocative) way, isn’t the functional change of industrial relations toward ‘competitive corporatism‘ more noteworthy than persisting institutional divergence? Furthermore, doesn’t the current *functional dynamic* in industrial relations indicate increasing similarities far more than *institutional stasis* indicates substantial differences?

From a radically functionalist perspective one could maintain that against the background of essentially identical results (e.g. greater flexibility in return for safer employment) institutional variations are of nothing more than merely aesthetic interest and therefore one could always argue that “divergence in form is accompanied by convergence in substance“ (Hansen et al. 1997: 364). Although far from being a functionalist, Streeck underlines this point by admitting that what is changing far more radically than the nationally divergent structures in European industrial relations are their functions (1998: 438). From a more general politico-economic perspective, Strange expressed her scepticism toward a comparison focusing solely on institutional aspects with a well-known metaphor:

> “My quarrel with most comparativists is that they seem to me not to see the wood for the trees, to overlook the common problems while concentrating on the individual differences...Concentrating on the differences instead of the similarities immediately obscures the wider character of the wood“ (Strange, 1997: 184).

Streeck (1998) and Strange (1997) remind us of two important things: firstly of the crucial difference between the notion of *functional equivalence* and the reality of *functional convergence* in industrial relations and, secondly, that the latter must not be underestimated. Streeck reminds us that emphasising the notion of functional equivalence can obscure a precise evaluation of the current development in industrial relations outlined above. From a critical point of view, one could argue that the notion of functional equivalence suggests nothing more than the primacy of a universally valid function which in the name of competitive restructuring must be fulfilled at any price. But at the same time, however, the extent to which industrial relations concerned with competitive restructuring give up “work rules that place a ceiling on employee effort“ (Streeck, 1998: 439) or previous regulatory standards (e.g. solidaristic wages) tends to be neglected by those contributions which are preoccupied with the identification of functionally equivalent institutions across different countries.

The conclusion, therefore, is that substantial findings about the implications of globalisation on industrial relations can only be gained by explicitly considering functional change in industrial relations over the years. Once aware of functional change, the crucial comparative question which than has to be tackled is whether the pan-European tendency of functional convergence toward increasingly market-oriented industrial relations has the same significance for each country, sector and/or company.[3]

In order to establish this, it is not sufficient simply to concentrate on current developments. A conventional matched comparison of different countries or sectors gives us an impression of the various adjustment processes of industrial relations but tells us little about how significant these have been for each country. A deeper understanding of each particular adjustment

[3] More than ever before it is pivotal to take into consideration other regulation levels than the nation state, above as well as below the nation state. Richard Locke (1995) raised the awareness quite explicitly for the increasing relevance of ‚subnational‘ systems of industrial relations. MacDuffie (1995) demonstrated the increased relevance of company specific variations in manufacturing and work organisation practices in the international auto industry. His view has recently been confirmed in the field of industrial relations by Katz and Darbishire (2000) who in their analysis of worldwide changes in industrial relations come to the conclusion that persisting international convergence coexists with variations between unionised and non-unionised sectors of one and the same country – a coexistence which inspired the authors to speak of „converging divergences“.

process under the impact of globalisation can *only* be provided if a synchronic (snapshot) and a diachronic (longitudinal) perspective are combined into a “contextualised comparison“ (Locke and Thelen 1995).

2.2 Making sense of functional convergence: the necessity of contextualising and bringing in the actor

The goal of a contextualised comparison is to render possible an in-depth comparison of “apples with oranges“ i.e. of substantially different phenomena from country to country (Locke and Thelen, 1995.) In our case, these phenomena are the different processes of competitive restructuring of industrial relations. The first step, therefore, is to look more closely at intervening socio-economic variables in order to identify the very different “starting points“ (*ibid.*) in the different countries. Relevant socio-economic variables for a better understanding of the increasing competitive restructuring of industrial relations are macro-political factors such as the degree of openness of the economy and nationally specific strategies of competition (cost-based or product differentiation strategies).

