

Rescaling power relations between trade unions and corporate management in a globalising pharmaceutical industry: the case of the acquisition of Boehringer Mannheim by Hoffman–La Roche

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Abstract. Multinational corporations (MNCs) are reorganising their production systems. Many MNCs are integrating their production on a continental scale and allocating specific responsibilities and tasks to their research centres on a global scale. Empirical research on the pharmaceutical industry suggests that the spatial reorganisation of the production system can be understood as a process of reterritorialisation and deterritorialisation on different scales. In this paper I outline how MNCs in the pharmaceutical industry are responding to the challenges of the changing economic environment. The ongoing restructuring and rationalisation in the Swiss pharmaceutical giant F Hoffmann–La Roche serves as an example. The recent acquisition of the German pharmaceuticals and diagnostics company Boehringer Mannheim by F Hoffmann–La Roche illustrates how such huge business transactions meet with trade unions which are completely unprepared. I also discuss the responses of trade unions in different affected locations to the ongoing spatial industrial reconfiguration. Whereas the executive committees of MNCs think, develop their strategies, and act on a global scale trade unions, social movements, and local governments are, in contrast, locally and nationally anchored. They have not been able to break out of the cage of localism and the national state with their concepts and activities. This structural inequality is one of the reasons for the loss of importance and credibility of trade unions. Therefore, labour must adopt a new approach to the spatial and social scales of its political practice.

Introduction

Within the processes of global economic restructuring, organisations defending the interests of workers, especially trade unions, are faced with enormous challenges. These organisations have severe difficulties in using social answers to counter the neoliberal offensive and the change in economic conditions. The reasons for this political weakness are manifold. This paper focuses on one aspect which is decisive for the structural weakness of trade unions and other social movements; it deals with the question of *scales*.

Multinational corporations (MNCs) shape space in the most far-reaching way. They have an integrated vision of space which is based on their capital accumulation requirements and on their power over specific places. Therefore, not only do they structure space very powerfully and coherently, but they also have a strong influence on the economic and social relations in these places. This very coherence brings about a sharpened competition between the places in which MNCs are located.

Labour movements—local actors in associations or in state authorities—operate within a local, regional, or national framework. They have to be competitive against other regions and places (Harvey, 1989b). In sum, actors in labour movements, and even in local authorities, act fragmentedly without a general economic, social, and spatial vision of reality. Neither unions (or political actors) nor state authorities have at their disposal the instruments and power to shape space, and therefore also specific places, to the same extent as the MNCs.

For those able to manage scale this *difference of scale* procures a far bigger influence over space and, therefore, also in the shaping of places. An MNC decides where it invests, where it creates jobs, where it pays taxes, or where it closes plants and relocates parts of the value chain. Of course it does not act independently, but always on the basis of a certain balance of power and a specific “territorial embeddedness” (Amin and Thrift, 1994; Dicken et al, 1994). Yet the conditions required to change this balance depend upon the power in space, and are therefore related to issues of scale. Behind these uneven and unequal spatial conditions is situated the fundamental contradiction that capital, as well as capitalists, enjoy increasing mobility, while labour, as well as politicised labour activists, remain relatively spatially fixed.

To grasp the permanently uneven and unequal development of capitalism, scale needs to be understood as inherently linked with the contradictions of capitalist accumulation (Smith, 1990), and as a highly contested social construction (Herod, 1991). Therefore, scale is a process that becomes the arena and moment where socio-spatial power relations in the course of social, political, gendered, and economic struggles are contested and compromises are negotiated and regulated. Consequently, it is of great importance to fight for power on a particular scale (Swyngedouw, 1992; 1997). On the basis of a dialectic comprehension of “uneven spatio-temporal development” (Harvey, 1996, page 429) we can better understand the restless processes of deterritorialisation and reterritorialisation in industries.

I proceed by considering three distinct issues with the intention of combining them. First, I consider the restructuring and transformation of the production systems of big MNCs in the context of a globalising economy, focusing on changes in the pharmaceutical industry. Second, I examine contributions to labour and trade union internationalism and their spatial implications. Third, I draw upon the above comprehension of scale and apply it to the dialectics between restructuring in the pharmaceutical industry and trade union activities. In this sense, the major upheavals in the pharmaceutical industry are understood as an expression of manifold processes of the reshuffling of spatial scales. These processes are associated with the economic and social strategies of companies against their rivals, and the efforts of companies to increase the profit rate under conditions of overaccumulation and overproduction. According to Herod (1997a; 1997b), both capital and workers shape space in a particular way. I argue that the ability to shape space always depends on a specific power relationship at a specific scale, which, in turn, is influenced by the scale at which capital and labour think and act.

In this paper, I will outline some major changes in the pharmaceutical industry to illustrate how big MNCs are reacting to the challenges of the changing economic environment. The ongoing restructuring and rationalisation within the Swiss pharmaceutical giant F Hoffmann–La Roche serves as an example. The recent acquisition of the German pharmaceutical and diagnostics company Boehringer Mannheim by F Hoffmann–La Roche illustrates how huge business transactions catch trade unions completely unprepared. Furthermore, it illustrates the importance that the actions of the corporations on the one hand and the unions on the other have for the development of power relations on the various scales. It will be argued that the historically rooted nationalism and localism of trade unions, and their traditionally restricted mode of acting at the firm or at the national level, will have to be overcome in order to outline a rescaled labour politics and change the balance of power relations.

Challenges and corporate strategies

Major challenges for corporate strategies

Among the major changes in the pharmaceutical industry which have forced companies to change their strategies, three are of particular importance. First, despite remarkable

growth rates in the pharmaceutical industry in recent years, it is obvious that markets cannot be extended nor the rate of innovation intensified to the extent necessary to sustain the continuous growth of the industry as a whole. In most countries the industry faces a situation where generic drugs are accounting for a growing share of the market, and where pressures to contain health-care costs are increasing (PhRMA, 1998; Schweitzer, 1997). Daniel Vasella, chief executive officer (CEO) of the Swiss life sciences giant Novartis, estimated a widespread international overcapacity, with capacity utilisation rates falling to something like 50% (Vasella, 1996, page 6). Therefore, competition is increasing sharply (Drews, 1998).

Second, research and development (R&D) costs have exploded, on average amounting to US\$500 million per drug. Only very big corporations are capable of raising the financial sums required. Jürgen Drews, former head of global research with F Hoffmann–La Roche, identifies an innovation deficit in the industry, which favours a further concentration because of overcapacity (DiMasi, 1995; DiMasi et al, 1991; Drews, 1998; Drews and Ryser, 1996; Grabowski and Vernon, 1994).

Third, huge capital requirements necessitate economies of scale. Therefore, products have to be launched on many markets simultaneously. This is only feasible on the basis of continued concentration and centralisation of capital (see Mandel, 1974). This, in turn, has been associated with a massive increase in direct investment, and with merger and acquisition activity. In the course of this process we observe the rise of global oligopolies which can be marked 'as spaces of rivalry' between the rivals in the triad (Andreff, 1996b; Chesnais, 1995; 1997). Although concentration in the pharmaceutical industry as a whole is still less advanced than in some other key industries it is important to recognise that the degree of concentration in individual therapeutic areas can be very high (IMS, 1999; OECD, 1996; PhRMA, 1998, page 58; Taggart, 1993, page 28).

