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**The Impact of Internationalisation and Multinational Companies on
Industrial Relations, Pay and Working Time in the UK and Germany**

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UK and Germany under the Influence of Globalization”

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1. Overview¹

The paper addresses the question which impact the often stressed process of internationalisation has on pay and working time.

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(2) After a short explanation of the initial hypothesis of our research,

(3) the paper examines the developments of pay and working time in Britain and Germany, in order to describe differences and similarities.

(4) In order to explain the findings, the paper subsequently examines national and sectoral differences in industrial relations and other institutional influences. Despite some relevant differences between both countries, there is more similarity in pay and working time than in industrial relations. It seems that specific national institutions modify the influence of internationalisation on pay and working time only moderately.

(5) Additionally, the paper raises the question how important the impact of internationalisation on pay and working time really is. Our research neither suggests that cross-national similarities in pay and working time are mainly a direct result of cost pressure in internationalising markets nor that they result from the activities of multinational companies only. The paper argues that the idea of a dichotomy of a *recent* process of internationalisation on the one hand and an older national path of development on the other is misleading. Basic developments in pay and working time have been more international in the past than theories of a massive recent internationalisation as well as theories of persisting national trajectories would mostly concede.

In fact, there is a long history of an interplay between national and international developments. In consequence, practices within “organizational fields” (DiMaggio/Powell 1991) are at least in parts multinational. Similarities in both countries also result from the spread of beliefs or management myths within multinational organisational fields.

(6) Finally, the paper raises the question whether there has to be stated a recent tendency towards divergence or convergence in industrial relations, pay and working time.

Empirically, the paper draws on interviews with managers, representatives of employers’ associations and trade unions, and other experts in Britain and Germany. We conducted these interviews in the headquarters as well as in the subsidiaries of two British and two German multinational companies², each of them active in both countries. Secondly, the paper builds on the findings of a German and a British company survey. The latter was carried out by Keith Sisson and other colleagues of the Industrial Relations Research Unit

¹ We would like to acknowledge the helpful comments on an earlier draft from colleagues Matthias Zick-Varul, Andrea Mueller, Christoph Deutschmann, and Reinhard Bahnmueller.

² We had planned interviews in two engineering as well as in two retail companies, one of each from Britain and Germany. Actually, we extended our investigation to a second British engineering company, but still have difficulties concerning the access to a German retailer.

at the University of Warwick, whom we would like to thank for the successful co-operation. Thirdly, we have analysed data from the national institutes for statistics in both countries and other surveys such as, for example, the British “1998 Workplace Employee Relations Survey”.

2. The initial hypothesis

When we started our research on the effects of internationalisation on pay and working time in 1996, there was a broad public debate about Germany's economic problems. Persisting unemployment, immense outward flow of investment and some companies moving to locations in Eastern Europe had caused concern about the future of the German economy. The public debate suggested that Germany would have to join the Anglo-Saxon project of neo-liberalism and deregulation without there being any alternative.

By contrast, comparative cross-national studies in industrial relations and organisation theory demonstrated remarkable differences between countries’ “business systems” or “industrial orders” (Whitley 1991, Lane 1988, Maurice et al 1980) and detected different types of capitalisms (Albert 1992). Concerning the organisation of the labour process such differences are deeply rooted in history as Biernacki (1995) showed for the case of Britain and Germany. The German variant of capitalism has often been characterised as a successful model of “flexible specialization” or “diversified quality production” (Piore/Sabel 1984, Streeck 1991). Against the background of this research most German industrial sociologists and industrial relations researchers have remained sceptical about theses of inevitable adaptation, convergence and harmonisation. But the future of German capitalism seemed increasingly uncertain for a growing number of them, too (Streeck 1995). Although decisions on site locations do not follow a pure logic of minimising labour costs and are, in most cases, measures to enter new commodity markets (Schief 2000), already the mere option of leaving the German market could undermine the German system of industrial relations (Doerre et al 1997). Under the threat of site closures and redundancies a deterioration of working conditions may be accepted by unions and works councils. The demise of German capitalism could be the result.

Although being influenced by the mentioned debates, we expected the pressure of internationalisation on the regimes of pay and working time to have different effects in Britain and in Germany. We assumed that depending on national industrial relations systems this pressure could result in two different ways of adapting pay and working time regimes. One we called the *direct* and the other the *mediated* type of adaptation.

(T 2)

Direct adaptation means a change in the terms of trade of labour as a commodity. From the employees' point of view it stands for a deterioration of working conditions: for example, longer hours, less pay or an intensification of work.

Mediated adaptation means a change of work itself, its adaptation to technological or organisational change. Whereas *direct adaptation* can be characterised as a kind of numerical change of pay and working time, *mediated adaptation* modifies the functional demands on the management of pay and working time.

We assumed that the highly institutionalised system of industrial relations in Germany would give less opportunity for direct adaptation and would thus encourage functional change, in particular functional flexibilisation. By contrast, the more fragmented British industrial relations would be more likely to permit direct adaptation.

In the meantime it turned out that the differences between the two systems are not as clear-cut. But the arguments for an inevitable adaptation of the German to the Anglo-Saxon capitalism seem to be from a present point of view less convincing also. Contrasting the neo-liberal success stories of the Anglo-Saxon world, in some countries neo-corporatist arrangements have succeeded (Hassel 1998, Visser 2000). "Alliances for Jobs" were implemented in Germany as well as in some other European countries. Nowadays it is Britain that seems to become the exception within Europe.

The paper suggests that neither a view on the British developments in pay and working time as a model for the future nor a view on these as an exception is an adequate one. Comparing industrial relations and pay and working time of Britain and Germany, divergent as well as convergent changes can be found.

3. Pay and working time developments in Britain and Germany

We start with an overview of some indicators of pay: pay rises, incentive payments, and pay inequality.

◆ Pay rises

Since 1980 the increase of the real hourly wages of full-time male and female manual workers in Germany has exceeded that in Britain slightly. The salaries per hour of non-manuals in Britain, however, have increased more than in Germany.

Considering not hourly earnings but *real monthly earnings* in both countries, it becomes evident that British manuals as well as non-manuals achieved higher pay increases than German employees: Between 1980 and 1995 wages of German full-time manual males in manufacturing saw a 15%-increase, whereas in Britain wages increased almost by 22%. The difference is even greater in the case of the non-manuals.

[T 3]

Thus, in both countries the pressure of internationalisation does obviously not result in a downward adaptation of payments but in an increase of productivity. But in particular in British manufacturing the increase in labour productivity was not at least a result of the closure of non-profitable plants (Nolan/O'Donnell 1995, Kastendieck 1999, 15).

◆ Incentive pay

Although an increase of the proportion of incentive pay could be assumed against the background of the development of British industrial relations, this is not the case for manual workers. According to the *New Earnings Survey* the proportion of incentive pay of, for example, manual males in the British economy was on average 5.9% for the period 1987-1997, down from 8.2% in 1976-1986. The development for manual females is similar.

[T 4]

In the case of the British *non-manuals*, however, the proportion of incentive pay has increased. Nevertheless, incentive pay remains at a lower level for non-manuals than for manual workers. Additionally, there seems to be a shift from traditional incentive pay to more recently developed incentive schemes related to the performance of companies or units. These new schemes are obviously more widespread in the case of non-manuals, which may explain the increase of incentive pay for this group of employees.

There is no data available from official statistics on the development of the amount of incentive pay in Germany. But data of the *German Federal Statistical Office* points to a quite constant proportion of manual workers receiving incentive pay (Statistisches Bundesamt 1981, 1993/94, 1998). Data of the metalworking employers' federation shows a shift within incentive pay from piecework to bonus-payments (Gesamtmetall 1998).

According to our own survey, the average proportion of incentive pay in German engineering is 15% for manual workers and 6.6% for non-manuals in 1998. In German retail the figure for non-manuals amounts to 9.1%. In comparison, incentive-related pay components are clearly above the British level. But one should be careful with the comparison of these figures between both countries. In Germany incentive pay often is only called variable, but does not vary at all. This may sometimes occur in Britain as well. For example, it was the case in one of the investigated establishments, but we assume it to be comparatively rare. In Britain, however, basic pay and incentive-related pay seem to be not always clearly separated from each other. Sometimes pay increases and basic payments themselves "will be determined by the manager's subjective assessment of each employee" (Casey et al 1992). This, on the other hand, is not very common in German companies.

