

Against erosion of labour standards: global reorganisation of value chains and industrial relations in the European motor industry

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ABSTRACT

This paper analyses the impacts of globalisation on the systems of industrial relations in the motor industry in a comparative perspective. Globalisation, in the form of the global reorganisation of the value chain, has been a key development in this industry since the 1990s. This development has been characterised by the creation of global production networks at the Original Equipment Manufacturers (OEMs), the final producers, the internal reorganisation of the companies, involving higher productive flexibility, decentralisation and financialisation, and the restructuring of the value chain, involving a reduction of vertical integration and new forms of network relationships between OEMs and their suppliers. These developments raise a number of questions: Are regime competition and reorganisation undermining national or industry labour standards? What types of standards are in danger and to what extent? Or are there existing or emergent counter forces that can weaken or even prevent a process of erosion of these standards? In order to address these questions, this paper investigates the contents, forms and levels of collective agreements, the roles and strategies of the actors in collective bargaining and possible fragmentations along the value chain. This is achieved by means of a comparative analysis of the developments in four countries: Germany, Italy, Spain and Hungary.

Introduction

Two main actors make up the motor industry: the car assemblers and the supplier firms. This sector has always been one of the most internationalised in the European economy. In recent years, the flexible utilisation of different spatial and territorial resources provided by different countries with different regimes of industrial relations, social welfare and state policies, has become one of the main factors of competitiveness within the industry. The development of regime competition at all levels of the value chain is driven both by an intensification of competition and by organisational and technological developments which have enabled companies to build up global systems of parallel production and integrated production networks along the value chain.

In this article, we focus on the impacts of globalisation on the systems of industrial relations and their development paths in a comparative perspective. The countries forming our sample are Germany, Hungary, Italy and Spain. This country mix includes both countries with OEMs and the headquarters of big systems suppliers (Germany and Italy) and countries without such headquarters (Hungary and Spain). We label the two groups 'independent' and 'dependent' producers. This research design made it possible to analyse differences in the consequences of restructuring for the industrial relations systems between the groups and, more generally, to look at the spatial consequences of global production decisions. Within this framework, we aimed to explore whether changes were only of minor importance enabling historical paths to be continued or, on the contrary, whether critical junctures could be found that caused breaks and changes in development paths. We addressed the question whether globalisation is leading to a process of erosion of labour standards and collective bargaining or if there are counter forces already built in or now being developed within the systems of industrial relations that are at least weakening, if not preventing such a development.

The paper is based on a sector study carried out as part of the EU-financed Dynamo (Dynamics of National Employment Models) project. In our analysis, we compare national sector studies that were carried out in each of the four countries, drawing on interviews with experts at sector and company level as well as on literature and data research. Although our research took place before the current global crisis of the automotive industry, we venture some conclusions about the possible impacts the crisis could have on the globalisation and industrial relations.

Global reorganisation in the motor industry

The conglomerate that comprises the motor industry has been transformed radically in recent years. In a context of excess production capacity, the changes that have taken place can be summarised under three headings: globalisation, internal reorganisation and restructuring of the value chain. These have affected all firms in the sector and have become a common trend of the national motor industries in all the countries studied. The high degree of homogeneity in these developments is evidenced by the fact that the final production of automobiles is, basically, concentrated in just two handfuls of global operating companies. Increasingly, this small group of companies is engaged in a process of mutual learning, using more or less developed systems of benchmarking, in a context of growing competition. Of course differences exist between them, because of the different production systems that have been developed in these companies (Bélys-Bergouignan et al, 2000; Boyer and Freyssenet, 2003), but these seem to be more differences of degree than of substance.

This needs to be borne in mind if we are to understand how this single dominant model of reorganisation emerged in the motor industry, and the specificity of the globalisation process in the sector, which is completely different from the models that predominate in other globalised industries. There are other sectors, such as hardware production in the IT industry, in which global operating suppliers define product standards and production is decoupled from development. This pathway of globalisation is known as 'Wintelism' in the literature (Borras & Zysman, 1997).

