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Article:

Pulignano V., Hammer N., Doerflinger N. (Accepted: 2020) “Explaining Employment Effects in Multipolar Value Chains: A Cross-national Study on Soft Drinks and Dairy Manufacturing in Europe”. British Journal of Industrial Relations (IN Press)

Corresponding author:

Valeria Pulignano, Centre for Sociological Research, Parkstraat 45 box 3601, 3000 Leuven, Belgium

Valeria.pulignano@kuleuven.be

<https://soc.kuleuven.be/ceso/respectme>

This publication is part of a project that has received funding from the Flemish Research Council FWO [project number G071716N]; KU Leuven C1 grant [number C14/16/015] and by the European Research Council (ERC) under the European Union’s Horizon 2020 research and innovation programme [ResPecTMe, Grant agreement number 833577].

Explaining Employment Effects in Multipolar Value Chains: A Cross-national Study on Soft Drinks and Dairy Manufacturing in Europe

Abstract

The article develops an integrated framework that employs a dynamic perspective on interlinked levels of value chain governance in order to explain employment in value chains. It compares two multipolar chains in food and beverage manufacturing, in two different producer and consumer markets, Belgium and Germany. Analysis reveals that varied value capture dynamics in the food and beverage industries underpin distinct employment effects at specific inter-firm nodes, as well as between labour and product markets. This reveals institutional and product variation explaining firms' value capture trajectories. However, it also illustrates a concomitant transnational trend of deteriorating working conditions, stemming from overall chain governance.

Keywords: value chain, multipolar, employment.

Introduction

Debates on variegated capitalism (Jessop 2011; Peck and Theodore 2007) have provided an important impetus for employment relations research, shifting the focus away from internationalisation – which has often been dominated by comparative research on national systems and MNC subsidiaries (e.g. Bamber et al. 2016) – to globalisation (e.g. Lakhani et al. 2013; Locke et al. 2009) by acknowledging that “the spaces and scales that are constructed by circuits of value and regimes of valuation are no longer assumed to be pre-given” (Peck and Theodore 2007: 759). Within employment relations, it is now commonly acknowledged that the forms and mechanisms of governance of value chains and production networks affect work and employment, with Lakhani et al.'s (2013) configurational framework linking forms of inter-firm governance with varieties of capitalism constituting a prime example.

Beyond this common ground, however, one remaining theoretical issue concerns the level and focus of analysis when studying work and employment in global value chains: the industry/sector level (i.e. Gereffi 1994), the inter-firm level (Gereffi et al. 2005) or the focus of production networks on multiple geographical scales and spaces (Dicken 2015; Henderson et al. 2002). In spite of the theoretical differences between these approaches (Bair 2009), empirical studies have shown that value chains have no consistent upstream effects (imposing one form of governance on the entire chain); are not necessarily linear and uni-polar (driven by one lead firm) (Smith et al. 2002); and that their governance cannot be sufficiently specified through a sequence of inter-firm relations (Gibbon et al. 2008). This has two important implications: first, that each of the indicated levels has distinct emergent effects, also on work and employment; second, that value chains are complex dynamic and often multipolar networks (Fold 2002; Islam 2009). Thus, value chains can be driven (and contested) from different points and at different scales in the functional division of labour. Such multipolar value chains, that is, chains driven by two or more different functional actors (e.g. buyer-retailers, branded producers and discounters in our case below), constitute a key example of the interlinkages at the heart of variegated and dynamic configurations that stretch across governance levels. Exploring and explaining their employment effects is at the core of this article.

The case studies presented here – a soft drinks and a dairy products value chain across Belgium and Germany – illustrate the difficulty of explaining the employment effects of value chain restructuring using just one specific approach to GVC governance (i.e. the overall chain or the inter-firm level). Although the drinks and dairy industries have experienced a significant rise in buyer power (Gereffi 1994; Hamilton and Petrovic 2011), the most noteworthy development is the emergence of multipolar value chains where – as indicated - buyer-retailers, branded producers and discounters all retain considerable driving power. For example, the emergence of new value chain strands in the form of discounters was met by retailers through the development of own brand (i.e. private-label) products that are mostly produced by independent contractors (Palpacuer and Tozanli 2008). Branded

producers, in turn, have responded to price competition and the threat of private labels to their market shares through strategies aimed at enhancing control over their economic rent in relation to buyers. Yet, these are not uniform transnational business dynamics. While private-label market shares are similar in Belgium and Germany (36.1% and 37.4% respectively; Nielsen Company 2017; Statista 2018), the market share of discounters differs (2015: 13% in Belgium, 35% in Germany; BCG 2017: 4). Both, transnational as well as local (and inter-firm) dynamics shape these diverse outcomes.

Furthermore, variations in workforce patterns suggest that national institutional contexts play an important role too. Specifically, we observe that value chain restructuring does not occur uniformly. On the one hand, the governance of production and transport functions differs across producer, supermarket or discounter strands depending on their respective strategies for value capture. On the other hand, institutional differences reflecting diversity in national industrial relations systems account for how the competition for rents between branded producers and own-label supermarkets plays out. Specifically, whereas the encompassing Belgian collective agreements provide for a level labour market playing field and reinforce the influence works councils can exert at the workplace, the German system is characterised by institutionalised dualisation as the result of disorganised decentralisation which conversely reduces workers' capacity to exert their voice vis-à-vis management. As a result, inter-firm relations reflect the constraints of the respective industrial relations systems: whereas precarious and flexible labour has to be brought in through foreign contractors and posted workers in Belgium, dual product and labour markets constitute an integral feature of the German system. Hence, while each strand of GVC analysis contributes a key analytical dimension to understanding chain dynamics and their employment effects, we argue that each strand of GVC analysis is in itself insufficient to explain the interlinkages between value chain restructuring and work and employment. How then can we explain employment effects in global value chains?

We draw on Coe and Yeung's (2015) reformulation of the global production network approach (i.e. GPN2.0), particularly the role it accords to stakeholder strategies interlinking broader global political economy dynamics and local work and employment dynamics. We thus examine how forms of governance at the overall and inter-firm levels are interlinked, identifying the mechanisms or coupling dynamics (*Ibidem*) and explaining how they impact work and employment across different product and labour (national institutional) markets. This leads to our research questions: What are lead firms' value capture strategies (i.e. in the soft drinks and dairy industry) within the global political economy? How do these strategies impact local work and employment dynamics at two branded producers (i.e. *SoftDrinks* and *DairyCorp*) in Belgium and Germany?