New production concepts—reconfiguring scale: Roche's 'Manufacturing 2000' initiative

The big pharmaceutical companies responded to these challenges by repeatedly reorganising their production facilities during the 1990s, and implementing new forms of coordination and configuration of their production and research sites (Porter, 1986, page 23f). Mergers and acquisitions as well as the reorganisation of the coordination and spatial configuration of company sites (and of production and research sites in particular), raise the question of power over spatial scales. Business school authors had already raised this problem implicitly in the 1980s (Bartlett and Ghoshal, 1987a; 1987b; 1989; Ghoshal and Nohria, 1993; Porter, 1986; Prahalad and Doz, 1987), but their static and business-focused approach was too narrow to be able to grasp the dynamics of scale. The corporate leadership is only capable of (re)structuring and achieving the transnational integration (Chesnais, 1997; Dicken, 1992) of production systems on the basis of a certain bargaining power with the other actors in an industrial complex (Ruigrok and van Tulder, 1995) or, more explicitly, on the basis of a certain political balance of power on specific scale levels.

Basically, globally active corporations are attempting to introduce innovations as fast as possible and over the broadest geographical area possible, in order to amortise their increasing R&D costs (Bartlett and Ghoshal, 1990; Pearce and Singh, 1992). To meet these requirements of *space–time compression* (Harvey, 1989a, pages 240–242), according to Howells and Wood (1993, pages 142–152), they utilise the strategic options of *global switching* and *global focusing* of their international productive network. Both concepts represent attempts to use the internal advantages of tight integration of research, development, and manufacturing as well as profiting from elements of the

external environment. The spatial restructuring of pharmaceutical production and research at F Hoffmann–La Roche illustrates these changes.

Roche manufacturing strategy

In 1997 Roche began to implement the programme “Manufacturing 2000”.⁽¹⁾ The structure of chemical and galenical production as well as packaging had become increasingly complex over the years. This was a consequence of history, with the incorporation of the infrastructure and product ranges from acquisitions over the past years of companies such as Nicholas in 1991, Fisons in 1992, and Syntex in 1994 (Peyer, 1996, page 365f; *Roche Magazin* 1996, page 60f). It was also the result of a strategy of localised production in all key markets, described by Porter (1986) and Bartlett and Ghoshal (1987a; 1987b; 1989) as *multidomestic* and *multinational*, respectively. Most of the facilities were underutilised.

In response to these problems, the Manufacturing 2000 initiative pursued the objective of improving profitability in order to achieve a leading position in the global oligopoly, to reduce costs massively, to maintain excellent quality while retaining the ability to react to market changes, to increase fast-track launch capabilities, and to modernise and develop manufacturing installations. The Manufacturing 2000 framework was designed as a ‘stepping stone’ strategy which concentrated on structural redesign and cost reduction by attacking the product portfolio, the manufacturing network, and the production processes in three parallel thrusts: a reduction of the complexity of the product range; a reduction of the complexity of the manufacturing network; and a reduction of the complexity of the work processes.

In order to grasp the dynamics of change in the pharmaceutical industry it is important to recognise that the production of drugs runs in two steps. First comes the production of the physiologically active substances. The production of the active ingredients normally passes through several stages of chemical synthesis, or takes place through biological fermentation sometimes based on recombinant DNA methods. This production is normally centralised. The manufacturing equipment is extremely capital intensive. Flexibility of the equipment varies depending on the quantity of the final product and on the implemented production system of the company. There are mono sites, multiproduct sites, and multipurpose sites in use, of which the last is the most flexible (Jermann and Müller, 1996).

After the active substances have been ground, they are processed through pharmaceutical or galenical production into different drug forms such as tablets, capsules, ampoules, and ointments. This second production step hitherto tended to be relatively decentralised. The amounts of active substances that need to be delivered to the galenical production sites are normally small and costs of transport are therefore low. Packaging takes place directly after galenical production, and normally in the same location (although there are some examples where these steps are spatially separated).

Global focusing of chemical production

In 1991 Roche started to develop a ‘global production strategy’ for pharmaceutically active ingredients to accelerate massively the introduction of new drugs. The concept consisted of manufacturing the active substances for newly introduced drugs in only two locations worldwide, in so-called ‘launch sites’. Basel was an obvious choice, as it was already the site of the company headquarters and of existing major research and

⁽¹⁾ The following information on the restructuring of the production system of F Hoffmann–La Roche is based on an interview with K Hausmann, Head of Global Pharma Technical Operations and Manufacturing with Roche Pharmaceuticals held on 1 September 1997, further information is available in Hausmann (1997), F Hoffmann–La Roche (1997), and Bruch (1997).

production facilities. The second launch site was built at Florence, South Carolina and began operations in early 1997. Both launch sites are flexible multipurpose production sites (*Roche Magazin* 1997).

This approach has been extended and applied in a more sophisticated manner by the Manufacturing 2000 programme, which represents a global approach to active substance manufacturing. The company has pursued two main goals. First, in order to accelerate the time to market (time needed to introduce new drugs) a particular effort has consisted of shortening the launch time. The two launch sites in Basel and Florence are responsible for first-generation process development with a key emphasis on ensuring timely availability of active substances. Second, after the successful introduction of a new drug, a low-cost manufacturing system is needed. For this purpose seven sites (mainly sites of the Syntex corporation, which was acquired in 1994, see figure 1) concentrate their efforts on the lowest possible manufacturing costs, with special emphasis on the site at Boulder, Colorado which acts as an optimisation site. Some other plants will continue in use for a certain time and a certain range of intermediate products.

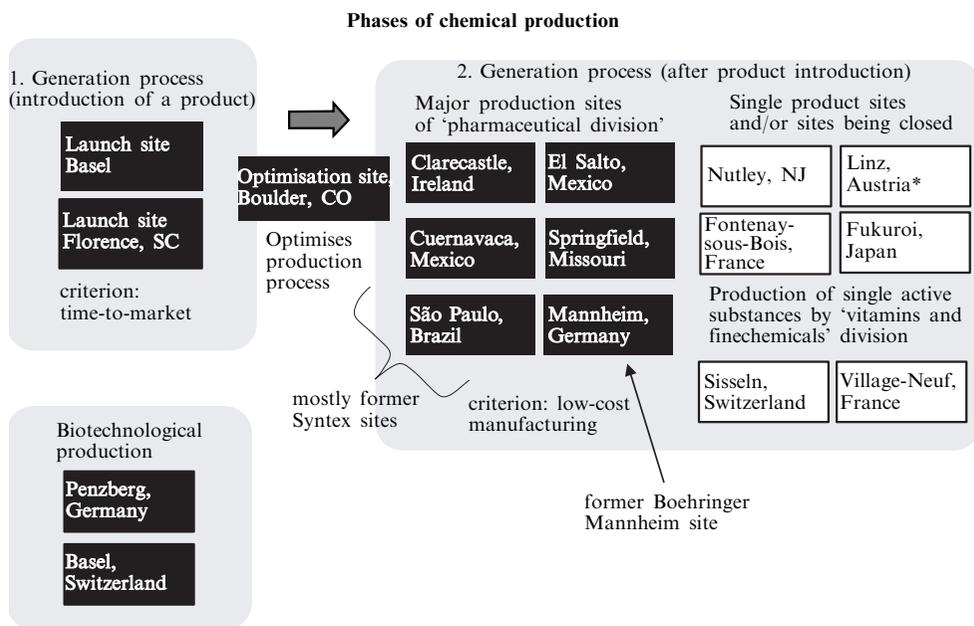


Figure 1. The Roche "Chemical 2000" programme: a global approach to the production of active substances. * indicates a joint venture with Chemic Linz DSM.

