

Article

Unlikely activists: building worker power under liberalization

Sidney A. Rothstein*

Political Science Department, University of Pennsylvania, Philadelphia, PA 19104, USA

*Correspondence: sidro@sas.upenn.edu

Abstract

This article explains variation in the extent to which high skill, high wage workers are able to defend their job security in services-based production regimes. It compares two cases of downsizing at German multinational technology firms in the early 2000s, and shows how workers can protect their jobs against employer threats by building power in the workplace. I find that tech workers mobilize against downsizing when they creatively redeploy management's discourse to demonstrate the potential effectiveness of collective action in a discourse that resonates with their occupational identity as technical experts. Highlighting the significance of discursive strategies to worker power in the information technology sector advances research on the comparative political economy of liberalization, which tends to view weak labor as a structural characteristic of the knowledge economy. While the transition from manufacturing- to services-led growth has weakened labor, with union density declining and national institutions becoming less effective, successful resistance to downsizing demonstrates that these historical developments relocate and recast workers' power resources, rather than destroy them outright. This article focuses on political struggle in the workplace to offer empirical evidence that workers can develop considerable power even when they lack access to labor's traditional resources.

Key words: trade unions, knowledge-based economy, discourse

JEL classification: J5 labor-management relations, trade unions, and collective bargaining

1. Introduction

The twenty-first century has not been kind to workers. The dramatic rise in income inequality and job insecurity over the past two decades in the OECD's capitalist democracies reflects a massive shift in the balance of power from labor to capital (Martin and Swank, 2012; Dencker and Fang, 2016; Hopkin and Lynch, 2016; Kristal and Cohen, 2017). Scholars attribute this shift to liberalization, a process that disembods market forces from institutions

for social protection, thereby exposing workers to economic dislocation (Polanyi, 1985; Blyth, 2002). Many workers can no longer rely on labor's traditional power resources—national institutions have been dismantled and union membership is at historic lows (Visser, 2006; Baccaro and Howell, 2017)—so that, especially during economic downturns when employers threaten mass dismissals, job insecurity seems an inevitability of contemporary economic life (Golden, 1996; Iversen, 2005). While existing accounts of worker power under liberalization imply that weakness is unavoidable, this article proposes an alternative. By tracing divergent paths of downsizing at two firms, I identify a set of strategies that workers can deploy to build power resources and protect their rights even amidst the unfavorable conditions of liberalization.

Focusing on the tech sector in Germany, I show that workers facing the threat of job loss during an economic downturn can develop innovative strategies to defend against downsizing. The tech sector has become eponymous with liberalization because the transition to the knowledge economy across the OECD has coincided with significant increases in employer discretion and decreases in workers' job security, even in countries with robust traditions of social protection (Early and Wilson, 1986; Casper, 2009). As employers attempt to emulate Silicon Valley's flexible labor markets (Hyde, 2003), workers are increasingly exposed to the turbulence of global markets (Doellgast, 2009). When the information technology bubble burst in the early 2000s, 60 000 tech workers were fired in Germany, despite being covered by relatively strict legislation against dismissal (Menez, 2004). This article explains why the transition to the knowledge economy has coincided with processes of liberalization that threaten workers' power resources. Moreover, I illustrate how workers can protect themselves even when their firms face challenging market conditions.

I argue that workers' job security depends as much on their ability to mobilize in the workplace as on the economic conditions surrounding production. This account revises existing approaches to liberalization, which suggest that insecurity is a structural characteristic of the knowledge economy due to workers' weakened power resources. Against these structuralist approaches, I develop an account of worker power based on discursive strategies for mobilizing in the workplace. I compare two cases of workers responding to downsizing at multinational technology firms based in Munich. Infineon and Siemens each faced significant losses in the early 2000s when demand for their products fell precipitously, and management announced downsizing affecting thousands of workers. At Infineon, workers acquiesced to management, resulting in hundreds of dismissals. Workers at Siemens, however, mobilized to activate national institutions for dismissal protection, protecting more than 2000 from permanent termination.

Based on more than 50 interviews and thousands of primary documents gathered during 9 months of fieldwork in Munich, this article contributes to accounts of worker power under liberalization by showing how workers can develop power resources by developing discursive strategies to mobilize in the workplace. In the effectively liberalized production regime surrounding the knowledge economy, workers must look beyond traditional power resources, such as institutions for employment protection and unions. I present a discursive theory of worker power to explain why variation in job security depends on more than formal institutions or union strength. I argue that even where structural conditions undermine labor's traditional power resources, workers can resist employer discretion and protect their rights when they frame collective action in a discourse that resonates with their occupational

identity. Tech workers face particular challenges, but even these workers can mobilize effectively to protect their jobs against downsizing.

2. Liberalization as a structural transformation

Existing approaches to liberalization present job insecurity as an inevitable feature of the knowledge economy. According to these approaches, labor market mobility is a structural characteristic of producing technology because workers in the tech sector prefer mobility over protection. Their preferences for mobility lead this growing proportion of the workforce to destabilize labor's traditional power resources by choosing to not enforce institutions for economic governance and to not join unions. Scholars thus insist that job insecurity is unavoidable because, with their power resources blunted, organized labor can do little to protect workers from the global market forces driving capitalist development. This structural approach suggests that the effects of liberalization at the micro-level of the workplace are thus directly tied to the macro-level of the global economy. Such views of liberalization can be admired for their parsimony, but treating workers' vulnerability as a static feature of twenty-first century liberalism, rather than an ongoing process, overlooks the political struggles by which actors disembed market forces from institutions for social protection.

Structural approaches to liberalization are not wrong that labor's traditional power resources have declined significantly. National institutions regulating the labor market have been reformed so that, for example, employers may more easily hire workers on fixed contracts (Palier and Thelen, 2010; Hassel, 2014). Even where institutions have remained formally robust, they are no longer effective, because employers have exploited loopholes in response to structural changes in their product markets (Benassi et al., 2016; Baccaro and Benassi, 2017). Moreover, many institutions rely on worker mobilization for enforcement (Fine, 2017), and while workers traditionally limited employer discretion by enforcing institutions through union mobilization, the workers of the knowledge economy are ambivalent toward collective action in general and unions in particular (Ebbinghaus, 2006; Haipeter, 2016), leading to a decline in union membership and a drop in collective action across the OECD (Baccaro and Howell, 2017). Unable to rely on institutions or unions, workers in the knowledge economy have little recourse against rising employer discretion.

At the same time, structural approaches to liberalization insist that workers in the knowledge economy have little reason to oppose employer discretion, because both employers and workers prefer labor market mobility (Casper, 2009; Allen, 2013; Thelen, 2014, p. 26). Given employers' desire to control hiring and firing (Emmenegger, 2015, p. 92), their preference for flexibility is hardly surprising, and scholars explain that the dynamics of the knowledge economy lead workers to prefer flexibility as well. Human capital theory hypothesizes that skilled workers prefer to move between firms so that they can leverage the demand for their skills in order to receive higher wages (Becker, 1994). Asset theories of politics extend this hypothesis to argue that workers in the knowledge economy oppose both institutions for social protection and unions because such flexibility is possible only when restrictions on hiring and firing are lifted (Estevez-Abe et al., 2001; Iversen, 2005; Wren et al., 2013). As far as the structure of the knowledge economy introduces workers who support liberalization, the rise of job insecurity over the past two decades of economic transformation appears inevitable.

The structural approach to liberalization provides an accurate descriptive account *that* job insecurity has risen, but it cannot explain *why* this is the case. First, skills are notoriously difficult to define (Busemeyer, 2009), especially in the knowledge economy (Marks and Scholarios, 2007), and the link between workers' skills and their preferences is far from straightforward (Streeck, 2012). Second, in the knowledge economy, even if workers' preferences align with employers' regarding mobility, workers never prefer insecurity over protection: no worker wants to lose their job. Third, scholars show that employers have actively lobbied to dismantle institutions for job security (Kinderman, 2017), and labor continues to fight to save workers from dismissal (Reisenbichler and Morgan, 2012), suggesting that employers' and workers' preferences are not so aligned as asset theories of politics propose. In the next section, I introduce a discursive approach for explaining why elements of liberalization, such as a decline in job security, have accompanied the transition to the knowledge economy.