Conclusions from the formal existence of incentive pay on the variability of pay relating to output or individual achievement should be drawn therefore only very carefully. Nevertheless, there clearly is no evidence that incentive pay is more important in Britain than it is in Germany.

◆ Pay inequality

The most evident differences between both countries are most likely to be found in pay inequalities. Pay inequality has been more pronounced in Britain than in Germany for

years. Moreover, according to OECD-data, in contrast to Germany, the differences in income in the UK increased significantly in the course of the last twenty years (OECD 1996). Deviating from the OECD-data, sectoral analysis of payment for different qualification groups ("Leistungsgruppen") shows that a slow increase of pay inequality is taking place in Germany as well.

The smaller income differences in Germany, however, should not be seen as a direct effect of German industrial relations. Differences in wage inequality are also an expression of different qualification structures in Germany and Britain. The data of the *German Federal Statistical Office* and the British *Labour Force Survey* reveals that "middle" qualifications in comparable sectors are more numerous in Germany than in Britain (Wagner et al 1997, 951f). Apparently, there is a functional connection of wage inequality and the differentiation of qualifications in each country. Thus an adaptation of German income structures towards British inequality would endanger an adequate reproduction of the more centralised German structure of qualifications and jobs.

Apart from this, the differences of wage inequality between both countries turn out to be smaller when not the whole economy but single sectors are being compared. The more pronounced inequality in the UK is not at least an effect of the important British service sector. The *increase* of inequality in Britain is connected with an extension of the service sector.

Concerning the adaptation of working time, we focus on three similar indicators: the duration, the flexibility, and the distribution of working time.

◆ **Weekly working hours**

The weekly hours of British manuals in manufacturing are much longer than those of their German colleagues. For example, the average working hours of full-time manual males have hardly decreased from 45.2 hours in 1976 to 44.3 hours in 1998 (overtime inclusive). Apart from this, the slight reduction of working time of male manuals is compensated by a reverse development in the case of female manual workers.

[T 5]

Taking male and female manual workers together, stagnating weekly hours can be observed in Britain, whereas in Germany considerable reductions have to be stated. In 1976 German male manual workers in manufacturing were working an average of 42.2 hours per week, only 3 hours less than their British counterparts. By 1998 this difference had risen to 6.6 hours, German manual workers were then working an average 37.7 hours per week (full-time, overtime inclusive).

Despite persisting long hours there have been collectively agreed working time reductions for manual workers in Britain as well. But increasing overtime has quickly compensated these reductions of basic working hours. At least *de facto*, the working time policy of British trade unions has proved to be mainly wage policy.

The weekly hours of British non-manuals are much shorter than those of the manual workers. For 1976 the *New Earnings Survey* shows an average of 39.1 hours per week for non-manual males in manufacturing; a difference of 6.1 hours to manual workers. In 1998 there is still a difference of 4.5 hours per week. The weekly hours of the non-manuals of the two countries do not differ as much as those of the manuals. Even collectively agreed basic hours of the non-manuals in Germany do not fall short of the paid working hours of British non-manuals until the mid-eighties. Thus, it is only in the case of manual workers that one can speak of extensive British working times.

◆ Flexible working hours

The fact that extensive British working hours are mainly a result of overtime may already serve as an indicator for greater working time flexibility in Britain. Nevertheless, we have to differentiate between manual and non-manual workers here too.

Comparing overtime a reversed pattern for manuals and non-manuals in both countries can be detected:

[T 6]

According to the *New Earnings Survey*, only manual workers work extensive overtime. On close examination the British „long hours culture“ (Bosch 1998, 350) turns out to be merely a “culture of manual workers' overtime“, whereas in Germany a "culture of non-manuals' overtime" is to be found (Statistisches Bundesamt 1998).

Nevertheless, there still is more working time flexibility in Britain: Data of *Eurostat* differentiates *unsocial hours work* whether it occurred "usually" or "sometimes". According to this, the differences concerning *usual* shift or Sunday work between the two countries are not very great. In Britain, however, evening and night work and the *occasional* extension of working time to Saturday are more widespread (Eurostat 2000, 144ff).

Varying working hours over a defined period is an issue in both countries, too. But a closer look reveals that there are differences in the length of the period over which employees vary hours.

[T 7]

Varying working hours over a week is more widespread in Britain, whereas in Germany annual hours and other longer periods of variable working hours occur more frequently than in Britain.

In our German survey 5.8% of engineering companies report the occurrence of varying working hours over a week for manual and 6.6% for non-manual employees. In the British survey 16.8% of the engineering companies report the same for their largest occupational group. For retail sales assistants the figures are 32% in Germany and 50% in Britain. In

contrast, companies with annual hours are more widespread in Germany in engineering as well as in retail.

This, of course, may not be the whole picture of flexible working time, but the main trends can be recognised: Variable working hours are an issue in both countries, but whereas in Britain varying working hours are often a short-term issue, in Germany long term-agreements are more widespread. The industrial relations of both countries permit flexibility; they do not block more flexible working times in general - but encourage different forms.

These innovations, as well as some other forms of flexibility may partly deteriorate the terms of trade of labour as a commodity, but they are at the same time related to changes in the organisation of work and management practices.

Given the much greater formal possibilities in Britain to arrange 24-hours work and flexible working hours, the only surprise may be that they are not being made use of more frequently. But even the smaller formal possibilities of working time flexibilisation in Germany are not being fully exploited in many cases. Deterred by the related managerial effort and social costs many firms obviously abstain from extending flexibility.

◆ **Part-time work and the distribution of working hours**

In Britain individual working times vary more than in Germany. While in Germany, at least referring to the duration, it still seems adequate to speak of something like a "standard working week", such a standard has virtually ceased to exist in Britain. Moreover, even less standardisation of working hours can be detected for female workers in both countries.

[T 8]

Comparing part-time, there are strong sectoral effects also. The higher part-time rate in Britain may be explained by the greater importance of the service sector. The differences in part-time are even more significant between the sectors than between the countries. There is a clear connection between the service sector, female work, and part-time.

In 1998 the *Employment Statistics* shows for employees in German manufacturing a part-time rate of about 5% (Statistisches Bundesamt, Zeitreihe 258). The "Mikrozensus" reports a proportion of German sales employees in retail working up to 35 hours per week of 48.6%; even the proportion working less than 21 hours amounts to 28.3% (Statistisches Bundesamt 1996). For 1996 the British *Annual Employment Survey* shows a part-time rate of almost 57% in retailing. The part-time rate in manufacturing is significantly below this level in Britain, too (Partington/Mayell/Heap 1997, 463). Despite differing in the proportion of part-timers both the *Workplace Employee Relations Survey* (Cully et al, 33) and *Eurostat* (Eurostat 2000) confirm this sectoral pattern of part-time.

[T 9]

The figures of *Eurostat* might be a bit too low, particularly in wholesale and retail, and in hotels and catering, but they confirm the general pattern of sectoral distribution of part-time work. This pattern is similar in both countries. In the examined sectors a relevant scope of part-time work is only to be found in retail.

The greater individual dispersion of working hours in Britain may be partly attributed to the differences in industrial relations but is mainly due to the higher share of services in the British economy.

The *New Earnings Survey* confirms that basic hours of female workers are more dispersed in retail than in manufacturing.

[T 10]

Taken together, both differences and similarities concerning pay and working time in Britain and Germany have to be stated. The differences between the sectors are partly more pronounced than those between the countries.

In addition, it is important that a common tendency towards individualisation, de-standardisation, and flexibilisation of working time and - more restrained - payment can be observed. The change of pay and working time regimes follows partly distinct paths in both countries, which nevertheless seem to lead in the same direction.

4. Industrial relations in Britain and Germany

The German system of industrial relations, as it is well-known, rests on two pillars: Basic issues concerning pay and conditions are negotiated at the multi-employer level, whereas the works councils mainly control the implementation of collective agreements, statutory rights, and the day-to-day conditions of work at the establishment level. In other words: Employers' associations and trade unions are responsible for regulating the terms of trade of labour as a commodity. Establishment managers and works councils deal with the practical conditions of employment.