The awareness of nationally different socio-economic starting points is, in our case, crucial for tackling the question of whether functional convergence toward more market-oriented industrial relations in the European car industry is mainly taking place under the current influence of globalisation or whether events in the past might have provoked the process of restructuring far more significantly.

Taking into consideration broader socio-economic conditions, however, is only the precondition of the contextualised comparison. In addition, contextualising means bringing in an analytical perspective that combines a traditional institutionalist approach with a political constructionist one. The latter represents an enrichment for an in-depth comparison as it overcomes the traditional institutionalist approach by paying particular attention to the “identities“ of the actors concerned. Identity, as it is used by Locke and Thelen, refers to particular attitudes the actors have toward change due to their specific identity formation in the past and their ideological background. The identity of the industrial actors has to be taken seriously in their eyes insofar as the range of possible responses to external pressures is usually interpreted in light of past experiences, existing problem-solving techniques and common cognitive focal points.[4]

By equally considering the identities of the actors as well as their institutional embeddedness, the contextualised comparison enables a cross-national analysis of “analytically parallel (even if formally diverse) phenomena for comparison“ (Locke and Thelen, 1995: 344). By identifying analytical parallels between different countries it becomes possible to show why the same external influence does not necessarily provoke the same conflicts in different national contexts. The interesting aspect about contextualised comparison if applied to our question is that it makes clear that the effect of the independent variable ‘globalisation‘ depends also on intervening *non-institutional aspects* and not solely on the *institutional setting* of our dependent variable ‘industrial relations‘.

In other words, the methodological concept of a contextualised comparison suggests two relevant preliminary findings without necessarily having to refer to empirical details of the current situation. First, the apparently independent variable globalisation does not ‘possess‘ the same independence everywhere, i.e. does not *a priori* have the same destructive potential and, secondly, one cannot derive the mediation capacity of collective industrial actors purely from the institutional setting in which they are embedded.

Bringing in the actor... actor-centered institutionalism

[...]

to be continued

[4] Locke and Thelen illustrate this point by showing the different significance of the flexibilisation of wages in Sweden and Germany. Whereas wage flexibility undermines Swedish unions who in the past have invested considerable resources into a policy of egalitarian wages, wage flexibility is not resisted so much by German

3. *The German and French car industry exposed to globalisation – harmonisation of national sectors?*

Why are Germany and France interesting countries to compare? Why comparing again the car industry? Why focusing on Volkswagen and Renault?

[still to be written]

4. *Industrial relations in the German and French car industry facing globalisation – between preserving rights and securing employme***nt**

4.1. Industrial relations in the European car industry under pressure

Freyssenet and Lung (1996) provide a useful overview of the development in the European car industry which helps us in a first step to broadly differentiate the restructuring of the last twenty years. According to them in the 1980s the firms were preoccupied with changing their industrial model i.e. the organisation of work and production whereas the 1990s represented the decade of their international restructuring. A closer look at the trajectories of single firms reveals a causal link between the two aspects of restructuring. From a closer perspective it becomes obvious that the reorganisation of production for the sake of reducing production costs which followed the Japanese threat and mainly its confirmation by the IMVP-MIT report led to a reconfiguration of the production architecture (Hancké 1998) enabling, amongst others, the systematic introduction of the platform strategy which again represented the *sine qua non* for a qualitatively new stage of internationalisation of production. According to Kädtler and Sperling (forthcoming) this new stage is characterised by the building up of globally interconnected production facilities to optimise cost structures in the face of increasing competition. Within this network structure the platform strategy represents the crucial "product and production philosophy" (Pries 1999) in the process of globalisation insofar as it exerts enormous pressure toward a homogenisation of market strategies within single enterprises. The crucial cost-saving element is that it favours the beneficial interplay of

unions due to their identity which is generally less linked to wage policy (Locke and Thelen, 1995: 343).

regionalisation and centralisation by establishing the coexistence of diversified region-specific products and sales strategies on the one hand and centralised R&D on the other (ibid: 44).

