

Corporate reorganization, human resource management and the flexibilization of work and employment

A German view

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Draft

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In my paper I will be outlining and dealing with the connections between corporate reorganization, personnel policies and the development of work. For the most part I will be drawing on the restructuring processes that unfolded in the nineties in Germany. In view of the wide analysis perspective I will be keeping to more general statements. These statements have been developed on the basis of empirical analyses, yet contain speculative elements when venturing a look to the future. I will raise the question as to the general validity or transferrability of concepts practiced in Japan and other Asian countries – a question that I will be hardly be able to answer, however. As you will notice in the following, some of the aspects I am presenting on new developments in Germany would seem to follow the example of Japan, or conversely, may become valid for Japan in the future.

I will start with corporate reorganization, and then deal with a number of aspects of personnel policies and finally touch on the connection to the societal development of work.

I. Decentralization and market orientation – dominant principles of corporate restructuring

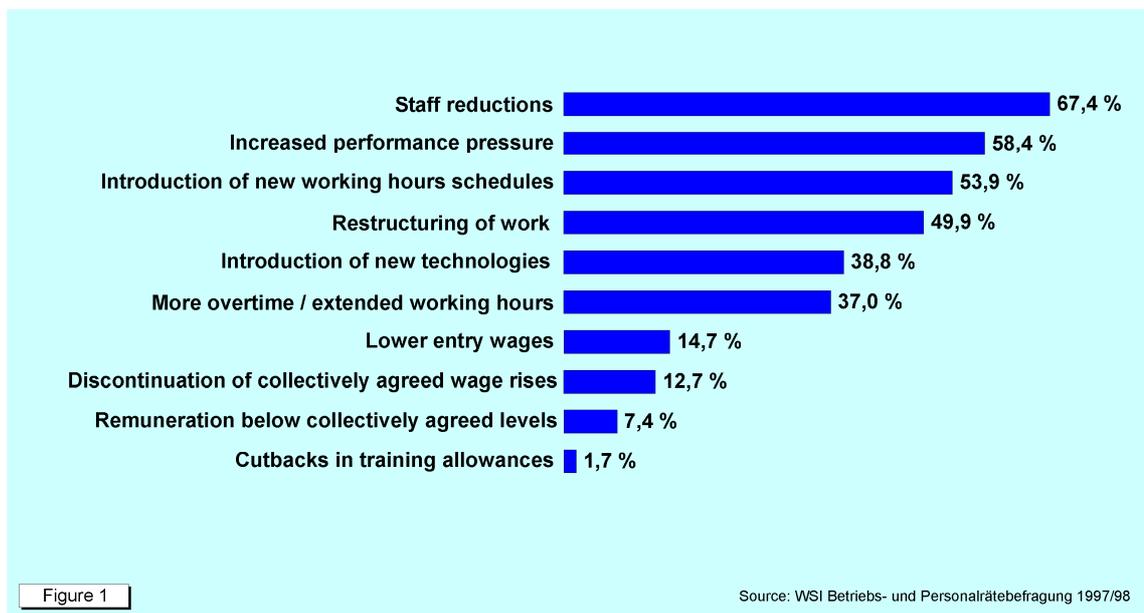
- (1) My colleague Norbert Altmann will be speaking on the effects of the so-called Japanese way of manufacturing in Germany. Therefore I will not be taking a closer look at the debate on lean production and lean management. However, I would like to briefly illustrate the imprint that this debate has left on the affected protagonists in Germany.

In a polling of workers representation on the company level (works council members and shop stewards) who belong to the Workers Union conducted some two years ago, it was ascertained that all persons were familiar with terms such as “Lean Production”, “Divisionalization”, “Segmentation”, “Center-Structure”, “Outsourcing”, “Kaizen”, “CIP”, “Total Quality Management” and others. This is likely to also apply to the majority of employees in Germany and reflects the extensive degree of the reorganization and restructuring processes in the companies in the nineties – that can partially still be felt. The union members participating in the polling were also well aware that the corporate strategies pursued were geared to

one major objective, namely cost transparency and savings, especially personnel reductions (Bergmann et. al. 1998).

In another survey (conducted by WSI) of works council and staff council members on the key problems works councils have been concerned with since 1994, personnel reductions took first place (ahead of increased performance pressure, working hour and work organization issues, etc.; wage issues trailed far behind).

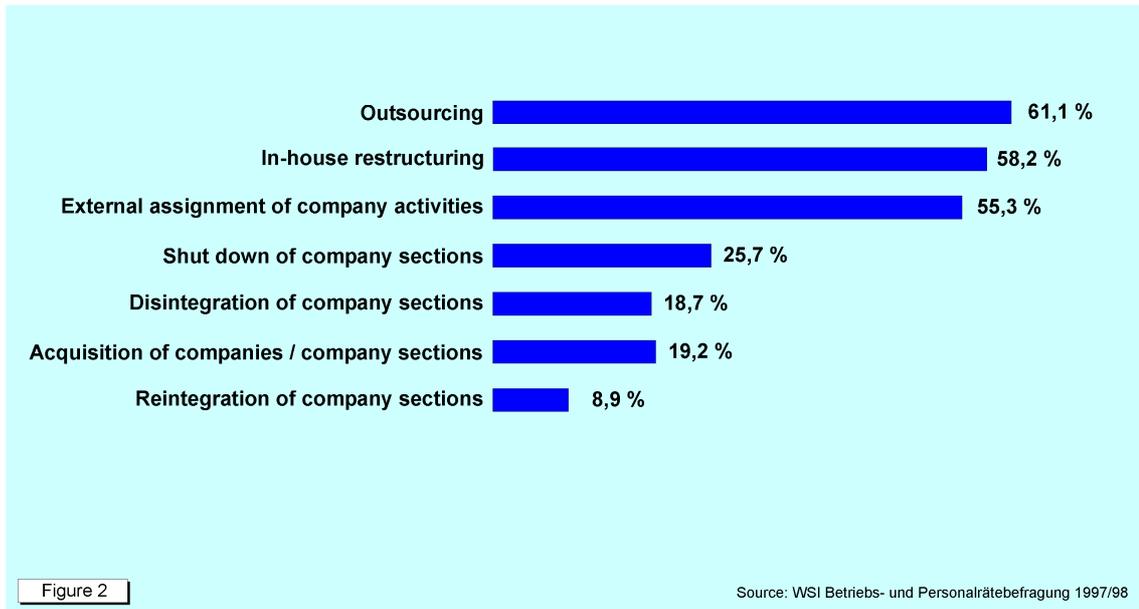
The most frequent company problems that work councils have been dealing with since 1994 (Germany, total)



In response to the forms of restructuring outsourcing and in-house profit center formation were the most frequent answers (WSI-Projektgruppe 1998), (figure 2).

So much for subjective perception of corporate reorganization by employees and/or their interest representatives. What does a scientific view of the overall very diverging and unclear developments of the nineties bring to light?

Forms of restructuring



- (2) As far as I can see there is no presentation available – substantiated by empirical investigations - of the current reorganization trends in Germany, or in other countries for that matter. Even insiders in management consulting and representatives of management oriented corporate and organization sciences bemoan the confusing diversity of concepts and the serious deficiency with regard to empirical information on the reality behind company facades. The rapid shifts in objectives and practical fields has given rise to criticism of a “commercialization of management knowledge” voiced by relevant scientific circles. At present, empirically oriented social science is not delivering the results that would be necessary for an only partially substantiated summary of restructuring processes.

