

INTERNATIONAL AND COMPARATIVE EMPLOYMENT RELATIONS

NATIONAL REGULATION, GLOBAL CHANGES

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CHAPTER 1

Introduction: An internationally comparative approach to employment relations

Nick Wailes, Chris F. Wright, Greg J. Bamber
and Russell D. Lansbury

We live in a period in which national economies have increasingly become interconnected. This is a form of *globalisation*. At least since the 1990s, international employment relations scholars have focused on how globalisation is reshaping employment relations across companies, sectors and countries. Events since the post-2007 global financial crisis have given a more urgent focus to this issue.

Historically, there have been significant differences in employment relations from country to country. These include differences in what it means to be an employee, how employees and employers are organised, how wages and conditions are set, the role of the state in structuring employment relationships, and who benefits—and who is excluded—from employment protections. Changes in the international economy have raised questions about whether such national differences are continuing or fundamentally changing.

Increased competition, often from emerging economies, has placed pressure on the traditional protections and benefits that employees in many developed economies have enjoyed. As the work of Thomas Piketty (2014) shows, the period since the 1980s has seen rising income inequality within countries as well as between countries. Some have argued that the erosion of employment protections, labour market institutions and trade unions in many countries has contributed to these outcomes (Kochan 2013; Jacobs & Meyers 2014). The rise of income inequality has been more acute in countries, such as

the United States (Chapter 3) and the United Kingdom (Chapter 2), where employment protections have been weakened to a greater extent. There has also been a dramatic growth of inequality in China (Chapter 12). Countries that have maintained stronger labour market protections, such as Denmark (Chapter 9) and Sweden, have also seen widening disparity in incomes since the 1980s, but have been relatively more successful in containing this trend (OECD 2011).¹

These developments might suggest that national employment relations institutions continue to play an important role in producing different outcomes between countries. However, the growing size and significance of international business institutions such as multinational enterprises (MNEs) and standardised production systems, often operating across national borders, have led some to conclude that the scope for national differences in how work is organised and governed has been eroded. Meanwhile, as the events of the post-2007 global financial crisis demonstrated, the increasing importance and interconnectedness of global financial markets have placed new and common pressures on governments and firms across countries.

These developments raise important questions. Are traditional forms of labour market regulation sustainable? Is it still possible for labour markets to produce equity and efficiency at the same time? Will unions continue to play an important role in helping to protect the interests of workers? Are new forms of representation developing, and will they be as effective? Will emerging economies develop similar employment relations institutions and outcomes to those that exist in developed economies? Do national institutions, actors and policy-makers still have the most important roles in shaping employment relations outcomes?

This book aims to provide readers with the background information and some of the conceptual tools they need to help answer these and many of the other employment relations-related questions raised by globalisation. The following chapters, written by leading experts on each country, provide a concise overview of employment relations in twelve countries. The book includes chapters on four English-speaking countries: the United Kingdom, the United States, Canada and Australia. It also has chapters on four Continental European countries—Italy, France, Germany and Denmark—and four Asian countries—Japan, South Korea, the People's Republic of China and India. China and India are the world's most populous countries, and in recent years they have come to play an increasingly important role in the international economy.

This chapter provides an introduction to the study of international and comparative employment relations. It discusses some of the benefits and the challenges of adopting an internationally

comparative approach. It also provides an overview of a conceptual framework known as the Varieties of Capitalism (VoC) approach, which has become increasingly influential across a number of fields of comparative research, including employment relations. The VoC approach provides a useful starting point for the international and comparative analysis of the impact of globalisation on employment relations.

WHY STUDY INTERNATIONAL AND COMPARATIVE EMPLOYMENT RELATIONS?

In this book, we are interested in the broad range of factors that shape the relationship between employers and employees, and the similarities and differences in these relationships over time and across countries. As Heery et al. (2008: 2) note, industrial relations (IR) scholarship traditionally has tended to focus on three aspects of the employment relationship: the parties to the employment relationship, the processes through which the employment relationship is governed, and the outcomes of these processes. IR has therefore concentrated on the formal and informal *institutions* of job regulation, including collective bargaining, unions, employers' associations and labour tribunals. Human resource management (HRM), on the other hand, has been focused more at the level of employing organisations, and is concerned with 'the effective overall management of an organisation's workforce in order to contribute to the achievement of desired objectives and goals' (Nankervis et al. 2011: 11). HRM has thus tended to concentrate on issues such as recruitment, selection, pay, performance and human resource (HR) development. Both perspectives are valuable for understanding the factors that shape the relationship between employers and employees, and therefore we adopt the term *employment relations* to encompass both IR and HRM. Where they are appropriate, however, the terms IR and HRM are also used in this book.