This management-initiated logic of restructuring had (and still has) ambivalent effects on the sector in general and the employment conditions in particular. On the one hand the systematic introduction of the platform strategy enabled the European car firms – mostly the mass producers such as Volkswagen, Fiat, Renault, PSA – to meet the challenge of producing diversified quality at affordable prices (d'Alessio et al. 1999). On the other hand, however, reduced production costs reinforced a vicious circle: it led to decreasing profit margins per car which had to be compensated by the production of a higher number of cars in order to stabilise the overall corporate profit rates at the expense of a dramatic expansion of capacity despite stagnating consumer markets (Hancké 1998). According to estimates the European car industry currently faces an overcapacity of 25% (ibid.) – a situation which is aggravated by the fact that western European car producers are confronted to an ever-increasing competition from Japanese and Korean manufacturers (Zagelmeyer 2000). Given this situation it is not surprising that worldwide changes of the production volume increasingly become a zero-sum game where the augmentation of produced cars by one company coincides with the decrease of production volume by the other – a constellation which according to Springer (1998) lies at the heart of the ongoing concentration/'mergermania' of the international car industry. Under the impact of this competitive pressure almost all car companies regularly undertake cross-border comparisons of the quality, productivity and performance between their competitors as well as between their different production locations (benchmarking) and – in the latter case – allocate investment to those plants in the group that meet the required standards (Zagelmeyer 2000).

Not surprisingly, this "regime shopping" mentality has considerable implications for the workforce. Real transnationalisation as well as the mere potential for firms to leave behind national regulatory regimes which as a credible threat has become a powerful means to impose their conditions on labour has considerably worsened the bargaining power on the side of the employee representatives. Aggravated by a high number of job losses during the first half of the 1990s – in the aftermath of the 1993 crisis employment in the European automotive industry decreased from 2 million in 1990 to 1.7 million in 1994 (Zagelmeyer 2000) – collective bargaining has increasingly to tackle the difficult task of combining competitiveness and the defence of employment. Works councils and union representatives who in the worst case are confronted to the threat of delocation very often have no other choice than to react to management pressure by embarking on disadvantageous trade-offs between the security of employment and the more flexible use of the workforce. It is important to note that by concluding such trade-offs unions and works councils all over Europe walk on a relatively thin tightrope between defensive adaptation and *de facto* deregulation (Bispinck/Schulten 1999). Seen from an exclusively German perspective the new firm-level agreements on securing employment and production, the so-called *Standortsicherungsvereinbarungen*, quite often undermine existing sectoral agreements by combining concessions from works councils on working time flexibility, work organisation and wages. Particularly in the automotive industry, where works councils have been used to actively co-manage the process of industrial rationalisation first in the 1980s by translating “new production concepts“ (Kern and Schumann, 1984) into action and later by co-conceptualising innovative work policies (Schumann and Gerst, 1996), these new agreements have - compared to the past - far more the character of reactive concession bargaining triggering quite often a downward spiral of deregulation.

However, leaving this diachronic perspective on the undeniable devolution of German industrial relations aside for a while and taking instead a synchronic perspective reveals a picture which against the background of the common argument of homogenisation makes it worthwhile to spend some time on the ‘diversity in unity’. Opposing the practice of the industrial relations actors in Germany dealing with globalisation induced pressure in general and bargaining on employment and competitiveness in particular to the one in France sheds a more flattering light on the German situation. From an explicitly synchronic perspective one is – once again – tempted to see in the German car manufacturers the extension of the success story of “negotiated adjustment” whereas their French counterparts seem to reflect the sad story of uncoordinated competitive underbidding between single production sites. In the following I will illustrate this point by telling in more details the stories of “co-managed globalisation” at Volkswagen and “management-dominated globalisation” at Renault.