My assessment is based on a relatively broad evaluation of respective concepts and practical reports from various companies that I will attempt to interpret against the background of my own theoretical considerations and empirical research conducted at ISF Munich.

A good deal of what is currently being described as corporate restructuring processes is not new at all: a large share has to do with the erosion of Fordistic and Tayloristic organization forms that has been repeatedly formulated by industrial sociological analyses since at least 20 years. The wave of radical economization that set in in the nineties and was supported by a general neoliberal current, engendered a new quality in reorganization developments. Here, it is less the case of new reorganization objectives and elements and more the one-sided and radical application of directions of thrust that have long been the object of debate or had formerly been

pursued. From our point of view they can be summarized in the two dominant principles of restructuring: **decentralization and market orientation**. **Decentralization** denotes the organizational side of the disintegration of hierarchically structured corporate complexes: the reduction of the in-house range of performance, the transfer of competence from central instances to executing units as well as the strengthening of autonomous action and own responsibility of organizational units. **Market orientation** refers to the aspect of coordination and control exerted by market-principles: the opening of companies to such principles company internal market sanctioning instead of hierarchical control (market-oriented incentive systems), factual or fictive competition between corporate units (costs and profit centers). Referring to both developments, we apply the term of “**market-controlled decentralization**” (Sauer, Döhl 1997).

- (3) I will not be providing a detailed account of these two restructuring principles as I assume that you are familiar with most of these issues. A number of the decentralization elements mentioned and also aspects of market orientation are not new: regions, products and business areas, the respective forms of decentralizing corporate structures (such as forming divisions and lines of business) or manufacturing cells and group work on the level of factory and work organization look back on a long history. In the eighties, a new quality was entered into the picture when, against the backdrop of market saturation and increasingly fierce competition, the so-called shift from a sellers to a buyers' market occurred and massive pressure built up to achieve greater flexibility – or more precisely, to resolve the conflicting aims of enhancing flexibility and efficiency at the same time. (Somewhat later the criteria of “time” and “quality” were added). In responding to these needs, especially the major mass producers developed reorganization measures in which, also in Germany, all of the essential elements of decentralization and to a certain extent market orientation had already been present in their basic structure. Various reorganization elements – segmentation and modularization – especially of manufacturing structures, hiving-off and outsourcing, the formation of centers, project organization, process optimization, team formation, function and task integration and many other elements – were being advocated and partially realized well before the debates on lean production set in. A more or less systematic integration of all elements into comprehensive reorganization concepts, however, had not occurred yet.

In the first half of the nineties the competitive capacity of internationally active corporations came under increasing pressure, whereby the rising tide of globalization added increasing momentum to developments. Large scale companies that had been used to high growth rates and profit margins due to their dominant market positions had (major hardware manufacturers in the IT branch, for example) were

especially hard hit. During the phases of above average growth these companies engendered considerable rigidity and hierarchical sub-systems that resulted in overall organizations there were complex and difficult to coordinate. These companies were then forced to adapt to “normal” cost and price competition, all challenge they were poorly prepared to face. Some players tried to secure success by pursuing an expansive course of developing and opening up new markets (diversification), while many others had no other choice but to embark on radical reorganization. This connection between **reorganization and crisis** can be found in many companies discussed as examples of the fundamental restructuring that took place in the nineties. In many cases reorganization assumed the form of a tough restructuring process with sizable cuts and major sacrifices on the part of the employees.

In such instances, the concentration on core competence, outsourcing, downsizing and other similar measures are less the result of long term oriented strategic and corporate decisions, but are more a response to losses of markets and lack of innovation or the failure to innovate in good time. In all brevity, the above measures are the expression of defensive corporate policies, geared to ensuring survival over the short term. Accordingly, decentralization and market orientation are not only serving flexibilization and stronger customer orientation, but are primarily used as an instrument in the selection of business areas, products, processes and naturally employees, usually according to short term profit criteria. In some instances, such courses of action are an expression of relatively helpless trial and error processes. The instrumentalization of decentralization and market orientation processes presupposes the functioning of central corporate instances as well as their strengthening. The extension of controlling and evaluation techniques attain special significance in this context. The situation is characterized by parallel measures of decentralization and recentralization, or peculiar oscillations between decentralization and recentralization as have long been witnessed in the history of company restructuring.

- (4) Naturally, the outlined reorganization measures do not apply to all corporations to an equal extent. In most cases, changes are limited to certain corporate divisions, operating areas and processes, and many run very different courses in various **industrial branches** and in the **service sector**. While many of the reorganization concepts, especially reengineering concepts that have been prevailing for a longer period of time, promise a veritable “revolution”, a radical reorganization of the entire corporation, actual corporate practice is usually a different matter altogether. The starting point of restructuring usually consists of the implementation of “conventional rationalization programs” such as staff reduction, the discontinuation of unprofitable products and product lines, etc. More extensive reorganization oriented to the above mentioned principles of business reengineering are primarily en-

countered in those instances, in which relatively few, simple and clear cut business processes are to be reorganized. These usually consist of service processes that are already characterized by their market and customer orientation, as in the form consulting or planning services that are not necessarily functionally linked to complex processes of material production. However, this does not mean that market controlled decentralization concepts have not been applied in major manufacturing companies. In the nineties, business segmentation and profit center concepts were also applied in many areas of industrial production. The principles of manufacturing (modularization) and acceleration of processes (“time-based management”) that were initially emphasized are increasingly extended in order to achieve a more consistent orientation of processes to market requirements and the introduction of market control instruments. Since the mid-nineties there is a trend towards a higher integration of reorganization starting points and levels. For example, decentralization measures on the corporate level, on the level of the individual company or plant and the level of work organization are increasingly perceived as complementary elements. From the corporate viewpoint, the realization of reorganization measures systematically attuned to such complementary elements is pursuing the aim subjecting all areas of the corporation more directly to the dictates of the market (cf. Tullius 1999, p. 67).

In connection with market controlled decentralization and the associated tendency to dissolve “large corporate complexes” an increase in **small company structures** is evident – whether in the form of legally independent companies or in the form of independent organizational units with more or less loose ties to the corporation. Here too, there are differences between the production and service sector: independent smaller companies are predominant in customer oriented service areas in which the specifically tailored offerings to certain customer groups are more viable. The overall increase of smaller companies is not only the result of reorganisation processes, but also due to the increasing share of services caused by structural change within the respective sectors. In the production sector this is primarily the result of large manufacturing corporations opting for outsourcing (such as production related services). In the manufacture of products entailing complex materials the forms of company-internal organizational decentralization are likely to continue to prevail (figures 3 und 4).