Although the study of employment relations focuses on the regulation of work, it must also take account of the wider economic and social influences on the relative power of capital and labour, and the interactions between employers, employees, their collective organisations and the state. A full understanding of employment relations requires an interdisciplinary approach that uses analytical tools drawn from several academic fields, including accounting, economics, history, law, politics, psychology, sociology and other elements of management studies.

Adopting an *internationally comparative approach* to employment relations requires not only insights from several disciplines, but also knowledge of different national contexts. Some scholars

distinguish between *comparative* and *international* studies in this field. Comparative employment relations may involve describing and systematically analysing institutions, processes and outcomes in two or more countries. By contrast, international employment relations involves exploring institutions and phenomena that cross national boundaries, such as the labour market roles and behaviour of inter-governmental organisations, MNEs and unions (Bean 1994). This is a useful distinction, but again we incline towards a broader perspective whereby *international* and *comparative* employment relations includes a range of studies that traverse boundaries between countries. This book therefore emphasises an internationally comparative approach, combining comparative and international approaches to the subject.

There are several reasons why it is beneficial to study internationally comparative employment relations. First, this area can contribute to our knowledge of employment relations in different countries. One of the consequences of globalisation, with increased levels of cross-border trade and investment, is that IR and HR professionals often need knowledge about employment relations practices in more than one country (Strauss 1998).

A second benefit of the internationally comparative study of employment relations is that other countries may provide models for policy-makers, managers and workers. At various times over the past 50 years, aspects of employment relations in the United States, Sweden, Japan and Germany have been seen as models to emulate. One reason for including Denmark in this book is that its system of *flexicurity* has been seen by some as a potential model for other developed market economies. The relevance of different national models to policy-makers explains why other disciplines have taken an interest in employment relations. For example, political scientists have long been interested in the ways in which employers and employees are organised, which are widely seen as relevant for national politics and policy outcomes (Locke & Thelen 1995; Thelen 2014). Some economists have focused on the role that labour market institutions play in explaining differences in aggregate economic performance (Freeman 2008: 640).

The third, and perhaps the most important, reason for the internationally comparative study of employment relations is its potential to provide theoretical insight into the factors and variables that shape the relationships between employers and employees (Bean 1994). Both IR and HRM, as fields of study, can be criticised as overly descriptive and for their apparent inability to develop causal explanations of relevant phenomena (e.g. see Barbash & Barbash 1989; Sisson 1994; Kelly

1998). This view was expressed in John Dunlop's (1958: vi) famous observation that

the field of industrial relations today may best be described in the words of Julian Huxley: 'Mountains of facts have been piled on the plains of human ignorance . . . the result is a glut of new material. Great piles of facts are lying around unutilised, or utilised only in an occasional and partial manner'. Facts have outrun ideas. Integrating theory has lagged far behind expanding experience. The many worlds of industrial relations have been changing more rapidly than the ideas to interpret, to explain and determine them.

While this tendency towards description has also been noted in comparative employment relations (Clark et al. 1999; Schuler et al. 2002), comparative research offers significant potential for theoretical development by helping us to establish causal inferences (Shalev 1980; Bean 1994; Strauss 1998). This is because comparison requires the abstraction of concepts from particular contexts. As Kochan (1998: 41) puts it:

Each national system carries with it certain historical patterns of development and features that restrict the range of variation on critical variables such as culture, ideology, and institutional structures which affect how individual actors respond to similar changes in their external environments. Taking an international perspective broadens the range of comparisons available on these and other variables and increases the chances of discovering the systematic variations needed to produce new theoretical insights and explanations.

WHAT AND HOW TO COMPARE

While an internationally comparative approach may provide the basis for establishing causal inferences in employment relations research, the act of comparison itself does not necessarily ensure this outcome. One of the challenges of comparative studies is the choice of 'what' and 'how' to compare.

The lack of a common language and terminology may create confusion in comparative analysis. As Blanpain (2014: 17) points out, 'identical words in different languages may have different meanings, while the corresponding terms may embrace wholly different realities'. He notes, for example, that the term 'arbitration' (or *arbitrage* in French), which usually means a binding decision by an impartial third party, can also signify a recommendation by a government conciliator

to the conflicting parties. In India, the term ‘adjudication’ is used for a compulsory form of arbitration, while the term ‘arbitration’ is used only to refer to a voluntary form of arbitration (see Chapter 13).