By contrast, in the motor industry, development and production remain much more territorially connected. The potential impacts of each form of globalisation on industrial relations are quite different. Whereas, in Wintelism, production is mainly shifted to low cost areas, with only the development, construction and marketing functions being retained in the developed capitalist economies, the globalisation process in the automotive industry has been introduced to a much larger degree within the scope of the industrial relations systems and working conditions of the home countries (Jürgens et.al., 2003).

Since the 1990s, internationalisation in the automotive industry has been characterised by a coupling of foreign direct investment (FDI) with new product strategies. OEMs, whether European or the subsidiaries of US companies, have tried to develop more or less coherent platform or module strategies, based on standardised components that provide a common base for different products or brands. The aim of these strategies is to combine economies of scale and scope by reconciling mass production with the growing diversity of products needed to satisfy differentiated customer demands. They also bring another advantage by facilitating production flexibility between locations.

Based on shared technological standards, production of these 'product families' can be shifted flexibly between any sites that have been designed to accommodate the platforms in question. This trend is affecting all the firms in the countries we studied. The new product strategies have thus gone hand in hand with the development of a more or less comprehensive system of parallel production within OEMs. Production has been integrated into global networks. This is a key difference between the globalisation of production and the internationalisation up to the 1990s, which was characterised by the establishment of relatively autonomous foreign subsidiaries with only rudimentary links between products or the use of production capacities. Now, it has become a vital necessity for each production sites to perform well in enforced comparisons with other competing sites as a precondition for favourable decisions about investments, production figures and employment.

The internationalisation of the motor industry is thus linked both with the internal reorganisation of companies and with the restructuring of the whole value chain (Chanaron, 2003; Sturgeon & Florida 2000). By the crisis of the late 1980s and early 1990s, at the latest, all the Western OEMs were discussing the 'Japanese challenge' and the concept of lean production developed at MIT (Womack et al., 1991). The coincidence of crisis and of new best practice concepts provided the basis for a more or less comprehensive reorganisation of corporate structures that is still ongoing. Furthermore, these companies pursued a strategy of flexibilisation, making use of both internal and external flexibility.

Internal flexibility is produced, to a large degree, by flexible working times. In the metaphor coined by the former VW labour director Peter Hartz, the 'breathing company' (Hartz, 1996) is a company with highly flexible working-time arrangements based on working-time accounts of several types. In Germany, all automotive companies have negotiated working-time accounts with extensive compensation periods that in some cases may encompass an entire working life (Haipeter &

Lehndorff, 2002). With the exception of Hungary, this trend is also observable in the other countries we studied, albeit with a lesser degree of flexibilisation.

The second important aspect of internal flexibility is work organisation. Some companies, such as GM and Ford, have tried to harmonise the changes in work organisation by developing so-called 'standardised production systems'. The standards in question concern the division of labour within work groups, their size and structure and their integration into the overarching organisation of the factory. In the course of globalisation, foreign sites are ever more frequently used as benchmarks for the development of work organisation within companies, either because they have built from scratch and can therefore be used as 'laboratories' for the development of new organisational forms or because there has been less resistance from staff or unions to organisational change. Plants like the SEAT factory in Martorell, or the Audi motor plant in Győr, have been, or still are, regarded as organisational benchmarks within their companies.

In all the countries we studied, companies are also trying to make use of external flexibility. In Germany, this use could be restricted to some extent by the works councils, whose codetermination rights empower them to negotiate over external flexibility. Although precise statistics are not available, our interviewees all confirmed that the number of temporary workers is nevertheless increasing. A similar development can be observed in Italy. At Fiat, external flexibility using temporary workers is growing. At the time of our research, for instance, there were about 300 temporary workers at the Melfi plant in Italy. In Spain, temporary recruitment is one of the most distinctive features of employment in the sector. Even though the automotive was already one in which fixed-term contracts were the norm, temporary employment in the car assembly workforce has expanded. Temporary labour contracts in the motor vehicle production sector grew from 2.5% in 1990 to almost 12% in 2000 and 18% in 2005.

