Varieties of Labor Politics in the Developed Democracies

Kathleen Thelen

Introduction[1]

Industrial relations systems in the advanced industrial countries are experiencing serious new strains as a result of intensified market competition and adjustment pressures. More volatile international markets since the 1980s have intensified conflict with employers who are seeking greater flexibility through a retreat from uniform, national standards in favor of local bargaining on issues such as wages, working times, and work reorganization. Although expressed in different ways in different countries, two important and pervasive changes have occurred in the past two decades. The first involves widespread structural pressures by employers for more flexibility to respond to changing market conditions, sometimes though not always linked with a push for more decentralized wage bargaining. These structural pressures are in turn associated with a second, substantive shift in the content of bargaining, away from macro-economic steering and full employment policies of previous decades and toward greater emphasis on production issues. Both trends are related to broader developments (often subsumed under the rubric of 'globalization') and their combined effect has been to reorient labor politics in the advanced capitalist countries away from labor's traditional national distributional agendas toward employers' firm-level concerns with productivity and efficiency.

This essay explores the implications of these changes for labor and for labor scholarship through an examination of recent trends in industrial relations across several countries. I take issue with 'globalization' theories that view contemporary changes as part of a universal move on the part of employers to deregulate labor relations, and which attribute cross-national differences in outcomes primarily to the differing capacities of unions to resist these changes. Instead, I argue that recent trends in industrial relations are better captured through what the editors of this volume are calling a 'varieties of capitalism' approach that distinguishes different *types* of political-economic systems and explores the different institutional arrangements and behavioral 'logics' that sustain them. Contemporary changes are best understood not as movement along a continuum (deregulation culminating in convergence) but rather in terms of continuing and if anything increasing divergence between the 'coordinated' and 'liberal' market economies (Thelen 1996; Kitschelt et al. 1999; Iversen and Pontusson 2000).

Furthermore, I argue that the divergence in outcomes between the two types of economies at the macro level (in the structure of bargaining, in the overall position of labor) goes back to fundamental differences in the *micro-level* strategies pursued by employers as they respond to the new terms of competition. In the liberal market economies, employers' 'search for flexibility' (Boyer 1988) at the plant level has brought them sharply into conflict with overarching union structures. Here, collective bargaining institutions rested more on union strength than on employer organization and were always less encompassing than in the coordinated market economies. In the absence of complementary institutions (long-term financing and collective provision of skills, for example) employers falling within the purview of union-enforced mechanisms for labor regulation experienced these as constraining. As the deregulation literature suggests, they have taken advantage of the prevailing political and market climate since the 1980s to restore 'managerial freedom.' Even those employers who have sought to meet the demands of high-quality production with intensified cooperation with labor have done so in ways that clash with traditional union structures, pursuing strategies that sever the link between plant-based industrial relations and overarching institutions for the collective representation of labor. Thus, where organized labor has not been left behind altogether, employers have frequently demanded and won changes in union structures and rights that bring these in line with internal labor markets.

Things look rather different in the coordinated market economies. In these countries, employers have also sought (and largely achieved) changes in traditional bargaining institutions that give them greater flexibility in personnel and wage policy at the plant level. In these cases, however, overarching (sectoral) bargaining institutions have proved more resilient. The reason for this lies again in the connection between national collective bargaining structures and plant-level strategies. Here the joint regulation of labor markets is embedded in other institutional arrangements that have taken employers further in orienting their competitive strategies around high quality, high value-added production that depends on a high degree of stability and cooperation with labor (Streeck 1991; Hall and Soskice, this volume). In such countries, national-level bargaining institutions have been shored up not just by strong unions, but by employers who realize the extent to which the plant level cooperation that they seek with labor is *underwritten and sustained* by the collective management of labor markets above the plant level.

While illustrating the analytic leverage afforded by the 'varieties of capitalism' approach elaborated in this volume, I also advocate further development of this approach, focusing especially on two issues that have not received sufficient attention in this literature. The first is the *alternative logic* of employer strategies in the liberal market economies. The dynamics of LMEs have been explicitly outlined for some areas (e.g., especially technology policy, see Soskice 1996), but in the industrial relations literature, LMEs are more a residual category. Such systems are mostly characterized in negative terms, that is, in terms of what they lack (above all, employer coordination), rather than analyzed in terms of the alternative logic that animates them (see also Crouch and Streeck 1997, 8-9). This tendency is reminiscent of the corporatism literature of the 1970s, which heaped attention on a relatively small number of northern European countries, while other economies were defined more in terms of what these systems *were not* (namely corporatist) than what they were.

The second issue that merits more attention is the *political dynamics* behind non-market coordination in the coordinated market economies. Much of the literature in this area treats such coordination as a 'thing' that some countries have and others lack, when in reality coordination is a political process, and an outcome that has to be actively sustained and nurtured. The varieties of capitalism literature has given us powerful tools for understanding differences in the logic of employer strategies in different countries. But the language of equilibrium sometimes obscures the significant changes taking place even in the coordinated market economies, all of which are in fact in the midst of a fundamental renegotiation of the terms of coordination and in some cases of the political settlement on which it is based.

This chapter proceeds as follows. First, I address the continuing legacy of the corporatism literature and discuss the way that this has framed conventional understandings of the effects of globalization on labor unions in the advanced industrial countries. The traditional framework was essentially built around a continuum, in which cross-national differences were conceived as differences in degree ('more' versus 'less' corporatist countries) and in which, in consequence, change within countries over time was viewed in terms of movement along this continuum. Just as the traditional corporatism literature saw any decentralization of bargaining as a move away from corporatism and toward pluralist fragmentation, so too do many contemporary globalization theories equate decentralization with deregulation.

Second, against the traditional view, I set an alternative perspective that distinguishes the different logics of employer strategies within the liberal market economies and the coordinated market economies. I begin with an overview of developments across a wide range of advanced industrial societies, showing how employers in different contexts pursue similar goals through very different strategies, with radically different consequences for labor and for the collective regulation of labor markets generally. This is followed by a more detailed treatment of five countries -- Germany, Sweden, and Italy as examples of coordinated market economies, and Britain and the United States as examples of liberal market economies. The goal here is to trace in more detail the distinctive trajectories of change in the two types of systems.

The concluding section returns to the two issues flagged above, the alternative logic of employer strategies in the liberal market economies and the political dynamics that sustain non-market coordination in the coordinated market economies. While building on the varieties of capitalism framework developed in the introduction to this volume, I attempt to advance the debate a step further. For the liberal market economies, I argue that employers seeking to pursue high-quality production (and lacking the strong non-market coordination mechanisms that support this in the CMEs) often turn to strategies that involve internalizing skill formation and instituting various plant-based mechanisms for securing labor cooperation and peace. However, the lack of complementary institutions renders such strategies in industrial relations unstable, and employers more often than not fall back on the lower cost route of pure deregulation. For the coordinated market economies, I elaborate the political dimension of the institutional equilibrium described by the editors. By exploring the power relations on which different equilibria are founded, we can see that non-market coordination, far from being a self-sustaining feature of particular systems, in fact involves a political settlement and indeed one that has to be renegotiated periodically.

Against Convergence

Traditional conceptions of what industrial relations consist of -- and especially of what distinguishes different industrial relations systems from each other -- continue to exert a strong pull. Much of the contemporary literature implicitly embraces the underlying logic of the corporatism literature of the 1970s.[2] In particular, observed trends toward decentralization and flexibility are often viewed in very zero-sum terms, that is, decentralization is explicitly or implicitly equated with a general weakening of labor because it impinges on the ability of unions to establish and enforce uniform national standards. The globalization literature sees change in terms of a seemingly inexorable, inevitable slide toward deregulation, as high unemployment and increased capital mobility allow employers to dispense with strategies based on accommodating labor and instead to shop for the best (i.e., least restrictive, least expensive) labor regime. The result is a convergence theory that sees changes in the 'strong labor' countries as moving them in the direction of the weak labor countries in ways that are very reminiscent of the 'continuum' thinking of the corporatism literature.

