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# A Common Neoliberal Trajectory: The Transformation of Industrial Relations in Advanced Capitalism

**Lucio Baccaro[1] and Chris Howell[2]**

## Abstract

Based on quantitative indicators for fifteen advanced countries between 1974 and 2005, and case studies of France, the United Kingdom, Germany, Italy, Sweden, and Ireland, this article analyzes the trajectory of institutional change in the industrial relations systems of advanced capitalist societies, with a focus on Western Europe. In contrast to current comparative political economy scholarship, which emphasizes the resilience of national institutions to common challenges and trends, it argues that despite a surface resilience of distinct national sets, all countries have been transformed in a neoliberal direction. Neoliberal transformation manifests itself not just as institutional deregulation but also as institutional conversion, as the functions associated with existing institutional forms change in a convergent direction. A key example is the institution of centralized bargaining, once the linchpin of an alternative, redistributive and egalitarian, model of negotiated capitalism, which has been reshaped in the past twenty years to fit the common imperative of liberalization.

## Keywords

industrial relations, neoliberalism, convergence, institutions, comparative political economy

[1]University of Geneva, Geneva, Switzerland
[2]Oberlin College, Oberlin, OH, USA

**Corresponding Author:**
Chris Howell, Oberlin College, Department of Politics, Oberlin, OH 44074
Email: chris.howell@oberlin.edu

# 1. Introduction

What has been the institutional trajectory of capitalist societies over the past quarter of a century? Or to be more precise, do capitalist societies continue to be characterized by a diversity of national political-economic institutions, or have common pressures and constraints encouraged a homogenization of once nationally distinct institutions? In short, are we currently witnessing institutional convergence?

This article tackles these questions through an examination of one major institutional sphere: the industrial relations system. There is something of a disjunction here. Scholars within the field of comparative political economy remain overwhelmingly attached to theoretical approaches that emphasize the mediating role of institutions, insulating national political economies from common economic pressures, and that identify a variety of features of institutions which encourage stickiness, incrementalism, and path dependence. In stark contrast, practitioners of industrial relations, particularly trade unions, are much more likely to identify a sea change in the recent past in which the balance of power between class forces has shifted toward employers, unions have largely been on the defensive, and collective institutions and forms of labor market regulation have been weakened. How are we to reconcile these two forms of knowledge?[1]

Here we argue against the mainstream of comparative political economy and confirm the instincts and experience of industrial relations practitioners. We argue that industrial relations systems are being transformed in a common direction, a direction that we characterize as neoliberal. We are witnessing convergence, not in the crude sense of institutional identity, but rather in the trajectory of institutional change and in the practice and content of institutions. This does not mean that industrial relations institutions in each advanced capitalist country are necessarily coming to resemble those of an archetypal liberal market economy, though there is certainly movement in that direction. The precise form and process of institutional change is shaped by different inherited institutional landscapes and the different mobilizational capacities of class actors.

There has been a surface resilience to national industrial relations institutions, with the result that some large-*N* studies have tended to emphasize limited, incremental change and the persistence of distinct national institutional sets.[2] Nonetheless, we insist that those institutional landscapes are being transformed in a common neoliberal direction. Institutions, we argue, are highly malleable. In a new context, subject to a new set of pressures and constraints, the same set of institutions can be reengineered to function in a manner very different from that of the context in which they were created. Thus resilience of institutional form is perfectly compatible with convergence in institutional functioning. This in turn raises questions about the centrality accorded institutions by scholars in the field of comparative political economy in explaining the functioning of capitalist political economies. In short, we endorse Streeck's recent plea that "the time has come to think, again, about the *commonalities* of capitalism."[3]

The plan for this article is as follows. Section 2 surveys the literature on institutional change and makes an argument for the importance of institutional plasticity. Section 3 takes a first cut at exploring institutional change by looking at the quantitative evidence of industrial relations change for fifteen advanced countries. Section 4 turns to six brief case studies that illustrate the central argument of the article: that industrial relations institutions have been transformed since the 1980s in a common neoliberal direction. These six cases have been chosen to run the gamut of varieties of capitalism, to include centralized and decentralized cases and those that have seen a resurgence of social concertation. In short, we have chosen "hard" cases for an argument that claims to have identified a common trajectory of institutional change. Section 5 provides a discussion of both the quantitative and the case evidence. Section 6 concludes by inviting a reconsideration of the key role attributed to institutions in the comparative political economy literature.

## 2. Institutional Change in Industrial Relations

This article makes the case for a convergence in industrial relations institutions, primarily in Western Europe, though we also include three non-European countries in the quantitative analysis. We elaborate further below what we mean by convergence, but it is worth emphasizing the degree to which the field of comparative political economy has been traditionally hostile to the notion of convergence. For at least thirty years, for the great majority of those working in the field, the mission of comparative political economy has been all but conterminous with identifying and explaining the enduring diversity and range of distinct national capitalisms. Many of the seminal works in the field have argued that broad economic changes—whether understood as the product of shifting regimes of accumulation or the forces of globalization—are experienced differently and have very different effects in different countries, with the result that common consequences are underplayed.[4]

Contemporary theories of comparative political economy have, to a large extent, been built on the back of institutions.[5] While this is not the place for a comprehensive review of the evolution of institutionalist theorizing, suffice it to say that following on the heels of Shonfield's magisterial *Modern Capitalism*,[6] and the efforts of the contributors to the volume *Between Power and Plenty* to explain divergent responses to the oil shock in the mid-1970s,[7] academic attention shifted from an emphasis on one political-economic institution to another: corporatist institutions,[8] organized labor,[9] financial institutions,[10] employer organization, and institutions of employer coordination.[11] But all the while, the centrality of the structuring role of institutions has remained. Institutionalist approaches within comparative political economy received a new urgency in the 1990s when wide-ranging political and economic developments raised once again the possibility of a broad convergence in the institutions of advanced capitalist political economies. It was in this context that the varieties of capitalism (VoC) literature associated with Hall and Soskice emerged.[12]

The resilience of institutions has been used to explain the absence of widespread convergence in capitalist political economies even in the face of heightened international economic constraints. Institutions mediate common economic pressures, distribute power among actors, and offer solutions to coordination problems facing market economies. As Steinmo, Thelen, and Longstreth argued,[13] institutions have independent power to structure the distribution of economic power and the behavior and even interests of economic actors. Contemporary comparative political economy, with its heavy reliance on institutional analysis, has produced a theory of change that emphasizes the role of history in politics and the generation of path dependent effects.[14] It illustrates, in Shonfield's marvelous phrase, "the way in which a living tentacle reaches out of past history, loops itself round, and holds fast to a solid block of the present."[15]

This tendency was accentuated in the initial formulations of the VoC approach. The familiar mechanisms of path dependence and positive feedback were further encouraged in this approach by the role of institutional complementarities and comparative institutional advantage. Interactions and complementarities among institutions suggest that there is a tendency for institutions to reinforce each other, forming an interlocking ensemble spanning the various spheres of the political economy with the effect that a particular set of institutions is highly resistant to change. This tendency is accentuated by a comparative institutional advantage for specific types of production that then encourages actors, particularly employers, to reinforce and defend those institutions rather than to challenge and transform them. The result is a theoretical edifice that anticipates that broad economic pressures will be refracted and diffused through national institutions, making institutional convergence unlikely.

It should be said immediately that there has always been some dissent from this tendency within the field of comparative political economy.[16] Regulationist approaches to political economy, for example, have been far more interested in institutional change by virtue of their assumptions about the inherent instability, conflictuality, and dynamism of capitalist growth.[17] The result has been a punctuated equilibrium model that emphasizes temporal discontinuity and a degree of synchronicity across the advanced capitalist world in the timing of structural economic change. But even here, in an ironic example of theoretical convergence, distinct national models of capitalism have come to dominate the landscape of regulationist theorizing.[18]

Recently, however, the subject of institutional change has moved from the periphery to the center of the field of comparative political economy. This has taken place on the back of a less functionalist, more political reading of the dynamics of capitalist political economies that emphasizes contingency and compromise, the fragility of the political coalitions that undergird institutional construction,[19] and the ideational preconditions for institutional embedding.[20]

From within the VoC approach has come a renewed emphasis on institutional experimentation, a more political interpretation of the process of institutional reproduction, and greater space for actors to reassess their interests and contemplate institutional change.[21] It is also worth noting that even in its original formulation, the VoC approach was not entirely static. It allowed for the possibility of convergence on the liberal market variety of capitalism, noting that it is easier to deregulate coordinated market economies than for liberal market economies to develop coordinating mechanisms, and musing that institutional reform in one sphere "could snowball into changes in other spheres as well."[22] We would argue, and our cases indicate, that the unraveling of coordinated market economies and the further liberalization of liberal market economies in the sphere of industrial relations was already well under way when this statement was written. Recently it has been argued that a significant degree of institutional change is compatible with continued elements of policy divergence, and the roles of regime design and of the public sector in the trajectory of institutional evolution have been emphasized.[23] In a similar fashion, Campbell has articulated a more "actor-centered institutionalism"[24] (the term originates from Scharpf)[25] in which entrepreneurial actors, working within existing sets of institutions, engage in various forms of incremental change; change remains path dependent but it can become, over time, transformational.

The most fully formulated argument in favor of gradual or incremental transformation, in which an accumulation of small, barely perceptible changes becomes transformational over time, comes from Streeck and Thelen.[26] They acknowledge that most institutional approaches understate the degree and significance of change and that one cannot assume that economic actors will always seek to defend existing institutions rather than modify them. They identify a series of mechanisms by which incremental changes can have transformative effects over time.

However it is from Streeck's writing alone that the sharpest break from the mainstream of comparative political economy over the past thirty years has appeared, and with it the most forceful argument to take instability and change in national political economies seriously.[27] He urges scholars to shift focus from institutions, and institutional logics, to capitalism, and the logic of capitalism, and to follow through on the implications of that shift by recognizing the inherently contradictory, conflictual, anarchic, and fundamentally unruly nature of capitalist development. Thus institutional change should be understood to be the norm in capitalist societies.

