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# Management Whipsawing: The Staging of Labor Competition under Globalization


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# Management Whipsawing: The Staging of Labor Competition under Globalization

## **Abstract**

The authors examine management whipsawing practices in the European auto industry based on more than 200 interviews and a comparison of three automakers. They identify four distinct ways in which managers stage competition between plants to extract labor concessions: informal, hegemonic, coercive, and rule-based whipsawing. Practices at the three auto firms differed from one another and changed over time because of two factors: structural whipsawing capacity and management labor relations strategy. In the context of economic globalization, whipsawing is an effective means for managers to extract concessions, to loosen national institutional constraints, and to diffuse employment practices internationally.

## **Keywords**

whipsawing, labor competition, labor relations, auto industry, multinational corporations, management strategy, globalization, European Works Councils, labor unions

## **Disciplines**

International and Comparative Labor Relations | International Business | Unions

## **Comments**

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# MANAGEMENT WHIPSAWING: THE STAGING OF LABOR COMPETITION UNDER GLOBALIZATION

IAN GREER AND MARCO HAUPTMEIER\*

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The authors examine management whipsawing practices in the European auto industry based on more than 200 interviews and a comparison of three automakers. They identify four distinct ways in which managers stage competition between plants to extract labor concessions: informal, hegemonic, coercive, and rule-based whipsawing. Practices at the three auto firms differed from one another and changed over time because of two factors: structural whipsawing capacity and management labor relations strategy. In the context of economic globalization, whipsawing is an effective means for managers to extract concessions, to loosen national institutional constraints, and to diffuse employment practices internationally.

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Since the 1970s, production and exchange have increasingly taken place on a global scale, facilitated by market liberalization and foreign direct investment by multinational corporations (MNCs). Many studies have shown that economic globalization has reshaped collective bargaining by intensifying market pressures on firms and workers (Tilly 1995) and that management practices in MNCs have translated these pressures into changes

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KEYWORDS: whipsawing, labor competition, labor relations, auto industry, multinational corporations, management strategy, globalization, European Works Councils, labor unions

in firm-level employment relations (e.g., Katz 1985; Mueller and Purcell 1992; Moody 1997; Raess 2014). Less is known, however, about the role of management in organizing international competition.

In this article we discuss whipsawing as a technique for managers to extract labor concessions using between-plant competition. Whipsawing is usually understood as a negotiation practice in which one negotiator plays off at least two other parties against each other to gain an advantage (Graham, Evenko, and Rajan 1992). Whereas previous employment relations literature referred to whipsawing in situations in which two plants engaged in a direct contest over production (Turner 1991; Katz 1993), we use the term whipsawing in a wider sense. We examine whipsawing as a way in which managers stage market competition (Brinkmann 2011) across the corporate network in the context of production and investment decisions. The various forms of management whipsawing deserve attention in employment relations research because they help managers reduce the constraining effects of national institutions and diffuse employment relations practices internationally.

We examine MNCs in the European auto industry from the emergence of widespread management whipsawing in the mid-1980s up to the economic crisis in 2008. We focus on Europe because it is a world region where some of the most sophisticated whipsawing practices have developed. We examine the U.S. companies General Motors (GM) and Ford, which developed whipsawing techniques in the United States (Katz 1985; Moody 1997) and then introduced them in Europe (Mueller and Purcell 1992; Fetzner 2012). We also examine the German MNC Volkswagen (VW), the largest automaker in Europe, in which management behavior differs because of within-firm institutions conducive to labor-management partnership (Turner 1991; Greer and Hauptmeier 2008) but in which, nonetheless, we observe whipsawing.

This article's first contribution is to distinguish among four whipsawing patterns. *Informal whipsawing* is the staging of competition using labor's understanding that concessions are necessary for investment but without using explicit or specific threats. *Coercive whipsawing* is the use of explicit or specific threats, with a narrow focus on extracting concessions and little attempt to secure the cooperation of worker representatives. In the other two patterns, managers also organize competition but try to maintain a partnership with workers by influencing labor's interests and ideas (*hegemonic whipsawing*) or using standardized formal bidding (*rule-based whipsawing*).

This article's second contribution is to identify two factors that explain the observed emergence of, and variation in, whipsawing practices. First, the production structures of MNCs and market conditions provide management with varying and changing degrees of whipsawing capacity. The overall increase in flexibility to reallocate production to different plants allows whipsawing to emerge and develop. Second, within these constraints, management pursues diverse labor relations strategies. Competition is organized in varying ways in response to the simultaneous and conflicting needs to both secure partnership with and force concessions from organized labor.

### The Changing Conditions and Practices of Whipsawing

In industrial relations, the term *whipsawing* originally referred to union rather than management behavior. It has been defined as “a bargaining tactic used by trade unions in which there is an attempt to spread wage and other concessions from one employer to another. . . . A breakthrough in negotiations in a lead firm (could) thereby be generalized across an industry or occupational group” (Heery and Noon 2008: 510).

Labor unions used whipsawing historically to establish pattern bargaining. Based on the U.S. experience of the 1930s and 1940s, Ross (1948: 53–70) pointed to equalizing tendencies under collective bargaining, driven by various “orbits of coercive comparisons,” such as labor and product markets. In the post–World War II decades, union whipsawing took place regularly across the developed world as unions ratcheted up wages in a context of strong economic growth (Markovits 1986; Marginson 1988). Auto manufacturing was an important site of union whipsawing. In post–New Deal United States and postwar United Kingdom, unions would target a particular company and then demand that other companies pay according to the new pattern. In the United States, the union had the advantage that, during a long strike at one company, workers at the other companies would continue paying into the strike fund; deviation among companies (and within companies) was minor (Katz 1985). Similarly, in the United Kingdom, Ford workers established a “parity campaign” to bring wages up to the level of British Leyland; subsequently, Ford was seen by unions as the company that set standards for the sector (Beynon 1973). In postwar Germany, where formal sectoral bargaining encompassed the entire metal sector, IG Metall would first seek agreement in its Baden-Württemberg district because of the highly organized workforce there. This agreement would then be extended to other metalworking regions and would also influence bargaining in other sectors (Markovits 1986).