Since the eighties there have been signs of erosion of the differentiation between both levels. Firstly, a growing number of single establishment agreements can be detected, secondly, many collective agreements at industry level include so-called "opening clauses", which allow management and works councils to re-negotiate parts of the agreement. Some years ago Rudi Schmidt and Rainer Trinczek introduced the German term "*Verbetrieblichung*" for this tendency towards a more significant role of the establishment or company level (Schmidt/Trinczek 1988). Such a tendency would not only constitute a formal change to a lower level of industrial relations, it would also reduce the influence of employee representatives in general, since German works councils have no right to industrial action and unions do not have much organisational strength at workplace

level. In consequence, not only a tendency towards establishment-based industrial relations but also an erosion of German industrial relations in general can be stated (Bahn Müller/Bispinck 1995, Hassel 1999).

But, despite some shift towards the establishment level, a massive decrease in union membership, and several years of conservative government, the German system of industrial relations still seems to be basically intact. It still seems adequate to speak of a *system* of industrial relations in Germany, as *Locke* and *Kochan* emphasised (Locke/Kochan 1995).

Recent figures show that the coverage rates of collective agreements are still high.

(T 11)

According to the *Establishment Panel* of the *German Institute for Employment Research* (IAB) in 1999 73% of the employees in West Germany are covered by collective agreements, a further 13% work under conditions similar to the collective agreements. Thus, only 14% of employees do not work under conditions influenced by collective agreements.

In East Germany the figures are lower. Here, only a minority of 46% of all employees is covered by sectoral agreements, 11% work under conditions regulated by single employer agreements, and a significant minority of 43% is without agreement at all. But half of the latter work under conditions influenced by collective agreements.

Bearing in mind the decrease in union membership and the tendency to agree “opening clauses”, it becomes evident that behind the façade, the changes in German industrial relations are more important than the figures on collective agreements coverage might suggest. However, since the Social Democrats and the Greens have come to power, there are more signs of a statutory strengthening of employee representation than the other way round. As weak as this legislation may be, the current reform of the *Works Constitution Act* will not lead to anti-union legislation.

In Britain the decrease of collective bargaining has clearly been more pronounced. Multi-employer bargaining in the private sector has collapsed to a large extent. Nowadays two-tiered bargaining has become rare.

According to the *Workplace Employee Relations Survey* the collective bargaining coverage rate fell from 70% in 1984 to 54% in 1990 and further to 41% of all employees in 1998 (Millward/Forth/Bryson 1999, 242). It has to be noted that collective bargaining in most cases does not mean multi-employer bargaining any more. In 1998 in private sector manufacturing only 23% of workplaces report collective bargaining as the main type of pay determination. In 1984 the figure was still 50% (Millward/Bryson/Forth 2000, 188). Often the term “industrial relations” itself is replaced by “employee relations” (Hollinshead/Nicholls/Tailby 1999; Cully et al 1999). Taking into account that only a

minority of employees still work under collectively agreed conditions, it is doubtful whether one can speak of a *system* of industrial relations in Britain any longer.

Comparing the development of industrial relations in both countries, a tendency of divergence can be detected. But although this tendency is generally true, there is a more hidden reverse side of the development in Britain. Although the Thatcher administration achieved their main objectives of weakening the union movement, their measures have caused side effects that could change industrial relations in a non-intended way. The legal obligation to hold ballots before taking industrial action, for example, may be expensive, but it helps unions to improve their democratic image. Similar side effects could result from the obligation to elect executive committees by members. In the medium term British unions may profit from such a more democratic image. Another non-intended effect of Thatcherite anti-union policies could be caused by the way of introduction.

In hindsight Thatcherite union policies may be regarded as a first wave of regulating industrial relations by law, which was followed by a second wave under New Labour. Although the recent legislation on union recognition marks a substantial change on the one hand, it represents a formal continuity on the other. Whereas in the foreground divergent developments between industrial relations in Britain and Germany can be observed, on the backstage legislation gains importance, similar to the German “juridification” (“Verrechtlichung”) (Dingeldey 1997). In other words: While the manifest move was divergence, convergence becomes latent. Recent measures of the Blair government brought this hidden side to light.

But even with these latent developments taken into account, our conclusion concerning the comparison of the last twenty years of industrial relations in both countries still is that there clearly is more divergence than convergence. Whereas in Britain a decrease of collective bargaining and a fragmentation of industrial relations is evident, in comparison the German industrial relations system hardly experienced change.

Contrasting the divergence in the field of industrial relations, the comparison of pay and working time reveals both divergent and convergent features. The influence of industrial relations on pay and working time seems to be an ambiguous one or does not have any remarkable effects at all. Moreover, a common tendency of individualisation and de-standardisation of working conditions can be stated.

These obviously limited impacts of industrial relations could indicate a general decrease of institutional influences, unless other mechanisms could be detected in Britain, which support isomorphic developments in pay and conditions within the sectors despite comparatively low regulation.

Arrowsmith and Sisson (1999) emphasise that taking into account management networks of information and discursive connections, there is less fragmentation in determining pay and conditions in Britain than a focus on multi-employer bargaining would indicate. Even years later, the Engineering Employers’ Federation remains the main source of

information concerning pay and working time in engineering companies (Arrowsmith/Sisson 1999, 69). For example, although terminated in 1989, the national agreement in engineering is still a point of reference for many firms (Jauch/Schmidt 2000). The “going rate” still exists, even if - to quote one of our interviewees - “they now call it benchmarking”.

In conclusion, it has to be stated that the institutional influences in Britain are stronger than might have been expected. However, this institutional impact does not only result from industrial relations but also from shared managerial beliefs and institutions in the sectors or organisational fields. In contrast to engineering, there is no important influence of the employers’ federation on pay and working time in retailing. Nevertheless, retail managers share convictions about pay and conditions, too. But the convictions themselves differ between the sectors. Part-time, as already mentioned, is widespread in British retailing but only marginal in manufacturing.

To take into account institutional influences on pay and working time apart from industrial relations, we complete our concept of influences by the institutions of organisational fields.

(T 12)

5. Channels of international influences

Until now, we have taken the existence of international pressure for adaptation of pay and working time regimes for granted. But in fact, this pressure does not exist for every company and at every time. Currently, due to the strength of the Pound, cost pressure is much higher in British than in German manufacturing. Cost pressure resulting from international competition, however, is only one of the variables influencing pay and working time. We think it will be useful to differentiate between five possible channels of international influence on pay and working time.

(T 13)

Besides - 1) - cost pressure due to international competition four other forms or channels may be relevant.

2) Internal influences within multinational companies - be it from headquarters on subsidiaries abroad or *vice versa* - may take place in different ways. Such influences may spread to other companies if the subsidiaries of multinationals serve as models of innovative work organisation within a region.

3) Cross-border influences are to be expected between companies if these are connected in supply-chains or in production networks.

4) But the adoption of practices is not restricted to companies connected with each other or directly competing in the same international markets. Managerial knowledge may cross

the borders of organisations and countries without direct connection as well. The term *multinational organisational fields* may serve as a keyword for such influences.

5) Finally, beyond direct competition, companies, business networks or multinational organisational fields, there are international influences on state policy and industrial relations themselves.

Cost pressure on pay and working time resulting from international market competition

In both countries labour costs are too high to continue to compete internationally in all activities and in all sectors. But the consequence is rather a loss of jobs in some sectors than a decrease of payment. Both in Britain and in Germany, as well as in our investigated engineering firms, locating in Asia or Eastern Europe is still in discussion and will be probably realised in some cases. But in the investigated companies such a decision mostly concerns only small parts of the manufacturing chain. Significant impacts from competition with real low wage countries on pay and working time could not be found in both countries. Due to the location-bound character of the service sector this applies to retailing, too. Nonetheless, in UK manufacturing cost pressure is currently important, not least because of the strong Pound, but the consequences are less overtime and more redundancies, not a decrease of hourly pay.

In Germany, neither in the domestic nor in the British-owned subsidiaries we investigated does increasing cost pressure currently play a major role. Nevertheless, recent pay increases in the engineering sector in Germany have not been as high as in Britain. In addition, new forms of payment and working time emerge in both countries. One example is *broad banding* in pay schemes, within which there is no fixed amount for a job, but a lower and an upper limit in which, depending on diverse criteria or the discretion of management, pay can be varied. We have already mentioned the incidence of variable weekly and annual hours in both countries.

