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Beyond convergence versus path dependence: The internationalization of industrial relations at Ford Germany and Britain (1967 - 1985)

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MPIfG Working Paper 09/3

Thomas Fetzer

Beyond Convergence versus Path Dependence

**The Internationalization of Industrial Relations
at Ford Germany and Britain (1967–1985)**

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Max-Planck-Institut für Gesellschaftsforschung, Köln

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Thomas Fetzer is Assistant Professor at the University of Warwick, Industrial Relations and Organisational Behaviour Group.

thomas.fetzer@eui.eu

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Max-Planck-Institut für Gesellschaftsforschung

Max Planck Institute for the Study of Societies

Paulstr. 3 | 50676 Cologne | Germany

Tel. +49 221 2767-0

Fax +49 221 2767-555

www.mpifg.de

info@mpifg.de

Abstract

For a long time scholars of industrial relations tended to associate notions of internationalization with the debate about the cross-border convergence of industrial relations systems. Convergence versus path dependence was thus a key controversy in industrial relations studies for decades. This debate was mirrored in multinational companies when their attempts to “export” industrial relations practices to foreign subsidiaries encountered host country influences that constrained such attempts. In recent years many scholars shown the need for a wider and more complex analysis of internationalization processes that goes beyond the convergence/path dependence dichotomy. Building on this development, the paper presents a historical case study of the impact of cross-border subsidiary integration on industrial relations at Ford Germany and Ford UK between 1967 and 1985. I argue that convergence and path dependence need to be combined with a third “differential internationalization” approach that reflects the country-specific gradual change that emerges from subsidiary integration. The paper concludes by reflecting on the implications of the case study for contemporary internationalization debates.

Zusammenfassung

In der vergleichenden Forschung zu industriellen Beziehungen sind Internationalisierungsprozesse lange vor allem im Hinblick auf eine mögliche Konvergenz nationaler Modelle diskutiert worden. Konvergenz versus Pfadabhängigkeit entwickelte sich zu einer der zentralen Debatten. In der Forschung über multinationale Firmen fand diese Debatte ihr Äquivalent in der Gegenüberstellung von „Exportversuchen“ durch Firmenzentralen und deren Beschränkung durch Regulierung im Empfängerland. In jüngster Zeit haben jedoch viele Autoren darauf hingewiesen, dass eine komplexere Analyse von Internationalisierungsprozessen notwendig ist, welche über die Dichotomie zwischen Konvergenz und Pfadabhängigkeit hinausgeht. Der Artikel schließt an diese Ansätze an und präsentiert eine historische Fallstudie über den Einfluss grenzüberschreitender Integration von Tochtergesellschaften auf die industriellen Beziehungen bei Ford in Deutschland und Großbritannien zwischen 1967 und 1985. Ich argumentiere, dass „Konvergenz“ und „Pfadabhängigkeit“ mit einem dritten Ansatz verbunden werden sollten, den man als „differentielle Internationalisierung“ bezeichnen kann, da er jeweils landesspezifischen graduellen Wandlungsprozessen nachgeht, die aus der Integration von Tochtergesellschaften erwachsen. Im Schlussteil wird versucht, einige Implikationen der Fallstudie für die gegenwärtige Internationalisierungsdebatte herauszuarbeiten.

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1 Introduction

Among comparative industrial relations (IR) scholars,¹ notions of internationalization were for a long time predominantly associated with the debate about the cross-border convergence of IR systems, which had been initiated by John Dunlop and Clark Kerr in the early postwar period (Dunlop 1958; Kerr 1960). Convergence theorists expected international economic integration to be a key dynamic underlying the process towards a common pattern of “best practice,” while their opponents invoked the path-dependent character of national IR systems – shaped by different socio-political legacies (Crouch 1993) and “varieties of capitalisms” (Hall/Soskice 2001) – to reject such hypotheses (Smith 1999). In the case of multinational companies (MNCs), this debate was mirrored in scholarly juxtapositions of MNC headquarter attempts to “export” IR practices to foreign subsidiaries with host country influences that constrained such attempts.²

In recent years, however, the usefulness of the dichotomy between convergence and path dependence has been questioned. On the one hand, there has been a growing appreciation that both approaches are not mutually exclusive – throughout the post-1945 period, IR systems have often shifted in similar ways across Western Europe while, at the same time, country-specific institutional arrangements have shown a remarkable degree of resilience (Smith 1999). In the words of Wolfgang Streeck (1998: 438): “[...] differences in national industrial relations systems can be properly understood only in the context of their interaction with general tendencies.”

On the other hand, recent research suggests that even a combination of convergence and path dependence approaches is unlikely to fully explain internationalization dynamics. It has been demonstrated that internationalization often affects countries in different ways, not only because of different, path-dependent receiving conditions, but also because the exposure to international dynamics varies and because such dynamics are differently “appropriated” in individual countries (Schmidt 2007). In the case of multinational firms, recent work has likewise emphasized that internationalization processes cannot be exclusively understood as interactions between headquarter (HQ) convergence pressures and host country constraints, but points instead to the need for a more complex analysis of the relationship between HQ and subsidiary actors, and their embeddedness in the national and international environments (Morgan/Kristensen/Whitley 2001; Ferner/Tempel 2006).

Building on these insights, the article presents a case study concerned with the impact of the cross-border integration of Ford’s European operations on industrial relations

1 The term “industrial relations” is used here in its conventional meaning as the system of relationships between workers, trade unions, employers and the state that is concerned with the rules pertaining to labor aspects of production (Zeitlin 1987: 159).

2 For the case of US-owned companies, see the overview by Edwards and Ferner (2002). For older accounts of IR practices in MNC subsidiaries in Britain and Germany, see, for example, Steuer et al. (1973), Buckley and Enderwick (1985), Bomers (1976).

in the German and British subsidiaries in the period between 1967 and 1985. “Impact” denotes influence on the three key dimensions of industrial relations systems (Dunlop 1958), namely on the attitudes and strategies of actors (management and trade unions), on IR processes (scope, style, and arenas), and on substantive and procedural outcomes. The case study is based on extensive research in company and trade union archives, on the analysis of the contemporary press, and on interviews with former IR managers and trade union/works council leaders.³

The choice of an historical perspective may appear surprising given a widespread assumption in the literature that MNC strategies to integrate subsidiaries either did not exist prior to the 1990s or did not have much impact because the international macro-economic framework of “embedded liberalism” (Ruggie 1982) prevented the unfolding of regime competition for internationally mobile capital.⁴ However, historians have used the regime competition concept for a much longer time frame reaching back to the late 19th century (Ambrosius 2001). There is also evidence that multinational firms used cross-border integration strategies long before the 1990s; if we confine our focus to postwar Western Europe such strategies emerged in the early 1960s against the backdrop of the creation of the European Economic Community (EEC) and the European Free Trade Association (Jones 2005: 100–101). Ford is a good case study here because the company was among the pioneers in this process.

The article demonstrates that this integration process had an important impact on industrial relations in Ford’s largest European subsidiaries in Britain and Germany from 1967, the year of the creation of the “Ford of Europe” holding company. To explain this impact the article combines the convergence and path dependence approaches with a third interpretative framework, which I term “differential internationalization” and which is designed to account for the country-specific, gradual changes associated with the cross-border integration process. Overall I argue that the impact of subsidiary integration on actors, processes, and outcomes was stronger in the UK because the British subsidiary’s status as a performance “laggard” within the Ford of Europe group entailed stronger regime competition pressure than in Germany, and because national actors in the UK, more than their German counterparts, appropriated international dynamics to pursue strategies for domestic IR change. The latter process was facilitated by the fact that national IR institutions in the UK underwent considerable change between the mid-1960s and mid-1980s. Still, the Ford of Europe integration had important consequences for industrial relations in the German subsidiary, too, as evinced by the emergence of “co-management” and the superimposition of co-determination through rights by co-determination through contract.

3 To avoid a proliferation of archive-related notes I usually refer to my previously published work, where the reader can find full bibliographical information.

4 The few scholars who did analyze the IR implications of such cross-border integration processes prior to the 1990s (see, for example, Kujawa 1971, 1975) tended to unduly downplay their significance.