3. Discursive struggles under liberalization

Liberalism in the twenty-first century has so far been characterized by disembedding market forces from institutions for economic governance, but this phenomenon is an ongoing political process, not a structural feature of contemporary capitalism. I argue that liberalization has been driven by a widespread shift in the discursive context of production, which has unbalanced the relationship between employers and workers in the workplace. By undermining labor's traditional power resources, this discourse has increased employer discretion. At the same time, however, this discursive shift also provides opportunities for workers to develop novel strategies to protect their rights. Insecurity is not a structural characteristic of the transition to the knowledge economy. Instead, workers' conditions remain contingent on their ability to resist employer discretion.

Researchers agree that the past decades have seen a rise in discourses that revere market forces, but they disagree about how these discourses affect politics. Schmidt and Thatcher (2013) point to the spread of 'a commitment to certain core principles focused on market competition and a limited state', but they argue that this is not in itself responsible for dismantling institutions for economic governance (p. 1). Similarly, Schulze-Cleven and Weishaupt (2015) acknowledge the spread of liberalizing discourses, but show that, at the national level, countries have remained committed to long-standing norms of social protection. Others, however, such as Hopkin and Lynch (2016), link the rise of income inequality in Europe to the spread of neoliberal ideas (p. 341). Building on these existing approaches, I treat liberalization as a discursive shift in the workplace, rather than at the national level. Focusing on the context of production highlights the discourse that employers use to control workers (Burawoy and Wright, 1990), and thus provides a tighter link between the macro-level transition to the knowledge economy and micro-level changes to workers' security.

In the 1990s, when countries began adopting the Silicon Valley model to support the transition to the knowledge economy (Casper, 2007), employers imported the market-revering discourse that developed alongside the tech sector. Since its early days in Silicon Valley, the knowledge economy has been characterized by framing scientific production in a primarily financial discourse. In the public sphere, employers lobbied for institutional reform by arguing that producing technological innovation requires disembedding market dynamics

from institutions for economic governance (Block and Keller, 2011; Berman, 2014). In the workplace, employers focused workers' efforts on producing value for shareholders, leading to the development of a primarily financial discourse in which workers are assessed, and working conditions shaped, by their firm's financial performance (Lazonick and Mazzucato, 2013). Even in Germany, where robust complementarities between institutions have limited formal changes to national institutions, employers have reshaped the workplace by adopting the discourse of shareholder value (Kurdelbusch, 2002; Fiss and Zajac, 2004; Holst, 2016). Workplace-level discourse thus reflects both the macro-level transition to the knowledge economy, as well as a micro-level shift in management strategies. Analyzing this discourse offers a promising platform for explaining why employer discretion has increased, and workers' security decreased, with the transition to the knowledge economy.

When employers frame the employment relationship in a primarily financial discourse, they directly threaten labor's power resources. Workers can rely on many resources beyond formal institutions and unions to build power against employer discretion, such as their position in the organization of production or their position in civil society, but each of these resources becomes effective only through collective action (Burawoy, 1982; Wright, 2000; Silver, 2003; Schmalz and Dörre, 2014; Schulze-Cleven, 2017). Employers' framing of the employment relationship in primarily financial terms threatens workers' power resources because it restructures their preferences toward collective action (Snow et al., 1986). It does so through two channels. First, this discourse disposes workers to see themselves as individuals with market power, rather than sharing a common identity with other workers, which leads them to avoid membership in unions (Streeck, 2005). Second, workers participate in collective action only if they believe that mobilizing could be effective in protecting their rights (Klendermans, 1984; Kelly, 1998), but the market-revering discourses of liberalization imply that collective action will be ineffective against the global market forces that shape the workplace. When employers frame the employment relationship in a primarily financial discourse, they can persuade workers that working conditions are 'embedded in market structures and habits of behavior that no one seems powerful enough to change' (Unger, 1978, p. 369; McAdam et al., 2001, p. 47; Dunk, 2002). Liberalization threatens workers' power resources by limiting their capacity to mobilize.

Workers in the knowledge economy face a significant obstacle to collective action because the primarily financial discourse that managers deploy to control the workplace has become hegemonic. Its central concept, that market forces ineluctably shape political life, has been broadly accepted across many spheres of society as common sense (Brown, 2015). Nonetheless, 'the multivocal nature of discourse provides the means for challengers to find gaps, contradictions, and silences in this taken-for-grantedness of hegemonic genres' (Steinberg, 1999, p. 751). Workers can challenge management's hegemonic discourse by developing a counterhegemonic strategy that redeploys managers' own terms and authority but identifies the 'gaps, contradictions, and silences' in order to undermine managers' insistence that collective action will be ineffective. By using managers' own discourse to illustrate the potential effectiveness of collective action to save their jobs, workers in the knowledge economy can persuade their coworkers to participate in collective action.

The promise of counterhegemonic strategy for building worker power is consistent with the long-standing perspective that workers' power in the workplace depends on their ability to motivate each other for collective action. Capitalism endows employers with significant structural advantages over labor, such as aligning employers' interests while scattering

workers', which makes it much easier for the interests of capital to take precedence over those of labor (Offe and Wiesenthal, 1980). Nonetheless, workers can develop organizational strategies and leadership tactics to align their interests and identify resources for achieving them (Traxler, 1993; Ahlquist and Levi, 2013; Gumbrell-McCormick and Hyman, 2013; Sil, 2013; Eaton and Weir, 2015). The transition to the knowledge economy has amplified employers' advantages over labor, but the fundamental structure of the employment relationship has remained largely unchanged, suggesting that labor's strategies from the twentieth century simply need to be adapted to this new discursive environment (Sako and Jackson, 2006; Bremme et al., 2007; Rehder, 2008). Indeed, over the last two decades, unions have been revitalized by workers experimenting with tactics from social movement organizations to develop their strategic capacity in new sectors (Ganz, 2000; Gahan and Pekarek, 2013). The increasingly central role of discourse in union revitalization underlines the promise of counterhegemonic strategy for building worker power, especially given that the knowledge economy leads workers to develop new forms of solidarity (Fantasia, 1988; Katz et al., 2003; Van Jaarsveld, 2004; Badigannavar and Kelly, 2005; Burawoy, 2012; Heckscher and McCarthy, 2014; Tapia et al., 2017).

I argue that workers can build power resources in the knowledge economy by developing counterhegemonic strategies that challenge the market-revering discourses constitutive of liberalization. In the remainder of the article, I develop this argument by comparing two cases of downsizing in Germany's tech sector and explaining what led workers at one firm to save their jobs by mobilizing against dismissals. I find that, even when they face challenging structural conditions, the principal threat to workers' rights is discursive. Management's primarily financial framing of the employment relationship discourages workers from participating in collective action by persuading them that downsizing is inevitable. I show that when workers develop a counterhegemonic strategy to undermine management's justification for dismissals, they choose to participate in collective action and can protect their jobs from downsizing. The transition to the knowledge economy threatens workers' rights, but job insecurity is by no means inevitable.