The article contributes to existing literature in two ways. Firstly, it develops an integrated framework which considers how the multipolar differentiation within value chains as well as the interlinkages between different levels of value chain governance account for varied employment effects. The respective mechanisms are framed through firms' value capture strategies. Secondly, it injects a dynamic perspective into studies of workplace restructuring, its influence on working conditions, by focusing on firms' value capture trajectories and the way specific mechanisms link levels of value chain governance. This perspective, taking from Coe and Yeung's GPN2.0 approach, emphasises transnational political-economic dynamics, firms' strategic agency, as well as local institutions and political contestation. Insofar as employment outcomes are determined not only by different dynamics, strategies and institutions, but also by the way the latter are strategically coupled, employment effects are likely to vary among (and unlikely to fall into) a fixed set of 'types' or 'configurations', reflecting the specific dynamics of production networks.

We start by identifying the key issues and significance of the indicated theoretical concerns. After setting out the methodology, we go on to discuss, firstly, the dynamics of employment restructuring in different business models driving the multipolar chains. Secondly, we show how these drivers shape different firms' value capture trajectories which, thirdly, interlink in different ways with

national institutions, thereby delivering different effects on employment. The discussion and conclusion reflect on the article's theoretical contributions. We also shed light on some limitations and propose future research directions.

Employment relations and global value chains

Employment relations research has a longstanding concern with competition, in particular how product and labour market competition is structured and how this affects the balance of power between capital and labour. Product markets and technology constrain workplace struggles at the same time as these struggles develop logics which may result in collective organisation (Edwards 1986). On the other hand, collective bargaining structures and outcomes shape the organisation of production and product markets while affecting conflicts and the division of productivity gains (Brown 2008). Furthermore, beyond the capital-labour relationship scholarly work has highlighted capital circuits (Kelly 1985), arguing that changes in the management-labour relationship have implications for both inter-capital relations and product market dynamics (Grimshaw and Rubery 2005).

The value chain literature has focused on the functional division of labour. In particular, much union campaigning on private social standards is based on the assumption that, within this division, labour can challenge “some of the external conditions of its activity” (Edwards, 1986: 275). This is reflected in research on private standards and labour compliance in global value chains (e.g. Locke et al. 2009); on employment relations (e.g. Lakhani et al. 2013); on corporate social responsibility, intermediaries, sourcing agents and global standards (e.g. Reinecke et al. 2018; Munir et al. 2018; Soundararajan et al. 2018; Lund-Thomsen and Nadvi 2010); and on social and economic upgrading (e.g. Barrientos et al. 2011). Specifically, this research acknowledges that value chain governance impacts work and employment, holding that collective organisation can shape aspects of value chain governance. Yet, to date a systematic analysis of the employment effects encompassing different levels, concepts and

forms of value chain governance is lacking. This requires an examination of how interlinkage occurs across these different levels, concepts and forms of governance.

Lakhani et al. (2013) have made an important contribution to the study of employment in global value chains. By extending product markets, technology and work organisation to functional linkages characterised by different forms of inter-firm governance, they have shown how the institutional context leads to different configurations when forms of governance touch down at national level. Accordingly, inter-firm relations can lead to different employment outcomes, as they reflect the diversity within (and between) national capitalist economies. The result is a rigorous framework which refers to Gereffi et al.'s (2005) inter-firm governance while pointing to a set of causal relationships between one dimension of governance, the institutional context, and employment.

Though inter-firm governance undoubtedly has major effects on work and employment, how it links to – and is shaped by – the overall chain level requires further investigation. The variegated capitalism framework emphasises that forms of profit orientation by capital are integral to the world market and the circuit of capital accumulation at the level of the global political economy (Jessop 2014). Thus, tensions exist at the intersection between the global political economy and national institutions, highlighting the embeddedness of “markets in non-market relationships as one of the root causes of (institutional and spatial) variety” (Jessop 2006 in Peck and Theodore 2007: 742). We contend that considering these tensions is essential for generating a more encompassing and dynamic understanding of the employment effects in global value chains. In concrete terms, stakeholder strategies mediate national institutional effects on employment through interlinking overall and inter-firm-level dynamics. These dynamics reflect firms’ value capture trajectories, which in turn affect employment.

Thus, the emphasis on firms’ value chain governance trajectories includes reflections on the national institutional context, while also plugging into a strand of value chain analysis (i.e. global production networks) with a different theoretical background (e.g. economic geography). Nevertheless, as we

will illustrate in the following sections, this emphasis can be useful in conceptualising the varied, contingent and multidirectional stakeholder strategies evolving from dynamics across geographical scale and national boundaries within the global political economy. This has analytical and empirical implications. On the one hand, it requires us to consider different forms of capitalism not in isolation from each other but differentiating between the systemic interdependencies central to the variegated capitalism perspective (Jessop 2014). On the other hand, it prompts efforts to interlink different levels of value chain governance by identifying and explaining the mechanisms through which such interlinkage - accounting for the employment effects in global value chains - occurs.

In an attempt to explain how interlinkage accounts for the distinct employment effects in global value chains, we benefit from theoretical debates and research showing emerging consensus that primary foci on the firm level and on capital are problematic. This strand of scholarly work has clearly advanced knowledge on the development of value chain analysis by prompting a number of efforts to interlink different levels of value chains (Ponte and Sturgeon 2014; Pickles et al. 2016), by developing a configurational theory of GVCs and employment relations (Lakhani et al. 2013) and by bringing labour back into GVCs (Newsome et al. 2015; Selwyn 2012). In particular, Ponte and Sturgeon's (2014) modular framework emphasises that different strands tackle different questions, thereby shifting the analytic focus towards how different levels are interlinked.

This is at the core of Coe and Yeung's (2015) more recent reformulation of the global production network approach (i.e. GPN2.0), which explains the interlinkage of global production networks and regional economic development across geographical levels and territorial dimensions. Based on the earlier GPN framework, the GPN2.0 approach comes with an "enhanced capacity for 'causal' explanation of the links between global production network configurations and uneven territorial development within the global economy" (Yeung and Coe 2019: 777; see also Coe and Yeung 2015), clarifying linkages between dynamics, strategies and territorial regional developments. The different ways in which specific value capture trajectories, stakeholders and institutions interact is seen in

specific forms of ‘strategic coupling’ (*Ibidem*). These differ depending on how particular trajectories and types of firms’ strategies dominate at territorial level (Coe and Yeung 2015: 179-90). Moreover, GPN2.0 focuses on a range of ‘dynamics’ in the ongoing re-configuration of GPNs into specific ‘challenges’ (or ‘drivers’) confronting lead firms.

The conceptualisation underlying GPN2.0 is useful insofar as it focuses on lead firms’ challenges while at the same time taking account of variations in – and contradictions between – their strategies, different levels of value chain governance and territorial dynamics. For example, there may well be tension between two or more ‘drivers’, with different ‘optimal’ firm strategies dependent on how risks are accounted for or whether solutions prioritise short- or long-term perspectives. The empirical cases in this article illustrate that ‘drivers’ can have great explanatory capacity as they allow for a range of different business models within the same industry. For example, while supermarkets, discounters, and branded producers market the same or similar products and face the same challenges, different intra- and inter-firm competition strategies underpin different business models and have different implications for work and employment. They can also influence the capacity of labour to build up leverage vis-à-vis capital.