A final aspect of reorganisation is financialisation (Kädtler & Sperling, 2001) of corporate governance, which plays an important role in automotive industry in Germany where companies are increasingly defining their targets according to the norms and expectations of the financial markets and shareholders' interests and expectations regarding returns on capital are playing a more important role than in the past. Two mutually reinforcing factors seem to underlie this trend. On the one hand, companies' stock market valuations have to be strengthened in order to protect them from hostile takeovers. On the other hand, this focus on stock market valuation has become an instrument used by senior managers to enhance their own earnings, which increasingly contain variable financial elements such as stock options. In Italy, the situation is different, because the shareholder structure of FIAT has traditionally been dominated by one family, and because the state invested large sums in it during the 1990s. In Spain and Hungary, financialisation cannot be observed directly because the headquarters of the companies, which are responsible for financial strategies, are located abroad.

Finally, internationalisation in the automotive industry is closely linked with the reorganisation of the value chain, which includes both the vertical disintegration of production (and development) by OEMs and the development of new forms of relationships with suppliers. The relationships between OEMs and their suppliers

have changed fundamentally since the mid 1990s because of trends like the reduction of vertical integration, just-in-time production, global sourcing and simultaneous engineering. Supplier firms have become much more important both for production and for the development of more complex components of cars, like modules or systems. Modularisation and outsourcing are the main trends here (Jürgens, 2004). Modularisation involves a restructuring of vehicle architecture in which a number of component assemblies are combined to form standard modules. It is this modularisation that forms the basis for the outsourcing decisions OEMs make in order to reduce their level of vertical integration. It seems to be more profitable for OEMs to reduce vertical integration because suppliers often benefit from lower labour costs and because they can realise positive scale effects by producing components for several different companies. In addition, the risks associated with investments in development and production facilities can be transferred to suppliers, which is important because of the increasing investment demands caused by accelerated product cycles. Another reason is the capacity limits that are experienced by the Research and Development centres of the OEMs resulting from the strategy of product differentiation. For all these reasons, the level of vertical integration has declined significantly in the last 20 years.

In this new structure of the value chain, the market power of the OEMs does not seem to have been reduced and they are still able to determine the competitive conditions in the supplier market. Drawing on data gathered by the Fraunhofer Institute, Kinkel and Lay (2005) estimate that in Germany about 43% of first-tier suppliers have to compete on price, whereas only 23% are able to compete on quality and 20% on innovative ability. These findings correspond with the statement by the German automotive industry association, the VDA (2006:49), that 'cost-cutting programmes are putting strains on the relationships between OEMs and suppliers to a significant extent'. The price pressures to which suppliers are subjected by the OEMs have intensified even further in recent years. The first-tier suppliers directly affected by the price pressures try to pass those pressures down the value chain to their own suppliers, and so on down the chain. Combined with the differences in resources between the companies on the different tiers of the value chain, these pressures can be expected to result in a segmentation of suppliers. In Spain and Hungary, segmentation is accentuated by a division by nationality of ownership. The first-tier suppliers are foreign multinationals, whereas the smaller suppliers on the lower tiers, with labour-intensive products and limited innovation capacities, are home-based firms.

Confronting the pressures of globalisation

Taken together, these developments – the globalisation of development and production, the internal reorganisation of OEMs and the restructuring of the value chain – have three important impacts on labour management: greater employer power over workers and unions because production can be moved from one country to another; pressures to increase labour flexibility; and strategies to reduce production costs. Obviously, these trends have consequences for the industrial relations systems in each of the countries in our sample. The next section investigates whether there is a common trend of erosion of the systems of industrial relations in the automotive industry, whether developments

are still following national path dependencies and whether industrial relations systems can offer some counterbalancing force that can at least weaken, if not prevent the effects of erosion. We will have a comparative look both on collective bargaining topics and on the systems of collective bargaining as a whole.

