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Globalisation and Industrial Relations

The Pharmaceutical Industry in
Germany and the United Kingdom

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2. Introduction

“If it is true that the problems exceed the national framework, it is also true that the contribution to the solution of these problems cannot be adequately evaluated in a purely national context” (Traxler 2005: 391).

The term ‘globalization’ is on everyone’s lips: for some time now it has been dominating not only the media but also academic discourse in the social sciences. Surprisingly, despite the ubiquity of the term, the socioeconomic grounds for its use remain relatively unexplored empirically; thus discussion is often wide-ranging but lacking in depth of focus. This study therefore attempts to contribute to the globalization discourse in the social sciences in a manner that is both theoretically sound and empirically substantiated.

This comparative empirical study concentrates on the impact of economic globalization, understood here as *a process of increasing and intensifying interaction between actors beyond the boundaries of the nation-state, the development of trans-national networks and institutions, and the diffusion of cultural patterns* on company-level labor relations in firms in the ethical pharmaceutical industry, selected by company size, in Germany and the United Kingdom.

The ethical pharmaceutical industry has been chosen as an empirical field because this sector clearly exemplifies the differences in labor relations between *corporatist* (Rhineland) and *adversarial* (neo-American) capitalism (Albert 1992). Indications as to the future development of labor relations within the respective models of capitalism in Germany and the United Kingdom will be elaborated on the basis of empirical data. Industrial relations at the company level are analyzed because it is at the company level where globalization processes materialize and their impact is felt unmediated. To keep this project manageable, industrial relations at levels beyond the company (e.g. at sector or at national levels) and indirect forms of participation (e.g. workgroups and quality circles) have to be left out, although they are equally important for the context of this study.

The key questions here will be: What are the main changes attributed to globalization? What impact do these changes have on workplace industrial relations in the ethical pharmaceutical companies in Germany and the

United Kingdom? And what conclusions can be drawn from this analysis about the future of industrial relations in these two countries?

Outline of the project

This study is divided into four main parts:

1. Various theoretical approaches to the study of industrial relations are introduced in chapter 3 and their merits and weaknesses are discussed. The concluding section of chapter 3 presents a synthesis that serves as a guide for the remainder of this study.
2. Chapter 4 ties an abstract analysis of the different aspects and dimensions of globalization to a specific elaboration of processes in the ethical pharmaceutical industry.
3. The configurations of industrial relations in the German and British ethical pharmaceutical industries are depicted in chapter 5 and changes occurring within them are analyzed.
4. The conclusion incorporates all aspects and presents an argument about the impact of globalization on industrial relations in the ethical pharmaceutical industry in both countries.

Hypotheses

The empirical results might corroborate the following hypotheses:

1. The *convergence* thesis. According to this position, globalization, i.e. the common logic of integrated world markets for an increasing number of goods, will eventually lead to a convergence of processes and outcomes of different national versions of capitalist production. This argument assumes two forms: industrial relations systems converge either
- into a single model, most probably the Anglo-Saxon (Kerr *et al.* 1964, more recently Strange 1997), or
- into two different models (dual convergence thesis).

According to Iversen and Pontusson, “there is a trend toward convergence on the German model of coordinated industry-level bargaining among the coordinated market economies [...] and [...] toward convergence on the dual American model of firm-level bargaining and a large nonunion sector among the liberal market economies” (Iversen and Pontusson (2000, 3ff.).

2. The *divergence* thesis. This thesis, put forward by Hall and Soskice, predicts the continuation, albeit possibly with moderate changes, of the different models of capitalism. As Kathleen Thelen sees it, “contemporary changes are best understood [...] in terms of continuing and if anything increasing divergence between the ‘coordinated’ and ‘liberal’ market economies” (Thelen 2001, 72). According to Franz Traxler (1995, 206f., see also Mesch 1995, 42f. for a similar assessment), while the problem areas in the field of industrial relations are converging through the internationalization of markets and the increasing differentiation of production, company size, and education and skill-level of employees, the institutional adaptation mechanisms are still divergent. This leads, according to Traxler, to a persistent divergence of industrial relations systems.
3. The *hybridization* thesis. According to Schmierl, the German industrial relations system has undergone substantial changes, exemplified by the erosion of traditional forms of interest representation, flexible restructuring endeavors of the collective actors, and the emergence of new forms of articulation of interests. These processes have led to a contradictory synchrony of continuities and discontinuities that result neither in an increasing divergence nor in a convergence, but in what he calls a ‘hybrid’ system of industrial relations (Schmierl 2001, 441f.). Framed in the varieties-of-capitalism approach, this thesis assumes that changes (mainly in coordinated market economies) take place that lead not to a total break with the past but to a path change in which the institutionalization of industrial relations is determined, to a greater extent, by the economic relationships of the individual companies and, to a lesser extent, by the political environment (Streeck and Höpner 2003a, 10). Similarly, Britta Rehder argues that conceptual dichotomies like ‘divergence versus convergence’ or ‘stability versus erosion’ fail to capture the nature of changes within industrial relations. Instead, she proposes looking at the gradual institutional processes of change within the German system of industrial relations, processes she terms “path changes without system-break” (Rehder 2003, 18).
4. The above three theses assume that, even under the impact of economic globalization, national systems of industrial relations remain coherent entities, which is, incidentally, also the basic assumption of the varieties-of-capitalism approach. However, in the literature doubts have been raised as to the validity of this assumption. Thus it is important to