Employers also engaged in comparisons among plants as early as the 1970s. For example, Ford conducted performance comparisons of its European plants (Beynon 1973), pointing to the productivity gap between British and continental European plants and criticizing the regular strikes and wildcat disputes in the United Kingdom (Fetzer 2009: 16). Management’s comparisons did not have a strong effect on employment relations, however, because they took place in a context of growth in demand, high utilization of in-plant capacity, and international trade barriers. Little scope for relocating production existed. As recently as 1976, even in the United States, “union whipsawing [was] much more prevalent than the reverse phenomenon” (Hendricks 1976: 78).

With economic globalization, the union strike threat lost its potency as managers gained credible exit options and increased their capacity to whipsaw (Anner et al. 2006; Raess 2014). Governments gradually opened product markets to international producers. Internationalization had a strong regional dimension, especially in the European Union, which promoted a wide range of market-making institutional changes over several decades, including the

free flow of goods, services, labor, and capital (Lillie 2010; Höpner and Schäfer 2010). The internationalization of markets made trading across borders and investing outside of their home countries easier for MNCs.

Changing market conditions also put pressures on firms. With slowing economic growth after the 1970s and increasing international competition, markets for automobiles became saturated (Bonin, Lung, and Tolliday 2003). By the 1990s, excessive production capacity became a serious problem, as underutilized plants squeezed profits or triggered losses, putting jobs at risk. For trade unionists, the trade-off between jobs and pay became acute, making them more sensitive to production assignments and investments, and therefore susceptible to demands for concessions.

Parallel to the internationalization of markets, globalization altered MNC organization, structure, and strategy (Morgan, Kristensen, and Whitley 2001). Facing increased market competition, the two main objectives for MNCs in the auto industry became cost reduction and increased product variety (Bordenave and Lung 1996). Foreign direct investments by MNCs accelerated in the 1970s and 1980s, and MNC operations became integrated across borders. Global manufacturing systems stipulated work organization and production norms in plants around the world (Williams and Geppert 2012). Management gradually developed transnational production networks and production platforms with standardized production templates in multiple plants in different countries. Different models on a platform shared a majority of parts, driving down the cost of parts, but differed in terms of outside appearance (Jürgens 1998). Some corporate strategies, such as parts purchase and manufacturing systems, unfolded on a global level, whereas production platforms were embedded in world regions (Freyssenet and Lung 2000).

The evolving internationalization of production facilitated management whipsawing. In one early incident in the United States, management threatened to purchase new axles from another plant unless the local union agreed to concessions. The unions, under pressure to retain local jobs, agreed to work-rule changes, including the broadening of job classifications (Katz 1985: 66–68). In the second half of the 1980s, whipsawing became widespread at U.S. assembly plants. Turner (1991) documented within-country whipsawing to force work-rule changes on local unions to promote lean production. Plants that did not cooperate were passed over in investment decisions, threatened with closure, or closed down. Although this did not initially break the wage pattern, it did decentralize collective bargaining over work rules (Katz 1993).

Management also began to whipsaw plants across borders (Moody 1997). Babson (2000) observed dual sourcing at Ford plants in the United States and Mexico, in which labor concessions were extracted by playing plants from both sides of the border off against each other. Ford and GM also experimented more widely and forcefully with whipsawing practices in Europe, in the 1980s by pitting German and British car-parts plants against each other (Mueller and Purcell 1992) and later by employing this strategy

Table 1. Patterns of Whipsawing

<i>Associated practice</i>	<i>Informal</i>	<i>Coercive</i>	<i>Rule-based</i>	<i>Hegemonic</i>
Benchmarking	Yes	Yes	Yes	Yes
Organizing competition between plants	Yes/No	Yes	Yes	Yes
Explicit and specific threat to shift production	No	Yes	Yes	Yes
Formal bidding	No	No	Yes	Yes/No
Influencing ideas	No	No	No	Yes

throughout their European corporate networks (Hancké 2000; Fetzer 2012). From the 1990s, other European auto MNCs followed suit (Meardi 2000; Greer and Hauptmeier 2008; Bernaciak 2010).

The industrial relations literature has identified a number of management practices associated with whipsawing. First, managers engage in *benchmarking*, the systematic measurement and comparison of processes and performance across plants (Sisson, Arrowsmith, and Marginson 2003). This can be merely an exercise in data gathering, but it can also have a more normative or coercive meaning when combined with other whipsawing practices. Second, managers *organize competition among plants* by pitting them against each other in the context of production assignments (Mueller and Purcell 1992) and demanding labor concessions in exchange for investment. Third, managers stage this competition in different ways. In some cases, managers articulate an *explicit and specific threat to shift production* if labor does not agree to concessions (Babson 2000; Raess 2006; Raess and Burgoon 2006); in other instances, managers do not state this threat openly (Coller 1996). Fourth, managers introduce *formal bidding* for new production with clear rules and expectations about the competitive assignment of investment and production (Greer and Hauptmeier 2008). Plants with a better tender, often including higher labor concessions, win the contest. Fifth, corporate leaders seek to legitimize their actions by *influencing workers' ideas* (Ferner and Edwards 1995; Hauptmeier 2012; Hauptmeier and Heery 2014). For example, managers try to convince workers that the competitive assignment of production is necessary for survival in the highly competitive auto markets. We use these five whipsawing practices to distinguish among the four whipsawing patterns (Table 1).

### Mapping Variation and Change in Whipsawing Patterns

Whipsawing is one way in which managers stage markets and use the resulting competition as a tool for coordination and control (Brinkmann 2011; Vidal 2013). Managers engaging in whipsawing are not just responding to the pressures of markets; they are also organizing market competition through their investment and production decisions with an aim of extracting labor concessions. The emergence and variation in whipsawing that we observe is a function of both whipsawing capacities and management's labor relations strategies.