New collective bargaining topics

In the countries we analysed, the character of collective bargaining has changed as new topics and forms of regulation have emerged. Hungary constitutes something of an exception partly because bargaining only exists at company level and there are many non-union firms in the sector, especially at the lower tiers of the supply chain, and partly because where collective bargaining does take place, it is very much centred around 'bread and butter' themes, above all wage bargaining. The topics we discuss below, which form part of the collective bargaining agenda in the other three countries, are in Hungary either determined by managerial discretion or through the terms of individual contracts. It is noteworthy that all of these new topics are essential 'requirements' of the new productive context, constituting different dimensions of the need for a high degree of flexibility.

The first and maybe most important of these new topics in the other three countries is the *flexibilisation of working time*. In Germany, flexible working times in the metalworking industry are based on compensation periods for fluctuations in regular working times that are defined in the collective agreement. By the mid 1990s, all the German car manufacturers had introduced working-time accounts¹ for both white-collar and blue-collar employees (Haipeter & Lehdorff, 2002). Several OEMs have introduced accounts with compensation periods lasting several years and with extended accumulation limits. Some of the OEMs and larger suppliers were among the first companies in Germany to introduce lifetime working-time accounts with a compensation period that could extend over an employee's entire working life. In Italy, as in Germany, the general rules governing working time flexibility are set out in industry-level collective agreements. The agreements in the metalworking industry contain 'multi-period work schedules' that allow the number of weekly working hours to vary around an average during certain periods of the year. They also provide for 'hours banks', which are a kind of working time account. The instruments of flexibility are regulated in detail at company and plant level. In Spain, too, working time flexibility is a topic of growing importance. It has become one of the central points in collective agreements, mainly in relation to the mechanisms of daily flexibility. Another measure of flexibility that has been promoted involves the accumulation of working hours by 'bags' of hours, with a collective and an individual component.

Another important aspect of flexibility is *work organisation*. Here we find considerable diversity between countries. For instance, in Germany, collective bargaining agreements on work organisation do not exist. If it were an object for

¹ The working-time account is a mechanism that allows employees to redistribute their working hours according to the needs of production. In general, this is based on a mechanism in which the working hours that deviate from the company's formal regulations are taken into account in an internal compensation: when production decreases, fewer hours are worked and these are 'banked' for use when production increases, and vice versa. This system helps to increase working-time flexibility.

negotiation, the bargaining would take place at plant or company level. The situation seems to be similar in Italy, where the unions have not been able to conclude agreements on work organisation even at FIAT, the core of the Italian industry, because of resistance from management, which regards work organisation as an essential part of its own prerogatives. In Spain, however, workers' mobility is usually covered in collective bargaining. In some agreements, wage supplements linked to mobility are designed to stimulate functional flexibility whilst other, more general, mechanisms have been introduced to enable workers to be redeployed between different functions and operations, to develop and facilitate the changes that are needed to reorganise production. The introduction of work groups in some areas has also brought changes in the traditional occupational and skill structure in some firms.

A third new collective bargaining topic that has gained in importance, at least in Germany, is *further training*. A collective agreement on training was first concluded in Baden Württemberg in 2001, but extended – with slight differences – to the other regions covered by the metal industry collective agreement in the bargaining round of 2006. It enshrines an individual employee's right to further training, a right that can be asserted in dialogue with a superior and is supported by the works council (Bahnmüller & Fischbach, 2006). The collective agreements in the Spanish automotive industry also include provisions related to further training. These Spanish collective training plans are negotiated to come into effect in the event of reorganisations or other changes in the production process. However, unlike those contained in the German agreements, these are collective measures and do not confer individual rights.

We can conclude that the national actors of collective bargaining still seem to be able to put new topics onto the agenda and develop new forms of collective bargaining enabling them to adapt to new conditions. This seems to be particularly true for Germany, but is also the case in Italy and Spain. New forms of regulation have emerged that can be interpreted as innovations in collective bargaining (Bosch, 2004). These regulations are more flexible and better adapted to the market and its fluctuations. Nevertheless, they can be regarded as constituting a countervailing force to the trend of erosion, because they allow the collective bargaining actors to re-regulate working standards and thereby prevent their deregulation. However, in assessing this development it is also necessary to be critically aware that the new topics have only been successfully introduced in win-win situations. The flexibilisation of working time, for example, can be favourable for employees, because it offers them a new degree of sovereignty in their working time practices, and also for companies, because it enables them to 'breathe' with the market. By contrast, it has become more and more difficult for the unions to win unilateral victories in collective bargaining, evidenced by the fact that no working time reductions have taken place in the recent years and wage increases have also been rather moderate in Germany and Italy but also in Spain.