Continental and global focusing of galenical production

The "Roche Manufacturing Strategy Europe" puts particular emphasis on the spatial issues of the European production network. The European single market creates new opportunities which are open to exploitation (Howells, 1992). Creating so-called 'centres of excellence' allows a reduction in investment by bundling activities into key facilities, phasing out redundant installations, and generating economies of scale. The overcapacities accumulated in the past, owing to the need for local manufacture, are thus reduced.

A change from local multi-technology sites to regional specific-technology sites is occurring in galenical production. Where it is economically feasible, the production of prescription drugs and over-the-counter production will be further unbundled. In line

with the production of new active substances, new products will be fast-tracked through global launch sites, whilst galenical production of existing products will be regionalised and concentrated in technology centres of excellence. Local galenical production in specific markets will only be maintained when it is economically viable. Compared with the situation in 1995, the number of galenical production sites will be reduced globally from 31 to 21, each having a reduced number of technologies. Following Howells and Wood (1993, pages 142–152) we can describe this strategy as a combination of global and continental focusing. Whereas some technologies and product manufacture are centralised on a global scale, others are focused on a continental scale. The extent of Roche's galenical production in Europe before and after the Boehringer Mannheim acquisition is shown in figure 2.

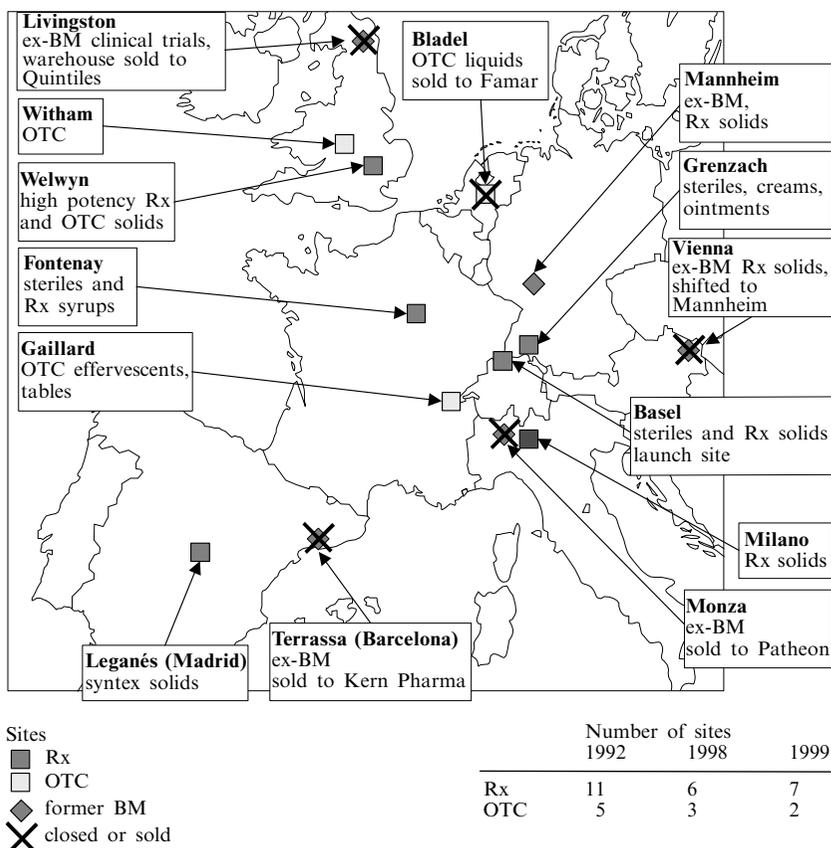


Figure 2. Galenical production sites of Roche in Europe, before and after integration of Boehringer Mannheim in 1998 (BM = Boehringer Mannheim; OTC = over-the-counter; Rx = prescription drugs).

Global focusing in research and development

In research and development activities, global focusing has been implemented more strictly. In 1992, as part of the process of creating a global research organisation, each of the four former research centres were assigned specific responsibilities. Basel was given the responsibility for cardiovascular, central nervous system, infectious disease, and dermatological drugs; Nutley in New Jersey for medicines relating to immunology, oncology, and metabolic diseases; Welwyn in England for virology; and Kamakura in Japan for antifungal chemotherapy and microbial screening. In the same period,

the head of global research and development moved his workplace from Basel to Nutley. The research centre of the Syntex Corporation in Palo Alto, California, acquired in 1994, became responsible for peripheral nervous system disorders and autoimmune diseases (Peyer, 1996; Roche, 1996; *Roche Magazin* 1996). After the integration of Boehringer Mannheim's research centre in Penzberg, Roche Pharmaceuticals consisted of six 'centres of excellence' each dedicated to a specific range of activities.

A 'global player' needs to coordinate research, development, manufacturing, marketing, sales, and administration—this means that, on a global scale, it needs to integrate efficiently the different elements of the value chain (Porter, 1986, page 23f) or of the production system (Howells and Wood, 1993, pages 80–82). *Vertical* global switching marks the capacity to locate the functional sequences at different geographical locations and to connect them. *Horizontal* global switching spatially divides the tasks within individual functions. However, the reorganisation of research and production shows that the corporate changes consist not only in a deterritorialisation (Andreff, 1996a) but also in a reterritorialisation.

Strategic responses of big pharmaceuticals

To sum up, strategic reorientation has been directed at reducing production costs, accelerating the development of new drugs, and making research more innovative. The strategies implemented on a global and a continental scale have led to a massive reduction and concentration of production sites, whilst strongly altering the role of the remaining facilities within the context of the corporate-wide internal division of labour. Figure 3 (see over) summarises the major changes in the production system of a pharmaceutical multinational corporation such as Roche.

Scales of industrial restructuring and labour activities: the case of the acquisition of Boehringer Mannheim by Roche

Global leadership in diagnostics

The restructuring of production and research by Roche reveals how 'global players' are implementing strategy at varying scales depending on their requirements. The following case study⁽²⁾ of the acquisition of the German diagnostics and pharmaceutical corporation Boehringer Mannheim⁽³⁾ by F Hoffmann–La Roche illustrates how this ability affords a big company additional bargaining power in the face of local worker resistance to job cuts. It also demonstrates how the company can exert its power on specific places through its ability to manage scale. In addition to the economic power through control over the means of production, it is the different scales which are decisive for the constitution of power relations in specific places.

Early in the morning of 26 May 1997 the astonished workers entering the gates of Boehringer Mannheim in Mannheim, Germany, received an unknown corporate newspaper: "*Welcome to Roche*". Roche informed the employees that it was acquiring the Corange Holding and its main company Boehringer Mannheim for about US\$11 billion.