Table 2. Determinants of Whipsawing Capacity

<i>Whipsawing capacity</i>	<i>Parallel production</i>	<i>Standardization</i>	<i>Production platform</i>	<i>Market demand</i>	<i>Market supply</i>	<i>Plant utilization</i>
High	Yes	High	Yes	Low to medium	High excess supply	Underutilized
Medium	Yes	Low to high	No	Low to medium	Some excess supply	Some spare capacity
Low	No	Low	No	High	Market clearance	Full-capacity utilization

Whipsawing capacity refers to the potential and ease with which MNCs move production between plants (see Table 2). Parallel and standardized production increases the speed and reduces the cost of reallocating production at the end of production cycles. Production platforms further increase the flexibility to assign production and allow managers to shift production at short notice at any time during the product cycle. Production can be more easily reallocated between plants when plant utilization is low. Companies tend to experience low plant utilization and a corresponding profit squeeze or loss when market demand deteriorates and excess supply increases. This increases the pressures and opportunities for whipsawing and reinforces management's arguments for concessions.

Within these constraints, whipsawing practice is shaped by management's labor relations strategy, which we conceptualize as a balancing act between forcing and partnership (Walton, Cutcher-Gershenfeld, and McKersie 2000). Forcing is the use of the unilateral managerial prerogative to extract concessions, and it is always present to some degree because of needs for reduced costs and increased productivity. Partnership is also always present to some extent because of the need to secure worker consent, improve quality, and maintain stability. These two requirements are often in conflict with one another; for example, forcing can undermine the labor-management partnership. But they can also complement each other; for example, under productivity coalitions (Windolf 1989), the local labor-management partnership can facilitate concessions in the face of European-level management forcing strategies. We differentiate among four degrees of these two requirements in our sample: emphasis on forcing (management uses its power boldly to extract concessions), emphasis on partnership (management focuses on gaining productivity gains through collaboration with labor), simultaneous forcing and partnership (management strikes a balance between the two approaches), and strong partnership (management integrates labor into decision-making processes).<sup>1</sup> The varying management strategies and whipsawing capacities result in four whipsawing patterns: *informal*, *coercive*, *rule-based*, and *hegemonic*.

<sup>1</sup>A fifth possibility is *strong forcing* (management ramps up its whipsawing activities by breaking the union in one or more locations). Although union busting is well documented internationally, we did not observe such strong forcing in our whipsawing cases.



In *informal whipsawing*, management does not explicitly threaten labor with the withdrawal or withholding of production (Coller 1996). Management might, however, still communicate to labor in an informal manner that production allocations are coming up in the company. Because production may go to another plant, these discussions trigger labor concerns, especially in the context of excess capacity and underutilized plants. Subsequent negotiations between management and labor result in an exchange of labor concessions for production. Managers have an emphasis on partnership and avoid undermining existing labor-management collaborations. Managers may, in fact, lack the intention or capacity to move production elsewhere—and we observe informal whipsawing most commonly under medium whipsawing capacity—but worker representatives find assessing this to be difficult, even with statutory rights to access corporate information.

*Coercive whipsawing*, by contrast, is explicit and specific. No doubt remains about the intentions of management or its capacity to follow through on its disinvestment threats. Management sets different plants in competition with each other, threatening the affected workforces with the assignment of car production to another plant if labor does not agree to sufficient concessions. In some instances, management negotiates only one round of concessions at each plant and subsequently assigns production; in others, management uses concessions gained at one plant to extract increasing concessions at other plants. This is the back and forth among plants suggested by the literal meaning of whipsawing. The correspondence between the extent of labor concessions and production assignments is often unclear. Because management's prerogative is exercised blatantly and unilaterally, coercive whipsawing has the greatest potential to undermine the labor-management partnership.

*Rule-based whipsawing* is a standardized competitive procedure for the allocation of production and requires a high whipsawing capacity. By introducing rules and seeking to organize the process in a fair and transparent manner, managers try to avoid the potential negative effects of coercive whipsawing and maintain labor-management cooperation, but simultaneously they try to extract concessions. Before the production of a new car model begins, management initiates a formal bidding process among the plants of a given production platform. Each plant submits a tender, and the one with the highest labor concessions receives the highest share of the work or the exclusive production of the model. In effect, management creates a within-company market for the allocation of production (Hauptmeier 2011).

*Hegemonic whipsawing* only occurs when labor is extensively integrated into management decision-making processes. Giving labor real responsibility in governing the company tends to produce a responsible labor ideology, which facilitates management's attempts to convince labor that internal competition is necessary for the company to survive in the context of cut-throat, price-based product competition. Management also argues that the competitive assignment of production will help to secure jobs and production assignments from headquarters. Thus, management influences worker representatives'

ideas to win their acceptance of the competitive assignment of new production. This allows the extraction of labor concessions using explicit exit threats without undercutting management's legitimacy in the workplace.

At least a medium level of whipsawing capacity must be present for whipsawing of any kind to be used, and only under high capacity do we see the sophisticated rule-based and hegemonic forms of whipsawing. At any particular level of whipsawing capacity, however, managers organize whipsawing in varying ways, depending on the mix of partnership and forcing found in their labor relations strategies.

### **Methods and Data**

We examine the European auto industry because whipsawing practices have become common and varied in this industry. We use qualitative data on the European operations of Ford, GM, and VW. Data collection took place between 2002 and 2010 and included more than 200 interviews. We interviewed auto managers at European and global headquarters and at the local plant level in the United States, Germany, and Spain. We triangulated these data on management by interviewing actors with a distinct perspective, such as local works councilors, labor representatives, dissidents (activists outside the formal labor-representation bodies), industry experts, and European works councilors (EWC) from the United Kingdom, Belgium, Poland, Sweden, Russia, Germany, and Spain. Because the recollection of interviewees of historical events can be incomplete or biased, we also relied on archival data such as corporate newsletters, press releases, magazines, and the leaflet archives of labor unions, which helped to reconstruct what the actors thought and were motivated by at the time. Further information was gathered from webpages and newspapers. The company case studies cover the period from the mid-1980s to the 2008 economic crisis, allowing us to assess sequences of whipsawing episodes and, therefore, change over time. The episodes focus on assembly production but also include activities at parts plants when they shed light on the development of whipsawing practices in the firm as a whole. In each case, we explore the different patterns of whipsawing practices and corresponding explanatory factors. We subsequently developed and consolidated the emerging whipsawing categories and explanatory factors from the data in relation to previous literature on labor competition, corporate strategies, and MNCs.

