

## I

**Introduction***Trajectories of European Industrial Relations*

As with most academic monographs, ours has both empirical and theoretical goals. The primary empirical goal is straightforward enough: to examine the evolution of industrial relations in Western Europe from the end of the 1970s up to the present. The time period is designed to capture the break in post-war political economy that began with the crisis of Fordist economic growth experienced by most advanced capitalist societies in the 1970s and to trace how national industrial relations systems have fared since. Our purpose is to evaluate the extent to which liberalization has taken hold of European industrial relations institutions. We undertake our examination through five detailed chapter-length country studies – of Britain, France, Germany, Italy and Sweden – and quantitative analysis of these five countries plus an additional seven Western European countries and three non-European ones. The book offers a comprehensive description and analysis of what has happened to the institutions that regulate the labor market and relations between employers, unions and states in Western Europe since the collapse of the long postwar boom.

We argue that liberalization in the realm of industrial relations is best understood as involving an expansion of employer discretion: greater influence and control on the part of individual employers over wage determination, hiring and firing and the organization of the workplace. Thus, liberalization should be evident in the reconstruction of industrial relations institutions to expand employer discretion. This is likely to include, but not be limited to, decentralization and individualization of bargaining, deregulation of the labor market and decollectivization, involving a decline in the strength, size, centralization and coverage of class organizations, primarily trade unions. We also argue that institutions are often quite plastic, in that the same institution can, under different circumstances, come to function in a quite different manner than in the past. Understood in this way, liberalization may also take place through the “conversion” (Streeck and Thelen 2005) of existing institutions from discretion-limiting

to discretion-enhancing. As such, evidence of liberalization can be found in changes in the form of institutions (the dismantling of existing institutions and the creation of new ones), in a greater ability on the part of employers to bypass or ignore institutions that limit their discretion and in changes to the manner in which existing institutions function.

Our country case studies, encompassing a wide range of types of political economy and including the largest economies in Western Europe, show a clear liberalizing trajectory from the end of the 1970s to the present. In all cases, employers had greater discretion over their firms and their workforces at the end of the period than at the start. While liberalization has taken place in different ways and at different speeds, and European political economies currently rest at different locations along a liberalizing trajectory, they all appear to be heading in the same direction. The most striking feature of our survey of industrial relations developments across Western Europe is not the range of national variation at either the start or the end of the roughly thirty-five-year period under investigation, but rather the transformation in industrial relations institutions that has taken place everywhere across that period. The landscape of industrial relations has changed in fundamental ways since the end of the 1970s, and everywhere in the same direction, involving an expansion of employer discretion.

Given our empirical findings, our theoretical concerns should come as no surprise. The primary theoretical goal of this book is to provide a critical examination of some of the central claims of comparative political economy (CPE), particularly those involving the role and resilience of national institutions in regulating and managing capitalist political economies. The field of CPE is one of the most intellectually vibrant within political science and comparative macrosociology, focusing upon the origins, trajectories and performance of national economic institutions in a comparative framework. CPE has long been dominated by theoretical approaches that emphasize three linked arguments. The first is the central, independent role of institutions themselves in mediating between structural economic change and the choices available to political-economic actors; institutions play an important role in insulating national political economies from common economic pressures (Hall and Taylor 1996; Steinmo, Thelen and Longstreth 1992). By institutions, scholars mean everything from a financial system to organizations such as unions or employer associations and widely accepted practices such as collective bargaining. Thus, institutions have provided middle range explanations for national differences.

The implication of a CPE that relies heavily upon institutional analysis has been a theory of change that emphasizes the role of history and of path-dependent effects (Pierson 2004). Thus, a second and related argument within CPE is that institutions encourage incrementalism and path dependence. Institutions are argued to be highly resilient and resistant to change, encouraging economic and political actors to defend existing institutions or to make

relatively minor changes along an existing path. This tendency was accentuated in the initial formulations of the Varieties of Capitalism approach (Hall and Soskice 2001b). Thus, institutions created in the quite distant past can continue to shape the behavior of actors in the present, and to make radical changes in the direction of a given political economy unlikely.

It follows, and this is a third linked argument, that the field of CPE has traditionally been hostile to the idea that the main institutions of advanced capitalist societies are undergoing similar transformations and becoming more alike. For at least the last thirty years, the field has been dominated by approaches and empirical studies that emphasize the enduring diversity and range of distinct national capitalisms. The resilience of institutions has been used to argue for continuing institutional heterogeneity in capitalist political economies, even in the face of heightened international economic constraints. Even when institutions have clearly undergone substantial change, the expectation of those working within the CPE field has tended to be that change will be shaped by local interests and nationally specific factors, so that there is no reason to anticipate common trajectories of change or common cross-national patterns; rather, the institutional landscape of advanced capitalist societies is likely to remain characterized by national diversity even in the face of powerful liberalizing pressures (Thelen 2014).