These formulations, however, fail to make sense of observed trends, both at the cross-national level and at the level of individual countries. First, this literature's predictions of convergence and homogenization through competitive deregulation have simply not been borne out (Ferner and Hyman 1992; Hyman 1994; Berger and Dore 1996; Boyer 1996; Zysman 1996; Iversen 1996, 1999; Wallerstein, Golden and Lange 1997; Regini 2000). The deregulation literature appears to apply rather well to some economies, like the United States and Britain, where the decline of unions and of collective bargaining has continued unabated. But developments elsewhere are more complicated. Sweden and Denmark, for example, have abandoned peak-level negotiations but retained systems of highly coordinated multi-industrial bargaining. In Italy and Spain, the trend has been toward *centralization* not decentralization and the renewal of tripartite bargaining (Regini 1997; Regini and Regalia 1997; Pérez 2000).

Second, the causal connections at the heart of conventional theories are not borne out by the evidence. Against the idea that unemployment is what gives the employer offensive its momentum, we find that unions are more embattled in countries (such as the United States and

Britain) where unemployment is among the lowest in the advanced industrial world. By most conventional measures (union membership, for example), unions in much of continental Europe have weathered the crisis rather better than their Anglo Saxon colleagues, despite much higher levels of unemployment. Finally, against the common characterization of the crisis of industrial relations as a neoliberal employer offensive against embattled unions, we find that in countries like Germany, the tensions in traditional bargaining institutions go back not so much to union weakness but above all to a lack of *employer* solidarity (Thelen and Kume 1999a; Thelen 2000; Thelen and van Wijnbergen 2000).

These empirical anomalies underscore the need for a somewhat more decisive break with traditional concepts and categories. The alternative perspective developed in this essay is built on several observations that depart from the assumptions and the logic of the conventional model. First, and following Soskice and others, I take issue with conceptualizations that see industrial relations as an entirely zero-sum game between employers and unions. In fact in many settings employers need unions and find them useful in regulating competition among themselves, and -- nowadays, especially -- in ensuring peace and predictability on the shop floor. Second, I maintain that a dichotomous understanding of centralization and decentralization obscures important changes in the *relationship between* bargaining at the two levels. As I show below, in some economies, employers' goals in decentralized bargaining are not incompatible with -- indeed, in many ways they rest on -- continued coordination and negotiation at higher levels (Thelen 1991; Thelen 2000).

To set the context for the analysis that follows, I submit that a very important source of pressure toward ‘disorganization’ in industrial relations systems today goes back to the new terms of market competition rather than simply efforts on the part of employers to ‘get out from under’ union regulation. The received wisdom is that globalization -- understood mostly as capital mobility or the threat of exit -- has shifted the balance of power decisively toward capital. I do not wish to dispute this general claim; indeed there is much evidence to support this view, particularly in the liberal market economies. However, I want to suggest that there is another face to globalization, and one that in fact has rather different implications for labor relations. Increasingly integrated global markets have heightened the competitive pressures that many firms face. Where firms compete on the basis of quality and reliability in the context of just-in-time production, the capacity to adjust depends rather heavily on stable and cooperative relations with labor at the plant level. Recognizing this aspect of contemporary market relations is necessary to explain why in countries such as Germany and Sweden, employers are in fact extremely reluctant to undertake full decentralization, why they are ‘deathly afraid’ (as one German employer put it) of industrial conflict, and why some of their traditionally most potent weapons (above all the lockout) are looking increasingly obsolete.

To understand how this alternative face of globalization plays out cross-nationally, we need to focus on the link between employer strategies at the plant level and macro structural changes. For both the CMEs and the LMEs, changes in national-level institutions and processes have been driven in part by the changing interests of labor and employers at the *firm* level. To understand the nature of this link it is useful to begin with a distinction between 'collectivist' and 'segmentalist' strategies.[3] Very briefly, and in ideal typical terms, collectivist strategies involve the collective regulation of labor markets, and are generally sustained in large part through negotiations by highly organized employer associations and unified and encompassing labor movements. Collectivist governance of labor markets serves employers' interests in labor market stability through measures that dampen competition among firms for labor (especially skilled labor), coordinate wage formation, share the costs of skill formation, and monitor and punish poaching. 'Segmentalism' is another strategy designed to stabilize labor markets, but it is based on very different principles. Here individual employers attempt to shield themselves from competition over labor by erecting barriers to the outside labor market. This translates into measures such as internal career ladders, seniority wages, and company-based training.[4]

For firms whose competitive strategies depend on a high degree of social peace and cooperation with labor at the plant level, context matters everything. In the CMEs, where labor markets are regulated in a collectivist fashion, plant-level cooperation relies in important ways on continued coordination between unions and employers at higher levels. Collective bargaining above the level of the firm supports plant-level cooperation by ‘bracketing’ divisive distributional issues and ‘depersonalizing’ industrial conflict (see esp. Streeck 1996, 36). The mediating effects of bargaining outside the firm are particularly important where plant-level labor representatives enjoy extensive participatory rights. Studies have shown that in such contexts, local bargaining over wages undermines the constructive, efficiency-enhancing effects of plant-based codetermination (Freeman and Lazear 1995; Sadowski et al. 1995).

The situation is very different in LMEs such as Britain and the United States. Here we find widespread attempts to impose unilateral managerial control, and where there are attempts at fostering cooperation with labor, these are more often undertaken in conflict with (and directed against) unions. Here again, the context is decisive. In the LMEs, employers lack the coordinating capacities that characterize the CMEs (supporting standardized wages and the collective provision of skills, for example). They are thus more likely to try to stabilize their core workforce and to enhance peace on the shop floor through strategies built on strong internal controls -- in-house training and company-based participation schemes for labor, for example. Whereas collectivist strategies rely on encompassing unions and national bargaining structures, segmentalist strategies clash with both. This is why we find that where employers in LMEs are pursuing such strategies, it is frequently without unions (as in Japanese transplants, but also large companies such as IBM). Where deals have been struck *with* unions, they have frequently involved cutting the local union off from national-level bargaining structures and negotiating trade-offs -- typically, job security for a core workforce in exchange for internal labor market flexibility -- that conform to the dictates of segmentalism.

Contemporary Industrial Relations Systems: an Overview

Space does not permit a full survey of developments across the whole range of advanced industrial democracies (but see Thelen and Turner 1997). However, a cursory review reveals that if anything, the gap between the ‘liberal market economies’ and the ‘coordinated market economies’ is growing (see also Kitschelt et al. 1999; Iversen and Pontusson 2000). In the former, it is entirely appropriate to talk about a trend toward deregulation, including attempts to escape union regulation at all levels. The coordinated market economies, by contrast, appear to be seeking flexibility through controlled decentralization (not deregulation but re-regulation of various issues at lower bargaining levels), but along with a continued commitment to coordination (especially of wage bargaining) at the multi-industrial level (though less and less at the confederal level).

Moreover, one trend that appears to be common, cutting across both types of economies (CMEs and LMEs alike), is the growing importance of shop-floor bargaining, often combined with attempts on the part of employers to secure labor's cooperation in enhancing firm productivity and efficiency. In both the CMEs and the LMEs, this has been expressed in a strong preference on the part of employers for a reliable, responsible, and unitary bargaining partner at the plant level. However, in the LMEs this frequently translates into strategies that are specifically designed to undercut union influence or hold unions at bay.

The following sections consider broad, cross-national trends in two areas: the link between centralized and plant-level bargaining and shop-floor institutions.

The Link between centralized and plant-level bargaining

As noted above, analyses that posit a general trend toward deregulation through bargaining decentralization fail to capture important aspects of the *interaction* between centralized and decentralized bargaining. Where -- as in the CMEs -- employers possess institutions that facilitate coordination among themselves and where they (employers) confront strong unions, the attempt so far has not been to deregulate industrial relations, though we can certainly speak of a widespread trend toward a renegotiation of the relationship between centralized collective bargaining and local bargaining (Thelen 1996). Such a characterization would capture the gist of important changes in Sweden (where the shift from confederal to industry-level bargaining has been accompanied by changes allowing more room for plant-level flexibility, especially with respect to plant wage structures). But it would also capture the intent of reforms in Italy in the

1990s which went in the opposite direction – *recentralizing* bargaining but at the same time clarifying the link between central and plant-level bargaining and establishing the primacy of central contracts which lay down the parameters for local negotiations (Locke and Baccaro 1999). Rather than deregulation through decentralization, employers in these countries appear to be groping toward changes that will continue to capture the benefits of national coordination (which include dampening competition for skilled labor but also facilitating cooperation with labor on production issues at the plant level by explicitly bracketing distributional issues). But these efforts are combined with reforms that allow firms to adjust more flexibly to changes in market conditions through decentralized negotiations.