examine the question whether historically evolved industrial relations models remain internally stable or fray out. After researching employment relations in seven countries and in two sectors (automobile and telecommunications industries), Katz and Darbshire came to the conclusion that within the existing and ever-growing variation in employment relations a common set of processes and outcomes emerges, a process that they call *converging divergences* (Katz and Darbshire 2000). Based on that conclusion, the converging divergences hypothesis assumes that while diversity in employment relations still exists, within individual sectors this diversity may converge into a common set of internationally applied employment practices.

5. The fifth hypothesis, the *fragmentation* hypothesis, could be regarded as a combination of hypotheses 3 and 4, i.e. important relationships (see Figure 3.2) are changing in nature and becoming market mechanisms mainly as a result of changes in the organizational structure of transnational companies (creation of holding structures) and changes in the composition and orientations of the shareholders (from stakeholder to shareholder value) while others remain essentially cooperative, or vice versa. In relation to this research project, this basically could mean that industrial relations in CMEs remain cooperative while shareholder expectations and other financial relationships are changing.

The empirical substance of these hypotheses will be examined, and tentative conclusions will be drawn concerning the future viability of the respective models.

Methods

The methods followed in this project must meet several criteria:

The *true extent* of the influence of economic globalization on industrial relations must be ascertained. To this end it is important first to establish an analytical framework, which will then be fleshed out with findings from empirical studies. It is therefore essential to conduct an intensive review of the relevant literature, both theoretical and empirical.

Subjective opinions about the extent and impact of globalization must be sought from the players involved, i.e. works councilors, shop stewards, trade union officials at company and sectoral levels, management representatives, and employers' representatives; their views must then be evaluated. Evaluation of the subjective dimension may well produce results that

do not correspond to the objective findings. Above all, it is crucial to discover where those concerned may differ in their analysis of problems and potential solutions, in order to devise (different) alternative courses of action. The obvious way to cover this subjective level is to conduct individual interviews with members of the above-named groups with the aid of a carefully prepared questionnaire tailored to the needs of the project. Conducting such a representative study among the actors in the ethical pharmaceutical industry in Germany and the UK would have far exceeded the resources available for this project and likely would have failed because of the unwillingness to participate mostly on the part of management representatives. Hence, altogether, 20 in-depth interviews with trade union (four interviews) and employee representatives (ten interviews), management (four interviews), and employers' association representatives (two interviews) were conducted on the basis of a preestablished questionnaire and with considerable room for personal remarks and individual comments on the part of the respective interviewee. These interviews have been transcribed and evaluated according to an analytical framework. In addition, 25 somewhat shorter background interviews with various actors in trade unions (at the national and European levels), employers' associations (at the European level), and academics researching in this field were conducted, mainly in order to clarify the context. No quotes from this second group of interviews were taken for this study.

The initial plan of establishing company case studies on the basis of interviews with employee and management representatives proved unfeasible because some companies did not have participants who were willing to be interviewed. Although almost all shop stewards and works councilors asked were willing to participate, unfortunately the same was not true for management representatives. Therefore, the level of analysis is primarily the sector, i.e. the ethical pharmaceutical industry.

From the beginning, this project was intended to combine analysis of the existing literature and the views of the actors in this field. Due to the problems outlined above, the heuristic value of the interviews lies mainly in complementing and controlling the developments and tendencies found in the literature.

The selection of literature needs to reflect this project's *interdisciplinary* nature, i.e. the literature selected for use cannot just be geared toward one specialized area but must include publications from several fields.