

XX. 2009 Thomas A. Kochan and Stephen R. Sleigh LERA Best Dissertation Award

Constructing Institutions — Collective Bargaining in Multinational Companies in the U.S., Germany and Spain

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This dissertation examines collective negotiations in multinational auto companies in the United States, Germany, and Spain. The empirical chapters trace the changes of collective negotiations and employment relations over time. The case studies give a rich empirical account of how management and labour adapted employment relations to a changing world, which included the expansion and liberalization of markets, increasing overcapacities, the internationalization of production, and the rise of new competitors. The historical and comparative perspective of the dissertation allows a number of intriguing questions to be addressed. Is convergence of employment relations taking place across countries? Do national employment institutions continue to shape employment relations decisively? Are labour unions a victim of globalization and simply overwhelmed by footloose multinational companies?

The dissertation examines not only collective bargaining over wages, working time, work organization, and other elements of the employment relationship, but also collective negotiations over the spatial distribution of production and restructuring, issues that have become intertwined with collective bargaining in a more narrow sense. The dissertation traces within-country changes as well as the spread of similar employment relations practices across countries and reports that a common set of changes were found across all three countries: two-tier wage systems, working flexibility measures, global manufacturing systems, whipsawing practices by management, the introduction of night shifts, and the outsourcing of employment.

Going beyond a short-term perspective, the dissertation identifies the importance of changing collective beliefs (in the following called simply “ideas”) and ideologies as a driver for changing employment relations. National employment relations institutions continue to matter, but management and labour have much leeway to develop cooperative, contentious, or market-oriented employment relations and to change specific employment relations practices. The dissertation argues that ideas and ideologies underpin the functioning of institutions; changing ideas and ideologies lead to a renegotiation of institutions. Put differently, actors with changing ideas and ideologies enact institutions differently on the company level. Institutions are what actors make of them. This key insight of the dissertation is synthesized into an analytical perspective called constructivist institutionalism by building on previous literature in political science that focuses on the relationship between ideas and institutions (Blyth 2002, Hay 2006, Schmidt 2008). This constructivist institutionalism contributes to the literature on institutional theory in employment relations and political science.

The empirical base of the dissertation is a unique dataset. I examined collective bargaining in the multinational auto companies General Motors, Ford, and Volkswagen in Germany, Spain, and the United States between the 1980s and 2007. As Volkswagen has no production facilities in the United States, I

examined eight company cases. I conducted interviews with current and retired managers, unionists, and industry experts. In addition, company unions granted me access to their archives, and I examined collective bargaining agreements, leaflets, and company documentation. This rich data allowed me to trace the changes of employment relations within and across the three countries over time. In addition, I have examined the impact of the economic crisis on employment relations at the three companies between 2008 and 2010.

Themes and Conclusions

Previous institutional literature in employment relations and political science, such as the Varieties of Capitalism literature, links national employment relations institutions to national patterns of employment relations. This literature builds on the assumptions of historical institutionalism and is often not very attentive to changes of employment relations and institutional change. A key problem of the literature is that it tends to emphasize institutional stability by focusing on path-dependency and increasing returns, while institutional change takes place at historical junctures through external shocks (Thelen 1999). However, the absence of external shocks makes it difficult to grasp the change of institutions and employment relations over time. Recent work has provided important correctives to this view by identifying mechanisms for gradual change of institutions (Streeck and Thelen 2005), by emphasizing the role of changing coalitions in renegotiating institutions (Thelen 2004), and by analyzing the role of institutional entrepreneurs (Crouch 2005).

The proposed constructivist institutionalism contributes to the recent literature on institutional change. The promise of constructivist institutionalism is that it is more attentive to institutional change. The cornerstone of this type of institutional analysis is that it regards the actors' ideas and institutions as interrelated or mutually constitutive. Institutions constitute in fundamental fashion "who" the actors are and how they see the world. Institutions state the rights and resources of actors, define the actors' role in employment relations, and constrain and provide opportunities. However, how institutions shape the actors' behaviour and ideas is socially constructed. As the actors adapt to a changing socioeconomic context, they develop new ideas and ideologies, which tend to lead to a different enactment of institutions and changing employment relations practices.

For example, in the Spanish case, previous literature suggested that the representative or fragmented employment relations institutions would cause adversarial and conflict-prone employment relations. Developments in the 1980s confirmed this perspective. Management and labour regularly clashed in collective bargaining. Managers had a paternalistic and authoritarian attitude, and unions were used to fighting for social improvements following their experiences during the Franco dictatorship. However, the actors' ideas and ideologies changed over time, managers took on new Human Resource Management ideas from colleagues within multinational companies and unionists with more cooperative ideologies came into power. During the 2000s, management and labour at Ford and SEAT developed cooperative, market-oriented employment relations within the very same Spanish employment relations institutions. Considering the mutual relationship between ideas and institutions allows analyzing endogenous institutional change and understanding how the functioning and meaning of institutions changes over time.