### **Ford**

At Ford, following incidents of coercive whipsawing in the 1980s, informal whipsawing became the dominant pattern. Management usually refrained from coercive whipsawing practices, with the aims of avoiding conflict with labor and nurturing cooperation. Management made labor aware of upcoming production decisions in Europe, and trade unionists initiated negotiations over production allocation, which then led to labor concessions.

Management turned to coercive whipsawing only when it faced local industrial action in Spain, but subsequently it returned to a more informal approach with the aim to maintain collaborative employment relations, which it regarded as a precondition for producing high-quality cars.

Ford was one of the first MNCs to develop an integrated European operation. Ford of Europe was founded in 1967 with its headquarters in Warley, Essex (United Kingdom). Henceforth, the European headquarters oversaw the two primary, previously independent subsidiaries in Germany and the United Kingdom. Ford Germany had its main production sites in Cologne and had a plant in Genk (Belgium) as part of the German operation. The Ford UK assembly plants were located in Halewood, Dagenham, and Southampton. In addition, Ford owned an assembly plant in Azambuja (Portugal). Ford's European headquarters orchestrated the expansion of production in Europe in the 1970s by building assembly plants in Saarlouis (Germany) and Valencia (Spain) (Fetzer 2012).

In the 1980s, Ford experimented more widely with whipsawing practices in the context of excess production capacities in Europe (Bonin et al. 2003: 94). In 1985, Ford cited high labor costs in Germany as an important factor in a possible relocation of engine production to the United Kingdom. German works councilors averted disinvestment only by negotiating a cost-reduction agreement with local management (Fetzer 2009: 19).

In the late 1980s, management put the Dagenham plant on notice, presenting productivity comparisons that showed the plant to be lagging behind its European competitors. Assembling a Fiesta in Dagenham took 59 hours, compared to 33 hours in Cologne and 35 hours in Valencia. In addition, producing a Sierra in Dagenham required 67 hours, compared to 40 hours in Genk (Bonin et al. 2003: 101). As a consequence, Ford concentrated Sierra production in Genk, and management warned the Dagenham unions that the successor model, the Mondeo, would be also sourced to the Genk plant if labor conflict and productivity did not improve. Parallel production in different plants made such coercive whipsawing practices possible.

Ford's whipsawing capacity increased in Europe during the 1990s, when it expanded production by creating an assembly joint venture with VW in Setubal (Portugal) and by opening assembly plants in Plonsk (Poland) and Obchuk (Belarus). The Valencia factory became the flex plant capable of producing all Ford car models and, thus, could easily take on additional production when market conditions required (union interview, Spain, April 26, 2006). The standardization and integration of production were advanced through the development of production platforms (implemented in the second half of the 1990s), which further increased management's flexibility in reassigning production.

Despite this capacity, Ford relied mostly on informal whipsawing during this period. In the context of implementing lean production, management valued its partnership with worker representatives and regarded this as an important element of running their plants productively (management interview, Germany, November 16, 2005). Ford did not want to endanger

the labor-management partnership through excessive forcing strategies. Whipsawing began to work in a subtler way. For example, when Ford Germany was hit by the 1993 recession, management sought to negotiate a company-level agreement to cope with the crisis and reduce labor costs. Management put pressure on the works councils by presenting benchmarking data demonstrating that each car produced was US\$516 cheaper in Valencia, but it did not explicitly threaten to shift production elsewhere (Ford Works Council 1993).

Wilfried Kuckelkorn, the head of the German works council, was the one who demanded production assignments for the German plants in return for concessions. He realized that, in an increasingly tight product market, only sufficient production assignments would secure jobs and previous labor gains. The resulting Investment Security Agreement stipulated production assignments for the German plants until 2000 and an annual labor-cost reduction of DM140 million (works council interview, Germany, June 24, 2005).

Similar negotiations took place in 1997. German works councilors were made aware by management that new production assignments were imminent. In a meeting with the worldwide chief executive officer (CEO) of Ford, Kuckelkorn demanded production assignments and signaled that he would be willing to negotiate labor concessions. This initial conversation triggered negotiations at Ford Germany that resulted in another agreement that traded labor concessions for production assignments in Germany until 2002 (Ford 1997). This agreement had severe consequences for the British unions during the next downturn of the market, at the end of the 1990s. Ford was under pressure to reduce production capacity. Because production was already promised to German plants, Ford decided to shut down car production at Dagenham, which meant discontinuing blue-oval car production in the United Kingdom after more than 80 years.

At the Valencia plant in Spain, whipsawing practices began to matter for employment relations only in the late 1990s. Whipsawing arrived relatively late because the Valencia plant was one of the most productive assembly plants in Europe and had operated in the growing Spanish auto market. Then, management became concerned with growing labor costs, which led to a bitter 11-month collective bargaining conflict in 1998. Management responded to union strike pressure by threatening to transfer Focus production from Valencia to Saarlouis (Artiles 2002a). The German works councilors, however, refused the extra work that would break the strike in Spain. In subsequent negotiations, Ford headquarters in Detroit became directly involved in the conflict through a videoconference. The CEO urged the Spanish unions to agree to the suggested changes and called the trade unionists “pirates.” He threatened to close the Valencia plant, not right away but gradually through the assignment of new production elsewhere (Hauptmeier 2012).

Shortly thereafter, management and labor agreed on a compromise. After reflecting on the negotiation process, management decided that all future production assignments would take place only following a collective

bargaining round, not before collective bargaining, as had happened in 1998. Management's view was that doing this would increase pressure on labor to find a reasonable compromise in negotiations (management interview, Spain, May 15, 2006).

At the end of the 1990s, Ford Europe's economic problems intensified. Ford had significant losses in 1999, in part because of overcapacity, and launched an unprecedented retrenchment program in Europe with the aim of saving \$1 billion dollars annually and matching production capacity with sales (*Automotive Intelligence News* 2000). In addition to the termination of car production at Dagenham, Ford sold its Azambuja (Portugal) plant to GM, closed the Plonsk (Poland) plant, sold its share of a joint venture in Setubal (Portugal), and stopped car production in Obchuk (Belarus). But Ford also opened new assembly plants in St. Petersburg (Russia) and Kocaeli (Turkey). The outcome was a significantly changed manufacturing footprint, with car production now concentrated in fewer locations.