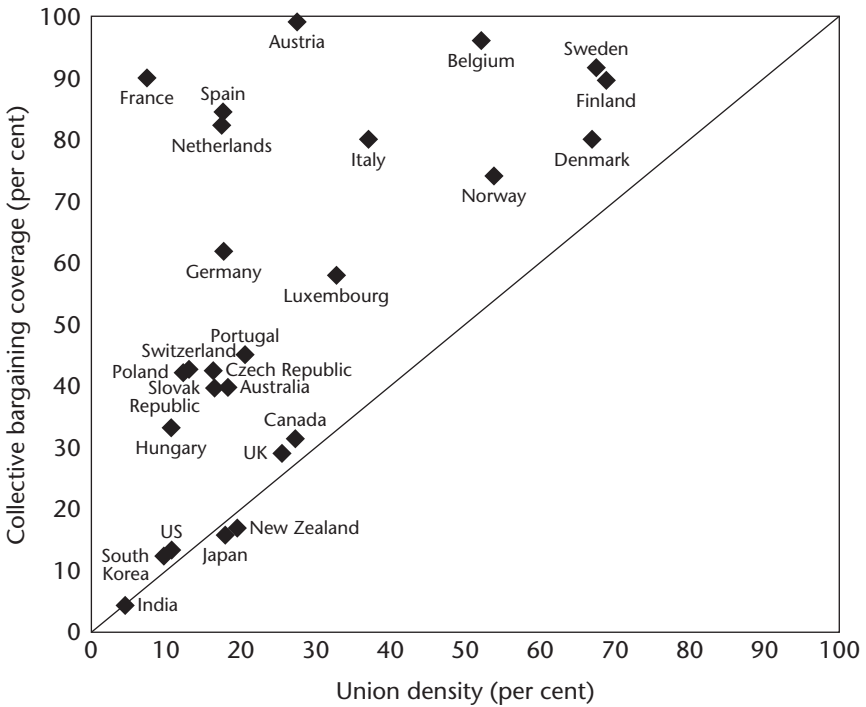
There can also be difficulties in distinguishing between the law and the actual practice. For example, while Australia formally practised ‘compulsory arbitration’ from the beginning of the twentieth century until at least the mid-1990s, there was relatively little ‘compulsion’ in practice, and the arbitration tribunals have relied mainly on advice and persuasion (see Chapter 5).

The collection of comparative data also poses challenges for those studying this field. For example, definitions of industrial disputes differ significantly between countries. Conflicts of *rights* concern the interpretation of an *existing* contract or award, such as which pay grade applies to a particular individual or group of workers. However, conflicts of *interests* arise during collective bargaining about an apparently *new* demand or claim, such as for a general pay increase or a reduction in working hours. In practice, conflicts about interests are usually collective disputes. In the United States, Sweden and elsewhere, this distinction is important. In France, Italy and certain other countries, conflicts about rights are further divided into *individual* and *collective* disputes. The general intention is that different settlement procedures will apply to different types of disputes. In some countries, only conflicts of interests can lead to lawful strikes or other forms of sanctions, but conflicts of rights should be settled by a binding decision of a labour court or similar tribunal (Sheldon et al. 2014).

International agencies attempt to compile data, which can be helpful in terms of conducting comparative analysis. For example, Figure 1.1 offers an interesting comparison of levels of union density and collective bargaining coverage between economies, including most of those on which this book focuses. This gives an indication of broad differences between countries. However, as shown in the following chapters and summarised in Chapter 14, there is much diversity within national patterns of employment relations.

We should be cautious in interpreting comparative data such as that presented in Figure 1.1, since data validity, reliability, collection methods and definitions (e.g. of unions and collective bargaining) may vary between countries (see Bamber et al. 2004). It is difficult to collect genuinely comparable cross-national employment relations measures. Hence the contribution of comparative research based on empirical datasets and large-scale national surveys is limited. Whitfield and Strauss (1998) note the particular difficulties associated with the use of large national surveys in comparative research.

Figure 1.1 Comparative union density and collective bargaining coverage



Sources: Data from OECD (2014) and Eurofound (2014), except India is estimated.²

Many of the problems associated with comparative analysis relate to the difficulties of establishing *conceptual equivalence* when operationalising comparative research. Linden (1998) distinguishes between *phenomenal equivalence*—where identical measures are used for the same concept regardless of context—and *conceptual equivalence*—where different measures are used for the same concept to reflect differences in contexts. He argues that comparative analysis can proceed effectively only on the basis of conceptual equivalence.

In a similar vein, Locke and Thelen (1995: 340) suggest that there are problems associated with comparative analyses, which focus on the same issue across countries, because these studies ‘often assume that the same practice has the same meaning or valence across the various countries’. They argue instead for the use of *contextualised* comparisons that focus on different national ‘sticking points’ between employers and employees across countries. Thus, for example, they

show that whereas unions in the United States resisted the introduction of more flexible work arrangements during the 1980s and 1990s, German unions embraced work reorganisation because they saw it as a way of increasing skills. Locke and Thelen (1995) argue that this difference reflects the greater significance of job control for union power in the United States (see Chapter 3). For German unions, they argue, issues of working time and wage flexibility—particularly in the context of German reunification—were much more salient and became a source of contention between employers and employees (see Chapter 8).