Methodology

We investigate employment effects in two value chains across two coordinated market economies i.e. Belgium and Germany (see Appendix 1), applying a case study methodology to address the research questions. We sought to extend existing theory on the employment effects in global value chains by shedding light on the dynamics and indicating and explaining the mechanisms through which firms’ value capture trajectories account for these effects across two national settings.

Research context

We focus on multipolar chains, with powerful lead players in different poles (e.g. producers and retailers) of two distinct value chains (i.e. *SoftDrinks* and *Dairy*) in two institutional settings (i.e.

Germany and Belgium). We consider the comparative evidence drawn from this research context, enabling us to discern the distinctive forces of how employment effects in value chains are generated at the intersection between 1) dynamics at the overall chain level shaping key value capture parameters; and 2) firms' (value capture) strategies at the inter-firm level across two different national settings. There are two reasons for this approach:

Firstly, the two chains are similarly structured, as they both belong to the food (i.e. *DairyCorp*) and drinks (i.e. *SoftDrinksEurope*) industry; however, they differ with regard to product perishability (i.e. durable soft drinks vs. fresh yoghurts), implying that timely delivery and hygiene requirements are necessary to guarantee the quality of fresh yoghurts but not of soft drinks. This in turn accounts for the extent to which a firm can be easily substituted without impacting prices, with the dairy chain being relatively more sheltered than soft drinks because of its hygiene and transport (quality) requirements.

Secondly, Germany and Belgium feature major labour and product market differences. Belgium has a relatively high statutory minimum wage and centralised, coordinated collective bargaining, with hardly any scope for derogation (e.g. wages) from sector-level agreements (Keune 2011). Conversely, in Germany, the national minimum wage is lower (Bosch and Weinkopf 2017) and derogating from sector-level agreements (Thelen and Busemeyer 2012) is commonplace in food and logistics (Pulignano and Doerflinger 2018), leading to uneven standards between companies within the same sector in Germany (Zanker 2018). By contrast, Belgian companies belonging to the same sector are all covered by the same collective agreement. Works councils in Germany generally enjoy wide-reaching information, consultation and co-determination rights, whereas unionised employee representatives in Belgium only have information and consultation rights. Compared to Germany, the concentration of food retailers in Belgium started later, with its level remaining below the European average (Wrigley and Lowe 2010). Discounter market shares are also lower (13%, compared to 35%

in Germany; BCG 2017: 4). Moreover, while discounters (i.e. Aldi and Lidl) are losing market shares in Belgium, they are growing in Germany (Nielsen Company 2017).

Sample, case description and selection

Our research design and methodological strategy reflects the variety of organisations involved in the study with regards to, for example, employment size, turnover, ownership structure as well as the multipolar character of our research subjects. A comparative qualitative case study methodology was applied because "case studies are the preferred strategy when 'how' or 'why' questions are being posed" (Yin 2003: 1).

We gathered data at different levels in the two chains (i.e. organisational, inter-firm, industry/sector) through different channels, and then triangulated and counterfactually evaluated this information. The qualitative character of the study allowed us to identify and examine the processes explaining employment effects at the intersections of overall chain, inter-firm, and national institutional levels. These processes mediate buyer and producer strategies aimed at capturing value across (and within) two distinctive product and labour markets.

At the outset of our study, we analysed secondary material such as industry reports and newspaper articles and used expert interviews to gain a comprehensive overview of the industry, its key players and current developments. Based on this, we identified several potentially interesting producers. After discussing these ideas with two EFFAT experts, we selected three suitable candidates. We aimed at achieving a conceptual fit, i.e. the sample being representative of the phenomenon under investigation rather than statistically representative (Miles and Huberman 1994). Through EFFAT, we got in touch with management and union representatives in the selected organisations and eventually, after signing a confidentiality agreement, were granted access to two multinational companies (MNCs). They are MNCs active in different sub-sectors of the food and drinks industry, having similar operations in Belgium and Germany and having a strong brand. Starting out from the producers, we mapped their upstream value chains (transport, storage and distribution), also including the retailers. Thus, case

selection followed the principle of purposeful sampling; the logic and power of purposeful sampling lie in selecting information-rich cases which yields insights and in-depth understanding rather than empirical generalizations (Patton 2002).

The selected producers sell relatively high-priced branded products manufactured on highly-automated production lines to buyer-retailers. The US-American *SoftDrinksCorp* uses franchising, with *SoftDrinksEurope* – its European-based franchisee – required to buy the concentrates for the drinks from the franchiser. *SoftDrinksEurope* operates in a market with few competitors, whereas *DairyCorp* serves the premium segment of the highly competitive yoghurt market subject to strict hygiene standards. As *SoftDrinksEurope* and *DairyCorp*'s products can be found in all major supermarkets, we included the leading discounters and premium supermarkets (10%-30% market share) in the study. These are Edeka, the Schwarz Group (Lidl, Kaufland), Rewe and Aldi, together accounting for nearly 70% of the market in Germany (Lebensmittelzeitung 2018); and Colruyt Group, Ahold-Delhaize, Carrefour and Aldi, together accounting for almost 80% of the market in Belgium (Nielsen Company 2017).

Data sources

For each producer we collected data for one German and one Belgian subsidiary (n=4). *SoftDrinksEurope* employs some 2,000 employees in Belgium and approximately 8,000 in Germany, whereas *DairyCorp* has about 500 employees in Belgium and 600 in Germany. Collected between 2017 and 2019, data came from different sources, allowing us to identify and analyse the dynamics underlying the causal relationships (Eisenhardt 1989: 542). 55 semi-structured in-depth interviews lasting 1-3 hours were conducted, together with 3 focus group meetings. Roughly 150 hours were spent on observations (Appendix 1). Detailed interviews, focus groups and field notes also included the researchers' overall impressions. Interviews and focus groups were mostly carried out in the respondents' native languages (i.e. German, Dutch, French) or in a few cases, in English, and transcribed and subsequently translated into English.

Interviewees were recruited in two ways and in accordance with a sequential approach (Appendix 1). First, through our main company contact in the (European) headquarters. Second, through referral (or snowball) sampling, i.e. based on the interviews with and recommendations of already recruited interviewees (Patton 2002). Generally, respondent selection was conceptually driven; we selected interviewees likely to provide dense and rich information relating to the research questions. In addition to semi-structured interviews, we collected data based on observations, several site visits and one focus group in *SoftDrinksEurope* to get a comprehensive view of the companies and to be able to triangulate different but complementary data sources. Having reached the point of saturation (Miles and Hubermann 1994), we turned towards reconstructing the two producers' value chains (Appendix 1).