In the 2000s, the primary competition for new-car production took place among the German, Belgian, and Spanish plants. For example, in 2006, the German works council worked to secure long-term production guarantees and investments by offering far-reaching concessions, including the introduction of a lower-tier collective bargaining agreement and a wage cut to the level of the sectoral collective bargaining agreement. In return, the Cologne and Saarlouis plants secured production assignments until 2011 (Ford Works Council 2006).

Concerned that these production assignments would make their jobs vulnerable, Spanish unions forcefully demanded production assignments. Labor representatives from the Valencia plants traveled twice to the European headquarters in Cologne and demanded production assignments from the CEO of Ford Europe (union interview, Spain, April 27, 2006). Initially management was reluctant because of the difficulties of predicting future production levels, but it eventually negotiated. Because Valencia was a flex plant, management agreed to assignments of production levels rather than specific products. In return, labor agreed to concessions.

Labor initiated negotiations in both Germany and Spain with the intention of exchanging concessions for production assignments in the face of saturated product markets and production overcapacity. The pattern of informal whipsawing thus remained dominant.

### **General Motors**

At GM, whipsawing practices progressed from informal to coercive whipsawing and then to formal bidding. Initially, GM management used productivity comparisons and informal whipsawing to extract concessions. Then, with a greater maturity of its production platforms and the expansion of its European production network, GM pitted plants directly against each other in competition to extract concessions. In response to local-level labor conflicts and increasing transnational worker cooperation in the EWC, management

sought to increase the legitimacy of whipsawing by introducing a formal bidding process for the allocation of production in 2003.

GM initially owned two independent subsidiaries in Europe: the British car producer Vauxhall, with assembly in Ellesmere Port and Luton, and the German car producer Opel, with assembly in Rüsselsheim, Bochum, and Antwerp (Belgium). GM sought to keep the two brand identities distinct by maintaining separate product development, design, and engineering (Fetzer 2012: 54–55).

GM began to integrate and expand its European production in the 1980s. It set up a European headquarters in Zurich in 1986, and then it opened an engine and transmission plant in Vienna, an assembly plant in Saragossa, and a parts plant in France; extended the assembly plant in Antwerp; and bought the Swedish car company Saab (Greer and Hauptmeier 2012). Parallel production became common, with the Ascona range produced in Rüsselsheim, Luton, and Antwerp; Corsa-based models produced in Ellesmere Port, Saragossa and Bochum; and engines manufactured in Vienna, Bochum, and Kaiserslautern (Fetzer 2012: 56).

At the end of the 1980s, management began to experiment with whipsawing and used competition among plants over production as leverage to pursue changes in labor relations and work organization (Mueller and Purcell 1992: 20). This was informal whipsawing in that no explicit threat was made to shift production to another plant. In return for a production allocation, the Saragossa plant was the first in Europe that agreed to round-the-clock production; previously, three shifts per day had been regarded as physically too demanding. Similarly, the components plant in Kaiserslautern agreed to extended machine running times and working-time flexibility in return for investments. This agreement was a departure from previous employment-relations practices in Germany in that such significant working-time changes had previously been determined in sectoral bargaining (*ibid.*).

GM's whipsawing capacity increased during the 1990s with the construction of assembly plants in Eisenach (Germany) and Gliwice (Poland) and an engine plant in Hungary. As in other parts of the world, GM Europe introduced its global manufacturing system, which defined common production standards, norms, and practices (Laudon and Laudon 2011); implementation was audited by a benchmarking team that regularly assessed the progress of different plants (interview member benchmarking team, United States, March 23, 2004). GM standardized further by introducing production platforms, which were fully implemented by the late 1990s.

These changes gave management more flexibility to shift production between plants, which it increasingly used as an implicit threat to whipsaw plants and extract concessions. For example, during the 1993 recession in the European auto market, management published benchmarking data in the Opel company newsletters showing that the German plants had the highest labor costs and lowest annual working time of any GM plant worldwide (*Opel Post* 1993), but it did not explicitly threaten labor to shift production to another plant. Later, management unilaterally cancelled three

collective agreements on social benefits, an unprecedented move at Opel. The works council sought to fight off making concessions and pointed to the previously solid profits at the German plants. In the context of the recession, however, labor was under pressure to trade concessions for an employment-protection clause that prohibited forced redundancies (Rehder 2003).

In 1995, management pitted the Rüsselsheim, Antwerp, and Luton plants against each other in the context of the Vectra allocation. In the negotiations with German works councilors, management pointed again to the high labor costs in Germany. Labor agreed to a working-time “corridor” that allowed the weekly working time to shift between 31 and 38.75 hours, depending on market conditions (Opel Works Council 1995), in exchange for a share of the Vectra production. After concluding negotiations in Germany, GM approached the Antwerp and Luton plants, pointing to the productivity improvements in Germany. Management made the case to the Belgian and British unionists that they also had to reduce their costs if they wanted a portion of the Vectra production. Because both plants urgently needed further production, they agreed to make labor concessions in return for a share of the Vectra production (works council interview, Germany, November 1, 2005). Management repeated the same coercive whipsawing in 1998. Again, management negotiated concessions at the German plants in exchange for production and investments, and then used this agreement to extract concessions from the Belgian and British plants (interview with Belgian unionist, EWC meeting, July 4, 2005).

Management’s whipsawing practices led to tensions among the labor representatives in GM’s EWC. The British labor representatives felt that the German unionists had negotiated behind their back and at the expense of the other European plants. Accusations flew within the EWC, but the labor representatives also realized that the fierce whipsawing practices by management were ultimately responsible for the bouts of bargaining over concessions in Europe in the 1990s (Kotthoff 2006). They responded by intensifying their transnational work in the EWC (Greer and Hauptmeier 2012).