4.2. Volkswagen – the case of "co-managed globalisation"

Before going global in the 1990s Volkswagen was preoccupied with meeting the increased national demand in the aftermath of the German reunification. Peak post-war levels in output and employment in the early 1990s leave no doubt that German reunification represented a conjunctural bonus for the car manufacturer. The other side of the coin, however, were obvious structural weaknesses which shortened the duration of the reunification boom considerably. Conjuctural success could not hinder the sharp fall of profit rates and the increase of the break-even point beyond 100% in 1993. The apparent "weakness of the colossus" (Jürgens 1998) combined with growing international competition led to Volkswagen's 1992/3 crisis which was the company's most serious crisis after the one of 1973/4.

The thorough reshaping of the industrial model which followed the crisis was characterised by organisational-centered rationalisation efforts which took a clear distance from technocentrism prevailing in the 1980s (e.g. final assembly building no. 54). It is important to note that Volkswagen's restructuring could not be translated with emulating the Japanese model (Jürgens 1998). The Volkswagen specific organisational renewal comprised two different spheres: on the one hand the optimisation of the organisation of work and, on the other hand, the reorganisation of the entire value chain. The latter, which stands at the forefront of the following analysis, can again be divided into two different strategies: the reorganisation of the supplier relations and the reinforced globalisation of production – all this for the sake of re-establishing positive profit rates.

Volkswagen had been a highly internationalised company before the era of globalisation in the 1990s. Long before Daimler-Benz and BMW Volkswagen resembled a "production-oriented MNC" (Pries 1999) which by the second half of the 1980s onwards produced approximately two thirds of its cars abroad. The reinforced globalisation strategy of the 1990s was characterised by a quantitative increase as well as a qualitative change of international production. The quantitative dimension can be identified relatively easily by referring to the indicators 'production' and 'workforce'. Production abroad exceeds domestic production since 1993 and workforce abroad exceeds the domestic workforce since 1998. The new quality of globalisation at Volkswagen results from the combination of on the one hand the renewed product and market strategy and, on the other hand, the intensification of internal competition between the plants within the Group. A major goal of the new product strategy consisted in the reorganisation of product development and the rationalisation of the product range in order to diminish overlap and redundancy within the Group (Jürgens 1998). The aim was to rely on a product and market strategy of "diversified mass production" capable of combining economies of scale and scope (d'Alessio et al. 1999). The key to success was that by 1995 the Volkswagen Group produced sixteen different model lines of passenger cars on the basis of only four different platforms which were developed by Volkswagen and Audi only. This enabled Volkswagen to decrease the 'time to market' to less than four years after concept approval and at the same time to increase the number of models (Jürgens 1998). The logical consequence of commonising parts and reducing development costs was the increase of the profit rate.

The platform strategy-induced homogenisation of the product and market strategy within the Group enabled Volkswagen to change its international character from a multinational company with globalised activities to a "globally breathing production network" (Hartz 1996; Haipeter 1999). This transformation stands for the strategic advantage of management of relying on a high potential of production flexibility which is being exploited to intensify locational competition between the different production sites within the Group (Pries 1999).

It goes without saying that the principle of "co-operative conflict resolution" (Weltz 1977) which is rooted in Volkswagen's post-war history became seriously endangered by the practice of systematic benchmarking and locational competition. The crucial question was whether the three pillars of jointness, 'personal integrity', 'innovative agreements' and 'professional interest representation' which in the 1970s and 1980s accounted for a "successful adjustment to turbulent markets" (Streeck 1989) notably through a beneficial interplay with regard to the reorganisation of work (see Cattero 1998) would be capable of mediating the increasingly difficult task of combining competitiveness and the defence of employment in a global environment.