All of this, however, contrasts sharply with the recent experiences of the liberal market economies. In these cases, wage bargaining (less centralized and encompassing to begin with) has been further decentralized -- to the level of the plant if not the individual worker -- a process accompanied by a further weakening of unions, along often with the collapse of important employers' associations (e.g., the Engineering Employers' Federation in Britain). King and Wood (1999) have suggested why labor market deregulation recommends itself especially in the LMEs. Because employers' ability to coordinate among themselves is low and non-market regulation of labor is primarily a matter of union organization, employers do better by deregulating their relations with labor as well. Thus, we find in these countries not just a decline of union capacities, but also (further) erosion of employers' own institutions and capacity for collective action. This divergence is significant in light of the large literature that emphasizes the economic benefits (e.g., in the area of skill formation) that can flow from employer coordination, usually in the context of strong unions (Soskice 1990, 1991; Streeck 1992).

Shop-floor Institutions

A second theme that runs through recent developments in industrial relations across the advanced industrial countries is strong evidence of employers' increased interest in a predictable and constructive relationship with labor on the shop floor, linked to a distinct preference for a *unitary* bargaining partner at that level (Thelen 1996). This commonality cuts across very different political economies. For example, the strategy of some British employers to replace multi-unionism with single union agreements shares many similarities with Danish employers' goal of 'one company, one agreement' and with initiatives toward 'co-worker' agreements in some large Swedish firms, despite the very different institutional arrangements governing labor-management relations in these three countries. In both Denmark and Sweden, the national-level restructuring mentioned above has in fact been explicitly connected to plant-level initiatives designed to neutralize divisions on the shop floor that are rooted in national-level cleavages -- between white- and blue-collar representation (in Sweden) and between skilled and unskilled unions (in Denmark). Likewise in Italy, in the context of a series of major industrial relations reforms in 1993, employers insisted on rules for shop-floor representation that were designed to prevent further fragmentation of labor by strengthening the 'most representative' unions against growing challenges by new and often more militant local organizations (Locke and Baccaro 1999, 253-54).

Indeed, even in some cases in which firms have been on the attack against unions, employers have at the same time pursued policies designed to give them the stable and responsible interlocutor at the plant level that they think they need to adapt to changing market conditions. In Britain, for example, companies that have 'derecognized' unions nonetheless have sometimes allowed the old representatives to retain 'some form of representative and/or consultative rights.'[5] The same type of apparently contradictory policies toward local unions are on display as well in the United States. Those American employers who are not trying actively to avoid unions (and many that are) are often attempting at the same time to enlist labor's cooperation and participation in new forms of collective bargaining and 'cooperative' plant structures, although almost invariably in exchange for concessions in traditional union job controls (Turner 1991; Cutcher-Gershenfeld et al. 1996). Finally, several observers have noted that France leads the rest of Europe in the introduction of quality circles, a fact that is probably not unrelated to the collapse of unionism and the crisis of shop-floor representation there. Hyman (1994, 7) has even suggested that the extensive introduction of quality circles in France may be best understood as an effort ‘not to bypass... [but] to compensate for the lack of “normal” mechanisms of effective interest representation.’

This strong interest in promoting or preserving reliable, responsible, and wherever possible unitary bargaining partners at the local level is perhaps best understood in the context of the new strategic problems that employers face. These involve the need to manage ongoing adjustment to market conditions that are more volatile than ever before (Streeck 1987, 285). It appears that employers across a range of countries see cooperative relations at the plant level as a precondition for such adjustment, though differences in institutional starting points have led them to pursue this goal in different ways cross-nationally.

Summing up, the cross-national evidence does not point toward convergence across industrial relations systems, but rather, if anything, to a growing gap between LMEs and CMEs. Despite many differences among the CMEs, employers in general have (1) settled for or actively supported continued coordination (especially in wage bargaining) while at the same time in most cases (2) sought changes in the link between plant-level negotiations and industry-level bargaining that allow greater flexibility -- in plant wage structures and in work organization, for example -- to adapt to rapidly changing markets. The experience in these counties has thus been quite different from that in the LMEs, where employers have been more likely (1) to eliminate higher level bargaining structures altogether (in the process, dismantling their own coordinating capacities while attacking those of the unions), and (2) to drive unions off the shop floor entirely, or to force a radical renegotiation of organized labor's rights and role at that level.

Trajectories of Change in CMEs and LMEs

As we have seen, the broad distinction between 'coordinated' versus 'liberal' market economies represents a crucial (even if not perfectly 'clean') distinction that sheds considerable light on the very different patterns of industrial relations across the developed democracies. By identifying distinct types of systems that operate according to different logics, this approach gives us greater analytic leverage in explaining the lack of convergence in industrial relations, despite the putatively common trend toward globalization. In order to understand the different trajectories of change in the two types of economies, we need to delve deeper into recent developments in individual countries. Thus, this section reviews evidence from five cases -- Germany, Sweden and Italy as examples of coordinated market economies, and the United States and Britain as examples of liberal market economies. The idea is not so much to provide a full account of recent developments in each country, but to demonstrate in each case how micro-level strategies have affected the macro-level dynamics of change in the CMEs and the LMEs.

Germany

Cross-national studies have coded Germany as a paragon of stability (e.g., Wallerstein, Golden and Lange 1997) but such characterizations mask substantial tensions and also important changes within still stable formal institutions. The German system consists of multi-industrial 'pattern' bargaining, typically led by the Metalworkers Union (IG Metall). This system of coordinated wage bargaining has survived pressures by employers for more flexibility, though there has been an important shift toward the increasing importance of plant-level negotiations on other (non-wage) issues.

Struggles over flexibility in Germany date back to the 1980s, when a major conflict between employers and unions over working time reduction was resolved through a trade-off between lower overall working hours and more plant-level variation in working times. This compromise brought an end to a costly dispute in 1984, and it helped to avoid further strife in subsequent negotiations over working-time reduction. However, the terms of the deal activated previously dormant cleavages within key employer associations like Gesamtmetall (the association for metalworking employers). The working-time contracts turned out to be particularly expensive for small and medium sized firms (i.e., Germany's large and important *Mittelstand*), which had to absorb the costs of overall reductions in working hours, but were not generally capable of taking advantage of the compensating 'flexibility' clauses (Silvia 1997, 194-98). The result has been growing disgruntlement in the 1990s on the part of the *Mittelstand*, chafing against the domination of the large firms within Gesamtmetall.

These conflicts have intersected with new tensions within the employers' associations in the wake of unification. Given the substantial gaps in productivity between firms in the East and West, many eastern companies have stayed out of the employers' associations in order to avoid being bound to the wage and working time contracts they negotiate with the unions (Schroeder and Ruppert 1996; Silvia 1997). Defections are of two sorts and they are no longer limited to eastern firms. In some cases, firms opt out of the employers' association, sometimes to join new organizations that offer many of the benefits of association membership (e.g. legal assistance) but that are not parties to collective agreements with the unions. In other cases, member companies simply ignore the terms of the central bargain, certainly with the knowledge of the works council and often with its blessing. The combined effect has been to seriously weaken the coordinating capacities of associations like Gesamtmetall.

These developments have opened up a major debate within Germany on the appropriate balance between centrally bargained parameters and plant-level flexibility. The direction of change so far has been to shore up industry-level coordination by 'flexibilizing' central contracts, in the process delegating more bargaining competencies to plant-level works councils. This is in some ways a continuation of previous patterns (Thelen 1991), but flexibility clauses increasingly are used to address the concerns of firms that might otherwise exit national bargaining arrangements altogether. In extreme cases, flexibility has been extended to cover wages, where works councils (legally) have no independent jurisdiction. Thus, for example, in 1996 the chemical workers union agreed to an opening clause in the central contract that allows works councils in struggling firms to negotiate wage reductions of up to 10 per cent in exchange for employment guarantees. More often, however, central contracts delegate new bargaining responsibilities to works councils over other issues, leaving wages set at the industry level. For instance, a 1997 agreement in metalworking allows works councils and managers to negotiate deals that ease elderly workers out of the workforce on rather generous terms, in exchange for new hires.