Number of companies and employees according to company size classes
(as per June 30, respectively; West Germany)

Company size class (companies with ... employees)	1993	1994	1995	1996	1997	Changes in %				
						1994/93	1995/94	1996/95	1997/96	
						1	2	3	4	5
1 - 5	Companies	1.085.867	1.110.759	1.102.629	1.110.810	1.117.031	+ 2,3	- 0,7	+ 0,7	+ 0,6
	Employees	2.374.367	2.452.004	2.413.448	2.426.533	2.434.628	+ 2,1	- 0,5	+ 0,5	+ 0,3
6 - 9	Companies	200.992	203.832	203.902	203.171	203.014	+ 1,4	0,0	- 0,4	- 0,1
	Employees	1.447.466	1.468.699	1.469.062	1.464.322	1.463.593	+ 1,5	0,0	- 0,3	0,0
10 - 19	Companies	159.023	160.699	161.149	160.317	159.254	+ 1,1	+ 0,3	- 0,5	- 0,7
	Employees	2.133.742	2.155.826	2.162.201	2.150.439	2.132.548	+ 1,0	+ 0,3	- 0,5	- 0,8
20 - 49	Companies	97.624	98.380	98.419	97.815	97.852	+ 0,8	0,0	- 0,6	0,0
	Employees	1.945.030	2.964.942	2.961.757	2.946.291	2.946.746	+ 0,7	- 0,1	- 0,5	0,0
50 - 99	Companies	34.906	34.953	35.381	35.183	34.990	+ 0,1	+ 1,2	- 0,6	- 0,5
	Employees	2.408.799	2.414.717	2.440.430	2.430.653	2.419.640	+ 0,2	+ 1,1	- 0,4	- 0,5
100 - 499	Companies	28.051	27.698	27.745	27.324	27.216	- 1,3	+ 0,2	- 1,5	- 0,4
	Employees	5.582.164	5.490.964	5.486.274	5.415.106	5.399.429	- 1,6	- 0,1	- 1,3	- 0,3
500 and more	Companies	4.805	4.582	4.522	4.402	4.222	- 4,6	- 1,3	- 2,7	- 4,1
	Employees	6.230.888	5.835.132	5.664.177	5.510.719	5.293.549	- 6,4	- 2,9	- 2,7	- 3,9
Total	Companies	1.611.268	1.640.903	1.633.747	1.639.022	1.643.579	- 1,8	- 0,4	+ 0,3	+ 0,3
	Employees	23.122.456	22.755.284	22.597.349	22.344.063	22.090.133	- 1,59	- 0,69	- 1,12	- 1,14

Figure 3

Source: Beschäftigtenstatistik, Bundesanstalt für Arbeit; Arbeitsmarkt 1997, ANBA 1998, S. 43

**Medium term employment expectations of West German companies for the next 5 years
recording during the summer of 1996**

Size class	Companies with ... % of employees of the company size class stated that employment in five years will							Companies with ... % of the employees made no state- ments	Lines %	Employees		Companies	
	be con- sider- ably higher, namely by more than 10 %	be some- what higher, by up to 10 %	be on the same level as presently	be some- what lower, namely up to 10 %	be con- sider- ably lower, namely by more than 10 %	not predic- table/ don't know	In five years the company will probably no longer exist			in size class / as thousands	% of total	in size class / as thousands	% of total
1 to 19 employees	5,5	13,1	41,4	8,2	4,0	25,0	2,4	0,4	100	8.349,0	28,6	1.413,1	86,5
20 to 199 employees	3,6	13,6	36,0	17,6	5,3	22,7	0,9	0,3	100	9.984,3	34,2	202,8	12,4
200 to 499 employees	4,6	12,5	29,6	30,4	8,6	13,3	1,0	0,0	100	3.691,4	12,7	12,1	0,7
400 to 1999 employees	1,9	8,8	23,9	38,2	16,0	10,9	0,0	0,2	100	4.429,0	15,2	5,1	0,3
2.000 and more employees	0,6	7,0	18,3	43,5	21,6	8,8	0,2	0,0	100	2.708,4	9,3	0,6	0,0
Employee figures in thousands	1.087,5	3.495,2	9.697,6	6.436,2	2.475,9	5.567,4	328,0	74,3		29.162,1	100,0	1.633,7	100,0

Figure 4

Source: IAB-Betriebspanel West, 4. Welle 1996, Projekt Betriebspanel. In: MittAB 1/97, S. 47

II. Radical market economy versus networking – is the normal company dissolving?

- (1) In the current restructuring debate there are ample indications of factors and mechanisms that are lending increasing momentum to market controlled decentralization: new competitors on global markets, a new relationship between location and time and money and capital, new social economic and political disparity and many other factors. In spite of the diversity of models and concepts, market controlled decentralization is not a short lived fad, but exhibits the characteristics of a new incorporation mode of capitalistic economy whose development dynamics will, in our opinion, continue to unfold. The impact of the market on companies and the diffusion of companies into the market can be interpreted as the lacking strategic control of complex processes – in other words, as the expression of corporate insecurity in holding their own in turbulent global environments. On the other hand, the current restructuring processes also exhibit ample indication of factors that are propelling market controlled decentralization and that themselves possess a more structural character. I am referring less to new forms of **confrontational competition**, as reported by Robin Cooper during the mid-nineties on the basis of analyses of the competitive strategies of Japanese corporations that in the final instance result in self-destructive competition (Cooper 1995). I would attach greater significance to so-called **value oriented** corporate strategies that enable shareholders to take greater influence on the corporation and thus endeavor to more strongly orient reorganization measures to the flows of capital on the financial markets. During the past years this development has been the topic of increasing debate among social scientists in Germany and points to structural changes in the relationship between financing capital and productive capital and the relationship between property and management. These issues are also being discussed from the viewpoint of an increasing internationalization of the German and Japanese stock markets, that are to give greater consideration to the control and transparency interests of international investors than has been the case to date. In this context the question arises as to whether the more cooperatively organized corporate financing systems of the German or Japanese type will have a chance - by interlocking interests, for example – to hold their own in an environment of extensive deregulation and internationalization. It is currently debated whether we are experiencing the emergence of new, worldwide integrated and operational type of “**institutional capitalism**” that is replacing the nationally integrated interlocking networks in place to date (Faust 1999; Beyer 1998; Okamura 1998; Binswanger 1996).

At present it is debatable as to how concretely the steering of corporations oriented to shareholder value will impact reorganization measures and the internal condi-

tions within companies. Although the advocates of the shareholder value concept (cf. Rappaport 1986) point clearly to the strategic, i.e. long term oriented character of this approach, the majority of assessments accord the shareholder value concept a stronger orientation to short and medium term profitable core business, while neglecting the development and maintenance of resources effective over the long term. At present it is not possible to overview to what extent shareholder value orientation in Germany has already impacted companies and manifested in concrete instruments for the control and steering of extensively decentralized business areas. It is evident, however, that shareholder value orientation as an issue and potential threat is being wielded with undeniable effect, in a similar manner to globalization issues (especially in dealings with employees and unions).

From our point of view it would be premature to elevate market-controlled decentralization to a new *Leitbild* of contemporary capitalism. Neither the neo-classic conception of the regulation efficiency of the market paired with naive ideas of the scope for autonomous action in decentral organization units, nor the horror visions of radical shareholder value capitalism do justice to the contradictory structure of current restructuring processes.

- (2) One reason is the fact that these one-dimensional perceptions fail to adequately consider the **boundaries of radical decentralization and market orientation**. Although difficult to substantiate in individual instances, it can well be assumed that the social effects of market-controlled deregulation (rising number of unemployed persons, lacking training, health problems) and the rising social security costs (for the support of restructured branches and regions) will be considerable. This may result in political protagonists taking action and setting limits to radical market-controlled decentralization by implementing regulation policies. In Germany, weak unions and a government committed to the “third path” are not in a position to set such limits. The current discussion on the social policy treatment of employees holding low-paying second jobs (so-called 630- DEM legislation) and self-employed persons exempt from social security payments indicate that the mechanisms of market controlled decentralization will fuel increasing social conflicts.

