

The Challenges for the Social Market Economy: An International Perspective

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The Distinctiveness of the SME

- Social Construction of Markets
 - Evolution of a consensual model
- Rich institutional embeddedness
 - Labour market: Codetermination, unions, works councils
 - Corporatist arrangements
 - System of corporate governance
- The ‘enabling state’
 - Training & skills development
 - Development of industrial base

Neo-Liberal Market Model

- Ideology of “Shareholder Value”
 - Consequent emphasis on managerial prerogative
 - Unitarist perspective
- Emphasis on deregulated labour markets
 - Weaken collective bargaining and institutionalised participation
 - Focus on firm level decisions and enterprise wage setting
 - Drive for the ‘benefits of flexibility’
 - Establish only minimum terms and conditions
- Policy shifts in Britain, Australia, New Zealand, align to US and Canada
- The ‘Third Way’?

Consequences of neo-liberal model

- Firms
 - Risk shift from organisations to individuals
 - Focus on cost minimisation & work intensity
 - No drive to functional flexibility or higher quality
 - No productivity bonus
 - Low skill equilibrium and ‘high-skill’ training paradox
- Employees
 - Segmented labour markets – power of employee important
 - Increased vulnerability with poor terms and conditions
 - Risk shift – e.g. BMW agency workers
 - Part-time/Fixed-term less access to training, career development etc..

Optimism or Pessimism for the SME

- Source of national performance advantage
 - Varieties of capitalism and a ‘resource based’ view
 - Focus on economic performance not shareholder value
 - Remarkable export market success in competitive markets
- Resilience of core institutions
 - Collective bargaining coverage and works councils
 - Training and the building of capabilities
 - Evolution and adaptation in difficult times
- Public support
- Variation in conditions
 - E.g. low wage sector and mini-jobs