It is the plasticity of political-economic institutions, their capacity to function quite differently in new contexts, that is the basis of our reformulated notion of convergence. We certainly do not want to close off the possibility of a wholesale reconstruction of institutions: the replacement of existing institutions with a new set of institutions. The British case after 1979, discussed later in this article, is perhaps the best example. But more often the mechanisms of institutional change are likely to be more subtle.[28] Institutional plasticity permits a mutation in the function and meaning of existing institutions, producing different practices and consequences in new contexts, what Thelen has labeled "institutional conversion."[29] Earlier or submerged characteristics of an institution, long dormant, can emerge under new conditions. Parallel, once secondary institutions, which played only a peripheral regulatory role during an earlier period, may emerge to take on new importance in a different context. Thus the hierarchical ordering of institutions in any bundle of interdependent institutions can change as competing sets of institutions have different valences for the actors concerned, valences that themselves shift over time. Mechanisms can also be created or given new significance that permit actors to bypass or escape from institutions altogether, creating pathways to new practices alongside the formal institutions. The result is a range of characteristics of institutions that point in the direction of permanent reinvention, change, and discontinuity.

We are arguing, in short, that a focus on institutional forms is likely to miss the malleability of institutions—the degree to which a set of institutions can appear largely unchanged but in fact come to perform in quite different ways from before—and thus the extent of institutional convergence. As Kinderman notes with regard to the German case, scholars have tended to focus on "continuity of structure, and having established this, have inferred continuity of content."[30] In fact, continuing divergence of institutional form is perfectly compatible with convergence in institutional functioning, which in turn raises questions about the centrality accorded institutions by scholars in the field of comparative political economy in explaining the functioning of capitalist political economies.

These recent developments within institutionalist theorizing have opened up theoretical space to explore transformational change within the core institutions of capitalist societies, which in turn permits the revival of a central question in comparative political economy: to what degree are capitalist societies currently marked by tendencies toward convergence? It is important to be careful and clear in any discussion of convergence. We are not making a coarse argument for institutional convergence. There is little evidence of convergence as identity, a glacial flattening of the institutional landscape to an identical topography. Convergence does not require the same institutional form, and indeed different starting points and different mobilizational capacities on the part of class actors make it unlikely that institutional forms will converge. Different institutional inheritances pose different obstacles and create distinctive flashpoints and sources of conflict over institutional reconstruction.[31]

Rather, we argue, convergence is more likely to involve the adaptation and reengineering of existing institutional sets to perform in a similar fashion and to generate similar outcomes, with the result that the trajectory of institutional performance across countries is convergent. In other words, we are not arguing that industrial relations in Sweden or Germany today resemble in some clear-cut sense those in Britain, that the CME category has been emptied such that the advanced capitalist world is populated solely by varieties of liberal market economy. Important differences remain, and our case studies will indicate this. However, what we do insist on is that the trajectory is the same, even if the current resting place along that trajectory is not. Despite different starting points, and different paces of change, there is clear evidence, at least in the sphere of industrial relations, of a common directionality to institutional change.

That common direction is best characterized as neoliberal. By neoliberalism we refer to a general process of market liberalization,[32] or the "disorganization" of once organized political economies, involving the trend "away from centralized authoritative coordination and control towards dispersed competition, individual instead of collective action, and spontaneous market-like aggregation of preferences and decisions."[33] Neoliberalism is first and foremost a strategy of macroeconomic reform,[34] involving trade and financial liberalization, fiscal discipline (to be achieved through expenditure cuts rather than tax increases),[35] and disinflation, to ensure that governments are willing to give up full employment. In addition, it involves a series of structural reforms across a range of markets and policy areas that are intended to be compatible with and to enable the maintenance of the macroeconomic framework summarized above.

Referring specifically to industrial relations, neoliberalism is visible in two movements, one having to do with institutional processes and the other with institutional outcomes. The former movement involves, first and foremost, deregulation: the elimination or relaxation of institutional barriers. Deregulation eliminates constraints on capital's discretion through the removal of legal or contractual restrictions at the workplace level, in the broader labor market, and in society. In many cases, the removal of institutional constraints is a return to an earlier deregulated era, hence the label of "neoliberalism." Institutional deregulation involves one or more of the following: a shift from higher levels of collective bargaining to lower ones, closer to the firm or workplace; greater recourse to individual bargaining between employee and employer or unilateral employer decision making; a shrinking in the collective organization and capacity of class actors; and a restructuring of labor market institutions to reduce the level and duration of unemployment benefits, make benefit payments contingent on active search and willingness to accept available jobs, lower employment protection, and in general eliminate all mechanisms interfering with the free meeting of demand and supply.[36] Institutional deregulation may also operate through mechanisms that permit class actors to bypass or ignore formal institutions and institutional rules, one of the forms of institutional change noted above; this process, sometimes labeled "derogation," can be seen when unions and employers are given exemptions under certain circumstances from labor law or higher level collective agreements. An industrial relations system in which actors are allowed to ignore institutional rules with impunity is de facto subject to deregulation.

The second form of institutional liberalization involves a transformation in the role played by formally unchanged institutions from discretion limiting to discretion enhancing. In contrast to a process of institutional deregulation, it involves institutional conversion as institutions come to take on different functions and generate different outcomes. An example would be centralized bargaining, once the linchpin of an alternative system to liberal capitalism based on a large and interventionist public sector and the political correction of market inequalities. However, with institutional conversion centralized bargaining can become an institutional device to produce outcomes, like real wage growth systematically trailing productivity increases, which the market itself would be unable to produce. Another example of institutional conversion might be a change in the functioning of works councils so that under new conditions they come to encourage cooperation with an employer and identification with the firm rather than serving as workplace agents of industrial unions. In both cases, the formal institution remains unchanged, but under different conditions its very plasticity permits a conversion in function and behavior and is likely to generate different outcomes.

What is common to both forms of institutional liberalization, and what gives content to changes in the form and functioning of institutions, is that they serve to expand employer discretion. We make no prediction here as to how employers will choose to use that discretion; it may result in an increase in wage inequality or reduced job security, and we intend in future work to examine those outcomes. But what we do argue is that the institutions of industrial relations have everywhere come to reduce the constraints—in the form of labor law or collective regulation—acting on employers and thus to increase their ability to manage the workplace and their relationship with their employees as they please. The neoliberal trajectory that we observe finds its concrete form in this generalized expansion of employer discretion.

Thus, to the extent that we see decollectivization and decentralization in the form of institutions themselves, or a continuity in their form but a transformation in their content such that they contribute to the liberalizing outcomes noted above, then we can say that the trajectory of institutional change is in a neoliberal direction. Liberalization as institutional deregulation can be empirically captured by looking at the form of institutions, whereas liberalization as the result of institutional conversion requires going beyond the form and looking at the internal functioning and outcomes of institutions. For this reason our article provides both a quantitative analysis, well suited to examining institutional forms, and qualitative case studies, better suited to capturing changes in the behavior of institutions. The remainder of this article illustrates the degree to which institutional change within industrial relations has indeed been characterized by neoliberalism.

## 3. Quantitative Indicators

In this section we gauge the scope and extent of institutional change in industrial relations by relying on a number of quantitative indicators: the union density rate (the percentage of the eligible workforce who are members of the unions); an index of collective bargaining centralization capturing the main locus of bargaining (at the company, industry, or national levels or somewhere in between); an index of collective bargaining coordination capturing the extent to which wage bargaining is coordinated through centralized bargaining but also through alternative means, like powerful employer associations or direct state intervention;[37] an index of national-level tripartite policy making measuring the extent to which trade unions and employer organizations are explicitly involved in the design and implementation of the major public policies (in the macroeconomic, social, and labor market fields); and an indicator of industrial conflict measuring days not worked due to strikes and lockouts. These indicators were selected both for the availability of long, comparable time series for multiple countries (unlike, e.g., an indicator of collective bargaining coverage, which is available only for sporadic years)[38] and because together they cover four important domains: the unions' organizational strength, the structure of collective bargaining, the degree of tripartism, and the prevalence of industrial conflict.

The focus of the analysis in this section is on fifteen advanced capitalist countries, twelve Western European—Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden, and the United Kingdom—and three non-European: Australia, Canada, and the United States. Since "liberal market economies" (LMEs) are rare in Europe, we have included in the analysis the three most important non-European LMEs. The countries are observed between 1974 (the first year after a major break for capitalist countries: the first oil shock of 1973) and the most recent year for which data are available, that is, 2005 in most cases.[39]

The tendency in Europe and elsewhere is clearly toward a generalized weakening of trade unions. On average, the (unweighted) unionization rate has decreased by 0.39 percentage points each year between 1974 and 2005 in the fifteen countries in question. The fastest linear decline among European countries has occurred in Austria (0.92 per year), followed by Ireland (0.90), the United Kingdom (0.85), Italy (0.59), the Netherlands (0.55), France (0.50), and Germany (0.46).[40] Among non-European countries, the linear decline equals 1.07 in Australia, 0.39 in the United States, and 0.16 in Canada. Overall, there seem to be no systematic differences between European and non-European countries as far as union decline is concerned. In three of the remaining countries—Denmark, Sweden, and Finland—the process of union decline has started later than elsewhere, in the 1990s as opposed to the 1980s, but is nonetheless clearly visible. No clear declining trend is instead observable in Belgium and Norway (at least so far). These are the sole exceptions to the rule of generalized union decline.

The analysis of industrial conflict rates leads to similar conclusions. There is a marked declining trend in all countries except Austria and, to a lesser extent, Denmark. Austria's apparent exception is due to the fact that strikes have historically been a very rare occurrence in this country. However, in 2003 there was a wave of union mobilizations in reaction to the center-right government's reforms of the Austrian welfare state, and it is this that explains the upward trend in industrial conflict. Strike data may be interpreted in two opposite ways. A low propensity to strike may be a consequence of low labor power, but also of high labor power, if the sheer threat of a strike leads employers to cave in. Given current socioeconomic circumstances (generalized union decline, generalized decline in wage growth relative to productivity, increasing inequality), the decline in industrial conflict is almost certainly not a manifestation of growing union strength.