⁽²⁾ Beside the quoted sources, information about labour activities is based on interviews with: Jim Catterson, research officer of ICEM (International Federation of Chemical, Energy, Mine, and General Workers Union) in Brussels, conducted on 30 October 1998; K Amacker, president Angestelltenvertretung Novartis, Basel; M Bonert, secretary of GBI (Gewerkschaft Bau und Industrie), Basel; Wolfgang Katzmarek, chairman of the works council in Mannheim and member of the executive committee of IGBCE (Industriegewerkschaft Bergbau, Chemie und Energie); B Körner, president of the workers commission of Novartis in Basel; M L Mittelholzer, president of Angestelltenverband Roche in Basel; S Montanari, president of the workers commission of Roche; and W Stahl, vice-president of the workers commission of Roche, president of GBI (trade union) group in Roche (all conducted in December 1998).

⁽³⁾ On the history of the privately owned company Boehringer Mannheim, see Fischer (1991).

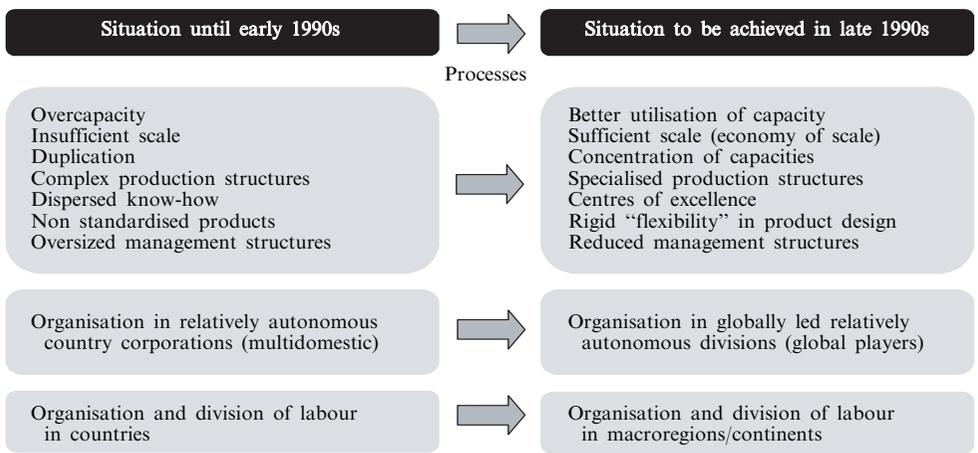


Figure 3. Rationalisations and new production systems in the pharmaceutical industry.

Roche announced that it was going to cut up to 5000 jobs from a total of 74 000 employed across the merged company. At that time Boehringer Mannheim employed about 18 000 people, 9100 of them in Germany. With this acquisition, Roche became the world's biggest diagnostics company and climbed briefly to sixth place in the pharmaceutical industry, on the basis of market share (Erbacher, 1997; *FAZ* 1997a; Fisher, 1997; Hall, 1997; *Handelsblatt* 1997; *NZZ* 1997b; *RN* 1997a).

After obtaining permission from the FTC (Federal Trade Commission of the USA) and the EU authorities, Roche executed the deal and paid about US \$10.2 billion to the Engelhorn family in February 1998. The reasons for this, the biggest deal in Roche's 100-year history, were the extremely strong position of Boehringer in diagnostics, added value to the pharmaceuticals division, and Boehringer's technical expertise in certain aspects of biotechnology (Erbacher, 1998b; *FAZ* 1998; Gürtler, 1998; *NZZ* 1998b; *RN* 1997b; 1998b; Schmid and Trutmann, 1998).

Spatial reconfiguration and trade union response

The restructuring process and the acquisition of Boehringer Mannheim have brought new problems to Roche in integrating the different economic, social, and cultural traditions of the acquired sites. One of these problems concerns managing labour relations not only at the local level but also in a way that improves productivity at the global corporate level. On the other hand, labour (namely the unions and works councils) are faced with defending working conditions at the level of the individual workplace. Increasingly, however, the challenge is how workers, and other people affected by corporate restructuring and de/reterritorialisation, can enforce a social rationality which combines scales from the body up to the global. The following presentation of corporate measures and union responses on the most important locations of Roche in Europe, allows us to elucidate the position of different actors operating at different scales.

Unions in Basel: from defence of relative privileges to marginalisation

Basel is the historical location not only of Roche, but also of life sciences giant Novartis—which originated from the merger of Ciba–Geigy and Sandoz in 1996. The two world leaders in speciality chemicals, Ciba and Clariant, are also located in Basel. These companies maintain a large part of their strategic assets in the region of Basel although they represent some of the most globalised multinationals in

the world. The pharmaceutical and chemical industry is the dominant economic sector in the region, creating almost 20% of the value added (Füeg, 1998).

For Roche, Basel remained by far the most important location. In 1998 it employed about 7000 people in Basel, where it had concentrated its headquarters, a major research and development centre, as well as all kinds of production infrastructure. After Roche had acquired the Palo Alto based Syntex Corporation, it cut back more than 1400 jobs, including 340 redundancies in Basel and the Kaiseraugst suburb, between 1994 and 1997. This was equivalent to about one fifth of the workforce. The workers covered by collective bargaining diminished from 2100 to fewer than 1600 in the same period (Trutmann, 1998).

Up until early 1997 there were about 1600 employees working for Roche in Kaiseraugst; 450 of them for the diagnostics division and the rest for the pharmaceuticals and vitamins divisions. The acquisition of Boehringer Mannheim led to a reduction in the number of workers in the diagnostics sector by 400. Only 40 of these were covered by collective bargaining, the others had individual work contracts. Almost all activities were shifted to Mannheim, and only the diagnostics division's global headquarters remained at the original location.

Roche offered a social compensation plan until summer 2001, which involved compensation payments of one twelfth of the annual salary per year of service (up to a maximum of two annual salaries) as well as pro rata Christmas and closing bonuses. Additionally, relatively generous rules for early retirement were offered. This social compensation plan was equivalent to that offered by Roche on the acquisition of Syntex in 1994, and by the merger of Ciba and Sandoz to form Novartis in 1996.

Confronted once again with job cuts and a deterioration of working conditions as a result of the takeover of Boehringer Mannheim, the GBI (*Gewerkschaft Bau und Industrie*; construction and industrial worker's union)⁽⁴⁾ was unable to defend any further job losses. It praised the social compensation plan, but criticised the fact that Roche did not abstain from the redundancies. The trade union GBI only has at its disposal a certain anchorage among the workers covered by collective agreements. Among white-collar workers which, by now, represent the large majority of the workforce, the unions have almost no members. The interests of these employees are represented by the AVR (*Angestelltenverband Roche*; association of white-collar workers of Roche). This association is closely linked with the firm, is only active at the company level, and has not joined any larger associations outside the firm. The AVR, being exclusively oriented to negotiations with the management committee, followed an extremely defensive course of action and assumed that it could not alter the decisions on job losses that were made by the management. As to Roche's announcement on the relocation of the diagnostics facilities away from Basel/Kaiseraugst, the AVR's activities were even more limited than those of the unions; it simply stated that it regarded that both the region and Switzerland would lose their only significant diagnostics company (Monnerat, 1998; *NG* 1998b; *NZZ* 1998a; Trutmann, 1998; Zumsteg, 1998).