Collective bargaining in regime competition

In the comparison between our sample countries, collective bargaining trends seemed to be rather divergent. In the German case, decentralisation is strongly evident. Bargaining responsibility has been partly shifted away from the industry level, where

collective bargaining takes place between trade unions and employers' associations, to plant level, where negotiations take place between works councils and management. This is a continuation of a trend that dates back to the 1980s. It was working time flexibilisation that originally started this trend (Schmidt & Trinczek, 1999). It then developed further through the development of 'flexible local alliances for work'. These are agreements between management and works councils that are frequently found in the German automotive industry. Most of them combine, to varying degrees, provisions on job security, working time arrangements, wage concessions and organisational and technological innovations. In many cases, the concessions are confined to benefits paid by employers above the level stipulated in the collective agreements, but then employers began to use these local agreements to challenge the minimum standards laid down in the collective agreements (Rehder, 2003). Consequently, in 2004, as a third step in this process of decentralisation, the metalworkers' union reached agreement with the employers' associations on the inclusion in the collective agreement of derogation clauses that allow companies to undercut labour standards in agreements with the union (but not with the works councils), subject to two conditions. First, the agreement has to be temporary and job security has to be guaranteed; and second, companies have to make concessions regarding modernisation and investment. The union's strategic goal was to control the development of local alliances for work and the concessions that were made within their scope (see also Haipeter, 2009). According to the union, about 15% of the companies in the metal industry employers' associations have negotiated a local alliance that changes in some way the labour standards enshrined in the collective agreements. Derogations are most common in the supplier industry; however, OEMs have also been able to negotiate differentiated collective agreements for their service staff. Derogations have forced the union to develop new bargaining strategies based on plant level negotiations. These strategies rely on the active participation of members – for instance ballots are carried out to decide whether an agreement should be accepted or not – and have proven to be rather attractive for union members. As a result, members' motivation has been increased, new members have been attracted and the organisational power of the union in the plants has grown. This is all the more important in the context of the general decline in union density in the industry since the 1990s. This new collective bargaining strategies has enabled the union was at least slow down this trend, if not to reverse it.

The Italian experience has been rather different. During the same period that brought the shift towards decentralisation in Germany, the Italian industrial relations system saw greater formalisation, closer coordination between the actors and the establishment of a more stable two-tier bargaining structure (Regiala & Regini, 2004). During the 1990s, the industrial relations actors agreed, in tripartite negotiations with the state, to define processes and formal rules both for industry-level collective bargaining and for company bargaining that was to supplement collective agreements with regard to employment issues or labour market problems. In the automotive industry, which forms part of the metalworking industry, the picture seems to have been similar. The various trade unions, including Fismic, the FIAT company union, now negotiate collective agreements with the employers that are supplemented by

local agreements. In this context, in 1998, for the first time a regional agreement was negotiated in the industry covering 22 firms belonging to the network of subcontractors located near the FIAT plant in Melfi. Nevertheless, unions are paying for the stabilisation of the system with a policy of moderate wage growth enshrined in social pacts, which have engendered some resistance from their members.

Whilst there have been significant changes in Germany and Italy, in the other two countries we studied stability is the main trend. In Spain, collective agreements in car assembly firms have always taken the form of company-level agreements. In the supplier firms, the situation is more complex and it is possible to find agreements at company level, sector level and regional level. This dual structure has changed little over the years and no processes of decentralisation or re-centralisation can be observed. Union density has also been quite stable over recent years in the industry. The picture of stability is similar in Hungary, but here it is based on a highly decentralised and voluntaristic system. Because of the decomposition and weakening of those union branches that have survived from the past, and the slow rate of unionisation at new plants (despite considerable recruitment efforts), the presence of unions in the car and component-manufacturing industry is very weak. It is thus not surprising that the unions have not been able up to now to build up pressure for a wider, sector-level collective agreement. The employers' association, MGSZ, and the companies in the industry, prefer to keep any negotiation at plant level and try to marginalise the unions. There is no union presence at all outside a small core group of companies, so social regulation only applies in a few major companies, while the majority of SMEs, as well as the low-wage 'sweatshops' of whatever size, are outside the reach of trade unions.