The trajectory of collective bargaining structure reveals a pattern of modest decentralization in two stages: from the mid-1970s to the mid-1980s and from the early 1990s on. The intermediate period was one of partial recentralization. Like union decline and demobilization, the decentralizing trend also seems a general phenomenon. There are only two countries in the sample in which the linear time trend is not negative: Ireland and Italy. In Italy there was a recentralization of collective bargaining in the 1990s. In Ireland bargaining was first completely decentralized (from the national to the enterprise level) in the early 1980s, and then completely recentralized from the late 1980s until 2008. It is worth emphasizing that available indexes of collective bargaining centralization, including those used here, refer to the *main* level of bargaining, and to the extent that the company level has increased its importance even in systems where industry and national bargaining has maintained a predominant role, they are likely to underestimate the extent of bargaining decentralization in the countries.[41]

Surprisingly, the index of tripartite policy making bucks the trend of other indicators, as it grows over time, at least until the late 1990s. At a time of declining union strength, demobilization, and bargaining decentralization, it seems that European governments are on average more likely to involve the social partners in the design and implementation of macroeconomic, social, and labor policy, than they were in the past. As discussed

**Table 1.** Exploratory Factor Analysis, Principal Component Factor Method, Fifteen Countries

| Factor | Eigenvalue | Proportion of variance | Cumulative proportion of variance |
|---|---|---|---|
| Factor 1 | 2.45621 | 0.4912 | 0.4912 |
| Factor 2 | 1.06416 | 0.2128 | 0.7041 |
| Factor 3 | 0.76414 | 0.1528 | 0.8569 |
| Factor 4 | 0.50798 | 0.1016 | 0.9585 |
| Factor 5 | 0.20750 | 0.0415 | 1.0000 |

| | Unrotated factor loadings[a] | |
|---|---|---|
| | Factor 1 (macrocorporatism) | Factor 2 (industrial conflict) |
| Bargaining centralization | 0.9181 | — |
| Bargaining coordination | 0.8636 | — |
| Union density | 0.6771 | — |
| Tripartite bargaining | 0.6182 | — |
| Conflict rate | — | 0.9363 |

*N* = 462.
a.Only factor loadings equal to or greater than |0.4| are reported.

in the case study section, corporatist bargaining did not disappear as anticipated but became mostly about extracting macro concessions from trade unions for the implementation of largely market-conforming policy reforms, and therefore this trend is not incompatible with liberalization.[42]

We rely on exploratory factor analysis (EFA) to uncover systematic patterns of covariation in the indicators summarized above. EFA assumes that the data are visible manifestations of underlying hidden constructs and expresses the hidden constructs as linear combinations of the (standardized) observed variables. The analysis returns only two factors with eigenvalues greater than 1, accounting jointly for about 70 percent of variation in the data.[43] Factor loadings (reported in Table 1) lend themselves to a relatively straightforward interpretation of the factors. The first loads highly on, that is, is strongly positively correlated with, bargaining centralization and bargaining coordination, and moderately on union density and tripartite bargaining. The underlying dimension may be dubbed *macrocorporatism* since these characteristics are all traditionally associated with classic corporatist bargaining. The second factor loads highly only on industrial conflict. Thus, we dub it as such: *industrial conflict*. The two factors are unrotated and by construction orthogonal to one another.

The crossing of these two dimensions is displayed in Figures 1 and 2. The crossing identifies four quadrants, corresponding to four ideal-typical institutional models: (1)

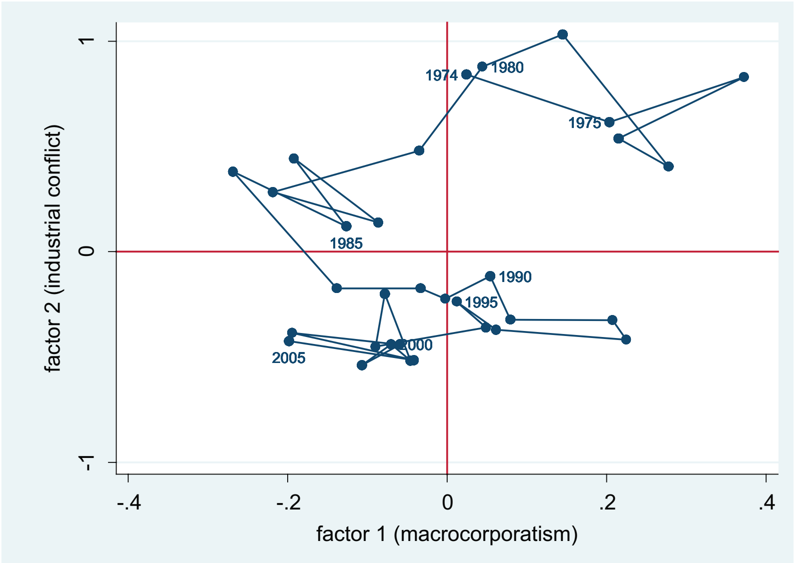


**Figure 1.** The trajectory, from 1974 to 2005, of the "average" country from the following fifteen advanced capitalist countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden, the United Kingdom, and the United States

The graph plots, year by year, the mean yearly value of the macrocorporatism factor (factor 1) against the mean yearly value of the industrial conflict factor (factor 2). Both factors are extracted from the following five variables: bargaining centralization, bargaining coordination, union density, tripartite bargaining, and industrial conflict. Factor 1 is positively correlated with centralization, coordination, density, and tripartism; factor 2 is positively correlated with industrial conflict. Mean values are obtained by averaging the factor scores of all fifteen countries for the year in question. Values on the axes are standard deviation units of the respective factors. For technical details of factor loadings and explanations of coding criteria, see Table 1 and the appendix. To avoid cluttering the graph, year labels are inserted at five-year intervals.

the northeast quadrant is characterized by both high macrocorporatism and high levels of conflict; (2) the northwest quadrant corresponds to high levels of conflict and low macrocorporatist institutionalization—this seems to depict adversarial industrial relations in Britain before both Labour's "Social Contract" and the Thatcher revolution; (3) the southwest quadrant is characterized by low levels of both conflict and macrocorporatism; and (4) the southeast quadrant corresponds to high macrocorporatism and low conflict and seems to express the key features of collective bargaining centralization in Ireland and other countries in the 1990s.

Figure 1 graphs the trajectory of the average country between 1974 and 2005 based on the average factor scores for the *macrocorporatism* and *industrial conflict* factors.

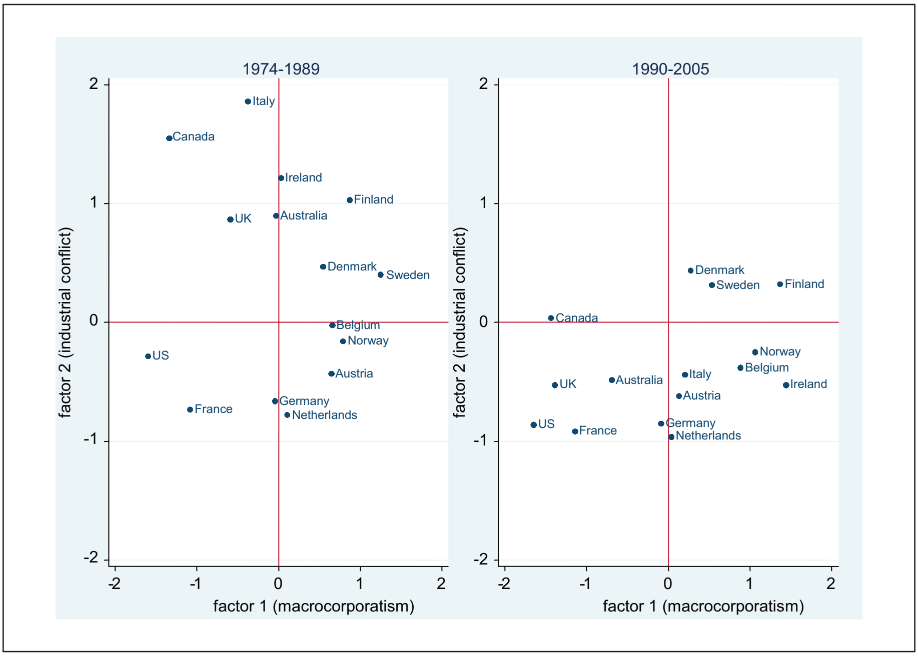


**Figure 2.** Mapping of fifteen advanced countries on the macrocorporatism and industrial conflict axes in 1974–89 and 1990–2005

Each of the graphs plots, for each country and each time period (1974–89 and 1990–2005), mean factor scores for factor 1 against mean factor scores for factor 2.

The graph is obtained by plotting, year by year, the mean value of the macrocorporatism factor (factor 1) against the mean value of the industrial conflict factor (factor 2). Mean values are obtained by averaging the factor scores of all fifteen countries for the year in question. The graph traces a distinct path for the "average" advanced capitalist country: in the second half of the 1970s, this is located in the region characterized by both high macrocorporatism and high conflict. It then moves to the quadrant in which only industrial conflict is high but macrocorporatist institutionalization is low. This happens in the first half of the 1980s, a period in which macrocorporatism experiences a momentary lapse in several countries. Then the average country traverses diagonally to the quadrant in which macrocorporatism is again high but industrial conflict is now low. This happens in the first half of the 1990s, the era of social pacts in several countries. Finally, the average country ends up in what is arguably the least attractive region of all: the one characterized by both low conflict and low macrocorporatism.

Figure 2 plots mean macrocorporatism and industrial conflict scores for each of the fifteen countries distinguishing between two periods: 1974–89 and 1990–2005. The country scores are obtained by averaging for each country the factor scores in the

1974–89 period and then again in the 1990–2005 period. This graph shows clearly that there has been a generalized decline in conflict for most if not all countries in the sample: the graph seems to have migrated southward in the second period. Interestingly, there is no parallel westward shift, that is, no generalized decline in macrocorporatism. Nonetheless, the institutional space seems to have shrunk dramatically: the northwest cell, which hosted Canada, Italy, and the United Kingdom in the first period, is virtually empty in the second. With the limited exception of Denmark, Sweden, and Finland, the remaining variation in country profiles is between high and low levels of macrocorporatism but always with limited conflict.

In synthesis, the large-*N* analysis has revealed a number of patterns: a generalized decline in union density and industrial conflict and a cross-cutting tendency toward bargaining decentralization. There seems to be clear evidence of convergence on one of the axes identified by the factor analysis, that of industrial conflict, which is in decline everywhere, but not on the other, macrocorporatism, on which countries continue to differ. Whether these persistent differences in institutional form correspond to fundamentally different responses to the common challenges facing advanced capitalist countries is something aggregate data are unable to tell and that requires more in-depth analysis of country cases, to which we now turn.

## 4. Case Studies

The countries examined in this section are selected from across the range of the macrocorporatism factor in the 1990s and 2000s: France and the United Kingdom, with low scores, Italy and Germany, with intermediate scores, and Sweden and Ireland, with higher scores. The six countries selected include the four largest European economies and two small countries that in different periods have acquired a sort of symbolic status for students of comparative political economy and industrial relations. Some of the countries appear to have changed dramatically: Italy, Ireland, and the United Kingdom; others to have remained more stable: France, Germany, and Sweden. Together, they provide remarkable variation in institutional setup. Our goal is to present evidence for a broad range of cases to offer the strongest challenge to arguments that emphasize the absence of common change. However, this range comes at some cost in terms of the degree of detail possible for each of our country cases. What follow, then, are somewhat abbreviated accounts designed to highlight the main elements of institutional change within industrial relations.[44]

### *4.1. Decentralization and Worker Representation in French Industrial Relations*

French industrial relations at the end of the 1970s appeared an unlikely candidate for liberalization. Extensive state regulation and predominantly industry-level bargaining had combined to ensure a high degree of labor market rigidity and limited autonomy on the part of firms in the determination of pay. After the strikes of May 1968, the

French state became significantly more directly involved in the regulation of the labor market, in effect substituting for the weakness of trade unions and collective bargaining.