The article proceeds as follows: Section two presents the threefold explanatory framework of the study, conceptualizing convergence and path dependence as complementary approaches, and introducing “differential internationalization” as an additional third line of interpretation. Section three provides background information about the IR contexts in Britain and Germany, and about Ford’s cross-border integration patterns. Section four describes the IR impact of this integration on the British and German subsidiaries, and section five, systematically distinguishing between the actor, process, and outcome dimensions, accounts for the observed impact by testing the explanatory power of the convergence, path dependence, and “differential internationalization” approaches. In the concluding part the article discusses the implications of the case study for contemporary internationalization debates.

2 Conceptual framework: Convergence, path dependence, and differential internationalization

As mentioned earlier, convergence theories in the IR field have been associated with processes of international economic integration since they were first propounded by Dunlop and Kerr in the early postwar period. These early approaches were based on the logic of “industrialism” – that is, the cross-border spread of technologies and labor process management (Smith 1999: 4–5). In recent years, however, these older ideas have been supplanted by a new version of convergence, which is more relevant for the case study as it emphasizes the importance of cross-border regime competition for internationally mobile capital as the key convergence mechanism. Many authors argue that, as a result of pan-European subsidiary integration, multinational employers have enhanced their capacities to switch investments between countries and to use such threats in negotiations with employees and trade unions. In the words of Wolfgang Streeck, this has turned competitiveness into the new “hegemonic concept” of European industrial relations (Streeck 1998: 439). Evidence for this is abundant in the 1990s and 2000s, in particular with regard to trade union acceptance of wage concessions and/or productivity drives in exchange for medium-term employment guarantees against the backdrop of international investment competition (Zagelmeyer 2001). In the process, industrial relations, next to their function as an instrument of social compromise in the workplace, have become closely linked to the economic performance of firms. IR agendas now often feature issues beyond the “classic” domains of wages and employee welfare, such as investment, outsourcing, or work organization (*ibid.*). Extending the time frame of analysis back toward the period between 1967 and 1985, the article will explore whether the beginnings of such convergence processes can be found in cases of advanced internationalization like Ford prior to the 1990s.

Recent research has also emphasized the convergence effects that can arise from the strengthening of international management structures accompanying processes of

cross-border subsidiary integration. A distinction should be made here between similarities resulting from the fact that stronger international management coordination pre-empts decision-making procedures and delays negotiations in subsidiaries and similarities that are the direct consequence of specific HQ-inspired industrial relations policies. From the existing literature it appears that, with regard to the pre-emptive properties of coordination, one key consequence has been the growing fear of trade unions that they will be “kept in the dark” and lose their institutional influence capacities, which in turn has led them to demand, and to varying degrees also to achieve, an upgrading of labor-management consultation related to issues of corporate strategy. Incidentally, these are phenomena which surveys of industrial relations practices in MNC subsidiaries noted already in the 1970s (Bomers 1977).

With regard to HQ-inspired industrial relations policies, scholars have pointed to a growing trend towards the encouragement of interorganizational learning between subsidiaries as a result of HQ initiatives; in a few cases such as IBM, this has even led to explicit common personnel policies (Edwards/Ferner 2002: 99). However, this seems to be a very recent trend. By contrast, most surveys carried out in the 1970s and 1980s emphasized the relative autonomy of subsidiaries in IR matters within a framework of indirect HQ control through regular reporting and monitoring, and the “carrot and stick” of investment allocation (Kujawa 1971). The case study analysis will test whether some form of HQ pressure for institutional convergence can already be found at Ford prior to the 1990s.

If convergence theories emphasize similar tendencies of change across countries, path dependence theories stress the importance of institutional continuity as a result of distinct national trajectories. In fact, two different strands of path dependence arguments can be distinguished. On the one hand, the term is often used in the sense that long-established structures and action patterns will influence the choices of actors in the present, even in moments of extreme upheaval (“path as legacy” version). On the other hand, path dependence is invoked as a key notion of a punctuated equilibrium model, which draws a sharp line between brief periods of innovation when a new “path” is created and long periods of reproduction once a path has been established (“path as punctuated equilibrium” version – see Streeck/Thelen 2005: 6–7).

In many ways, the latter conceptualization is more precise and interesting than the former; if understood as punctuated equilibrium, path dependence implies institutional change at moments of “critical juncture,” and it also raises the question of how institutions are reproduced during “settled” periods. Scholars working within this paradigm of path dependence have demonstrated that such reproduction is driven by “positive feedback” effects arising, for example, from learning and coordination, from the routinized anticipation of other actors’ behavior, or from engrained notions of legitimacy (Deeg 2005: 171–172). Moreover, institutional reproduction is often encouraged by complementarities between the interconnected institutional arrangements that together form national “varieties of capitalism” (Hall/Soskice 2001).

From a path dependence perspective, internationalization does not lead to cross-border convergence but, on the contrary, to the accentuation of national “paths,” as actors process international dynamics in ways that correspond to country-specific patterns. With regard to regime competition, for example, Hancké (2000) has demonstrated how much different national IR institutions have shaped the outcomes of bargaining in the context of investment competition in MNCs. Likewise, HQ attempts at the cross-border transfer of IR practices have often been constrained by and “fitted” into the distinct IR patterns of different national subsidiaries (Edwards/Ferner 2002: 99–100). As I have already argued, convergence and path dependence approaches are not mutually exclusive – IR systems have often changed in similar ways across nations while, at the same time, country-specific institutional arrangements have remained remarkably stable (Smith 1999). Hence, both approaches need to be considered when assessing the impact of cross-border subsidiary integration on IR patterns in MNC subsidiaries.

However, a growing body of scholarship suggests that even a combination of “convergence” and “path dependence” is unlikely to fully explain the IR impact of internationalization processes. The limits of the path dependence approach have been exposed because internationalization has recently been associated with processes of significant, yet gradual, change to national institutions that cannot be accommodated in either a “path as legacy” or a “path as punctuated equilibrium” version of path dependence. Such gradual change often occurs through shifting forms of “practical enactment” (Streeck/Thelen 2005: 18) of apparently stable institutional structures. It can take different forms, such as “layering,” when new logics of action and institutional arrangements are superimposed on older ones, or “conversion,” when institutions are redirected to new functions or purposes (see *ibid.*: 22–29). For example, in a study of the impact of company-level “pacts for employment” on German industrial relations in the 1990s, Rehder (2003), putting strong emphasis on internationalization dynamics, found considerable evidence for such layering and conversion processes with regard to co-determination and the interaction between company and industry bargaining. A careful analysis of such processes is all the more necessary since the accumulation of gradual change may in turn lead to more far-reaching, path-altering transformations.

Convergence theories are in principle better able to accommodate incremental change, yet often incremental change does not entail a convergence dynamic. Internationalization *can* have effects that lead to similar shifts in different countries, but this is not necessarily the case and, moreover, while convergence effects might operate on one level of institutions, they might not do so on others. Internationalization dynamics often affect countries to different degrees, and national actors “appropriate” such dynamics in specific ways depending on the strategic importance that internationalization acquires in domestic arenas (Schmidt 2007).

Scholars analyzing IR patterns in multinational firms have also emphasized the need to go beyond the simplistic picture of an interaction between host country constraints and convergence pressures emanating from the MNC headquarters (Ferner/Tempel 2006).

What their analyses demonstrate is that it is useful to complement convergence and path dependence approaches with a third interpretative framework, for which I suggest the term “differential internationalization.” The key assumption of this approach is that there is a third “portion” of how international subsidiary integration in MNCs affects national industrial relations, which is likely to be country-specific rather than uniform, and which is likely to entail gradual IR change rather than mere institutional reproduction or radical transformation.

A good starting point to reflect upon the “differential” character of this dynamic is to abandon the assumption that the strategies pursued by MNC headquarter management are necessarily uniform. In other words, even if a set of more or less coherent HQ objectives does exist – which is in itself not obvious (Kristensen/Zeitlin 2005) – this will not necessarily translate into a uniform set of policies. HQ management may opt for a differential approach instead. Most importantly, the transfer of institutional IR practices within MNCs is likely to reflect the performance hierarchy of national economies – HQ “advice” based on some idea of international “best practice” is likely to be strongest in subsidiaries at the bottom of international “league tables” (Ferner/Tempel 2006: 30), while better-performing subsidiaries may even enjoy “dominance effects” (Smith/Meiskins 1995). Other reasons for a differential HQ approach include the importance of specific national markets, the HQ location, or “divide-and rule” tactics, the effectiveness of which may be jeopardized by international trade union cooperation in response to strongly centralized HQ strategies.