It does not seem that recent changes in pay and working time completely follow the expectations suggested by the legacies of the national variants of capitalism and industrial relations nor does cost pressure induced by international competition explain them sufficiently.

Multinational companies

Another channel of international influence are the internal control systems within multinational companies. But although the headquarters of multinational companies decide on locations and establishments as a whole, they hardly intervene in pay and working time practices across borders.

In the *engineering sector* we found companies with (more or less) decentralised structures, but with a highly decentralised character in managing pay and working time in every case. The interviewed managers in this sector did not mention the differences in labour legislation or industrial relations between both countries as main reasons for

differences in pay and working time, but the companies' decentralised structures. There are, for example, only weak internal ties between the human resource departments of a large German supplier to the car industry, not only between German and British subsidiaries but within Germany as well. This does not mean that there are no common features between the sites within Germany, but these are a consequence of similar external legal conditions and industrial relations and not of centralised policies. In both British-owned engineering companies the co-operation between the subsidiaries within the country is tighter, but a significant cross-border policy in pay and working time does not exist there as well.

In Britain we investigated one domestically owned establishment in the aerospace industry that can be described as a typical "brownfield site", and another, more "greenfield site", belonging to a domestically owned company which was a former clock manufacturer and now is an electronics company. The differences between both companies in employment relations are significant and resemble HRM textbook stereotypes. In the "brownfield site" unions are recognised, namely the *AEEU* (Amalgamated Engineering and Electrical Union) and the *MSF* (Manufacturing Science Finance), and changes in pay and working time, besides fluctuations in overtime and annual pay increases, have been unknown in the recent years. The situation in the electronics company seems to be completely different. Assisted by consultants, changes in the human resource policy of the company have taken place repeatedly. Currently a change towards a broad-banding pay scheme is being planned. Unions are not recognised at the investigated site, but a joint consultation committee, chaired by the human resource manager, has been implemented. But despite some differences to traditional British employment relations a huge amount of overtime is the normal case in the electronics company, too. All employees signed the opt-out from the 48-hours working time regulations and many of them actually work longer.

Concerning employee representation, both British companies differ remarkably. In substance, but not formally, the workplace industrial relations of the British and the German subsidiary of the aerospace company are very similar. Differences in workplace industrial relations between the investigated sites of the aerospace and the electronics company in Britain are more marked. This, however, is not an effect of internal policies but of sectoral differences between mechanical engineering and electronics.

Only a small number of German as well as British retailers are active in Britain and Germany respectively. The investigated *retail companies* of both countries are much more centralised, they are not only interested in financial control. Both try to implement their business strategy and work systems at home and abroad.

Despite these similarities there are remarkable differences between the patterns of their activities. Whereas German companies in Britain mainly act as discount retailers, in particular in food retailing, British retailers are offering higher priced products, for example, in cosmetics or up to now as full department stores. And while the German retailers in Britain offer product lines that appear to be completely British, British retailers hardly adapt their product lines to the German market.

Regarding the influences on pay and working time, it seems to be the other way round. Whereas in the British subsidiaries in Germany there were no remarkable differences in pay and working time to domestic retailers, German retailers try to transfer their own principles of human resource management to Britain. This means that German discount retailers work with lower staffing levels but pay above their British competitors. Strong influences from British industrial relations on pay and working time regimes of German discount retailers cannot be found. German discount retailers try to apply similar employment rules in Britain as well as at home and in other countries. One reason for the differences in adaptation to the host country is the dissimilarity of the institutional environment of both countries. Until recently, collective agreements in German retail have had a generally binding character (“Allgemeinverbindlichkeit”). This does not permit downward deviation in pay, whereas German subsidiaries in Britain had not experienced such restrictions until the National Minimum Wage was introduced.

However, these different strategies in host countries correspond with the typical features of the retail sectors in both countries, too. The retail margins, the mark-up on wholesale prices, are comparatively low in Germany. The German retail sector is rated as being more efficient. This seems to result mainly from the activities of the very same German discount retailers, like *ALDI* and *Lidl*, which are now active in Britain as well. Together with the US retailer *Wal-Mart*, having taken over *ASDA* in the UK, German discount retailers may cause downward pressure on prices in Britain, known as the so-called “Wal-Mart effect” (Hamby/Jones 2000).

Despite having less experience in selling at low prices, a British retailer like *The Body Shop* is able to compete on the German market because of the image of its products. But this is also the reason why British retailing in Germany is restrained to niche markets. Recently, another British retailer declared the closure of all its subsidiaries on the Continent. This company's economies of scale primarily are based on a complete offer of an own-branded product line. The product line targets a widely uniform consumer group, demanding little product variation. This mode of economies of scale is related to a Fordist pattern of consumption. In consequence, there are narrow limitations of cultural adaptation to foreign consumer markets for the company. In Germany, the outcome is a restriction to the niche markets of multicultural consumers and British expatriates. Besides recent difficulties in Britain itself, this retailer is unable to develop an international growth strategy without leaving its Fordist economies of uniformity.

But all these difficulties to succeed in going international do not result from problems in managing pay and working time or other dimensions of employment relations abroad.

Although the company follows the regional collective agreement in pay and working time, it would not be adequate to conclude that this means strong adaptation for the company. The job descriptions agreed in the collective agreement and the tasks normally occurring in the British company are highly consistent. It was possible to literally “translate” the company's structure of tasks into German as well as to obey the collective agreement. In this respect, department stores are obviously similar in both countries.

The impact of multinationals on pay and working time in retail as well as in engineering, one could conclude, is limited. We found cross-national influences on pay and working time in particular if two conditions come together. Firstly, the company has to have a policy on managing pay and conditions it considers to be superior and, secondly, legislation and industrial relations have to admit its implementation. These conditions are met in the case of a German retailer in Britain but not in the other cases studied. Despite the comparatively low influence of multinationals on the management of pay and working time, we found some similarities between both countries.

Connected companies

In the German subsidiary of a British engineering company, management representatives told us that a big British customer insisted on regular Saturday work. But the background of this has merely been the necessity to meet dates of delivery. Cross-border impacts between companies connected in supplier chains or production networks may be important in other aspects, concerning pay and working time such influences are obviously weak. At least, this is the impression we got of the supplier relations of the investigated companies. Multinational companies may in some other aspects be “flagship firms” in business networks (Rugman/D’Cruz 2000), regarding pay and working time such constellations are apparently not very important.

Multinational sectors and organisational fields

Neither competition on common international markets nor belonging to the same multinational companies or business networks seems to be a necessary pre-condition to adopt practices related to pay and working time. More important are sectoral differences or, since actual similarities do not always match statistical categories, the differences between organisational fields. And as well as organisational fields are partly of multinational character, some aspects of pay and working time are very similar across national borders.

Not all of these similarities within border-crossing organisational fields are really new. Although historical research can detect differences in, for example, remuneration for piecework between Britain and Germany within the textile industry during the nineteenth century, as Biernacki (1995) has done, piecework occurred in this sector in both countries. Both in the past and today, in some aspects the inter-sectoral differences concerning pay practices between engineering and retail might be more pronounced than the intra-sectoral differences between the countries. The easiness of “translating” pay structures from British to German department stores we have already mentioned. The department store as such has neither been a British nor a German phenomenon but an internationally widespread mode of retailing.

In order to take into consideration historical similarities of both sectors of the countries, it might be useful to give up thinking in a dichotomy of traditional national pathways on the one hand and recent internationalisation or globalisation on the other.

The question whether either national legacies or recent globalisation will shape pay and working time in future seems to be misleading, since for many years ideas and knowledge about how to organise a site and to manage pay and working time have already crossed national borders. There seems to be no such legacy that can be regarded as being purely German or British. The labour movement's struggle for the eight-hour day, for example, was not nationally restricted. To quote Bosch, we can speak of an "international convoy, which for 100 years - even though with different pace - drove in the same direction towards a working day of 8 hours and a 40-hours working week" (Bosch 2000, 178; our translation), in other words towards the so-called "normal working day" (Deutschmann 1985). Bosch sees this convoy disbanded today. Comparing Britain and Germany, we can confirm that working hours per week nowadays differ more than twenty years ago. Today, however, a new convoy is moving towards flexible working time.