We proceeded in a sequential way. The first interviews were carried out with experts from trade unions and employer associations at European and national levels to gain in-depth insights into industry developments and/or the two producer lead firms. We then interviewed (local) HR and/or plant managers and employee representatives in the two producers' Belgian and German subsidiaries to learn about the characteristics of, strategies and power dynamics along the value chain. Through these interviews, we got in touch with logistics (including transport) companies serving the producers, interviewing a number of managers and unionists in various companies and at sector-level. At the same time, we reached out to selected supermarkets to interview managers. The two EFFAT experts were interviewed three times to exchange views on our interpretation of the data and results.

Three focus group (i.e. buyer, producer, logistics) meetings with 29 workers along the value chain were conducted. They dealt with the working conditions and how they had changed over time. Related topics such as health and safety at work and workplace representation were also discussed, shedding light on the effects of particular employment practices on workers. Since local unionists supported the organisation of focus groups, participants were mostly union members. At the producers and larger logistics companies, this hardly created any bias, as the investigated workplaces were unionised

anyway. Despite the lower union density of the retailers, we remain confident about the collected data, as sectoral and local collective agreements defining working conditions generally apply to all (unionised or not) employees in both Belgium and Germany.

Ethnographic data were also collected. We spent roughly 150 hours observing work in six production sites, four logistics sites (warehouses/distribution centres) and two supermarkets. Such observations gave detailed insights into the labour process as well the conditions under which work was performed (e.g. the speed/intensity of work, the consequences of automation for individual workers, etc.), complementing the interview data. Detailed field notes were generated based on each observation. We also observed participants in five local, national and European trade union meetings, compiling a field note on each meeting.

Finally, secondary data, particularly specific industry (food and drinks, retail) data and reports, annual company and union reports as well as collective agreements at various levels were analysed to complement our primary data and to triangulate information gathered through interviews, focus groups and observations.

Data analyses

We used NVivo to encode and structure the data in a step-by-step approach – as proposed by Gioia et al. (2013). We progressed from raw data to subjects and concepts essential for our analysis (Pratt 2008). Apart from our primary data, we also encoded and included relevant secondary data to triangulate between different data sources to improve validity and reliability. The coding was carried out by the researcher who conducted the interview and was cross-checked by another researcher in the team to ensure the inclusion of all major topics.

Performed throughout the data collection process per workplace along the value chains, the first-order analysis focused on informant-centred topics. According to Dutton and Dukerich (1991), we define these as recurring discussion topics capturing the key ideas of an interview. This related particularly to company strategies on how to organise employment. This step led to the identification of 25 topics

covering producers' employment practices (e.g. related to working-time flexibility, pay levels, employment contracts) and management strategies along the value chain (e.g. outsourcing versus keeping internal control) often resulting from restructuring to respond to buyer pressures.

In the second-order analysis (i.e. more researcher-oriented step), we clustered these topics based on lead firms' motives to use the earlier identified employment practices. Three codes were initially developed: strategies and/or practices linked to (1) price, (2) quality and (3) transport. On revisiting the data and those codes, we felt however that an overlap between quality and transport existed despite their analytical distinctiveness. This is because speedy delivery is a key feature in ensuring the quality of fresh products (different for durable products whose quality does not depend on their speedy arrival at a retailer). Therefore, we clustered both concepts into one code, considering transport (speed) as a sub-concept of quality.

In a final step of analysis, we aimed at explaining the different price-quality/transport combinations observed across and within the investigated chains and countries. We identified two dimensions explaining the observed combinations and the employment effects coming along with them, namely key product features (i.e. product perishability and hygiene) reflecting product (markets) characteristics (i.e. price/quality-transport) as well as labour (market) regulatory structures (i.e. legal framework, collective bargaining and workers' voice). These dimensions affect firms' strategies and workplace negotiations with labour in different ways, in turn having important implications for employment.

Findings

Findings illustrated the variety of dynamics throughout the food and beverage industry. These shaped key parameters explaining firms' value capture trajectories along the soft drinks and dairy chains. We also examined the mechanisms through which firms' restructuring practices, resulting from these

trajectories, affect employment in our two multipolar chains with their two distinct products and labour markets (Figure 1).

[Figure1 here]

Value capture dynamics in the food and beverage industry

The concentration of buyers (i.e. retailers/supermarkets), shown on the left hand side of Figure1, has increased in Europe, with major implications for branded producers and their workforces. Branded producers used to consider supermarkets as a platform or conduit for bringing their products to consumers. They had access to and/or control over particular shelves in supermarkets, and their main competitors were other branded producers. Increasingly however, supermarkets have developed their own supply chains and source ‘private label’ products that compete directly with branded products. According to Hamilton and Gereffi (2009: 152) “With buyer-driven chains, the retailers and merchandisers have increased leverage to organise both consumer markets and supplier markets. Moreover, they have incentives to keep both types of markets separate and distinct from each other.” This is repeatedly played out challenging the producers’ leverage over consumer markets, particularly when retailers threaten to delist branded products unless producers comply with their requirements. When *SoftDrinksEurope* insisted on delivering and displaying its products directly to a Belgian supermarket, the latter delisted the products. It only re-accepted the products after *SoftDrinksEurope* agreed to deliver them to the supermarket’s distribution centre: “*They wanted to come into our supermarkets and put their products on our shelves. Our DNA says ‘no way, we do this on our own’.* *We won, as we are responsible for about 50% of SoftDrinksEurope’s supermarket sales in Belgium*” stated a manager. On the other hand, buyers use their market power vis-à-vis outsourced functions and arm’s length producers through building up vast sourcing networks including producers and intermediary functions (i.e. transport, storage and distribution). Our findings reveal that most buyers kept transport and warehousing at least partially in-house to maintain control over their products and distribution.

Supermarkets have also sought new markets. For example, they have increased control over consumer and supplier markets by focusing on private-label products (Wortmann 2011). On the other hand, discounters have gained market shares through offering decent but not highly diversified products at competitive prices. This has increased competition between supermarkets and discounters, in turn causing supermarkets to restructure their sourcing operations through eliminating wholesalers (i.e. a key intermediary between buyers and producers) from the value chain (Palpacuer and Tozanli 2008) and to develop private labels. In Belgium and Germany, the overall market shares of private labels at the time we conducted the fieldwork were similar.