In short, recent collective bargaining rounds -- in metalworking but more generally -- have moved in the direction of dealing with contemporary strains, both between unions and employers but especially within the employers associations themselves, through the flexibilization of central contracts and the delegation of new bargaining competencies to works councils. This has resulted in a partial renegotiation of the terms of coordination, but not the abandonment of industry-wide bargaining. Against conventional accounts, however, this outcome is not solely the result of unions' successfully resisting employers' push for decentralization. Instead, employers' *own interests*, as much as German unions' continued strength, accounts for the resilience of traditional bargaining institutions in Germany (Thelen and Kume 1999a; Thelen 2000).

In fact, a number of collective bargaining rounds in the mid- to late-1990s dramatically revealed the extent to which the competitive strategies that German employers are pursuing in the market have rendered them deeply ambivalent about abandoning sectoral bargaining arrangements. When (in 1995) the IG Metall initiated a strike in Bavaria -- a bastion of hard-liners and disgruntled *Mittelständler* -- it appeared that the union was in for an existential fight. However, while the union held together, the employers' militant strategy quickly collapsed as individual employers worried openly about the effects of a conflict on the cooperative relations they had painstakingly built with their works councils over the past years.[6] In the face of mounting resistance from within their own ranks, the employers association (Gesamtmetall) abandoned its hard-line position, and dropped its plans for a lockout. Even the unions were taken aback at how quickly employers settled (at a very high level of wages); the agreement was widely viewed as a 'catastrophic' defeat for Gesamtmetall. Employers publicly bemoaned the fact that they could not longer hold out against the union and argued that something needed to be done to redress the 'lack of parity' (favoring *labor*) in collective bargaining.[7] Subsequent skirmishes – in 1996 over sick pay, in the East German steel industry in 1998, and in the 1999 wage round – followed a similar script. Gesamtmetall now avoids conflict like the plague and speaks of trying to achieve its goals through a ‘new partnership’ with labor (Gesamtmetall 1999).

The rhetoric among German employers has been quite militant at times. However, at the end of the day, most of them would much prefer to reform the current system rather than dismantle it.[8] What employers clearly like about industry-level bargaining is the predictability and peace it sustains at the plant level. These are features that have if anything become more dear to them in the context of tightly coupled production and the need to deliver high-quality products on a just-in-time basis (Thelen and Kume 1999a). Industry-level bargaining removes divisive distributional issues from the shop floor and it provides a uniform and concentrated timetable for negotiations – thus protecting firms from disruptive rolling wage disputes (Streeck 1996).

For these reasons, German employers have been approaching the issue of bargaining decentralization very gingerly. Previous calls for a revision in the Works Constitution Act that would allow plant-level works councils to negotiate wages (under the current law, a right restricted to the industrial unions unless opening clauses in central contracts specifically allow local bargaining) have been all but abandoned. A recent report on workplace codetermination, adopted unanimously by a committee composed of representatives of labor and employers, argues instead that while works councils can be vehicles for ‘controlled flexibilization’ no changes in the law should be contemplated. The report explicitly acknowledges the ‘relief’ functions afforded by the (industry-level) collective bargaining contract, and argues that without it, 'cooperative relations between works councils and employers would be difficult to achieve.'[9] The tension within key employers' associations such as Gesamtmetall remains a serious threat to the system (Thelen and van Wijnbergen 2000). At this writing, however, the most striking feature of recent developments in Germany – in contrast to Britain and the United States – are the lengths to which most employers have been willing to go to manage new pressures for flexibility within traditional institutions.

Sweden

A great deal of attention has been devoted to the breakdown of the Swedish model, and situating this case within the varieties of capitalism framework can help resolve ongoing debates about whether Sweden is exceptional or exemplary.[10] The central feature of what was known as the 'Swedish model' was the highly centralized (confederal-level) system of wage bargaining and the labor movement's policy of solidaristic wages, which had resulted in a substantial narrowing of wage differentials across the national workforce. As the comparative literature of the 1970s emphasized, these structures and policies helped to dampen inflation in the 1950s and 1960s and to promote the movement of Swedish firms out of low productivity sectors and technologies and into more efficient and productive technologies and industries.

Developments in the late 1960s and early 1970s, however, put new strains on the system and contributed to the eventual breakdown of the Swedish model (see esp. Pontusson and Swenson 1996). First, the less productive public sector, which had been excluded from solidaristic wage policy as it was originally conceived, demanded and won agreements that brought its workers' wages in line with those of the higher productivity private sector. Second, early solidaristic wage policy focused only on intersectoral wage disparities and did not touch differences between skilled and unskilled workers. However, in the late 1960s, unskilled workers were able to use their political power within the central union confederation (LO) to win new clauses in central contracts that would compensate them for skilled workers' previous year's wage drift. These clauses resulted in an overall, institutionalized ratcheting up of wages, as wage drift in manufacturing rose in the 1980s to 50 per cent for both white and blue collar workers (Elvander 1997, 13). Apart from their inflationary effects, these developments complicated national level wage bargaining because negotiators had to adjust their positions and adapt the bargain to take account of anticipated plant-level drift.

These changes in the meaning and scope of solidaristic wage bargaining contributed to a revolt on the part of employers in key industries against peak-level bargaining. In 1983, the employers' association for the metalworking industry (*Verkstadsföreningen*, now *Verkstadsindustrier*, VI) withdrew from confederal negotiations and struck a separate deal at the industry level (with the Metalworkers Union, Metall) that traded more generous wage increases for an elimination of the clauses that linked skilled and unskilled workers' wages. Some of the organization's most influential members -- firms like Ericsson, Volvo, and ABB -- saw this as a first step toward full decentralization of bargaining to the company level.

However, events in the 1990s stabilized industry-level bargaining and have even promoted a degree of re-centralization on new terms.[11] First of all, it became clear that VI was quite isolated within the employers' confederation, SAF. Whereas VI sought to push negotiations down to the company level, most of the other sectoral associations were content to stop at industry-level bargaining. Second, it turns out that full decentralization was controversial even within VI, as the organization's smaller firms expressed a strong preference to preserve collective negotiations at the industry level. Third, the radicals within VI encountered stiff resistance to their drive for full decentralization, even from unions that on the surface might have appeared easiest to coopt.[12]

Most consequentially, however, events of the mid-1990s revealed the pitfalls of full decentralization in a context in which employers have become increasingly vulnerable to industrial strife (and in which, as in Germany, unions' capacity to organize strikes remains high). In 1995, negotiations in the Swedish engineering industry were disrupted by an abrupt and very high settlement by employers and unions in the (then booming) paper and pulp industry.

Confronted with demands by the engineering workers' union (Metall) for a similar wage increase -- backed up with overtime bans and strike threats -- VI could not resist the pressure to settle. As Elvander (1997, 49-50) notes, lean production and just-in-time scheduling had rendered engineering firms extremely sensitive to disruptions in production, and so they were 'unable to use their strongest weapon, the big lockout, without hurting themselves' (see also Kjellberg 1998, 91, 95ff).

The events of 1995 underscored the disadvantages of uncoordinated bargaining, and thus set the scene for a broader accommodation between unions and employers across the entire industrial sector. In 1996, eight major employers' associations responded to an invitation by their counterpart unions to engage in joint negotiations over wage formation and mediation procedures.[13] The result, less than a year later, was a new 'Agreement on Industrial Development and Wage Formation' designed to support 'constructive negotiations' and to avoid 'the need to resort to industrial action' (March 18, 1997, Appendix A, paragraph 1). The Agreement provides for an impartial chairman to accompany industry-level wage negotiations and to facilitate peaceful compromise. The new framework also supports coordination in bargaining across the export sector as a whole (also between blue and white collar unions), though importantly, not a return to confederal bargaining (something that both employers and unions in manufacturing oppose).[14] For the unions, but especially for Metall, the Agreement marks the abandonment by VI of its earlier efforts to push for full decentralization, thus ending years of struggle in this key industry over the structure of negotiations. Employers, for their part, praise the new conflict mediation procedures that lie at the center of the Agreement and that they see as crucial to managing their heightened vulnerability to strikes.