In our opinion it is more probable that market controlled decentralization will meet with immanent restrictions, i.e. the concepts of radical economization and the emphasis on the markets capacity for adjustment and steering will incur negative repercussions for the companies themselves. There will come a point in time, in which the potential for enhancing efficiency through decentralization and market and competitive pressure will have been fully exploited. The mediation of production processes with a high division of labor by the market remains oriented to ab-

tract profitability criteria and will fail to achieve a strategic coordination and control of complex and interacting processes. This is already evident in the current phase in problems of lacking capacity to formulate long-term strategies, problems of coordination and integration, lacking product innovation and the destruction and deficient development of strategic resources (such as know-how, for example). In a number of companies these unplanned results of market controlled decentralization have prompted changes in the course pursued and partially caused an orientation back to more integrated company structures. This entails strengthening of central corporate steering, stronger orientation to resources, securing of innovative capacity, learning organizations, etc. It would seem unlikely, however, that this would spell the end of the trend to market-controlled decentralization and a return to the former condition, i.e. to the establishment of corporations of the old type.

- (3) In a positive sense, market controlled decentralization has the function of breaking up rigid, inefficient structures that have evolved, thereby releasing new potential and optimizing the allocation of resources. In spite of immanent and external limits that are becoming discernible, we estimate that the process of company internal decentralization and market orientation and the dissolving of major enterprises "into the market" is far from completed. Apart from these immediate "rationalization relevant" effects, it is above all structural effects that have infused market controlled decentralization with new dynamics. In our opinion the latter form an important precondition for the emergence of supra-company cooperation, in which new potentials of societal coordination and steering will arise. We regard supra-company level coordination and networking as an independent reorganization current that has attained increasing significance over the past 15 years in Germany and for which there are independent reasons that I will not be addressing here, however. Within the context of market controlled decentralization networks can also be interpreted as an answer to the negative effects and limitations of extensive decentralization and market orientation. Accordingly, mechanisms of market control are overlapped by those of organizational network control and partially replaced. In this way the centrifugal forces of market-driven disintegration are broken and production and service units related to each other in terms of contents are integrated with regard to organization and subjected to joint objectives and targets. The functional mechanisms of market controlled decentralization also remain intact within the networks, yet gain a more fictive, largely instrumental character. Thus market mediated autonomy becomes increasingly accessible to general steering and control. Viewed in this manner, networks reflect a two-fold current: on the one hand they are the expression of a "dissolution" of the traditional type of corporation, on the other hand corporations remain in place in a modified form within such networks. Market controlled decentralization and network formation oppose each

other as contradictory moments of a process, yet mutually promote their assertion and unfolding.

IT-based, network-like forms of cooperation between several legally independent companies or persons, usually limited to certain periods, projects or customers are currently being discussed in Germany as virtual companies representing a possible vision of the future – a concept that would ensure flexibility yet also economic efficiency in the next millennium. Such virtual companies are a hybrid coordination form between market and hierarchy that caters extensively to the needs of market controlled decentralization – a fact that explains their present popularity. To what extent their flaws can be corrected remains an open question. At present, the actual reality pertains usually to services and service processes (projection, maintenance) or development activities that are strongly determined by information technologies and usually originate from the IT branches. According to our analyses production and service networks arising are in reality less characterized by new forms of self-direction and self-organization and far more by a new integration mode in which a specific relationship between autonomy and control is becoming effective. Accordingly, major "focal" enterprises assume central steering and controlling functions. In the process, many companies integrated into the network find themselves in dependent positions with restricted scope for autonomous action. The economic situation of the individual company is determined by the development of the network and by the given position it occupies within the network. The present unbroken trend towards capital concentration and the associated development towards fewer and increasingly powerful stock corporations will exert considerable influence on the formation of network structures. As opposed to the vision of a so-called E-lance-economy (cf. Malone, Laubacher, 1999) it can be assumed that the role of the dominant focal companies – bolstered by the rising "reach" of the shareholders – will be further strengthened. Power concentration trends will increase and the existing polarization between the companies within the networks will tend to become more pronounced.

III. Human resource management and the development of work

- (1) In the restructuring processes of the nineties a peculiar **ambivalent new evaluation of human resources** is taking place. On the one hand the productive potentials of work as "source of value creation" are undergoing a new appreciation and being utilized in a new manner; on the other hand work as a cost factor is the object of streamlining and savings measures.

This dual assessment is unfolding in the context of so-called "**labour centered rationalization strategies**" concerned with a more efficient and flexible organization of the factor of work. "In work processes organized along Tayloristic lines it was enough to utilize the silver in the workers' muscles, but now the gold in their heads has to be mined" (Kissler, 1994). Labour centered rationalization is not merely restricted to enhancing the efficiency of work on the shop floor, but comprises all company levels (especially the indirect areas and middle management) and, as an element of systemic rationalization, it targets the supra-company level and affects the entire value creation chain. This rationalization concept is very tightly linked to reorganization on the corporate level: here too, decentralization and market orientation are the dominant principles – and this is also a specific characteristic of development in the nineties. The general goal of labour centered rationalization is the utilization of previously less accessible employee performance potentials through extensive self-organization and self-rationalization. The issue here is the subjective, creative potential of employee working capability that had only been implicitly utilized to date. This includes principles of participation and the self-rationalization of own work sequences and working conditions. "To put it succinctly, what is actually new in labour oriented rationalization is the fact that human labor becomes the subject of rationalization and assumes an active role in organization development (albeit with uncertain repercussions for individual employees and the workforce)" (Moldaschl, Schultz-Wild, 1994).

The internalization of the market in the heads of the employees and the self-direction and self-responsibility demanded in this context becomes a functional instrument of decentral and market controlled companies. The effects on employees are ambivalent: the opportunities of self-organization face the risks of self-rationalization or even self-exploitation. I will be returning to this point somewhat later.

- (2) It might be assumed that the new appreciation of human resources in the restructuring processes of the nineties would lead to an upgrading and enhancement of **human resource management** and thus to an expansion of **personnel management** within the companies. The opposite is the case, however: personnel departments themselves are becoming the object of reorganization. Such departments are also being streamlined, decentralized and hived-off or their functions outsourced. Frequently, many personnel policy tasks lose their independent status and are integrated into other functional areas or taken over (time planning, work planning and scheduling departments, and by the production management itself, for example).

According to our experience this transformation process is still in full swing. For us as researchers it is difficult at present to find competent and formally responsible

interview partners from the human resources sector. Conventional professionalized personnel work seems to be a thing of the past. The typical activities of a personnel department such as the development of concepts, strategies and plans – as far such activities are still undertaken – have been assumed by other departments such as general company management or organizational departments. Cooperation with external personnel service providers who are already developed modules for personnel work that cater to the higher personnel management tasks such as personnel development, concept development, training and motivation, as well as basic personnel policy tasks such as hiring, wage and salary accounting or working hour design.

In connection with the "dissolution" of personnel departments independent personnel policies – insofar as they existed before – appear to be playing an increasingly smaller role: personnel and labor policies remain mainly of a reactive nature and no longer generate impulses or perform designing tasks. Personnel policies are increasingly comprehended as a service among other corporate functions and can be readily outsourced and assumed by external companies.

- (3) Naturally, the loss of significance of personnel policies and personnel department does not imply that personnel policies are no longer formulated and pursued: whether of a strategic or reactive nature, planned or evolved, the consequences of the restructuring measures of the nineties for employees are considerable.

As mentioned to begin with, **personnel reductions** are the most significant restructuring measure: as a corporate cost saving objective and as a job security problem for employees. While the connection between corporate restructuring and rising mass unemployment is hard to substantiate statistically, there can be no doubt as the negative employment effects of corporate restructuring processes. This is borne out by the fact that even sectors with strong growth (car maker industry, for example) are subject to job cutbacks (approximate 120.000 jobs between 1990 and 1995; in 1997 there were 650.000 jobs in car maker industry). Apparently, normal growth is no longer able to create jobs and job losses are readily assumed. Growth depends on productivity gains that in turn are based on tremendous rationalization processes in the manufacturing and services sectors. Therefore extremely high growth rates are necessary to generate additional employment.