However, by the end of the first decade of the twenty-first century, a remarkable degree of labor market and workplace flexibility had appeared as firms enjoyed greater autonomy from both state regulation and higher levels of collective bargaining. At the same time, a dense network of firm-level and firm-specific institutions for bargaining, consultation and representation—institutions that were almost completely absent in the private sector twenty-five years earlier—had spread widely through French workplaces. This transformation of the institutional landscape of industrial relations took place through both the creation of new firm-level institutions and the mutation of existing institutions to take on new functions.[45] Furthermore, despite periodic and highly publicized national mobilizations, strikes have declined in France, as the quantitative analysis indicates. Since the end of the 1980s, strikes have become almost exclusively a feature of the public sector.

In the context of an acceleration of economic restructuring, rapidly rising unemployment, and the perceived failure of traditional *dirigiste* and Keynesian policies, labor market and workplace flexibility moved to the top of the agenda of employers and politicians in the mid-1980s.[46] This coincided with the "conversion" of the French Socialist Party to the merits of market-friendly policies,[47] so that industrial relations reform was essentially a shared political project across the major political parties, albeit with small differences in emphasis.

The problem facing the French state in its efforts to reconstruct industrial relations institutions was how to withdraw from direct regulation of the labor market in the absence of labor actors at the firm level capable of ensuring that the introduction of flexibility was negotiated rather than imposed unilaterally by employers. The resulting strategy was to tie opportunities for employers to enjoy greater flexibility in the deployment of labor to a legal obligation to negotiate change at the level of the firm. Given the weakness of trade unions inside the firm, this obligation in turn required a redefinition of who could legally bargain with the employer, or at least formally ratify workplace change.

This strategy made its first appearance with the *lois Auroux*, passed during the early days of the new Socialist government.[48] Alongside some modest support for trade unions, this legislation had the effect of encouraging social dialogue inside the firm with non-union, firm-specific institutions of worker representation, including works councils and the newly created worker self-expression groups. These innovations had the dual effect of blurring the line between consultation and negotiation and providing employers with an incentive to seek "derogatory" agreements with union locals: ones offering greater flexibility than provided for in legislation or industry agreements. The distinction between union delegates negotiating collective agreements and works councils or worker self-expression groups consulting over work reorganization collapsed in the context of an acceleration in the process of economic restructuring.[49]

The 1990s saw further shifts toward decentralized bargaining and away from a trade union monopoly on collective bargaining, but the most substantial incorporation of these piecemeal reforms of collective bargaining into French labor law took place in the 2004 *loi Fillon*.[50] The legislation permitted much wider recourse to derogatory collective agreements, permitting them in all instances unless explicitly denied in collective agreements or legislation. This further breached the "favorability principle," the cornerstone of French collective bargaining law since 1950, which had established a strict hierarchy of collective bargaining levels. Furthermore, in firms without a union delegate, firm-specific bodies such as the works council could be authorized to sign agreements, and in the absence of any elected employee representative, a union-mandated worker could sign an agreement and the workforce could then ratify it. The consequences of the legislation were to enhance the autonomy of the firm from the wider industrial relations system and encourage the shift in worker representation from trade unions to nonunion, firm-specific institutions.[51]

The best illustration of the relationship between industrial relations reform and the quest for firm-level flexibility in France comes in the sphere of work-time reduction. For two decades after 1981, the recipe for modifying work time remained remarkably consistent: greater flexibility in the use of work time was offered to employers in return for a reduction in overall work time and a requirement that changes in work time be negotiated. This, in turn, required that some form of worker representation in the firm exist; if it did not, it would need to be created.

The most extensive work-time reduction experiment was contained in the *lois Aubry*, which implemented the thirty-five-hour work week between 1998 and 2002. This legislation sanctioned a role for a range of nonunion forms of worker representation in the negotiation of the reduced work week. In smaller firms, either firm-level agreements could be signed on behalf of employees by a worker who was mandated to sign by one of the national trade union confederations or work-time plans could be approved by a majority vote of employees and approved by a local labor-business commission. The mandating procedure was widely used for firm-level work-time agreements: fully 70 percent of work-time agreements were reached using the mandating procedure in 2001.

Firm-level collective bargaining increased substantially after 1981, with moments of especial growth in the aftermath of the *lois Auroux* and the *lois Aubry*.[52] While approximately two million French workers were covered by firm-level agreements in 1983, by 2002 that had doubled.[53] French firms have also seen a widespread increase in the number and influence of nonunion worker representation, including works councils, employee delegates, a new form of delegate that fulfills the duties of both works councils and employee delegates in small firms, and the innovations of mandated workers and employee referenda, at the same time as there has been only a modest increase in the coverage of union delegates.[54] By 2004–5, fully 77 percent of firms employing twenty or more workers had some form of elected or mandated employee representative, with that figure rising to 93 percent in firms employing fifty or more workers.[55]

French industrial relations have been transformed in recent years as a previous lacuna in collective regulation—at the level of the firm—has been the site of extensive experimentation and the emergence of a dense network of firm-level and firm-specific institutions. In particular, nonunion workplace representation has become steadily more important in France. In 2005, only half of firm-level collective agreements were signed by a union delegate.[56] Given that nonunion forms of employee representation tend to be weaker and less independent of management than unions, the result is likely to be agreements that reflect the interests of employers more than workers. The important point here is not simply that nonunion worker representation has expanded—after all, some representation may be better than none at all. Rather, the expansion of nonunion representation has permitted the withdrawal of the state from direct regulation of the labor market, thereby expanding the scope of employer discretion. The legitimacy of deregulation rested on the existence of these new institutional forms in the workplace.

### *4.2. The Decollectivization of British Industrial Relations*

The British case fits uneasily with the others examined in this article. That is not because it refutes our central claim that industrial relations institutions have been subject to transformational change in a neoliberal direction. On the contrary, British industrial relations underwent decollectivization on a massive scale in a relatively short period of time, a process powerfully characterized as "the end of institutional industrial relations."[57] Two factors set the British case apart. First, institutional change occurred primarily through the direct destruction of existing institutions, rather than the mechanisms of institutional plasticity and reengineering described in other cases; the task of identifying institutional change, in other words, is straightforward and visible to the naked eye.

Second, the last quarter century divides into a first period in which decollectivization took place under a series of Conservative governments, and a second in which there was a partial re-regulation of the labor market under the auspices of New Labour governments, offering a rebuff, albeit an extremely limited one, to neoliberalism. Re-regulation took the form not of a return to collectivism—trade union density and collective bargaining continued to decline—but of an enhanced role for the state through legislation and state agencies. Thus while the current resting point for British industrial relations is deeply neoliberal, characterized by a highly flexible labor market, and decentralized, individualized institutions, the trajectory of change has not been uniformly neoliberal.

By the 1980s, under conditions of heightened international competition, and as manufacturing shrank to less than a quarter of total employment, employers came to place much greater emphasis on flexibility in all its myriad forms, and see increasingly individualized relationships between employers and employees as the manner in which productivity gains could be made.[58] The distinctive institutional features of British capitalism—the absence of employer coordination, of long-term relationships between industrial and financial capital, and of capacity for coordinated wage bargaining—had the effect of encouraging a response to any intensification of international competitive pressure through cost reduction, and low-wage/low-skill strategies.[59] The role and value of trade unions and collective regulation became less clear under these circumstances.

Yet despite the shifting interests and practices of employers, the transformation of the institutions of industrial relations required a central role for the state. That was both because employers were unable to change their relations with their employees without the aid of the state (whether through changes in labor law, changes in macroeconomic policy, or the less tangible transformation of the industrial relations "climate") and because employers were, for the most part, significantly more timid and unwilling to challenge established industrial relations institutions and practices than the state.[60] Employers were won over to the reform project of the state, coming to support legislation about which they had previously demonstrated ambivalence, but they did not instigate or direct it.

The story of Conservative industrial relations reform between 1979 and 1997 has been told often and in great detail.[61] Its main elements can be summarized quickly, and involved a combination of a transformation in labor law, contractionary macroeconomic policy, an opening up of the economy to greater international economic pressures, restructuring and privatization of the public sector to encourage new industrial relations policies, and the demonstration effect of fighting and winning public sector strikes.

There were six major pieces of Conservative industrial relations legislation. The net result of this avalanche of legislation was that secondary industrial action is all but outlawed, all strikes are now much more difficult to organize (and unions place themselves at great risk when they call strikes), the closed shop is illegal, and union governance is tightly bound up by statutory regulation. Conservative governments made it clear that collective bargaining was no longer considered a public policy good and that they would support employers who sought new relationships with their employees. In short, the climate of industrial relations fostered by the state gave employers the confidence to experiment with new industrial relations institutions and practices of their own.

The impact on the collective regulation of industrial relations has been stark. Since 1979, British trade unions have lost 40 percent of their members, bringing union density to below 30 percent.[62] Trade union recognition fell even faster than union membership, so that recognition in the private sector halved during this period to 25 percent.[63] Collective bargaining has seen a dramatic decline of two-tier and industry- or multiemployer bargaining, while the coverage of collective bargaining fell from 70 percent of employees in 1984 to 40 percent in 1998.[64] The decline in collective bargaining was especially precipitous in the private sector, and even where collective regulation remained in the firm, its character changed, coming to resemble consultation rather than negotiation, leaving the organization of the workplace as a matter for unilateral managerial prerogative.[65]

In 1997, a Labour government returned to power after eighteen years of Conservative rule. The Labour Party had been transformed during its years of opposition, rebranding itself as "New Labour," pursuing what its leader, Tony Blair, called "the Third Way." Its approach to the labor market was to endorse the necessity of a flexible, minimally regulated labor market with a significant low-wage, low-skill sector. Thus while the industrial relations agendas of New Labour differed in some respects from those of its Conservative predecessor, they were fundamentally convergent with the decollectivist thrust of the previous eighteen years.[66] The distinctiveness of New Labour's approach to industrial relations lay, rather, in the government's emphasis on the creation of individual rights at work, rather than support (legislative or otherwise) for collective regulation.