4. Research design and methods

In order to identify how workers in the knowledge economy develop power resources, I selected two cases of downsizing at German tech firms. Given employers' and workers' conflicting preferences regarding job security (Emmenegger, 2015, p. 92), downsizing provides a clear test of worker power, because workers are able to protect their jobs only if they develop effective power resources. Germany's institutions for regulating the labor market have long been associated with cooperation between employers and workers (Silvia, 2013), but institutional changes associated with liberalization call for treating Germany as a pathway context to take a fresh look at the causal mechanisms linking national institutions to worker power in the workplace (Locke and Thelen, 1995; Streeck and Thelen, 2005; Deeg and Jackson, 2007; Gerring, 2007a, p. 239; Streeck, 2016). Although employment security is an individual right, the *Works Constitution Act* (Betriebsverfassungsgesetz) bestows formal jurisdiction to regulate downsizing to works councils, which are composed of workers elected within their firms to represent workers' interests to management.

Historically, works councils have collaborated with unions through informal channels to protect workers' jobs (Allen, 1990; Thelen, 1991), but in recent years, they have taken a

more active role, sometimes adopting mobilization tactics familiar to labor organizers in the USA (Detje et al., 2008; Streeck, 2009; Dörre, 2016). Works councils' position between management and labor means that they mediate the effects of management's discourse on the workplace, because works councilors are tasked with performing management's directives while also limiting them (Frege, 2002; Herrigel, 2008). I extend these observations by focusing on the role of works councils in shaping worker power in workplaces where workers are otherwise distant from labor's traditional resources.

Close similarities between Infineon and Siemens provide a most-similar system, dissimilar-outcome design, which enables identifying a mechanism for worker power beyond those underlying existing accounts of liberalization (Beach and Pedersen, 2016, pp. 238–239). Infineon offers a case that is typical of existing accounts of worker power (Gerring, 2007b, p. 91). Composed primarily of anti-union tech workers, workers at Infineon's headquarters on *Balanstraße* in Munich avoided union membership and had very low job security, exhibited in the early 2000s when workers there acquiesced to management's threats of mass dismissals.¹ Siemens's former division of Information and Communication Networks (ICN) also embodies the causal and contextual conditions relevant to existing accounts of worker power under liberalization, yet defies their expectations, presenting a deviant case (Gerring, 2007b, p. 106). Like Infineon, ICN was composed of tech workers whose anti-union biases made them reluctant to engage labor's traditional resources. Nonetheless, when management attempted to terminate 2600 workers in the early 2000s, workers mobilized and succeeded in protecting thousands of jobs.

Siemens ICN shares many relevant causal conditions with Infineon because Infineon had been Siemens's Semiconductor Division until it was split off as an independent company in 1999. Workers at each firm faced the same national institutions, but also the same union resources because officials from IG Metall's *Siemens Projekt* remained with Infineon after the split (Interview, IG Metall Official, Berlin, November 1, 2014). Workers at Infineon and ICN faced literally the same organizers, had access to the same union resources, and were approached by IG Metall under the same strategic plan (Table 1).

Workers at both Infineon and ICN were stridently anti-union: less than 9% of the workers at Infineon were members of IG Metall (Former Infineon Works Councilor, 2016), and at ICN, this was less than 6% (Martens, 2006, p. 234). This common anti-union bias disposed workers to reject IG Metall's assistance, thus making workers at each site unlikely to mobilize to enforce national legislation for job security. Nonetheless, workers at each site had elected an IG Metall member as the chair of the works council, and the union provided resources to each works council. Workers at both sites were primarily engineers and managers, and a large proportion at each site received salaries above the collectively bargained rate for the industry (Works Council, Siemens ICN, 2003; Former Infineon Works Councilor, 2016).² Due to Infineon's history at Siemens, workers at Infineon and ICN shared a

1 For the sake of convenience, the case studies that follow refer to Infineon *Balanstraße* simply as 'Infineon'.

2 I intentionally refer to the employees at each firm as 'workers', although this breaks with existing research on white-collar employees. Doellgast, for instance, emphasizes how different types of work, interests, and collective action distinguish white-collar employees from blue collar workers, and Dencker distinguishes those who are responsible for hiring and firing decisions from those who are not (Dencker, 2012; Doellgast, 2012). I choose not to engage these distinctions because, as these

Table 1. Workplace characteristics: Infineon and Siemens ICN

	Infineon: Balanstr.	Siemens ICN
Employees	5034 (2000)	6772 (2002)
White-collar workers	4472 [89%]	6679 [99%]
Employees affected by dismissals [†]	943 [19%]	2600 [38%]
Union membership	<9% (white-collar workers)	6% (white-collar workers)
Size of works council	29 (2001)	39 (2002)
Union representation on works council	IG Metall: 12 [41%] (2001)	IG Metall: 16 [41%] (2002)

[†]While conceivable that the higher percentage of workers initially affected at Siemens ICN could have encouraged resistance by lowering the cost of participating in collective action (Weil and Pyles, 2005), this could have also weakened workers' resolve (Cowie, 2001). Either way, I found no evidence that variation in the proportion of workers affected played a role in workers' decisions to mobilize.

common cultural orientation, including management, which 'adopted the employment conditions of Siemens wholesale, joined the employers' association, and made sure that dismissals would be avoided' (Börsch, 2007, p. 91). On the basis of these similarities, existing accounts of worker power under liberalization lead us to expect that downsizing at each firm should follow the same path, yet they could hardly be more different.³

In order to identify how workers at ICN built power against management despite their distance from labor's traditional resources, I conducted 56 interviews with workers, works councilors, management, and union leaders at Infineon and ICN during 9 months of

authors themselves show, they are strictly nominal and collapse in situations of conflict, such as dismissals. Three further reasons based in research on concept formation support this decision (Gerring, 1999). First, even workers in management positions do not own the means of production, which means that they are as alienated from the value they produce as blue-collar workers (Parsimony, Coherence). Second, the workforces of many OECD countries are increasingly constituted by those with advanced training, and sometimes high wages, so the term 'worker' reflects historical usage in describing a large section of the population with a specific position in production (Familiarity, Resonance). Third, to describe these workers as something else would obscure two important findings presented in the article: these workers face the same threat of employer discretion as those with less training and lower wages, and, that even workers with advanced skills and high wages must participate in collective action to defend their rights (Depth, Theoretical Utility, Field Utility).

- 3 Due to the personal connections between the sites, and the delay of nearly 1 year between each case of downsizing, one might expect that actors involved with ICN learned from the downsizing at Infineon. While neither interviews nor documentary evidence suggested that ICN learned from the case of downsizing at Infineon, such a possibility cannot be ruled out. The explanation developed here, however, is unaffected by whether there was learning or not, because the major focus here is on identifying the specific strategies that works councilors developed at ICN. Regardless of whether these strategies were developed in connection with Infineon, the analysis that follows adds detail to our understanding of how workers build power in the workplace.

fieldwork in Munich in 2014 and 2015. Interviews were semi-structured and lasted between 45 minutes and 2 hours. I constructed a sample frame to collect first-hand accounts from each party involved in dismissals, and engaged snowball sampling to increase access, which was a significant challenge (Lynch, 2013; Martin, 2013, p. 78). Many managers declined interviews, likely because they received bad publicity for dismissing thousands of workers (see Freiberger, 2001; Görl, 2004), and because investigative journalists have unearthed a series of scandals at Siemens over the past decade, including a massive bribery network and management's illegal funding of works councilors in order to undermine IG Metall (Leyendecker, 2007; Dahlkamp et al., 2008) (Table 2).⁴

To corroborate interview data, I collected thousands of documents from interview subjects, including internal memos, presentations, legal briefs, and personal emails, which allowed countering potential bias by triangulating between different accounts. These totaled 1007 documents at Infineon, and 81 documents at ICN, as well as photographs and video documentation. I was also provided access to an archive of the ICN works council from 1998 to 2008, which included more than 22 000 files. From this immense collection, I selected documents from the period surrounding downsizing in the early 2000s and focused on the works council's strategy documents, presentations, and emails. In addition, two workers involved with the mobilization at ICN shared with me the documents related to their legal proceedings against the firm, as well as internal emails and training manuals they received while still employed. While interview subjects provided internal documents from each firm, including presentations to workers and stockholders, I also relied on publicly available documents, such as annual and quarterly reports and press releases.