A distinctive characteristic of constructivist institutionalism is that actor behaviour is not purely rational and based on ideational factors such as collective beliefs and ideologies. This stands in contrast to the rational choice institutionalism and much of the historical institutionalism that assumes rational actors with stable preferences and interests in a given material context. However, in a dynamically changing economic context, in situations of economic uncertainty, the actors are simply not capable of calculating the best course of action. Management and unions act to some degree rationally and based on their interests, but rationality and interests are socially constructed and based on the actors' ideas and ideologies. Managers can have very different ideas on how to organize employment relations productively. Some managers believe they can reach this goal best by pushing unions hard, while others believe that it is rational to develop cooperative employment relations. Unions have also very different ideas. Some unions believe it is in their best interest to resist changes and fight multinational companies, while others believe they have a responsibility in running a company productively. The actors' ideas and ideologies underpin the functioning of employment relations institutions.

This dissertation contributes to the emerging constructivist institutionalism. Colin Hay (2006) first coined this term. The approach builds on a literature in political science that analyzes ideas and institutions (Blyth 2002, Schmidt 2008). I address a question that has remained underspecified in this body of literature and explore how ideas change. Previous literature suggested that ideas are based on past experiences and current contingencies (Bendix 1956). This study identifies five mechanisms for ideational change: generational change, identity work by the leadership, the “manufacturing of consent” through collective bargaining, leadership change, and mimicking and learning. The case studies show how these mechanisms changed the collective actors’ ideas and ideologies and resulted in institutional change.

Collective Negotiations at Multinational Companies in the United States

In the context of the New Deal employment relations institutions and their post-war revisions, adversarial low-trust employment relations developed at General Motors and Ford. Management believed that it had the right to govern at the workplace. As the union was aware that it existed at the workplace against the will of management, a cornerstone of the union ideology was a narrow focus on defending the norms of the collective bargaining agreement, a labour orientation, which has been described as job control unionism (Katz 1985). In the 1980s, lean production ideas seemed to have the potential to transform the adversarial employment relations between General Motors and Ford. However, the implementation and development of cooperative lean production employment relations largely hinged on local management and union ideologies. I discuss two contrasting cases. At Saturn, cooperative employment relations developed, and unionists became co-managers in the production process; however, at the General Motors plants in Flint, employment relations continued to be contentious and culminated in a fierce labour conflict in 1998. Leadership changes on the management and union side contributed to more cooperative employment relations in the 2000s. The UAW slowly steered away from its ideological focus on job-control unionism and took on a greater responsibility for the productivity of Ford and General Motors in a dramatically deteriorating economic context.

Collective Negotiations at Multinational Companies in Germany

The case studies show how the function and meaning of institutions is linked to the ideas and ideologies of the actors. The Volkswagen case is important, because it has been one of the primary examples of the German model. However, employment relations at Volkswagen changed significantly in the 1990s. Management paid illegal benefits to the works councils and sought to influence the orientation of labour. In addition, management whipsawed its German plants in the 2000s, which significantly changed the functioning of the German employment relations institutions. Management at General Motors already aggressively whipsawed its European plants in the 1990s. Labour realized that strategies based on national institutions lost their punch and explored transnational ideas in the European Works Council. The transnational ideas turned into transnational practices in the 2000s when the European Works Council organized Europe-wide works stoppages and negotiated transnational collective agreements. In contrast, Ford is a case of institutional stability. A strong labour leadership contributed to ideological continuity between the 1980s and 2000s. Management did not challenge labour to the extreme because it believed in the value of stable and predictable labour relations. The functioning of the German institutions changed the least at Ford.

Collective Negotiations at Multinational Companies in Spain

This introduction provides an overview of the Spanish employment relations institutions, which state, union, and employer associations negotiated during the transition from dictatorship and to democracy in the second half of the 1970s. Three case studies on Ford, General Motors, and SEAT (Volkswagen) trace the evolution of collective bargaining and employment relations between the 1980s and 2007. The conclusion summarizes the change of employment relations and takes issue with the argument that Spanish employment relations are contentious and strike-prone because of a pluralistic or fragmented union representation structure. In contrast, the case studies show that the use of the institutions is crucially underpinned by the actors’ ideas and ideology, which change over time and led to the construction of very different employment relations practices.

The unions' fight against the Franco dictatorship and for democracy shaped radical trade union ideologies, and for the unions it seemed to be natural to fight for social improvements contentiously in the context of the new employment relations institutions. Managers continued to have a paternalistic and authoritarian ideology, as many managers had not had to deal with democratic unions during the Franco dictatorship, and they remained ideologically distant to cooperative lean production ideologies that emerged in the United States and Germany. Contentious, conflict-prone employment relations developed in the 1980s at all three companies. However, as the actors adapted to a changing socio-context, employment relations gradually changed and looked very different two decades later. At SEAT, identity work by management and a leadership change on the union side contributed to the emergence of cooperative employment relations in the 2000s. At Ford, a generational change of the workforce and identity work by management led to a focus on productivity-oriented employment relations, which focused on securing production assignments from Ford's world headquarters. At General Motors, management whipsawed its European plants and extracted concessions, which the Spanish unions countered together with the European Works Council with transnational union strategies. Employment relations had a crucial transnational dimension at General Motors Spain.

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