In the face of the rationalisation programmes of the early 1990s and the massive cutbacks of worker numbers as a result of the takeovers, mergers, and spin-offs of the mid-1990s, the unions have been unable to offer credible responses to the workers or to defend the workers' employment prospects. The decline of the GTCP and then of the GBI is an expression of changes both in the chemical industry and in society as a whole. The number of employees working in industrial production who are covered by

⁽⁴⁾ The unions *Gewerkschaft Bau und Holz* (GBH; construction and wood) and the *Gewerkschaft Textil Chemie Papier* (GTCP; textile and chemical worker's union) merged in 1992 to form the *Gewerkschaft Bau und Industrie* (GBI; construction and industrial worker's union). Originally they intended to build a progressive pool within the unions.

collective-bargaining agreements has declined continually over the past two decades. Trade unions have never been able to organise employees working under individual contracts to any meaningful extent. Membership figures and the political–societal influence of trade unions have therefore shrunk as a result. On the other hand, their decline is also a result of their political integration into the system of ‘helvetic concordance’⁽⁵⁾ (Degen, 1987; Osterwalder, 1987).

The old trade unionists, whose consciousness was shaped by a convenient period of economic boom, were unable to prepare themselves for the corporate offensive and the new political strategies required. Additionally, the former representatives of the social movements of the late 1960s and mid-1970s, who then formed part of the leadership of the unions during the 1980s, had themselves been fully embraced by the logic of factual constraints and consensual agreements with the executives of the multinationals. As a result, they widely underestimated the fundamental nature of the neoconservative offensive and the extent of the social transformation involved.

Mannheim: a formerly left opposition restricted to local resistance

The parent company of Boehringer Mannheim was located in Mannheim, together with all of the central functions, ranging from research to manufacturing of therapeutics and diagnostics. About 7200 employees worked here in early 1997. The site lost around 1100 employees as a result of restructuring and relocations but, on the other hand, some 300 new jobs were created. The restructuring consisted first of a shift of therapeutics research to Penzberg in Bavaria. Second, the therapeutics sales department was moved from Mannheim to Grenzach in southern Germany (a long-established Roche plant location, 4 km from Roche headquarters in Basel), with the creation of an additional 150 jobs. The site consists of an important manufacturing facility for vitamins and is also engaged in galenical production. Third, a significant reduction of employment numbers has been achieved in international strategic marketing, accompanied by ongoing relocation of these activities to Basel. In total, the acquisition resulted in a cutback of almost 700 jobs in Germany (*BaZ* 1998a; *FAZ* 1997b; *FR* 1997; Göckel, 1999; *Hexagon* 1998; *NZZ* 1997a; *RD* 1999; *RN* 1999; Weinkopf, 1998).

In contrast to Basel the Boehringer Mannheim works in Mannheim has a long established tradition of trade unionism and worker mobilisation. At the end of the 1970s a leftist opposition grouping to the conservative IG Chemie (industrial chemical union) won a majority on the works council. This group, called *Offene Liste* (open list), maintained its majority on the council until the 1990s and as such, was able to hold onto the position of chair. The *Offene Liste* practised a militant approach at the company level and was able to win the respect of management by successfully organising a number of different actions, including strikes. Yet the scope for political action has narrowed considerably, not least because its orientation is restricted to the company level.

This problem became obvious in a memorable confrontation three years before the acquisition by Roche. In May 1993 Curt Engelhorn, the major owner of the corporation, appointed the former chief of Sandoz Pharmaceuticals, Max Link, as CEO. Link was expected to modernise and restructure the whole company, as well as improve its profitability. But Link began to act increasingly independently. He ordered a massive rationalisation programme for the Mannheim location, invested heavily in biotechnology companies in the USA, and arranged very expensive collaboration agreements. He restructured the company organisation from country-based subsidiaries to a global

⁽⁵⁾ The Swiss government has been made up of an identical coalition of the four big parties since 1959. The unions and entrepreneurs in the metal industry concluded the so-called ‘peace agreement’ in 1937. Since that time labour relations have been characterised by consensual bargaining procedures.

divisionalisation. Finally, he even planned to shift the therapeutics headquarters from Mannheim to the USA. The works councils and the union firmly resisted this course. When Link finally disempowered the old patriarch Engelhorn on 11 March 1994, Engelhorn and the works council formed an alliance against the Swiss CEO acting in a US-business style. The works council declared the whole area of the company in Mannheim as a 'Link-free zone' and prevented him from entering the gates. Eventually, in June 1994, CEO Link had to leave the company, after which the works council considered itself the winner of the battle. Engelhorn promised to follow a more European-oriented strategy. But then in May 1997, Engelhorn surprised the workers with the announcement that he was going to sell the whole Corange Corporation to Roche. After already suffering 1500 job cuts in Mannheim in 1993/94, the employees again envisaged difficulties (*FAZ* 1994; *Handelsblatt* 1993; 1994a; 1994b; 1995).

In the context of the takeover by Roche, the works council and the *Industriegewerkschaft Bergbau, Chemie und Energie* (IGBCE; mine, chemical and energy workers industrial union) were able to mobilise the workers and employees in Mannheim for strong actions and demonstrations on several occasions. The experiences from struggles in the past were very important. The activities of the workers and employees met with a sympathetic response in Mannheim, an industrial city with above-average unemployment. In alliance with the works council and the trade union, several grass roots organisations and artists became involved in the fight for jobs (Weinkopf, 1997).

One of the highlights was the demonstration on 17 January 1998 labelled "Boehringer Mannheim wants to be a partner and not a loser" in front of the headquarters of Roche in Basel. More than 1200 employees and relatives from Mannheim travelled to Basel in a special train. The chairman of the works council handed a petition against job cuts in Mannheim, signed by 36 000 people, to the representatives of the management committee. Remarkably, almost no employees from Switzerland and, in particular, from the strongly affected location of Kaiseraugst near Basel participated in this demonstration. Only a few trade union officials of the GBI held their flag at the front of the demonstration. Even the monopolistic *Basler Zeitung* noticed that, although solidarity towards German colleagues had been emphasised all the time, in contrast to their companies the two workers' organisations did not seem to be in the same boat (Erbacher, 1998a; Mangold, 1998; *NG* 1998a).

The works council and the trade union in Mannheim followed a strategy strongly focused on their existing location. Their strategy was fundamentally rooted in the fate of the company in Mannheim. For instance, they opposed the closing of the pharmaceutical research and development facility, arguing that Boehringer could not achieve its previous successes without a presence in Mannheim. Thanks to the previous proximity of research, development, and production Boehringer Mannheim would have been able to react quickly to market changes and to strengthen its market position. They said that this would be put in danger by a relocation and that Roche should give the pharmaceutical research location a fair chance (Betriebsrat BM, 1997).

Penzberg and Tutzing: winning region

The former Boehringer Mannheim sites at Penzberg and Tutzing near to Munich received the research and development facilities that were relocated from Mannheim. Penzberg became the most important biotechnology production site at corporate level worldwide. The research centre will be integrated as one of the six centres of excellence into the global research network of Roche, and undertake responsibility for the therapeutic area of oncology. In the course of these changes functions have been moved from Nutley, New Jersey, to Penzberg. In total, 300 additional jobs were created in Penzberg (Humer, 1999; *RD* 1999; *RN* 1999; Roche Diagnostics, 1998).