Company restructuring increasingly entails external, company overarching reorganization and therefore job cutbacks are mainly brought about by outsourcing strategies. Jobs that have been eliminated in core factories may be created at national suppliers are abroad. Between 1994 and 1997 some 20.000 new jobs were created in the German supplier industry; the total number of employees, however,

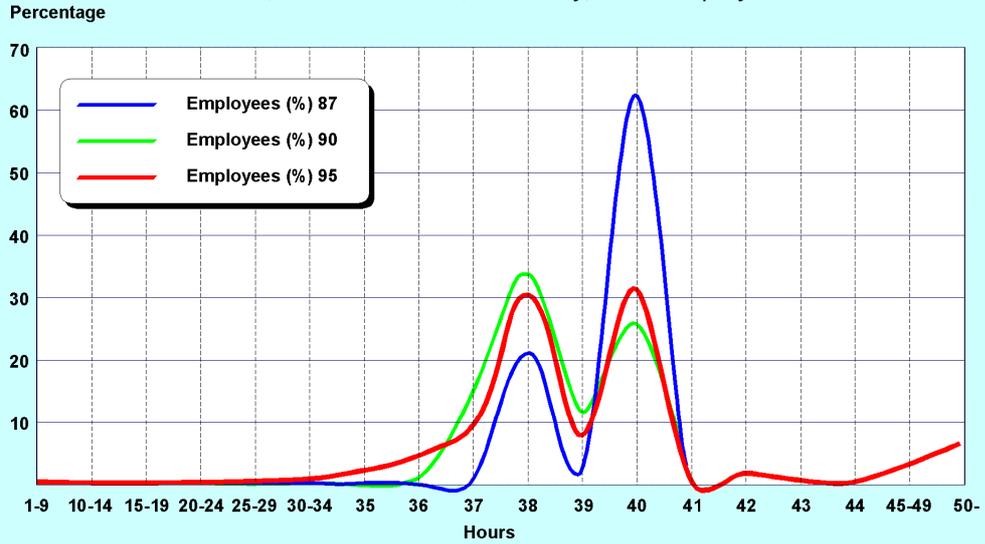
is still lower than in 1990 by 23.000 jobs (in 1997 there were 257.000 jobs in supplier industry). A realistic empiric assessment is usually only possible from case to case (Kurz 1999).

Apart from personnel cutbacks the **flexibilization of work and employment** is the second prominent characteristic of the development of work in the nineties.

Since the beginning of the nineties **working hour organization** in companies is the area having undergone the greatest amount of change. The various forms of company working hour models flexibly allocate working hours over days, weeks, months and throughout the year. In the process, corporate interests of adjusting to market and order situations and extended production time face employee interests of greater sovereignty in time planning. In decentral organization structures in which employees (in groups) are responsible for flexible response (in terms of time) to market requirements and customer needs individuals have greater opportunities to assert their working hour preferences, yet are subject to greater pressure to accept external time and schedule constraints. As the high volume of overtime reflects, there is not only an increase working hour flexibility, but employees also put in longer hours at the same time. In Germany, especially higher qualified employees are now working longer hours than previously. In almost all countries, the combination of shorter and longer working hours is in evidence. The most important share of the annual working hour reduction is caused by the increase in part-time work (especially female part-time workers). In Germany and other European countries working hours of male employees is still concentrated on the standard working week of between 35 and 40 hours, while the divergence is already relatively extreme in Great Britain: different forms of part-time work, overtime and the dissolution of collective standards have practically eliminated “normal working hours” (cf. figure 5 and 6).

Distribution of usual weekly working hours of employees

1987, 1990 and 1995, Germany, male employees



Distribution of usual weekly working hours of employees

1987, 1990 and 1995, Great Britain, male employees

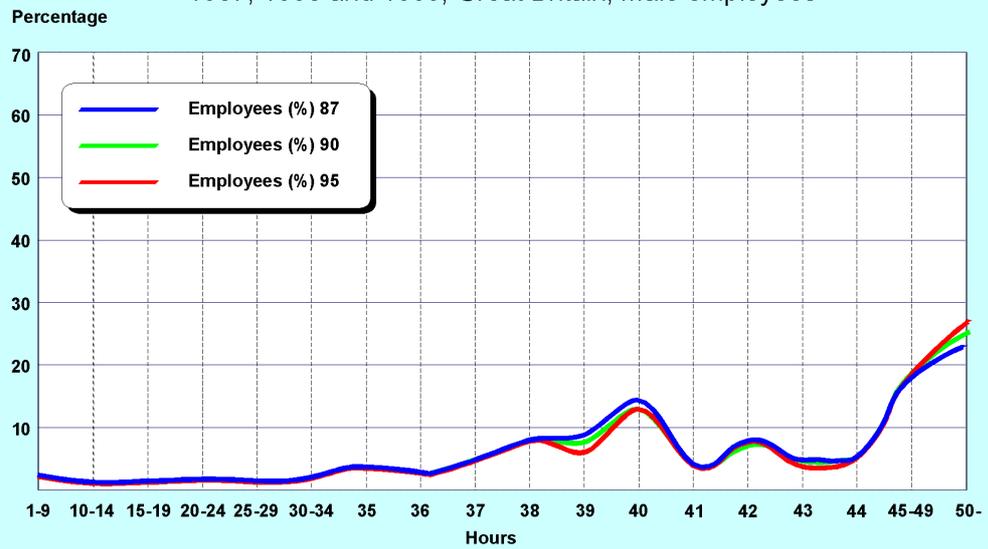
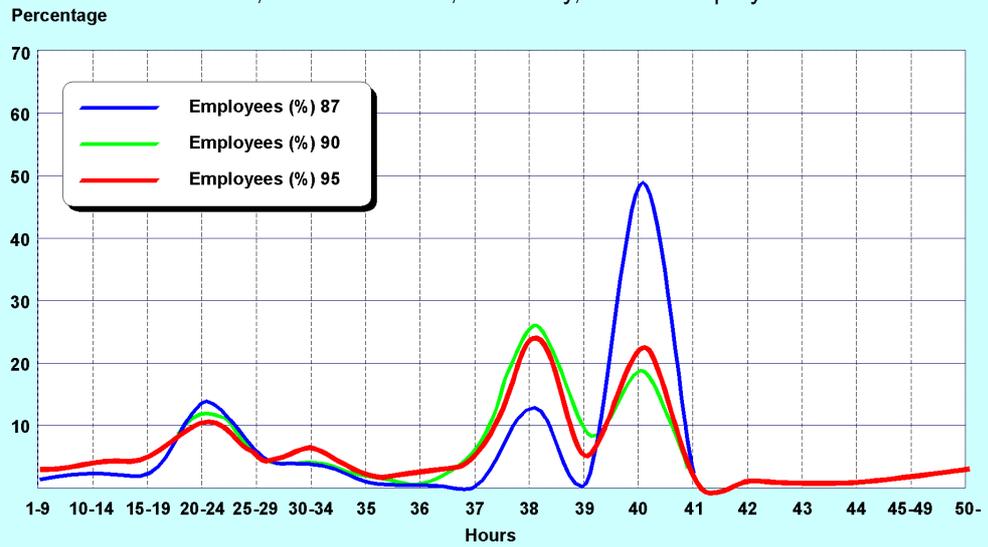