I transcribed interviews verbatim and coded them using the software *MAXQDA*. This discursive analysis affords in-depth observations of actors' discourse, shedding light on otherwise 'omitted causal or contextual conditions', which prevent existing accounts of worker power from explaining why, despite such close similarities, workers at Infineon acquiesced to downsizing, while workers at ICN mobilized and protected their jobs (Beach and Pedersen, 2016, p. 245, 305).⁵

In the sections that follow, I first present a cross-case analysis of how workers at Infineon and ICN reacted to downsizing before tracing the causal process of how workers at ICN mobilized to protect their jobs. Following Beach and Pedersen's (2016) framework for theory revision, the analysis proceeds in two steps (p. 327). Comparing the typical case of Infineon with the deviant case of ICN identifies the limits of existing accounts of worker power, and provides support for developing alternative explanations for what allowed workers at ICN to mobilize despite their reluctance to engage labor's traditional power resources. I then extend research on institutional plasticity and on social movement unionism by applying frame analysis to trace the process by which workers at ICN mobilized

4 This 'yellow' faction of the works council, known as the *Arbeitsgemeinschaft Unabhängiger Betriebsangehöriger* (AUB) was active at both Infineon and ICN and thus cannot explain variation in workers' job security. Furthermore, while interview subjects mentioned AUB, it was certainly not the most important factor that came up during discussions regarding the decision to participate in collective action. Workers were aware of AUB, but the works council's framing of downsizing was much more causally important to worker power.

5 Please see [Online Appendix](#) for a detailed treatment of the coding procedure used.

Table 2. Interviews performed[†]

	Infineon	Siemens
Workers	4	24
Works councilors	4	7
Union organizers	1	3
Management	0	10
Other	0	3
Total	9	47

[†]The uneven number of interviews between Infineon and Siemens includes interviews performed during a preliminary stage of research. Interviews performed during this period were exploratory, designed to build familiarity with the cases in order to ensure causal homogeneity. See Lynch (2013) and Beach and Pedersen (2016, p. 245).

against management, focusing on how works councilors attributed dismissals to forces that workers could affect through collective action.

5. Two paths of downsizing

This section compares workers' responses to downsizing at Infineon and Siemens ICN in order to suggest how accounts of worker power under liberalization should be revised. I show that workers' power depends as much on their creativity as on structural characteristics of production and labor's traditional power resources. At Infineon, hundreds of workers were exposed to downsizing, which supports existing accounts that weak labor is a structural characteristic of the knowledge economy. ICN confounds such accounts. Workers at ICN faced the same structure of production, same national institutions, and had even lower union membership than workers at Infineon, but they mobilized to protect their jobs against management's threats of dismissal and defended thousands of workers against downsizing. By tracing different paths of downsizing, this section identifies causal conditions overlooked by existing accounts of worker power, which will be developed in the single case study that follows.

5.1 Infineon: quiescence

On July 26, 2001, Infineon announced that it was firing 943 workers from *Balanstr.*, which amounted to nearly 20% of the facility's 5034 employees (Former Infineon Works Councilor, 2000). After the price of semiconductors dropped by 90% in 2000, Infineon posted a loss of €591 million in 2001 (Infineon Technologies AG, 2002, pp. 83, 3). Dismissals were part of a program that management named *Impact*, which was supposed to save 'about €1 billion over the next 12 to 18 months, and thereby significantly improve the firm's cash position as well as its earnings' (Infineon Technologies, 2001). In a press release, management justified *Impact* as a necessary response to drops in the price of semiconductors: 'The global semiconductor market will decline in 2001 by approximately \$60 billion, and in relation to market prognoses from October 2000, by more than \$100 billion. Infineon will not be able to avoid this exceptionally strong downturn' (Infineon

Technologies, 2001). In meetings with workers and the press, management relied on a primarily financial discourse to insist that dismissals were necessary to Infineon's survival (Deckstein and Tuma, 2002; Works Council, Infineon, 2002a).

Works councilors at Infineon initially opposed dismissals. On August 24, the works council emailed workers to announce that, 'These firings, in the works council's opinion, are illegal (because there's still no *Interessenausgleich/Sozialplan* [agreement with the works council])' (Chair, Infineon Works Council, 2001). Works councilors justified their opposition to management by arguing that they were responsible for protecting workers' interests against management discretion: 'Of course you can say, "management is right, and you have to just stand back and sign the dismissals." But that's not our job' (Interview, Former Infineon Works Councilor, Munich, October 24, 2014). Instead, works councilors believed that their job was to identify alternative firm strategies that would serve workers' interests alongside the firm's.

The works council at Infineon believed that the best way to protect workers' rights was to negotiate with management through formal institutional channels, rather than engaging informal means of resistance to exert pressure (Interview, Former Infineon Works Councilor, Munich, October 24, 2014). After multiple rounds of negotiation, management agreed on November 27, 2001, to spare 100 workers from dismissal by introducing part-time work and other measures. By this point in November, however, more than 550 workers had already left the firm, either because they were dismissed, or because they were pressed into accepting special severance agreements, and hundreds remained on the dismissal list (IG Metall, 2001).⁶

When management demanded further dismissals, the works council asked workers to comply with *Impact*. In an all-employee meeting on January 8, 2002, the works council announced, 'The employees are ready for the demanded and necessary flexibility. The government has made the laws more flexible, and IG Metall has made the collective bargain more flexible It's now about also using this flexibility. Please now declare your willingness to do so' (Works Council, Infineon, 2002a). Having exhausted their options through formal channels, works councilors may have believed they had no choice but to acquiesce to management. In August 2001, the chair of the works council told a reporter that he could not imagine Infineon workers mobilizing against dismissals because they 'are not accustomed to fighting management', and, furthermore, 'IG Metall's membership level in the tech sector is too low to really exert pressure' (Hammer, 2001). The works council's reluctance to develop power resources beyond those offered by the union left workers without the leadership necessary for mobilizing to protect their jobs.

6 Dismissals at each firm included severance packages, which were structured to incentivize workers to leave as quickly as possible. Given the degree of employer discretion over production decisions, severance packages do little to alter employers' unilateral decision to terminate a worker (Burawoy and Wright, 1990). In interviews, workers emphasized managers' efforts to get workers to 'agree to' severance packages, and described such tactics as 'brainwashing' (Interview, Former Infineon Worker, Munich, November 17, 2014; Interview, Former ICN Worker, Munich, December 16, 2014). The firms weighted tenure differently in terms of how they determined the size of severance payments, but the contingencies of each individual case (i.e., variation in salary structure and age composition of each workforce) make it impossible to draw conclusions about how the different weightings affected workers' propensity for collective action at the level of the firm.

On January 16, 2002, the works council and management agreed to an *Interessenausgleich* and *Sozialplan*, which included a number of measures to soften the effects of *Impact*, such as severance packages and assistance for affected workers to find a new job. In their press release about the agreement, the firm-level works council (*Gesamtbetriebsrat*) proudly announced that they had reduced the number of German workers affected by *Impact* (*Gesamtbetriebsrat der Infineon Technologies AG, 2002*). However, it is unclear what effect the *Interessenausgleich* had at *Balanstr.* because, even after its adoption, more than 200 workers there remained on the dismissal list (*Works Council, Infineon, 2002b*). The dust settled on July 31, 2002, when the head of human resources sent an email to the entire workforce, announcing that, ‘in line with our current knowledge of the situation at *Balanstr.*, there will be no more dismissals according to the measures laid out in the *Interessenausgleich*’ (*Buschmann, 2002*).