The Saragossa plant was not initially strongly affected by whipsawing because of its production of the Corsa, GM’s best-selling car in Europe. As the balance sheet of the plant deteriorated at the end of the 1990s, however, the Saragossa plant needed a second car model to utilize its entire production capacity. Management offered Meriva production to the Saragossa plant in exchange for concessions and productivity improvements; otherwise, it would assign the new model to the Gliwice plant in Poland (Hauptmeier 2012). The ensuing labor-management negotiations traded a reduction in labor costs for the assignment of the Meriva model to the Saragossa plant.

In 2000, coercive whipsawing practices led to worker protests. The Bochum plant experienced wildcat strikes to protest feared job losses in the context of the Fiat-GM joint venture. A conflict that year at the Luton plant had wider ramifications. The local strike action of the British unions was supported by the EWC, which organized a transnational work stoppage in

which 40,000 workers across Europe participated (Herber and Schäfer-Klug 2002). Management extracted concessions with its forcing and whipsawing practices, but doing so also undermined cooperation with labor.

After that, management tried to make whipsawing practices fairer and more transparent. In 2003, GM introduced a bidding process for the allocation of production for plants producing on the same platform. Plants interested in new production had to submit a bid, which laid out cost savings and labor concessions. Management would assess the bids based on labor costs and productivity comparisons. The plant that won the tender would receive either the entire production of a new car model or a higher share of production than competing plants. In effect, management created a within-company market for the allocation of production.

Management regarded this as a fair and just process, and compared it to the many markets that exist in advanced economies that efficiently allocate goods and services (management interviews, U.S. headquarters, March 22, 2004). Although formal bidding was intended to increase the legitimacy of whipsawing, worker representatives regarded it as yet another management forcing strategy to extract labor concessions (works council interview, Germany, May 26, 2005).

In 2004, GM offered the Zafira model to the Gliwice and Rüsselsheim plants in a bidding contest. Although both plants offered concessions, management argued each car was €350 cheaper to produce in Poland. This was a major blow for the German worker representatives because production was at only 70% of capacity and the Rüsselsheim plant urgently needed another product (works council interview, Germany, May 3, 2005). In 2005, management whipsawed the Saragossa and Gliwice plants for the new Meriva model. In this case, competitive pressures increased when the bidding process became public in Saragossa. Management provided the local newspapers with the benchmarking data for the two plants. The local public anxiously followed the outcome because of the importance of the GM plant for the local economy. Ultimately, the Spanish unions won after agreeing to concessions (UGT GM 2005). A further bidding process took place between the Rüsselsheim and Trollhättan plants in 2005. Management assessed the total production costs as being €200 million cheaper in Rüsselsheim, and the plant received the new Vectra (works council interviews, Germany, April 18, 2005).

In another round of tendering, GM pitted the Delta platform plants against each other. European management asked the plants in Ellesmere Port, Antwerp, Bochum, Trollhätten, and Gliwice to submit bids for Astra production. The EWC sought to counter this transnational whipsawing through intensified transnational worker cooperation and demanded that management negotiate jointly a fair and egalitarian distribution of production that would allow all plants to survive. Supported by the European Metal Workers Federation, the EWC founded the Delta Group, in which worker representatives at each plant signed a solidarity pledge stipulating that no plant would engage in individual negotiations with management and underbid the other plants (Bartmann and Blum-Geenen 2006). Management



interpreted the Delta Group as a “declaration of war” and gross interference with its right to manage (management interview, GM Europe Headquarters, May 29, 2005). The explicit goal of management became to break the common labor negotiation bloc, and this was achieved through a secret deal with the Bochum works council.

Management’s effort to secure legitimacy through rule-based whipsawing was not notably successful, although it did succeed in dividing the workforce, leading to further labor concessions.

### **Volkswagen**

VW was a late adopter of whipsawing and initially used informal whipsawing, which evolved into a pattern of hegemonic whipsawing. Management’s attempts to convince labor that whipsawing was necessary were successful, and labor representatives believed that the competitive assignment of production would help the plants to stay productive and defend jobs. VW also, however, periodically resorted to coercive whipsawing practices when faced with an intransigent local workforce.

VW’s European operations are concentrated in Germany, with a headquarters in Wolfsburg. VW began expanding in Europe in the 1970s by building a plant in Belgium in 1971 and in Yugoslavia in 1972, by taking over the Spanish auto company SEAT in the 1980s and the Czech company Škoda in 1991, and by engaging in a joint venture with Ford in Portugal in 1995. Despite a long tradition of labor-management partnership, labor representatives became concerned about the increasing labor competition in Europe in the late 1980s, which spurred the foundation of one of the first EWCs in 1992 and the World Works Council (WWC) in 1999.

Whipsawing at VW emerged only in the 1990s. A recession in the European auto market began in 1992, and when the company determined that VW was drifting toward crisis, the supervisory board appointed a new CEO, Ferdinand Piëch, who was given the task to restructure VW. He implemented production platforms from 1993, which cut across the brands Škoda, VW, Audi, and SEAT (Jürgens 1998; Piëch 2002), and ended production at SEAT’s assembly plant in Barcelona.

In addition, management sought to tackle labor costs. Workers in Germany were able to avoid redundancies only by agreeing to far-reaching concessions on working-time reduction and flexibility. As part of the drive to reduce labor costs, in 1995 management considered assigning the production of a new model, the Lupo, to the VW Pamplona (Spain) plant (Haipeter 2000). Previously, all new VW car models had initially been produced in Germany and only assigned to foreign plants later in the product cycle. To avoid the assignment of the Lupo to a foreign plant, labor in Germany agreed to labor concessions, among them further working-time flexibility measures. Given the contentious labor relations at VW’s Pamplona plant, however, it is unclear that management had seriously intended to assign the car there.

By the late 1990s, however, the standardization of production and the development of platforms gave VW more flexibility to shift car production and to assign new car models to different plants. In 1999, management assigned the new car model Touareg, a small sports utility vehicle (SUV), to the Bratislava plant. This showed that they were serious about taking advantage of the lower foreign labor costs and that their foreign plants were up to the task of rolling out high-end car models (interview industry expert, Germany, May 19, 2005).