The differentiability argument can be given added weight if we factor in the role of actors in national subsidiaries. There is much emphasis in the recent literature on portraying subsidiaries not as passive “rule-takers” but as important players within the corporate group – because of their capacity to “appropriate” HQ strategies (Birkinshaw 2000). HQ initiatives may be frustrated because of subsidiary resistance or token implementation without “internalization” (Kostova 1999). On the other hand, initiatives for the cross-border transfer of IR practices may originate from national subsidiaries themselves (Ferner/Tempel 2006: 30).

Clearly, national subsidiaries cannot be conceptualized as homogenous actors in such processes; the fractioning of firms into “competing social forces” (Amoore 2000) applies to MNCs in a double sense. On the one hand, national subsidiary actors may indeed in some respects define themselves as a coalition with shared interests vis-à-vis the HQ and other subsidiaries. On the other hand, however, there will be a dimension of conflict between different actors at the local and national levels; research on concession bargaining in MNC subsidiaries in the late 1990s, for example, shows clear evidence of conflict between subsidiary management and employee representatives, and also between different groups of workers and trade unionists (Rehder 2003: ch. 6). Subsidiary actors may even consciously use internationalization dynamics to improve their domestic positions over other actors, or they may be perceived to do so. These and other forms of “appropriation” are likely to entail some form of change – actors

may reformulate their interests and give new meanings to established institutions, or use internationalization as a bargaining lever against domestic opponents. At the same time, change is likely to vary across countries, depending on the specific interaction between internationalization and the IR dynamics in national subsidiaries. Incidentally, this focus on “appropriation” allows changing actor interpretations and identities to be illuminated much more systematically than would be possible with the “convergence” or “path dependence” approaches. This is important because it helps to address a further dimension of cross-border subsidiary integration, namely the opening up of a new space of observation and communication for national IR actors. As we shall see, actor perceptions of subsidiary integration processes can be of crucial importance for gradual change in national IR patterns, as can the comparative look at IR practices in other subsidiaries/countries and “externality” effects such as the cross-border repercussions of strikes in particular national subsidiaries (Fetzer 2003).⁵

The picture becomes still more complex if we consider company patterns to be connected with evolving macro-level national institutions. Management and trade unions in an MNC subsidiary – whether acting in concert or not – may use their national “environments” as a resource to accommodate or resist HQ initiatives, or to improve the subsidiary’s position within the MNC network, e.g., through lobbies for investment grants or through exploiting national regulatory requirements and infrastructure resources (Kristensen/Zeitlin 2005: ch. 3). On the other hand, MNC subsidiary actors may seek to implant institutional innovations in national systems by taking advantage of “niches” and/or by advocating change to the macro-level institutional framework, for example through intervention in public debates, government lobbying, or the setting of local precedents (Ferner/Tempel 2006: 28–29). Again, these processes are likely to become a source of change for IR patterns in national subsidiaries, though, at the same time, change is likely to play out differently in different countries, depending, for example, on the degree to which national IR systems are under pressure to change.

To sum up, the “differential internationalization” approach assumes that the IR impact of cross-border subsidiary integration in MNCs will vary between countries, yet maintains that this variation cannot solely be accounted for by different national “receiving conditions,” as path dependence theories would suggest. Instead, the analysis must also take into account how IR patterns in subsidiaries, in dealing with the new international challenges, undergo a transformation themselves. Below, this framework will be applied to the case study of Ford UK and Germany between 1967 and 1985.

5 A further important aspect of this dimension, initiatives for cross-border trade union cooperation, is not discussed here, as the focus of this paper is on the impact of internationalization on *national* IR processes.

3 Industrial relations at Ford UK and Germany 1967–1985: The context

The British and German postwar industrial relations systems

Considering the development of industrial relations in Britain and Germany in the Cold War era, one is struck by the structural and institutional differences between the two countries, on the one hand, and by the contrast between relative stability in Germany and radical change in the UK, on the other. With regard to structural differences, one key aspect was that the relationship between employers and trade unions in the UK was embedded in a pluralist notion of interest representation implying an adversarial approach on both “sides of industry” (Fox 1983). Thatcherism weakened the trade union side in the 1980s, yet failed to produce a partnership model of industrial relations. Indeed, today still, despite many efforts made by “New Labour,” many British IR scholars doubt that such a shift has generally occurred (Marchington/Goodman/Berridge 2004). In the Federal Republic (FRG), by contrast, a social partnership model came to prevail after the mid-1950s – a conscious response to the agonizing class conflicts of the Weimar Republic (Hyman 2001: 50), but also a reflection of the Cold War context, when many trade unions excluded Communists from leadership positions (Schmidt 1970). The late 1960s witnessed the revolt of a new union generation against overly harmonious visions of partnership, yet this did not radically question the “German model.” It was only after the end of the Cold War that the model lost some of its appeal, particularly among German employers, though there is a great deal of debate about the degree of this shift (Streeck/Hassel 2004).

The divergence of actor approaches was reinforced by contrasting IR institutions. In Germany, two-tier co-determination at the company level was institutionally separated from collective bargaining at industry level. In many companies there was an unofficial second round of negotiations, but it was not until the mid-1980s that this arena acquired a significant role in the regulation of employment conditions (see Streeck 1994). This pattern contrasted with the situation in the UK: Against the backdrop of a decentralization trend, industrial bargaining declined after the 1950s, while no statutory instruments of employee representation existed until the 1990s. More generally, prior to Thatcher’s arrival in Downing Street, the role of collective labor law in IR regulation was far less important than in the Federal Republic – collective bargaining agreements had no legal force, and peacefully striking workers and their representatives were granted immunity from criminal or civil prosecution (Davies/Freedland 1993). Conservative legislation brought fundamental change to this “voluntarist” pattern in the 1980s, but did not move to a rights-based system as in Germany (Howell 2005).

As these observations indicate, British IR developments in the Cold War period were much more discontinuous than in Germany. Reform debates became widespread in the UK after the mid-1960s against the backdrop of a new, “Fordist” employer concern with productivity while, at the same time, full employment increased the bargaining power of workers and unions, resulting in the proliferation of wildcat strikes in defiance of dispute procedures (Middlemas 1990).

The government's appointment of a Royal Commission under Lord Donovan in 1965 opened a period of controversial debates about the reform of British IR. Many employers advocated a departure from voluntarism by placing legal restrictions on strikes, and while such ideas were not taken up by the Donovan Commission they did become influential subsequently: The Labour cabinet's White Paper "In Place of Strife" in 1969 and the Tory government's Industrial Relations Act of 1971 were attempts in this direction, which ultimately failed because of union resistance (Crouch 1977). The "Social Contract" on return of a Labour government in 1974 only led to a temporary truce; the economic crisis in the wake of the oil shock effectively buried the "contract," while union militancy increased again in protest at pay restraint and the erosion of wage differentials. A further field of debate emerged with the proceedings of the Bullock Committee in 1975 and 1976 about the possible statutory introduction of worker directors on company boards (Howell 2005: ch. 4). Finally, after the "Winter of Discontent" in 1978/79 had paved Thatcher's way into office, her Conservative governments embarked on radical legislative change that focused on the restriction of strike immunities and the anchoring of financial union liability for workplace disputes. Legislation was backed up by confrontations with unions in the public sector, notably with the miners in 1984/85. The result was not just a new legal framework but the marginalization of unions and collective bargaining altogether (ibid.: ch. 5).

Compared to these turbulent developments, the situation in the FRG remained much more stable throughout the period between 1967 and 1985. Given the social partnership tradition, the conflict-constraining character of IR institutions, and the more limited nature of economic difficulties, the potential for discontent was generally lower. IR reform debates were controversial, yet not to the same degree as in the UK. Institutional reforms culminated in the amendment of the Works Council Act in 1972 and the new *Mitbestimmungsgesetz* in 1976, providing for parity representation of employee delegates on the supervisory boards of large German firms (Schneider 2000: 347–348). German employers opposed the latter reform bitterly, yet they grudgingly accepted the new situation. At the same time, there occurred important yet gradual changes in the practice of *Mitbestimmung* (see Jackson 2005). Unlike the Thatcherite onslaught in Britain, the conservative turn of German government policy in the early 1980s entailed rather little change, notwithstanding strong union anxieties to the contrary. The most significant development occurred in the collective bargaining arena, namely the onset of a trend towards decentralization, and the concomitant rise of works councils as bargaining agents in many firms (Streeck/Hassel 2004: 105).

