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Do institutions matter? Works councils, collective agreements and firms' perceptions of personnel issues

This paper will outline the ontological assumptions underpinning three important theoretical frameworks on the influence of institutions on economic actors. The three frameworks are neo-classical economics, transaction cost economics, and the varieties of capitalism paradigm. It will then assess some of the assumptions of the varieties of capitalism paradigm regarding the effects of works councils and collective agreements on firm behaviour using firm-level German data from the Institute for Labour Market and Employment Research (IAB). Firms' perceptions of issues such as personnel fluctuation, and the training needs of their workers are not consistent with the expectations of the varieties of capitalism paradigm.