Globalisation

Globalisation is the pervasive integration of economies and societies around the world as a result of unprecedented changes in communications, Transportation and computer technology.

For example, industries once limited by their geographical region are now able to move across boarders and function at international levels (Car production industry, parts are produced in one country and then shipped to another where the car is actually manufactured).

With this increased ease of movement across boarders globally, organisations are now easily able to operate internationally and shift their capital and enterprise to where there is a favourable business environment (Where there are low regulations/costs = Increased profits). This adversely affects the collective bargaining environment and unionised workers. In many cases this ease of movement has influenced the functioning and legislation of the state institutions. In an attempt to gain *foreign direct investment (FDI)* a nations Government may lower its labour standards to create this favourable environment for MNC's.

Furthermore, MNC's have also been known to use a antagonistic method of enforcing favourable production environments by *Whipsawing*. This refers to making the threat of "if you don't produce enough, or enable us to make this much profit, we will reallocate our production to X other country". In this regard there is an extremely neo-liberal aspect to globalisation focusing on maximised production and free market functioning.

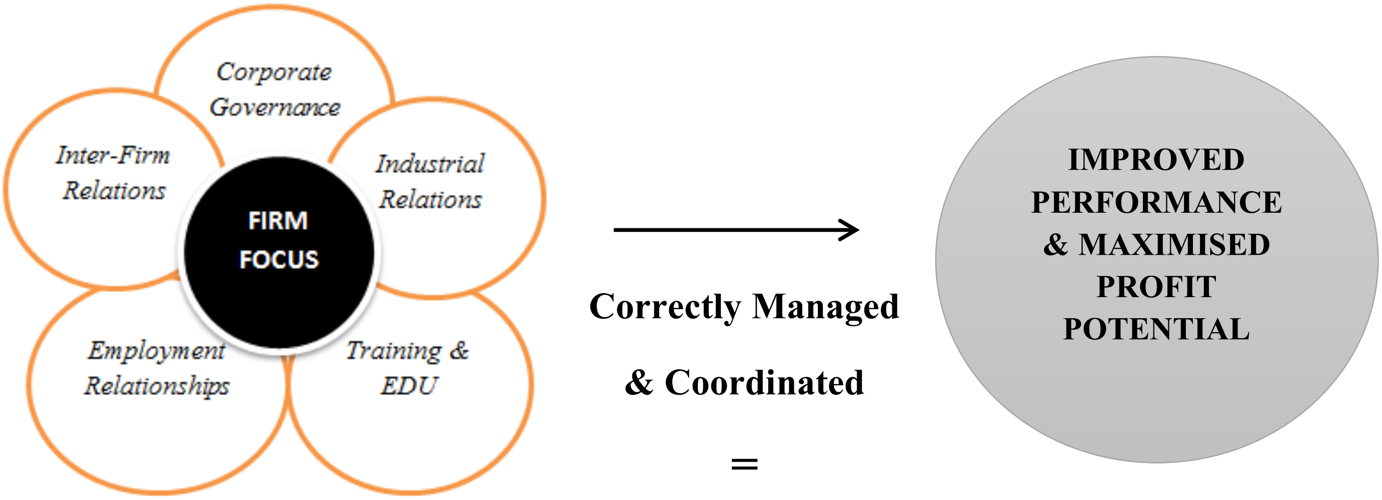
On the other hand, there are views that there should be free right to collective bargaining which is not only required to function at the industrial and state level but also the international level. This is evident in the actions of many unions and MNC's which readily sign up to NGO's policies such as international Framework agreements. These instruments (IFA) are negotiated globally and implemented locally and recognise the ILO core labour standards *(Further explained under unions and NGO's sub-heading)*

Varieties of Capitalism

Capitalism is a market economy characterised by the principles of free trade competition and choice and non-interference by government bodies. It is about allowing self-interest, profit making and market forces to have free reign.

Classically this is founded in a simple relationship. Employers pay employees a wage for their labour, for employees a wage was essential for survival. However the employers interests differ from employees, employers wish to maximise profit margins. Employee wages constitute a cost that affects the enterprise directly, for an organisation to function effectively ideally we would see the lowest possible wages paid. With this conflict between labour and capital the necessity of cooperation arose (without it there would be no production) and thus came UNIONS who assisted in collective action and negotiation.

Varieties of capitalism: Hall and Soskice developed the *VOC approach* to understand macro-economy and the institutions within it, which is centred on firms. In the simplest terms VOC *explores the institutional subsystems which govern capital and labour.* The VoC approach states that the presence of *"correctly calibrated" sub-systems* (i.e., financial system, labour market, training system, and inter-firm relations) *increases the performance*, or the so-called "comparative institutional advantage" of the firm. Taken from the economic concept of comparative advantage in trade, the basic idea is that the institutional structure of particular political economy *provides firms with advantages* for engaging in specific types of activities (Hall and Soskice 2001). The presence of comparative institutional advantage enhances the survival chances of the system as a whole, producing specific adjustment paths to pressures for change



Ultimately VOC is a Relational view of the firm: importance of the "quality of the relationships the firm is able to establish, both internally, with its own employees, and externally, with a range of other actors that include suppliers, clients, collaborators, stakeholders, trade unions, business associations, and governments" (Hall and Soskice, p.6)

Five "coordination problems" that must be resolved:

- Industrial relations
    - Concerned with how to coordinate bargaining over wages and working conditions with their labour force, the organisations that represent labour, and other employers.
    - At stake here is wages and productivity levels which directly condition the success of the firm and rates of unemployment or inflation in the economy as a whole.
- Vocational training and education
    - Concerned with securing a workforce with suitable skills, while workers face the problem of deciding how much to invest in what skills.
    - The outcome of this coordination problem effects not only the fortunes of the individual companies and workers but also the skill levels and competitiveness of the overall economy
- Corporate governance
    - Concerned with finance and investor relations. Investors will generally only invest (thus financing corporation) if there is assurance of returns of their investments.
- Inter-firm relations
    - Concerned with relationships a company forms with other enterprises and notably its suppliers or clients, with a view to securing a stable demand for its products appropriate supplies of inputs, and access to technology.
    - May entail standard setting, technology transfer and collaborative research and development.
- Employee Relationships
    - Concerned with ensuring that employees have the requisite skills and cooperate well with others to advance the objectives of the firm.

Factors affecting the VOC elements:

- History/culture
    - Actors are often affected by informal rules and shared understandings.
    - Institutions of a nation’s political economy are bound with its history. Firstly they are created by actors, statutory or otherwise that establish formal institutions on operating procedures. Repeated historical experiences build up common expectations that allow actors to coordinate effectively with each other.

It is also important to note the two extremes that are referred to in the VOC theory or coordinated market economies and Liberal market economies. We often discuss many elements of this unit in light of VOC theory upon a spectrum of where a particular economy ER aligns. Is it Coordinated or is it liberal in regard to the 5 core dimensions of VOC? Or is it ultimately a mix?

Coordinated Economy

“Think Germany”

- Works councils
- Negotiation
- Co-determination laws

Liberal Economy

“Think America”

- Culture based on self-success
- Hostile against unions
- No strong sense of employee protection

NOTE: Refer to Other useful sources Section for an in-depth listing of LME’s & CME’s