The most famous example of Volkswagen's innovative responses to increased international competition is with no doubt the "Collective Agreement to Secure Production Location and Employment" concluded between management and the IG Metall in December 1993. Preceding this agreement were planned mass redundancies of 30.000 employees due to economic recession, investment in new capacity (SEAT), the reduction in the degree of vertical integration as well as various measures to improve productivity and performance (Jürgens 1998). The agreement aimed at reducing working hours in order to share the remaining work among the existing employees – an idea which ten years earlier when IG Metall campaigned for the 35-hours week provoked major disputes between the social partners in Germany. In contrast to the 1980s campaign for the 35-hours week, however, the employees had to accept 20% less of their salaries in return for 20% less working time. The work sharing agreement avoided indeed mass redundancies and was due to its favourable flexibility potential for management renewed with minor modification in 1995 and 1997. It is important to note the commonly associated 'four-day-week' was in fact a simplifying headline for 150 different working time models allowing the different factories to 'breathe' in response to fluctuating demand (Hartz 1996).

The work sharing agreement which was binding for all the Volkswagen factories in Germany (since 1999 Volkswagen has returned to the three-shift system) coincided with innovative company agreements of which the agreement on "Global and Forward Sourcing" is the most explicit with regard to secure employment and production location in Germany. The agreement guarantees a "last call" option for Volkswagen factories which compete with external suppliers giving them the opportunity after a last call to underbid external competitors with a more attractive offer (Haipeter 1999). This procedure promoted the works council to a co-manager of optimisation becoming responsible for costs, productivity and innovation (Girndt 1997). From a more critical perspective one could also interpret this as the classic example of a tacit alliance between management and the works council where the latter rather than defending the interests of the workforce tends to play the role of management's junior partner competing against other companies on the world market (see for this Kotthoff 1998).

The *sine qua non* for such a proactive mode of co-management is a system of well developed interest representation...**[to be continued]**

4.3. Renault – the case of "management-dominated globalisation"

Compared to Volkswagen Renault attained the status of a "global player" relatively lately. The status was born with the beginning of the strategic partnership with Nissan in 1999 and is in fact widely recognised only very recently after the acquisition of Samsung Motors and of 20% of Volvo's shares. Le Monde for instants commented this strategic step on page one (26 April 2000) with the following headline: "Renault construit un empire" (Renault creates an empire). Being for a long time the archetype of a particular French variant of Fordism had considerable impact on the fact that until the change of its corporate governance structure from "active interventionism to gradual disengagement" (Smith 1998) Renault was clearly more looking like a "national champion" with foreign activities than a real "global player". Renaults pre-globalised foreign activities can be divided into two different periods: the post-war period where the company pursued – similar to Volkswagen – a strategy of "distribution-oriented internationalisation" (Pries 1999) aiming at circumventing import restrictions through CKD-assembly overseas and a more European-centred restructuring of production which can be traced back to the sale of the American subsidiary American Motors (AMC) to Chrysler in 1987 and which culminated in the closure of the Vilvoorde plant in Belgium in July 1997.

The period of European recentralisation coincided with the fundamental restructuring of Renault's industrial model after the crisis of 1983/4. The main step to overcome near bankruptcy was to embark on a new profit strategy which was centred around innovative flexible production (Freyssenet 1998). The aim was to be present in each segment of the market with qualitatively sound cars at affordable prices. Crucial for achieving this goal was the introduction of a more modular product architecture allowing Renault to save costs by standardising and outsourcing single parts of the car (Hancké forthcoming). It is interesting to note that in this respect Renault was – not only compared to Volkswagen – ahead of its time. Beside concentrating on a modular product architecture which went hand in hand with the reorganisation of the supply chain another key component of the adjustment process was the introduction of a human resources strategy based on the one hand upon the replacement of the old, unskilled workforce by younger workers with a good education, and, on the other hand, on co-operative labour relations. Combined with a systematic confrontation of the CGT from the second half of the 1980s onwards this strategy led to a dramatic decline of trade union influence at Renault.

