

# Prospects for the German Production Model

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## 1 *Problem outline*

- **Performance of the biggest European economy is important for other economies.**
- **A production model sets frame conditions to economic activities.**
- **Until 1970 years post war German production model has been considered as a success story.**
- **Changing market, technological and societal demands require adaptation, with increasing economic globalisation as major challenge (outsourcing and offshoring).**

## 1 *Problem outline*

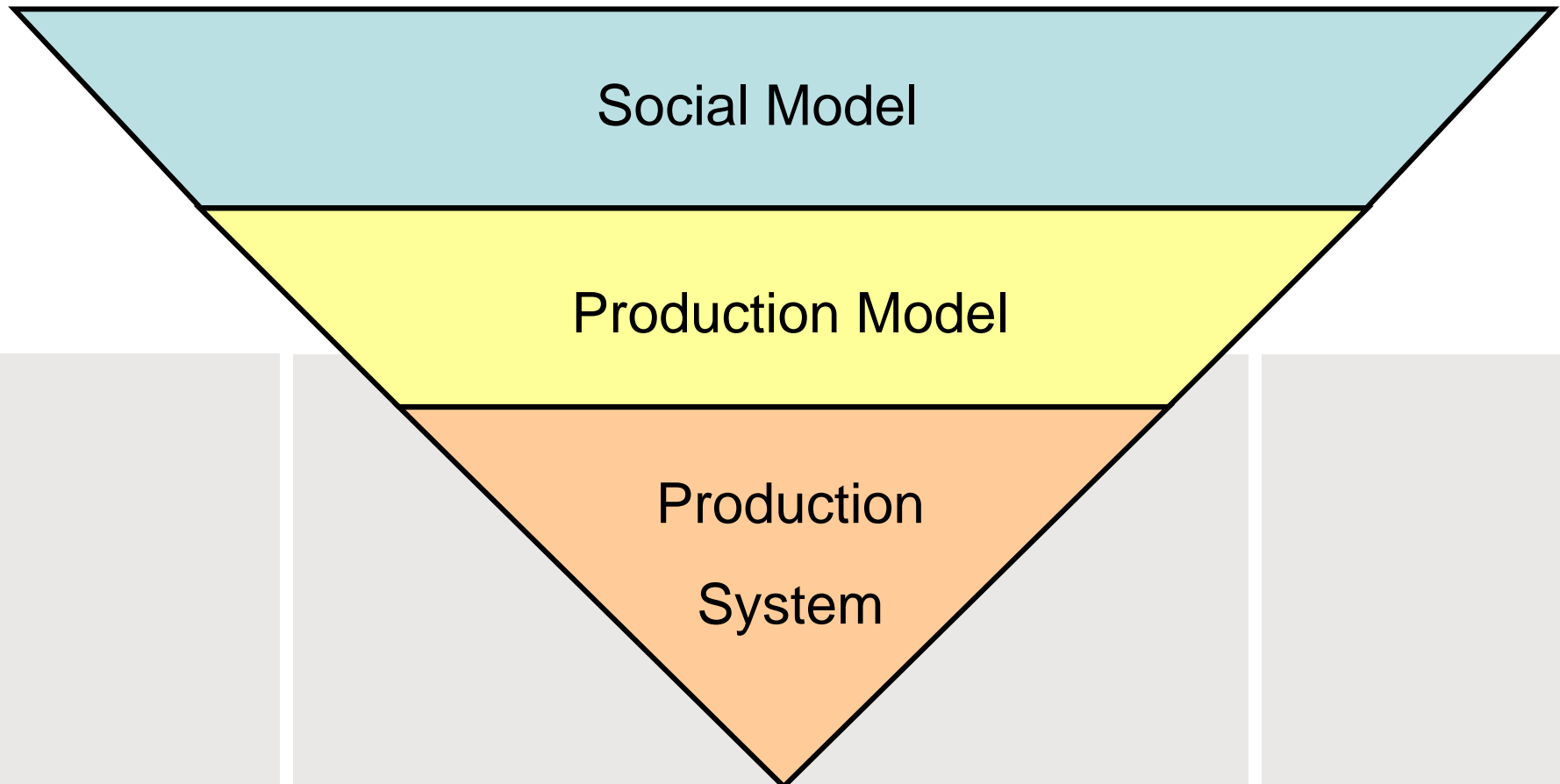
- **East European and South East Asian low wage countries are in a rapid catching up process regarding quality and productivity forcing mature industrialized countries to cost competition. Is the “race to the bottom”- from a “high road” to a “low road” production model - inevitable?**
- **Most German industrial sectors, especially the export sectors, are successfully coping with globalisation challenges (but how long does it work?).**
- **Strength of German production model is not sufficient to ensure full employment and overcome lack of basic innovations.**

## 1 *Problem outline*

- Critics are increasingly claiming that the same institutions and regulations once providing for economic prosperity and social cohesion today, under the pressure of globalisation, impede adjustment and sustainable responses to new and emerging problems.
- Hence the transition (at least a move) to an alternative production model based on the principles of Anglo-Saxon capitalism is being recommended by practitioners and researchers (VoC research context).
- Are observed changes of the German production model to be conceived as
  - a matter of continuous or “*path dependent development*” or as
  - a move towards a new system or a “*model change*”?