Ford's European reorganization: Towards cross-border subsidiary integration

June 1967 marked a fundamental transformation of the Ford Motor Company's European operations. The traditional reliance on two parallel organizations in Britain and Germany was abandoned in favor of cross-border subsidiary integration, backed by a

new international management structure, the holding company Ford of Europe located in Warley/Essex (Tolliday 2003a: 182–185). Ford of Europe was organized along functional reporting structures, which interfered with the autonomy of national subsidiaries despite the fact that the latter retained their legal independence (Harbridge House Europe 1984: I, 1–3).

The main task of the new organization was to integrate the British and German subsidiaries in terms of product development, manufacturing, and sales. In product development, the two centers in Dunton (UK) and Cologne-Merkenich (Germany) were thoroughly reorganized into new European groups, and by 1972 Ford disposed of a largely standardized European vehicle range featuring the *Escort*, *Capri*, *Cortina/Taurus*, and *Consul/Granada* models (see Tolliday 2003a: 190–191). In the mid-1970s the range was extended by the small model *Fiesta*. In manufacturing, one crucial change was that now several production plants shared the final assembly of the same models. The *Cortina/Taurus* and the *Granada/Consul* ranges were produced in the oldest Ford plants at Dagenham (East London) and Cologne-Niehl, while the *Escort* was assembled at Halewood (Liverpool) and Genk (Belgium),⁶ and from 1970 also in a second German plant at Saarlouis. Parallel to this, an extensive cross-border exchange of components was put in place. Halewood, for example, supplied gearboxes to continental plants while receiving press panels from Genk and Saarlouis. As for marketing, the German and British subsidiaries, instead of selling cars independently of each other, now represented Ford of Europe exclusively in some countries while being barred from sales in others.

In the late 1970s and early 1980s, cross-border subsidiary integration was further reinforced. On the one hand, the European network was extended – a new “Iberian” pillar with assembly and manufacturing operations in Valencia (Spain) and component production in Bordeaux (France) complemented the German and British operations. On the other hand, Ford of Europe’s influence over national subsidiaries further increased with a number of pan-European initiatives, most importantly the so-called “After Japan” program, which focused on the lessons Ford needed to draw from the competitive challenge posed by Japanese firms (Starkey/McKinlay 1994).

The balance between the German and British subsidiaries clearly shifted in favor of the former between 1967 and 1985, with the notable exception of the product development division, where Ford UK retained a slight numerical dominance. The British share of Ford’s European car production fell from 55–60 percent in the late 1960s to about 20–25 percent in the mid-1980s. By contrast, the German share grew from 40–45 to around 60 percent in the late 1970s, before slightly dropping to 55 percent in the early 1980s as a result of competition from the new Spanish operation, which now accounted for some 15–20 percent of Ford’s annual European output (Tolliday 2003b: 144). On the one hand, these shifts reflected the diverging performance of the British and German motor industries during this period – the industry became the paradigm case of the

6 The Genk plant was operationally integrated into the German Ford subsidiary.

export-led “German economic miracle,” while the deteriorating position of British car firms epitomized the country’s much-debated “decline” (Whisler 1999). On the other hand, Ford also pursued a “slow and deliberate policy” of reducing Ford of Europe’s dependence on its UK manufacturing base, expressed, for example, in the conscious decision to concentrate larger and higher value-added models in Germany (Harbridge House Europe 1984: VIII, 10).

The creation of Ford of Europe initially did not entail deliberate attempts at European harmonization of IR practices; as noted by contemporary observers such as Kujawa (1971), the IR function remained one of the most decentralized areas within Ford’s new European structures. However, Ford of Europe played an active role in “counseling” national subsidiaries in labor issues (Friedman/Meredeen 1980: 37–40), although, as we shall see, this mattered to different degrees in the two countries. A shift towards more pan-European initiatives did not emerge before the early 1980s, when the “After Japan” program was combined with the transfer of concession bargaining from the United States to European subsidiaries (Rehder 2003: 68).

4 Internationalization of industrial relations at Ford UK and Germany

United Kingdom

In the British Ford subsidiary, the impact of European reorganization was felt soon after 1967, which was not least the result of an emerging dynamic of regime competition. Ford started to use its enhanced “exit” options strategically to reduce its dependence on a UK manufacturing base, claiming time and again that this was primarily a reaction to the industrial relations problems it encountered in the UK. After nine weeks of strikes in 1971, Henry Ford II notoriously commented that he “could not in good conscience recommend to [his] Board any new capital expenditure in Britain” (cited in Tolliday 2003b: 95). One should be wary of taking such claims at face value because Ford did continue to invest in the UK, and also because there were other reasons for the British subsidiary’s problems, such as the comparatively low growth of domestic demand and the UK’s belated entry into the European Community. However, there can be little doubt that German–British IR comparisons did play a role in the downgrading of Ford UK during the 1970s (Fetzer 2003).

Regardless of the degree to which investment decisions were influenced by IR considerations, Ford’s new exit options also enabled the company to deploy the *threat* of investment diversion as a bargaining instrument. To back up these threats, Ford developed techniques of European productivity comparison, which became an almost permanent device of management after the late 1960s (Beynon 1984: ch. 11). They were presented as illustrations of the “gap” that needed to be closed in order to “earn” more investment;

in practical terms they were employed to counter union wage claims, as well as to urge revisions of workplace practices (e.g. manning, work standards). Still more important was the link between productivity and strikes, in particular with regard to wildcat disputes, which were branded as the “British disease,” preventing steady production flows that were essential to exploit the scale economies of mass car manufacturing. Frequently, Ford management coupled such exhortations to investment boycott threats, in order to increase the pressure on trade union negotiators. In the late 1970s and early 1980s, there was a certain shift towards emphasizing challenges and investment opportunities rather than threats, yet regime competition continued to be used as a major bargaining tool by Ford UK management (*ibid.*).

These management bargaining strategies were closely connected to the parallel national debates about British economic “decline” (Tomlinson 2000). In fact, events at Ford often became national “issues” as they were promoted to center stage in the national media and repeatedly discussed in the House of Commons. Ford’s productivity comparisons between plants in different European countries played a crucial role in the numerous national inquiries into the crisis of the motor industry after the collapse of British Leyland in 1974/75. Even Prime Ministers Wilson and Heath became personally involved in Ford IR matters (Fetzer 2005: 140–142, 156–158, 197–198).

The regime competition dynamic resulting from Ford’s European reorganization also became intertwined with management attempts at institutional IR changes which focused on strategies to reduce the incidence of wildcat strikes in the British subsidiary. This involved pressure to change IR and trade union procedures following the examples of the more “orderly” German and US systems. As the former Ford UK labor director Paul Roots put it: “In Britain, Ford tried for a long time to persuade British unions to act like American unions [...] After the creation of Ford of Europe, we also started to look at German industrial relations” (Roots 1984: 15–16). One idea which was brought up time and again in this respect was to induce British unions to discipline workers participating in wildcat strikes, for example through an agreement to replace such workers with groups of volunteers.

In the late 1960s and early 1970s, Ford also supported the reform of British IR at the national level as an indirect way to change company-level industrial relations. European reorganization again played an important role in this process. On the one hand, Ford consistently lobbied for more legal restrictions on strikes in meetings with government ministers. In 1970/71, for example, company officials strongly encouraged Prime Minister Heath to pursue his US-inspired agenda of IR reform, emphasizing the need for more “orderly” industrial relations to improve Ford UK’s position in the competition for investment with other European subsidiaries (Fetzer 2005: 164). On the other hand, Ford tried to set a legal precedent in February 1969 when the company sought a court injunction against a strike call by the two largest unions TGWU and AEU on the grounds that bargaining agreements, once concluded, were legally enforceable. This represented a frontal attack on a core tenet of voluntarism, the non-legal character of

collective contracts, and the move was widely interpreted as being the result of instructions from Ford of Europe. Many trade union representatives also suspected a link between Ford's challenge to voluntarism and the parallel debates about the Labour government's "In Place of Strife" (Friedman/Meredeen 1980: 226–228). However, Ford lost the court case, and subsequent government efforts to "legalize" British IR failed because of trade union resistance.

