

The future of the German model of industrial relations

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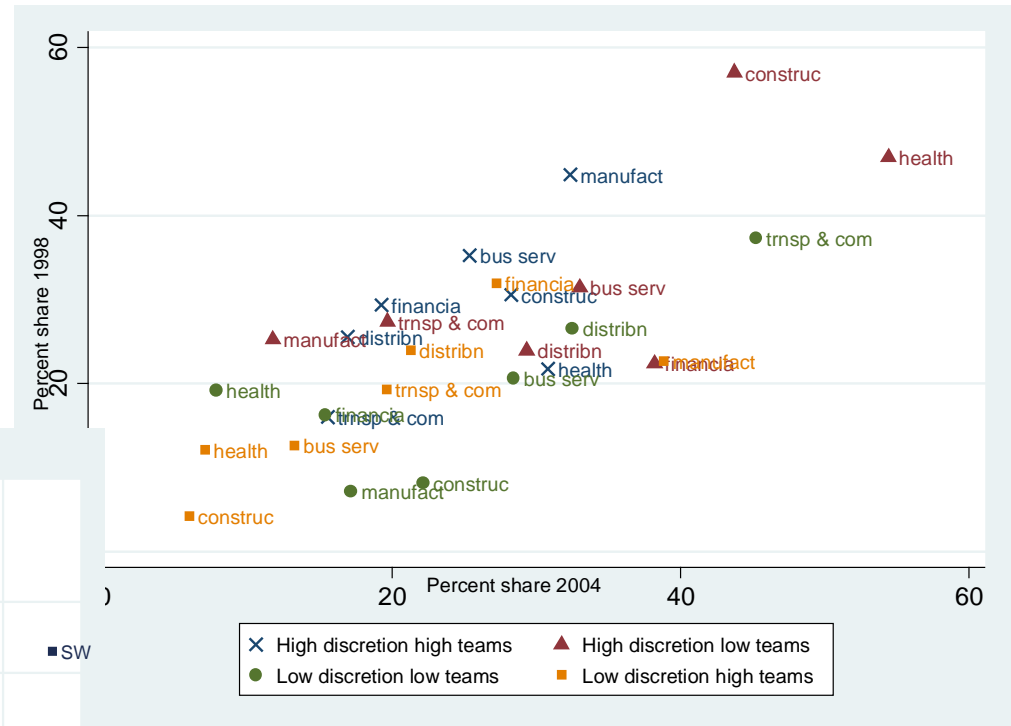
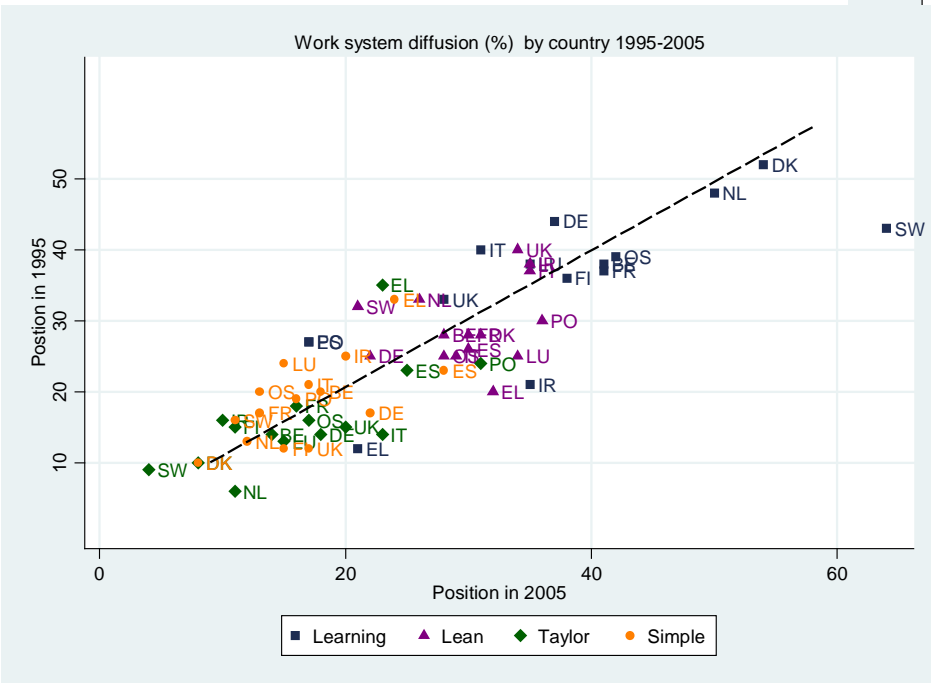
(LSE)

Employment systems as a foundation of IR systems

- ‘Segmentalism’ → Refocusing on ‘G-Firm’ & its institutions
- Link:
 - Aoki’s ‘G-Firm’ &
 - Shared skill & knowledge assets
 - Learning & other work systems
- Consider the role of institutions in governance of the employment relationship
- Refocusing partly political, partly economic

Can we believe EWCS data on work systems?