Effective comparison therefore generally requires a good understanding of each different national context. Strauss (1998) draws attention to advantages to be gained from studying close pairs of countries with similar economies, cultures and historic traditions. This permits researchers to hold many characteristics constant and examine those that vary between countries. We can identify two different research designs that enhance the likelihood of establishing causal inferences from comparative research (Przeworski & Teune 1970; Skopcol & Somers 1980). The first, alluded to by Strauss (1980), is known as a *most similar case* research design, and involves the comparison of two or more cases that share common features but differ in certain key respects. There are a number of comparative employment relations studies that exploit similarities between countries to identify potential sources of variation. Rose and Chaison (2001), for example, examine differences in the pattern of union decline in the United States and Canada. Despite significant similarities between the countries, union decline has been more rapid and dramatic in the United States than in Canada. Rose and Chaison argue that this difference can be accounted for by differences in the legal systems, which make it easier for US employers to avoid unions, and by closer affiliation between unions and a left-of-centre political party in Canada. McLaughlin (2009) examines the relationship between national minimum wages (NMWs) and productivity in Denmark and New Zealand. While these are both small developed economies with relatively high national pay minima, there are significant institutional differences between the two. McLaughlin (343) shows that the productivity-enhancing effects of an NMW in Denmark are closely related to ‘high levels of government funding for training . . . [and] that coordination mechanisms between employers and unions at various levels of the economy play a pivotal role’. By contrast, the absence of equivalent funding and coordination mechanisms in New Zealand helps explain their limited contribution to productivity enhancement there. Thus, by focusing on two countries that share similar policies but have experienced different outcomes, McLaughlin’s analysis highlights the causal significance of institutional

and bargaining arrangements in shaping the relationship between minimum pay and productivity.

A second comparative research design is known as *most different case* comparison. As its name implies, this approach involves comparison of countries that differ in a number of important ways except for the phenomenon under study. While less common, most different case comparisons are just as likely to produce theoretical insights as most similar case comparisons. Doellgast (2008), for example, examines company-level variations in outcomes of collective negotiations over outsourcing. She does this by analysing the processes and outcomes of bargaining over outsourcing in six telecommunications companies—three in Germany and three in the United States. Her findings show that, despite differences in national employment relations institutions, there is considerable variation in outcomes within each country and that the success of unions in limiting the scale and scope of outsourcing depends largely on their ability to mobilise critical bargaining resources. In the United States, this involves mobilising external community and political support, while in Germany success rests on the ability of the union to establish effective internal coordination. Doellgast's (285) conclusion is that, despite the national context, 'unions can gain an independent voice in restructuring decisions through using traditional forms of bargaining power in innovative ways'. However, doing so requires 'considerable effort, [and] creative and organised political action'. Thus, despite significant differences between the two countries, she was able to identify a common factor (the ability of unions to mobilise bargaining resources) that helped explain differences in outcomes of negotiations about outsourcing within the two countries. Each of the country chapters provides an introduction to key features of employment relations that can help form the basis for this type of detailed comparison.

CONVERGENCE AND DIVERGENCE IN NATIONAL PATTERNS OF EMPLOYMENT RELATIONS

Since at least the 1960s, there has been debate about the extent to which national patterns of employment relations are either converging (becoming more similar) or diverging (moving further apart). The current debates about globalisation and employment relations echo previous ones.

The original *convergence* hypothesis was developed by Kerr and colleagues in their book *Industrialism and Industrial Man* (1960). Their core proposition is that there is a universal tendency for technological and market forces associated with industrialisation to push

national employment relations systems towards uniformity, or convergence. This conclusion is based on the view that there is a *logic of industrialism*, and that as more societies adopted industrial forms of production and organisation, this logic would create ‘common characteristics and imperatives’ across these societies. To accommodate these imperatives, Kerr et al. (1960: 384–92) assert that industrial societies had to develop a means of fostering consensus. It was argued that employment relations systems that embodied the ‘principles of pluralistic industrialism’ played a central role in establishing this consensus.

The convergence hypothesis, based on the logic of industrialism, was widely criticised. Some argued that this approach was *ideological* and *prescriptive*. *Industrialism and Industrial Man* was one of several books, including Daniel Bell’s (1962) *The End of Ideology* and W.W. Rostow’s (1960) *The Stages of Economic Growth*, written during the Cold War, that presented the American social, political and economic system as superior to Soviet communism and as a model for other countries to emulate. To this extent, the links drawn between industrialism and a particular set of social and political institutions were prescriptive. The implication was that countries needed to adopt social and political institutions like those of the United States to be able to benefit from modernisation and industrialism (Goldthorpe 1984).