In order to increase their power vis-à-vis producers, supermarkets have also invested in buyer conglomerates, where retailers from different countries jointly negotiate with producers to achieve lower prices through buying larger volumes. One of the most influential conglomerates in Europe is AGECORE, of which the Belgian Colruyt Group and the German Edeka are members. As a manager from a Belgian producer argues: *“long ago, you had one purchasing manager for every retailer, negotiating volumes and prices. Today, the buyer conglomerate is responsible for negotiations”*. Experts report that belonging to a conglomerate gives power to members, as producers would not risk not selling products in member supermarkets usually holding large market shares in the countries they operate in. Premium retailers have also internalised private-label strategies by sourcing their own ‘premium’ and/or ‘value’ lines. At the same time, branded producers – similarly hit by the rise of discounters and private-label products – have reacted by homogenising their product range across different product markets and major world regions (Palpacuer and Tozanli 2008). This development underlines a growing divide between global branded producers at the downstream end of the value chain and more nationally embedded upstream producers. Evolving power relationships and competition between (and among) lead buyers and branded producers have pushed both to extend their global sourcing strategies for market making. Deployment of these strategies is leading to increases in buyers’ and producers’ market shares.

Overall, the aforementioned value capture dynamics have helped fundamentally to change the positioning of branded producers in the production network. Particularly, the links branded producers used to have with consumers through their brand as well as their on-trade activities (e.g. delivering to bars and restaurants) have changed. Buyers have not only put pressure on prices but have also gained significant market shares through their own private-label products. Furthermore, they have gained an important lever on key product characteristics (i.e. price/quality).

Hence, by setting standards for key market segments, buyers affect producers' strategies for attaining these standards. As the following sections illustrate, branded producers have in turn developed cost-cutting strategies by rationalising and centralising production along their supply chains, leading to benchmark-driven redundancies and plant closures. They have also outsourced and/or retained functions in-house (i.e. distribution) in order to keep control over economic rents in relation to buyers and to compete against private labels. Producers' restructuring strategies have largely affected employment conditions. Generally, the outcomes for workers point to a convergent deterioration of employment conditions within *SoftDrinksEurope* and *DairyCorp* in Belgium and Germany. However, findings illustrate substantial variation, contingent upon a range of factors accounting for the way in which producers' strategies are implemented and negotiated at the workplace. This intersects with key product (market) features (i.e. product perishability and hygiene reflected by price-quality/transport), indicating differences between the two chains on the one hand, and labour (market) regulatory structures (i.e. collective bargaining, legal frameworks and employee representation structures) on the other hand.

Labour market institutions

The relationship between the supermarket buyers and the branded producers is shown in Figure 1, with the buyers to the left, and the suppliers and their labour-using operational activities of storage,

distribution and transport, to the right. Employment and social protection provisions established through collective bargaining and legislation can provide scope for opening and/or closing institutional exit options for producers seeking cost containment and control strategies in the three areas shown to the right in Figure 1. They also affect the influence that representation structures (i.e. works councils) can exert at the workplace. Our field data show increasing value capture for buyers (as shown by the top arrow of Figure 1) which is positively associated with a variegated deterioration of working conditions for storage, distribution and transport (as indicated by the bottom arrow of Figure 1).

Collective bargaining and the legal framework

The competition along the price/quality dimension imposed by buyers presents challenges for *SoftDrinksEurope* and *DairyCorp* and their workforces. Strategies on wages, flexibility, skills and work organisation need to be implemented to satisfy buyers and customers alike in an attempt to remain profitable. Inter-plant benchmarking is used a) to rationalise and centralise production, resulting in redundancies and plant closures, and b) to increase operational efficiency from a value capture perspective. One cost-cutting strategy commonly used by producers is to introduce performance metrics (i.e. sales and production volumes, production costs) enabling benchmarking among plants in different locations. Decisions on investments and plant closures result from these metrics, as reported by a worker at *SoftDrinksEurope* in Belgium: “*several plants were closed in Europe after they had been played off against each other based on who performs better*”. Likewise, in *DairyCorp* benchmarking is used to evaluate subsidiaries’ performance (i.e. sales, profit margins) across Europe, and consequently, to determine which plant gets which volumes, as explained by another worker: “*After the restructuring, we were told we would get a second product but this meant another plant had to close down.*” At the time the data was collected, only one big and one small plant were left in Germany, whereby production volumes had gone down by more than 50%, meaning

that “*we cannot do much about closures because we simply do not sell enough*”, said a works councillor.

To compete with other subsidiaries and to counter the pressure from buyers, the German and Belgian subsidiaries of *SoftDrinksEurope* and *DairyCorp* have undergone continuous restructuring in recent years, with deleterious social effects. The most discernible effect of the national institutional framework on employment is the way in which country-based differences in the legal extension of collective agreements (i.e. encompassing in Belgium vis-à-vis fragmentation by opt-outs and opening clauses in Germany) have ensured different degrees to which firms can undercut statutorily or collectively defined wage rates. In Belgium, encompassing collective agreements have to a certain extent prevented a down-levelling of working conditions. Hence, the leeway producers have to implement cost-cutting strategies is contingent upon a range of national (and local) institutional factors available for exercising leverage on the parties involved.

In *SoftDrinksEurope* in Germany, management cut (wage) costs through relocating jobs and using opening clauses to deviate from standard working conditions. Administrative functions have been moved to a shared service centre in Eastern Europe, causing the loss of more than 100 jobs in Germany. At the same time, increased automation has led to efficiency gains as, according to a unionist, “*new machinery always requires fewer employees*”. This has been handled through voluntary retirement/redundancy schemes and internal job rotation. Through a sectoral opening clause on working time, working hours for production workers are now set in accordance with product demand and at short notice. On the other hand, wage scales for blue- and white-collar workers have been linked to performance-related aspects (i.e. at individual, team, plant and company levels), implying lower wages when performance (particularly revenues) declines. Reliance on agency workers has increased in *SoftDrinksEurope* in Germany, leading to cost savings as agency workers in Germany are covered by the less advantageous collective agreement for the agency work sector.

On a similar note, equal treatment with regular workers does not apply, and equal pay for agency workers is only mandatory after nine consecutive months of work for the company.

Conversely, the encompassing nature of collective agreements and the statutory equal treatment between regular and temporary (particularly agency) workers in Belgium creates a level playing field for wages and working conditions. This inhibits – without eliminating – the capacity of *SoftDrinksEurope* management to boost flexibility through different working conditions for regular and agency workers. To acquire flexibility, management has introduced performance-based elements and a two-tier system, which has involved cutting back voluntary wage premiums (e.g. for night and weekend work) for new hires. Both issues were negotiated with the unions locally. According to a worker, unions “*made the best of the worst*”, agreeing to the introduction of performance-based indicators “*to avoid layoffs through production relocations to low-cost countries*”. However, under inclusive bargaining structures unions expect local negotiations to reinforce their voice vis-à-vis management’s decisions on how to attract investments in the medium-long term. Retiring staff are not being replaced, and voluntary redundancy schemes are regularly used to decrease headcount. This reflects the strategy of trade unions in Belgium where the negotiation of generous voluntary schemes, including attractive financial packages for those leaving, is often used to avoid forced redundancies. However, management’s flexibility requests have resulted in the growth of “*the share of agency workers in production from about 3% to 20% in the last few years*” as part of an agreement securing a major investment in the plant, a worker explained. Conversely to Germany, agency work is predominantly used for flexibility and not for cost reasons, as equal treatment between regular and agency workers is stipulated by law.