- EWCS country comparisons
- WERS by sector
- HR practices data



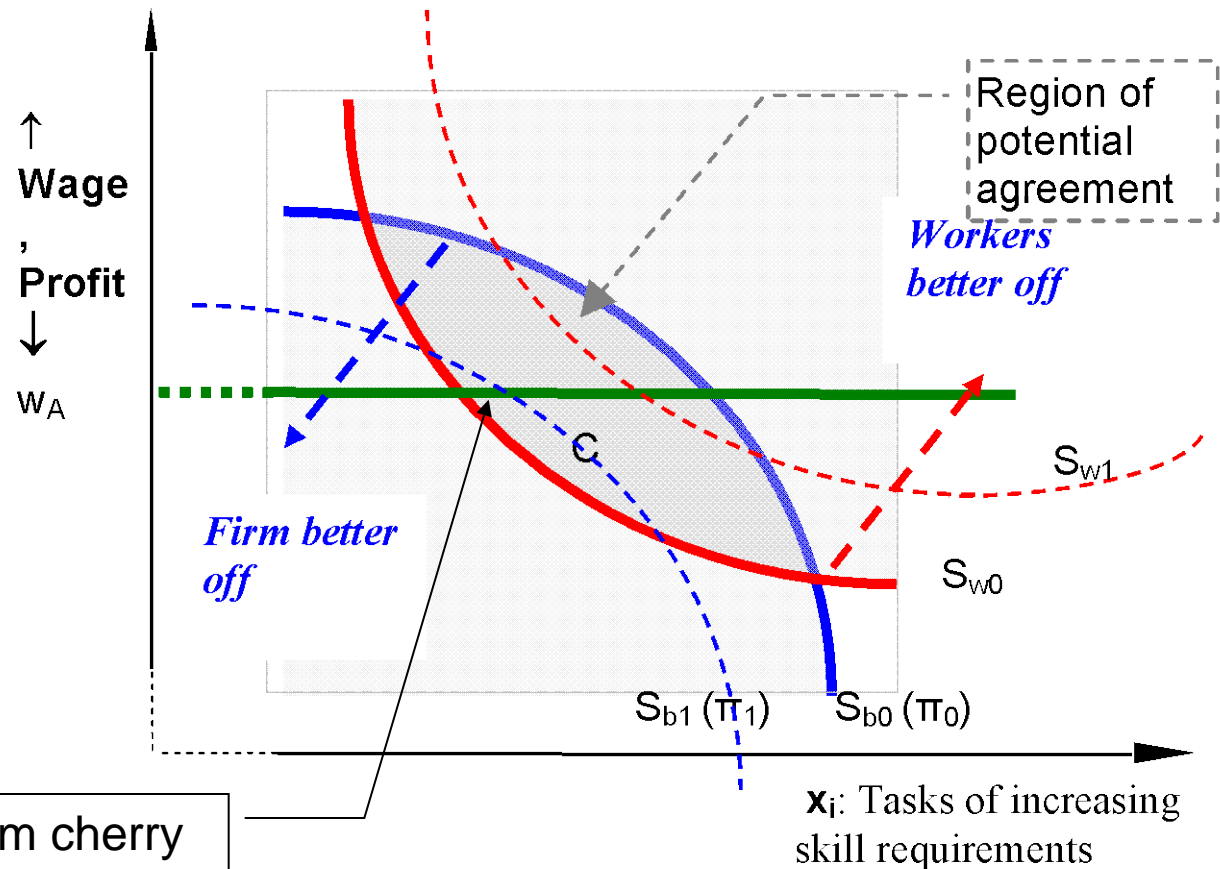
Work systems in DE & UK 95-10

- Whole economy
- Industry v services (see Table 2 in paper)

| Work system | Learning | Lean | Taylor | Craft | Total |
|-------------|----------|------|--------|-------|-------|
| DE | 3 | 2 | 1 | 4 | |
| Year | % | % | % | % | % |
| 1995 | 45.6 | 19.5 | 12.6 | 22.3 | 100 |
| 2000 | 43.8 | 20.5 | 11.7 | 24.0 | 100 |
| 2005 | 38.8 | 24.7 | 12.5 | 24.0 | 100 |
| 2010 | 38.8 | 27.2 | 12.6 | 21.4 | 100 |
| | | | | | |
| All years | 41.9 | 23.1 | 12.4 | 22.7 | 100 |
| | | | | | |
| UK | Learning | Lean | Taylor | Craft | Total |
| | 3 | 2 | 1 | 4 | |
| 1995 | 32.9 | 40.2 | 13.9 | 13.0 | 100 |
| 2000 | 28.2 | 39.5 | 17.0 | 15.3 | 100 |
| 2005 | 28.3 | 35.8 | 15.9 | 19.9 | 100 |
| 2010 | 27.6 | 37.7 | 17.0 | 17.8 | 100 |
| | | | | | |
| All years | 29.0 | 38.4 | 16.1 | 16.5 | 100 |