The works council and the IGBCE arranged a sort of noncompetitive agreement with their colleagues in Mannheim. The employees at Penzberg, as winners of the restructuring process, agreed not to provoke locational competition with Mannheim and not consciously to attract additional activities from Mannheim to Penzberg.

Monza and Milan: isolated resistance

Roche disposed of an important galenical production site and a small research centre in Milan. Boehringer Mannheim also had a galenical production and a research facility in Monza, near Milan. Together this resulted in considerable overcapacity. The pharmaceutical site in Monza was sold to the Canadian third-party producer Patheon Inc. which also took over the employees and management. In total, the measures resulted in a reduction of between 450 and 650 jobs in Monza and Milan (*BaZ* 1998b).

The union CGIL (*Confederazione Generale Italiana del Lavoro*) and the employees of the Boehringer Mannheim location in Monza opposed the cutting of these jobs, which were mainly in research. On 20 February 1998 they organised several demonstrations in Monza and in Milan. On 6 March about 250 workers from Monza came to Basel to demonstrate in front of the headquarters building of Roche against the job cuts and demanded in a memorandum a complete renunciation of redundancies. This action happened two weeks after the Boehringer colleagues came to Basel for a completely independent demonstration. Remarkably, the Italian trade unionists' first point of contact to organise the Basel demonstration was with a school for Italian immigrants in Basel instead of the local union, which was informed about the coming action by the Basel police! (*BaZ* 1998c; Moser, 1998).

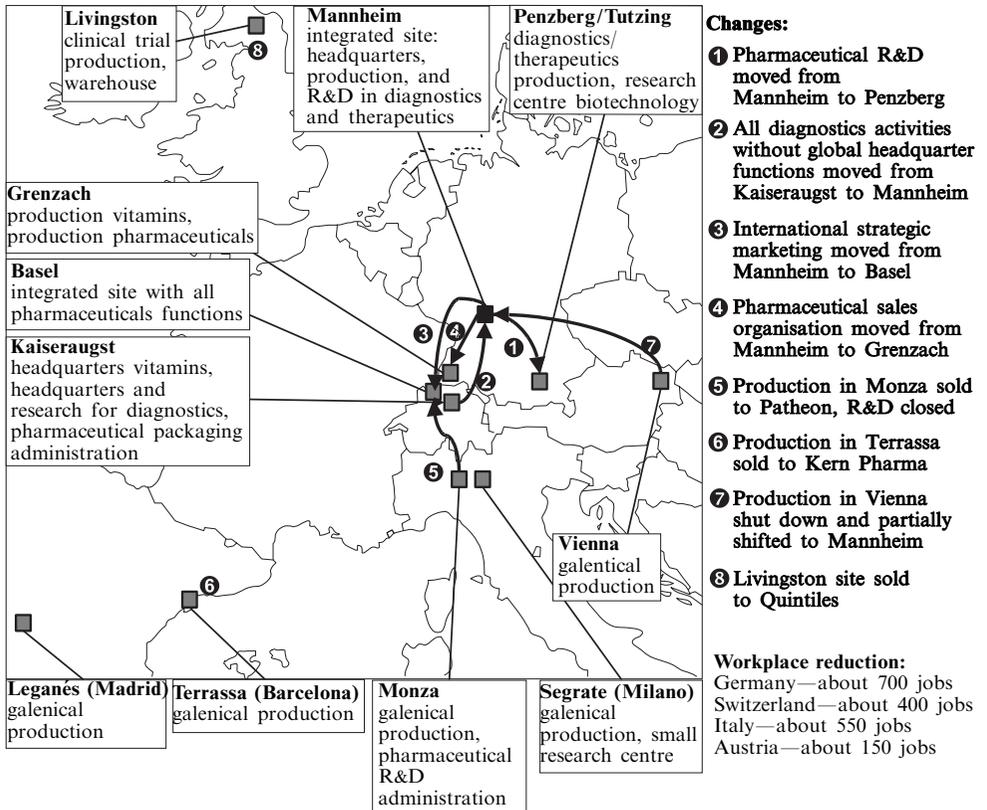


Figure 4. Acquisition of Boehringer Mannheim by Roche: reconfiguration in Europe.

Other locations

Major downsizings happened in other countries, too. Earlier, during the acquisition of Syntex in 1994, the pharmaceutical production site in Carabanchel was shut down and galenical production consolidated at the former Syntex site at Leganés, near to Madrid. Boehringer had a galenical factory in Terrassa outside Barcelona, which was sold to Kern Pharma of Barcelona-based Indukern in 1999. Roche shut down a small galenical production facility of Boehringer Mannheim in Vienna in early 1999 moving most of the production to Mannheim. In Livingston, near Edinburgh, a small facility of Boehringer Mannheim, including clinical trial production, packaging, and a warehouse, has been sold to Quintiles Transnational Corporation (Quintiles, 1998). In Mexico, three galenical plants were consolidated into one single plant. In Argentina, a Boehringer Mannheim galenical plant has been integrated into the Roche system as a production centre for over-the-counter drugs in South America. In Japan, the site in Kaibara has been sold and all production of Boehringer Mannheim has been shifted to the Roche site in Kamakura. The combined workforce has been reduced by 60%. A major restructuring was implemented in the USA where the diagnostics division was completely reorganised (Burns and Deismann, 1998; *Die Presse* 1998; *El Mundo* 1999; *Marketletter* 1998; *Nikkei Industrial Daily* 1998). Figures 4 and 5 summarise the effects of

