

IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

Globalization, Transaction Cost Economics and the Labour Market

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In this era of globalization we see an increase in specialization: the production chain is split up in more and more parts and the production of these parts is outsourced to those places in the world where production is relatively cheapest and most efficient. It implies that transaction costs, associated with the coordination of production and trade in parts and components, become increasingly important. In small open service oriented economies like the Netherlands, transaction costs may amount to up to 50% of total value added. Therefore, the ability and skill to keep transaction costs low is vital for the competitive position of a firm or country. This skill is labelled transaction management. The focus of transaction management is a reduction of transaction costs in the internal and external organization of the firm. The emphasis is on value creation on the long run. Transaction management is based on the theories of transaction cost economics and the new institutional economics. From these theoretical perspectives, with tree Nobel prize winners as originators (Coase, North and Williamson), it may contribute to the strategic management of the firm, or, at the macro level, to reduction of implementation costs of policy measures. In this lecture the emphasis is on the consequences of globalisation and fragmentation of production for the labour market. The increased fragmentation of production and outsourcing parts of the production chain implies that the number of sheer production jobs decreases and the number of "transaction" jobs increases. That is especially true in trade oriented countries which have a comparative advantage in reducing transaction costs and are, therefore, skilful in transaction management.

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