Neither divergence nor convergence constitute a spatially or chronologically continuous pattern in industrial relations, pay and working time. For this reason, examples for each position can be found: recently growing international pressures for convergence, perpetual national trajectories, and increasing divergence. Because of the difficulties connected with an all-embracing rating of the diverse elements of pay and working time regimes, a decision between divergence and convergence theses, based on quantitative research which expels any doubts, is not available. Historical and theoretical evidence suggests that the story of divergence and convergence will not soon come to an end.

Trying to go beyond the dichotomy of global convergence and national paths, Djelic (2001) speaks of an "interplay" of international and national impacts.

How does this interplay work?

Looking at the company histories of big retailers, one will often encounter travelogues about the discovery of an innovative retail principle in North America, which then was successfully imported into Britain or Germany. In similar ways the thoughts of Frederic Winslow Taylor and Henry Ford were picked up by Europeans.

Foreign, and that often means North American, management knowledge, does not necessarily require specific pressure to be adapted. More important seems to be voluntary adaptation resulting from the belief in the superiority of new management concepts. Not every entrepreneur or senior manager had to travel to the USA, because other mechanisms of knowledge transfer were established in the course of the time. For example, in Germany the *organisation for work-studies* REFA, founded in 1924, was an important player in disseminating "Scientific Management". Today HRM text books, bestsellers like "The Machine that Changed the World" by Womack, Jones, and Roos (1990), and last but not least the cross-border activities of business consultants (Faust 2000) contribute to spread new management ideas.

DiMaggio/Powell distinguish between three mechanisms generating institutional isomorphic change: "(1) *coercive* isomorphism that stems from political influence and the

problem of legitimacy; (2) *mimetic* isomorphism resulting from standard responses to uncertainty; and (3) *normative* isomorphism, associated with professionalization” (DiMaggio/Powell 1983). *Coercive* and *normative* isomorphism may suffer a loss of importance in times of deregulation and de-standardisation of professions and occupations, but the demand for ideas which may help managers to cope with growing uncertainty is obviously increasing. The spread of *mimetic* isomorphism might be less restricted by national borders than that of the two other forms. Moreover, mimetic isomorphism is not bound to direct competition or connectivity, although these can underpin it. We therefore propose to speak of an ongoing process towards *multinational* mimetic isomorphism.

Voluntary adaptation, however, does not guarantee identical development. The meaning of “lean management”, for example, has to be reconstructed anew in each country and in each company. Concurrent with an overall development towards the same direction, there is a re-emergence of diversity.

We expect that the growing importance of business consultants and worldwide communication technologies, like the Internet, will increase the pace of transferring “best practices” across borders. In other words, there will be an acceleration of what Christoph Deutschmann has called “the spiral of management myths” (Deutschmann 1997, 1998). Nevertheless, to accelerate the transfer of management knowledge across borders does not necessarily cause a stronger tendency towards international convergence. Maybe only the periods of divergence as well as of convergence will become shorter.

Multinational influences on industrial relations and governmental policy

We conclude with a short remark on the last channel of international influence on pay and working time: In Britain the impact of the European working time directive is evident, although the Labour government has made use of the possibility to allow individual opt-outs from the 48-hours regulation until 2003. A tendency towards a shortening of the working week can be expected in Britain, too. This admittedly weak tendency towards a “Europeanisation” of British employment relations is underpinned by the introduction of the statutory National Minimum Wage and the law on union recognition. From this side, a convergence of industrial relations and pay and working time regimes of Germany and Britain may be strengthened, or, to use Bosch’s metaphor of the convoy once more, Britain might join the European convoy again.

But whether in the end there will be convergence or not: Despite some exceptions the main direction of the development of pay and working time has been roughly the same across the borders of industrialised countries in the past, and there are no signals for a fundamental change. National trajectories may continue to exist as well, but only as deviations from a general development and not as disconnected national paths.

6. Summary

Empirically based on surveys and interviews in Britain and Germany, the paper raised the question of the influence of internationalisation and multinational companies on the development on pay and working time. Moreover, the paper took into account the role industrial relations play in this context.

By comparing the developments of pay and working time in the two countries, differences as well as similarities were detected. It seems that industrial relations developed in a more distinctive way than pay and working time.

Apparently, national institutions in Britain and Germany do not modify the influence of internationalisation on pay and working time in an unambiguous way. Direct and mediated modes of adaptation of pay and working time are intertwined with each other in both countries.

The paper argued that international influences on pay and working time neither depend exclusively on direct cost pressure from internationalising markets nor on the activities of multinational companies or networks. Basic developments in pay and working time have been influenced by international developments both in the past and today. The idea of a dichotomy of a recent process of internationalisation on the one hand and an older national path of development on the other is therefore misleading. Similarities in pay and working time result not least from shared beliefs or economic myths spreading in multinational organisational fields.

In consequence, voluntary, mimetic isomorphism does not seem to be restricted by national borders, the paper therefore speaks of multinational mimetic isomorphism. Innovations in transport and communication may accelerate the pace of knowledge transfer, but neither a definite tendency towards convergence nor to divergence can be predicted.

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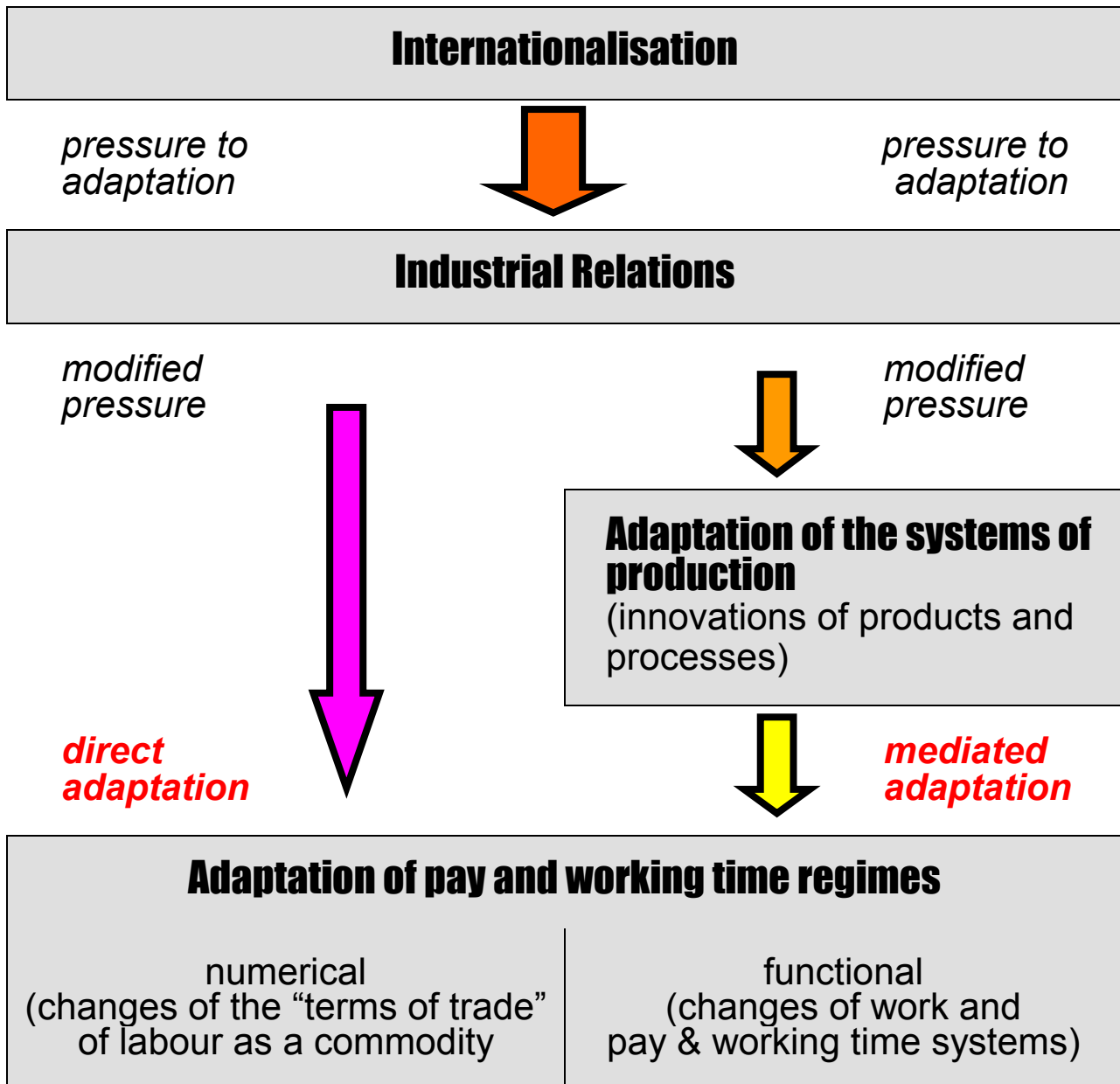
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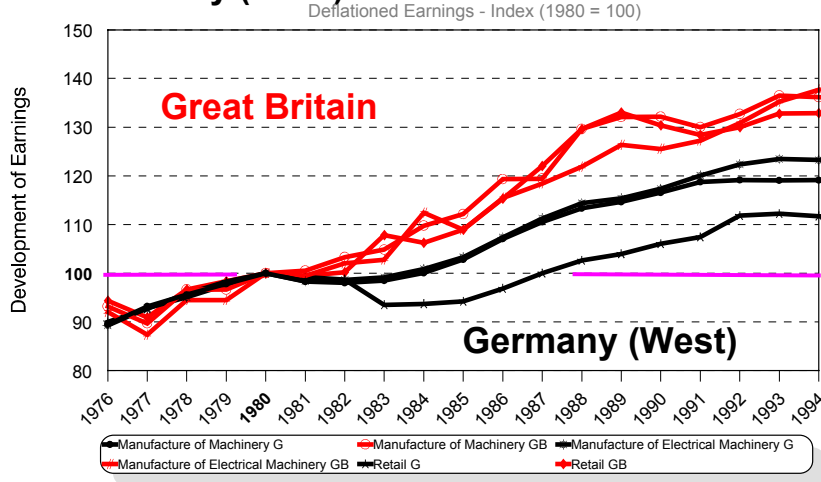
The Impact of Internationalisation and Multinational Companies on Industrial Relations, Pay and Working Time in the UK and Germany