British workers benefitted from a range of new rights at work including a national statutory minimum wage, more protection from unfair dismissal, enhanced maternity and paternity leaves, and minimum statutory internal procedures covering dismissal and grievances inside firms. The one major collective innovation was a right to union recognition if a ballot showed majority support for a union.[67] Though this right was hedged in important ways it was nonetheless a significant innovation in British labor law.

The overwhelming majority of Conservative industrial relations legislation remained in force under New Labour. To this basic framework of labor law was added limited regulation of the labor market, in the form of individual legal rights, enforceable through labor courts and state agencies, not collective rights designed to strengthen trade unions, which could then take on the role of regulating social relations through collective bargaining. With fewer workplace union representatives to advise workers of their rights, there was a large increase in the use of employment tribunals and the Advisory Conciliation and Arbitration Service as individualized arrangements replaced unions.[68] The British case illustrates the wholesale destruction of old institutions during the Conservative period, and the emergence of new ones, and enhanced importance attached to once marginal institutions, during the New Labour's time in office. Nothing about the first year in office of the new Conservative–Liberal Democrat government suggests that a return to collective regulation is on the cards.

### *4.3. Dismantling Coordination in German Industrial Relations*

Germany has long been a critical case in debates concerning the degree and nature of institutional change. As the most widely cited example of a coordinated market economy within the VoC literature,[69] it has been exhibit A in the claim that an alternative model of capitalism to the Anglo-American LME can thrive in a globalized world, resistant to neoliberal temptation and drift. The expectation that Germany's political economic institutions would be subject to at best incremental change was based on the strong degree of complementarity between its financial and industrial relations institutions, which in turn provide German employers with a comparative institutional advantage in what Streeck once termed "diversified quality production."[70] The result was an expectation that employers would defend those institutions rather than seek to dismantle them.[71]

In fact, in the context of a widespread perception that Germany now occupies a "high equilibrium trap,"[72] this institutional model is unraveling. At least in the sphere of industrial relations, German institutions have been subject to dramatic levels of change since the mid-1990s. This has taken place not through a frontal assault on core industrial relations institutions but through a change in the practice and functioning of works councils, and the erosion and retreat of collective bargaining coverage, trade unions, and employer associations. Escape routes have permitted employers to opt out of once dominant industrial relations practices without being forced to dismantle them. As Palier and Thelen have noted, institutional complementarities cut both ways, so that change in one set of institutions can in turn lead to a broader transformation of the political economic model.[73]

The main elements of postwar German industrial relations were sectoral wage bargaining and a dual representation system involving industry unions and codetermination institutions, particularly statutory works councils. The relationship between unions and works councils was complementary: collective agreements were enforced by works councils, which in turn were heavily dominated by union candidates; and quantitative issues could be dealt with through collective bargaining, while qualitative issues could be dealt with through works councils inside the firm.[74] Powerful encompassing interest organizations also served to ensure a high degree of collective bargaining coverage and enforce the resulting agreements.

German industrial relations institutions weathered the oil shocks of the 1970s and the crisis of Fordist manufacturing remarkably successfully.[75] While fissures appeared in the industrial relations system in the 1980s, it was not until after the unification of Germany that the core industrial relations institutions appear to have simultaneously begun to erode and undergo transformation. Changed economic circumstances—cost pressures, the crowding out of investment by social consumption, the increased opportunities to take advantage of lower cost but high skill labor in Eastern Germany and the former Eastern Europe—led to a major reversal in the strategies of German employers, long the bedrock explanation of institutional stability. As one scholar wryly notes, "[T]he disjuncture between the *stated* interests of corporate actors in Germany and the deductive-functionalist interests *ascribed* to them by the 'Varieties of Capitalism' literature is striking."[76]

The change in employer strategy took place in part at the discursive level, embodied by the New Social Market Initiative championed by the Federation of German Industry, in part at the level of public policy, such as support for the Hartz IV labor market reforms, and most importantly at the level of practice within employer associations and at the firm level.

Turning to institutional change within industrial relations itself, the contrast between the early 1990s and the present is striking. The presence of firm-level consultation in the form of works councils has shrunk, slowly in the 1980s and more rapidly since unification. Works councils covered 52.4 percent of private sector firms in 1981, falling to 41.6 percent in 1994, the time of the first elections after unification.[77] Data are less clear in the intervening period, but panel data suggest a further decline to under 40 percent by 2005.[78]

Meanwhile the proportion of workers covered by a sectoral agreement declined from 72 percent in 1995 to 57 percent in 2006, with the figure much lower for the eastern part of Germany alone.[79] Of greater importance than the coverage of collective bargaining, however, is the increasing prevalence of practices that permit—either legally or illegally—a decentralization of collective bargaining to the firm. These include a simple failure to honor sectoral agreements, concessionary agreements at the firm level with the works council under the heading of alliances or pacts for employment, and the growing recourse to "opening clauses" within sectoral agreements that permit firms to modify the terms of the agreement.[80] In 1999–2000, 22 percent of workplaces took advantage of such clauses, compared to 75 percent in 2004–5.[81] When three-quarters of workplaces implement terms and conditions that deviate from sectoral agreements, it is clear that significant decentralization has taken place.

The mutually supportive relationship between union-bargained sectoral agreements and firm-level works councils has collapsed. A quarter century ago Streeck warned of this inversion, noting that under conditions of high unemployment and pervasive job insecurity, works councils would come to engage in "wildcat cooperation" with their employers to protect the jobs of insiders.[82] That practice, initially undertaken by non-enforcement of sectoral agreements or firm-level pacts, has now been formally recognized by trade unions through the negotiation of opening clauses.

To the extent that German industrial relations rested on centralized, encompassing interest organizations, they also have gone into severe eclipse. Union density was 32.9 percent in 1980, drifted downward in the 1980s, then after a brief recovery following unification went into steep decline to fall below 20 percent in 2003.[83] While the decline of employer associations appears to have been less rapid, that has been the result of the critical decision made, first by Gesamtmetall and then quickly followed in other sectors, to create special forms of associate membership that did not require employers to agree to binding wage levels, so-called *ohne Tarifbindung* (OT) membership. By 2004, half of Bavarian employer association membership was OT and 75 percent of that in Saxony.[84] Thus employer associations have survived only by emptying themselves of their primary purpose.

Institutional change in German industrial relations since the early 1990s has taken place through the steady erosion in the coverage of sectoral bargaining and works councils, resulting from structural economic change and the increasing willingness and capacity of firms to escape from these institutions either by geographic mobility or a series of escape routes now legitimized by employer and labor associations. Where these institutions remain in effect, their functioning has been transformed by changes in the practices of works councils, as they increasingly come to protect insiders at the price of permitting much higher degrees of firm-by-firm variation and flexibility. To be sure, the German industrial relations system always permitted some degree of firm-level flexibility—that was an important part of its strength—and opportunities for firms to escape the constraints of industry agreements under conditions of special hardship existed before the 1980s. Nonetheless, the past two decades have seen substantial expansion of these loopholes, and the weakening and even inversion of the mutually supportive relationship between unions and works councils. The overall result in institutional terms has been decollectivization, particularly on the labor side, and decentralization accompanied by "internal softening"[85] as agreements reached at the sectoral level are less binding and more variable at the firm level.

## *4.4. The Belated Emergence and Evolution of Corporatism in Italian Industrial Relations*

Thirty years ago Italy stood out in the literature on comparative industrial relations for its highly militant unions and a chronic inability to produce peak-level neocorporatist agreements at a time (the 1970s and 1980s) in which they were considered necessary to bring rampant inflation under control.[86]

This situation changed dramatically in the early 1990s, when collective bargaining was considerably recentralized. The concomitance of both a political and economic crisis provided Italy's main union confederations, CGIL, CISL, and UIL, with an opportunity to assert their role as the senior partners of "emergency" governments. Between 1992 and 1998, a series of peak-level bargaining agreements was negotiated by the three confederal unions and the Italian governments, with or without (as in the case of the 1995 pension reform agreement) the main employer association, Confindustria.

Of all these centralized agreements, the 1993 one was the most significant one as it radically reformed the architecture of Italian industrial relations. Collective bargaining was reorganized to take place at the industry and the enterprise levels simultaneously. Industry-level negotiations were expected to keep inflation expectations in check by tightly linking wage increases with the expected inflation rates set by the government. Also, they would guarantee purchasing power stability by compensating ex post for any positive difference between anticipated and actual inflation. Productivity increases would be distributed at the enterprise level through collective agreements that would link remuneration to objective indicators of firm performance.

The 1993 protocol attributed a central role to decentralized bargaining and implicitly promoted its further extension, short of which productivity increases would not be distributed to the workers and the functional distribution of income would be modified in favor of capital (which is exactly what happened). However, enterprise bargaining did not become more prevalent. Although the results of available studies are not strictly comparable, as they are limited to specific sectors and/or geographic areas, to enterprises of a particular size, or lack a longitudinal dimension, they all conclude that after a short-lived peak in the mid-1990s, the overall time trend of enterprise bargaining has been declining.[87] Two forces seem to have operated at cross-purposes: on one hand, the 1993 protocol provided unions with a "right to access" to enterprise-level bargaining that was previously unavailable; on the other hand, due to the decline of density rates, unions have been increasingly unable to act on such a right.

At the end of the 1990s, the Italian corporatist system seemed well on its way to institutionalization, and there was even talk of embedding it in the Italian Constitution.[88] However, this opportunity was missed: Confindustria became increasingly disenchanted with tripartite negotiations and, on the eve of national elections in 2001, struck a strategic alliance with the center-right coalition, whose governmental program emphasized labor market deregulation, criticized concertation as an empty rite that blocked much-needed structural reform, and underscored the need to move from job protection to employability through further labor market flexibilization.[89]

In 2002, another tripartite agreement was negotiated, exchanging the promise of tax reductions for a less rigid regulation of individual dismissals. The main union confederation, the CGIL, refused to sign this agreement and called for workers to mobilize in opposition. This call was largely heeded and the policy reform stalled. As a result, the government never implemented the new rules on dismissals that it had negotiated.

Corporatist policy making returned in full splendor in 2007. The opportunity was pension reform. While the reform of 1995 (negotiated in corporatist fashion by government and unions) had fundamentally altered the future structure of the system, it had had only a limited impact on the transition phase affecting workers who had matured pension rights under the old regime. To prevent a short-term increase in pension expenditures, in 2004 the center-right government had unilaterally increased the minimum age for seniority-based pensions. However, it had postponed the introduction of the reform to 2008 to avoid political problems with its electoral base. In 2007 the new center-left government abolished the unilateral reform and negotiated with the unions a gradual increase of the minimum age for seniority-based retirement. This time all three union confederations signed the agreement.