There are good and legitimate reasons for all this. Any common trajectory of capitalist political economies is likely to be hidden by the long periods of time involved, by the incremental nature of most institutional change, by differences in the timing of change over the last three decades or more, by a privileging of form over function in the analysis of institutions and by habits of mind and the sociology of knowledge production; most of us have made deep intellectual investments in understanding comparative (usually national) difference, and CPE has a laudable commitment to local knowledge. One can add that it derives also from the gradual displacement of capitalism – as opposed to markets – as an object of scholarly inquiry that has taken place within much of the social sciences, and with it the inability to make sense of transformational change across the advanced capitalist world. The simple reality is that contemporary analysis of political economy has been much better at explaining differences than identifying commonalities.

Our book builds upon recent work within the CPE field that has begun to contemplate the possibility of more radical, transformative institutional change (Campbell 2004; Hall and Thelen 2009; Streeck 2009; Streeck and Thelen 2005). The book takes issue with each of the core arguments of the field noted above, proposing instead (i) that institutions are heavily dependent upon the social, political and economic contexts within which they operate for the manner in which they function and the outcomes they generate: (ii) hence that institutions can change quite rapidly, both in form and in function; and (iii) that a careful examination of contemporary capitalist political economies reveals a

common liberalizing tendency in the trajectory of industrial relations institutions, as everywhere employer discretion has expanded and the balance of class power has shifted against labor.

The plan for the book is as follows. Chapter 2 lays out the theoretical argument of the book, examining the literature on institutional change as a starting point for rethinking the sources and mechanisms of change and the relationship between the balance of class power, the transformation in capitalist growth models, and the role of political–economic institutions. The chapter proceeds to elaborate a meaning of liberalization in the sphere of industrial relations as fundamentally involving an expansion of employer discretion, before outlining an understanding of institutional convergence as movement along the same trajectory rather than institutional identity. Chapter 3 provides a quantitative analysis of institutional change in industrial relations for twelve Western European countries. We also include in the analysis three additional liberal market economies (of which there are very few in Western Europe). The quantitative analysis indicates important elements of a common liberalizing trajectory, particularly with regard to trade union organization, industrial conflict and collective bargaining decentralization. Nonetheless, this analysis also demonstrates important continuing differences in institutional form. We argue that due to the limitations of available cross-country measures, large-*N* analysis is at best able to capture liberalization as change in institutional form but not liberalization as institutional conversion, and we make the case for detailed case studies and process tracing of institutional change.

There then follow five chapters, Chapters 4–8, each containing a detailed country case study. These 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. Together, they provide remarkable variation in institutional setup. Each country case follows a common outline, beginning with a stylized portrait of the industrial relations system at the end of the 1970s and of the extent to which institutions enabled or constrained employer discretion in wage setting, work organization and labor market regulation. The chapters then trace the process of institutional change over the subsequent thirty years, concluding with a stylized portrait of the industrial relations system in 2015. We pay particular attention to moments of crisis in industrial relations, when reform efforts multiplied, and to the relative roles of employers, unions and governments in the process of institutional reconstruction.

Chapter 9 provides a comparative analysis of the case study evidence, examining mechanisms of institutional change and the extent and form of liberalization in industrial relations. The chapter then proceeds to a discussion of the role of trade unions, employer organizations and states in institutional change. The case studies indicate both that employer organizations in practically every country underwent radicalization in the course of the 1980s and 1990s and

*Trajectories of European Industrial Relations*

5

were thus more willing to contemplate quite dramatic change, and that states – often thought of as largely passive or ineffective actors in the current period – were crucial players in creating the conditions for wide-ranging liberalization. Chapter 10 steps back from the quantitative and case study evidence to locate the liberalization of industrial relations within the broader framework of the collapse of Fordism, explaining how the crisis of institutions enabling the transmission of productivity increases into real wages and aggregate demand has led to the emergence of different post-Fordist growth models, all characterized by inherent instability.

We have each incurred substantial intellectual debts in the process of researching and writing this book. We are extremely grateful to colleagues who have read different portions of the manuscript and offered precious advice. They include Kerstin Ahlberg, Conor Cradden, Colin Crouch, Frank Dobbin, Marc Blecher, Pepper Culpepper, Steve Crowley, Christian Dufour, Martin Höpner, Christian Ibsen, Anders Kjellberg, Michel Lallement, Marc Lenormand, Olivier Mériaux, Sofia Murhem, Tommy Öberg, Jan Ottosson, Markus Pettersson, Jonas Pontusson, Damian Raess, Veli-Pekka Säikkälä, Tobias Schulze-Cleven, Marco Simoni, Fritz Scharpf, Wolfgang Streeck, Kathy Thelen and Mark Vail.

Lucio Baccaro would like to thank in particular Chiara Benassi and Jonas Pontusson for joint work that has inspired (and in the case of Chiara contributed to) parts of the manuscript, and his wife Cosetta for putting up with him throughout the process. Chris Howell would like to thank the countless trade unionists and researchers who have read draft chapters, offered invaluable feedback and taken time to help with this research, and especially Rebecca Givan for collaborative work that helped develop some of the early ideas that inspired this book.