The Swedish case thus provides another good illustration of how the strategies of employers at the plant level can affect relations with labor and bargaining structures at higher levels and vice versa. The dramatic events of the early 1980s did not turn out to be the first step in a full-fledged decentralization of industrial relations. Indeed, employers' new-found interest in mediation and recent agreements with labor make it quite clear that Swedish employers do not think they can get what they need through deregulation. The overall result in Sweden is not a breakdown of coordination though there has been a fundamental renegotiation of the terms of coordination -- from national-confederal bargaining to a more flexible system of coordinated multi-industrial bargaining -- along with increased reliance on mediation to achieve compromise without industrial strife.

Italy

Italy is often seen as an ambiguous case in the varieties of capitalism literature. However, when it comes to industrial relations, the trajectory of change parallels developments in the CMEs much more closely than those in the LMEs. As in Germany and Sweden, we find in Italy evidence of a renegotiation of the relationship between national-sectoral and plant-level bargaining, although in this case these developments have involved important elements of *recentralization*, especially in wage bargaining.

The fragmentation of Italian unions along ideological lines is well known, and this certainly distinguishes Italy from the other CMEs considered here. However, while relations among the three competing union confederations deteriorated at the national level in the 1980s, labor organizations continued to work with one another and with employers at the local level (Regalia and Regini 1995, 131). As Ferner and Hyman (1992, 591) put it: 'the importance of company-level accommodations was increased following the splits between the main unions in 1984, which disrupted not only interconfederal relations but also national sectoral bargaining.' Local cooperation and accommodation might not have persisted where, as in Britain, the cleavages that separate unions are directly 'activated' by production reorganization (which precipitates jurisdictional disputes among craft unions). The fact that Italian unions divide along ideological rather than skill or job lines may thus help to account for why 'workplace trade union unity has often proved resilient even in the case of national disagreements' among the main union confederations (Ferner and Hyman 1992, 543-44).

The persistence of local cooperation during the 1980s is cited as an important factor in preventing a major assault on unions in Italy (Regalia and Regini 1995, 159). Regalia (1995, 224-25) has noted that since the mid-1980s Italian managers assigned works councils more and more consultative functions. She suggests that ‘many councils were to a large extent sustained by a growing managerial need to find effective and not too expensive ways to obtain greater and more active worker consent.’ Among the positive functions with which managers credit Italian councils are that ‘they facilitate internal communication at lower cost than separate managerial channels and programs, they help settle individual and collective grievances, and they operate as a feedback mechanism on the operation of middle management’ (Regalia 1995, 236). Moreover, as Regalia (1995, 236) notes, ‘Case studies of industrial readjustment in the 1980s have shown that the existence of active and well-rooted councils made innovation and reorganization of production easier for firms while making the management of redundancies and changes in work practices less traumatic for employees.’ It is important to note that this is not merely a case of employer cooptation. In fact, ‘personnel managers of multi-plant companies pointed out their preference for strong and even militant councils that are the undisputed leaders of the workers, as compared to representative bodies that are weak and poorly supported. In the former case, joint decision-making, through consultation or collective bargaining, would lead to much more reliable and therefore in the end more efficient outcomes, while in the latter case, apparently more convenient results might easily turn into a bothersome waste of time’ (Regalia 1995, 236).

Continued cooperation at the plant level in Italy also appears to have provided a foundation for renewed national tripartism in the 1990s (Regalia and Regini 1995, 154; Locke and Baccaro 1999). In 1993 the government, unions, and employers reached an historic agreement that abolished the national cost of living index (*scala mobile*), instituted a loose incomes policy, and overhauled collective bargaining institutions.[15] Far from fighting recentralization, Italian employers strongly favored this move, among other reasons to secure wage restraint (Pérez 2000; Regini 2000, esp. 272-73). But as Locke and Baccaro (1999) point out, the reconfiguration of wage bargaining institutions at the national level was closely linked to the parallel renegotiation of the institutions for labor representation at the plant level, and the fate of the two sets of reforms are closely intertwined.

Italy's previous factory committees (*Rappresentanze Sindacali Aziendali*, or RSAs) had been dominated by the three main union confederations, but by the late 1980s these were increasingly facing challenges from autonomous unions and militant rank and file committees (COBAS) which among other things opposed the unions' egalitarian wage policies. The 1993 reforms replaced the RSAs with new unitary union structures (*Rappresentanze Sindacali Unitarie*, or RSUs) subject to new election rules. Two-thirds of the members are elected by a vote of all workers, but one-third of the members are to be appointed by the unions that are parties to the national industrial contract with employers. The one-third provision shores up the position of the three main union confederations. Importantly, this provision was included at the insistence of *employers* who wanted to make sure that there was a strong institutional link between bargaining agreements at the national and plant levels (Locke and Baccaro 1999, 253).

The precise nature of that link was also defined in the 1993 Accords. Previously, the relationship among the various bargaining levels in Italy had been unclear and contested (Regalia and Regini 1995, 135). In the reforms, Italian employers sought to limit local negotiations (an interesting reversal of the dominant trend in Europe, where employers have more often been pushing for less centralized negotiations and more local bargaining). At unions' insistence, the Accord specifically allows for continued local negotiations; however, it imposes restrictions on bargaining at that level and subordinates it to industry-level bargaining (Locke and Baccaro 1999, 247-48). In particular, pay increases are to be set at the industry level and in line with national tripartite discussions (taking account of the projected inflation rate) and company or local increases must be linked to productivity and other factors related to a firm's economic performance. In addition, the Accord established the primacy of sectoral bargaining by specifying that company bargaining should deal with matters 'different from, and not overlapping with' those issues that are regulated in sectoral agreements (*European Industrial Relations Review*, September 1993, 15-19).

The Cases compared: Signs of Convergence?

The conventional literature tends to emphasize differences between Sweden and Germany (with Sweden being coded as a case of institutional breakdown and Germany one of institutional stability; e.g., Wallerstein and Golden 1997), and to draw an even sharper distinction between these two countries and Italy. But a closer look at the dynamics of change reveals that all three cases involve a renegotiation of traditional institutional arrangements, the results of which have if anything brought them closer together. Most obviously, the move in Sweden away from confederal dominance and toward coordinated industry-level bargaining represents a shift in the direction of the German model (Thelen 1993; Pontusson 1997). Italy appears to be moving in that direction as well, albeit from a rather different starting point. Motivated by a desire to control inflation and reduce labor conflict, Italian employers pushed for changes that established the primacy of industry level bargaining over local bargaining on wages and strengthened the links between plant-based labor representation and national institutions by shoring up the main unions against their rivals at the local level.

There are also signs of at least partial convergence in plant-level relations as well. For example, in the past it was common to stress the differences between Germany's legalistic versus Sweden's more negotiated versions of codetermination (Thelen 1991). However, in Germany, there are signs that the specific legal rights that works councils enjoy under the law are receding in importance relative to the new *delegated* bargaining competencies they have acquired through industry-level bargains (a consequence of the trends cited above as well as the emergence of new problems that are not covered in the law). To the extent that German works councils are thus put in the position of negotiating over a wider range of issues (but not subject to conciliation because not covered in the law), this arguably brings their functions closer to that of Swedish shop stewards (and where the inability of Swedish local unions to strike is the functional equivalent of German works councils' 'peace obligation'). Italian unions, for their part, are still possessed of much weaker plant-level rights. However, the new RSU structure, as we have seen, was designed specifically to counteract union fragmentation and as such represents an attempt to move a step closer to unitary shop-floor representation of the sort found in Germany.

United States

The trend in U.S. industrial relations over the last several decades has been toward declining union influence at both the industry and plant levels. Here, the language of 'deregulation' and a neoliberal offensive against organized labor is appropriate. Union membership has fallen more or less steadily for 40 years, and unions now represent less than 10 percent of the private sector labor force (e.g., Troy 1999).