1. Overview
2. The initial hypothesis
3. Pay and working time in the UK and Germany
4. Industrial relations in the UK and Germany
5. Channels of international influences
6. Summary

Types of Adaptation (I): direct and mediated adaptation



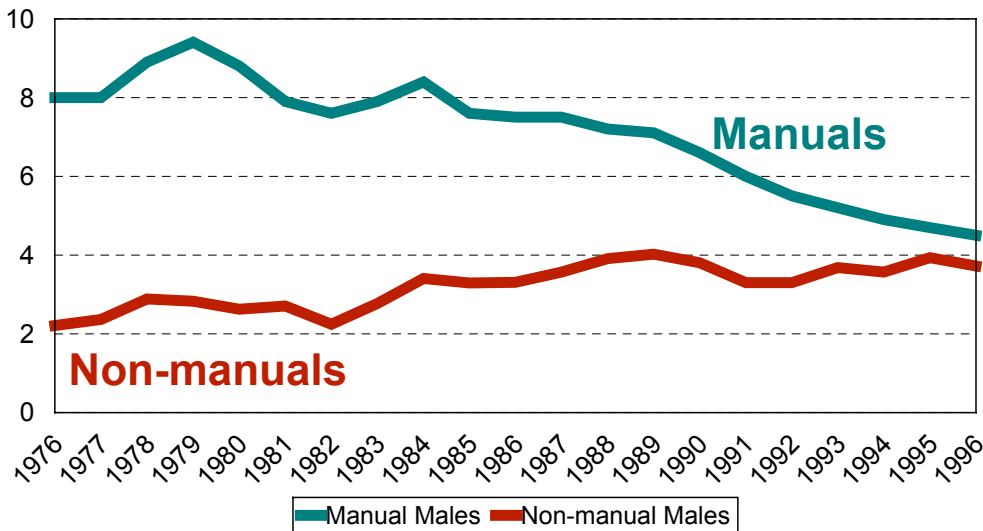
Gross Earnings of Full-time Non-manual Males in Germany (West) and Great Britain 1976-1994



Gross weekly (GB) resp. monthly earnings (G); Deflation on the basis of consumer prices 1980
 Sources: Office for National Statistics, Statistisches Bundesamt, own calculations

T 3

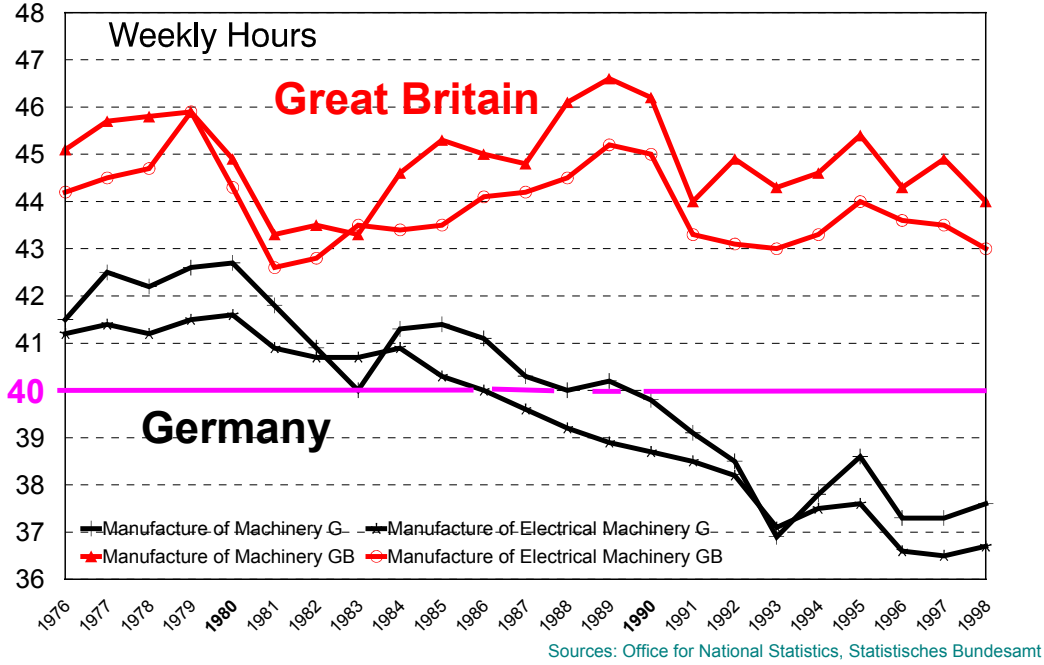
Proportion of Incentive Pay of Total Pay in Great Britain in % Manual and Non-Manual Males 1976-1996



Source: ONS, New Earnings Survey

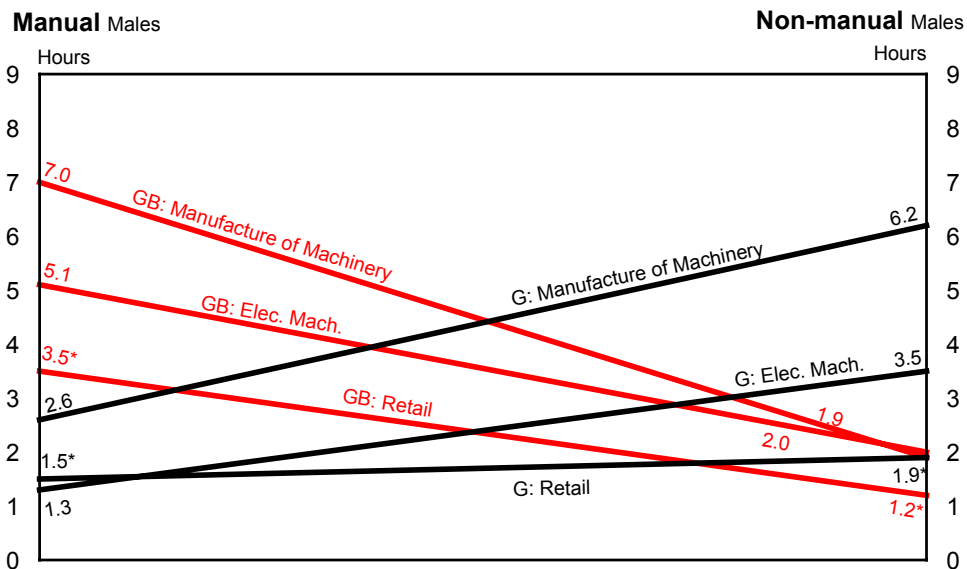
T 4

Weekly Hours of Full-time Manual Males in Germany (West) and in Great Britain 1976-1998