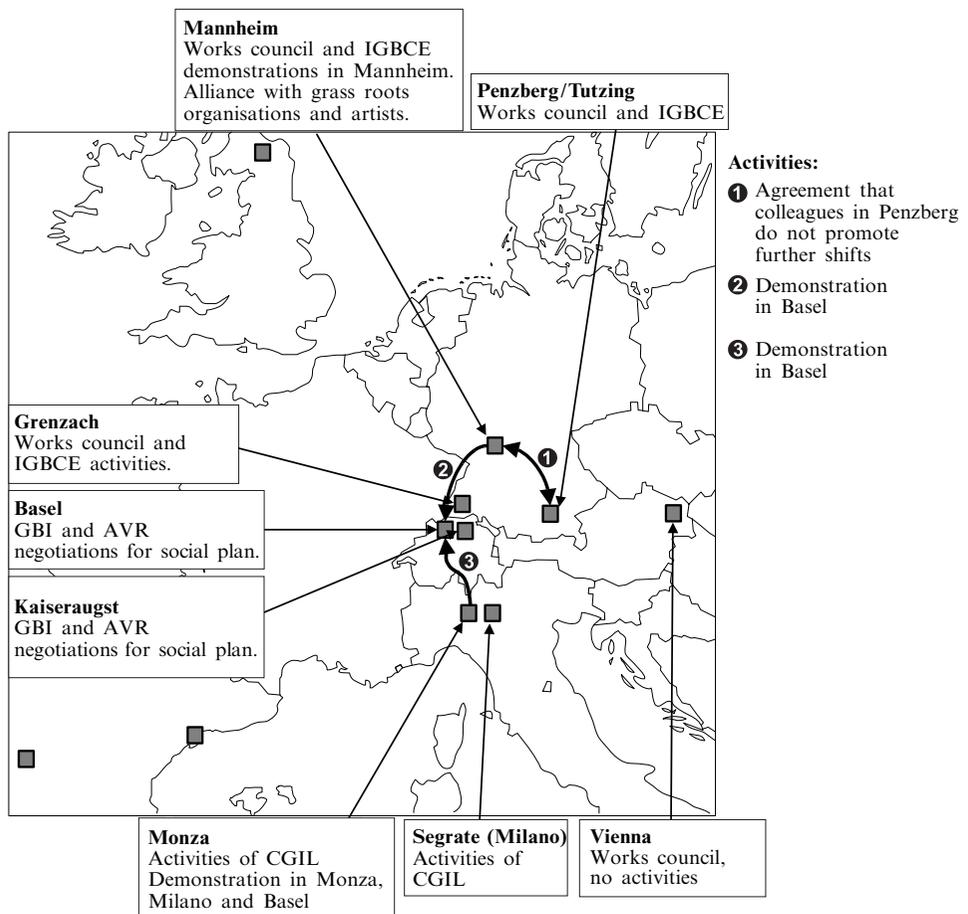


Figure 5. Acquisition of Boehringer Mannheim by Roche: trade union activities.

the acquisition of Boehringer Mannheim by Roche with respect to the reconfiguration of production sites within the group and the trade union activity that took place as a result of the acquisition.

Power, powerlessness, and scale

From the view of capital (in other words, the executive committee of Roche) the spatial reconfiguration and cutbacks made a lot of sense. The Mannheim location, owing to its size, was capable of absorbing major activities of the diagnostics division without substantial investments. Therefore the shift of diagnostics from Kaiseraugst to Mannheim ensured increased profitability through synergy. The same is true of the concentration of pharmaceutical research in Penzberg and its closure in Mannheim (Altweg, 1998; RN 1998a).

The works council and the trade union in Mannheim organised a remarkable resistance to job cuts. The unions in Monza also tried to resist the closure of the research facility and the cutbacks in production and administration, whereas the union and employees associations in Basel and Kaiseraugst accepted the corporate measures from the beginning and declared that they could not defend any jobs. In contrast to the unions in Mannheim and Monza, the GBI in Basel was not able to mobilise workers and employees. Their only goal consisted of obtaining an attractive social compensation plan. In this respect both Novartis and Roche had on several occasions proved their generosity, if allowed to implement corporate objectives fully. The Swiss trade unionists did little more than offer token support when first their German and, two weeks later, their Italian colleagues demonstrated in Basel.

Ironically, at no point was there any real dialogue, or even coordination, between the unions affected by the acquisition about common interests. Sometimes the union attitude appeared absurd, especially the noncommunication between the Italian and Swiss unions. At best there was some kind of understanding between the works councils in Penzberg and Mannheim, in which the colleagues in Penzberg agreed not to promote actively further relocations to Penzberg. A solidarity declaration of the works council in Mannheim with the Boehringer workers in Monza remained without any real consequences.

The unions and works councils were neither able nor willing to inform themselves and the workers systematically about the larger context of the restructuring at Roche and Boehringer Mannheim. They acted out of a logic which was focused strictly on their own location. They were at no time able to underline the fact that the management committees of a globally active company were developing strategy at a completely different scale, and that an important functional location like Mannheim was being reconfigured at a global or European scale.

The problem of scales becomes particularly obvious when workers and their organisations do not grasp that their site, or their research facility, could be shut down even though they worked profitably or were very innovative. What can be true for one location does not have to be relevant in the context of a global or continental production and innovation system. Under conditions of overcapacity and overaccumulation this problem exists in all relevant markets of the triad.

Neither the Brussels-based ICEM (*International Federation of Chemical, Energy, Mine and General Workers Union*) nor the European Works Councils of Roche and Boehringer Mannheim were able to play a role in this conflict. Both councils were still in the process of being established in 1997 and 1998 (Huber, 1998). Since the unions had not accumulated experience in international collaboration on a European corporate level, before the constitution of the European Works Councils they were not able to use this body immediately and consciously. The policy of the works council in Mannheim

and of the CGIL in Monza developed characteristics of a “militant particularism” (Harvey, 1996) whereas the GBI and AVR in Basel were accustomed to a passive particularism.

Especially in Mannheim, the unions and works councils were able to make significant local gains thanks to their strong base at the site and the alliances with other social groups. In the end, Roche made generous redundancy payments to the people leaving the company and the integration happened without enforced layoffs (Goebel, 1999). In this sense, the union and the works council used the local scale against the foreign multinational company. However, this did not raise major problems for the management of Roche which had the resources to ‘buy off’ this local resistance.

The unions have not been able to extend the scale of their action perspective or to formulate alternative concepts to the continental and global industrial restructuring encompassing more than just their own location. In the context of spatial restructuring in the pharmaceutical industry we can observe many cases where the unions were completely incapable of comprehending the broader economic and spatial dynamics of restructuring, rationalisation, mergers, and acquisitions. The situation is particularly difficult when locations without union representation are affected.

Recent contributions emphasising the spatiality of industrial restructuring and labour activity have brought new insights to the scale of power relations and the attitude of unions (Herod, 1994; 1995; 1997a; 1997b; 1998; Martin et al, 1994; Wills, 1998). But the spatial limits of thinking and acting by trade unions and labour activists are still enormous. They have to be interpreted in a broader political and social context. In order to reformulate new perspectives of rescaled labour politics, the orientation of the traditional labour organisations has to be criticised profoundly.

Trade union nationalism and localism and rescaled labour politics

Scales of labour relations and rescaling daily work processes

Spatial being determines thinking. Our consciousness is shaped by our being in the immediate environment of everyday life. The increasing insecurity in daily living conditions has actually strengthened localism and nationalism (Harvey, 1989a, page 306). Based on past experiences, a focus on defending one’s ‘own’ location promises at least some success. This is even more the case if the location has proven in the past to be more successful than others. The political balance of power, the organisation of labour relations, the workers’ right to participate, as well as political and trade union cultures have been developed very specifically in different countries (Moody, 1997). References to national regulations and specific cultural conditions are still very important (Lecher and Platzer, 1996).

On the other hand, capitalists have been able to transcend their strategic behaviour to increasingly higher scales, finally arriving at a global or triad level. At the same time they have been able to downscale collective bargaining to increasingly smaller units (firms, divisions, locations) and scales (Herod, 1991). This has resulted in a generalisation of competition between workers.

In addition global capitalism binds workers together in a common international production system, often under a single employer. Daily life and work processes are being rescaled. In the big corporations of the pharmaceutical industry the employees are becoming more and more embedded in international work processes. This is especially true for employees in research and development departments and in management. Workers in laboratories and quality assurance communicate with colleagues in other countries, even if it is only to exchange analysis data by e-mail. Of course, those workers who are most in the habit of cultivating transnational professional contacts and, beyond those, private ones are not usually people who feel

connected to the trade union movement. Yet out of these changes in daily work processes, starting points can arise which enlarge the consciousness of broader numbers of employees and workers for scales of their work, their workplace, their working conditions, and their labour relations. This extension and intensification of the international division of labour and of intrafirm trade can improve the objective conditions for a new kind of worker internationalism.