At the same time, however, U.S. industrial relations has also been the site of innovations aimed at enlisting worker participation in various ‘employee involvement’ schemes, suggesting a somewhat more complex development than just a ‘return to the market.’ There has actually been a dual trend. Some companies are pursuing new ‘human relations/industrial relations’ (HR/IR) strategies that involve an intensification of cooperation with labor at the plant and company levels (either with or without unions), while others have simply sought to reimpose managerial unilateralism, often through intense conflicts with unions (Weinstein and Kochan 1995; Katz and Darbishire 1999). Examples of the latter include the highly publicized cases of Eastern Airlines, Caterpillar, Greyhound Bus Lines and Pittston Coal (Wever 1995, 7).

To make sense of the overall trend, it is useful to distinguish two aspects of employer strategies -- first with respect to coordinated bargaining (which was already more tenuous and incomplete than in the CMEs), and second with respect to labor at the plant level. In terms of coordination, the trend in the United States has been toward severing company and plant level bargaining from previous forms of coordination. Wage bargaining in the United States was never as centralized or encompassing as in many European countries, but it became even more decentralized since the 1980s with the breakdown of pattern bargaining in industries such as coal, steel, rubber, and transportation. Even in the automobile industry, coordination has declined significantly, as more and more firms are outside the pattern. Supplier firms have opted out in large numbers, Japanese transplants have resisted unionization, and even where union influence remains relatively strong, some of the more innovative contracts in the past two decades (e.g., Saturn) involve separate deals with the United Auto Workers, UAW. In other industries (e.g., trucking and coal mining), multi-employer bargaining has similarly declined, as companies have withdrawn from master agreements negotiated with the relevant union (Katz and Darbishire 1999, 28).

The changes at the shop-floor level have been equally dramatic. Since the 1970s, under growing pressure from international competition, American managers worked aggressively to reduce job classifications, renegotiate traditional work rules and seniority provisions, and reorganize production along more flexible lines. Such changes clashed directly with traditional union rights and structures, which is one reason why production reorganization was originally pioneered in the non-union sector (Kochan, Katz, and McKersie 1986). However, there are also a number of cases in which work reorganization was negotiated with unions. The most publicized examples were in the automobile industry, e.g., the GM-Toyota joint venture (NUMMI) in California and the Saturn project in Tennessee, where the UAW agreed to trade in traditional rights and controls for increased participation through other channels designed to encourage more consensual decision-making (Katz and Darbishire 1999, 41-42). Similarly successful examples of labor-management partnership at unionized workplaces were forged in the aerospace, communications, steel, electronics, and other industries as well. Companies that instituted such practices include Boeing, Bethlehem Steel, AT&T, NYNEX, BellSouth Telecommunications, Xerox, Corning, United Airlines, John Deere, and Levi-Strauss (see, e.g., Wever 1995, 5, 67, and 89ff).

In many other companies, however, the renegotiation of work rules provoked major industrial strife, fomented internal union conflict, and encouraged employers to pursue elaborate union avoidance strategies.[16] Many employer-created and dominated programs for worker participation have been specifically designed to sideline and replace unions by establishing alternative channels of communication between the workforce and management. This is the logic behind 'human resource management strategies' in non-union companies such as Hewlett-Packard, Proctor and Gamble, Eastman Kodak and Motorola (Katz and Darbishire 1999).

Clearly, the neoliberal trend in US industrial relations rests on a set of political and political-economic conditions -- shareholder value, short-term financing, restrictive labor law – that are biased against union organization and collective labor representation. A large number of the most innovative new programs to enlist workforce participation in improving quality and enhancing firm efficiency were either specifically designed to replace organized labor, or if negotiated with unions, involved a complete renegotiation of traditional union structures and rights. In line with a more segmentalist approach, the trend has been toward the destruction of coordinating capacities across firms (demise of pattern bargaining) along with innovations in

HR/IR that tie workers to internal labor markets and coopt them into company communities. Where unions have been party to these sorts of innovations, the deal has often been one in which they agree to co-administer more flexible internal labor markets in exchange for no layoff guarantees -- in other words, agreements that are very much in synch with segmentalist strategies (e.g., Weinstein and Kochan 1995, 16).

It should be noted that the U.S. labor movement has shown new signs of life in the past few years. Under the inspired leadership of John Sweeney, the AFL-CIO has made organization drives a focus of attention and effort. After years of setbacks, organized workers have scored some significant strike victories (UPS, Boeing, and Verizon), and launched important new initiatives (e.g., Justice for Janitors). These are trends worth watching, but at this writing it is doubtful that they will be sufficient to restore the U.S. labor movement to anything close to its previous stature and membership levels. Among other things, lasting success would almost certainly require significant reforms to existing labor law, the prospects for which are currently anything but bright.

Britain

As in the United States, the trend in British industrial relations in the last twenty years has been in the direction of deregulation in the sense of sharply declining union influence at all levels.

And here again, we can distinguish two trends -- the collapse of coordinated bargaining and the changing relationship between unions and employers at the plant level. The changes in Britain have in many ways been more dramatic, since British unions at their peak were better organized than in the United States and collective bargaining coverage much higher.[17]

In Britain, the collapse of traditional bargaining institutions was vigorously promoted by the Thatcher government which beginning in 1979 undertook a series of reforms that encouraged individualized bargaining between an employer and his or her employees while actively discouraging collective bargaining and labor representation through unions (Howell 1995, 1996, p. 516). Legislation under the Conservative governments of the 1980s and 1990s included measures that made it more difficult for unions to initiate industrial action and secure collective bargaining rights, and that eliminated completely previous mechanisms for extending the terms of agreements in unionized plants to other firms in the same sector (Dickens and Hall 1995; Undy et al. 1996).

Combined with changes in employer strategies due to the market forces cited at the outset, the legislative assault on organized labor helped bring about a broad and thoroughgoing shift toward deregulation. This is reflected in three related trends: the collapse of multi-employer bargaining, the rise of enterprise-level bargaining, and an overall shrinking of the number of workers covered by collective agreements of any sort. First, there has been a dramatic decline in Britain of multi-employer bargaining as employers have step-by-step dismantled what apparatus existed for the collective, joint regulation of the labor market. Fourteen major industry agreements were dismantled between 1985 and 1995 (Howell 1995, 161-62). More generally, whereas in 1980, 43 per cent of workplaces were involved in multi-employer bargaining, by 1998 this was down to 14 per cent (Cully et al. 1999, 228-29).[18]

The collapse of two-tier (usually industry or regional plus plant-level) bargaining has in some cases given way to single-enterprise agreements. Brown, Marginson and Walsh (1995, 137) report that 'by 1990 of the somewhat under five out of ten employees then covered by a collective agreement, for four in ten they were . . . single employer, but for only 1 in 10 were they multi-employer agreements.' They note that one of the advantages for employers of enterprise bargaining is that 'it allows employers to cultivate internal labour markets. When much skill acquisition is on the job and technological change is constant and incremental, there are advantages in having fluid job titles, predictable trajectories, and more stable internal salary structures' (1995, 138).

However, an even more pronounced trend is a decline in the number of workers who are covered by any kind of collective bargain. As employers' willingness and capacity to coordinate have disintegrated, so too have the coordinating capacities of unions suffered. In Britain there was an automaticity to union recognition embedded in industry-level bargaining, and so the demise of the latter has had disastrous effects on union coverage. The proportion of employees whose wages are set by collective bargaining with unions has fallen steadily, from 70 per cent in 1984 to 41 per cent by 1998 (Cully et al. 1999, 241-42).

The effects of these trends on union membership have been disastrous. The closed shop, once quite pervasive, is virtually gone, and a growing number of new companies have opted not to recognize unions in the first place (Howell 1995, 153, 162). Union membership plunged over the years of conservative rule, falling by 40 per cent, from over 13 million to 7.9 million workers (Howell 1999, 29).[19] In strong contrast to Sweden and Germany where employers are, as we have seen, deeply worried about industrial strife, British employers face a much more docile union movement. In Britain in the 1990s there were fewer stoppages and days lost than at any time since records began being kept at the end of the last century (Howell 1996, 517; see also Edwards 1995).