Despite highly competent works councilors, workers at Infineon had very low job security. When management introduced *Impact* in July 2001, they planned to dismiss 943 workers. By May 2002, after 9 months of negotiations, Infineon had cut more than 900 workers from *Balanstr.* (*IG Metall, 2002*). At best, therefore, the works council reduced the number of dismissed workers by less than 5%. Furthermore, while the *Interessenausgleich* and *Sozialplan* certainly improved the conditions of workers affected by *Impact*, the agreement came too late for the more than 550 workers who had already left the firm by the time it was agreed to. An IG Metall newsletter from May 2002 reported on the statuses of 53 workers dismissed after the *Interessenausgleich*, showing that while 14 were reinstated, the majority simply lost their jobs, with only 20 workers filing a legal complaint. After reporting these statistics, the article concluded that, ‘The firm achieved its goal: to quickly and cost-effectively get rid of workers’ (*IG Metall, 2002*) (*Table 3*).

Dismissals at Infineon followed the typical path predicted by existing accounts of worker power under liberalization, which would explain Infineon workers’ lack of job security as a result of the structural characteristics of the knowledge economy. Moreover, workers at Infineon internalized this view, leading them to view IG Metall not as a resource to protect their rights, but as an obstacle to successful production and therefore a threat to their job security. One worker told me, ‘I think that the union does lots of good things, but that IG Metall especially demands too much’, particularly when it tries to protect workers at the firm’s expense (Interview, Infineon Worker, Munich, January 22, 2015). Rather than viewing their job security in relation to managers’ discretion, workers at Infineon believed management’s framing of dismissals in a market-revering discourse, which characterized their employment as dependent on market forces external to the firm.

Because workers at Infineon internalized management’s account of their power resources, they ignored IG Metall’s efforts to mobilize resistance to downsizing. Disposed to view dismissals as the result of market forces outside of their control, workers at Infineon believed that resisting dismissals would be irrational:

We knew that a third of our business was in mobile telephones. And suddenly there were no more Siemens mobile phones. And so we couldn’t sell all the chips that we had stockpiled. We didn’t have any new customers ... and it was clear to everyone: if so much was cancelled, we can’t go forward with the same team.

(Interview, Infineon worker, Munich, January 13, 2015).

Table 3. Timeline of worker response: Infineon

July 26, 2001	Management announces plans to dismiss 943
August 8, 2001	Management agrees to reduce number of dismissals for newly hired workers
August 10, 2001	Works council holds information session for workers
September 12, 2001	All-employee meeting
November 27, 2001	All-employee meeting
January 16, 2002	Agreement reached between works council and management: reduced dismissals to 847 (10% reduction)
February 20, 2002	All-employee meeting
July 31, 2002	Management calls off dismissal plan

According to existing accounts of worker power under liberalization, it should be no surprise that workers at Infineon had minimal protection against dismissals: their position in the tech sector exposed them to structural risk and they refused to engage labor's traditional power resources, namely unions. Without the union's assistance, workers stood a much lower chance of enforcing the *Dismissal Protection Act*. This, in combination with the works council's quiescence, ensured that workers at Infineon were left exposed to management discretion. Turning to Siemens ICN in the next section, however, shows that Infineon workers' reluctance to build power in the workplace, either by engaging IG Metall's resources or by developing new ones, was contingent on their beliefs about the nature of downsizing, rather than a structural characteristic of the knowledge economy.

5.2 Siemens: Resistance

On August 2, 2002, the works council at Siemens ICN learned that management planned to terminate 2600 workers, amounting to nearly 40% of the facility's 6772 workers ([Works Council, Siemens ICN, 2003](#)). After telecommunications providers drastically reduced investments in 2001, ICN reported a loss of €861 million, and while that was reduced to €691 in 2002, management was desperate to keep the division afloat ([Siemens AG, 2002a](#), p. 52). Their solution was mass dismissals, under a plan known as 'Profitability and Cost Turnaround' or *PACT*, which, similar to management at Infineon, they justified in a primarily financial discourse ([Ganswindt and Kutschenreuter, 2003](#)).

In some respects, ICN's works council responded to dismissals in a manner that echoed Infineon's. During an all-employee meeting on September 18, 2002, the ICN works council claimed that dismissals were illegal because management had not fulfilled their consultation obligations ([Works Council, Siemens ICN, 2002a](#)). The works council at ICN also negotiated with management through formal channels, agreeing to an *Interessenausgleich* and *Sozialplan* on October 24 that led management to accept a handful of the works council's suggestions, such as insourcing, reducing working times, and increasing incentives for early retirement, in order to reduce the number of workers facing dismissals from 2600 to 1100 ([Bellmann, 2002a](#); [Schuhler, 2003](#)). The agreement represented a victory for workers only in a nominal sense because less than 2 weeks later, on November 11, management delivered the *Blaue Brief* (Blue Letter) to 800 workers, telling them that, 'If by December 13, 2002,

you have not accepted any of the offered alternatives, you will immediately face an economically justified termination of your employment contract' (Siemens AG, 2002b).

Unlike Infineon, however, the works council at ICN called on workers to mobilize against dismissals. During an October 7 all-employee meeting, works councilors underlined that their negotiation efforts would be successful only if management understood that workers were committed to protecting their jobs, and they asked workers to join a mass demonstration at Siemens' headquarters on *Wittelsbacher Platz* in Munich (Works Council, Siemens ICN, 2002b). More than 3000 workers participated, attracting enough media to send a clear message to Siemens management (Hinz, 2002; Mounq, 2002).

Whereas the Infineon works council asked workers to acquiesce, works councilors at ICN directly supported workers in filing legal objections to dismissals. Works councilors posted important legal information on the works council's homepage, and they encouraged workers to discuss their options in an online discussion forum (*Erfolg des BR in Hamburg, ICN Intranet Diskussionsforum, October 14, 2002*). On November 22, the works council invited workers to the first of a series of legal advice sessions, held at a church near ICN's facility (Mayer, 2002a; Works Council, Siemens ICN, 2002c). As it became clear that management was not backing down, works councilors prepared for a legal fight, and, on December 16, the chair of the works council sent an email to every worker at ICN with a template to help workers collect the information they needed to file a legal objection to dismissal (Mayer, 2002b). After collecting this information over the holidays, the works council was ready when management delivered 366 dismissals in January. On January 14, more than 200 workers from ICN marched to the Munich Labor Court to file 362 legal objections to dismissal (*22 Kilo Kündigungswidersprüche, 2003*).

Workers at ICN continued to participate in demonstrations after filing their legal cases against Siemens, but it was economic pressure from workers' collective legal action that led management to finally call off dismissals. On February 10, 2004, management agreed to reinstate 217 workers and not to deliver any new dismissals (IG Metall, 2004). Management conceded to workers' demands because, by February 2004, the firm had lost every single one of the 89 cases that had been litigated thus far (NCI, 2016). Siemens' 2003 Annual Report notes that, 'Severance programs negatively impacted cash flow [for ICN] during fiscal 2003 and we expect payments from these programs to continue in fiscal 2004, but at a lesser amount' (Siemens AG, 2003a, pp. 67, 90). By 2003, severance charges had increased to 3.1% of ICN's total sales, roughly twice the standard costs of severance in Germany (Grund, 2006). Workers at ICN were able to protect their jobs because their collective action exerted significant economic pressure on management (Table 4).