T 5

Overtime Hours of Full-time Manual and Non-manual Males in Great Britain and Germany (West) in 1995

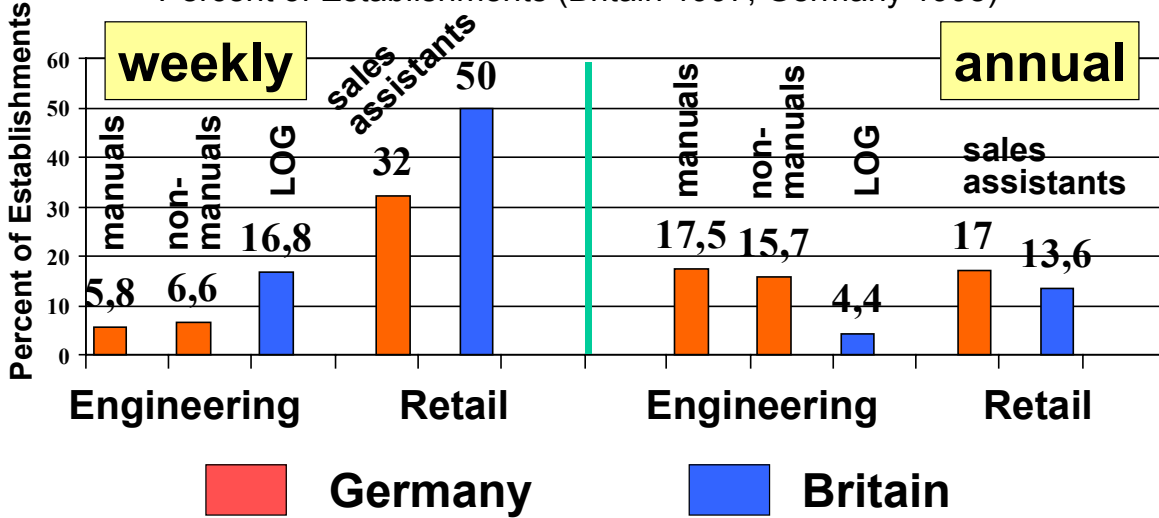


Source: ONS, New Earnings Survey 1995; Stat. Bundesamt, Gehalts- und Lohnstrukturerhebung 1995
 * 1990 Figures for Retail GB und G

T 6

Variable Working Hours

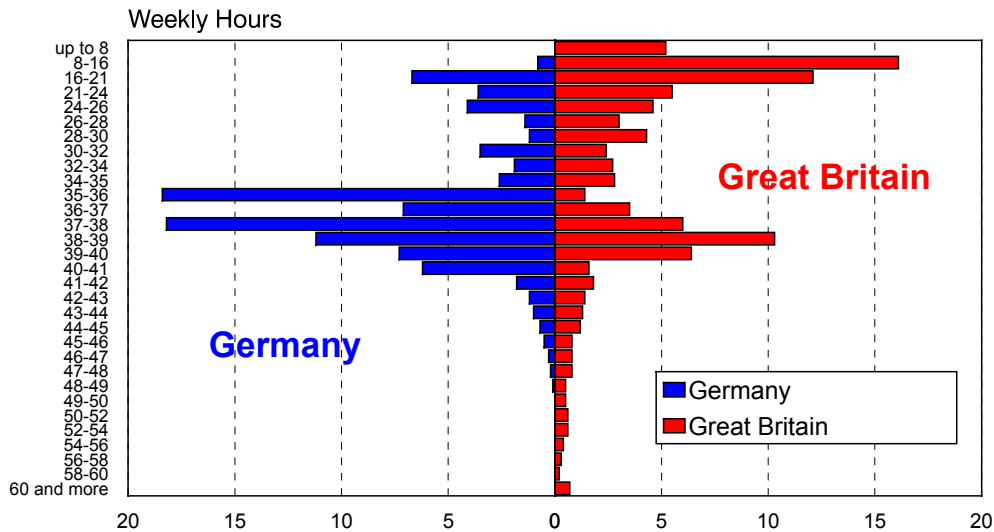
Working Hours Varying over a Week and over a Year
Percent of Establishments (Britain 1997, Germany 1998)



Germany: FATK-Survey 1998; UK: IRRU-Panel 1997

T 7

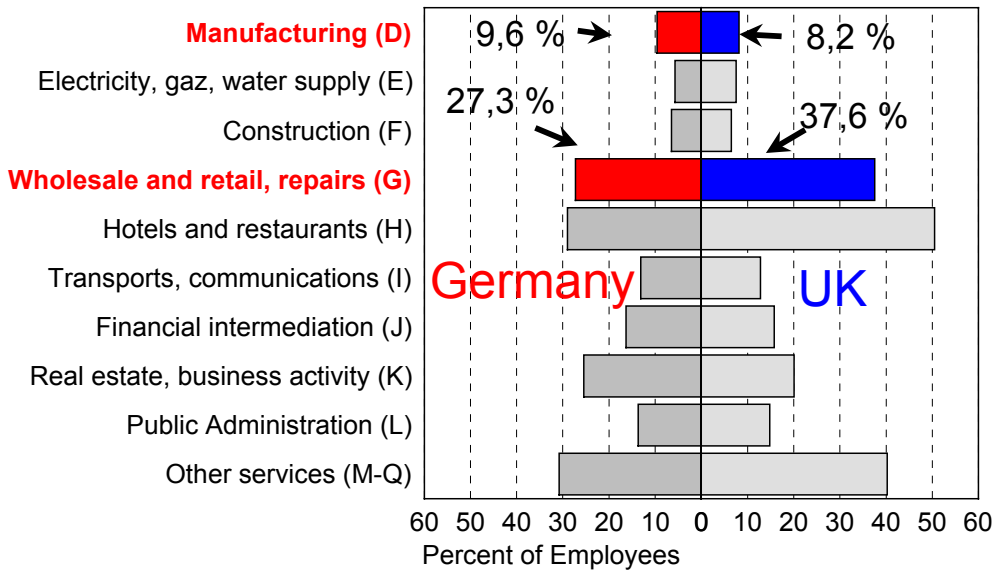
Weekly Working Hours of Manual Females (Full and Part-time) in Germany (West) and Great Britain 1995 in %



Sources: Statistisches Bundesamt; Office for National Statistics, own calculations; overtime inclusive
in both countries manual females with very short working hours are underrepresented

T 8

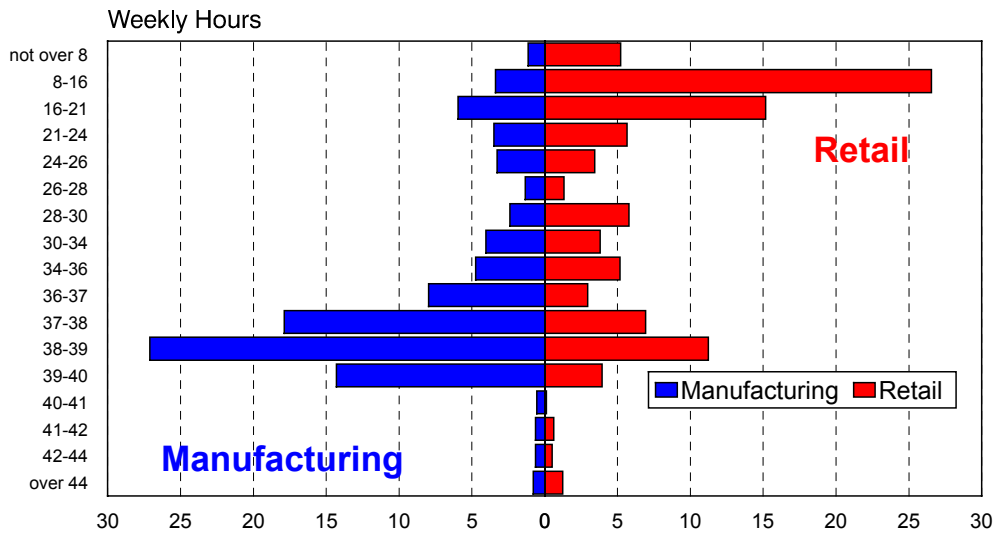
The Pattern of Part-time Distribution 1999 (% of all in employment)