DairyCorp has come under pressure from retailers’ buying power and their growing range of private label yoghurts which, together with declining consumption across Europe, has led to a drop in the market share from 14% in 2009-2011 to 6.8% today, according to a German works councillor. Specifically, as one industry expert stressed, “*the entire market is stagnant and [company name] has*

lost market shares to private-label companies". Despite the cost savings and subsequent stable product prices, *DairyCorp* in Germany suffers from the power of buyers who prefer high-turnover products, consequently often delisting low-turnover ones. At the time of the fieldwork, the retailer Kaufland had delisted a new product that did not generate enough profit, with Edeka and Rewe following suit. "We were told that there would be no more space for our yoghurts as long as they did not generate sufficient profits", a German works councillor stated. He went on to say: "a year ago, we launched a Greek yoghurt, 2x125g for 1.29 Euro, while one of our competitors – a private label – sells 4x125g for 1,79 Euro. As a result, our product got delisted".

The German subsidiary – which exceeds the sectoral provisions via company and plant agreements (e.g. regarding wages) – faces harsh competition from companies not accepting the sectoral collective agreement (including many private-label producers) and thus undercutting existing industry standards. According to a sectoral expert, "collective bargaining coverage in the German dairy industry is 30%-40%", meaning that more than half of companies do not accept the sectoral agreement. Furthermore, of those companies accepting it, many do not provide for locally bargained higher standards because – as the same expert explains: "working conditions at private-label producers tend to be worse, with more flexible provisions, agency work and recourse to sub-contractors". This exacerbates competition among producers - and between branded and private-label producers - when attempting to win orders from retailers. At the same time, retailers – particularly discounters – can exploit the resulting price differentials between branded and private label products to put pressure on branded producers, as highlighted by this German sectoral union officer: "In the German retail sector, there are basically four big companies controlling everything. Retailers can always put pressure on the producers, but producers cannot put pressure on retailers." A German union member of the European Economic and Social Committee indicated: "Our wages are higher than those in companies without collective agreements. But it has always been difficult; and whenever Aldi and Lidl triggered a downward spiral, it got more difficult for us". As a result,

DairyCorp in Germany has cut back or cancelled long-standing voluntary pay premiums exceeding sectoral provisions, bringing down labour costs, as noted by one worker: “*I used to receive an allowance above the general pay-scale which increased every year, but the company recently suspended it*”.

By contrast, even though “*a 30% drop in buyers’ demand in recent years has led to restructuring, including job cuts*” as one manager explained, no plants have been closed. The export-oriented nature (90% of production is shipped to other European countries) and the relatively higher unionisation rate have helped shelter *DairyCorp* in Belgium. Furthermore, competition from national private-label producers takes place on a level playing field, as “*they [private-label producers] are covered by the same sectoral agreement*”, a union officer explained. This is because buyers’ ability to play out price differences between branded and private-label products is reduced, with ‘opt-outs’ hardly possible under Belgian law. Conversely, power asymmetries between buyers and producers are more exacerbated in Germany due to employers using exit options furthering a deterioration of working conditions. Additionally, Belgian regulations prevent producers from using working time (including working hours) flexibility at will (as practiced in Germany), while also regulating the use of work students for whom the payment of social security contributions for more than 475 working hours a year is foreseen by law.

Employee representation structures

Representation structures exist in all our cases; yet, they have limited influence on management’s strategic choices in the German cases, where despite co-determination, industrial relations were more strained because of the threat of exit options by producers. Conversely, encompassing bargaining in Belgium provides at least a minimum floor to employees, as it ensures coverage within and across different industrial sectors.

At both *SoftDrinksEurope* and *DairyCorp* in Germany, works councillors faced difficulties influencing restructuring strategies which have intensified work and worsened employment

conditions. In *SoftDrinksEurope*, important decisions were imposed by management's cost-cutting value capture strategies despite the existence of co-determination rights. These decisions were influenced by negotiations with powerful buyer conglomerates, and therefore outside the formal reach of the work councillors' institutionalised rights. A wave of plant closures in Germany was ongoing during the fieldwork: 8,000 staff worked in more than 35 locations (almost 20 production sites) but the union feared reductions to a single-digit number of plants, with workforce cuts of 50%. In 2015, shortly before *SoftDrinksEurope* took over the German country organisation, management and the works council negotiated collective agreements (i.e. "*Sozialtarifvertrag*" as a specific legal form of collective agreement defining specific measures to avoid forced layoffs) on anticipating change in a way making headcount reductions more expensive, thereby avoiding classical dismissals or mass layoffs. Agreements negotiated under co-determination legislation complemented the German law on 'social collective agreements' by 1) defining the conditions under which restructuring could be performed and detailing how information and consultation procedures should take place; 2) forbidding dismissals for operational reasons by giving priority to mitigating measures (e.g. generous voluntary redundancy schemes, retraining, job swapping, working-time reductions) when restructuring proved unavoidable. Nevertheless, one works councillor argued, "*the unions were lucky to push this through at a time when the company was very different to what it is now*". At the time of the fieldwork, *SoftDrinksEurope* had already announced a stop on practices aimed at smoothing, maintaining, bolstering or protecting the workforce under restructuring. A union officer explained that management was unwilling to renew the above agreements, instead demanding the transformation of fixed into variable costs through "*plant consolidation, standardisation and flexibilisation*". Moreover, management had already announced that agency work would increase to cut costs. This will not cause quality problems since agency workers receive on-the-job training. Conversely, workplace information and consultation rights are used to include temporary workers in

local negotiations in Belgium where “*contractual upgrades and employment career perspectives*” are guaranteed.

By contrast, the use of cheaper flexible workers at *DairyCorp* to cut production costs is no option in either Belgium or Germany. Hygiene requirements necessitate skilled workers to reduce the risk of contamination. To compensate for the labour costs of skilled production workers, *DairyCorp Germany* has cut costs in administrative functions by introducing trust-based flexible working hours (*Vertrauensarbeitszeit*), in turn resulting in unpaid overtime: “*This is a way for management to cut costs, simply because nobody works just 38 hours a week [...]. The company does not pay these hours at all as overtime does not exist in a system of trust-based working hours*”, stressed a worker. Trust-based working hours have been implemented under co-determination legislation, using local negotiations to implement a (sectoral) opening clause on working time. However, the local agreement does not include control mechanisms by works councils, as it is built upon ‘trust’ undermining co-determination. As a result, work intensity has increased, with burn-out symptoms in administrative functions rising dramatically: “*having to work more than 38 hours per week, most workers simply quit after 2 to 3 years due to health-related problems*”, reported one worker.