Existing accounts of worker power under liberalization cannot explain why workers at ICN were able to protect their jobs, because these workers faced the same structural conditions, same national institutions, and were disposed to reject IG Metall as much as their counterparts at Infineon. IG Metall did see a growth in union membership at ICN but it was short-lived. In a normal year, IG Metall recruited 25 new members at ICN (Hinz, 2002), but in 2002, 900 workers became members (Schuhler, 2003b, p. 7). However, during the conflict, workers continued to look to the works council for leadership, and after a couple months, most left the union (Interview, Former ICN Worker, Munich, November 20, 2014). In contrast, hundreds of workers remained involved with the works council's initiatives as well as a non-union alliance of workers known as the Network Cooperation Initiative (NCI). In an online forum where ICN workers discussed how they should respond to

Table 4. Timeline of worker response: Siemens ICN

August 2, 2002	Management announces plans to dismiss 2600 workers
August 14, 2002	Works council emails division with alternative strategy
September 7, 2002	Workers' mass demonstration, <i>Marienplatz</i>
September 18, 2002	All-employee meeting
September 24, 2002	All-employee meeting
October 7, 2002	All-employee meeting
October 11, 2002	Workers' mass demonstration, <i>Wittelsbacher Platz</i>
October 23, 2002	Agreement reached between works council and management: dismissals reduced to 1250 (52% reduction)
November 11, 2002	Management dismisses 800 workers
November 13–15, 2002	Works council advises workers on legal response
January 14, 2003	Workers march 362 objections to labor court
February 10, 2004	Management calls off dismissal plan

dismissals, one worker posted, ‘but please, not with the red flags in front of my building! PLEASE!’ (Re: Na Also, ICN Intranet Diskussionsforum, October 24, 2002). A former IG Metall representative described how the union hardly had any members at ICN, and that, ‘a well-known saying was always that, “At Siemens, more workers are on sick leave than belong to the union”’ (Interview, IG Metall Official, Munich, November 25, 2014). IG Metall offered workers at ICN the same resources they offered workers at Infineon, so unions’ relative weakness in the tech sector cannot explain why workers at ICN had greater job security. As I argue in the following section, it was works councilors’ discursive strategies that led workers at ICN to develop power resources, including some engagement with IG Metall.

This section showed that workers can protect their jobs, even under liberalization, which has undermined labor’s traditional power resources, namely unions. While unions provide critical resources for workers to enforce national institutions protecting them from dismissals, workers at ICN developed alternative power resources in order to activate these institutions against downsizing. In contrast to the typical case at Infineon of low union power leading to low worker power, workers’ resistance at ICN presents a deviant case where workers exercised power against management discretion despite facing the same structure of production and similar distance from unions. IG Metall provided resources to workers at both sites, but only workers at ICN engaged these resources, once works councilors persuaded workers to mobilize. Existing accounts of worker power under liberalization should thus be revised to incorporate new strategies and tactics. The next section develops such an account by tracing how the works council at ICN mobilized workers by developing a discursive strategy that resonated with workers’ occupational identity as technical experts.

6. Tracing resistance: frame transformation at Siemens ICN

This section traces how workers at ICN mobilized to protect their jobs against downsizing despite their distance from labor’s traditional resources. I show how works councilors transformed management’s primarily financial framing of dismissals into a technical discourse

that highlighted the potential effectiveness of collective action and resonated with workers' occupational identity as technical experts. Presenting frame transformation in its three constituent parts, this section 'unpacks' the causal mechanism by which workers who shun unions can nonetheless activate institutions for economic governance (Beach and Pedersen, 2016, p. 302). After establishing the *context of frame contestation*, in which management strategically attributed dismissals to external market forces beyond the control of managers and workers, I show how works councilors *transformed* managers' arguments from a market-revering discourse into a technical discourse that highlighted workers' ability to shape ICN's market performance. Works councilors' discourse of technical production *resonated* with workers' everyday experiences of production, so that workers believed the works council's attribution of dismissals to management error. Workers at ICN mobilized against downsizing because they were persuaded by the works council's arguments that collective action could be effective in protecting their jobs.

6.1 Contestation: management attributes dismissals to external market forces

Managers at ICN attempted to persuade workers to accept dismissals because workers can make downsizing prohibitively expensive if they activate institutions for employment protection (Jahn, 2009). By framing dismissals in a primarily financial discourse that presented market forces as unassailable, managers made it seem as though collective action stood no chance of protecting workers' jobs, because if workers succeeded in limiting dismissals, the costs of retention would bankrupt ICN, ultimately leaving workers unemployed after all.

Managers used every opportunity to convince workers that dismissals were caused by external market forces. When workers received the *Blaue Brief* in November, 2002, they read that, because of 'the business situation of Siemens' Information and Communication Networks Division, the division is *forced* to undertake significant workforce adjustments' (Siemens AG, 2002b; Emphasis mine.). Human resources distributed brochures encouraging workers to accept severance packages because 'the business numbers speak clearly: ICN must fit its capacity to the market' (ICN Personnel, 2002a). Workers who were dismissed on January 7, 2003, received letters telling them that, 'The dismissal is required by pressing economic conditions' (Siemens AG, 2003b).

After workers signaled their resistance through a number of mass demonstrations, managers increased their efforts to persuade workers to acquiesce. The head of human resources at ICN sent an email to managers on November 26, 2002, emphasizing that, 'our goal is consensual solutions in terms of ending the affected worker's employment relationship, because otherwise economically justified dismissals will follow' (Bellmann, 2002b). Managers' efforts amount to what Benford describes as 'counter-framing', because managers framed dismissals 'to undermine, rebut, or otherwise neutralize the movement's claims' (Benford, 1997, p. 418; quoted by Gahan and Pekarek, 2013, p. 766), namely, works councilors' claims that collective action could be effective in protecting workers' jobs. Management attempted to neutralize this claim by attributing dismissals to forces beyond managers' and workers' control.

Executives at Siemens' headquarters developed specific discursive tactics to persuade workers to accept termination, including detailed handbooks for managers on how to lead 'separation discussions' and a centralized team of seven consultants to lead dismissal processes at sites across Germany (ICN Personnel, 2002b; Interview, Former Director, Labor

Relations, Siemens AG, Munich, October 29, 2014). One critical aspect of management's strategy focused on persuading sites' works councils that collective action would be ineffective. According to a former director of labor relations at Siemens AG:

The most important is that the storyline has to fit. That means you must always be able to argue why you're downsizing. So, which work is being eliminated . . . And if there is no more work in a division, because we no longer sell large steam turbines, because I don't need a development department anymore, then the works council knows that I simply cannot pay these people if they have nothing to do. . . . You're not applauded, but the works council understands and accepts it.

(Interview, Former Director, Labor Relations, Siemens AG, Munich, October 29, 2014).

There are certainly situations in which market forces require firms to reduce costs by dismissing workers, but managers at ICN were not trained to justify dismissals according to the actual conditions facing the firm. Instead, managers were trained to develop a 'storyline' to persuade works councilors and workers that external market forces required dismissals.

Managers at ICN followed their training. At every turn, they framed dismissals as though the division faced unassailable external market forces. According to this financial discourse, workers' only rational option was quiescence. In what follows, I show how works councilors transformed managers' attribution of dismissals into a discourse centered on technical production in order to demonstrate to workers that collective action could be effective in protecting their jobs.

6.2 Transformation: the works council attributes dismissals to management's technical errors

The works council transformed managers' justifications of dismissals into an alternative business strategy that avoided downsizing by developing specific products to grow ICN's revenues. Relying on management's own data, the works council showed workers that dismissals were not the result of external market forces, but were due to managers' ill-conceived product strategy. Works councilors then presented workers with a business strategy that corrected managers' errors, proposing to apply workers' technical expertise to develop a specific product portfolio. Using management's own data to show that ICN could increase revenues and thereby avoid dismissals, the works council persuaded workers that they could protect their jobs by participating in collective action.

The works council transformed management's presentation of dismissals from a financial frame into a technological one, which resonated with workers' experiences in the workplace and made the potential effectiveness of collective action visible. Works councilors deconstructed management's evidence for the necessity of dismissals by showing how ICN's business position was the result of product strategy as much as external market forces. In a pamphlet titled, 'Directions out of the Crisis' (*Wege aus der Krise*), works councilors suggested that the firm's poor performance was due to managers abandoning a 'technology-oriented model' in favor of a 'develop to cost' (DTC) model (Leppek, 2002, p. 17). Under the former model, ICN had directed investments according to the division's technical expertise, developing products where it could build sustainable revenue streams. But under the new model, the firm directed investments to meet short-term market demands. The DTC model had led to poor business decisions, such as selling ICN's optics division, even though the fiber optics market was expected to grow in the next 4–8 years and ICN already had a 21%

market share due to their technological leadership (Leppke, 2002, p. 15; Works Council, Siemens ICN, 2002a). While the works council acknowledged that ICN faced challenging market conditions, they argued that dismissals were not the result of these conditions, but instead due to management's poor business decisions.