Others accused Kerr and colleagues (1960) of *technological determinism*, arguing that even though there may have been strong pressures associated with industrialism and modernisation, this did not necessarily imply that there would be convergence on a single set of societal institutions (Cochrane 1976; Doeringer 1981; Piore 1981; Berger 1996: 2–4).

The criticisms of the convergence thesis were largely borne out by the empirical evidence. In the aftermath of the publication of Kerr et al.’s (1960) work, there was an increase in research that aimed to test the extent of convergence in employment relations systems. While some claimed to show evidence of convergence, as Katz and Darbishire (2000: 8) note:

the thrust of . . . much of the comparative industrial relations literature . . . was that there was wide and persistent variation in industrial relations across countries in part due to the influence of nationally specific institutional factors.

In the late 1970s and early 1980s, research suggested that, rather than converging, national patterns of employment relations were increasingly *diverging*. In an influential analysis, Goldthorpe (1984) identifies the development of two distinct national patterns of employment relations during this period. He argues that some countries—such as Norway,

Austria, Germany and Sweden—attempted to increase economic growth and reduce inflation through *corporatist* policies that involved centralised negotiations between employers, unions and, in some cases, the state. In countries like the United Kingdom and the United States, by contrast, the labour market institutions (e.g. collective bargaining) were being undermined in an effort to eliminate perceived rigidities in the market. Goldthorpe (1984) argued that this was producing a *dualism* in employment relations in these countries, with the workforce separated into core and peripheral employees. The former may remain unionised and within the collective bargaining framework—albeit in a more decentralised mode—while the latter were employed under more individualistic work arrangements characterised by contractual forms of control.

The contemporary debate about globalisation and employment relations does not predict convergence on universal adoption of enterprise unions or widespread collective bargaining, as did Kerr et al. (1960). Rather, it suggests the erosion of these types of practices and a convergence on deregulated labour markets in the face of increased international competition (Baccaro & Howell 2011; Tilly 1995). Nonetheless, there are similarities in the logic that underpins the two arguments, and the same types of criticisms can be levelled at predictions of convergence based on globalisation. As some scholars have noted, there is a strongly *ideological* and *prescriptive* dimension to the contemporary depictions of globalisation. They have shown that the extent to which globalisation has created a completely integrated global market has been greatly exaggerated. In general, analyses of changes in the international economy suggest that, while the current form of globalisation is distinct and has significant impacts for national economies, there is little evidence to suggest that the global economy resembles the completely entwined and undifferentiated free market depicted by Friedman (2006), Fukuyama (1992) and others (e.g. Hirst & Thompson 1996; Wade 1996; Perraton et al. 1997).

Similarly, to the extent that globalisation has created common pressures, there is little evidence to suggest that governments, employers or employees have no alternatives available regarding how they choose to respond, as certain globalisation theorists imply (Garrett 1998). Evans (1997) argues that, rather than spelling the demise of the nation state, globalisation enhances the significance and importance of the nation state in creating and maintaining national competitiveness. Comparative employment relations research provides evidence of divergent responses to globalisation. Thelen (2014), for example, holds that the system of embedded flexibilisation that has emerged in Scandinavian countries has made it easier for their employment relations systems

to adjust to the pressures of globalisation compared with other countries. For instance, in Denmark the state and the employment relations actors have responded to economic change by gradually adapting the pay regulation system from a centralised model to an encompassing set of local, industry and national bargaining structures (see Chapter 9). Thelen (2014) claims that this process has allowed core elements of the Danish employment relations model to survive, albeit in a modernised form, to a greater degree than in other countries such as Germany and the United States. Other employment relations research has highlighted the significance of national-level *institutional* variables in shaping how international economic pressures impact employment relations policies and outcomes (Godard 2004; Lansbury et al. 2006).

THE VARIETIES OF CAPITALISM APPROACH

Research suggests that there is a pattern to the diversity in responses to international economic change. We can identify similarities between groups of countries in terms of how they are impacted by changes in the international economy and distinguish between different types or varieties of market economies. These findings have produced what are broadly called *theories of capitalist diversity*.

As Deeg and Jackson (2007: 151–2) note, despite differences in how they classify diversity, these arguments share some features. First, they are based on the idea that the context within which economic actors operate impacts their decisions, and therefore the national institutional framework is important. Similarities in institutional frameworks across countries are likely to produce similarities in economic outcomes. Second, these theories accept that different forms of organising the economy will produce different forms of competitive advantages. Thus, for example, countries that lack institutions that encourage skill acquisition are unlikely to be able to be very competitive in sectors that require a consistent supply of highly skilled workers. Third, theories of capitalist diversity do not focus on particular institutions in isolation, but rather focus on how different aspects of the economy interact and complement each other.