More generally, management pressure based on European productivity benchmarking had little effect until the mid-1970s; apart from a few exceptional instances, British trade unions resisted such concession bargaining tactics, most graphically expressed in the successful campaign for wage parity with Midlands motor firms in 1971 in the face of investment boycott threats (Mathews 1972). Defending their militancy, union representatives argued that the "productivity gap" vis-à-vis Ford's continental plants primarily reflected an "investment gap" – according to this logic, the key to higher efficiency lay with the company itself rather than with workers and trade unions. Likewise, management attempts to interfere with internal union procedures to reduce wildcat disputes were rejected. The fact that it was management that extolled the virtues of German and US practices was sufficient to ensure union hostility. Moreover, there was a popular notion of Britain as the birthplace of modern trade unionism and a concomitant widespread condescension towards American and German IR practices (Fetzer 2005: 217–218).

Following the oil crisis and the state takeover of British Leyland in 1974/75, "moderate" trade union voices became louder. A number of union officials participated in tripartite "study trips" to Ford's continental car plants and actively supported government efforts to entice the investment of a new Ford engine plant to Wales in 1977 (Beynon 1984: 334–339). However, these were still rather isolated instances of cooperation, which, moreover, were fiercely criticized from within the Ford trade union organization. Real change only came about in the late 1970s against the backdrop of growing unemployment and the popular appeal of Thatcher's pledge to curb trade union power in order to restore Britain's economic strength (Tomlinson 2000). Ford management's emphasis on the need to catch up with productivity levels in other European subsidiaries now found a stronger resonance among employees and hence undermined resistance to concession bargaining tactics. Though such resistance still erupted intermittently during the early 1980s, trade unions at Ford UK now generally accepted management arguments relating to investment competition with other European Ford locations, as expressed in several agreements to reduce the number of industrial disputes and to reform workplace practices (Fetzer 2005: 255–260).

The impact of European cross-border subsidiary integration on IR at Ford UK was not confined to regime competition. Independently of management pressure for concession bargaining, the trade unions started to apply pressure on the company for a widening of IR agendas to include issues of corporate planning from the late 1960s onwards. This reflected recurrent uncertainty over Ford of Europe's impact on future employ-

ment prospects, as much as the need to obtain information about trading and transfer price systems for the preparation of collective bargaining. The demand for more and better information and consultation on corporate planning turned into a staple of trade union positions at Ford UK. White-collar unions representing technicians and clerical staff were particularly active in this regard (Fetzer 2005: 164–168).

However, the company showed no inclination to accept regular consultation arrangements until the mid-1970s. Indeed, arguments over what kind of information relating to international company strategies the unions were entitled to obtain became a permanent bone of contention itself. For their part, the trade unions tried to enlist the support of “external” actors. Ford shop stewards approached government ministers to obtain information about Ford of Europe. Public campaigns and the lobby of members of parliament were organized to force Ford to disclose future business plans, or even to alter them in line with trade union aspirations. In 1976, for example, a union lobby of MPs contributed to an upgrading of the production for the new model Fiesta in the UK. There was also widespread support for a TUC campaign to improve legal rights to information disclosure in multinational firms. A minority led by the technicians’ union DATA wanted to go further, making strident, though largely unsuccessful, efforts for more government control over Ford and other multinational firms, through such instruments as so-called “planning agreements” (ibid.: 132–135, 200–204). Finally, there was the Bullock Report and the issue of worker directors. Only a minority within the Ford trade union organization actively supported this demand; the skepticism of the majority was not least nurtured by comparative observations of German co-determination. Ford UK management strictly opposed the implementation of any board participation schemes, yet by the mid-1970s eventually agreed to improve consultation procedures as part of a limited move towards “management by consent” (Friedman/Meredeen 1980: 246–247).

Industrial relations at Ford UK between 1967 and 1985 were also influenced by the growing interdependence between national subsidiaries, most importantly with regard to strikes. Ford’s new system of cross-border deliveries made the company more vulnerable to disruption, and British unions exploited this new opportunity. Union tactics were often designed to ensure a rapid breakdown of cross-border transactions to increase bargaining pressure on the company; in the product development division, this could take the form of a ban on liaising with German personnel, while in manufacturing it mostly meant the blockade of component deliveries from British to continental plants. In the initial period especially, this tactic was crucial in securing bargaining concessions, yet from the late 1970s onwards, in line with the shift towards “moderate” trade union positions, it was less frequently used than before (Fetzer 2003).

Germany

In contrast to the UK, regime competition was not a major issue for industrial relations at Ford Germany until the late 1970s. There was no significant management pressure for concession bargaining, apart from an ill-designed and abortive initiative to reduce the annual summer holiday from four to three weeks in line with practice in the UK. Indeed, Ford of Europe managers and Henry Ford II himself often praised German workers – much to the dismay of the trade unions and the works council, who complained that Ford should pay higher wages to its German employees rather than lip service to good industrial relations (Fetzer 2009: 115).

It was only in the late 1970s that the situation slowly changed. From about 1977, Ford management started to complain about “high German wage costs” that were allegedly hampering future investment prospects. Several appreciations of the Deutschmark vis-à-vis the pound and the opening of the Spanish plant in Valencia turned Germany into Ford’s European “high-cost location.” Senior Ford of Europe managers publicly claimed that cost competition, which favored the British and Spanish sites, would become more important in the future. The decision to build a new engine plant in Wales rather than in Germany was quoted as a warning example.⁷ There was also more pressure on the local works councils to either grant overtime requests or face the prospect of partial production relocation to the UK or Spain.

In the early 1980s these pressures intensified as Ford moved to a pan-European approach to concession bargaining (Rehder 2003: 68). This occurred for the first time in the negotiations over labor-related aspects of the “After Japan” program in 1980. Of more far-reaching importance was the fact that Ford started to use the decentralization of German collective bargaining as a lever for concession bargaining. In the 1984 negotiations over the implementation of reduced working time in the metal industry, Ford insisted on a daily reduction pattern, emphasizing that this was the only way to avoid a further labor cost disadvantage of German plants vis-à-vis other European Ford locations.⁸ In 1985, Ford of Europe management threatened to relocate a large part of Ford Germany’s product development division to the UK, and it was only possible to avert this threat because local subsidiary managers and works councilors jointly developed alternative plans for cost reduction, which, however, involved significant employment cutbacks and wage concessions.⁹ German labor representatives actively participated in the management of competitiveness from the late 1970s onwards, which contrasted with the British pattern of union weakness and compliance.

7 “Verbund für die ganze Welt,” *Managermagazin* 5/1978.

8 “Bericht des GBR zur Betriebsversammlung IV. Quartal 1984,” file “BR Ford-N ab Jan. 83,” Archives of IG Metall, Cologne,

9 “Fordwerke AG, Vereinbarung zwischen dem Vorstand und dem Gesamtbetriebsrat der Ford-Werke Aktiengesellschaft über einen Restrukturierungsplan für den Zeitraum 1986 bis 1990, 10. Oktober 1985,” Archives of the HRM Department at Fordwerke AG, Cologne.

Compared to the British situation, the absence of management attempts to alter IR institutions is also notable. In the literature concerned with the IR approaches adopted by the German subsidiaries of US firms it is often claimed that they have had a tendency to avoid or reduce the impact of industry bargaining and co-determination (Colling et al. 2006). In the case of Ford this only applies to the early postwar period. Under pressure from an IG Metall organizing drive, Ford decided to join the regional employer association in 1963, a decision driven by Ford Germany's IR management despite some reluctance in Detroit (Wittmann 1994). During the 1960s and 1970s, Ford of Europe and Ford US continued to occasionally question the usefulness of industry-level bargaining; however, German subsidiary management insisted that this was important to shield Ford from IG Metall attacks.¹⁰ In the early 1980s, as we have seen, a degree of decentralization did indeed occur, but this did not entail Ford's withdrawal from industry bargaining. Rather, agreements such as the one related to the restructuring of product development in 1985 institutionalized company bargaining as an additional source of regulation of employment conditions, which supplemented industry bargaining.