Showing that management's poor business decisions led to the current challenges facing ICN allowed the works council to emphasize that developing new product strategies could correct these missteps. Works councilors argued that applying workers' expertise to develop a handful of specific products, such as SURPASS, which migrates traditional telecommunications infrastructure to IP-based networks, would enable the division to attain significant revenue growth, 'which means that, with intelligent management, and if ICN grows at least at as much as the market, it is urgently recommended to retain the staff' (Works Council, Siemens ICN, 2002a). Works councilors argued that dismissals should be avoided because shedding technical expertise would hurt ICN's chances for future growth once demand picked back up.

Grounding their arguments against dismissals in management's own data (Works Council, Siemens ICN, 2002a), works councilors undermined management's attribution of dismissals to external market forces beyond the control of managers or workers. By extending management's own analysis of ICN's historical performance, the works council provided detailed arguments that alternative product strategies would grow revenues and thereby avoid dismissals. As long as workers applied their technical expertise according to the works council's business strategy, rather than management's, ICN's survival would not require downsizing.

6.3 Resonance: workers' occupational identity as technical experts

Works councilors' technical discourse resonated with workers' everyday experiences of production, especially their frustrations with management's shift to financial markets. For more than a century, Siemens' success depended on fostering technical expertise, and workers felt that the new business strategy was misguided: 'lots of value was just thrown down the tubes. It was said again and again, "we can't test a [software] version so well, because nobody's paying for it. And if it runs without any mistakes, that will be too expensive. So it's better just to leave in a couple problems, release it, and sell it"' (Interview, Former ICN Worker, Munich, December 16, 2014). Workers at ICN were socialized in a firm known for its 'fetish for technical perfection and the inhouse awe in which its engineers are held' ('Kaske as Siegfried', 1989; Quoted in Börsch, 2007, p. 75) and were thus accustomed to a production environment where they drove the firm's performance by applying technical expertise to develop new products.

Works councilors' attribution of dismissals to management's mistakes rather than external market forces resonated with workers because this discourse presented ICN's business challenges through a familiar technical frame, rather than management's financial frame. In an online forum for workers at ICN, one worker posted, 'So why are we in this position today? Because, until recently, management's assessment of the situation was completely wrong' (Re: Ende der Diskussion, ICN Intranet Diskussionsforum, October 14, 2002). Many workers in the forum expressed similar views, with some listing poor business decisions that management had undertaken, and others simply stating that, 'You shouldn't blame the global economy for everything, [because] lots of problems should be fixed internally first' (gibt es denn eine Strategie?, ICN Intranet Diskussionsforum, October 11, 2002;

[Neue Struktur/neue Probleme, ICN Intranet Diskussionsforum, October 28, 2002](#)). Accustomed to attributing ICN's performance to technical expertise rather than external market forces, workers believed that rescuing ICN depended on reinvigorating business strategies oriented to technical solutions, rather than cutting costs through downsizing.

In addition to presenting workers with an explanation for dismissals that resonated with their frustrations, works councilors at ICN offered a positive business strategy that aligned with workers' technical expertise. After decades of being rewarded for developing new products, workers were confident that they could execute the works council's suggestions. Once the works council credibly demonstrated that performance could be improved and dismissals avoided, then workers only needed to persuade management to adopt these suggestions in order to protect their jobs (Martens, 2005, p. 97). Workers participated in collective action because they believed that the works council's alternative was worth fighting for. One worker wrote in the online forum that, 'As a dutiful and simple Siemens employee, I'm not used to acting this way. But the outstanding work of our works council must be supported' ([Demo am Wittelbacherplatz, ICN Intranet Diskussionsforum, October 11, 2002](#)). Workers at ICN were not accustomed to attending mass demonstrations or filing legal cases against their employer, but, faced with credible arguments that mobilization could protect their jobs, workers chose to participate in collective action.

This section suggests revising existing accounts of worker power to integrate workers' ability to develop power resources through discourse. While workers' identification as technical experts can lead them to avoid union membership (Haipeter, 2016, p. 305), it also provides an opportunity for framing mobilization in a discourse that makes workers' collective power visible. By transforming management's primarily financial framing of dismissals into a technical discourse that resonated with workers' occupational identity, the works council at ICN demonstrated the potential effectiveness of mobilization in a discourse that workers found persuasive. Tech workers at ICN were able to protect their jobs against downsizing because works councilors developed a discursive strategy that redeployed management's framing of dismissals in order to demonstrate to workers the potential effectiveness of collective action. The next section strengthens the case for the importance of discursive strategy by showing that the variation in job security between Infineon and ICN was not due to global market forces external to each firm.

7. Discussion: the role of financial performance and corporate governance in downsizing

Siemens managers' strategy of presenting workers and works councilors with a 'storyline' to justify downsizing makes it difficult to distinguish the firm's actual financial position from managers' financial rhetoric, especially given Siemens' accounting practices (Leyendecker, 2007), but firms' actual financial conditions undoubtedly play a role in shaping workers' job security. Infineon underperformed ICN in the period leading up to downsizing, posting lower profits and lower earnings for shareholders. Nonetheless, neither variation in financial conditions nor in corporate governance can explain why workers at Infineon had lesser job security than workers at ICN (Tables 5 and 6).

Over the past several decades, scholars have identified a correlation between firms' financial performance and workers' job security (see, for instance, Fligstein and Shin, 2007). However, while firms' performance may be correlated with the likelihood of dismissals, the

Table 5. Infineon's financial performance (€ in million)

	1999	2000	2001	2002	2003	2004
Earnings per share	0.10	1.83	-0.92	-1.47	-0.6	0.08
Debt to equity ratio (%)	17	5	5	30	44	33
EBIT	(13)	1658	(1018)	(1135)	(299)	256
Net sales	3992	6989	5347	4890	6152	7195
Restructuring charges (percentage of net sales)	-	44 0.6%	117 (2.1%)	16 (0.3%)	29 (0.5%)	17 (0.2%)
Total employees	25 779	29 166	33 813	30 423	32 308	35 570

Sources: Infineon Technologies AG Annual Reports, 2001–2004; Infineon Technologies AG Financial Review, 2001.

Table 6. Siemens financial performance (€ in million)

	1999	2000	2001	2002	2003	2004
Earnings per share	1.36	9.97	2.36	2.92	2.75	3.66
Debt-to-equity ratio (%)	20	24	42	44	48	36
ICN EBIT	366	692	(861)	(691)	(366)	222
ICN total sales	9909	11 412	12 882	9647	7122	6994
ICN restructuring charges (percentage of total sales)	-	-	387 (3.0%)	352 (3.6%)	218 (3.1%)	-
ICN total employees	-	-	51 000	39 000	33 000	-

Notes: (1) Siemens switched to US GAAP in 1999, so data from before 1999 are not included, due to the immense difficulty of generating reliable comparisons (Siemens AG, 2002, p. 138). (2) In comparing the percentage of sales consumed by restructuring charges between Infineon and Siemens, one should note that Infineon reports only net sales, while Siemens reports only total sales for ICN. Because ICN's net sales would be lower than its total sales, we can conclude that restructuring costs would be an even greater percentage of ICN's net sales, reinforcing the argument presented here that workers at ICN exerted greater economic pressure on management than workers at Infineon.