The most influential and clearly articulated theory of capitalist diversity is Hall and Soskice's (2001) VoC approach, and this is the one mainly used in this book. In this section, we sketch the key features of this approach and then proceed to discuss its application to the comparative analysis of employment relations. In response to predictions that globalisation would produce similar outcomes in different countries, Hall and Soskice reject the notion that there is one best way to organise a market society, and point to the role of institutional arrangements in

shaping how market societies function. Hall and Soskice (2001: 6–9) argue that, in market economies, firms are faced with a series of coordination problems, both internally and externally. They focus on five spheres of coordination that firms must address:

- IR
- vocational training and education
- corporate governance
- inter-firm relations, and
- relations with their own employees.

Hall and Soskice identify two institutional equilibria ('ideal types') that resolve these coordination problems and produce superior economic outcomes. The first variety they call *liberal market economies* (LMEs). LMEs are characterised by institutional arrangements that encourage firms to resolve coordination problems through the use of market mechanisms and hierarchies. LMEs are therefore more likely to be characterised by, among other things:

- well-developed capital markets
- 'outsider' forms of corporate governance³
- market-based forms of employment relations, with limited long-term commitments by employers to workers, and
- the use of market mechanisms and contracts to coordinate their relations with supplier and buyer firms.

The United States is the prime exemplar of an LME, but the literature also often includes the United Kingdom, Australia, New Zealand, Canada and Ireland in this category.

The second variety of capitalism that Hall and Soskice identify, *coordinated market economies* (CMEs), includes countries in which the institutional matrix allows firms to make greater use of non-market mechanisms to resolve coordination problems. Compared with LMEs, CMEs are more likely to be characterised by:

- 'patient' forms of capital or investments
- 'insider' forms of corporate governance⁴
- employment relations systems based on bargaining, and which reflect a longer term commitment to employees, and
- the use of non-market mechanisms, such as industry associations, to coordinate relations between firms within and across industries and sectors.

Germany is seen as the prime exemplar of a CME, but the literature also often includes other European countries such as Austria, Sweden

and Denmark, as well as Japan and sometimes South Korea, in this category.

Central to Hall and Soskice's (2001) argument, and the identification of distinct varieties of capitalism, is the concept of *institutional complementarities*. In the VoC model, institutional complementary refers to two related but separate effects. First, institutions are complementary to the extent that one enhances the effectiveness of another. Thus, for example, a cohesive industry association may enhance the economic efficiency of industry-wide collective bargaining. In this sense, institutional complementarity helps explain why two contrasting institutional configurations, LMEs and CMEs, are both able to produce good economic outcomes.

The idea of institutional complementarity also relates to the tendency of institutional arrangements to converge on one or other institutional equilibrium over time. Hall and Soskice (2001: 18) argue that 'nations with a particular type of coordination in one sphere in the economy should tend to develop complementary practices in other spheres as well' (see also Amable 2003: 54–66). For instance, the VoC model suggests that, in countries characterised by well-developed capital markets and outsider forms of corporate governance, it is difficult to sustain employment relations practices that imply a long-term commitment to employees. In due course, there are likely to be pressures for the adoption of more market-based forms of employment relations to align practices with the more short-term interests of owners. Gospel and Pendleton (2005) demonstrate that there appear to be close relationships between forms of firm financing and labour management practices.

There is some evidence to support this notion of institutional complementarity, particularly in relation to the link between corporate governance and employment relations. Hall and Gingerich (2009), for example, estimate the impact of complementarities in employment relations and corporate governance on economic growth, drawing on measures of shareholder power, dispersion of control, size of the stock market, level and degree of wage coordination and labour turnover. Their results not only suggest that there is a strong degree of institutional congruence across countries (the higher the level of coordination in corporate governance factors, the higher the level of coordination in employment relations factors), but also provide strong empirical support to the notion that institutional alignment produces complementarities (each raises the returns to the other) (Höpner 2005).

The VoC framework is influential in comparative employment relations analysis. It has been used to help explain cross-national

similarities and differences in, among other things, the gendered nature of labour markets, employee participation, job quality, vocational training systems and links between labour markets and immigration policies, collective bargaining and union membership density (Martin & Bamber 2004; Frege & Kelly 2004; Estevez-Abe 2006; Harcourt & Wood 2007; Lansbury & Wailes 2008; Bamber et al. 2010; Goergen et al. 2012; Wright 2012; Frege & Godard 2014). For instance, Figure 1.1 illustrates how levels of union density and collective bargaining coverage are generally lower in LMEs than in CMEs.