Figure 5

Source: Eurostat 1997

Distribution of usual weekly working hours of employees

1987, 1990 and 1995, Germany, female employees



Distribution of usual weekly working hours of employees

1987, 1990 and 1995, Great Britain, female employees

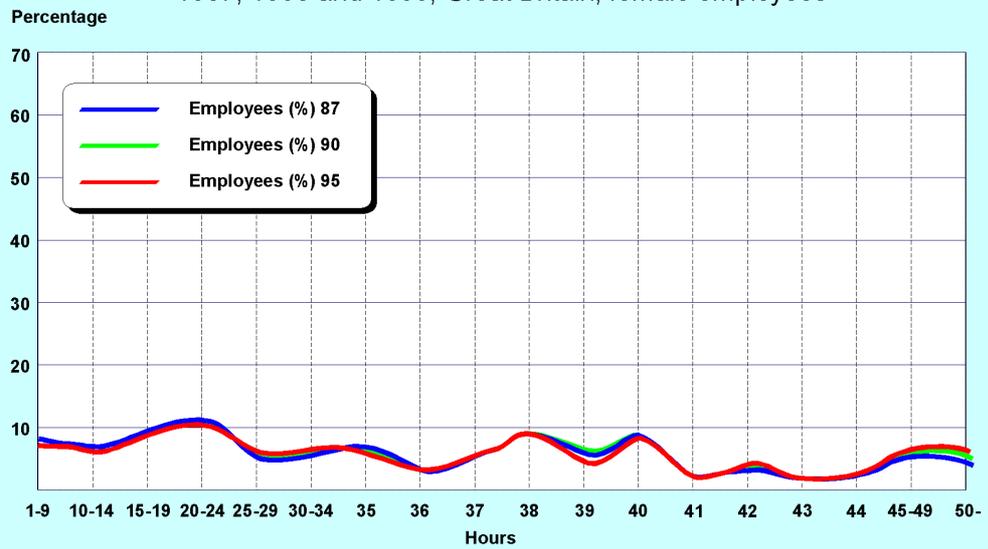


Figure 6

Source: Eurostat 1997

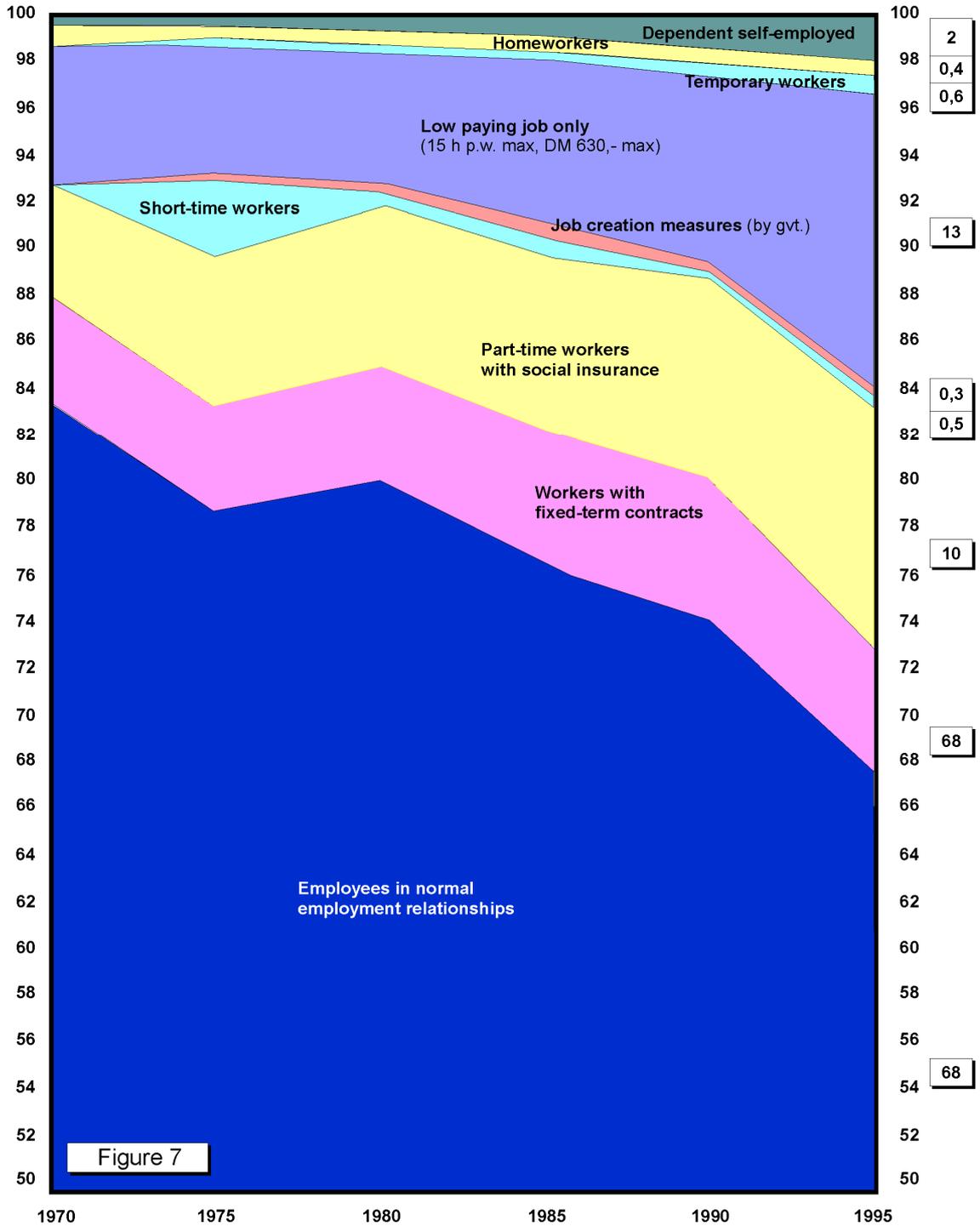
The nineties have not only been characterized by a stronger increase in part-time work, but also by a rising share of low-paying jobs. In addition, the number of “new self-employed persons” and “quasi or pro-forma self-employed persons, as well as the number of employees with fixed term employment contracts and temporary workers. All in all, a trend towards the “**erosion of normal employment**” can be formulated, according to which a decreasing number of persons are holding positions of full-time, unlimited employment with respective social security benefits. While the majority of employees are still holding “normal employment contracts” their share continues to decline (cf. figure 7). Although the figures may be disputable, all experts are in agreement that this trend will continue to prevail, especially in view of the fact that the flexibilization of employment is also perceived as an instrument in combating unemployment. The increase in unprotected, fixed term or limited employment also marks the erosion of employment contracts with protective functions that are secured by legislation or collective agreements: this includes the protection against “hire- and fire methods”, income losses due to illness, the participation in social security systems associated with standard employment contracts, or rights, privileges or securities associated with the period of employment or seniority. At present, there is a heated debate in Germany with regard to the attempts by the Minister of Labor to halt any further dismantling of employment security and social benefits: the issue at hand concerns low paying jobs (so-called 630 DM legislation) and so-called quasi or pro-forma self-employment. The opposition to these moves is coming from corporate protagonists who cite negative effects for their flexibility policies.

- (4) The empirically discernible current trends towards the dissolution or erosion of standard employment can be understood as an expression of a fundamental change of gainful employment. The diffuse periphery of standard employment, the erosion of normal daily working hours and normal, standard employment contracts are only the most visible indicators of an extensive development that in which the boundaries of standard working conditions are being dissolved (“Entgrenzung”). These developments are also impacting those cores of standard employment that have appeared stable to date: an erosion of the central characteristics of the institutionalization of labor is setting in and dissolving those aspects that were typical and structurally defining for the Fordistic and Tayloristic organization of work.