A shared consciousness for specific local conditions in different company locations cannot be developed automatically out of limited common work experiences. The diverse problems of everyday life, intercultural barriers, as well as languages and communication structures remain enormous hurdles (Jaeger, 1996). Overcoming such barriers presents considerable problems for trade unions and work councils. There are two issues in particular which are pertinent. First, scale has to become a question of consciousness for activists in trade unions and social movements. Second, consciousness itself has to be rescaled. In this respect, unions have to learn from the politics of scale utilised by corporate management. A conscious policy in this sense can contribute to building a shared consciousness of a “transnational working class” (Moody, 1997).

Scales of bureaucracies

So far, trade union leaderships have not fully accounted for the significance of new systems of international production and innovation. Job cutbacks have been seen only in the context of a relocation to other sites. Therefore, trade unions have not been able to grasp the reality either of management restructuring or of merger and acquisition activity in the context of a shift to a new scale. This incomprehension is combined with a lack of consciousness or will to reorganise the unions themselves; for example, to promote the establishment of autonomous horizontal relations between union groups in different business units across national borders. Only in rare cases have the unions successfully gone beyond either the official labour internationalism that exists on paper, or attempts to extend the formerly national ‘social partnership’ to a European level (Moody, 1997).

The aforementioned aspects can only be understood in the context of a critical assessment of the history of the labour movement. Remarkably, before World War I internationalism was much more of an issue in the labour movement than in the bourgeoisie. After the genuflection of social democracy in front of the nationalist war campaign in 1914, the history of the labour movement has been characterised by a deeply rooted nationalism which has, only periodically, been broken in a substantial way. Stalinism and the block confrontation between West and East smothered any social alternative to capitalism and dictatorial state bureaucracy.

In the course of the bureaucratisation of the trade unions, a caste of relatively privileged officials based primarily within the nationally organised union apparatus emerged. In the long period of economic upswing after World War 2, lasting until the 1970s, defence of the material privileges of workers in the national context (mainly of workers belonging to the home nationality) was marked by a certain economic rationale. In the context of Fordism and a certain political margin, the capitalists granted material concessions to the unions. This helped in securing the social influence of trade union leaders. Parallel to bureaucratisation, a political conservatism was developed within the unions which frustrated attempts to develop alternative strategies better suited to dealing with economic and social changes in the 1980s (Abendroth, 1978; Degen, 1987; Osterwalder, 1987; Moody, 1988).

In addition, critical Marxist theorists were only partially able to grasp the processes of territorialisation, deterritorialisation, and reterritorialisation, inherently linked

with capitalist dynamics of uneven development, and to develop politically feasible propositions based on a complex comprehension of scales in social relations. Finally, these conditions made it difficult to break with spatial exploitation and discrimination by class alliances in one territory against class alliances in other territories (Harvey, 1997).

Rescaling labour structures and labour politics

The establishment of European Works Councils (EWCs)⁽⁶⁾ can promote a European-wide network of labour organisations which, despite the unclear election procedure, has the ability to act as a body for disseminating information and undertaking limited action (Wills, 1998). Merely by upscaling key problems and issues and developing new personal contact networks, such developments are positive in view of the unfavourable international power relations that exist. The EWCs, at least, offer the potential possibility of being able to match the continentalisation of production systems with a 'labour continentalisation'. Experience shows that it is not the official structure and programme of the European meetings (which are dominated by an agenda set by management) that are most important for exchanging trade union issues and perspectives. Much more useful are the informal meetings of local council delegates from different countries and sites outside the official programme. These meetings can be used to get in touch with each other, to exchange problems of working reality, and to establish an international grassroots network. Interestingly, Swiss unions can even use the EWCs as leverage to improve their rights to participate, which are traditionally very weak. However, there is also the risk that the EWCs will become dominated by an upscaled subordination of the unions to the business logic of profit maximisation at the European level. The EWCs are not a substitute for the necessary coordination and common policy of European unions—not just in terms of senior officials but also in terms of horizontal networking between union groups in single businesses, functional units of multinational corporations, and affected local communities. Despite an increasing consciousness for the need for an international union strategy (ICEM, 1996) it is obvious that linking together weakened, bureaucratic, and conservative unions will not improve the power relationship at any scale level. Common political perspectives can only be elaborated if the partners become mutually acquainted with the different realities of the sites of a multinational corporation.

Conclusion

There is a dialectical connection between the spatial restructuring of industries and the behaviour of labour organisations. The evolution of power relations and scale are interdependent processes. Those who manage scale hold the balance of power and impose their vision of the industrial landscape. These "spatial fixes" (Herod, 1997a) are able to structure social and economic contradictions. Power relations within the unions are also partially structured by scale. The bureaucratic hegemony and political conservatism within unions still obstruct the formation of rescaled labour politics.

Thus, the problem of institutions which are spatially organised in a new way has to be raised in the search for a global labour solidarity. These structures need to be horizontal, network-like, and territorially based in order to be effective (Waterman,

⁽⁶⁾ On 22 September 1994 the Council of the European Union decided to implement a directive for the establishment of European Works Councils. All countries of the EU except the United Kingdom and the three members of the European Economic Area (Norway, Iceland, and Liechtenstein) transmitted this directive in national laws. The German Federal Parliament decided upon a law on European Works Councils on 28 October 1996. Experience of the institution of European Works Councils is summarised in Deppe et al (1997), and in Lecher and Platzer (1996).

1998; Wills, 1998). This conclusion challenges labour unions as well as other social movements and raises new fundamental questions about democracy in general. Increasingly intertwined systems of production and innovation require the establishment of international bargaining processes on wages, conditions of work, and the like. This should be dealt with on a wider scale, starting with the companies but also including and connecting with local communities. The establishment of international labour standards (Sengenberger and Wilkinson, 1995; Shailor and Kourpias, 1998) can help underscore efforts led by unions at the company level.

Conflicts of international production and innovation systems are no longer questions which can be addressed from a pure company and trade-unionist perspective. Through the development of broader strategies, unions need to address a range of unresolved social problems and construct political–economic solutions for the wider public good (Wever, 1998). In order to survive, unions should build a “globalization from below” (Brecher and Costello, 1994) and develop a “social movement unionism” (Moody, 1997) which is involved in all kinds of issues of local communities, regional, national, and transnational politics.

In recent times there have been some remarkable developments in this direction. The international campaign of the United Steelworkers of Ravenswood, West Virginia, in 1991/92 (Herod, 1995), the European strike of Renault workers against the closure of the factory in Vilvoorde near Brussels in 1997, and the European strike of railway workers on 23 November 1998 were restricted activities, but illustrated the potential which lies in this kind of international coordination. A major topic of a European trade union strategy is the issue of a general reduction of weekly working hours. This question includes a whole range of social issues surrounding unemployment, work productivity, organisation of the work process, and the like (Husson, 1996).

Despite all obstacles, the globalisation processes of territorialisation, deterritorialisation, and reterritorialisation opens up new opportunities to counter the social challenges also related to these processes. A critical reflection both of actual capitalist restructuring and of official labour politics is the first step in establishing the starting point for a rescaled labour politics.

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