As Hamann and Kelly (2008) show, the VoC approach builds on a long tradition of employment relations scholarship that distinguishes between different groups or types of countries, but at the same time goes beyond this tradition to provide a clear explanation for why outcomes may differ in one set of countries compared with others.

There are features of the VoC approach that provide a useful framework for the internationally comparative analysis of employment relations in general, and an understanding of the impact of globalisation on national systems in particular. First, many of the coordination problems identified by scholars using the VoC framework relate to variables and issues that have long been a concern of employment relations scholars, including IR, skill development and relations between employers and employees.

Second, the VoC approach suggests that it is not possible to understand employment relations issues in isolation, and that comparative analysis should put changes in employment relations in a broader context. Consistent with comparative research traditions, the VoC approach has the added advantage of specifying a limited number of relevant variables. While some argue that the range of factors in the VoC approach is too limited (which is addressed below), one of the advantages of this approach is that it focuses comparative analysis on a few important issues.

One of the main implications of the VoC approach is that globalisation is likely to have different impacts on employment relations processes and outcomes in different varieties of capitalism (Hamann & Kelly 2008). Increased international competition is likely to create incentives for enterprises in LMEs to adopt more market-based employment relations practices, including decentralisation and individualisation of bargaining, individualised pay systems and more contingent forms of employment. Nonetheless, the institutional dynamics of CMEs suggest that increased international competition may reinforce, rather than undermine, the usual national forms of coordination between employers and employees. Thelen (2001, 2014), for example, argues that the

pressures associated with globalisation have reinforced rather than undermined the commitment of German manufacturing employers to industry-wide bargaining and works councils; however, this commitment is much weaker among employers in the emerging services sector.

The VoC approach also suggests that pursuing a neo-liberal employment relations agenda in CMEs has the potential to diminish, rather than enhance, economic competitiveness. For instance, Harcourt and Wood (2007) show how the erosion of employment protections in CMEs has undermined the effectiveness of the vocational training systems that play such an important role in making these economies internationally competitive.

It is also important to acknowledge some of the potential limitations and weaknesses of the VoC approach. These criticisms suggest that the approach needs to be modified if it is to provide a suitable framework for the comparative analysis of employment relations. One of the main criticisms of the VoC approach is that it does not contain enough variety (Allen 2004). The VoC focus is on only two varieties of capitalism—CMEs and LMEs—which has limitations. First, it narrows the range of countries to which the model can be applied. Hall and Soskice (2001: 21) acknowledge that at least six European countries—France, Italy, Spain, Portugal, Greece and Turkey—are difficult to accommodate in either the LME or the CME category, and they raise the prospect of a Mediterranean variety of capitalism. However, they do not fully develop this idea.

Second, the CME and LME categories are so large that the framework has the potential to ignore important differences between countries in the same variety. As the contributions to two books edited by Streeck and Yamamura (2001, 2003) demonstrate, while Japan and Germany are classified as examples of CMEs, there are important differences between them that are overlooked in the VoC approach. Jackson (2001), for example, shows that even though German and Japanese corporate governance arrangements produce similar outcomes, they differ in terms of both the institutional foundations on which they are based and the historical forces that shaped them. Thus, for example, in comparison with LMEs, employees in Japan and Germany have a greater role in corporate governance. However, in the German case, employees' corporate governance rights are contained in legislation, which is not the case in Japan.

If the VoC approach is to be more helpful for comparative analysis of employment relations, it is important to increase the number of varieties of capitalism to capture differences in the social organisation of market economies. Other comparative scholars have developed models that include more varieties of capitalism. Schmidt (2002), for example,

adds a third variety of capitalism to accommodate the statist tradition in France. Rhodes et al. (2007) argue for four varieties of capitalism, which they suggest make it possible to extend the model to Central and Eastern European countries. Wailes (2007) introduces the notion of an Asian market economy variety to capture some of the distinctive elements of the social organisation of capitalism—for instance, in Japan and South Korea. China and India have also followed their own distinct paths, which allow for a bigger role for the state in employment relations in comparison with developed economies. While China and India have sought to encourage high growth rates by liberalising economic policies, they have maintained a strong role for the state in social policy and to a large degree in employment relations policy.

A second feature of the VoC framework that has elicited criticism and debate relates to its apparent *determinism*. This is nicely captured by Crouch (2005: 1):

The main emphasis of the [VoC approach] . . . was that there was no single form of capitalism . . . But I was increasingly struck by the paradoxical determinism behind this ostensibly liberating message: There were two but only two viable forms of capitalism. Nation states possessed one of the other of these two, the institutions appropriate to which extended in a coherent way across a wide range of economic, political and social areas, determining their economic capacities over most products and types of production. And once a country had a particular set of such institutions, there was very little it could do to change it.