## 2 *Definitions*

### Social Model, Production Model, and Production System



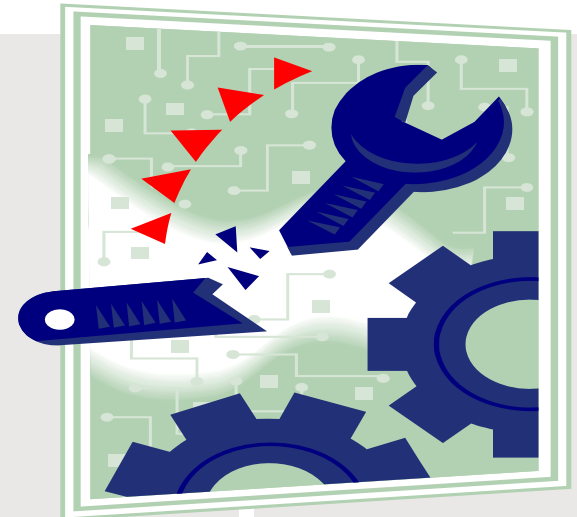
## 2 Definitions

- A national social model is an institutionalized socio-economic structure designating the interaction between (1) economic needs and goals of firms and households and (2) individual needs and goals of the members of a society.
- A national production model may be defined as a comparatively stable arrangement of management principles, firm organisation, industrial relations and educational system affecting the specific way to produce and distribute material goods and services.
- A production system is a coherent complex of rules and methods which determines corporate production processes.



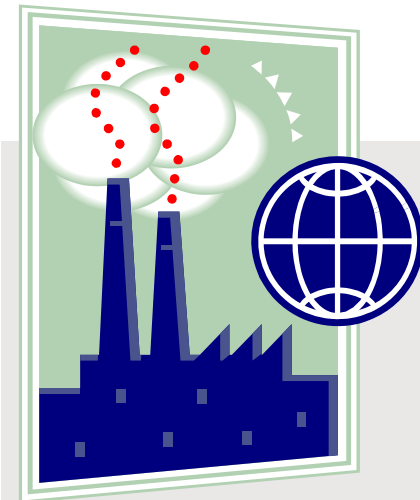
### 3 *Critical issues*

- **model = simplified reproduction/reconstruction of reality**
- **design principle (aggregate level)**
- **no national model without international comparison**
- **taxonomies and typologies used impute basic national differences (“varieties of capitalism” or “3 worlds of welfare capitalism” approach)**
- **questionable empirical validation**
- **no consideration of mixed cases**
- **lack of attention to internal diversity**
- **analytical and moral ambiguity**
- **difficulties in explaining change**



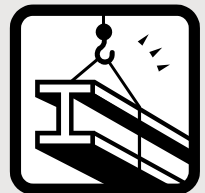
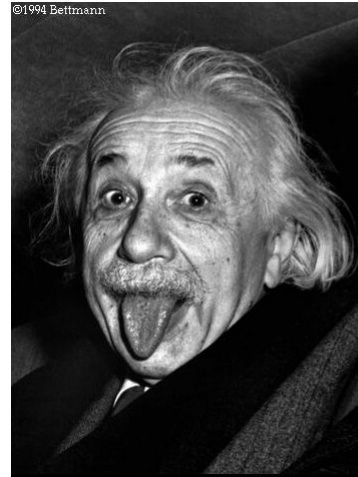
#### **4 Main production model characteristics**

- **competitive strategy: producing and marketing customized quality products (“diversified quality production”)**
- **business organisation utilizes employees’ skills and experiences**
- **labour-management relations: Collective bargaining and co- determination (“conflict partnership”)**
- **“dual system” of apprenticeship; skilled labour deployment**



## 5 *Challenges and changes*

- globalisation
- short terminism
- weakened corporatism
- high unemployment
- continuous development (no static model)
- apprenticeship system: development of new professions
- flexible collective agreements
- learning from crisis
- outcomes of adjusting production model to market demands: high export share; high productivity per hour; growth of service sector



## 6 Options

### **Competitive pressure will remain high. What could be the strategies of business, unions, and governments?**

- **work councils' and unions' concessions (wages, working time, working conditions) against the promise of maintaining employment and plant location**
- **productivity enhancing innovative work organisation (“high performance workplaces”)**
- **promotion of innovation and innovation capabilities**
- **organisational learning (workplace development; “better in place of cheaper” concept)**
- **international labour and social standards**
- **transnational cooperation of unions**



## 7 *Prospects*

**Based on high quality production and quality competition strategies a “high road” production model balances competitive demands and quality of work. Maintaining this balance will be increasingly difficult.**

**Not only developed industrial countries must find ways out of relocation competition but low wage countries too are threatened by job relocations to other low wage regions. Economic growth seems to be more and more decoupled from improvements of living and working conditions.**

**Some partial (limited) strategies have been identified. They should be evaluated in terms of sustainability vs. “race to the bottom”.**

## 7 *Prospects*



**For the next decades no sudden breakdown of the German production model is to be expected. A lasting and tentative adjustment process (a “muddling through”) is a more realistic perspective.**

**Changing and more stable system elements (including social norms) will coexist with increasing differences between economic sectors (e.g. banking sector vs. mechanical engineering).**

## **7 *Prospects***

**In the long run the dimensions and pace of changes in the global division of labour and their impact on national economies cannot be managed without transnational institutions providing balance of interests and social cohesion thus conferring legitimation to change processes.**

**EANPC might be conducive to this endeavour.**

**Thank you for your  
attention!**