Governance of work systems: *Goodwill vs. cherry picking*

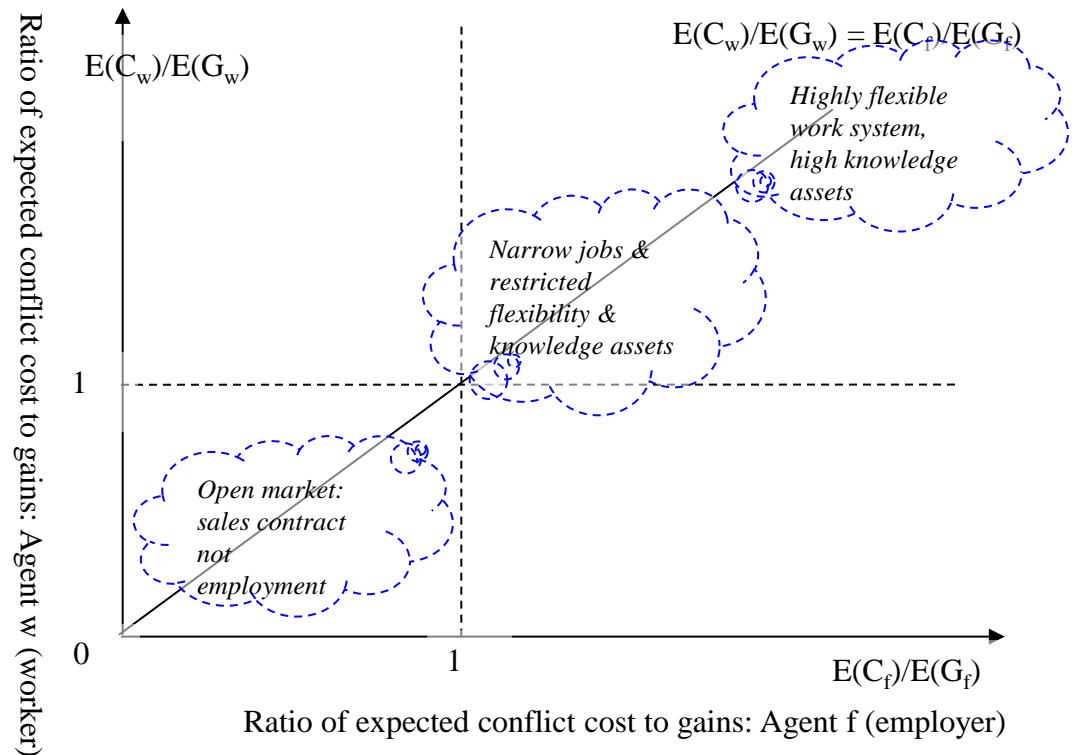
- Ideal is ‘goodwill
- Cherry picking problem
- Job level governance
- Hawk-Dove-Bourgeois strategies
- D: haggles on individual tasks
- H: escalates
- B: punishes breach



Firm cherry picks: task value for firm > for worker

Bourgeois strategy in different work systems

- $p_c c > p_v v$
- c = cost of conflict
- p_c = prob of cost, ie. =1 if B punishes all breaches
- Learning: high joint investments – costly to replace
- Taylor: low training costs, narrow jobs
- Asymmetry \rightarrow B may not punish ($p_c < 1$)



German model: increased segmentalism?

- Joint regulation of employment relationship → Employers' demand also relevant
- Changing population of work systems → new pattern of demand
 - Learning model most dependent on cooperative institutions
 - Other work systems less dependent
- Possible tipping points?
- → Political: deregulation
- → Economic: Market decline → smaller $E(V)$ (*for employer: wages rigid*) → tips $E(C)/E(V)$ against employer (*asymmetry*) SO:
 - → switches from bourgeois to dove → 'indulgency pattern' OR
 - → retreats to Taylor model to reduce exposure & less interest in codetermination institutions
 - → subcontracts or goes out of business
- German IR model refocuses: does not become 'Anglo-Saxon'