Encompassing bargaining structures and a regulatory framework levelling working conditions among different groups of workers hinder a producer’s ability to use working time flexibility and trust-based working hours at will in Belgium. Despite the lack of co-determination rights, Belgian employee representatives at *DairyCorp* can control working time. This is why management has looked for different ways of controlling costs to gain a competitive advantage over private labels. One involves the reduction of training costs: “*I started with a four-week training programme that could be extended to six weeks when I was hired. Now, new staff does the same in one week*”, one worker told us. The same worker insisted that this had increased the risk of hygiene (and quality) problems, resulting in absenteeism and accidents at work: “*I got my finger trapped in a machine three weeks ago, it took nine stitches to fix it [...] work pressure is too high*”.

Competition in the dairy industry is putting pressure on hygiene and quality standards, Producers' price-cutting strategies need to adjust, as buyers require guaranteed swift delivery of fresh yoghurt. This is different in the soft drinks sector where long shelf-life and low hygiene requirements boost management discretion to search for cost-competitive solutions. On the other hand, *SoftDrinksEurope* is a branded producer. One plant-level manager explained that *SoftDrinksEurope* in Belgium had increased permanent staff in sales/marketing by about 30% in recent years to promote the brand among retailers, restaurants and customers, underlining how economic rents are derived from the brand. As the next section illustrates, key product features also shape firms' restructuring strategies, with effects on employment.

Variations in subcontracting and product features

Producers' decisions on what to keep in-house and/or what to outsource exacerbate struggles for value capture between buyers and producers at both *SoftDrinksEurope* and *DairyCorp*, as explained by *SoftDrinksEurope's* Belgian management: *"Filling supermarket shelves ourselves allows us to ensure that our brand is visible to customers [...] thereby increasing our sales and revenues."* Branding thus underpins *SoftDrinksEurope's* 'high-visibility' strategy. It also explains why transport is still partially performed by 'in-house' drivers, particularly in the on-trade strand, ensuring direct customer contact.

Although the brand constitutes a producer's primary source of power, cost reductions are crucial to compete for market shares and maintain margins. This is why *SoftDrinksEurope* deploys 'low-visibility' transport to retailers' distribution centres, using (cheaper) subcontractors. To offer cheap transport prices, *"many Belgian transport companies have set up letterbox companies, predominantly in Slovakia, and hire Eastern European drivers to work in Belgium for months on end. This implies living under inhuman conditions"* [translated from Dutch] (ABVV BTB, 2017: 2). Throughout the supply chain, retailers' sourcing practices put pressure on prices and wages, calling for production

and employment flexibility, and demanding higher productivity within transport, storage and distribution functions. Working with a variety of subcontractors (mostly local SMEs) increases price transparency: *“by regularly comparing prices, they [company name] can play off companies against each other and go for the cheapest options”*, a worker stated. This also creates transnational competition under bad working conditions, as *“wage costs for Eastern European drivers are much lower. Belgian employers often have subsidiaries in Eastern Europe and organize transport in this way. There are hardly any Belgian drivers doing international routes, everything has been outsourced. National routes are increasingly being served by international drivers”*, one sectoral union officer in Belgium stated. Such employment models involve legal ‘grey zones’ at the expense of workers. Apart from low wages and social security contributions in line with home-country regulations, working and rest time infringements are frequently reported and many drivers live day and night in their trucks during assignments.

Similarly, lead producers in Germany frequently outsource transport to subcontractors who have relocated operations to Eastern Europe, relying on ‘posted’ and/or foreign workers at cheaper prices. In Germany, *SoftDrinksEurope* increasingly uses subcontractors for transport, a practice *“cheaper than employing our own drivers”*, stated a manager. Another manager of a logistic company in the chain argued: *“As you can imagine, every customer that comes to us wants to pay less for logistics than before. However, customers transfer risks to us. We have already lost a lot of money in our dealings with certain customers.”*

By outsourcing transport, fixed costs are transformed into variable costs, as subcontractors do not have an employment contract but a service contract. However, a German works councillor explained that using cheaper flexible workers to cut production costs is no option for *DairyCorp* because of the nature of the product. Hygiene requirements necessitate skilled workers, minimising the risk of costly hygiene problems and contamination: *“Production would stand still for at least three days due to disinfection measures, and headquarters would include contamination when comparing subsidiaries’*

performance”, stated a manager. Hygiene requirements allow the producer to retain value while ensuring market access through the buyer. This explains why distribution is managed in-house: yoghurts with their 30-day shelf life need *“to be shipped quickly to ensure that they reach their destinations on time [...] we need to guarantee an unbroken cold chain throughout production and distribution to the point of sale, otherwise products cannot be sold because they are no longer fresh”*, a manager said. This is why the distribution centre is operated by the producer, hand in hand with *TransCo*, a highly specialised company offering refrigerated logistics. Due to the strict rules governing unbroken cold chains, the business relationship between *DairyCorp* and *TransCo* focuses mainly on ensuring quality while enabling *DairyCorp* to retain control over distribution. This results in a high price for transport, which *DairyCorp* is willing to pay to avoid quality and subsequent reputational problems vis-à-vis buyers and customers.

Likewise, transport has always been outsourced at *DairyCorp* in Belgium, where the company works with several highly specialized SMEs offering high-quality international refrigerated transport, as one manager explained: *“drivers are employees of the SME. They usually start at an hourly wage of €14. You can get refrigerated transport by independent subcontracted drivers at €9-10 an hour on the market, but this is too dangerous for us as hygiene is our top priority”*. Quality requirements reduce (but do not eliminate) producers’ discretion to use cost-cutting strategies as a way of gaining a competitive advantage over buyers’ private labels. As one works councillor clearly stated: *“the risk of hygiene problems, and the consequent work pressure, with increased absenteeism and accidents at work, does not help producers to be competitive either”*. Due to the need to keep storage/warehousing in-house to control quality-speed delivery, *DairyCorp* uses a mix of regular, agency and student workers, enabling it to adapt flexibly to demand. This helps the producer maintain control over the pricing of products, and subsequently to maintain competitiveness vis-à-vis other yoghurt producers.

Discussion and conclusion

A core focus and theoretical challenge of this article has been to develop an integrated framework, able to illustrate and explore how different forms of governance are interlinked as the result of variegated and dynamic configurations at overall and inter-firm levels. We have identified mechanisms explaining how these dynamics overall impact work and employment across two value chains in two different product and labour markets. In so doing, we have contributed to the development of a new research agenda better explaining the way in which value chain restructuring occurs among value chain strands and across national institutions, thereby affecting employment. In particular, we illustrate that capital accumulation, and consequently firms' value capture trajectories, results in new linkages between governance levels and national institutions. This is in line with theoretical perspectives that see specific outcomes as generating conjunctures, and specific developments as non-linear (Peck and Theodore 2007). Our examination has been guided by four main analytical phases.