In 2008, the center-right coalition returned to power and the unions split again. The crux of the matter this time was updating the 1993 agreement and reforming the collective bargaining structure. This topic had been tabled repeatedly in the past, but had never been dealt with due to the parties' inability to converge on a mutually agreeable solution. The January 2009 agreement confirmed the 1993 articulation of collective bargaining on two levels (industry and company), but increased the duration of industry-level agreements from two to three years, linked industry-level wage increases to an EU-wide predictive index rather than to Italy's expected inflation, and affirmed the need for government to stimulate the diffusion of decentralized bargaining through special tax advantages. All the major employer organizations signed the agreement and so did the CISL and UIL, but not the CGIL. The CGIL's refusal was motivated by the agreement's inadequate protection of the wages and salaries' purchasing power.

While the incisiveness of the early pacts is largely gone,[90] the parties continue to negotiate national-level agreements, following what has by now become a predictable pattern: when the center-left coalition is in power, all three confederations share responsibility for the final agreement; when the government is in the hands of the center-right coalition, the CISL and UIL sign, while the CGIL digs its heels in. The CGIL seems to find it difficult to negotiate agreements with a government it does not trust.

Retrospectively (and counterfactually), it could be argued that without the centralized agreements of the 1990s, Italy's political economic situation would be worse than it currently is: the country would not have joined the single European currency, inflation would be higher, the currency would be an easy (easier) target for speculative attacks, and the public deficit would have grown due to higher interest rates, thus adding further pressure to an already restrictive fiscal policy. At the same time, the resurgence of tripartite negotiations did nothing to prevent the continuous erosion of the unions' representation capacity among active workers, especially in the private sector. Current density rates in the private sector are estimated to be less than 20 percent.[91] This makes one wonder whether, with labor so weak where it matters most—among the workers—corporatism has become an empty shell. Also, and perhaps more importantly, by introducing and sustaining a multiyear policy of wage restraint, it may have contributed to what is currently being perceived by the Italian general public as a true and proper emergency: wage incomes that are insufficient to cover normal expenditures and basic needs of an average family, especially in large metropolitan areas.

## 4.5. Coordinated Decentralization in Swedish Industrial Relations

For much of the postwar period, Sweden was the archetypal case of corporatism, marked by centralized and coordinated bargaining between the peak organizations of labor and capital. Much of the institutional architecture of that regime remains in place; indeed the recent past has seen a revival of coordinated multisectoral bargaining. An examination of institutional forms only might lead an observer to use the Swedish case as powerful evidence of path dependence and incremental institutional change. In fact, Swedish industrial relations have been transformed in the past fifteen years, in part through the creation of new institutions, but more through changes in the interests and behavior of class actors and the state,[92] and changes in the practice and functioning of existing industrial relations institutions. Those institutions have come to permit, indeed to encourage, decentralized wage setting and a high degree of individualization.

The core of the Swedish industrial relations regime between the 1938 *Saltsjöbaden* agreement and the early 1980s involved wage bargaining at peak level between the main employers organization and the blue-collar union confederation. Wage bargaining was based on the twin principles of wage moderation and wage solidarism. Centrally determined wage levels were imposed across the economy regardless of the profitability of individual firms. The industrial relations regime was never as rigidly centralized as this description suggests, and there was always some degree of wage drift, serving to manage economic pressure and defuse conflict.[93] Nonetheless, bargaining was highly coordinated, and the outcomes of peak-level bargaining played a central role in shaping wage determination in ways that muted labor market signals.

This model all but collapsed in the decade between 1983 and 1993: external shocks, new forms of international competitive pressure resulting from European integration and the globalization of financial markets,[94] and an accumulation of tensions and contradictions internal to the industrial relations regime changed the interests of employers and workers, particularly the former. Existing institutions no longer served to contain inflation, produce social peace, or protect managerial prerogative. Initially these tensions manifested themselves in higher levels of industrial conflict, as Sweden's traditional image as a low strike country gave way to strike waves in the public sector in the late 1970s and early 1980s, and substantial increases in unofficial strike rates in the private sector throughout the 1980s. By the end of the 1980s, many employers had concluded that the main elements of the Swedish model were irretrievably broken and moved to end centralized bargaining and withdraw from tripartite institutions.[95]

However, out of a profound economic crisis in the first half of the 1990s emerged a new industrial relations regime. Faced with the prospect of much higher levels of conflict, employers backed away from more radical reform plans. Trade unions, traumatized by the experience of the crisis in the early 1990s, acceded to changes in wage bargaining. The role of the state was crucial in the gestation of the new industrial relations regime both because many of the elements of the new regime were inaugurated by the state during the crisis of the early 1990s and because the social partners anticipated increased state intervention and regulation in the event of nonaction on their part.

The new industrial relations regime was put in place between 1997 and 2000. Its building block was an "industrial agreement" reached between eight unions and twelve employers' organizations in 1997 that established coordinated, multisectoral bargaining for much of the private manufacturing sector.[96] The agreement relied on the technocratic construction of a wage norm by an independent Economic Council for Industry and new collective bargaining practices to encourage the acceptance of the wage norm, including compulsory mediation and cooling off periods. This was followed by two similar agreements in the public sector, one applicable to central government and the other for local government, and then in 2010 an equivalent agreement in the private services sector. A 2000 law created a new National Mediation Office authorized to appoint mediators without the consent of the parties concerned, who in turn were able to impose a fourteen-day cooling off period. The result is that a large portion of the Swedish economy is now once again subject to coordinated bargaining; this industrial relations regime has now been used with minimal industrial conflict for five bargaining rounds, in 1998, 2001, 2004, 2007, and 2010.

An evaluation of the industrial agreement regime focusing on formal institutions alone would likely emphasize institutional continuity: the return to coordinated bargaining, the wage-setting role of the export sector, and the continued reliance on self-regulation. However, this would be to miss the truly important innovation in Swedish industrial relations of the past decade and the qualitative shift in the nature and functioning of collective bargaining. This has involved a decentralization and individualization of wage bargaining. Starting in the 1990s and codified in the practice of agreements after 1997, central collective agreements became thinner and more minimalist, establishing a set of principles and procedures for predominantly local bargaining and permitting wide discretion at the firm level. Central agreements might guarantee a wage increase, usually as a fallback provision in the event that a local agreement cannot be reached, or set a local wage pool accompanied by a set of general principles for its distribution. Bargaining institutions have come to function as mechanisms for permitting local variation involving not only decentralization to the firm level but also individualization within a given workforce as collective components declined as a proportion of the wage pool.[97]

In the most recent bargaining round, in 2010, only 29 percent of private sector employees benefitted from some form of general wage raise. For 55 percent of employees, the central agreement specified a local wage pool but left it up to local bargaining to negotiate its distribution. For the remaining 16 percent of employees, the central agreement specified no local wage pool at all, though in most cases it provided for some minimum guaranteed increase in the event of a failure to reach agreement at the firm level.[98] In the state sector, 38 percent of employees had their pay determined by local bargaining with no specified wage pool or minimum guaranteed increase whatsoever, with the remainder still determined by local bargaining but with some form of minimum guaranteed increase.

Thus the reemergence of coordinated, multisectoral bargaining in Sweden since the late 1990s has gone hand in hand with a fundamental decentralization and individualization of bargaining to the firm level. This outcome is mitigated to some degree by the organizational strength of labor, such that unions remain highly influential in wage determination. Yet even the extent to which class organization can counteract institutional transformation is tempered by recent developments, including a decline in the coverage and vitality of workplace union clubs,[99] a decline in overall union density, down from its peak of 85 percent in the mid-1980s to 73 percent, in 2007,[100] and changes to the Ghent-type unemployment insurance system, introduced by the Bourgeois coalition government elected in 2006, which pose a serious threat to Swedish unions.

All this suggests that in many places the role of unions will be one of "monitoring" the implementation of workplace agreements rather than doing the actual negotiating.[101] As such, recent developments in both institutional functioning and organizational capacity constitute a neoliberal turn for Swedish industrial relations.

### *4.6. The Irish Social Partnership: Planting the Seeds of Its Own Demise?*

Ireland is traditionally considered a "liberal market economy":[102] workers are organized by craft and general unions, collective bargaining agreements are not applicable outside of the union sector, and the regulatory framework is one of voluntarism. Yet the structure of collective bargaining has been strongly centralized in the past twenty years. The resulting "Irish social partnership" lasted from 1987 to 2008. It underpinned a period of rapid economic growth that radically transformed the country from basket case to "Celtic Tiger."

At the time social partnership was first put in place, Ireland was undergoing a serious financial crisis, with public deficit and public debt both out of control, growth stagnating, and unemployment on the rise despite a large increase in emigration. The government in power was a minority government, that is, did not have the formal parliamentary majority needed to pass a host of unpopular fiscal adjustment reforms aimed to cut public expenditures and restore public sector balance. At the center of its adjustment strategy was a pact with the main trade union confederation, the ICTU.[103]

The pact was successful and social partnership—renewed every three years through centralized negotiations—became the cornerstone of economic policy in Ireland. There were eight centralized agreements in succession. The main terms of the deals remained constant: against the backdrop of monetary and fiscal conservatism, wage moderation was exchanged for a reduction in personal taxation. Wage moderation allowed the accumulation of sizeable competitiveness gains until the early 2000s, particularly in the more dynamic and internationalized manufacturing branches dominated by multinational companies. This stimulated investment, including foreign direct investment, and, particularly from the mid-1990s on, led to strong employment growth.[104]

The Irish unions did not fare particularly well under social partnership. The employers constantly rejected the unions' demands to introduce statutory recognition provisions.[105] There was a lot of talk in these years about the extension of partnership at the workplace level. However, all measures that were taken remained purely voluntary. In fact, the Irish unions experienced a dramatic decline of density rates in the social partnership years: from 53 percent in 1987 to 35 percent in 2007 (32 percent according to survey-based data).[106] The declining trend was larger than for unions in the United Kingdom (from 44 to 29 percent over the same period), despite the much greater institutional "embeddedness" of the Irish unions than their British counterparts.