These contrasting situations demonstrate considerable national diversity, with processes of decentralisation and recentralisation coexisting with cases of relative stability. However, in all of these cases labour is on the defensive. In Germany, decentralisation is a result of a weakening of the union. In Italy, recentralisation has been gained at the price of integration into a national supply-side corporatism and a commitment to wage moderation. In Spain, the unions are unable to negotiate multi-employer agreements and are faced with a growing competition between collective bargaining agreements at the suppliers. And, in Hungary, the unions cannot negotiate multi-employer collective bargaining agreements at all. Nevertheless, in Germany and Italy some countervailing tendencies can be found. In Germany, derogations have been used by the union to revitalise their membership base in the plants, and in Italy, new forms of agreements have been negotiated along the value chain, giving a glimpse of how it might be possible for unions to overcome the effects of the fragmentation of value chains.

Internationalisation of industrial relations

In a context of integrated production systems and enforced regime competition between production locations, the internationalisation of industrial relations and the establishment of transnational solidarity through agreements on international minimum standards or, at least, the coordination of national negotiations, can

become important instruments for mitigating the effects of enforced comparisons and defending labour standards. For reasons that are beyond the scope of this paper, such harmonisation does not yet exist in Europe, either at the level of industries or overall. Currently the only (at least potentially) effective level of transnational industrial relations is that of the European works councils (EWC) which operate at the company level.

European OEMs and the major component suppliers have been at the forefront in establishing EWCs. All of them, including the American companies GM and Ford, with their important European subsidiaries, have negotiated EWCs, either before the implementation of the European directive or in the voluntary phase that was set up beforehand under Article 13. The decisive question remaining is whether or not the EWCs are effective negotiating bodies that can influence regime competition within the companies and defend existing labour standards in enforced comparisons. The debate on the EWCs' potential as effective negotiating bodies has generated both pessimism and optimism (for an overview, see Müller & Hoffmann, 2001). The pessimists argue that EWCs are only poorly-regulated supranational institutions that may actually weaken strong national institutions (Streeck, 1999). In the eyes of the optimists, the EWCs are regarded as the germ cells of a European system of labour relations that will develop sooner or later into 'participative EWCs' and effective negotiating bodies (Lecher et al, 2001). Some case studies in the automotive industry have led to conclusions that support the first position (Hancké, 2000) and some the second interpretation (Helbig, 2000; Whittall, 2000).

Our own case study of the EWC at GM produced a differentiated picture. In the course of a learning process not free of crises and conflicts, the members of GM's EWC have gradually succeeded in developing a spirit of international solidarity based on at least two principles. The first is that, in regime competition and restructuring, 'the pain has to be shared' fairly; the second is that collective agreements are the bottom line for concessions. Moreover, the EWC has succeeded in transforming itself from a mere source of information and consultative body into a true negotiating body that has hammered out several framework agreements with the European management of GM that lay down the minimum standards to be maintained in restructuring.

The increasing international integration of production structures at GM and the existence of a European management level were important conditions for the success of the EWC, and the fact that GM is a US company helped to prevent the national works councils from dominating the international body, which could have undermined solidarity. Its success makes the EWC at GM stand out: without a doubt it can be regarded as the most highly developed EWC to be found in the automotive industry and beyond. Although EWCs at other automotive companies are far less developed, the widespread existence of regime competition and parallel production may provide incentives to follow the GM path both for unions and works councils in other companies. The GM case has, at least, demonstrated that EWCs can potentially provide a countervailing force to the erosion of labour standards, albeit from a defensive position.