Firstly, we acknowledge the importance of multi-polarity as a relevant issue when advancing knowledge on how employment effects are generated in value chains. We contend that branded producers' strategic choices are intricately linked to supermarkets' and discounters' strategies. This is why we speak of overlapping production networks, or a network composed of different strands with multiple poles as functional drivers. Multi-polarity is key here in the sense that it emphasizes the multi-dimensional character of competition: while branded producers obviously compete with other branded producers, they also compete with other business models in the same production network. Importantly, multi-polarity is not about up-grading. Rather, it is a contestation about the driving power of different functions and business models. Evidence illustrates that restructuring measures in the overall governance of the soft drinks and dairy value chains are underpinned by transnational contestations over value capture. The economic rents underlying lead firm power are the same in Belgium and Germany in both chains. Thus, dynamics within overall governance define

the way vertical leverage and value capture opportunities are distributed across functions in production networks.

Secondly, and directly linked to the above, we illustrate that multi-polarity is the driving force behind lead firms' 'containment strategies' (Fold 2002), whereby lead firms' distinct entry barriers are defended through increasing competition amongst manufacturers, as well as amongst value capture strategies. Value capture has shifted further towards the interface with the consumer, with buyer-retailers and discounters offering different range-quality-price combinations and developing new markets. Branded producers have also tried to move closer to consumers by emphasizing their branding functions at the expense of production which has been exposed to internal and external forms of competition. Production is secondary in all these strands insofar as the value chain drivers derive their economic rents from other functions in the chain. While the boundaries are constantly shifting (e.g. retailer-buyers developing private-label ranges, discounters stocking branded goods), markets and supply chains often overlap across these strands, exerting downward pressure on flexibility, labour costs, work and working conditions. Moreover, intense competition from different functional drivers can lead to a steady decline in branded producers (particularly in dairy), with the latter trying to maintain margins while accepting shrinking market shares. During our fieldwork a German expert raised concerns about conditions at independent contractors manufacturing private-label products being worse than in branded producers' factories. However, it is questionable whether better working conditions are necessary for maintaining superior production methods and the quality of branded products, since our findings reveal deteriorating wages and conditions in factories owned by branded producers as well.

Thirdly, within the broader dynamics of overall governance determining producers' value capture trajectories, we observe variations in working conditions. This reflects the way in which the indicated trajectories are affected by distinct product (market) features (i.e. product perishability and hygiene reflected in price-quality/transport) between the two chains, as well as different labour (market)

regulatory settings (i.e. collective bargaining, legal frameworks and employee representation structures). Thus, product and labour markets determine the variation in employment conditions at specific inter-firm nodes. On the other hand, these conditions reflect the specific features of strategic choices within branded producers, influenced by buyers' strategies. For example, while soft drinks producers have increasingly outsourced transport via short-term market-based contracts, dairy producers have outsourced their transport in long-term relational forms of governance to maintain the quality required in the cool chain of perishable products. These forms of inter-firm governance are observable across the institutional contexts of Belgium and Germany. The overwhelming majority of producers and retailers tend to keep their storage/warehousing in-house, mostly to ensure quality and swift delivery. This equation works differently in the case of discounters who are not focused on continuously offering a wide product range but rather low prices. These findings resonate with Gereffi et al.'s (2005) typology of value chain governance: arm's length outsourcing of perishable dairy products is very risky for branded producers who prefer a more encompassing explicit coordination with their contractor. Simultaneously, however, the linkage between overall and inter-firm governance is important as it allows us to rationalise the dynamics of change. Thus, the rationale allowing branded producers to have their own in-house transport functions stems from a historical juncture where branded producers competed with smaller supermarket chains.

Finally, we consider employment effects also in combination with cost aspects which are institutionally grounded. For example, the use of opt-out clauses within sectoral collective agreements in both dairy and soft drinks in Germany fosters price competition between branded and private-label producers by also reducing the effectiveness of co-determination rights by works councils at workplaces. Conversely, a core feature of Belgium's encompassing collective bargaining systems, under which employee representation structures gain influence despite the absence of co-determination legislation, is that it establishes a level playing field between all firms and all categories of workers. This has two distinct effects on the structure and production of goods and services: first,

within Belgium, reliance on agency workers is not guided by cost but by flexibility-related considerations. Second, where (relatively) high levels of working conditions and wages are seen as an obstacle, services and production tend to be imported (e.g. through reliance on Eastern European transport subsidiaries employing posted and/or foreign workers or through importing private-label products that cannot be competitively manufactured within the Belgian wage context). Conversely, the development of a dual labour market in Germany means that it has internalised the conditions Belgium has exported. In many cases (though more in Germany than Belgium), inter-firm governance shifted at the same time as lead firms outsourced parts of their workforce to independent contractors or downgraded them to inferior collective agreements (e.g. from the food or retail sector agreements to transport sector ones). Thus, beneficial constraints at societal level (Streeck 1997) have implications not only for the geographical re-organisation of value chains but also for the determinants of inter-firm governance.

Our study illustrates that an integrated framework interlinking different levels of value chain governance has analytical importance. On the one hand, a multipolar network dynamic is important when examining how firms translate transnational dynamics into business strategies (i.e. branded producers, supermarkets, discounters). As our empirical evidence illustrates, these strategies shape inter-firm relationships, in turn determining their employment effects. On the other hand, the interlinkage between lead firm strategies and national institutional contexts accounts for different forms of strategic coupling: i.e. branded producers are coupled very differently into Belgian and German labour markets. Whereas the strategic coupling of production by firms in Belgium occurs on a level playing field, in Germany it is subject to the dualisation typical of the national labour market. All this applies across (and among) different value chain functions. Firms' strategic coupling into labour markets is also reflected in their subcontracting strategies: for example, in Belgium transport is outsourced, with *SoftDrinkEurope* relying on foreign contractors and posted workers. This is different at *DairyCorp*.

Hence, our study illustrates that different employment outcomes in value chains are determined by the way different institutional and product features (interlinked through strategic coupling) mediate between different levels and forms of governance within a dynamic and variegated context for firms' value capture. Nevertheless, one limitation of our research is that it compares two value chains across two coordinated market economies. Other counterfactual evaluations could be achieved by considering different value chain strands and models of capitalism. We consider this to be a potential direction for future research. However, the core argument of this paper – which we consider to be of potential importance for policymakers – is that any analysis of work and employment in the global economy needs to be contextualised across value chain functions, scales and spaces.

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Figure 1: Increasing value capture and variegated deterioration of working conditions