Source: EUROSTAT, Labour Force Survey 1999

T 9

Weekly Basic Hours of Females (Full and Part-time) in Manufacturing and Retail in Great Britain 1999 in %

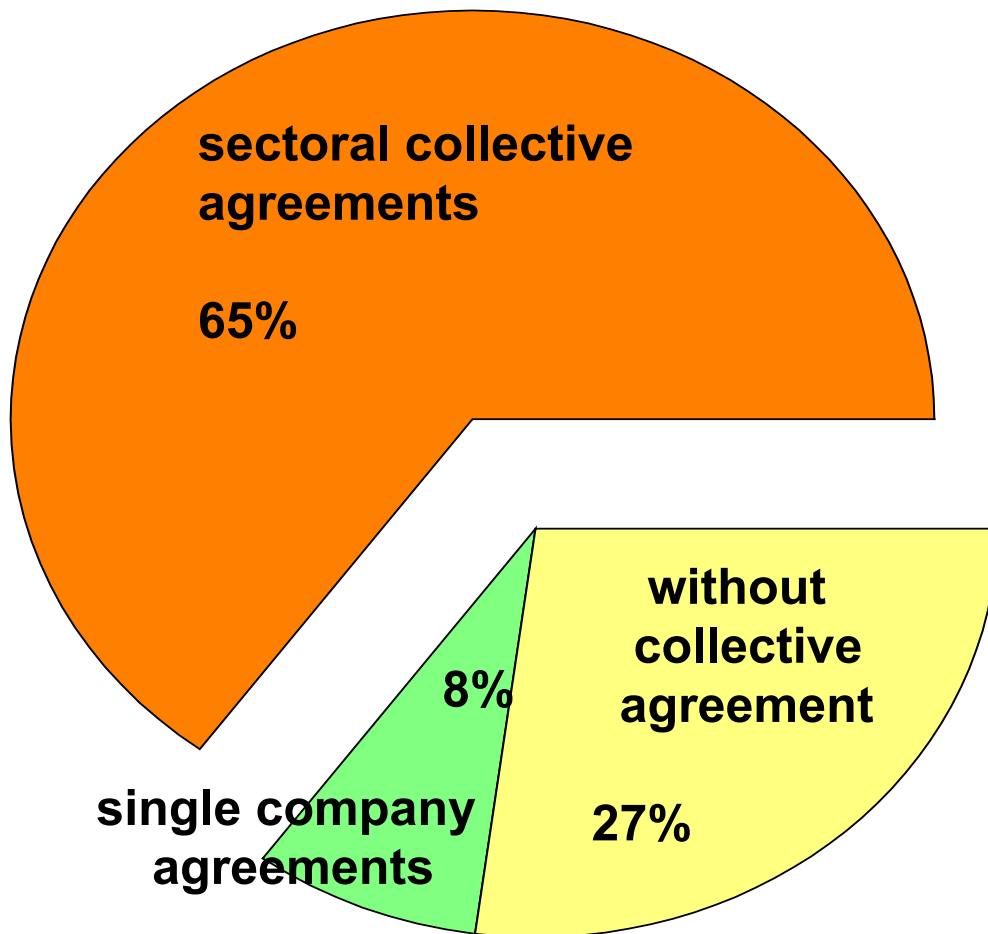


Sources: Office for National Statistics, New Earnings Survey 1999, tables F2 and F 42; own calculations

T 10

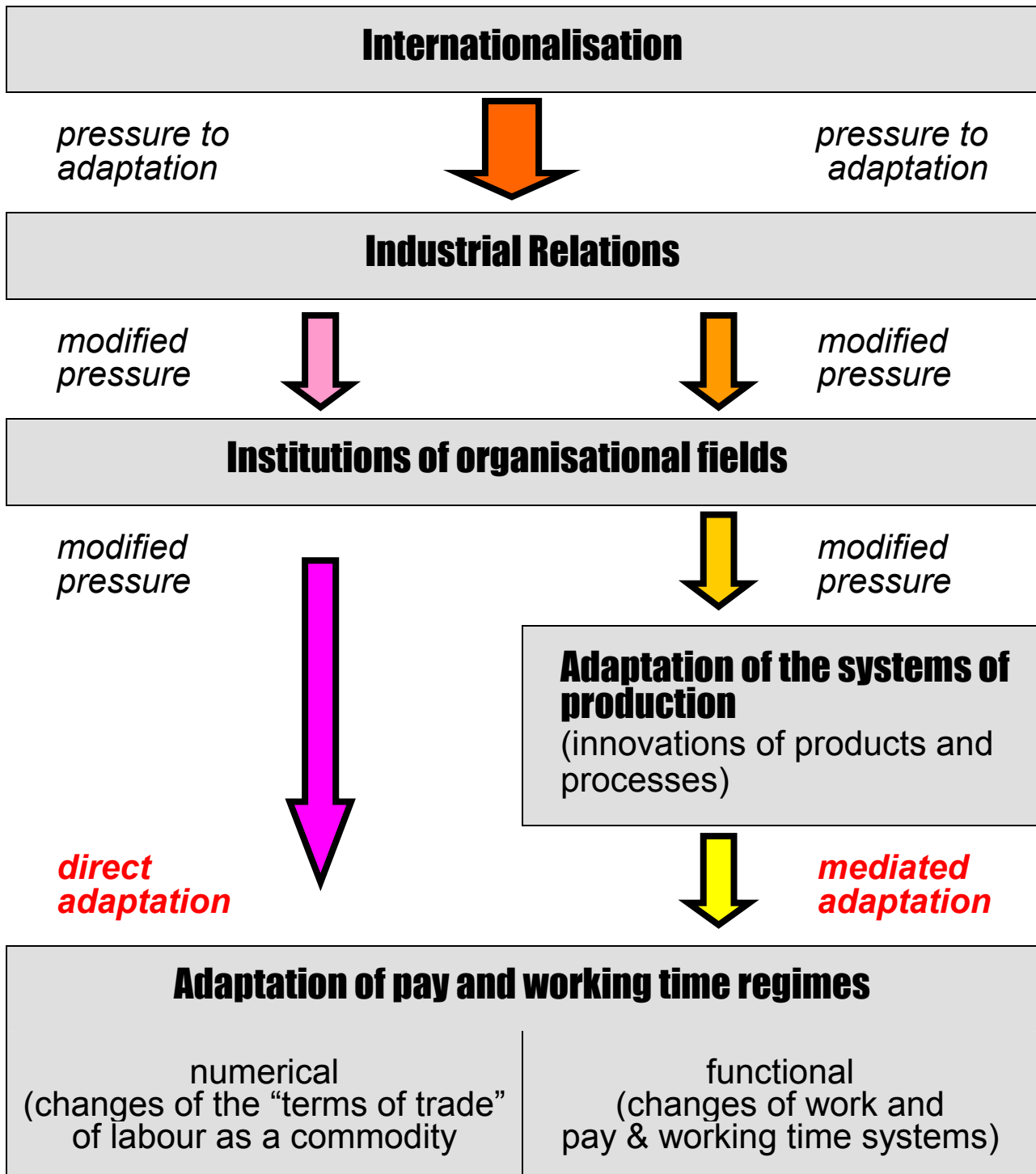
Collective Agreements 1999 in West Germany

- Employees in % -



Source: IAB-Establishment Panel; WSI-Tarifarchiv

Types of Adaptation (II): Industrial relations & organisational fields



Channels of International Influences