Conclusion: convergences, divergences and the defence of work

The industrial relations systems analysed in our sample are facing common organisational and structural changes because of the dominant position of the OEMs in the motor industry. Countries, regions and locations and, together with these, labour standards and institutional structures are the playground on which the process of global reorganisation of the value chain is taking place. In the motor industry, globalisation is more than a catchword because it has become a reality in the organisational structures of these firms and along their value chains. One of the characteristics of globalisation in this industry is that its production locations are tightly integrated into systems of parallel production and therefore, to a considerable degree, exchangeable. This is what makes employment insecure and labour representatives vulnerable to demands for concessions by management.

A first conclusion from our comparative study is that systems of industrial relations in the various countries are developing in different ways. Centralisation and decentralisation or reregulation and deregulation can and do coexist. Furthermore, the changes appear to be more incremental in some situations and more fundamental in others. It is in Germany, the country with the most highly developed system of industrial relations in our sample, that industrial relations in the automotive industry seem to be most strongly affected by the global reorganisation of the value chain. Here, the change is more fundamental than gradual, although it takes the form not of a break but of several adaptations and incremental changes. These changes are closely connected to regime competition and outsourcing. In their cumulative impact they seem to have created a critical juncture. Two changes are outstanding: the inclusion of new topics into the collective bargaining process, and the decentralisation of collective bargaining by derogations and new union strategies of collective bargaining. Each has the potential to become a countervailing force to trends of erosion. Perhaps the most decisive question this raises for the future is whether this potential can actually be realised in a revitalisation of the unions.

The other countries in our sample seem to have been less dramatically affected by global reorganisation. Italy has clearly gone through a process of change as well, but this seems to have resulted in greater continuity rather than radical change. The new path, with its dual structure of collective and company bargaining has proved to be surprisingly stable, given the volatile history of industrial relations in Italy. Here too there are also signs of opening-up and fragmentation, but these cannot be interpreted as an erosion of the old labour standards because the previous structures were much less strong than the German ones. Moreover, new forms of regional collective bargaining have been developed that could counter the fragmentation trends resulting from the reorganisation of the value chain.

The situation in the Spanish automotive industry also seems to be rather stable. The relationship between company-level and sector-level collective bargaining has been reversed, with the OEMs concluding single-employer agreements and the suppliers being covered by collective agreements that are generally binding. Nevertheless, labour standards seem to be diverging further because of the high cost pressures bearing down

on the suppliers. The growing share of temporary workers in the workforce is a further indication that things are beginning to change. It seems likely that the pressures on the system will increase further, because Spain has lost some of its comparative advantages in regime competition. The unions have reacted by agreeing to concede productivity increases, but they are still not strong enough at the plant level to get this approach really started. This is especially the case in the supplier firms.

Hungary, finally, is stable in the sense that the system of industrial relations largely collapsed during the transformation period and has not yet recovered. A new path has developed that is based on single-employer bargaining and covers only about half of all employees, with company-based or company-oriented unions that are mostly interested only in negotiating wage increases and intervening at the national regulatory level at which a minimum wage level is set. This path also seems to be rather stable, not least because, up to now, no actors have emerged with either the interest or the ability to change it. Of course, such a system goes hand in hand with high differentiation and fragmentation of labour standards and is entirely devoid of any buffer against the effects of regime competition.

In summarising these findings, three points should be emphasised. The first, which is not surprising, is that globalisation really does affect labour standards and collective bargaining. The second finding is that these effects have had very different impacts in the countries of our sample. The most developed systems, like the German one, seem to be the most strongly affected. This heightened effect seems largely attributable to the different role the state plays in the industrial systems of each country. Whereas in Germany, despite a high level of legal regulation, the state largely stands apart from any direct intervention in industrial relations, in other countries, like Italy and Spain, the state is much more active, either by re-regulation of the system as a whole, as in Italy, or by declaring collective agreements generally binding, as in Spain. Thirdly, and finally, there are also signs that countervailing trends are emerging, developed by the actors of industrial relations themselves. Examples of these are the new collective bargaining strategies in Germany and the regional agreements that extend along the value chain in Italy. A possible conclusion could be that industrial relation systems will be best prepared for globalisation if innovations of this kind are linked with active support from the state.
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