Achieving union-free shop floor co-operation was involuntarily facilitated by the Socialist government through the introduction of the Auroux laws. Conceived as a legislative step to modernise French industrial relations by reconciling the German example of social partnership with the employers' increasing urge for firm-level flexibility the Auroux laws turned out to be a union hostile tool which could be used by the employers to further undermine trade unions at firm level. Although originally foreseen to strengthen the position of trade unions at firm level the reforms became an instrument for large firms throughout the private sector to neutralise trade union influence on restructuring policies. The Auroux laws enabled employers to introduce a mode of participative management that integrated workers' skills into the production process without integrating unions in corporate decision-making structures (Hancké 1999). The attempt to encourage trade unions to co-operate with management on the shop floor stood in clear opposition to the traditional identity of French unions which has been formed much more around mobilisation on centralised level than around shop floor commitment (Martin 1994). Against this background it is not surprising that – although not simply due to the legislative reform – trade union density fell between 1980 and 1990 from approximately 20% to 10% (Goetschy/Rozenblatt 1992). In particular in the auto industry labor became almost invisible as a collective actor (Smith 1998).

Renault's management who was aware of the sign of the times proved capable of pushing the modernisation of workplace relations even further in its favour. By establishing a new company compromise on the basis of the 'Accords à Vivre'-agreement in 1989 management clearly consolidated its supremacy relying for the first time in Renault's industrial development on a constellation where change was no longer blocked by notoriously suspicious unions but more and more sustained by local productivity coalitions between management and the workforce at the shop floor. The positive side of this modernisation was that it engendered a thorough workplace reorganisation, resembling a French variant of lean production (Camuffo/Micelli 1997), which led to an astonishing improvement of the economic performance. Renault managed to double its productivity between 1984 and 1994 without an increase in capacity. The negative side for the workers was that the new company compromise took a clear distance from the former social system at Renault by making any monetary and social improvement clearly dependent from profitability (Labbé 1992). From a management perspective the 'Accords à Vivre'-agreement was a very intelligent move preparing the field for a management-dominated restructuring which, however, due to the fact that the majority of the unions had signed the agreement resembled at first sight a variant of German co-management.

Renault’s European re-centralisation strategy reveals undoubtedly the unrestricted supremacy of management. By the mid 1990s after a downsizing period of ten years and a cut of its workforce by 50% Renault manufactured cars in 13 factories in the following five European countries: 8 factories in France, 2 in Spain and 1 in Belgium, Portugal and Slovenia. All the factories were integrated into a single industrial system with each model assembled at at least two different sites with the exception of the larger cars and ‘niche’ vehicles. The dividing up of production and sharing markets permitted – similar to the ‘breathing’ production network of Volkswagen – subtle modifications to production and distribution plans depending on the loading of each factory and the evolution of demand (Freyssenet 1998: 388). By the time it came to the decision to close the plant of Vilvoorde Renault had built up a production network based upon three different platforms where the production of plant A could be easily substituted by plant B.

Against the background of a weakened interest representation and uncoordinated trade unions due to still existing inter-union rivalry it was an easy task for management not only to undertake the closure but also to reorganise the entire production network in the aftermath of the closure of the Belgian factory. The broad management strategy was to transform the existing network into a network of single-model plants allowing for a more rational amortisation of investment costs (Hancké 1998; Rehfeldt 1998). In the course of this reorganisation process management was capable to provoke a competitive underbidding between the single plants and thus to bring down trade union resistance like dominoes (Rehfeldt 1998). Lacking effective trade union solidarity and co-ordination within the Renault Group allowed management to enforce a considerable flexibilisation of working time. The first plant which gave in was Sandouville where four weeks after the decision of closing Vilvoorde the trade unions (not all of them) signed an agreement on working time flexibility. The Spanish unions followed and signed an agreement on the introduction of a third night-shift in Palencia (ibid.).

The Vilvoorde case makes clear that the uncoordinated union strategy which was significantly worsened by an ineffective European works council engendered a downward spiral of deregulation at Renault with the result that all assembly plants in the Group are currently operating on a flexible working time schedule. Unions at Renault are hardly capable of doing much more than to react to a management-driven reorganisation process safeguarding in the short run given levels of employment but loosing little by little any capacity to deal proactively with the new economic environment – for instants with the broader employment problem related to constant over-capacity (Hancké 1998).