In the concepts of self-organized work (whether in groups or performed by individual persons) it is primarily the **boundary between employee and employer status** that is becoming increasingly obscured. The company power relationship, in which employees are defined as recipients of instructions within a strict hierarchy is being increasingly pushed to the background. It is being replaced by the abstract rule of

Employees in standard and non-standard employment relationships in West Germany between 1970 and 1995

(schematic presentation; number of employees and dependent self-employed in hundreds)



Adjusted by part-time and exclusively low paying employment to exclude overlapping with other employment forms; sum lower than 100 due to approximation; estimates; dependent self-employed during the entire period, low paying jobs only 1970-1985, limited employment contracts 1970-1980, social benefit paying part-time workers 1970.

Source: Kommission für Zukunftsfragen der Freistaaten Bayern und Sachsen, Part 1, 1996, p. 70

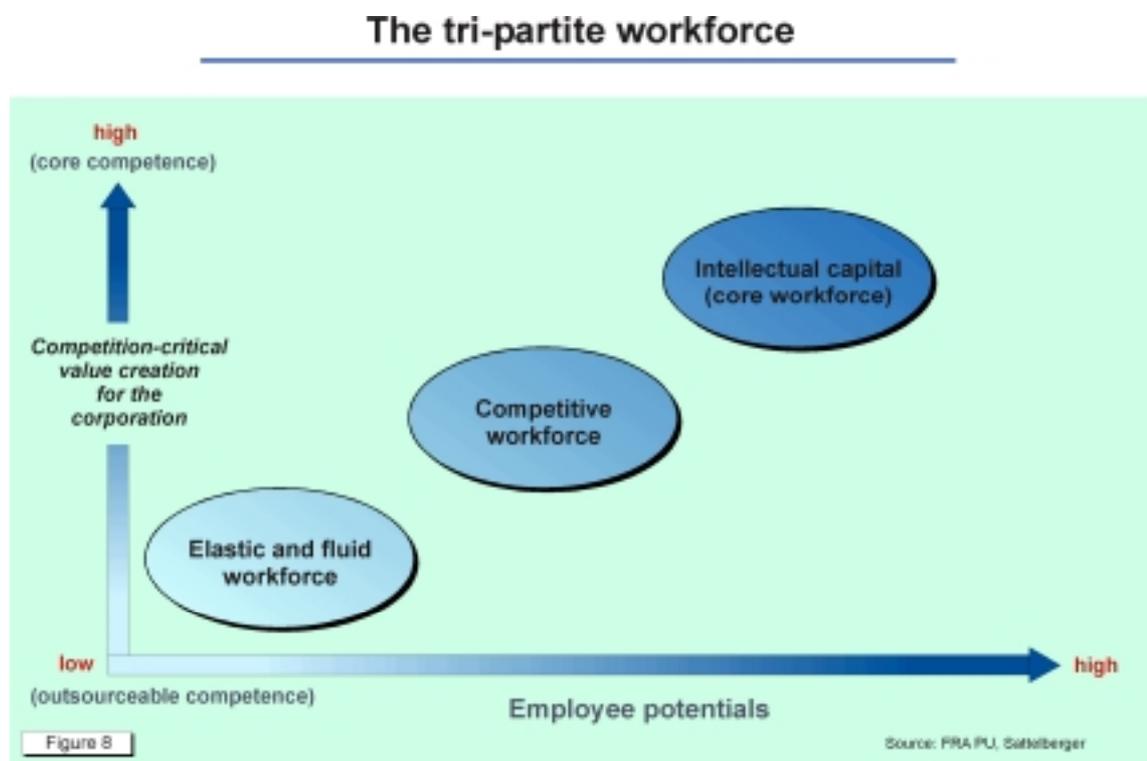
the market (the “customers inside and outside the company”) in which the employee as his or her own entrepreneur, but also in the interest of the company, must operate and succeed. Key words such as “working ability entrepreneur” or “life entrepreneur” would suggest that employees should think and act in an entrepreneurial manner. A good deal of these concepts are visions far from present reality or mere ideologies, but some aspects have already become company reality. This is not only evident in service offerings with close customer vicinity but also in labor intensive areas such as assembly work – with different repercussions on the persons affected.

Dissolving the boundaries of standard work (“Entgrenzung”) also entails an **extension and alteration of work contents**: the qualifications once acquired are no longer sufficient for lifelong employment, while there are no standardized qualifications for many new tasks. As a result the boundaries of employee task scopes are becoming more fluid and vocational training is neither a guarantee for employment or actual employment in the vocation the individual has trained for. This also means that an increasing number of employees will have to undergo continuous further training and qualification. And insofar as such training measures are not conducted and financed by the employer – and this is becoming increasingly rare – this also entails that the boundaries between working hours and leisure are becoming more and more diffuse. The fact that employment relationships and vocational careers are becoming less secure and plannable also impacts the plannability of individual biographies or the connections between an individual’s life design and the biographies of other persons (in the context of families, friends or other social networks).

The increasing dissolution of the boundaries of standard work is also causing a new form of **interaction between the formerly divided spheres of work and life of the individual**: this is manifesting as the internalization of market requirements and corporate goals within the context of self-organized work groups, as the dissolving division between the place of work and the home as in tele-work or freelance and self-employed activities, and as more fluid boundaries between work and life within the context of a new “freedom of working hours” (Trautwein-Kalms, 1995, p. 133) or private training and qualification activities (cf. Moldaschl 1998, Voss/Pongratz 1998, Sennet 1998). This development is also reflected by the infusion of demands from the private and personal sphere made on the vocational sphere (commitment, social competence, conflict and team capabilities) and vice versa, vocational sphere demands being made on the individual’s private and personal sphere (“company impact on private life”, cf. Voss 1991, Voss/Pongratz 1998; “Taylorization of the family”, cf. Hochschild 1997).

- (5) These different trends in the current development of labor that we have summarized as the “dissolving the boundaries of standard work” impact the various employee groups in different ways. The existing **heterogeneity of working and living conditions** is being stepped up, and new polarization will arise within the overall working population that will usher in new dividing lines in company workforces.