In addition, the unions were unable, and perhaps even unwilling, to use the social partnership format to move the Irish welfare state away from its liberal, "residualist" tradition characterized by heavy reliance on means-tested provisions and flat subsistence rates.[107] Public social expenditures as a percentage of GDP declined from 21 percent in 1987 to 16.7 percent in 2005, the last year for which data are available.[108] As part of the social partnership model, the "social partners" jointly elaborated a model of "developmental welfare state" that was supposed to reconcile the imperative of economic competitiveness, which was deemed vital for a small open economy, with the need for a social safety net.[109] With its emphasis on activation and human capital development the model drew inspiration from the Danish and Dutch systems of flexicurity,[110] with one important difference: unemployment insurance replacement rates were much lower in the Irish than in the Danish and Dutch models (24 percent vs. about 90 percent).[111]

The Irish social partnership produced for some time one key winner (in addition to capital): the public sector employees. Although wage moderation was rigidly enforced in the private sector, public sector employees benefited not just from wage increases issued centrally and applied across the board, but in the 2000s also from special awards based on "benchmarking exercises." These were intended to ensure pay comparability for similar jobs between the private and the public sectors. The result was that by 2006 the wage gap between public and private sectors was in the order of 22 percent in favor of the former, controlling for human capital and other characteristics, and was even greater for lower-skilled jobs.[112]

Wage developments in the public sector began to have systemic effects on the Irish economy from the early 2000s on. In fact, unit labor costs declined steadily until 2002 but then began to rise again afterward.[113] In the 2000s a large real estate bubble developed in Ireland, even more than in other countries. This was due to two developments. First, with the onset of the European Monetary Union, monetary policy became highly expansionary in Ireland, an area of higher relative price inflation, in which real interest rates were lower than elsewhere in the euro area. Second, the major Irish banks expanded dramatically their balance sheets to finance the real estate boom.[114] Differently from the United States and other countries, subprime lending and asset-backed securities played no role in the Irish banking crisis of 2009: this was entirely determined by old-style mortgage finance.[115]

When the bubble exploded in the late 2008, the Irish economic policy makers discovered to their dismay that twenty years of social partnership had led to a structural deterioration of public finances. The need to constantly lower personal income taxes to reward the unions' wage restraint had led to a severe shrinkage of the tax base and to the progressive substitution of income tax receipts with stamp duties and other forms of property-related taxes.[116] When the crisis led to the plummeting of real estate prices, a huge gap opened in the Irish public finances.

In these circumstances, the social partnership approach proved dramatically inadequate and was unceremoniously jettisoned by the government. To regain the confidence of international markets, the government had to implement a drastic program of fiscal retrenchment in a very short time. This time the unions were expected to deliver not just real wage restraint as in the past but nominal wage cuts. This would have been a first in the history of centralized wage bargaining, and the unions were unwilling to let it happen.

Many private sector companies used the "inability to pay" clause of the national agreement to either freeze wage increases or even implement nominal pay cuts. For the public sector, however, no such clause was available, and government imposed first a 7.5 percent special pension levy, amounting to a unilateral pay cut of equivalent amount, and then nominal wage cuts of 1 billion euros, again unilaterally.[117]

At the time of writing, social partnership seems dead and the unions are weighing their options, which include a return to "free-for-all" (i.e., decentralized) bargaining as in the 1980s or even a new strategy of grassroots activism. However, their organizational strength and mobilization capacities are markedly lower than twenty years ago when social partnership first started. Also, and perhaps more importantly, their calls to industrial action have so far managed to mobilize the public sector but have met with unusual hostility elsewhere in Irish society.

## 5. Weighing the Evidence

Arguments trying to assess whether national industrial relations systems are stable or fundamentally changing, and if so if they are converging toward one another, run the risk of falling into what logicians refer to as a "sorites paradox."[118] The "sorites paradox" was first attributed to an ancient Greek philosopher, Eubulides from Miletus. It was stated in various equivalent forms, one of which had to do with a man losing his hair: "Would you say that a man with an arbitrarily high number of hairs on his head is hirsute?" "Would you also say that if a hirsute man loses one hair he is still hirsute?" It would be natural to admit the truth of both propositions, but then one would also have to admit, by repeated application of the second premise, that a man who has lost a very large number of hairs is still hirsute.[119] The deduction is perfectly legitimate by the standards of classical logic, as it only involves *modus ponens* ("if p then q," but "p," then "q") and the chaining together of individually true propositions, yet it stands in sharp contrast with common sense.[120]

The paradox applies to all propositions involving slow accumulation or depletion of a particular quality, including propositions such as "an industrial relations system in which a number of companies defect is still fundamentally stable." It is widely acknowledged that the origin of the paradox lies in the vagueness of natural language, which does not permit the precise identification of the boundaries within which a predicate applies. Artificial languages eliminate this kind of paradoxes by introducing predicates with sharp cutoff points at which the propositions' truth values shift from true to false, such as when a diabetic patient is defined in medical language as somebody with a blood sugar of more than 7 mmol/l.[121] Such cutoff points may, however, be somewhat arbitrary, and everyone may not be willing to agree on them. In the absence of sharp cutoff points, trying to determine the truth status of soritical propositions such as the ones reported above is inherently flawed: when looking at what philosophers of language call the *penumbra*, that is, a state where it is not patently clear which predicate should apply, one observer may consider that the balding man has not fundamentally changed his hirsute status and another that it has. In this case the only nonarbitrary thing to do is to try and assess the direction of the process without seeking to decide the truth value of the soritical proposition. The question becomes, is the man in question losing or gaining hair?

The quantitative data presented in section 3 lend themselves rather nicely to the definition of a sharp cutoff point for convergence. We would say that industrial relations systems are converging if the standard deviations of the two factors identified above, macrocorporatism and industrial conflict, are significantly smaller at $t_2$ relative to $t_1$, that is, if the distribution becomes less disperse over time. Table 2 reports the relevant *t*-tests. Between 1974–89 and 1990–2005 industrial relations systems reduced not only their levels of conflict on average but also their dispersion around the mean as testified by the significant reduction in the standard deviation. In this regard, developments in Italy, Ireland, and the United Kingdom, three countries that score high on the industrial conflict factor at $t_1$, are particularly impressive, as by $t_2$ these countries were in line with the average of other countries. No such converging trends are apparent with regard to macrocorporatism, however. Here the mean declined, albeit insignificantly, but the standard deviation increased significantly over time, suggesting growing divergence in institutional form. Thus, quantitative indicators suggest that there has been convergence over time on a model of union quiescence but that advanced countries have continued to differ greatly, and even increasingly, with regard to their degree of macrocorporatist institutionalization (see Table 2).

If the quantitative evidence suggests persistent, and even growing, institutional divergence, why do we insist on using the language of converge then? The answer is that the currently available quantitative indicators are at best apt to capture liberalization qua institutional deregulation but have little to say about liberalization as institutional conversion, that is, the transformation of institutional function despite formally

**Table 2.** *t*-Tests of Period Differences in Macrocorporatism (Factor 1) and Industrial Conflict (Factor 2; means and standard deviations of factor scores, fifteen countries)

| | Mean of indicators | | |
|---|---|---|---|
| | Obs. | Macrocorporatism (factor 1) | Industrial conflict (factor 2) |
| 1974–89 | 16 | 0.0113592 | 0.400895 |
| 1990–2005 | 16 | −0.0121245 | −0.3783628 |
| Difference ($t_1$–$t_2$) | | 0.0234837 | 0.7792578*** |
| | Mean of yearly standard deviations | | |
| | Obs. | Macrocorporatism (factor 1) | Industrial conflict (factor 2) |
| 1974–89 | 16 | 0.967117 | 1.094692 |
| 1990–2005 | 16 | 1.069254 | 0.5411182 |
| Difference ($t_1$–$t_2$) | | −0.1021371*** | 0.5535734*** |

***$p < .01$.

unchanged institutional structure. The six countries reviewed certainly reveal an impressive diversity of institutional forms and paths of institutional evolution, but there seems to be a common directionality behind the national peculiarities. In France, the key problem was to ensure that workplace restructuring retained a shade of legitimacy in the eyes of the rank and file whose active collaboration was rendered necessary by the new forms of work organization. Given the endemic weakness of French trade unions at the workplace level, the state stepped in to literally create ex nihilo new collective actors who would negotiate and legitimize workplace change. At the same time, the state extended the possibility of derogation from legal and contractual rules and in so doing increased the heterogeneity of the various workplace-based regulatory systems.

In the United Kingdom, the industrial relations system was deregulated and liberalized by Conservative governments in the 1980s through a combination of labor law reforms, restrictive macroeconomic policy, restructuring, and privatization of public services. The United Kingdom is the clearest example among our cases of where the institutions of industrial relations themselves were wholly reconstructed, involving the destruction in quite short order of an existing system of collective regulation and its replacement by a largely individualized system of industrial relations. The Labour governments that followed did not fundamentally alter the legislative and policy framework of the previous regime, but simply adjusted it at the margin it by strengthening the workers' individual rights in the workplace through legislation. No attempt was made to also strengthen collective rights, with the exception of the introduction of statutory provisions for union recognition. Even this right to organize was, however, interpreted in liberal terms as a compromise between positive and negative freedom (the latter implying the freedom not to join trade union) and was subordinated to obtaining a majority in workplace elections (similar to the U.S. case).

In Germany all indicators point to a severe erosion of the system of collective regulation. Collective bargaining coverage and membership in trade unions have declined. Employer associations, traditionally the bulwark of the German model, although also declining, have been able to fare marginally better than unions because they have allowed firms to retain their membership without having to abide by the wage rates negotiated at the industry level. In addition a number of practices, both legal and illegal, have further decentralized collective bargaining to the firm level and allowed firms to opt out of collective bargaining provisions.

Even in the three countries, Italy, Sweden, and Ireland, that at first sight seem to buck the trend, having experienced a recentralization of collective bargaining, the new centralized institutions have different features and, more importantly, very different functions from the past. The type of centralized bargaining that emerged in Italy in the 1990 was an emergency corporatism intended to help governments drive through a host of largely market-conforming and strongly unpopular macroeconomic, social policy, and labor market reforms. It should have been accompanied by the further extension of a dual system of collective bargaining at the company and industry levels, but the plant-level extension of bargaining never materialized because trade unions were too weak to pull it off.

In Sweden, the collective bargaining system was recentralized in the late 1990s through a renaissance of multi-industry bargaining, the extension of compulsory mediation practices, and the introduction of cooling-off periods. However, the new coordinated bargaining featured a minimalist role for the center, whose main function became that of issuing broad guidelines, and a much greater role for decentralized and even individual bargaining than was ever the case in the heyday of the "Swedish model."

