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Creating Competitive Capacity: Labour Market Institutions and Workplace Practices in Germany and the United States

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In three sections—"The impact of globalization," "Changes in labour markets," and "Workplace practices"—four authors from the U.S., one from Great Britain, and eight from Germany discuss recent trends in industrial relations in Germany. This "album" comprises a collection of conference papers commissioned as part of an Economic Policy Institute conference held in Washington, D.C. in October 1998. The publication has been produced by Germany's Hans-Böckler-Foundation (Gudrun Linne), which supports research into industrial relations through its own research institute, journals, numerous publications and conferences. Indeed, its role in publishing the book is not unrelated to the book's subject. Germany's system of co-determination enables trade union and works council members to represent workers on company boards such as BMW, Volkswagen, Lufthansa, Bosch, Siemens, MAN, etc. They consequently receive relatively high management salaries. Political solidarity and union rules demand that these wages be donated to the Foundation, which in turn finances works council training schemes and research on industrial relations. This book on German industrial relations is a result of Hans-Böckler's financial support and expertise.

The globalization section of the book is introduced by a rather uncritical evaluation of labour market institutions under globalization by Gerhard Bosch, who argues that the strong export orientation of German capitalism provides a compelling counter-example to the cost-cutting systems found in Anglo-Saxon countries. It would have been interesting to ask whether this approach exemplifies an "expanding pie" rather than "sharing the existing pie," since German capitalists tend to open new

production facilities through foreign direct investment without necessarily closing down operations in Germany. Georg Vobruba contrasts Germany with the US and sees "winners and losers" in globalization, arguing that European long-term thinking will prove superior to US short-termism. He claims that Europe is better prepared to deal with the globalization dilemma than the USA. In sum, while these two short articles on globalization present a good look inside German thinking on globalization, they lack a critical discussion of the term globalization. Many critical questions are not discussed. For example, how "global" is globalization when global investment occurs largely between the three centres: Europe, North America, and Japan? What and who has pushed the globalization ideology during recent years and who benefits from it? How can one talk of globalization when the world-wide gap between rich and poor widens, when four-fifths of the world population is excluded from OECD living standards, when most world citizens are poor and are likely to remain so for the foreseeable future, when many people have only one task today: finding some food to survive. How can one adopt a term such as globalization when large sections of the global population are excluded from the advertised benefits of prosperous labour markets under globalization?

The section on labour market institutions starts with Hartmut Seifert's thesis that German IR is adjusting to a more competitive economic environment and to societal concerns about employment security and significant changes to working time. German IR may have seen some moves towards decentralization but this has not led to plant-level collective bargaining. Works councils

will not engage in collective bargaining and remain focused on what Walton and McKersie have called “integrative bargaining” (win-win), staying clear of “distributive bargaining” (win-lose). As in the USA, Germany is experiencing a “representation gap” because small and medium-sized companies are less penetrated by works councils than are large companies. Recent moves to reform the German Works Constitution Act, favoured by trade unions, are designed to close this representation gap. But this reform will not give works councils any power in the area of “distributive bargaining.” There will not be a change in present collective bargaining arrangements. After examining the USA, the UK and Germany, Lowell Turner concludes that “unions in these countries can learn from each other”! He sees German unions as “fairly successful” measured on his scale of “social partnership,” a theme supported by Owen Darbshire’s assessment that “the German model promotes a more consensual approach.” In theoretical terms, both writers appear to emphasize that “social integration,” via the union movement and shop stewards [*Vertrauensleute*], and “system integration,” via Germany’s strong labour law tradition [*Verrechtlichung*], complement each other. In reality, however, the “Michelsian Dilemma” is alive and well, with Germany’s ever growing union bureaucracies eminent in the recent creation of the new three million members strong super service sector union called Verdi.

Similarly, Pamela Meil sees trade unions and works councils as complementing factors in German IR, and argues that the mild moves to decentralization might be reversed due to growing internationalism via the European Works Councils and globalization. The section on labour market studies ends with Schmidt’s and Baethage’s examinations of Germany’s dual structure of vocational training. Schmidt favours an increase in school-based training.

However, current trade union and social-democratic government thinking emphasizes the so-called *Ausbildungsabgabe*, a “penalty-tax” for companies not participating in Germany’s vocational training schemes.

The final section, on workplace practices, starts with David Finegold’s study of the vocational systems that provide a strong support base for Germany’s competitiveness. Rosemary Batt’s contribution emphasizes the participation of German unions in recent “change management,” an outcome that contributes to the defensive position. Alternatively, unions may operate from a position described by Walton and McKersie as “institutional insecurity.” Batt highlights an important gap in Germany’s system of IR: on the one hand, unions do not have enough power over plant matters, which the system and labour law assigns to works councils; on the other hand, works councils are strong in social matters (so-called ‘tea-towel’ issues such as canteen prices, etc.), have moderate powers in personnel matters (promotion, employment, dismissals, overtime, etc.) but have almost no power on business matters (investment, etc.). In short, Batt captures the severe deficiencies in Germany’s IR system. The workplace practice section concludes with a study by Uta Wilkens and Peter Pawlowsky of seven German, three British, and two French car plants, showing that German plants have highly trained workers but that management fails to utilize this expertise and knowledge. Instead, management purses a model that “combines hierarchy and teams” by introducing yet another layer of hierarchy, often through elected “team speakers” instead of management appointed team leaders.

In conclusion, this collection of eleven articles focuses much more on German IR than on American IR, even though it claims otherwise. Furthermore, the collection does not include a unifying research framework. The eleven conference papers are merely

glued together in three main sections. Similarly, it does not provide a conclusion discussing comprehensively the competitive capacity of German IR, which simply leaves the reader with Dunlop's (1958) famous statement on IR: "mountains of facts have been piled up on the plains of human ignorance." However, the book still provides one of the most current and detailed studies available on the subject of German

labour market institutions and workplace practices. Apart from the shortcomings of the volume as a whole, all of the individual chapters are written by experts in the field of IR, making it a worthwhile source in understanding Germany's industrial relations.

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