As Howell (2003) and others argue, the VoC approach leaves very little scope for agency, policy and conflict to shape social outcomes. This determinism, and the related difficulty that the VoC approach has in accounting for change, can partly be explained, since the VoC approach is based on *comparative statics*—the comparison of two cases at the same time—but it can also reflect assumptions about the path-dependent nature of social action that underpin the model (Deeg & Jackson 2007). This aspect of the VoC model is particularly problematic in the field of employment relations, where at different times conflict and change are very prevalent and play such an important role in shaping outcomes.

A third set of criticisms of the VoC approach focuses on the relative lack of attention the model gives to international factors. As Rhodes et al. (2007: 7) note, the VoC approach has a tendency to treat ‘nation-states as “hermetically sealed” and [to] neglect the linkages between them’. Hall and Soskice’s (2001) original VoC model seems to infer that economies are relatively closed, so that institutions have homogeneous

effects within national boundaries. As a result, the VoC approach tends to downplay or ignore the role played by international factors, other than the competitive pressures associated with economic globalisation. The role of international factors such as international institutions and MNEs in shaping national employment relations outcomes is exemplified in several of the following chapters, and analysed in Chapter 14.

COMPARING NATIONAL EMPLOYMENT RELATIONS SYSTEMS

As mentioned at the beginning of the chapter, globalisation is having a profound influence on the way work is regulated around the world. In this chapter, we have argued that, if properly designed and conducted, comparative analysis has the potential not only to enhance our understanding of the world around us, but also to generate insights into the factors that shape employment relations outcomes in our own work situations, countries and regions. The following chapters provide some of the background information necessary for readers to start comparing employment relations across countries. They aim to facilitate comparison between similar countries and also comparisons between different types of economies.

While mindful of its limitations, we argue that the VoC approach provides a promising framework for the internationally comparative study of employment relations. The VoC approach—which examines the broader institutional context within which patterns of employment relations develop—can be used to help us to account for similarities and differences in national patterns of employment relations. The following chapters provide introductions to employment relations across a number of different varieties of capitalist economies. The countries included represent different forms of market economy (as shown in Table 1.1). Four (the United Kingdom, the United States, Canada and Australia) are LMEs and three (Germany, Denmark and Japan) can be seen as CMEs. There are chapters on five European economies, including two (Italy and France) that do not fit easily into either the LMEs or CMEs category. There are also chapters on four prominent Asian economies (Japan, South Korea, China and India). The range of countries considered should allow interested readers to assess whether there are systematic differences in employment relations patterns and outcomes across varieties of capitalism and the potential drivers of these outcomes. In the concluding chapter, we revisit the VoC approach in light of the evidence provided by the country chapters and re-examine the question of how globalisation is reshaping the world of work.

Table 1.1 Categories of economies included in this book

<i>Liberal market economies</i>	<i>Coordinated market economies</i>	<i>European developed economies</i>	<i>Asian developed economies</i>	<i>Asian emerging economies</i>
United States	Germany	United Kingdom	Japan	China
United Kingdom	Denmark	Italy	South Korea	India
Canada	Japan	France		
Australia		Germany		
		Denmark		

FURTHER READING

- Barbash, J. & Barbash, K. (eds) (1989) *Theories and Concepts in Comparative Industrial Relations*. Columbia, SC: University of South Carolina Press.
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- Katz, H.C. & Darbishire, O. (2000) *Converging Divergences: Worldwide Changes in Employment Systems*. Ithaca, NY: Cornell University Press.
- Kerr, C., Dunlop, J.T., Harbison, F.H. & Myers, C.A. (1960) *Industrialism and Industrial Man: The Problems of Labour and Management in Economic Growth*. Harmondsworth: Penguin.
- Thelen, K.A. (2014) *Varieties of Liberalization and the New Politics of Social Solidarity*. New York: Cambridge University Press.

USEFUL WEBSITES

- European Foundation for the Improvement of Living and Working Conditions (Eurofound): <<http://eurofound.europa.eu/about>>.
- European Industrial Relations Dictionary: <<http://eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary>>.
- European Observatory of Working Life: Industrial relations country profiles: <<http://eurofound.europa.eu/observatories/eurwork/comparative-information/industrial-relations-country-profiles>>.
- ILO: <www.ilo.org/global/lang-en/index.htm>.
- ILO's resources for researchers: <www.ilo.org/global/statistics-and-databases/research-and-databases/lang-en/index.htm>.
- International Labour and Employment Relations Association: <www.ilo.org/public/english/iira>.
- OECD work on inequality: <www.oecd.org/inequality.htm>.