There have also been important changes in shop-floor institutions and practices, in both the (declining) union sector and beyond. Similar to the United States, work reorganization emerged in the 1970s and 1980s as a key point of conflict between unions and employers. In Britain, the structure of the unions has been a longstanding source of rigidity, and one reason employers prefer single union agreements is to eliminate craft-based multi-unionism. In such agreements, ‘a union agrees to complete flexibility in the use of labor, various forms of arbitration to prevent strikes, and the equivalent of a works council, in return for exclusive union recognition' (Howell 1995, 153). First introduced by Japanese firms in Britain, these arrangements have been copied by British firms, especially new ones. In fact, it appears that single unionism is virtually the only form of union recognition occurring in the past decade (Howell 1999, 38).[20] As Howell (1995, 153) summarizes: 'As an indicator of the trajectory of British industrial relations, it is now the case that newly created firms will almost never adopt traditional forms of collective bargaining, preferring either to forgo union recognition altogether or to opt for a single union agreement.' Compared to the United States, outright derecognition remains relatively rare in Britain, but partial derecognitions (i.e., derecognizing particular unions or categories of employee) are on the rise, and appear to be part of employer strategies to 'rationalize' plant-based labor representation. Sisson and Marginson (1995, 112), for example, report that 'almost one in five companies with over 1,000 employees reported that recognition for negotiating purposes had been partially or wholly withdrawn on their established sites.'

The kinds of employer-dominated worker involvement 'HR/IR' schemes that have flourished in the United States have not been as popular among British employers (Howell 1999, 39; also Sisson and Marginson 1995). However, against the backdrop of employers' need for stability and predictability at the plant level, it seems significant that shop steward presence has fallen off somewhat less than overall union membership (Millward et al. 1992, 117).[21] Even in cases of outright derecognition, employers have sometimes allowed stewards to retain some representation or consultation rights (*European Industrial Relations Review*, June 1994, 24). Geary (1995, 375) reports that case studies show that management often continues to rely on shop stewards to smooth the implementation of shop-floor changes (for example, work reorganization), and he cites examples in which ‘management had not sought, nor wished, to dismantle representative structures completely.’ As Terry (1995, 224) argues, one factor shoring up steward organization is that ‘for many employers, despite the adoption of “union free” approaches, no thoroughgoing alternative to steward based collective bargaining has been pursued. The basic infrastructure for wage and conditions bargaining remains intact in many areas.’ Apparently, even in the context of the massive attack on unions, British employers continue to believe that there are advantages to having labor representatives to consult and work with at the plant level (Sisson and Marginson 1995, 112). However, as Howell (1999, 39) notes, firms want a particular kind of bargaining partner: ‘The CBI [Confederation of British Industry] sees a continued role for shop stewards, but . . . a very limited role for trade unions external to the firm. This implies a preference, where unions do exist, for something akin to enterprise unions, though employers do not use the term.’

In sum, and very similar to the trajectory of change in the United States, the two most dominant trends in Britain have been (1) escape from all forms of union regulation, or where this is impossible or impractical (2) a strong preference for dealing with labor representatives that are cut off from national-level bargaining structures and with local unions that have been reorganized along unitary lines.

Responding to years of decline, British unions in the 1990s reversed their historic commitment to voluntarism and began clamoring for legislative changes to help them stanch the tide (Howell 1996, 535; also Dickens and Hall 1995, 295ff). Since coming to power, the new Labour government has delivered on several of its promised reforms, including a national minimum wage, British inclusion in the EU Social Charter, and a new Employment Relations Act that includes, among other things, a statutory right to union recognition. While certainly a far cry from the policies served up by the Conservatives, it is not yet clear whether these measures will turn things around for the British labor movement. As Chris Howell (2000, pp.27-28, 34) points out, New Labour has not shown much interest in restoring organized labor to its previous position in the political economy, and indeed many of the recent reforms reflect this, since they involve legal regulation through the state rather than collective regulation by unions.

The Cases compared: Convergence again?

In the LMEs, employers confronted the more turbulent markets of the 1980s and 1990s with a different set of opportunities and constraints. The opportunities to escape union regulation are many and they also appear to be quite irresistible to employers. King and Wood's (1999) argument -- that because employers in the LMEs lack strong coordinating capacities of their own, they prefer to deregulate relations with labor as well -- appears to be confirmed, for in the countries considered here we find strong tendencies to escape union regulation at all levels. Firms that compete on the basis of quality and reliability may seek to foster cooperative relations with their workforces. However, they are likely to do so in a radically different way from the CMEs -- through strategies that either attempt to sideline unions completely, or failing that, to renegotiate union structures and rights in such as way as to bring them in line with segmentalism (breakdown of pattern or industry-level bargaining; enterprise or single-union agreements in Britain; 'human resource management' strategies in the U.S.).

Conclusion: Beyond Equilibrium

This concluding section returns to the two issues flagged at the beginning of this chapter -- namely the alternative logic of employer strategies in the LMEs and the political dynamics that sustain non-market coordination in the CMEs.

First, in the LMEs there is ample evidence to support the claims of the deregulation literature, manifest in a widespread move to eliminate collective representation and restore 'managerial freedom.' At the same time, in the United States and Britain, we also find examples of employer initiatives that are designed to enlist worker involvement and to encourage shop-floor peace, sometimes through practices or concessions that do not fit the strict dictates of neoliberalism -- e.g., long-term employment guarantees and personnel policies that favor internal over external (i.e., hire and fire) flexibility. Such strategies recommend themselves in LMEs for the reasons that King and Wood (1999) point to, namely, that they do not require strong overarching institutions for non-market coordination. Indeed, such strategies constitute one way in which at least the largest firms can compensate for the labor market instabilities and collective action problems that a lack of coordination -- for example, in training -- can generate.

Firms in the U.S. and UK that have established innovative arrangements designed to promote cooperative relations at the plant or company level exhibit some similarities to core firms in the Japanese economy, and indeed many of them have been or less explicitly modeled on the Japanese example. The bias toward segmentalist strategies for labor market regulation that all these countries share helps to explain why Japan clusters with the LMEs on many dimensions -- highly segmented labor markets, low redistribution, limited labor strength at the national political level (Rueda and Pontusson 2000). At the same time, we know that these arrangements are both less pervasive in the large firm sector in the U.S. and UK than they are in Japan, and that they are also much less stable.[22] To explain this we need to consider the broader institutional context in which these arrangements are embedded. One important difference is that, in Japan, segmentalist strategies do not require a fundamental renegotiation of labor's traditional organization and strategies, for the obvious reason that the structure of Japanese unions already fits with (and historically, actually promoted) such strategies on the part of firms (Thelen and Kume 1999b).

While it seems clear that segmentalist strategies are not compatible with strong overarching unions, merely the absence of such unions does not suffice to produce stable segmentalism. Here our attention is drawn to other features of the Japanese political economy, features that explain why Japan is frequently classified as a CME in 'varieties of capitalism' research. First, the large firm sector in Japan has demonstrated a greater capacity for coordination, especially in wage bargaining, than that in the UK and the U.S. This is important, because as Swenson (2001) has pointed out, segmentalist strategies will not necessarily succeed without some coordination, at least among the segmentalists. Among other things, seniority-based wages only keep workers in place as long as other firms agree to hire workers only at entry-level wages. Second, long-term financing arrangements in Japan have shored up stable internal labor markets to the extent that they have allowed Japanese employers to go to extreme lengths to avoid reneging on lifetime employment guarantees (Kume 1998; Thelen and Kume 1999a). Operating on a shorter financial leash, employers in Britain and the United States have proven much more likely to respond to market downturns by laying off workers.[23] The general point is that plant-based cooperation between labor and employers itself often depends for its stability on collateral institutions (a degree of employer coordination, long term financing). Lacking these, American and British firms frequently revert to the default -- managerial unilateralism.

Second, my analysis of the CMEs shows that, compared to the LMEs, national-level collective bargaining institutions and joint (with labor) regulation of labor markets remains relatively strong. However, most contemporary analyses tend to attribute this stability either to institutional inertia, or to the functional benefits of continued coordination. The present analysis, by contrast, sees non-market coordination as a political process, a dynamic equilibrium that is premised on a particular set of power relations -- both within employer associations and between unions and employers. Historical analysis has shown that the process of centralization in Sweden was accomplished only when export sectors were able to prevail over and dominate sheltered industries within the employers' associations (Swenson 1989). And so it comes as no surprise that shifts in the balance of power -- brought about by the decline of LO-SAF hegemony and the rise of the public sector, above all -- resulted in a destabilization of traditional industrial relations institutions there (Iversen, this volume).