VW also introduced a bidding process for the sourcing of parts in 1999, which pitted internal suppliers against external competitors by allowing both to submit tenders. If an external supplier offered to produce a part at a lower cost, the internal VW supplier had the chance to make a final bid undercutting the external supplier. This process radically reduced the labor costs at VW parts plants in Germany. The formal bidding process was introduced with the consent of labor. Management collaborated closely with works councilors on the supervisory board and actively sought to convince labor of its assessment of the auto market (management interview, Germany, December 15, 2005). Ultimately, management and labor agreed that VW's plants faced cut-throat competition in the parts sector and that the bidding process helped to make the internal suppliers more competitive. The labor representatives preferred making concessions over permanent outsourcing, which had happened at GM and Ford plants and was a realistic alternative (works council interviews, Germany, July 19, 2007; union interview, Germany, June 12, 2007).

In the early 2000s, management approached labor representatives in Germany about the production of a new model, the Touran. Management made clear that this would be assigned to Germany only if labor agreed to a separate, lower collective bargaining agreement; it proposed what would become the "5000 × 5000 project": 5,000 new jobs at DM5,000 per month (about €2,500), roughly 20% below the wage level of the collective bargaining agreement. Management sought to frame the project in a positive manner by emphasizing that the new jobs would go to the unemployed and that the project served to secure industrial jobs in Germany (Schumann, Kuhlmann, Sanders, and Sperling 2006).

Initially, worker representatives rejected the proposal because it would have broken the collective bargaining pattern at VW for the first time. The protracted negotiations between management and labor received considerable attention from politicians and the news media. The tabloid press depicted IG Metall as a "job killer." Throughout the negotiations, management suggested that production could go to a foreign plant if labor did not agree to concessions. The conflict was resolved only after the German chancellor, Gerhard Schröder, intervened (management interview, Germany, December 15, 2005). Under mounting pressure, labor agreed to the "5000 × 5000 project," which created a lower-tier collective bargaining agreement in exchange for the production allocation to Wolfsburg.

In 2002, VW management used the increasing flexibility in their European production network to whipsaw the SEAT plant in Martorell, near Barcelona (Hauptmeier 2012). In contrast to the German plants, which had already agreed to far-reaching working-time flexibility during the 1990s, Spanish unions had fiercely resisted working-time flexibility and regarded this as conceding an important trade union gain. But during collective bargaining in 2002, management threatened to transfer production to the VW plant in Bratislava (Slovakia). When labor once again refused to make concessions, management made good on its threat and transferred 10% of the Ibiza car production, the flagship model of the Martorell plant, to Slovakia (Artiles 2002b). This was a shock for the unions, and the production of the Ibiza returned to Spain only two years later, after unions agreed to more working-time flexibility.

During the next downturn of the European car market, labor in Germany was also under pressure to secure sufficient car production. In 2004, IG Metall agreed to a lower-tier collective bargaining agreement, which applied to all newly employed workers. Similar to the “5000 × 5000 project,” all newly employed workers earned about 20% less than the core workforce. In return for these concessions, labor secured production assignments to German assembly and parts plants (IG Metall 2004).

In 2005, management pitted plants more directly against each other. The VW brand had hired Wolfgang Bernhard as a new CEO. As president of Chrysler in the United States, he had overseen its restructuring as part of DaimlerChrysler. Bernhard announced that the production of the Tiguan would go to either Hannover (Germany) or Setubal (Portugal). Production was allocated to the German plant after the works council agreed to concessions. Bernhard also initiated the first competition between two German assembly plants. The production of the C-Coupe was offered to both the Emden and Mosel plants and was won by the former (works council interview, Germany, December 8, 2005, Germany, 2005).

These concessions are attributable to union consent rather than union weakness. Membership density was more than 95%, and unlike German companies covered by sectoral collective bargaining, labor had the right to strike at the company level. Labor representatives tolerated whipsawing because they shared management’s view of a highly competitive product market in which the survival of the company was at stake. Whipsawing made the plants more competitive and therefore helped to secure jobs (works council interview, Germany, July 19, 2005).

VW management pursued a two-pronged strategy to convince labor. First, management cooperated closely with labor, not only through the German institutionalized channels of worker representation but also in the EWC and WWC. The VW management took the EWC and WWC meetings seriously, with the CEO attending the meetings (a practice rarely seen in other EWCs). Here, management presented company information, including benchmarking data, to labor representatives, with an aim of convincing labor of the need to increase productivity and stay competitive (works

council interview, Germany, December 16, 2005; management interview, Spain, March 16, 2006; union interview, Spain, March 23, 2006).

The second element of management's ideological work was the excessive compensation of labor representatives, which was partly illegal. In 2005, it became public that VW had paid extremely high salaries to key labor representatives. The chairman of the WWC, EWC, and German works council, Klaus Volkert, had received an annual income of €350,000 and bonuses worth more than €2 million between 1995 and 2005 (Hartz and Kloepfer 2007). In addition, an assistant human-relations manager had organized brothel visits for labor representatives in the context of EWC and WWC meetings and had flown prostitutes from Brazil to Germany for Volkert. After the revelation, plant-level labor representatives expressed in interviews that this special treatment explained some of Volkert's concessions to management and his acceptance of bidding contests between suppliers (union interview 2006; works council interviews 2005). Although this suggests that Volkert had been bribed, the bribery charge was not upheld in a German court; however, he and the highest human-relations manager were convicted of embezzlement.

Volkert's successor was more critical of management practices, as can be seen in a 2006 WWC communiqué criticizing whipsawing practices and reminding management of its obligations to workers (Volkswagen 2006). Nevertheless, whipsawing persisted. For example, in 2007, VW offered the Spanish unions the Berlina model, and after labor agreed to concessions, management assigned the car's production to the SEAT Martorell plant. Thus management's effort to reinforce the labor-management partnership by influencing workers' ideas survived the scandal and the resulting turnover in the works council leadership.

### **Comparative Assessment**

We have described the variation and change in our sample over three decades, examining whipsawing practice and two explanatory factors: whipsawing capacity (see Table 2) and management's labor relations strategy. Table 3 presents a comparison of the cases during this period using these variables, disaggregated by whipsawing episode.