Sources: Siemens AG Annual Reports, 2001–2004.

case studies above suggest that workers' job security depends not just on whether managers threaten dismissals, but also on workers' reactions. Research on how firms' financial positions affect dismissals gives no account of how workers react to poor financial performance because these accounts focus primarily on managerial behavior. Even assuming that managers and workers respond similarly to their firm's performance provides little guidance for explaining variation in job security between Infineon and ICN because existing research does not provide measurement thresholds to compare across contexts (Adcock and Collier, 2001), nor is existing research conclusive about how different measures of performance affect workers' job security (Datta et al., 2010, pp. 304–305). Reviewing Infineon's and ICN's financial performance thus provides no solid conclusions, aside from general observations that both did poorly prior to announcing downsizing. Furthermore, this poor performance must be put in perspective, because both firms had significant cash reserves, with Infineon's topping €2 billion in 2001, the year that downsizing was announced (Decurtins, 2002, p. 172; Börsch, 2007, p. 77).

Firms' financial performance may bear directly on workers' job security in the American context where much of the research originated, but scholars also show that corporate governance structures, such as those in coordinated market economies, are more significant for workers' rights than sheer financial performance (Ahmadjian and Robbins, 2005). Germany's institutions for codetermination, which place labor representatives on firms' supervisory boards, are a paradigmatic case (Höpner, 2005; Jackson, 2005a; Goyer, 2006). Siemens is one of the few German firms with dispersed ownership (Börsch, 2007, p. 76), which increases management's incentives to serve shareholder's interests over workers', but this does not explain variation in job security, because both Infineon and ICN reported directly to the Siemens board in the period surrounding dismissals. Siemens retained its majority share in Infineon through the end of 2002 and continued to exert significant control during the period of dismissals (Siemens AG, 2002a, p. 51). Immediately prior to dismissals, in April 2001, Siemens lent Infineon €450 million (Infineon Technologies, 2001), which did not prevent Infineon's CEO from complaining to the Financial Times in the summer of 2001 that, 'Siemens acts as if Infineon still belonged them' (quoted in Decurtins, 2002, p. 169).

Unlike Infineon, ICN was still a division of Siemens during the period surrounding dismissals, but ICN's managers also reported directly to the Siemens board. In the late 1990s, Siemens underwent a reorganization, after which it 'was no longer viewed as an organically grown whole but rather as a portfolio of an investor who buys and sells in the short term' (Berghoff, 2016, p. 104). Siemens' board thus governed Infineon and ICN according to the same strategy. When poor performance at ICN caused concern across the firm, managers at ICN were required to personally update the supervisory board in November 2001 and again in April 2002, immediately preceding downsizing (Siemens AG, 2002a, p. 41). Although Siemens treated business groups as investments, the firm retained strategic control, so that, 'even business groups that incurred heavy losses for a long time were kept and an attempt was made to repair them. The same strategy was followed in the semiconductor business ... A spin-off with continuing influence seemed the more promising alternative for a business in which Siemens never really succeeded' (Börsch, 2007, p. 92). Thus, although Infineon's legal relationship to Siemens AG differed from ICN's, both faced the same treatment from Siemens's supervisory board.

Infineon may have faced more challenging business conditions than ICN, such as lower profitability, but variation in external market forces cannot explain why workers at ICN had greater job security than workers at Infineon. Both firms faced the same group of decision makers who treated each according to the same strategy. Instead, variation in workers' job security was due to whether works councilors framed dismissals in a discourse that motivated workers to mobilize against downsizing.

8. Conclusion

This article has argued that workers can protect their rights by mobilizing in the workplace, even when they face the challenges associated with liberalization. I developed and illustrated this argument by tracing workers' responses to downsizing at two multinational technology firms in Germany. While workers at Infineon acquiesced to dismissals, workers at Siemens ICN mobilized and saved thousands from being terminated. Even when they face challenging market conditions, workers can develop innovative discursive strategies to develop

power resources in the workplace. Liberalization has significantly dismantled labor's traditional power resources, namely national institutions and unions, and the discursive shift entailed by the transition to the knowledge economy has further threatened worker power in the workplace. Nonetheless, workers can still develop power resources to protect their rights.

The case studies presented above show that national institutions can provide workers with power resources through unexpected channels. Works councilors at ICN faced the same set of national institutions as their counterparts at Infineon, but, at ICN, works councilors interpreted these institutions creatively in order to develop a counterhegemonic discursive strategy. Institutions for codetermination mandate that the works council communicate regularly with workers at their firm (*Works Constitution Act*, sec. 80.3), and works councilors at ICN used this legal requirement in order to call all-employee meetings and send emails to the entire workforce about mobilizing. These meetings and emails provided the 'micro-mobilization context' necessary for gathering information about workers' preferences, and, in turn, the platform for works councilors to shape those preferences toward collective action (McAdam, 1988; Kelly, 1998). Institutions for codetermination also provided the works council a mandate to request management's business data (*Works Constitution Act*, sec. 80.2, 81, 82, 90). Works councilors then used the 'salient information' they received through formal channels in order to critique management's business strategy and to suggest an alternative (Ganz, 2000, p. 1005).

Works councilors' creative use of institutions at ICN underlines existing research that emphasizes the importance of actors' creativity in shaping the effects of institutions on political life. Galvan and Sil (2007), for instance, show that 'the creative process of transformation, negotiation, and recombination . . . ultimately yields not merely a variant of an original institutional model but a new design that has been created by actors working with diverse sets of social expectations and cultural repertoires' (p. 11). Germany's institutions for codetermination are famous for their plasticity (Jackson, 2005b), and this article illustrates how workers can use this feature to their advantage when trying to defend their rights against the threat posed by liberalization.

This article shows that liberalization does not introduce structural constraints on workers' rights, but it suggests that the discursive shift associated with the knowledge economy may introduce its own set of challenges (Zysman and Breznitz, 2012). When managers frame the employment relationship in a primarily financial discourse, they can lead workers to believe that downsizing is an unavoidable consequence of market forces external to the firm. As a result, workers acquiesce to management discretion. Therefore, counterhegemonic strategies must fulfill a demanding set of requirements in order to persuade workers to mobilize. As illustrated above, works councilors at ICN had to frame dismissals in management's own discourse and yet support the opposite conclusion. Doing so requires an accurate analysis of workers' standards for credibility, as well as deftly distinguishing between the form and substance of management's discourse. The shift to the knowledge economy significantly complicates efforts to justify collective action in a manner that workers find credible because the spread of liberalizing discourses disposes them to be persuaded by management's framing of dismissals in a market-revering discourse, which makes mobilization appear ineffective. As workers' identities increasingly revolve around a technical understanding of the world, collective action must be justified in this discourse as well. The case study of ICN shows that such discursive creativity is not out of the question, but research on workers'

careers in the tech sector, where discourses of liberalization are most widespread, makes clear how infrequently workers successfully develop counterhegemonic discourses in the workplace (Sharone, 2013).

Labor is undoubtedly weaker in twenty-first century liberalism than in the era of Fordist manufacturing, but there is nothing inherent about the structure of the knowledge economy that requires this to be the case. Given the newness of tech, workers' vulnerability to downsizing may not yet be ingrained in common occupational identities, in part because biographies of dismissed workers are eclipsed by those of successful CEOs. At the same time, it is rare to find accounts of tech workers succeeding in building power in the workplace, although this does occur, as the case studies above demonstrate. Growth in tech continues to be impressive, but actual technical innovations are being outpaced once again by massive amounts of finance capital that the sector has attracted (Cheng, 2017; Ciolli, 2017; Wang, 2017). As the latest bubble continues to grow, some tech workers have begun to organize in Silicon Valley ('Tech Workers Coalition;' 'Tech Solidarity;' Weigel, 2017). Will these efforts spread as far from Silicon Valley as management's practices have? Will tech workers develop organizations strong enough to defend against downsizing when the bubble bursts again? It is too soon to tell.

Supplementary material

Supplementary material is available at *SOCECO Journal* online.

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