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**Remarks by Ambassador Coats at the German-American Transatlantic Dialogue On
Employment Relations in the New Economy**
Bonn, Germany

As prepared for delivery

Good morning ladies and gentlemen.

I am very pleased to be here this morning to open this seminar that the U.S. Embassy has organized jointly with the Friedrich Ebert Foundation, the Hans Böckler Foundation and the Federation of German Employer Associations. Let me first thank our co-sponsors for their very close and effective cooperation on this and the two previous seminars we have organized together on important trends in the world of work and social policy. My special thanks goes to Herr Breit and his associates in the Friedrich Ebert Stiftung for allowing us to use their facilities for this event. As always, they are tremendous hosts.

More than a month has now passed since the terrorist attacks in the U.S., but I continue to be impressed by the expressions of grief, sympathy and solidarity that we have received from the people of Germany. I want you to know that the United States and its people appreciate deeply the outpouring of support, both personal and official. As President Bush has said, the effort to rid the world of terrorism will be a long and a difficult one. It will have many components -- intelligence gathering, analysis and sharing, law enforcement, drying up the financial sources of the terrorists and military action. In all of these areas, I am happy to say, we have had excellent cooperation from the German Government.

This seminar today is also part of our effort to recover from the September 11 terrorist attacks. In addition to pursuing and stopping terrorist activity, we need to return to the other important tasks and challenges that face our countries -- including important changes and trends in the world of work.

In many areas, the U.S. and Germany face similar challenges -- an aging population means that both countries have to rethink and reform their public pension and their health care systems. Growing shortages of skilled workers in some parts of the economy mean that we have to do a better job of educating our young people, retaining older experienced workers in the work force and providing opportunities for people of all ages to engage in "life long learning." It also means that we have to consider what role immigration policy will play in providing the skilled workers we need in the coming years. And ever-changing technologies mean that we have to learn to cope with new demands on our workers.

It is clear that our two economies are undergoing a major transformation -- they are becoming less industrial economies and more information-based economies. As a result, people are going to have to be better educated, better trained and to a much larger extent, managers of their own careers. Fewer workers will spend their careers with a single company. U.S. Labor Secretary Elaine Chao recently used these words in describing some of the changes in the U.S. labor market. "The average 32-year old has already changed jobs nine times -- gone from broke to flush, from worker to manager, from dreamer to company president and back again -- in less time than many of us spent in our first apprenticeship."

It is in this vein that I want to consider with you the topic for the seminar today. How we deal with the challenges of employment relations in the "new economy" will, I think, play an important role in determining just what kind of society we develop in this new century and just how competitive we are in the increasingly global economy. With the economic weakness of the past year, especially in the technology sector, it has become popular to speak of the "new economy" in somewhat sarcastic

tones. Some go so far as to suggest that it is history or that it was simply a figment of our imaginations.

In my view, nothing could be further from the truth. Certainly many internet wonders and high-tech start-ups have disappeared from the stock markets in the past two years. However, many others have become household names and in a very short time have established themselves as key players in the international economy. We forget sometimes what it was like before they entered the scene. Companies in the U.S. such as America Online, Amazon.com, Cisco, EMC, Intel and many others are now fixtures in our economy. The same could be said for SAP, Infineon and others in Germany.

Make no mistake, the new economy lives on -- perhaps somewhat less glamorous and less pretentious than it once was. But it has changed the way we live and the way we work -- and life will never be the same again. Do you remember what life was like before email, websites, internet research, on-line purchases and cell phones? Not only did many new companies introduce us to new products, services and business models, they also changed the way that the so-called "old economy" companies did business. Just as an example, many trucking companies in the U.S. now use the internet to stay in touch with their customers and their truck drivers -- matching empty trucks with goods awaiting transport all over the country. You can imagine the efficiency benefits of keeping their trucks filled with cargo and limiting the time they spend driving empty. Industrial giants like General Motors use computer networks and the internet to perform all sorts of purchases and to coordinate with logistics with suppliers -- and in the process are saving millions of dollars in costs. Through the use of computer networks and software, Microsoft has moved to a paperless internal purchasing system that cuts turn-around time significantly and reduces the cost of each transaction from an average of \$45 to just \$5.

Just as the companies of the "new economy" changed the business landscape, they also pioneered new ground in the way that employers and employees relate to each other. Instead of vertical and rigidly hierarchical organizations, companies are increasingly "flat organizations" with much less emphasis on "chains of command" and much more emphasis on working in teams or on projects. Computers and other forms of technology play a steadily increasing role in our economies, levying new demands for knowledge and skills on employees. At the same time, new technologies have enabled many forms of flexibility that were previously not possible for many people -- telecommuting and other ways of working away from the place of business and new flexibility in hours that we work, just to name a few.

The "new economy" has also affected the way companies compensate their employees. After the stock market declines of the past year, stock options may not be the preferred method of payment that they once were. But you can be sure that the idea of tying employee compensation more closely to the success of the company will continue to be an important factor in both of our countries.

Work and labor have been radically transformed for many people in the workforce. In the wake of these radical changes, we need to redefine some basic aspects of the employment relationship. In some cases, there may be very far-reaching changes and in other areas, perhaps only slight modifications. Among other things, we need to identify the economic, technological, sociological and political forces that impact the employment relationship and then find ways to structure worker participation, working time, salaries and other conditions and methods of work to meet the changing realities of our world.

I am happy that you have taken the time to consider these issues with us today. They are important issues that will have a significant impact on the future development of our societies and our economies. And I am pleased that we have such impressive speakers and moderators to guide us through the issues. I hope that you will all enjoy the discussions today and that you will take with you at least a few new ideas to stimulate your thinking on the changing world of work and the thinking of the organizations you represent.

Thank you for your attention and for your participation.