With regard to co-determination, Ford did not adopt a hostile position either. The relatively cooperative relationship with the works council gave little reason to question this institution; indeed, in the co-determination debate of the early to mid-1970s, senior Ford managers went on record as being in favor of parity co-determination on supervisory boards, even though it was emphasized that worker representatives should not include external trade union delegates. In 1974, Ford of Europe recommended its German subsidiary to lobby politically against supervisory board parity, but otherwise concluded that "the movement towards co-determination in Europe is accelerating fast and is inevitable" (Fetzer 2009: 119).

Regardless of the absence of conscious company moves to alter German IR institutions, the creation of Ford of Europe had a number of "collateral" effects upsetting industrial relations procedures at *Fordwerke*. There was, for example, the problem of posted foreign managers. Most British and US managers sent to Cologne in the late 1960s spoke little German and were not familiar with the complicated legal requirements of co-determination. Almost inevitably this led to clashes with labor representatives, as, for example, with regard to issues such as overtime work. Protests at the behavior of individual managers often turned into a more general criticism of Ford of Europe. In February 1970, for instance, the leadership of the local Ford trade union organization categorically requested clear guidelines for foreign managers, obliging them "to be familiar with the German language, mentality and legal order" (ibid.: 110).

More structurally, the creation of Ford of Europe entailed constraints for manpower planning in the subsidiary. Tight monitoring of national headcount levels by the European holding meant that consultation on such issues always had a provisional character, triggering repeated works council complaints that German management was no longer

10 Memo "Ford Germany membership in employer association," 6 June 1984, in: ibid.

“master in its own house.” Still more importantly, the shift of strategic decision-making to the European level reduced the power of the German subsidiary’s supervisory board – and hence the effectiveness of co-determination. Discontent with these IR implications of European reorganization nurtured a strong attachment on the part of German labor representatives to *Fordwerke’s* autonomy, which they felt needed to be defended against European centralization (Fetzer 2009: 111).

Against this backdrop, the *Fordwerke* works council soon started to press for the adaptation of IR procedures that would reduce Ford of Europe interventions, while, at the same time, allowing organized labor to have some institutional involvement in European planning decisions. To some extent this was a parallel to British unions’ lobbying to widen IR agendas, yet, unlike their UK counterparts, German labor representatives did not target “external” actors (government, media, and the like) but sought informal company-level arrangements to supplement co-determination. And, again in contrast to the UK, German subsidiary management was quite willing to accommodate these demands. In the product development division, for example, employee unrest over cross-border relocation in 1968 and 1969 led to the conclusion of a specific agreement providing for works council consultation prior to European restructuring measures. Moreover, German managers with strategic Ford of Europe positions agreed to hold regular meetings with works council leaders. While this did not alter the structural limits of co-determination, it did provide new instruments for the works council to deal with the new European environment. At the same time, yet again in complete contrast to the UK, the new arrangements reinforced labor–management cooperation rather than conflict (ibid.: 116).

In fact, social partnership partly turned into “national partnership” – the improvement of *Fordwerke’s* position within the European network became a major joint objective of works council and German management throughout the 1970s. In this respect, works council leaders and German IR managers also started to perceive legal co-determination rights as a buffer to resist or modify Ford of Europe decisions that appeared to run counter to *Fordwerke* interests. In 1973, typically, the Cologne works council chairman publicly lobbied for extended co-determination not to strengthen labor’s voice vis-à-vis capital, but to increase the weight of German management positions within the European holding (ibid.: 115).

This did not mean that there were no conflicts. *Fordwerke’s* senior management grew increasingly impatient about persistent works council demands for a return to the era of “German independence,” especially when they were voiced in works assemblies or, very rarely, in the press. In their turn, labor representatives never ceased to complain about the lack of German management initiative to change Ford of Europe’s model policy and budgetary control. However, these were conflicts of a much more limited nature than in the UK – and they were firmly embedded in a shared commitment to strengthen the role of the German subsidiary within Ford of Europe.

“National partnership” was further accentuated by the experience of international bargaining and strike interdependence. Since 1968, industrial conflicts at Ford UK led to frequent disruptions of component deliveries, causing lay-offs and short-time work. While publicly refraining from open criticism of British unions, German labor representatives complained that they were supposed to bear the brunt of foreign industrial relations struggles. Works council leaders showed no inclination to support British unions by solidarity actions. Instead they happily concurred with *Fordwerke* management plans to exploit such opportunities to lobby for more Ford of Europe investment in Germany. For example, during the 1971 dispute, works council and management in Saarlouis asked for an engine plant to make assembly less dependent on British sources and the “British disease” – the label frequently used to describe labor relations in the UK (Fetzer 2009: 112). Works council representatives and management also made joint efforts to secure the payment of benefits by the labor exchange for German Ford workers put on short-time work as a result of strikes in the UK. On one occasion, this led to a serious clash with the national IG Metall leadership, who argued that German taxpayers could not be expected to cover the losses Ford incurred because of its integrated European business structure.¹¹

More than in the UK, European reorganization also had an impact on internal union politics at Ford Germany. European managers and strategies were often strongly criticized in works assemblies, at times the portrayal of the European holding as “our common enemy” was used to overcome divisions within the local union organization.¹² In the late 1970s, Ford of Europe also became an issue in works council elections; moderate leaders increasingly defended their cooperative stance by pointing to the “imperatives” of regime competition against other European Ford locations. This pattern was to intensify in the early 1980s – “co-management” in the name of “national interests” became the dominant approach of works council politics at Ford Germany.

5 Beyond convergence versus path dependence: Explaining the internationalization of industrial relations at Ford UK and Germany

The case study evidence demonstrates that the cross-border integration of Ford’s European operations had a considerable impact on industrial relations in the British and German subsidiaries from the late 1960s onwards. It is time now to go back to the three-fold explanatory framework presented earlier and ask to what extent the convergence, path dependence, and differential internationalization approaches are able to account for the observed impact. As highlighted in the introduction, it is useful here to separate

11 “Ford steht still, wer bezahlt?“, *Welt am Sonntag*, November 12, 1978

12 “Bericht über die Vertrauensleutevollkonferenz der Fordwerke, 9 September 1973,” in: *Archiv der sozialen Demokratie Bonn, Bestand IG Metall, Abteilung Tarifpolitik*, 941a.

the case study evidence into the three key dimensions of industrial relations systems, that is, to differentiate subsidiary integration in terms of its impact on actor attitudes and strategies (management and trade unions), on IR processes (scope, arenas, and styles of interaction), and on substantive and procedural outcomes.

Starting with the actor dimension, the convergence approach provides greater insight for the period following the late 1970s than for the first Ford of Europe decade. On the management side, it was only in the UK that regime competition was used as a bargaining strategy through “exit” (relocation) and “voice” (relocation threats) in this first decade. The same holds true for management attempts to change specific IR practices as a result of international coordination (strike regulation). From around 1978, however, Ford management started to use regime competition as a bargaining tool in Germany, too, which at least in part reflected stronger subsidiary integration and more international management coordination, expressed, for example, in the transfer of US-style concession bargaining to European subsidiaries. That apart, regime competition pressure still remained stronger in the UK than in Germany during the early 1980s.

On the trade union side, a similar picture emerges. Until 1977/78 neither German nor British trade unions showed any signs of wariness about the potential effects of their actions on the competitiveness of the national subsidiaries. In the German case, there was hardly any management pressure in this direction, while, in the UK, as we have seen, the trade unions responded to strong pressure with strategies of resistance, which tended to increase, rather than diminish, the militancy of British trade unions. Change set in after the late 1970s as trade unions were driven on the defensive. However, this process played out differently in the two countries: active participation in the management of competitiveness in Germany contrasted with a pattern of compliance punctuated by occasional bouts of conflict in the UK.

The only continuous element of convergence supported by the case study evidence is the fact that cross-border subsidiary integration led to more trade union anxiety over employment prospects and the potential loss of institutional influence. This attitude also translated into a similar strategic objective, namely the upgrading of consultation over corporate strategy. However, union lobbies in this direction found different institutional outlets in the two countries.