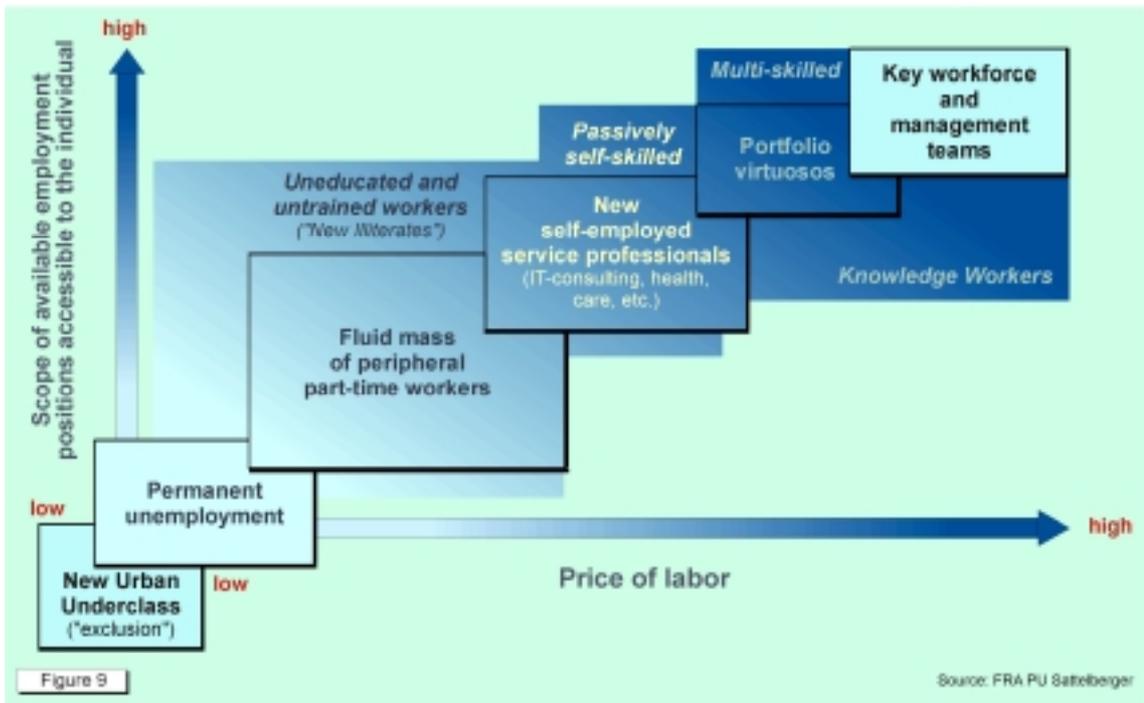
The relationship between the core workforce and the peripheral workforce in corporations that has long been in place will become increasingly differentiated. This is reflected by the personnel policy concepts of major Germany corporations (cf. figure 8).



There a tripartite workforce is discernible: inserted between the core workforce and peripheral workforce, the competitive workforce enters the picture. From value creation standpoints their potential, and thus their jobs, remain an open question. The same personnel manager (one of the pundits among Germany’s top human resource managers) perceives the divided labor market in a more differentiated manner (cf. figure 9): the upper segment of multi-skilled workers is where the flexible specialists are located as part of the knowledge workers, and these individuals are partially self-employed or frequently changing positions and companies. Self-employed (or quasi, pro-forma self-employed) are also encountered in the medium and lower segment, especially in the services sector. The typical German personnel manager still belongs to a value oriented (in the meaning of ethics) generation and

regards the current trends as problematic. Therefore, such individuals seek to develop personnel policies geared to incorporating all employee groups as far as possible (cf. figure 10).

The divided labor market



Divided personnel policies?

Management of ... for ...	LOYALTY	IDENTITY	KNOW-HOW
Core workforce	Strengthening of contract	Development and maintenance of a core culture	Identification, development, maintenance and competitive protection of key competencies
"New self-employed" and network workforce	Development of a "new contract of employability"	Development and maintenance of a (virtual) network culture	Development and maintenance of labor market attractiveness for - Portfolio-worker - Just-in-time-employment

Figure 10

Source: FRA PU, Sattelberger

In current personnel policy practice the focus is on the core workforce, the safeguarding of key competencies and “intellectual capital“. Personnel policies concerned with the employability of peripheral workforce groups or of higher qualified flexible workers in the meaning of a new network labor market currently remain a well-meaning vision more than anything else.

The strategy of flexible personnel policies - that are themselves an aspect of the restructuring policies of the nineties - is one of the causes of the dissolving boundaries of standard work on the one hand, while it also utilize the existing forms of flexible work and employment on the other. All in all, they will strengthen the existing trend towards an increasing heterogeneity of working and living conditions (in terms of employment, working conditions, income, etc.). Although Germany holds a relatively good position by international comparison with regard to most of the key indicators of working and living conditions, rising disparity and polarization are becoming evident behind the average values. While employee qualification levels have risen and the number persons with low qualifications is declining, the number of employees engaged below such levels who thereby suffer considerable qualification losses is rising. In 1995, for example, every sixth employee was holding a position below his or her qualification level, while the number of female employees whose jobs were not commensurate with their training and qualification levels totaled almost 20 percent (cf. Büchel 1998). Regarding wages and income it is also apparent that a considerable widening of the income brackets has occurred in spite of internationally favorable average figures. In today's Germany poverty issues are on the debate agenda and around one fifth of the population is living in very precarious income situations, on the edge of, or below the subsistence level. High unemployment and the dissolution of standard work are undoubtedly contributing to this situation (cf. Becker, Hauser 1997). Also within the group of full-time employed persons, however, the share of individuals holding low-wage positions or in precarious income situations has also increased, namely from 29 to 36 percent between 1975 and 1990. It can be assumed that this low-wage sector has continued to increase during the nineties (cf. Schäfer 1997). A more differentiated view broken down according to sex, age, etc. or according to different economic sectors would show up considerably greater differences and disparity that I will not be dealing with in detail in the following.

IV. Conclusions

The outlined developments in Germany in the nineties that also occurred in a similar form in other European countries are often interpreted as Americanization, as adaptation to the Anglo-Saxon development model. The trends towards decentralization, market

orientation, the rising flexibility of work and employment and the deregulation of the general welfare state framework provide weighty arguments for a future scenario of unbridled competitive capitalism of the Anglo-Saxon type, a modern world characterized by insecurity and social disparity. Nevertheless, the advocates of neo-liberalism have still not attained a dominant position in the political and scientific debate in Germany. In Germany, but also in France, other European countries and last not least in commission of European Union the traditions and achievements of the welfare state concerned with balancing industrial relations and the overall societal, cultural environment are so strongly developed as to not be readily and rapidly superseded by radical market and competition-based ideologies. In spite of far-reaching changes, this also applies to the conditions in many companies. Shareholder capitalism remains a threat that is brandished, while the social cooperative relationships within companies that are closely linked with technical and organizational structures have proved sustainable and durable. Regardless of many differences, the situation bears a good deal of similarity to Japan, where social structures have remained relative stable and are slow to change, even in the face of massive crisis and reorganization (vgl. Berggren, Nomura 1997).

From my point of view however it would be too simple to explain the development in Japan and Germany solely by pointing to the resistance and staying power of historically evolved traditional structures. I regard the previously mentioned immanent limits to radical market economy and the resulting limited future viability as far more significant. There is no way back to the future: there is no such thing as pure economy and likewise no total market as such. The latter remain what they always were, namely ideologies, albeit ideologies that are factually effective. Over the long term, capitalism can not function without social and societal embedding: further reaching decentralization and market orientation call for new forms of organization, cooperation, networking but also for new forms of regulation. This does not mean that the historic forms of cooperative and institutional capitalism as exemplified by Germany and Japan will simply continue to remain in place. In Germany there is no way back to the former welfare state that had developed during the post-war years. But it is also not an issue of completely dismantling the welfare state and far more one of bringing about changes and implementing reforms. The direction of these changes, the relationship between market and organization within companies and company networks and what the new relationship between politics and economy will look like are currently the focus of scientific and political debate in Germany. In these discussions, political policies combating unemployment within the context of globalizing economies are the central issue. A way back to full employment, however, is being increasingly abandoned as a realistic aim. The search is for political forms of a new distribution of work and new forms of social security. Although national governments and unions appear weakened by the globalization of the economy, they are still the most important protagonists in asserting political reforms.

In view of an increasing dominance of economy in the nineties the political mood in Germany is currently somewhat resigned. A “return of economy to society” will only succeed if the limits of radical market economy also become visible in the political opposition to their dominance. There is some indication of this in Germany and in Europe, but there is still a long way to go before such positions enter into politics and policy making. It is to be feared that political mobilization will only set in when the negative effects of the current development become tougher and impact even larger shares of employees and the population. Whether the opportunities for political change and reforms will be better at that point in time, remains to be seen.

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