As we can see, neither factor is sufficient to explain the variation or change in whipsawing practices. For example, we observe informal whipsawing under conditions of medium whipsawing capacity (i.e., when management's ability to follow through on its relocation threats was not always certain) at GM during the late 1980s and early 1990s and at Ford throughout the 1990s. Against a backdrop of high whipsawing capacity (i.e., when management clearly could follow through on relocation threats) since the mid-1990s, we observe varying and changing whipsawing patterns. GM switched from coercive to rule-based whipsawing, and VW switched from informal to coercive to hegemonic whipsawing. Furthermore, the dominant pattern at Ford after the 1980s remained informal whipsawing, despite an increase in whipsawing capacity.

Table 3. Whipsawing Episodes

	1980s			1990s			2000s		
	Whipsawing capacity	Labor relations strategy	Whipsawing pattern	Whipsawing capacity	Labor relations strategy	Whipsawing pattern	Whipsawing capacity	Labor relations strategy	Whipsawing pattern
Ford	United Kingdom and Germany 1985	Emphasis on forcing	Coercive	Germany and elsewhere 1993	Emphasis on partnership	Informal Coercive	H	Emphasis on partnership	Informal
	United Kingdom and elsewhere 1988			Germany and elsewhere 1997	Forcing				
GM	Spain and elsewhere 1988	Emphasis on partnership	Informal	Spain and Germany 1998					
	Germany and elsewhere 1988			Germany and elsewhere 1993	Emphasis on partnership	Informal Coercive	M	Emphasis on forcing	Coercive Rule-based
				United Kingdom and Belgium 1995	Emphasis on forcing		H	Simultaneous partnership and forcing	
				Germany, United Kingdom, and Belgium 1998					
VW	—	Emphasis on partnership	—	Germany and Spain 1995	Emphasis on partnership	Informal Rule-based	H	Emphasis on forcing	Coercive Hegemonic
				German suppliers after 1999	Simultaneous partnership and forcing			Strong partnership	
				Portugal and Germany 2005					
				Spain and elsewhere 2007					
				Germany and elsewhere 2000					
				Spain and Slovakia 2002					
				Germany and elsewhere 2004					
				Poland and elsewhere 2000					
				Germany and elsewhere 2001					
				Germany and Poland 2004					
				Poland and Spain 2005					
				Germany-Sweden 2005					
				Europe-wide 2005–2006					

Notes: H, high; L, low; M, medium.

Whipsawing capacity, however, is an important enabling factor. We do not observe it at VW during the 1980s or at GM prior to 1986, when production was idiosyncratic, not interchangeable across the multinational production network, and when the market was not yet saturated. Only when the whipsawing capacity is medium to high do we observe whipsawing at all, and increases in whipsawing capacity enables greater sophistication. We observe informal and coercive whipsawing when the whipsawing capacity is high or medium (for all three companies after the early 1990s), but we witness hegemonic or rule-based whipsawing only when the whipsawing capacity is high (for GM and VW after 2004, and for VW parts plants after 1999).

Labor relations strategies also help to explain why, despite the overall increase in whipsawing capacity, whipsawing practice continued to vary. At VW, hegemonic whipsawing became dominant after a period of coercive whipsawing. Management engaged in ideological work and spent considerable effort to align the interests of the social partners by organizing cooperation forums at the local, national, and transnational levels (EWC and WWC). At Ford, management sought to protect its partnership with labor, on which its transition to lean production was premised, by switching in the 1990s from coercive to informal whipsawing. Nevertheless, Ford management did use coercive whipsawing when faced with local strikes. GM management during the 1990s was less concerned with its relationship with labor than with reducing costs through the extraction of labor concessions using coercive whipsawing. When this caused strikes, after 2003 management tried to increase the legitimacy of whipsawing through a formal bidding process.

Further factors have also influenced whipsawing practices. In some cases, union behavior mattered; for example, GM management introduced rule-based whipsawing following a transnational labor protest, and Ford responded to local strike action in Spain by using coercive whipsawing practices. In most of the whipsawing episodes, however, union behavior did not have a significant impact on management whipsawing. In addition, the varying exposure to financial markets mattered in some whipsawing episodes. For example, GM faced a shareholder revolt in the early 1990s, which could explain its switch to more aggressive whipsawing; also, the more muted whipsawing practices at VW during that period might be related to its relative insulation from financial markets. But degree of exposure to financial markets does not explain the changes in whipsawing practices at GM and VW in the late 1990s and 2000s, when exposure to financial markets did not change significantly for these companies.

### **Conclusion**

Although economic globalization increased competitive pressures similarly in all three companies, each company's management developed varying whipsawing practices in response. In this article, we have explored the emergence of, and differences among, whipsawing patterns in relation to different whipsawing capacities and management's different labor relations strategies.

The various forms of whipsawing are important for employment relations research because they are important management tools for engineering change in employment relations, spreading work practices through global corporate networks, and loosening constraints associated with national institutions. For example, management in the auto industry was able to push through alien concepts such as multi-tier wage structures in Germany and working-time flexibility in Spain and to implement the principles and norms of global manufacturing systems across borders.

The extent of whipsawing in other sectors and world regions remains an open question. Taken separately, the practices we have discussed—the international integration and standardization of production, underpinned by benchmarking, capital mobility, and the search for labor concessions—are far from unique to the European auto sector. The same is true of the problems of saturated markets and production overcapacities. Future research examining how and why market competition is staged differently in other contexts could therefore uncover additional patterns of whipsawing.

How will management whipsawing in the auto industry develop in the future? One possibility is that automakers might become content with wages, social benefits, and working conditions once they reach a low level and then institutionalize them using multiemployer bargaining. This would provide stability and protect firms from union whipsawing in the event of an increase in workers' collective power. Alternatively, and this seems more likely, management could develop whipsawing on a global scale. During the period of our study, international whipsawing took place on the scale of the world region (e.g., Europe or North America), and the relocation of production between continents was constrained by varying quality standards, trade barriers, and transportation costs. This is changing, however, because of the continuing global integration of markets and production platforms. Under these conditions, management could pit plants in South America and Asia against those in North America and Europe in global contests for production and investment.

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