“Path dependence” can help to account for some of these and other observed differences, thus complementing, rather than contradicting, convergence notions. In its “path as legacy” variant it makes the different institutional avenues of trade union lobbying for consultation plausible. German trade unions pushed for the adaptation of works council co-determination, while the majority of British labor representatives preferred the extension of collective bargaining to experiments with worker directors – though the skepticism towards the latter option probably reflected national traditions as much as negative assessments of German *Mitbestimmung*. Longer-term historical legacies also go a long way to explain the adversarial outlook of management and trade unions in

the UK, as opposed to the commitment to partnership in Germany. Indeed, these differences were even reinforced through “positive feedback” (as predicted by the punctuated equilibrium model of path dependence), given that the new international environment offered additional incentives to pursue traditional strategies, and made expectations as to the likely behavior of the other side still more entrenched. To take the example of British trade unions, conflictual strategies were reinforced by the potential for strike action to exploit Ford’s vulnerability to disruption of its new cross-border delivery chains.

The most important limit of the path dependence approach is that it contributes little to our understanding of why regime competition pressure was stronger in the UK. To suggest that regulatory systems in coordinated market economies like Germany always impose more constraints on firms than in liberal market economies is not convincing in the light of evidence about the IR practices of US MNCs in Europe since the 1990s, which suggests that their challenge to IR institutions in Germany has at least recently been stronger than in other countries, including Britain (Almond/Ferner 2006).

Therefore, we need to complement convergence and path dependence with the differential internationalization approach. To start with, stronger international pressure in the UK reflected a “differential” headquarter approach, primarily because of performance hierarchy. Ford UK was considered the “laggard” throughout the 1970s and hence caused much more concern at the Ford of Europe HQ than the German subsidiary did. This tendency was reinforced by the Ford of Europe HQ location in Essex and the fact that Britain was Ford’s largest European market, which meant that IR problems in the UK had particularly far-reaching commercial implications. *Fordwerke*, on the other hand, enjoyed “dominance effects,” as it was often praised as the role model the British subsidiary should emulate. Change set in only in the late 1970s, when Ford’s European performance hierarchy started to shift with the opening of the new Spanish plant in Valencia, which contributed to the beginning of management pressure in the German subsidiary.

Differentiality was reinforced by the contrasting “appropriation” of HQ pressures by subsidiary management. The case study evidence revealed that Ford UK managers, much more than their German counterparts, deliberately used investment boycott threats and European productivity benchmarking to contain trade union power. This instrumental appropriation varied in its forms (different mixes of carrot-and-stick elements) and in its objectives (limiting union militancy in the 1970s, exploiting union weakness in the early 1980s), but it was a constant feature of management strategy at Ford UK between 1967 and 1985. And the evidence demonstrated that this was not just a reflection of a more adversarial management style but also represented a conscious strategy to *change* domestic IR practices.

Such strategies were further encouraged by the connection between the company level and national politics. Management pressure was also stronger in the UK because, more so than in Germany, the national IR system experienced a period of intense debate

and reform between the mid-1960s and the mid-1980s. From the Donovan Commission to Thatcher's neoliberal agenda, reform debates and reform legislation encouraged not only Ford's experiments with IR innovations at company level but also the firm's involvement in the national reform debates themselves. In comparison, the situation in Germany was much more stable, notwithstanding the co-determination controversies of the 1970s. German subsidiary management had therefore few incentives to use internationalization to question the postwar IR settlement. If anything, international comparison further reduced such ambitions – as chancellor Helmut Schmidt pointedly remarked to German employers in 1976: “How fine entrepreneurs feel in the Federal Republican order in spite of all idle talk, appears in the fact that nobody of you, gentlemen, would like to shift his factory to Upper Italy or England” (quoted in Hoff 1977: 31).

If we shift the analytical focus from actors to IR processes, the convergence approach is clearly the weakest of the three interpretative frameworks. Its only contribution is to explain how cross-border integration favored widening the scope of IR processes in national subsidiaries. Triggered by trade union pressure, consultation over aspects of corporate strategy became increasingly important in the German and British Ford subsidiaries alike. Clearly, there remained big differences in institutional terms along the path-dependent lines described above.

The convergence approach is of little help with regard to the two other aspects considered in this article, namely the styles and arenas of interaction: Why did cross-border subsidiary integration arouse so much labor–management conflict in the UK, while it was dealt with cooperatively in Germany? Why did it remain a company-level affair in Germany, while it often reached beyond the boundaries of the firm in Britain?

The path dependence approach offers some important elements in answer to these questions. In its “path as legacy” version it correctly links the cooperation–conflict difference to the contrasting postwar IR institutions in Germany and Britain. Decentralized bargaining and the absence of legal restrictions on strikes reinforced the adversarial orientation of the “two sides of industry” in the UK, until Thatcherite reforms radically weakened the trade unions and hence reduced the level of conflict in the early 1980s. In Germany, by contrast, the dual system of industry bargaining and works council co-determination acted as institutional inducements to cooperation. With regard to the different arenas of negotiation, “legacies” help to understand the absence of “external” actors in Germany, as this corresponds to a long-term trend of works council politics in the postwar Federal Republic.

The punctuated equilibrium version of path dependence, with its emphasis on “positive feedback” as a result of complementarities between IR institutions and other elements of national production systems, further adds to the understanding of the conflict–cooperation dichotomy. Significantly, the roles of British and German production plants within Ford of Europe corresponded to those diagnosed by the varieties of capitalism approach, in particular with regard to the concentration of larger and higher-value-add-

ed models in Germany. That this had contrasting implications for labor–management interactions is clearly confirmed by the divergent story of engine production, where higher capital intensity in UK plants went hand in hand with exceptionally cooperative labor relations (Tolliday 2003b: 110–111).

However, this is not the whole story. IR processes in national subsidiaries, in addressing the challenge of cross-border integration, underwent a gradual transformation themselves, which is not fully captured by path dependence or convergence approaches, or a combination of both. With regard to interaction styles, we can observe country-specific forms of “layering.” In Germany, the new international environment turned the idea of social partnership partly into that of a *national* partnership, a notion that could build on a latent, if not frequently outspoken, emphasis on international market success in underpinning class collaboration in the postwar Federal Republic (Esser 1982). In fact, this notion can be traced back to the joint labor–management resistance to Allied dismantlement in the late 1940s due to its alleged aim to downgrade German competitiveness (Plato 1983). At Ford, the creation of Ford of Europe in 1967 pushed this idea of national partnership to the foreground. As we have seen, this did not mean the end to labor–management conflict; the mutual “obligation” to act in the “national interest” could occasionally become a source of conflict itself. Yet, overall, European reorganization strengthened the cooperation side of the equation, as can be seen in the use of Ford of Europe “threats” as an argument by moderate works council leaders in election campaigns.

National partnership had no equivalent at Ford UK. Instead, internationalization not only reinforced but also reshaped the conflictual character of labor–management interaction post 1960. New fields of conflict emerged, most importantly the conflict about whether organized labor should have a say in corporate planning, and the wrangling over what and who was to blame for the downgrading of the British subsidiary within the European group – the latter quintessentially expressed in the statistical warfare over the “correct” form of international performance comparison (investment vs. productivity benchmarking). These issues remained crucial throughout the period between 1967 and 1985, yet, in the early 1980s, against the backdrop of the political and legal offensive against the trade unions, management could increasingly use them to change the balance of power in its favor.

A similar layering dynamic can be discerned with regard to arenas of interaction. Here, the dynamic was stronger in the UK and mainly meant that IR processes, much more than in the past, were partly played out in external arenas, for example in the House of Commons or government commissions, or in the national media. In turn, this reflected the strong links between developments at company and national levels; indeed, Ford at times became a battleground of national politics itself. The blame shifting between management and trade unions over Ford UK’s relative decline was embedded in, and contributed to, the wider debate about the “British decline” (Tomlinson 2000), most obviously during the mid-1970s, when comparative productivity data became a key

issue in the numerous inquiries into the crisis of the British motor industry. Likewise, Ford's attempts at IR "innovations" at company level reflected, and at times contributed to, the broader national IR reform debate – from "In Place of Strife" in 1969 to the Bullcock Report in 1977.

In Germany, by contrast, international layering of IR processes was a company-level affair, most importantly expressed in frequent informal contacts between works council leaders and Ford of Europe managers. Company-level interactions were little connected to national developments. Occasionally, works council and local management attempted to use the legal and fiscal resources of the German state, yet these attempts reinforced rather than mitigated the "privatization" of IR processes, as discernible, for example, in IG Metall's criticism of works council initiatives to use the federal unemployment fund to deal with lay-offs in the wake of strikes in the UK.