5. Conclusion

There can be no doubt that the comparison of the industrial relations at Volkswagen and Renault reveals two very different scenarios of dealing with globalisation induced pressure – a rather positive and a rather negative one. Those who are more familiar with industrial relations are certainly not surprised by the existing differences between 'virtuous' Germany and 'vicious' France. Convinced historical institutionalists among the unsurprised readers of the two cases might even be immediately reminded of two ideal-typical examples of path-dependent developers – an impression which is probably as inevitable as disappointing with regard to the methodological ambition formulated at the beginning of the essay. The aim of the methodological detour through the fields of a historically sensitive combination of institutionalism and constructivism was indeed to convey an understanding of empirical evidence that goes beyond the static premises of historical institutionalism by rejecting an overly deterministic approach to institutional change.

Relating the state of the German and French car industry of the 1990s to the pre-globalised era, as it is partly done in the empirical discussion, confirms Locke and Thelen who emphasise the fact that "apparently similar issues possess very different meanings in different national settings, depending especially on differences in starting points and in the impact of various changes on traditional arrangements" (Locke/Thelen 1995: 340). The 'shock' of globalisation has been stronger for industrial relations in Germany than it has been in France. Aggravated through the structural and conjunctural crisis of 1992/3 globalisation pressures have been the decisive catalyst not only for the successive erosion of centralised bargaining in the car industry – as increasing concession bargaining at firm level shows – but for the reconfiguration of the entire dual system. Contrary to the former primacy of trade unions, there is currently the tendency in German industrial relations that works councils gain significantly greater influence and, as a consequence, reverse the old hierarchical logic by setting the basic conditions for collective agreements on sectoral level (Kern 1998). In contrast to that globalisation-induced reconfiguration of institutions, the current competitive restructuring in French industrial relations can be seen as the continuation of decentralisation which has been building up since the crisis of 1983/4 rather than representing a sudden break with the *status quo ante*. Interviews with union delegates at Renault and Peugeot have shown that globalisation itself is not perceived as a new predominant threat for the trade unions. It is rather seen as a side issue to the more immediately important issue of company restructuring which started in the 1980s.

However, the adjustment processes of Volkswagen and Renault demonstrate that in order to obtain a more detailed picture of the ongoing competitive restructuring of industrial relations one has to leave sectoral generalisations aside and, instead, has to concentrate on single cases. A closer view on the industrial relations at Volkswagen and Renault which are currently confronted to the identical challenge of combining competitiveness and the defence of employment reveals two crucial findings: the historical consolidation of institutions matters as much as the capacity of the actors to flexibly 'use' their institutional reservoir in response to changing external cirmcumstances. Volkswagen represents probably the ideal-typical example where the employee representatives take advantage of both factors to withstand the pressure of increased international competition. In their mediation of globalisation trade unions and the works council are not only able to rely on stable institutional prerequisites of co-operative conflict resolution but – even more important – are strong enough to constantly re-define the existing institutional apparatus as well as to initiate the introduction of new institutions that allow them to actively co-manage the reinforced globalisation strategy of the company. The work sharing agreement as well as the agreement on global and forward sourcing are examples where "old actors adopt new goals within the old institutions" (Thelen/Steinmo 1992: 17) whereas regular site-symposium meetings and the establishment of a World-wide Group works council are relatively new institutions which have been initially pushed by the employee representatives before becoming formal institutions. Seen from this actor-centred angle Renault's employee representatives were and still are unable to find new concepts of bargaining and proactively intervening at the plant and company level. One reason for this is the increasing managerial supremacy as one consequence of the company restructuring of the 1980s which has led to a considerable weakening of the trade unions. Against the background of a systematic undermining of trade union influence in the past it is not surprising that the remaining institutional apparatus, notably the European Works Council, has become a management-dominated vehicle to encourage the realisation of ambitious “global player”-projects.

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