Perhaps the clearest example of the new role and function played by centralized bargaining is provided by the Irish case, where the centralized bargaining of the 1990s and 2000s had few of the redistributive and public sector expanding features of classic corporatism. It rewarded the unions' wage restraint with constant cuts in personal taxation and in so doing allowed the Irish economic authorities to pursue successfully (at least for some time) what was essentially a "beggar-thy-neighbor" strategy in which wages growing systematically less than productivity led to increased competitiveness and hence larger export and FDI shares. This strategy came to an abrupt end with the financial crisis of 2008–9, which left the Irish unions organizationally weak and in strategic disarray.

We would argue that the basic thrust of developments in the industrial relations systems of advanced capitalism, involving the generalized weakening of unions or even the substitutions of unions with other collective actors, the erosion of bargaining coverage and the transfer of ever more regulatory matters to the firm level, and the increase in the heterogeneity of negotiated provisions to match a similar heterogeneity in market conditions, is unequivocally neoliberal in character despite differences in institutional form. In three of our cases, the British, French, and German, industrial relations liberalized primarily through a process of institutional deregulation, in which the form of institutions clearly changed; old institutions disappeared or were subject to erosion, and new institutions appeared. Those institutions were more decentralized and decollectivized than before. In our other three cases, Ireland, Italy, and Sweden, industrial relations liberalized more through a process of institutional conversion than institutional deregulation; centralized or coordinated bargaining institutions were reengineered to enable neoliberal policy orientations, wage restraint (defined not simply as nominal wage moderation as in the heyday of corporatism, but as real wages growing systematically more slowly than productivity), and greater firm-level autonomy within formally coordinated or centralized bargaining systems.

Our cases provide ample evidence that institutional change has not emerged out of spontaneous market processes, or even as the result of bargaining among class actors alone, but that states have acted as the midwives of institutional change as both deregulation and institutional conversion. In fact, states have unique and distinctive capacities, ones not possessed by interest organizations, when it comes to the construction and embedding of institutions. These include the ability to enforce and systematize institutional change, narrate an authoritative interpretation of crisis, solve the collective action problems of private actors, create and legitimize new actors, and anticipate and craft alliances among private actors.[122] Although neoliberalism ultimately advocates the retreat of the state and the exclusive use of the market to regulate social relations, it requires active state intervention to bring the required changes about. In addition, the state and other nonmarket mechanisms are in some cases mobilized to produce outcomes, such as generalized wage restraint, which the market per se would be unable to produce but which are nonetheless consistent with the overall framework. Thus our evidence takes issue with the notion that neoliberalism is compatible only with one particular institutional set (the archetypal deregulated LME); rather, neoliberalism is a protean project, compatible with a wide range of institutional forms.

## 6. Concluding Remarks

This article has argued that a common imperative of liberalization is changing the landscape of industrial relations along a similar trajectory. This does not mean that countries have necessarily converged in institutional form—there is still variety in the institutional physiognomy of national industrial relations systems—but that, even when this did not happen, existing (nonconvergent or even divergent) institutional forms have modified their functions in a convergent direction. That common direction in the form and functioning of industrial relations institutions is toward greater employer discretion. Liberalization as institutional deregulation is predominant in three of the countries in our sample: France, Germany, and the United Kingdom. In the other countries, Ireland, Italy, and Sweden, liberalization has primarily manifested itself as institutional conversion: centralized bargaining, once the linchpin of an alternative, redistributive and egalitarian, model of negotiated capitalism, has been reshaped to fit the common imperative of liberalization.

We have not examined the causal factors underlying the common trajectory, and the reasons why liberalization manifests itself more as institutional conversion than institutional deregulation in some countries and vice versa in others. To return to Eubulides from Miletus and the example of the balding men, we would be happy to have established one simple fact, which is by no means the common knowledge in the field, that is, that all "men" in question are losing hair, and to leave determination of the causes of baldness and of the different ways they comb their remaining hair to future research. However, a brief comment is in order with regard to causes.

As a distinguished tradition from Marx to (most recently) Streeck has emphasized, capitalism is inherently dynamic and unruly, never at rest, and certainly not well captured by notions of stable equilibria, path dependence, coordination problems, and neat institutional regulation. One can nonetheless point to a comparatively brief period following the Depression and Second World War when a combination of changed needs on the part of the dominant Fordist element of capital and a new balance of class forces, built largely on the weight of the industrial labor force, produced a temporary and fragile class compromise. The industrial relations systems of advanced capitalist countries that became formalized during this period reflected that compromise and served to limit employer discretion in substantial and important ways. That class compromise collapsed as changes in production strategies, an acceleration in the process of economic restructuring following from the deindustrialization and financialization of capitalist economies, and enhanced competitive pressures resulting from heightened international economic integration and greater capital flows across national borders, combined to simultaneously change the interests and relative power of class actors and to create a new set of urgent problems for state actors.[123]

To a certain extent the breakdown of the Fordist class compromise, and the institutional transformation that has followed, reflects deindustrialization, and the reduced centrality to the economy as a whole of the manufacturing sector, which served as the point of origin of these distinct national industrial relations systems. But more profoundly, the capitalism that has emerged has put a far higher premium than before—for the manufacturing sector as much as for the now dominant service sector—on flexibility and the ability of employers to respond rapidly and in a differentiated manner. This is what Harvey nicely terms "flexible accumulation," and it is this that makes the expansion of employer discretion a universal feature of the current period.[124] These changes in the character of contemporary capitalism have manifested themselves in different ways across our cases, and to be sure their severity and scope have varied. But the common result has been to make the attachment of class actors to existing industrial relations institutions much weaker, to create pressures for institutional reconstruction, and to provoke broad reform projects on the part of states.

What has then followed has not been an automatic or lockstep reconstruction of industrial relations institutions. Institutional change requires political action and is more often than not accompanied by conflict. The parameters of political struggle vary wildly from country to country. That is one reason why profound changes in the economic environment have not necessarily generated a frontal assault on existing industrial relations institutions, though there is evidence of some of this in our cases. Nevertheless, our evidence indicates that, whatever the precise mechanism of change, industrial relations have been transformed in a similar neoliberal direction, toward greatly enhanced employer discretion.

This argument in turn raises questions about the centrality accorded to institutional analysis in explaining the functioning of capitalist political economies. Institutions matter, certainly, but their causal primacy is less important than scholars have suggested. More important seems to be the force field within which institutions operate: the economic and class drivers that shape how institutions function.[125] This is of particular importance within industrial relations where the class cleavage remains predominant, and thus changes in the relative organizational and mobilizational capacity, and in the perceived interests, of class actors are likely to overwhelm the mediating ability of institutions and facilitate either their reconstruction or their reengineering.

## Appendix

### *Data*

***Tripartite Policy-Making Index.*** Based on Lucio Baccaro and John-Paul Ferguson's coding of monthly articles from the *European Industrial Relations Review* for Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Sweden, and the United Kingdom.

Based on the Visser database (various variables)[126] for Australia, Canada, the United States, and Finland until 1991.

Coding rules: for each country, year, and month:

Tripartism = 0 if there is no pact in place
Tripartism = 1 if there is a pact in place on (labor market OR welfare issues)
Tripartism = 2 if there is a pact in place on (labor market AND welfare issues) OR a national tripartite pact on wages
Tripartism = 3 if there is a pact in place on (wages AND welfare issues) OR (wages and labor market issues)
Tripartism = 4 if there is a pact in place on (wages AND welfare AND labor market issues)

The following weights are used:
1 if (ALL unions AND ALL employer organizations) have signed the pact
0.75 if (ALL unions AND SOME employer organizations) OR (SOME unions AND ALL employer organizations) have signed the pact
0.5 if (SOME unions AND SOME employer organizations) OR (ALL unions) OR (ALL employer associations) have signed the pact
0.25 if (SOME unions OR SOME employer associations) have signed the pact
Monthly scores are averaged on an annual basis

*(continued)*

## Appendix (continued)

*Wage Bargaining Coordination Index.* Index of collective bargaining coordination elaborate by Lane Kenworthy and updated to 2005 by the authors.[127] The index is coded as follows:

1 = Fragmented wage bargaining, confined largely to individual firms or plants.
2 = Mixed industry- and firm-level bargaining, with little or no pattern setting and relatively weak elements of government coordination such as setting of basic pay rate or wage indexation.
3 = Industry-level bargaining with somewhat irregular and uncertain pattern setting and only moderate union concentration.
4 = Centralized bargaining by peak confederation(s) OR government imposition of a wage schedule/freeze, without a peace obligation OR informal centralization of industry- and firm-level bargaining by peak associations OR extensive, regularized pattern setting coupled with a high degree of union concentration.
5 = Centralized bargaining by peak confederation(s) OR government imposition of a wage schedule/freeze, with a peace obligation OR informal centralization of industry-level bargaining by a powerful, monopolistic union confederation.

*Union Density.* Data are based on two sources, which mostly coincide: the OECD.stat database and Jelle Visser's database on industrial relations indicators.[128]

*Collective Bargaining Centralization.* Data are based on the Golden-Wallerstein-Lange's database (variable barglev2) and have been updated using the Visser database (variable level).

*Conflict Rate.* Data are extracted from the International Labour Organization (ILO) Laborsta database (days not worked due to strikes and lockouts, variable 9C) and have been normalized by OECD data on the size of civilian employment. In the case of France, the totals of localized strikes (the call to strike originates from the enterprise), general strikes (the call to strike originates from outside the enterprise), and public sector strikes have been added. As a result French data are available only between 1982 and 2001, while they are available for longer periods (generally until 2007–8) for the other countries. There has been a debate in France on the limitations of official strike statistics, which purportedly severely underestimate the extent of workplace conflict, particularly in the private sector.[129] It is argued that most episodes of conflict last only a few hours and therefore escape the notice of labor inspectors who should be registering them. However, similar limitations also apply to other countries, which also exclude from their statistics strikes of limited duration (as reported in the country notes to variable 9C of the ILO's Laborsta database). Thus, it is unclear that the degree of underreporting is systematically greater in France than elsewhere.

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## Notes

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## Bios

**Lucio Baccaro** (lucio.baccaro@unige.ch) is a professor of sociology at the University of Geneva, Switzerland. He has authored numerous articles on the comparative political economy of industrial relations and labor markets as well as on participatory and deliberative governance.

**Chris Howell** (chris.howell@oberlin.edu) is a professor of politics at Oberlin College. He is the author of numerous articles and two books on European industrial relations, labor politics, and comparative political economy, most recently *Trade Unions and the State: The Construction of Industrial Relations Institutions in Britain, 1890–2000* (2005).