If, finally, we turn to the analysis of IR outcomes, we have to explain a pattern that is split between the period up to the late 1970s, when the impact of subsidiary integration remained marginal, and the first half of the 1980s, when this impact became much stronger. In the latter period, regime competition pressures considerably influenced substantive outcomes even though the key issues were different in the two countries (wages and working time flexibility in Germany, work practices in the UK). The same holds true for procedural outcomes (strike regulation in the UK, company negotiations supplanting industry bargaining in Germany). The key question is, therefore, to what extent convergence, path dependence, and differential internationalization approaches can account for this split picture.

Convergence ideas can be supported by evidence showing that Ford's international integration process accelerated in the late 1970s and early 1980s. The new Iberian pillar accentuated locational competition, and international management coordination had more direct IR implications, exemplified by the transfer of US-style concession bargaining to European subsidiaries. In this perspective, the period between 1967 and 1977 was merely a "run-up," which explains the split outcome pattern.

While this argument provides an important explanatory element, it leaves some key questions unanswered. One problem is the missing explanation for the significant differences in the substantive and procedural outcomes between the two countries in the early 1980s. At the same time, "convergence" does not address why subsidiary integration was only of marginal importance for IR outcomes until the late 1970s, though it already had considerable effects on actors and IR processes. Consequently, it is also impossible to raise the question of potential links between changes in actor attitudes and processes in the 1970s, on the one hand, and changes in outcomes in the early 1980s, on the other.

Combining "convergence" with a path dependence approach adds explanatory elements without, however, enabling us to account for the whole story. In its "path as legacy"

variant, path dependence helps us to understand why changes in substantive and procedural outcomes in the early 1980s played out differently in the two countries. In its punctuated equilibrium variant, path dependence crucially helps to account for the change in Britain. Clearly, the onset of Thatcherism constituted a sharp break with previous IR patterns, which could not fail to influence outcomes in the Ford subsidiary. Thatcher's legal and political offensive against the trade unions in a context of recession and mass redundancies provided Ford management with a position of strength, which it had never enjoyed during the 1970s and which allowed it to break labor resistance to regime competition pressure.

Yet, a punctuated equilibrium model is ill equipped to explain the changes in IR outcomes in the German case, given that, on balance, the shift to conservative rule in the Federal Republic in the early 1980s did not constitute a sharp break with past IR patterns. With regard to the UK moreover, the punctuated equilibrium model makes the problematic assumption that the considerable actor pressure for change during the 1970s was "bound to fail." While the circumstances were clearly less favorable to radical reform than in the early 1980s, changes were attempted, and they failed not because of actor-constraining institutional legacies but because of the contingent outcome of power struggles. To take one example as a counterfactual: Had Heath's Industrial Relations Act not failed – and there is enough evidence to suggest that it was not "doomed" from the outset (Taylor 1996) – Ford UK management might well have succeeded in its aim to remold company-level IR as early as the 1970s. Finally, a punctuated equilibrium model of path dependence is no better than a convergence approach in addressing potential links between changes in actor attitudes and IR processes in the 1970s, and changes in outcomes in the early 1980s.

It is only when we complement convergence and path dependence with the differential internationalization approach that we are able to provide a satisfactory explanation for the split outcome pattern. In the German case, the impact of subsidiary integration on substantive and procedural outcomes was marginal until the late 1970s because, in contrast to the UK, there was very little management pressure for change, which, in turn, reflected the "dominance" effects enjoyed by the German subsidiary within the Ford of Europe group. At the same time, the new international environment entailed a layering of actor attitudes (national partnership) and IR processes (co-determination through contract), which did not at first translate into concrete outcomes, but which were to have important longer-term consequences. In the early 1980s they were crucial factors underpinning a new IR settlement at Ford Germany that was negotiated in response to growing regime competition pressure, which, apart from being the result of the pan-European application of concession bargaining, also reflected the changing European Ford performance hierarchy. Put simply, the opening of the new Spanish plants meant that *Fordwerke's* position was no longer as dominant as during the 1970s.

In the British case, cross-border subsidiary integration failed to have a strong impact on outcomes until the late 1970s mainly because of a mutual blockade by the key ac-

tors: The trade unions were successful in resisting concession bargaining, while Ford management was able to fend off pressure for union and/or government influence in corporate planning matters. International aspects became an important layer of this conflictual dynamic and thus contributed to deadlock, expressed not least in the statistical “warfare” over the “correct” interpretation of Ford UK’s diminishing role within the European group, which was closely connected to the broader national debate about who was to blame for “British decline.” In the early 1980s this changed, most importantly because of the domestic change emphasized in punctuated equilibrium models of path dependence. To a certain extent, however, the longer-term effects of the international layering of IR processes were also important. Against the backdrop of a shift in the “British decline” debate towards the “trade union problem” after the “Winter of Discontent” in 1978/79 (Tomlinson 2000), radical programs for “British revival” and “catching up with the continent” gained popularity, which was important as much at the macro as at the micro level. Nationally, this trend strongly contributed to Thatcher’s election victory and underpinned the legitimacy of her radical reform programs in the early 1980s. The Ford case illustrates the effects at the micro level, with trade unions being driven on the defensive to avoid being portrayed as the culprit for the performance lag of British plants within Ford of Europe. In the early 1980s this trend was reinforced and helped to undermine potential resistance to concession bargaining.

6 Conclusions

As these last remarks indicate, the historical case study of Ford has revealed many elements with much wider implications for the recent development of industrial relations in Britain and Germany. In both countries, gradual changes in the 1970s, partly driven by internationalization processes, “foreshadowed” crucial transformations in the 1980s and 1990s, the impact of which is discernible still today. In Britain, the Ford case illustrates at a micro level the dynamics through which internationalization contributed to Thatcher’s IR revolution. In Germany, Ford can even be seen as a forerunner of transitions in the 1990s: the partial shift of cleavages from class to production location, the blurring of lines between management and works council prerogatives, the superimposition of co-determination through rights by co-determination through contract (see Rehder 2003). Indeed, Rehder (ibid.: 68) has identified *Fordwerke* as one of the “trendsetters” in this regard. The internationalization of IR at Ford Germany and Britain between 1967 and 1985 is thus a good example for illustrating processes of institutional “layering” and “conversion” (Streeck/Thelen 2005) which gradually accumulate and feed into subsequent transformations of a more far-reaching nature. By the early 21st century, ironically, these transformations have led to a situation which seems to reverse the dynamic of the 1970s: Recent studies of the IR practices of US multinationals emphasize that their challenges to IR institutions in Germany have been stronger than in other European countries, including Britain (Almond/Ferner 2006) –

in complete contrast to the situation at Ford in the 1970s. While celebrated as a “best practice” model during the 1970s, German IR appear today to be much more critically viewed as a “location factor” in international comparison even though, as in the case of the UK three decades earlier, much of that criticism is subject of controversial debate.

On a more general level, the case study suggests that processes of cross-border subsidiary integration were already an important factor shaping industrial relations in some subsidiaries of multinational firms during the 1960s and 1970s, regardless of the international macroeconomic regime of “embedded liberalism.” One implication of this is that more research in the field of IR studies in MNCs should be dedicated to the period prior to the 1990s; another one is that there has perhaps been too much emphasis in the contemporary literature on the shift from “embedded” to “neoliberal” capitalism in Western Europe during the 1980s and 1990s (van Apeldoorn 1998). To be sure, Ford belonged to a small group of companies pioneering subsidiary integration before the 1980s, while a much larger number of firms followed suit only in the wake of the Single European Market in the late 1980s (Dicken 2007). Undoubtedly, too, this process has accelerated during the last two decades, driven in particular by regime competition with its ever more sophisticated forms of performance benchmarking and intra-company investment tenders. Still, the Ford case suggests a longer “pre-history,” implying, for example, that the recent accentuation of regime competition might be due at least as much to the geographical extension of “exit” areas (Southern and later Eastern enlargement of the EC/EU) as to the neoliberal shift.

Finally, in methodological terms, the article underlines the importance of a recent trend among comparative political economists to search for new analytical tools to account for institutional change, and the concomitantly growing interest in historical analysis (Hall/Thelen 2009). Based on the idea of “differential internationalization” as a supplement to convergence and path dependence approaches, the article has suggested a number of ways in which to conceptualize international factors for the analysis of such gradual, country-specific forms of change.

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