A similar story could be told for Germany, where historically industry-level bargaining had to prevail against a coalition that favored confederal bargaining led by the DGB (Pirker

1979), and where the leadership role played by the IG Metall has survived ongoing tensions through compromise with other industrial unions (above all, the Chemical workers union). On the employer side, associations like Gesamtmetall have always had to reconcile differences of interest among its extremely diverse membership base, something that as we have seen has become more difficult in recent years as a result of the often diverging opportunities that globalization affords to large versus small firms. The outcome of this internal struggle has enormous implications for the stability of traditional bargaining institutions. This is certainly clear to the actors involved, not least union leaders who understand very well that the strength and position of organized labor within the political economy requires continued coordination and unity on the employer side as well (*Frankfurter Allgemeine Zeitung*, April 6, 1995, *Ausburger Allegemeine Zeitung*, April 1, 1996).

From the foregoing analysis it also seems clear that labor's continued strength in the CMEs has been an especially important factor in sustaining non-market coordination in industrial relations. In Sweden and Germany, as we have seen, employers' heightened sensitivity to industrial conflict is what has brought them rushing back to the bargaining table with central unions, in an effort to maintain peace at the plant level. Employers' current vulnerability is in part the result of the way in which their competitive strategies in the market accommodated labor's (past) strength. This is what, over time, pushed them along the trajectory of the kind of high quality, high skill, high value-added production strategies that have now rendered them so dependent on labor's active cooperation on the shop floor (Streeck 1992, chap. 1). The 'labor power' dimension to their strategies is only dimly visible if we limit ourselves to a 'snapshot' of the situation in the 1990s (Pierson 1996). To take one aspect, the functional contribution of strong codetermination to economic success in these countries should not obscure the fact that, historically speaking, employers in both Germany and Sweden opposed the strengthening of labor's rights at the plant level. Now that they have organized their competitive strategies around these institutions, they find that they can scarcely do without them. We can see this as an equilibrium situation – employers' dependence on labor cooperation shores up the power of unions which in turn keeps employers focused on strategies that depend on labor cooperation. But if so, it is also clear that this is an equilibrium that is founded on a particular balance of power.

Summary

The trends in labor relations in the advanced industrial democracies sketched out above cannot be captured in the dichotomies that have served as benchmarks for much traditional theorizing -- stability versus breakdown, centralization versus decentralization. I have argued that the 'varieties of capitalism' approach elaborated in this volume provides a more reliable foundation for theorizing because it takes us beyond the formal structures to identify the quite different behavioral logics that characterize various political economies. The distinction between coordinated and liberal market economies, in particular, sheds light on the sources of resiliency in labor institutions in the CMEs as well as the fragility of traditional institutions in the LMEs. Despite important changes in some CMEs (in particular, Sweden and Denmark), wage bargaining has re-equilibrated at a rather centralized level (multi-industrial rather than national-confederal). While significant, these changes do not amount to a wholesale deregulation, or to the return of widespread employer unilateralism, as in the LMEs.

In this essay I have specifically focused on the interaction between national level institutional arrangements and plant-level bargaining, for in all cases this interaction is key to understanding sources of stability and trajectories of change. In the CMEs, where labor representatives at the plant level enjoy rather extensive participatory rights and are linked closely to strong overarching unions, employers' dependence on stability and cooperation at the firm level has helped to shore up coordination at higher levels. In the LMEs, by contrast, employer strategies at the firm level have brought them into conflict with traditional union structures and strategies at both the industry and plant levels. Here, employers have seized on the current permissive political and economic environment to eliminate union influence altogether, or to force a reconfiguration of industrial relations along lines that move them even further away from the coordinated market economies.

I have also argued that the varieties of capitalism literature needs to go beyond existing, somewhat functional, accounts to incorporate the political dynamics that sustain the contrasting trajectories of the two types of economies. In the case of the CMEs, recent developments have involved a renegotiation of the terms of coordination, more dramatic perhaps in Sweden than in Germany, but in both cases, placing new limits on the capacity of central unions to directly determine plant outcomes. In these cases, we can talk of a shifting balance within structures that still afford labor an important role at both the industry and plant levels. Not so in the LMEs, where recent developments signal a more fundamental renegotiation of labor s position at both levels and, indeed, in the political economy as a whole. In both Britain and the United States, the overall trend has been toward sharply reduced union influence and the question is not just how well organized labor will survive but also what kinds of unions will emerge from this process.

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[2] I have explored the implications of this at length elsewhere; see Thelen 1994.

[3] This distinction was very much inspired by and draws on the one made by Peter Swenson between 'solidaristic' versus 'segmentalist' strategies (Swenson 2001). I substitute the term collectivism for solidarism only because Swenson's definition of the latter is more specific and invokes some elements (e.g., the creation of labor market scarcity through institutions that set wages below the level at which the market will clear) that are not part of the argument I develop here.

[4] In addition to Swenson's characterization, see also the literature on dual labor markets and labor market segmentation, e.g., Doeringer and Piore 1971 and Edwards et al. 1975.

[5] *European Industrial Relations Review*, June 1994, p. 24, based on a survey of companies that had "derecognized" unions.

[6] For a full account of the strike, see Thelen 2000.

[7] *Handelsblatt*, December 19, 1996; *Tageszeitung*, December 19, 1996; *Wirtschaftswoche*, December 13, 1996; and *Süddeutsche Zeitung*, December 10, 1996.

[8] “Arbeitgeber lehnen eine Änderung des Tarifrechts ab,” *Frankfurter Allgemeine Zeitung*, January 27, 1998, p. 11.

[9] Arbeitsausschuß ‘Mitbestimmung und Tarifwesen’ 1997, p. 2.

[10] Pontusson and Swenson (1996) treat it as exemplary of broader trends (e.g., post-Fordism), while Wallerstein and Golden (2000) see it as exceptional.

[11] This account is based on interviews in 1998 and 1999 with representatives of Metall, VI, Almega, and LO.

[12] For instance, Ericsson attempted to strike a decentralized deal with the local chapter of the Union of Graduate Engineers (CF), but the national union prohibited its local from even engaging in negotiations, citing the commitment it had made to other unions to support industry-wide coordination.

[13] See *Dagens Nyheter*, June 1, 1996, A4, where the unions extended the invitation for employers to negotiate.

[14] The LO is quietly opposed to the agreement for the very reason that it precludes a

recentralization on the old terms, i.e., coordination among blue collar unions across all sectors.

[15] The Accords are summarized in detail in *European Industrial Relations Review*, September 1993, 15-19 and Locke and Baccaro 1999, esp. 247-48.

[16] And in the United States, ‘cooperative’ deals are often extorted from unions, as management pits different workforces against each other by promising to retain production sites where unions agree to the new arrangements. See, for example, Katz and Darbishire (1999, 28).

[17] In 1979, British unions organized 53 percent of the total working population, as against U.S. unions which peaked at 35 percent in the 1940s (Edwards et al. 1992, 31-32).

[18] These figures refer to workplaces with 25 or more employees. The picture is even more bleak if one singles out the private sector, where only 4 per cent of such workplaces engaged in multi-employer bargaining in 1998 (Cully et al. 1999, 229).

[19] Trade union membership appears to have stabilized, albeit at these low levels, since Labour took office.

[20] Unions have in some cases met this trend by coordinating their demands more closely and engaging in what is called ‘single table bargaining’ (Howell 1999, 54; see also Geary 1995, 375).

[21] Although of course the decline in union recognition reduces shop steward representation overall. Terry reports that while in 1984, a steward was present in 54 percent of all firms in the WIRS survey, by 1990, the figure was 38 percent (Terry 1995, 213).

[22] See Wever (1995) on the failure of these practices to diffuse widely, and Kochan and Weinstein (1995) on the high failure rate of many of the more innovative programs for employee involvement in the United States.

[23] For example, Xerox and Kodak, two companies with especially strong reputations for employment stability and long term commitments to their workforces, ultimately resorted to massive layoffs in the context of restructuring (Osterman et al. forthcoming, chap. 2, pp. 8-9).